

Ministry of Health and Population
Public Financial Management Strategic Framework
FY 2020/21-2024/25



MINISTRY OF HEALTH AND POPULATION
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Abbreviations

ABL	:	Audit Backlog
ACC	:	Audit Clearance Committee
AD	:	Administrative Division
AFHI	:	Autonomous Federal Health Institution
AFR	:	Audited Financial Report
AQ	:	Audit Query
AQCAP	:	Audit Query Clearance Action Plan
AQCEMC	:	Audit Queries Clearance Evaluation and Monitoring Committee
ASC	:	Audit Support Committee
BHS	:	Basic Health Services
BP	:	Business Plan
CAO	:	Chief Accounting Officer
CGAS	:	Computerised Government Accounting System
CoHA	:	Chart of Health Activities
DDA	:	Department of Drug Administration
DFID	:	UK Department for International Development
DoAA	:	Department of Ayurveda and Alternative Medicine
DoHS	:	Department of Health Services
DTCO	:	District Treasury Controller Office
e-AWPB	:	Electronic Annual Work Plan and Budget
e-CAPP	:	Electronic Consolidated Annual Procurement Plan
EDP	:	External Development Partners
F/S	:	Financial Statement
FAR	:	Financial Act and Regulation
FCGO	:	Financial Comptroller General Office
FHI	:	Federal Health Institution
FMH	:	Financial Management Handbook
FMIP	:	Financial Management Improvement Plan
FMIS	:	Financial Management Information System
FMR	:	Financial Monitoring Report
FPFAA	:	Financial Procedure and Fiscal Accountability Act (2076)
FY	:	Fiscal Year

GoN	: Government of Nepal
HI	: Health Institution
HIMS	: Health Information Management System
IA	: Internal Audit
IAFS	: Integrated Annual Financial Statement
IAHB	: Integrated Annual Health Budget
IAR	: Internal Audit Report
ICAN	: The Institute of Chartered Accountants of Nepal
ISMEC	: Irregularities Settlement Monitoring and Evaluation Committee
JFA	: Joint Financing Arrangement
LC	: Letter of Credit
LMBIS	: Line Ministry Budget Information System
M&E	: Monitoring and Evaluation
MoEAP	: Ministry of Economic Affairs and Planning
MoF	: Ministry of Finance
MoHP	: Ministry of Health and Population
MoSD	: Ministry of Social Development
MTEF	: Medium-term Expenditure Framework
NHP	: National Health Policy
NHSFMSF	: Nepal Health Sector Financial Management Strategic Framework
NHSPPSF	: Nepal Health Sector Public Procurement Strategy Framework
NHSSP	: Nepal Health Sector Support Project
NHTC	: National Health Training Centre
NPC	: National Planning Commission
NPR	: Nepalese Rupees
OAG	: Office of the Auditor General
PAC	: Public Accounts Committee
PACO	: Provincial Accounts Controller Office
PAR	: Preliminary Audit Report
PB	: Planning and Budgeting
PBGA	: Performance-based Grants Agreement
PEFA	: Public Expenditure and Financial Accountability Assessment
PFM	: Public Financial Management
PFMC	: Public Financial Management Committee

PLMBIS : Provincial Line Ministry Budget Information System
PMIS : Public Service Management Information System
PPA : Public Procurement Act
PPPC : Provincial Policy and Planning Commission
PPMD : Policy, Planning and Monitoring Division
RBF : Results-based Framework
RR : Risk Register
SDG : Sustainable Development Goal
SU : Spending Unit
SuTRA : Sub-National Treasury Regulatory Application
TABUCS : Transaction Accounting and Budget Control System

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

Public Financial Management (PFM) concerns the revenue mobilisation and public expenditure systems of the country. PFM has to ensure that resource mobilisation and utilisation, budgeting and programming, budget release and expenditure management, maintenance of accounts and preparation of financial statements for reporting are performed in a transparent, accountable and responsible manner, complying with the legal provisions of the country. The main objectives of PFM are to maintain good financial governance and make public service delivery efficient and effective through fulfilling legal provisions in revenue mobilisation, budget formulation and approval, budget release, budget implementation and reporting. Auditing is regarded as a tool for assessing financial good governance. An independent audit, carried out fairly, focusing on regularity, economy, efficiency, effectiveness and propriety, both evaluates and promotes accountability and transparency in financial administration: audits support financial good governance.

The three main dimensions of PFM are revenue or resource mobilisation, public debt, public expenditure and public accountability. Public Expenditure and Financial Accountability Assessment (PEFA) is a tool for measuring the performance of PFM and improving accountability. PEFA also functions as a framework tool to improve financial accountability and align External Development Partners (EDPs) with the country system. PEFA has 31 indicators¹ developed to evaluate financial performance. Of these, 28 are used to evaluate the performance and quality of PFM and three are related to EDPs' practices in providing aid to the recipient country. The objectives of PEFA are to maintain overall financial discipline, the strategic allocation of resources, and efficient and effective use of allocation in a transparent and accountable way; to improve service delivery (predictable cash position, delegation of resources, power etc.); and to minimise fiduciary risk (adverse Audit Queries (AQs), weak commitment of donors etc.).

The Constitution of Nepal provisioned financial procedures for all three tiers of government to implement the federal system and specified standards for financial discipline and accountability. To implement fiscal federalism, the Constitution provides a mandate to perform necessary acts to execute the powers assigned to all three tiers of government in the country. The Constitution has separate provision for financial procedures for federal, provincial and local governments and provides a constitutional guarantee in mobilising resources, fund management, public expenditure, accounting, internal control, reporting and auditing components of PFM.

The Government of Nepal (GoN) has recently enforced the Financial Procedures and Fiscal Accountability Act, 2019 (2076) (FPFAA) to regulate and manage the financial procedures of the federal government. This will ensure that the federal financial management system is transparent and accountable, maintain macroeconomic stability in the country and provide guidelines to provincial and local governments in financial management.

To achieve the third Sustainable Development Goal (SDG) – to ensure healthy lives and well-being for all by 2030 (2087) – the target should be internalised and localised in the planning and budgeting processes of all three tiers of government. In the federal structure, the planning and budgeting of all levels of government should be in accordance with the concurrent and single rights of the government. In order to achieve the target, it will be necessary to mobilise available resources both systematically and efficiently for sustainable and rational use. Additionally, the effect of the COVID-19 also needs to be considered while developing this plan. The COVID module in TABUCS would help capture the expenditures related to COVID.

¹ PEFA Handbook, Secretariat of Public Expenditure and Financial Accountability, Asar 2070, Page no. 6-8.

1.2 FINANCIAL POWER AT FEDERAL, PROVINCIAL AND LOCAL LEVEL

Article 59 of the Constitution of Nepal has assigned fiscal authority to the federal, provincial and local levels as follows:

- 1) The Federal, Provincial and Local levels shall make laws, make an annual budget, take decisions and formulate and implement policies and plans on any matters related to financial powers within their respective jurisdictions.
- 2) The Federal government may so make necessary policies, standards and laws on any of the matters enumerated in the Concurrent List and other areas of financial powers as to be applicable also to the Provinces. .
- 3) The Federal, Provincial, and Local levels shall make the budget of their respective levels, and the time for submission of budget by the Provinces and Local levels shall be as provided for in the Federal law.
- 4) The Federal, Provincial, and Local levels shall provide for the equitable distribution of benefits derived from the use of natural resources or development. Certain portions of such benefits shall be distributed, pursuant to law, in forms of royalty, services or goods to the project-affected regions and local communities.
- 5) If, in utilising natural resources, the local community desires to make investment therein, the Federal, Provincial and Local levels shall accord priority to such investment in such portion as provided by law based on the nature and size of such investment.
- 6) The GoN shall have the power to obtain foreign assistance and borrow loans. Such assistance or loans shall be so obtained or borrowed as to ensure the macroeconomic stability of the country.
- 7) Provisions relating to the management of budget deficits and other fiscal disciplines of the Federal, Provincial and Local levels shall be as provided for in the Federal law.

1.3 DISTRIBUTION OF SOURCES OF REVENUE

Article 60 of the Constitution states that sources of revenue shall be shared in the following manner:

- 1) The Federal, Provincial and Local levels may impose taxes on matters falling within their respective jurisdiction and collect revenue from these sources. Provided that provisions relating to the imposition of taxes and collection of revenue on matters that fall within the Concurrent List and on matters that are not included in the List of any level shall be as determined by the GoN.
- 2) The GoN shall make provisions for the equitable distribution of the collected revenue to the Federation, Province and Local level.
- 3) The amount of fiscal transfer receivable by the Provinces and Local levels shall be as recommended by the National Natural Resources and Fiscal Commission.
- 4) The GoN shall, based on the need of expenditure and revenue capacity, distribute fiscal equalisation grants to the Provinces and Local levels.
- 5) Each Province shall, in accordance with the Provincial law, distribute fiscal equalisation grants out of the grants received from the GoN and revenues collected from its sources, based on the need of expenditure and revenue capacity of its subordinate Local level.
- 6) Provisions relating to distribution of conditional grants, matching grants or special grants for other purposes to be provided by the GoN from the Federal Consolidated Fund shall be as provided for in Federal law.
- 7) Distribution of revenues between the Federal, Provincial and Local levels shall be made in a balanced and transparent manner.
- 8) A Federal Act on the distribution of revenues shall be made having regard to the national policies, national requirements, autonomy of the Provinces and Local levels, services to be rendered by the Province and the Local levels to the people and financial powers granted to them, capacity to

collect revenues, potentiality and use of revenues, assistance to be made in development works, reduction of regional imbalances, poverty and inequality, end of deprivation, and assistance to be made in the performance of contingent works and fulfilment of temporary needs.

1.4 RELATIONS BETWEEN FEDERAL, PROVINCIAL AND LOCAL LEVELS

Article 232 of the Constitution of Nepal on relations between federal, provincial and local levels states that ‘The relations between the Federal , Provincial , and Local levels shall be based on the principles of cooperation, co-existence and coordination; the GoN may, pursuant to this Constitution and the Federal Law, give necessary directions to any Provincial Council of Ministers on matters of national importance and on matters to be coordinated between the Provinces , and it shall be the duty of the concerned Province , Council of Ministers to abide by such directions, and GoN may, directly or through the Provincial Government, render necessary assistance to, and give necessary directives to, any Village Executive or Municipal Executive, pursuant to this Constitution and the Federal law. It shall be the duty of the Village Executive or Municipal Executive to abide by such directives’.

1.5 LIST OF POWERS RELATED TO FEDERAL, PROVINCIAL AND LOCAL LEVELS

Schedules 5–9 of the Constitution have provisioned the powers and concurrent powers of the federation, provinces and local levels. Each level of government will enact laws to implement sole power (Annex 5, 6 and 8) assigned to each respective level. Powers to be considered by both the federation and provinces are declared under the Concurrent List (Schedule 7); those that concern both provinces and the local levels (Schedule 9) shall be enforced in accordance with federal and provincial laws. It is the responsibility of all levels of government to provide high-quality health services that are easily available to all citizens. Details of the roles and responsibilities of the Ministry of Health and Population (MoHP) are provided in **Annex 2** of this framework.

1.6 ORGANISATIONAL STRUCTURE

At the federal level, under the MoHP, there are three Departments, 7 Centres, 7 Academies, 21 National Hospitals and 25 other entities. The institutions overseen at the provincial level are the Health Services Division of the Ministry of Social Development (MoSD), Health Directorates, Health Training Centres, Health Logistic Management Centres, District Health Offices, Provincial Hospitals, District Hospitals and District Ayurveda Centres. Likewise, at the local level, there are Health Sections in Palikas, local-level hospitals, Primary Health Care Centres, Health Posts, Ayurveda Aushadhalayas (clinics), Basic Health Care Centres and other health service units. The organisational structure² of the MoHP is presented in **Annex 1**.

1.7 CLASSIFICATION STANDARDS FOR HEALTH SERVICES TO BE PROVIDED AT FEDERAL, PROVINCIAL AND LOCAL LEVELS

In accordance with the Standards for Allocating and Classifying Development Programmes, 2076, issued by the National Planning Commission (NPC), health-related programmes shall be implemented as follows³:

Programmes implemented at federal level:

- Standards setting, regulation, coordination of health and population services
- Specialised health services and specialised regional hospitals
- Regulation and operation of national-level hospitals or hospitals established by special charter
- Regulation and setting of standards for vaccines, drugs and medical equipment for hospitals and laboratories
- Health insurance

² [www.mohp.gov.np, organisation](http://www.mohp.gov.np/organisation) structure

³ A brief Introduction and Progress Report of Ministry of Health and Population, Ministry of Health and Population Ram Shahpath, 2076 page No. 49.

- Epidemic control
- Surveys and situational analysis of migration

Programmes implemented at provincial level:

- Regional and sub-regional hospitals and Ayurveda Chikitsalaya (clinics)
- Operation of vaccines and medical equipment
- Coordination between the local-level health services
- Management of the provincial Health Information Management System (HIMS), capacity development and study

Programmes implemented at local level:

- Basic Health Services (BHS)
- Operation and management of Health Posts, Basic Health Care Centres, and local hospitals
- Creating awareness on prevention and promotion of curative health programmes regarding different diseases.

1.8 1.2 VISION, MISSION TARGET, OBJECTIVES AND STRATEGY OF MoHP

The Constitution of Nepal guarantees that every citizen shall have the right to free basic health care services from the State, that no one shall be deprived of emergency health services, and that every citizen shall have the right to get information about his or her medical treatment and shall have equal access to health services as a fundamental right. It is the responsibility of the State to continue to enhance necessary investment in the public health sector in order to make citizens healthy and to ensure easy, convenient and equal access for all to high-quality health services in a sustainable way. All three tiers of governments are implementing health programmes to provide health services to citizens as guided by relevant regulations and the National Health Policy, 2019 (NHP). The vision, mission and objectives of the NHP are as follows⁴:

- I. **Vision:** "Conscious (aware), and alert, citizen oriented to healthy and happy life".
- II. **Mission:** To ensure the fundamental rights of the citizen's health through cooperation and partnership with all stakeholders by maximum utilisation of available resources in effective way.
- III. **Goal:** To develop and expand a strong health system at federal level, to ensure access to public health services at the people's level, to access high-quality health services while developing and expanding all social-justice- and good-governance-based health systems for citizens of all classes.
- IV. **Objective:**
 - a) To create the opportunity for all citizens to enjoy the right to health provided by the Constitution.
 - b) To develop, expand and improve all types of health systems according to the federal structure.
 - c) To ensure easy access while improving the quality of services provided by health institutions of all levels.
 - d) Strengthening the social health protection system by including the most marginalised sections of society.
 - e) To promote multi-sectoral partnerships and cooperation and community participation with government, non-government and private sectors.
 - f) To transform profit-oriented health services into a service-oriented health service sector.

⁴ A brief Introduction and Progress Report of Ministry of Health and Population, Ministry of Health and Population Ram Shahpath, 2076 page No.1-2.

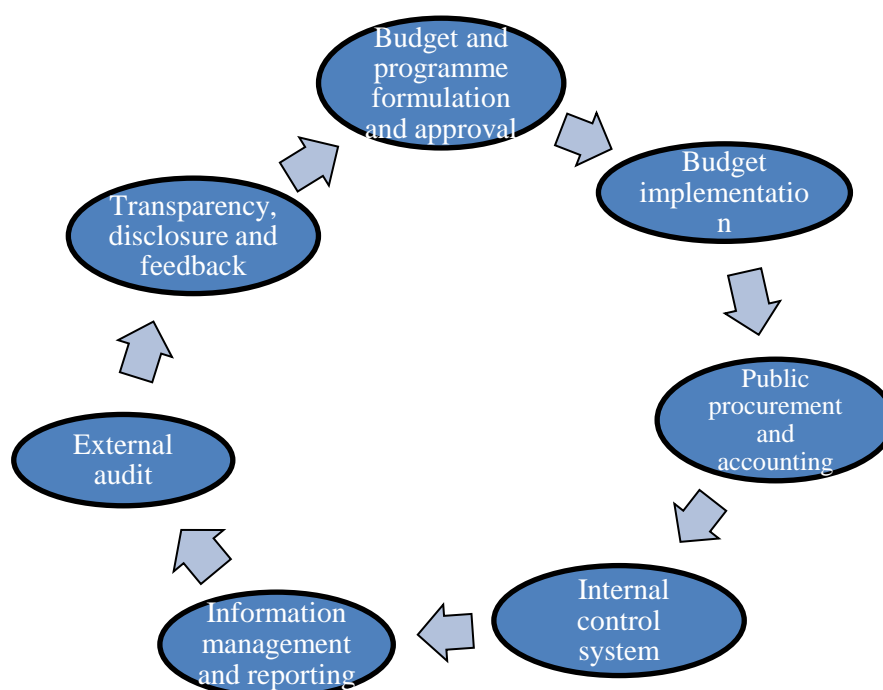
CHAPTER 2: PUBLIC FINANCIAL MANAGEMENT

2.1 BACKGROUND

The Constitution of Nepal has provisioned separate financial procedures for the federal, provincial and local levels. All three tiers of government have the powers to levy and collect tax as mentioned in the schedules of Constitution, manage consolidated funds and spend such funds, through separate financial procedures. Each level of government has formulated Acts related to financial procedures and public procurement for strengthened financial management. Those local levels that have not enacted separate laws in financial management follow the financial procedures as guided by the Local Government Operation Act, 2074, and Federal Financial Procedure Acts and rules.

The federal government enacted the FPFAA, 2019 (2076), which has detailed provisions on the management of consolidated and other government funds, budget formulation, budget release, accounting, reporting procedures, internal control, audit and other relevant activities of financial administration for maintaining macroeconomic stability through transparent, result-oriented and accountable financial management. This act directs governments to formulate and execute financial procedures in line with the FPFAA. The flow of elements of Financial Management are illustrated in Figure 1.

Figure 1 : Public Financial Management Cycle



Source: Self-generated

2.2 FORMULATION OF BUDGET AND PROGRAMME

Each level of government and its subordinate offices must formulate a budget and programme for the next year in order to obtain resources. The budget should be divided under economic expenditure heads, based on the approved "Integrated code for revenue and expenditure for all three tiers of governments", 2074. The budget and programme proposals shall be based on the objectives and targets of the periodic plan, Medium-term Expenditure Framework (MTEF) and the international commitments and annual plans and policies of the GoN. Budget proposals shall be based on the long-term vision, mission, target and objectives

and expected outputs. The budget proposal for the following year should track the progress of current year budget implementation. In formulating the health budget, intensity of disease, priority-based programmes, BHS, previous-year budget progress, demand from the field office, and local context must be included. Business Plans (BPs) are a helpful tool to ensure realistic budget formulation.

2.2.1 Budget and programme formulation at federal level:

The MoHP receives the budget ceiling and budget formulation guidelines from the Ministry of Finance (MoF) and NPC; the Policy, Planning and Monitoring Division (PPMD) of MoHP sends budget ceilings and budget formulation guidelines to the subordinate departments, central-level offices, national and specialised hospitals and other health entities. The MoHP finalises the budget proposals from subordinate offices through discussion of the rationale of activities with departments. The PPMD enters the activities with their proposed budgets into the Electronic Annual Work Plan and Budget (e-AWPB) and Line Ministries Budget Information System (LMBIS). The budget proposal of the MoHP is submitted to the MoF and NPC for discussion and finalisation of the ministerial budget. The budget formulation process begins from the third week of Magh each year and is completed in the fourth week of Baisakh. By constitutional provision, the federal-level budget shall be presented in the joint session of federal parliament on the 15th of Jestha each year. Before presenting the budget estimation to parliament, the Minister of Finance submits next year's budget policy to the Finance Committee and seeks suggestions. The Finance Minister presents progress on the current year's budget and the status report of public enterprises along with the budget estimation. The detailed budget timetable is provided in **Annex 4**.

2.2.2 Budget and programme formulation in provinces:

At the provincial level, health budget proposals are formulated in accordance with the guidelines by the Health Division of the MoSD and the Budget Ceiling from Policy and Planning Commission and the Ministry of Economic Affairs and Planning (MoEAP). The budget is drawn up taking into account the province periodic plan, project bank, MTEF and the rationale of the new programme. The MoSD shall provide finalised budget proposals for the next FY and forwards, with three-year expenditure projections, to the Province Policy and Planning Commission (PPC) and MoEA. The MoEA finalises the budget of the MoSD, including other ministries, and submits the budget estimation to the province assembly on Asar 1 each year. The detailed timetable of budgeting is provided in **Annex 5**.

2.2.3 Budget and programme formulation at local level:

At the local level, the programme and budget shall be formulated in compliance with the steps and limitations as laid out in the Local-level Programme Formulation Directives, 2075. The local executives shall deliver the budget proposal to the local assembly before Asar 10.

2.2.4 Role of the MoHP in conditional grants to local- and provincial-level budgeting:

At present, the MoHP identifies the activities and budget for the programmes implemented at provincial and local level and makes them available to the Federal MoF. The MoF allocates the budget as discussed with the MoHP as conditional grants to provinces and the local level.

2.2.5 MTEF:

The MTEF for the health sector for all three tiers of government is prepared in accordance with Clause 17(2) (ka to chha) of the Inter-Governmental Financial Management Transfer Act, 2074, and Schedule 6 of the Local-level Budget Formulation Directives, 2076. The MTEF is prepared with the expected outputs/targets of the programme and the estimated budget for the same. The MTEF includes health sector programmes with detailed activity indicators, targets, and estimated budget for three years, including funding sources and short programme descriptions.

2.2.6 Approval of budget and programme:

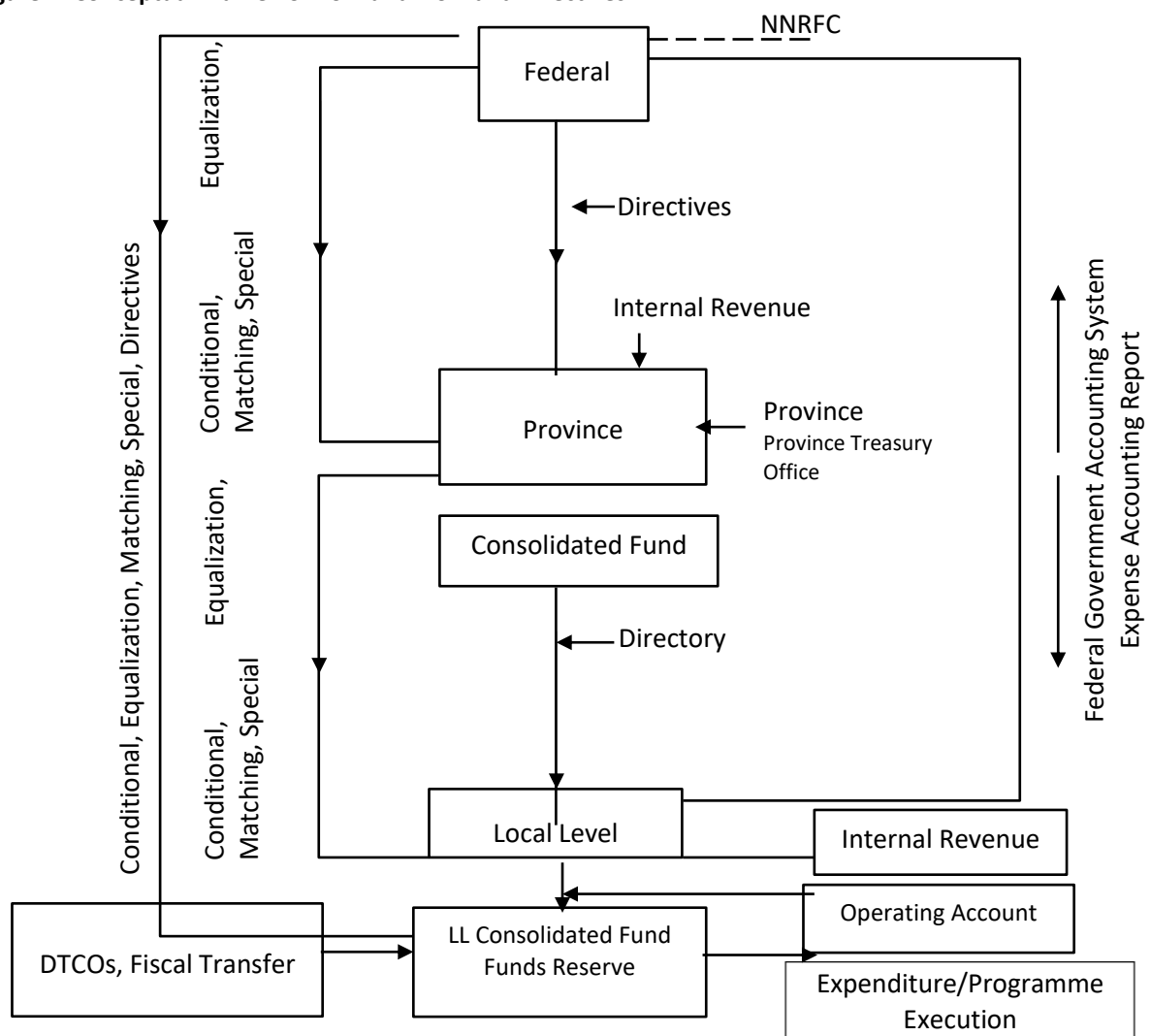
The federal parliament, provincial assembly and local assembly shall approve the budget. After approval of the budget, a budget authorisation letter shall be issued with detailed activities.

2.3 BUDGET IMPLEMENTATION

After approval of the federal budget, the MoF releases the LMBIS with a budget implementation note to the Chief Accounting Officers (CAOs) of line ministries. The MoHP consults with the MoF to finalise activities if the approved budget differs from that previously agreed. The District Treasury Controller Office (DTCO) transfers the first instalment of the conditional grant as a fiscal transfer to the local-level consolidated fund. DTCOs are automatically authorised to release the amount mentioned in LMBIS for the local level. Local- and provincial-level offices that are authorised to implement federal-level budget and programmes and other offices under the MoHP shall submit payment orders to the DTCO, complying with the procedures of Treasury Single Accounts (TSAs). The DTCO shall make payments against the budget head and maintain records.

At the provincial level, the MoEA releases the Provincial Line Ministry Budget Information System (PLMBIS) with provincial budget implementation notes to the CAO of the Provincial Ministry after approval of the provincial budget. The MoEA authorises the Province Accounts Controller Office (PACO) to transfer the grants to local-level consolidated funds, complying with the budget implementation note. The budget release for the provincial offices shall be made by provincial TSAs against the payment request from the officer charged to implement the provincial budget. Local levels shall use the Sub-national Treasury Regulatory Application (SuTRA) for planning and budgeting, accounting and reporting. The Chief of the local-level authority issues a budget authorisation to the Chief Administrative Officer to implement the budget.

Figure 2: Conceptual Framework of Fund Flow and Directives



2.4 PUBLIC PROCUREMENT AND ACCOUNTING

The officer charged with implementing the budget and programme shall follow the budget implementation schedules from the start of the FY. If the proposed budget is changed, the procurement plan, with cost estimates, and programme site with the budget proposal should be revisited. All budget-implementing offices shall follow the Public Procurement Act, 2063 (PPA) and Public Procurement Rules, 2064 in procuring goods, construction works and services for delivering services; provinces and local levels may formulate separate procurement rules not contradicting the PPA.

The MoHP and Federal Health Institutions (FHIs) shall use the Transaction Accounting and Budget Control System (TABUCS) in accounting and reporting. TABUCS is updated with the Integrated Economic Codes and Explanation, 2074, for all three levels of governments and accounting formats approved by the Office of the Auditor General (OAG). The budget-implementing entity can generate financial reports as required to the level of charts of activities through TABUCS.

The MoF has decided to use SuTRA for planning and budgeting, accounting and reporting at the local level. In this application, the information from LMBIS can be migrated to SuTRA. The MoHP may trace the actual progress of conditional grants asking for access to the central application at the Financial Comptroller General Office (FCGO).

2.5 INFORMATION AND REPORTING SYSTEM

During the phase of formulating and planning the annual budget, due consideration shall be provided in the financial information system. Evidence-based decision-making requires credible information to be recorded through a system of regular reporting. Monthly, quarterly and annual reporting from each Spending Unit (SU) is essential for compliance with legal provisions. Such reports may be used as an effective tool for internal control: the MoHP consistently uses TABUCS, HMIS, eLMIS, and LMBIS. Local levels shall provide quarterly and annual reports through SuTRA. In the federal office, Computerised Government Accounting System (CGAS) is used in accounting, LMBIS for budgeting, TSA and the Financial Management Information System (FMIS) for treasury administration.

2.6 INTERNAL CONTROL AND INTERNAL AUDIT

2.6.1 Internal control:

Internal control systems are developed and implemented by all levels of personnel. Internal control is concerned with the functioning of the public body to identify and properly address the operational risk in achieving its mission. An internal control system ensures the credibility of financial reporting and that the operation is economic, efficient, and effective with compliance. Internal control also ensures the safeguarding and mobilisation of properties and settlement of AQs by its offices or agencies and subordinate offices: internal control systems estimate the probable risk and provide measures to mitigate it. The MoHP should create an internal control system for its purpose, incorporating its constituent elements (control of environment, risk assessment, control of activities, information and communication and monitoring activities).

a) Internal control system

In accordance with Clause 31 of the FPFAA, the MoHP has to formulate an internal control system based on the framework of internal control developed by the FCGO. All offices of the three levels of government shall develop an internal control system for subordinate offices. The CAO, either personally or through the officer-designated next-most-senior, shall monitor or supervise whether the internal control system is effectively implemented.

b) Accounts and Internal Control Committee

In accordance with Clause 32 of the FPFAA, there shall be a five-member Accounts and Internal Committee under the convenorship of the Secretary of the MoHP or officer designated most-senior to implement internal control, Internal Audit (IA) and final audit in the ministry. The MoHP has formulated Internal Control Directives, 2075 for FHIs. The directives charted all possible risks and measures to mitigate them. The Internal Control Directives cover the roles and responsibilities of different positions, organisational structure, planning and budgeting, budget authorisation, carrying out financial transactions, public procurement, accounts operations, safeguarding the assets of the MoHP, reporting requirements, M&E and service delivery.

c) Internal control in provinces

In accordance with Clause 31 of FPFAA, each provincial ministry shall formulate and implement an internal control system based on the Internal Control Framework prepared by the FCGO. There shall be an Internal Control Committee under the convenorship of the Secretary of the Ministry, including a representative from the PACO. The Secretary or designated officer shall monitor and supervise the implementation of internal control. It is the duty of the MoSD Secretary to address any deficiencies in the monitoring report. The MoSD has arranged for subordinate offices to monitor and supervise the implementation of the internal control system.

d) Internal control at the local level

Local levels must develop an internal control system to mobilise resources in an economic, efficient and effective way and ensure that financial reporting is credible, complying with legal requirements as prescribed by Clause 78 of the Local Governance Operation Act, 2074. The internal control system shall detail the nature of tasks and any associated risk, identification of risk, control of environment, information, communication and M&E.

The monitoring and supervision of the internal control system shall be the duty of the Chief of the local-level authority. It shall be the duty of the Chair of local-level authority to address any deficiencies in the internal control monitoring report. Clause 78 mandates that local levels maintain transparency and accountability through public audit, social audit, and public hearings on service delivery.

2.6.2 Internal Audit:

a) IA at federal level

In accordance with Clause 33 of the Financial Procedures and Fiscal Accountability Act (2076), the IA of MoHP and subordinate offices shall be carried by the DTCO. The Office Chief must obtain the accounts for IA each trimester and clear any internal AQs before submitting the accounts for external audit. The DTCO shall issue an Internal Audit Report (IAR) within one month of completion of IA. Such reports shall be forwarded to the immediate controlling entity and the budget-authorising MoHP. The IA office shall maintain the records of AQs and their settlement. IA of Autonomous Federal Health Institutions (AFHIs) is completed by outsourcing to a member of the Institute of Chartered Accountants Nepal (ICAN) and is generally carried out at the end of each FY. There are some identified sub-activities for IA in a matrix described in chapter 4 (Activity No: 4.3).

b) IA in provincial and local-level Health Institutions (HIs)

In accordance with Clause 34 of the FPFAA, provincial and local-level bodies receive IAs to assess regularity, economy, efficiency and effectiveness. At provincial level, IA is conducted by the PACO; at local level, it is carried out by an internal auditor appointed for the purpose. Provinces and local levels shall settle internal AQs. Local levels must constitute an Accounts Committee to oversee action on the IAR. At provincial level, the PACO reports the status of IA and any action taken to the concerned Provincial Ministers. At the local level, an annual IAR is submitted to the Chief of the local-level authority.

c) Present status of IA

IA is carried out by the DTCO and DTCO (Provision Account Unit) respectively under federal and provincial offices at district level. However, IA of seven districts is carried out by the PACOs, which are provincial bodies situated in the provinces' headquarters. Registered auditors on contract carry out the IA of some federal hospitals. B.P. Koirala Health Sciences Academy has its own IA section.

2.7 EXTERNAL AUDIT (FINAL AUDIT)

In accordance with Article 241 of the Constitution of Nepal, the Auditor General of Nepal shall audit all government offices and fully owned AHIs, at all three levels of government. Following the Audit Act, 2075, the accounts of government entities shall be audited by the OAG. In general, the OAG conducts an on-site audit after completion of the FY. The OAG issues a Preliminary Audit Report (PAR) at the field office, asking for a response within 35 days⁵ of the report in accordance with the FPFAA. If the office fails to respond within 35 days, it must request an extension from the OAG, giving sufficient explanation. If the office fails to provide settlement of AQs raised in the PAR in time, the OAG will write to the CAO. The CAO has to respond to the OAG letter within the specified time. If the CAO fails to respond, the OAG will write to the Departmental Minister and include a note of correspondence in the annual report of the OAG. The OAG submits its annual report to the Right Honourable President, to be tabled in parliament through the Prime Minister. Provincial annual audit reports shall be presented to the Chief of each province. There is a provision of discussion at provincial PAC. Local-level annual audit reports shall to the Chief of each local-level authority. In its annual audit reports, the OAG recommends effective mobilisation of resources, to be used as a lesson learned for MoHP programming and budgeting.

The CAO (Secretary of the Federal Ministry) is responsible for responding to the OAG Annual Report with detailed documents as requested by the Public Accounts Committee (PAC). The CAO is to be present at parliamentary hearings on MoHP-related OAG observations and must implement the verdict of the PAC and report on the progress of implementation⁶. Following Clause 41 of the FPFAA, 2019, the CAO has to write to the OAG to delete audit observations in line with the verdict of the PAC.

2.8 TRANSPARENCY AND DISSEMINATION

Each office has to make public the budget and programme to be implemented in the next FY: this is necessary for effective M&E of programmes implemented at local, provincial and federal levels. To comply with the provisions of the Good Governance Operation Act, the annual programme and budget shall be made transparent through an appropriate medium.

2.9 INTEGRATION OF ALL FINANCIAL INFORMATION SYSTEM

FCGO will be integrating all financial information system including TABUCS, CGAS, LMBIS, FMIS, TSA and PMIS. It has already taken source code, technology, knowledge transfers and other necessities of TABUCS from MoHP. After the integration, it will be easy to access all financial information through one door. With approval of FCGO, it will also help capture data for NEPSAS report of MOHP from FCGO.

2.10 TRACKING PROVINCIAL AND LOCAL LEVEL TRANSACTION

At present, TABUCS only captures financial information for federal level. There is no uniformity in using software to capture provincial financial information. Some Provinces are using TABUCS and some are using other different software. SuTRA is being used for local levels. MoHP receives provincial and local level financial information in coordination with FCGO.

⁵ Financial Procedures and Fiscal Accountability Act 2019 (2076) Clause 37(1).

⁶ Financial Procedures and Fiscal Accountability Act 2019 (2076) Clause 41.

CHAPTER 3: STATUS OF PFM STRATEGIC REFORM

The MoHP has introduced many initiatives in PFM over the past several years. The Nepal Health Sector Financial Management Strategic Framework (NHSFMSF) will be a model example for other federal, provincial and local-level public entities. In spite of progress made, the MoHP needs to improve and augment the agenda for reform of PFM. Additionally, the effect of the COVID-19 also needs to be considered while developing this plan. The COVID-19 module in TABUCS would help capture the expenditures related to COVID.

This framework is basically prepared for federal MOHP and its spending units. This framework would be a guideline for provincial and local health authorities. Under a clause of the Local Governance Operation Act, 2074, it is a duty of local government authorities to implement the directives of the federal government concerning economic affairs, budget and programmes either directly or through the provinces. Local levels must enact any laws to implement their sole rights without contradicting federal laws. It is, therefore, expected that local-level authorities may frame their financial management strategic framework based on the NHSFMSF. The MoHP shall coordinate and assist the provinces and local levels in financial management reforms through MoSD.

3.1 REFORM IN PFM

3.1.1 Committee system:

The MoHP has constituted the Audit Committee, under the convenorship of the Secretary, and the Audit Support Committee (ASC), under the convenorship of the Division Chief of the Administrative Division, to implement effectively the External and Internal Audit Reports, and to enhance compliance and maintain fiscal discipline. All three departments (the Department of Health Services (DoHS), Department of Ayurveda and Alternative Medicine (DoAA), and Department of Drug Administration (DDA)) have ASCs to implement the audit reports of departments and subordinate offices. In addition to these committees, the MoHP has a Public Financial Management Committee (PFMC) under the convenorship of the PPMD Chief. The committee has representation from EDPs and meets to discuss the performance of the financial sector and to recommend guidelines for PFM reform in the MoHP.

3.1.2 Internal control directives:

As directed by Rule 95(1) of the Financial Procedure Rules, 2064, the MoHP prepared the Internal Control Directives, 2072. These directives prescribe the implementation of internal control in the ministry and subordinate offices with the purpose of: identifying the risk associated in the operational process of the ministry, and mitigating measures; performing assigned duties and activities with an economic, efficient and result-oriented approach; reducing fiduciary risk; and preparing credible financial statements to settle AQs raised in audit. The directives were updated in 2075 and implemented. The MoHP has taken the initiative to improve the Internal Control Directives for the ministry and its subordinate offices pursuant to Clause 31 of the FPFSA, 2019, (2076).

3.1.3 AQ Settlement Directives:

The MoHP has developed AQ Settlement Directives, 2070, to expedite the settlement and clearance of AQs and audit observations related to MoHP and its subordinate offices, raised by internal and external auditors. The directives provide detailed procedures for managing the audit reports.

3.1.4 IA (control) improvement plan:

The MoHP developed and implemented the Internal Control Improvement Plan, 2074. To monitor implementation progress on IA, the MoHP has developed a platform in TABUCS to record IARs, any action taken on the same and reporting. This accounting software is not employed at provincial and local levels: a platform to record IA in the accounting software used at these levels must be developed.

3.1.5 Procurement improvement plan:

The MoHP has developed an Electronic Consolidated Annual Procurement Plan (e-CAPP) to expedite service delivery from the MoHP through fair, transparent and competitive procurement of drugs and medical equipment. The MoHP has developed a mechanism for monitoring the preparation and implementation of procurement through TABUCS. In e-CAPP, there are detailed guidelines on preparing procurement plans, specifications of drugs and medical equipment and procedures of e-procurement. The MoHP has drafted a strategic framework for procurement, which is yet to be finalised.

3.1.6 Accounting application:

The MoHP has implemented the updated TABUCS application, which records budgeting and planning, accounting, reporting and monitoring of the implementation of Internal and External Audit Reports. The MoHP has provided training on the use of TABUCS through the National Health Training Centre (NHTC) to around 800 members of staff, including the Office In-charge, over the last seven years. It is effective in maintaining accounts, preparing financial statements and providing information for evidence-based and timely decision-making in the ministry. Integrated accounting software for all government sector offices is being developed by the FCGO. TABUCS will be modified to be compatible with the FCGO-developed software.

3.1.7 Record of unsettled AQs in TABUCS:

The details of unsettled AQs for 2060/61 to 2068/069 are uploaded into TABUCS. The MoHP will work out for remaining fiscal years. The process of uploading the details of the audit backlog and uncreated AQs from before FY 60/61 is in its final stage. It is now possible to monitor SU-wise unsettled AQs by the related Office In-charge, department and ministry. The MoHP is initiating the upload of audit reports and action taken upon the same in TABUCS for FY 2069/70 onwards.

3.2 GENERAL OBSERVATIONS OF THE OAG ON THE FINANCIAL MANAGEMENT OF THE MoHP

The OAG has pointed out the systematic and behavioural weaknesses in MoHP financial management. Health service delivery is affected, as associated risks are not managed: the Annual Audit Report draws attention to the MoHP's weak risk analysis and mitigating measures, the ineffective utilisation of high-value medical equipment and the lack of regular maintenance, and weak implementation of the audit report. In addition, the OAG has raised concerns about the effectiveness of reform initiatives undertaken by MoHP because of weak monitoring of their implementation.

3.3 STRENGTHS, WEAKNESSES, OPPORTUNITIES AND CHALLENGES IN PFM IN THE MoHP

3.3.1 Strengths of the MoHP in PFM:

The MoHP has implemented the updated TABUCS application in budgeting and planning, accounting and reporting in federal entities. The detailed charts of activities under the health budget can be migrated from LMBIS into the TABUCS application. This will facilitate budgeting and programming in continuing activities and processing such information. This application has been expanded to report audit management, procurement management and physical and financial progress. Internal Control Directives have been developed and are regularly updated for MoHP use. A committee has been formed in the MoHP to review and provide feedback on the implementation of internal control. The PFMC, with representation of EDPs, has provided support for the fulfilment of EDPS' requirements. ASCs in the MoHP and departments meet for regular monitoring of the implementation of audit reports. The percentage of AQs against the audited amount is in a decreasing trend.

The MoHP has categorised the activities, under different clusters, to be implemented in the health sector and is applying a similar approach in planning and budgeting. This is helpful in continuing activities under different health programmes and in data processing. The categorisation of activities may be modal at province and local level. The percentage of AQs was 7.01 percent for the audit of 2015/16 (2073/074) and was lowered to 4.77 percent⁷ for 2016/17 (2074/75). This shows an improvement in financial management.

3.3.2 Weaknesses of the MoHP in PFM:

- I. **Use of TABUCS:** Though federal offices under the MoHP have used the TABUCS application consistently for a long period, it is not used properly in central hospitals and health academies (Some hospitals have not been entering own income and expenditures in TABUCS). This has caused problems in determining the resources mobilised in health service delivery at the federal level. The transfer of accounts staff to and from other sectoral ministries necessitates frequent orientation programmes. Such orientation is not performed on a regular basis, which is a major constraint to the operation of TABUCS.
- II. **Implementation of the Internal Control Directives:** The monitoring of the enactment of internal control directives and the feedback system is irregular and weakly implemented.
- III. **Effectiveness of internal control:** The uploading of the IAR and action taken on the same is not regularly used. The IA of AFHIs is conducted at the end of each FY. This practice does not meet the intention of IA in AFHIs.
- IV. **Status of IA:** The OAG's 55th annual report⁸ stated that IA in GoN offices was not effective and that reform of the IA system was required for effective PFM of the GoN. The organisational structure of IA, conflict of interest act, timing of the IA, ability to execute IA, and IA supervision by the senior level are not as should be expected. Certain elements were not included in IA: lack of effective IA in a free and fair manner, queries related to non-performance in time, double payments, and noncompliance with regulations. In the absence of a timeframe for IA, mistakes made by management could not be corrected in time to make financial transactions and financial statements realistic. As a result of these issues, IA is ineffective: the accuracy and regularity of transactions have to be ensured in the final audit. Therefore, in order to complete IA in a timely manner, weaknesses in the accuracy and regularity of transactions and internal AQs should be settled before the final audit. An independent review⁹ of internal control and IA of MoHP for the UK Department of International Development (DFID) drew attention to the weak implementation of the internal control system in MoHP. The main points raised in the review were that IA was not carried out on time, there was no discussion of the IAR with management and there was a focus on detecting errors rather than suggesting preventive measures; it was recommended that risk and response mitigation measures be maintained and that links with succeeding years' budgeting be created. The FPFAA has emphasised the importance of IA with detailed provision on its scope.
- V. **Volume of external AQs:** The OAG's 55th annual report records AQs of NPR 1.18 billion (3.90%) for FY 2072/073 against an audit of NPR 30.33 billion; for FY 2073/2074, NPR 2.64 billion (7.01%) against NPR 37.67 billion; and for FY 2074/075, NPR 1.49 billion (4.77%) against 31.32 billion. The percentage of AQs is in decreasing trend; however, it is challenging to lower the percentage close to zero. The

⁷ 56th OAG Annual Report, 2075, Page No. 401 and 434.

⁸ 55th OAG Annual Report, 2074, (Substance) Point no. 194.1 and 194.2

⁹ Independent review of Internal Audit and Internal control in the Federal ministry of health and population 2019 March (Draft report)

MoHP has to clear the audit backlogs from the books of accounts related to 829 HIs, amounting NPR 1.01 billion for the years prior to FY 2074/075. These audit backlogs suggest an alarming element of financial disorder. There is no clear-cut rules and instructions to transfer the audit backlogs to provincial levels. Until there is no clear, instruction the responsibility will fully rest on MoHP.

- VI. **Response to PAR and settlement of AQs:** Responses to primary AQs should be submitted to the OAG within 35 days of receipt of the PAR with detailed supporting documentation of settlements. If the office fails to respond within the specified time, it has to request an extension. In accordance with the FPFSA, the OAG will provide an extension not exceeding one month. However, the record shows poor response to the PAR. The MoHP does not maintain records of AQs related to AFHIs. In FY 2072/2073, only 45 percent of offices responded to the PAR, with 56 percent responding in FY 2073/074 and 61 percent in 2074/2075. Of those AQs settled through response letters, AQs of NPR 1.50 billion related to 113 entities, while AQs of NPR 2.471 million related to 14 entities; the AQs included in annual OAG reports stand at NPR 1.50 billion. Out of these, unsettled advances account for NPR 930 million. The cumulative unsettled AQs up to FY 2074/75 amount to NPR 6.04 billion. Out of this figure, unsettled advances account for NPR 2.30 billion. This figure does not include AQs related to MOs from provinces, local levels and AFHIs.
- VII. **Trend of AQ settlement:** As a result of different reform initiatives, AQ clearance is in a decreasing trend. Annual reports from the Irregularities Settlement Evaluation and Monitoring Committee (ISEMC) shows the percentage of AQs settled by MoHP was 51.51 percent in 2072/073, 46.03 percent in 2073/2074, 41.1 percent in 2074/2075 and 41.6 percent in 2075/2076. It has been observed that the nature of unsettled AQs dating back several years is complex and documents to support such queries are unavailable.
- VIII. **Assets related to devolved offices:** In the process of the implementation of the federal structure, the regional, zonal and district offices under the MoHP were devolved to the provincial and local level; the GoN made a policy decision to transfer assets and other documents. The MoHP has not prepared a detailed record of handover and takeover of the transferred assets and other documents. In the absence of such records, there is a risk that the misuse of assets may rise.
- IX. **Mobilization of internal resources of AFHIs:** In addition to grants from the MoHP, all AFHIs mobilise internal resources as service fees, rent, interest, and donation out the buildings to the private sector in health service delivery. In general, AFHIs have to prepare comprehensive planning and budgeting, including MoHP grants and internal resources. In practice, AFHIs prepare separate budgets for internal resources and MoHP grants. The income and expenditure from internal resources are not properly disclosed. The MoHP, in normal reporting practice, is not in the position of knowing the resources mobilised by AFHIs in delivering health services.
- X. **Implementation of PFM decisions:** The PFMC does not meet every three months as prescribed: more than six months can elapse between meetings. The role of this committee in PFM has not been as effective as envisioned since it has not been regularly convened. Decisions to be implemented require the approval of the Secretary of MoHP. The Chief of the PPMD leads the PFMC; the Chief of the Administrative Division (AD), a member of the committee of the same rank, has had trouble in the committee's proceedings. The composition of the committee needs to be reformed: a 12th-level Chief Specialist (Secretary) will chair the committee; the Chiefs of the PPMD and AD, as members of the committee, will implement and take ownership of the committee's decisions, implementing the reform measures and introducing effective monitoring of committee decisions in the MoHP.
- XI. **Inadequate of capacity development:** Various types of training and workshop activities are conducted at government level, and technical and financial support is provided by EDPs for building the capacity of office heads and financial administration staff in PFM. However, a lack of coordination

and mutual discussion means that there is a risk that these efforts are duplicated or fail to develop the capacity of staff as desired. Although EDPs have occasionally coordinated with the MoHP to implement capacity development programmes for office and finance staff, such programmes are still in practice EDP-driven. The process of reforming PFM requires continuity and needs to increase the capacity for its implementation. The MoHP has to outsource regular tasks such as AQ settlement and use of accounting applications. The capacity development of staff associated with PFM is not a priority for the MoHP. The reform agenda is regarded as a one-time event and is not sustainable.

- XII. **Inadequate of M&E:** The Internal Control Directives have institutionalised the monitoring mechanism and monitoring forms have been designed to cover all information necessary for internal control. An internal control mechanism has been established to achieve the expected reforms in internal control. Field monitoring reports are not submitted regularly, while the recording of monitoring reports and feedback actions is not carried out consistently. In order for there to be a credible and effective monitoring system, the MoHP must activate the monitoring mechanism.

3.3.2 Challenges of PFM reform in the MoHP

- (1) **Difficulty in obtaining financial information from provincial and local levels:** The MoHP does not currently receive information related to expenditure and investment in the health sector made by provinces and local levels from their internal sources. Although both provinces and local-level authorities can use TABUCS, employed by the MoHP, local levels use SuTRA and provinces use different accounting applications. At present, there is no provision for posting the health-related PFM information in these other applications. TABUCS must be developed to be compatible with applications such as CGAS, SuTRA, and TSA. Obtaining information related to health PFM from the whole of government remains a challenge.
- (2) **Budget proposal and virement:** The FPFAA, FAR and Budget Formulation Guidelines have charted out the procedures on budget proposal. However, there is a tendency to propose budgets without complying with the basic criteria of the documents from the departmental level. In some circumstances, it has been proposed that new decisions on the health sector be taken without performing basic preparations for implementation. The MoHP is still proposing that its budget be increased incrementally rather than basing its budget on demand from frontline health service delivery entities. Such an approach would lead to weak budget spending in some sectors and pressure to transfer the budget in haphazard ways through virement. This is the most challenging aspect of PFM reform in the MoHP.
- (3) **External audit of accounts of direct payment from EDPs:** Annual reports from the OAG have drawn attention to the non-submission of documents supporting transactions related to direct payment from EDPs. These transactions concern different divisions and can be for huge amounts. The audit observation related to non-submission of books of accounts and supporting documents of on-budget off-treasury payments by EDPs for audit is raised against consolidated central-level financial statements; to settle such observations presents a challenge in clearing the audit backlog. To address the problem, the MoF, MoHP, EDPs, and OAG must develop a common understanding of a range of payments: off budget, on-budget off-treasury, and on-budget on-treasury, with partial direct payment from bilateral donor grants in the health sector. In the absence of such an understanding, it is difficult to minimise AOs. To overcome this challenge related to on-budget off-treasury expenditure, a special provision in the credit agreement with EDPs must be mentioned noting the consent of the OAG
- (4) **Compatibility of accounting applications:** The links between SuTRA, used by local levels, and the accounting applications used by provinces are insufficient. This presents a major challenge when retrieving data on PFM as data from different sources are not fully compatible.

To ensure the accountability of HIs under all three tiers of government, they must mobilise resources with economy, efficiently and effectively, complying with the legal provisions laid down in different laws. The MoHP requires a credible reporting system in financial management to measure accountability and to enable evidence-based decision-making. The non-linkage of the applications that record the required information and regular reporting systems is the major hindrance to effective PFM in the MoHP.

3.4 GAPS IN PFM

- i. Too many activities spreading lean and thin across the spectrum.
- ii. Lack of time-bound budget indentation practices resulting in weak qualitative budget spending
- iii. No timely updates in the accounting of budget spending and reporting
- iv. No updated report on use and maintenance of health equipment and other assets
- v. Weak feedback from M&E on the implementation of internal control system
- vi. Huge audit backlogs for preceding years related to different HIs
- vii. Non-addressing of PAR (external and internal audit system) in time
- viii. Poor compliance with legal provisions
- ix. Weak internal control on advance-based transactions
- x. There is a lack of transparency and disclosure on compliance of accountability.

3.5 OPPORTUNITIES IN PFM REFORMS

The implementation of the federal structure is an opportunity for PFM reforms in the health sector. The GoN, on the approval of the OAG, has developed and implemented the integrated economic classification of revenue and expenditure and accounting formats for all three levels of government. The accounting of the transactions is recorded in primary accounting formats with details of the budget head, economic codes of the transaction and activity codes of the activity in line with LMBIS. The use of accounting application in financial management will enable financial information provided through credible reporting to inform policy decisions.

Recognising the importance of PFM reform for the whole health sector, EDPs have provided logistical and technical assistance in enhancing PFM in the MoHP. Such continuous support from EDPs is also an opportunity for PFM reforms.

3.6 IDENTIFICATION OF AREAS FOR PFM REFORM IN MoHP

The Health Sector Strategy (2015–21) has urged the need for resources mobilised in the health sector to be used rationally. To strengthen financial management in the whole of the health sector, reforms in PFM should be implemented simultaneously in all three tiers of government. The Health Sector Strategy (2015–21) has identified the following nine areas¹⁰ for PFM reform:

- i. To develop the mechanism for regular financial reporting from all HIs
- ii. To enhance the predictability of health budget, including assistance from EDPs
- iii. To develop the mechanism for activity-based health service reporting of on-budget and off-budget financial transactions
- iv. To improve the budgeting and spending systems
- v. To strengthen the internal control system in the MoHP
- vi. To review the accounting, reporting, monitoring and internal auditing of AHIs

¹⁰ Nepal Health Sector Strategy, 2015-2020, Ministry of Health and Population, 2015 Page no, 35

- vii. To improve the financial reporting and IA procedures to control financial indiscipline
- viii. To get real-time information on the effective implantation of accounting and budget control systems through TABUCS
- ix. To develop integrated standards on budgeting and its operation procedures.

The MoHP has developed the Nepal Health Sector Public Procurement Strategic Framework (NHSPSPF) in order to improve the value for money of mobilised resources for the whole of the health sector. To strengthen the above-mentioned sectors, all tiers of governments must formulate and implement the PFM reforms with clear activities, timings and indications for measurement. A broad range of reports have recommended that the PFM Improvement Plan be framed and implemented in the MoHP, including fiduciary risk assessments of the Nepal health sector carried out by EDPs, especially DFID and the World Bank, the OAG's Annual Reports, and the 2015 PEFA of the GoN; the PFMC of the MoHP has echoed these recommendations.

3.7 STRATEGIC FRAMEWORK OF PUBLIC FINANCIAL MANAGEMENT REFORM

The Constitution of Nepal (2015) recognises the citizens' right to stay healthy as a fundamental human right. For this, the government seeks concerted and coordinated efforts of public and private service providers and other relevant stakeholders. The citizens' right to health is achieved through exploring suitable options to effectively and efficiently manage the available health resources; this also demands strategic cooperation. The three tiers of government are liable for health service delivery as enshrined in sole and concurrent rights in Schedules of the Constitution and unbundling decision of the duties by GoN in all three tiers of governments. Provinces and local-level authorities shall be encouraged to implement the strategic framework developed by the MoHP; it will provide modal guidelines to frame the strategy for health service delivery under their jurisdiction.

3.8 OBJECTIVES OF NHSFMSF

This strategy aims to minimise fiduciary risk through improvement of PFM in the MoHP to ensure universal coverage of high-quality health services. Nevertheless, as guided by the Health Policy, 2019, resources from EDPs will also be mobilised to enhance financial management in the MoHP. The specific objectives of the framework are as follows:

- i. To improve the budget formulation process to provide credible and comprehensive budget (integrated budget and expenditure)
- ii. To improve the predictability of assistance to the health sector from EDPs
- iii. To strengthen the internal control system
- iv. To improve the financial accounting and reporting system in the MoHP
- v. To develop the capabilities of staff involved in financial management
- vi. To address External and Internal Audit Reports and minimise AQs in the OAG's Annual Report by providing timely responses
- vii. To make transparent and disclose compliance with accountability
- viii. To enhance the compliance with laws
- ix. To eliminate overlapping programmes
- x. To frame the strategy to be applicable at both provincial and local levels.

3.9 KEY OUTPUTS/OUTCOME

The NHSFMSF is developed with the mission of minimising fiduciary risk through improving budget formulation, authorisation to implement the budget, accounting, financial reporting, internal control, and audit compliance. In the Health Sector Strategy, PFM is accepted as an important aspect of health governance management. The MoHP is committed to enhancing financial discipline through improvements in planning and budgeting, budget implementation, accounting and reporting, internal control, Internal and External Audit and maintaining transparency. This framework expects to achieve the following outputs:

- i. Planning and budgeting based on HIs' BPs
- ii. Performance-based budget grant system

- iii. Strengthened internal control system
- iv. Improved financial and management accounting
- v. Enhanced procurement and supply management of drugs and medical equipment
- vi. Improved health sector asset management
- vii. Improved response to PAR and settlement of AQs
- viii. Developed capacity on PFM in the MoHP.

3.10 USE OF PFMSF AS A MODEL

The financial management of available resources must be improved to ensure that citizens' health rights are fulfilled by all three levels of government. Improvements in one level of government are not sufficient to improve financial management in the health sector. The MoHP has to coordinate and assist provinces and local levels in financial management reforms. Provincial MoSDs must encourage and coordinate effective health service delivery in offices under each province.

Under Clause of the Local Governance Operation Act, 2074, it is the duty of local-level authorities to implement the directives of the federal government concerning economic affairs, budget and programmes either directly or through the provinces. Local levels must enact any laws to implement their sole rights without contradicting federal laws. It is therefore expected that local-level authorities may frame their financial management strategic framework based on the PFMSF.

3.11 FINANCIAL MANAGEMENT PLAN OF FEDERAL MoHP:

The following activities are implemented to improve the financial management of the MoHP.

The responsible agency, timeframe and key indicators for detailed activities shall be as follows.

	Output/Key Objectives	Key Activities/Interventions
1.	Improvement in Budget and Programme Procedure	1.1 Budget linked with Nepal health policy 1.2 Comprehensive and transparent health budget 1.3 Budget of all SUs based on BPs 1.4 Budget release, expenditure authority
2.	Performance-based Resource Allocation	2.1 Grants to HIs based on performance
3.	Strengthened Internal Control System	3.1 Establishing mechanisms related to financial management 3.2 Activating the supervision, monitoring, and evaluation mechanism 3.4 Functional M&E and feedback system in MoHP
4.	Improved Financial and Management Accounting	4.1 Uniform use of accounting application in AFHIs 4.2 Enhanced reporting system linking the TABUCS with LMBIS, FMIS 4.3 Strengthen IA 4.4 Preparing annual and quarterly financial and physical progress report in time 4.5 Maintaining records on fiduciary-risk-related information and implementing mitigation measures
5.	Improved Public Procurement	5.1 Preparing Nepal Health Sector Public Procurement Strategy Framework (NHSPPSF)
6.	Audit and External Scrutiny	6.1 Addressing the Audit and PAR in time 6.2 Achieving the target for AQs 6.3 Minimizing the volume of AQs against audited amount 6.4 Recording and implementing the directives of PAC from the OAG annual report

	Output/Key Objectives	Key Activities/Interventions
7.	Improved Asset Management	7.1 Regulated advance management 7.2 Monitoring the use and safeguards of non-monetary assets 7.3 Inventory accounting, management and safeguarding 7.4 Developing Health Assets Management System
8.	Improved Institutional and HR Capacity	8.1 Updating and publication of PFM related directives 8.2 Conduct orientation and capacity development programme

CHAPTER 4: FINANCIAL MANAGEMENT STRATEGIC IMPLEMENTATION ACTION PLAN
Ministry of Health and Population
Public Financial Management Strategic Framework, 2020/21–2024/25

	Output/Key Interventions	Responsible Unit (<i>Nepali and English calendar</i>)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
1	Improvement in Programme and Budget (Budget Preparation – Credibility, Comprehensiveness, Transparency and Policy-based)									
1.1	Policy-based Budgeting									
1.1.1	To align the budget with health policy, periodic plan, and MTEF	MoHP (PPMD/ AD)	In practice	To be continued	To be continued	To be continued	To be continued	To be continued	% of budget allocation	PEFA
1.1.2	To develop an annual programme implementation plan in accordance with the Results-based Framework (RBF) in line with priorities of the health strategy	MoHP (PPMD/ AD)	In practice	To be continued	To be continued	To be continued	To be continued	To be continued	Annual plan developed	PEFA
1.1.3	To formulate a credible budget analysing lessons learned, administrative capacity, availability of resources and working environment	MoHP (PPMD/ AD)	Health budget absorption is 77%	80% of health budget absorbed	83% of health budget absorbed	85% of health budget absorbed	90% of health budget absorbed	90% of health budget absorbed	Budget absorption analysed (% of absorption)	PEFA
1.1.4	To encourage the use of directives on Planning and Budgeting (PB) in all three tiers of governments	MoHP (PPMD)	PB directives prepared	Update and implement	Update and implement	Update and implement	Update and implement	Update and implement	PB directives developed	
1.1.5	Health budget analyses carried out	MoHP (PPMD/ AD)	In use	Budget, expenditure and results analysed	Budget and expenditure analysed	Budget and expenditure analysed	Budget and expenditure analysed	Budget and expenditure analysed	BA reports developed	

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
1.1.6	Updating of Charts of Health Activities (CoHAs) for budgeting	MoHP (PPMD/ AD)	CoHA in place	CoHA review and updating	CoHA review and updating	CoHA review and updating	CoHA review and updating	CoHA review and updating	CoHA Updated	
1.2	Comprehensive and Transparent Health Budget, Including All Health Programmes									
1.2.1	Preparation of MTEF in health sector in line with NHP and available resources	MoHP (PPMD/ AD)	In practice	To be continued	To be continued	To be continued	To be continued	To be continued	MTEF developed	Clause 6 of FPFAA Act, 2076 (2019)
1.2.2	Analysis of integrated whole health budget (federal, province and local level)	MoHP (PPMD)	Analysis of federal level budget	Analysis of integrated health budget	Analysis of integrated health budget	Analysis of integrated health budget	Analysis of integrated health budget	Analysis of integrated health budget	Integrated BA report developed	
1.2.3	Budget formulation through approved application (software) by GoN	MoHP (PPMD/ AD)	<u>Use of TABUCS</u>	Budget formulation through application	Budget formulation through application	Budget formulation through application	Budget formulation through application	Budget formulation through application	Approved software used	
1.2.4	Integrated Annual Health Budget (IAHB) including internal resources of AHIs (hospitals and academies)	MoHP (PPMD/ AD)	Internal resources not included in IAHB	IAHB for AHIs	IAHB for AHIs	IAHB for AHIs	IAHB for AHIs	IAHB for AHIs	IAHB developed	
1.2.5	Receiving commitment of on-/off-budget aid from EDPs during budget discussion process	MoHP (PPMD)	Discussion with EDPs time to time	Commitment from EDPs at budget discussion	Commitment from EDPs at budget discussion	Commitment from EDPs at budget discussion	Commitment from EDPs at budget discussion	Commitment from EDPs at budget discussion	EDP's commitment received	PEFA

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
1.3	Budget Formulation Based on Business Plan (BP)									Financial Management Improvement Plan (FMIP), 2017 (2.1.9)
1.3.1	To prepare the framework of the BP and develop the guidelines	MoHP (PPMD/ AD)	Framework of BP in draft	Develop the framework of BP (preparation of directives)		Updating of BP directives			BP guidelines developed	
1.3.2	Preparation of BP	All SUs	Not in practice	Orientation on BP	Encourage to prepare BP (MoHP and any three central hospitals/ academies)	Encourage to prepare BP (all departments and any seven central hospitals/ academies)	Encourage to prepare BP (all health entities)	Encourage to prepare BP (all health entities)	BP developed	
1.4	Budget Release and Expenditure Authority									
1.4.1	Budget release authority (if the allocated budget is implemented through more SUs)	MoHP (PPMD/ AD) and Departments	In practice	Within seven days of the Appropriation Act or Advance Expenditure Act being approved	Within seven days of the Appropriation Act or Advance Expenditure Act being approved	Within seven days of the Appropriation Act or Advance Expenditure Act being approved	Within seven days of the Appropriation Act or Advance Expenditure Act being approved	Within seven days of the Appropriation Act or Advance Expenditure Act being approved	Authority letter issued	
2	Release of Funds Based on Performance									
2.1	Performance-based Grant Agreement (PBGA)/Contracting for Hospital Services									

	Output/Key Interventions	Responsible Unit (<i>Nepali and English calendar</i>)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference	
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25			
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82			
2.1.1	Updating of MoU on PBGA-based grants	MoHP (PPMD/ AD)	MoA with some AHIs on PBGA	Improvement of Grants procedure						PBGA indicators updated	
2.1.2	Data collection on health service delivery	MoHP (PPMD)	not in practice		Internal Revenue of all AHI entered TABUCS	Internal Revenue of all AHI entered TABUCS	Internal Revenue of all AHI entered TABUCS	Internal Revenue of all AHI entered TABUCS	Internal revenue generated by all AHIs		
2.1.3	Performance evaluation based on service delivery	MoHP (PPMD)	monitoring in place		Evaluation based on progress	Evaluation based on progress	Evaluation based on progress	Evaluation based on progress	PBGA indicators evaluated		
3	Strengthening Internal Controls										
3.1	Develop the Mechanism for Financial Management										
3.1.1	Internal Control System (updating of Internal Control Guidelines)	MoHP (PPMD/ AD)	Internal Control Guidelines, 2075 (2018)	Updating of guidelines Implementation of the guidelines	Implementation of updated guidelines	Implementation of updated guidelines	Updating of guidelines Implementation of updated guidelines	Implementation of updated guidelines	Internal Control Guidelines updated	Clause 31 of FPFAA, 2076 (2019) Clause 4 of Internal Control System Directives, 2075 (2019) (FCGO)	
3.1.2	Activating Internal Control and Audit Committee (ICAC) for the implementation of internal control system, IA and external (final) audit report	MoHP (PPMD/ AD)	Audit Committee in place	Establishing ICAC meetings every three months	Committee meetings every three months	Committee meetings every three months	Committee meetings every three months	Committee meetings every three months	Numbers of Minutes	Clause 32 FPFAA, 2076 (2019)	

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
3.1.3	Reformation of PFM Committee	MoHP (PPMD/ AD)	PFM Committee in place	PFM Committee reformation Committee meeting every three months	Committee meeting every three months	Committee meeting every three months	Committee meeting every three months	Committee meeting every three months	Committee Reformed Numbers of Minutes	PEFA
3.1.4	Stimulation of ASC	MOHP (AD/ DoHS/ DoAA/ DDA)	ASC in MoHP	Formulation of ASC in Departments ASC meeting every three months	ASC meeting every three months	ASC meeting every three months	ASC meeting every three months	ASC meeting every three months	Department level ASCs established Minutes of ASC meetings	Directives of Audit Queries Clearance Evaluation and Monitoring Committee (AQCEMC)
3.2	Stimulation of Supervision, Monitoring and Feedback Mechanism									
3.2.1	Stimulating and implementing the feedback system of the M&E system	Related divisions	M&E is in practice	Annually	Annually	Annually	Annually	Annually	M&E Report produced (Website of MoHP)	Governance Act
3.2.2	Reporting to ICAC and PFMC on M&E findings	MoHP (AD)	M&E is in practice	Half-yearly	Half-yearly	Half-yearly	Half-yearly	Half-yearly	M&E findings reported	
4	Improvement of Financial and Management Accounting									
4.1	Harmonized/Uniformity of Accounting Software									
4.1.1	Full compliance in use of TABUCS in all FHIs	All SUs	Partial use	Full use of TABUCS	Full use of TABUCS	Full use of TABUCS	Full use of TABUCS	Full use of TABUCS	TABUCS utilized	
4.1.2	Full use of TABUCS in AHIs with internal income and expenditure resources	MoHP (PPMD/ AD)	Partial use	Training in TABUCS use with manual	Full use of TABUCS	Full use of TABUCS	Full use of TABUCS	Full use of TABUCS	TABUCS cross-verified	

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
4.1.3	To encourage use of TABUCS in Provincial MoSD and subordinate offices	MoHP (AD)	Some units under province used TABUCS	Consultative meetings with PGs	Development of infrastructure	Encourage to use of TABUCS	Use of TABUCS	Use of TABUCS	TABUCS implemented	
4.2	Improved Reporting System, Linking TABUCS with LMBIS, FMIS, TSA, PMIS and CGAS									
4.2.1	Initiating linkage of TABUCS with LMBIS/FMIS/TSA/PMIS/CGAS	MoHP (AD)	No linkage	Technical assistance	Technical assistance	Technical assistance	Technical assistance	Technical assistance	TABUCS linked	
4.2.2	Initiation for Access to FMIS of FCGO for Financial Monitoring Reports (FMRs)	MoHP (AD)	Access to FMIS	Access continues	Access continues	Access continues	Access continues	Access continues	FMRs reported quarterly	
4.2.3	Integration of HIMS for payroll management arrangement	MoHP (AD)	Payroll system in TABUCS	Update payroll system	Update payroll system	Update payroll system	Update payroll system	Update payroll system	Payroll system updated	
4.3	Strengthen the Internal Audit (IA)									
4.3.1	Synergy with FCGO for timely IA and audit report of all SUs	MoHP (AD)	Maintain synergy with FCGO	Continue as needed	Continue as needed	Continue as needed	Continue as needed	Continue as needed	IAR	Clause 33(4) FPFAA, 2076 (2019)
4.3.2	Take initiative to conduct IA of all financial transactions (including the operational fund) through DTCO	All SUs	IA conducted by DTCO	In each trimester	In each trimester	In each trimester	In each trimester	In each trimester	IAR received	
4.3.3	Managing the regular IA of autonomous hospitals whose IA is not conducted by DTCO (Establishing IA section or outsourcing for IA service)	AHIs	Some entities perform IA by outsourcing yearly	Conducting IA trimester	Conducting IA trimester	Conducting IA trimester	Conducting IA trimester	Conducting IA trimester	IAR received	

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
4.3.4	Achieve timely IA and response/settlement of IAR	MoHP/ and SUs	No timely response of IAR	Settlement within the timeframe of IA (within next trimester)	Settlement within the timeframe of IA (within next trimester)	Settlement within the timeframe of IA (within next trimester)	Settlement within the timeframe of IA (within next trimester)	Settlement within the timeframe of IA (within next trimester)	IAR timely reported	Clause 33(8) of FPFAA 2076 (2019) and FAR byelaws 96(3)
4.3.5	Recording (entry) of IAR (queries) and response/settlement in TABUCS	SUs	Status of IA entered in TABUCS by MoHP at year end	IAR and responses to IAR entry by SUs within 30 days	IAR and responses to IAR entry by SUs within 30 days	IAR and responses to IAR entry by SUs within 30 days	IAR and responses to IAR entry by SUs within 30 days	IAR and responses to IAR entry by SUs within 30 days	Online data entry in TABUCS	
4.3.6	Monitoring of IAR implemented	MoHP/ DoHS/ /DoAA/ DDA	No monitoring of IA	Monitoring of 10 % of office in each 6 month	Monitoring of 10 % of office in each 6 month	Monitoring of 10 % of office in each 6 month	Monitoring of 10 % of office in each 6 month	Monitoring of 10 % of office in each 6 month	Monitoring Report submitted	FAR 96(4)
4.3.7	Preparation of the integrated IAR	MoHP/ DoHS/ /DoAA/ DDA	Initiated to prepare IA Status Report at the year-end in the ministry	Within six month of FY	Within six month of FY	Within six month of FY	Within six month of FY	Within six month of FY	Integrated IAR prepared by MoHP	
4.4	Timely Preparation of Trimester and Annual Financial and Physical Progress Reports									

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
4.4.1	Preparing quarterly financial and physical progress reports through TABUCS	MoHP/ and DoHS, /DoAA, DDA, SUs	Poor entry of physical progress in TABUCS	Physical progress entered in TABUCS within 21 days on a quarterly basis	Physical progress entered in TABUCS within 21 days on a quarterly basis	Physical progress entered in TABUCS within 21 days on a quarterly basis	Physical progress entered in TABUCS within 21 days on a quarterly basis	Physical progress entered in TABUCS within 21 days on a quarterly basis	Quarterly progress produced in TABUCS	
4.4.2	Preparing Annual financial and physical progress reports through TABUCS	MoHP/ DoHS/ /DoAA/ DDA/ SUs	Poor entry of physical progress in TABUCS	Annual physical progress entered in TABUCS within 45 days	Annual physical progress entered in TABUCS within 45 days	Annual physical progress entered in TABUCS within 45 days	Annual physical progress entered in TABUCS within 45 days	Annual physical progress entered in TABUCS within 45 days	Annual progress report produced in TABUCS	
4.4.3	Preparation of quarterly FMRs for EDPs with cross-verification of TABUCS and FMIS	MoHP (AD)	Preparation of FMR on a quarterly basis	Within 45 days of the end of each quarter	Within 45 days of the end of each quarter	Within 45 days of the end of each quarter	Within 45 days of the end of each quarter	Within 45 days of the end of each quarter	Quarterly FMR prepared	JFA
4.4.4	Submission of complete annual financial statements by SUs to DTCO and OAG (on site to audit team)	SUs	In practice	Within time specified in FAR for IA and on the date of the first entrance meeting for external audit	Within time specified in FAR for IA and on the date of the first entrance meeting for external audit	Within time specified in FAR for IA and on the date of the first entrance meeting for external audit	Within time specified in FAR for IA and on the date of the first entrance meeting for external audit	Within time specified in FAR for IA and on the date of the first entrance meeting for external audit	F/S certified by DTCO and OAG	Clause 35 of FPFAA, 2076 (2019) and Rule 97 of FAR

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
4.4.5	Submission of Integrated Annual Financial Statement (IAFS) of all types of financial transactions (appropriation, revenue, deposit and others income sources) to FCGO and OAG	MoHP (AD), Departments	In practice	Submission of complete IAFS to FCGO/OAG by mid-November	Submission of complete IAFS to FCGO/OAG by mid-November	Submission of complete IAFS to FCGO/OAG by mid-November	Submission of complete IAFS to FCGO/OAG by mid-November	Submission of complete IAFS to FCGO/OAG by mid-November	IAFS submitted	Clause 29(2) of FPFAA, 2076 (2019) and FAR, 2064
4.4.6	Preparation of Audited Financial Report (AFR), special purpose for EDPs, through TABUCS, verifying with FMIS in time	MoHP (AD)	In practice	Submission of AFR to OAG by mid-January; submission to EDPs after certification by OAG	Submission of AFR to OAG by mid-January; submission to EDPs after certification by OAG	Submission of AFR to OAG by mid-January; submission to EDPs after certification by OAG	Submission of AFR to OAG by mid-January; submission to EDPs after certification by OAG	Submission of AFR to OAG by mid-January; submission to EDPs after certification by OAG	Certified AFR submitted to EDPs	JFA
4.4.7	Preparation of F/S of non-budgetary receipts and payment based on NPSAS through TABUCS	MoHP (AD)	In practice	Submission of NAPAS report within the timeline by OAG	Submission of NAPAS report within the timeline by OAG	Submission of NAPAS report within the timeline by OAG	Submission of NAPAS report within the timeline by OAG	Submission of NAPAS report within the timeline by OAG	NPSAS submitted to OGA	Directives issued by OAG
4.5	Maintained Risk Register (RR) Framework for Financial Transition									
4.5.1	Identification associated financial risk, maintaining RR in TABUCS and communicating to subordinate office online	MoHP (AD)	No practice of RR		Preparation of check list for risk Implementation	Review of check list for risk Implementation	Review of check list for risk Implementation	Review of check list for risk Implementation	RR updated	Clause 32(2) of FPFAA, 2076 (2019) and Rule 95(2) of FAR

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
4.5.2	Financial decisions shall be taken with due consideration of identified associated risk	SUs	Study on identified risk in OAG annual audit report.	Assessing the risk associated with financial transactions	Assessing the risk associated with financial transactions	Assessing the risk associated with financial transactions	Assessing the risk associated with financial transactions	Assessing the risk associated with financial transactions	Associated Risk assessed, Audit report prepared	
5	Improved Public Procurement Management									
5.1	Preparation of the NHSPPSF	MoHP (PMD), Departments	Procurement Improvement Plan in place	Approval and implementation of NHSPPSF	Implementation of NHSPPSF	Implementation of NHSPPSF	Implementation of NHSPPSF	Implementation of NHSPPSF	NHSPPSF prepared	NHSSP has separately drafted NHSPPSF
6	External Scrutiny and Audit									
6.1	Audit and Response to Audit Report on Time									PEFA
6.1.1	Submission of complete set of books of accounts with supporting documents to the OAG audit team	SUs	On-site audit practice	Presence of the Office In-charge and Finance Chief at audit and audit exit meetings	Presence of the Office In-charge and Finance Chief at audit and audit exit meetings	Presence of the Office In-charge and Finance Chief at audit and audit exit meetings	Presence of the Office In-charge and Finance Chief at audit and audit exit meetings	Presence of the Office In-charge and Finance Chief at audit and audit exit meetings	Statements submitted	AG's directives in auditing

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			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
6.1.2	Presentation of documents for follow-up audit of unsettled previous-year AQs in regular audit	SUs	Partial compliance	Present the audit team with necessary documents and evidence for the statement of previous-year AQs	Present the audit team with necessary documents and evidence for the statement of previous-year AQs	Present the audit team with necessary documents and evidence for the statement of previous-year AQs	Present the audit team with necessary documents and evidence for the statement of previous-year AQs	Present the audit team with necessary documents and evidence for the statement of previous-year AQs	Primary Audit Report of SUs prepared	OAG practice
6.1.3	Response to primary audit report (PAR) with timely settlement of AQs	SUs	Partial compliance	Response to PAR with settlement of queries within 35 days of PAR receipt	Response to PAR with settlement of queries within 35 days of PAR receipt	Response to PAR with settlement of queries within 35 days of PAR receipt	Response to PAR with settlement of queries within 35 days of PAR receipt	Response to PAR with settlement of queries within 35 days of PAR receipt	Response letter prepared	Clause 37(1) of FPFAA and Rule 99(1) of FAR
6.1.4	Uploading the PAR and response to PAR to TABUCS within seven days of date of response	SUs	Partial uploading in TABUCS	Compulsory uploading of PAR and response	Compulsory uploading of PAR and response	Compulsory uploading of PAR and response	Compulsory uploading of PAR and response	Compulsory uploading of PAR and response	PAR and response letter uploaded in TABUCS	Clause 14 and 15 of MoHP Internal Control Directives, 2075 (2018)
6.1.5	Posting/entry of undeleted AQs even after detailed response to PAR on TABUCS	SUs	Provision in TABUCS but rarely observed	Within one month of receipt of audit report	Within one month of receipt of audit report	Within one month of receipt of audit report	Within one month of receipt of audit report	Within one month of receipt of audit report	unsettled AQs entered in TABUCS	Clause 14 and 15 of MoHP Internal Control Directives, 2075 (2018)

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
6.1.6	Conducting Audit Backlog (ABL)	SUs	ABL is in practice,	Completion of ABL	Completion of ABL	Completion of ABL	Completion of ABL	Completion of ABL	Reflected in OAG Annual Report	OAG Annual Report
6.1.7	Interaction with FCGO and OAG to strengthen MOHP audit management	MoHP (AD)	In practice	At least once at the start of FY	At least once at the start of FY	At least once at the start of FY	At least once at the start of FY	At least once at the start of FY	Number of interactions	FMIP, 2017 (5.1.3)
6.2	Achieved the Target for AQ Clearance									
6.2.1	Preparation of Audit Query Clearance Action Plan (AQCAP)	SUs	Rarely prepared in all SUs	AQCAP submission to MoHP and immediate controlling office by mid-August	AQCAP submission to MoHP and immediate controlling office by mid-August	AQCAP submission to MoHP and immediate controlling office by mid-August	AQCAP submission to MoHP and immediate controlling office by mid-August	AQCAP submission to MoHP and immediate controlling office by mid-August	AQCAP prepared	Point 14.17 of MoHP Internal Control Directives Directives of AQCEMC
6.2.2	Initiate special effort to settle AQs arising prior to FY 59/60 from Central Recovery Office under FCGO	SUs	Ongoing but yet to be clear	At least 25 % of unsettled AQs	At least 25 % of unsettled AQs	At least 25 % of unsettled AQs	At least 25 % of unsettled AQs	At least 25 % of unsettled AQs	Monthly audit clearance report	Directives of Irregularities Settlement Monitoring and Evaluation Committee (ISMEC)
6.2.3	To gain clearance on unsettled AQs from FY 60/61 onwards from OAG on priority basis	SUs	Ongoing but yet to be clear	Clearance of at least 80 % of updated AQs	Clearance of at least 80 % of updated AQs	Clearance of at least 80 % of updated AQs	Clearance of at least 80 % of updated AQs	Clearance of at least 80 % of updated AQs	ISMEC Annual Report	Directives of ISMEC
6.2.4	Full clearance of current year's AQs	SUs	Not fully cleared	Full clearance of AQs	Full clearance of AQs	Full clearance of AQs	Full clearance of AQs	Full clearance of AQs	ISMEC Annual Report	Directives of ISMEC

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			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
6.2.5	Regularise irregular non-recoverable financial transactions and loss caused by negligence with submission of documentary proof of the causes of such transactions from the CAO	SUs	Ongoing throughout the year	Within one month of receipt of the audit report	Within one month of receipt of the audit report	Within one month of receipt of the audit report	Within one month of receipt of the audit report	Within one month of receipt of the audit report	Monthly Audit Progress Report prepared	Rule 100(3) of FAR
6.2.6	Request for recovery with details of the unrecovered amount from general procedure sent to Central Recovery Office under FCGO; decision taken by the Central Recovery Office (CAO)	SUs	Rarely used	Full request for such recoverable amount	Full request for such recoverable amount	Full request for such recoverable amount	Full request for such recoverable amount	Full request for such recoverable amount	Request letter to Central Recovery Office sent	Clause 47(3) of FPFAA, 2076 (2019) and Rule 103 of FAR
6.2.7	Updating and settlement of AQs	SUs	Updated AQs from reports from FY 2060/61 to 2068/69 in TABUCS	Update both cleared and new AQs in TABUCS	Update both cleared and new AQs in TABUCS	Update both cleared and new AQs in TABUCS	Update both cleared and new AQs in TABUCS	Update both cleared and new AQs in TABUCS	Settlement of AQs in TABUCS	Clause 38 of FPFAA and point 14.21 of MoHP Internal Control Directives
6.2.8	Establishment and activation of the Audit Clearance Committee (ACC) in SUs (Office In-charge, Finance Chief, Admin Chief, Chief of Procurement Unit)	SUs	ASC in MoHP/ Department	ACC meeting on quarterly basis	ACC meeting on quarterly basis	ACC meeting on quarterly basis	ACC meeting on quarterly basis	ACC meeting on quarterly basis	Minutes of meeting prepared	
6.2.9	Submission of monthly AQ settlement statements to MoHP and immediate controlling office	SUs	Reporting system in place but weak implementation.	Regular submission within seven days of the end of the month	Regular submission within seven days of the end of the month	Regular submission within seven days of the end of the month	Regular submission within seven days of the end of the month	Regular submission within seven days of the end of the month	Monthly statements of AQs prepared	FFAR

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			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
6.2.10	Clearance of unsettled AQs related to devolved provincial and local-level offices	MoHP (AD)	Unsettled AQs related to devolved offices	Consultation with FCGO/OAG						As per directives of MOF/FCGO and OGA
6.2.11	Positive and negative awards for recognition of achievement of targets for AQs	MoHP (AD)	In practice	Rewarding as decided by AQCEMC Negative awards determined by yearly performance evaluation	Rewarding as decided by AQCEMC Negative awards determined by yearly performance evaluation	Rewarding as decided by AQCEMC Negative awards determined by yearly performance evaluation	Rewarding as decided by AQCEMC Negative awards determined by yearly performance evaluation	Rewarding as decided by AQCEMC Negative awards determined by yearly performance evaluation	Number of officials rewarded/punished	AQCEMC Annual Report 2075 (2018)
6.3	AQs Reduced Against Audited Amount									
6.3.1	Minimisation of the percentage of AQs against audited amount	SUs	6.75% in HIs, and 8.7.% in AHIs in FY 2018/19 audit	6% in the FY 2019/20 audit	5.5% in the FY 2020/21 audit	5% in the FY 2021/22 audit	4.5% in the FY 2022/23 audit	Below 4.0% in the FY 2023/24 audit	% of AQs against the audited amount	AQCEMC Annual Report 2075 (2018)

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			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
6.3.2	Minimisation of the PAR, presenting basic compliance documents at the time of audit process	SUs	Weighting of non-submission of basic compliance documents greater in PARs	Absence of basic compliance-related AQs with due attention to audit proceedings	Absence of basic compliance-related AQs with due attention to audit proceedings	Absence of basic compliance-related AQs with due attention to audit proceedings	Absence of basic compliance-related AQs with due attention to audit proceedings	Absence of basic compliance-related AQs with due attention to audit proceedings	Number of non-compliance items	AQCEMC Annual Report 2075 (2018)
6.4	Discussion with Public Account Committee (PAC) on OAG Report, Maintain the Records of Committee Directives and Execute the Decisions									
6.4.1	Complete response to the PAC on OAG Annual Report within the time specified by the Public Account Committee (PAC) and representing in PAC hearing	MoHP (AD)	Response on OAG Report provided to PAC for hearing	Timely submission of annual response with sufficient proof	Timely submission of annual response with sufficient proof	Timely submission of annual response with sufficient proof	Timely submission of annual response with sufficient proof	Timely submission of annual response with sufficient proof	Response letter to PAC sent	Clause 41 of FPFAA, 2076 (2019)
6.4.2	Maintaining the PAC verdict	MoHP (AD)	No records in TABUCS	Recording verdict and action taken on TABUCS	Recording verdict and action taken on TABUCS	Recording verdict and action taken on TABUCS	Recording verdict and action taken on TABUCS	Recording verdict and action taken on TABUCS	PAC verdict in TABUCS entered Letter to SUs circulated	

	Output/Key Interventions	Responsible Unit (<i>Nepali and English calendar</i>)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
6.4.3	Regular action on PAC verdict and reporting to PAC	MoHP (AD)	Reporting on 'as and when' basis	Action taken report on PAC verdict delivered to Audit Committee	Action taken report on PAC verdict delivered to Audit Committee	Action taken report on PAC verdict delivered to Audit Committee	Action taken report on PAC verdict delivered to Audit Committee	Action taken report on PAC verdict delivered to Audit Committee	Reporting letter to PAC submitted	Clause of 41(3) of FPFAA 2076 (2019)
7	Improved Assets Management									
7.1	Advance Management and Monitoring									
7.1.1	Regulated advance transactions	SUs	There is a separate chapter in FPR, 2064 about advance control Weak implementation	Advances will be given only when necessary and justified No double advances will be given Timely settlement of advance transactions	Advances will be given only when necessary and justified No double advances will be given Timely settlement of advance transactions	Advances will be given only when necessary and justified No double advances will be given Timely settlement of advance transactions	Advances will be given only when necessary and justified No double advances will be given Timely settlement of advance transactions	Advances will be given only when necessary and justified No double advances will be given Timely settlement of advance transactions	OAG Form 211 generated in TABUCS	Section 9 of FAR, 2064 (2007)

	Output/Key Interventions	Responsible Unit (<i>Nepali and English calendar</i>)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
7.1.2	Controlled/minimised cash advance	SUs	Advance to staff is in minimisation trend	No cash advance on possibility of direct payment to vendors	No cash advance on possibility of direct payment to vendors	No cash advance on possibility of direct payment to vendors	No cash advance on possibility of direct payment to vendors	No cash advance on possibility of direct payment to vendors	OAG Form 211 generated in TABUCS	Rule 76 of FAR, 2064 (2007)
7.1.3	No advance to be given if not settled within FY (except mobilisation, LC and TADA advances)	SUs	Advance to staff is in minimisation trend	In each advance transaction	In each advance transaction	In each advance transaction	In each advance transaction	In each advance transaction	OAG Form 211 generated in TABUCS	Rule 77(3) of FAR, 2064 (2007)
7.1.4	Systematic carryover of unsettled advances in next year's books of accounts	SUs	Maintained	At the beginning of the new FY unsettled advances shall be carried over (entered) in TABUCS	At the beginning of the new FY unsettled advances shall be carried over (entered) in TABUCS	At the beginning of the new FY unsettled advances shall be carried over (entered) in TABUCS	At the beginning of the new FY unsettled advances shall be carried over (entered) in TABUCS	At the beginning of the new FY unsettled advances shall be carried over (entered) in TABUCS	Statement of unsettled advances in TABUCS	Rule 80 of FAR, 2064 (2007)
7.1.5	LC, mobilisation, TADA, and programme advances to be monitored through TABUCS	MoHP (AD, SUs)	Manual monitoring (monitoring by visit time)	Monthly advance monitoring	Monthly advance monitoring	Monthly advance monitoring	Monthly advance monitoring	Monthly advance monitoring	OAG Form 211 generated in TABUCS	Rule 84 of FAR, 2064 (2007)
7.2	Safety of Non-monetary Assets and Monitoring									

	Output/Key Interventions	Responsible Unit (<i>Nepali and English calendar</i>)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
7.2.1	Updating of asset transferred to devolved offices	MoHP (AD) DoHS/ DoAA/ DDA	Order to transfer to LL and Province but no actual data.	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Asset transferred record maintained	
7.2.2	Registration of transferred assets in inventory books of devolved office	MoHP (AD)	No complete records	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Collection transfer details and registration in inventory book	Inventory book maintained	
7.2.3	Handover and takeover of assets between staff	All staff, in case of separation from their posts	Weak implementation	Handover and takeover will be performed within 21 days of separation	Handover and takeover will be performed within 21 days of separation	Handover and takeover will be performed within 21 days of separation	Handover and takeover will be performed within 21 days of separation	Handover and takeover will be performed within 21 days of separation	Handover and takeover certificates	Clause 44 of FPFAA, 2064 (2007)
7.3	Improved Inventory Management									
7.3.1	Preparation of inspection and verification report of non-spending inventory and maintenance thereof in TABUCS	SUs	Inspection and verification report prepared No recording in TABUCS	Development of the inventory record portal in TABUCS	Record of Inventory Verification Report within 35 days of year end in TABUCS	Record of Inventory Verification Report within 35 days of year end in TABUCS	Record of Inventory Verification Report within 35 days of year end in TABUCS	Inventory Verification Report within 35 days of year end in TABUCS	OAG Form 411 generated in TABUCS	Rule 50 of FAR, 2064 (2007)

	Output/Key Interventions	Responsible Unit (Nepali and English calendar)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference	
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25			
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82			
7.3.2	Preparation of annual stock of non-spendable inventory and maintenance of its record in TABUCS	SUs	Annual stock inventory prepared No recording in TABUCS	Developing the inventory record portal in TABUCS	Record of stock of non-spendable inventory maintained TABUCS within three months of year end	Record of stock of non-spendable inventory maintained TABUCS within three months of year end	Record of stock of non-spendable inventory maintained TABUCS within three months of year end	Record of stock of non-spendable inventory maintained TABUCS within three months of year end	stock of non-spendable inventory maintained TABUCS within three months of year end	OAG Form 413 generated in TABUCS	Rule 53 of FAR, 2064 (2007)
7.3.3	Maintenance of updated records of land and building in TABUCS	SUs	No records in TABUCS	Updated records of each office's land and buildings in TABUCS	Updated records of each office's land and buildings in TABUCS	Updated records of each office's land and buildings in TABUCS	Updated records of each office's land and buildings in TABUCS	Updated records of each office's land and buildings in TABUCS	Updated records of each office's land and buildings in TABUCS	OAG Form 417 generated in TABUCS	Rule 54 of FAR, 2064 (2007)
7.3.4	Maintaining updated statements on maintenance and use of medical equipment	HIs	No records in TABUCS	Inventory Verification Report and development of portal in TABUCS	Inventory Verification Report entered from two months	Inventory Verification Report entered from two months	Inventory Verification Report entered from two months	Inventory Verification Report entered from two months	Inventory Verification Report entered from two months	Status of medical equipment updated	Rule 54 of FAR, 2064 (2007)
7.3.5	Timely auction as required	SUs	Partial fulfilment of legal provision	Annual auction as reported in Inventory Verification Report	Annual auction as reported in Inventory Verification Report	Annual auction as reported in Inventory Verification Report	Annual auction as reported in Inventory Verification Report	Annual auction as reported in Inventory Verification Report	Annual auction as reported in Inventory Verification Report	Number of Auction Reports	Rule 58 of FAR, 2064 (2007)
8	Improved Institutionalization and Human Resource Capacity										
8.1	Update of Guidelines and Disseminations										

	Output/Key Interventions	Responsible Unit (<i>Nepali and English calendar</i>)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82		
8.1.1	Updating of Financial Management Handbook (FMH) training materials	MoHP (AD)	FMH, 2072 (2016)		Updating of FMH; printing and distribution and use in accounting	Updating of FMH; printing and distribution and use in accounting	Updating of FMH; printing and distribution and use in accounting	Updating of FMH; printing and distribution and use in accounting	FMH updated	
8.1.2	Updating of AQ Clearance Directives	MoHP (AD)	AQ Settlement Directives 2070 (2014)		Updating of directives; printing and distribution	Use of directives in AQ settlement		Use of directives in AQ settlement	AQ Settlement Directives updated	
8.1.3	Updating of TABUCS User Manual	MoHP (AD)	TABUCS User Manual	Updating of TABUCS User Manual	Updating of TABUCS User Manual	Updating of TABUCS User Manual	Updating of TABUCS User Manual	Updating of TABUCS User Manual	TABUCS User Manual updated	
8.1.4	Preparation of M&E Framework	MoHP (AD)	Monitoring template is in Internal Control Guidelines, 2075		Framework preparation and implementation	Implementation of M&E Framework	Implementation of M&E Framework	Implementation of M&E Framework	M&E Framework prepared	
8.2	Conducting Orientation/Workshop/Training for Capacity Building									
8.2.1	Training programme on use of TABUCS for finance staff from FHIs	MoHP (AD) NHTS	Yearly training on use of TABUCS	Training for TABUCS users as required	Training for TABUCS users as required	Training for TABUCS users as required	Training for TABUCS users as required	Training for TABUCS users as required	Number of staff trained	

	Output/Key Interventions	Responsible Unit (<i>Nepali and English calendar</i>)	Base Year Status	Period of Implementation of Action Plan (FY)					Key Indicators	Reference	
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25			
			2076/77	2077/78	2078/79	2079/80	2080/81	2081/82			
8.2.2	Orientation to Federal Office In-charge to retrieve data from TABUCS for monitoring purposes	MoHP (AD) NHTS	Orientation in previous three years	Orientation programme as required	Orientation programme as required	Orientation programme as required	Orientation programme as required	Orientation programme as required	Orientation programme as required	Number of Office-in-charge oriented User ID and password to Office In-charge provided	
8.2.3	Workshop for Office In-charge and Finance Chief of FHIs in financial management	MoHP (AD)	Workshop as required	Annual workshop	Annual workshop	Annual workshop	Annual workshop	Annual workshop	Annual workshop	Number of participants	
8.2.4	Facilitation in implementing TABUCS in the health directorates and Provincial MoSDs as per demand and requirement	MoHP (AD) NHTS	Facilitating to those persons who are interested to use TABUCS	Facilitation as demanded by MoSDs	Facilitation as demanded by MoSDs	Facilitation as demanded by MoSDs	Facilitation as demanded by MoSDs	Facilitation as demanded by MoSDs	Facilitation as demanded by MoSDs	Number of staff trained	
8.2.5	Financial Management capacity development including exposure visits abroad	MoHP (PPMD/ AD)	Very less exposure visits abroad	Exposure visit abroad for five people	Exposure visit abroad for five people	Exposure visit abroad for five people	Exposure visit abroad for five people	Exposure visit abroad for five people	Exposure visit abroad for five people	Number of staff visited	

**ANNEX 1: ORGANISATIONAL STRUCTURE OF MINISTRY OF HEALTH AND POPULATION
GOVERNMENT ENTITIES**

S.N	Entity
1.	Ministry of Health and Population
	Policy, Planning; Monitoring and Quality Regulation (Chief Consultant)
	1. Policy, Planning and Monitoring Division: <ul style="list-style-type: none"> i. Policy and Planning Section ii. Monitoring and Evaluation Section iii. General Medicine, Education and Research Section iv. Cancer and Alternative Medicine Section
	2. Quality Standards and Regulation Division: <ul style="list-style-type: none"> i. Quality Standards and Regulation Section ii. Information Technology Section
	Population Management and Health Coordination (Chief Consultant)
	3. Health coordination Division: <ul style="list-style-type: none"> i. Province and Local Health Coordination Section ii. Multi Sector Coordination Section iii. Development Aid Coordination Section iv. Social Information Coordination Section
	4. Population management Division: <ul style="list-style-type: none"> i. Population Management and Information Section ii. Gender Equity and Inclusion Section
	5. Administrative Division <ul style="list-style-type: none"> i. Personnel Administration Section ii. Financial Administration Section iii. Legal Section iv. Internal Administration Section
	Departments
2.	Department of Health Services, Teku, Kathmandu
	<ul style="list-style-type: none"> i. Logistic Management Division ii. Curative Health Services Division iii. Epidemiology and Disease Control Division iv. Family Welfare Division v. Nursing and Social Security Division
3.	Department of Ayurveda and Alternative Medicine
	<ul style="list-style-type: none"> i. Herbal Drugs and Research Division ii. Ayurveda Medicine Division iii. Alternative Medicine Division

S.N	Entity
4.	Department of Drugs Administration
	i. Drug Evaluation and Registration Division ii. Planning, Coordination and Management Division iii. Monitoring and Evaluation and Law Enforcement Division
5.	National Drugs Laboratory
6.	Department of Drugs Management, Field Office Biratnagar, Morang
7.	Department of Drugs Management, Field Office, Birgunj, Parsa
8.	Department of Drugs Management, Field Office, Nepalgunj, Banke
	National Centres
9.	National Health Training Centre, Teku, Kathmandu
10.	National Health Education, Information and Communications Centre, Teku, Kathmandu
11.	National Centre for AIDS and STD Control, Teku, Kathmandu
12.	National Public Health Laboratory, Teku, Kathmandu
13.	National Tuberculosis Control Centre, Thimi, Bhaktapur
14.	National Ayurveda Research and Training Centre, Kirtipur, Kathmandu
15.	Vector-borne Diseases Research and Training Centre, Hetauda, Makawanpur
	Academies
16.	National Academy for Medical Sciences, Kathmandu
17.	B.P. Koirala Academy for Health Sciences, Dharan, Sunsari
18.	Patan Academy for Health Sciences, Lalitpur
19.	Karnali Academy for Health Sciences, Jumla
20.	Pokhara Academy of Health Sciences, Pokhara, Kaski
21.	Rapti Academy of Health Sciences, Gorahi, Dang
22.	Ramraja Prasad Shing Health Sciences Academy
	Central-level Hospitals
23.	Bir Hospital, Kathmandu
24.	National Trauma Centre, Kathmandu
25.	Kanti Paediatric Hospital, Maharajgunja, Kathmandu
26.	Shukraraj Tropical and Communicable Disease Hospital, Teku, Kathmandu.
27.	Shahid Gangalal Heart Centre, Kathmandu
28.	Paropakar Maternity and Gynaecology Hospital, Thapathali, Kathmandu
29.	Naradevi Ayurveda Chikistsalaya, Naradevi, Kathmandu
30.	Pashupati Homeopathic and Unani Chikitsalaya, lalitpur
31.	Mental Hospital, Patan, Lalitpur

S.N	Entity
32.	Shaheed Dharmabhakta Human Organ Transplantation Centre, Bhaktapur
33.	B.P. Koirala Cancer Hospital, Bharatpur, Chitwan
34.	G.P Koirala National Centre for Respiratory Diseases, Tanahu
35.	Sushil Koirala Prakhar Cancer Hospital, Khajura, Banke
36.	Koshi Zonal Hospital, Biratnagar, Morang
37.	Gajendra Narayan Shing Hospital, Saptari
38.	Narayani Sub-regional Hospital, Birgunj, Parsa
39.	Bharatpur Hospital, Bharatpur, Chitwan
40.	Bheri Zonal Hospital, Nepalgunj, Banke
41.	Dadeldhura Sub-regional Hospitals, Dadeldhura
42.	Health Insurance Board, Teku, Kathmandu
43.	Nepal Eye Hospital, Tripureshwor
Other Institutions	
44.	Nepal Health Research Council, Ramshahpath, Kathmandu
45.	Singhadurbar Vaidhyakhana, Anamnagar, Kathmandu
46.	Nepal Pharmacy Council
47.	Nepal Nursing Council
48.	Ayurved Chikitsa Council
49.	Nepal Medical Council
50.	Nepal Health Occupational Council
Other Institutions (Budget Approbations Annually)	
51	Manmohan Cardiothoracic Vascular and Transplant Centre
52	Nepal Eye Association
53	B.P. Koirala Lions Eye Study Centre, Kathmandu
54	T.U. Teaching Hospital (Suresh Waggle Memorial Cancer Centre), Kathmandu
55	Ayurved Teaching Hospital, Kirtipur
Community and NGO Hospitals Operating under MOUs with MoHP	
56	Aapapipal Hospital, Gorakha
58	Til Ganga Eye Academy, Kathmandu
58	Nepal Orthopaedic Hospital
59	INF Nepal, Hariyo Kharka Hospital, Pokhara
60	INF Nepal, Saining Hospital, Banke
61	INF Nepal, Saining Hospital, Surkhet
62	Dhulikhel Hospital, Karvare
63	Tansen Mission Hospital, Palpa

S.N	Entity
64	Okhaldhunga Mission Hospital, Okhaldhunga
65	Lamjung Community Hospital, Lamjung
66	Bayalpata Hospital, Achham
67	Chourjahari Hospital, Rukum
68	Shir Memorial Hospital, Banepa, Kavare

ANNEX 2: TASKS ASSIGNED TO MINISTRY OF HEALTH AND POPULATION

1. Policy, laws, and standards on health and nutrition
2. National policy, laws, and standards on promotional, preventive and curative services, resilience and mitigation
3. Policy, laws, and standards on academic, vocational and professional associations related to health
4. Establishment, operation and regulation of national and central hospitals and health academies
5. Policy, laws and regulations on the establishment, operation, and regulation of health institutions, including nursing homes
6. Policy, laws, standards and regulations on specialised-health-service-providing hospitals
7. Accreditation of hospitals and health institutions
8. Standards and regulation on drugs, production and development, storage, sales and disposal of health materials and health technology
9. Policy, laws and standards on traditional treatment services including Ayurveda, Unani, homeopathic and natural medicine
10. Policy and standards on prevention and control of communicable and non-communicable diseases
11. Regulation on international health services
12. Health insurance and social security
13. Human resource development, and management of health and population
14. Policy, laws, standards and regulation on health services and materials
15. Surveillance and regulation of drugs
16. Policy, laws, standards and regulation on procurement and supply of drugs
17. Logistic management of essential health materials (vaccines, family planning tools)
18. Standards on study and research related to health
19. Medicinal research on herbal, animal and mineral substances
20. Management of Health Information Management System and health accounts
21. Standards on Basic Health Services and sectors
22. National protocol of health services on requirements at different levels
23. Establishment and operation of National Reference Laboratory and scrutiny centre
24. Coordination on promotion of health tourism
25. Management of emergency situations in public health, disasters and epidemics in the health sector
26. Maintenance of buffer stock of drugs and medical goods for handling emergency situations
27. Developing the referral system and health service delivery in emergencies
28. National policy, laws, and standards on population, migration, family planning, maternal and child welfare and reproductive health
29. Development of national-level information system on the study, research and projection of population
30. Survey and situational analysis of migrations
31. Standards and policy on health sanitation and cleanliness

32. Liaison and coordination with health-related national and international institutions on treaties, contracts and conventions
33. Operation and regulation of health-related public enterprises, authorities, boards, academies and companies
34. Administration of Nepal Health Services.

ANNEX 3: INTER-GOVERNMENTAL FISCAL TRANSFER TIMEFRAME

Types of Fiscal Grant	Timeframe	Remarks
Fiscal equalisation grant: First instalment Second instalment Third instalment Fourth instalment	<ul style="list-style-type: none"> • By Shrawan 25 • By Kartik 2 • By Magh 2 • By Baisakh 2 	<ul style="list-style-type: none"> • FCGO upon the local-level budget • DTCO shall deposit the grant direct to the local consolidated fund upon finalisation of LMBIS
Expenditure reporting timeframe under Fiscal equalisation grant: Last year annual Financial Statement (F/S): First quarter F/S Second quarter F/S Third quarter F/S Fourth quarter F/S	<ul style="list-style-type: none"> • By Kartik 1 • By Magh 1 • By Baisakh 1 • By end of Asar 	<ul style="list-style-type: none"> • The second and subsequent instalments of the fiscal transfer shall not be deposited to the consolidated fund unless the F/Ss are submitted on time.
Conditional grant First instalment Then on quarterly basis	<ul style="list-style-type: none"> • By Shrawan 1 • Then on trimesterly basis 	<ul style="list-style-type: none"> • FCGO shall deposit the first trimester of conditional grant to the local-level consolidated fund • Remaining instalments to be transferred after complying with requirements in the federal budget implementation note
Matching grant	<ul style="list-style-type: none"> • As mentioned in the proposal acceptance 	<ul style="list-style-type: none"> • The matching grant cannot be spent on projects implemented through local-level User Committees
Special grant		<ul style="list-style-type: none"> • The matching grant cannot be spent on projects implemented through local-level User Committees
Revenue-sharing	<ul style="list-style-type: none"> • By 15th of each month 	

Note: The conditional grant shall be spent on the same project/programme for which the grant is transferred to the local level. The local level shall return unspent balances of the conditional grant, matching grant and special grant to the federal consolidated fund through DTCOs. If the unspent balance of the grant is not deposited in the federal consolidated fund, such amounts will be adjusted in the following year's fiscal equalisation grant.

Source: The circular issued by MoF in 2075/02/27

ANNEX 4: TIMEFRAME FOR FEDERAL BUDGET AND PROGRAMME FORMULATION

S.N	Details of process	Responsibility	Timeframe
1.	Preparation of annual programme and budget formulation	Ministry	Magh 2 nd -3 rd week
2.	Receipt of budget ceiling from NPC and distribution of guidelines on budget formulation along with budget ceiling	Ministry	Magh 3 rd week
3.	Review of budget formulation preparations and revision of budget ceiling as needed	Ministry	Falgun 1 st week
4.	Entry of proposed budget and programme details in e-AWPB	Departments and centres	Falgun 2 nd week
5.	Discussion of proposed divisional budget in the ministry	Ministry	Falgun 2 nd -3 rd week
6.	Entry of proposed programme and budget in e-AWPB	Departments and centres	Falgun 4 th week
7.	Verification that the whole budget and programme under the ministry is in line with the budget formulation guidelines, budget ceiling and procurement plan	Ministry	Chaitra 1 st week
8.	Entry of finalised proposed budget and programmes of MoHP in e-AWPB and LMBIS	Departments and centres	Chaitra 2 nd -3 rd week
9.	Migration of proposed budget and programme of LMBIS to NPC and MoF	Ministry	Chaitra 4 th week
10.	Policy-focused discussion on proposed annual programmes and federal- and local-level budgets in NPC	NPC	Chaitra 4 th week
11.	Revision of LMBIS in line with the agreed discussion held in NPC	Departments and centres	Baisakh 1 st week
12.	Policy-focused discussion on programmes and budget with MoF	MoF	Baisakh 2 nd -4 th week
13.	Forwarding of statements of transfer through conditional grants with detailed programmes and activities to MoF	Ministry	Baisakh 3 rd week
14.	Entry of agreed proposed programmes and budget with MoF in LMBIS and e-AWPB	Ministry	Baisakh 4 th week
15.	Submission of budget estimates to the joint session of federal parliament	MoF	Jesth 15
16.	Revision of LMBIS and e-AWPB in accordance with the approved budget from parliament	Ministry	Ashad 2 nd week
17.	Approval of the office-wise allocation in LMBIS from MoF	Ministry	Shrawan 1 st week
18.	Issue of budget implanting authorisation with details of programmes for each office	Ministry	Shrawan 1 st -2 nd week

ANNEX 5(A): PROVINCIAL BUDGET AND PROGRAMME FORMULATION TIMEFRAME

S.N	Steps/phases	Timeframe
1.	Submission of revenue and expenditure projection for next FY to GoN	By end of Paush
2.	Delivery of budget ceilings and guidelines on fiscal transfer from GoN to Provinces	By end of Falgun
3.	Determination of the size of estimation on resources and budget ceiling	By Chaitra 15
4.	Delivery of budget ceiling to line ministries/entity I province	By Chaitra 20
5.	Submission of proposed programmes and budget to PPC and MoEA	By Baisakh 10
6.	Finalisation of proposed programmes and budget	By Jestha 15
7.	Obtaining approval from PPC on the proposed development programmes/ activities	By Jestha 25
8.	Submission of Province budget to Province assembly	By Ashad 1
9.	Obtaining approval from Province assembly on programmes and budget	By end of Ashad
10.	Publication of the budget and programmes of the following FY	Ashad 1

ANNEX 5(B): BUDGET AND PROGRAMME FORMULATION TIMEFRAME AT LOCAL LEVEL

SN	Steps/phases	Timeframe
1.	Submission of revenue projection by Revenue Consultative Committee to local executives Submission of revenue and expenditure projection for following FY with data to GoN	Paush 15 By end of Paush
2.	Obtaining budget ceilings and guidelines on fiscal transfer from GoN/Province	By end of Falgun/ by end of Chaitra
3.	Allocation to different thematic sectors	
4.	Determination/estimation of resources and budget ceiling by the Budget Ceiling Determining Committee	By Baisakh 10
5.	Providing budget ceiling to committees and thematic divisions	By Baisakh 15
6.	Prioritising ward-level programme formulation	By Jestha 15
7.	Formulation of the integrated proposed budget for the local level for the following FY	By end of Jestha
8.	Approval of programmes and budget from the local executive	By Ashad 5
9.	Submission of budget estimation with mid-term expenditure framework	By Ashad 10
10.	Obtaining approval from local-level assembly on the budget and programmes, including MTEF	By end of Ashad
11.	Publication of the budget and programmes for the following FY	By Shrawan 15

ANNEX 6: NHSFMSF AND NHSPPSF DRAFT REVIEW TASKFORCE

1.	Muktinath Neupane, Under-Secretary (Finance Chief), MoHP	- Chairperson
2.	Lila Raj Poudel, Under-Secretary, Planning Section, MoHP	- Co-Chairperson
3.	Deepak Maharjan, Account Officer, MoHP	- Member
4.	Surya Bahadur Khadaka, Statistics Officer, Planning Section, MoHP	- Member
5.	Dipak A Dhikari, Public Health Officer, Supply Section, DoHS	- Member
6.	Fadindra Giri, Computer Officer, Planning Section, MoHP	- Member Secretary
7.	Ramesh Kumar Sharma, NHSSP, Senior Public Procurement Advisor	- Member
8.	Bhanu Bhakta Niroula, NHSSP, PFM Advisor	- Member

ANNEX 7: RESOURCE PERSONS INVOLVED IN DRAFTING PROCESS OF NHSPFMSF

1.	Dr. Guna Raj Lohani, Chief, Policy, Planning and Monitoring Division, MoHP
2.	Dr. Bikash Devkota, Chief, Quality Standards and Regulation Division, MoHP
3.	Mr. Ragu Ram Bista, Joint Secreatry, Administration Division, MoHP
4.	Muktinath Neupane, Under-Secretary (Finance Chief), MoHP
5.	Lila Raj Poudel, Under-Secretary, Planning Section, MoHP
6.	Deepak Maharjan, Account Officer, MoHP
7.	Surya Bahadur Khadaka, Statistics Officer, Planning Section, MoHP
8.	Fadindra Giri, Computer Officer, Planning Section, MoHP
9.	Dr. Manav Bhattarai, Senior Health Sepecialist, World Bank
10.	Mr. Bishwa Basaula, FMS/World Bank
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