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<b>MWF Financial Guidelines</b>	
<b>Budgeting, Funds Transferring and Monitoring Investment Funds under Municipal WASH Fund (MWF)</b>	
Final	
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## CHAPTER 1: INTRODUCTION

### Scope of this Guideline

The Municipal WASH Fund (MWF) guideline has been prepared to provide Project Support Unit (PSU) a set of actions to effectively use the Municipal WASH Funds. The major objectives of this guideline are as follows:

- a) To provide guidance to PSU on internal operating procedures of Municipal WASH Fund for
  - Financial Planning and Budgeting of WASH Activities and Infrastructures
  - Fund Requests from municipalities to PSU
  - Monitoring the fund utilization
- b) To mitigate the fiduciary risks of not utilizing funds for their intended purposes, using available funds in less priority areas, not achieving value for money and/or not properly being accounted for the revenues and expenditures.

### Framework of Obligations

A Technical Assistance (TA) Contract is concluded in 2021 between the Ministry for Foreign Affairs (MFA) of Finland and NIRAS Finland Oy for the implementation of Sustainable WASH for All (SUSWA) in Nepal (the Recipient Country) during the period of 1.11.2021-31.06.2027. In 2023, an amendment to the contract was signed, to include the provision of additional funds from the EU, and relevant obligations to manage funds in compliance with EU rules.

The governing rules are included in two documents:

- MFA – Standard Terms for the Payment of Fees and Reimbursement of Costs
- EU – General conditions of the contract

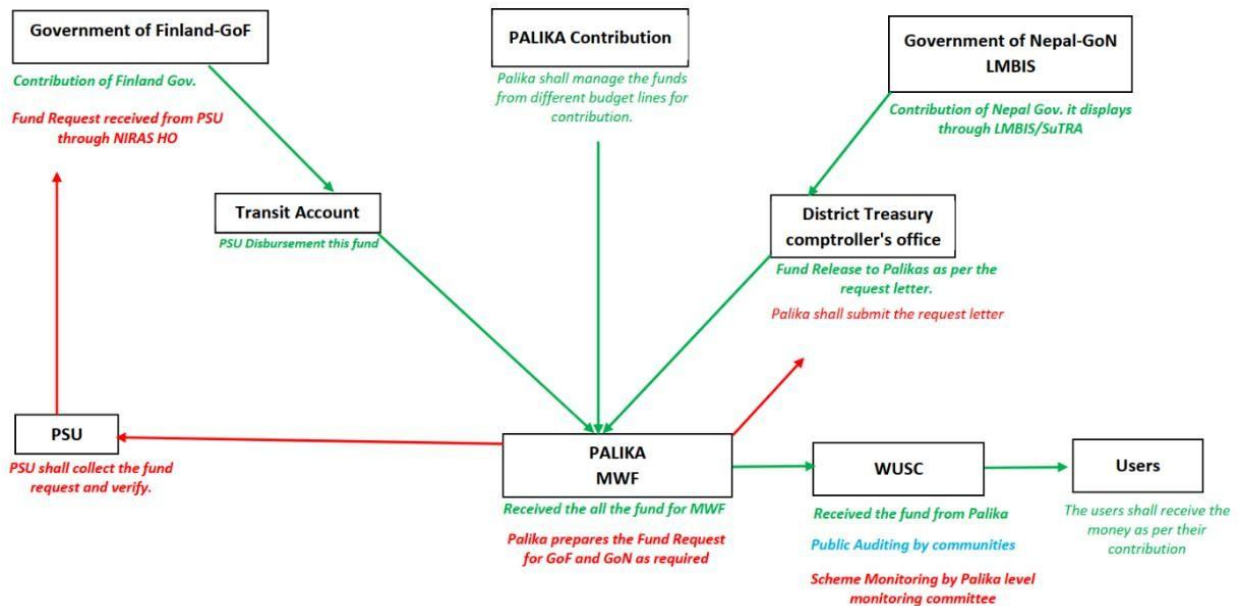
Under the TA contract, NIRAS commits to the following clauses:

- establish a separate SUSWA account in Nepal, in which the Ministry can deposit the funds allocated to the LGs for Investments.
- verify the validity of the requests for funding received from the municipalities
- transfer the money disbursed to the respective Municipality Fund, without undue delay
- be responsible for complying and ensuring compliance with the rules and regulations set by the Government of Finland (GoF) for its bilateral development funding and by the Government of Nepal (GoN) for its public funding for all components.
- monitor and report the expenditures including all the transactions regarding the Municipality Funds. Monitoring and reporting responsibility covers all the contributions and expenditures of GoF, GoN, Project municipalities and users.

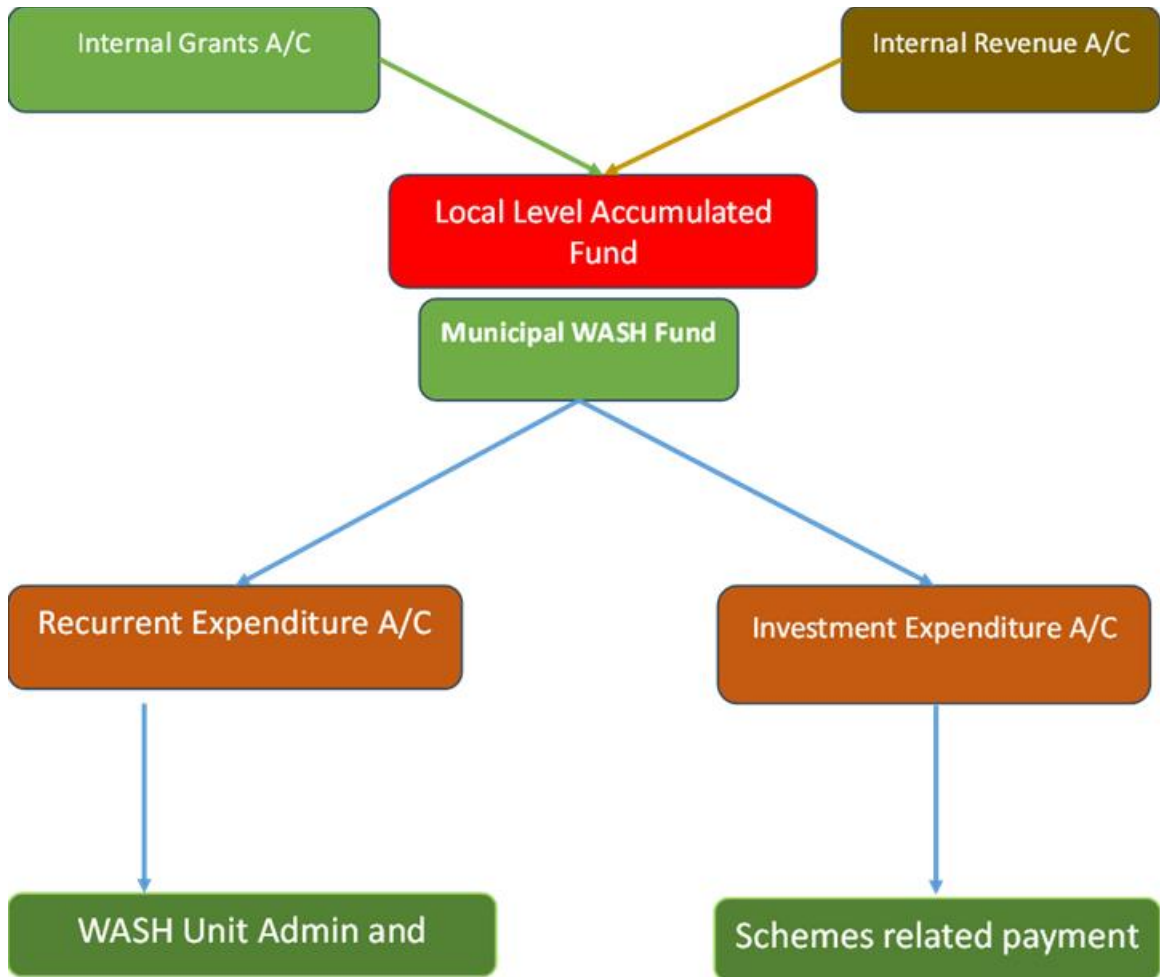
## CHAPTER 2: Fund Flow Mechanism

The Project is financed jointly by the GoN and GoF/the European Union (EU), the municipalities, and communities /Users Groups. Funds for the annual WASH implementation of the project municipalities will be transferred to the Municipal WASH Fund (MWF). The fund flow mechanism includes - GoF/EU will send money directly to MWF via “transit account” (through the TA consultant). Similarly, the Ministry of Finance (MoF), Nepal transfers the GoN contribution through the District Treasury Controller Office (in Nepali known as Ko. Le. Ni. Ka) under the Financial Comptroller General Office (FCGO) to MWF and the municipalities also deposit/transfer their matching fund contribution to the MWF account. Funds under MWF are for financing of the SUSWA projects as per annual work plan for the respective. Hence, it is a “conditional grant” to the municipalities. Conditional grants are designated for a specific purpose and may not be used for another project.

Figure 1: SUSWA funds flow mechanism



**Figure 2: Fund Release Mechanism inside the Local Level of SUSWA**



*Note: The local-level accumulated funds (LLAF) include the municipal WASH fund.*

## CHAPTER 3: Financial Planning and Budgeting, set-up of the MWF

### SUSWA AWP: Annual Work Planning

The SUSWA Municipal WASH Fund (MWF) is a consolidated fund administered by the municipalities; it is funded by contributions from GoN, GoF/EU and municipalities, to finance the SUSWA Annual Work Plan (AWP).

The AWP is approved yearly by the Project Supervisory Board and consequently uploaded into the GoN's budget information system known as Line Ministry Budget Information System (LMBIS) where SUSWA has a specific code provided by the Ministry of Finance (MoF). LMBIS is the foundation of the Red Book, the national budget of GoN.

Only the amount of joint funding from the two central governments (GoN and GoF/EU) are reflected in the Red Book. The LGs receive financial resources from the federal government as conditional and unconditional grants, both controlled by the Ministry of Finance (MoF) through the LMBIS; these funds compose the local-level accumulated Funds (LLAF). MoF allocates the budget to the municipalities, via the LMBIS; when uploaded, it is shown automatically in the municipalities' online financial system Sub-National Treasury Regulatory Application (SUTRA). Based on the resources allocated by the MoF, and their funding commitment, the LGs allocate their contributions to the SUSWA by creating an account ledger in SUTRA; that budget is approved every year in July by the municipal councils.

Table 1 below shows the key Steps and Timeline to be followed for annual budget preparation; the following Table 2 shows the processes, outcomes and responsibilities for the set-up of MWFs.

**Table 1: Major Steps and Timeline for Budget Preparation**

Role	S. N.	Activities	Deadline
WAs	1	Budget contribution proposed by municipalities collected by MWA of PSU	End of November
CTA	2	PSU review, strategic budgeting and targeting	End of December
WAs	3	Budget ceilings negotiation and budget contribution commitment letters received from LGs	End of January
CTA	4	Discuss and share budget ceiling with DWSSM	First Week of February
DWSSM / MoWS	5	National Planning Commission (NPC) approves the budget ceilings	Second Week of February
COORD	6	Prepare Budget in LMBIS Template by Outcome Areas	Mid-February
SvB	7	Approve Budget Ceilings by SvB	First week of March
WAs	8	Develop detailed annual work plan and approve it by the Municipal level project committee; share it with PSU	End of March

COORD	9	Share with DWSSM Budget by Outcome Areas	First week of April
CAFO	10	Finalize detailed annual budget (PSU Compilation, cleaning and quality assurance)	Mid-April
DWSSM	11	Upload budget in LMBIS (initial proposed)	Mid-April
COORD/ DWSSM	12	Budget discussion meetings at MoF and budget finalization	Third Week of April
DWSSM	13	Budget entry in LMBIS (final)	First Week of May
MoF	14	Budget speech and reflection of budget in Red-Book	End of May

**Table 2: Municipal WASH Fund Set-Up**

Responsible Personnel	Procedures	Outcome
PSU and GoN	PSU initiates the process by addressing a request letter to DWSSM Director General, which is forwarded to MoWS and then MoF, who finally approves and authorizes DWSSM/MoWS to perform the operation.	LMBIS entry by SUSWA Focal person at DWSSM; the budget is reflected in Red Book.
LGs' Accountant and AMO	LGs' Accountant verifies the LMBIS created in SUTRA and then creates the budget line for LGs' contribution in MWF. AMO to verify the procedures and outcome.	Budget in SUTRA includes municipal contributions and it is consistent with LMBIS and SUSWA AWP.

## Gender Responsive Budgeting

SUSWA will strengthen the financial management capacity of municipalities to ensure they can plan and monitor according to the national Gender Responsive Budgeting (GRB) standards. The budget is entered in SUTRA for each activity and outcome areas with GRB coding complying with the Gender Responsive Budget Directive for Provinces and Local Levels, 2021 of the GoN.

## Budget Revision

Under the GoN system, the budget revision is possible within the budget ceiling once in a year in mid-February to mid-March (Nepali calendar month - Falgun). The municipality should prepare the revised budget plan, then the Municipal Council should approve that revised budget before sending for the revision process in the LMBIS to the MoF through DWSSM/MoWS.

## CHAPTER 4: Municipal WASH Fund request/release procedures

### Government of Finland (GoF) and European Union (EU)

The Finnish contribution, jointly with the EU contribution to MWF, is managed by the Ministry for Foreign Affairs (MFA) and is also reflected in the Red Book. The GoF/EU contribution not spent within each fiscal year will not be frozen at the end of the fiscal year but carried forward to the next fiscal year. The Finnish funds can be deposited on a trimester basis or on an actual need basis.

The format for Fund Request Letter from municipalities to PSU and the request letter from PSU to MFA is given in **Annex 2**. The steps and checklists for the fund requests are as follows:

**Step 1:** Municipalities submits the formal fund request letter to PSU signed by the authorized personnel (Chief Administrative Officer - CAO) with following supporting documents:

- Recommendation from WASH Management Committee (WASH-MC) meeting (copy of WASH-MC minute)
- Evidence of municipalities’ matching fund transfer in SUTRA with clearly mentioning the name of Project (required for 1st installment payment)
- Statement of expenditure of MWF for GoN, GoF/EU and municipal contribution based on SUTRA (needs for 2nd and final payment requests)

**Step 2:** PSU compiles the fund request letters from all municipalities. Requests from several municipalities may, and as far as possible should be processed at the same time. A Fund Request letter from PSU to MFA signed by authorized personnel (CTA/COORD) is submitted through the Head of Corporation (HOC) from NIRAS.

**Step 3:** MFA deposits the requested amount to the transit account opened solely for this purpose by PSU. After approval of the AWP by the SvB and a request letter submitted by PSU, MFA can transfer funds to the transit account. They are not concerned about the Line Ministry Budget Information System (LMBIS).

**Step 4:** PSU receives the amount in the transit account and forwards the requested amount to the concerned municipalities on a trimester basis or on an actual need basis following the rules shown in the following table:

	Budget items eligible for transfer	Documents required	Tentative Timeline

First instalment	First-semester trainings, and LG direct expenditures, including salaries and WASH Unit running costs; first instalment of the budget to be transferred to communities (50%).	Fund Request letter signed by CAO; Evidence in SUTRA of municipalities' matching funds allocated to SUSWA; AMO Initial clearance report (for new LGs only). OAGN audit report with evidence of less than 3% of ineligible expenditures in SUSWA MWF.	July/September
Second instalment	Second semester trainings, and LG direct expenditures, including salaries and WASH Unit running costs; second instalment of budget to be transferred to communities (30%);	Fund Request letter signed by CAO; Statement of progress and completion of the first monitoring visits (WASH-MC reports); SUTRA reports.	November/February
Final instalment	Final instalment of budget to be transferred to communities (20% - according to actual progress).	Fund Request letter signed by CAO; Statement of progress and completion of the second monitoring visits (WASH-MC reports); SUTRA reports.	May/June
On demand instalment	In case of changes in the municipal workplan, budget amendment, or approved changes in the AWP.	Fund Request letter signed by CAO; Relevant documents to justify the changes.	

## Government of Nepal (GoN)

The funds from GoN are deposited to the MWF on a trimester basis. The steps for GoN fund request are as follows:

**Step 1:** LGs' Accountant estimates the possible expenditure required for the specific time period (quarterly)

**Step 2:** LGs request to the respective District Treasury Comptroller Office (DTCO) to release the GoN contributions on an installment basis by submitting a formal fund request letter with the financial report of the previous trimester.

**Step 3:** DTCO transfers the funds via EFT (Electronic Fund Transfer) or by Cheques.

**Table 3: Government of Nepal Fund Releases Quarterly**

Responsible Personnel	Procedures	Outcome
Chief Administrative Officer (CAO) of LGs MoF	MoF creates LMBIS "code budget line to transfer to Municipalities' MWF (SUTRA) through DTCO (Ko Le Ni Ka).  CAO request directly from DTCO (Ko.Le.Ni.Ka) <sup>1</sup>	GoN contributions are available in SUTRA (Budget needs to be reflected in SUTRA before requesting fund)

(1 During the first year, exceptionally, the central level Computerized Government Accounting System (C-GAS) applied; under this system, the CAO requested to DWSSM Director General, forwarded to MoWS and then to MoF for budget transfer approval.)

## Local Governments (LGs)

There is no provision to provide a separate budget for matching funds by the central and provincial government to the municipalities (LGs). The LGs allocate budget for matching fund to the project from the following budget lines received;

- Complementary grant (Samapurak Anudan)
- Conditional Grant (Sasarta Anudan)
- Special Grant (Bishes Anudan); and
- Internal Sources (Revenue)

Hence, the LGs after receiving the budget from the central and provincial governments in the above budget headings including the funds collected through their internal revenue sources allocate the funds required for the matching funds as their contributions for different projects. The municipality shall allocate funds from its own budget to the SUSWA MWF as provisioned in the AWP of each year. The fund shall be separately provisioned for scheme investment, human resources, capacity building, WASH Planning and other works. The fund will be deposited to MWF as per their matching fund commitment and is one of the prerequisites to implement the project in the municipality. This also includes the source for the provision of a matching fund for SUSWA project activities.

Once the approved budget is created in the name of the respective LG in LMBIS, it is reflected in the SUTRA system. The LGs manage their part of the contribution and mention it in the name of Project Ledger (MWF SUSWA) with specific budget headings and subheadings.

**Table 4: LGs Contribution**

<b>Responsible Personnel</b>	<b>Procedures</b>	<b>Outcome</b>
LG's Accountant	Transfer the Funds in one lot to MWF Accumulated Account	Budget is reflected in SUTRA in the name of SUSWA and Accountants will send the proof to PSU.

The steps to transfer the municipalities' fund for SUSWA expenditures are as follows:

**Step 1:** LGs Accountant estimates the expenditure required for the month

**Step 2:** The amount is transferred from Accumulated Fund Account to Expenditure Accounts (Capital and Current Expenditure Accounts) on a monthly basis as per the estimation and requirements

## User Committees

The Water Users' and Sanitation Committees (WUSCs) are the representative body of the Water Users' Groups (WUGs) or the beneficiaries of the respective communities. Hence, once the detailed design estimates of a water scheme are completed, the WUSC starts collecting the upfront cash from the respective user households to meet the criteria of cash contribution for the project. In case of SUSWA project the community contribution (Cash + Kind), excluding Operation and Maintenance (O&M) fund, will not be less than 20% of total scheme cost (of which minimum 1% must be in cash). Moreover, for the O&M fund NPR 500/household should be collected and deposited in the O&M Bank account opened in the name of WUSC for future repair and maintenance works. WUSC usually collects the cash contribution on equal basis from each household, however they can also decide and practice different rates based on the well-being ranking of the households as decided by the community.

As per the Rural Water Supply and Sanitation (RWSS) national policy- 2004, in case of ultra poor households, cash contribution is not compulsory. The users' contributions are counted only when the scheme reaches completion status, i.e. it gets completed and financially cleared. Only then, the users' contribution both in cash and kind will be considered while preparing the Measurement Book for the scheme as per the GoN system.

For the fund request by the WUSC to LG, the following steps are to be followed:

**Step 1:** Complete the preparatory phase activities by WUSC. The activities are mentioned below:

- Registration of WUSC
- Formation of WUSC
- WUSC Bank Account Opening
- Upfront cash contribution and O&M Fund Collection

- Preparation of Community Action Plan (CAP)
- Signing agreement between WUSC and LGs
- Market Survey and Procurement Process (Quotation) approval by WUSC

**Step 2:** The WUSC should send a formal request letter in the WUSC letterhead along with the copy of WUSC minute decision to request the fund.

**Step 3:** Transfer the first installment (50%) from LGs to WUSCs' bank accounts. However, for the second installment payment (30%), the WUSC has to submit the following documents and the request letter.

- Submission of expenditure documents
- Measurement Book (MB)
- WUSC books of accounts and Bank Statements
- Bills of materials procured, skilled labor and other costs
- Second Monitoring report and visit team recommendation
- WUSC meeting minutes
- WASH advisor or assigned project representatives' written recommendation
- Minutes of 2nd Public Audit

For the 3<sup>rd</sup> and final installment payment to WUSC, the following documents are required.

- Evaluation report of the cost as per the work done and final MB by WASH Unit
- Completion of all the activities as per CAP
- Submission of expenditure documents
- Measurement Book
- WUSC books of accounts and Bank Statements
- Final Bills of materials procured, skilled labor and other costs
- Submission of 3rd Monitoring Report and visit team recommendation
- Minute of 3rd Public Audit Report
- WASH Advisor or assigned project representatives written recommendation

The 3<sup>rd</sup> and final instalment will be paid up to 20% based on the actual expenditure incurred. No final instalment shall be made until Users' contributions for investment and Operation & Maintenance are deposited.

## **CHAPTER 5: Repair and Maintenance Fund Flow Mechanism**

A Repair and Maintenance (R&M) Fund is a designated financial resource used to support the upkeep and repair of assets, infrastructure, and equipment. Its purpose is to ensure the longevity and effective functioning of these resources by securing readily available capital for both routine maintenance and unexpected repairs. This fund is established under Section 32 of the Drinking Water, Sanitation, and Hygiene Act, 2080. For additional details on the fund's sources, utilization, and cost-sharing procedures, refer to the R&M SoP and the Palika Operation and Maintenance Protocol.

### **Repair and Maintenance Fund Flow**

The Repair and Maintenance Fund is allocated through the Municipal WASH Fund under Outcome Area 1 (Investment Budget). The R&M Fund receives contributions from various sources through the Local Level Revenue Account, starting from the GA 1.1. These include: GA 1.3 Internal Revenue Account.

#### **The fund flow process is outlined below:**

**1. Transfer to Local Level Accumulated Fund**

Local governments receive their total Municipal WASH Fund installments from different sources and deposit them into the Local Level Accumulated Fund (Account GA 4.1).

**2. Transfer to Expenditure Accounts**

The accumulated funds are then transferred into the recurrent and investment expenditure bank accounts. The investment budget accounts include:

A. GA-2.3 Account — [Uneven Fiscal Year]

B. GA-2.4 Account — [Even Fiscal Year]

From the investment expenditure account, the allocated Repair and Maintenance (R&M) funds are transferred to the Miscellaneous bank account (GA 5.1) within three months of the start of each fiscal year.

Once transferred to the Miscellaneous bank account, expenditures are recorded for the LG's MWF and later utilized strictly for approved repair and maintenance activities as per the Operation and Maintenance Guidelines.

### **R&M Fund Mobilization Process (UC → WASH-MC → Palika)**

- 1. Identification of Schemes:** Repair and maintenance schemes are identified in close coordination with the SSC section.
- 2. Request Submission:** WUSCs submit their R&M requests to the Palika. The Palika WASH-MC/WASH Unit verifies the request and prepares cost estimates.

3. **Technical Verification:** The technical team assesses and confirms the necessity, feasibility, and reasonableness of the proposed cost through close coordination with WASH-MC.
4. **Approval:** The R&M Fund Management Committee provides formal approval for fund mobilization.
5. **Contracting:** Contracts or agreements for R&M activities are executed between the Palika and concerned WUSCs.

## Expenditure Recording Mechanism

All R&M Fund expenditures must be recorded in SuTRA under a separate budget sub-heading.

Required supporting documents include:

- ✓ Request letter from WUSCs with ward office recommendation
- ✓ WASH-MC meeting recommendation
- ✓ Cost estimate and technical verification note
- ✓ Original bills/invoices and payment vouchers complying with financial procedures
- ✓ Completion report with action photographs

The WASH Unit maintains an R&M utilization ledger and updates WASH-MC meetings regularly.

## Eligible Expenditures

R&M funds must be used strictly for the repair and maintenance of WASH schemes in line with the R&M Fund Mobilization SoP, such as:

- ✓ Repairs of pipelines, valves, taps, pumps, and storage tanks
- ✓ Replacement of damaged system components (pipelines, valves, pumps, RVTs, etc.)

Service upgrades, such as installing household connections to replace public taps, are not eligible for the RMF.

The main beneficiaries of the RMF are WUSCs experiencing major breakdowns. Funding for long-term non-functioning or partially functioning WSS is a secondary goal. If no other funding sources are available within the LG and no breakdowns happen in the first six months of the fiscal year, the municipal council may approve a list of WSS eligible for RMF funding.

## Monitoring & Accountability

1. **Regular Monitoring:** WASH Unit staff observes and tracks repair works throughout implementation.

2. **Monthly Review:** WASH-MC reviews fund utilization, scheme status, and balance in each monthly meeting.
3. **Transparency:** Key expenditure information (amount, purpose, and date) must be displayed on public notice boards at the Palika and WASH-MC office.
4. **Internal Audit:** The R&M Fund undergoes an annual internal audit through the Palika’s financial system. The fund granter may review the records at any time and may review 100% of schemes.

## Fund Refill Mechanism

The Repair and Maintenance Fund is a permanent financial instrument that shall be available and budgeted annually by the Municipality. At the end of each fiscal year, WASH-MC or the R&M Committee reviews the R&M Fund balance. If the fund is depleted, it must be replenished through the next fiscal year’s budget.

Its size is proportional to the needs and size of the LGs, the functionality rate, and the overall value of the assets within the LG.

For simplicity, LGS should use the following formula to determine the MINIMUM threshold of the RMF that must be replenished each fiscal year with the new budget:

$$\text{Total number of WSS} \times \text{Rate of non-functional WSS} \times \text{Average capital maintenance cost component} \times \text{LG cost-sharing ratio}^1$$

*The formula considers:*

- The average cost of one gravity-fed WSS in Karnali = 2,00,000 NPR
- The average component of capital maintenance cost is 25% of the asset's value
- The LG's average cost contribution, based on costs per household, ranges between 50% and 70%, with an average of 60%

During the preparation of the SUTRA budget, the SSC facilitator shall submit to the WASH-MC the updated budget amount to be allocated to the Repair and Maintenance Fund by the LG.

## Roles and Responsibilities in R&M Fund Management

### 1. WASH-MC

The WASH Management Committee (WASH-MC) are primarily responsible for overseeing the planning and execution of repair and maintenance works. Their duties include:

- Review and approval of the requests for Repair Works: on monthly basis.

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<sup>1</sup> For example, considering that the LG monitors 20 WSS, with a functionality rate of 85%, the minimum size of the RMF should be:  $20 \times (100-85\%) \times 2,000,000 \text{ NPR} \times 25\% \times 60\% = 900,000 \text{ NPR}$ . For the sake of simplicity, the SSC could use the following shortcut calculation :  
 Repair and Maintenance Fund in NPR / year = Number of WSS in the LG x % on non-functional WSS x 1,200,000

- Planning and prioritisation of the use of RMF for long-term non/partially functioning WSS after the first six months of every FY; the prioritisation list shall be submitted and validated by the municipal councils.
- Monitoring of the expenditures and quality control of the works; verification of the value for money of every repair.
- Control of the proportionate contributions of the UCs to the works.

## 2. SSC/WASH Unit

The Service Support Centre (SSC) and/or the WASH Unit plays a critical technical and monitoring role:

Their duties include:

- **Verification:** SSC reviews the support requests received from Wards or UCs to confirm the necessity and reasonableness of the proposed repairs, ensuring they align with technical standards. The SSC also estimates the costs and assesses whether the repair's cost per HH is eligible for LG financial support or shall be entirely funded by the community.
- **Filing a Request of Repair Works:** in case the repair is eligible for RMF contribution, the SSC fill the template and submits a formal request for funding to the WASH-MC.
- **Implementation of Works:** Once the R&M Fund allocation is approved, SSC ensures that funds are disbursed to the community and repair activities are carried out by UCs efficiently and in compliance with technical and operational guidelines.
- **Record Maintenance:** SSC maintains accurate records of all works implemented, including project details, expenditures, and completion reports, to ensure accountability and transparency.
- **Reporting:** SSC presents updates on R&M Fund utilization, including progress reports, challenges, and completion summaries, in the WASH-MC meetings.

## 3. Finance Section

The Finance Section ensures proper financial management and compliance:

1. **Budget Entry:** They record approved R&M Fund allocations in the financial system, reflecting the correct installment amounts.
2. **Recording Expenditures in SuTRA:** All R&M Fund expenditures are systematically captured in the SuTRA system under a dedicated R&M sub-heading, along with relevant supporting documents.

3. **Financial Reporting and Documentation:** The section prepares financial reports, maintains supporting documents such as invoices, payment vouchers, and scanned copies, and ensures compliance with Palika financial rules and audit requirements.

#### Risk Measures (Checklist)

1. **Installment Transfer:** Confirm how much and when each installment (50%, 30%, 20%) is transferred.
2. **Fund Maintenance:** Verify how the Palika maintains the R&M Fund throughout the fiscal year.
3. **Balance Evaluation:** Confirm when WASH-MC reviews and evaluates the R&M Fund balance.
4. **Ledger Management:** Ensure a consolidated R&M Fund ledger is created and updated regularly.
5. **Fund Refill:** Check whether the Palika has refilled the R&M Fund for the new fiscal year.
6. **Budget Reasonableness & Compliance:** Review procedural compliance, CAO and SSC signatures, field verification notes, and proper financial documentation.
7. **Monthly Coordination:** Coordinate with SSC and WASH-MC each month regarding ongoing R&M activities in all Palikas.
8. **WASH-MC Reporting:** Ensure each WASH-MC meeting includes R&M expenditure presentation and reporting.

## CHAPTER 6: Administering Municipal WASH Funds

The municipalities manage the MWF by Sub-national Treasury Regulation Application (SUTRA), government accounting software to ensure the appropriate financial management system for recording, reporting and properly utilising project funds.

All expenditures shall comply with the rules and regulations of GoN and meet the provisions of the Project as stipulated in the Project Document and Project Implementation Manual (PIM). Expenditures incurred under MWF must be approved by the Chief Administrative Officer (CAO), who has the authority to sign the cheques. They may delegate the authority to any other competent officer as provided in the Local Government Operation Act, 2074 (LGOA). Nevertheless, overall financial accountability remains with him. The PSU cannot sign any documents or cheques related to the administration of MWF.

**Table 5: Payment Process from Municipal WASH Fund**

Responsible Personnel	Procedures	Outcomes
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WASH Advisors/WASH Coordinator	Prepare a monthly budget and verify the progress of expenditures; once per month during the WASH-MC meetings.  Only expenditures included in the monthly budget can be performed by LG.	Expenditures are eligible and compliant with SUSWA AWP.
LGs CAO and Accountant	Based on the stipulated rules and regulations, and approved documents, process the payments and funds transfer to communities' accounts.	Payments are made and entered in SUTRA

The MWF is used to finance two types of expenditures:

### **Expenditures directly made by municipalities:**

These include funding for activities under outcome area (OA) 1 of the project Results Framework (Governance) as well as outreach campaigns, payments to municipal WASH Unit staff assigned to the project and to other Service Provider (SP) or Support Organization (SO) as per the performance-based annual contract signed between municipalities and WASH Unit staff as well as other SPs/SOs.

#### **Key Aspects:**

- The indicative budget available for each municipality is provided every year by April, during the Annual Work Plan preparation process. This budget includes both GoN/GoF/EU and municipality sources.
- Though an overall budget ceiling is provided for each municipality, the PSU does not set any ceiling for all the individual budget subheadings, in order to provide flexibility for the municipalities to decide on activities in line with their needs. However, the PSU has authority to comment and recommend budgetary adjustments if the proportional budgeting under different headings is not balanced.
- A detailed and budgeted Municipal Annual Plan (MAP) is prepared by municipalities with the assistance of the PSU and approved by the Municipal Councils every year by July, 15.
- The indicative lists of activities eligible to be inserted in Municipal Annual Plans are detailed in Project Implementation Manual (PIM).

### **Expenditures made by communities**

As per the implementation phase agreement signed between municipalities and WUSCs: funds will be transferred from MWF to WUSCs accounts, matching users' contributions to finance water, sanitation and hygiene activities in the communities. No activities will be funded from the MWF which are not included in the approved annual work plan of the respective municipalities.

#### **Key Aspects:**

- The standard agreement for implementation of the scheme is made between the municipality and the WUSC and witnessed by the project and respective Ward Chairpersons. The agreement paper mentions the role and responsibilities of all the stakeholders. The agreement template is provided in the Step-by-Step Procedure (Field Guideline-1). The detailed process of the community procurement for non-local materials is described

in the SUSWA Non-Local Materials Procurement Procedure (Field Guideline -2), which is mandatory to follow by each WUSC. Book-keeping, Public Audits/Public Hearing at the Users' Committee Level are also detailed in PIM.

- Funds for Implementation Phase will be channeled directly to the respective WUSCs' bank account on installment basis as stipulated in the contractual agreement signed between the municipality and WUSC.
- WUSC will receive funds on an installment basis, as indicated in the agreements from the municipality upon receipt of all necessary documents from WUSC. PIM has provision of the timeline for installments to be paid to WUSC for the construction of water systems by the municipality. Generally, installment payment of all schemes will be done in three installments but for the schemes like point source improvement and other smaller repair type schemes, WASH-MC may decide to pay in two installments or as mentioned in the agreement signed between WUSCs and LGs.
- The final installment to WUSC shall be released based on the final evaluation of the work completed based on the Measurement Book by the Technical Facilitator (TF) and as certified by the municipal Engineer. Therefore, the final installment may not be equal, and in any case, shall not be paid more than the amount as mentioned in the agreement.

### **Procurement**

WUSC has a key role to play in procurement and financial matters. The community members at WUSC have to identify the cost and quality of the materials or services, consultancy services and for the construction related aspects to be procured and organize logistics accordingly to make the scheme economical and effective for sustainability. So, the procurement should be done as per the prevailing rules and regulations and guidelines for the schemes. For this, before the scheme is started, a training relating to start the project, accounting and procurement will be done to the WUSCs to enable them to perform the work efficiently and effectively. For this, SUSWA has developed and practiced a community procurement system led by the WUSCs following the SUSWA Non-Local Materials Procurement Procedure (Field Guideline -2) as approved by the Supervisory Board.

### **Accounting**

The WUSC that deals with funds has to keep a written formal record of all its financial transactions of the concerned scheme. Systematic bookkeeping includes exact information on various incomes and expenses in an acceptable standard and Generally Accepted Accounting Principle (GAAP). This information allows a committee to budget and make realistic plans for future activities. Both a committee itself and concerned authorities need the bookkeeping also for monitoring and audit of accounts. Please refer to the Scheme Booklet (Yojana Khata) for details. Updating and maintaining the scheme booklet (Yojana Khata) is mandatory for all the WUSCs. The booklet provides necessary information on the recording of decisions, income and expenditure of cash and kind including banking transactions.

### **Record Keeping**

The GoN keeps accounting systems mostly on a cash basis and also applies several standard formats to keep records and report financial transactions. Clear records as regards to the persons who have worked at full wage, who have worked at a low wage or who have worked without wage have to be maintained separately. Standard forms developed by GoN/MoWS for labor input days record for works to be done by the users' committee (known as dor hajir in Nepali) have to be adopted to keep the records. WUSC must be able to maintain relevant formats with financial record keeping as per GoN system for income and expenditures and store management (process of entry and issues of materials, record keeping of construction materials and tools) systematically as per financial regulation of the municipality. Financial management training will be conducted for the concerned WUSCs to enable them to maintain the financial transactions, procurement and reporting purpose.

The WUSC, as provisioned in their statute, will have the main responsibility of recording all transactions and keeping the financial records updated. The WUSC has to keep safely the bills and vouchers obtained in relation to the works done. This responsibility should be taken into account when selecting a suitable person for a WUSC treasurer. All the decision and procurement-related quotations, comparative charts and mass meeting records should be kept safely. All the books of accounts will be checked during scheme level monitoring.

## CHAPTER 7: Financial Records

### Recording MWF expenditures in SUTRA

1. All financial transactions are recorded in SUTRA based on the authentic documents and procedures of the related projects.
2. The summary of transactions such as total income/release, expenditure, advances and remaining fund balances are displayed in the financial reports and can be extracted as and when required for the date that we require for our purpose (formal reporting date is – monthly, quarterly and annually).
3. The procedures, documents, entry and financial reports are required to be periodically cross-checked by PSU for its validity, correctness and completeness.

After the transaction takes place, the LGs in their SuTRA system book the expenses and other related accounting information. The transactions are booked with the respective budget headings as per the provision of budget in red book. The LGs book the expenses of SUSWA budget they have been operating directly and for investment expenses based on the expenses of the WUSCs.

The financial reporting from LGs on MWF should be made on a monthly basis. This monthly report should be prepared based on the transactions recorded in the SUTRA accounting system for the SUSWA project. Such transactions recorded in SUTRA should be extracted on a monthly basis and compiled at PSU. Refer **Annexes 3-6** for the sample information sheets that could be downloaded from SUTRA. WASH-MC in close coordination with the account section of LG verifies the payment made during each month and attaches the financial progress to WASH-MC minutes monthly. (Refer **Annex 7** for reporting format).

**Table 6: Monthly Financial Registration of GoF/EU, GoN and LG Contributions and SUTRA reports**

<b>Responsible Personnel</b>	<b>Procedures</b>	<b>Outcome</b>
LGs' Accountant	Recording the SUSWA expenditures in SUTRA, and compiling information from SUTRA Accounting System	SUTRA report of SUSWA Budget Expenditure with respective budget head is provided to WASH Unit
WASH Advisors WASH coordinator	WAs with support of WASH coordinators verifies the accuracy of information and expenditures by OA and actual contributions of GoF/EU, GoN and LGs, compiles and prepares the monthly report and present it to the WASH-MC	Monthly report signed by WASH-MC to be uploaded in respective LG folder in Google Drive with annexed SUTRA report
CAFO/AMO	Compile by creating and maintaining MS Access or any other software	Summary of each LGs expenditure monthly and till date.  MWF Financial Summary Report as an annex to SUSWA-PSU Semi-Annual

		and Annual Report
LGs' Accountant LGs' CAO DTCO (KoLeNiKa)	produce and sign the status of expenditures from SUTRA	SUTRA export of SUSWA annual financial report

The transactions entered into the system are produced as financial reports (SUTRA report) on a monthly basis and reported within the first week of next month as stipulated by the GoN. The SUTRA report includes a Statement of Expenditure (SoE) and a Statement of Advance (SoA).

At the end of every fiscal year, the LGs' accountants extract from SUTRA an annual report of the expenditures of the SUSWA budget. The report is signed by the CAO and countersigned by the District Comptroller Officer (DTCO) (Ko.Le.Ni.Ka. in Nepali) before submission to the PSU and forwarded to DWSSM.

The MWF report shall be verified with the records of Financial Comptroller General Office (FCGO)/District Comptroller Officer (DTCO); in case of any inconsistencies, the LGs will verify and reconcile, before re-submitting the rectified reports. If there is deviation in the expenditure of LG and FCGO, it should be reconciled.

### **Financial Reporting by WUSCs**

The funds will be released to the WUSC account for the investment. This includes money that users invest in the scheme and contributions from MWF. Part of the funds will be an advance from MWF according to the scheme's progress. WUSC is required to provide progress reports on project construction to the concerned local government on an instalment basis. The WUSC should keep the original bills and receipts along with the financial statements. To clear the respective advance and get a new instalment/final payment from MWF to the WUSC, a technical evaluation of physical progress of the scheme is required. Information about the expenses made by WUSC will be disclosed in a community mass meeting followed by a public audit.

The practice of public hearing and public audit including disclosure of financial details by WUSCs during community mass meetings with participation of at least 75% beneficiary households with representation of at least 50% women and proportionate representation of Dalits, Janajati and People with Disabilities (PwDs) and provision of keeping display boards with financial details in the public places will ensure the transparency maintained in the project activities at community level. These aspects will be focused during community level monitoring visits.

## **CHAPTER 8: Settlement and Clearance of MWF**

### **Settlement and clearance of the WUSCs accounts**

Since final payment to the WUSCs is done based on actual expenditure, all the advances or the mobilization fund should be cleared in final payment. Hence, the final instalment mentioned in the agreement with WUSC is maximum, the instalment shall be paid on actual basis. Cost reduced from competitive external material procurement, quantity reduced through low quality of structures or less pipeline depth shall be deducted from the payment.

As the cost estimate is prepared on the basis of assumptions, any leftover material or construction tools at the construction site, if not specifically mentioned as returnable in the design report, shall be handed over officially to the WUSC as property of the community for the operation and maintenance of the scheme. If the materials left over are in huge quantities and can't be further utilized for O&M, it shall be done as decided by WASH-MC which will be recommended by the monitoring team. Any fund for scheme cost not spent as per the design report shall remain as a property of the WASH Fund. Such surplus amount shall be adjusted while making the final payment to the WUSC. If the fund released in first and second instalments can't be expended as per final evaluation of the scheme, WUSC shall return the surplus fund to WASH Fund.

After completion of all construction works and financial transactions, being publicly audited and monitored by a joint team of the municipality and the Project, financial clearance of the schemes will be made. The following documents will be needed for financial clearance/settlement of the scheme as:

1. Minutes and Request Letter from WUSC
2. Measurement Book
3. Work Completion Report
4. Minutes of public/social audit
5. Recommendation of Ward Chairperson
6. Final Field Monitoring Report and recommendation of monitoring team
7. Recommendation from Field Team of the Project
8. Audit Report of MWF

### **Settlement of SUTRA account and clearance of EU/MFA contributions**

At the end of every fiscal year, and after the extraction from SUTRA of the annual report of the expenditures of the SUSWA budget, the MWF is closed and all EU/MFA funds that are not spent are transferred back to the PSU transit account. Proof of the transaction is sent to AMO by the accountant.

### **Settlement of SUTRA account and clearance of GoN and LGs contributions**

GoN funds that are not spent are frozen and sent back to the central treasury of the government; without returning back the unspent, the DTCO will not transfer the new year budget.

LG unspent funds are returned according to the following rules:

Source of funds	Mechanism of transfer off unspent funds at the end of the year
Complementary grant (Samapurak Anudan)	Refund to central government treasury
Conditional Grant (Sasarta Anudan)	Refund to central government treasury
Special Grant (Bishes Anudan); and	Refund to central government treasury
Internal Sources (Revenue)	Transfer remaining unspent balance to LG internal account.

At the end of the fiscal year, all funds that have not been spent are transferred back to their original source, and the MWF balance returns to zero.

### Auditing the MWF

Auditing of the MWF will be done as per the prevailing financial rules and regulations of GoN by the Office of the Auditor-General (OAGN). Chief Administrative Officer (CAO), on behalf of the municipality, will be responsible for timely auditing of the fund and rectifications of irregularities if needed.

**Internal Audit** The internal auditing shall be carried out 4 times in a year (every 3 months) by the internal auditor branch of the local government. The internal auditors review and verify the supporting documents, check the compliance of the financial process and system, and provide the **Internal Audit Report** to LGs. Feedback from the audit reports includes remarks and corrective measures that shall be incorporated by LGs. The LGs who do not have an internal auditor or auditing system, may request DTCO and then the DTCO will carry out an internal audit for such LGs.

**The final Audit** is performed by the Office of the Auditor General Nepal, which releases an Audit report publicly available for download from its website<sup>2</sup>. The audit report includes for each MWF a **statement of irregularities for ineligible expenditures**. The amount of MWF annual income and expenditures, opening and closing balances of the FY are included in the audit report.

	WHO	WHAT	TO WHOM	WHEN
Internal	LG Internal Auditors branch	Internal audit report	LG	Every 3 months (4 times in FY)

Internal	DTCO	Carry out internal audit of LGs upon their request who do not have such system	LGs and Financial Controller Office (FCGO) in Kathmandu	Once a year after the end of the fiscal year and before the OAGN audit; reports shall be submitted by Mid November
Final/external	OAGN	Statement of ineligible expenditures	DTCO/LG	After the internal audit carried out by DTCO

The audit report should be cleared as soon as possible by CAO after the report is obtained from OAGN.

Every LG will have two expenditure bank accounts to be operated alternatively during odd and even years.

In case of ineligible expenditures, the CAO has responsibility to clear pending irregularities by 35 days from receiving the OAGN report; in case of special cases, they can request a 30 days extension.

### **Auditing Users' Committee Account**

Since municipalities have to get their MWF audited by the Office of the Auditor General, a separate audit at the WUSC level is not required. However, municipalities should ensure that the WUSCs are following the suggested bookkeeping and accounting system and also see that the funds are used for intended purpose. All the scheme expenditures are audited through a public audit minimum of 3 times in a scheme cycle as mentioned in the step-by-step guideline. In case the municipality feels it necessary to get WUSC's account audited, management of the audit will be done by the municipality. The fund required for the audit should be covered by the management cost of WUSCs, which is a part of the cost estimates. A public audit of the funds released to the WUSC is mandatory before getting a second and/or final instalment payment from MWF.

## **CHAPTER 8: External Monitoring of the MWFs and fiduciary risk management**

MWFs are administered and audited as per the local government rules and regulations approved by the GoN. If necessary, joint monitoring of the MWFs by the PSU and the PCO will be carried out in terms of both financial and physical progress matters.

The financial progress is reviewed and endorsed in the WASH-MC meetings. The status of income and expenditure of MWF is regularly monitored.

The Office of Auditor General Nepal (OAGN), the government agency of Nepal will monitor the accounting system

and provide a report on financial transactions once per year. The project will strictly follow the policy of preventive audit observation of MoFAGA. LGs will get audited for all MWF transactions by OAGN as per GoN rules and be responsible to take further corrective actions for any kind of irregularities.

## **PSU FIDUCIARY RISK MITIGATION MEASURES**

As part of its responsibility in “complying and ensuring compliance” with the use of SUSWA funds, the PSU will pay specific attention to assess periodically the fiduciary risk by:

- checking the initial compliance of LGs accounts (by AMO)
- overviewing the monthly budgets and progress of expenditures (by WASH advisor, and WASH management committee)
- regularly scanning SUTRA reports (by CAFO)
- Perform one field monitoring after the release of first and before the release of third instalment additional field visits are organized by AMO or CAFO if needed.

### **1) Checking LGs Account and Compliance with PIM**

*(by AMO)*

Purpose of this preliminary assessment is as follows:

01. Introduce LG Officials (Accountant, Chief Administration Officer, Chairperson, Technical Head of LG, WASH team) to SUSWA working procedure, norms, compliance and financial requirements,
02. WASH Unit staff contract - recruitment, contracting and compliance of salaries as per PIM Annex 2 (For new LGs)
03. Staff Profile Management (personal file of staff with CV and academic documents)
04. SUTRA knowledge and capacities
05. SUTRA Budget Entry as per approved AWP in LMBIS Format
06. LG Contribution in SUTRA as per Commitment Letter
07. Account coordinates and fund transfer preparedness.
08. WUSCS' procurement process and advance release mechanism (Tender Notice, WUSC minutes, vendors documents, quotation evaluation and comparison sheet, WUSC supplier agreement)

AMO produce an “**Initial clearance report**” composed by the \*xls. checklist and narrative report of evidences found in LG and submit it to CAFO who reviews and signs; pending actions are taken as needed and followed up; reports shall be archived before the first instalment is transferred from PSU to LGs.

### **2) overviewing the monthly budgets and progress of expenditures**

*(by WASH advisor, and WASH management committee)*

01. Expenditure Compliance with the AWP and the Project Implementation Manual (PIM)

## 02. Activities Supporting Documents

- Proposal of Activities
- Internal Control Mechanism: Activities recommendation by WASH Advisor, Activities approved by CAO

### 3) **monitoring SUTRA reports**

*(by CAFO)*

This includes the direct expenditures operated by LG only; the expenditures operated by communities are monitored twice every year by LGs before disbursement of the second and final instalments. When a second or final installment is disbursed to communities, the accountant shall attach to the SUTRA report the minute of the approval of payment voucher clearly stating the verification of required documents signed by CAO.

The SUTRA reports shall be outcome area-wise and clearly break down expenditures by funding sources;

CAFO prepare an internal MWF monitoring logbook and checklist monthly:

- the consistency between budget outcome areas and funding sources
- the compliance of payment voucher in case of communities' installments
- record in the **Internal MWF monitoring logbook** all the inconsistencies found, mentioning the action required to fix it. The check minute is sent by official letter to LG, to WA and WASH Unit coordinator (cced COORD and AMO) for their reaction and follow up.

CAFO is responsible for following up on the action items; in case of unsuccessful actions, CAFO reports to CTA. The information gathered in the reports are compiled in the project progress reports.

### 4) **Field monitoring to prepare Audit**

*(by AMO)*

Once every year, a meeting is required to be held with LG Officials – Chairperson, CAO, Technical Head, CoA or Accountant, WASH Team before the audit work starts; during the meeting the preparatory checklist is shared and discussed, and measures are identified. AMO prepares a minute of the meeting, with a list of the decisions and pending actions.

The **checklists** for preparation of audit works will include:

1. Feasibility Study of the projects,
2. Cost Estimation of the Projects,
3. Agreement with Municipality,
4. Fund Request Minutes by WUSCs,
5. Minutes of Work Completion by WUSCs,
6. Work Performance Report,

7. Social/Public Audit with disclosure of Income & Expenditure,
8. Bank Account Verification (Name, Number, branch etc.)
9. Municipal Annual Plan (MAP) approved by the municipal council and comparison with LMBIS (pdf files to be collected as reference).
10. Fund Request Letter collection and discussion
11. Introduce LG Officials (Accountant, Chief Administration Officer, Chairperson, Technical Head of LG, WASH team) on SUSWA working procedure, norms and financial requirements.
12. Checking and verifying the budget in SuTRA,
13. Discussion on reporting mechanisms, project norms, and compliances
14. Discussion on the status of LISA (Local Government Institutional Self-Assessment) - Review scoring on different aspects including financial and transparency issues
15. Discussion on the status of Fiduciary Risk Reduction Action Plan (FRRAP) and its practice in LGs
16. Discussion on the funds release mechanism of international agencies (GoF/EU) and GoN,
17. Discussion on the Reporting process and time frame. (Usually practiced on monthly basis by 1st week of next month),
18. Discussion about the Status of WASH Manage
19. WASH Management Committee (WASH-MC) and its role and functioning status,
20. Discussion about the Status of WASH Unit staff - hiring and mobilization status,
21. Collect the copies of the Memorandum of Understanding (MoU) signed between LG and DWSSM,

The potential irregularities/risks to check by AMO during assessment at LGs are as follows:

01. Possibility of expenditure on unallocated expenditure heading and amounts
02. Recording expenses with an unallocated heading/unallocated budget heading
03. Payment done without complete supporting documents
04. Use of fund in unintended use and other projects/purpose
05. Payment may be done without deducting appropriate TDS and relevant Tax
06. Use of advance in personal purpose
07. Incorrect Consultant hiring process
08. Delay in decision from executive board and effect on the project activities
09. Expenses may be booked more than the approved budget
10. Staff hiring process and documentation
11. Incomplete process for hiring consultants to make WASH Plan
12. Not keeping foreign aid records properly
13. Community procurement process
14. Faulty Bills, duplication of bills
15. Second and Final payments to the WUSCs done without proper documentation
  - i. Measurement Book

- ii. Work Completion Report
- iii. Minutes of Public Audit
- iv. Recommendation letter of Ward Office
- v. Final field monitoring report

## 5) Support to clear the Audit Irregularities

*(by AMO)*

The LGs will submit the statement of irregularities for ineligible expenditures issued by the Office of Auditor General (OAGN) to the PSU. The audit report is also available for public download from the OAGN website, and AMO will download and archive them.

In case of any ineligible expenditure, CAFO creates a logbook where to keep track of reports submitted by LGs and to follow up on mitigation measures.

AMOs will prepare an action plan that includes the following up and solutions to clear the irregularities that have been included in the report.

AMO will facilitate to clear the irregularities of the concerned projects. This will be a part of lesson learning for reducing the irregularities in future, sharing shall be made with management, RM authorities, representatives and WUSCs to the extent possible.

### **Annexes**

#### List of Annexes

Annex 1 Format for Fiduciary Risk Assessment

Annex 2 Fund Request First Instalment

Annex 3 Fund Request Compilation File

Annex 4 Monthly Financial Progress Report

Annex 5 AMO field monitoring visit

Annex 6 AMO Initial clearance report

Annex 7 Internal MWF monitoring logbook

Annex 1

LG :

Fiduciary Risk Assessment for FY.....

		Full Score	In % Risk Rating
	<b>Summary</b>		
A	Planning and Budgeting		
B	Budget Execution		
C	Accounting and Reporting		
D	Management of Assets		
E	Transparency of Public Finance		
F	External audit and Scrutiny		
	<b>Overall</b>		
	<b>Overall, in %</b>		

SN	Area/Questions	Score
<b>A</b>	<b>Planning and Budgeting</b>	
<i>A.1</i>	<i>Annual Plans</i>	
1	Are planning procedures followed up properly in selecting the projects?	
2	Are the WSUCs selected as per the rule and the standard?	
3	Is annual planning done following participatory processes?	
4	Is the time allocated for each step sufficient and as per calendar?	
<i>A.2</i>	<i>Project Selection</i>	
5	Are the WASH schemes selected following criteria defined in the guidelines?	
6	Is a feasibility study carried out before selecting the projects?	
<i>A.3</i>	<i>Budgeting</i>	
7	Is the feasibility study and cost estimates of the projects done before the budget is prepared?	
8	Is the annual budget for the selected schemes prepared based on the Cost estimates and sharing of the budget agreed upon?	
9	Are the norms/rates used for cost estimates defined realistically, following rate analysis and service delivery standards?	
	Are the budgets prepared calculating the lower service delivery units and rates	

10	including Trainings, not in lumpsum basis?		
<b>Planning and Budgeting - Aggregate Risk</b>			
<b>B</b>	<b>Budget Execution</b>		
<b>B.1</b>	<b>Treasury Management</b>		
11	Are cash payments discouraged to the extent possible and payments are done to bank/via a/c payee cheques?		
12	Are there adequate controls to manage advances provided to staff, WSUCs or suppliers?		
13	Is there a practice of carrying out bank reconciliation at least on a monthly basis?		
14	Is there a system of monitoring the sufficiency of funds for the schemes that are on pipeline?		
<b>B.2</b>	<b>Expenditure Control</b>		
15	Does the Municipality practice proper process (as per guidelines) for budget revision or virements?		
16	Are adequate guidelines available for expenditure related internal controls, e.g. financial rules etc?		
17	Is there proper segregation of duties between authorization, recordkeeping and custodian?		
18	Does the municipality maintain adequate and appropriate supporting evidence for expenses including the expenses of WSUC?		
19	Are the Contingency funds used for intended purpose?		
20	Are the payments done to WSUCs based on physical progress, supporting documents and monitoring visits as per the rules?		
<b>B.3</b>	<b>Procurement</b>		
21	Are User Committees being selected for work that are simple and not technical?		
22	Are the UC memberships representative, participatory and inclusive?		
23	Is there adequate monitoring of UC to avoid misuse e.g. subcontracting/use of machinery including the use of funds etc?		
24	Is there a system of preparing master procurement plans and annual plans and periodic plans?		
25	Is the appropriate procurement method followed to ensure economy and transparency, without significant exceptions?		
26	Is the case of contractor/supplier low-bidding dealt with by an additional review procedure?		
27	Does the Municipality take actions against suppliers that do not deliver timely or perform well?		

<b>B.4</b>	<b>Internal Audits</b>		
28	Does the municipality have an internal audit unit and internal audit staff?		
29	Are the internal auditor equipped with guidelines, defining their scope and approaches?		
30	Is the independence maintained by internal auditors through their access to the council/accounts committee?		
31	Is the Internal Auditor engaged in IA department or other departments - Accounts, Revenue or Programme?		
32	Is the IA function done as per rules and reporting is made accordingly?		
33	Are the suggestions provided by the Internal Auditor applied in LGs?		
	<b>Budget Execution - Aggregate Risk</b>		
<b>C</b>	<b>Accounting and Reporting</b>		
<b>C.1</b>	<b>Accounting</b>		
34	Does the municipality have SuTRA in use for accounting and are all expenses booked regularly?		
35	Are the expenses supported by sufficient documents as evidence to book as expenses?		
36	Are the invoices and other related documents authentic for recording as expenses?		
37	Are proper records maintained for advances and commitments as per the formats of GoN?		
<b>C.2</b>	<b>Reporting</b>		
38	Is the financial reports prepared monthly and on a periodic basis and used by management for decisions?		
39	Are the financial reports submitted monthly to DTCO for conditional grants reporting?		
40	Are the financial reports prepared using SuTRA?		
	<b>Accounting and Reporting - Aggregate Risk</b>		
<b>D</b>	<b>Management of Assets</b>		
<b>D.1</b>	<b>Recordkeeping of Assets</b>		
41	Does the Municipality maintain records of the assets (roads, buildings, water supply and public toilets, etc.) constructed by itself?		
42	Has Municipality maintained a record of public properties built by Municipality within the Municipality territory?		
43	Does the Municipality maintain records of non-expendable items in its records?		
<b>D.2</b>	<b>Operation and Maintenance</b>		
44	Has the Municipality prepared proper guidelines and plans for operation and maintenance of the schemes?		
45	Is there a fund established dedicated for O&M of the properties?		

46	Is there a sufficient fund set up to address the issues of O&M with appropriate plan/procedures in future?		
<b>Management of Assets - Aggregate Risk</b>			
<b>E</b>	<b>Transparency of Public Finance</b>		
<b>E.1</b>	<b>Publishing of information</b>		
47	Is the annual budget information published in notice boards and websites and hoarding boards displayed?		
48	Are notices related to procurement (call for quotation/tender, selection notices and staff hiring) duly published?		
49	Does the Municipality publish expenditure information periodically e.g. trimesterly publicly?		
50	Is there a system of conducting the social/public audit about the scheme as per the rules?		
<b>E.2</b>	<b>Anti-corruption</b>		
51	Has the Municipality prepared guidelines/mechanisms for anti-fraud and corruption?		
52	Is there a code of conduct for employees and is there a monitoring mechanism for the CoC?		
<b>Transparency of Public Finance-Aggregate Risk</b>			
<b>F</b>	<b>External audit and Scrutiny</b>		
<b>F.1</b>	<b>External Audit</b>		
53	Is the independence maintained by external auditors in conducting final audits?		
54	Were the OAG irregularities balances maintained below 3% of total expenditure of last FY?		
<b>F.2</b>	<b>Role of Accounts Committee</b>		
55	Is the role of the Accounts Committee properly defined?		
56	Is the Accounts Committee active? Does it have a regular meeting? And does it address the issues that it is accounted for?		
<b>F.3</b>	<b>Audit Follow-ups</b>		
57	Does the Municipality prepare an action plan with targets and responsible people, for audit follow-up?		
58	Is the action plan timely updated and reviewed by senior management/committees?		
59	Was the target for reducing the OAG irregularity met during last FY?		
<b>External Audit and Scrutiny - Aggregate Risk</b>			
<b>Overall Aggregate Risk</b>			

**Financial Monitoring Report of SUSWA Schemes**

Amount in NPR

**FY 2079/80**

S. No	R/M Name of Scheme	Expenditure Headings	Annual Budget			Total Release			Total Expenditure			Remaining Budget			
			Go N	Go F /EU	Municipalities	Go N	Go F /EU	Municipalities	Go N	Go F /EU	Municipalities	Go N	Go F /EU	Municipalities	
<b>Total</b>															