

Nepal Public Financial Management (PFM) Multi-Donor Trust Fund (MDTF)
Strengthening the Office of the Auditor General Project
(Grant No. TF010455)
Implementation Review and Support Mission
June 23-27, 2014
Aide Memoire

I. Introduction

1. A joint World Bank/Supreme Audit Institution (SAI) Norway team¹ conducted an Implementation Review and Support Mission of the Strengthening the Office of the Auditor General Project (SOAGP) during June 23-27, 2014. The objective of the review was to assess implementation progress made since the January 2014 Mid Term Review (MTR), and to identify key actions required to address implementation issues and to ensure satisfactory achievement of the project development objective by the June 30, 2015 closing date of the project.

2. The review team met with the Auditor General and his staff at the Office of the Auditor General (OAG), the members of the project consulting team, staff of the Public Accounts Committee Secretariat, and the peer review team from the Comptroller and Auditor General of India. The review team also observed a meeting of the Project Steering Committee. The review team expresses its appreciation for the courtesies and cooperation extended by the persons met, who are listed in Annex 1.

3. This Aide-Memoire documents the findings of the review and the discussions and agreements reached at a wrap up meeting chaired by the Auditor General on June 27, 2014. As agreed at the meeting, this Aide Memoire is classified as a public document, as per the World Bank's Access to Information Policy.

II. Key Project Data

Project Data		Project Performance Ratings		
<i>Approval Date:</i>	August 16, 2011	Summary Ratings:	Previous	Current
<i>Effectiveness Date:</i>	February 23, 2012	Achievement of PDO	MS	MS
<i>MTR Date:</i>	January 26-29, 2014	Implementation Progress	MU	MS
<i>Closing Date:</i>	June 30, 2015	<i>Project Management</i>	MU	MS
<i>Grant Amount:</i>	\$2.3 million	<i>Financial Management</i>	MU	MS
<i>Amount Disbursed:</i>	\$0.99 million (43%)	<i>Procurement</i>	S	S
<i>(as of June 30, 2014)</i>		<i>Monitoring and Evaluation</i>	MS	MU
		<i>Counterpart Funding</i>	S	S

Ratings: **HS**=Highly Satisfactory; **S**=Satisfactory; **MS**=Moderately Satisfactory; **MU**=Moderately Unsatisfactory; **U**=Unsatisfactory; **HU**=Highly Unsatisfactory

III. Achievement of Project Development Objective

4. The Project Development Objective (PDO) is to enhance the quality and impact of public sector audits in Nepal. As shown by the current status of achievements in the Results Framework at Annex 3, the project is on track to achieve the PDO level indicators for enhancing the quality of

¹ The review team comprised Les Kojima (Task Team Leader, Senior Financial Management Specialist), Manoj Jain (Lead Financial Management Specialist and Task Team Leader of the Strengthening Public Financial Management Systems Project), Yogesh Bom Malla (Financial Management Specialist), Shambhu Uprety (Procurement Specialist), Pragya Shrestha (Operations Analyst) and Nagendra Nakarmi (Senior Program Assistant). Lise Hansen (Assistant Auditor General, SAI Norway) provided virtual support to the review team.

audits. However, the project has been unable to compile reliable data to measure the extent of achievement of the PDO level indicator relating to the impact of audits. Accordingly, the PDO rating is maintained as “Moderately Satisfactory”. In this respect, it should be noted that the difficulty in compiling data in relation to the agreed results framework was noted during the MTR, when it was agreed that a revised Results Framework with simplified indicators and updated targets as shown in Annex 4 would be more appropriate in the circumstances. As mentioned below, however, a government request to restructure the project to reflect a revised Results Framework had not been received by the Bank by the date of this review.

IV. Implementation Progress

5. The project got off to a slow start, and by the date of the MTR in January 2014, Implementation Progress had to be downgraded to **Moderately Unsatisfactory**, primarily due to continued slippages in components 1 (enhancing the quality of financial statement audits) and 3 (enhancing the impact of audits) and due to weaknesses in project management. Although OAG has proposed that the government request a restructuring of the project in order to adopt a revised Results Framework as agreed during the MTR, a formal government request had not been received by the date of the review. As such, because of the continued difficulty in obtaining accurate data to measure results against the original Results Framework, Monitoring and Evaluation (M&E) has been downgraded to **Moderately Unsatisfactory**. However, as noted in greater detail below, virtually all of the implementation issues identified during the MTR have been satisfactorily addressed, and accordingly, overall Implementation Progress has been upgraded to **Moderately Satisfactory**.

6. The review team was pleased to note significant progress under all components of the project since the date of the MTR. In particular, pilot financial audits had been completed, and at the time of the review, a team from the SAI of India was in the process of conducting a peer review of OAG, and software had been procured and configured to enable OAG to complete its current annual audit planning exercise using a new customized Nepal Audit Management System. In addition, the end-of-project target for the number of in-depth performance audits to be reported to parliament in a year has already been achieved. OAG was further noted to have enhanced public performance in the performance audit practice. Further, the review team noted that the Auditor General had transmitted a high quality annual report to the President, and that for the first time in over two years, a Public Accounts Committee has been constituted to scrutinize that report.² A more detailed discussion of implementation progress by component follows.

Component 1: Enhancing the quality of financial statement audits

7. This component includes activities to provide technical advice in the preparation of the annual audit plan, conduct pilot financial statement audits, support the quality assurance arrangements in OAG, provide for a peer review by a sister SAI, provide advisory services to the Auditor General and to introduce the use of computer audit technologies during the final year of the project. The July 2013 implementation support review noted that the Treasury Single Account (TSA) had been rolled out faster than originally anticipated and accordingly encouraged the project to accelerate the introduction of computer audit technologies. Agreed actions from both the Strengthening Public Financial Management Systems Project and from the Strengthening the Office of the Auditor General Project therefore included providing OAG with access to the transactions-level data in the TSA at Financial Comptroller General’s Office (FCGO).

8. By the date of the MTR, OAG had not been provided with access to the transactions-level data in the TSA. As such, the first 13 pilot financial audits that were ongoing at the time of the MTR were unable to incorporate the use of computer-assisted audit techniques (CAATs) to select statistically valid samples for substantive audit testing, or to “mine” the data through the application

² The Chairman of the newly constituted Public Accounts Committee had not been named by the date of the review mission.

of CAATs in a way that would not be practical using manual methods. In addition, OAG had only recently decided which electronic working paper (EWP) software package to procure, and the pilot financial audit teams were therefore similarly unable to pilot test the use of EWPs. Implementation progress was downgraded partly because of these matters and because none of the financial audit pilots had been completed by the time of the MTR.

9. The review team noted that the first 13 pilot financial audits had now been completed and that the experiences had been discussed at a workshop held in Daman on May 9-10, 2014. The workshop was attended by 24 OAG auditors who had participated in the pilots, and who concluded that the standard audit working papers devised and field tested by the project indeed provided practical guidance to enable auditors to apply specific procedures required by the International Standards of Supreme Audit Institutions (ISSAI) framework. Such detailed guidance was felt to be the “missing link” in the Financial Audit Manual that OAG had been attempting to complete on its own following the audit manuals from other jurisdictions, particularly the African Organization of English-speaking SAIs (AFROSAI-E). In addition, the review team was advised that the auditors who had participated in the first pilot financial audits had received a 2-week training at SAI Malaysia on financial audit, IT audit and the use of EWP.

10. The review team was advised that the Financial Audit Manual including the new standard audit working papers was under review by a technical committee, following which it would be approved by the Auditor General. In anticipation of the final approvals by the end of July 2014, the project team was encouraged to immediately train the pilot auditors as trainers and to develop plans to implement office-wide training to the approximately 200 audit officers who will be expected to apply the new procedures in the next audit cycle which will commence in August and September 2014. Application of these new procedures will have an immediate impact in terms of upgrading the quality of audits conducted by OAG.

11. The review team noted that out of the 13 pilot “financial” audits described above, 11 did not include audits of financial statements. This is primarily because the spending units selected for pilot testing are not required to produce financial statements in accordance with a recognized financial reporting framework. The team also noted that the Ministry of Physical Planning and Infrastructure and the Ministry of Women, Children and Social Welfare have very recently prepared the first-ever consolidated financial statements in accordance with the newly-developed Nepal Public Sector Accounting Standards (NPSAS), which are aligned with the International Public Sector Accounting Standards (IPSAS). Agreement was reached to select these two ministries in order to conduct pilot financial statement audits in compliance with the ISSAI 200 fundamental principles of financial auditing. The pilots will make use of CAAT and EWP software, and the pilot audit experiences will be assessed in order to prepare a plan for scaling up and rolling out the new financial audit procedures after the closing date of the project.

12. The review team also noted that a team from the Comptroller and Auditor General of India was in the process of conducting a peer review of OAG using the pilot test version of INTOSAI’s new SAI Performance Measurement Framework (PMF). The peer review draft report is expected by end July 2014, with dissemination expected by late August. The review team also noted that a number of consultant reports had been delivered to OAG, including recommendations on organization structure, human resources (HR), quality assurance and other matters. The review team suggested that before the next review, it would be good for OAG to consider the peer review report in relation to its current Strategic Development Plan which was developed with SAI Norway support and which runs to December 2015, and to consider the report together with lessons learned during the project to formulate the next Strategic Development Plan perhaps coinciding with the Nepali fiscal year and covering July 2015 – July 2020. The December 2014 review could then consider which parts of new Strategic Development Plan could usefully be supported through a follow on project after the closing of the current project.

13. The review team was pleased to note that EWP software had been procured, and that module 1 of the software had been substantially configured to enable OAG to complete its current annual audit planning exercise using the customized Nepal Audit Management System (NAMS). The software allows management to set different risk factors and weights in order to ensure scarce audit resources are allocated to cover OAG's entire audit universe in a consistent and rational manner. Module 2 of the software will be configured and tested in conjunction with pilot financial audits referred to in the second preceding paragraph; module 3 which is concerned with the audit observations contained in the audit reports is discussed below as one of the activities under component 3 of the project.

Component 2: Upgrading the capacity to conduct performance audits

14. This component includes activities to conduct in-depth performance audits, support strategic planning by the Performance Audit Division, and support "theme topics" selected by OAG management. By the date of the MTR, a draft strategic plan for performance audit had been prepared and provided to OAG management, and consultant comments had been provided on the Performance Audit Guide previously developed with SAI Norway assistance. In addition, in collaboration with SAI Norway a four-day orientation training to 30 performance auditors was delivered in April 2013, and a group of 15 performance auditors received training in India from June 24 – July 7, 2013. The three in-depth performance audits that were in progress at the time of the MTR (Kathmandu Valley Road Improvement Project, Health Service Delivery and Social Security Allowances) applying the revised performance audit guide procedures already met the end-of-project target for the number of in-depth performance audit reports to be submitted to parliament in a year.

15. A workshop is planned for July 25-26, 2014 in order to review the experiences of the above pilot performance audits. The review team noted that in addition to increasing the number of in-depth performance audits conducted, OAG Nepal had made impressive gains in encouraging public participation in the audit process. This initiative began primarily because of the lack of a sitting parliament and functioning PAC as mentioned below under the description of component 3 achievements. In addition to holding a series of workshops with civil society organizations (CSOs) in Nepal, OAG hosted a series of regional VCs with SAIs and CSOs in other countries in South Asia, and including resource speakers from the SAIs of Korea, Philippines, India and Argentina. The performance audits conducted by OAG Nepal accordingly include CSO input to planning performance audits (identification of risks and audit criteria), performance audit fieldwork (in gathering evidence through focus group discussions and questionnaire administration) and, in future, report dissemination.

16. The review team also noted that SAI Norway will support an environmental audit that will be carried out from August 2014 to February 2015, for inclusion in the next annual report of the Auditor General. The OAG auditors are to work with a 3-person SAI Norway team in all aspects of the audit, and to develop an audit guide consistent with the INTOSAI guideline on environmental audit.

Component 3: Enhancing the impact of audits

17. This component includes activities to provide technical support to the Public Accounts Committee (PAC) Secretariat which include support in summarizing key recommendations from audit reports, designing and implementing a communications strategy, and redesigning and computerizing the databank of audit and PAC recommendations. From the effectiveness date of the project to the date of the MTR, there was no functioning PAC in Nepal. A major agreed action from the MTR was for the project to procure, design and implement a database to track audit observations.

18. The review team noted that since the date of the MTR, the Auditor General had issued his annual report, a Constituent Assembly had been formed, and a new PAC constituted. The Auditor General's annual report was noted to reflect best practices in audit reporting, clearly communicating

substantive audit findings and recommendations through effective use of desktop publishing software, graphics, tables and color. The Auditor General is to be commended for the quality of his 2014 Annual Audit Report.

19. The review team noted with some concern that the Chair of the PAC had not yet been nominated, that the Auditor General's annual reports for the past three years have not been scrutinized by the PAC, and that the previous PAC had left some unfinished business in scrutinizing audit reports to 2010. Further, the committee formed in April 2014 consisted of 51 members which, although slightly smaller than the 64-Member committee of the previous parliament, is believed to be the largest PAC in the world at present. In addition, the previous PAC is known to have been more concerned with conducting its own inquiries into the use of public monies than in scrutinizing the reports of the Auditor General.

20. The review team noted that the head of the SAI of Norway who is scheduled to visit Nepal in early September, 2014 to meet with stakeholders and discuss possible constitutional and legal provisions for the OAG, is a former Member of Parliament of Norway with long experience with PACs. In addition, as mentioned above, SAI India will have finalized its peer review of OAG around the same time. The review team, therefore, explored with SAI Norway, the CAG India peer review team leader, the PAC secretariat and the OAG project team the possibility of capitalizing on these events in order also to conduct an orientation session with the Chair, Members and staff of the PAC. SAI India, in addition to presenting to OAG on the results of the peer review, could participate with SAI Norway on stakeholder discussions on desirable constitutional and legal provisions for the OAG. Both SAIs could participate together with the Bank in an orientation session with the new PAC. All three events are planned to take place on September 3 and 4, 2014. The review team encouraged all to continue the discussions in order to enable the orientation to be delivered to the new PAC.

21. The review team noted that the NAMS software had been procured and that the systems team was at work programming the module 3 database of audit observations in order that OAG may in future track the status of audit observations and PAC recommendations. In addition, audit directorates were in the process of gathering information from recent years' audits in order that the database could be populated and thereby be made more immediately useful.

Component 4: Project Management

22. Project management overall was rated "Moderately Unsatisfactory" by the MTR team, due to weaknesses in project monitoring and evaluation (M&E) and delays in submitting satisfactory implementation progress reports (IPRs) and unaudited and audited financial statements. Given the progress observed during the recent review, the rating for project management has been upgraded to "**Moderately Satisfactory**". The MTR team also agreed with OAG on a revised Results Framework with simplified indicators and updated targets as presented in Annex 4, which would have addressed the M&E issues.

23. The review team noted that a formal request to restructure the project to reflect a revised Results Framework had been forwarded by OAG to the Ministry of Finance for consideration and on-sending to the Bank. However, the request had not been received by the Bank. Accordingly, the M&E issues in gathering reliable data to report against the original Results Framework continue.

24. **Financial Management.** The review team noted that expenditure up to June 24, 2014 is about 50% of the approved budget of FY2013/14. The counterpart budget was found to be sufficient. There are no outstanding Implementation Progress Reports (IPRs). The review team reminded that the third trimester report for FY2013/14 is due on August 31, 2014. There are no pending audit reports or issues. The review team reminded that the unaudited accounts for FY2013/14 are due on October 15, 2014.

25. Total disbursement as of June 30, 2014 is about US\$0.99 million, which is about 43.2% of the allocated amount. Netting the advance to the Designated Account, total use of funds is about 15% of the allocated amount. The review team was informed that a consultant invoice amounting to approximately \$340,000 for services already rendered is expected to be received and processed in July 2014, and that a final payment of approximately Rs. 7 million relating to computers already procured is awaiting final certification by OAG IT staff. Based on the progress made from the last review, the FM performance rating has been upgraded to **Moderately Satisfactory**. The Counterpart Funding rating is **Satisfactory**.

26. **Procurement.** Implementation of consulting assignment is on track. Procurement of goods and non-consulting services has also been initiated as per the procurement plan. Overall procurement performance rating is retained “**Satisfactory**” as earlier.

V. Agreed Actions

27. The status of agreed actions from the MTR is detailed in Annex 2. Actions agreed with the review team are as follows:

Agreed Actions	Date	Responsible
<i>(Carry forward from MTR agreed actions, with updated dates)</i>		
Forward a formal request to restructure the project to reflect a revised Results Framework	July 31, 2014	Ministry of Finance to send/PMCU to follow up
Organize and conduct workshops for the pilot auditors to share experiences and to identify required revisions to the performance audit guides	July 31, 2014	PMCU
Provide SAI Norway and World Bank with a copy of the peer review report prepared by CAG India	August 31, 2014	PMCU
Provide SAI Norway and World Bank with final financial audit manual and performance audit guide (approved by the Auditor General)	August 31, 2014	PMCU
Provide comprehensive listings of audit observations from recent years in a format to be supplied by the consultants	July 31, 2014	OAG
Install a working version of AMMS module 3 (databank of audit observations) on 50 laptop computers	August 15, 2014	Consultants
<i>(new actions agreed with the review team)</i>		
Design and deliver training to OAG auditors to enable an office-wide rollout of financial audit procedures contained in a newly approved Financial Audit Manual	August 31, 2014	PMCU/ consultants
Procure IDEA licenses	August 31, 2014	PMCU
Complete pilot financial statement audits of the IPSAS-compliant consolidated financial statements of the Ministry of Women, Children and Social Welfare and the Ministry of Physical Planning and Infrastructure	December 31, 2014	Consultant team
Prepare updated Strategic Development Plan July 2015 – July 2020	November 30, 2014	OAG
Select environmental audit planning topic and complete planning for the audit	August 31, 2014	OAG/SAI Norway

Agreed Actions	Date	Responsible
Request SAI Norway / Norwegian Embassy to amend the schedule of the Head of the SAI to conduct a PAC orientation on Sep 3 afternoon	July 31, 2014	PMCU/ OAG
Deliver PAC orientation for Chair, Members and staff of the PAC	September 3, 2014	Bank, SAI India, SAI Norway
Submit unaudited FY14 project financial statements.	October 15, 2014	PMCU

VI. Next Mission

28. A technical mission will be planned for September 3-4, 2014 to participate in the workshop discussions on the peer review findings and on Constitutional and legal provisions for SAI independence, and if requested, to deliver orientation training to the Chair, Members and staff of the PAC.

List of Persons Met

Office of the Auditor General

1. Hon'ble Auditor General Mr. Bhanu Prasad Acharya
2. Mrs. Bimala Subedi, Deputy Auditor General
3. Mr. Suk Dev Khattri, Deputy Auditor General
4. Mr. Moha Datta Timilsina, Deputy Auditor General
5. Mr. Baburam Gautam, Assistant Auditor General and Project Director
6. Mr. Ramu Prasad Dotel, Assistant Auditor General
7. Mr. Maheshwor Kaphle, Assistant Auditor General
8. Mr. Uddahav Chandra Shrestha, Assistant Auditor General
9. Mr. Bhava Nath Dahal, Director
10. Mr. Padam Raj Poudel, Director
11. Mr. Narayan Parajuli, Director
12. Mr. Ramesh Dhakal, Director
13. Ms. Bindu Bista, Director
14. Mr. Thaba Raj Adhikary, Director
15. Mr. Indra Prasad Acharya, Director
16. Mr. Mani Ram Sharma, Director
17. Mr. Narayan M.C, Director
18. Mr. Kamal Silwal, Director
19. Mr. Mohan Kumar Parajuli, Director
20. Mr. Chandra Kanta Bhandary, Director
21. Mr. Satya Narayan Thapa, Director
22. Mr. Chhatrapati Niruala, Director
23. Mr. Rajendra Raj Ojha, Director
24. Mr. Lila Raj Dhakal, Director
25. Mr. Rabindra Prasad Devkota, Director
26. Mr. Dhruba Raj Bhushai, Director
27. Mr. Lalit Bahadur Shakya, Director
28. Mr. Shankar Prasad Panthi, Director
29. Mr. Ram Chandra Poudel, Audit Officer
30. Mr. Durga Panthi, Audit Officer
31. Mr. Mohan Khanal, Audit Officer
32. Mr. Umesh Subedi, Audit Officer
33. Mr. Shantosh Sapkota, Audit Officer
34. Mr. Krishna Prasad Gyanwali, Audit Officer
35. Mr. Sailendra Kumar Bhusal, Audit Officer
36. Ms. Kalpana Aryal, Audit Officer
37. Mr. Teeka Nath Aryal, Audit Officer
38. Mr. Nir Prasad Subedi, Audit Officer

Ministry of Finance

1. Mr. Madhu Kumar Marasini, Joint Secretary

PEFA Secretariat

1. Mr. Dilli Ram Sharma, Joint Financial Comptroller General and PEFA Coordinator

Public Accounts Committee Secretariat

1. Mr. Surendra Aryal, Under Secretary
2. Mr. Ram Krishna Shrestha, Section Officer
3. Ms. Rekha Updhayaya
4. Ms. Saraswoti Marhatta, Office Assistant

Consultant Team

1. Mr. Michael Bitz, Vice President, Public Financial Management and Accountability
2. Mr. Anupam Kulshrestha, Team Leader
3. Mr. Narendra Bhattarai, National Performance Audit Expert
4. Mr. Farid, Software Developer
5. Mr. Sarowar, System Analyst
6. Mr. Saurav Rimal, National Expert

Comptroller and Auditor General of India peer review team

1. Mr. Purusotam Tiwari, Principal Director
2. Mr. Narendra Kumar, Senior Audit Officer
3. Mr. Bimal Brahmin, Assistant Audit Officer

Development Partners

1. Ms. Kamakshi Rai Yakhumba, Program Manager, Australia DFAT
2. Mr. Siddhanta Vikram, Senior Public Management Specialist, ADB
3. Ms. Ekaterina Yakovleva, Attache, PFM , Delegation of the EU to Nepal
4. Mr. Andreas Roettger, Head of Cooperation, Delegation of the EU to Nepal
5. Mr. Bandhu Ranjan, Program Manager, DFID

Status of Actions Agreed with Mid Term Review mission

Agreed Actions	Date Agreed	Date Completed
Provide access by OAG to the historic transactions level data in TSA	January 31, 2014	June 16, 2014
Provide SAI Norway and World Bank with a copy of the financial audit manual chapters revised after experiences of the initial 3 pilot financial audits	February 15, 2014	March 15, 2014
Submit unaudited FY 13 project financial statements	February 15, 2014	February 17, 2014
Supply a list of post review procurement contracts for FY 13	February 15, 2014	No post review contracts for FY 13
Submit audited FY 13 project financial statements	February 28, 2014	February 28, 2014
Provide OAG with online access to the transactions level data in TSA	March 31, 2014	June 16, 2014
Submit second trimester IPR for FY 14	April 30, 2014	April 29, 2014
Organize and conduct workshops for the pilot auditors (financial and performance) to share experiences and to identify required revisions to the financial audit and performance audit manuals	May 31, 2014	Financial audit: May 9-10, 2014 Performance audit to be held July 25-26, 2014
Provide SAI Norway and World Bank with a copy of the peer review report prepared by CAG India	June 30, 2014	Not yet due
Provide SAI Norway and World Bank with final financial audit manual and performance audit guide	June 30, 2014	Not yet due
Provide comprehensive listings of audit observations from recent years in a format to be supplied by the consultants	June 30, 2014	Not yet due
Install a working version of AMMS module 3 (databank of audit observations) on 50 laptop computers	July 31, 2014	Not yet due

**Strengthening the Office of the Auditor General Project
(TF010455)
December 2013 Results vs Agreed Results Framework**

Project Development Objective: **To enhance the quality and impact of public sector audit in Nepal.**

Indicator	Baseline and 2012	June 2013	June 2014	June 2015	Frequency	Source
PDO Level Results Indicators						
Audits substantially meeting OAG financial statement auditing standards	35%	40%	50%	60%	Annual	OAG QA team records
Actual December 2013: 40%. Note that the project is unlikely to meet future targets since the new financial and performance audit procedures will only begin to be rolled out in 2015. Actual June 2014: Data not available except for 13 pilot audits. On first 3 pilot audits, average quality assurance weighted score = 54.5%, and on second round of 10 pilot audits, average score is 71%. [SOURCE: consultant reports on results of reviews of pilot financial audit working paper files]						
In-depth performance audit reports submitted to Parliament in year	1	2	2	3	Annual	OAG Nepal website
Actual December 2013: 2 performance audits reported + 3 in progress Actual June 2014: 4 performance audits reported + 1 for next year's annual report						
Current year audit observations implemented by the Executive within 1 year	<35%	40%	45%	50%	Annual	OAG Nepal records
Actual December 2013: Not possible to determine with precision, but less than 10%. It is necessary to replace this indicator with one for which data is more readily available, and for one that is more directly within the control of the project to influence. Actual June 2014: Not possible to determine. Ministry wise data of audit observations is not being kept. Also no record kept of the replies received from the various audit entities.						
Intermediate Results (Component One): Enhance the quality of financial statement audits						
Office-wide audit plan implements risk-based concepts	N	N	Partly	Y	Annual	OAG Nepal records
Actual December 2013: Partly Actual June 2014: Partly. Annual audit plan for 2014-15 is under preparation, and will be completed using NAMS module 1 which computerizes the exercise and uses some risk-based considerations						
Numbers of financial audit teams included in pilot audits	0	5	10	15	Annual	OAG Nepal records
Actual December 2013: 13 financial audit teams comprising 25 auditors assigned to pilot audits Actual June 2014: Pilot financial statement audit entities clarified with review team. Pilot audits to be planned and conducted during August – November 2014.						
Peer review recommendations by an SAI	N	N	Accepted	Implemented	Annual	OAG Nepal records
Actual December 2013: N. Peer review by CAG India is scheduled for completion May 2014. Actual June 2014: Peer review is underway as of June 26, 2014. Draft final report expected by end July and final report to be discussed at dissemination workshop Sep 3, 2014.						
Intermediate Results (Component Two): Upgrade the capacity to conduct performance audits						
Strategic plan for performance audit division prepared and updated	N	Y	Y	Y	Annual	OAG Nepal records
Actual December 2013: Y Actual June 2014: Y						

Indicator	Baseline and 2012	June 2013	June 2014	June 2015	Frequency	Source
Lessons learned from current year pilots documented and reflected in revised audit guides and training materials	N	Y	Y	Y	Annual	Consultant progress reports
Actual December 2013: N Actual June 2014: Y. Workshop held in Daman May 9-10, 2014 to review lessons learned from financial pilots. Similar workshop for performance audit pilot experiences scheduled for July 25-26, 2014.						
Intermediate Results (Component Three): Enhance the impact of audit						
Current year audit observations accepted by the Executive within 35 days	60%	65%	70%	75%	Annual	OAG Nepal records
Actual December 2013: Not possible to determine precisely, but less than 30% in dollar terms, and less than 5% if measured by number of observations. It is necessary to replace this indicator with one for which data is more readily available. Actual June 2014: Not possible to determine as the replies from the audit entities are not monitored systematically.						
Strategy document prepared with actions for improving relations with Executive, PAC, media and other stakeholders	N	Y	Y	Y	Annual	OAG Nepal records
Actual December 2013: N Actual June 2014: Y. A paper suggesting how to develop internal and internal communications strategy submitted and discussed in a workshop. OAG to take policy decisions.						
Computerized databank of audit observations produces monthly status reports	N	Designed	Populated	Y	Annual	OAG Nepal records
Actual December 2013: N. Note that without a computerized databank of audit observations, it is not practicable for OAG to determine values for certain intermediate and PDO level indicators above. Targets in the originally approved RF now appear unrealistic, in that by MTR a decision had just been made to procure AMMS. Module 3 of AMMS will produce the database that could be used to produce routine status reports, but the software must be procured, configured and tested before it can begin to be populated and then used to generate status reports. Actual June 2014: System under development.						
Intermediate Results (Component Four): Project Management						
Annual work plan approved by Steering Committee	N	Y	Y	Y	Annual	SC Minutes
Actual December 2013: Y; Actual June 2014: Y						
Inception report approved by Steering Committee	N	Y	N/A	N/A	Annual	SC Minutes
Actual December 2013: Y; Actual June 2014: Y						
Mid Term Report approved by Steering Committee	N	N	Y	N/A	Annual	SC Minutes
Actual December 2013: Y; Actual June 2014: Y						
Final Report approved by Steering Committee	N	N	N	Y	Annual	SC Minutes
Actual December 2013: N; Actual June 2014: Not due						

**Strengthening the Office of the Auditor General Project
(TF010455)
Draft Revised Results Framework**

Project Development Objective: **To enhance the quality and impact of public sector audit in Nepal.**

	Baseline	Cumulative Target Values		
Indicator	Actual December 2013	June 2014	December 2014	June 2015
PDO Level Results Indicators				
Financial statement audits completed in accordance with ISSAI framework	Nil	13	28	28
Comment: New indicator to measure the extent to which the quality of financial statement audits has been upgraded in OAG. The indicator tracks pilot financial statement audits. Consultant quality assurance reviews of the pilot financial statement audit reports and audit files will be conducted and used to measure actual results.				
Performance audits conducted in accordance with ISSAI framework and submitted for transmission to Parliament	2	5	5	8
Comment: Indicator has been retained, but target values have been revised upwards in light of progress to the date of the MTR. Indicator description modified to refer to performance audits conducted in accordance with ISSAI framework rather than "in depth" performance audits or pilot performance audits as previously.				
Audit observations contained in ISSAI-compliant audit reports [pilot audits] acted upon by the Executive within 90 days	<10%	10%	20%	30%
Comment: New indicator to replace similar indicator relating to office-wide results, which are beyond the control of the project and for which monitoring data is not readily available. New indicator applies to financial audit pilots and performance audit pilots conducted under the project.				
Intermediate Results (Component One): Enhance the quality of financial statement audits				
Office-wide audit plan implements risk-based concepts	Partly	Partly	Partly	Y
Comment: Indicator and end-of-project target retained. Project is on track to achieve end-of-project target.				
Peer review assessment using the SAI PMF framework	Peer Reviewer [Sister SAI] selected	Assessment using SAI PMF completed	Action Plan Drafted	Action plan and recommendation adopted by OAG
Comment: Indicator retained and end-of-project adjusted to reflect best estimates at MTR date. Intermediate indicator on numbers of financial audit teams included in pilot audits dropped from RF in light of new PDO level indicator.				
Numbers of person-days of classroom training (including TOT) in new financial audit procedures	200	400	500	1500
Comment: New intermediate indicator added. Assumptions are that 25 new auditors will receive 8-day training to June 2014, all (50) pilot auditors will participate in 2-day workshop to review experiences and identify necessary revisions to financial audit manual to December 2014, and TOT and first rounds of office-wide trainings will take place to June 2015. Indicator does not include overseas training in financial audit.				

	Baseline	Cumulative Target Values		
Indicator	Actual December 2013	June 2014	December 2014	June 2015
Intermediate Results (Component Two): Upgrade the capacity to conduct performance audits				
Strategic plan for performance audit division prepared and updated	Y	Y	Y	Y
Comment: Intermediate indicator from original results framework already achieved by MTR.				
Lessons learned from current year pilots documented and reflected in revised audit guides and training materials	N	Y	Y	Y
Comment: Revision of audit manuals based on pilot audit experiences originally targeted for June 2013 completion; targets adjusted based on progress to MTR date. Revised indicator includes both financial audit and performance audit.				
Person days of classroom training in performance auditing	400	550	550	700
Comment: New intermediate indicator added. Assumption is that 150 person days of classroom training in performance audit will be delivered annually.				
Intermediate Results (Component Three): Enhance the Impact of Audit				
Audit observations contained in ISSAI-compliant audit reports [pilot audits] accepted by the Executive within 35 days	<30%	30%	40%	50%
Comment: New indicator to replace a similar intermediate indicator pertaining to office-wide results. New indicator applies to financial audit and performance audit pilots conducted under the project.				
Strategy document prepared with actions for improving relations with Executive, PAC, media and other stakeholders	N	Y	Y	Y
Comment: Indicator result originally targeted for June 2013, not achieved by date of MTR.				
Computerized databank of audit observations to produce monthly status reports	N	Software procured	Customized databank installed and tested	Databank populated for 2 years' audit observations
Comment: Indicator retained but targets adjusted to reflect best estimates at MTR date.				
Intermediate Results (Component Four): Project Management				
Annual work plan approved by Steering Committee	Y	Y	Y	Y
Indicators relating to Inception Report and Mid Term Report achieved by MTR date and dropped from RF.				
Final Report approved by Steering Committee	N	N	N	Y
Implementation progress reports, unaudited financial statements and audited financial statements due during the period are all submitted on time and are acceptable to the Bank.	N	Y	Y	Y