

Financial Comptroller General Office of Nepal

Financial Comptroller General Office (FCGO) is the central accounting organ and the custodian of His Majesty's Government (HMG) treasury. It is responsible for enforcing financial discipline in all governmental offices and as such has an important role in financial administration. The FCGO is working under the Ministry of Finance and is headed by a secretary level staff. The Financial comptroller General (FCG), who heads the FCGO, reports to the finance minister and the finance secretary. The FCGO's head office is in Kathmandu. There are 75 District Treasury and Controller Offices (DTCOs) operating under FCGO in 75 districts of the kingdom. More than 3700 government offices in the districts are being controlled and serviced by the DTCOs in the area of financial administration. Altogether 4729 staff positions are provided with in FCGO. Of which 519 are officers and 4210 are support staffs. At present 4114 staffs are serving in the FCGO. The FCGO draws financial information from 75 DTCOs, most of which (63) are already connected by networking. The accounting officers and clerks in all government offices are deputed by the FCGO. A separate ' account cadre ' is formed under Nepal Civil Service. The FCGO is responsible for administering this cadre. Therefore all account staffs are treated as staff of FCGO deputed to the respective offices to ensure the independence of the accountant for the sake of internal control, compliance and propriety of expenditure.

Beside the constitution of Nepal, the Financial Procedures ACT (FPA), 1999 and the Financial Administration Rules (FAR), 1999 are the two main sources of legal authority to operate financial administration in the Kingdom. The FAR provides detail works and duties of the FCGO. Apart from various responsibilities, which the FCGO has to discharge, some key responsibilities are described as below:

- ❖ Prescribe accounting formats for all government offices in conformity with Auditor General.
- ❖ Prepare annually a statement of consolidated fund that is designed to show cash receipts and cash payments balanced with opening and closing bank accounts.
- ❖ Produce annually a consolidated report of the accounts of all government offices for the revenue collected, expenditure incurred, deposits provided and advances lend.
- ❖ Conduct internal audits of expenditure, deposit and advances.
- ❖ Maintain records for all loans, investments and irregularities pertaining to the government.
- ❖ Resolve problems raised in fiscal administration and recommend to MOF any necessary amendments in FAR.

Accounting System

Nepal has a well defined accounting as well as financial reporting system. The accounting system can be summarised into two levels: central and operating. While at the central level authorization

for spending and oversight function are exercised; at the operating level records of expenditures by budget items and revenue by item codes, and reports to the central level agency are executed. Although Nepal has a unitary system of government yet local level governance as characterized by VDC, Municipality, and District councils as well as their accounting and financial reporting system are independent. However, the accounting system of both central and local level government are maintained on a cash basis. Accounting in Nepal is based on recording of cash transactions by funds. Expenditures are maintained in a double accounting system while revenues accounting are maintained in a single entry system. At the central level the expenditure accounting system is supplemented by a property accounting system, and a public works accounting system. Each system contains standard recording formats as approved by OAG. Under the expenditure accounting system, the government has adopted a common accounting structure (coding and classification) in order to integrate planning, budgeting, accounting and reporting functions. The property accounting system makes no provision for depreciation of assets. Valuation is on historical cost. Since the accounting system is put on a cash basis, all advances are recorded as an expense. Although government regulations allow for debtors and creditors, the cash basis of accounting does not provide for these items to be recognized in government financial statements. Consequently a significant amount of debtors, creditors, and accrued expenses are annually missed out of reporting system. Similarly a sizeable amount of expenses relating to direct donor funding goes out of national budgeting system and hence out of national accounting and auditing. The government is seriously considering to depart from cash to accrual accounting but there remains several obstacles in such transitions.