

FINANCIAL MANAGEMENT AND CONTROL MANUAL



National Trust for Nature Conservation

Khumaltar, Lalitpur

2019

*The Governing Board of Trustees (“Board”) of National Trust for Nature Conservation (“NTNC” or the “Trust”) has adopted the following ‘**Financial Management and Control Manual (FMCM), 2019**’ to maintain greatest level of financial management and control standards for all projects and programmes managed and implemented under NTNC. The FMCM shall be followed by all projects and programmes managed and implemented under NTNC. The manual is in line with the NTNC Act, 1982, NTNC Regulation, 1984 and NTNC Bye-laws, 1996.*

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Chapter 1: Preliminary

1. Introduction

The National Trust for Nature Conservation (Trust), established in 1982 by a Legislative Act, is an autonomous and not-for-profit organization mandated to work in the field of nature conservation in Nepal. The Trust is dedicated towards mitigating the threats to biodiversity and harmonizing the relationship of people with the nature and environment. A holistic and Integrated Conservation and Development Program (ICDP) with active participation by local individuals and communities aimed at promoting local guardianship have been the focus of all the Trust's activities. Thus, it is mainly engaged in protected areas promoting an ICDP approach. This approach has, over the years, proved effective at incentivizing rural communities to work coherently and therefore play an important role in project implementation. This has not only led to new types of projects being put up for financing but also to the introduction of more rigorous procedures for assessing the social, environmental and economic impacts of all project proposals being considered for external financing.

To make the daily activities of the Trust more efficient, organized and accountable, this Financial Management and Control Manual, 2019 has been framed with the following objectives:

- To ensure that financial systems are developed and implemented with due regard to generally accepted financial control standards, and are consistent with National Trust for Nature Conservation Act, 1982, Regulations and Bye-laws and other relevant National Acts and Regulations.
- To strive towards integrated financial management to support the Trust's decision-making, accountability and transparency.
- To provide guidance to the Trust's employees and stakeholders on financial systems, supporting internal controls and financial risk assessments and management.

2. Short Title and Commencement

- (1) This document shall be called "Financial Management and Control Manual, 2019 (FMCM, 2019)". This manual is in line with the NTNC Act, 1982, NTNC Regulation, 1984 and NTNC Bye-laws, 1996.

- (2) The Financial Management and Control Manual, 2019 shall come into force from the date of approval by the Governing Board of Trustees of National Trust for Nature Conservation.

3. Definitions

Unless the subject or the context otherwise requires, in this Financial Management and Control Manual, 2019:

Terminology	Definition
Accrual Accounting	: Recording accounting transactions in the period when they occur, whether or not cash is involved.
Acting	: A permanent employee who is delegated to carry out senior level function for a specified time period.
Assets	: Resources controlled by the Trust, and in which it has ownership rights such as cash, inventory and fixed assets.
Audit	: The process of verifying the correctness of a set of accounts using detailed checks of transactions totals, broad tests on account values as well as reviewing internal control.
Auditor	: An auditor who has obtained a license to audit pursuant to prevailing law.
Authority for Appointment	: The authority for appointment according to the Trust's Bye-laws.
Authorized Person	: The officer with the appropriate delegation of authority for the related decision.
Bank Reconciliation Statement	: The reconciliation made for bank balance and book balance at a particular date for a specified bank account.
Board	: Governing Board of Trustees of the Trust.
Budget	: The amount received by the Trust and anticipated expenses as approved income and expenditure within a Fiscal Year.
Bye-laws	: The Trust's Employees Administration and Financial Administration Bye-laws, 1996.
Cash Accounting	: Recording the accounting transaction only when cash is received or paid.
Cash Books/Bank Book	: A ledger (record book) that records all receipts or payments of the Trust or project whether made through cash or bank cheque.
Central Office	: The Trust's Head Office located in Khumaltar, Kathmandu.
Central Office Management	: A top most three-member Senior management team at the Trust's Central Office

Terminology	Definition
Chairperson	: Chairperson of the Trust.
Chief of Office	: The officer who has been delegated authority to head projects/programme, units or Central Office as per the Delegation of Authority.
Depreciation	: The periodic obsolete value charged for use and tear of the fixed assets.
Employee	: A person holding any post of the Trust or office under it or project/programme.
Employees under Contract Service	: Employee appointed in the post or services for the term specified in the employment contract.
Expenditure	: Expenses incurred by the Trust or Project as per the approved annual budget.
Family	: The husband, wife, son, unmarried daughter, adopted son, unmarried adopted daughter, father, mother or step mother living together with the employee of the Trust and whom he/ she himself/ herself has to maintain and subsist, and this term also includes his/ her grandfather, grandmother, grandmother in the case of male and unmarried female employee and her mother-in-law, father-in-law, in the case of married female employee.
Fiscal Year	: A period from first day of Shrawan (tentative 16 July) of any year to the last day of Ashad (tentative 15 July) Next Year.
Fixed Asset Register	: A register maintained to record all the fixed assets owned by the Trust or Project.
Fixed Assets	: Those assets which are acquired for continuous use of the Trust or Project having life beyond one year and high value items i.e. buildings, office equipment, furniture and fixture, computers, motor vehicles, etc.
General Ledger	: A summary of all transactions grouped into different accounts or budget line items. The totals of which is posted to the trial balance.
Governing Board	: Chairperson including other members of the Governing Board of Trustees.
Incapacitated Person	: Who is not capable of making his dealings because of physical or mental illness including handicapped, disabled, old people aged over 75 years.
Journal Entry	: The initial entry of the day to day transactions Maintained in a chronological order.
Liabilities	: All debts incurred and owed by the Trust.
Member-Secretary	: Member-Secretary of the Trust.
Month	: From a beginning to an end of each month or the date of any

Terminology	Definition
	month to the day before of the next month from which the countdown begins.
Office In-charge	: The chief of the Office as prescribed.
Permanent Employee	: the employees who are appointed in the permanent post or the employee appointed permanently till the tenure of project or the employee deployed or selected by the Government of Nepal.
Petty Cash Fund	: Cash kept for paying petty expenses.
Prescribed	: Prescribed or as prescribed in the rules framed under the Trust's Bye-laws.
Project	: The project established by the Trust for achievement of specified purpose for the specified time period.
Project Chief	: A head person who is responsible for the overall management of the project conducted by the Trust.
Proprietary Goods	: Subsidiary equipment and parts made by the manufacturer of goods, machine or equipment for the functioning and maintenance of those goods, machine or equipment.
Recruitment Committee	: The committee formed for fulfillment of any vacant post or newly created post of the Trust or project according to the Trust's Bye-laws.
Revenue	: The amount of income received by the Trust such as grants, investment income, interest income, cash donations, fees etc.
Schedule	: The schedule prescribed under the Trust's Bye-laws.
Supplementary Budget	: If it is found that annual anticipated income and expenses is insufficient or if it is necessary to get approval for additional budget then the approved supplemental anticipation is known as supplementary budget.
Temporary Employees	: Employees of the Trust or the project who are appointed temporarily.
Time Scale Salary	: Salary that increases from time to time from minimum to maximum salary scale.
Transfer of Budget	: Transfer of amount from one budget heading to another budget heading after getting approval from concerned authority.
Trial Balance	: A summary of general ledger balance at a particular date.
Trust	: National Trust for Nature Conservation.
Work by force Account	: The works carried out by the Trust on its own.
Worker	: A person employed on the basis of remuneration for unscheduled work and this expression also includes any worker working post who gets paid for being present daily.

Chapter 2: Preparation, Procedure and Spending of Budget

4. Preparation of Budget

- (1) For each fiscal year, it shall be the duty of the Member-Secretary to instruct respective chief of project/programme offices to prepare the annual budget and programme for the next fiscal. Such proposed budget should be prepared two months prior to the end of each fiscal year. Member-Secretary shall submit the proposed budget to the Board for the approval. The proposed budget and programme thus prepared shall be approved by the Board before commencement of the new fiscal year.
- (2) The Trust follows a bottom-up budget preparation process. The budget preparation starts at the grass-roots community level. These community level budgets are reviewed and consolidated with budgets for Project/Programme Offices and Central Office, leading to one consolidated budget for the entire organisation. A budget ceiling and guidelines for resource allocation can be provided by the Central Office/Project Headquarters to the various Project/Programme Offices in relation to the budget preparation exercise.
- (3) In the event that the annual budget cannot be approved within the time frame stipulated above (point 4.1), an Advance Budget can be approved by the Member-Secretary. This Advance Budget will be valid until the annual budget is approved as per Chapter 2 (Ka), clause 114 (6) of the Trust's Bye-laws. The amount of such Advance Budget cannot exceed one sixth of the total expenditure for the preceding fiscal year.
- (4) The budget shall be prepared on a realistic basis by giving due regard to the Trust's objectives.
- (5) A maximum of 15% of project/programme income can be allocated as management and administration expenditure from different projects/programmes run by the Trust.

5. Supplementary Budget

If it is found that the approved annual budget is insufficient or if it is necessary to conduct new programmes, and provided that there are adequate resources available, the Member-Secretary shall present a supplementary estimate before the Board along with reasons for approval. Upon

approval by the Board, this supplementary estimate becomes a supplementary budget which shall form an integral part of the annual budget.

6. Procedure for Spending Budget

- (1) It shall be the right of the Member-Secretary to spend and conduct programmes as per the approved budget. This authority can be delegated to appropriate subordinates and employees. No one except such authorised person(s) shall have the authority to order the spending, or approve expenditure of the Trust. The ultimate accountability for the budget shall be retained by the Member-Secretary.
- (2) The Finance Department sends delegation of authorisation letter along with the approved budget and programme activities immediately after the approval. This shall be done no later than two weeks from the date of approval.
- (3) Approval and transmission of the delegation of authority, budget and programme activity to projects/programmes/units gives the appropriate authorised person of such projects/programmes/units the authority to approve the expenditure in the following circumstances:
 - a. If the projects and programmes have already been approved.
 - b. If the budget under various headings and subheadings has been approved, the expenditure is also made as per these headings and sub-headings.

If the allocated budget under different heading is not enough, up to 10% budget can be reallocated between various sub-headings (except from salary, capital and miscellaneous expenditure) with approval from the Member-Secretary. If a re-allocation of more than 10% in the budget is required then approval from the Board is required.

Chapter 3: Accounting Policies

7. Significant Accounting Policies

- (1) The Trust has adopted the double entry bookkeeping accounting policy.
- (2) The financial statements shall be presented on modified accrual basis under the historical cost convention, in accordance with Generally Accepted Accounting Principles (GAAP).

8. Revenue Recognition

- (1) Revenue is recognized to the extent that it is probable that the economic benefits shall flow to the organization and it can be reliably measured. The following specific criteria are used for the purpose of recognition of revenue:

(a) Cash Grant:

- i. Any cash grant related to Unrestricted Fund shall be recognized as income at the time of receipt of the cash.
- ii. Any cash grant related to Restricted Fund shall be recognized as income at the time expenses are incurred for the specified programme.

(b) In-Kind Grant:

- i. Grants received in-kind from donor/partner agencies shall be recognized in the books of account as income (donation in kind) considering the details of cost provided by the donors and any additional cost incurred to bring them into use.
- ii. In the case of cost details provided by donor/partner agencies in foreign currency the rate to be considered to determine the cost of goods in Nepalese Currency shall be the prevailing exchange rate published by the Nepal Rastra Bank on the date of receipt of the goods in the possession of the Trust.

(c) Collection of Entrance Fee and charges

Funds collected by the Trust in the form of entrance fee from visitors/tourists, fees collected from enterprises, and other permit fees which have been authorised to operate in protected areas shall be recognized as income on cash basis.

(d) Other Income:

- i. Income generated by the Trust from sales of scrapped and unused items shall be recognized on cash basis.
- ii. Income from interest on bank deposits shall be recognized on accrual basis.
- iii. Income from dividend on securities, if any, shall be recognized when right to receive payment is established.
- iv. Income from lease of assets shall be recognized on accrual basis.

9. Fixed Assets and Depreciation

- (1) Physical items with useful life of more than one year are classified as fixed assets. Fixed assets are stated in the financial statement at cost price less accumulated depreciation.
- (2) Cost of acquisition is inclusive of costs incidental to bringing the asset to a usable state.
- (3) Depreciation shall be charged on Reducing Balance Method (RBM) basis as per the rates prescribed by Schedule 2 of Income Tax Act, 2058 (2002), Nepal and any updates.
- (4) Only fixed assets with cost equal to or more than NPR 75,000 shall be capitalized. Expenditure on items with useful life of more than 1 year but costing less than NPR 75,000 are recognised in the Income Statement, but a “Minor Assets Register” shall be maintained for the purpose of maintaining control.

10. Sale or Disposal of Assets

The fixed assets register shall be updated by deducting carrying value of assets at the time of sale or disposal. Any difference between the sale value and the carrying value of the asset is reflected in the Income Statement.

11. Auction process

1. The person authorized shall prepare a list of goods which need to be auctioned on a periodic basis giving due regard to the circumstances of the office. Indicators for items requiring auction can include: items that are obsolete and/or damaged, items for which the rehabilitation cost is expected to be greater than the benefit that shall be generated after repair.

2. The person authorized shall advise the Office In-charge with proper justification for auction of goods. The Office In-charge shall present a report to the Central Office Management for the goods that need to be auctioned.
3. The Central Office Management shall then form Auction Committee with at least 3 members comprised of representatives from relevant departments in order to make recommendations.
4. The Auction Committee can use outside experts where such assistance is deemed to be necessary, for example where the required expertise is not available within the Trust.
5. The Auction Committee shall submit its report to the Central Office Management specifying the recommended minimum auction price.
6. Following the recommendation, the Central Office Management may proceed with the auction of goods.
7. After a decision to auction has been made, a notice shall be published in a national level daily newspaper providing a 15-day time limit to interested parties to submit sealed documents. The notice shall include the following details:
 - (a) Description of the goods,
 - (b) Minimum value of the goods,
 - (c) Place, time (beginning and deadline, hours) and day of auction sale,
 - (d) Matter that the bid shall ascend from the minimum value based on auction committee recommended value,
 - (e) Evidence of cash deposit of 10% of the bid value shall also be submitted at the time of submitting the bid.
 - (f) Period of time for removing the goods from the Trust premises by the winning bidder of which auction has been confirmed.
 - (g) Any other necessary matters.
8. After the receipt of all bids, sealed documents are opened in front of auction committee and checked all documents for verification.
9. The bidder which gives highest value with all required documents shall be chosen and ask for necessary arrangement to take the goods on prescribed time on the notice fulfilling all obligation.
10. If the goods are not removed from the Trust premises by the winning bidder within the

stipulated time, the bid is cancelled and the cash deposit is confiscated. The goods can be sold to the second highest bidder. In case of second highest bidder also not agree to enter in contract then a new auction process can be started.

11. Goods that cannot be auctioned, sold at scrap value, damaged or have been lost can be scrapped and written off based on the decision of the appropriate authorised person.

12. Investments

Current and short-term investments made by the Trust are at cost.

13. Inventory

- (1) Inventory shall be valued at cost or net realisable value whichever is lower.
- (2) Cost of inventories shall be computed by using First in First out (FIFO) method.
- (3) The cost of inventories shall comprise purchase cost, cost of conversion and other cost incurred to bring the inventories to its present location and condition.

14. Cash and Cash Equivalents

- (1) Cash and Cash Equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
- (2) For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand and current account deposits in banks and term deposits with a maturity period of less than three months.

15. Employee Retirement Benefits

- (1) The Trust has the scheme of retirement benefits namely provident fund, leave encashment, and gratuity and employees welfare fund.
- (2) The Trust periodic contributions to the provident fund, which is a defined contribution scheme, are charged to the income statement.
- (3) Provisions is made for gratuity and leave encashment, employees' welfare fund on accrual basis, by calculating actual liability for employee at the end of the fiscal year.

- (4) Gratuity, leave encashment and employee welfare fund are paid to entitled employees in accordance to the gratuity facility and leave encashment facility mentioned in Chapter 1 (Nga), clause 68.

16. Foreign Currency Transactions

- (1) Receipts in foreign currency are recorded at the buying rate of the Nepal Rastra Bank on the date of receipt. Payments in foreign currency are recorded at the selling rate of Nepal Rastra Bank on the date of making such payment.
- (2) Foreign currency monetary assets and liabilities held at Balance Sheet date is translated to local currency at buying or selling rate of Nepal Rastra Bank prevalent on that date.
- (3) All unrealised foreign currency gains and losses on monetary assets and liabilities on the Balance Sheet date are reflected on the Balance Sheet.

17. Taxation

- (1) For all issues relating to tax, the Trust shall follow the relevant provisions of Income Tax Act 2058, National Trust for Nature Conservation Act, 1982, relevant regulations and any updates.

Chapter 4: Operating Procedures

18. Cash and Bank Transactions

- (1) It is the Trust policy to strictly follow strong control systems for all cash and bank transactions. This is to ensure integrity and to safeguard the assets of the organization.
- (2) Bank accounts where entry and other fees, lease amounts, and funds from donors are deposited shall be under the control of Central Office.
- (3) Bank accounts can be operated in any bank, at appropriate location as per the operational necessity of the Trust.
- (4) Bank accounts shall be operated only with dual signatory.

19. Opening of Bank Account

- (1) When a bank account is required to be opened, a letter shall be submitted to the Member-Secretary, who shall authorise account opening. On receipt of the approval, the same shall be submitted to the bank for completion of formalities required. The Trust shall open bank account in “A” category Commercial Banks, as far as practicable.
- (2) The Finance & Administration Department shall maintain following separate files:
 - a. A list of Bank Accounts being operated by it.
 - b. A list of signatories currently operating these accounts.
- (3) Whenever a new signatory needs to be included in the list of signatories, this can be done with the authorisation from the Member-Secretary. At the same time, any unnecessary signatories shall be removed promptly.

20. Cash Receipts

- i. Receipt of cash/cheques/drafts/pay orders shall be recorded using serially pre-numbered receipt and details of the same shall be posted in the cash book.
- ii. All fresh receipts book shall be kept in the custody of the Accountant/Store Department or designated employee and issued only after entry in a controlled register.
- iii. Segregation of cash and cheques on the cash book by marking cash, cheque, draft or bank note.

- iv. In case cash receipt is cancelled, the original shall be kept along with the duplicate and marked with the word “CANCELLED” on the face of all the copies.

21. Cash Deposit into bank

- (1) Cash/draft/cheque received shall be deposited in bank on same day. If this is not possible then the deposit shall be made no later than the subsequent bank working day.

22. Payment through Cheque

- (1) All disbursements shall be made by ‘A/C PAYEE’ cheque. Where A/C Payee cheques cannot be issued, the reason for the same shall be documented.
- (2) Immediately after a cheque is issued, the corresponding voucher along with the supporting documents shall be marked with a "PAID" rubber stamp. Any additional requirements in this regard from specific donors shall be adhered to. A photocopy of all cheques issued shall be retained along with the respective vouchers and documents.
- (3) All unused chequebooks and unused receipts books shall be held by the Accountant or designated employee and a record kept along with them of the quantity received, quantity issued and balance. The serial numbers of cheques and receipts shall be maintained.

23. Petty Cash Management

It is the Trust’s intention to minimize payments in cash.

- (1) Petty cash fund shall be operated and kept at urban and rural areas comprising of fund of up to NPR 50,000 (Fifty Thousand) only. The respective office account employee (Petty Cash Holder) as designated by Office-In charge shall be responsible for managing the petty cash.
- (2) Notwithstanding anything contained in clause 1 above, if there are no bank facilities available within a reasonable distance from a Trust office location, cash fund of up to NPR 1,000,000 (One Million) can be maintained and operated with prior written consent of Central Office Finance Department.
- (3) Petty cash fund can be used only for small expenses.
- (4) No advances shall be disbursed from the petty cash fund.

- (5) The Petty Cash Holder shall stamp all invoices with "PAID" stamp immediately upon payment to avoid the possibility of making double payment. The petty cash book shall be updated daily based on the petty cash vouchers raised for payment of petty cash expenses.
- (6) The Petty Cash Holder shall fill out a Request for Reimbursement for replenishment of funds spent from the petty cash fund during the previous period. This shall be submitted to the his/her supervisor for review and approval.
- (7) Physical count of the balance of petty cash (Appendix 1) funds shall be made by another officer who is more senior than Petty Cash Hold every two weeks and this shall be reconciled against cash book balance. This count shall be documented and the evidence shall be retained. Any difference shall be promptly investigated and necessary action taken.

24. Advances Payment

- (1) It is the Trust policy to exercise strict control over advance payments. Advances represent a high-risk area requiring a high degree of control. Advance can be provided for the following purpose:

1. Procurement Advance

- i. Advances shall be kept to a minimum and shall be provided only when necessary.
- ii. The Trust shall provide advances only against written orders for supply of Goods and Services and other activities.
- iii. Each advance shall be sanctioned in writing in an Advance Authorization Form prior to payment by the relevant Chief of Department.

2. Travel Advance

- i. Prior to departure, the Trust shall provide advance amount to cover anticipated travel costs. Normally travel advance shall be provided estimating the expenses comprising of the following:
 - (1) Per Diem: The estimated expenses on the basis of prevailing per diem approved by authorised person.
 - (2) Air or other mode of travel: 100% of the cost of travel.

ii. Travel advance (Appendix 2) payment shall be provided upon submission and approval of Travel Order (Appendix 3) Form duly supported by the following relevant information and documents:

- Approved Travel Order
- Estimated per diem amounts
- Estimated travel costs

iii. All forms shall be completed prior to travel.

iv. Any remaining advance shall be returned to the office within 15 days of return.

v. No further advances shall be provided until the previous balance is settled.

3. Programme Advances

i. Programme advances can be provided up to the anticipated costs of the activities to be carried out. The advances shall be processed only on submission of the following documents:

- Certification that the activities are as per the approved work plan and within approved budget amount.
- Details of activities to be performed.
- Estimated cost

ii. All forms shall be completed prior to travel

25. Advance Settlement

1. All travel advances shall be settled within 15 days of returning from the tour for which advances were drawn.

- Advance settlement form shall be submitted and approved (Appendix 4)
- Travel report shall also be prepared and submitted (Appendix 4)

2. All programme advances shall be settled within 15 days of completion of specific tasks for which advances were drawn with remaining fund using Advance Settlement Form and report of expenses incurred supported by documents.

3. Procurement advance shall be settled within 3 days of completion of the procurement process.
4. If any remaining advance is not be returned to the Trust within the stipulated time, it shall be deducted from salary and other benefits of the respective employee.

Chapter 5: Procurement

26. Classification of Procurement

- (1) The Trust and its project/programme offices shall strictly follow the following procurement procedure to Public Procurement Act (PPA), 2007 with amendment and Public Procurement Regulation (PPR), 2007 with amendments.
- (2) Procurement for financial control mechanism are classified into following types depending upon the amount (all amount is inclusive of all taxes);
 - (a) Direct Contracting for goods, works and all kind of services:
 - i. up to NPR 100,000 from single quotation from valid firm/company (no cost estimate is required in the case of goods and services, but required in the case of works).
 - ii. more than NPR 100,000 up to NPR 500,000 from quotation with at least three listed firm/company (cost estimate is required).
 - (b) Sealed Quotation:

for goods and works. More than NPR 500,000 up to NPR 2,000,000.
 - (c) Bid/Tender for amount exceeding NPR 2,000,000 for goods and works.
 - (d) For consulting service:

Up to NPR 2,000,000 request for proposal (RFP) with at least 3 to maximum 6 valid consultants from listing. For more than NPR 2,000,000 short listing from 15-days' notice and then RFP from shortlisted consultants.

If there are no suppliers within Nepal, International level bidding can be called through Public Notice.

27. Procurement Unit

- (1) There shall be a procurement unit comprising members from accounts, procurement, administration and program department as per the members assigned by the Member-Secretary. The administrative officer, procurement is the Coordinator of procurement unit and its Secretary.

(2) Procurement Unit shall have to make procurement by complying with the procedures set out in Public Procurement Act (PPA), 2007 with amendment, Public Procurement Regulation (PPR), 2007 with amendments and the Trust's Bye-laws.

28. Evaluation Committee

(1) The Evaluation Committee shall comprise of the following:

(a) A senior officer designated by Member-Secretary (a technical staff as far as possible)
– Chairperson

If a senior Officer not available in the office, the Member-Secretary or Office-in - charge will act as Chairperson in such case.

(b) Head of the Financial Administration Section - Member

(c) Technical expert concerned with the subject matter (Officer level as far as possible)-
Member

(d) Law officer, where such a position exists - Member

(2) The chief of the procurement unit shall act as the Secretary of the evaluation committee.

(3) The Evaluation Committee may, with approval of the Member-Secretary, invite in its meeting the expert in the subject matter of governmental or non-governmental sector.

(4) If the committee requires the assistance of a consultant, the Trust may, subject to the approved program and budget, appoint a consultant by application of the procedure set forth in the PPA and PPR.

(5) The committee may form a sub-committee for rendering assistance to it in the work of evaluation of quotation, bid or proposal.

(6) The Secretary of the Evaluation Committee shall have to prepare and keep the proponent deed (*Muchulka*/minute) of the meeting and keep a file of all the agenda discussed in the meeting.

(7) The Evaluation Committee itself may determine its procedure.

(8) The Evaluation Committee shall have to submit an evaluation report to the Member-Secretary.

29. Procurement Process

The Trust has a well-established procurement system based on PPA and PPR. The evaluation committee and the procurement unit are the backbone to this system. A procurement plan is prepared by the procurement unit and approved by the Member-Secretary at the beginning of each fiscal year. The procurement plan guides the procurement to be carried out throughout the year. A roster of vendors is maintained every fiscal year to carry out the procurement functions. The general process of procurement is as follows (See Figure 1):

- 1) Procurement process is initiated with the demand for goods and services. Such demands can be for the hiring of consultants, purchase of goods for projects and/or daily management requirements.
 - a. A request for goods/services is received by the administration in writing. No request is needed for regular or annual routine goods or services and budgeted works (Construction).
 - b. The administration requests the store unit to issue the goods if they are available in the store.
- 2) Purchase request (Appendix 5.1) to the procurement unit is done in the case when the goods/service is not available from the store.
- 3) The procurement unit shall make market survey, receives estimate from valid firm/company, prepare the cost estimate in the case of goods and services. In the case of works, estimate shall be prepared by a technical person which is approved by the authorized personnel according to the financial size of the procurement.

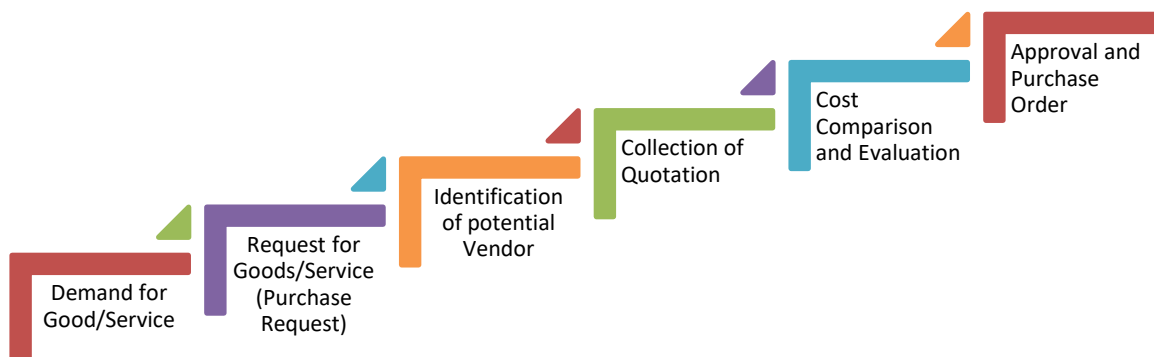


Figure 1. Steps of Procurement Process

- 4) The documents required for the procurement shall be prepared by the procurement Coordinator. The procurement coordinator is provided support by the project/programme offices in preparation of the Terms of Reference for the consulting services and the specifications of the goods required. The documents are submitted for approval by the procurement Coordinator to the approving authority that approved the cost estimate according to the size of the procurement.
- 5) According to the size of the procurement, the procurement process shall be carried out by the procurement unit:

A. Large Procurement (amount more than NPR 500,000 to NPR 2,000,000-Sealed Quotation (SQ) and above NPR 2,000,000-Bid)

- (a) There shall be required to publish a notice in a national daily newspaper disclosing the quantity, capacity, etc. of the item required for submitting tender along with 2-3% of the cost estimate amount as a security called bid security or bid bond.
- (b) A period of 15 days shall be provided to the suppliers for submitting tenders in the case of SQ and 30 days in the case of Bid/Tender.
- (c) SQ/Tenders shall be opened on the last submission day immediately after the deadline of submission.

- (d) SQ/Tender shall be opened in presence of representative of the suppliers submitting tender at a venue specified. Provided that there shall be no hindrance for opening a bid merely for reason of absence of a bidder or his/her representative.
- (e) Lowest price SQ/bid among substantially responsive SQ/bid the goods and works shall be considered.
- (f) Procurement committee shall make a minute of the evaluation of SQ/bid mentioning the bidder to be selected and recommend to select the SQ/bid to the authorized personnel of the Trust.
- (g) Successful bidder shall be provided time period of 7 days in case of SQ, but in case of bid, a 7-day intention letter shall be given to the bidders and if no appeal is received within 7 days, a 15-day period is given for submitting performance guarantee of 5% of bid amount and make contract if such supplier is unable to make contract within the given period, the second lowest bidder and so on shall be awarded the contract.

B. Small Procurement (amount less than NPR 500,000 but above NPR 100,000)

- (a) At least three price quotations shall be collected from the prospective suppliers from listing, disclosing rate per unit, available accessories and after sales facilities.
- (b) a comparative chart shall be prepared by procurement unit and submitted to authorized personnel who provides approval of least priced quotation.
- (c) Successful bidder shall be provided time period of maximum 7 days for the contract.

C. Direct Procurement

- (a) The Trust and its projects/programmes offices may procure such one-time procurement of goods having single value item not exceeding NPR 100,000.
- (b) No procurement shall be made from petty cash fund.

6) Goods/Services shall be received, verified and the Goods Registration and service delivery documents shall be forwarded to the accounts for payment.

30. Third Party Procurement

- (1) When the Trust sub-delegates tasks and activities funded by bilateral donors or international organizations, to a vetted executing agency/implementing partner, the Trust shall include in the legal agreement signed between the Trust and the executing agency all relevant rules and procedures of the Trust, including a clear description of the procurement policies and procedures. The basic rule is that the executing agency shall follow the appropriate policies, rules and Procedures (equivalent to the procedures used by the Trust, i.e. the Trusts own guidelines or those of the Government of Nepal) in all material aspects for providing financing from the donor funds through procurement.
- (2) Where there is an observation of weaknesses or lack of capacity to follow such rules, the Trust could conduct training or workshops to bring the executing agency up to the level where it can execute the project activities, including procurement, following the proper rules and procedures without problem. Under exceptional cases, the Trust may take over the procurement process from the executing agency; this may be considered as another form of capacity building.
- (3) Throughout the project implementation period, the Trust shall perform oversight functions on the activities undertaken by the executing agency and monitor its performance against compliance with relevant policies, rules, and procedures in all procurement activities. The legal agreement/contract shall also indicate the consequence of non-compliance and remedies thereof.
- (4) The Trust promotes rule of law and transparency in all activities. Thus any fraudulent or corrupt practice by third party is sufficient to terminate the contract. However, the Trust will provide opportunity to such third party to furnish clarification before reaching a final decision on termination.

Chapter 6: Internal Control System

31. Accounting System

- (1) The accounts shall be maintained according to the double entry system of accounting and in consonance with Generally Accepted Accounting Principles (GAAP).
- (2) The Head of Finance Department shall have the ultimate responsibility for maintaining the records of all financial transactions, and submitting necessary financial reports to the Member-Secretary of the Trust. The Head of Finance Department is also responsible for having the internal audit undertaken.
- (3) The Member-Secretary shall be responsible for taking necessary actions and reporting to the Board.

32. Bank Reconciliation Statement

- (1) At the end of each month, the bank balance in books shall be reconciled with the bank balance in the bank statement. This shall be done within one week from the end of the month.
- (2) The details of pending items shall be listed separately on the Bank Reconciliation statement.
- (3) The preparer (accountant) and approver (either the Accounts Head or Office-in-Charge, as relevant) (Appendix 6) shall sign and date the reconciliation statement.

33. Cancellation of Cheques

Cheques shall be cancelled by chief of the department. When doing this, the words “Cancelled” or “Void” shall be written across the face of the cheque.

34. Stale Cheques

- (1) Cheques become stale when they are not presented for payment in the bank for more than three months from the date of issue.
- (2) The stale cheque shall be retained with the counterfoil of the cheque clearly defacing the Cheque with “STALE” and reversed.

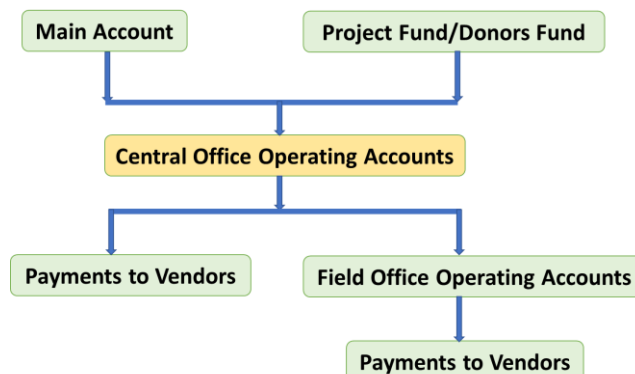
- (3) The initial accounting entry that was made for a cheque shall be reversed when a cheque becomes stale.

35. Disbursement of Fund

- (1) Disbursement to the project/programme offices shall be made by the Central Office.
- (2) In making such disbursements, the Central Office shall give due regard to the following:
- the fund request submitted by the respective offices
 - reports submitted by the respective offices (please refer to section on Reporting)
 - balance of fund from prior disbursements
 - available funds at Central Office and
 - any other pertinent considerations such a specific donor requirements
- (3) Project/programme offices shall submit bank and cash balance position reports to the Central Office on a weekly basis.

36. Payments and Disbursements Process

The General overview of operating account and project Fund account are outlined in the chart below.



The system for preparation and approval of payments at the Central Office is composed of the following four level:

1. **Prepared By:** Accounts department creates the payment voucher and cheque after receiving all relevant documents such as Request for Procurement, Quotation, Purchase

Order, Contract, Invoice, Goods Received Note (Appendix 5.2), and Memo for payments from the respective departments.

2. **Checked By:** Sr. Accounts Officer/ Account Officer check all the documents.
3. **Recommended By:** Senior Finance Officer/ Finance Officer verifies the details against budget and recommends payment to the Finance Director for final approval.
4. **Approved By:** Finance/Administrative Director give final approval for payment.

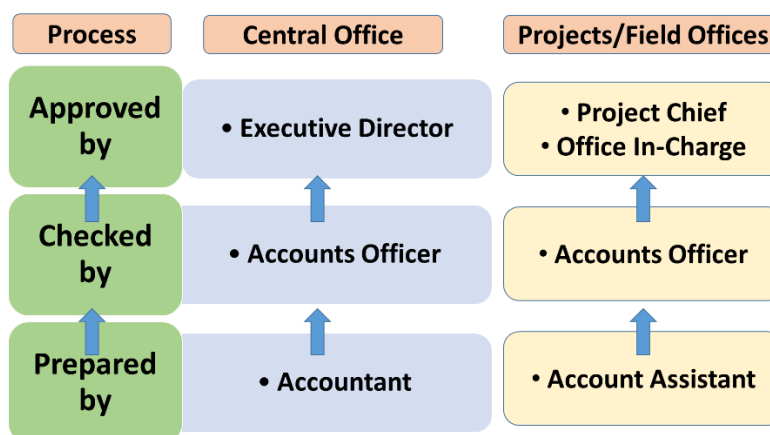
This system is composed of two levels at field offices.

1. **Prepared By:** accountant prepares the voucher,
2. **Approved By:** Office In-charge verifies and approves
3. **Additional level:** at field offices that have allocated position of Senior Accountant, s/he acts as an additional layer of reviewer for added control mechanism in this system.

Cheque Signatories and Payment process:

1. Two signatures are mandatorily required on cheques.
2. At Central Office the approved signatories are the Member-Secretary, the Executive Director/Finance Director and any other officers authorized by the Member-Secretary.
3. At Field/Project/Programme Offices the approved signatories are the Office-in-Charge and the Accountant.
4. All payments shall be made through account payee cheque in the name of the contracted party.

The above system is represented in the following chart:



In order to make payment and disbursements effective, different accounts can be opened and operated as required. The description of the bank accounts is given in the following box.

Description of Bank Accounts

Main Accounts: In this account funds from internal sources of income is deposited. Such as income from Entry Fee Permits, Entrance Fee and Others. There are more than one Fee collection (Main) accounts for different purposes and as per the need of the Trust.

Donor Specific Accounts: In this accounts fund from specific donor is deposited as per agreement with Donor.

Central Office Operating Accounts: There are many operating accounts maintained at Central Office. Funds in these accounts are transferred from Main account for making payments to vendor and for operational activities. Further, operating accounts are also maintained for funding partners/projects, if necessary and required, to make payment for that specific project. Operating accounts are also used for making fund disbursement to the Trust's projects/programme and field offices as per the request submitted by field office and approved by Central Office.

Field Office Operating Accounts: Generally, one (if required more than one) operating account is maintained at field offices of the Trust. Funds in this account are transferred from Central Office operating account, as per the requirement of project/programme and field offices, for making payment to vendor and for operational activities at field level.

37. Documentation Policies:

- a. **Original Hard Copy:** Original hard copies of all invoices, vouchers, bills, report, agreements, contract, payment documents and all other documents are maintained in a systematic manner at the respective offices.
- b. **Digital Records:** All available digital copies of reports, agreements, contracts are retained.
- c. **Access Restriction:** All journals, payments and receipts entries in the system are made by authorized personnel only.

Chapter 7: Verification and Audit

38. External Audit

- (1) The Financial Statements of the Trust are audited by the Office of the Auditor General of the Government Nepal.
- (2) The Member-Secretary and the Head of Finance Department shall have direct responsibility in overseeing the implementation of the Annual Financial Audit.

39. Internal Audit

- (1) The Trust conducts its internal audit as per the annual audit plan.
- (2) Any issues identified in the internal audit shall be resolved immediately upon receipt of the audit report.
- (3) Respective Project Chiefs, Office-In-Charge and Accountants are responsible for implementation of the audit recommendations.
- (4) The Head of Finance Department shall provide a copy of the internal audit report to the Member-Secretary. Member-Secretary is responsible for the implementation of the audit recommendations.

40. Physical Verification of Assets

All assets including inventories of the Trust shall be subject to physical verification (Appendix 7.1) at least once in each fiscal year.

Chapter 8: Reporting

41. Monthly Reporting

- (1) Central Office and Project/Programme Offices shall be responsible for submitting the monthly report to the Finance Director within one week after the end of the month.
- (2) Following reports shall be prepared on monthly basis by the Central Office and project/programme offices for each month. However, in case of any programmes implemented with donor fund, the reporting shall be made as per the agreement with the donor.
 - i. Monthly income and expenditure statement
 - ii. Bank reconciliation statements
 - iii. Fund Utilization report
 - iv. Visitor Data report
 - v. Any other information, if any required.

42. Quarterly and Half Yearly Reporting

- (1) Central Office and Project/Programme Offices shall be responsible for submitting quarterly and half yearly reports to the Finance Director within 15 days from the end of the period.
- (2) Following reports shall be prepared on quarterly and half yearly basis by the Central Office and project/programme offices. However, in case of any programmes implemented with donor fund, the reporting shall be made as per the agreement with the donor.

Quarterly

- i. Fund request
- ii. Fund Utilization report
- iii. Progress Report

Half yearly

- i. Financial Statement (Income Statement, Balance Sheet and Cash Flow Statement)
- ii. Bank reconciliation statement,
- iii. Fund Utilization report

iv. Inter-office Reconciliation

v. Progress Report

43. Annual Reporting

- (1) Central Office and Project/Programme Offices shall be responsible for submitting annual financial report to the Finance Director within 35 days of end of the fiscal year.
- (2) Following reports shall be prepared annually by the Central Office and project/programme offices for each fiscal year. However, in case of any programmes implemented with donor fund, the reporting shall be made as per the agreement with the donor.
 - i. Consolidated Financial Statement (where relevant)
 - ii. Financial Statements (Income Statement, Balance Sheet and Cash Flow Statement)
 - iii. Bank Reconciliation Statement,
 - iv. Fund Utilization Report
 - v. Fixed Assets Physical Verification Report
 - vi. Programme and Progress Report
- (3) If any project/programme office fails to submit financial report in time, the next fund disbursements shall be withheld until the reports have been submitted.
- (4) Such delays in reporting also directly affects the performance evaluation of concerned staff.

Chapter 9: Risk Management

44. Risk management definition

- (1) Risk is the possibility of an event occurring that would threaten or limit the Trust's ability to achieve its objectives.
- (2) Risk management (see Figure 2 below) is the continual process of:
 - identifying the risks of not reaching set objectives;
 - rating the likelihood and possible consequences of risks: using a risk matrix as a snapshot;
 - making practical recommendations to bring the risks to an acceptable level (strengthen controls, avoid, minimize, transfer or cope with the risks);
 - monitoring the implementation of mitigating measures including if the risk reduction is on target; and
 - reporting on the existing risks and mitigating measures and achievement of risk reduction targets.

45. Risk Management Framework

Risk management framework of the Trust provides a structural insight into the process of risk management system. This process involves identification of the risk, analysis of the identified risk, evaluation of the risk and their management. Monitoring and review of the activities, communication and consultations are vital throughout the process of risk management process.



Figure 2. Risk Management Cycle

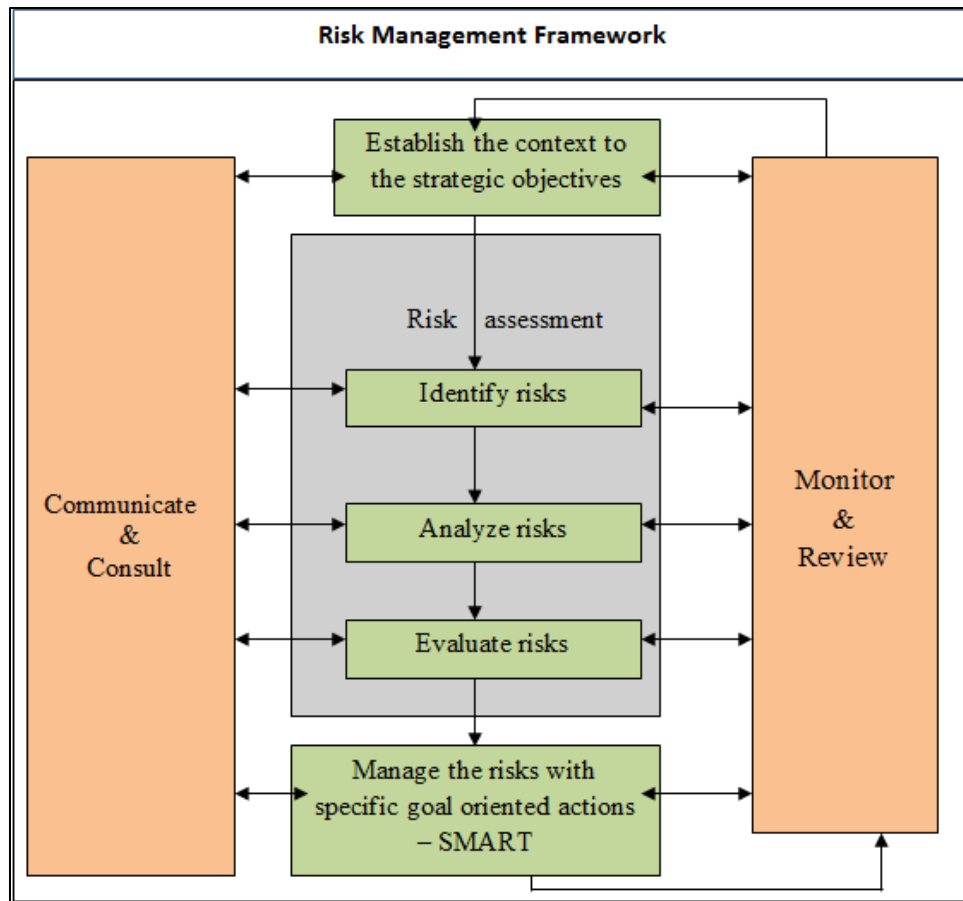


Figure 3. Risk Management Framework

46. Risk Management Responsibility and Accountability

Risk management in the Trust is done according to the nature of risk or risk types. Responsibilities of risk management according to their types are presented in the table below:

Risk Type	Description	Responsibility for Identification and Mitigation Plan
Strategic	Risks related directly to not achieving the mandate, vision of the Trust including the objectives of the strategic plan.	<ul style="list-style-type: none"> • The Member-Secretary shall identify and take decisions to mitigate these risks. • All the strategic risks shall be identified and addressed every five-years in conjunction with the Trust's strategic plan preparation • Mid-term review of the

Risk Type	Description	Responsibility for Identification and Mitigation Plan
		strategic plan shall also address these risks
Political	Risks related to political decisions taken by the Government of Nepal.	The Member-Secretary shall identify and take decisions to mitigate these risks as and when needed
Reputational	Risks related to events that can harm the organization's image and reputation.	The Executive Director shall identify these risks and the Member-Secretary shall take decisions to mitigate these risks as and when needed
Operational	Risks related to the programme activities.	<ul style="list-style-type: none"> • The Executive Director/Office In-charge/Project Chief shall identify these risks and the Member-Secretary shall take decisions to mitigate these risks • These risks shall be identified annually • Auditors' comments and Monitoring and Evaluation reports shall be referred to for identification of these risks
Projects	Risks related to the Trust not being effective to secure projects or programmes or to deliver on them in accordance with donor expectations as either an executing or implementing entity. Significant risks related to a specific project that may have an impact on the overall performance of NTNC.	<ul style="list-style-type: none"> • Project Manager shall identify these risks and address project delivery related risks annually • The Executive Director shall take decisions to mitigate these risks based on the severity of risks
Environmental	Risks that the activities of the Trust are not aligned with its environmental priorities. This includes social aspects such as the gender related issues.	<ul style="list-style-type: none"> • The Project Management team has overall responsibility for identifying and recommending these risks

Risk Type	Description	Responsibility for Identification and Mitigation Plan
		for mitigation to The Executive Director at the time of project screening and evaluation
Organizational	Risks related to organizational structure and processes that can have a negative impact on the Trust delivering on its objectives and mandate.	The Executive Director shall identify these risks and the Member-Secretary/Board take decisions to mitigate these risks at the time of strategic planning
Financial	Risks related to finance, accounting, treasury processes including those affecting projects.	<ul style="list-style-type: none"> Account and Financial Unit shall identify these risks and Chief of Finance department shall recommend necessary actions to the Member-Secretary annually Auditor reports shall be referred to in such risk identification process The Member-Secretary shall take decisions to mitigate these risks
Human Resource	Risk related to employee not following policies and procedures.	<ul style="list-style-type: none"> Manager/Office In-charge/Project Chief shall identify these risks and Chief of Administration department shall recommend necessary actions to the Member-Secretary as and when required The Member-Secretary shall take decisions to mitigate these risks
Compliance	Risk related to the Trust being in breach of applicable laws, regulations and other requirements.	The Trust shall have a suitably qualified and experienced compliance officer who will be responsible for mitigating such risks.

47. Risk Identification and Analysis

- (1) The significance or the exposure that a risk entails is determined by a mostly subjective evaluation of:
 - the likelihood of the risk occurring,
 - the potential impact or damage that may be caused if the risk event occurs, and
 - the effectiveness of any internal controls that may exist to reduce the likelihood or impact of the risk event.

The subjective evaluation methodology results in three possible outcomes of the risk exposure:

Low (value 1 – 5): Represents a **low impact or well managed risks** that can be accepted and / or managed by routine procedures.

Medium (value 6 – 14): Represents a **risk that could be better managed** and mitigating actions shall be planned.

High (value 15 – 25): Represents a **major risk** and mitigating action is imperative to bring the residual risk exposure to a lower level. These risks require immediate managerial attention.

48. Risk mitigating actions

- (1) Proposed mitigating actions are intended to bring the risk to an acceptable level. They need to be SMART, which stands for **specific, measurable, attainable, realistic** and **timely** and thus **cost effective**.
- (2) The mitigating actions could include removing the source of the risk by not starting or continuing with the activity that creates an unacceptable risk. Alternatively, an activity or process with less risk could be selected. Another option is sharing or transferring a risk to a third party such as a contractor or insurer. Many of the actions would involve the strengthening of internal controls. The Trust may also decide to retain the risk or reduce it only partly and monitor the remaining risks. This could involve cases where the risk is beyond the control of the Trust or the cost of the treatment option is excessive compared to the benefit.
- (3) Monitoring shall be a component of most mitigating actions since few risks would be fully eliminated. The monitoring component of the mitigating plans shall also be SMART.

- (4) The mitigating actions need to be **specific** and clearly state who shall be responsible for what actions, when they shall be concluded and the budget and employee resources that need to be assigned to the action. Thus, the what, who, when, and cost needs to be clearly stated.
- (5) The mitigating actions need to be **measurable**. Thus, vague statements such as continuing ongoing discussions or periodic monitoring would not suffice. Instead one needs to state how many discussions, with what target group and what the nature of the monitoring would be. Most important is that the expected result of each mitigating action is quantified and measurable at a future point in time. The measure shall be in terms of how the risk exposure will be reduced. It should also indicate a target exposure risk once the mitigating actions are taken. This target exposure risk becomes a performance indicator for managing on a risk by risk basis and need to be reported upon.
- (6) Any mitigation plan needs to be **attainable** and **realistic**. That means it shall be doable, practical and the financial and human resources therefore shall be available and **cost justified**. Where there are doubts on the availability of resources the plan could include a resourcing phase. However, if the realization or attainability of resources or another part of the mitigating action is in doubt then it would be wise to also formulate an alternate plan to manage the risk.
- (7) Mitigating plans need to have a **timeline** and in that way, they are no different than a project. Thus, the plan shall indicate when the action will be completed and with what result in terms of the anticipated or target exposure limit. For ongoing actions which have an extended or ongoing timeline, the target exposure risk shall be de quantified for the next few updates.

Appendix 8.2 provides the methodology the Trust shall use for quantifying risks as well as a template for registering and monitoring identified risks.

Chapter 10: Financial Mismanagement and Fraud

49. Principle

The Trust strongly affirms the importance of a “zero-tolerance” approach to financial mismanagement and fraud. This principle shall be applied in a practical, fair and consistent manner.

The Trust strictly adheres to the Government of Nepal’s financial policies and rules which prohibit financial mismanagement and fraud:

- The Prevention of Corruption Act, 2059 (2002 A.D)
- Commission for the Investigation of Abuse of Authority Act, 2048 (1991)
- Commission for the Investigation of Abuse of Authority Rules, 2059 (2002)

50. Financial Disclosure Policy

It is the policy of the Trust that in the exercise of their functions, the Trust employees and certain other individuals (who hold a Trust contract other than an employee contract) shall avoid even the appearance of impropriety. The Trust believes that its functions shall adhere to the principles of accountability and transparency. The Trust also respects the rights of citizens to be well-informed.

The Trust adheres to the Government of Nepal rules and regulations regarding financial disclosure policy, particularly the following:

- The Prevention of Corruption Act, 2059 (2002 A.D)
- Commission for the Investigation of Abuse of Authority Act, 2048 (1991)
- Right to Information Act, 2064 (2007)

The form for financial disclosure is provided in Appendix 9.

51. Conflict of Interest

All employees and such other individuals have an obligation to avoid or mitigate situations in which their personal interests might conflict, or appear to conflict, with the interests of the Trust. Conflicts of interest may arise in many types of situations, such as when financial or other outside interests produce conflicting loyalties, interfere with job performance, or are averse to the interests of the Trust.

The form for declaration of conflict of interest is provided in the annex 1 of Guidelines for Information Disclosure, Grievance Redressal, and Conflict of Interest document.

52. Whistleblowing Provisions

- (1) It shall be the responsibility of all employees to provide information on any ongoing or probable financial mismanagement, fraud or irregularities or any deed taken as offence under prevailing laws.
- (2) It shall be the duty of the information receiver to keep the identity of the whistleblower confidential.
- (3) The whistleblower shall not be terminated from his/her post or punished with any legal responsibility, be subjected to intimidation, harassment, threat, discrimination, other detriment, disadvantage, punishment or any loss or harm for making a disclosure.
- (4) The Trust shall take all reasonable steps to ensure that sufficient and appropriate protection is provided for those who make a good faith disclosure. It shall take steps to ensure the complainant is not disadvantaged, intimidated or threatened. This shall be the case regardless of the outcome of the investigation, whether the disclosure is proven or not, or whether it is reported to an external authority.
- (5) If the whistleblower feels that he or she has been the subject of discrimination, harassment, intimidation, or other unwarranted treatment because of this investigation, the employee is encouraged to appeal to an authority which is higher than the one to which the initial report was made.
- (6) External complainants shall have the same protection as the Trust employee in relation to any dealing with the Trust including the ability to appeal should h/she feel discriminated, harassed, intimidated or subject to other unwarranted treatment from the Trust because of the investigation.

53. Process for reporting suspected fraud

- (1) Any person, who has knowledge that somebody has committed, is going to commit or is committing any act constituting an offence, financial mismanagement or fraud may submit a complaint, application, information or notice to the Trust (Administrative Department) or

a Committee formed by the Trust at Central Office through the complaint box, internal portal, NTNC mail, email, in writing, in person or through telephone.

- (2) If, for any reason, it is not appropriate to make the report to the Administrative Department, s/he shall report the matter to the Member-Secretary.
- (3) The Administrative Department shall maintain a register of all reports received. The Administrative Department shall maintain confidentiality of the person filing a report.
- (4) Any reporting of a suspicion of fraud shall be made in good faith. It is a violation of the Member-Secretary's Code of Conduct to misuse or abuse the investigative procedures to make a report that is knowingly frivolous, misleading, or untrue.
- (5) If a report of misconduct is not made in good faith, or is found to be knowingly false, deliberately misleading, frivolous, or malicious, the person making such report shall be subject to disciplinary action.

54. Content of report

The office receiving the report shall ensure that as much information as possible regarding the alleged fraud is gathered from the complainant. This shall include, but not necessarily be limited to:

- a reasonably detailed description of the suspected misconduct including time frame and location;
- all individuals directly or indirectly involved in the incident or having knowledge thereof;
- details of any third parties involved in the incident;
- references to documents, electronic records or other evidentiary material which may help explain or support the questionable action; and
- any other relevant information.

55. Investigation procedure and responsibility

- (1) The Member-Secretary shall conduct necessary investigation and inquiry if it receives information through a complaint, through information or through any other means or source that any offence has been committed, is being committed or is going to be committed.

- (2) Where the Member-Secretary receives information that any offence has been committed, is being committed or is going to be committed and there is reasonable ground to believe that the person involved in the offence may abscond or destroy, hide or alter evidence or document, the Member-Secretary shall immediately commence necessary investigation processes.
- (3) The Member-Secretary may appoint any officer or a group of the employees of the Trust to conduct investigation and inquiry of the offences.
- (4) Legal opinion can be taken from legal expert on need basis.
- (5) The investigation shall study all the evidences and submit the report. If the disciplinary action has to be imposed on the basis of the evidence, the disciplinary action shall also be recommended on the report.
- (6) Relevant external authorities shall be informed as appropriate.

56. Anti-Money Laundering Policy

The Trust adheres to the government's policy on money laundering particularly the **Asset (Money) Laundering Prevention Act, 2008**, which describes money laundering as follows:

“one shall be deemed to have laundered asset, in case one or any third person acquires, holds, posses, uses, consumes, utilizes or earns or displays or transacts or deals with or causes to do so, in any manner, the asset obtained, held, possessed, directly or indirectly from commission of any or all of the following offence or act or the asset increased from any type of investment of such asset; or converts or disguises or transfers such asset or causes to do so with an intention to conceal, convert or disguise the source, nature, place, ownership, right, disposal of such assets; or obtains, purchases, holds, possesses, uses, consumes or utilizes such asset or causes to do so; or does or causes to do transaction in any form in spite of the knowledge of such asset or with the reasonable ground to believe so; or does or causes to do any kinds of assistance directly or indirectly to transform, change or transfer such asset or causes to do so.”

Examples of money laundering activities include:

- (a) Revenue evasion,

- (b) Organized crime,
- (c) Financing of terrorist activities,
- (d) Offence under existing law on arms and ammunition,
- (e) Offence under existing law on foreign exchange regulation,
- (f) Offence under existing law against homicide, theft, fraud, forging of document, counterfeiting, abduction or hostage taking,
- (g) Offence under existing law on
 - narcotic drug control,
 - national park and wildlife conservation,
 - against human trafficking and transportation,
 - on cooperative institution,
 - forest
 - against corruption,
 - bank and financial institution,
 - banking offences and penalty,
 - ancient monument conservation,
- (h) Offence under any other law or treaty which Nepal is a party to, as designated by the Government of Nepal through publishing a notice in Nepal Gazette.

57. Anti-terrorist funding Policy

- (2) The Trust adheres to the government's policy on anti-terrorist funding, particularly the provisions mentioned in the following:
 - Asset (Money) Laundering Prevention Act, 2008

58. Know Your Client provisions

- (1) The Trust shall maintain clear record of identity of a person while establishing any kind of business relationship with such person or while transacting the amount above the threshold, either in a single transaction or in series of transactions as prescribed by Nepal Rastra Bank from time to time by publishing a notice.

(2) These records shall comprise of:

- (a) In case of a natural person his/her name, family surname, copy of citizenship or passport including other necessary documents that substantiate his/her permanent residential address and profession or business,
- (b) In case of the person or firm except those provided in Clause (a), copy of the document certifying incorporation, establishment or registration of the institution, documents that mention name, surname, address, profession, business of board of directors and executive director or proprietor of firm or partners of partnership firm,
- (c) In case of business relation or transactions to be established or made on behalf of someone else, documents relating to principal's identity, address including power of attorney clarifying the business of the principal,
- (d) Name, surname, address of close relative, person or institution benefiting from business transaction,
- (e) In case of transactions made through negotiable instruments, name, surname and address of the issuer and payee of such instrument.

Chapter 11: Management Information System

59. Safety of Documents and Records

- (1) All the Trust offices shall maintain records of goods, income and expenses, material and non-material properties of the Trust and ensure their safety.
- (2) Provisions regarding the record maintenance, handling and responsibility over the Trust's property shall be in accordance with Chapter 2 (Kha) of the Trust's Bye-laws.
- (3) All financial records and documents shall be maintained for a period of at least 5 years, or longer if so required by specific donors.

60. Purpose of computer-based information systems procedures

- (1) The purpose of computer-based information systems is to ensure that:
 - (a) An appropriate information system is used by the Trust
 - (b) There is no unauthorized access to the Trust computer systems
 - (c) The Trust has adequate disaster recovery plans for its computerized information
 - (d) The Trust information is accumulated, processed and reported on accurately and in a timely and cost- effective manner

61. Accounting software

- (1) The accounting software used by the Trust shall be able to generate reports by cost code or budget line in order to make the reports comparable to approved budgets.
- (2) The accounting software shall be configured to generate meaningful reports such as reports to donors, annual financial statements and any other report relevant for the Trust operations, with minimum human intervention.

62. Information systems procedures

- (a) Backups of information shall be carried out on a periodic basis.
- (b) Anti-virus software shall be loaded and used on all computers.
- (c) Access to all computers shall be password protected to restrict unauthorized access and to ensure the integrity of information. Passwords shall be changed on a periodic basis.

- (d) Access to the accounting system shall only be granted to appropriate staff and this shall also be controlled by password protection.
- (e) Personnel shall be given the required training to properly use the information and accounting systems.

63. Archiving of the Documents and Information

- (1) The Trust shall appoint an Information Officer to meeting its obligations under the Right to Information Act.
- (2) Library Unit at the Central Office shall act as an archive department in the Trust.
- (3) All Project/Programme Offices shall maintain documents in line with the above policies.

64. Ethical conduct

- (1) The Trust shall demonstrate its commitment to ethical conduct by its employees as prescribed in the Code of Conduct, 2019 of the Trust.
- (2) In order to achieve this objective, the Trust shall:
 - (a) follow systems and procedures to introduce monitor and enforce its ethical code
 - (b) Assign high level individuals to oversee compliance with the ethical code
 - (c) Assess the integrity of new appointees in selection and promotion procedures
 - (d) Exercise due care in delegating discretionary authority;
 - (e) Communicate with, and train, all employees regarding the Trust values, standards and compliance procedures
 - (f) Provide, monitor and audit safe systems for reporting of unethical or risky behaviour
 - (g) Enforce appropriate discipline with consistency
 - (h) Respond to offences and prevent recurrence
 - (i) The Trust shall strongly re-consider its dealings with individuals or entities not demonstrating the same level of commitment to the Trust's Code of Conduct.

Appendix: Financial Reporting Formats

Appendix 1. Cash Position with Denomination

National Trust for Nature Conservation

Khumaltar, Lalitpur, Nepal

Physical Cash Verification

Date and Time :

Name of Employee :

Designation :

Physical Count by :

1.

2.

S.N.	Denomination	Nos.	Amount (NPR)
1	1000		
2	500		
3	100		
4	50		
5	20		
6	5		
7	2		
8	1		
9	Others/ Coins		
	Total		

.....
Prepared by

.....
Checked by

.....
Approved by

Appendix 2. Request for Advance for Expenses

To:
.....

Date:

National Trust for Nature Conservation
.....Office

Re: Request for Advance for Expenses

Dear Sir,
I Would Like to request a sum of NRs...../- (In word Rupees
.....
.....) for the following estimated
Expenses.

S. No.	Description	Amounts NRs.
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
Total NRs.		

Approved Amount NRs./-

Approved by

Requested by

I hereby recommended above advance is within the budget

Name:

Designation:

Department/Section:

Recommended by
Accounts

Appendix 3. Travel Order



NATIONAL TRUST FOR NATURE CONSERVATION

Khumaltar, Lalitpur, Nepal

TRAVEL ORDER

Name: _____

Designation: _____

Department/Section: _____

Destination: _____

Duration: _____

Reason: _____

Mode of Transportation: _____

Per diem: Rs. _____ per day

Advance: Rs. _____/-

(In Words Rupees _____

_____)

Signature of the Traveller

Date: _____

Recommended by

Name _____

Designation _____

Signature of Authorising Officer

Name _____

Designation _____

- cc. 1. Accounts
2. Administration

Appendix 4. Local Travel Claim & Travel report



NATIONAL TRUST FOR NATURE CONSERVATION KHUMALTAR, LALITPUR, NEPAL

LOCAL TRAVEL CLAIM

NAME OF STAFF _____ DESIGNATION _____

PURPOSE OF JOURNEY _____

ACCOMPANIED BY _____

ADVANCE

DATE	PLACE	AMOUNT (Rs.)

DETAILS OF CLAIM

DATE	PLACE	PARTICULARS	AMOUNT	Rs.
		TOTAL CLAIM Rs.		
		LESS ADVANCE Rs.		
		TOTAL PAYABLE Rs.		

I hereby certify that the expenses charged here in have been actually and necessarily incurred by me solely on the **TRUST** service.

Signature of Claimant _____ Date: _____

The journey covered by this claim was necessary for official purpose and was duly authorised. To the best on my knowledge sums claimed for local travel are reasonable.

Signature of Authorizing Officer: _____ Date: _____

Signature of Claimant of Refund: _____ Date: _____

TRAVEL REPORT

Duration:

Place:

Purpose:

Daily Activity:

Date	Place	Description
		•
		•
		•
		•
		•
		•
		•
		•

Observation:

.....

Appendix 5.1. Purchase Order/Request

National Trust for Nature Conservation
Central Office

PURCHASE ORDER / REQUEST

To:

Purchase Order / Request No.

Date:

[illegible]

Requested by

Recommended by

Approved by _____

Appendix 5.2. Goods Received Note

NATIONAL TRUST FOR NATURE CONSERVATION
(Central Office)

GOOD RECEIPT NOTE

Supplier M/s:

GRN No.

PO/Request No.....

(Attached)

Date:

[illegible]

Goods Stored by

Approved by _____

Appendix 5.3. Goods Transfer Note

NATIONAL TRUST FOR NATURE CONSERVATION
(Central Office)

GOODS TRANSFER NOTE

GTN No:

To :

From:

Date:

[illegible]

Handedover by

Name:

Designation:.....

Department / Section :

Date:

Approved by _____

Checked by

Date:

Received by

Name:

Designation:

Department / Section:

Date:

Appendix 5.4. Goods Requisition Form

National Trust for Nature Conservation
Central Office

REQUISITION FORM

To: Store Incharge

R.F. No

[illegible]

By Stock	To be Purchase
----------	----------------

Requested by
Name:
Designation:.....
Department/Section:
Date:

Authorising Officer
Name:
Designation:
Date:

Signature of Receiver
Name:
Designation:
Date:

Appendix 6. Bank Reconciliation Statement

National Trust for Nature Conservation

Khumaltar, Lalitpur, Nepal

Bank Reconciliation Statement for the end of.....

Particulars	Amount (NPR)
<i>Balances as per Books</i>
Add: Cheque issued but not presented bank yet
Add: Interest income directly booked by bank
Add: Fund directly deposited to bank only
Less: Received amount in transit (not deposited bank yet)
Less: Directly Bank has charged service charges

<i>Balances as per Bank Statement</i>

.....
Prepared by

.....
Checked by

.....
Approved by

Appendix 7.1. Physical Verification of Fixed Assets

National Trust for Nature Conservation

Khumaltar, Lalitpur, Nepal

Physical Verification of Fixed Assets

Physical Verification Date:

Physical Count Conducted by:

- 1.
- 2.

S.N.	Name of Assets	Assets Code	Location	Remarks

--	--	--	--	--

.....
Prepared by

.....
Checked by

.....
Approved by

Appendix 7.2. Fixed Assets Register

National Trust for Nature Conservation
Khumaltar, Lalitpur, Nepal

S.N.	Name of Assets	Date of Purchased	Quantity	Rate	Assets Code	Location	Remarks
------	----------------	-------------------	----------	------	-------------	----------	---------

Appendix 8.1. Quantifying Risk Exposure

Risks are ranked according to their significance also referred to as **exposure** which is based on a combination of **likelihood** and **impact**. Risks are assessed taking into account **the existing controls** to the extent that they are in place and working. It is not the ranking itself that is important but rather that there is a conscious reflection about the risks including how the risk shall be managed. The ratings are subjective as opposed to being scientific. Nevertheless, the following table provides guidance on how to give a rating to the impact or consequence and the likelihood.

Likelihood	Risk Exposure				
	Impact or consequence				
	1 Low	2 Moderate	3 Medium	4 High	5 Severe
1 Rare	1 Low	2 low	3 low	4 low	5 low
2 Unlikely	2 low	4 low	6 significant	8 significant	10 significant
3 Possible	3 low	6 significant	9 significant	12 significant	15 severe
4 Likely	4 low	8 significant	12 significant	16 severe	20 severe
5 Almost Certain	5 low	10 significant	15 severe	20 severe	25 severe

Risk likelihood	Chance of risk happening during strategic period
Rare	Only in exceptional circumstances but has happened elsewhere Less than 5% chance of being realized during the period of a strategic plan
Unlikely	Not expected to happen 5 % to 10% chance of being realized during the period of a strategic plan
Possible	Could occur 10% to 20% chance of being realized during the period of a strategic plan
Likely	Likely to occur 20% to 50% chance of being realized during the period of a strategic plan
Almost certain	Will occur / not unusual Over 50% chance of being realized during the period of a strategic plan

Impact or Consequence Guide				
Degree	Strategic	Operational	Financial and Compliance	Reputational
Low	Delay in meeting a key goal If the risk materializes the damage can be corrected at the employee level and would not seriously damage SPREP	Short-term disruption Of minor nature to operations	Minor budget impact No compliance breaches	Short term impact of loss of credibility with donors or partners / no media
Moderate	Inability to meet a key goal If the risk materializes it would require corrective action at the Division Head or Advisor's level	Non-critical disruption for short term due to physical infrastructure / operational systems and processes	<10% budget loss Some non-critical, compliance breaches	Temporary impact of a loss of credibility with a donor or partner / low profile media
Medium	Inability to meet a number of key goals If the risk materializes there would be significant issues to resolve by the senior management of SPREP	Medium disruption For some time to operational systems and processes / loss of some employee	10-25% budget loss Non-critical, systemic compliance breaches	Temporary impact of loss of credibility with donors or partners / some negative media
High	Significantly change of direction required If the risk materializes there would be serious consequences that would require involvement of the SREP Meeting to resolve	Major disruption Loss of physical infrastructure / major operational systems and processes / significant loss of employee	>25% loss of budget Critical, non-systemic compliance breaches	Long term impact of credibility loss with a donor or partner / high profile negative media
Severe	Inability to remain viable If the risk materializes it could put the continuation of SPREP in danger	Inability to continue Loss of life / inability to continue operations for a significant period	Total loss of budget Critical, systemic compliance breaches	Permanent impact of credibility with a number of donors or partners widespread / highly public embarrassment

The risk exposure of the following table shall be interpreted as follows:

Low (value 1 – 5): Represents a **low impact or well managed risks** that can be accepted and / or managed by routine procedures.

Medium (value 6 – 14): Represents a **risk that could be better managed** and mitigating actions should be planned.

High (value 15 – 25): Represents a **major risk** and mitigating action is imperative.

Appendix 8.2 Risk Register and Mitigation Action Templates

Risk Register Covering (Dates) Strategic* Risks		
Prepared: year/ month / day		Updated: year/ month / day
Strategic risks: that affect Trust's ability to achieve key goals		
Risk description	Mitigating action	Rationale and responsibility
Name and reference of risk. Describe the risk and owner Give risk exposure (number & color)	Describe the action and be SMART and cost effective S – specific, M – measurable, A – attainable, R – realistic, T – timely	Describe the cost and benefits of action in non-monetary terms \$ cost of action Due date Anticipated risk exposure at due date

* A separate risk table is done for each of the following risk categories:

Strategic, political, reputational, operational, project, environmental, financial, organizational, and compliance.

Semi-annual update of planned mitigating actions covering (Dates)		
Updated: year/ month / day		
Strategic risks: that affect the Trust's ability to achieve key goals		
Risk description Planned actions	Management response	Recommendation at update time
Name and reference and original risk exposure Describe the risk in 1 or 2 sentences. Recap of action plan, what / who /	Actions taken since plan ERM plan is in place. Current risk exposure (value 1-25 & green, amber, red).	Recommendation of Risk Committee, Risk Manager or Risk Owner

when / cost.
Planned reduction in risk exposure
(from - to).

Appendix 9. Financial Disclosure Form

In accordance with the
Prevention of Corruption Act, 2059 (2002 A.D.) and Commission for the Investigation of Abuse
of Authority Act, 2048 (1991)

Financial Disclosure Form (Unofficial Translation)

Name–

Position –

Organization–

Details of the Year–

Permanent address–

Temporary Address–

Employee ID number–

PAN no.–

1.Details of Fixed asset

a. Housing

SN	House owner name	Details of house and land					Purchase Price	Source	Remarks
		District	Rural Municipality /Municipality	Ward No.	Lot No.	Area			

b. Land

SN	Name of land owner	Details of Land					Purchase Price	Source	Remarks
		District	Rural Municipality /Municipality	Ward No.	Lot No.	Area			

2. Details of Non-fixed assets:

a. Gold, Silver and jewelries

S.N	Details	Quantity	Obtained Date	Purchased Price	Source	Remarks

b. Details of accounts in bank, financial institutions and cooperatives

S.N	Name of the Account holder	Name and Address of the institution	Account Number	Saving Amount	Source	Remarks

c. Details of Shares and Loans

S.N	Name of the shareholder	Name of the company and address	Type of share or loan	Details of Share/Loan		Source	Remarks
				Institution	Amount		

d. Details of loan received or given

SN	Name and address of loan receiver or given	Loan			Amount	Date	Remarks
		Taken	Given	Settled			

e. Details of Automobiles

SN	Name of the Automobile owner	Type and number of the automobile	Purchase Price	Purchase Date	Source	Remarks

--	--	--	--	--	--	--

3. Details of agriculture and livestock assets

SN	Details	Number	Purchase price	Purchase Date	Source	Remarks

4. Other finances and assets

SN	Details	Purchase price	Purchase date	Source	Remarks

The details provided are true to the extent of my knowledge.

Name:

Position:

Date:

Signature:

Appendix 10.1. Fund Accountability Statement

National Trust for Nature Conservation
Khumaltar, Lalitpur, Nepal

Fund Accountability Statement
for the period from..... to

Particulars	Schedule	Current Year (NPR)	Previous Year (NPR)
1. <u>Sources of Fund</u>			
A. Opening Balances		.....	.....
B. Fund Received during the period		.....	.....
C. Others Income		.....	.....
Total (A+B+C)		.....	.....
2. <u>Application of Funds</u>			
D. Expenses during the period			
E. Administrative Cost		.....	.....
F. Capital Expenditure		.....	.....
G. Programme Cost		.....	.....
H. Other Cost		.....	.....
Total (D+E+F+G+H)		.....	.....
3. <u>Closing Balances Fund (1-2)</u>		.....	.....
<u>Represented by :</u>			
Cash and Bank Balances		.....	.....
Advances and Receivables		.....	.....
Current Liabilities		.....	.....
.....
Prepared by	Checked by	Approved by	

Appendix 10.2. Details of Receivables and Payables

National Trust for Nature Conservation
Khumaltar, Lalitpur, Nepal
Detail of Receivables and Payables as on.....

S.N.	Particulars	Amount (NPR)
1	<u>Receivables:</u>	
	Advance to Employee	
	Advance to Party	
1	<u>Receivables:</u>	
	Payable to Employee	
	Payable to Suppliers	
.....
Prepared by	Checked by	Approved by