

# GOVERNANCE

## WEEKLY

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## OAG's 62nd Annual Report Flags Alarming Fiscal Irregularities Across All Government Levels

The Office of the Auditor General's (OAG) 62nd annual audit report for fiscal year 2023/24 offers an sobering assessment of Nepal's financial governance, revealing alarming irregularities and financial indiscipline across all levels of government. Auditing 5,759 public institutions with transactions totaling NPR 986.24 billion, the OAG has revealed a new arrears of NPR 19.59 billion, that pushed the total cumulative arrears to NPR 733.03 billion—an increase of 1.54% from the previous year.

At the federal level, the Ministry of Finance alone contributed NPR 33.71 billion, with over 70% of the total irregularities made by the federal ministries. The report flags irregularities and serious procedural violations in budget transfers - with NPR 19.75 billion transferred across 23 programs where prior budgets weren't allocated, and an additional NPR 5.28 billion diverted from national pride projects. Equally troubling is the misgovernance surrounding the property of Nepal Trust. Despite the Nepal Trust Act 2064 prohibiting unlawfully registering trust's property into individual names, 8.8 hectares of land was found to have been transferred to tenants.

Moreover, the report also underscores a weak fiscal federalism. NPR 2.967 billion from the Provincial Divisible Fund has remained undistributed, hindering the development plans, employee salaries, and regular expenditures of the provincial governments. Meanwhile, the arrears at provincial level has also been significant at NPR 4.20 billion pointing to weak accounting and oversight mechanisms. Local governments, too, were found misappropriating funds under the guise of allowances and operational costs, for instance - 13 local governments spent NPR 1.396 million on festival bonuses, 28 allocated NPR 128 million for uniforms, and 77 used NPR 507 million for transportation-related expenses etc.

The report offers several practical recommendations, including merit-based appointments, digitization of public financial systems, transparent accounting, and policy stability in taxation and customs duties to promote local products. However, without genuine commitment from governing institutions, these suggestions are unlikely to translate into meaningful change. Financial indiscipline has become a recurring pattern, with successive audit reports prompting little to no corrective action over the years. While parliamentary committees do deliberate on audit findings, implementation remains weak due to institutional inertia and political protection. Moreover, the lack of legal obligation to settle arrears allows defaulters to act with impunity and has reduced audits to routine formalities rather than effective tools for accountability.

Read more: [Setopati](#)

### Governance issues of the week

- 1 TRC & CIEDP chairpersons and members appointed: The government has appointed new leadership for the Truth and Reconciliation Commission (TRC) and the Commission for Investigation of Enforced Disappeared Persons (CIEDP) through a cabinet decision on May 14, 2025. Former Deputy Attorney General Mahesh Thapa will chair the TRC, while former Chief Secretary Liladevi Gadtaula will lead the CIEDP. The commissions had remained vacant since July 2022. However, victims' groups have criticized the appointments, alleging they were made based on party quotas.  
Read More: [Kantipur](#)
- 2 CIAA files corruption charges against former Minister: The Commission for the Investigation of Abuse of Authority (CIAA) has filed a corruption case against Nepali Congress MP and former Minister for Information and Communication Technology, Mohan Basnet. He is accused of financial irregularities in the procurement of the Telecommunication Traffic Monitoring and Fraud Control System (TERAMOCS), which allegedly caused a loss of NPR 3.21 billion to NPR 8.37 billion in public funds. Following the charges, Basnet was [immediately suspended](#) from his parliamentary duties.  
Read More: [KhabarHub](#)
- 3 No investigation on inmate deaths in Morang District Prison: Two inmates died within six days in April at Morang District Prison, with no autopsies conducted. From mid-July to mid-May this year, eight prisoners—four convicts and four under trial—have died, all recorded as “died during hospital treatment” without clinical postmortems or proper investigation. The prison, operating at 69.2% over capacity with 1,044 inmates against a capacity of 617, faces growing concerns over inmate safety and lack of accountability in custodial deaths.  
Read More: [Online Khabar](#)
- 4 FDI pledges increases following policy reform: Nepal witnessed a 33% rise in Foreign Direct Investment (FDI) commitments in the first ten months of the current fiscal year, with NPR 56.78 billion pledged across 565 projects—credited to recent legal reforms, streamlined approvals, and automatic routes for smaller investments. This year, 274 projects worth NPR 3.20 billion were registered, compared to just 20 projects worth NPR 1.5 billion last year. However, actual FDI inflows remain modest at only NPR 8.96 billion over nine months.  
Read More: [The Kathmandu Post](#)
- 5 MP Maya Rai released without proper probe on fraud charges: Nepali Congress MP Maya Rai was arrested on April 25, 2025—250 days after a warrant was issued over cooperative fraud and organized crime charges. Despite the 60-day custody window, police concluded the investigation in just 17 days without investigating money laundering. She was released after 19 days on NPR 1 million bail. The Kathmandu District Court completed her statement and bail hearing in a single day, raising concerns of political interference.  
Read More: [Naya Patrika](#)
- 6 Death toll of Nepalis serving in Russian Army rises: The Ministry of Foreign Affairs has confirmed that 23 more Nepali nationals serving in the Russian Army have died in the ongoing Russia-Ukraine war, bringing the total death toll to 73. The Russian government has requested DNA samples from families of the missing for identification. Around 1,500 Nepalis are estimated to have joined the Russian Army, lured by high pay and fast-track citizenship. Nepal has formally urged Russia to halt recruitment, and Russia has reportedly stopped renewing contracts for Nepali passport holders.  
Read More: [Kantipur](#)

### Reading:

In 2024, Accountability Lab Nepal (ALN) further deepened its commitment to making governance work for the people. By treating accountability as a crosscutting issue, we have worked across sectors especially in youth participation, education, access to information and public-private partnerships to bridge the gap between communities and government. From community centric dialogues to policy influence, young people have been at the heart of all our efforts.

We have consolidated those stories, achievements and lessons in our 2024 Annual Report. Read the full report here: <https://bit.ly/4dmAn6S>

Nepal Governance Weekly is an analytical update of Nepal's current affairs based on media and real sources mining, to sensitize the communities on hot news on various governance issues from the perspective of accountability.

Presented by



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