THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

Committee on Public Finance and NPSAS

Making IPSAS Work for Federal, Developing and Climate-Vulnerable Jurisdictions:

Evidence from Nepal’s NPSAS/IPSAS Transition

Input from the Committee on Public Finance and NPSAS, ICAN, on ED 94, ED 95, ED 96, ED 97, the Consultation Paper on Presentation of Financial Statements, and the IPSASB Work Programme

Submitted by	Committee on Public Finance and NPSAS, The Institute of Chartered Accountants of Nepal (ICAN)
Date	22 June 2026
Contact	Thakur Prasad Adhikari, Chair, Committee on Public Finance and NPSAS thakur.adhikari@ican.org.np

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)

The Chair and Members
International Public Sector Accounting Standards Board
International Federation of Accountants

June 22, 2026

Subject: Submission of Technical Comments by the Committee on Public Finance and NPSAS, ICAN, on IPSASB Consultations

Dear Chair and Members,
On behalf of the Committee on Public Finance and NPSAS (hereinafter referred to as the 'Committee') of the Institute of Chartered Accountants of Nepal (ICAN), I am pleased to submit the committee's comments on IPSASB's current consultation documents relating to ED 94, ED 95, ED 96, ED 97, the Consultation Paper on Presentation of Financial Statements, and IPSASB's future work programme priorities.

The committee is a non-standing technical committee of ICAN. Its work relates mainly to PFM, public-sector accounting reform, NPSAS review and implementation matters, stakeholder consultation, capacity development, and relevant international developments in public-sector accounting. The enclosed comments have been prepared from Nepal's public-sector accounting and PFM perspective, taking into account the country's ongoing reform context.

ICAN is the statutory professional accountancy organisation of Nepal, established under the Nepal Chartered Accountants Act, 1997. As Nepal's professional accountancy body, ICAN contributes to the development and regulation of the accountancy profession, professional education, ethical and professional conduct, quality assurance, professional capacity development, and public financial management reform.

The committee is also mindful that the Accounting Standards Board, Nepal (ASB), is a separate statutory board constituted under the Nepal Chartered Accountants Act framework and has its own mandate. Accordingly, this submission should not be read as representing or binding the ASB. Any reference to the ASB in the submission is made only in relation to the consultation process undertaken by the committee.

While preparing the submission, the committee invited observations from relevant national stakeholders and development partners, including the Ministry of Finance, the Financial Comptroller General Office, the Office of the Auditor General, the Ministry of Federal Affairs and General Administration, the National Natural Resources and Fiscal Commission, the Public Debt Management Office, the Public Procurement Management Office, the Municipal Association of Nepal, the National Association of Rural Municipalities in Nepal, the ASB, and selected development partners, including the World Bank, UNDP, the Asian Development Bank, the European Union, GIZ, the Embassy of Switzerland, and the Royal Norwegian Embassy.

Specific written suggestions and feedback were received from the World Bank, the Asian Development Bank, and the Royal Norwegian Embassy. Their observations were useful in refining the Committee's comments, particularly on matters relating to IPSAS–GFSM linkage, development partner-financed operations, asset recognition and valuation, subnational implementation issues, alignment of externally financed operations with national systems, phased implementation, federal reporting challenges, and gender-responsive PFM.

No substantive objection was communicated to the committee on the overall direction of the proposed comments during the consultation process. The committee has therefore finalised the submission as a professional and technical contribution to IPSASB's consultation process, reflecting Nepal's public-sector accounting and PFM context.

For clarity, this submission has been prepared by the committee for the purpose of contributing technical comments to IPSASB's consultation process. Unless separately approved or adopted by the competent authority of ICAN, it should not be construed as creating a binding institutional position of ICAN. It also does not represent the formal position of the Government of Nepal, the ASB, or any other consulted institution. References to consulted institutions are made only to describe the consultation process, and no view is attributed to any institution unless expressly stated.

Nepal's public-sector accounting reform journey may provide useful practical insights for IPSASB's consideration. Nepal is a federal developing country with a three-tier system of government under the Constitution adopted in 2015. There are 753 local governments, and their financial management capacities vary considerably. Nepal also has substantial development partner financing, concessional external debt, growing public investment needs, climate and disaster vulnerability, and an ongoing transition from traditional cash-based public-sector reporting towards IPSAS-informed public-sector accounting standards.

In the Committee's view, international public-sector accounting standards and guidance should continue to recognise the implementation realities of federal, developing, and resource-constrained jurisdictions. In such contexts, the usefulness of standards depends not only on their technical quality, but also on their clarity, sequencing, capacity requirements, compatibility with national PFM systems, and practical applicability across different levels of government.

The Committee appreciates the opportunity to contribute to IPSASB's consultations. We hope Nepal's experience and the practical observations included in the submission will be useful in IPSASB's further deliberations.

Yours sincerely,

Thakur Prasad Adhikari
Chair, Committee on Public Finance and NPSAS
Kathmandu, Nepal
Email: thakur.adhikari@ican.org.np

Executive Summary of the Committee’s Positions

The Committee broadly supports IPSASB’s current standard-setting direction and welcomes the breadth of the current consultation package. The positions and priority recommendations for each consultation are set out below.

Consultation	Committee position	Priority recommendation
ED 94 — IPSAS–GFSM linkages	Strongly support	Develop comprehensive non-authoritative guidance explaining how jurisdictions applying cash-basis public sector accounting can generate, reconcile or supplement the accrual information required under GFSM 2014. Coverage should extend to all government tiers and all government-related entity types, with practical bridge templates, reconciliation schedules and worked examples.
ED 95 — Improvements to IPSAS (Volume 10)	Support	Provide public-sector-specific examples for concessional sovereign loans, foreign currency debt, on-lending, guarantees, contractor arrears and first-time adoption transition relief. Address recognition and valuation of financial assets in capacity-constrained environments.
ED 96 — Operations and acquired liabilities	Support with clarification	Clarify treatment of obligations arising from a legislative or constitutional mandate rather than a voluntary commercial transaction. Address asset and liability recognition where records are incomplete and extra-budgetary entity restructuring and federalisation scenarios.
ED 97 — Materiality judgments	Strongly support	Recognise qualitative materiality dimensions specific to the public sector: legal authority, budget compliance, donor agreement conditions, service delivery impact, fiduciary risk, and fiscal and climate contingencies.
CP — Presentation of Financial Statements	Support a standalone public-sector standard	Design for public sector purposes from first principles. Provide illustrative statements for federal, provincial, local, extra-budgetary and whole-of-government entities. Develop explicit guidance on integrating development partner project reporting requirements with national financial statements.
Work programme priorities	Background input	Priorities include: IPSAS–GFSM–budget linkage; first-time adoption tools; consolidation boundary expansion; donor project reporting; asset recognition and valuation; subnational reporting; climate and natural resource accounting; phased implementation pathways; and gender-responsive PFM.

Nepal’s Implementation Context

From Cash-Basis NPSAS to IPSAS-Informed Reporting

Nepal’s public sector accounting reform spans more than 15 years. In 2009/10 (2066 BS), the Council of Ministers approved cash-basis Nepal Public Sector Accounting Standards prepared by the Accounting Standards Board. The Financial Comptroller General Office (FCGO) published the Nepali-language version in 2013/14 (2070 BS) and completed a piloting exercise in two line ministries in 2014/15 (2071 BS). The standards were progressively extended to 39 government economic entities before being revised in 2022 to draw substantially from IPSAS 2017, marking Nepal’s most significant step towards an accrual-informed framework.

This trajectory matters for IPSASB because it illustrates the multi-stage, capacity-sensitive character of public sector accounting reform in a developing federal jurisdiction. Nepal did not adopt IPSAS in a single transition. It built toward it progressively, starting from a structured but limited cash-basis framework, testing implementation in selected entities, and then raising the standard incrementally as institutional capacity allowed. The 2022 revision is not an endpoint; it is a waypoint.

The Structural Challenge: Cash Accounting and Accrual Statistics

Nepal’s most fundamental reporting challenge — and one with direct relevance to ED 94 — is the coexistence of cash-based public sector accounting under NPSAS 2022 and the requirement to compile accrual-based fiscal statistics under Government Finance Statistics Manual (GFSM) 2014 for national macroeconomic monitoring and international reporting. The same financial data must serve both frameworks, using systems that were not designed to interoperate, maintained by different institutional owners, and used by multiple user communities with different information needs.

This is not a temporary gap that will resolve itself as Nepal transitions to full accrual accounting. It is a structural condition shared by a large number of jurisdictions — those that have adopted cash-basis or modified cash-basis IPSAS as their accounting standard while simultaneously being required to produce GFS statistics on an accrual basis. IPSASB’s response to this gap through ED 94 is, therefore, one of the most consequential contributions it can make to the broader implementation community.

Consolidated Reporting and the Reporting-Entity Boundary

The FCGO prepares an annual consolidated financial statement. The FY 2023/24 statement covers federal government entities and represents an important reference point for Nepal’s transition. The extent to which provincial governments, local governments and extra-budgetary entities are included remains subject to the specific scope described in that statement.

Nepal’s transition challenge goes beyond the accounting basis. It is also a reporting-entity boundary transition. Progressively expanding the consolidation perimeter — from federal budgetary entities to provinces, local governments, extra-budgetary funds, autonomous bodies and public enterprises — requires applying IPSAS 35-type consolidation principles in an environment where entity identification, data availability and systems integration are still developing. This is a structural characteristic of many federal developing countries, not a Nepal-specific failing.

Nepal’s public sector encompasses entities that fall outside the core treasury system but may fall within the public sector boundary as defined by GFSM 2014 and IPSAS consolidation principles: public funds established by law for infrastructure, disaster management or health insurance; boards and authorities with separate legal mandates; development committees; autonomous bodies including universities and hospitals; project implementation units established for specific development partner programmes; trust-type and provident funds; and state-owned enterprises. Bringing these entities progressively into consolidated reporting is a priority objective of Nepal’s PFM Reform Strategy 2025–2030.

Public Debt and Concessional Financing

According to the Public Debt Management Office's (PDMO) Public Debt Bulletin for the first half of FY 2082/83 (covering the period to Poush 2082, mid-January 2026), Nepal's total outstanding public debt stands at NPR 2,806.39 billion, an increase of 10.66 percent over the same period of the previous fiscal year. The total comprises external debt of NPR 1,487.26 billion, or 53 percent of the total, and domestic debt of NPR 1,319.13 billion, or 47 percent. The debt-to-GDP ratio stands at 45.95 percent, having risen steadily from 30.26 percent in FY 2075/76 and 43.72 percent in the same period of FY 2081/82. Within the external portfolio, multilateral creditors account for 90.58 percent (NPR 1,347.11 billion) and bilateral creditors for 9.42 percent (NPR 140.15 billion), with Special Drawing Rights and US Dollars together representing more than 92 percent of currency exposure. A substantial share of the external portfolio consists of concessional loans from multilateral creditors — including the World Bank and the Asian Development Bank — and from bilateral development partners. These instruments carry below-market interest rates, extended grace periods, and in some cases, an implied grant element. They are denominated in multiple foreign currencies, creating exchange rate exposure that is material to Nepal's fiscal position but not easily captured under cash-basis accounting.

Reconciliation between FCGO's treasury records and PDMO's debt management system is a known implementation challenge, as the two systems operate on different bases — cash and accrual respectively — and are maintained by separate institutional units. The resulting reconciliation gap is a practical illustration of the IPSAS–GFSM interface problem discussed in Section 4.

Development Partner Financing

Nepal receives substantial external development financing from a range of multilateral and bilateral partners, flowing through multiple channels with different implications for national financial reporting. Some financing is included in the approved budget and flows through the treasury single account. Some is budgeted but flows through project-specific designated accounts outside the treasury ledger. Some is not included in the approved budget. Development partners also make direct payments to contractors or suppliers on behalf of the government without routing funds through the treasury — a practice that, unless imputed, creates an understatement of both revenue and expenditure in government financial statements.

Technical assistance and in-kind support — advisers, training, equipment, systems — present additional recognition challenges: their financial value may be significant but measurement is difficult and they rarely pass through government accounts in a way that triggers recognition. Climate finance, accessed through mechanisms such as the Green Climate Fund and the Adaptation Fund, adds a further layer of complexity, involving ring-fenced sub-accounts, fiduciary requirements and parallel reporting obligations to fund secretariats.

Audit and Accountability

The Office of the Auditor General's (OAG) annual reports provide important evidence of the practical reporting challenges Nepal faces. Audit observations on reconciliation gaps, on the completeness of coverage of extra-budgetary entities, and on the treatment of donor-funded project accounts illustrate the systemic information management challenges common to federal jurisdictions in transition. These observations inform several of the materiality examples in Section 7.

PFM Reform Context

Nepal's public sector accounting reform is unfolding within a comprehensive PFM reform programme. The Government of Nepal's PFM Reform Strategy 2025–2030 addresses accounting and reporting, internal control, public debt management, asset management, auditing, information technology and capacity development as interconnected reform priorities. The 2022 Public Expenditure and Financial Accountability (PEFA) Assessment and accompanying Gender-Responsive and Climate-Responsive PFM assessments provide the diagnostic baseline from which this strategy proceeds.

ED 94 — Linkages Between IPSAS Standards and GFSM 2014

Committee position: Strongly support ED 94. Comments due 22 June 2026.

ED 94 addresses what is, for many developing jurisdictions, the most consequential implementation challenge in IPSASB's current portfolio: how to connect public sector financial statements with the accrual-based fiscal statistics required under GFSM 2014 when the accounting framework is cash-based or modified cash-based. The Committee strongly supports the proposal to add non-authoritative guidance to IPSAS 22, and urges that its scope be defined broadly enough to be genuinely useful.

A point reinforced consistently during the national stakeholder consultation is that the guidance should not be limited to selected transactions or specific reconciliation issues. It should address, comprehensively, how governments applying cash-basis public sector accounting can generate, reconcile or supplement the accrual information required under GFSM 2014. This matters because governments do not face one narrow interface problem. They face a systematic gap between two frameworks that apply simultaneously, use different measurement bases, and serve different user communities.

Who the Guidance Must Cover

To be genuinely useful, the non-authoritative guidance needs to address the full range of entities that constitute the general government sector in a federal developing country. In Nepal, this means not only the federal budgetary central government but also:

- Provincial governments and entities at provincial level;
- Local governments — including all 753 of Nepal's rural municipalities, municipalities, sub-metropolitan and metropolitan cities;
- Extra-budgetary funds and accounts established by law for specific policy purposes;
- Constitutional bodies and commissions with separate financial management frameworks;
- Autonomous agencies, boards, universities and public institutions;
- Project implementation units established for development partner-financed programmes; and
- Public enterprises where government exercises control in the IPSAS 35 sense.

These entities apply different accounting bases, operate different information systems, report at different frequencies, and have widely varying capacity to produce accrual-compatible information. Guidance that covers only the federal treasury will leave the majority of the general government sector without practical support.

Practical Tools Requested

The non-authoritative guidance should provide, at a minimum:

- An IPSAS–GFSM–budget bridge — a structured model showing how cash-basis transactions, budget classifications and accrual GFS categories relate to each other, and how information flows from one framework to the other;
- Reconciliation templates — bridging cash-basis financial statement totals to GFS accrual aggregates, with specific schedules for adjustments covering receivables, payables, accrued interest, depreciation, provisions and other non-cash items;
- Accrual adjustment schedules — explaining what supplementary information must be compiled or estimated, and how such estimates can be developed in environments where source data is incomplete or structured differently from GFS categories;

- Mapping tables — connecting national budget classification codes, treasury ledger categories and chart-of-accounts structures to GFSM 2014 revenue, expenditure, asset and liability classifications;
- Minimum supplementary data standards — specifying what additional records governments should maintain alongside their cash-basis statements to enable credible GFS compilation; and
- Worked examples — drawn explicitly from federal and developing-country environments, illustrating the application of the bridge in fiscal architectures that include multiple government tiers, extra-budgetary entities and significant development partner financing.

Additional Areas for Non-Authoritative Guidance

Beyond the core bridge, Nepal's experience points to several specific areas where additional guidance would have significant practical value:

- Conditional grants and equalisation transfers in federal fiscal systems — their recognition in both the granting government's accounts (as expenditure) and the receiving government's accounts (as revenue), and their treatment in GFS consolidation;
- Direct payments made by development partners to contractors on behalf of government, and the methodology for imputing these in national GFS;
- Extra-budgetary entities not covered by the treasury system but within the GFS general government boundary, and how to incorporate their data into national GFS compilations;
- Debt data reconciliation between treasury cash-basis records and separate debt management office accrual records;
- Revenue-sharing arrangements mandated by constitutional or legislative provision, where natural resource revenues are distributed between tiers of government; and
- Mixed-basis consolidation environments in which some entities are on cash accounting and others have moved to accrual, creating comparability and aggregation challenges.

Data source	Institutional owner in Nepal	Data content	IPSAS / NPSAS mapping	GFSM 2014 mapping
Budget classification and programme codes	MoF Budget Division	Expenditure by function, programme and object	IPSAS 24 budget comparison; ED 94 GFSM linkage	GFS functional and economic classification
Treasury single account / FCGO ledger	FCGO	Cash receipts, payments and balances by budget head	Primary source for cash-basis statements; foundation for accrual adjustments	Core GFS data for budgetary central government
National chart of accounts	FCGO / MoF	Economic classification; programme and project codes	IPSAS economic classification	GFS economic classification
PDMO debt management system	PDMO	Disbursements, repayments, interest, foreign currency balances, guarantees, on-lending	Financial instrument recognition (IPSAS 28–30); guarantee provisions	GFS financial accounts: borrowing, debt stock, guarantees

Donor project accounts and designated accounts	Project implementation units / FCGO	Donor disbursements, direct payments, designated account balances	On-budget/off-treasury flow recognition; completeness of statements	Imputation of direct payments; off-budget grant classification
Extra-budgetary entity statements	Individual entities / FCGO	Financial statements of funds, boards, authorities, autonomous bodies	IPSAS 35 consolidation; intra-sector elimination	GFS consolidation: elimination of intra-governmental flows
Provincial government reports	Provincial FCGO offices	Provincial revenue, expenditure, assets and liabilities	Consolidation input for whole-of-government statements	GFS general government: state/provincial sub-sector
Local government reports	MoFAGA / PLGSP / MuAN / NARMIN	Local revenue, grants received, expenditure, fund balances	Consolidation input; budget-to-actual comparison	GFS general government: local sub-sector
NNRFC divisible fund records	NNRFC	Revenue-sharing distributions, equalisation grants	Grant revenue recognition (IPSAS 23); intergovernmental transfers	GFS intergovernmental transfers
OAG audit observations	OAG	Qualifications, reconciliation findings, material unresolved items	Completeness and reliability adjustments	Data quality indicator for GFS compilation

This data-flow landscape illustrates why a partial bridge — linking only the federal treasury to GFS — would fall well short of capturing Nepal's fiscal reality. IPSASB's guidance should acknowledge this complexity and provide a modular framework that jurisdictions can implement progressively, beginning with the most financially significant entities and extending incrementally as capacity allows.

ED 95 — Improvements to IPSAS Accounting Standards, Volume 10

Committee position: Support, with a request for public-sector-specific examples. Comments due 30 June 2026.

The Committee supports the improvements proposed in ED 95, particularly those relating to financial instruments, foreign exchange and consolidated financial statements. Improvements derived from or aligned with IFRS changes are welcome as a means of maintaining coherence between the two frameworks. They need, however, to be accompanied by public-sector-specific illustration if they are to be applied correctly in jurisdictions whose financing structures, policy objectives and operating environments differ fundamentally from profit-oriented entities.

Consultation feedback drew attention to asset valuation — for both financial and non-financial assets — as a missing link in the current consultation package. This has been addressed substantively in Section 12 of this submission. In the context of ED 95, the Committee focuses on financial instrument recognition and measurement issues arising directly from Nepal's public debt and financing context.

Concessional Loans and Sovereign Borrowing

As stated earlier, a large share of Nepal's external debt comprises concessional loans from multilateral and bilateral creditors carrying below-market interest rates and extended grace periods. From an accounting perspective, the treatment of these instruments raises questions that are not adequately addressed in guidance designed primarily for commercial borrowers.

Where a government borrows at a rate materially below the prevailing sovereign market rate, the difference in present value terms constitutes an implicit grant element. How this element is recognised — as immediate grant revenue, as deferred income, or as a disclosure item only — has material consequences for the statement of financial performance and for reported net assets. The Committee requests that IPSASB provide a worked example for concessional sovereign borrowing, specifying the treatment of the grant element and illustrating the computation and application of the effective interest rate.

Recent subsidiary loan agreements signed by the PDMO illustrate the range of terms involved and the practical scale of the recognition question. A World Bank-supported facility for Nepal Electricity Authority was structured in two tranches through an escrow account: one tranche of 25.5 million SDR at 0.75 percent interest with a 38-year repayment period including a 6-year grace period, and a second tranche of 66.3 million SDR carrying no interest at all, repayable over 12 years including a 6-year grace period. A separate Asian Development Bank facility of USD 311 million carries 1 percent interest during the grace period rising to 1.5 percent thereafter, repayable over 32 years including an 8-year grace period. Under any reasonable estimate of a comparable market rate for sovereign borrowing, each of these instruments embeds a material grant element. Current guidance gives preparers no clear basis for determining whether, when, or how that element should be recognised — a gap with direct and immediate practical consequence for a country with an active concessional borrowing programme of this kind.

Foreign exchange differences represent a related challenge. Nepal's external debt is denominated in multiple currencies. Annual revaluation of these balances produces exchange gains or losses that can be material. How such differences should be classified in the statement of financial performance — as financing costs, as other items, or in a separate category — is a question Nepal's preparers encounter directly and for which current IPSAS guidance provides limited practical direction.

On-Lending, Guarantees and Contractor Payables

The Government of Nepal on-lends concessional external borrowings to state-owned enterprises and other public bodies, sometimes at rates below the original sovereign borrowing rate. Guidance on recognising the on-lending receivable, computing the effective rate where concessional terms apply, and disclosing related guarantee exposure would assist preparers significantly. The Committee requests that IPSASB provide an illustrative example drawn from a government-to-public-enterprise on-lending arrangement.

Contractor payables and arrears are a further area requiring clearer guidance. In many developing country public sectors, delayed payment of contractor claims creates unrecognised liabilities that are material to fiscal risk assessment and to any honest evaluation of budget credibility. The Committee requests clarification of recognition criteria for contractor payables in cash-basis environments, including treatment of items where a legal obligation is established but payment has been deferred for budgetary reasons.

Finally, the Committee requests transitional relief provisions for jurisdictions moving from cash to accrual accounting in relation to financial instruments — particularly on first-time recognition of opening balances, treatment of instruments where historical cost records are incomplete, and comparative period requirements where prior-year data is not available on an accrual basis.

ED 96 — Definition of an Operation and Recognition of Acquired Liabilities

Committee position: Support, with clarification requested on legislatively mandated obligations and on treatment where asset and liability records are incomplete. Comments due 30 June 2026.

The committee supports ED 96, subject to strengthening of the public-sector-specific guidance. In the public sector, an operation is defined not by its cash-generative capacity but by its mandate, its service function, and the legal and constitutional framework within which it operates. A transfer of government functions between tiers of government — such as Nepal's devolution of health, education, water supply and infrastructure delivery since 2017 — transfers service capacity, legal obligations, staff, physical assets, records, liabilities and accountability relationships simultaneously, without any commercial transaction or market reference price.

The committee's primary recommendation is that IPSASB clarify whether the recognition principles for acquired liabilities and contingent liabilities are modified where the obligation arises from a legislative or constitutional mandate rather than from a voluntary transaction. This distinction is critical in the context of federalisation, where obligations are assumed by receiving entities as a matter of law, not by choice, and where the receiving entity may not have been a party to the original commitment.

Scenarios Requiring Illustrative Guidance

Nepal's federalisation provides several scenarios for which IPSASB illustrative guidance would be valuable:

- Transfer of government functions between tiers, where assets, staff, liabilities and service obligations transfer simultaneously without formal valuation and where existing records may be incomplete or in dispute;
- Amalgamation of public boards, development committees and authorities into unified government departments, without market transaction or reliable fair value reference;
- Restructuring of extra-budgetary entities — absorption of funds, boards or autonomous bodies into line agencies, bringing with them donor agreement obligations, restricted fund balances and conditional grant liabilities;
- Legislatively mandated guarantee obligations, where the government is required by statute or constitutional provision to assume the debts of a state enterprise or absorb unfunded pension liabilities of transferred staff; and
- Transfers where physical asset records are absent, outdated or contested between levels of government.

On the last point, the Committee recommends that IPSASB address explicitly how entities should account for assets and liabilities that arrive without documentation, and what disclosure is required for items that cannot be reliably measured at initial recognition. Silence on this question is unhelpful: it leads preparers either to omit material items entirely or to invent figures that have no reliable basis. A deemed-cost approach with appropriate disclosure is preferable to either alternative.

ED 97 — Making Materiality Judgments

Committee position: Strongly support. Comments due 28 August 2026.

The Committee strongly supports ED 97. Of all the current consultations, this one has the broadest immediate practical relevance for public sector preparers in developing jurisdictions. The dominant practice of applying quantitative percentage thresholds derived from profit-oriented financial reporting is inappropriate for most public sector contexts, and the resulting misallocation of audit and reporting attention is a genuine accountability problem.

Nepal's experience points to five qualitative dimensions of materiality that should be explicitly recognised in the Practice Statement and supported by illustrative examples drawn from developing country public sector contexts.

Five Qualitative Dimensions of Public Sector Materiality

The first is financial magnitude, applied in the specific context of ring-fenced funds, grant restrictions and legally bounded appropriations where a modest amount may constitute a large proportion of an authorised allocation or a separately managed fund.

The second is legal and budget authority: public money is authorised by Parliament through law and appropriation, and expenditure that falls outside legal authorisation is material on accountability grounds regardless of its monetary size. An item of NPR 200,000 spent from an education grant on a purpose outside the grant conditions is not immaterial simply because it represents a small fraction of the government's total expenditure.

The third dimension is public accountability. The primary users of government financial statements are not investors seeking risk-adjusted returns; they are citizens, Parliament, oversight bodies, audit institutions and development partners. Their information needs differ structurally from those of private-sector investors, and materiality judgments should reflect those differences. Information immaterial to an investor may be highly material to a parliamentary appropriations committee or to an audit institution assessing whether public funds were used for authorised purposes.

The fourth is service delivery impact. At local government level in Nepal, total annual budgets are often modest. An unreconciled balance or an unrecognised obligation that would be financially immaterial at the national level may represent a significant share of a municipality's resources and a concrete risk to the continuity of local services. Entity-level materiality is not the same as whole-of-government materiality.

The fifth dimension encompasses fiscal and climate risk. Contingent liabilities, guarantees, off-balance-sheet obligations, and climate or disaster-related commitments may be material because of their future fiscal consequences, even where their current monetary value cannot be precisely quantified. A government guarantee to an infrastructure company, or a contingent reconstruction obligation following a glacial lake outburst flood, may crystallise into a material fiscal liability with limited warning.

Additional Illustrations from Nepal's Context

The Committee requests that the Practice Statement include the following specific illustrations:

- Donor agreement compliance: an expenditure that violates a grant condition is material by nature because it may trigger a refund obligation and an adverse audit finding, regardless of its size relative to total government expenditure;

- Conditional grant compliance: provincial expenditure outside the authorised purposes of a federal conditional grant is material because of the legal conditions attached to the grant, not its monetary magnitude;
- Legally ring-fenced fund: a transfer from a disaster relief fund or health insurance fund for an unauthorised purpose is material by legal mandate, because the fund was established with specific statutory restrictions;
- Local government budget: an unreconciled grant receipt of NPR 2 million is below any reasonable national-level threshold but may represent a significant proportion of a rural municipality's annual budget and require disclosure at the entity level;
- Development partner fiduciary risk: a direct payment by a development partner that is not captured in the government treasury creates a completeness risk that is material from the perspective of the development partner's fiduciary accountability framework, regardless of the absolute amount; and
- Climate contingent risk: an unrecognised obligation related to disaster reconstruction may be material even where its monetary value is uncertain, because the uncertainty itself is fiscally significant and relevant to users assessing the government's financial position.

The Committee also recommends that the Practice Statement address explicitly the interaction between materiality and budget authority, with an illustrative example showing that expenditure outside an authorised appropriation head is material in a well-functioning public accountability framework, regardless of its quantum relative to the total expenditure.

Consultation Paper — Presentation of Financial Statements

Committee position: Support the development of a standalone public-sector presentation standard. Comments due 14 September 2026.

The committee supports IPSASB's work to develop enhanced guidance on the presentation of public sector financial statements. Its central recommendation is that any resulting standard be designed as a standalone public-sector instrument rather than an adaptation of IFRS 18. The objectives, user communities and accountability requirements of public sector financial reporting are sufficiently distinct from those of profit-orientated entities that beginning from a private-sector template is unlikely to produce a coherent or durable result.

Public sector financial statements need to support accountability over budget authority, stewardship of public assets, fiscal sustainability, public debt management, intergovernmental fiscal relations, development partner accountability, climate-related fiscal risk disclosure and public trust. A presentation framework that does not start from these objectives will require significant modification before it serves them adequately.

Integrating Development Partner Reporting Requirements

An important practical issue raised during the national consultation concerns the relationship between general-purpose public sector financial statements and the financial reporting requirements embedded in development partner loan and grant agreements. This issue deserves direct IPSASB guidance.

Development partner agreements — particularly those of multilateral development banks — typically include financial reporting covenants specifying eligible expenditure categories, designated account procedures, direct payment arrangements, periodic project financial statement formats, and specific audit requirements. These project-level obligations must coexist with the general-purpose financial statements prepared under the applicable national accounting framework.

The committee's position is as follows. General-purpose financial statements must comply with the applicable public sector accounting framework as their primary basis. Project-specific requirements in loan and grant agreements may impose additional reporting, eligible expenditure, designated account and audit obligations. These should complement, and not override or fragment, national accounting standards and whole-of-government reporting. Information prepared for development partners should be reconcilable to national budget, treasury, accounting and financial reporting systems. IPSASB should not be understood as endorsing any arrangement whereby contractual requirements supersede IPSAS or equivalent national standards.

The Committee requests that IPSASB develop guidance or illustrative note disclosures that help government preparers address the interface between national IPSAS/NPSAS financial statements and development partner project reporting requirements. The goal is integration and reconcilability, not parallel and fragmented reporting systems.

Illustrative Financial Statements by Entity Type

To support preparers in Nepal and comparable jurisdictions, the Committee requests that IPSASB develop illustrative financial statements for the following entity types, with accompanying note disclosure frameworks:

Entity type	Financial statements and key notes
National / federal government	Primary statements: financial position, financial performance, cash flows, changes in net assets, budget comparison. Key notes: public debt schedule by currency, maturity and creditor; intergovernmental transfer note; donor-funded programme disclosure covering on-budget/off-treasury flows and direct payments; extra-budgetary consolidation note; contingent liabilities and guarantees; climate-related fiscal risk; natural resource assets.
Provincial government	Adapted set for provincial tier. Key notes: conditional grants received by programme and conditions; transfers made to local governments; own-source revenues; service delivery performance; arrears.
Local government (palika)	Simplified set proportionate to entity size and capacity. Key notes: intergovernmental grants by type (conditional, unconditional, equalisation); own-source revenues; fund balances (restricted and unrestricted); arrears and unpaid obligations; note on items excluded or unreconciled with explanation.
Extra-budgetary entity	General-purpose statements for funds, boards, authorities and autonomous bodies. Key notes: establishing legislation and mandate; relationship to consolidated government accounts; transfers from government; donor contributions with restriction status; ring-fenced balances; consolidation status.
Donor-funded programme / project	Project financial statements for development partner accountability, reconcilable to national treasury records. Key notes: donor agreement reference; disbursements by channel; designated account balances; counterpart funding; expenditure by component; compliance with use-of-funds conditions; audit status.
Whole-of-government consolidated	Comprehensive statements covering all tiers and entity types within the public sector boundary. Key notes: consolidation basis and GFSM boundary comparison; entities included and excluded; intra-governmental eliminations; GFS reconciliation; total public debt consolidated; fiscal risk summary; climate-related fiscal risk; whole-of-government budget comparison.

Beyond the illustrative statements, the Committee requests that IPSASB publish illustrative note disclosure frameworks for: restricted and earmarked funds; grants with conditions attached; concessional loans, including grant element and currency exposure; direct payments by development partners; intergovernmental transfers by type; arrears and contractor payables; contingent liabilities and guarantees; and climate-related fiscal risk with provision for qualitative disclosure where quantification is not yet practicable.

IPSASB Work Programme Priorities

Note: The formal 2025 Work Programme Consultation closed on 4 May 2026. The committee was unable to submit within the formal deadline owing to the time required for national stakeholder consultation and approval. This section is offered as background input for IPSASB's ongoing work programme planning. The committee would welcome direct engagement with IPSASB technical staff on any of these areas.

Nepal's implementation experience, and the observations of consulted stakeholders, point to the following priorities for IPSASB's future work programme:

- The IPSAS–GFSM–budget linkage, as elaborated in Section 4, the single most significant practical gap in current IPSASB implementation support.
- First-time adoption tools, including exemptions, deemed-cost approaches for assets, opening balance treatment, phased compliance schedules and transition relief provisions;
- Consolidation boundary guidance, addressing how jurisdictions can progressively include extra-budgetary funds, constitutional bodies, commissions, autonomous agencies and subnational governments;
- Development partner-financed project reporting, integrating project-level requirements with national financial statements and supporting the use of country systems;
- Asset recognition and valuation, as detailed in Section 12, is a cross-cutting gap affecting the completeness of public-sector balance sheets in most developing jurisdictions.
- Intergovernmental transfers and fiscal federalism — conditional grants, equalisation grants, constitutional revenue sharing and divisible fund arrangements;
- Public debt and concessional financing — below-market loans, grant elements, on-lending, sovereign guarantees and debt record reconciliation;
- Climate-related fiscal risk, building on SRS 1 and developing implementation guidance for climate-vulnerable jurisdictions where quantified scenario modelling capacity is limited;
- Natural resource accounting under IPSAS 51, with practical implementation tools for jurisdictions with forests, water systems, protected areas and biodiversity assets; and
- Subnational financial reporting, scalable and proportionate frameworks for local governments at widely differing stages of financial management development.

Federal and Subnational Implementation Considerations

Nepal's 753 local governments — six metropolitan cities, eleven sub-metropolitan cities, 276 municipalities and 460 rural municipalities — range from large urban entities with professional finance teams to small remote municipalities where a handful of staff manage financial administration alongside other responsibilities. This variation is not exceptional: it mirrors the landscape of subnational government in most federal developing countries. Consultation feedback drew attention to the structural implementation constraints at provincial and local levels that IPSASB's guidance must take into account if it is to be realistic and useful.

Those constraints include a limited pool of trained public sector accountants and auditors concentrated disproportionately at the federal level; high turnover in local finance positions that interrupts institutional knowledge accumulation; information systems designed for federal treasury management that have not been fully adapted for provincial and local government; non-interoperability between budget, treasury, accounting, debt, asset and project reporting systems that makes data aggregation technically challenging; connectivity and infrastructure limitations affecting real-time data access in remote municipalities; and substantial variation in the practical capacity to follow up on audit recommendations and implement corrective actions within normal budget cycles.

These are not institutional failures. They are the expected conditions of a country that completed a major constitutional federalisation in 2015 and has been progressively building the institutional architecture of an entirely new tier of government while simultaneously pursuing PFM reform at the federal level. Many of the same constraints are found in decentralised developing countries that have not recently federalised — where subnational capacity was never built systematically even before any explicit reform programme.

What the Committee requests from IPSASB is guidance that acknowledges this structural reality rather than assuming it away. Specifically, subnational financial reporting frameworks should be proportionate to the size and capacity of the reporting entity, not simply a compressed version of the national government framework; disclosure requirements should be scaled to the information that matters for accountability at the local level, which is different from what matters at the national level; and the standards themselves should include an explicit statement that scalable, entity-appropriate implementation is an intended feature of the framework, not a transitional exception.

The Municipal Association of Nepal (MuAN) and the National Association of Rural Municipalities in Nepal (NARMIN) represent thousands of elected local governments and their finance officials. These associations have the institutional reach, the peer-learning networks and the contextual knowledge to translate IPSASB guidance into practical tools for local implementers. The committee recommends that IPSASB consider engaging subnational government associations of this kind as recognised implementation delivery partners in jurisdictions where they exist.

Development Partner Financing and the Use of National Systems

Development partner financing in Nepal flows through at least six distinct channels with different implications for public sector financial reporting. On-budget, on-treasury financing is fully captured in FCGO's treasury records and is the most straightforwardly managed within national financial statements. On-budget, off-treasury financing — budgeted but disbursed through designated project accounts outside the treasury — requires supplementary disclosure and creates gaps in budget-to-actual comparisons. Off-budget financing, not included in the approved government budget, is not captured in government financial statements unless specifically recognised and disclosed. Direct payments by development partners to contractors on behalf of government create an understatement of both revenue and expenditure unless imputed. Technical assistance and in-kind support present measurement challenges that frequently result in omission. Climate finance through ring-fenced mechanisms such as the Green Climate Fund involves parallel reporting obligations alongside national accounting requirements.

Consultation feedback, drawing on direct experience of implementing development programmes in Nepal, emphasised that the diversity of these channels creates fragmentation, reconciliation problems and reporting burdens that undermine both national accountability and development effectiveness. The Committee's position is that IPSASB should address the principle that development partner financing should, to the greatest extent reasonably possible, be aligned with national budget, treasury, accounting, audit and statistical systems.

Stronger use of country systems by development partners directly supports the completeness and consistency of government financial statements, reduces parallel reporting burdens on scarce staff capacity, strengthens national ownership and institutional capacity, and improves the reliability of fiscal statistics. The Committee recognises that development partners have legitimate fiduciary obligations and that supplementary project-level controls or reports may be necessary in some circumstances. The objective is not to eliminate project-level reporting but to ensure that it is complementary to, and reconcilable with, national reporting rather than a structurally separate track.

The Committee requests that IPSASB develop guidance that explicitly supports the alignment of development partner financing with national systems, addresses the treatment of each financing channel in national financial statements, and discourages arrangements that systematically bypass national budget, treasury and accounting systems without delivering equivalent accountability benefits.

Financial and Non-Financial Asset Recognition and Valuation

This section addresses a gap identified during the national stakeholder consultation: the valuation of both financial and non-financial assets represents a significant gap in Nepal's public sector reporting, which the current IPSASB consultation package does not adequately address. The Committee agrees to it. The absence of reliable, comprehensive asset information in public sector financial statements is not an incidental accounting deficiency. It affects fiscal risk assessment, public investment decision-making, disaster risk management, intergovernmental accountability and the overall credibility of accrual transition.

Why Asset Recognition Matters Beyond the Balance Sheet

A government that does not know what assets it holds, what they are worth, and in what condition they exist cannot make well-informed investment decisions, plan maintenance programmes, determine appropriate insurance coverage, or assess its true fiscal exposure following a disaster. Nepal's exposure to earthquakes, floods and glacial lake outburst floods makes the fiscal consequences of inadequate asset information concrete and recurring. When infrastructure is destroyed and the government cannot readily quantify its losses, reconstruction finance is harder to mobilise and disaster-risk transfer instruments cannot be used.

The credibility of accrual transition also depends directly on asset recognition. A statement of financial position that omits a significant share of the government's real asset base is not genuinely accrual-based regardless of the accounting standard applied. Moving to accrual accounting while maintaining an incomplete balance sheet creates a misleading impression of transition that may satisfy formal compliance criteria while delivering little of the substantive transparency that accrual reporting is intended to provide.

Asset Recognition Challenges in Nepal's Context

Nepal's asset recognition and valuation challenges span all major asset categories. Financial assets — receivables, loan receivables, equity interests in state-owned enterprises, and on-lending receivables — are incompletely recorded, and the carrying values of government equity interests in public enterprises are rarely based on systematic assessment. As of the most recent reporting period, the government's combined share and loan investment in 145 state-owned enterprises and public institutions stood at NPR 930.22 billion, of which NPR 405.2 billion was recorded as equity and NPR 525.07 billion as loan investment. PDMO has reported that reconciling these holdings against the records maintained by the underlying institutions is an active and ongoing exercise, and a high-level committee has been formed specifically to resolve discrepancies between government investment records and institutional accounts. This is a clear and current illustration of the asset-register reconciliation challenge described below: the difficulty is not hypothetical, and the government itself has recognised it as requiring a dedicated institutional response.

The infrastructure asset base is extensive — roads, bridges, water systems, schools, health facilities, government buildings constructed over decades — but much of it has never been included in a formal asset register with agreed measurement bases and useful-life assumptions.

Land and buildings are frequently recorded at historical book values that bear no relationship to economic reality, or not recorded at all. Heritage and cultural assets — temples, monuments, traditional buildings, archaeological sites — carry national significance but present recognised measurement challenges. Natural resources are significant in Nepal's case: the country's forests, water systems, biodiversity corridors, conservation areas and hydropower potential represent a nationally important asset base that is largely absent from public sector financial statements. IPSAS 51 provides a framework; implementation in developing jurisdictions requires practical tools that the standard does not yet supply.

Assets created by development partner-financed projects present a specific accountability challenge: they may be procured outside the treasury system, managed by project implementation units, and handed over to government departments or local governments without systematic entry into national asset registers. Assets transferred in Nepal's federalisation — buildings, equipment, vehicles, infrastructure — have moved between tiers of government without formal valuation records at the receiving entity. Incomplete or outdated physical asset registers, maintained in paper form or inconsistently with accounting records, are widespread at both federal and subnational levels.

Nepal's own recent practice illustrates both the difficulty and the direction of travel. The government has 45 state-owned enterprises in which it holds a controlling stake, collectively contributing an estimated 11.57 percent of GDP, with contingent liabilities estimated at NPR 21 billion in the latest annual performance review of these enterprises. In recognition of the fiscal risk this represents, the PDMO obtained ministerial approval in late 2025 for a dedicated Guideline for Accounting and Reporting of Contingent Liabilities of State-Owned Enterprises, providing a standardised framework for identifying, classifying, valuing, reporting and disclosing such liabilities. This is a clear domestic precedent for the kind of structured, phased measurement guidance the Committee is requesting from IPSASB at the international level — it shows that a jurisdiction can move from an unmeasured fiscal exposure to a working disclosure framework, and that IPSASB guidance addressing this gap would build on, rather than create, an emerging area of national practice.

IPSASB Guidance Requested

The Committee requests that IPSASB develop implementation guidance on asset recognition and valuation specifically designed for capacity-constrained and transitioning jurisdictions. The guidance should address:

- The hierarchy of measurement bases — historical cost, fair value, current replacement cost, depreciated replacement cost — with clear direction on selection where market references are unreliable or absent;
- Deemed cost on first-time adoption, providing practical approaches for establishing opening asset values where historical cost records are unavailable, including the use of current replacement cost estimates, government asset surveys or other practical proxies;
- Useful life estimation and depreciation in environments where formal engineering assessments are not available, including simplified methods that can be applied consistently without annual revaluation exercises;
- Impairment indicators and recognition where formal impairment testing processes do not exist;
- Assets transferred between levels of government in restructuring or federalisation, including accepted approaches where documentary records are incomplete;
- Assets created through development partner-financed projects, addressing recognition and measurement whether or not they have passed through the government treasury;
- Heritage assets and cultural property, clarifying requirements where standard measurement bases cannot be applied;
- Natural resources, with practical data sources and measurement approaches for tropical forests, water systems and biodiversity assets applicable in developing country contexts;
- Disclosure where measurement is not yet practicable, providing a framework for jurisdictions still building registers and valuation capacity; and
- Reconciliation of physical asset records with accounting records, a gap that is widespread and that, if unaddressed, undermines both financial statement reliability and audit credibility.

The guidance should be practical, illustrated with worked examples from developing country contexts, and accompanied by transitional relief provisions allowing phased recognition where immediate full recognition is not feasible. Disclosure of known limitations, with a commitment to a phased improvement plan, is preferable to silence about known gaps.

A Phased and Sequenced Implementation Pathway

Consultation feedback recommended a clearer and more structured approach to phased, sequenced implementation. This recommendation reflects a widely shared observation among those working on public sector accounting reform in developing countries: that the gap between formal IPSAS requirements and the realistic starting point of most implementing jurisdictions is sufficiently large that a single transition threshold does not serve implementation well.

The Committee recommends that IPSASB publish an explicit, sequenced implementation pathway that acknowledges materially different starting points and provides achievable intermediate milestones. Such a pathway should not become a mechanism for indefinite non-compliance; it should be supported by transparent disclosure of transitional limitations, specific milestones, and measurable improvement commitments. The ten stages below are illustrative and draw on Nepal's own reform experience:

Stage	Description
1 — Legal and institutional foundation	Identify the applicable accounting framework, the responsible standard-setter, the institutional mandate for financial reporting, and the legal basis for reporting obligations.
2 — Reporting-entity identification	Identify and register all entities within the public sector boundary, including extra-budgetary funds, constitutional bodies, autonomous agencies and subnational governments.
3 — Classification alignment	Align budget, accounting and GFS classifications to enable meaningful budget-to-actual comparison and IPSAS–GFSM linkage across all reporting entities.
4 — Opening balances and registers	Establish reliable opening asset registers, liability records, receivables lists and payables schedules as the foundation for accrual-informed reporting.
5 — System interoperability	Connect treasury, debt management, donor project, extra-budgetary entity and subnational data systems to support integrated financial reporting.
6 — Capacity development	Build the professional accountant, auditor and financial manager workforce required to prepare, review and audit IPSAS-compliant statements across all reporting entities.
7 — Asset and liability recognition	Begin with the most material and most reliably measurable items, and extend progressively to infrastructure, heritage, natural resources and other complex categories.
8 — Subnational reporting	Extend consolidated reporting to provincial governments, local governments and extra-budgetary entities, using scalable and proportionate frameworks.
9 — Whole-of-government consolidation	Produce consolidated statements capturing all tiers of government and all entities within the public sector boundary.
10 — Advanced disclosures	Add sustainability, climate, fiscal risk and performance disclosures to complete the transition to a comprehensive public sector financial reporting framework.

The Committee recommends that IPSASB acknowledge this kind of sequencing explicitly in its practice statements and guidance notes, and develop associated disclosure requirements that allow entities to describe their current stage, identify the transitional limitations of their financial statements, and set out their planned progression. This would make IPSAS substantially more usable in the countries that most need practical implementation guidance, without reducing the standard's ambition for those jurisdictions that are further advanced.

Climate-Responsive and Gender-Responsive PFM

Climate-Responsive Financial Reporting

Nepal's climate vulnerability is material to its public sector financial statements in ways that are not captured by current IPSAS. Recurring floods, glacial lake outburst floods, earthquakes and landslides cause infrastructure losses and create contingent fiscal obligations that may not appear in financial statements until they crystallise into direct expenditure. Climate adaptation and resilience spending is embedded across multiple budget heads without a unified disclosure mechanism. The government's contingent exposure to climate-induced infrastructure replacement is significant but unmeasured.

IPSASB's work on SRS 1 and IPSAS 51 is directly relevant to Nepal. The SRS 1 implementation guidance should, in the Committee's view, address explicitly the position of climate-vulnerable developing jurisdictions where physical climate risk is material and often irreducible but where quantified scenario modelling capacity is limited. A qualitative disclosure framework — allowing governments to describe their climate risk exposures, their adaptation commitments and their disaster-response obligations without requiring precise monetary quantification — would be a significant practical improvement. IPSAS 51 implementation guidance requires practical measurement approaches for natural resources in developing country contexts: Nepal's forests, watershed systems and biodiversity assets are nationally significant but not yet amenable to measurement under approaches designed for advanced economy environments.

Gender-Responsive PFM and Financial Reporting

Nepal has invested substantively in gender-responsive PFM. The national budget incorporates programme-level gender tagging. A supplementary gender-responsive PFM assessment was conducted alongside the standard PEFA diagnostic in 2022. These efforts reflect a policy commitment to tracking whether public resources reach intended groups and whether expenditure achieves equity objectives.

General-purpose public sector financial statements cannot substitute for gender budgeting and programme performance reporting systems, which operate at a level of programme detail that financial statements do not reach. They can, however, support gender accountability by improving the traceability, completeness and credibility of the financial information on which gender budget analysis depends. Budget-to-actual comparisons that accurately reflect expenditure on gender-tagged programmes, expenditure classification systems consistent with programme-level gender coding, and service delivery disclosures that describe coverage and beneficiary groups all contribute to the accountability chain for gender-responsive resource allocation.

The committee recommends that IPSASB acknowledge gender-responsive PFM as a substantive dimension of public accountability that its standards should support and facilitate, placed alongside climate-responsive PFM rather than treated as peripheral to the core standard-setting agenda. This recommendation emerged explicitly from the national stakeholder consultation. It reflects a growing recognition in the international PFM community that fiscal transparency cannot be assessed independently of whether public resources serve equitable development objectives.

Consolidated Recommendations to IPSASB

The following table consolidates all recommendations made in this submission. The Committee offers these not as a comprehensive checklist but as specific, evidence-based requests that Nepal's experience shows to be practically consequential for jurisdictions in similar circumstances.

Reference	Recommendation
ED 94	Develop comprehensive non-authoritative guidance enabling jurisdictions applying cash-basis public sector accounting to meet GFSM 2014 accrual requirements. Cover all government tiers and all relevant entity types, from federal government to extra-budgetary constitutional bodies, commissions and local governments. Publish practical bridge templates, reconciliation schedules, mapping tables and worked examples drawn from federal and developing-country environments.
ED 94	Address direct payments, extra-budgetary entities, off-treasury development financing, debt record reconciliation, constitutionally mandated revenue sharing and mixed-basis consolidation in the non-authoritative guidance.
ED 95	Provide public-sector-specific worked examples for concessional sovereign loans (grant element, effective interest method), foreign currency debt revaluation, on-lending and related guarantees, contractor payables and first-time adoption transition relief.
ED 95 / Cross-cutting	Develop guidance on the recognition, measurement and valuation of financial assets in capacity-constrained public sector environments, alongside the non-financial asset guidance recommended below.
ED 96	Clarify whether recognition principles for acquired liabilities are modified where obligations arise from legislative or constitutional mandate. Address scenarios involving federalisation, public entity amalgamation and extra-budgetary entity restructuring. Provide guidance on asset and liability recognition where records are incomplete.
ED 97	Recognise five qualitative materiality dimensions: financial magnitude in ring-fenced contexts; legal and budget authority; public accountability to non-investor users; service delivery impact at entity level; and fiscal and climate risk from contingent exposures. Include illustrative examples for donor agreement compliance, conditional grant breaches, ring-fenced fund transfers, local government service delivery amounts and development partner fiduciary risk.
CP	Design a standalone public-sector presentation standard. Provide illustrative statements for federal, provincial, local, extra-budgetary and whole-of-government entity types with comprehensive note disclosure frameworks. Develop explicit guidance on integrating development partner project reporting requirements with national financial statements.
Cross-cutting	Develop and publish a phased implementation pathway with graduated milestones for jurisdictions at different stages of IPSAS adoption. Require disclosure of transitional limitations with improvement plans rather than permitting silence.
Cross-cutting	Publish comprehensive guidance on financial and non-financial asset recognition, valuation and measurement for capacity-constrained jurisdictions, covering incomplete registers, first-time adoption deemed cost, federalisation transfers, development partner-financed assets, heritage assets, natural resources and disclosure where measurement is not yet practicable.
Cross-cutting	Develop proportionate and scalable guidance for subnational financial reporting, acknowledging the structural capacity constraints at provincial and local government level in developing countries.
Cross-cutting	Develop guidance supporting the alignment of development partner financing with national budget, treasury, accounting and audit systems. Discourage arrangements that bypass national systems without equivalent accountability gains.
Cross-cutting	Acknowledge gender-responsive PFM and climate-responsive PFM as substantive dimensions of public accountability that IPSASB standards should support.
Cross-cutting	Establish a designated implementation support mechanism for developing and federal jurisdictions, engaging professional accountancy organisations and subnational government associations as implementation delivery partners.

References

IPSASB Publications

- ED 94 — Linkages Between IPSAS Standards and GFSM 2014: www.ipsasb.org/publications/exposure-draft-ed-94
- ED 95 — Improvements to IPSAS Accounting Standards, Volume 10: www.ipsasb.org/publications/exposure-draft-ed-95
- ED 96 — Definition of an Operation (Amendments to IPSAS 40): www.ipsasb.org/publications/exposure-draft-96
- ED 97 — IPSAS Practice Statement: Making Materiality Judgments: www.ipsasb.org/publications/exposure-draft-ed-97
- Consultation Paper: Presentation of Financial Statements: www.ipsasb.org/publications/consultation-paper-presentation-financial-statements
- IPSAS 22, IPSAS 23, IPSAS 24, IPSAS 35, IPSAS 40, IPSAS 51, IPSASB SRS 1: www.ipsasb.org/publications

Nepal Government Sources

- Government of Nepal, PFM Reform Strategy 2025–2030: giwmscdnone.gov.np/media/pdf_upload/Nepal%20PFM%20Reform%20Strategy%202025-30_%20Jan%2015EN_ivfm8l7.pdf
- FCGO, Consolidated Financial Statement FY 2023/24: old.fcgo.gov.np/storage/uploads/reportpublication/2025-06-29/20250629144539_CFS%202023.24.pdf
- PDMO, Public Debt Bulletin, Year 5 Volume 1, FY 2082/83 (Shrawan–Poush 2082): pdmo.gov.np
- PEFA Nepal Assessment 2022: www.pefa.org/node/5030
- OAG Nepal — Annual Reports: www.oag.gov.np
- MoF — Development Cooperation Report and Economic Survey: www.mof.gov.np
- MuAN: www.muan.org.np | NARMIN: www.narmin.org.np

Development Partner and International Sources

- World Bank — Nepal Fiscal Federalism Update: worldbank.org/en/country/nepal/publication/nepal-fiscal-federalism-update
- World Bank — Nepal Country Climate and Development Report: worldbank.org/en/country/nepal
- ADB — Nepal Country Partnership Strategy 2025–2029: adb.org/countries/nepal/main
- IMF — Government Finance Statistics Manual 2014: imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf

Annex: Composition of the Committee on Public Finance and NPSAS, ICAN

The following were the members of the Committee on Public Finance and Nepal Public Sector Accounting Standards (NPSAS) of the Institute of Chartered Accountants of Nepal (ICAN) during the preparation and review of this submission.

S.No.	Name	Position in the Committee
1	Mr Thakur Prasad Adhikari	Chairperson
2	Mr Hari Bahadur Karki	Council Member
3	Mr Achyut Raj Joshi	Member
4	Mr Sudip Dahal	Member
5	Mr Parash Mani Aryal	Member
6	Mr Kamal Prasad Silwal	Member
7	Mr Rajan Adhikari	Member
8	Mr Sushil Adhikari	Member
9	Mr Milan Rai	Member
10	Mr Kamal Kharel	Member
11	Mr Bil Bahadur Bhujel	Member
12	Mr Anil Basnet	Member
13	Mr Bhumi Raj Acharya	Member
14	Mr Hema Raj Paudel	Member
15	Mr Kamod Jha	Member
16	Mr Yangchen Lama	Secretary

This annex is included for transparency regarding the composition of the committee. The submission has been prepared as a technical contribution of the Committee for IPSASB consultation purposes. Inclusion of members' names in this annexe should not be construed as creating any separate personal representation, obligation, or binding commitment on the part of individual committee members.