TRU newsletter – May 2019

TRU updates

Training on Bank audit

PKF T R Upadhya & Co. organized a training and interaction session for audit staff conducing audit of the banking industry for FY 2075-76 on 20 April 2019 at GAA Hall, Thamel, Nepal.

The session included presentation and discussion primarily in the areas of Credit, Bank Operations and Branch Audits.

Presentation on Bank Operations was delivered by Subani Shrestha. Topics included audit areas in account opening and closing, Issuance of Bank Statement, Balance Confirmation and Cheque Book, Teller transactions Review: Cheque/Deposit Slip/Withdrawal Slip, Purchase/ Sell of foreign Currency, Dormant Accounts, Cash in Transit, Stop Payment Request / Order, Remittance and Physical Safeguards.

Similarly, presentation on Credit review was delivered by Sujan Babu Tiwari. Topics included Credit risk, sample selection methodology, areas to be focused on Credit Review and Credit worthiness, income, collateral and risk grading of borrowers.

The sessions were interactive and supported by experts viz. Surendra Pathak, Sanjeev Dhakal, Manoj Thapaliya and Sakar Koirala from the firm.

Such sessions and other trainings conducted by the firm to keep its team updated with recent developments in the accounting, audit and specific industries on a regular basis.

Clip from Bank Audit Training

Recent updates

Extension of Deadline

Social Security Fund

SSF vide its circular date 29 Chaitra 2075 (12 April 2019) has directed all employers and employees who have not yet registered to register by 31 Ashad 2076 (16 July 2019).

Application for Computerized billing system

The IRD in its notice dated 2 Baisakh 2076 has extended the deadline for issuing invoice from computerised billing system to 31 Ashad 2076 (16 July 2019). In the connection, IRD has issued Electronic Billing Procedure, 2074 which prescribes the technical requirements for billing system. The notice also mandates those tax payers who have already obtained approval for computerised billing system before the issuance of Electronic Billing Procedure, 2074 to again renew the approval after complying with stated requirements in the procedure.

Key Highlights of FITTA 2075

The Foreign Investment and Technology Transfer Act 2019 (2075) ("FITTA") was promulgated on 27 March 2019 after it received the presidential accent. It has replaced the Foreign Investment and Technology Transfer Act 1992 and is expected to provide impetus to Nepal's quest to attract foreign investment into the country through streamlined and simplified procedures and clarity in the law.

One of key highlights of FITTA 2075 is the inclusion of other forms of investments such as lease financing and investment in secondary market through Venture Capital Fund (VCF) under foreign investment. With this move Government of Nepal expects to attract more foreign investors to the secondary market. Secondary market in Nepal has recently been sluggish and this move is highly appreciated by the stakeholders. However, the procedures for setting up VCF is yet to be introduced by SEBON.

Another attracting feature of FITTA 2075 is the introduction of Single Point Service Center. Through this facility the investors can get various service from one place such as approval of foreign investment, registration, visa related services, work permits etc. This will definitely ease the tedious task of reaching out to multiple departments for clearance and approval.

Click here for Highlights of FITTA 2075

OCR's notice on share lagat

Office of Company Registrar has issued a notice of the requirement of submission of bank statement and auditor's certificate disclosing the amount of share capital of a company while updating share register (lagat) for transactions of shares in excess of NPR 10 lakhs. Moreover, transactions between the seller and buyer of a company needs to be reflected in the bank statement of the seller. OCR has also made it compulsory to get bank statement verified from respective bank with authorized stamp and signature.

However, for transaction of shares below NPR 10 lakhs, OCR may request for auditor's certificate or evidence of the transactions being channeled through the bank.

Further, the company has to submit the renewal of the audit license and tax clearance certificate of the auditor while intimating the appointment of the auditor to the OCR.

Please click here for more details

Insurance Board encouraging insurers' merger

Insurance Board (Beema Samiti) had directed all Life Insurers and Non-Life Insurers to increase their paid up capital to NPR 2 billion and NPR 1 billion, respectively by mid-July 2018.

The Board has made several attempts to get the insurers to increase their paid up capital to the above levels however, following a trail of failed attempts, it has made another attempt by issuing an amended directive on merger and acquisition on 2076.01.15 giving relaxations on certain areas.

Some of the key highlight of new directive on merger

Valuation of assets and liabilities: the directive has clarified that non-life insurer can get valuation done by auditing firm, company or individual. However, in case of life insurer, asset and liabilities should be valued by an Actuary.

Relaxations given on merger by directive

Cooling Period of CEO: Further, this directive has relaxed the provision as per section 28(8) of Corporate Governance Directives 2075 which requires cooling period of six months for the qualification of CEO in another insurance company. Now, CEO of insurance companies shall not have to wait for a period of six months before joining the merged entity as a CEO.

Also, in case of tenure of CEO in newly formed insurance company, tenure in insurance companies before merger and acquisition shall be counted.

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Limit on number of directors: The new directive has also provided relaxation on the limit of number of Directors for the merged insurance company if there is difficulty in proportionate representation of both entities in the Board. Current ceiling on maximum number of director is 7. However, the merged entity may with prior approval of Insurance Board, may appoint additional two persons for up to 2 years as advisor of the company with similar facility provided to the directors.

Relaxation on certain aspects of corporate governance:

The directive has given certain relaxation on some of the areas where insurance company cannot issue insurance policy.

As per Section 44 of Directive on Corporate Governance, 2075 insurance companies are not allowed to issue policy to:

- Promoter, director, advisor, auditor, employee or their family members
- Company, firm or individuals including their related party in which the insurance company has financial interest.
- Company, firm or institution who can appoint director in the insurance company.
- Firms, companies or institutions in which director of the insurance company has financial interest, or is a managing agent or related parties of such directors.

Above, provision of corporate governance shall not be applicable to the merged entity until the expiry of policy period.

Please click here for directive for merger of insurance companies

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