

Nepal Chartered Accountants Act, 1997

(Including First Amendment, 2002)

July, 2002

Nepal Chartered Accountants Act, 1997

Effective Date 30th January 1997

First Amendment Effective Date 8th July 2002

Act No. 22 of the year 1997

Preamble: Whereas, it is expedient to establish an Institute of Chartered Accountants of Nepal in order to enhance social recognition and faith in accounting profession by raising public awareness towards the importance of the accounting profession, towards economic and social responsibility of the accountants and towards economic development of the country through the development of awareness among the professionals about their responsibility towards the importance of accountancy in order to develop, protect and promote the accounting profession.

Be this Act enacted by Parliament in the 25th year of the reign of His Majesty King Birendra Bir Bikram Shah Dev.

CHAPTER -I

Preliminary

1. **Short Title and Commencement:** (1) This Act may be called (the) Nepal Chartered Accountants Act (including First Amendment), 1997.

(2) Sections 29 and 49 of this Act shall be effective from the date of notification in Nepal Gazette by His Majesty's Government and other Sections shall come into force immediately.

2. **Definitions:** In this Act, unless the subject or context otherwise refers,

- (a) "Institute" means the Institute of Chartered Accountants of Nepal established pursuant to Section 3.
- (b) "Council" means the Council constituted pursuant to Section 7.
- (c) "President" means the President of the Council.
- (d) "Vice-President" means the Vice-President of the Council.
- (e) "Council Member" means Member of the Council and these words also refer to the President and the Vice-President of the Council.
- (f) "Executive Director" means the Executive Director appointed pursuant to Section 38.
- (g) "Member" means a person who has obtained membership pursuant to Section 16.
- (h) "Chartered Accountant" means a person who has obtained membership pursuant to Section 16 subsection (2).
- (h1) "Fellow Chartered Accountant (F.C.A.)" means a member having obtained the membership of the Institute pursuant to Section 17.
- (I) "Registered Auditor" means a person who has obtained membership pursuant to Section 16 subsection (3).
- (j) "Certificate of Practice (COP)" means the certificate issued, pursuant to Section 28, to render accounting profession.
- (j1) "Audit" means the audit service rendered, under the provisions of the existing legislation, by members holding Certificate of Practice.

- (j2) "Foreign Accounting Body" means a national level Chartered Accountant Institute or equivalent accounting body having full legal authority to regulate the public accounting profession in any foreign country.
- (j3) "Accounting Standards Board" means the Accounting Standards Board constituted under Section 15a.
- (j4) "Standards on Auditing Board" means the Standards on Auditing Board constituted under Section 15d.
- (j5) "Accounting Standards" means the accounting standards including directives and explanations prepared or recommended by the Accounting Standards Board in order to govern and regulate accounting profession and financial reporting system..
- (j6) "Standards on Auditing" means the standards on auditing including directives and explanations prepared or recommended by the Standards on Auditing Board in order to govern and regulate accounting profession and auditing.
- (k) "Prescribed" or "As prescribed" means prescribed or as prescribed in the Regulations or Byelaws framed under this Act.

CHAPTER-II

Establishment of the Institute

- 3. **Establishment of the Institute:** (1) An institute by the name of (the) Nepal Chartered Accountants Sanstha is hereby established for development of the accounting profession.
 - (2) The Institute shall be named as "the Institute of Chartered Accountants of Nepal" in English language.
 - (3) The headquarter of the Institute shall be located in Kathmandu Valley, and the Institute may, as per necessity, set up its offices or training centers or branch and sub-branch in any place within the Kingdom of Nepal.
- 4. **The Institute to be an Autonomous Body:** (1) The Institute shall be an autonomous and body corporate with perpetual succession.
 - (2) The Institute shall have a separate seal of its own for its business.
 - (3) The Institute may, like an individual, acquire, own, and dispose off or otherwise deal with movable and immovable property.
 - (4) The Institute may sue and also be sued in its name, like an individual.
- 5. **Objective of the Institute:** The objectives of the Institute shall be as follows:-
 - (a) To play the role of a regulatory body to encourage the members to carry on accounting profession being within the extent of the code of conduct in order to consolidate and develop accounting profession as a cause for economic development of the nation.

- (b) To enhance social recognition and faith in accounting profession by raising awareness of the general public towards the importance of accounting profession and the economic and social responsibility of professional accountants.
- (c) To develop, protect and promote the accounting profession by enabling professional accountants understand their responsibility towards the importance of accounting profession and accountancy.
- (d) To develop mechanism of registration, evaluation and examination of accounting professionals in consonance with international norms and practices so as to make the accounting profession respectable and reliable.

6. **Nobody Else Allowed to Use the Name, Emblem and Authority of the Institute:**

After the establishment of the Institute pursuant to this Act, nobody shall be allowed to use any name or emblem resembling the name of the Institute or to certify anyone or to issue any guidance to anyone on behalf of the Institute or to exercise any of such authority bestowed to the Institute.

CHAPTER - III

Constitution, Functions, Duties and Authorities of the Council

7. **Constitution of the Council:** A Council, to take up necessary actions required to attain objectives of the Institute in a well-planned manner and to manage and supervise all activities of the Institute, shall be constituted.

(2) The Council shall, except as otherwise provided elsewhere in this Act, exercise all authority and discharge all duties conferred on and assigned to the Institute subject to the Act and Regulations and Bye-laws framed under this Act.

(3) The Council shall consist of the following Council members:-

- (a) Ten persons elected by and amongst
Chartered Accountant members -Member
- (b) Four persons elected by and amongst
Registered Auditors -Member
- (c) Three persons nominated by His Majesty's
Government, upon the recommendation of the
Auditor General, from amongst the persons well
experienced in the field of accounting profession. -Member

(4) The Council members shall elect a President and a Vice-President from the Fellow Chartered Accountants (F.C.A) Council members referred to in clause (a) of sub-section (3).

(5) The term of office of the President and the Vice-President shall be of one year and upon expiry of the term of office, they shall be eligible to be elected for one more term.

(6) The term of office of the Council members shall be of three years and upon expiry of the term of office, they shall be eligible to be re-elected or re-nominated.

(7) The procedures relating to the election of Council members shall be as prescribed.

(8) The functions, duties and authorities of the President and the Vice-President shall be as prescribed.

8. **Circumstances Wherein the Council Member's Seat to Remain Vacant:** (1) The seat of a Council member shall be deemed to remain vacant, if :

(a) He ceases to be a member of the Institute,

Provided that this provision shall not be applicable to the nominated Council member.

(b) The Council accepts his resignation,

(c) He, without giving a notice with reason, absconds himself from three consecutive meetings of the Council,

(d) His term of office expires,

(e) His non-compliance with the code of conduct referred to in Section 34 is proved,

(f) He dies.

(2) Pursuant to clause (b) of sub-section (1), the President shall tender resignation to the Vice-President and other Council members to the President.

9. **Vacancy and Fulfillment:** (1) The Council shall, if any seat of any Council member elected pursuant to clause (a) or (b) of sub-section (3) of Section 7 turns vacant due to death or resignation or disqualification to continue as a member of the Institute pursuant to the other provisions of this Act, designate any member as Council member for the remaining term of office, provided the remaining period of such vacated office is of less than a year; and if such term is of more than a year, the vacancy shall be filled through election.

(2) A seat, falling vacant owing to death or resignation of any Council member, nominated pursuant to clause (c) of sub-section (3) of Section 7, shall be fulfilled, for the remaining term of office, as per the procedure set forth in the same section.

10. **Meeting and Decision of the Council:** (1) The Executive Director shall convene the meeting of the Council on such date, time and place as fixed by the President.

(2) The Council shall generally meet six times a year, and the interval between two consecutive meetings shall not be of more than three months.

(3) The President shall chair meeting of the Council, and in his absence, the Vice-President; and in the absence of both, a Council member, selected by the Council members from amongst themselves, shall chair the meeting of the Council.

(4) If twenty-five percent of Council members request, in writing, to convene a Council meeting, the President shall order the Executive Director to summon such meeting within fifteen days of such request.

(5) Presence of fifty-percent members shall be deemed to meet a quorum for the meeting of the Council.

(6) The majority opinion of the Council shall be deemed to be a decision of the Council and, in case of a tie, person chairing the meeting shall cast the deciding vote.

(7) The Executive Director shall authenticate decisions of the Council.

(8) The Council may, if it deems appropriate, invite any office bearer of His Majesty's Government, any national or foreign expert, advisor, or any prominent person in the field accounting profession, to attend meeting of the Council as an observer.

(9) Other procedures relating to the meeting of the Council shall be as fixed by the Council itself.

11. **Functions, Duties and Authority of the Council:** The functions, duties and authority of the Council shall be as follows:-

- (a) To conduct professional examinations for new entrants in accounting profession.
- (b) To fix up procedures relating to the registration of members and members holding Certificate of Practice.
- (c) To provide membership of appropriate class to applicants having acquired qualifications pursuant to Section 16.
- (d) To optimum utilise available resources and means for the cause of development of accounting profession.
- (e) To determine appropriate qualifications for manpower engaged in the accounting profession.
- (f) To fix curriculum and practical training period required for obtaining membership of the Institute.
- (g) To organize academic classes and training programmes by itself or in collaboration with any university or other academic institutions.
- (h) To issue Certificates of Practice to members willing to carry on accounting profession.
- (i) To offer career development opportunities in order to enhance efficiency of members.
- (j) To monitor as to whether or not the members and Members holding Certificate of Practice have acted in conformity with the prescribed professional code of conduct.
- (k) To initiate actions, in accordance with the recommendation of the Disciplinary Committee, against members holding Certificate of Practice for their acts and actions done in contravention of the professional code of conduct.

- (l) To issue theoretical or practical guidance and guidelines in various aspects of accounting and auditing and to carry out other professional development activities as and when needed.
- (m) To monitor and regulate so as to ensure the compliance of Accounting Standards and Standards on Auditing developed or recommended by Accounting Standards Board and Standards on Auditing Board".
- (n) To safeguard rights and interests of the members and to protect and promote their reputation.
- (o) To render advice and suggestions to His Majesty's Government for improvement in prevailing laws related with industry, commerce, finance, revenue and accounting profession.
- (p) To acquire membership of the International Federation of Accountants and Regional and Sub-regional Federations, and establish contact with other foreign professional institutes.
- (q) To recommend appropriate educational standards for account education, in consultation with university or any other educational institutions.
- (r) To organize, as and when necessary, training, symposia and seminars to enhance professional efficiency of Registered Auditors.
- (s) To conduct short-term or long-term training, workshops or symposia for the benefit of manpower involved accounting profession.
- (t) To publish materials related with accounting profession.
- (u) To establish a library containing materials related to profession.
- (v) To determine procedures to be followed by Committees constituted by the Council.
- (w) To approve budget of the Institute and arrange for the fund.
- (x) To recruit staff, as required, for the Institute and fix their remuneration and other perks.
- (x1) To install the mechanism of providing Continued Professional Education (CPE) to members.
- (x2) To develop education system to produce Accounting Technicians and undertake other necessary actions in this regard.
- (y) To carry out such other functions as prescribed by this Act or Regulations and Byelaws framed under this Act.
- (z) To carry out any other functions that deem to be necessary to attain the objectives laid down by this Act.

12. **Actions Not To Be Invalid:** Any action undertaken according to decision of the Council, where any seat of any Council member has remained vacant or a person, without possessing qualifications required to be a Council member, has been elected or nominated as the Council member, shall not be invalid merely on the ground thereof.

13. **Committees of the Council:** (1) The Council, under its responsibility, may constitute following Standing Committees :-

- (a) Disciplinary Committee,
- (b) Examination Committee,
- (c) Executive Committee,
- (d) Professional Guidance Committee.

(2) The Council may, as per necessity, constitute other committees for the attainment of the objectives of the Institute.

(3) The functions, duties and powers of the Committees constituted pursuant to this section shall be as prescribed.

(4) The Committee constituted under Sub-section (1), shall not be so constituted that the members of one Committee, except the President and the Vice-President, are also included in another Committee.

14. **Disciplinary Committee:** (1) A Disciplinary Committee, comprising of following members, shall be constituted to recommend the Council to take necessary actions after investigation upon complains lodged against any action, contrary to this Act or Regulations or code of conduct framed under this Act, rendered by any member, or the Institute receives any information of such kind :-

- (a) A FCA member designated by the Council
from amongst the Council members referred
to in clause (a) of sub-section (3) of Section 7 -Chairman
- (b) Three persons nominated by the Council
from amongst the Council members -Member
- (c) Two persons nominated by the
Council from amongst the members -Member
- (d) One person nominated by the
Auditor General -Member

(2) Notwithstanding anything contained in sub-section (1), the Chairman or members shall not be allowed to attend any meeting that hears complaint against the Chairman or member of the Disciplinary Committee for their actions contrary to this Act or the Regulations, Bye-laws or code of conduct framed under this Act.

(3) The procedures of the meeting of the Disciplinary Committee and the term of office of the Chairman and members of the Disciplinary Committee shall be as prescribed.

(4) The Disciplinary Committee shall have the authority, similar to a judicial court, in respect of summoning concerned person and investigating evidences and witnesses.

(5) The Disciplinary Committee shall recommend to the Council, along with its opinion and finding, for necessary action against a member, if found guilty, and the Council may, considering such a recommendation, impose any of the following punishment according to the degree of offense:-

- (a) Reprimanding,

- (b) Removing from the membership for a period up to five years,
- (c) Prohibiting from carrying on the accounting profession for any particular period,
- (d) Cancellation of the Certificate of Practice or membership.

(6) Any Council member against whom the Disciplinary Committee, after investigating upon the complaint of his action contrary to the Act or Regulations, Bye-laws or code of conduct framed under the Act, has decided to recommend the Council to take necessary action, shall not be allowed to attend and to vote at the Council meeting where the Council is hearing at such recommendation.

(7) Before imposing a punishment referred to in sub-section (5), the Council shall provide reasonable opportunity to the concerned members to submit their clarification.

(8) The concerned member may, if he is not satisfied with the decision referred to in sub-section (5), file an appeal in the Appellate Court.

15. **Executive Committee:** (1) An Executive Committee, comprising of the following members, shall be constituted for carrying out day to day business of the Institute :-

- (a) President -Chairman
- (b) Vice-President -Vice-Chairman
- (b) Two persons nominated by the Council
from amongst the Council members -Member
- (d) Executive Director -Member-Secretary

(2) The functions, duties and authorities of the Executive Committee and the procedures of its meeting shall be as prescribed.

Chapter 3a

Accounting Standards Boards

15a. **Constitution of Accounting Standards Board :** (1) His Majesty's Government, in order to govern and regulate financial reporting and accounting profession, shall constitute Accounting Standards Board.

(2) The Board shall comprise of following members :

- (a) One FCA member nominated by His Majesty's Government - Chairman
- (b) Representative, Ministry of Finance - member
- (c) Representative, Office of the Auditor General - member
- (d) Representative, Office of the Comptroller General - member
- (e) Company Registrar, Company Registrar's Office - member
- (f) Director General, Department of Inland Revenue - member
- (g) Chairman, Securities Board/Nepal - member
- (h) Five Chartered Accountant members nominated by His Majesty's Government on recommendation of the Council - member

- (i) One Registered Auditor member nominated by His Majesty's Government on recommendation of the - member Council

(3) The Accounting Standards Board, if deems necessary, may invite expert to participate in the meeting as an observer.

(4) The tenure of members as per clause (a), (h) and (i) shall be of three years and shall be eligible for re-appointment on expiry of their tenure.

(5) The business procedure of Accounting Standards Board shall be as prescribed by the Accounting Standards Board itself.

(6) The secretariat of Accounting Standards Board shall be stationed in the Head Office of the Institute.

15b. Rights and Duties of Board : The rights and duties of Accounting Standards Board shall be as follows :

- (a) To develop accounting standards, on the basis of relevant International Accounting Standards, in order to govern and regulate financial reporting and accounting profession,
- (b) To evolve appropriate process of development of accounting standards and publish material related to accounting standards,
- (c) To redraft, improvise and revise standards,
- (d) To interpret the standards,
- (e) To undertake other related tasks related to accounting standards.

15c. Seat not to retain : The seat of any member of the Accounting Standards Board shall be not be retained on any of following conditions :

- (a) if resigned,
- (b) if remained absent for three consecutive board meeting without any information,
- (c) if convicted and penalized by the court in a criminal offense,
- (d) if declared insane,
- (e) if declared insolvent,
- (f) if dead,
- (f) in case of members of the Institute, if the name is removed from the Membership Register pursuant to Section 22 of the Act.

Chapter 3b

Standards on Auditing Board

15d. Constitution of Standards on Auditing Board : (1) His Majesty's Government, in order to govern and regulate accounting and auditing profession, shall constitute Standards on Auditing Board.

(2) The Standards on Auditing Board shall comprise of following members :

- (a) One FCA member nominated by His Majesty's Government - Chairman
- (b) Representative, Ministry of Finance - member
- (c) Representative, Office of the Auditor General - member
- (d) Three Chartered Accountants nominated by His Majesty's Government on recommendation of the Council - member
- (e) One Registered Auditor nominated by His Majesty's Government on recommendation of the Council - member

(3) The Standards on Auditing Board, if deems necessary, may invite concerned experts to participate in the meeting as observer.

(4) The tenure of members as per clause (a), (d) and (e) shall be of three years and shall be eligible for re-appointment on expiry of their tenure.

(5) The business procedure of Standards on Auditing Board shall be as prescribed by the Standards on Auditing Board itself.

(6) The secretariat of Standards on Auditing Board shall be stationed in the Head Office of the Institute.

15e Rights and Duties of Standards on Auditing Board : The rights and duties of Standards on Auditing Board shall be as follows :

- (a) To develop Standards on Auditing, on the basis of relevant International Standards on Auditing, in order to govern and regulate accounting and auditing profession,
- (b) To evolve appropriate process of development of Standards on Auditing and publish material related to Standards on Auditing,
- (c) To redraft, improvise and revise Standards on Auditing,
- (d) To interpret the Standards on Auditing,
- (e) To undertake other related tasks related to Standards on Auditing.

15f. Seat not to retain : The seat of any member of Standards on Auditing Board shall not be retained on any of following conditions :

- (a) if resigned,
- (b) if remained absent for three consecutive board meetings without any information,
- (c) if convicted and penalized by the court in a criminal offense,
- (d) if declared insane,
if declared insolvent,
- (f) if dead,
- (g) in case of members of the Institute, if the name is removed from the Membership Register pursuant to Section 22 of the Act.

CHAPTER- IV

Membership of the Institute

16. **Membership of the Institute:** (1) The membership of the Institute shall be classified into following classes:-
- (a) The Chartered Accountant, and
 - (b) The Registered Auditor.
- (2) The membership of Chartered Accountant shall, subject to Section 18, be provided to a person who:-
- (a) Has, on the date of commencement of this sub-section, obtained the certificate of Registered Auditor of class 'A' pursuant to the Auditors' Act, 1974 or of class 'B' on the basis of qualification of Chartered Accountant,
 - (b) Has passed Chartered Accountancy or equivalent course from the Institute or other foreign accounting bodies recognized by the Institute and has received practical training relating to accounting profession.
- (3) Subject to Section 18, Membership of Registered Auditor shall be granted, on the date of commencement of this sub-section, to a person holding audit license of class 'B', 'C' or 'D' acquired under the provisions of Auditor's Act, 2031 (1974).
17. **Fellow Chartered Accountant (FCA) :** Fellow Chartered Accountant (FCA) membership may be provided to the following members :
- (a) Members with class 'A' Registered Auditor Certificate acquired under the provisions of Auditor's Act, 1974 at the time of commencement of this Section,
 - (b) Chartered Accountant members engaged in the accounting profession for at least five years.
18. **Disqualification for Membership :** Following persons shall not be deemed to be eligible to be a member of the Institute:-
- (a) One who has not acquired qualifications as referred to in sub-sections (2) and (3) of Section 16,
 - (b) One who has not attained the age of twenty-one years,
 - (c)
 - (d) One who is insolvent and is unable to settle up the debts,
 - (e) One who is convicted by the court in a criminal offense involving moral turpitude,
 - (f) One who is insane.
19. **Name To Be Registered:** (1) Any person, desiring to become a member of the Institute and possesses qualifications referred to in this Act, shall submit an application, as prescribed, to the Institute with full details.

(2) The fees, as prescribed, shall be paid before registration of pursuant to sub-section (1).

(3) A person, qualified to be a member pursuant to sub-section (3) of Section 16, if wishes to have his name registered as a member of the Institute, shall submit an application within six months of the date of commencement and date of notification of such commencement in Nepal Gazette by His Majesty's Government, of Sections 29 and 49 of this Act. A person, failing to submit such application within that period, shall not be entitled to obtain membership referred to in this Act.

20. **Membership Certificate** : (1) The Council shall, if the applicant pursuant to sub-section (1) of Section 19 is found to be eligible to be a member of the Institute, register the name of such person in the Membership Register of the Institute and provide a Membership Certificate, in a prescribed format, referring the class of the member.

(2) The Institute shall maintain a separate Membership Register, in a prescribed format, for each class of members.

(3) Other provisions concerning the registration of members shall be as prescribed.

21. **Information to be furnished in the Event of Leave off the Profession or Change in Address**: A member, if ceases to practise or changes his address, shall notify the Institute within thirty-five days from the date of such event.

22. **Provision of Removal of Names and Re-instatement** : (1) The Council may issue an order to remove the name of any member from the Membership Register on any of the following circumstances:-

- (a) If he is convicted by a court in a criminal offense involving moral turpitude and punished there for,
- (b) If he fails to pay any fees required to be paid to the Institute,
- (c) If he fails to abide by the professional conduct referred to in this Act and the Rules framed under this Act,
- (d) If he becomes unsound-minded, or
- (e) If he is dead.

(2) In case, a member whose name has been removed from the Membership Register pursuant to sub-section (1) makes an application, along with the fees as prescribed, stating reasonable ground to restore his membership, the Council may consider to restore his membership by reinstating his name in the Membership Register.

23. **Certificate to be Cancelled**: The Council, upon receipt of information that a person has been registered in the Membership Register by fraud or by mistake and upon an inquiry such matter has been found to be true, may order to invalidate such Membership and Certificate of Practice, if any. Notice of such actions shall be publicly announced.

CHAPTER- V

Examinations

24. **Provision of Curricula and Course Books:** (1) The Council shall fix level of education, curriculum and course-books required for professional accountancy or accounting technician course and conduct examinations..
- (2) The Council may, for the purpose of examinations pursuant to sub-section (1), if it deems necessary, seek advice and assistance of local or foreign universities or professional institutions or experts.
- (3) The Council shall conduct examination, referred to in sub-section (1), by itself or with cooperation of any local or foreign university or other professional institutions.
- (4) The eligibility qualifications required to participate in any examination of accounting profession or accounting technician shall be as prescribed.
- (5) Other provisions relating to examinations shall be as prescribed.
- (6) The provisions, relating to education and teaching programs to be undertaken by the Institute as per this Chapter, shall be as prescribed.
25. **Certificates :** The Council shall award certificates, in a prescribed format, to those who have passed examinations pursuant to this Chapter.

CHAPTER - VI

Recognition of Professional Qualifications

26. **Council to Recognize :** (1) A person, who has passed Chartered Accountancy or equivalent examination and has received training from any foreign accounting body, shall submit an application, in a prescribed format, to the Institute for recognition of such examination and training. The Council shall, upon receipt of such application, make a decision to grant or not to grant recognition to such examination and training.
- (2) Any condition, that the Council deems necessary that the applicant should accomplish before recognition of such examination and training referred to in sub-section (1), shall be notified to the applicant.
- (3) In case of notification of any condition pursuant to sub-section (2), the application for membership of the Institute pursuant to this Act, could be tendered only after accomplishment of such condition.
27. **Recognition of Foreign Institute:** (1) The Council may, with prior approval of His Majesty's Government, grant recognition to foreign accounting bodies and recognize the examinations and training conducted by such accounting bodies.
- (2) The Council shall maintain a list of such recognized foreign accounting bodies as per sub-section (1) and the procedures referred to in Section 26 need not to be followed regarding the recognition of examinations and training provided by the accounting bodies mentioned in such list.

CHAPTER -VII

Certificate of Practice

28. **Certificate of Practice:** (1) Members, willing to carry out audit profession, shall make an application, in a prescribed format, for Certificate of Practice, along with the prescribed fees, to the Institute.
- (2) The Council, provided that the applying member as per sub-section (1), has fulfilled all conditions prescribed by the Council, shall provide a Certificate of Practice, in a prescribed format, to such member.
- (3) The Council shall ensure that the members observe or shall cause to observe conditions prescribed for members holding Certificate of Practice and may prescribe Code of Conduct for such members.
- 28a. **Registration of Auditing Firms:** (1) Members, holding Certificate of Practice and willing to carry on audit business under the name of an accounting firm, shall apply to the Institute, in a prescribed format, for registration of such firm.
- (2) The other procedures relating to the registration of accounting firms shall be as prescribed.
- (3) The Council, after completion of the procedures mentioned in subsection (2), shall issue Certificate of Firm Registration in a prescribed format.
29. **Prohibition to Undertake Audit Business Without a Certificate of Practice:** No one shall be allowed to undertake audit business without a Certificate of Practice.
- Provided that* this section shall not deem to restrain His Majesty's Government to regulate and cause to regulate, under separate arrangement, regarding audit of entities other than companies or commercial establishments registered under Company Act.
30. **Special Provision in Relation to Registered Auditors:** Notwithstanding anything mentioned elsewhere in this Act, the Council, subject to this Act, Regulations and bye-regulations framed under this Act, shall categorize the Registered Auditors existed at the commencement of this section and shall issue Certificate of Practice to carry out audit business as per the provisions of this Act.
- Provided that such Registered Auditors shall not be deprived of the privileges provided under the Auditors' Act, 1974.
- 30a. **Limit of Audit Business :** The limit of audit business, entitled to a Registered Auditor member holding a categorized Certificate of Practice pursuant to Section 30, shall be fixed by His Majesty's Government on recommendation of the Council.
- 30b. **Upgrade of the Class of Certificate of Practice :** The Council, applying the prescribed procedure, may upgrade the class of Certificate of Practice, issued to Registered Auditor members under section 30 .
31. **Matters to be Disclosed in the Report:** The members holding Certificate of Practice shall fully disclose such matters, as prescribed, in their audit report.
32. **Publication of Member List:** The Institute shall, within three months of expiry of each fiscal year, publish a list of members and members holding Certificate of Practice.
33. **Payment of Fees:** Members, Members holding Certificate of Practice and accounting firms registered under section 28 (a) shall pay fees, as prescribed, to the Institute.

CHAPTER -VIII

Conduct

34. **Members to Observe the Conduct:** (1) Members and members holding Certificate of Practice shall fully abide this Act and the Regulations framed under this Act.

(2) Auditing, either in partnership or in collusion in any manner with a person who has not obtained the Certificate of Practice of one's class, is prohibited.

(3) One shall not share or distribute as profit the auditing fees or remuneration with any person other than a member of the Institute; and shall not pay any commission, brokerage etc. out of the professional fees earned to any person or member.

(4) One shall not, directly or indirectly, influence any person by way of fear, threat, terror or enticement in order to secure any professional business.

(5) One shall not disclose or divulge any information and explanations acquired in the course of professional service to any person other than the employer employing him and the person whom he is complied by the law to do so.

(6) Members holding Certificate of Practice shall not certify any financial statement or give report of any type until they or their partner or employee checks and verifies it.

(7) Member holding Certificate of Practice shall, while certifying financial statements or making report thereon of any corporate body in which he or his partner has interest, clearly mention the extent of his or his partner's interest therein.

Provided that being merely a shareholder in a company shall not be deemed to have interest therein.

(8) Member holding Certificate of Practice shall, in order to truly present the financial statement certified by him, clearly indicate all the material facts or any false statements or explanations known to him or to the best of his knowledge.

(9) Members holding Certificate of Practice shall discharge their duties with due care in the course of their profession and shall draw attention of all concerned to all material facts which are or have take place contrary to the prevailing law and do not comply with generally accepted principles of auditing.

(10) Members holding Certificate of Practice shall not base their remuneration as a percentage on the profit or on any other uncertain results.

(11) One shall not knowingly or recklessly mention any false matter in a notice, explanation or statement required under the prevailing law to be provided to any office, department of His Majesty's Government or any organisation.

(12) One shall not perform audit of accounts of any organization where he has served until the elapse of at least three years of his leaving the service.

(13) A member holding Certificate of Practice shall not accept his appointment as an auditor of an organisation without ascertaining that all required procedures for appointment as the auditor under the prevailing law has been duly fulfilled.

(14) One should have obtained sufficient information prior to give audit opinion.

(15) Other matters concerning the conduct to be observed by the members and members holding Certificate of Practice shall be as prescribed.

35. **Complains to be Lodged :** (1) The concerned one may lodge complaint to the Institute against any member or member holding Certificate of Practice for not upholding the conduct mentioned in this Act or the Regulations framed under this Act or for violation of this Act or Regulations framed under this Act.

(2) The Executive Director shall, if he finds convincing information that proves any member or member holding Certificate of Practice is not observing the conduct, submit the proposal along with the related facts to the Council for further action against such member or member holding Certificate of Practice.

CHAPTER - IX

Funds of the Institute

36. **Funds of the Institute:** (1) The Institute shall have a Fund of its own and following income shall be the part of the Fund:-

- (a) Grants received from His Majesty's Government,
- (b) Grants received from international or foreign associations, organisations,

Provided that while acquiring such funds, prior approval of His Majesty's Government shall be obtained.

- (c) Income received from registration of members or issuance of Certificate of Practice,
- (d) Income earned from movable and immovable property of the Institute,
- (e) Income received from other sources.

(2) All money received by the Institute shall be deposited in an account opened in the name of the Institute in any commercial bank of Nepal.

(3) All expenses to be incurred on behalf of the Institute shall be borne out of the Fund referred to in sub-section (1).

Provided that the funds received for any specific purpose shall be used in that purpose only.

(4) The Executive Director shall, under the supervision and control of the Council, make the expenses to be incurred out of the Fund.

(5) The bank accounts of the Fund shall be operated as prescribed by the Council.

37. **Accounts and Audit of the Funds :** (1) The books of accounts, depicting income and expenditure of the Institute, shall be kept in the format as prescribed by the Council.

(2) The books of accounts of the Institute shall be audited by a professional accountant appointed by the Council,

(3) His Majesty's Government may, if it so desires, examine or can get examined the accounts and relevant documents of the Institute at any time.

CHAPTER -X

Provision Relating to Employees

38. **Executive Director:** (1) The Council shall, for the operation of the administrative business of the Institute, appoint any person having experience in accounting profession as the Executive Director.

(2) The term of office of the Executive Director shall be four years, and the Council may, if it so desires, reappoint him.

(3) The Council, in the absence of the Executive Director, may designate any officer level employee of the Institute to act as the Executive Director.

39. **Functions, Duties and Authorities of the Executive Director:** (1) The functions, duties and authorities of the Executive Director shall be as follows:-

- (a) To act as chief executive of the Institute being accountable to the Council,
- (b) To carry out day-to-day administrative business of the Institute,
- (c) To submit annual budget of the Institute to the Council,
- (d) To maintain and cause to be maintained the books of accounts of the Institute,
- (e) To keep in custody of the Members' Register and Register of the Members holding Certificate of Practice and keep it up-to-date.

(2) The Executive Director shall discharge his duties under the control and supervision of the Council.

(3) The functions, duties and powers of the Executive Director, other than those set forth in this Act, shall be as prescribed.

40. **Other Employees of the Institute:** (1) The Council shall appoint employees, subject to the direct control and supervision of the Executive Director, for the Institute as required.

(2) The terms of service, remuneration and other perks of the employees of the Institute shall be as prescribed.

CHAPTER - XI

Punishment

41. **Punishment:** (1) A person, who carries out audit without obtaining a Certificate of Practice, pursuant to this Act, shall be liable of punishment with a penalty of maximum two thousand rupees or with an imprisonment for a maximum period of three months or with both.

(2) A person, who in contravention of Section 6 uses the name or the seal of the Institute or exercises any type of authority bestowed to the Institute, shall be punished with a penalty of one thousand rupees maximum on first conviction, and on any subsequent conviction thereafter, a maximum penalty of five thousand rupees or imprisonment for a maximum period of six months or both.

Provided that this sub-section shall not apply to the organizations or university established under their own legislation or the units within the Institute.

(3) A person, who has not obtained a Certificate of Practice and is proved to have signed any document in capacity of the member holding Certificate of Practice, shall be liable to punishment with a penalty up to two thousand rupees or imprisonment for a period of up to three months or both.

(4) A member, who commits any act contrary to the provisions of this Act or Regulations framed under this Act other than the provisions of this section, shall be suspended for a maximum period of five years and shall be liable of punishment with a maximum penalty of two thousand rupees or imprisonment for a maximum period of three months or both.

(5) A complainant who lodges a complaint, without any reasonable cause to make complaint and it is proved that the complaint was made with an intention to harass a member, shall be liable to punishment with fine up to one thousand rupees.

(6) The complain cases, except those to be heard under Section 14, lodged in the Council against any member, pursuant to Section 35, shall be instituted in the concerned Appellate Court.

CHAPTER - XII

Miscellaneous

42. **Constitution of an Ad-Hoc Committee:** (1) Notwithstanding anything contained elsewhere in this Act, an Ad-hoc Council shall, until inception of the Council pursuant to Section 7, shall be constituted comprising the following members in order to register the persons having qualifications and are desirous of becoming members of the Institute and to issue the Certificate of Membership and to elect the Council members as representative to the Council from amongst the members:-

- | | | |
|-----|--|-------------------|
| (a) | President, Association of Chartered Accountants
of Nepal | -Chairman |
| (b) | Three persons nominated by His Majesty's
Government from amongst the registered
auditors registered as auditors pursuant to the
Auditors' Act, 1974 | -Member |
| (c) | A Gazetted First Class Officer designated by
His Majesty's Government | -Member-Secretary |

(2) The Ad-hoc Council, constituted pursuant to sub-section (1), shall held an election of Council members from amongst the members within 6 months of the date of commencement of this Act.

(3) The Ad-hoc Council, constituted pursuant to sub-section (1), may itself determine the procedures of its meeting and other modus operandi.

(4) The Ad-hoc Council, constituted pursuant to sub-section (1), shall *ipso facto* be dissolved upon constitution of the Council pursuant to Section 7. After the Ad-hoc Council is so dissolved, all the business and acts performed by the Ad-hoc Council on behalf of the Council shall be deemed as if they were performed by the Council itself.

43. **Protection in Favor of Acts Done in Good Faith:** No Council Member or Committee member or the Executive Director or any employee of the Institute shall personally be liable for any acts and actions done by him in good faith in consonance with this Act or the Regulations framed under this Act.

44. **Delegation of Authority:** (1) The Council may, as per necessity, delegate any or all of its authority pursuant to this Act to a Committee or the Executive Director.

(2) Pursuant to this Act, any official may delegate, subject to his general supervision, any authority bestowed upon him to an officer level subordinate.

45. **Authority to Issue Directives:** (1) His Majesty's Government may issue directives, as per necessity, to the Council on the businesses and actions of the Institute.

(2) The Auditor General may issue directives to the Council in regards to the development, protection and promotion of accounting profession.

(3) It shall be the duty of the Council to execute the directives issued by His Majesty's Government or the Auditor General pursuant to sub-section (1) or (2).

46. **Contact With His Majesty's Government:** The Institute shall, through the Ministry of Finance, make contact with His Majesty's Government,

47. **Authority to Frame Regulations and Byelaws :** (1) The Council may, for the purpose of achieving the objective of this Act, frame necessary Regulations.

(2) Notwithstanding anything contained in sub-section (1), in the circumstance where the Council is not constituted pursuant to Section 7, the Ad-hoc Council, constituted pursuant to Section 42, may make necessary Regulations for the purpose of issuing Certificates of Membership and election of the Council members.

(3) The Regulations framed pursuant to sub-sections (1) and (2) shall come into force on the approval of His Majesty's Government.

(4) The Regulations framed by the Ad-hoc Council pursuant to sub-section (2) shall, *ipso facto*, be ineffective once the Regulations framed by the Council pursuant to sub-section (1) comes into force.

48. **Authority to formulate Bye-laws:** The Council may, with the approval of His Majesty's Government, draw up bye-laws, subject to this Act and the Regulations framed under this Act, for the operation of day-to-day business of the Institute.

49. **Repeal and Protection:** (1) The Auditors' Act, 1974 is hereby repealed.

(2) In case, an auditor recognised by the Office of the Auditor General is recognised by any prevailing law as an auditor for the purpose of that law, such

recognised auditor shall, after the commencement of this Act, be deemed as the member holding Certificate of Practice referred to in this Act.

Preamble: Whereas, it is expedient to amend the Nepal Chartered Accountants Act, 2053,

The Parliament, in the 1st year of the reign of His Majesty the King Gyanendra Bir Bikram Shah Dev, has enacted this Act.

1. Short Title and Commencement: (1) This Act may be called (the) Nepal Chartered Accountants (First Amendment) Act , 2058 (2001).

(2) This Act shall come into force immediately.

2. Amendment in Section 2 of the Nepal Chartered Accountants Act, 2053 : In Section 2 of the Nepal Chartered Accountants Act, 2053 (1997) (hereafter, called the Main Act) :

(1) Words "who has passed the Chartered Accountancy or equivalent examination held by the Institute or from any other recognized foreign Chartered Accountant Institute" of clause (h) have been replaced by the words "who has obtained membership pursuant to Section 16 sub-section (2)".

(2) Clause (h1) has been added after the clause (h):

"(h1) Fellow Chartered Accountants (F.C.A.)" means a member having obtained the membership of the Institute pursuant to Section 17.

(3) Clause (j) has been replaced by following clause (j):

"(j) "Certificate of Practice (COP)" means the certificate issued, pursuant to Section 28, to render accounting profession as business."

(4) Following clauses (j1),(j2),(j3), (j4), (j5) and (j6) have been added after the clause (j) :

"(j1) "Audit" means the audit service rendered under the provisions of the existing legislation, provided by a members holding Certificate of Practice, .

(j2) "Foreign Accounting Body" means a national level Chartered Accountant Institute or equivalent accounting body having full legal authority to regulate the public accounting profession in any foreign country.

(j3) "Accounting Standards Board" means the Accounting Standards Board constituted under Section 15a.

(j4) "Standards on Auditing Board" means the Standards on Auditing Board constituted under Section 15d.

(j5) "Accounting Standards" means the accounting standards including directives and explanations prepared or recommended by the Accounting Standards Board in order to govern and regulate accounting profession and financial reporting system..

(j6) "Standards on Auditing" means the standards on auditing including directives and explanations prepared or recommended by the Standards on Auditing Board in

order to govern and regulate accounting profession and auditing.

3. Amendment in Section 5 of the Main Act : In the Section 5 of the Main Act :-
 - (1) Words of clause (b) "and members" have been deleted.
 - (2) Words of clause (c) "and members" have been deleted.
4. Amendment in Section 7 of the Main Act : Clauses (a) and (b) of Section 7 Sub-section (3) of the Main Act have been replaced by following Clauses (a) and (b) :-
 - "(a) Ten persons elected by and amongst CA members - Member
 - (b) Four persons elected by and amongst RA members - Member"
5. Amendment in Section 11 of the Main Act : In the Section 11 of the Main Act :
 - (1) The number "1" from Section Title has been deleted.
 - (2) Words "accounting professionals" of clause (b) have been replaced by the words "Members having Certificate of Practice".
 - (3) Clause (h) has been replaced by the following clause (h) :
 - "(h) To issue Certificates of Practice to members willing to carry on accounting profession."
 - (4) Words "accounting professional" repeatedly mentioned in Clauses (j) and (k) have been replaced by the words "Members having Certificate of Practice".
 - (5) Clause (m) has been replaced by the following clause (m) :
 - "(m) To monitor and regulate so as to ensure the compliance of Accounting Standards and Standards on Auditing developed or recommended by Accounting Standards Board and Standards on Auditing Board".
 - (6) Clauses (x1) and (x2) have been added after clause (x) :
 - "(x1) To install the mechanism of providing Continued Professional Education (CPE) to the members.
 - (x2) To develop education system to produce Accounting Technicians and undertake other necessary actions in this regard".
6. Amendment in Section 13 of the Main Act : Words "this section" of Section 13 Sub-section (4) of the Main Act have been replaced by the words "sub-section (1)".
7. Amendment in Section 14 of the Main Act : In Section 14 of the Main Act :
 - (1) Words "or accounting professional" have been deleted from Sub-section (1) and words "actions have taken place" from same sub-section have been replaced by the words "actions rendered".
 - (2) Words "or accounting professional" referred in various places of sub-section (5) have been deleted and words "accounting professional" mentioned in clause (d) of same sub-section have been replaced by the words "Certificate of Practice".
 - (3) Words "accounting professionals or" from sub-section (7) have been deleted.

- (4) Words "or accounting professionals" from sub-section (8) have been deleted.
- 8 Addition of Chapter 3a and 3b in Main Act : Following Chapter 3a and 3b have been added after Chapter 3 of the Main Act.

"Chapter 3a

Accounting Standards Boards

15a. Constitution of Accounting Standards Board : (1) His Majesty's Government, in order to govern and regulate financial reporting and accounting profession, shall constitute Accounting Standards Board.

(2) The Accounting Standards Board shall comprise of following members :

- (a) One FCA member nominated by His Majesty's Government - Chairman
- (b) Representative, Ministry of Finance - member
- (c) Representative, Office of the Auditor General - member
- (d) Representative, Office of the Comptroller General - member
- (e) Company Registrar, Company Registrar's Office - member
- (f) Director General, Department of Inland Revenue - member
- (g) Chairman, Securities Board/Nepal - member
- (h) Five Chartered Accountants nominated by His Majesty's Government on recommendation of the Council - member
- (i) One Registered Auditor nominated by His Majesty's Government on recommendation of the Council - member

(3) The Accounting Standards Board, if deems necessary, may invite concerned expert to participate in the meeting as an observer.

(4) The tenure of members as per clause (a), (h) and (i) shall be of three years and shall be eligible for re-appointment on expiry of their tenure.

(5) The business procedure of Accounting Standards Board shall be as prescribed by the Accounting Standards Board itself.

(6) The Secretariat of Accounting Standards Board shall be stationed in the Head Office of the Institute.

15b Rights and Duties of Board : The rights and duties of Accounting Standards Board shall be as follows :

- (a) To develop accounting standards, on the basis of relevant International Accounting Standards, in order to govern and regulate financial reporting and accounting profession,

- (b) To evolve appropriate process of development of accounting standards and publish material related to accounting standards,
 - (c) To redraft, improvise and revise standards,
 - (d) To interpret the standards,
 - (e) To undertake other related tasks related to accounting standards.
- 15c. Seat not to retain : The seat of any member of Accounting Standards Board shall not be retained on any of following conditions :
- (a) if resigned,
 - (b) if remained absent for three consecutive board meeting without any information,
 - (c) if convicted and penalized by the court in a criminal offense,
 - (d) if declared insane,
 - (e) if declared insolvent,
 - (f) if dead,
 - (g) in case of members of the Institute, if the name is removed from the Membership Register pursuant to Section 22 of the Act.

Chapter 3b

Standards on Auditing Board

- 15d. Constitution of Standards on Auditing Board : (1) His Majesty's Government, in order to govern and regulate accounting and auditing profession, shall constitute Standards on Auditing Board.
- (2) The Standards on Auditing Board shall comprise of following members :
- (a) One FCA member nominated by His Majesty's Government - Chairman
 - (b) Representative, Ministry of Finance - member
 - (c) Representative, Office of the Auditor General - member
 - (d) Three Chartered Accountants nominated by His Majesty's Government on recommendation of the Council - member
 - (e) One Registered Auditor nominated by His Majesty's Government on recommendation of the Council - member
- (3) The Standards on Auditing Board, if deems necessary, may invite concerned experts to participate in the meeting as observer.

(4) The tenure of members as per clause (a), (d) and (e) shall be of three years and shall be eligible for re-appointment on expiry of their tenure.

(5) The business procedure of Standards on Auditing Board shall be as prescribed by the Standards on Auditing Board itself.

(6) The Secretariat of Standards on Auditing Board shall be stationed in the Head Office of the Institute.

15e Rights and Duties of Standards on Auditing Board : The rights and duties of Standards on Auditing Board shall be as follows :

- (a) To develop Standards on Auditing, on the basis of relevant International Standards on Auditing, in order to govern and regulate accounting and auditing profession,
- (b) To evolve appropriate process of development of Standards on Auditing and publish material related to Standards on Auditing,
- (c) To redraft, improvise and revise Standards on Auditing,
- (d) To interpret the Standards on Auditing,
- (e) To undertake other related tasks related to Standards on Auditing.

15f. Seat not to retain : The seat of any member of Standards on Auditing Board shall not be retained on any of following conditions :

- (a) if resigned,
- (b) if remained absent for three consecutive board meetings without any information,
- (c) if convicted and penalized by the court in a criminal offense,
- (d) if declared insane,
- (e) if declared insolvent,
- (f) if dead,
- (g) in case of members of the Institute, if the name is removed from the Membership Register pursuant to Section 22 of the Act."

9 Amendment in Section 16 of the Main Act : Section 16 of the Main Act has been replaced by following Section 16 :

"16 **Membership of the Institute:** (1) The membership of the Institute shall be classified into following classes:-

- (a) The Chartered Accountant, and
- (b) The Registered Auditor.

(2) The membership of Chartered Accountant shall, subject to Section 18, be provided to a person who:-

- (c) Has, on the date of commencement of this sub-section, obtained the certificate of Registered Auditor of class 'A' pursuant to the

Auditors' Act, 1974 or of class 'B' on the basis of qualification of Chartered Accountant,

- (d) Has passed Chartered Accountancy or equivalent course from the Institute or other foreign accounting bodies recognized by the Institute and has received practical training relating to accounting profession.

(3) Subject to Section 18, Membership of Registered Auditor shall be granted, on the date of commencement of this sub-section, to a person holding audit license of class 'B', 'C' or 'D' acquired under the provisions of Auditor's Act, 1974.

10. Amendment in Section 17 of the Main Act : Section 17 of the Main Act has been replaced by following Section 17 :

"17 **Fellow Chartered Accountant (FCA)** : Fellow Chartered Accountant (FCA) membership may be provided to the following members :

- (a) Members with class 'A' Registered Auditor Certificate acquired under the provisions of Auditor's Act, 1974 at the time of commencement of this Section,
- (b) Chartered Accountant members engaged in the accounting profession for at least five years.

11. Amendment in Section 18 of the Main Act : Clause (c) has been deleted from the Main Act.

12. Amendment in Section 19 of the Main Act : The Sub-section (3) of Section 19 has been replaced by the following Sub-section (3) :

"(3) A person, qualified to be a member pursuant to sub-section (3) of Section 16, if wishes to have his name registered as a member of the Institute, shall submit an application within six months of the date of commencement and date of notification of such commencement in Nepal Gazette by His Majesty's Government, of Sections 29 and 49 of this Act. A person, failing to submit such application within that period, shall not be entitled to obtain membership referred to in this Act."

13. Amendment in Section 24 of the Main Act : Words "or an Accounting Technician" have been added after the words "a Professional Accountant" in Sub-sections (1) and (4) of Section 24 of the Main Act.

14. Amendment in Section 26 of the Main Act : In Section 26 of the Main Act :

- (1) Sub-section (1) has been replaced by following Sub-section (1) :

"(1) A person, who has passed chartered accountancy or equivalent examination and has received professional training from any foreign accounting body, shall submit an application, in a prescribed format, to the Institute for recognition of such examination and training. The Council shall, upon receipt of such application, make a decision to grant or not to grant recognition to such examination and training."

- (2) The word "or" has been replaced by the word "and" in Sub-section (2).

15. Amendment in Section 27 of the Main Act : Section 27 of the Main Act has been replaced by following Section 27 :

- "27 Recognition of Foreign Accounting Body: (1) The Council may, with prior approval of His Majesty's Government, grant recognition to foreign accounting bodies and recognize the examinations and training conducted by such accounting bodies.
- (2) The Council shall maintain a list of such recognized foreign accounting bodies as per sub-section (1) and the procedures referred to in Section 26 need not to be followed regarding the recognition of examinations and training provided by the accounting bodies mentioned in such list.
- 16 Amendment in Chapter 7 of the Main Act : Words "Certificate of Accounting Profession" mentioned in heading of Chapter 7 of the Main Act has replaced by the words "Certificate of Practice".
17. Amendment in Section 28 of the Main Act : Section 28 of the Main Act has been replaced by following Section 28.
- "28 Certificate of Practice: (1) Members, willing to carry out audit profession, shall make an application, in a prescribed format, for Certificate of Practice, along with the prescribed fees, to the Institute.
- (2) The Council, provided that the applying member as per sub-section (1), has fulfilled all conditions prescribed by the Council, shall provide a Certificate of Practice, in a prescribed format, to such member.
- (3) The Council shall ensure that the members observe or shall cause to observe conditions prescribed for members holding Certificate of Practice and may prescribe Code of Conduct for such members."
- 18 Section 28a added in the Main Act : Following Section 28a has been added after Section 28 of the Main Act.
- " 28a Registration of Audit Firms: (1) Members, holding Certificate of Practice and willing to carry on audit business under the name of an accounting firm, shall apply to the Institute, in a prescribed format, for registration of such firm.
- (2) The other procedures relating to the registration of accounting firms shall be as prescribed.
- (3) The Council, after completion of the procedures mentioned in subsection (2), shall issue Certificate of Firm Registration in a prescribed format.
- 19 Amendment in Section 29 of the Main Act : Section 29 of the Main Act has been replaced by following Section 29.
- "29 Prohibition to engage in audit business: No one shall be allowed to undertake audit business without a Certificate of Practice.
- Provided that* this section shall not deem to restrain His Majesty's Government to regulate and cause to regulate, under separate arrangement, regarding audit of entities other than companies or commercial establishments registered under Company Act.
- 20 Amendment in Section 30 of the Main Act : Section 30 of the Main Act has been replaced by following Section 30 :
- "30 Special Provision in Relation to Registered Auditors : Notwithstanding to anything mentioned elsewhere in this Act, the Council shall categorize and issue Certificate of Practice, subject to this Act and Regulations framed under this

Act, to the Registered Auditors existing at the date of enforcement of this Section.

Provided that such Registered Auditors shall not be deprived of privileges entitled to them under the Auditors' Act, 1974.

21 Section 30a and 30b added after Section 30 of the Main Act : Following Sections 30a and 30b have been added after Section 30 of the Main Act.

"30a. Limit of Audit Business : The limit of audit business, entitled to a Registered Auditor member holding a classified Certificate of Practice, pursuant to Section 30, shall be as fixed by the Council on prior approval of His Majesty's Government.

30b. Upgrade of the Class of Certificate of Practice : The Council, under a prescribed procedure, may upgrade the class of Certificate of Practice any Registered Auditor member."

22 Amendment in Section 31 of the Main Act : Words "Accounting Professionals" mentioned in Section 31 of the Main Act have been replaced by the words "Members holding Certificate of Practice".

23 Amendment in Section 32 of the Main Act : Words "Accounting Professionals" have been replaced by the words "Members holding Certificate of Practice"

24 Amendment in Section 33 of the Main Act : Section 33 of the Main Act has been replaced by following Section 33 :

"33 Payment of Fees : Members, Members holding Certificate of Practice and the accounting firms registered under section 28 (a) shall pay fees, as prescribed, to the Institute."

25 Amendment in Section 34 of the Main Act : Words "Accounting Professional" mentioned in Section 34 of the Main Act has been replaced by the words "Members holding Certificate of Practice".

26 Amendment in Section 35 of the Main Act : Words "Members or Accounting Professionals" and "Accounting Professionals" mentioned in various places of Section 35 of the Main Act have been replaced by the words "Members holding Certificate of Practice".

27 Amendment in Section 39 of the Main Act : Words "Administrative Officer of the Council" mentioned in the clause (a) Sub-section (1) of Section 39 of the Main Act have been replaced by the words "Chief Executive of the Institute" and the words "Accounting Professionals" mentioned in the clause (d) of same sub-section have been replaced by the words "Members holding Certificate of Practice".

28 Amendment in Section 41 of the Main Act : In Section 41 of the Main Act :

(1) Words "Certificate of Accounting Practices" of Sub-section (1) have been replaced by the words ""Certificate of Practice" and words "Accounting Practices" mentioned in the same Sub-section have been replaced by the words "Audit".

(2) Words "Certificate of Accounting Practices" in Sub-section (3) have been replaced by the words "Certificate of Practice" and words "Accounting Professionals" in the same sub-section have been replaced by the words "Members holding Certificate of Practice".

- 29 Amendment in Section 49 of the Main Act : Words "Accounting Professionals" mentioned in Section 49 of the Main Act have been replaced by the words" Members holding Certificate of Practice".
- 30 Conversion : Following words used in various places in the Main Act have been converted into the following words :
- (1) "Executive Director" instead of "Secretary"
 - (2) "Fellow Chartered Accountant" instead of "Senior Chartered Accountant"
 - (3) "Certificate of Practice" instead of "Practice Certificate", "Certificate of Accounting Profession" and "Certificate of Accounting Practices"

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Part 3

His Majesty's Government

Notification of Ministry of Finance

Notice no 1

His Majesty's Government, exercising the authority of Section 1 subsection (2) of the Nepal Chartered Accountants Act, 1997, has promulgated the enforcement of Section 29 and 49 of the same Act to be effective from 17th July 2002.

Notice no 2

His Majesty's Government, for the purpose of Section 29 of the Nepal Chartered Accountants Act, 1997, has commissioned the Institute of Chartered Accountants of Nepal to regulate, through the procedures mentioned below, regarding other audit except the audit of company or commercial establishments registered under Company Act.

1. Prepare curriculum of Accounting Technician,
2. Conduct examination of Accounting Technician at least once a year,
3. Issue certificate to those passing the examination of Accounting Technician,
4. Impart appropriate training to Accounting Technicians,
5. Regulate the Accounting Technicians with necessary code of conduct and disciplinary actions,
6. Develop appropriate procedure and execute, by itself or through other institutions, the above mentioned functions.

By the order,

Dr. Bimal Prasad Koirala
Secretary of His Majesty's
Government