INDIA: STRENGTHENING TEACHING-LEARNING AND RESULTS FOR STATES (STARS) {P166868}
(Program-for-Results)
Fiscal Year 2020-2025

Fiduciary Systems Assessment

DRAFT
October 17, 2019

The World Bank
South Asia Region
# Table of Contents

Section 1: Conclusions, Risk and Scope ........................................................................................................... 3

Section 2. Program Institutional Arrangements .................................................................................................. 5

Section 3: Review of Program Fiduciary Systems .............................................................................................. 8

1. Use of Country Systems .............................................................................................................................. 8
2. Budgeting and Planning ............................................................................................................................... 9
3. Treasury Management and Fund Flows ......................................................................................................... 13
4. Accounting and Financial Reporting: ......................................................................................................... 16
5. Procurement processes and procedures. ....................................................................................................... 16
6. Internal Controls (including Internal Audit) ................................................................................................ 25
7. External Audits ............................................................................................................................................ 25
8. Procurement and Financial Management Capacity .................................................................................... 26
9. Disbursement Arrangements ....................................................................................................................... 26

Section 4: Program FM Systems and Capacity Improvements ........................................................................ 27

Section 5: FM Implementation Support .......................................................................................................... 29
Section 1: Conclusions, Scope and Risk

1.1 The Integrated Fiduciary System Assessment (IFSA) of the arrangements under the PforR Program concludes that the present systems together with proposed mitigation measures will provide reasonable assurance that financing proceeds will be used for the intended purpose, with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability. The IFSA followed the World Bank’s Policy for PforR and the related Directives, identified key fiduciary risks that may affect the Program’s development outcomes and recommended system improvement and capacity strengthening mitigation measures that will be implemented during the life of the program.

1.2 The STARS Program is carved out of the Government’s Samagra Shiksha Abhiyan program. Samagra Shiksha (SS) is the overarching programme launched by the Government of India through the budget 2018-19 to treat School Education as a continuum from pre-school, primary, upper primary, secondary to senior secondary levels and subsumes the earlier three schemes of Sarva Shiksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and Teacher Education (TE). The salient features of the STARS Program are: the Program uses the Department of School Education and Literacy (DoSE&L), GoI and the six Participating State’s (PSs) own procurement and financial management systems; the Program seeks to strengthen some of these systems; and the number of contracts and the value of expenditure under the Program is relatively small when compared to the scale of the government’s ongoing national Samagra Shiksha (SS) Abhiyan program and other operations of MHRD at GoI and the six PS.

1.3 The IFSA covered FM, Procurement, and Fraud & Corruption (F&C) aspects. The IFSA was conducted in accordance with the principles governing PforR Programs as set out in the World Bank’s internal guidelines. The assessment covered in addition to DoSE&L-GoI, a sample of nodal/ program implementing departments/agencies of the designated participating states (of the State of Odisha, Rajasthan, Himachal Pradesh and Kerala) and desk review of all PS. The nodal departments/agencies forming part of the sample field visits are considered representative of the spectrum of institutional capacities and implementation arrangements. Further, the assessment of Program fiduciary systems integrates findings in three areas:

- The **financial management systems** were assessed to determine the degree to which the relevant planning, budgeting, accounting, internal controls, funds flow, financial reporting and auditing arrangements provide a reasonable assurance on the appropriate use of program funds and safeguarding of its assets;
- The **procurement systems** were assessed to determine the degree to which the planning, bidding, evaluation, contract award and contract administration arrangements and practices provide a reasonable assurance that the program will achieve intended results through its procurement processes and procedures; and
- The program was also assessed in how its **governance systems** handle the risks of fraud and corruption, including the use of complaint mechanisms, and how such risks are managed and mitigated in light of the government’s commitments under the Guidelines on Preventing and Combating Fraud and Corruption in PforR Financing (Anti-Corruption Guidelines or ACGs).

---

1 School education in India can be viewed as a step by step approach starting from National Policy on Education in 1986. Samagra Shiksha (SS) is introduced to treat ‘School Education’ as a continuum from pre-school, primary, upper primary, secondary to senior secondary levels to improve opportunities of schooling and learning outcomes.

2 Both Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA) were supported by the World Bank for over a decade.

3 Participating States (PS) are Maharashtra, Odisha, Madhya Pradesh, Kerala, Himachal Pradesh and Rajasthan.
1.4 The fiduciary risks are considered ‘Substantial’. The IFSA reviewed the existence and adequacy of existing rules, policies, and procedures and the extent of their implementation in gaining assurance that the Program objectives shall be met. The years of school education program (SSA, RMSA & TE) have resulted in constant strengthening of systems and procedures. However, considering the multiplicity of spending/executing agencies (States, Districts and Sub-district levels) and diverse capacity across these agencies, there are persistent implementation challenges. The main challenges lie in further strengthening PFM arrangements to make them more efficient and improving compliance with rules and regulations thereby strengthening accountability. The key areas identified under IFSA for focused attention in short/medium term are:

i. Strengthened planning to enhance budgetary and fund flow efficiency to strengthen service delivery. A wide divergence between approved AWP&B, GoI’s program budget and actual expenditure at states has been a recurrent theme. Substantial gap between approved AWP&B and annual actual expenditures may be a resultant of multiple PFM bottlenecks (planning, budgeting and fund flow arrangements) with probable impact on the expenditure efficiency under the program. An operational review of program planning (in sample states) is required to assess the impact of these gaps on programme activities and to identify counteractive actions that may be taken to address the mismatch between budget, actual releases and final expenditures.

ii. Enhance Internal Audit function to strengthen systemic bottlenecks effecting service delivery. While system of internal audit is present in all states, there remains lack of adequate focused review by way of internal audit system. In the majority of States, it is either: (i) not commensurate with the size of operations; (ii) conducted with delay; or (iii) the observations are not complied with on time. As significant reliance is placed on the existing internal controls at the IAs, effective regular internal audit is a desired tool for fiduciary assurance. The States, under guidance of MHRD should develop risk based, thematic area focused Internal Audit approach, with well-defined roadmap for compliance.

iii. Large vacancies in financial management staffing at sub-district level needs to be addressed to improve downstream financial management and controls: On an average, states are functioning at approximately 70% of the sanctioned strength. There is a probable risk of inadequate accounting functions or inappropriate utilization of technical resources through additional charge for finance function. States to reassess sanctioned positions and roll-back vacancies, as required. The finalized vacancies to be filled in a time-bound manner with professionally competent personnel. Hence, the States to assess the vacancies and prepare a time-bound plan for addressing the same.

iv. Enhanced transparency at sub-district level to support effective utilization of program funds: The sub-district level continues to maintain manual books of accounts with persistent delays and internal control issues. As a way forward, Public Financial Management System (PFMS) should be used to transfer funds till the school level and the utilization certificates (forming basis for accounting at sub-district level) should be generated through PFMS.

v. Effective integration of books of accounts of SSA, RMSA and TA to support precision of financial data. Samagrah Shiksha, an amalgamation of SSA, RMSA and TA is implemented from FY 2018-19. The books of accounts of the three schemes are in the process of integration. It is imperative that a single set of accounting books are prepared under the converged program. Further, in-order to ensure precision of accounting information flowing out of the converged accounts, it is imperatively that the statutory audit observations highlighted in the past under the individual schemes are adequately addressed/resolved. The World Bank will provide technical support using Program funds allocated for training activities to develop and implement good practices to strengthen the FM systems.

1.5 Procurement exclusions: Under the Program, none of the proposed procurement contracts are anticipated to be above the Operations Procurement Review Committee (OPRC) threshold (US$75 million
for works, US$50 million for goods and non-consulting services, and US$20 million for consultant services), which are based on a “substantial” risk rating.

Section 2: Institutional Framework for Program Implementation

2.1 Institutional arrangements for Program activities will follow the existing schema for implementing SS by the GoI and the six PSs and is reliant on the use of country systems. The Samagra Shiksha programme is implemented as a Centrally Sponsored Scheme (CSS)\(^4\) by Department of School Education and Literacy (DoSE&L) under the Ministry of Human Resource Development (MHRD) and routed through a single State Implementation Society (SIS) at the State level. It is a pan India program and is implemented in all the 36 states. **STARS Program, which is conceptualized as a focused intervention to support school education enhancement under the existing framework of implementation of SS will be executed by the DoSE&L, GoI and the 6 PSs namely, Odisha, Maharashtra, Rajasthan, Himachal Pradesh, Madhya Pradesh and Kerala.**

2.2 Fiduciary arrangements for SS are laid out in the Manual for Financial Management and Procurement (FMP)\(^5\) for Samagra Shiksha Scheme. With a view to provide guidance and uniformity in respect of mode of release and utilization of funds, budgeting and financial reporting, accounting and auditing requirements and procurement procedures etc under the scheme, MHRD has developed a FMP manual for the use of the States/ UT governments and implementing agencies. Hence, the FMP manual establishes a broader uniformity in the implementation fiduciary arrangements across States. **The STARS program will also follow the principals laid out in the manual.**

2.3 The Program will be implemented by the GoI and the 6 PSs through their respective nodal departments/ agencies implementing Samagra Shiksa. DoSE&L will play the role of Program Management Unit (PMU). Activities proposed for implementation by the PSs will be executed by the State Implementing Society (SIS) with the support of district/sub-district offices/ agencies, as applicable, following the arrangements established for implementing Samag Shiksha at the respective State level. **Each of the Program implementing SIS will be responsible for the entire PFM cycle of planning, budgeting, budget execution, procurement, accounting/payments, and auditing for their respective PS.**

2.4 Centre, GoI Level arrangements: Samagra Shiksha is governed at the Centre by a Governing Council chaired by the Minister of Human Resource Development, a Project Approval Board, and the Bureau of School Education. The Governing Council provides policy direction and facilitates center-state coordination, while the PAB, chaired by the Secretary, School Education and Literacy, MHRD, maintains full financial power to approve state plans, sanction budgets, and implement the program. The Bureau of School Education chaired by the Additional/Joint Secretary, School Education & Literacy, appraises, evaluates, finances, and supervises national, state, and district level planned interventions.

2.5 State Level arrangements: At the State level, the scheme is implemented through the State Implementation Society (SIS) that is accountable to a Governing Council, headed by the Chief Minister/State Education Minister and an Executive Committee, chaired by the Chief Secretary/Commissioner/Education Secretary of the State/UT. Representation of Finance and Planning Departments on the Governing Council and Executive Committee resolves issues of coordination and convergence and facilitates better decision making. The SIS, through the State Project Office and State

---

\(^4\) Centrally Sponsored Schemes (CSS) are schemes that are implemented by state governments of India but are largely funded by the Central Government with a defined State Government share.

\(^5\) Wide letter dated September 12, 2018, MHRD has issued FMP manual for the converged Samagra Shiksha Abhiyan. The manual is developed on the lines of the existing FMP manuals of SSA and RMSA. Web link: [http://samagra.mhrd.gov.in/docs/FMP.pdf](http://samagra.mhrd.gov.in/docs/FMP.pdf)
Project Director, establishes linkages with district and sub-district level structures, NGOs, state government, national bureau, and other concerned stakeholders, and is also responsible for effective monitoring and training and capacity building of personnel. Additionally, the SIS is underpinned by a high level of interdepartmental convergence including coordination with the Department of Finance, Public Works Department, Department of Science and Technology, Programmes for Water and Sanitation, Department for Women and Child Development, and others. Other state level bodies that comprise the administrative structure and provide technical and academic input at the state level are State Council of Educational Research and Training (SCERT), State Institute of Educational Management and Training (SIEMAT), and TSG of the SIS.

2.6 District Level arrangements: At the District level, the District Project Office is responsible for implementing and reviewing the progress of the program. Depending on the State, it is chaired by the District Collector/Magistrate/Chief Executive Officer of the Zilla Parishad. The District Project Office is headed by the District Education Officer (DEO) and comprises representatives from the district education departments, NGOs, as well as technical specialists. The DEO, who also performs the duties of the District Project Coordinator (DPC), is responsible for preparing Annual Work Plans and Budgets (AWP&B), liaising with the District Institute of Education and Training (DIET) to jointly oversee the function of the Block Resource Centres (BRCs) and Cluster Resource Centres (CRCs), monitoring progress and status of project implementation, and ensuring regular trainings of teachers/school heads, School Management Committee (SMCs)/School Management and Development Committee (SMDC) members, BRCs and CRCs.

2.7 Block level arrangements: At the Block Level, the administrative structure is headed by the Block Education Officer (BEO) who is responsible for facilitating the creation of a School Development Plan in coordination with the block/cluster resource persons, SMCs/SMDC, headmasters, teachers, etc. Additionally, the BEO is responsible for capacity building, academic supervision and onsite support to field level functionaries, and monitoring implementation at the grassroots level through close interaction with field level officers and providing information to the District Project Office. BRCs and CRCs provide academic support at the block and cluster levels, respectively and SMCs/SMDCs, comprising of members from the local authority, parents, and teachers, assist with school-level monitoring and implementation through community mobilization, preparing school development plans, conducting Social Audits, and monitoring students’ and teachers’ attendance.

2.8 At the central level, a PMU/TSU has been established in the DoSE&L, GoI to support implementation of the STARS Program which will be adequately staffed with key technical and operational specialists, including Financial Management and Procurement specialists. It will be responsible for Program planning and coordination across the six PSs; FM and procurement of central government activities, including consolidation of financial information at the national level; monitoring of social and environmental aspects; monitoring and evaluation and communications. The Central PMU will also provide support to the state implementing agencies in building requisite capacity in these areas as relevant or needed.

2.9 PS level Program Nodal Department and agency: The table 1 below summarizes the broad implementation structure at the five PS. The detailed structure is summarized subsequently for the sample states.

<table>
<thead>
<tr>
<th>Participating State</th>
<th>Nodal State Department</th>
<th>Implementing Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Odisha</td>
<td>School and Mass Education (S&amp;ME) department</td>
<td>Odisha School Education Program Authority (OSEPA)</td>
</tr>
<tr>
<td>Kerala</td>
<td>General Education Department</td>
<td>Samagra Shiksha State Implementation Society</td>
</tr>
</tbody>
</table>
2.10 Status of Integration under Samagra: On 28 March 2018 Cabinet Committee of Economic Affairs (CCEA) approved an Integrated Scheme for School Education as a Centrally Sponsored Scheme (CSS), called Samagra. Samagra Shiksha reorganizes the existing parallel management structures of the SSA, RMSA and TA into a unified structure and administrative mechanism, pooling together existing and additional personnel at national, state, district and sub-district level. FY 2018-19, was the first year of convergence. While detailed guidelines have been issued by MHRD at the center, the states still continues to work to assesses the requirements and develop plans, procedures and guidelines to improve convergence under Samagra Shiksha Abhiyan.

2.11 At the PS level the integration under Samagra scheme is yet to be fully effective. This may have an impact on the integrated effectiveness to improve service delivery, which is the vision under Samagra. The PS are at various stages of integration, summarized as under:

- **Odisha**: The OSEPA stands registered as a society under Indian Society Registration Act. Physical relocation of staff of RMSA and SSA at state and district/sub-district level is envisaged to completed by October 2019. As part of functional integration at district level, the post of District Education Officer (DEO) and District Coordinator is planned to be merged. Delegation of power under the converged program has been approved by the Executive Committee. Single bank account has been opened for management of funds under Samagra Shiksha.
- **Rajasthan**: Orders for administrative changes for integration at state office and districts were issued on 24 May 2018 and 8 August 2018 respectively. Registration of integrated society is envisaged to be completed by November 2019. The State is in the process of drafting integrated rules and functions at departmental level.
- **Madhya Pradesh**: Integrated Society was registered on 11 April 2019. Rules and regulations of the society have been approved. The society has three wings: SSA, RMSA and TE. Convergence of human resource is under process and a proposal has been submitted to government. Some new positions are expected to be identified, but new posts will not be created. Posts of DPC of SSA and DEO RMSA have been merged.
- **Himachal Pradesh**: The states already functioned under single society. SSA and RMSA wings were integrated into Samagra Shiksha by notification dated 28 April 2018. District Committees for SSA and RMSA were merged as per notification dated 18 March 2019.
- **Maharashtra**: Integrated society has been formed, Maharashtra Prathmik Shiksha Parishad (MPSP) will implement the Integrated Scheme of School Education in the state. Human Resource plan has been developed and 34 posts of Assistant Director (F&A) have been newly created at the DPOs for Samagra Shiksha, although the posts are yet to be filled. Closure of Bank Accounts of RMSA and Teacher Education (TE) at all levels (SPO, DPOs/BRCs/URCs/SMCs) is in process.

2.12 The total cost of the PforR Program is US$ 3.35 billion, of which the IBRD Financing is US$500 million. The STARS Program is carved out of the Government’s Samagra Shiksha Abhiyan program to support school education enhancement under the existing framework, by targeting MHRD at the federal level and six pilot participating States in India, through a combination of investments in ongoing and new investments. The STARS Program is to support interventions in the areas of institutional strengthening, student learning and empowerment, and community engagement and school management. The program aims to improve learning outcomes, increase the enrollment of girls, and enhance the quality of education through the integration of various schemes and programs.

---

6 MHRD Letter dated 3 April 2018 on Samagra scheme
7 Participating States (PS) are Maharashtra, Odisha, Madhya Pradesh, Kerala, Himachal Pradesh and Rajasthan.
reforms/interventions. The cost of the PforR Operation (STARS) is USD 3.35 billion which will be financed by (a) MHRD, GoI financing (national support) of US$1.79 billion; (b) States’ contribution over the operation period of US$ 1.06 billion; and (c) World Bank financing of US$500 million. The World Bank financing of US$500 million to the MHRD will be over a period of six years from the date of approval of the Operation. The proposed World Bank financing comprises of a US$ 475 million assistance to the Program using the PforR instrument and a US$25 million TA component (“Project”) using the IPF instrument. The World Bank’s contribution through the PforR instrument will thus account for about 15 percent of the total estimated expenditures of the Program.

Section 3: Review of Public Financial Management Cycle

3.1 The overall assessment of the PFM cycle under the program, Samagra Shiksha Abhiyan has been detailed in the following paragraphs.

1. Use of Country Systems

3.2 The fiduciary systems in STARS PforR Program are proposed to be predicated on extant country systems. STARS Program is to be implemented at the GoI and six PSs. The Program will, therefore, be influenced by the extant GoI/ state fiduciary systems. The GoI/ state’s own systems (such as use of GFR’s, the budget manuals, procurement rules, treasury codes, delegation of financial powers and staffing) will also influence the Program systems. The overarching framework of FM systems across PSs may be similar (State budget, treasury, financial rules and program FMP Manual etc.) but the rules and regulations and/or the practices slightly vary across PSs.

3.3 The procurement activities under the PforR part of the Program will be governed by government procurement rules at various levels of implementation. The key governing document for the Program is the Financial Management and Procurement (FM&P) Manual issued by Ministry of Human Resources Development dated August 2018. The Manual itself is subject to overriding provisions as contained in the GFR 2017 and Manual for Procurement of Services dated 2017 issued by the Ministry of Finance, Government of India. The FM&P Manual also allows for the application of State and Panchayati Raj rules at state level. The Manual is comprehensive and provides details implementation arrangements and items to be procured at various levels of implementation. The Manual requires use of open tender as default method of procurement for contracts estimated above INR2.5 million. It has clear provisions for delegation of powers, eligibility of bidders, fraud and corruption, conflict of interest and requirements for audits and post reviews of procurement activities on annual basis. Since different rules are applicable at various levels of implementation with the Manual providing overarching guidance, it is suggested that the priority of the applicable rules be clearly indicated in the Manual so that the basis of accountability is clear at each level.

3.4 Procurement under the IPF Technical Assistance component of the Program will be carried out based on Bank Procurement Regulations. The scope of procurement under the TA component will include consultancy services for independent verification of results, Program Management Unit and other advisory services. Activities under the TA component will be primarily be procured by the Department of Education and Literacy at MHRD level. A Project Procurement Strategy for Development (PPSD) to inform a fit for purpose procurement plan for the Program is under preparation and will be agreed by Negotiations.
2. Planning and Budgeting

3.5 The process of annual budgeting at GoI and the PSs including re-appropriations and revisions is well defined and streamlined, governed by the extant rules and regulations. The budget process at GoI is governed by the General Financial Rules 2017 issued by the Department of Expenditure, Ministry of Finance. Additionally, the Department of Economic Affairs (Budget Division), Ministry of Finance, GoI issues detailed budget circular every year (around September) for uniform application by all Ministries/Departments of the GoI, describing the budget process along with the timelines and formats for consolidation of overall annual budgets. At PSs State Budget Manual, State Financial Rules, circulars issued by the Finance Department etc. of the respective States establish the framework and the process for budget preparation and consolidation, as a whole. The annual State budget is generally approved by the State legislature prior to the commencement of the financial year and similarly the annual GoI budgets are presented before the Parliament of India in the month of February prior to the commencement of the year.

3.6 Samagra is a pan India program and is implemented in all the 36 states. The fund sharing pattern for the scheme between Centre and States is in the ratio of 90:10 for North-Eastern and Hilly States and Jammu and Kashmir while it is 60:40 for all other States. States bring a single Plan for the entire school education sector and the program is accounted for in the State Budget itself as a separate line. Further, on annual basis the States submit an Annual Work Plan & Budget (AWP&B) proposal for Samagra Siksha to GoI. This is a detailed component wise plan for approval by Project Approval Board (PAB) at GoI. The approved PAB plan is adopted as detailed budget by the SIS.

3.7 Planning procedure at States: As per the program FMP manual, each District prepares their respective AWP&B based on the individual sub-district (school, cluster and block) annual plans. These district plans are then consolidated at the state SIS level laying out the planned expenditure under the program. The consolidated plan is placed before PAB of MHRD for approval. However, the AWP&B gets approved by the PAB only in the first six month of the respective financial year. Hence, at the State level the Budget provision is made in the State budget for state and central share on estimate basis based on the expenditure of the previous financial year. However, multiple tiers of planning and implementation and their limited capacities to prepare and manage budgets often results in inadequate planned budgeting and consequent delays in fund releases and lower budget execution rates. Further, the states have different modalities of sub-district planning as per the respective structure of functioning, for instance:

- **In Odisha**: For program planning at the SIS, U-DISE data is collected in end of September and by Nov-December school development plans are consolidated. School/habitation level planning process is conducted with involvement of community and PRI members and the plan is discussed and consolidated at Gram Panchayat level. Comprehensive format is in use for planning by SMCs. The plans are reviewed and consolidated at block level and forwarded to district level, and then appraised and approved at state level. Appraisal at state level involves SCERT, UNDP, NGOs etc. Thereafter, submission is made to PAB in MHRD on the software system (MMER), after approval by the Chief Secretary on the software system. District plans are usually completed by end of January. After PAB approval, state office communicates the approval to the districts.

- **In Kerala**: Master plan is prepared for each school considering all sources of funds i.e. Samagra Shiksha, LSGD (Local Self Government Department) funds etc. Workshops are held at panchayat level for preparation of school plans. The plans are finalized after receiving inputs from the LSGD. These plans are consolidated at block level and submitted to district. The State Office appraises district plans and prepares state plan, which is approved by the Executive Committee of the Society and AWP&B is submitted to MHRD for appraisal and PAB meeting. After PAB approval, state provides allocations
3.8 **Variation in budget out-turns often results in re prioritization of required expenditure with increased focus of program norm-based expenditure with probable impact on actual ground level needs of the individual program implementing entities beyond these norms.** Divergence between approved AWP&B, MHRD/ State budgets, releases and the actual expenditure has been a recurrent theme. Even though annual and mid-term plans are developed for sub district levels, AWP&B primarily focuses on program norms with limited focus of priorities emerging from mid-term program planning. Substantial gap between approved AWP&B and annual actual expenditures may be a resultant of multiple PFM bottlenecks (planning, budgeting and fund flow arrangements) with probable impact on the expenditure efficiency under the program. **The impact of short releases on programme activities needs to be measured and enhanced procedures should be devised to minimize this mismatch.** Presented below is the comparative to support the above observation:

- **In Odisha**, in FY 2018-19 total budget was Rs. 4,200 crores, releases and opening balance were 2790 crores and expenditure was Rs. 2610 crores (94% of available funds and 62 % of AWP&B). Further, total approved Budget as per PAB minutes for FY 2019-20 is Rs. 4,412 crores against which the approved total releases as of date are Rs. 3,158 crores (72% of the approved outlay).
- **Kerala**: FY 2018-19: Total approved outlay for FY 2018-19 was Rs. 875 crores. Total expenditure was Rs. 396 crores, out of available funds of Rs. 486 crores (81% of available funds and 45 % of AWP&B).
- **Rajasthan**: total approved Budget as per PAB minutes for FY 2019-20 is Rs. 6,297 crores against which the approved total releases as of date are Rs. 5,318 crores (84% of the approved outlay).
- **Maharashtra**: FY2018-19 for Elementary Education, expenditure of Rs. 1293 crores was 99.37% of available funds. For Secondary Education, expenditure of Rs. 258 crores was 72.14% of available funds.
- **Madhya Pradesh**: The total budget for Samagra Siksha for FY 2018-19 was Rs. 5572 crores. Expenditure was Rs. 3607 crores against available funds of Rs. 4229 (85% of available funds and 65% of AWP&B).

3.9 **The Program expenditure framework is derived based on current baseline and associated estimations for interventions:** The Program expenditure costs are derived from the MHRDS and six participating State’s reported expenditures for Year 0 i.e. FY2018-19 and extrapolated for the next six years. The STARS Program cost includes the cost of the ongoing reforms attributable to interventions under the STARS program and thereby essential to achievement of the Program results. Further, the Program funds will primarily be focused on incremental support under components related to ‘governance strengthening’ and ‘quality enhancement’. The former would include setting up of state level nodal institutions for education management, development of education MIS and teacher management systems, and training and capacity building of district, block and cluster level education functionaries. The latter will include provision of early childhood education, strengthening of learning enhancement programs, provision of need based in-service training for teachers, setup and operation of state assessment cells, and provision of vocational education to out of school children. A large part of the funding will be directed towards institutional strengthening and systems development. In most of the PSs, block and cluster level education functionary positions are currently vacant. Given the critical importance of decentralized, last mile support to schools and teachers, the project will also provide financial support towards salary costs of block and cluster level education functionaries. Block and cluster level support represents 26% of the Program cost.

3.10 **At GoI and the six PS, the incremental budgetary support under STARS will be budgeted under a separate budget line earmarking externally aided/ STARS project funding.** MHRD will release funds to the six participating States under the administrative control of the respective State education Department. Once the annual budget is allotted by the respective FD, the implementing departments have the autonomy to undertake procurement and spend the budget allocations on the budgeted
Program activities. The Program’s primary planning and control tool is the Annual Work Plan & Budget (AWP&B). No expenditure can be incurred until reflected in the AWP&B and approved by the Project Approval Board (PAB) at GoI.

3.11 In line with the budget structure of Samagra, additional identified\footnote{The annual budget circulars for FY 2018-19 and FY 2017-18 provide that the provision for externally aided projects may be made under identifiable heads segregated from other items of expenditure.} budget head (at “Detailed Head” level) will be created under the Sanagra scheme earmarking externally aided funding for the program. At the “Object Head” level, the budget coding system followed by GoI will allow for project specific activities to be incorporated in a manner that will facilitate the accounting and reporting of expenditures from the PAO’s consolidated ‘Monthly Accounts’ itself. The incremental Program activities at the PSs will be separately identified in the annual budget of the nodal implementing department consolidated in the annual State budget. This will facilitate incremental Program related budgets and corresponding expenditures to be separately identified, accounted and reported both in the annual budgets and accounts of the PSs. The annual budget estimates (BE) of the PSs will be established in close consultations with the GoI, duly considering with the year-wise disbursement linked indicators (DLIs) established in the program legal covenants for release of the Bank funds.

3.12 The overall STARS Program budget is clearly identified as a sub-set of the AWP&B. The table 2 below gives the breakdown of the programmatic composition of the expenditure envisaged at GOI and the 6 PSs .

\textbf{Table 2: Program Expenditure Composition between GOI and PSs and the related budget heads of AWP&B}

<table>
<thead>
<tr>
<th>Expenditure Composition</th>
<th>Program Expenditure Items as sub-set of Annual Budget</th>
<th>Implementation level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthened Early Years Education</td>
<td>AWPB Head of Expenditure 7 (Quality); Sub-head: Support at Pre-Primary Level (Elementary);</td>
<td>6 PS</td>
</tr>
<tr>
<td>Improved Learning Assessment Systems</td>
<td>AWPB Head of Expenditure 7 (Quality); Sub-head: School Based Assessment; AWPB Head of Expenditure 8 (Quality Intervention-Other State Specific Activities); Sub-head: State level assessment survey.</td>
<td>6 PS</td>
</tr>
<tr>
<td>Improved teacher performance and classroom practice</td>
<td>AWPB Head of Expenditure 7 (Quality); Sub-heads: Learning Enhancement Program/Remedial teaching (Elementary), Learning Enhancement Program/Remedial teaching (Secondary), ICT and Digital Initiatives, Integrated Teacher Training Programs (Elementary) and Training of Teachers and Head Teachers (Secondary), Composite School Grant (Elementary), Composite School Grant (Secondary), Library Grant (Elementary), Library Grant (Secondary). AWPB Head of Expenditure 13 (Teacher Education); Sub-heads: Strengthening of Physical Infrastructure, Program &amp; Activities and Faculty Development, Technology Support to Teacher Education Institutions (TEIs).</td>
<td>6 PS</td>
</tr>
<tr>
<td>Expenditure Composition</td>
<td>Program Expenditure Items as sub-set of Annual Budget</td>
<td>Implementation level</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------------------------------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Improved governance</td>
<td>AWPB Head of Expenditure 7 (Quality); ICT and Digital Initiatives, Reporting by Head of School (Elementary), Reporting by Head of School (Secondary), Training for Teachers, Head Teachers (Secondary), Academic support through BRC/URC&amp;CRC (Elementary); AWPB Head of Expenditure 8 (Quality Intervention-Other State Specific Activities); Sub-head: Training of Head Teachers (Elementary), State Institute for Education Management and Training (SIEMAT), State School Regulatory Authority (SSRA); AWPB Head of Expenditure 14 (Management Information System); AWPB Head of Expenditure 15 (Program Management); Program Management, Reimbursement under 12 (1) (C).</td>
<td>6 PS</td>
</tr>
<tr>
<td>Vocational education and training</td>
<td>AWPB Head of Expenditure 11 (Vocational Education - Secondary); AWPB Head of Expenditure 8 (Quality Intervention-Other State Specific Activities); Sub-Head: Career Counselling.</td>
<td>6 PS</td>
</tr>
<tr>
<td>National level Quality Intervention</td>
<td>PAB for National Council of Education Research and Training; head of expenditure related to National Assessment Survey, Programme for International Student Assessment (PISA), and other Research activities/initiatives.</td>
<td>DoSE&amp;L, GoI</td>
</tr>
</tbody>
</table>

3.13 Based on the activities identified in the Program boundary, the main procurable items are grouped into three categories:

a) **Procurement of Goods**: Equipment, computers, furniture, textbooks, library books, uniforms, TLE, TLM, other materials, supplies, commodities, etc.;

b) **Procurement of Civil Works**: School infrastructure and facilities like new PS, UPS, Residential Schools, KGBV building, ACR, HM Room, BRC/URC, CRC, Drinking water, Toilets, Girls Toilet, Ramps, Handrail, Electrification, Retrofitting, Boundary wall/ fencing, Major Repairs, etc.;

c) **Procurement of Consultancy Services**: Hiring of services including academic, technical and resource support provided by institutions/organizations in all areas, research studies, third party quality evaluation of civil works, auditors etc.

3.14 High number of tenders are issued each year by Societies for example in 2018-19, Rajasthan issued more than 800 tenders, the majority of which were for construction of school related facilities and learning materials. The highest value of single tender was below INR50million. **Based on the assessment, no single tender above the OPRC\(^9\) thresholds are envisaged under the Program.**

---

\(^9\) OPRC threshold at Substantial Risk rating are US$75 million for works, US$50million for goods and US$20 million for consulting services.
3.15 **Funding predictability is high, and risks to the Program Expenditure Framework arising out of budget constraints is considered as low.** The STARS Program cost constitutes a relatively small portion of the overall Samagra Shiksha budget and is well aligned with the government priorities both at GoI and PS level. Overall funding to Samagra at GoI level has shown an increase from INR 261 billion (US$3.9 billion) for FY16-17 to INR 363 billion (US$5.4 billion) for FY19/20, with matching increase in budgeted commitment at State level. This is equivalent to an annual increase of over 8.84 percent on average in nominal terms over the four years considered. The average annual inflation at the national level for the same time frame was about 5 percent, thereby projecting commitment to ensure significant real increases in Samagra budgets. This is very likely to continue in the years to come as school education continues to be national priority. The union budget allocated INR 948 billion for education sector in 2019-20, an increase of nearly ₹100 billion of what 2018-19 budget estimates had pegged for the sector. Of the total ₹948 billion education budget, ₹565 billion crore has been pegged for the school sector of which the bulk of the allocation (INR 363 billion) is allotted to Samagra Shikha Abhiyan.

3.16 **Budget transparency:** The annual budgets of the GoI and the States are public documents and are accessible on GoI/PS government websites. Additionally, AWAP&B are available on the SS central website.11

3. **Treasury Management and Fund Flows**

3.17 **Fund flow against Program expenditure framework:** The total cost of the STARS PforR Program is US$ 3.35 billion, of which the IBRD Financing is US$500 million. The expenditure under the program will be incurred both at the MHRD, GoI and six PS end. Samagra Shiksha being a CSS, the fund sharing pattern for the scheme between Centre and States is in the ratio of 90:10 for North-Eastern and Hilly States and Jammu and Kashmir while it is 60:40 for all other States. Hence, under STARS the fund sharing pattern shall be 90:10 for Himachal Pradesh and 60:40 for the rest of the PS. Estimated fund flow sources supporting the Program expenditure framework has been broadly summarized in the table 3 below:

### Table 3: Indicative Fund Flow for Program Expenditure Framework at Central and State Level (in USD million)

<table>
<thead>
<tr>
<th>Economic Expenditure Classification</th>
<th>Maharastra</th>
<th>Rajasthan</th>
<th>Madhya Pradesh</th>
<th>Odisha</th>
<th>Kerala</th>
<th>Himachal Pradesh</th>
<th>MHRD, GoI</th>
<th>PforR Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Years Education</td>
<td></td>
<td></td>
<td></td>
<td>0.2</td>
<td>3.8</td>
<td>1.2</td>
<td></td>
<td>5.1</td>
</tr>
<tr>
<td>Learning Assessment Systems</td>
<td>3.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.4</td>
<td>0.5</td>
<td>0.7</td>
<td></td>
<td>5.4</td>
</tr>
<tr>
<td>Teacher Education</td>
<td>249.3</td>
<td>218.1</td>
<td>232.5</td>
<td>317.6</td>
<td>50.7</td>
<td>85.4</td>
<td></td>
<td>1,153.6</td>
</tr>
<tr>
<td>Quality Intervention</td>
<td>378.6</td>
<td>580.3</td>
<td>621.0</td>
<td>133.3</td>
<td>135.4</td>
<td>109.7</td>
<td></td>
<td>1,958.3</td>
</tr>
<tr>
<td>Vocational education and training</td>
<td>26.8</td>
<td>38.9</td>
<td>31.5</td>
<td>21.0</td>
<td>-</td>
<td>55.4</td>
<td></td>
<td>173.4</td>
</tr>
<tr>
<td>National level Quality Intervention</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50.0</td>
<td>50.0</td>
</tr>
</tbody>
</table>

---

10 www.indiabudget.gov.in
11 http://seshagun.gov.in/pab-minutes
## 3.18 At the Central Level - Fund flow for National level expenditures

The mechanism for flow of funds/payments is well defined and established, governed by the comprehensive rules and regulations at MHRD, GoI. The existing systems (including PFMS, an information and communication technology - ICT application for funds flow including transfers and advances, expenditure filing, and monitoring) will be used for the Program purposes. The expenses incurred under STARS will be paid by the designated DDO through Pay and Accounts Office from the Program-specific budget heads, in accordance with extant GoI procedures.

### Table 4: Fund Flow design under Samagra Shiksha Abhiyan

<table>
<thead>
<tr>
<th>S.N.</th>
<th>States Contribution</th>
<th>GoI Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>263.4</td>
<td>395.0</td>
</tr>
<tr>
<td>2</td>
<td>334.9</td>
<td>502.4</td>
</tr>
<tr>
<td>3</td>
<td>354.0</td>
<td>531.0</td>
</tr>
<tr>
<td>4</td>
<td>188.9</td>
<td>283.4</td>
</tr>
<tr>
<td>5</td>
<td>76.2</td>
<td>114.3</td>
</tr>
<tr>
<td>6</td>
<td>25.2</td>
<td>227.1</td>
</tr>
<tr>
<td>7</td>
<td>-</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>658.4</strong></td>
<td><strong>3,345.9</strong></td>
</tr>
</tbody>
</table>

### 3.19 The fund flow design under Samagra Shiksha is shown in the following diagram. The details are laid out in the FMP Manual.

![Fund Flow Design Diagram](image)

### 3.20 At the Central Level - Fund transfer to PSs

MHRD will release funds through PFMS under the administrative control of the respective State’s nodal department. On release of central share, state government releases central funds along with matching state share to the designated Bank account of the SIS. Annually, funds are resealed in two – three tranches as detailed out in the FMP manual. The incremental Program funds will flow under a separate budget line earmarking externally aided/ STARS project funding both at GoI and at the PS. The incremental Program funds shall flow from MHRD, GoI to the six PS as per the pre-defined terms of the incentive-based grant between center and States.

### 3.21 At the State level - Fund transfer to District and sub-district level

Fund flows and payments are governed by the Treasury Rules/Code and periodic circulars issued by the Finance Department of the respective PS. Depending on sanction orders of the Nodal department and MHRD, SIS transfers the funds to districts following AWP&B. As per the existing practices of the PSs, fund flows under Samagra are a mix of both the treasury and bank operations and the processes vary across PSs. Further, PFMS is at various stages of implementation. In the absence of transfer through PFMS, the State office releases funds to
districts through electronic transfer and district office also releases funds to schools and BRCs/CRCs through electronic transfer.

3.22 Delays in releases/transfers from state treasury are sometime due to multiple reasons like treasury procedures; States fiscal strain on account of unforeseen eventuality, (in Kerala, the floods of 2017 have led to delays across board), state elections etc. While the States follow the broad principles as laid down in the FMP manual, the actual fund flow observes the modalities in existence in the respective state. Below are the brief arrangements and fund flow positions followed in sample PS:

- **Odisha**: MHRD will release funds through PFMS under the administrative control of the Odisha State education Department. School and Mass Education (S&ME) department is the controlling department. Director Elementary Education (EE) is DDO of OPEPA and Director Secondary Education (SE) is the DDO of RMSA. On release of central share (60%), state government releases central funds along with matching state share of 40%. Director EE draws funds from treasury and deposits them in bank account of SIS. Depending on sanction orders of S&ME department and MHRD, SIS transfers the funds to districts following AWP&B.

- **Kerala**: As per Panchayati Raj Act, all schools in the state are under Local Self-Government (LSG) Institutions. 40% of state share is being transferred to SIS through LSGs as per State Plan budget. Flow of funds from treasury to bank account of SIS takes about 60 days. In FY 2018-19, there were substantial delays in release of central funds, with first tranche received by the SIS in the month of September 2018 and more than 30% of the total funds were received on 23rd March 2019. For FY 2019-20, the state has received the ad hoc release on April 25 2019.

- **Rajasthan**: Separate bank accounts continue to be maintained for SSA, RMSA and TA. Samagra bank accounts have not been opened because the SIS is yet to be registered. Audit reports for previous years highlight issue of SPO/DPOs/Blocks/SMCs maintaining more than one bank account for a scheme e.g., for SSA. The State informed that the balance has been reduced in the accounts and these will be closed after the formation of new society.

- **Madhya Pradesh**: The State office transfers funds through FAMS directly to schools/SMCs but accounting and audit for the same is carried out at district level. The releases are posted on website, BRCs are informed and the information is also conveyed in monthly meeting with the BRCs. In FY 2018-19 and early FY 2019-20, there were substantial delays in release of central funds because on account of State elections. For FY 2018-19, the SIS received around Rs. 800 crores in March 2019, including state share. For FY 2019-20, MHRD made ad hoc release of Rs. 629 crores, vote on account was for Rs. 300 cores and after the election of new government state budget has been approved, school grant was to be released in August 2019.

- **Maharashtra**: State government takes around one month to release funds after receiving are funds from MHRD. Municipal Corporations release funds directly to schools and to URCs. Salary of Teachers is paid by State Government through Director (Primary), Pune and booked as advances. At Districts, first installment of funds in a financial year is released based on priority activities i.e. Uniform Grant, free textbook grant to Bal Bharti, Composite School Grant, Salary Grant, Inclusive Education for Children with Special Needs (CWSN), KGBV Grant etc.

3.23 The sub-district level continues to maintain manual books of accounts with persistent delays and internal control issues. As a way forward, Public Financial Management System (PFMS) should be used to transfer funds till the school level and the utilization certificates (forming basis for accounting at sub-district level) should be generated through PFMS. This will Enhanced transparency at sub-district level to support effective utilization of program funds.

3.24 The central government has mandated all funds transfers under CSS to follow through Public Financial Management System (PFMS). State Governments are also required to use PFMS platform for
flow to sub-district level. In case, where the State Government uses its own Financial Management System, they should ensure that all data is externally uploaded to PFMS. The states were at various stages of implementation under RMSA and SSA. **However, all of them are presently struggling to converge rollout of PFMS under Samagra.** Hence, centralized support from MHRD is required effectively transfer funds and generate utilization certificates through PFMS portal. The status of roll-out is certain PS is detailed below:

- **Kerala:** For program fund transfer, electronic mode is primarily used up to sub-district level. PFMS is yet to be implemented in the State for transfer of funds under the program. All the district and block offices are registered on PFMS. 1354 panchayats out of 1385 panchayats (98%) and 11349 panchayats out of 11943 VEDC/SMCs (95%) are registered on PFMS as of end of July 2019.

- **Rajasthan:** PFMS: has been in operation since FY 2017-18. PFMS is being implemented only up to district level. Implementation of PFMS below district level is a major challenge and will be a key priority in the first half of FY 2019-20. Key constraints in implementing PFMS are internet connectivity and banking infrastructure. Pay Manager system (PMS) is integrated with PFMS and District offices upload expenditure figures on PMS.

- **Madhya Pradesh:** Registration of SMCs was done in 2013 and state, district and block levels have been using PFMS since November 2017. It is currently implemented at the level of state, district, some blocks, SDMCs and for vendor payments. Fund release for Schools, BRCs, CRCs and SMCs is not being done through PFMS. Internet Connectivity is available in BRCs, CRCs and High Schools but not in tribal blocks.

- **Himachal Pradesh:** PFMS is being implemented up to block level and registration of schools is under process. 12007 Schools has been registered on PFMS as on 9 August 2019 out of 15402 Schools. The SIS uses PFMS for payment to vendors and payments at district and below are done through RTGS.

- **Maharashtra:** 97.37% SMCs have been registered. 97.54% of CRCs have been registered. The challenges in implementation of PFMS include: some Schools need to be deleted on PFMS, as they have been merged into another school or closed by administration. However, state level users do not have right to delete such schools; Selection of wrong scheme at the time of registration, due to which “PD Approval Required” message appears against the name of the school, which can be done only by SPMU; When new bank account number is added for a school, the facility to deactivate old agency bank account has not been provided to state level; 223 schools out of 1600 schools under RMSA have been registered (14%), but there is no separate code in PFMS for RMSA; Non-availability of training/support person at District or State Level.

4. **Procurement processes and procedures**

3.25 Procurement will be carried out using e-procurement system for works, capital goods and consultancy services at both center and state level. These e-procurement systems undergo security and integrity checks annually. In addition to e-procurement system, both center and at state level, will also use Government e-Marketplace portal (GeM) for procurement of common use goods and services. E-procurement and GeM will both be used under PforR and IPF component.

3.26 Procuring entities have put in place a formalized delegation of powers for approval of tender award for various threshold and this was practiced. However, procuring entities do not have designated staff to handle procurement activities and procurement activities are handled by Finance staff on ad-hoc basis. Absence of designated staff could lead to poor targeting for capacity building, inconsistent record keeping as various staff handle same processes all which could lead to delays in procurement, low budget utilization which could impact on the timely achievement of results. **It was agreed that each procuring entity will designate nodal officer responsible for procurement activities. At the center, the MHRD further plan to hire a Program Management Unit that would include a Procurement Specialist as one of**
the experts.

3.27 The Manual requires procuring agencies to prepare procurement plans. The assessment did not find practice of systematic procurement planning prior to start of procurement activities. However, procurement is initiated through a formalized sanction process based on budget availability and then advertised online through the e-procurement system. All procurements are based on approved annual work plans and budgets.

3.28 Works procurement is carried out by Public Works Departments (PWD) or similar mandated units at various levels. PWD has bidding documents and formalized procedures and institutional arrangements for supervision of works. However, there are no model/standard documents for goods or services and procuring entities have used different forms that are available to them from different sources. Internal audit findings indicate that in many instances the contracts used were incomplete leading to diluted obligations on suppliers and service providers. It is suggested that MHRD advise all procuring entities of key provisions to be included in a contract and strengthen contract management arrangements. This could be included as part of the Manual.

3.29 The Manual requires financial audits includes examination of the manner in which goods, works and services are procured. Financial audits are carried out annually by independent firms. The report highlights matters relating to sanctioning process and contract implementation but is silent on procurement process. The Manual also requires that every year the MHRD undertakes a procurement review of activities on sample basis. Ministry reported that this had been practiced in the past but was not done in FY19 because of merger of the primary and secondary programs. Plans were underway to restart annual procurement post reviews using an independent firm. MHRD will share findings of the post procurement review in Year 2 of implementation. It is also suggested that the Ministry enforce the terms of reference for financial audits to include manner in which goods, works and services are procured.

3.30 Procurement rules at various levels including the FM&P manual provides for bidders to complain. At the same time the Government of India enacted the Right to Information Act 2005 which mandates entities to provide information on request. MHRD and each of the participating states have grievance redress mechanism anchored at Chief Minister level for all type of grievances and these systems are functional. Rajasthan and Madhya Pradesh have in addition designated nodal officers to deal with procurement related complaints. Since procurement related complaints relate to time bound decision points in the procurement processes, it was suggested that appointment of designated nodal officer was necessary for timely resolutions of complaints. It was agreed that all participating states will designate a nodal officer to receive procurement related complaints and channel them through established structures for resolution of complaints. Tender award information will also be published on their websites. MHRD will share annually number and nature of complaints received at various levels of implementation and highlight any specific actions taken to mitigate against areas of regular complaints. Post procurement review will also review and highlight complaints redress mechanism.

3.31 The FM&P manual has adequate provisions on fraud, corruption and conflict of interest. Bank informed MHRD and the six states that World Bank debarred firms are ineligible to be awarded contract under the Program. The Bank will share a web link for procuring entities to check debarred firms. MHRD will share with the Bank incidences related to fraud and corruptions and the Bank would make administrative enquires relating to fraud and corruption, where necessary.

3.32 Implementing agency specific findings:
**Department of Education, Ministry of Human Resources Development:** The Department will be responsible for selection of most of the consultancy services under the IPF financed Technical Assistance component that would include independent third party for verification of results and auditors among others. The Department has a Financial Management and Procurement Expert who leads procurement activities and provide policy advice to participating states under the Program including updating of the FM&P Manual. In addition, the MHRD plans to hire a Program Management Unit which will include a Procurement Specialist. The Department follows FM&P Manual for procurement under the Program. The Manual is subject to overriding provisions Government of India procurement rules as established in the General Financial Rules 2017 and Manual for procurement of consultancy services 2017. Open tender using e-procurement is the default method of procurement of goods, works and services for contracts valued INR250,000 and above. Such tenders are advertised in newspapers and central procurement portal. Common use goods and services are procured through GeM portal. Whilst the GFR2017 and RTI Act 2005 provide for grievance redress mechanism, the department does not have dedicated procurement complaint redress systems, which is necessary due to the time bound nature of procurement processes. Secondly e-procurement is used mainly for tendering stage and award of contract is not done in the system. As a result, not, all procurement awards are published. FM&P Manual provides for financial audits to include review of procurement process and procurement post reviews to be carried out annually. Review of audit reports indicate that audits covers sanction process and contract implementation but not process and whilst in the past procurement post reviews were carried out this was not done in FY19 due to merger of primary and secondary programs. MHRD stated that they plan to restart carrying out procurement post reviews on sample basis using independent firm.

**Himachal Pradesh:** In the State of Himachal Pradesh, the Program is implemented through Himachal Pradesh School Education Society (HPSES). The procurement activities are carried out by State Project Office (HPSES), District Project Office (DPO), Block Resource Co-ordinator (BRC) and Schools (SMCs). The procurement of works is implemented through SMCs at elementary level and through HPPWD, HIMUDA, HPSIDC and BSNL at State level. The state uses e-procurement system for all procurement activities above INR500,000 and GeM for common use goods and services. Procurement information including awards are published on state website. There are no separate staff designated for procurement function and the function is combined with financial management. General grievances are addressed through the E-Samadhan portal at Chief Minister level but there is no separate dedicated procurement redressal system. There are no model documents adopted by the state for goods and services.

**Maharashtra:** The Program is implemented through Maharashtra Prathmik Shikshan Parishad (MPSP), Mumbai in the State of Maharashtra. The MPSP has approved delegation of powers for various threshold of procurement with full power given to its Chief Executive Officer. The state uses e-procurement system and GeM portal to manage procurement activities. Open tender with e-procurement is used for all activities valued above INR300,000. There are no separate staff designated for procurement function and the function is combined with financial management. General grievances system is available but there is no separate dedicated procurement redressal system. There are no model documents adopted by the state for goods and services.

**Odisha:** In the State of Odisha, the Program is implemented through Single State Implementation Society (SIS) for SSA and RMSA. Under the program, procurement will be carried out at state level,
district level, CRC/NRC level and school/KGBV level. Open tender with e-procurement is used for all contract activities valued above INR500,000. GeM portal is used for common use goods and services. There are no separate staff designated for procurement function and the function is combined with financial management. General grievances are addressed is available but there is no separate dedicated procurement redressal system. There are no model documents adopted by the state for goods and services.

- **Rajasthan:** In the State of Rajasthan, the Program is implemented through Single State Implementation Society (SIS) for SMSA, Rajasthan, District Office & Block Office for Implementing activities of SMSA and Rajasthan State Council for Education, Research and Training (RSCERT). Procurement under the Program will be governed by FM&P Manual but in addition, Rajasthan has a Transparency in Public Procurement Act which provides the overall legal framework for public procurement. The procurement of Books, Lab Equipment, Computer Items etc. are carried out centrally at SIS level and procurement of Civil Works are done at District Level. Open tender with e-procurement is default method of procurement of tender valued at INR500,000. In 2018-19, Rajasthan issued over 800 tenders mostly for construction of school related facilities and learning materials. The highest value of single tender was approximately INR31 million. A separate vigilance cell has been constituted to deal with complaints and matters related to fraud and corruption. There are no separate staff designated for procurement function and the function is combined with financial management.

- **Madhya Pradesh:** In the State of Madhya Pradesh, an integrated Society – “Madhya Pradesh Samagra Shiksha Abhiyan” is registered on April 11, 2019 after approval of Executive Committee to implement the SSA, RMSA and Teacher Education program in the state. Under the Program, the procurement is carried out by various State, District and Block level agencies namely State office, SCERT, TBC, PIUs, DPOs, DIETs, CTEs/ IASEs, Block Offices (BEOs, BRCs), Hostels, Village Panchayats, CRCs, Schools/ SMcs/ SDMCs, and other agencies like PHE, NGOs, etc. Procurement is carried out by financial management officers. Open tender with e-procurement is default procurement method for all tenders valued above INR500,000. A Nodal officer has been designated to handle procurement related complaints under the Program. Tender opportunities including award are published widely in newspapers and websites. A review of audits for 2018-19 showed that contract documents were incomplete leading suppliers not been held accountable for their obligations.

- **Kerala:** In the State of Kerela, the Program is implemented through Single State Implementation. The procurement of goods, works and consultancy services is carried out by KELTRON, SIDCO, KADCO, ALIMCO. Open tender with e-procurement is default method of procurement for tenders valued at INR 2million and above. GeM portal is used for procurement of common use goods and services. There are no separate staff designated for procurement function and the function is combined with financial management. General grievances are addressed is available but there is no separate dedicated procurement redressal system. There are no model documents adopted by the state for goods and services.

5. **Accounting and Financial Reporting**

3.33 **Accounting is done on cash basis using government systems.** Accounting, book keeping and financial reporting at the PSs is primarily guided by the FMP Manual, Treasury Rules, Financial Rules and Budget Manual etc. Books of accounts for the program are maintained following ‘double entry method based on mercantile system’ of accounting. A Chart of Accounts (standard activity list) is used to
enable data to be captured and classified by expenditure center and type of expenditure. This is used by all implementing entities (up to district level) to ensure consistency in recording/reporting of information. Accounts are maintained electronically as well as manually at state, district and block level. Tally software has been used since 2005 and the software is also implemented at block offices. At the school level, accounts are maintained manually. Many states have started using off-the-shelf accounting software for recording/compilation of information. Some of the states are taking the independent initiative of developing integrated accounting software for the whole state, which may be highlighted to the other states as good practice.

3.34 Maintenance of accounts by schools needs focused attention. Instances of deficient record-keeping were noted: (i) primary books not maintained adequately (ii) payments though cash or self-cheque; (iii) inadequate supporting documents for expenses incurred; and (iv) SMCs not covered by statutory audit. Hence, for enhanced transparency at sub-district level to support effective utilization of program, PFMS should be used to transfer funds till the school level and the utilization certificates (forming basis for accounting at sub-district level) should also be generated through PFMS.

3.35 The IFSA assessed the functionality of accounting and financial reporting systems at the PS. A summary of findings is as below:

- **Maharashtra**: SIS has developed various tabs in its website www.ssampsp.org for monitoring unspent balances available at DPO/MNC/BRC/URC/CRC/SMC level; a mobile data app for schools has been developed. Software is being developed and tested for consolidation of reports, MIS, Budget monitoring etc; Grant Distribution: (a) Demand of Grant is not in proper format and UC and Statement of Expenditure is not attached with demand letter; (b) districts do not consider unspent balance at periphery level at the time of submission of Demand for Grants; and (c) delay in submission of the Demand for Grants by districts; Budget Monitoring: All budget heads are not properly monitored by Account Officers at district level and large unspent balances exist against some budget lines; Synchronization of Tally accounting software has not been carried out. In 152 BRCs/URCs, accounts are maintained manually by DEOs due to non-availability of accounts staff; and delay in financial reporting by districts, BRCs, URCs and CRCs.

- **Madhya Pradesh**: Tally software, manual system and google sheets etc. are in use. The SIS requires a single online system of accounting. Tally is not synchronized. Timely UCs from PWD for civil works remains a constant challenge.

- **Himachal Pradesh**: Integration of accounts of schemes under Samagra Shiksha will be time consuming and require a lot of work; (e) manual accounting is carried out at Block Level and it might be difficult to implement Tally software for accounting at school level due to geographic conditions. A regular system is in place for monitoring of DPOs (District Project Offices) by the state office, of BRCs by DPOs and of SMCS by BRC staff.

- **Odisha**: Computerized accounts till block level in SSA, however, under RMSA manual accounting at district level and below; well established system of monitoring and reporting at all levels, particularly in SSA; online monitoring started through School Management App (SMA) and PMA apps in SSA.

- **Rajasthan**: Only 8 districts use Tally accounting for preparation of monthly progress report (MPR). Tally software is not synchronized. Difficulty in getting trained personnel in computerized accounts is also a constraint in implementing computerizing accounting at district level. Manual cashbook and ledger are maintained by most districts. Clerical staff maintain accounts in schools.

6. Financial Management Staffing and capacity building:

3.36 At the center, MHRD is staffed with a Financial Advisor and a Chief Controller of Accounts who have the overall responsibility for financial management/book keeping of the department, respectively.
They are adequately supported by qualified, trained staff. Further, a Director is designated in the School Education Bureau as the person responsible for Financial Management and Procurement aspects. He is supported by a team consisting of GOI staff and consultants from TSG to supporting the financial management functions under Samagra. They are responsible for review/monitoring as well as for capacity building of the program staff at the state level. In addition, a Finance professional will be appointed at PMU at GoI under STARS Program. The appointments will be based on the ToR agreed with the Bank.

3.37 At the state, the state finance controller is responsible for implementation of financial management arrangements at SIS level as well as for monitoring the FM systems at district/sub-district levels. Further, at district and sub-district level appropriate staffing structure has been laid out in the FMP manual. In addition, subsequent to convergence, the states are at various stages of integrating the human resource requirement. However, on an average, states are functioning at approximately 70-80% of the sanctioned strength. There is a probable risk of inadequate accounting functions or in-appropriate utilization of technical resources through additional charge for finance function, specifically at sub-district level. The status of staffing is certain PS is detailed below:

- **Odisha**: The finance controller is responsible for financial management at the state level and is assisted by three accountants. There is sufficient staffing in state office and with no vacancies. Out of 93 sanctioned positions at district level there are 7 vacancies (3FC, 1 accountant and 3 cashiers). At sub-district level, one block accountant is responsible for 50 schools, for visiting schools for handholding in maintenance of accounts and collection of UCs. Out of 948 posts of block accountants, 108 posts are vacant (11%). Block Accountants are commerce graduates with experience of computers and tally software and are on annual contract basis.

- **Rajasthan**: The posts of accounts staff are filled by regular government staff, either from state budget or Samagra Shiksha budget. There are 18 sanctioned posts in the state office out of which 3 posts are vacant. There are large number of vacancies of accounts staff at district level of 90 out of 132 posts (68%), which could not be filled due to state elections and are expected to be filled in August 2019 by Director (Treasury and Accounts) by transfer postings. At block level, there are 117 vacancies out of 301 posts (39%) under Samagra Shiksha.

- **Himachal Pradesh**: The Finance Controller (FC) of SIS is in-charge of both financial management and procurement at state level. The FC is assisted by one Finance and Accounts Officer (FAO), two accountants and 1 clerk but the post of 1 accountant is vacant at the state level. The FC and FAO belong to HP Finance and Accounts Service (HPFAS). District offices have posts for one each of a Section Officer (from HPFAS), an Accountant and a Clerk. At district level, 17 accounts staff are working against a sanctioned strength of 24. There are two posts at block level of a Account Assistant cum Tally Operator (AAs) and a Data Entry Operator and these are appointed through outsourcing agency. The Account Assistant cum Tally Operator at Block level assists the schools in maintenance of accounts and at present 248 AAs staff are working against a sanctioned strength of 301 (18%). Efforts for filling up the rest of vacant posts will be made by the SIS.

- **Madhya Pradesh**: Convergence of HR is under process and proposal has been submitted to government; vacancies of FM staff at SPO (2 out of 16), DPO (11 out of 153) and BRC (31 out of 643); the SIS requires 1400 Block Accountants but only 643 posts are sanctioned, out of which, 400 post were filled only in FY 2018-19.

- **Maharashtra**: State Office has 36% vacancy i.e. 5 out of 14 positions. All staff at state office are drawn from State Finance Service. At DPO level 48% vacancy i.e. 66 vacancies out of 137 posts, including 34 posts of Assistant Director (F&A), which have been newly created at the DPOs for Samagra Shiksha. At BRCs/URCs level 37% vacancy i.e. 152 vacancies out of 408 sanctioned posts of Senior Accountant Clerk-cum-Cashier.
3.38 As per the program norms, minimum of 5 days training to accounts and audit staff is conducted in all states. The accounts staff so trained at district level provides training to block level staff, who in turn will provide training to staff at cluster and school level. However, external reviews continue to highlight that there is a need to evolve the training practices to enhance the effectiveness of these trainings. Hence, it is essential that need based, thematic area wise training should be conducted. The training plans should take cognizance of the observations highlighted by in independent reviews.

7. Internal Controls (including Internal Audit)

3.39 The internal control framework is well defined and established both at the GoI and PSs. At the national level, these are detailed in GFR 2017, the Government Accounting Rules, 1990, and the Central Government (Receipts & Payments) Rule. At the states, these are detailed in their respective budget manuals, financial rules, treasury code, delegation of powers etc. At central level, computerized treasury system supports generation of budget head linked expenditure reports on a real-time basis and mechanism is prescribed for periodic reconciliations of transactions and accounts with State treasury and AG (A&E). Oversight over compliance with internal controls is vested with the head of the department and the Finance Department and is also reviewed by the C&AG during annual audits.

3.40 MHRD, GoI has a well-established internal audit structure which will undertake the internal audit of the program at the central level. Internal Audit Division (IAD) is set up in the office of Controller General of Accounts. This division provides guidance and support to Internal Audit Wings of Civil Ministries to maintain the requisite technical Standards of accounting in the Departmentalized Accounting Offices. This Division is structured in three sections i.e. i) Centre of Excellence ii) Planning & Coordination and iii) Inspection Wing meant to upgrade the knowledge, adequate planning and execution of the programs respectively. The IAD has published an Internal Audit Handbook (year 2018) upgrading the Generic Internal Audit Manual (Year 2014) incorporating latest development in the field of internal audit to enhance efficiency in the internal audit function as also contribute to upgrading the skills of the government internal auditors. The Civil Accounts Manual mandated by the Controller General of Accounts (CGA), Department of Expenditure, Ministry of Finance, GoI provides detailed guidelines on Internal audit framework in the Ministries/Departments of the GoI. These guidelines provide the basis for establishing the scope and functions of the internal audit wings of the Ministries/Departments. Further in accordance with these guidelines each Ministry/Department also maintains a Manual of Internal Audit specifying the duties and functions of the unit, with reference to the prevailing conditions in the Ministry/Department. These guidelines are supplemented by detailed instructions issued by the Ministries/Departments.

3.41 Internal Control Environment at state level: At states, oversight over compliance with internal controls is largely vested with the Executive Committee and the project director at the States and is also reviewed by the C&AG during performance audits of the societies. Controls at the PSs are well defined, though there are deviations in their applications. Hence, internal controls remain an area of concern both from compliance and review perspective. Not only does the statutory/ independent audit review continues to highlight systemic discrepancies, there also remains lack of adequate focused review by way of internal audit system. While system of internal audit is present in all states, in majority of them it is either: (i) not commensurate with the size of operations; (ii) conducted with delay; or (iii) the observations are not complied with on time. The system of review of internal controls through Internal audits in certain PS is detailed below:

- **Odisha**: Internal audit is conducted by appointment of CA firms on annual basis. For FY 2018-19, 15 CA firms were appointed, and reports of Lead auditor are expected by October 15 2019, audit has been completed. Quarterly reports are prepared and the audit coverage is primarily till the block level.
- **Kerala**: Internal audit team based in the state office conducts the audit under the supervision of Finance
& Accounts Officer of SSK. The audit team consists of an Accounts Officer, an Audit Officer, a Junior Accounts Officer, and a Clerk. The mandate of the Internal Audit wing is to examine adequacy of internal controls, accuracy and propriety of financial transactions, the extent to which assets are accounted for and safeguarded and the level of compliance with financial norms of Samagra Shiksha and Government of Kerala. The procurement procedure adopted for Civil work, goods, printing etc. are also reviewed by the internal audit team. Annual program is prepared so that each district is visited once a year. The auditors cover units up to block level. From this year onwards, audit will be conducted in selected schools. Consolidated report is not prepared for the state and district level reports are prepared. Audit of 14 district offices for FY 2017-18 is over and is ongoing for FY 2018-19. For FY 2019-20, audit of accounts of 80 BRCs has been conducted and follow-up action is underway.

- Rajasthan: ToRs and Selection criteria are as per FMP of Samagra Shiksha. Selection of internal auditors for FY 2018-19 is under process and was expected to be made finalized by October 2019. Further, as per office order dated 15 July 2019, audit of 50% districts will be conducted by internal audit unit of the SIS. The SIS is in the process of setting up its in-house Internal audit unit. The audit is presently conducted on annual basis. District-wise reports are prepared however, consolidated state level report is not prepared.

- Maharashtra: Internal Auditor is appointed by MPSP centrally. QCBS method is used for selection of auditors. There are six internal auditors (one for every revenue division) for the state and the audit is conducted by CA firms. Consolidated report for the state is not prepared. Internal Audit Report for each financial year is supposed to be ready by 30 June of next year. Internal auditor has to check 100% vouchers and books of account of DPO/MNC/CRC/BRC and 1/3rd of SMC records. Internal Audit is to be completed as per the timeline fixed by MHRD. As per audit report of SSA for FY 2016-17, there were delays in internal audits.

3.42 The IFSA analyzed the internal and external audit reports of the previous years to assess the internal control environment under the program. A summary of findings is as below:

- Maharashtra: (a) Advance tracking and confirmation system should be strengthened and Advance Register should be maintained in prescribed form; (b) large amount of unspent balances were pending at SMC/school level for which expenditure is already booked; (c) grant reconciliation from DPO/MNC to BRC/CRC/URC to SMC is not carried out; (d) delay in physical verification of fixed assets; (e) long pending staff advances and other advances; and (f) pending Bank and inter-unit reconciliation at DPOs/BRCs/CRCs/MCs.

- Odisha: (a) Advance monitoring system is inadequate; (b) with respect to civil works, there was no system in RMSA society to verify and ascertain the quantum of work actually done and quality of work; (c) there should be proper monitoring of non-recurring/recurring grants released to R&B department by RMSA and UCs should also be collected in a timely manner; (d) in SSA, large sum is lying outstanding against DPOs under different heads like Staff Advance, Institutional Advance & Advance to suppliers, but recovery/adjustment was not satisfactory; (e) Fixed Asset Register at DPO level was not updated regularly; and (f) physical verification of assets was not conducted regularly.

- Rajasthan: (a) party-wise ledger accounts were not properly maintained at some DPOs, block level and SMCs; (b) reconciliation of funds sent to SMCs by DPOs not done properly and regularly; and (c) BRS of DPOs, Blocks and KGBVs had many large outstanding entries and BRS was not available for several SMCs.

- Himachal Pradesh: (a) existence of idle funds in bank accounts; (b) BRS not prepared with complete details; (c) old advances not adjusted due to non-receipt of UC; (d) outstanding balance of BRCs and CRCs were subject to reconciliation/confimation at District Level and advance outstanding or amount payable at year end to various parties also subject to confirmation; (e) large amount of expenditure was incurred in cash at SMC, CRC and BRC levels (because of hilly trains); (f) Stock Register not updated and not maintained in SMCs. In Vocational Education, the observation was that physical verification
of assets, tools, equipment, computers etc. was not conducted during the year of audit, and records showing full particulars of assets were not available.

- Kerala: (a) funds transferred between BRCs and CRCs were not reconciled; (c) Advance Register not updated or maintained adequately in many cases and delay in settlement of old advances; (d) supporting was not available for some expenses in BRCs in DPOs; (e) Bank passbook and cashbook needed to be updated in many cases and some BRCs did not produce BRS; (f) some DPOs did not maintain separate Fixed Asset Register and most DPOs and BRCs had not updated Stock Register, some BRCs did not provide Fixed Asset Register and Stock Register and Fixed Asset verification report was not available; and (i) UCs needed correction in some schools or had incomplete details.

- Madhya Pradesh: (a) Delay in settlement of advances given for procurement and other activities; (b) delay in submission of UCs, and DPOs/block offices did not maintain records indicating due dates for obtaining UCs; (c) monthly BRS of each bank account was not produced for verification by auditors by DPOs and block offices and annual BRS was prepared; (d) cash was withdrawn more than specified limit in many blocks; (e) report of physical verification of assets was not available for auditors; (f) payment in KGBVs in cash or bearer cheques; (g) funds spent by SMCs were not monitored properly; and (h) in many PTAs, BRS was not maintained, most PTAs had cash transactions and cases of proper bills not being enclosed.

3.43 Many of the observations highlighted above are getting gathered on over a period of time due to inadequate addressal/resolution. Samagrah Shiksha, an amalgamation of SSA, RMSA and TA is implemented from FY 2018-19. The books of accounts of the three schemes are in the process of integration. It is imperative that a single set of accounting books are prepared under the converged program. Further, in-order to ensure precision of accounting information flowing out of the converged accounts, it is imperatively that the statutory audit observations highlighted in the past under the individual schemes are adequately addressed/resolved.

3.44 Program governance and anticorruption arrangements: The framework for anticorruption activities, controls and process is largely in place, and in context of the limited scope and coverage of the Program this framework is assessed to be adequate. The General Financial Rules 2017 rule 179 includes “Code of Integrity” that is to be maintained by the Government procuring departments and bidders and prohibits Fraud and Corruption practices during the procurement process.

3.45 At the national level, there is a Central Vigilance Commission (CVC) which is the apex governmental body to address governmental corruption. It is an autonomous body, free of control from any executive authority and plays a key role in advising various authorities in central Government organizations in planning, executing, reviewing and reforming their vigilance work. The Office of the Comptroller & Auditor General (CAG) of India is the Supreme Audit Institution has the constitutional mandate to audit all public funds and entities. The scope of the CAG audit includes both the prevention and detection of fraud and corruption. CAG carries out audit of State Governments through the offices of Principal Accountants General/Accountants General as appropriate and places these Reports before the respective State Legislatures. Other vigilance and anti-corruption mechanism at the Program level include the Anti-Corruption Bureau and its state level constituent bodies; which enforces the Prevention of Corruption Act, 1988, financial and performance audits by the Comptroller and Auditor General (C&AG) of India, Right to Information Act, 2005 and the various state and departmental level vigilance and grievance redressal systems.

3.46 Applicability of the Anti-Corruption Guidelines of the World Bank to the operation. the Program (Program boundary of small ‘p’) will be subject to the Bank’s Governance and Anti-Corruption Guidelines namely the “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 1, 2012 and revised on July 10, 2015, which shall apply to all activities within
the Program boundary. As there is no distinction between World Bank funded activities and Government funded activities within the Program boundary, these guidelines shall be applied in an unrestricted manner on all activities within the Program boundary. Requirements under these guidelines include but are not limited to (a) borrower’s obligation on informing the World Bank about all fraud- and corruption-related allegations and investigations, (b) the World Bank’s right to conduct administrative enquiries, and (c) ineligibility of debarred firms for contract awards.

3.47 Anti-Corruption Guidelines: In summary, in order to operationalize implementation of the various areas covered in the ACGs, DoSE&L with help from TSU at Centre shall:

a) maintain and compile a quarterly report of complaints that may be reported that are related to the Program and share it with the Bank (based on the agreed format incorporated in the POM (Program Operation Manual));

b) incorporate the Bank’s debarment list in the filter used by Implementing Agencies when they conduct due diligence. This list may be found in the following website: http://web.worldbank.org/external/default/main?contentMDK=64069844&menuPK=116730&pagePK=64148989&piPK=64148984&querycontentMDK=64069700&theSitePK=84266

c) incorporate into the filter mentioned above the Bank’s suspension list that will be compiled on a periodic basis by the WB team and shared with the Program Team.

d) Report on quarterly basis stating that none of the contract awards under the Program are made to any of the sanctioned/ suspended firm.

e) For every bidding opportunity under the Program, each participating bidder shall submit (as part of the bidding process) a self-declaration that the firm is not subject to debarment or has not been sanctioned under the World Bank system of debarment and cross-debarment.

8. External Audits

3.48 Audit of government departments is carried out by the C&AG of India. The selection, duties, and powers of the C&AG are enshrined in the Constitution and are guided by the C&AG’s (Duties, Powers and Conditions of Service) Act, 1971, supported by Regulations on Audit and Accounts, 2007. The C&AG, as the Supreme Audit Institution in India (SAI), is a member of the International Organization of Supreme Audit Institutions and follows international auditing standards of the SAI. Besides compliance audit, the C&AG conducts performance audits. The reports of the C&AG are scrutinized by the legislative committees both at the center and the states. The offices of the Accountant General (Audit) at the state level support the audit of state departments. The C&AG is assessed to have sufficient capacity to produce reliable audit reports providing assurance about the use of Program funds. For independent assurance on the usage of funds reliance will be placed on the audit report of the Comptroller and Auditor General (CAG) of India on the accounts of Union Government to be submitted to the Bank within twelve months of the close of the financial year.

3.49 The Program audit will follow the exiting audit arrangements at States. Audits of SISs is conducted by firms of Chartered Accountants empaneled with the CAG. Selection of the firm of Chartered Accountants is based on criteria (specified in the Manual), which assess the size of the firms in terms of the number of staff and relevant experience. The audit covers the program financial statements, including a statement of receipt and expenditure and a balance sheet. The audit covers all SISs/ District Offices and sub-district units on a sample basis. Audits are carried out in accordance with TORs documented in the Manual and which meet requirements of the Bank. For States, the annual audit report of the respective State Implementing Society (SIS), including schedule of reporting expenditure against approved AWP&B will be submitted to the Bank within nine months of the end of the financial year. Audited Accounts/Audit Report will be furnished to GOI by the States, who in turn will provide the Bank with copies
of these State Audited Accounts/Audit Reports within nine months of close of the Financial Year i.e. by December 31st.

Table 5: Auditing Arrangements

<table>
<thead>
<tr>
<th>Implementing Agency</th>
<th>Audit</th>
<th>Auditors</th>
<th>Time line</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoSE&amp;L, GoI</td>
<td>The Accounts of Union Government</td>
<td>Comptroller &amp; Auditor General of India</td>
<td>31, March</td>
</tr>
<tr>
<td>State/ UT</td>
<td>SIS Audited Financial Statements &amp; Audit Reports</td>
<td>Private Audit firms</td>
<td>31, December</td>
</tr>
</tbody>
</table>

9. Procurement and Financial Management Capacity

3.50 The existing FM staff strength needs to be augmented to support the FM aspects of the Program. The existing FM staff at DoSE&L and the nodal department of the PSs is currently managing the FM aspects of Samagra Siksha. However, with the scale up of activities as envisaged under the Program there would be a need to strengthen the existing FM staff strength both at the GoI and PSs. It has been agreed that at each PS the Program Nodal Department will be supported by a finance officer from State cadre. Finance professional will be appointed at TSU both at GoI and the PSs. The appointments will be based on the ToR agreed with the Bank. Also, the arrangement of functional responsibilities of existing department’s (at GoI and PSs) finance and accounts staff for supporting Samagra Siksha needs to be clearly established.

10. Disbursement Arrangements

3.51 The key principles guiding the World Bank disbursement of DLIs are as follows:

- The DoSE&L and the 6 PS will pre-finance expenditures for the Program using its own budgetary resources through the identified budget lines of the Program Expenditure Framework.
- The DoSE&L will prepare technical reports to document the status of achievement of DLIs. The technical reports will be verified by an IVA, appointed by DoES&L as per terms of reference agreed with the World Bank.
- On validation of DLIs by an IVA, DoSE&L will communicate the achievement of DLIs and corresponding DLI values to the World Bank along with supporting documents. In case, the DLI target set out in any year is not achieved, it may be rolled over for future years till such time the DLI target is achieved.
- In the case of non-scalable DLIs, the World Bank will disburse the DLI value only upon full achievement of the DLI target. In the case of scalable DLIs, if partially achieved, the World Bank may authorize withdrawal of an amount lesser than the DLI value allocated to the said DLI target. The remaining amount of the DLI may be disbursed once the DLI target value is fully achieved.
- In case the of non-achievement of any DLI target (scalable or non-scalable), the World Bank may reallocate the proceeds of the Loan to another DLI, in consultation with DoSE&L.
- The World Bank will issue an official letter to DoSE&L endorsing the achievement of the DLI target and value.
- The DoSE&L will submit the disbursement claim of the DLI value to the CAAA in the GoI.
- The CAAA will submit the disbursement claim to the World Bank and the funds will be disbursed by the World Bank to the GoI under IBRD loan terms.
• In the last year of the Program, DoSE&L and the six PS in coordination with the World Bank, will reconcile the audited program expenditure (incurred under identified budget lines) with the DLI amounts disbursed by the World Bank. Any shortfall in the Program expenditure in relation to DLI disbursement will be adjusted from the final DLI claim.

Section 4: Program FM Systems and Capacity Improvements

Program Systems and Capacity Improvements

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation action</th>
<th>Timing</th>
<th>Type of action (PAP, DLI, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for strengthened planning</td>
<td>An operational review of program planning (in sample states)</td>
<td>Year-2</td>
<td>Recommendation</td>
</tr>
<tr>
<td>Lack of adequate financial management staffing at sub-district level</td>
<td>States to assess the vacancies and prepare a time-bound plan for addressing the same.</td>
<td>Year 1</td>
<td>PAP</td>
</tr>
<tr>
<td>Integration of books of accounts of SSA, RMSA and TA not yet done.</td>
<td>Effective integration by marinating single book of accounts for Samagrah Shiksha and by adequately addressing/ resolving the statutory audit observations highlighted in the past under the individual schemes.</td>
<td>Year 2</td>
<td>PAP</td>
</tr>
<tr>
<td>Need for robust Internal Audit system and compliance system.</td>
<td>The States, under guidance of MHRD should develop risk based, thematic area focused Internal Audit approach, with well-defined roadmap for compliance.</td>
<td>Year 2</td>
<td>PAP</td>
</tr>
<tr>
<td>Limited transparency at sub-district level</td>
<td>Public Financial Management System (PFMS) used to transfer funds and generate utilization certificate till 80% of the school level.</td>
<td>Year 3</td>
<td>PAP</td>
</tr>
<tr>
<td>Capacity constraint to implement procurement with no staff designated to procurement function</td>
<td>Each implementing agency designate procurement staff to procurement function and train them. Post procurement review report will include</td>
<td>Year 1</td>
<td>PAP</td>
</tr>
<tr>
<td>Issue</td>
<td>Description</td>
<td>Year</td>
<td>Type</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Financial audits do not include review of procurement process and post procurement reviews not carried out as required</td>
<td>Internal audits will include process review of procurement activities in compliance with rules on sample basis. MHRD will carry out procurement post review and share report with the Bank starting with Yr2</td>
<td>Year 2</td>
<td>PAP</td>
</tr>
<tr>
<td>General grievance system exist but there are no dedicated arrangements to receive and review complaints in a time bound manner</td>
<td>MHRD and each participating state will be designated nodal officer to deal with procurement complaints. Allow registration of complaints through web-based portal. Set up mechanism for tracking, review and disposal of complaints. Share with the Bank complaints received and dealt with as part of Program monitoring report and post procurement review report.</td>
<td>Year 1</td>
<td>PAP</td>
</tr>
<tr>
<td>Absence of model bidding documents/RFP/templates</td>
<td>Update Manual to include key contractual provisions to be included in all contracts. Implementing agencies to standardize and or adopt similar bidding documents for goods, works and services. This will be checked as part of post procurement review</td>
<td>Year 1</td>
<td>PAP</td>
</tr>
<tr>
<td>Non-disclosure of award information on websites of implementing agencies</td>
<td>All implementing agencies will disclose tender award information on their websites and report in their Quarterly Report</td>
<td>Continuous from year 1</td>
<td>PAP</td>
</tr>
</tbody>
</table>
Section 5: FM Implementation Support

Identify how the fiduciary team will work with the borrower to monitor implementation progress and address underperforming areas identified in the PAP. Fiduciary support includes:

i. Reviewing implementation progress and working with the task teams to examine the achievement of Program results and DLIs that are of a fiduciary nature.

ii. Helping the borrower resolve implementation issues and carry out institutional capacity building.

iii. Monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP.

iv. Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.