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**Enhancing Teacher Effectiveness in Bihar Operation**

(Program-for-Results)  
2014-2019

**Fiduciary Systems Assessment**

FINAL

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Prepared by

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## **Abbreviations and Acronyms**

AoA	Article of Association
AG(A&E)	Accountant General (Accounts & Entitlement)
BoD	Board of Directors
BRC	Block Resource Centre
BSEIDC	Bihar State Education Infrastructure Development Corporation
CA	Chartered Accountant
C&AG	Comptroller and Auditor General
COPU	Committee on Public Undertakings
CTE	College of Teacher Education
CTMIS	Computerized Treasury Management & Information Systems
CVO	Chief Vigilance Officers
DDO	Drawing & Disbursement Officer
DIET	District Institute of Education & Training
DLI	Disbursement Linked Indicator
DRT	Directorate of Research and Training
ERP	Enterprise Resource Planning
FRBM	Bihar Fiscal Responsibility & Budget Management Act
GOB	Government of Bihar
IC	Individual Consultants
ICT	Information and Communications Technology
MIS	Management Information System
PAC	Public Accounts Committee
PMU	Program Management Unit
PTEC	Primary Teacher Education Centres
PWD	Public Works Department
SCERT	State Council for Educational Research and Training
SSA	Sarva Shiksha Abhiyan
TA	Technical Assistance
TE	Teacher Education
TOR	Terms of Reference

## Executive Summary

1. An integrated fiduciary assessment has been carried out to evaluate the arrangements relevant to the Bihar Teachers Education Program to determine whether they provide reasonable assurance that the Program funds will be used for their intended purpose. Based on the assessment and agreement on actions required to strengthen the system, which are reflected in the DLI's and PAP the overall fiduciary framework for program are considered adequate to support program management and to reach the desired results.

2. Similar to other states in India, the GoB has a well-developed budgetary framework that ensures allocation of adequate resources to departments and programs. GoB has not faced significant fund constraint and there is sufficient predictability in availability of resources, albeit fund releases tend to be significantly higher in the last quarter of the financial year; As per standard practice and in order to maintain transparency in GoB's financing, two exclusive budget lines have been allocated to this program segregating between revenue and capital expenditures; a significant proportion of the activities i.e. civil works, ICT procurement and key consultancies, under the program will be undertaken by BSEIDC which operates outside the treasury system<sup>1</sup> and uses commercial banking channels for financial flows and payments. Fiduciary framework in the state and consequently the Program, are guided by several rules and legislation including the Bihar Financial Rules, Treasury Code and Budget Manual, PWD Manual and the Companies Act (2013) in case of BSEIDC.

3. Under the TE Program BSEIDC plays a critical role as it will be responsible for nearly 85% of the total program expenditures. The procurement profile of the program primarily focusses on infrastructure namely renovation and new civil works, and IT goods and equipment. The civil works which constitutes a large part of the procurement consists of construction of new buildings & renovation and repair of existing buildings. The estimated cost of such works range from USD 150,000 to a maximum of USD 5 Million. The IT infrastructure consists of content development, and computer hardware and the estimated cost per package of procurement would be not more than equivalent of USD 1 Million.

4. The Agency follows the state's procurement regulations [Bihar Finance (Amendment) Rules 2005] which are reasonably well established for works procurement and follow the Road Construction Department (RCD) codes and standard bid documents. The bid documents are found to meet the requirements of standard conditions and evaluation criteria; well-developed evaluation process and an acceptable performance of average 45 days for processing contracts are the main characteristics of this system. Lacunae in procurement systems are observed in goods / IT equipment and consultancy services procurement, which is used rarely and there are no standard bidding documents.

5. *Assessment of the existing procurement management system* and arrangements has identified that – (a) Rules and guidelines are spread across multiple documents and frequently issued circulars leading to a lack of comprehensive instructions for all steps of the procurement process; (b) Inadequate Standard documents for procurement of goods / IT equipment and

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<sup>1</sup> The scope of work of external auditors of BSEIDC include a long form audit report which covers aspects relating to corporate governance, system of accounts and financial control, risk of fraud an existence of vigilance wings, control over assets & liabilities and internal audit systems and environment management.

consultancy services; (c) There is mandatory registration of contractors, which is a common practice across all the states in India; (d) Negotiations are resorted to whenever the bids are received at a cost higher than the estimated cost; (e) While individual complaints received in a specific case are attended promptly<sup>2</sup>, there is no well-defined mechanism for compliant redressal or alternative dispute resolution mechanism. Further in terms of performance, the system of procurement planning & contract administration needs strengthening and improvement; standards for disclosure/ transparency are inadequate; an IT based system for procurement monitoring (or MIS) does not exist; and there is no independent oversight over procurement processes. However the agency has taken Bank's observations and has developed a basic contract monitoring system and is in the process of enhancing the same.

6. *Financial management performance:* This being a relative new program the budget utilization has been relatively low (USD 8~ 10 million in FY 2012-13 and 2013-14 representing an average budget utilization rate of about 20%) of which a significant portion represents budget transfers to BSEIDC, which utilizes such funds with a lag. Basic accounting records and internal controls in BSEIDC are considered adequate, but there are opportunities for strengthening their financial management systems and enhance corporate governance practices in line with enhanced scale of its operations. However the financial management capacity and performance in the DR&T, SCERT, DIET's which will have responsibility for implementing the soft activities (15% of program expenditures) are weak, with lack of adequate human resources for fiduciary functions, non-compliance with treasury & finance rules relating to budgeting, fund withdrawal, control over advances and non-reconciliation of expenditures with the AG (A&E). Given multiple agencies, with different legal structures, there is no inherent requirement to prepare either program progress reports or program financial statements. The annual financial statement of BSEIDC, which is prepared on accrual basis, is audited by a firm of chartered accountants appointed by the C&AG which ensures independence of the firm<sup>3</sup>. The C&AG audit guidelines of public sector corporations are require the auditors to review the internal controls framework and compliance and submit a completed questionnaire. The C&AG has the mandate for audit of DR&T, SCERT<sup>4</sup>.

7. *Program Audit Arrangements:* Given the varying legal structures of agencies involved in the program implementation and their respective audit jurisdiction audited program financial statements will be received from the following entities.

Scope of Audit	Responsibility	Due Date
External entity audit of BSEIDC with additional disclosure of program financial statements.	Private CA firm	Audit of Program Financial Statements (BSEIDC Component) within 9 months of the close of the financial year
Audit of program expenditures incurred by DR&T, SCERT & DIET's.	C&AG	Audit of Program Financial Statements (DR&T Component) within 9 months of the close of the financial year

8. *Governance & Accountability Systems:* There is a Lokayukta who takes cognizance of complaints of frauds and corruption. Vigilance Department in GoB is responsible for enquiry, investigation & prosecution of major cases of fraud, corruption and mis-appropriation of

<sup>2</sup> The present set up is prompt and effective largely due to the initiative taken by the present officials of BSEIDC

<sup>3</sup> While the audit firm is appointed by the CAG, the fee is determined by the Board of the Corporation.

<sup>4</sup> This will be carried out as per the standard ToR agreed to between the GoI and C&AG for externally aided programs

government funds. The Department has three investigation agencies, namely, Vigilance Investigation Bureau, Technical Examiner Cell and Electricity Vigilance Cell. Bihar has enacted the Bihar Special Courts Act, 2009 to establish Special Courts for trial of cases where Government has sufficient reasons to believe that the persons holding public offices and public servants have accumulated wealth, disproportionate to their known sources of income.

9. *Each* line department has the responsibility to conduct preliminary enquiries about misconduct by its employees. GoB has created 5 posts of CVO, with each CVO being responsible for a cluster of departments, but all such posts are vacant. Although the anti-corruption framework can be construed as potentially effective, Education department's preventive function needs to be strengthened by appointment of a CVO in the Education Department.

10. Other *governance* and accountability mechanisms include: (a) C&AG Audit – The C&AG is a constitutional authority whose independence and level of expertise is acknowledged worldwide (including through a recent international peer review) - both the prevention and the detection of fraud and corruption as part of the audit process fall within the CAG's jurisdiction; (b) Under the Right to Information Act, 2005, any public entity is bound to proactively disclose information of general interest and to respond to request for information within a specified time. The DR&T and the other agencies under the program are committed to suo-moto disclosure of information and response to requests for information.

11. *Applicability of Anti-corruption Guidelines of the Bank for the Program:* GoB is fully committed to ensuring that the Program's results are not impacted by fraud or corruption. Through the Program's legal documents, India (as the recipient of IDA financing) and Bihar are formally committed to the obligations under the Anti-Corruption Guidelines for PforR operations. In particular, in the context of this Program, Bihar has agreed to report to the Bank any credible and material allegations of fraud/and/or corruption regarding the program as part of the overall Program reporting requirements. The Bank will inform the recipient and Bihar about any allegation that it receives. Bihar has also agreed to ensure that persons or entities debarred or suspended by the Bank are not awarded a contract by verifying the same prior to award under the program during the debarment or suspension period.

12. *The* Bank's right to investigate allegations regarding the Program's activities and expenditures and the related access to required persons, information and documents will be observed in accordance with the standard arrangements for this purpose between GOI and the Institutional Integrity (INT) unit of the Bank.

# **Integrated Fiduciary Assessment**

## **I. Introduction**

1. As part of the Program preparation, in accordance with OP/BP 9.00, the Bank carried out a Fiduciary Systems Assessment (FSA) of the program, to determine whether the fiduciary systems provide reasonable assurance that the Program expenditures will be used appropriately to achieve the intended purposes. The FSA is broadly based on work done by a consulting firm and the Bank staff working on procurement, financial management and governance.

## **II. Sectoral Overview**

2. The Education Department, GoB is the nodal department for providing education and setting up related framework and infrastructure across the State of Bihar. The Department operates through five Directorates, namely, (1) Primary Education; (2) Secondary Education; (3) Mass Education; (4) Higher Education; and (5) Research & Training. The education department has consistently received an allocation of 21 percent of the state's annual budget over the last 3 years, the highest share across all departments reflecting the importance and allocative priorities of the GoB. The annual budget estimates (Plan and Non-plan) of the Education Department during FY 2012-13 and FY 2013-14 aggregated around Rs. 14,195 crores (US\$ 2.36 billion) and Rs.19,459 crores (US\$ 3.24 billion) with the outlay for Plan schemes (State Plan funds and the State share of the various centrally sponsored schemes) being Rs. 5,962 crores (US\$ 0.994 billion) Rs. 6,319 crores (US\$ 1.053 billion) respectively. The annual budget estimates of the Department for FY 2014-15 are Rs. 24,715 crores<sup>5</sup> (US\$ 4.12 billion) i.e. an increase of approximately 27 percent from FY 2013-14. The Education Department is responsible for implementing certain large centrally sponsored programs i.e., the Sarva Shiksha Abhiyan (SSA) and the Rashtriya Madhyamik Shiksha Abhiyan (RMSA), both of which are supported by the World Bank. These are implemented by Bihar State Education Society (a special purpose vehicle under the administrative control of the Education Dept.) with units at the state, district and block levels.

3. Within the Education Department of the Directorate of Research & Training (DR&T) has the administrative control and responsibility for research and training related to teacher's education in the State of Bihar. The department currently manages the centrally sponsored Teacher Education Scheme, with the program activities being executed by BSEIDC, SCERT & DIETs/PTECs. The budget outlay (schemes) related to teacher's training programs in FY 2012-13 and FY 2013-14 was Rs.78.00 crores (US\$ 13 million) and Rs. 215.00 crores (US\$ 35 million) respectively and the actual release/expenditure was 59 percent and 23 percent respectively, indicating a low absorptive capacity. The share of the budget of the teacher's training has been only 0.21 percent of GoB budget and 1.03 percent of the Education Department's budget. This, after an expected increase in 2015-16 to 2016-17, due to high level of infrastructure expenditure is expected to stabilize at around 0.38 percent GoB outlay and 1.8 percent of the Education Department's budget from the year 2018-19. There is therefore a low risk of sustainability of the program.

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<sup>5</sup> The significant increase in 2014-15 is due to decision by GoI to route funds under centrally sponsored schemes through the state budget and treasury as against the off budget route adopted till Y 2013-14.

### III. Public Financial Accountability Framework in Bihar

4. As part of the DPL operations the Bank had carried out a Public Financial Management & Accountability Study in 2008<sup>6</sup> which concluded that the PFMA in the state are weak and need considerable modernization. Public expenditure in Bihar was characterized low spending and low budget utilization. This was a consequence of (i) delayed approval of budget; (ii) centralization of decision making i.e. approval for spending and (iii) opaque & outdated finance and procurement rules which acted as a barrier to decision making by the executive even after approval for spending. Over the past 5-6 years, GoB has made notable strides in revitalizing the foundations for an effective public financial management system. The passage of the Bihar Fiscal Responsibility & Budget Management Act (FRBM) (2006), Bihar Panchayati Raj Act (2006) and the Bihar Treasury Code (2011) introduced improvements in overall fiscal governance and at the same time provided a policy framework for public financial management reforms.

5. Legal enactments were complemented by new practices designed to improve the effectiveness of spending and transparency. These included the passage of the state budget on time<sup>7</sup> and higher level of delegations for approval of spending. In addition, the Treasury Code has rationalized the number of codes used in the budget<sup>8</sup>, aligning budget codes with accounting codes and reducing the number of officers authorized to draw money (now reduced to 10,000 from 50,000). The Computerized Treasury Management & Information Systems (CTMIS) which involved upgrading & net- working of the treasuries (59 treasuries and sub treasuries) has been completed resulting in 'real time' information on budgets & its utilization being available to departmental heads. Revised procedures and controls, including IT based controls in CTMIS, on withdrawal of advances & its utilization/reporting , have significantly controlled both the 'stock' and 'flow' of advances. The reports of the C&AG, however, continue to highlight the lack of adequate planning/ budgeting resulting in savings, low burn rate of budget execution with significant spikes in the last quarter and internal control weaknesses.

6. DR&T, SCERT and DIETs being offices/institutions of the GoB are governed by the extant rules & regulation of the GoB including the Bihar Financial Rules, Bihar Budget Manual and the Bihar Treasury Code, 2011. Similarly BSEIDC being a Government Company, the internal control environment is provided by the AoA read with the provisions of the Companies Act, 1956 (now Companies Act, 2013) including the BSEIDC (Financial & Technical) Regulations, 2011, Service (Staffing) Regulations & Procedures and the applicable circulars/notifications of the GoB.

### IV. Program

7. The Program is part of the Department of Education (DOE) of the GOB's newly launched Mission *Manav Vikas* program which includes a wide-ranging set of reforms with the goal of providing quality education, especially to all elementary level children. Among other objectives, the Mission *Manav Vikas* is intended to enable a dramatic improvement in learning outcomes for elementary learners. The Program will help the system of teacher education equip teachers with the skill and knowledge they need to be more effective in the classroom. Rather than just focusing on providing teacher education and training, the Program innovatively

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<sup>6</sup> Report dated June 2008

<sup>7</sup> In February/March of previous financial year

<sup>8</sup> The number of object heads (including sub-object heads) has been reduced from over 600 to 68. This will not only make the budget process more efficient, but also the execution, accounting and financial reporting. In 2009-10 all budget lines in the plan budget have assigned object heads as against only 67% in the 2007-08 plan budget. The number of operational budget sub-heads has been reduced by half in the 2009-10 Budget. This impacts the efficiency by significantly reducing the need for re-appropriations, more accurate and timely accounting and financial reporting.

supports better governance and teacher accountability as key factors impacting overall teacher performance. The new Program is a unique opportunity to enhance teacher effectiveness by creating robust system-wide improvements focused on instructional excellence. The Program aims to *improve the effectiveness of elementary school teachers in Bihar*, by supporting the state to develop robust teacher education architecture to produce teachers who are effective, qualified, accountable and responsive. The program excludes activities and expenditures related to teacher's training which are financed by various centrally sponsored schemes including *Sarva Shiksha Abhiyan and the Teacher's Education program*. Since the centrally sponsored schemes are to a large extent driven by the common schemes guidelines, including fiduciary rules/ procedures of GoI, the program does not propose to include such activities/ financing within its definition. The Program includes the following broad activities:

- Infrastructure development including construction/renovation of buildings at SCERT, CTEs, DIETs, PTECs and BRCs and procurement of ICT equipment, furniture, books etc.
- Development of training materials and conduct of trainings
- Recurring expenses (training etc.) for Program management, other than salaries of teacher's educators.

## **V. Program Implementation Arrangements**

8. The GoB is implementing the program through the DR&T with BSEIDC and SCERT/DIET's being the key executing agencies:

- (a) BSEIDC is a Government company under the administrative control of Education Department, GoB having the mandate to undertake large/high value construction primarily for the Education Department, GoB and also acts as its procurement arm. With this mandate, BSEIDC has been receiving substantial GoB funds from the Education Department for undertaking construction of school/college buildings and allied infrastructure, implementing ICT@School Project etc.
- (b) SCERT is the lead academic institution of GoB at the State level which manages and provides academic support for research, training and other activities in the field of education. SCERT also receives funds from other agencies of GoB/GoI for specific programs e.g. Rashtriya Madhyamik Shiksha Abhiyan etc. for undertaking activities related to teacher trainings, material development etc.

9. It is estimated that activities related to civil works and procurement of ICT equipment etc. will account for approx. 85 % the Program expenditure (will be undertaken by BSEIDC), while activities pertaining to development of training material, conduct of trainings etc. which does not necessitate any procurement for the balance 15% will be implemented by SCERT/DIET's)

## **VI. Fiduciary Assessment**

### **Budget & Fund Flows**

10. Funding for the program will be provided in GoB budget under two separate budget lines – one for capital expenditure and one for revenue expenditure, in line with the standard practice of GoB, wherein it creates separate budget lines for external financing. Bank funds will flow to GoI and then flow to GoB; the program (DR&T) will draw funds based on the annual budget for the program and disburse funds/allotted budget to the various agencies. Planning and budgeting at DR&T is governed by the Bihar Budget Manual which also has mechanisms for in year revisions and re-appropriations in the budget

estimates. Normally the state budget is approved by the state legislature before the commencement of the financial year on April 1 of each year.

11. Annual budget proposals of DR&T which includes the budget requirements of SCERT & DIET's are submitted to the Budget/Planning Section of the Education Department which consolidates the budget proposal for the Department as a whole. While the budget is prepared and approved in a timely manner, there is no practice of key implementing agencies/ programs preparing 'Annual Work Plans' supported by a procurement plan, which would feed into the budgetary process. This contributes to the delay in process of allotment of the budget by the department, after approval by the state legislature and also impacts budget execution. The C&AG audit report (State Finances) for the year ended March 31, 2012 also reports of deficiencies in the management of budgets by the Education Department leading to substantial savings, as expenditures were substantially lower than the budget estimates. *The low spending in previous year's, coupled with low capacity and the rapid scale up in investment poses a significant absorptive capacity risk to the program.*

12. Funds flow from DR&T to BSEIDC, SCERT, DIETs/CTEs/PTECs etc. in accordance with the approved annual budgets and the existing practice is for BSEIDC, SCERT and DIET's currently drawing & depositing program funds in commercial bank accounts. Frequency of allocation of funds by DR&T is approximately 2-3 times a year and there are delays in the release of funds by DR&T with budget allocations/releases being initiated after 4-6 months from the commencement of the financial year. This risk of delays in fund transfer is mitigated in case of BSEIDC, which operates outside the treasury systems & draw funds on a non-lapsable basis and carry forward to the subsequent financial years<sup>9</sup>. Since November 2013, however, the finance department has required all agencies operating outside the treasury to conduct operations through a combination of Public Ledger Account (opened in the public account) and commercial bank account, with the objective of better cash management and at the same time providing agencies with operational flexibility to address issue of annual lapse of budgets. In respect of SCERT and DIET, the education department has proposed that they would operate through mainstream treasury systems, with advances (Advance Contingency Bills) being drawn for specific activities and control being exercised by the treasury/ CTMIS. This will improve both the internal controls as well as reliability of the financial reports.

## **VII. Procurement & Contract Management**

### **Framework**

13. Procurement under the program expected to be approx. 85% of the total Program cost consists of mainly civil works, ICT procurement and services. BSEIDC will play a lead role in procurement under the program and SCERT expected to carry out activities pertaining to material development and trainings, which may not require any procurement. In the last 3 years SCERT has not carried out any major procurement.

14. All the procurement in BSEIDC is governed by Bihar Finance (Amendment) Rules, 2005. The procurement procedures are also governed by BSEIDC Financial & Technical Rules (Niyamavali), 2011. As per the rules, BSEIDC has the option to follow for civil works the Schedule of rates (SOR) and procedures of State PWD, CPWD and NHAI. In practice BSEIDC the procedures of State PWD are only followed.

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<sup>9</sup> As of March 31, 2013, BSEIDC had approx. Rs 1200 crores (USD 200 million approx.) of un-utilized Infrastructure Development Funds drawn from GoB. This practice of drawal of funds results in overstatement of expenditure in GoB annual financial statements and accentuated the problem of unsettled advances, which is adversely commented upon by the C&AG.

15. Rules and guidelines are spread across multiple documents (BFR, PWD Code etc.) and frequently issued circulars leading to a lack of comprehensive instructions for all steps of the procurement process. There is no Procurement Manual which consolidates all the rules and procedures at one place and acts as a ready reckoner for carrying out the procurement activities. Road Construction Department (RCD) has been instrumental in the development of the SBDs for civil works which are now applicable across the state and are to be used by all the Agencies. In case of bidding for services and goods it was observed that the Financial Rules of GoB provide for the procedure, however there are no standard bidding documents for procurement of goods and services.

16. The Government of Bihar introduced the use of e-Procurement system in September 2009 and made it mandatory for all procurements whose estimate is more than INR 2.5 Million (USD 40,000 Approx.). The state follows two envelope systems for procurement with the first envelope having the technical information and the second envelope having the financial quotes. The second envelope of only those bidders which meet the technical parameters is opened. The introduction of e- procurement system has brought in much needed efficiency and transparency in procurement in the state. An assessment of the e- procurement system has been carried out by the Bank against the MDB requirements and has found the system to be acceptable, subject to the state getting and submitting a satisfactory security audit report.

17. Organisation Staffing: Operations at BSEIDC are conducted under the overall supervision and control of the Managing Director. The MD is assisted by a team of technical (engineers, architects etc.), financial and management experts at the Head/State office. Further each division is headed by an Executive Engineer who implements the activities with the assistance of the Assistant Engineers & Junior Engineers. The existing staff at BSEIDC has generally been hired on a contractual basis except for some officers at the senior management level e.g. General Manager (GM) Administration, GM Program Implementation, Chief Consultant Technical etc. who are either on deputation or ex-officers of GoB. Considering the expanding work and increasing number of sites, BSEIDC is recruiting sufficient manpower for both the technical and financial segments. GoB has informed that the process of selection has been completed. The existing staffs managing procurements are available in sufficient numbers to carry out the procurement activities smoothly. The staffs is well aware of the procurement procedures to be followed as per the existing system and in a short span of two years it has developed a good infrastructure to carry out procurement on large scale. In the field Executive, Assistant and Junior Engineers have been posted to carry out supervision activities

18. The assessment of the existing procurement management systems and arrangements have the following gaps: (a). Rules and guidelines are spread across multiple documents and frequently issued circulars leading to a lack of comprehensive instructions for all steps of the procurement process; (b). Inadequate Standard documents for procurement of goods / IT equipment and consultancy services; (c). There is mandatory registration of contractors, which is a common practice across all the states in India. Contractors are to be registered as per the standards used by the GoB Road Construction Division (RCD). The registration of contractors with GoB other agencies, National agencies, and Public sector undertakings and other state governments is also accepted but contractors have to get themselves registered with BSEIDC, if awarded a contract; (d). Negotiations are resorted to whenever the bids are received at a cost higher than the estimated cost; (e). While individual complaints received in a specific case are attended promptly, there is no well-defined mechanism to deal with such complaints. The present set up is prompt and effective largely due to the initiative taken by the present officials of BSEIDC rather than any well-defined mechanism for complaint redressal / alternative dispute resolution mechanisms; (f). The Managing Director of BSEIDC has been entrusted with full powers by the Board and hence all approvals are concentrated with the MD only including all passing of bills and payments.

## VIII. Procurement Performance & Contract Management Practices

19. As 85% of the program cost and all major procurement under the program is the responsibility of BSEIDC, the assessment primarily focused on BSEIDC's capacity, procurement systems and its performance during the last few years.

20. **Procurement thresholds:** The following methods of procurements are followed based on the estimated cost of the packages.

Estimated Cost	Method of Procurement
Value above Rs 2.5 million ( USD 41,000)	Open Competitive and use of e-procurement mandatory
Value between Rs 0.10 million and Rs 2.50 million	Limited tenders
Value between Rs 15,000 and Rs 0.10 million	Three Quotations

21. BSEIDC has set up three committee's viz. Technical Committee, Tender Committee & Executive Committee to handle procurements and the Managing Director is the final approving authority for all procurements. GoB has stated that delegation of certain powers presently vested in the Managing Director is desirable. However, such a delegation has to be implemented with due caution at an appropriate time. BSEIDC has recently made fresh recruitments on a large scale and is also in the process of making all the nine decentralized Divisions, to be headed by an Executive Engineer level officer, fully operational. Powers can be gainfully delegated to these decentralized Divisional Heads. GoB has informed that this can be done once all the nine Divisional Offices have been setup, made operational and they gain the desired level of stability. However till then payments would continue to be made by the Head/State Office.

22. The practice of preparing detailed Procurement plan at BSEIDC is initiated only after the receipt of technical sanctions for the works from the Chief Engineer, PWD. However BSEIDC is in the process of developing a system of procurement planning starting from the date on which sanction of activity is received by BSEIDC.

23. **Value of Procurements:** The average value of works procured: INR 25 Million. - (Remark - One project was of INR 860 Million, two projects were of INR 290 Million. each and rest were of less value numbering around 800 projects amounting to INR 18500 Million). Recently the agency has tendered out procurements of buildings costing an average INR 100 million. The average value of goods and services procured: INR 178.50 Million.

24. **Advertisement and Bidding:** Notice inviting bids is published in newspapers and uploaded in website but the award details are not published. Financial Rules provide that name of winner should be put on notice board/bulletin /website. Bids are invited through e-procurement process. Tenders for works contract are invited on percentage basis and all the contracts awarded are mostly on Lump Sum basis, as the works are of standard nature. Negotiations are routine in case quoted price is higher than estimated cost. In most cases the contractors were allowed an increase up to 2% over the estimated cost. Contracts were placed in most cases within 2% escalation over the estimated cost. During all negotiations meetings the contractors were persuaded to keep the increase up to a maximum of 2% only. The practice followed by BSEIDC in the matter of negotiation is that where the L1 is at par or below the SoR there is no negotiation. If L1 rate is more than the SoR, negotiation with L1 is done by the Executive Committee to bring down the rate at par with or near to the SoR. Further, in those cases where there is no SoR and L1 rate is in accordance with the estimated cost, no negotiations are under taken.

25. **Competition:** As the works are small values and in remote locations, in most cases competition was noted to be limited with only one or two bids being received. However in few cases where the works

were in the vicinity of towns good competition was observed. The reasons given for poor response was the locations in remote places and strict qualifying criteria. All bids of one scheme are invited simultaneously and due to financial constraints, contractors quote for limited work resulting in a few bids for the different groups. In a few areas no bids were received due to security reasons and rebidding was resorted to after examining the reasons and rescheduling the groups. An average of 2.4 bids was received for all Open tender procurements. The average is skewed as there were nearly 800 packages of small works which were tendered out at the same time and in these procurements the participation was one to two bidders. In the recent tenders of new buildings an average of 4-5 bidders are noted to have participated.

26. The bidders are generally given two weeks to quote and technical bids are opened a day after the due date of receipt of bids. Financial bid opening date is also indicated which is usually after a gap of two weeks after the technical bid opening date. The decision to award is generally taken within a week if negotiations are not involved. In case of negotiations one additional week is taken. The contractor is given two weeks from the date of issue of letter of acceptance to submit performance security. The agreement is signed as soon as performance security is received. This time period of six to Eight weeks from the date of issue of NIT to award of contract is considered to be very good. The offers are valid for three months. The bid evaluation is done at the committee level and can be regarded as confidential.

Method of procurement	No of days taken (Average)	Remarks
Open tender	13 days	Number of days taken for bid evaluation has been considered from the last date of bid submission to the actual date of financial bid opening.
	15 days	From the date of Financial opening till letter of Award
	21 days	Delay is mostly attributed to the submission and subsequent verification of the performance security from the issuing bank and only after such confirmation, contract is signed and letter to proceed with work is issued.
	Total – 49 days	

27. **Contract Administration:** The engineering staffs posted in the zones are responsible for contract administration. They send periodical reports to Head Quarters which is entered in the progress report. Any extension in completion period is referred to the Chief Technical Advisor who takes the approval of MD before granting extension. For monitoring the progress of the work BSEIDC also has a system of surprise inspection whereby Senior Officials of BSEIDC undertake surprise visits to construction sites. BSEIDC has also developed a mobile based monitoring system based on android software whereby details of schemes are made available on a web portal along with landmarks of the site. Executive Engineer updates the construction work every Monday which is updated directly on to the web-portal. The images of the construction site and self-posting of global positioning (latitude and longitude based) and date and time are also uploaded enabling the management to verify that engineers have actually visited the site and also the current stage of the work.

28. **Contract Completion and Cost Overruns:** Most of the civil works are noted to be completed within the original competition period. In a few cases, delays were observed due to delays of handing over land for construction. GoB has submitted that more than sufficient land is available for the different buildings proposed under the Program except in case of BRCs for which site wise surveys will be carried out. In nearly 15% of the contracts there was time overruns on an average of 66 days. ( i.e. 18% of the original completion period)

Method of procurement	No of days of delay against the original time in contract (Average)	Remarks
Open tender	185 school buildings were completed within time. In 33 buildings average number of days of delay beyond the original date of completion as per the contract was 66 days (for this period time extension was granted by BSEIDC based on valid reasons).	Construction of upgraded secondary school was the first major civil construction project for which 218 school buildings have been completed. Average has been calculated based on these completions.

**There were no cases of Cost over runs as the works awarded were mostly lump sum.**

29. **Supervision & Quality Assurance:** Based on the data received from the field officers, progress report of the contracts are prepared and updated periodically. However the delay in execution of contract was not being indicated in such report which is now being addressed by BSEIDC, after the Bank team's advice. Quality control is the responsibility of field staff with help from the consultants wherever available. Within BSEIDC the supervision of works is carried out either by individual supervision consultants appointed for verification of construction work in selected program or by site engineers of BSEIDC. The performance of the consultants was not found to be up to mark by BSEIDC and there is serious rethinking by BSEIDC about their continuation.

30. **Complaint Redressal Mechanism:** While individual complaints received in a specific case are attended promptly, there is no well-defined mechanism to deal with such complaints. The present set up is prompt and effective largely due to the initiative taken by the present officials of BSEIDC rather than any well-defined mechanism for complaint redressal. BSEIDC is in the process of creating an internal Vigilance and Grievance Redressal Cell. The same will be headed by a senior officer of the rank of Supt. Engineer who will report directly to the Managing Director of BSEIDC. Besides quality assurance the Cell will also look into various issues concerning fraud and corruption and grievance redressal and complaints.

Method of procurement	No of complaints	Time taken for resolution
Open tender	22	Average time taken for resolving the issue was 60 days (complaints are generally regarding credentials and registration of the bidders. Since these require verification from the certificate issuing organization, the resolution was noted to be taking time).

31. **Oversight and Control:** Procurement monitoring and oversight rests within the organisation. A separation of functions for independently assessing and ensuring the process and its integrity is not there.

32. **Actions for Improvements in Procurement Management:** The following actions will be taken by the GoB/ BSEIDC for improvements in the existing procurement arrangements from the Program perspective:

- a. A procurement manual which collates all the rules, regulations and circulars issued will be prepared. The Standard bidding documents for procurement of goods / IT equipment and selection of services of Services would be developed, approved and adopted for use by BSEIDC.
- b. Implement a system of procurement planning from the date on which the sanction of a Project/activity is received by BSEIDC.

- c. BSEIDC has submitted that to streamline the process of negotiations with the lowest bidder before the award of contract, as is currently being followed by BSEIDC, the policy be got approved by the Board of Directors of BSEIDC and no change in the policy should be made without the prior approval of the Board of Directors of BSEIDC.
- d. BSEIDC has submitted that it will initiate a process of decentralization and when all the nine decentralized divisions are fully operational some of the powers of the Managing Director will be delegated to the decentralized Divisional Heads.
- e. Procurement post review will be conducted on a regular basis, covering at least 15% of contracts issued in each year under the program and the report will be shared by September 30 of each year, this would be planned to be included as a part of the internal auditor's TOR.
- f. Develop a procurement MIS module including contract management which if possible can be integrated with the e-procurement system.
- g. The complaint handling and redress system / mechanism will be developed.

## **IX. Internal controls**

38. Activities in DR&T are limited to allocation of plan budget, making transfer of resources to BSEIDC and expenditure against non-plan budget. All expenditures are against approved annual budgets and made with the approval of Director (DR&T) through treasury cheques/bank drafts. In SCERT/DIET's payments are with the approval of the Director/ Principal respectively. The existing gaps in the internal control framework in case of SCERT/DIET's include (i) the practice of drawing funds in advance (as AC Bills) into bank accounts and making subsequent payments to vendors, meeting training costs, but not submitting the detailed contingency bills (DC Bills) to the treasury for settlement of such advances. Changes in the Treasury Code (2011) and modifications in the CTMIS system has however brought in, process and system based controls, which prevent additional withdrawal of funds without settlement of previous advances. This coupled with the department's decision requiring DR&T, SCERT and DIET's to operate through the treasury systems with advances being limited to specific activities e.g. TA/DA etc. will strengthen the control framework for the program. Adherence to this procedure is being incentivized through the DLI.

33. The consultants and the site engineers of BSEIDC prepare the bill of quantities for the work done, based on which running bills are prepared and approved by the executive engineers at the divisions and sent to the head office, where payments are centralized. All payments to vendors/ contractors are made electronically based on approval by the Managing Director. The time taken for the release of payments to the contractors and supervision consultants is around 3-4 weeks, with the review of bills at the division taking 20-25 days and payment processing at head office taking on an average 10 days.

34. There is a centralized internal audit wing under the administrative control of Finance Department, however due to depleted staff strength and antiquated methods the function has not kept pace with the growing public sector spending in GoB. While GoB has taken an in principle decision to strengthen the internal audit wing, this reform will take a few years to make a perceptible impact. BSEIDC has a system of contracting private firms of chartered accountants as internal auditors, but their appointment is often delayed and the terms of reference focus more on basic compliance and facilitating compilation of accounts and financial statements.

## **X. Accounting & Financial Reporting**

35. The DR&T, SCERT and DIETs which are administrative units of the department of education are governed by the treasury and finance rules of GoB. These follow cash basis of accounting and require the Drawing & Disbursement Officer's (DDO's) to maintain a cash book along-with treasury bill book, disbursement registers, periodically reconcile their expenditure with the affiliated treasury office and submit the same to the controlling DDO in the department, for overall reconciliation of expenditure with the AG – Accounts & Entitlement (AG-A&E), who is responsible for accounting & preparation of state's financial statement. This procedure, however, has not been adhered to by most departments in Bihar and routinely figures in the audit observations of the AG (Audit). Non reconciliation of expenditures with the AG, can result in mis-match of expenditure, i.e. between those reported by the department and recorded by the AG (A&E). With the department's decision to require SCERT/DIET's to operate using mainstream treasury system, reliable financial reports can be generated from the CTMIS, which also facilitates tracking of advances (AC bills).

36. BSEIDC being a company is governed by the provisions of the Companies Act, 1956 (now Companies Act, 2013), as applicable, read with the AoA for maintenance of accounts, preparation of annual financial statements, accounting policies to be followed etc. BSEIDC follows accrual basis of accounting and uses an off the shelf computerized accounting system maintained in the head office. Besides maintaining accounts in TALLY, manual subsidiary registers e.g. Measurement Book (MB) Register, MB Movement Register, Cheque Issue Register etc. are also maintained. There is however no financial management manual in BSEIDC which governs & lays down a comprehensive framework for accounting, internal control and financial reporting. The accounting system, currently only facilitates program wise utilization of funds and not contract wise, which are tracked through informal systems & processes. BSEIDC prepares progress reports of some programs containing both physical and financial progress and such reports are hosted on the website of BSEIDC for public access. BSEIDC also prepares annual financial statements complying with the standards and disclosure requirements mandated under the Companies Act. The entity financial statements however do not have a detailed disclosure of funds utilization of Infrastructure Development Fund (IDF) under various programs. Given the scale up of operations, no. of contracts and staff and a long term viable investment and maintenance plan, there are opportunities for BSEIDC to strengthen its corporate governance practices and operations by making audit committee functional with a risk based internal audit, developing a financial management manual & invest in an ERP solution to strengthen financial and contract management practices and proactively disclose procurement, financial & physical progress on contracts in the public domain and improve disclosure practices in the annual financial statements, thereby improving transparency.

37. While financial management capacity is adequate in BSEIDC, there are severe capacity limitations in the financial management capacity in the DR&T and SCERT. Accounting responsibilities are delegated to technical staff and there is a need to contract and build accounting capacity in these units. The program does not have a natural requirement for various agencies to provide periodic financial reports which can then be used for preparing a consolidated financial report for the program.

## **XI. Auditing Arrangements**

38. Audit of DR&T, SCERT and DIETs, is within the mandate of C&AG, while audit of BSEIDC is conducted by a firm of Chartered Accountants appointed by C&AG and a supplementary audit of BSEIDC is done by the C&AG. In case of BSEIDC the scope of external audit<sup>10</sup> are provided by the

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<sup>10</sup> The scope of work of external auditors of BSEIDC include a long form audit report which covers aspects relating to corporate governance, system of accounts and financial control, risk of fraud an existence of vigilance wings, control over assets & liabilities and internal audit systems and environment management.

C&AG as per the contractual obligations of the audit firm with the C&AG, with the fees being determined by the Board of BSEIDC<sup>11</sup>. While this ensures independence in appointment, given that BSEIDC operations & turnover in the initial years were low, the auditors assigned for external audit of BSEIDC by C&AG have tended to be relatively small audit firms. BSEIDC has proposed that it will send a request to C&AG informing them of the increase in their operations/ expenditure and request C&AG to factor this while allocation of audit from 2014-15 onwards. This coupled with delays in appointment has resulted in delaying the audit of annual financial statements<sup>12</sup>. As part of the PAP, efforts will be made to bring down the time cycle of external audit of BSEIDC to six months to comply with the timelines prescribed in Companies Act 2013.

## **XII. Fraud and Corruption Risk Mitigation Measures under the Program**

### **A. The State Anti- corruption Framework**

39. In India, law and order is the responsibility of the states. Neither GoI nor central nodal anti-corruption agencies, such as the Central Vigilance Commission, have jurisdiction on the corruption issues in the states, except for investigating and prosecuting central government employees. India's supreme audit institution, the C&AG, is the only federal institution which has the mandate to help mitigate the risk of corruption in implementation of any public policy or program across the country through its financial, compliance or performance audit.

### **B. The State Vigilance/Anti-corruption Framework**

40. In Bihar the primary responsibility for management of fraud and corruption (preventive function) rests with the Departmental Heads of the Government Departments, who with the Chief Vigilance Officer of the Department is responsible for managing the vigilance and disciplinary function of the Department. GoB has created 5 posts of Chief Vigilance Officers with each having responsibility for 5 departments, however all posts of CVO are vacant.

41. There is also a Lokayukta who takes cognizance of complaints of frauds and corruption and sends them to the Vigilance Investigation Bureau as well as the Technical Examiner Cell for enquiry and report.

Vigilance Department in GoB, headed by a Principal Secretary, is responsible for enquiry, investigation & prosecution of major cases of fraud, corruption and mis-appropriation of government funds. The Department has three investigation agencies, namely, Vigilance Investigation Bureau, Technical Examiner Cell and Electricity Vigilance Cell. In order to collect intelligence about disproportionate assets belonging to corrupt Government servants, the GoB has set up Special Vigilance Unit.

### **C. Vigilance Systems in Education Department**

42. While GoB, has taken several proactive steps to manage fraud and corruption, preventive vigilance, which is the primary responsibility of the Education Department, needs strengthening. Presently the Education Department does not have a CVO and the position is vacant since July 2013<sup>13</sup>. BSEIDC also is not adequately equipped for prevention and control of fraud and corruption. While individual complaints received in a specific case are attended promptly, there is no well-defined mechanism to deal with such complaints.

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<sup>11</sup> The external audit fees for FY 2012-13 was equivalent to USD 750.

<sup>12</sup> The audit for the financial year 2012-13 was completed on March 31, 2014 i.e. after 12 months.

<sup>13</sup> The C&AG report for 2011-12 lists 4 pending cases of mis-appropriation and embezzlement in the education department, which primarily relate to mid day meal program and submission of inappropriate settlements against advances.

43. The Board of Directors of BSEIDC comprise of persons holding ex-officio positions in the GoB with the Development Commissioner, GoB as its Chairman. In accordance with the provisions of the Companies Act, an Audit Committee was constituted in February 2012, but only two Meetings<sup>14</sup> of the Audit Committee have been held since its formation. Further meetings of the BoD also do not comply with minimum statutory requirements as per the provisions of the Companies Act read with the AoA. Annual general meetings at BSEIDC are being held in accordance with the regulations though there have been instances where general meeting of the shareholders were adjourned due to the absence of the stipulated quorum.

#### **D. Mitigating the Risk of Fraud and Corruption through Audit**

44. The CAG is a constitutional authority whose independence and level of expertise is acknowledged worldwide (including through a recent international peer review) and reflected through recent widely publicized reports; both the prevention and the detection of fraud and corruption fall within the CAG's jurisdiction: "examination of system for detection and prevention of fraud and corruption will (...) be an integral part of all regularity audits and also of performance audits, whenever it forms one of the audit (sub) objectives. (...) Audit must (...) evaluate and report on the adequacy of the systems in place and competence with which the management (of the audited entity) has discharged its responsibility in relation to prevention, detection, response and follow-up/remedial measures in relation to fraud and corruption. (...) Reports of individual cases of suspected fraud and corruption should be confidentially addressed, in the first instance, to the controlling authority concerned (...). More serious cases should also be confidentially reported to the Secretary of the Administrative Departments (where they are not the controlling offices) concerned and the investigative authorities like Central/State Vigilance Commission, Lok Ayukta, etc." Audit reports of the C&AG are in the public domain and important paras (observations) are discussed by the PAC and COPU. The annual state audit report of C&AG as well as the inspection reports of the C&AG related to the education department will be reviewed for issues, if any, relating to fraud and corruption.

45. Sub section 12 to section 143 of the recently introduced Companies Act, 2013 as applicable to BSEIDC provides that if an auditor of a company has reasons to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government.

#### **E. Other Accountability Mechanism**

46. Other accountability mechanisms that also help mitigate the risks of fraud and corruption and strengthen fiduciary controls are:

- a. **Arrangements under Right to Information Act, 2005:** The RTI has become an effective accountability mechanism, millions of applications for information being filed every year: there is empirical evidence that it is an effective tool for citizens to obtain the service they are entitled to<sup>15</sup>. Public Information Officers have been deputed in the Education Department, Vigilance Department and the Vigilance Investigation Bureau. As per discussions, there are no the Public Information Officer of the Education Department that there was no pending request for information lying with him under the Right to Information Act.

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<sup>14</sup> First meeting of the Audit Committee was held on December 16, 2013.

<sup>15</sup> The number of RTI queries received by the State Information Commission relating to Education Dept. in 2011-12 was 12400 of which 8500 were responded to. This RTI queries related to Education Dept. represents approx. 20 % of the total queries received by the Commission

- b. Transparency in disclosure of information: BSEIDC & SCERT have their own websites ([www.bseidc.in](http://www.bseidc.in) and [www.scertbihar.in](http://www.scertbihar.in)). DR&T has also allotted funds to DIETs/PTECs/CTEs for creation of websites. Information with respect to DR&T is disclosed in the website of the Education Department, GoB ([www.educationbihar.gov.in](http://www.educationbihar.gov.in)). Disclosures however is currently limited to sanction letters, fund releases, administrative circulars, annual reports and annual budget. BSEIDC has selectively disclosed progress reports for some activities.

47. *Conclusion:* Although the anti-corruption framework can be construed as potentially effective, two mechanisms call for significant strengthening: (a) Education department's preventive function needs to be strengthened; by deputing an officer as CVO in the Education Department; (b) set up an internal vigilance and grievance cell with BSEIDC.

### XIII. Critical Risk and Mitigation Measures

48. The Table below provides the key fiduciary risks identified during the assessment and proposed mitigation measures

Risk	Mitigation Measure
The DR&T does not have adequate financial management capacity to prepare annual plan, adequately plan & budget and allocate budgets to various sub units (DIET/SCERT) which may lead to delays in Program implementation. Similarly SCERT and DIETs also do not have capacity for carrying out financial management functions.	Capacity in the department and its attendant institutions (SCERT) is being enhanced under the TA component by recruitment of consultants with appropriate knowledge and skills in financial management and supplemented with an operational guideline summarizing key rules from Bihar Budget Manual, Treasury Code and Finance Rules, with intensive training in initial years.
Existing practice of DR&T drawing funds and disbursing it to SCERT/DIET's, coupled with inadequate monitoring results in (i) overstatement of expenditure and (ii) build up of advances (unsettled AC Bills)	Education Department to implement (by way of office order) its decision to require the DR&T, SCERT and DIET's to operate through the treasury, by way of sub-allocation of budgets as against parking funds in bank accounts, limit advances (AC Bills) to selected activities and monitor the same through CTMIS.
No practice or requirement for preparation of consolidated program financial reports showing financial & physical progress.	DR&T will prepare quarterly and annual program financial reports, which will be hosted on the website of the Directorate. Similarly BSEIDC will also host the progress report on program expenditures along-with procurement and physical progress information on its website.
With significant scale up envisaged in budgets and expenditure, compared to previous year's there is a significant risk of absorptive capacity. This coupled with the pricing of the DLI (which are weighted more towards the soft activities) could risk in the cumulative EEP's being less than funds disbursed, if the DLI's are fully achieved.	BSEIDC operations have picked up pace. The annual expenditures have increased from 430 million in 2011-12 to Rs 4295 million in 2013-14, representing an increase of 10 times in two years. BSEIDC has also recruited 120 engineers in 2013-14 to strengthen its implementation capacity.
System of procurement planning from the date of signing of contract at BSEIDC is inadequate	Implement a system of procurement planning from the date on which the sanction of a Project/activity is received by BSEIDC.
Bidder participation for procurements at BSEIDC is limited in most cases to only one or two bids.	Staggering similar type of works, adopting progressive methods, Suitable Packaging of Works,

<b>Risk</b>	<b>Mitigation Measure</b>
There is therefore a lack of competition in most cases.	publicity in national newspapers and other similar measures may be taken by BSEIDC to increase competition.
Lack of contract management MIS	Develop a procurement MIS module including contract management which if possible can be integrated with the e-procurement system.
No well-defined mechanism to deal with complaints	The complaint handling and redress system / mechanism will be developed
Lack of independent control and oversight mechanism could lead to inefficient procurement management, leakages and losses.	An independent Firm to conduct annual post review of procurement contracts awarded by the agency
BSEIDC corporate governance practices, including financial systems, controls & financial reporting procedures need strengthening in line with the rapid scale up in investment. BSEIDC does not have a FM Manual.	Institutional development plan developed to include improvement of (i) Corporate Governance practices including effective functioning of audit committees with oversight over internal audit; statutory compliances with regularity of BoD's. Strengthening financial management practices by development of a FM Manual, implementation of ERP for financial & contract mgt., improving quality of disclosure in the annual financial statements and pro-active and timely disclosure of financial, physical & procurement progress & proc. Complaints & redressal in the public domain.
Fraud and corruption: lack of a formalized vigilance function at the department level; BSEIDC does not have a well-defined grievance redress mechanism	Appointment of CVO for the education department and making the institution of CVO effective.
Disclosure of Procurement Information	There is a need to disclose the contract award information to promote transparency.

#### **XIV. Key Program Actions**

49. The key Program Actions to address gaps are listed in the Table below:

<b>S. No.</b>	<b>Key Program Actions</b>
	<b>Cross-cutting actions</b>
1.	Strengthen the preventive vigilance function within Dept. of Education by filling in the vacant position of CVO and build its capacity to making it effective.
	<b>Procurement Arrangements</b>
2.	GoB to implement a system of procurement planning at BSEIDC from the date on which the sanction for activity is received.
3.	Develop a procurement manual and Develop SBD for goods and services.
4.	Policy for negotiations with the lowest bidder before the award of contract as is currently being followed by BSEIDC should be got approved by the BoD of BSEIDC and no change in the policy should be made without the prior approval of the BoD of BSEIDC.
5.	Establish a mechanism for conducting annual post review of procurement contracts awarded by the agency by an independent Firm.
6	The complaint handling and redress system / mechanism will be developed
7	Develop a Procurement MIS system including contract management.

S. No.	Key Program Actions
	<b>Financial Management</b>
8.	Develop operational guidelines containing the relevant codes (processes & controls) from in the Bihar Treasury Code (2011), Bihar Budget Manual and Bihar Finance Rules and the key financial reports available from CTMIS (Treasury system) for the DR&T, SCERT and DIETs which will serve to both work within the existing financial regulations and strengthen compliance/adherence to such regulations by the program.
9.	Strengthen the financial mgt. (Budget/Planning & Accounting) capacity in DR&T and SCERT.
10.	Consolidate and strengthen the Corporate Governance and Financial and contract management systems in BSEIDC. These would include (i) compliance with statutory requirements under the Companies Act (2013) i.e. Minimum no. of Board meetings; (ii) Develop a Financial mgt. Manual for BSEIDC to strengthen the control framework and also to improve disclosures in the annual financial statements and Directors report especially on the Infrastructure Development Funds (IDF); (iii) make the audit committee function effectively, supported by strengthening/expanding the scope of internal audit and its timely appointment; (iv) implement a ERP solution for financial & contract management; and (v) pro-active public disclosure of financial and physical progress against IDF.