



GOVERNMENT OF THE PEOPLE'S REPUBLIC OF  
BANGLADESH

OPERATIONAL PLAN  
For

**IMPROVED FINANCIAL  
MANAGEMENT (IFM)**

**July 2011-June 2016**

**HEALTH, POPULATION AND NUTRITION  
SECTOR DEVELOPMENT PROGRAMME  
(HPNSDP)**

**MINISTRY OF HEALTH AND FAMILY  
WELFARE  
BANGLADESH SECRETARIAT, DHAKA**

**July, 2011**

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## ABBREVIATIONS AND ACRONYMS

ADP	-	Annual Development Plan
APR	-	Annual Program Review
CAO	-	Chief Accounts Officer
CGA	-	Controller General of Accounts
DDO	-	Drawing & Disbursement Officer.
DGHS	-	Directorate General of Health Services
DGFP	-	Directorate General of Family
DP	-	Development Partners
FMAU	-	Financial Management & Audit Unit
FMRP	-	Financial Management Reforms Project
FA	-	Financial Adviser
FAPAD-		Foreign Aided Project Audit Directorate
GAAP	-	Governance and Accountability Action Plan
HPN	-	Health Population & Nutrition
HPNSDP-		Health , Population and Nutrition Sector Development Program
IFM	-	Improved Financial Management
iBAS	-	Integrated Budget and Accounting System
IFMIS	-	Interim Financial Management Information System
IUFR		Interim Unaudited Financial Report
IDA	-	International Development Association
IMED		Implementation Monitoring and Evaluation Division
IT		Information Technology
LD		Line Director
MOHFW		Ministry of Health & Family Welfare
MTBF		Medium Term Budgetary Framework
MDTF		Multi-Donor Trust Fund
OP		Operational Plan
PM		Program Manager
RIBEC		Reforms in Budget & Expenditure Control
RFW		Result Framework
SPEMP		Strengthening Public Expenditure Management Program
SOE		Statement of Expenditure
SWAP		Sector-wide Approach
TOR		Terms of Reference
TA		Technical Assistance

## **OPERATIONAL PLAN**

1. Name of the Operational Plan(OP): Improved Financial Management (IFM)
2. Name of the Sector Programme: Health, Population, Nutrition Sector Development Programme (HPNSDP)
3. Sponsoring Ministry: Ministry of Health and Family Welfare.
4. Implementing Agency:
  - (i) FMAU, Ministry of Health and Family Welfare
  - (ii) Finance Unit, Directorate General of Health Services
  - (iii) Audit Unit, Directorate General of Family Planning
5. Implementing Period:
  - (a) Commencement: July, 2011
  - (b) Completion: June, 2016
6. **Objectives of the Operational Plan:**
  - (a) **General:** To improve financial as well as fund management and Audit system implementation for the HPN Sector.
  - (b) **Specific:**
    - To ensure transparency and accountability in financial management of the program funds;
    - To implement the agreed funding mechanism for the development funds;
    - To improve fund flow, accounting, reporting and tracking arrangement build on the proposed iBAs through an Integrated Financial Management Information System (IFMIS);
    - To minimize financial risk like financial irregularities;
    - To Improving the efficiency of Expenditure Management Process by linking and coordinating the activities with MoF and strengthening the Public Expenditure & Management Programme ( SPEMP );

- To conduct internal audit and settlement of audit observations of HNPSDP other project of the MOHFW raised by Audit Directorate ;
- To strengthen internal audit for effective, efficient and economic performance of all the activities;
- To build capacity of the related financial and audit personnel and DDOs at all level.
- Strengthening the monitoring, evaluation of expenditure and financial management.
- Preparation & maintenance of central FMRs reflecting sector accounts .

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## 7. Estimated Cost.

### 7.1 PIP and OP Cost.

(Taka in lakh)

	<b>Total</b>	<b>GOB</b>	<b>PA (RPA)</b>	<b>Source of PA</b>
Approved Cost of the PIP (Development Budget)	2217666.00	860350.00	1357316.00 (869791.00)	Pool Fund, JICA & other DPs
Estimated Cost of the OP	3576.00	726.00	2850.00 (1900.00)	Pool Fund, JICA & other DPs
Cost of OP as % of PIP	0.026	0.084	0.21 (0.22)	

### 7.2 Estimate Cost of OP (According to Financing Pattern):

(Taka in lakh)

Source	Financing Pattern	2011-12	2012-13	2013-14	2014-15 + 2015-16	Total	Source of fund
GOB	GOB Taka (Foreign Exchange)	120.00	176.00	143.00	287.00	726.00	GoB
	CD-VAT						
	GOB Others (e.g. JDCF)						
	Total GOB=	120.00	176.00	143.00	287.00	726.00	
PA	RPA (Through GOB)	285.00	515.00	495.00	605.00	1900.00	Pooled Fund including, JICA
	RPA (Others)						
	Subtotal RPA=	285.00	515.00	495.00	305.00	1900.00	
	DPA	190.00	190.00	190.00	380.00	950.00	KFW & other DPs
	Subtotal DPA=	190.00	190.00	190.00	380.00	950.00	

	Total PA=	475.00	705.00	685.00	985.00	2850.00	
Grand Total=		595.00	881.00	828.00	1272.00	3576.00	

**8. OP Management Structure and Operational Plan Components (Attached Management set up at Annexure-1)**

**8.1 Line Director: Joint Secretary, Financial Management and Audit, MoHFW.**

**1. Major Components of OP and their Program Manager/DPM**

Major Components	Program Manager	Deputy Program Manager
A,	PM -1 Deputy Secretary (FMAU)	DPM-1(Finance) Senior Assistant Secretary (Finance) /DD/DCAO
Strengthening of the Financial Management and audit		
Institutionalizing of the IFM		
Workshops, seminars and conference (agencies related)		
Financial Support service to LDs		
Technical Assistance		
Out sourced Internal Audit		DPM-2(Audit) Senior Assistant Secretary (Audit)
Settlement of audit objection.		
Capacity Building officer & staff	PM-2 Director-Finance, DGHS PM-3 Director (Audit) DGFP	DPM- Finance Deputy Director (Finance) DGHS DPM- Audit Deputy Director (Audit) DGFP
Strengthening of Finance Section		
Workshops, seminars and conference (agencies related)		

Procurement of Assets		
Operating Cost		

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## 9. Description

### a) Background information, current situation and its relevance to National Policies, Sectoral Policy,

Vision 2021, Sixth Five year Plan, MTBF etc.

#### Background Information:

The FM system in Bangladesh is required for further improvement of managing public funds effectively, efficiently and economically. In recent years, GOB has made considerable progress in public financial management. The Financial Management Reform Program ( FMRP) and introducing MTBF and Strengthening Financial Accountability Project' under the umbrella program 'Strengthening Public Expenditure Management Program' (SPEMP) initiatives supported by development partners demonstrate GoB's continuous thrust to improve public expenditure management and financial accountability that requires more transparency, sound internal controls at all levels, accounting, information on service provided and timely action where mismanagement is found. MOHFW is one of the pilot ministries for MTBF, FMRP and SPEMP.

The Government of the People's Republic of Bangladesh had taken up 1<sup>st</sup> Population Program under the financial assistance of International Development Association (IDA) -IDA Cr No. 533-BD from 1<sup>st</sup> July, 1975 to 30<sup>th</sup> June, 1978. The present Financial Management and Audit Unit (FMAU) previously called Management Accounting Unit (MAU) was established in July 1997 with technological supports from "Reforms in Budget and Expenditure Control"-**RIBEC**. The FMAU after several reform processes started its journey from July 2003 under the Improved Financial Management (IFM) Operational Plan.

Despite commendable progress, the overall financial management system of the MoHFW still remains highly regulations driven, input and process oriented rather than results or outcomes focused. FMAU will continue to accelerate financial reforms to alleviate risks as well as the strengthening financial management across Ministry of Health and Family Welfare.

#### Achievements:

i.FM under the closing HNPSP has improved as reflected by the timely preparation of financial reports, the use of the treasury system for utilization of DP funding, the outsourcing of internal audits to a private audit firm, and the formation of an audit committee and a FM task force to monitor FM actions.

ii. According to the FM Assessment and Public Expenditure and Financial Accountability (PEFA) Assessments, the MOHFW is compliant with the Bank's financial management requirements. Audit Reports have been received timely including Interim Unaudited Financial Reports (IUFRs) from the MOHFW which served as basis for fund disbursement.

iii. The development of procedures for operation of the Forex Account to reimburse the GOB its pre-financed expenditure in the health sector, clearly assigning responsibilities to three units- the FM and Administration Unit

(FMAU), the Chief Accounts Officer (CAO) and the Bangladesh Bank. The new procedures have been critical in streamlining of funding through government systems, the first attempt by pool financiers to apply this in the health sector.

**iv.** The channeling of a substantial amount of DPs funding for the Project using the government Treasury system. Expenditures financed from these pooled funds are first made from the GOB Consolidated Account using the same procedures applicable to expenditure of the GOB's own funds. Statements of actual expenditures are the basis to trigger transfer of funds by the Controller General of Accounts (CGA) from the GOB Forex account to the consolidated account in order to reimburse the amounts spent.

**v.** Disbursement of donor funds is based on quarterly Interim Un audited Financial Reports (IUFRs), which include quarterly expenditures, and these are compared to the

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annual budgets for the OPs. The FMRs include revenue expenditure, parallel/direct expenditure financed by non pooling DPs thereby ensuring a comprehensive picture covering all expenditures of the health sector. Since 2007, FMRs have mostly been submitted on time but have been subject to a number of revisions due to its low quality.

**vi.** The overstuffed FMAU, the unit responsible for FM function in the MOHFW has been downsized from 54 to 29 staff positions. Now FMAU has shortage of properly trained officers/staff for financial management. An Audit and Accounts Cadre Officer has been put in place as Deputy Secretary to oversee all financial management activities under the Project.

**vii.** Under the existing system, the CAO of the MOHFW was unable to process payments to foreign consultants and NGOs in conformity with the design of the closing program (HNPSP). This has caused low utilization of pooled funds initially. Under the closing program (HNPSP), government expenditures requiring a letter of credit, payment to NGOs and treatment of advances have been streamlined through government directives.

**viii.** The MOHFW is the only ministry which responded positively to the proposal that internal audits be undertaken by a private firm until internal capacity is built, and thus met the additional requirements of the DPs for increased monitoring of operational and financial risks.

**ix.** An Audit Committee headed by the Additional Secretary has been set up to follow up and respond to the Foreign Aided Project Audit Department (FAPAD) audit report objections. The Audit Committee adopted a number of measures aimed at corrective actions for serious audit objections.

**x.** An annual audit of the ministry's financial statement has been carried out under an agreed Terms of Reference (TOR) with the Comptroller and Auditor General (CAG). For the first time, disbursement has been tagged to pending audit



issues. Disbursement of pooled funds was reduced by an amount equivalent to the amount of audit objections remaining pending beyond a set due date.

**xi.** A detailed FM manual has been prepared to facilitate accounting and reporting of these expenditures. The CGA system has been followed for preparing reports under which the FMAU receives and records financial information for both GOB and pool funds. The FMAU also receives Statements of Expenditure (SoEs) from the LDs and reconciles these with CGA information. For direct project aid and parallel project activities supported by DPs, the FMAU accounts for such expenditure following the existing accounts code of the GOB and then consolidate the information with the main financial reports.

**xii. Measures completed during HPNSDP appraisal:** (i) a time bound action plan has been elaborated for resolving pending audit observations and a confirmation of the final status of annual audit observations; (ii) the development of a TOR for a consultant to prepare an audit strategy has been finalized outlining the coverage, focus of audit and steps for effective and timely follow up on audit observations; (iii) MOHFW management has confirmed the continuation of internal audit by a private audit firm with TOR and selection process acceptable to the Bank until MOHFW's own capacity is developed to carry out the audit<sup>1</sup>; (iv) the development of TORs for FM staff/consultants to strengthen and capacity development for the Line Directors; and (v) the development of a draft organogram for FMAU along with job descriptions for each position.

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**Issues to be addressed:**

Some capacity development activities have not yet been taken forward, including the lack of an approach to internalize reforms under the sector wide approach (SWAp), frequent staff transfers, a dearth of finance staff at all levels, the absence of an appropriate training strategy and the lack of timely follow up of internal and external audit issues. These issues have persistently affected FM performance in the sector.

As budget information can be tracked through iBAs and all payments are processed through iBAs, this system should logically be the means for generating regular financial management information. This functionality has been constrained by the lack of integration of the budget and expenditure modules of iBAs and exclusion of some information, e.g. on direct project aid payments.

A framework of rules and regulations to establish internal control over expenditure exists but the application of these is weak. LDs are not supported by adequately trained financial management staff. Too much reliance is placed on pre-audit checking of claims for payment instead of effective monitoring of expenditure against approved allocation.

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<sup>1</sup> An evaluation of this capacity will be carried out during Mid Term Review.

The current system of asset and inventory recording, maintenance and verification in MOHFW and LDs is weak as in other public sector institutions. There is no system to ensure that fixed assets are properly recorded at the time of procurement or immediately thereafter. This is partly because the GOB's current procedure does not treat the procurement and utilization of fixed assets as a process requiring controls.

The internal audit arrangement within MOHFW is fragmented and not well resourced and running core audit may be strengthened. Separate audit units exist within MOHFW, DGHS and DGFP. The in-house audit continues to pre-audit payments (an internal check function rather than internal audit) and inspects compliance with rules and regulations. The external auditor places little reliance on internal audit activities in planning the scope of the external audit of the MOHFW.

The fund release procedures and reporting mechanism under HNPSP were not complicated, but the government procedures were not well understood at all levels. A specific spending bottleneck relates to fund releases for the fourth quarter. After having received funds for the one quarter, LDs need to provide evidence that at least 75% of the funds have been spent in order for the CGA to recognize the expenditures and allow funds for the following quarter to be released. This means that fund releases to LDs for the fourth quarter will continue to be significantly delayed.

The single most important cause of the weak FM capacity of the MOHFW relates to the lack of qualified, skilled and experienced FM staff at all levels within the MOHFW, including at LD levels. Despite FMAU being a separate unit within MOHFW and the LDs having a finance department, financial management functions at various levels were left with non-financial management personnel and junior-level staff who lacked understanding of the sector-wide approach including the government's own rules and procedures. Frequent staff turnover resulted in discontinuity of FM functions, particularly for staff who received local and international training under the Project. Although capacity constraints have been addressed through technical assistance supported by DPs, the staffing issue remains a key factor for MOHFW from building sustainable capacity.

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The external audits have been timely and in conformity with the agreed coverage, scope and methodology, but there have been considerable delays in settling audit observations. The Bank identified 30 serious audit observations between 2005/06 and 2009/10. The settlement of audit observations by the MOHFW has gained momentum in the last few years.

At the initial stage of HNPSP, various training activities on procurement and financial management were carried out for the auditor but the benefits of these were not reaped due to frequent staff changes. Despite various attempts, such as joint periodic meetings between MOHFW and LDs, the formation of quality assurance committee

by the CAG, tripartite meetings and reactivation of the Audit Committee headed by the Additional Secretary, slow settling of audit observations remains a key concern.

### **Related Policy Issues:**

**Sixth Five Year Plan:** SFYP attached transparency as a key instrument for hold Government accountable for its performance. Openness of the budget, financial management, audit, and performance information associated with service delivery empowers the population to ensure that the public sector is working in their interest. It is an important mechanism to deter corruption as well as enlisting society at large in identifying and taking measures against corruption should it occur.

### **HPNSDP Strategic Plan:**

Despite developments in some areas, FM still remains a critical area in the SWAp implementation process, which needs to be addressed during implementation of the next sector program.

Review jointly by both the GOB and the DPs in order to take a concrete decision on which option to follow for the subsequent period of the next sector program implementation.

### **Components under HPNSDP:**

**Measures expected to be completed by September 2011:** Agreement has been reached that the MOHFW will initiate various actions to support effective implementation of FM arrangements including: (i) the elaboration of a revised FMAU organogram and job description for staff including a strategy paper stating a) staffing needs at ministry and LDs level, b) the appropriate size of FMAU, c) the continuity of service for minimum period of three years in key FM position, and d) a training plan and an integrated approach to capacity development; (ii) the confirmation of one OP for FM capacity development instead of existing three OPs; (iii) the development of an agreed action plan, addressing existing bottlenecks in fund release procedures; (iv) the customization of IBAs to generate IUFRs; (v) the initiation of a procurement process to hire private audit firm for internal audit and outsourced staff/consultant to support capacity development of LDs FM operations.

### **Components in the PIP:**

**Planning and Budgeting** – Linkages will be needed between MTBF, OPs and the ADP resource envelope. In the HPNSDP, FMAU will continue efforts to establish a better

coordination with the planning wing that will enable FMAU for better management of expenditures and reporting. In addition, coordination with LDs would be strengthened for timely reporting in connection with reconciliation and reimbursement.

**Accounting and Reporting:** The existing mainstream accounting system of the GOB will be followed. For GOB funds, and IDA and pooled funds channeled through the government Treasury System, accounting will follow the system of CGA. Under the system, the FMAU of the MOHFW will continue receiving and recording financial information for GOB, IDA Credit and pooled funds following one single source of information (i.e. the CGA system, IBAs) and will be responsible for maintaining the sector accounts. Efforts will be initiated to build on the current IBAs to establish elements of an Integrated Financial Management Information System (IFMIS) which in turn would avoid the need to maintain separate parallel systems for accounting and reporting.

**Development of Accounting and Asset Management System:** Under the IFM operational plan a computerized accounting and asset management system will be developed to bring improvement in timely reporting from field level. In consultation with the MOF, iBAs software can be further developed to feed timely information for tracking the Asset and expenditure.

The current system of asset and inventory recording, maintenance and verification in MOHFW and LDs is as weak as in other public sector institutions. Neither the LDs nor the DDOs at district and Upazila offices maintain an up-to-date asset register. To ensure proper inventory and fixed asset record the systems of procurement and recording must be improved.

**Internal Control and Audits:** To strengthen internal audit in the Ministry and to ensure effective periodic monitoring of financial and operational activities in the sector, FMAU will continue to outsource internal audit function with TOR acceptable to DP to carry out half yearly audit for the program. There is need for GOB officials to be involved in order for capacity development to start in-house internal audit at the later part of the program and internal auditors hired from the private sector will have the advantage of getting proper access to GOB records. FMAU will liaise with and facilitate the performance of the internal audit and follow-on and implement internal audit recommendations.

An outsourced private firm will carry out internal audits of the Project under an agreed TOR. The in-house capacity to effectively conduct internal audit within MOHFW will be developed under the SPEMP. The Internal Audit report, together with the management response and follow up action will be shared with the Bank within 15 days from date of the receipt of the report. An evaluation of the in-house capacity will be carried out during the MTR with a view to possibly phase out the audits by the outsourced firm.

i. **Internal Control:** Government's existing financial power, authority and payment responsibility outlined in the Financial Management Handbook of the health sector and General Financial Rules will be followed. There are clear guidelines for

authorization and approval of financial transactions at the Secretary (MOHFW) and LDs and DDOs levels (issued by MOHFW in 2008). By December 2011, the FM Handbook both in Bangla and English will be updated to cover changes, if any, in the Program. A computerized assets management system with both central and distributed databases (both of which need to be updated on a regular basis and be consistent with each other) needs to be procured and placed under the MIS departments or as

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appropriate in any other department of the MOHFW. Initially, it would be done for the key LDs and then be rolled out to all LDs, DDOs at district and upazila level. The installation and completion of the system are expected to be completed by December 2012.

**Long Term Strategic Approach for Institutional Capacity Development:** Financial Management in Line Directorates is not so strong due to lack of FM staff with appropriate skills, enforcement of financial rules and regulations in maintaining accounts and records. This has led to huge reconciliation problems in accounting offices making accurate SOE preparation difficult for the sector. The FMAU of MoHFW under IFM operational plan will be responsible for strengthening and institutionalize the Financial Management operations and Auditing under HPNSDP. To address the institutional constraints, following initiative will be taken during implementation of HPNSDP for 2011-2016:

With the assistance of IDA, as part of the new PFM reform program (SPEMP) and its Components which deal with strengthening the expenditure management systems and processes, above mentioned areas in MoHFW could be strengthened by linking and coordinating the activities with MOF and SPEMP. The MOHFW will collaborate with the MOF for ensuring that MOHFW becomes the priority ministry.

**Strategic Budget management and Improving the efficiency of Expenditure Management.** These relate to steps necessary to strengthen the core public expenditure management process in the Health Sector:

- a. Developing improved budget management function
- b. Strengthening budget/accounts classification and fiscal reporting
- c. Installation of requisite system in the iBAs to generate timely and accurate reports
- d. Strengthening Treasury and Cash Management system and procedures
- e. Strengthening the Planning Wing of MOHFW and other agency level planning units to support resource allocation decision making process.

**(ii) Strengthening the Monitoring, Oversight of Expenditure Management and Financial management:** Along with strengthening the reporting systems and procedures of the spending units of MOHFW, it is necessary to strengthen the capacities and systems of the MOHFW for efficient and regular monitoring of financial management performance including improvement on action plans under the GAAP. Specific activities will include:

- a. Strengthening the internal audit function across the sector, including streamlined procurement process until the function can be undertaken by the MOHFW.
- b. The conduct of annual audits as per **Audit Strategy**; strengthen follow up process through Audit Committee; quarterly reports to C&AG on the status of audit findings stating amount of withheld disbursement; collaboration within the areas of external audit and parliamentary oversight will also be explored and promoted
- c. Develop systematic monitoring and improved oversight function of the MOHFW through formation of a high-level task force consisting of MOHFW officials, auditor, DPs and LDs. The group's TOR will include the responsibility to periodically monitor progress both fiduciary and institutional level activities and report to the Secretary and IDA.

**(iii) Capacity Building and HR development:** This will primarily include the capacity strengthening of FMAU. The MOHFW needs to prepare a policy paper stating the staffing need in FMAU as well as across the sector, a training plan and an integrated approach to FM capacity building so as to assist the MOHFW in implementing the policy decision through one OP instead of three different OPs. Furthermore, a sensible minimum time in each position,

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e.g. two or three years, must be agreed and implemented by the MOHFW in agreement with Ministry of Establishment and Ministry of Finance when necessary. Beside this continues local at international training will be initiated to improve capacity of personnel.

#### **Fund Flow and Release procedures:**

- IDA will administer the funds channeled through the Multi Donor Trust Fund (MDTF).
- Based on the review of ADP of MOHFW, IDA and the MDTF Co-financiers will, by March 31<sup>st</sup> of each year, estimate the share of ADP that will be financed by the Project in the following fiscal year.
- IDA and Bank administered MDTF resources will flow to a pooled FOREX Account maintained as a sub account of the consolidated account. Figure 1 below depicts the arrangement of the flow of funds for the Program.
- The first advance by IDA to the pooled Designated Account will be in an amount equivalent to its share of six months' estimated eligible expenditures of the Project. First the GOB will spend from the consolidated account which will then be reimbursed by IDA.
- The share of disbursement from IDA and the MDTF when effective, in USD, will be made twice a year (approximately in mid February and mid August) into the pooled FOREX Account and determined upon the time of payment processing on a prorated basis according to the funds actually available in the MDTF account and IDA undisbursed funds.

- Consolidated Financial Statements will be generated on the basis of iBAs – including a statement on funds required for the next six months so as to facilitate replenishment of DA.
- The FMAU, based on Chief Accounts Officer's advice, will submit withdrawal applications together with consolidated financial statements documenting eligible expenditures incurred in the sector.
- GOB can also request a payment to be made through a special commitment or directly from the Bank to a supplier.
- Retroactive financing would be considered for disbursements against eligible expenditures up to an aggregate amount not to exceed \$70 million equivalent, incurred one year prior to expected date of signing but after January 01, 2011.
- Disbursement for Accelerated Achievement of Results (DAAR) approach: under this modality, the MOHFW will be eligible to use funds programmed for year five to the first four years of implementation upon attainment of agreed upon targets that demonstrate accelerated achievement of Project results. Further details provided in Annex 6B.
- Fund releases for the fourth quarter will be expedited after submission of provisional SOE.

**Staffing:** FM staffing at all levels (ministry and LDs) will be revised and will include, in the shorter term, the appointment of financial staff at all levels in accordance with the actual needs and requirements of the positions, and, in the longer term, the transfer issue related to senior managers needs to be agreed at the management level of MOHFW. To begin the process, the existing organogram will be revised including the job descriptions of staff within FMAU. The primary focus would be to ensure an appropriate size of FMAU with qualified and competent staff, instead of appointing a large number of staff without significantly increasing the competency levels of the unit. FM staff, including auditors, would undergo training at the beginning of Project implementation and periodic training for institutional development as per approved OP and staffing policy paper.

**Project Reporting:** Appropriate formats of the periodic financial reports (IUFs) have been agreed. FMAU will continue the consolidation of financial data from the CGA and direct payments through special commitment etc. The requests for direct payments will be supported by records evidencing eligible expenditures (e.g.,

contracts). These requests and documentation will be consolidated by the FMAU where the Withdrawal Application will be prepared and sent to the Bank. The format of FMRs will be formally transmitted to the GOB after completion of negotiations with the understanding that the contents of the reports will undergo changes whenever necessary during Project implementation.

**External Audit:** The annual financial statement under the Project will be prepared by the MOHFW and will be audited by CAG who is considered as an independent auditor to carry out annual audits. The audits will be conducted following country procedures and in accordance with an agreed TOR which will specify essential elements of audit coverage under the Project. Throughout Project implementation, audit coverage, focus and steps for effective and timely follow up of audit observations will be driven by the Audit Strategy which is a priority action included in activities to be completed at the beginning of the Project implementation. The Audit Report will be posted on the Bank's website as a part of the Bank's Access to Information Policy.

A time bound action plan, with a view to settlement of all pending audit findings is being prepared and will be monitored closely.

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**Table 1: Audit Reports and Due Dates**

<b>Auditor: Comptroller and Auditor General</b>	<b>Audit report and due date</b>
December 31 of each year	Project Financial Statements including opinion on IUFs used as basis for drawing funds.

**Table 2: Reliance of Public Financial Management 'Country Systems' for the Implementation of the Program**

<b>Execution phases</b>	<b>Reliance on Country System</b>
<b>Eligible Expenditure Based on OPBs</b>	
Budget Preparation and Execution	The Project will rely on government systems, which have been assessed as "adequate" for this purpose.
Budget Reporting	
Treasury	
Accounting and Reporting	
Internal Control	
Internal Audit	For internal audit, the Project will rely on private



	sector audit firms until internal capacity is built.
External Audit/Control	For external audit, the Project will rely on C&AG.
Accounting and Financial Reporting, aims to build on the current iBAs to establish elements of an Integrated Financial Management Information System (IFMIS). This could facilitate use of IBAs by MOHFW both for management accounting, monitoring expenditure against budget, and for reporting to DPs on fund utilization.	

**b) Related Strategy in the PIP:**

- Ensure receiving of funds of the Development Partners
- Improvements in Financial Management and Developments
- Preparation of timely and accurate Financial Reporting
- Monitoring actual financial performance against stated targets
- Follow-on and resolution of Audit Objections
- Financial Management Reports
- Reconciliation of the Accounts

**10. Priority Activities of Operational Plan(OP):**

**I. IFM-MoHFW**

- Improvement of Financial Management at all levels of HPNSDP
- Collection of Reconciled SOEs /FMR from 32 LDs.
- Preparation and maintenance of Central FMRs reflecting Sector Accounts.
- Submission of IUFR to World Bank and Withdrawal Application to IDA
- Reimbursement of expenditure of RPA through GOB funds of HPNSDP
- Maintenance of Financial Records, Monitoring and Reporting
- Internal Audit of development funds through outsourced Internal Audit
- Completion of audit and accounts of development and non- development fund under MOHFW through core audit teams of MOHFW

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- Financial Management Support services to LDs by hiring FM staff to build capacity
- Settlement of audit observations of HPNSDP and other projects of MOHFW raised by CAG's audit Directorates.
- Strategic and systematic training and development of staff through local and Foreign training
- Technical Assistance to strengthen FMAU capacity and oversight function.
- A long term technical assistance program needs to be designed by both government and DPs. The management of the fund can be contracted out to a specialist TA Management Authority. This will help in strengthening the TA procurement process and make it more transparent.. This will help in strengthening the existing system and

the overall system strengthening plan can be made more comprehensive and predictable.

- As all the posts pertaining to the FMAU have been transferred to the revenue budget, but the Officers & staffs outside IFM if skilled on OP work like preparing IMED report, FMR, SOEs, demand for reports from various offices, report and preparation of forms for fund release may be given responsibility and special honorarium may be allowed to them.

### **Financial Management Personnel for 32 OPs:**

- A number of Financial Management personnel will be required in the Operational Plan 2011-2016. The categories of Financial Management personnel would be Financial Management Manager, Financial Management Supervisors and Financial Management Officer. They will be dedicated to anchor FMAU and LDs. The TOR would be finalized and procurement would be made with the approval of the Secretary, MoHFW.

### **Training Program:**

**A need assessment will be carried out to develop curricula to avoid duplication training topic across MoHFW; different training module are as follows:**

- Training on preparation of facilitating Audit (e.g. documentation) and preparation of broadsheet replies and evidence for settlement of audit observations.
- Training on Interim Unaudited Financial Reports (IUFRs) of HPNSDP
- Training on Internal Control of accounts and expenditure management of development funds.
- Training on iBAs and associated with bridge/linkage of software for MOHFW.
- Short International Training on Financial Management, Monitoring, Internal Control System, (20 opportunities for IFM-MoHFW officials and 5 opportunities for officials of Planning .
- Workshop on Financial Management of HPNSDP relevant to Audit Issues
- Training of Financial Management for DDOs and accounts personnel at all levels
- Workshop on Financial Management for LDs, PM, DPM and accounts personnel
- Workshop on Improved Budgeting System (MTBF) for Development and Non Development of all Directorates and Delegation of Financial Powers of MOHFW
- Workshop on Reconciliation of Accounts for LDs under HPNSDP
- Workshop on Expenditure Reporting Format for PDs of Projects outside HPNSDP
- Workshop on **User Fee** for MOHFW, DGHS and Hospitals.

- Financial Management Training Program for Members of Hospital Management Committee
- Workshop on Monthly Reporting System for LDs and accounts personnel at all levels
- Workshop for Monthly Reporting System for Non-development for Directorates

#### **Strengthening Internal Audit:**

- Special Audit/inquiry/inspection of financial irregularities, collection of audit objections.
- Co-operate and coordinate to prepare broad sheet reply with C&AG office, NHQ, Divisional, District, Upazila and below level cost centers.
- Action for audit mitigation.
- Conduct Qualitative performance Audit.

#### **Developing a Computerized Accounting System:**

- Establish FMIS (Financial Management Information System) to ensure transparency and accountability.
- Establish Network Based IT and also E-Mail facilities to facilitate data flow.
- Collect financial information.
- Establish Network Based IT and also E-Mail facilities for audit and audit observations status of all offices (Dist. Upazilla and HQ)

##### **Training/Workshop:**

- Computer Hardware and Trouble Shooting training.
- Day long workshop for preparation of budget, SOE and reconciliation.
- Database management Training for persons working in Finance Unit.
- Training on Internal Audit.

##### **Acquisition of Assets:**

- Procure Server, Computers, Printers, and related IT accessories to build up FMIS.
- Procure office equipments for strengthening of Improved Financial Management-FP.

#### **11. Relevant Result Frame Work Indicators (RFW) and OP level indicators:**

Achieving of the following indicators will contribute to ensuring the quality and equitable health care for all citizens of Bangladesh. They will specifically contribute to the strengthening the health system, and in particular will help to achieve Result 2.10. "Strengthening financial management systems (funding and financial reporting)", and also Result 2.1. "Strengthening Planning and budgeting procedures"

##### **11.1 Relevant RFW Indicators**

Indicators(s)	Unit of Measurement	Base line (with Year and Data Source)	Projected Target (Mid-2016)
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1.	2.	3.	4.
<ul style="list-style-type: none"> <li>% of project aid fund (e.g. development budget) disbursed quarterly and annually</li> </ul>	Percentage	100% LD, IFM	100%
<ul style="list-style-type: none"> <li>% Serious Audit objections ( Identified by WB) settled with in the Last 12 months</li> </ul>	Percentage	100%, FMAU 2007-8 & 2008-2009	>90%

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# 1. **OP level indicators (Output/Process)**

Indicators	Unit of Measurement	Base line (Source)	Projected Target	
			Mid-2014	Mid-2016
1.	2.	3.	4.	5.
<ul style="list-style-type: none"> <li>Software to be developed and all LDs to use Computerized Accounting System</li> </ul>	Done	Not applicable LD, IFM	50%	100%
<ul style="list-style-type: none"> <li>Number of financial reports to be prepared annually</li> </ul>	Number of reports	NA LD, IFM	2	5
<ul style="list-style-type: none"> <li>Strengthening of Internal Audit</li> </ul>	-	N/A	50%	100%
<ul style="list-style-type: none"> <li>Strengthening Internal Audit ( Outsourcing )</li> </ul>	-	N/A	50%	100%
<ul style="list-style-type: none"> <li>Number of FM personnel trained at all levels</li> </ul>	3000	1800 FMAU	1500	3000
<ul style="list-style-type: none"> <li>Adopt and use IUFR</li> </ul>	32	32 FMAU	Done	-
<ul style="list-style-type: none"> <li>Number of batch for Refresher course on Audit and financial Management System, by agency</li> </ul>	20	-	10	20
<ul style="list-style-type: none"> <li>Number of workshops conducted on Audit &amp; Financial Management System</li> </ul>	30	-	15	30

### **11.3. Source and Methodology of Data Collection to measure/preparation of annual progress report:**

In preparing Operational Plan for the next sector 2011-2016, the following documents have been analyzed carefully;

- Previous OP of IFM under MoHFW
- Bangladesh Health Sector Strategic Program, 2010
- Annual Program Review
- Priority Action Plan- Aid memoire
- Minutes of the meeting for APR held on July 2010
- Contents of the meeting for discussion based on next OP

## 14. Location-wise break-up of the components (can also be attached as annexure)

Name of the Component	National	Estimated cost	Name of Division	Estimated cost	Name of District	Estimated cost	Name of Upazilla	Estimated cost
1	2	3	4	5	6	7	8	9
Operating cost of the IFM-MoHFW			Dhaka	612.50	Dhaka	612.50		
Institutionalizing of the IFM			All division	399.00	All district	399.00		
Out sourcing of FM personnel			Dhaka	860.00	Dhaka	860.00		
Out sourcing of Audit Firm for Int. audit			All division	440.00	All district	440.00		
Technical Assistance			All division	950.00	All district	950.00		
Workshop Seminar & conference			All division	314.50	All district	314.50		
Total				3576.00		3576.00		

## 15. log Frame (As per Annexure-ii)

## 16. Annual Procurement Plan for Goods, works, services (Separate table for a. Gods, b. Works, C. Services): (As per Annexure-iii)

## 17. List of Machinery &amp; Equipments, (Annexure-iv)

## 18. List of Furniture- fixture (Annexure -v)

## 19. List of vehicle (Annexure -vi)

## 20. List of Training and estimated Cost (Annexure -vii)

## 21. Related Supporting documents (if any)

## 22. Name &amp; Designation of officers responsible for the preparation of this OP:

(a) Md. Mashiur Rahman, Deputy Secretary, FMAU, MoHFW

(b) Md. Zahangir Alam, Accounts Officer, FMAU, MoHFW

23. Recommendation and Signature of the Head of the Implementing Agency with seal & date:

Date:  
Welfare

Joint Secretary (FMA)  
&  
Line director  
Ministry of Health & Family

24. Recommendation and signature of the Secretary of the sponsoring Ministry with seal and date

## Annexure –II

## Logical Framework of Improved Financial Management, MOHFW, July 2011- June 2016

Narrative summary	Objectively Verifiable Indicators	Means of verification	Important Assumptions
<b>Goal:</b> Improved managing public funds effectively with economy, efficiency and accountability	<ul style="list-style-type: none"> <li>100% project aid fund (development budget) collected, disbursed quarterly and annually following proper system and timing</li> <li>100% serious audit objections settled within last 12 months</li> </ul>	Quarterly OP report APR, MTR	
<b>Purpose:</b> Strengthen financial management and audit system of Health Population and Nutrition Sector Program	By 2016 <ul style="list-style-type: none"> <li>GOB iBAS customized( by MoHFW) and used fully for HPNSDP financial reporting</li> <li>100% Line Directors and implementing agencies used Computerized Accounting System and web-based reporting</li> <li>Rational allocation of fund considering program and geographical circumstances</li> </ul>	Quarterly OP Report IMED report	Action taken against misappropriation of fund or corruption
<b>Outputs:</b> 1. Strengthen internal audit in the Ministry and to ensure effective periodic monitoring of financial and operational activities in the sector  2. Strengthen MOHFW's institutional and technical capacity in financial management	By 2016 <ul style="list-style-type: none"> <li>Internal Audit done (each year) for for all Operational plans and implementing agencies</li> <li>Respective Financial personnel and LDs of OP fully aware, equipped and always ready to face internal audit</li> <li>OP performance reports prepared quarterly (4 per year, total 20) for PMMU, MOHFW for periodic monitoring and reviewing by steering committee</li> <li>5 Financial report ( annually 1) prepared with analysis and shared with HPSPDP stakeholders</li> <li>6000 financial management personnel trained at all levels (MOHFW, DGHS, and DGFP) on financial management and HPNSDP reporting, IBAs etc.</li> <li>30 batches of Refresher courses on Audit and financial Management System organized, by agency</li> <li>50 workshops conducted on Audit &amp; Financial Management System organized</li> </ul>	Quarterly OP report	Support received from HPNSDP and MOHFW  Support received from All LDs  Arranged systematic quality training
<b>Input/ Activities (Component wise)</b>	By 2016 <ul style="list-style-type: none"> <li>Conduct need assessment and</li> </ul>	Quarterly OP report	TA on FMAU capacity and oversight function



1. Capacity building of staff through training and workshops	<p>develop curriculum, systematic training module</p> <ul style="list-style-type: none"> <li>• Training audit procedures, preparation and documentation</li> <li>• Training on Financial Management and Reporting (relevant to audit)</li> <li>• Training on internal control of accounts, IBAs,</li> <li>• Training of financial management for DDOs</li> </ul>	Meeting minutes	Filled up vacant positions
2. Strengthening financial system	<ul style="list-style-type: none"> <li>• Workshop on Improved Budget system (MTBF)</li> <li>• Workshop on reconciliation of accounts for LDs</li> </ul>	Directives	
3. Strengthening internal audit system	<ul style="list-style-type: none"> <li>• Workshop on expenditure reporting format for PDs (out side HPNSDP)</li> <li>• Workshop on User fees</li> <li>• Financial management training program for Members of Hospital management</li> <li>• Workshop on monthly reporting system</li> <li>• Collection of reconciled SOEs/FMR from 32 LDs</li> <li>• Preparation and maintenance of central FMRs reflecting sector accounts</li> <li>• Submission of FMRs to WB and withdrawal application to IDA</li> <li>• Reimbursement of expenditure of RPA through GOB funds of HPNSDP</li> <li>• Maintenance of Financial Records, Monitoring and Reporting</li> <li>• Internal Audit of development funds through outsourced internal audit</li> <li>• Completion of 100% development audit and accounts and non-development under MOHFW through core audit teams of MOHFW</li> <li>• Strengthening internal control through core/internal audit and financial management</li> <li>• Settlement of audit objection of HPNSDP and other projects of MOHFW raised by CAG'S audit Directorates</li> <li>• Strengthening FMAS</li> <li>• Preparation of Annual/ Revised operational plan</li> </ul>	Circulars	Cooperation received from C&AG office, Divisional and District office)

	<ul style="list-style-type: none"> <li>• Reconciliation of C&amp;AG office and timely submission</li> <li>•</li> </ul>		
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### 8.3. Proposed manpower in the development budget:

#### (a) MoHFW

SL No	Name of the post	Number of post	Pay Scale	Grade	Consolidate pay per person/month	Total Month	Total pay (Taka in lakh)
1	2	3	4	5	6	7	8
1	Deputy Secretary	1	22250-31250	5	40000.00	60	2400000.00
2	Sr. Asstt. Secretary	2	18500-29700	6	29375.00	60	3525000.00
3	Accounts officer	3	11000-20370	9	19950.00	60	3591000.00
4	Audit superintendent	2	8000-16540	10	13500.00	60	1620000.00
5	Accountant	1	5500-12095	13	9800.00	60	588000.00
6	Auditor	3	5500-12095	13	9800.00	60	1764000.00
7	Driver	1	4900-10450	16	9085.00	60	545100.00
8	MLSS	1	4100-	20	7765.00	60	465900.00

			7740				
<b>Sub Total</b>		<b>14</b>					<b>14499000.00</b>
<b>(b) DGHS</b>		<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>(c) DGFP</b>							
1	Director (Audit)	1	25750- 33750	4	39325.00	60	2359500.00
2	Deputy Director(Audit)	2	22250- 31250	5	40000.00	60	4800000.00
3	Accounts officer	1	11000- 20370	9	19950.00	60	1197000.00
<b>Sub Total</b>		<b>4</b>					<b>8356500.00</b>
<b>Total: IFM</b>		<b>18</b>					<b>22855500.00</b>

**List of Machinery and Equipments****Annexure-IV**

(Taka in lakh)

<b>SL No</b>	<b>Name of the Machinery and Equipments</b>	<b>Unit Price</b>	<b>Quantity</b>	<b>Estimated Cost</b>
	Laptop	1.00	8	8.00
	Computer	0.50	20	10.00
	Fax Machine	0.40	5	2.00
	Projector (Multi media)	1.00	4	4.00
	Computer Printer laser Jet	0.20	20	4.00
	Computer Printer Color laser Jet	1.00	2	2.00
	Telecom /intercom	0.10	40	4.00
	Photocopier	2.00	4	8.00
	Internet Hab	1.00	1	1.00
	Air Conditioner (Split)	0.90	8	7.20
	TV LCD	0.70	1	0.70
	Refrigerator	0.40	1	0.40
	Electric water filter	0.40	4	1.60
	Vacuum cleaner	0.25	4	1.00
	Machinery/ Others			15.40
	<b>Total</b>		<b>122</b>	<b>69.10</b>

Annexure-V**List of furniture and Fixtures**

(Taka in lakh)

SI No	Name of the Furniture	Unit Price	Quantity	Estimated Cost
1	2	3	4	5
	Secretariat Table	0.25	4	1.00
	Half Sec. Table	0.13	20	2.60
	Chair	0.08	50	4.00
	File Rack	0.20	10	2.00
	Computer Table & Chair	0.10	20	2.00
	Steel Almirah	0.20	30	6.00
	File Cabinet	0.20	20	4.00
	Others			1.40
	<b>Total</b>			<b>23.00</b>

Annexure-VI**List of Vehicle**

(Taka in lakh)

SL No	Name of the Vehicles	Purpose of vehicle	Unit Price	Quantity	Estimated Cost
1	2	3	4	5	6
1	Microbus for IFM-FP	Official	35.00	1	35.00
	<b>Total</b>				<b>35.00</b>

**List of Equipments, Machineries, Furniture, and other Related Materials procured under HNPSP (2003-2011)**

SL No	Name of the Equipments (including hospital equipments), Machineries (including computers, photocopiers, air conditioners, etc.), Furniture, and other related materials	Type	Quantity	Place where being used at present	Remarks
1	2	3	4	5	6
<b>1.</b>	<b>Hospital Equipments:</b>				
	1.1				
	1.2				
	<b>Sub-total (1)</b>				
<b>2.</b>	<b>Office Equipments:</b>				
	2.1	Computer	15	<b>FMAU-MoHFW</b>	
	2.2	Laptop	3	„	
	2.3	Printer	6	„	
	2.4	LCD Monitor	4	„	
	2.5	Telephone Set	5	„	
	2.6	Emboss	1	„	
	2.7	Scanner	1	„	
	<b>Sub-total (2)</b>		<b>35</b>		
<b>3.</b>	<b>Machineries:</b>				
	2.1	Photo Copier	3	„	
	2.2	Duplicator machine	1	„	
	2.3	Fax machine	2	„	
	<b>Sub-total (3)</b>		<b>6</b>		
<b>4.</b>	<b>Furniture:</b>				
	4.1	Executive table	1	„	
	4.2	Executive table chair	1	„	
	4.3	Half Sec. table	4	„	
	4.4	Sofa Set	2	„	
	4.5	Steel Shelf (almirah)	21	„	
	4.6	File Cabinet	17	„	

	4.7	Computer Table	9	„	
	4.8	Wooden Book shelf	1	„	
	4.9	Iron Locker	1	„	
	4.10	Cushion Chair	4	„	
	4.11	Cane Chair	44	„	
	4.12	Half Sec. table	25	„	
	4.13	Stand fan	4	„	
	4.14	File rake steel	5	„	
	<b>Sub-total (4)</b>		<b>139</b>		
<b>5.</b>	<b>Other Related Materials</b>				
	5.1	Car	1	„	
	5.2	Microbuses	2	„	
	<b>Sub-total (5)</b>		<b>3</b>		
	<b>Total=</b>		<b>173</b>		

