



# **Financial Management Review and Development of Risk Mitigation Plan**

National Maternal, Newborn and Child Health (MNCH)  
Programme

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## Acronyms and Abbreviations

<b>AA</b>	Assignment Accounts
<b>AAO</b>	Asst. Accounts Officer
<b>ADP</b>	Annual Development Plan
<b>AG</b>	Accountant General
<b>AGP</b>	Auditor General of Pakistan
<b>AGPR</b>	Accountant General Pakistan Revenues
<b>AJK</b>	Azad Jammu Kashmir
<b>AusAID</b>	Australian Agency for International Development
<b>BCC</b>	Budget Call Circular
<b>BER</b>	Budget Execution Reports
<b>CFAOs</b>	Chief Finance and Accounts Officers
<b>CGA</b>	Controller General of Accounts
<b>CoA</b>	Chart of Accounts
<b>CP</b>	Cash Plan
<b>DAGP</b>	Deputy Accountant General of Pakistan
<b>DAO</b>	District Accounts Officer
<b>DDO</b>	Drawing and Disbursing Officers
<b>DFA</b>	Deputy Financial Advisor
<b>DFID</b>	Department for International Development (UK)
<b>DFIDP</b>	Department for International Development Programme
<b>DHO</b>	District Health Officer
<b>DMU</b>	District Management Unit
<b>DOTS</b>	Director Observed Treatment Short Courses
<b>DPM</b>	Deputy Programme Manager
<b>ECNEC</b>	Executive Committee of the National Economic Council
<b>EFMA</b>	Existing Financial Management Arrangements
<b>ESA</b>	External Scrutiny and Audit
<b>F&amp;A</b>	Finance & Admin
<b>FA</b>	Financial Advisor
<b>FANA</b>	Federally Administered Northern Areas

<b>FAO</b>	Financial Advisor Organization
<b>FATA</b>	Federally Administered Tribal Areas
<b>FD</b>	Finance Division
<b>FFM</b>	Funds Flow Mechanism
<b>FM</b>	Financial Management
<b>FMIFMS</b>	Framework for Measuring Improvement of Financial Management System
<b>FMoH</b>	Federal Ministry of Health
<b>DRMP</b>	Financial Management Review and Development of Risk Mitigation Plan
<b>FMS'sE</b>	Financial Management Systems' Evaluation
<b>FPIU</b>	Federal Program Implementation Unit
<b>FRA</b>	Fiduciary Risk Assessment
<b>FY</b>	Financial Year
<b>GFS</b>	Government Finance Statistics
<b>GoP</b>	Government of Pakistan
<b>HR</b>	Human Resource
<b>ICQs</b>	Internal Control Questionnaires
<b>IMF GFSM</b>	International Monetary Fund Government Finance Statistics Manual
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IT</b>	Information Technology
<b>JSI</b>	John Snow Inc
<b>KP</b>	Khyber Pukhtunkhwa
<b>LHW</b>	Lady Health Worker
<b>LHWP</b>	Lady Health Worker Programme
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MDGs</b>	Millennium Development Goals
<b>MNCH</b>	National Maternal, Newborn and Child Health
<b>MoF</b>	Ministry of Finance
<b>MoH</b>	Ministry of Health
<b>MTBF</b>	Medium Term Budgetary Framework
<b>NAM</b>	New Accounting Model
<b>NFC</b>	National Finance Commission
<b>NFC</b>	National Finance Award
<b>NIS</b>	New Item Statement

<b>NMNCHP</b>	National Maternal, Newborn & Child Health Programme
<b>NPM</b>	National Programme Manager
<b>NWFP</b>	North West Frontier Province
<b>O&amp;M</b>	Operations and Maintenance
<b>PAC</b>	Public Accounts Committee
<b>PAO</b>	Principal Accounting Officer
<b>PBB</b>	Policy Based Budgeting
<b>PC</b>	Planning Commission
<b>PDoH</b>	Provincial Departments of Health
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Financial Management
<b>PIFRA</b>	Project for Improvement of Financial Reporting and Auditing
<b>PIs</b>	Performance Indicators
<b>PIUs</b>	Programme Implementation Units
<b>PLA</b>	Personal Ledger Account
<b>PPC</b>	Provincial Programme Coordinator
<b>PPIUs</b>	Provincial Programme Implementation Units
<b>PPR</b>	Public Procurement Rules
<b>PPRA</b>	Public Procurement Regulatory Authority
<b>PSDP</b>	Public Sector Development Programme
<b>PSFMS</b>	Plan for Strengthening Financial Management System
<b>SAP</b>	Systems Applications and Products
<b>SLGO</b>	Sindh Local Government Ordinance
<b>SOPs</b>	Standard Operating Procedures
<b>SWOT</b>	Strengths Weakness Opportunity Threats
<b>TA</b>	Technical Assistance
<b>TBP</b>	Tubercles Bacillus Programme
<b>TNA</b>	Training Needs Assessment
<b>TO</b>	Treasury Office
<b>TORs</b>	Terms Of References
<b>TRF</b>	Technical Resource Facility
<b>UNFPA</b>	United Nations Population Fund

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## Group Disclaimer

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## Executive Summary

### Background

The Ministry of Health (MoH), Government of Pakistan as part of its commitment towards achieving the Millennium Development Goals (MDGs) launched a National MNCH Programme in 2007. The overarching goal of the programme is to improve the health status of mothers, newborn and children especially of the poor and marginalised. The development partners including DFID and AusAID are supporting the Government to improve MNCH health outcomes and achieve MDG targets.

As part of the design process for DFID's support to MNCH, a fiduciary risk assessment (FRA) was carried out in 2007, followed by a deeper analysis and update of FRA, conducted in 2009. The findings highlighted the need to conduct an in depth review of the existing financial management and financial reporting system, across the programme, and develop a plan of action to reduce the fiduciary risks. Additionally, one of the objectives of the review is to revisit the MNCH funds flow mechanism and explore options for alternative funds flow that are successfully implemented in other health sector programmes. Technical Resource Facility (TRF)<sup>1</sup> is supporting the MNCH Programme in conducting the financial management review and developing a risk mitigation plan.

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<sup>1</sup> A technical resource facility has been established by donors, funded by the UK's Department for International Development (DFID) and Australian Aid Agency (AusAID). The Technical Resource Facility (TRF) is a five years project managed by the firm HLSP, a member of Mott MacDonald Group, in partnership with John Snow Inc. (JSI) and Semiotics. The TRF is mandated to support improvements in policy, strategies and systems and help to build the capacity of government functionaries at federal, provincial and district levels by providing strategic technical assistance.



## **This Report**

Solutions, a consulting firm, were contracted for the review. In addition to submission of a Draft Final Report, consequent to the Preliminary Report and making presentation at the MNCH Programme Mini Review during April , 2010, this is the final report of the review, incorporating the valuable inputs and comments received from the key stakeholders.

## **Expected Outputs**

The terms of reference of the review expect the following outputs;

- a report on financial management arrangements, capacity development undertaken for existing staff and on further professional development needs for incorporation in plans and TA requests;
- report on the effectiveness of the Financial Management System of the MNCH Programme;
- short description of the financial mechanisms of other (two at least) health programmes funded from the federal PSDP;
- an alternative fund flow mechanism to suit the needs identified by the provinces/special areas that is effectively practiced by other projects within the health sector;
- plan for strengthening the financial management system that is aligned with existing processes and timescales and able to mitigate fiduciary risks for the programme. This plan may include (where necessary) setting procedures for financial management including budgeting, accounting, internal controls and financial reporting etc. for the National MNCH Programme, including a summary of generic lessons relevant to the strengthening of other MoH financial management systems;
- development of a framework for measuring the improvement of the MNCH financial management system.

## Key Findings and Risk Mitigating Actions

The key findings and risk mitigating actions are categorized in accordance with the six expected outputs to synchronize the analysis with the expected outputs, in addition to enhancing coherence. Furthermore, the Executive Summary narrates findings pointing to weaker performance, only. The overall performance as well as systems and processes are analyzed in detail at all levels-federal, provincial and districts-in Effectiveness of the Financial Management System- Section III

### Financial Management Arrangements and MNCH Capacity Development Needs

**Lack of financial management capacity:** The financial management (FM) team positions are substantially vacant at all tiers of the MNCH programme management since the project start up, except more recently, About 40% of the FM positions still remain vacant (see details in the FM arrangements Table I). Moreover, knowledge and skills development, with the Government of Pakistan (GoP) budgetary, financial management and procurement related systems and processes is a particular weakness of the MNCH programme, as also validated by the Training Needs Assessment (TNA), undertaken during the review. There is no evidence of the financial management team having been imparted any job specific training, since the programme inception and no provision in the budget for training, despite PC1 requirement of “training of programme managers”<sup>2</sup>. The Programme Coordinators (PCOs), Deputy Programme Coordinators (DPCOs), financial management teams at all levels (federal, provincial / regional and districts) and the internal auditor urgently require continuous needs based skills development, for effective service delivery to the programme.

**No consolidated fiscal monitoring:** The programme has no practice of consolidated funds receipt and expenditure monitoring, reporting and reconciliation. The financial performance picture is fragmented and geographic PIUs centred. Federal PIU transfers funds to provinces with little utilization review follow up. Provincial PIUs have similar practice, in spite of the district MNCH Cells reconciling expenditures with the District

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<sup>2</sup> All program managers will undergo mandatory short term training on program management, financial management, monitoring, use of information”

Accounts Offices (DAOs) and submitting reconciliation statements to provincial PIU<sup>3</sup>. In both cases, no consolidation report is prepared and mere transfers are recorded as expenditure. Having said that, recording transfers as expenditure is otherwise a standard practice at almost all tiers of the government PFM systems, however, the implication for MNCH are severe, as the Federal PIU's inability to monitor and report programme wide actual expenditures, provides the relevant Federal officials (PC, MoH and MoF) the justification not to disburse further funds till utilization of the earlier funds has been confirmed.

**Weak information systems depriving the programme management from real time information for timely actions:** The current financial management information system does not provide timely information, to the National and Provincial / Regional Coordinators, on releases, actual expenditures and the real bottlenecks to trigger timely management action and follow up.

### ***Risk Mitigating Recommended Actions:***

**Financial Management Specific Training and Capacity Development:** MNCH programme management and financial management staff has not received financial management specific training, so far. Aiming needs based skill development, the review undertook an objective Training Needs Assessment (TNA), through two techniques. First based on formal questionnaire and the second expert opinion. The TNA identifies urgent need for training in the areas of MTBF, International Public Accounting Standards, Procurement Management, New Accounting Model, Cash and Work Plan Preparation, Project Management, Public Financial Management, Internal Audit, Book Keeping and Government Rules, Basic Accounting, Basic IT, Communications, and Leadership and Management Skills. A Training Implementation Plan describing the level of training, proposed timeline (month / year), number of persons, targeted trainee names, designations and duration of training is detailed at Annex III. Taking note of no provision in the budget for this kind of training activity and the Government's fiscal position, TRF needs to identify other potential sources of funding to support the programme management, in implementing, the risk mitigating action.

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<sup>3</sup> Punjab

**Financial Management Decision Support Information System:** The review confirms non-availability of consolidated and programme specific FM information to the programme managers for timely management actions. It is the responsibility of the Federal PIU to collect the consolidated reconciled expenditure information from the provincial / regional PIUs up to the district levels, consolidate into a national fiscal operations statement, on a monthly basis, and share with the National Programme and Deputy Programme Manager. Similarly, the provincial / regional PIUs for the respective spheres. Additionally, it would enable the Federal PIU quarterly utilization submission to the Planning Commission. Ideally and to promote transparency in the fiscal operations, the National monthly fiscal operations statements should be shared with all provincial / regional PIU managers. Similarly the provincial / regional with the districts (For detailed risk mitigating action plans for all PIUs with responsibility and timelines<sup>4</sup> see in the Plan for Strengthening MNCH financial management systems – Section III).

**Programme Management and Financial Management Teams Enhanced Coordination:** Programme and FM Teams need to meet, at least, on a quarterly basis to review the programme's financial operations, share the financial constraints and ways to overcome. An annual FM strategic thinking meeting would further helpful at a time when the budget allocation figure has been communicated to the Federal PIU and the NIS has been submitted by the respective PIUs. In addition to developing a shared understanding on the action plan for the upcoming financial year, this meeting should also work towards preparing the Work Plan and Cash Plan, with the objective to table it at the MoH during 1st week of July (For detailed action plans for all PIUs with responsibility and timelines see in the Plan for Strengthening MNCH financial management systems – Section III).

### Effectiveness of MNCH Financial Management System

**MNCH Budgetary Allocations and Funds Released:** During the last four financial years<sup>5</sup>, MNCH programme has been allocated 52% of the funds as envisaged in PC1, of which 45% are actually released (23% of PC1).

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<sup>4</sup> Timelines are based on and presented accordingly in the April 2010 Mini Review

<sup>5</sup> 2006-07, 2007-08, 2008-09 and 2009-2010 (up to December 2009)

**MNCH Funds Utilization:** The MNCH programme utilization is sub-optimal, at 57% of the funds released (12% of PC1 and 23% of PSDP allocation).

**Lengthy Lead Times in Funds Becoming Available for Expenditure:** The Programme has inordinate delays in funds becoming available for expenditure, at all levels, federal, provincial and districts. The AJK PIU's lead time works out to about 243 days during 2007-08 and 131 days during 2008-09 (see table X for PIU wise details).

**In-efficient funds flow caused by both internal and external factors:** The inefficient funds flow is as much an outcome of programme internal in-efficiencies as external (for details see paragraphs titled "external underlying causes....."). Cash Plan (CP) preparation and submission, operationally the trigger for funds release, in one case of internal factor exhibiting long delays in MNCH, with the 2007-08 CP taking more than half the financial year to submit. The delay provides justification to the authorizing environment to re-allocate resources to other programmes, particularly when the system is hard pressed for finances in view of the recent economic situation.

**Disconnect and Lack of Coordination between Federal and Provincial / Regional PIUs:** The MNCH programme management appears to have been working in respective PIU functional silos, except for more recently. It results in incomplete information for informed and timely management interventions. Currently, the new federal management endeavours to proactively overcome the constraint, yet there is need for more institutional coordination at the programme management level and with FM teams the FM efficiency and effectiveness gaps.

**Lack of Financial Management Leadership:** The Federal PIU provides a programme wide liaison and coordination to the provincial-regional PIUs. It however lacks, a leadership role to, continuously monitor and initiate timely management action, except for more recently. The PC's Project Monitoring Report of April, 2009 also flags the

weakness<sup>6</sup>. Moreover, the Deputy Programme Manager (F & A) position responsible for programme wide consolidation and financial management has been vacant for 26 of the last 36 months.

**Diffused Accountability and Lack of Performance Based Incentives:** MNCH programme's FM specific continued internal weaknesses demonstrate lack of adequate accountability, in addition to lack of performance based incentives. The financial and programme management teams have no incentive to exert extra effort in pursuing timely release of the programme funds. It is pertinent to mention, those as a norm the development programme managers / deputy managers are expected to continuously follow up the release of funds. As much as conceptually, such a norm is an undesirable practice, nevertheless it is a reality of particularly the PSDP and ADP funds release, due to the reactive nature of the system.

### ***Risk Mitigating Recommended Actions:***

**Fill the Deputy Director Programme (F & A):** The position has been vacant for 26 out of the last 36 months and needs to be filled on urgent basis, with a skilled professional.

**Fill all Finance and Accounts posts at Federal, Provincial and District levels before 30 September 2010.** The MNCH FM system will continue to remain weak and fiduciary risks persist, till complete FM team at the federal, provincial and district levels is brought on board and trained. Currently about 40% of the FM sanctioned positions are lying vacant (for details see Table I and IV Section I). Even low capacity finance, account staff, particularly at the district levels is better in mitigating the identified risks than none. It needs a mention that the mitigating action is complementary and not contrary to a subsequent action (see "consolidation and strengthening ..... paragraph") Whilst, the current action aims at filling all staffing positions to discharge the envisaged functions, the later is aimed at consolidating and strengthening the programme's FM resources, for efficient and effective roll out.

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<sup>6</sup> "Lack of coordination between National and Provincial Coordinators, as a result, complete information about physical progress in respect of each province and AJK, FATA and FANA was not available with the executing agency"

**Consolidation and strengthening of existing systems prior to further roll out:** The currently weak FM capacity (both numbers and skills) of MNCH programme warrants consolidation and strengthening. prior to further roll out. Pursuing roll out to the districts, without having the FM team in place, as being currently undertaken, exposes the programme to higher fiduciary risks. Resultantly, filling all sanctioned positions with trained staff deserve higher priority than rolling out to the districts. It is recommended that the programme management needs to revisit the need to further roll out vis-à-vis consolidating the existing levels of financial operations. Should the management choose the consolidation option, the FM systems and processes could be frozen at the September 2010 levels, with no further roll out to the districts till December 2011. Further roll out to districts should be planned and executed only once the programme extension beyond July 2012 is confirmed, over and above placement of fully trained staff up to the district level. Having said that, service delivery at all levels should continue as per the current practice, without any adverse affect by the consolidation mitigating action. Whilst Punjab PIU is already operating from MNCH District Cells, the other provinces / region are still struggling and at varying degrees of roll out (for detail see Annex VII).

**Strengthen the Internal Audit Function:** MNCH has an Internal Audit function and the Internal Auditor recruited during 2009 has been conducting internal audits, as a one man team. Given the broad base of the programme and the financial management evident weaknesses, the function needs further strengthening including; adequate staffing of the function and continuous training and capacity building; reporting directly to the National Programme Manager; conducting risk based audit through an approved and announced audit plan, monitoring compliance with the NPM directions on the audit findings and fixing responsibility for non-compliance; effective interface with the external auditors at federal, provincial and district levels.

**Introduction of Performance Accountability and Performance Based Incentive Mechanism :** Standard Operating Procedures (SOPs) for the key FM actions with responsibility and timelines have been developed, for all PIUs (for details see Plan for Strengthening in Section III). High performers should be compensated through an incentive mechanism and non-performers held accountable. Further strengthened Internal Audit function could help monitor and report effective implementation of the

SOPs for transposition into the performance evaluations of the staff. Having said that, taking note of the Government's fiscal position and the rules bound constraints on the National Programme Manager's financial authority, TRF needs to support the programme management in identifying funding source to implement the risk mitigating action.

**Dedicated Procurement Unit :** Procurement is a specialized function and requires availability of skilled resource to ensure transparency and value for money. Currently, MNCH Programme has no segregation between procurement and FM functions, enhancing the fiduciary risks. Furthermore, in view of substantial procurement requirements, MNCH requires a dedicated procurement unit to ensure compliance with the PPRA rules, in all procurements and to support the programme's procurement, through enhanced transparency. This unit may have to be formed out of the existing staffing positions through functional revision, or through acquiring additional staffing.

**Linking MNCH Programme into PIFRA-SAP 3.** The country's FM systems at the federal, provincial and district levels are being managed through PIFRA SAP. Given the broad basis of MNCH operations, developing a customized automated FM system is found to be a non-option, in view of multiple factors, amongst others including, time, resources, frequency of changes in the PFM system, including MTBF etc. The most plausible option is to link MNCH programme into the PIFRA SAP system, which would substantially mitigate some of the high risk areas. SAP system provides for project / program linkage. However, the linking process into the system has certain protocols and formalities, which either the MNCH Programme Management can undertake with the Controller General of Accounts (CGA) or the TRF could support the programme through a TA to establish the linkage and train the MNCH staff at the federal, provincial and district levels to operate.

### **Financial Mechanisms of other Health PSDP programmes**

**Financial Performance Overview - LHW, TB and MNCH:** During the same three years period<sup>7</sup> the Lady Health Workers (LHW) and the TB Control programme (TB) manifest

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<sup>7</sup> 2006-07, 2007-08, 2008-09



more efficient and effective financial performance. LHW and the TB's budget allocation is 89% and 80% against MNCH's 42%. The LHW and TB's funds release stand at 84% and 69%, respectively, against MNCH's 30%. And MNCH's utilization of the released funds is 57%, against LHW's 100% and TB's 65% (for details see Table V, VII, VIII and IX - Section II).

### **Alternative Fund Flow Mechanism Options**

**SWOT Analysis of Changing the Funds Flow Mechanism: Considering** July 2012 planned MNCH programme completion (with possibility of extension), the option to change the funds flow requires a more holistic consideration than gaining mere funds flow efficiency. Such factors particularly deserve consideration in view of the provincial autonomy oriented current Government policy, demonstrated by the recent NFC Award and 18<sup>th</sup> amendment to the Constitution, amongst others. The team finds programme ownership (by respective sub-national governments) and long term sustainability as the other key factors. The review team finds a higher degree of ownership for MNCH, amongst LHW, TB and other PSDP programmes, based on information gathered through interaction with the relevant Government Authorities at Provincial and District levels. Furthermore the finding was also validated by the participants at the Mini Review<sup>8</sup>. The apparent and emerging provincial ownership is seen strategic for the programme's longer term sustainability.

## **External Underlying Causes of MNCH Weak Financial Performance**

MNCH's weak financial management performance is underpinned by multiple causes. Based on control and influence parameters, the underlying causes could be divided into Internal and External. Those within the MNCH programme management's control or influence are Internal, which have been discussed in the respective headings above. Others, that are neither under the programme's control nor influence are External and discussed below.

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<sup>8</sup> Held at Islamabad during April 2010

**Paucity of finances is a major cause of reduced annual budgetary allocations:**

Review of the 2008-09 and 2009-10 budgetary allocations to the MNCH programme and follow up meetings with the concerned GOP officials confirm that while the Federal PIU supported by MoH, make budget submissions as per the approved PC-I, the proposals are substantially reduced by PC and then the Priorities Committee, of the MoF. The 2008-09 budget proposal by Federal PIU, duly endorsed by MoH was slashed 48% by PC and 57% of the proposal by the Priorities Committee. Similarly, the 2009-10 proposal was decreased 5% by PC and 29% by MoF. The LHW and TB programmes also manifest dips during 2007-08 and 2008-09, further substantiating the trend.

**MNCH is not a part of provincial ADP<sup>9</sup>:** Generally, the exclusion from ADP deprives MNCH from the monitoring and oversight of the provincial P & D's quarterly reviews that is the main decision point to support effective funds release and utilization. Furthermore the provinces feel lesser ownership and responsibility for PSDP programmes with no co-sharing.

**MNCH funds flow is exposed to three tiers of systemic risks:** The national coverage of MNCH programme design exposes it to the systemic PFM weaknesses and risks at federal, provincial and district levels. Additionally, the funds flow is impacted by the ways and means consideration at each level.

**Evolving Externalities with direct implications for MNCH – MTBF, NFC Award and changes to Devolution:** Externalities including MTBF, the newly approved NFC Award and ongoing changes to Devolution create an uncertain and evolving environment for the MNCH, as these changes will yet take some time to take a clearer direction (see Annex IX for details).

**Obsolete business processes:** The Federal Government has a highly centralized, hierarchical, rules bound, control driven and input oriented funds release system.

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<sup>9</sup> The Khyber Pakhtunkhwa programme component has a minor allocation from the provincial ADP, which is monitoring by the P & D excluding the vertical transfers.

Annexure IV illustrates the MNCH funds flow diagram with 32 steps up to release at the provincial / regional levels and excluding the district steps.

## **MNCH Overall Fiduciary Risk Assessment - Substantial**

The review using PEFA based methodology finds the following fiduciary risk for the six PFM core dimensions;

- *Credibility of the Budget* is found to be a cause of high fiduciary concern;
- *Comprehensiveness and Transparency* a cause of moderate fiduciary concern;
- *Policy Based Budgeting* moderate to substantial concern;
- *Predictability and Control in Budget Execution* substantial to high;
- *Accounting, Recording and Reporting* moderate to substantial; and
- *External Scrutiny and Audit* a cause of substantial to high fiduciary concern.

The overall fiduciary risk for MNCH Programme is judged as substantial. Whilst the overall risk is congruent to the 2009 MNCH fiduciary risk assessment, the review nearly validates the 2009 judgement regarding the six PFM core dimensions. Dis-aggregately, two dimensions are judged the same as the 2009 FRA ASP – moderate to substantial (*policy based budgeting and accounting, recording and reporting*), one dimension judged comparatively higher risk – high (*credibility of the budget*) and three lower – moderate (*comprehensiveness and transparency*) and substantial to high (*predictability and control in budget execution and external scrutiny and audit*). The 2009 MNCH FRA judged the fiduciary risks respectively for the six dimensions as; substantial; substantial; moderate to substantial; high; moderate to substantial; and high, with an overall assessment of substantial. Comparatively, the minor variance in; credibility of the budget; comprehensiveness and transparency; predictability and control in budget execution; and external scrutiny and audit is based on availability of full programme data (all provinces, regions and at least one district each), in comparison to generalizing judgement based on a single province and region's data set, as done for 2009 FRA ASP. The team views that the full review further validates the fiduciary risk assessed, earlier.

## Framework for Measuring Improvements of MNCH Financial Management System

The final report provides a step by step performance improvement and PIU wise risk mitigating actions throughout the report, consolidated in the “Plan for Strengthening MNCH Financial Management System and Mitigating Fiduciary Risks” – Section III. The Framework for Measuring Improvements of MNCH FMS, outlined below, draws on the action plans and puts them into a matrix structure to facilitate monitoring of the Programme Managers at the National and Provincial / Regional Levels.

### MNCH Framework for Measuring Improvements in the FMS

Sr#	Benchmark	Timeline*
a)	95% of all Finance and Accounts positions to be filled, at any given time in the MNCH Programme	<b>30 September, 2010</b>
b)	Federal PIU to have a monthly reconciled consolidated fiscal operations statement, with the time lag of a month	<b>31 May, 2010</b>
c)	Record of 100% follow up for funds release by the Finance Officers and PIU Coordinators as outlined in the respective Plan for Strengthening FMS	<b>31 May, 2010</b>
d)	50% achievement in implementing the Training Implementation Plan	<b>31 December, 2010</b>
e)	100% achievement in implementing the Training Implementation Plan	<b>30 June, 2011</b>
f)	Initial implementation of the FMS management incentives and accountability proposal	<b>31 December, 2010</b>
g)	Full implementation of the FMS management incentives and accountability proposed schema	<b>30 June, 2011</b>
h)	100% achievement against the FM related quarterly / bi-annual coordination meetings, at any given time, starting with the Strategic Thinking Coordination	<b>15, June 2010</b>

	Meeting, as outlined in the Plan of Strengthening FMS	
i)	Submission of Cash Plan to the MoH during first week of July	<b>7, July 2010</b>
j)	100% submission of quarterly utilization reports to MoH, within one month of the end of the quarter, at any given time	<b>31, July 2010</b>
k)	Dedicated Procurement Unit functional	<b>30, September 201</b>
l)	100% compliance with the action of the Internal Audit function	<b>30, June 2010</b>
m)	Decreasing funds flow lead times	<b>Continuously from quarter to quarter</b>
n)	Federal PIU monitoring, on a monthly basis, 100% implementation of the PIU specific Plan for Strengthening	<b>Continuously from 31, May 2010</b>
o)	100% compliance to address the weaknesses identified by the System Design Assessment, that are applicable to all PIUs	<b>30, December 2010</b>

\* The timeline is based on April 2010, Mini Review

# MNCH Financial Management Review & Development of Risk Mitigation Plan

## Background

The Ministry of Health (MoH) as part of its commitment towards achieving the Millennium Development Goals (MDGs) launched a National MNCH Programme in 2007. The overarching goal of the programme is to improve the health status of mothers, newborn and children especially of the poor and marginalised. This is to be achieved through five programme components: (a) integrated delivery of comprehensive MNCH services by districts; (b) training and deployment of community midwives; (c) provision of comprehensive family planning service; (d) strategic communication about MNCH services; and (v) strengthening programme management. However, after establishing Federal and 7 Provincial Programme Implementation Units (PIUs) and putting basic systems in place, the FY 2008-09, appears in fact, the first year of real implementation. The development partners including DFID and AusAID are supporting the Government to improve MNCH health outcomes and achieve MDG targets. The total financial outlay of the National MNCH Programme is some Rs.19,997m over a period of six years, which include DFID's financial aid of £69m (Rs 9,400m).

As part of the design process for DFID's support to the National MNCH Programme, a fiduciary risk assessment (FRA) was carried out in 2007. The overall level of risk for the MNCH programme was estimated as substantial. A more in-depth analysis and update of FRA of the Programme in 2009 provided further detail on the risks, particularly on the factors underlying: (a) weaknesses in annual budget submissions for the Public Sector Development Programme (PSDP); (b) lengthy delays in preparation of MNCH cash plans; (c) lengthy delays in the process of securing fund releases and moving resources to the point of expenditure; and (d) other weaknesses with implications for fiduciary risk in the MNCH programme. The findings flagged the need to revisit the funds flow mechanism being outlined for the MNCH programme and explore options for alternative funds flow that are successfully implemented in other health sector programmes. The 2009 FRA also proposed mitigating action, which are partly acted upon and partly not

requiring deeper analysis and assessment including the training and capacity building needs assessment.

Technical Resource Facility (TRF)<sup>10</sup> is supporting the MNCH Programme in conducting this review and developing a risk mitigation plan. The TA's objective is to provide consultancy support to assist the Programme (Federal Ministry of Health and Provincial Departments of Health) to conduct an in depth review of the existing financial management and financial reporting system for the Programme and develop a plan of action to reduce the fiduciary risks.

### The Report and Structure

Solutions, a consulting firm was contracted by TRF to undertake the review. The expected outputs were agreed to be in two phases. First focused on the Mini Review requirements and the second on the final expected outputs. The Mini Review focused Preliminary Findings was submitted in March 2010, followed by a presentation of the findings and the way forward, at the Mini Review. The opportunity was also used by Solutions to present the “Plan for Strengthening the Financial Management System and Mitigation of Fiduciary Risks” to all key stakeholders, including the National, Provincial / Regional PIU Directors for review and comments to test the do-ability. The district level and remaining PIU's fieldwork was then undertaken to submit this draft final report for review and comments of TRF, to finalize.

The structure of this report is guided by two factors. The expected outputs<sup>11</sup> as per the TORs and the objective to provide to the readers and decision makers a consolidated

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<sup>10</sup> A technical resource facility has been established by donors, funded by the UK's Department for International Development (DFID) and Australian Aid Agency (AusAID). The Technical Resource Facility (TRF) is a five years project managed by the firm HLSP, a member of Mott MacDonald Group, in partnership with John Snow Inc. (JSI) and Semiotics. The TRF is mandated to support improvements in policy, strategies and systems and help to build the capacity of government functionaries at federal, provincial and district levels by providing strategic technical assistance.

<sup>11</sup> (a) a report on financial management arrangements, capacity development undertaken for existing staff and on further professional development needs for incorporation in plans and TA requests; (b) report on the effectiveness of the Financial Management System of the MNCH Programme; (c) short description of the

PIU by PIU financial management risks assessment along with the plan for strengthening or the mitigating action plan. Starting with the Executive Summary, with key findings and risk mitigation options, the Draft Final Report is divided into three sections. First is overall programme oriented and shares the findings. The second makes a comparative analysis with the LHW and TB Programme. The third then narrates the opinion on MNCH FMS effectiveness, Plan for Strengthening with Mitigation of Fiduciary Risk and the Framework for Measuring Improvement. The objective of the structure is the reader's convenience to access PIU specific findings, instead of reading the whole report, in addition to attaining coherence in the expected outputs. Each section covers the following expected outputs;

### **Section I: MNCH Programme Financial Management System, Capabilities and Comparative Analysis;**

- Existing Financial Management Arrangements;
- Financial Management Team;
- Training Needs Assessment;

### **Section II: Funds Flow Mechanism: MNCH LHW & TB Programmes**

### **Section III: MNCH Programme Financial Management System Effectiveness, Risks and Mitigation Strategy;**

- Effectiveness of Financial Management Systems;
- Plan for Strengthening Financial Management System;
- Framework for Measuring Improvements

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financial mechanisms of other (two at least) health programmes funded from the federal PSDP; (d) an alternative fund flow mechanism to suit the needs identified by the provinces/special areas that is effectively practiced by other projects within the health sector; (e) plan for strengthening the financial management system that is aligned with existing processes and timescales and able to mitigate fiduciary risks for the programme. This plan may include (where necessary) setting procedures for financial management including budgeting, accounting, internal controls and financial reporting etc. for the National MNCH Programme, including a summary of generic lessons relevant to the strengthening of other MoH financial management systems; (f) development of a framework for measuring the improvement of the MNCH financial management system.



## Scope of Review

The draft final report is based on fieldwork at federal / provincial and district levels. The review covers the Federal, Punjab, Sindh, Balochistan, KP, FATA, AJK and Gilgit Baltistan Programme Implementation Units (PIUs). At the district level, two districts have been covered in Punjab and one each within the domain of the other provincial / regional PIU, except for FATA, which has no Agency MNCH Cell.

## Methodology

The review adopts both primary and secondary data collection techniques. The primary technique includes, formal questionnaires and personal interviews with concerned provincial, regional and district PIU and relevant<sup>12</sup> Government officials from Finance, Health, Accounting and Planning departments. The secondary technique includes, review of available material relating to financial management system assessment, funds flow and expenditure tracking surveys, audit reports, Public Expenditure and Financial Accountability (PEFA) and Fiduciary Risk Assessment (FRA) assessments, to further enrich the study.

### Data Collection Constraints

Data collection has been cumbersome and a real challenge, due to multiple factors. Three deserve special mention, including: dispersed data and fragmented availability at the various activity centres<sup>13</sup> in the funds flow cycle, geographically disbursed record keeping (federal / provinces / district PIUs), and lack of complete project data since inception.

Firstly, there is no single source with complete MNCH funds flow cycle project data. The available data is dispersed, and available in fragments at the activity centres related only to actions that each activity centre undertakes. The number of activity centres varies, depending on federal / provincial / district government level PIU set up. However, even

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<sup>12</sup> Federal, provincial and district levels

<sup>13</sup> An activity centre is a government institution / office, with legal authority for a specific activity or set of activities, in the PSDP funds release management business process. Each activity centre has a set of self-regulating operating procedures, and generic rules seeking compliance.

for the PIU within sole federal government domain, five to six activity centre's are engaged in affecting the funds release: the MNCH Programme Federal PIU; the Ministry of Health (MoH), Planning Commission (PC); Finance Division (FD) through the Financial Advisor Organization (FAO); and Accountant General of Pakistan Revenue (AGPR). Each activity centre is working in a functional silo, and has minimal coordination with the others. For the MNCH programme, for instance, the MoH maintains data relating to submission of cash / work plans and release sanction, only. The Federal PIU, maintains data relating to funds receipt from GoP and release to Provincial PIUs. The Provincial PIUs maintain data relating to funds release request, receipt and disbursement to contractors / consultants and transfers to the district MNCH Coordination Unit. It is an extremely tedious and time intensive effort to engage with more than five set of officials, across 8 PIUs and 8 districts to collect simple and small pieces of data to arrive at a programme wide finding.

Secondly, the same activity centre's federal / provincial geographic location affects data availability. The AGPR Islamabad, for instance, can make available data for MNCH disbursements in the federal territory, only. Data relating to disbursements through provincial / regional sub-offices, is available with the respective sub-offices, only.

Thirdly, the older the data the higher is the data collection challenge. The MNCH complete information is neither available at the Federal PIU nor the provincial / regional PIU levels. The initial start up problems and staff turnover makes it a challenge to extract the complete data, for the full implementation period. In the interest of time and to meet the case study timelines, data relating to financial years 2006 /07 – 2008 /09 was given priority with backward sequencing i.e. 2008-09 as top priority. Despite prioritization, the team's hectic efforts and all stake holders' high level cooperation, it has not been possible to collect 100% complete data relating to the data range 2006 / 07 -2008 / 09. Extrapolation of the findings is based on the data available in hand. Having said that the data collected is significantly complete to cover the period under review and to construct the big picture.

### **Analytical Approach**

Public Expenditure and Financial Accountability (PEFA), Fiduciary Risk Assessment (FRA) frameworks and Criteria for Assessing Systems, as provided in Annex 2 of the TORs (Annex

VIII) have been adopted as the analytical frameworks for the financial management review and development of the risk mitigation plan. Aiming to contextualize MNCH's risk assessments, the PEFA scoring for the respective federal / provincial governments<sup>14</sup>, where possible<sup>15</sup>, have been juxtaposed against MNCH respective PIUs (for details see Section III). The review applies PEFA methodology based fiduciary risk assessment for each PIU. For the Federal PIU, the sum of figures for all provincial and regional PIUs are taken for applying the PEFA methodology.

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<sup>14</sup> The PEFA assessments are available for the Federal, Punjab, Sindh, Balochistan and Khyber Pukhtunkhwa only.

<sup>15</sup> The regional assessments for FATA; Gilgit Baltistan and AJK does not have the respective government comparison due to non-availability of PEFA assessments

## **Section I: MNCH Programme Financial Management System, Capabilities and Comparative Analysis**

**Existing Financial Management Arrangements**

**Financial Management Team**

**Training Needs Assessment**

## Existing Financial Management Arrangements

### MNCH Programme Financial Management Organizational Overview

The MNCH Programme is managed through eight Programme Implementation Units<sup>16</sup> (PIUs). Each PIU is responsible for carrying out the financial management functions and provided with required staff. The Federal PIU located at Islamabad is further responsible for overall coordination of the financial management of the programme in addition to the PIU specific financial operations. The responsibility includes sole interaction with the Ministry of Health, Ministry of Finance, the Planning Division and Accountant General of Pakistan Revenue (AGPR) for the allocation and disbursement of MNCH funds. Table I, below reflects the programme's sanctioned and working strength.

**Table I:** Financial Management Staff at MNCH – PIUs

Position	Sanctioned	Actual	Shortage
Deputy Programme Coordinator (F&A)	1	0	1
Finance Officer	4	3	1
Accounts Officer	14	14	0
Audit Officer	1	1	0
Assistant Account Officer	2	2	0
Clerk/Cashier	10	5	5
Accounts Assistant	11	10	1
Accounts Assistant – District Cells	134	70	64
<b>Total</b>	<b>177</b>	<b>105</b>	<b>72</b>

**Source:** PC1 and data collected from PIUs

### MNCH Financial Performance

During the last four financial years<sup>17</sup>, MNCH programme has been allocated 52% of the funds as envisaged in PC1, of which 45% are actually released (23% of PC1). Tables II

<sup>16</sup> Federal, Punjab, Khyber Pakhtunkhwa, Sindh, Balochistan, AJK, FATA, FANA

<sup>17</sup> 2006-07, 2007-08, 2008-09 and 2009-2010 (up to December 2009)

below illustrates the year wise financial performance of MNCH. Annex I provides the PIU wise break up, since the programme inception.

**Table II: MNCH Year Wise Financial Performance**

*(Rupees in millions)*

FY	PC1	PSDP Allocation		Releases			Expenditure			
	Amount	Amount	%age of PC1	Amount	%age of PSDP	%age of PC1	Amount	%age of Releases	%age of PSDP	%age of PC1
2006-07	131	100	76%	100	100%	76%	8	8%	8%	6%
2007-08	2,971	1,160	39%	785	68%	26%	159	20%	14%	5%
2008-09	5,788	2,500	43%	1,779	71%	31%	1,361	77%	54%	24%
2009-10	4,231	3,000	71%	350	12%	8%				
<b>Total</b>	<b>13,121</b>	<b>6,760</b>	<b>52%</b>	<b>3,014</b>	<b>45%</b>	<b>23%</b>	<b>1,528</b>	<b>57%</b>	<b>23%</b>	<b>12%</b>

**Source:** Data collected from respective PIUs and PC1

## Financial Management System and Processes

**MNCH Programme uses country's financial management system<sup>18</sup>.** Broadly, the MNCH's budget making, execution, accounting and reporting, and external audit processes are carried out as per the Federal Government's rules and operating procedures. The provincial / regional and district government financial management rules and operations are however applied to the funds that are channelled through the provincial Account I or district Account 4. For details see Annex IV)

## Budgeting

**Annual budget of the programme is a component of overall budget of the MoH.** Each PIU prepares annual budget estimates for respective domain, largely based on

<sup>18</sup> System of Financial Control and Budgeting of the Government of Pakistan (GoP)

cost tables provided in the PC1, in accordance with the Federal Government's Budget Calendar. The Federal PIU consolidates the budget estimates of each PIU to prepare annual budget estimates for the whole programme and forwards it to MoH. The Development Wing of MoH confirms that the budget is in accordance with the PC1. It is included in the overall development budget of MoH and submitted to Planning Commission (PC). Towards mid May the Priorities Committee of the Ministry of Finance (MoF) then finalizes the budget allocation, before submission to the Parliament for approval. The PC scrutiny and Priorities Committee steps of the budgeting process are decision points causing reduction to MNCH budget proposal duly approved by the MoH. Table III illustrates reductions made to 2008-09 and 2009-2010 MNCH budget proposals.

**Table III:** Reduction in budget proposal

Financial Year	PCI Allocation	Budget Proposal by PIU	Amount Proposal by MoH	Amount Approved by Planning Commission	Percent Reduction from PC1	Amount Approved by MoF	Percent Reduction from PC1
2008-09	5788.541	5788.541	5788.541	3000	48	2500	57
2009-10	4231.298	4231.298	4231.298	4000	5	3000	29

**Source:** Data collected from Ministry of Health

### Budget Execution - Release of Funds

**Each PIU prepares a Work Plan based on quarterly physical activities involved during the year which is consolidated by Federal PIU to prepare work plan for the whole programme.** Cash Plan based on the Work Plan is also prepared. The Cash/Work Plan are submitted to MoH and forwards to PC for approval. Funds are released on the basis of approved cash/work plan.

Federal PIU prepares request for release of funds for the programme by consolidating information received from PIUs which is forwarded to MoF after approval of the Principal Accounting Officer (PAO), Secretary MoH. At MoF, Financial Advisor (FA) or Deputy Financial Advisor (DFA) can sanction funds release up to Rs. 100 million whereas approval of Addl. Secretary (Expenditure) is required if the release request is for an

amount exceeding Rs. 100 million. Accountant General Pakistan Revenues (AGPR) releases fund to the project after approval of MoF and upon receipt of sanction orders issued by DFA. Funds are allocated to PIUs on the basis of percentage share<sup>19</sup> as provided in PC1.

**Funds become available to Federal, FATA and FANA PIUs, once released by AGPR.** For the four provincial PIUs, AGPR transfers funds to Account 1 of provincial government. In order to use these funds the PIU at provincial level requires approval/sanction of the provincial departments of Health and Finance. The PIUs at each province submit release request to provincial finance department through provincial health department. Once approved, the provincial finance department directs the respective Accountant General (AG) to release funds to the PIU.

### Accounting and Reporting

Financial results of the programme form a part of the financial statements of the Government of Pakistan and are accounted for at three levels i.e. Federal, Provincial and District. AGPR maintains complete record of releases by the Federal Government and also makes payments for Federal, FATA, FANA and AJK PIUs, and books expenditure in the Federal Government accounts, on the basis of actual payment. For the provincial PIUs, the transfer is recorded as expenditure, as a practice for all PSDP Federal Government funded projects.

In Punjab, the funds are further transferred to district governments, through Account 4, and become expenditure of the provincial government, once transferred. Accountant General Punjab is responsible for payment and accounting function of the provincial PIU whereas for districts, the respective District Accounts Offices (DAO) make payments of the programme, against available budget and records it.

Sindh and Khyber Pakhtunkhwa PIUs operate Personal Ledger Account (PLA) while PIUs in Balochistan and AJK have Assignment Accounts (AA). Payments are made directly by the PIUs and each cheque is endorsed by the Treasury Office after ensuring

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<sup>19</sup> Federal (8.2%), Punjab (40.45%), Sindh (16.24%), KHYBER PAKHTUNKHWA (13.86%), Balochistan (13.22%), FATA (2.17%), FANA (2.37%) and AJ&K (3.49%).



budget availability, in case of PLA. Scroll of cheques issued is forwarded by the treasury office to the Accountant General on daily basis. Each month the PIUs reconcile their expenditure with the respective Accountant General. Having said that, there is no evidence of consolidated MNCH fiscal monitoring at the Federal PIU level based on all PIUs reconciled expenditures or at Provincial PIU level (Punjab) for the reconciled district expenditure.

Financial results of the programme become a part of the annual financial statements of the respective governments at each level.

### **Procurement Management**

Financial management staff is also processing procurements at MNCH which is not their core competence.

Significant procurements are required to be made at each level in the programme and effective procurement management involving, amongst others, to finalize requirements, prepare specifications, pre-qualify suppliers, tendering, contract negotiations and managing contracts and ensuring timely supply and quality goods, is critical for transparent procurement assuring best value for money.

The management is planning to start centralized procurement at federal level for the whole programme, from next financial year, which requires strengthening strong coordination and adequate procurement skills at all PIUs to. A strong procurement team is required for the programme to manage this critical function in accordance with relevant rules and procedures as well as ensuring accountability, transparency and value for money.

## **Financial Management Team and Capacity Development Needs**

Financial management team of MNCH is headed by Deputy Programme Coordinator (F&A) and comprises of Finance Officers, Accounts Officers, Assistant Accounts Officers, Cashiers and Accounts Assistants. The key responsibilities for each position are narrated at Annexure II. Table IV below reflects the financial management working team's sanctioned and working strength.

**Table IV:** Sanctioned and working strength of MNCH financial management team

Sanctioned and Working Strength of MNCH Financial Management Staff Strength													
	Federal		Punjab		Sindh		KHYBER PAKHTUNKHWA		Baluchistan		FATA		FANA
	PC1	Actual (Act)	PC1	Act	PC1	Act	PC1	Act	PC1	Act	PC1	Act	PC1
<b>Deputy Programme Coordinator (F&amp;A)</b>	1	0											
<b>Finance Officer</b>			1	1	1	0	1	1	1	1			
<b>Accounts Officer</b>	1	1	2	2	2	2	2	2	2	2	1	1	2
<b>Audit Officer</b>	1	1											
<b>Assistant Account Officer</b>	2	2											
<b>Clerk/Cashier</b>			2	2	2	0	2	2	2	1	2	0	
<b>Account Assistant</b>	4	3	1	1	1	1	1	1	1	1	1	1	1
<b>Accounts Assistant – District Cells</b>	0	0	36	36	23	0	24	24	29	0	6	0	8
<b>Total</b>	<b>9</b>	<b>7</b>	<b>42</b>	<b>42</b>	<b>29</b>	<b>3</b>	<b>30</b>	<b>30</b>	<b>35</b>	<b>5</b>	<b>10</b>	<b>2</b>	<b>11</b>

Source: Data provided by respective PIUs

## Staffing Analysis

In total 72 positions of financial management staff are lying vacant including the top position of Deputy Programme Coordinator (F&A)<sup>20</sup> who has the overall responsibility for coordination and management of programme's financial management. Sindh PIU is working with only 50% of the sanctioned strength. The only position of Finance Officer and 2 positions of clerk/ cashier are vacant since start of the programme. FATA PIU is working with 1 Accounts Officer and 1 Accounts Assistant and 2 positions of Clerk/Cashier are vacant since establishment of the PIU. At Federal PIU one position of Accounts Assistant, and at Balochistan PIU one post of Cashier/ Clerk is vacant. Punjab, FANA, Khyber Pakhtunkhwa and AJK PIUs have full sanctioned strength working.

Majority of the financial management staff at MNCH PIUs (excluding district cells) is on deputation from the organizations of Auditor General of Pakistan (AGP) and Controller General of Accounts (CGA), with few staff members hired from market on contract basis. Although the financial management staff is experienced and have background in government rules and regulations, however there is no evidence of training and skill development of the financial management team of the programme. Training Needs Analysis carried out as a part of this assignment identified the need for training and skill development for financial management staff in the areas of budgeting, procurement, international public sector accounting standards and office automation. Refer Annexure A for detailed training needs assessment and training plan for financial management staff.

PC1 requires one Accounts Assistant to be posted in each District MNCH Cell. In total 134 Accounts Assistants were to be posted in District MNCH Cell against which only 70 are working and 64 posts are lying vacant. In Sindh province neither MNCH cells have been established nor have Accounts Assistants been posted in all 23 districts. MNCH Cell at 14 districts of Balochistan have been established and all payments are made through District Assignment Account but no Accounts Assistant is working in any of the districts. In the remaining 15 districts of Balochistan neither MNCH cells have been

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<sup>20</sup> A medical doctor was appointed as Deputy Programme Coordinator (Finance & Admin) in April 2009, who left the programme in January 2010 and no fresh appointment has been made against this post.

established nor Accounts Assistant have been posted. The management at PIU Balochistan has informed that interviews have been conducted for hiring of Accounts Assistants and process would be completed shortly. In FATA no Account Assistant has been posted as no MNCH Cell has yet been established at agency level. Accounts Assistants have been posted in only 2 out of 8 district MNCH Cell in Gilgit Baltistan. In Punjab, Khyber Pukhtunkhwa and AJK, an Accountant Assistant has been posted in each District MNCH Cell.

Accounts Assistants have been hired from market. Based on our review and training needs analysis carried out at selected District MNCH cells, these Accounts Assistants are not well conversant with government rules and regulations. Also they are responsible for financial management at district cells but do not fully understand their job description and role. They largely look forward to provincial PIUs for guidance and direction in matters related to financial management. Trainings should be organized for Accounts Assistants in Book Keeping, Govt. Regulations and Office Automation to enhance their capacity. Provincial PIUs should also ensure that Accounts Assistants prepare and monthly financial reports for respective districts.

### **Training and Capacity Development Needs**

A comprehensive Training Needs Assessment (TNA) was conducted at all PIUs and District MNCH Cells, to objectively identify the capacity development needs. The TNA takes a two step needs identification. Firstly, through formal questionnaires with the respective Finance and Accounts officials and through duly approval of the PIU Coordinators or Deputy Coordinators. Secondly, through expert judgement of the team through the extensive engagement with the programme team at all federal, provincial and district levels. The TNA is financial management capacity development needs focused and identifies not only the need, for whom, at what level but also takes a step forward to programme the need. The Training Implementation Plan with the details is Annex III. Broadly, the assessment identifies urgent need for trainings in Medium Term Budgetary Framework (MTBF), International Public Sector Accounting Standards (IPSAS), Procurement, New Accounting Model (NAM), Cash Plan and Work Plan Preparation, Project Management, Public Financial Management (PFM), Book Keeping and Government Rules, IT Training, Internal Audit, Basic Accounting, Communication skills, Leadership and Management skills etc, for various durations and level of intensity

depending on the need. The need identified cuts across the functional hierarchy from the programme managers, to the finance and accounts officials through to the Accounts Assistants.

## **Section II: Funds Flow Mechanism: MNCH LHW & TB Programmes**

## Financial Mechanisms: Comparative Analysis MNCH LHW & TB Programmes

This section analyses the funds flow mechanism of MNCH Programme vis-a-vis Lady Health Worker (LHW) and National TB Control Programme (TB). The main difference identified, is the routing of funds through provincial government account 1 and district governments account 4 for MNCH vis-à-vis funds becoming available to Provincial Programme Implementation Units (PPIUs) of LHW Programme by relevant AGPR sub offices, and funds becoming available directly from Federal PPIU without transfer to PPIUs, in the TB Programme. The LHW and TB programmes demonstrate more efficient funds allocation, release and utilization in comparison to MNCH, as reflected by Table V below. The comparative analysis is based on three years data (2006-07 to 2008-09). More detailed findings are narrated at Annexure III covering the budget making, funds release, utilization and accounting and reporting activities at the three programmes.

**Table V:** Financial Performance Comparative Analysis – MNCH, TB and LHW

<b>MNCH Program</b>				
<b>FY</b>	<b>PC1</b>	<b>PSDP Allocation</b>	<b>Releases</b>	<b>Expenditure</b>
	<b>Amount</b>	<b>%age of PC1</b>	<b>%age of PC1</b>	<b>%age of PC1</b>
2006-07	131	76%	76%	6%
2007-08	2971	39%	26%	5%
2008-09	5788	43%	27%	24%
<b>Total</b>	<b>8890</b>	<b>42%</b>	<b>30%</b>	<b>17%</b>
<b>TB Control Program</b>				
<b>FY</b>	<b>PC1</b>	<b>PSDP Allocation</b>	<b>Releases</b>	<b>Expenditure</b>
	<b>Amount</b>	<b>%age of PC1</b>	<b>%age of PC1</b>	<b>%age of PC1</b>
2006-07	199	100%	64%	53%
2007-08	205	100%	100%	54%
2008-09	221	45%	45%	30%
<b>Total</b>	<b>625</b>	<b>80%</b>	<b>69%</b>	<b>45%</b>
<b>Lady Health Worker Programme</b>				

FY	PC1	PSDP Allocation	Releases	Expenditure
	Amount	%age of PC1	%age of PC1	%age of PC1
2006-07	4,946	100%	100%	100%
2007-08	4,892	100%	95%	95%
2008-09	7,455	74%	66%	66%
<b>Total</b>	<b>17,293</b>	<b>89%</b>	<b>84%</b>	<b>84%</b>

**Source:** Data collected from MNCH, LHW and TB PIUs

### MNCH Programme Funds Flow

The financial mechanisms of MNCH programme involve the following five broad phases:

- Phase 1: Preparation and Approval of Budget
- Phase 2: Preparation and Approval of Cash Plan
- Phase 3: Release of Funds at Federal Level
- Phase 4: Release of Funds at Provincial Level
- Phase5: Release of Funds to District MNCH DMU

Preparatory work for annual budget preparation starts with the issuance of Budget Call Circular by MoF and line ministries submit their initial budget estimates by December/ January each year. Budget of MNCH programme is a part of overall budget of Ministry of Health (MoH) . Federal PIU collects information from all regional/ provincial PIUs about the budget estimates. The estimates forwarded by PIUs are largely based on PC1 allocations for that particular year. Consolidated budget for the programme is forwarded by Federal PIU to MOH which are scrutinized by development section of the ministry. The budget estimates are forwarded to MOF. The projects are accorded priority by the Priority Committee and budget allocation is communicated. New Item Statement (NIS) based on allocated budget is prepared by FPIU, based on inputs by provincial / regional PIUs and submitted to MOF through MOH for feeding into national budget which is approved by National Assembly

Approval of Cash Plan (CP) is a pre-requisite for release of funds and the process of CP preparation starts after approval of budget. CP is prepared on PC prescribed template and is supported by Work Plan. Federal PIU prepares CP by collecting information from



all PIUs. The CP requires a sequel authentication by the line Ministry, PC and FD through FAO, to take effect. Preparation of CP has taken 37 to 242 days during last three financial years. Furthermore, approval of CP has also taken 12 to 82 days during the same period.

Federal PIU prepares and submits quarterly release request, aligned with the approved CP, to MOH for approval. The release is subject approved by Secretary Health being Principal Accounting Officer (PAO) approval and is forwarded to MOF for endorsement. Once funds are sanctioned, FPIU prepares release orders which are forwarded to AGPR by MOH. Funds are released to Federal, FATA and FANA PIU by AGPR whereas for provincial PIUs funds are transferred to relevant Provincial Account I. Releases for the first quarter of the financial year could be made by the PAO, without approval of the FAO<sup>21</sup>. But neither has the programme requested nor has MoH ever taken the initiative to provide funds to the programme as per the provision.

The process of funds release at provincial level starts after transfer from funds from AGPR to provincial government. Provincial PIU submits quarterly release request to health department for approval and onward submission to finance department. Provincial PIU prepares release orders which are forwarded to Accountant General by health department with a copy of approval from finance department for release of funds. Accountant General releases funds to the Provincial PIU. Presented below is a summary of time spent at each phase of the funds flow. The FATA, AJK and FANA PIU is dealt by AGPR.

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<sup>21</sup> System Of Financial Control And Budgeting (September – 2006), Govt. Of Pakistan Finance Division, Islamabad, No.F.3(2)Exp.III/2006, 13th September, 2006, Para 13 (vii)

**Table VI: MNCH Funds Release Lead Times**

MNCH PIU	2007-	2008-09		
	08	Q2	Q3	Q4
<b>FEDERAL</b>	Q4	Q2	Q3	Q4
Lead time between quarterly release request and PAO approval	7	10	30	2
Lead time for approval by FAO / DFA	15	47	65	2
Lead time for issuance of funds release sanction by MoH	1	19	8	32
Release by AGPR				
<b>Total Federal Lead Time</b>	<b>23</b>	<b>76</b>	<b>103</b>	<b>36</b>
Release by AGPR	1	1	4	3
Lead Time for Federal funds release	<b>24</b>	<b>77</b>	<b>107</b>	<b>39</b>
<b>KHYBER PUKHTUNKHWA</b>				
Lead time for funds release by AGPR	1	1	12	2
Lead time for Letter to department of health by PPIU	6	22	6	5
Lead time for approval by health department for release of Funds	31	7	8	11
Lead Time for Approval by Finance Department	14	8	25	12
Lead Time for Release sanction to AG office	2	1	1	9
lead time for funds release by AG office	7	42	5	24
<b>Total Lead Time for Khyber Pakhtunkhwa</b>	<b>84</b>	<b>157</b>	<b>160</b>	<b>99</b>
<b>SINDH</b>				
lead time for funds release by AGPR	1	1	12	2
Lead time for Letter to department of health by PPIU	18	3	36	3
Lead time for approval by health department for release of Funds	1	2	9	9
Lead Time for Approval by Finance Department	44	63	53	53
Lead Time for Release sanction to AG office	1	46	27	100

lead time for funds release by AG office	26	39	25	34
<b>Total Lead time for Sindh</b>	<b>114</b>	<b>230</b>	<b>265</b>	<b>237</b>
<b>PUNJAB</b>				
lead time for funds release by AGPR	1	1	12	2
Lead time for Letter to department of health by PPIU	12	62	54	22
Lead time for approval by health department for release of Funds	38	1	1	34
Lead Time for Approval by Finance Department	1	44	0	0
Lead Time for Release sanction to AG office	0	6	0	0
lead time for funds release by AG office	10	6	12	42
<b>Total Lead time for Punjab</b>	<b>85</b>	<b>196</b>	<b>182</b>	<b>136</b>
<b>BALOCHISTAN</b>				
Released into program account	79	153	144	102
<b>Total lead time for Balochistan</b>	<b>102</b>	<b>229</b>	<b>247</b>	<b>138</b>
<b>AZAD JAMMU AND KASHMIR</b>				
Lead time for AJK PIU request to Kashmir Council for bill submission to AGPR	94	2	1	138
Lead time for Kashmir Council and AGPR cheque issuance	24	21	25	28
Lead time for deposit of AGPR into AG AJK Deposit Head	3	5	1	2
<b>Total Lead time for AJK</b>	<b>144</b>	<b>104</b>	<b>130</b>	<b>204</b>

**Source:** Data collected from the PIUs and the respective Government offices

### Lady Health Worker Programme

The National Programme for Family Planning and Primary Health Care also known as the Lady Health Workers' Programme was launched in 1994. It was initiated in response to the need to serve the underserved and poor communities of the rural and semi urban areas. The rationales for such an initiative was: (a) high maternal and children mortality rates; (b) comparatively weak demographic transition; (c) high proportion of vulnerable population; and (d) low utilization of static health care facilities

The Programme now covers almost all Districts of Pakistan providing essential primary health care services to the community through female community health workers (the Leady Health Worker). The Programme was funded till June 2003. The programme has been extended through a new PC1 2003-2008 approved by ECNEC on 7th January 2004 at a cost of 21,533.502 million. An amount of Rs7 billion has been allocated in the PSDP for the year 2009-10. Table VII below presents financial performance of LHW programme for last six financial years.

Table VII : Financial Performance of LWH

	PC1	PSDP Allocation		Releases			Expenditure			
	Amount	Amount	%age of PC1	Amount	%age of PSDP	%age of PC1	Amount	%age of Releases	%age of PSDP	%age of PC1
2003-04	2,427	2,427	100%	2,427	100%	100%	2,427	100%	100%	100%
2004-05	2,951	2,951	100%	2,951	100%	100%	2,951	100%	100%	100%
2005-06	3,862	3,862	100%	3,862	100%	100%	3,862	100%	100%	100%
2006-07	4,946	4,946	100%	4,946	100%	100%	4,946	100%	100%	100%
2007-08	4,892	4,892	100%	4,635	95%	95%	4,633	100%	95%	95%
2008-09	7,455	5,500	74%	4,935	90%	66%	4,925	100%	90%	66%
<b>Total</b>	<b>26,533</b>	<b>24,578</b>	<b>93%</b>	<b>23,756</b>	<b>97%</b>	<b>90%</b>	<b>23,744</b>	<b>100%</b>	<b>97%</b>	<b>89%</b>

**Source:** Data collected from Programme Management Unit

As the programme is fully funded by the federal government, financial mechanism consists of three broad phases:

- Preparation and approval of budget
- Preparation and approval of Cash Plan
- Release of Funds

Federal Program Implementation Unit (FPIU) is directed by Ministry of Health (MoH) to submit a budget estimate by January each year. FPIU requests Provincial Implementation Unit (PPIU) to submit their budget estimate based on PC1 phasing. FPIU then consolidates budget estimate for whole program and submits to MOH, who forwards it to MOF. MOH is notified by Planning Commission of the LHW budget allocation after approval of priorities committee. MOH requires the FPIU to submit NIS based on allocated budget. FPIU prepares NIS for each PPIU and submits to MoH by end of May. MoH submits NIS to Ministry of Finance (MoF) for feeding into national budget.

MoF enters the approved NIS into National Budget. After the approval of National Budget cash /work plans are prepared by each PPIU and submitted to FPIU for onward submission to MOH during July. MoH submits the consolidated cash plans/work plans to PC for approval. MOH notifies FPIU and PPIU of approval cash and work plan by PC. FPIU submits a funds release request by mid of July for first quarter. For each next quarter release request is submitted in first week of the quarter to MOH. Funds release request is forwarded by MOH for approval of MOF/Financial Advisor. After the approval of FA, MOH issues fund release sanction to AGPR and copies are sent to all relevant PIUs.

AGPR releases the funds related to FPIU and sends release letters for PPIUs to relevant AGPR sub office. PPIU submits a request with respective AGPR sub office for the release of funds to PPIU Assignment Account. A proportion of PPIU funds related to District PIUs is directly released to District PIU (representing utility, POL and vehicle repair related costs). Annexure V illustrates the LHW Programmes funds flow process

### **National TB Control Programme**

Government of Pakistan initiated National TB Control Programme in 1995 for a country wide implementation of DOTS (Director Observed Treatment, Short Courses). National

TB Control Programme is a part of Medium Term Budgetary Framework for 2005-10 and is funded by the federal government. Financial performance of the programme for the last five years is presented in the Table VIII, below.

**Table VIII:** Financial Performance of National TB Control Programme

	PC1	PSDP Allocation		Releases			Expenditure			
	Amount	Amount	%age of PC1	Amount	%age of PSDP	%age of PC1	Amount	%age of Releases	%age of PSDP	%age of PC1
2005-06	329	25	8%	25	100%	8%	25	101%	101%	8%
2006-07	199	198	100%	127	64%	64%	106	84%	54%	53%
2007-08	205	205	100%	205	100%	100%	111	54%	54%	54%
2008-09	221	100	45%	100	100%	45%	65	65%	65%	30%
2009-10	231	230	100%	58	25%	25%	53	92%	23%	23%
<b>Total</b>	<b>1,184</b>	<b>758</b>	<b>64%</b>	<b>515</b>	<b>68%</b>	<b>43%</b>	<b>360</b>	<b>70%</b>	<b>48%</b>	<b>30%</b>

**Source:** Data collected from Programme Management Unit

Funds flow mechanism of this programme is almost similar to LHW. Federal Program Implementation Unit (FPIU) submits budget estimates to MOH for whole program based on PC1 phasing. MOH is notified by Planning Commission of the TB program share in PSDP. MOH requires the FPIU to submit NIS based on allocated budget. FPIU prepares NIS for whole TB Program and submits to MOH by end of May.

MOF enters the approved NIS into National Budget. After the approval of National Budget cash /work plans are prepared by FPIU and submitted to MOH during July. Planning Commission approves the cash plans/work plans and MOH notifies FPIU.

FPIU submits a funds release request by end of July for first quarter and in the first week of quarter for each next quarter to MOH who forwards it to MOF/ Financial Advisor for approval. After the approval of MOF, a fund release request is issued to AGPR and copy is sent to FPIU by MOH. Funds are released by AGPR to FPIU.

The major difference with LHW and MNCH programmes is with regards to the funds disbursement. In case of the TB Programme, all financial matters including those relating to Provincial and District levels are dealt at the Federal level by the Federal PIU. Payroll is processed at AGPR and salaries are transferred to respective employee's accounts by AGPR. Annexure VI illustrates the TB Programmes funds flow process

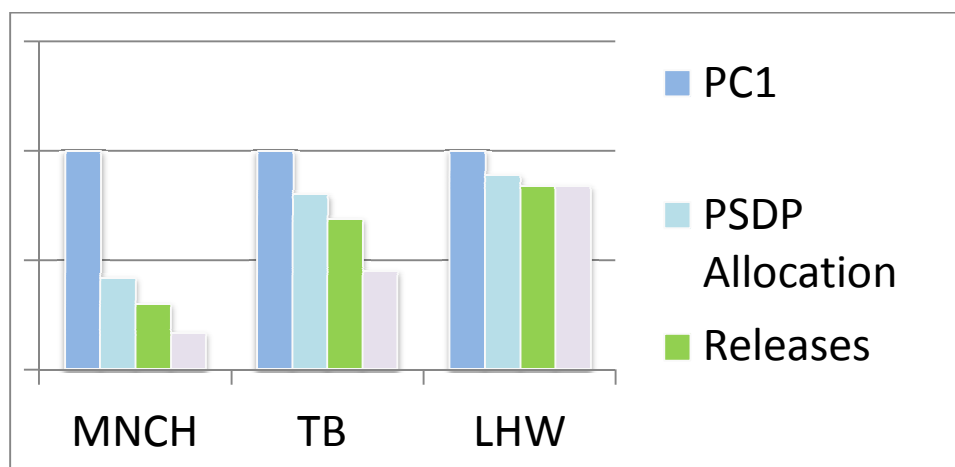
### Comparative Overview: MNCH LHW AND TB Programmes

**Table IX:** Financial Performance of MNCH vis a vis LHW and TB Programmes

FY	PSDP Allocation*			Releases*			Expenditure*		
	MNCH	LHW	TB	MNCH	LHW	TB	MNCH	LHW	TB
2006-07	76%	100%	100%	76%	100%	64%	6%	100%	53%
2007-08	39%	100%	100%	26%	95%	100%	5%	95%	54%
2008-09	43%	74%	45%	31%	66%	45%	24%	66%	30%

**Source:** Data collected from project

\*As a percentage of PC1



## Funds Flow Processing Steps Comparative Analysis

**Table X:** MNCH LHW and TB Programme Funds Flow Steps Comparative Analysis

	MNCH	LHW	TB
Preparation and approval of annual budget	12	12	11
Preparation and approval of cash/ work plan	7	7	4
Release of funds at federal level	5	5	5
Release of funds at provincial level	6	2	-
	30	26	20

**Source:** Data collected from Projects

## Alternate Funds Flow Options

The comparative analysis of the MNCH, LHW and TB Programmes illustrate that MNCH Programmes funds flow mechanism are less efficient, comparatively. The reasons for lesser efficiency have been discussed in detail by the 2009 FRA, the Preliminary Report already submitted in March, 2010 and this Draft Final Report (see executive summary). The issue at point is whether MNCH should consider revising the funds flow through adoption of alternate funds flow mechanism. From the two case studies of LHW and TB Programme, the later is the only plausible option to analyze, as the former is almost the same as MNCH. If funds flow efficiency is the only criteria, then adoption of the TB



Programme's funds flow is the solution. However, based on the extensive interaction at the operational level across the MNCH programme and related government departments, we suggest that the ownership of the Programme by the provincial / regional governments and longer term sustainability must be factored into the criteria. The value of these factors further enhances by the changes in the larger Governance environment of Pakistan. Recent developments including the provincial autonomy oriented 18<sup>th</sup> Amendment to the Constitution, the NFC Award and ongoing changes to the Devolution Plan indicate better value in decentralization than centralization. Adoption of the TB Programme's funds flow would deliver funds delivery efficiency at the cost of no ownership at the provincial and district levels. The risk is further enhanced by the expected decrease in the federal fiscal envelop. Keeping all these factors in view and based on a SWOT analysis, we suggest continuing with the existing funds flow mechanism.

Furthermore, given the low financial management capacity of the MNCH programme, particularly at the operational level including districts, change to an alternate funds flow mechanism would further stress the already low base with high risk fiduciary outcomes. The focus instead should be on strengthening the capacity for more efficient and effective funds availability for commitment of expenditure.

Moreover with the 2012 planned MNCH programme end in sight (with potential for extension), the option to change the funds flow requires a more holistic consideration than gaining mere funds flow efficiency. Programme ownership by respective sub-national governments and long term sustainability deserve higher consideration. Solutions' analysis finds a higher degree of ownership for MNCH, amongst LHW, TB and other PSDP programmes. The analysis is based on anecdotal information gathered through interaction with the relevant Government Authorities at Federal / Provincial and District levels, duly validated by the participants at the Mini Review. The apparent and further emerging provincial ownership mitigates the longer term sustainability risk to low.

### **Alternate Funds Efficiency Strategy**

Given the objective diagnosis carried out for the Financial Management Review and Development of Risk Mitigation Plan, we feel effective implementation of the following

action, which are detailed in the respective sections of the report would accrue the desired funds flow efficiency;

- MNCH must fill all Finance and Accounts positions, up to the district levels by 30 September 2010.
- MNCH should conduct intensive training and capacity building of all staff as per the training needs and the Training Implementation Plan, included in this report
- MNCH National Programme Manager supported by the Internal Auditor should monitor completion of all actions provided in the “Plan for Strengthening the Financial Management System and Mitigation of Fiduciary Risks”, as included in this report with the proposed accountability and performance based incentives.
- MNCH should consolidate the financial management systems and process at the June 2010 stage, with no further roll out to the districts than already achieved, till December 2011. The focus should instead be on strengthening the existing levels of roll out. Further roll out to districts should be planned and executed only when the programme extension beyond July 2012, becomes definite. Having said that, the consolidation should have no bearing on service delivery at the district and lower levels and the training and capacity development risk mitigation plan. Given the varying degree of roll out from PIU to PIU, the provision of resources should continue to be provided as being done currently.

## **Section III: MNCH Programme Financial Management System Effectiveness, Risks and Mitigation Strategy**

**Effectiveness of Financial Management Systems  
Plan for Strengthening Financial Management System  
Framework for Measuring Improvements**

## Effectiveness of Financial Management System

### Assessment Methodology

The FMS effectiveness assessment for MNCH has adopted three complementary analytical tools;

- PEFA
- FRA
- Assessment criteria provided in the TORs (Annex VIII)

PEFA Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes. The PEFA framework consists of 28 performance indicators (PIs) of the level of achievement of the local PFM system plus 3 PIs that indicate performance on donor activities. The former are grouped into 6 high-level (mentioned below) sets of indicators that relate to a broad dimension of the PFM system. The PIs each have one or more dimensions that are scored on a rating scale from A (high) to D (low) according to a clearly defined set of descriptive or quantitative data. For multi-dimensional ratings an overall indicator score is calculated by one of two clearly defined methods.<sup>22</sup> Many of the PEFA indicators have up to four dimensions. Each dimension is scored separately on the same four point ordinal scale, 'A' to 'D'.

- ***Credibility of the Budget*** – The budget is realistic and is implemented as intended
- ***Comprehensiveness and Transparency*** – The budget and fiscal risk oversight are comprehensive, and fiscal and budget information is accessible to the public.
- ***Policy-based Budgeting*** – The budget is prepared with regard to government policy.
- ***Predictability and Control in Budget Execution*** – The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.

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<sup>22</sup> M1: weakest-link, where dimensions are perceived as interdependent and a low score for one dimension limits the overall score to that level plus (e.g., D+); and M2, a calibrated average score, if the dimensions are thought to be more independent. The 'weakest link' approach is applied where poor performance in one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator.

- **Accounting, Recording and Reporting** – Adequate records and information are produced, maintained and disseminated to meet decision making control, management and reporting purposes.
- **External Scrutiny and Audit** – Arrangements for scrutiny of public finances and follow up by executive are operating.

The FRA uses a High, Substantial, Medium and Low Risk rating to synchronize with the PEFA D, C, B, A rating respectively. The same methodology has been used to assess the fiduciary risk for the programme feeding into the risk mitigation plan.

Assessment of system design has been carried out using Internal Control Questionnaires (ICQs) which were specifically developed for MNCH programme, in accordance with the criteria laid down in the TORs and considering applicable rules and regulations as well as relevant standards. The ICQs were completed on the basis of interviews with the relevant financial management staff and examination of relevant documents.

PEFA framework is designed to assess performance of national and sub-national government's financial management system. It has been adapted for MNCH FMS's performance assessment, by applying only relevant indicators. Furthermore, to contextualize the strengths and weaknesses of the MNCH FMS system, the ratings are reflected with the PEFA score for the respective level of Government. The assessment is based on the three year's financial data (2006/07, 2007/08 and 2008/09)<sup>23</sup>. Table VII below illustrates the programme's PEFA scoring with the Federal Government's. Detailed, indicator by indicator findings are narrated at Annexure II.

### Structure and Approach

The section is guided by two factors. The expected outputs<sup>24</sup> as per the TORs and the objective to provide to the readers and decision makers a consolidated PIU by PIU

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<sup>23</sup> As 2009-2010 is still ongoing

<sup>24</sup> (a) a report on financial management arrangements, capacity development undertaken for existing staff and on further professional development needs for incorporation in plans and TA requests; (b) report on the effectiveness of the Financial Management System of the MNCH Programme; (c) short description of the financial mechanisms of other (two at least) health programmes funded from the federal PSDP; (d) an alternative fund flow mechanism to suit

financial management risks assessment along with the plan for strengthening or the mitigating action plan and framework for measuring improvement of the MNCH financial management system.

The approach taken is to first provide a program wide narrative status of the FMS effectiveness guided by PEFA framework, followed by a matrix illustrating the Indicator by Indicator PEFA scoring and related Fiduciary Risk rating, followed by the “Plan for Strengthening the Financial Management System and Mitigation of Fiduciary Risk”. It then undertakes a PIU by PIU review with the same approach. With a view to contextualize the risk assessments for the MNCH Programme and PIUs, the PEFA scoring for the respective federal / provincial governments<sup>25</sup> have been juxtaposed to the programme.

### **MNCH Programme Overall Assessment**

#### **Credibility of the Budget**

Delivery of service by any government or a public institution is largely dependent on the implementation of the budget as intended. This will result in achievement of policy objectives. The indicators under this core area measure the actual total expenditure compared to the originally budgeted total expenditure and also assess variation in the composition of expenditure incurred from the original budget.

**Budget Outturns:** During last three financial years variance between budget and actual expenditure was 46% to 92%. Monthly reconciliation with AGPR and respective provincial Accountant General’s is used for budget monitoring by PIUs, however, programme wide budget execution reports are not prepared. Similarly in Punjab, which

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the needs identified by the provinces/special areas that is effectively practiced by other projects within the health sector; (e) plan for strengthening the financial management system that is aligned with existing processes and timescales and able to mitigate fiduciary risks for the programme. This plan may include (where necessary) setting procedures for financial management including budgeting, accounting, internal controls and financial reporting etc. for the National MNCH Programme, including a summary of generic lessons relevant to the strengthening of other MoH financial management systems; (f) development of a framework for measuring the improvement of the MNCH financial management system.

<sup>25</sup> The PEFA assessments are available for the Federal, Punjab, Sindh, Balochistan and Khyber Pukhtunkhwa only

is the only province where programme has been fully devolved to district level, provincial level budget execution reports are not prepared and transfers to districts is treated as expenditure.

**Funds Flow:** Funds become available to Federal, FATA and Gilgit-Baltistan PIUs once released by AGPR. The provincial PIUs receive funds once these are released by provincial AGs after approval of respective provincial finance departments. Since programme inception only 23% of the funds earmarked in PC-I were made available. Utilization was only 57% of the funds released or 12% of the allocation as per PC-I. Delayed submission and approval of cash/work plan is a primary reason for delayed release and non-utilization of funds.

**Expenditure Arrears:** There is no data on the stock of arrears available with any PIU.

### Comprehensiveness and Transparency

This component measures the extent to which the budget information is comprehensive, accessible to general public and compliant with GFS standards. Level of un-reported extra budgetary expenditure, transparency in inter-government transfers, and the fiscal risk oversight areas are also covered under this dimension.

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** Transfers/ release to provincial/ regional PIUs is based on allocations provided in PC1. Timely availability of reliable information to regional PIUs regarding allocation for budget preparation remain weak. Regional PIUs prepare annual budget estimates on the basis of yearly funds allocations in PC1. However, actual allocations are communicated to regional PIUs after priorities committee has finalized the budget for the programme (usually in May) which is too late for significant budget changes to be made. Moreover, Ministry of Health verbally

communicates the budget allocation to programme and no written communication is made with the programme in this regard.

### Policy Based Budgeting

Linking policy, planning and budgeting is the key element of an effective PFM system. This includes budget preparation with a medium term perspective in line with the policy objectives and is assessed under policy based budgeting component of PEFA.

**Budget Preparation:** Budget is prepared as per timelines provided in budget calendar and programme level budget is consolidated by Federal PIU. Budget preparation is mainly guided by a budget circular which provides clear and detailed instructions. However, the budget circular does not include budget ceilings which are being introduced as part of the MTBF process. Detailed costing for budget preparation is not prepared and budget estimates are largely based on cost estimates provided in PC-I.

**MTBF:** Ministry of Health is one of the two ministries where MTBF was piloted in 2005-06. However, at the programme level, budgets have been prepared on annual basis. The Cabinet has approved the implementation of MTBF across all Federal Government Ministries and Output Based Budget for the budget years 2010-13 will be prepared for federal line ministries. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

### Predictability and Control in Budget Execution

A wide range of control functions including payroll system, procurement arrangements, internal controls for non-wage expenditure and effectiveness of internal audit function are covered in this area of the PEFA. The results provide as assessment of extent of the predictability and control in budget execution.

**Payroll Processing:** AGPR processes the monthly payroll of Federal PIU, FATA PIU and Gilgit-Baltistan PIU whereas as AG Punjab processes Punjab PIU's monthly payroll. Any changes in employee status are communicated to AGPR/AG by DDO with the approval of programme manager. Personnel files are maintained by the Administration



section. Monthly payroll received from AGPR/AG is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.

Finance Sections at Sindh, KHYBER PAKHTUNKHWA, AJK and Balochistan PIUs process the monthly payroll and any changes in employee status are made after approval of programme manager/ coordinator. The officer responsible for preparation of payroll does not sign payroll sheet or a formal statement regarding accuracy and completeness of payroll. Employee's master data is maintained in excel sheet and is not reconciled with monthly payroll which causes the risk that payroll may not be updated for changes in employee status. Monthly payroll is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.

**Procurement:** PPRA rules are applicable on the programme, which are largely complied. Few instances of non-compliance have been highlighted by external auditors. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared. There is no separate procurement section at PIUs and finance sections are handling procurements from defining specifications to contract management. Procurement of fixed assets and drugs and medicines above Rs. 500,000 require approval of Secretary Finance (Principal Accounting Officer) which sometimes delays the process. PC-I envisages central procurement for the whole programme which the management plans to start from the next financial year. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods.

**Fixed Assets:** Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Assets provided by other agencies are not taken into Fixed Asset Register. Physical verification of fixed assets is not being undertaken regularly and since programme inception physical verification has been carried out only once, in all PIUs.

**Internal Audit:** Internal Auditor has been appointed since May, 2009 and one internal audit of all PIUs has been carried out. Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Internal auditor reports to programme manager and audit committee have not been established. Annual internal audit plan is also not prepared. Major issues highlighted in internal audit reports include:

Non compliance with PPRA Rules.

- Medical reimbursements made without proper supporting documents.
- Incorrect object codes used for expenditure sanction.
- Cash book not prepared according to treasury rules of Government.
- Non-deduction of income tax from salaries to staff.
- Entries of procurement not recorded in stock register after the receipt of materials.
- Irregular drawl of funds from PLA and crediting the same into current account of the program for further payments and avoiding budget lapse.
- Expenditure in excess of budget in two account heads
- Non-adjustment/ delayed adjustment of advances

Accounting, Recording and Reporting

This component of the PFM system describes the extent to which adequate records are maintained and information is produced, maintained and disseminated to meet decision-making control, management and reporting purposes. It looks at overall accounting, recording and reporting, and the timeliness of the process of reconciliation of accounts with bank statements at all levels.

**Financial Accounting and Reporting:** Government accounting systems are used by Federal, Punjab, Gilgit-Baltistan and FATA PIUs where all payments are made by AGPR/AG. Cash Book and Appropriation Register are maintained by Drawing and Disbursing Officers (DDOs). AGPR/AG is responsible for pre-audit, making payments and maintaining accounts. On monthly basis, DDO reconciles expenditure with AGPR/AG which provides details of budget and expenditure.

Sind and Khyber Pakhtunkhwa PIUs operates Personal Ledger Accounts (PLA) and maintain accounting record in the form of Cash Book and Appropriation Register. Each cheque issued requires endorsement by treasury office where transactions are entered into government accounts. On monthly basis PIU reconciles expenditure with Accountant General's office.

Balochistan and AJK PIUs operate Assignments Account and maintain accounting record in the form of Cash Book and Appropriation Register. On monthly basis PIU reconciles expenditure with Accountant General's office.

Consolidated financial reports for the programme are not prepared periodically; however, specific financial reports for stakeholders are prepared on request. Programme level financial statements were only prepared for the financial year ending 30 June, 2009 as per Cash Basis IPSAS but are not fully compliant with the requirements of Cash Basis IPSAS.

### External Scrutiny and Audit

This component of the PFM system describes the extent to which arrangements for scrutiny of public finances and follow up by executive are operating adequately. It looks at the scope, nature and follow-up (if any) of external audit and, when applied at national level, the nature and effectiveness of legislative scrutiny of the budget and external audit reports.

**External Audit:** Audit of PIUs has been conducted by Department of the Auditor General of for two financial years i.e. 2007-08 and 2008-09. External audit has highlighted following major issues:

- Assets of MNCH being used by government functionaries.
- No physical inspection of store/stock carried out.
- Non compliance with PPRA rules.
- Procurement of imported vehicles which is violation of cabinet decision.
- Non/delayed adjustment of advances.
- Sales tax not withheld on payments to suppliers.
- Non deduction of income tax on salaries to staff.

- Non deposit of sales tax with Government withheld from payments to contractors/suppliers.
- Payments to contractors were made even though there was rectification work required to be completed on the project.
- Stores/stock register not updated.
- Financial record for PLA accounts not maintained in accordance with CGA notification.
- Non-conduct of internal/ external audit of MNCH cells at district level.
- Management has replied to audit observations; however, no specific actions and timelines have been provided and agreed in audit reports for follow-up.
- Programme may take necessary steps to ensure that audit of annual financial statements is completed within 4 months of the end of financial years and recommendations of auditors should be fully complied with.

### MNCH PEFA Ratings With Federal Government PEFA Comparison

PEFA PERFORMANCE INDICATORS		MNCH PEFA Ratings	Federal Govt. PEFA Ratings
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>			
PI-1	Aggregate expenditure out-turn compared to original approved budget	D	D
PI-2	Composition of expenditure out-turn compared to original approved budget	D	B
PI-4	Stock and monitoring of expenditure payment arrears	D	D
<b>B. KEY CROSS-CUTTING ISSUES:</b>			
<b>Comprehensiveness and Transparency</b>			
PI-5	Classification of the budget	A	A
PI-6	Comprehensiveness of information included in budget documentation	B	B
PI-8	Transparency of inter-PIU fiscal relations	B+	A
PI-	Public access to key fiscal information	C	C

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<b>C. BUDGET CYCLE</b>			
<b>C(i) Policy-Based Budgeting</b>			
PI-11	Orderliness and participation in the annual budget process	<b>B+</b>	<b>B+</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>C+</b>	<b>C+</b>
<b>C(ii) Predictability and Control in Budget Execution</b>			
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>D</b>	<b>D+</b>
PI-18	Effectiveness of payroll controls	<b>D+</b>	<b>C+</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>C+</b>	<b>C+</b>
PI-21	Effectiveness of internal audit	<b>D</b>	<b>D</b>
<b>C(iii) Accounting, Recording and Reporting</b>			
PI-22	Timeliness and regularity of accounts reconciliation	<b>B</b>	<b>C+</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>	<b>C+</b>
PI-25	Quality and timeliness of annual financial statements	<b>B+</b>	<b>B+</b>
<b>C(iv) External Scrutiny and Audit</b>			
PI-26	Scope, nature and follow-up of external audit	<b>C+</b>	<b>C+</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>	<b>D+</b>

## Systems Design Assessment Identified Risks

Furnishing and fixtures are not recorded in fixed assets register. Assets received in grant are not recorded in fix assets register. Fixed assets register does not show the name of person that have the responsibility of asset use. No pre-numbered documents used to record the receipt and issuance of assets. *(Associated risk: Completeness of assets and accuracy of recording cannot be ensured)*

Physical stock of fixed assets is not carried out by management. (Associated risk: existence and ownership of assets can be at risk)

Different set of documents are prepared for procurement recording in PIUs. Goods receiving and inspection documents are not pre-number nor prepared on a specific format. Inspection document are prepared by the persons inspecting the goods received, it could result in omitting some crucial details at inspection. *(Associated risk: completeness of recording of goods received cannot be ensured in the absence of pre-numbered documents)*

Tracking register of pending Purchase Orders and committed funds is not maintained. (Associated risks: delayed supplies cannot be identified on timely basis and could result in program implementation delays, Management cannot ensure proper budget is available for future procurement in the absence of data related to committed funds for pending procurement orders)

Salary reconciliations with HR/establishment master list and prior month payroll summary is not carried out. (Associated risk: errors in payroll cannot be detected on timely basis, accuracy of payroll information cannot be ensured.)

Financial management staff is also responsible for procurement function. (Associated risk: chances of error as execution, recording and payment functions are not segregated.)

Programme wide consolidated financial information/reports not prepared on periodic basis. *(Associated risk: lack of financial information for decision making and monitoring)*

## Lead Times

The Programme has inordinate delays in funds becoming available for expenditure. Table XI, below reflect the time taken for the funds to become available.

**Table XI:** Lead times for funds becoming available for expenditure

PIU	2007-08	2008-09			2009-10	
<b>FEDERAL</b>	Q4	Q2	Q3	Q4	Q2	Q3
Lead time between quarterly release request and PAO approval	7	10	30	2	7	9
Lead time for approval by FAO / DFA	15	47	65	2	31	47
Lead time for issuance of funds release sanction by MoH	1	19	8	32	5	
Release by AGPR						
<b>Total Federal Lead Time</b>	<b>23</b>	<b>76</b>	<b>103</b>	<b>36</b>	<b>43</b>	<b>56</b>
Release by AGPR	1	1	4	3	4	
<b>Lead Time for Federal funds release</b>	<b>24</b>	<b>77</b>	<b>107</b>	<b>39</b>	<b>47</b>	<b>56</b>
<b>KHYBER PAKHTUNKHWA</b>						
Lead time for funds release by AGPR	1	1	12	2		
Lead time for Letter to department of health by PPIU	6	22	6	5		
Lead time for approval by health department for release of Funds	31	7	8	11		
Lead Time for Approval by Finance Department	14	8	25	12		
Lead Time for Release sanction to AG office	2	1	1	9		
Lead time for funds release by AG office	7	42	5	24		
<b>Total Lead Time for Khyber Pakhtunkhwa</b>	<b>84</b>	<b>157</b>	<b>160</b>	<b>99</b>		
<b>Sindh</b>						
lead time for funds release by AGPR	1	1	12	2		
Lead time for Letter to department of health by PPIU	18	3	36	3		
Lead time for approval by health department for release of Funds	1	2	9	9		
Lead Time for Approval by Finance Department	44	63	53	53		

Lead Time for Release sanction to AG office	1	46	27	100		
Lead time for funds release by AG office	26	39	25	34		
<b>Total Lead time for Sindh</b>	<b>114</b>	<b>230</b>	<b>265</b>	<b>237</b>		
<b>Punjab</b>						
Lead time for funds release by AGPR	1	1	12	2		
Lead time for Letter to department of health by PPIU	12	62	54	22		
Lead time for approval by health department for release of Funds	38	1	1	34		
Lead Time for Approval by Finance Department	1	44	0	0		
Lead Time for Release sanction to AG office	0	6	0	0		
Lead time for funds release by AG office	10	6	12	42		
<b>Total Lead time for Punjab</b>	<b>85</b>	<b>196</b>	<b>182</b>	<b>136</b>		
<b>Balochistan</b>						
Lead time for funds release by AGPR	1	20	21	2	1	
Lead time for Letter to department of health by PPIU	7	15	3	6	38	
Lead time for approval by health department for release of Funds	58	29	1	22	12	
Lead Time for Approval by Finance Department	1	94	94	37	58	
Lead Time for Release sanction to AG office	13	1	34	34	30	
Lead time for funds release by AG office	1	14	1	1	1	
<b>Total lead time for Balochistan</b>	<b>104</b>	<b>249</b>	<b>257</b>	<b>138</b>	<b>183</b>	
<b>AJK</b>						
Lead time for AJK PIU request to Kashmir Council for bill submission to AGPR	94	2	1	138	131	
Lead time for Kashmir Council and AGPR cheque issuance	24	21	25	28	20	
Lead time for deposit of AGPR into AG AJK Deposit Head	3	5	1	2	1	
<b>Total Lead time for AJK</b>	<b>144</b>	<b>104</b>	<b>130</b>	<b>204</b>	<b>195</b>	
<b>FATA/FANA</b>						
Lad time for funds release by AGPR	1	1	12	2	1	



<b>Total Time for FATA/FANA</b>	<b>24</b>	<b>77</b>	<b>115</b>	<b>38</b>	<b>44</b>	
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**Source:** Data collected from the PIUs

For cumulative leads of the provincial / regional PIUs, the federal lead times are to be added

### Prescribed Criteria Based Systems Design Assessment: Programme Wide Assessment

An Internal Control Questionnaire based methodology has been adopted to assess the criteria based system design assessment. The questionnaire has been used separately for each PIU, at the Federal, Provincial / Regional and District Level. In view of the similarity of findings at the federal and provincial / regional level and close to non-functional level of the MNCH District Cell, with the exception of Punjab PIU, consolidated findings are reproduced below, and are applicable to all federal, provincial / regional PIUs.

<b>OPERATIONS MANAGEMENT</b>		
<b>Description</b>		<b>Assessment</b>
<b>Accountability</b>	responsibility for specific duties and the span of control is placed clearly on individuals and reporting lines are specified.	PC1 gives an outline of job responsibility for key positions however MNCH needs to prepare detailed job descriptions, it will enable MNCH to monitor individual performance against assigned duties and staff needs can be assessed more accurately i.e. if more staff is required to complete duties or training is required to achieve quality and timeliness in duties.
<b>Separation of duties</b>	the activities of authorisation, execution, custody and recording of a transaction should be segregated.	MNCH has implemented a staff hierarchy according to PC1, and job responsibilities are assigned accordingly, however to comply with international best practice management should consider separating finance section from the procurement process and new posts should be created for procurement and stores management independent of Finance section. Currently finance staff is involved in procurement process and stores stock keeping.
<b>Overall control</b>	relevant and timely information is available to all levels of management to enable them	Currently two types of reports are prepared progress reports and monthly expenditure reports.

	to exercise control over their operations.	However IPSAS based annual reporting as also mentioned in PC1 and cash flow forecasting should be initiated.
<b>Operating policies</b>	are clearly stated and communicated to all those people who need to know.	There need to be clear communication to staff as to which polices and procedures are to be implemented. Currently different set of rules and policies are implemented across MNCH PIUs.
<b>Operating arrangements</b>	are clearly stated and communicated to all those people who need to know.	Although there exist clearly stated operating arrangements but they are more time consuming and a lot of valuable time is spent in completing these procedures which results in considerable delays in program implementation. i.e. funds release process, procurement committees established at provincial levels.
<b>Compliance</b>	procedures are specified which ensure that the arrangements and procedures established are complied with.	MNCH has implemented a process of internal and external audits to ensure compliance, however PIU needs to implement auditors recommendations in letter and spirit with an intention to avoid these observations in future. Internal audit department should be strengthened by hiring more staff and preparing an annual budget plan.

**AUTHORITY**

<b>Description</b>		<b>Assessment</b>
<b>Statutory authority</b>	services and transactions are in accordance with legislation and government department instruction	Services and transactions are carried out according to the statutory authority, however vesting of more powers with the PIU will result in better results in terms of time saving and decision making without political pressures.
<b>Professional authority</b>	standards of service provision are in accordance with, and certainly no better than professionally recommended standards.	MNCH needs to implement international best practices i.e. segregation of duties and IPSAS based reporting process to achieve professional competence.
<b>Organisational Authority</b>	services, establishment levels, contract terms and conditions and transactions are in accordance with Managerial policies.	Organisational authority is followed but MNCH needs to extend more powers and authority with PIU managers as compared to current position of power with Provincial Departments.
	procedures for incurring expenditure, collecting income and the custody and disposal of assets are in accordance with Managerial policy.	There is no income collection process as all the expenditure requirements are met through release of funds from central government. Expenditure incurring

		process is in accordance with policy however certain non compliances are pointed out by the auditors.
	assessment scales and scales of charges are regularly reviewed and approved by the appropriate level of management.	No assessment scales are currently in operation. MNCH need to implement assessment scales at PIU level.

**TRANSACTION RECORDING AND PROCESSING**

Description		Assessment
<b>Authorisation</b>	transactions are authorised in accordance with the Body's standing orders and financial regulations or other arrangements.	Transactions are authorised in accordance with Government rules, however more authority should be placed with PIU management to minimise processing delays.
<b>Occurrence</b>	recorded income and expenditure did in fact occur.	There exists process of approval and government rules to ensure recorded expenditure did in fact occur.
<b>Completeness</b>	all transactions have been processed and recorded in the accounts or permanent records as appropriate.	Although there exist a manual system of transaction recording but management should consider implementing Information management system to ensure all the transaction are recorded completely and accurately.
<b>Measurement</b>	transactions have been valued in accordance with the Body's accounting policies.	Transactions are recorded at historical cost basis.
<b>Timeliness</b>	transactions were initiated or recorded within a reasonable timescale.	Transactions are recorded manually hence timeliness can't be assessed at a later stage. In the manual general ledgers initials were observed for approval of posting but these were not dated to prove on a later date that transactions are recorded and posted on timely basis.
<b>Propriety</b>	each transaction is a correct charge against the Body.	Transactions were conducted for the entity and recorded under correct code.
<b>Disclosure</b>	each transaction is coded to the correct accounting classification.	The transactions were coded to the correct accounting classification.

**ASSET RECORDING AND PROCESSING**

Description		Assessment
<b>Existence</b>	recorded assets exist.	Management cannot ensure existence until a regular process of physical inspection is implemented.
<b>Ownership</b>	recorded assets are owned by or attributable to the Body.	No issues of owner ship were indentified.
<b>Completeness</b>	all assets are recorded in accordance with standing orders and financial regulations.	All the assets purchased by PIU are recorded, however management need to record the assets received as donations in assets register.
<b>Valuation</b>	recorded assets have been valued in accordance with the Body's policies.	Assets purchased by PIU are recorded at historical cost however donations in kind (assets) should also be valued at market value and

		recorded in assets records to ensure their safeguard and proper valuation at the time of disposal.
<b>SECURITY</b>		
<b>Description</b>		<b>Assessment</b>
<b>Transaction streams</b>	all prime documents for income and expenditure are secure and custody clearly stated.	All documents are placed in custody of assigned personal and kept under lock.
	access to prime documents is properly authorised.	Only assigned personal has access to records.
<b>Assets</b>	all assets are secure and custody clearly stated.	Name of the person using or in charge of assets is not mentioned in the assets register, management should also use a pre-numbered document for handing over the assets to respective persons and this document number should also be mentioned in assets register.
	access to assets and asset utilisation is properly authorised.	Access to assets utilisation is properly authorised.
<b>Permanent records</b>	permanent records are secure and custody clearly stated.	Permanent records are kept under lock and key and in the custody of the personnel authorised.
<b>Timeliness</b>	transactions were initiated or recorded within a reasonable timescale.	A manual system of recording is used hence transaction recoding history cannot be verified for timeliness recording.
<b>SUBSTANTIATION</b>		
<b>Description</b>		<b>Assessment</b>
<b>Assets</b>	recorded assets are periodically compared with financial and other information from an independent source.	A policy need to be implemented to physically verify the recorded assets with the financial and other recorded information.
	recorded assets are physically checked and the need for write off provisions assessed.	Management need to implement a process of periodical inspection of assets.
<b>Permanent records</b>	recorded information is periodically compared with prime data or checked physically if this is appropriate.	Management should implement a process of periodical inspection of recorded information compared with prime data and should be checked physically wherever possible to ensure its appropriateness is appropriate.

## Plan for Strengthening Financial Management System

**Financial Management Specific Training and Capacity Development:** MNCH programme management and financial management staff has not received financial management specific training, so far. The review undertook an objective Training Needs Assessment (TNA), through two techniques. First based on formal questionnaire and the second expert opinion. The TNA identifies urgent need for training in the areas of MTBF, International Public Accounting Standards, Procurement Management, New Accounting Model, Cash and Work Plan Preparation, Project Management, Public Financial Management, Internal Audit, Book Keeping and Government Rules, Basic Accounting, Basic IT, Communications and Leadership and Management Skills. A Training Implementation Plan describing the level of training, proposed timeline (month / year), number of persons, targeted trainee names, designations and duration of training is detailed at Annex III. Taking note of no provision in the budget for this kind of training activity and the Government's fiscal position TRF needs to identify other potential sources of funding to support the programme management, in implementing, this risk mitigating action.

**Financial Management Decision Support Information System:** The review confirms non-availability of consolidated and programme specific financial management information to the programme management for timely management actions. It is the responsibility of the Federal PIU to collect the consolidated reconciled expenditure information from the provincial / regional PIUs up to the district levels, consolidate into a national fiscal operations statement, on a monthly basis, and share with the National Programme and Deputy Programme Manager. Additionally, it should be used for the quarterly utilization submission to the Planning Commission. Ideally and to promote transparency in the fiscal operations, the National monthly fiscal operations statements should be shared with all provincial / regional PIU managers. Similarly the provincial / regional with the districts. Detailed action plans for all PIUs with responsibility and

timelines<sup>26</sup> can be seen in the Plan for Strengthening MNCH financial management systems section.

**Programme Management and Financial Management Teams Enhanced Coordination:** Programme and Financial Management Teams need to meet, at least, on a quarterly basis to review the programme's financial operations, share the financial constraints and ways to overcome. An annual financial management strategic thinking meeting would further helpful at a time when the budget allocation figure has been communicated to the Federal PIU and the NIS has been submitted by the respective PIUs. In addition to developing a shared understanding on the action plan for the upcoming financial year, this meeting should also work towards preparing the Work Plan and Cash Plan, with the objective to table it at the MoH during 1st week of July. Detailed action plans for all PIUs with responsibility and timelines can be seen in the Plan for Strengthening MNCH financial management systems section.

**Introduction of Performance Accountability and Performance Based Incentive Mechanism :** Standard Operating Procedures (SOPs) for the key FM actions with responsibility and timelines have been developed, for all PIUs (for details see Plan for Strengthening in Section III). High performers should be compensated through an incentive mechanism and non-performers held accountable. Further strengthened Internal Audit function could help monitor and report effective implementation of the SOPs for transposition into the performance evaluations of the staff. Furthermore, taking note of the Government's fiscal position and the rules bound constraints on the National Programme Manager's financial authority, TRF needs to support the programme management in identifying funding source to implement the risk mitigating action.

**Consolidation and strengthening of existing systems prior to further roll out:** The currently weak FM capacity (both numbers and skills) of MNCH programme warrants consolidation and strengthening. prior to further roll out. Pursuing roll out to the districts, as being currently undertaken, without having the FM team in place, exposes the programme to higher fiduciary risks. Resultantly, filling all sanctioned positions with trained staff deserve higher priority than rolling out to mitigate the risks. It is

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<sup>26</sup> Timelines are based on and presented accordingly in the April 2010 Mini Review

recommended that the programme management needs to revisit the need to further roll out vis-à-vis consolidating the existing levels of financial operations. Should the management choose the consolidation option, the FM systems and processes could be frozen at the September 2010 levels, with no further roll out to the districts till December 2011. Further roll out to districts should be planned and executed only once the programme extension beyond July 2012 is confirmed, over and above placement of fully trained staffing. Having said that, service delivery at all levels should continue as per the current practice, without any adverse affect by the consolidation mitigating action. Whilst Punjab PIU is already operating from MNCH District Cells, the other provinces / region are still struggling and at varying degrees of roll out (for detail see Annex VII).

**Dedicated Procurement Unit :** Procurement is a special function and requires availability of skilled resource to ensure transparency and value for money. The fact that procurement and financial management functions are not segregated is high fiduciary risk. MNCH requires a dedicated procurement unit to ensure compliance with the PPRA rules, in all procurements and to support the programme's procurement, through enhanced transparency. This unit may have to be formed out of the existing staffing position through functional revision, or through acquiring additional staffing.

**Fill the Deputy Director Programme (F & A):** The position has been vacant for 26 out of the last 36 months and needs to be filled on urgent basis, with a skilled professional.

**Strengthen the Internal Audit Function:** MNCH has an Internal Audit function and the Internal Auditor recruited during 2009 has been conducting internal audits, as a one man team. Given the broad base of the programme and the financial management evident weaknesses, the function needs further strengthening including; reporting directly to the National Programme Manager; conducting risk based audit through an approved and announced audit plan, monitoring compliance with the NPM directions on the audit findings and fixing responsibility for non-compliance; effective interface with the external auditors at federal, provincial and district levels; adequate staffing of the function and continuous training and capacity building.

**Linking MNCH Programme into PIFRA-SAP 3.** The country's financial management systems at the federal, provincial and district levels are being managed through PIFRA SAP. Given the broad basis of MNCH operations, customization of the financial management appears a non-option, due to various reasons, including, time, resources, frequency of changes in the PFM system, including MTBF etc. The most plausible option is to link MNCH programme into the PIFRA SAP system, which would substantially mitigate some of the high risk areas. SAP system provides for project / program linkage. However, the linking process into the system has certain protocols and formalities, which either the MNCH Programme Management can undertake with the Controller General of Accounts or the TRF could support the programme through a TA to establish the linkage and train the MNCH staff at the federal, provincial and district levels to operate the linkage. Given the documented weakness of MNCH financial management system to barely keep up with the day to day financial management responsibilities, the later warrants consideration.

**Fill all Finance and Accounts posts at Federal, Provincial and District levels before 30 September 2010.** The MNCH FM system will continue to remain weak and fiduciary risks persist, till complete FM team at the federal, provincial and district levels is brought on board and trained. Currently about 40% of the FM sanctioned positions are lying vacant (for details see Table I and IV Section I). Even low capacity finance, account staff, particularly at the district levels is better in mitigating the identified risks than none. It needs a mention that the mitigating action is complementary and contrary to a subsequent action (see "consolidation and strengthening ..... paragraph") Whilst, the current action aims at filling all staffing positions to discharge the envisaged functions, the later aims at consolidating and strengthening the programme's FM resources for efficient allocation to achieve complete roll out.



## Federal PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

### Credibility of the Budget

Delivery of service by any government or a public institution is largely dependent on the implementation of the budget as intended. This will result in achievement of policy objectives. The indicators under this core area measure the actual total expenditure compared to the originally budgeted total expenditure and also assess variation in the composition of expenditure incurred from the original budget.

**Budget Outturns:** In two of the last three years variance between budget and actual expenditure was 85% to 87%. The maximum spending by the federal PIU in a financial year during last three years was only 15% of the approved budget for that financial year. Monthly reconciliation with AGPR is used for budget monitoring for federal PIU, however, programme wide budget execution reports are not prepared.

**Funds Flow:** Funds become available to Federal PIU once released by AGPR. Since programme inception only 13% of the funds earmarked for Federal PIU in PC-I were made available. Utilization was only 25% of the funds released or 3% of the allocation as per PC-I. Budget of Federal PIU is lapsable and during last three financial years (2006-07 to 2008-09) Rs. 94 million were released, Rs. 20 million were spent and Rs. 74 million were lapsed. Delayed submission and approval of cash/work plan is a primary reason for delayed release and non-utilization of funds.

**Expenditure Arrears:** There is no data on the stock of arrears. Federal PIU is of the view that very minimal procurement is carried out at federal level and at year end there were no arrears.

## Comprehensiveness and Transparency

This component measures the extent to which the budget information is comprehensive, accessible to general public and compliant with GFS standards. Level of un-reported extra budgetary expenditure, transparency in inter-government transfers, and the fiscal risk oversight areas are also covered under this dimension.

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** Transfers/ release to provincial/ regional PIUs are based on allocations provided in PC1. Timely availability of reliable information to regional PIUs regarding allocation for budget preparation remain weak. Regional PIUs prepare annual budget estimates on the basis of yearly funds allocations in PC1. However, actual allocations are communicated to regional PIUs after priorities committee has finalized the budget for the programme (usually in May) which is too late for significant budget changes to be made. Moreover, Ministry of Health verbally communicates the budget allocation to programme and no written communication is made with the programme in this regard.

## Policy Based Budgeting

Linking policy, planning and budgeting is the key element of an effective PFM system. This includes budget preparation with a medium term perspective in line with the policy objectives and is assessed under policy based budgeting component of PEFA.

**Budget Preparation:** Budget is prepared as per timelines provided in budget calendar and consolidated by Federal PIU. Budget preparation is mainly guided by a budget circular which provides clear and detailed instructions. However, the budget circular

does not include budget ceilings which are being introduced as part of the MTBF process. Detailed costing for budget preparation is not prepared and budget estimates are largely based on cost estimates provided in PC-I.

**MTBF:** Ministry of Health is one of the two ministries where MTBF was piloted in 2005-06. However, at the programme level, budgets have been prepared on annual basis. The Cabinet has approved the implementation of MTBF across all Federal Government Ministries and Output Based Budget for the budget years 2010-13 will be prepared for federal line ministries. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

### **Predictability and Control in Budget Execution**

A wide range of control functions including payroll system, procurement arrangements, internal controls for non-wage expenditure and effectiveness of internal audit function are covered in this area of the PEFA. The results provide as assessment of extent of the predictability and control in budget execution.

**Payroll Processing:** AGPR processes the monthly payroll of Federal PIU and any changes in employee status are communicated to AGPR by DDO with the approval of programme manager. Personnel files are maintained by the Administration section. Monthly payroll received from AGPR is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.

**Procurement:** PPRA rules are applicable on the programme, which are largely complied. Few instances of non-compliance have been highlighted by external auditors. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared. An officer of finance section is handling procurements at FPIU who is responsible for the complete procurement cycle from defining specifications to contract management. Procurement of fixed assets and drugs and medicines above Rs. 500,000 require approval of Secretary Finance (Principal Accounting Officer) which sometimes delays the process. PC-I envisages central procurement for the whole programme which the management plans to start from the

next financial year. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods.

**Fixed Assets:** Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Assets provided by other agencies are not taken into Fixed Asset Register. Physical verification of fixed assets is not being undertaken regularly and since programme inception physical verification has been carried out only once.

**Internal Audit:** Internal audit of Federal PIU was carried out by a team from Ministry of Health recently. Internal Auditor has been appointed since May, 2009 but was not involved in internal audit of Federal PIU as he is considered a member of financial management team of Federal PIU. Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Internal auditor reports to programme manager and audit committee have not been established. Annual internal audit plan is also not prepared.

### Accounting, Recording and Reporting

This component of the PFM system describes the extent to which adequate records are maintained and information is produced, maintained and disseminated to meet decision-making control, management and reporting purposes. It looks at overall accounting, recording and reporting, and the timeliness of the process of reconciliation of accounts with bank statements at all levels.

**Financial Accounting and Reporting:** Cash Book and Appropriation Register are maintained by Drawing and Disbursing Officer (DDO). Accountant General Pakistan Revenues (AGPR) is responsible for pre-audit, making payments and maintaining accounts in respect of Federal PIU. On monthly basis, DDO reconciles expenditure with AGPR which provides details of budget and expenditure. Consolidated financial reports for the programme are not prepared periodically; however, specific financial reports for stakeholders are prepared by Federal PIU on request. Programme level financial statements were only prepared for the financial year ending 30 June, 2009 as per Cash Basis IPSAS but are not fully compliant with the requirements of Cash Basis IPSAS.

## External Scrutiny and Audit

This component of the PFM system describes the extent to which arrangements for scrutiny of public finances and follow up by executive are operating adequately. It looks at the scope, nature and follow-up (if any) of external audit and, when applied at national level, the nature and effectiveness of legislative scrutiny of the budget and external audit reports.

**External Audit:** Audit of Federal PIU was conducted by Department of the Auditor General of Pakistan in November 2009 for two financial years i.e. 2007-08 and 2008-09.

- Procurement of five laptops not complied with PPRA rule which were subsequently given to persons not working for MNCH program.
- Advances not adjusted on timely basis.
- Irregular expenditure on training of doctors; selection made in violation of SOP issued by Ministry of Health.
- No physical inspection of store/stock carried out.

Management has replied to audit observations; however, no specific actions and timelines have been provided and agreed in audit reports for follow-up.

Programme may take necessary steps to ensure that audit of annual financial statements is completed within 4 months of the end of financial years and recommendations of auditors should be fully complied with.

**Financial Management Staff:** The top position of Deputy Programme Coordinator (F&A)<sup>27</sup> who has the overall responsibility for coordination and management of programme's financial management is lying vacant. Remaining positions provided in PC-I are filled except for one accountant assistant. UNFPA has also provided a Finance Manager for the programme. One of the two Asst. Accounts officers (AAOs) at Federal PIU has been made responsible for procurement function.

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<sup>27</sup> A medical doctor was appointed as Deputy Programme Coordinator (Finance & Admin) in April 2009, who left the programme in January 2010 and no fresh appointment has been made against this post. Earlier, a section officer worked on this post from November 2008 to April 2009. The post remained vacant till October 2008 since programme inception.

**Monitoring and Evaluation (M&E):** M&E framework for the programme is being developed through a Technical Assistance whereas quantitative and qualitative reporting is not a regular feature. A review/coordination committee is envisaged in PC – I to review programme’s progress biannually but only one meeting of the said committee was held. National steering committee has met only once since programme inception.

## Federal PIU – PEFA Rating and Fiduciary Risk Assessment

PEFA PERFORMANCE INDICATORS		Federal Government PEFA Rating	Federal PIU PEFA Ratings	MNCH Federal PIU Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>				
PI-1	Aggregate expenditure out-turn compared to original approved budget	D	D	High
PI-2	Composition of expenditure out-turn compared to original approved budget	B	A	Low
PI-4	Stock and monitoring of expenditure payment arrears	NS	D	High
<b>B. KEY CROSS-CUTTING ISSUES:</b>				
<b>Comprehensiveness and Transparency</b>				
PI-5	Classification of the budget	A	A	Low
PI-6	Comprehensiveness of information included in budget documentation	B	B	Moderate
PI-8	Transparency of inter-PIU fiscal relations	A	B+	Moderate
PI-10	Public access to key fiscal information	C	C	Substantial
<b>C. BUDGET CYCLE</b>				
<b>C(i) Policy-Based Budgeting</b>				
PI-11	Orderliness and participation in the annual budget process	B+	B+	Moderate
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C+	Substantial
<b>C(ii) Predictability and Control in Budget</b>				

<b>Execution</b>				
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>D+</b>	<b>D</b>	<b>High</b>
PI-18	Effectiveness of payroll controls	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-21	Effectiveness of internal audit	<b>D</b>	<b>D</b>	<b>High</b>
<b>C(iii) Accounting, Recording and Reporting</b>				
PI-22	Timeliness and regularity of accounts reconciliation	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-25	Quality and timeliness of annual financial statements	<b>B+</b>	<b>B+</b>	<b>Moderate</b>
<b>C(iv) External Scrutiny and Audit</b>				
PI-26	Scope, nature and follow-up of external audit	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>	<b>D+</b>	<b>High</b>

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT FEDERAL PIU<sup>28</sup>**

Sr #	Action	Responsibility	Timeline
1	Appointment of Dy. Programme Coordinator with separation of administrative and financial responsibilities	SH / NPM	End June 2010
2	Establishment (including staffing) of independent procurement section (additional posts may be required)	SH / NPM	31 July 2010
3	Preparation of annual procurement plan	NPM / Procurement Officer	15 August 2010
4	Training of staff in financial management as per the TNA	TRF / NPM	As per the Training Implementation Plan
5	Delegation of powers to Programme Manager to undertake procurements above Rs. 500,000	SH	To be discussed
6	Coding of fixed assets, maintenance of proper fixed assets register including asset code and cost, taking assets provided by other agencies on stock	NPM / Physical Verification Team	15 May 2010
7	Preparation of programme wide financial reports on monthly basis by 30th of each month for previous month (Federal MNCH Cell for the whole programme)	Federal Finance Officer / Manager	30 May 2010 (for April 2010) 30 June (for the whole financial year up to 30 May 2010) 31 July 2010 (for 2006-07 / 2007/08, 2008/09 and 2009/10)
8	Preparation and submission to Federal MNCH Cell, of nationwide financial reports on monthly basis by 25th of each month for previous month (Provincial / Regional MNCH Cells for the respective province / region and districts - agencies within their domain)	Federal / Provincial Regional Finance Officer / Manager	25 May 2010 (for April 2010) 25 June (for the whole financial year upto 30 May 2010) 2105 July 2010 (for 200126-07 / 2007/08, 2008/0139 and 2009/10)14
9	Ensure preparation of MNCH Cell wide financial reports on monthly basis by 20th of each month for previous month (Provincial / Regional MNCH Cells for the respective	Federal / Provincial Regional Finance Officer / Manager	20 May 152010 (for April 2010)16 20 June (for the whole financial year up to 30 May 2010) 20 July 2010 (for 2006-07 / 2007/08, 2008/09

<sup>28</sup> Second Mini Review of the National Maternal, Newborn and Child Health (MNCH), Ministry of Health and Technical Resource Facility, 14 April 2010, pp.38



## Financial Management Review and Development of Risk Mitigation Plan

	province / region MNCH cell's and districts - agencies within their domain)		and 2009/10)
10	Ensure submission of MNCH Programme Quarterly Utilization Report based on the abovementioned reconciled financial reports to the Planning Commission and Ministry of Health	NPM / Federal Finance Officer	Within 30 days of each quarter
11	Establish MNCH Internal Audit Committee	SH / NPM	10 May 2010
12	Notify that the Internal Auditor report directly to the Audit Committee	SH / NPM	10 May 2010
13	Ensure follow up on the recommendations of the Internal Auditor	Audit Committee / NPM	31 May 2010
14	Preparation of annual internal audit plan focusing on control evaluation and value for money aspects	Internal Auditor	30 June 2010
15	Ensure that a formal request is made, every year on 1st July, to the Principal Accounting Officer (PAO) for release of 10-15% of the annual budgetary allocation prior to the approval of the cash plan	NPM	1st July 2010 (continuously every year)
16	Sanction 10-15% of the annual budgetary allocation to MNCH prior to the submission of the cash plan, as per the powers delegated to PAO by the System of Financial Control and Budgeting of the Government of Pakistan (GoP)	SH	7 July 2010 (continuously every year)
17	Ensure that the cash plans are submitted to the MoH by Federal MNCH Cell before 7 July, every financial year.	NPM	7 July 2010 (continuously every year)
18	Ensure that the MNCH cash plan (cleared / revised) is approved before 15 July, every financial year.	SH / NPM	15 July 2010 (continuously every year)
19	Ensure that a request for first quarter release (minus the front loaded amount already sanctioned without the cash plan) is made to the PAO before 16 July, every financial year	NPM / Federal Finance Officer / Deputy PM-F&A (from becoming on board)	16 July 2010 (continuously every year)
20	Order that MNCH programme release request approval lead time at MoH will not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)	SH / NSC	10 May 2010
21	Fix responsibility on an MoH official to ensure that the MNCH programme release request authorization by DFA does not take more than 3 working days (excluding days	SH / NSC	10 May 2010

## Financial Management Review and Development of Risk Mitigation Plan

	taken by MNCH programme to address issues / objections raised by MoH)		
22	Ensure that the follow up with the AGPR for release of funds is initiated within 1 day from the sanction by MoH	Federal Finance Officer / Deputy PM-F&A (from becoming on board)	For all sanction orders after 31 May 2010
23	Report to the Deputy Programme Manager, on the 7th day if the funds are not released by AGPR within 7 days	Federal Finance Officer / Deputy PM-F&A (from becoming on board)	For all sanction orders after 31 May 2010
24	Deputy Programme Manager (till the DPM - F & A is brought on board) to meet and follow up on a daily basis with the respective Assistant / Deputy Accountant General for release of funds from the 8th day for release of funds till the 15th day	DPM / Federal Finance Officer / Deputy PM-F&A (from becoming on board)	For all sanction orders after 31 May 2010
25	Report to the NPM, on the 15th day if the funds are not released by AGPR within 7 days	DPM / Federal Finance Officer / Deputy PM-F&A (from becoming on board)	For all sanction orders after 31 May 2010
26	NPM to meet and follow up on a daily basis with the respective Additional Accountant General for release of funds from the 15th day for release of funds	NPM	For all sanction orders after 31 May 2010
27	The same SOP, as above, for the provincial / regional Coordinators / Deputy Coordinators / Finance Officer at the respective Departments of Health, Finance and AG Offices.	Provincial Steering Committees / Secretary Health, Provincial / Regional Coordinators - Deputy Coordinators / Finance Officers	
28	Quarterly Financial Management Coordination Meeting at Federal MNCH Cell or the provincial / regional MNCH Cells on rotational basis of all Programme Coordinators	NPM	Within first 15 days of the start of each quarter except last quarter during which it should be held within 7 days of the indication of the next year's budget
29	Bi-annual Financial Management Coordination Meeting at Federal MNCH Cell for all provincial / regional Finance / Account Officers	NPM / Federal Finance Officer (till recruitment of the Deputy PM - F&A)	First immediately after preparation and submission of NIS to the Federal MNCH Cell, to prepare the Cash / Work Plan for submission to MoH before 7 July. Second at the end of the 2nd quarter
30	Preparation of annual internal audit plan focusing on control evaluation and value for money aspects	Internal Auditor	30 June 2010
31	Preparation and Circulation of periodic M&E Reports	DPM (Planning & Monitoring)	

## Financial Management Review and Development of Risk Mitigation Plan

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32	Biannual meetings of review committee	Secretary Health	
33	Periodic National steering committee meetings	Secretary Health	
34	Monthly payroll reconciliation at Federal as well as provincial / regional - districts levels within 20 days of the previous month	Finance Manager / Officers	20th of each month

SH: Secretary Health Ministry of Health NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager

## Punjab PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

The results of the financial management assessment of Punjab PIU have been presented under six core dimensions of PEFA. Indicator wise rating as well as fiduciary risk rating is placed at Annexure A.

### Credibility Of The Budget

**Budget Outturns:** In two of the last three years actual expenditure deviated from actual releases by 76%. The percent deviation of actual expenditure with respect to approved budget during 2007-08, 2008-09 and 2009-10 was 81%, 29% and 98% respectively. Likewise, the percent difference of actual expenditure compared with PC-1 allocation for Punjab in years 2007-08, 2008-09 and 2009-10 was found to be 93%, 69% and 98% respectively. Monthly reconciliation with AGPR is used for budget monitoring by Punjab PIU. Internal audit has identified an instance where expenditure incurred in two object heads was in excess of approved budget. District MNCH cells do not provided reconciled expenditure statements to the PPIU Punjab, so information regarding actual expenditure in districts was not available at the PIU level. Amounts released to districts have been booked as actual expenditure by the Punjab PIU. The PIU does not prepare province wide budget execution reports that also captures actual expenditure at districts against budget.

**Funds Flow:** Significant delays were noticed in the availability of funds to Punjab PIU. It took additional 40 to 104 days after the release of funds at the federal level for funds to reach Punjab PIU during financial year 2007-08 and 2008-09. Approval process by Finance and Health Departments, Government of the Punjab for release of funds may be fast tracked for timely availability of funds. For timely provision of funds timely

approval of cash/work plan for the programme by planning commission is pre-requisite and Punjab PIU should provide its work plan to Federal PIU in time.

**Expenditure Arrears:** There is no reliable data on the stock of arrears for the last two years available with the PIU.

## Comprehensiveness And Transparency

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** The budget and cash plans are prepared according to bifurcations as per PC-I and there is no mechanism of communication of budget allocation prior to the start of budgeting processes. The allocation information is made available when the allocations have been finalized by the Priorities Committee.

## Policy-Based Budgeting

**Budget Preparation:** Federal PIU provides timelines for budget preparation. Budget estimates are prepared on the basis of cost tables in PC-I and are forwarded to Federal PIU. External audit has identified an instance where cost of vehicles procured by the PIU is in excess of the cost estimates approved in PC-I. Detailed costing may be carried out while preparing budget estimates rather than the relying on budget estimates provided in PC-I. District MNCH cells are not consulted during budget making process and only budget allocation is communicated by Punjab PIU. The staff at Punjab PIU lacks capacity to prepare budget as per MTBF.

**MTBF:** Budget is prepared on annual basis. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

## **Predictability And Control In Budget Execution**

**Payroll Processing:** Payroll of Punjab PIU is processed by AG Punjab. DDO communicates any changes in employee status are communicated to AG Punjab with the approval of Dy. Programme Coordinator. Monthly payroll received from AG Punjab is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.

**Procurement:** Punjab Public Procurement Rules, 2009 issued by Punjab Procurement Regularity Authority are applicable, which are largely complied. Minor variations with these rules were identified by external auditors. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods.

**Fixed Assets:** Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Physical verification of fixed assets is not being undertaken regularly and since programme inception physical verification has not been carried out.

**Internal Audit:** Since programme inception only one internal audit of Punjab PIU has been conducted in December, 2009. Following regularity/ compliance issues were reported:

- Expenditure in excess of budget in two account heads
- Non adjustment of advances
- Un-numbered vouchers for local purchase
- Income tax not deducted properly
- Transactions recorded in wrong columns of cash book

Internal audit focusing on control evaluation and value for money issues may be carried out periodically. Moreover, internal audit of district MNCH cells may also be carried out.

## Accounting, Recording, And Reporting

**Financial Accounting and Reporting:** Government accounting system is used for accounting and all payments of Punjab PIU are made by Accountant General (AG) Punjab. DDO maintains Cash Book and Appropriation Register and reconciles expenditure with AG Punjab on monthly basis. Budget execution reports for Punjab PIU are prepared but financial reports for the whole province, consolidating district expenditure, are not prepared. Moreover, district MNCH cells do not provide monthly reconciliation statements to Provincial PIU.

## External Scrutiny And Audit

**External Audit:** Director General Audit (Punjab) carried out the audit of Punjab PIU was for two financial years i.e. 2007-08 and 2008-09. Audited financial statements for 2008-09 were forwarded to DFID in February 2010, eight months after the close of the financial year. Audit of financial statements by DAGP should be carried out annually and audited financial statements should be provided to DFID within 4 months of the close of the financial year. External audit had following major observations.

- Non-conduct of internal/ external audit of MNCH cells at district level.
- Short supply of safe delivery kits to districts
- Irregular appointment of 6 drivers for which no provision is available in PC-I
- Irregular expenditure on training and stipend for post graduate trainees.

**Financial Management Staff:** All finance section posts provided in PC-I are filled. Finance Officer is in-charge of the financial management unit at Punjab PIU. Two Accounts Officer and three support staff (cashier, clerk, assistant) are also posted.

**Monitoring and Evaluation (M&E):** Punjab PIU do not prepare and circulate M&E reports, regularly. Coordination committee meetings are regular but steering committee meetings are held with some delays. Planning & Development Department does not carry out the review of programme at provincial level as it is not a part of Punjab's Annual Development Plan.

## District MNCH Cell Lahore

The results of the financial management assessment of District MNCH Cell Lahore have been presented under six core dimensions of PEFA.

### **Credibility Of The Budget**

Variation between actual expenditure and actual releases from provincial PIU are quite significant, up to 75%. Monthly reconciliation with DAO is used for budget monitoring. Significant delays were noticed in the availability of funds to Lahore District MNCH Cell. It took additional 34 to 65 days after the release of funds at the Finance Department level for funds to reach Lahore District MNCH Cell during financial year 2008-09 and 2009-10. Approval process by the City District Government Lahore may be fast tracked for timely availability of funds.

### **Comprehensiveness And Transparency**

District Cell has no role in budgeting process. The provincial PIU divides the releases district wise, received from the federal PIU. No information regarding budgetary allocations is communicated to the district MNCH Cell at the beginning of the year

### **Policy-Based Budgeting**

Budgeting process is centralized at PIU level and no district cell is consulted.

### **Predictability And Control In Budget Execution**

Payroll of Lahore District MNCH cell is processed by District Accounts (DAO), Office, Lahore. DDO (EDO Health) communicates any changes in employee status to DAO which are initiated by the Public Health Specialist. Punjab Public Procurement Rules, 2009 issued by Punjab Procurement Regularity Authority are applicable, which are largely complied. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods. Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Physical verification of fixed assets is not being undertaken regularly and since programme inception physical verification has not been carried out. Up till now, no internal audit of District MNCH Cell has been carried out.



## **Accounting, Recording, And Reporting**

Government accounting system is used for accounting and all payments of Punjab PIU are made by DAO, Lahore. DDO maintains Cash Book and Appropriation Register and reconciles expenditure with DAO on monthly basis.

## **External Scrutiny And Audit**

Audit of the MNCH Cell for the financial year 2008-09 has been carried out.

**Financial Management Staff:** One accounts assistant is posted at the district cell.

## **District MNCH Cell Gujranwala**

The results of the financial management assessment of District MNCH Cell Gujranwala have been presented under six core dimensions of PEFA.

## **Credibility of The Budget**

Variation between actual expenditure and actual releases from provincial PIU are quite significant, up to 70%. Monthly reconciliation with DAO is used for budget monitoring. Significant delays were noticed in the availability of funds to Gujranwala District MNCH Cell. It took additional 30 to 60 days after the release of funds at the Finance Department level for funds to reach Gujranwala District MNCH Cell during financial year 2008-09 and 2009-10. Approval process by the City District Government Gujranwala may be fast tracked for timely availability of funds.

## **Comprehensiveness And Transparency**

District Cell has no role in budgeting process. The provincial PIU divides the releases district wise, received from the federal PIU. No information regarding budgetary allocations is communicated to the district MNCH Cell at the beginning of the year

## **Policy-Based Budgeting**

Budgeting process is centralized at PIU level and no district cell is consulted.

## **Predictability And Control In Budget Execution**

Payroll of Gujranwala District MNCH cell is processed by District Accounts (DAO) Office, Gujranwala. DDO (EDO Health) communicates any changes in employee status to DAO

which are initiated by the Public Health Specialist. Punjab Public Procurement Rules, 2009 issued by Punjab Procurement Regularity Authority are applicable, which are largely complied. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods. Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Physical verification of fixed assets is not being undertaken regularly and since programme inception physical verification has not been carried out. Up till now, no internal audit of District MNCH Cell has been carried out.

### **Accounting, Recording, And Reporting**

Government accounting system is used for accounting and all payments of Punjab PIU are made by DAO, Gujranwala. DDO maintains Cash Book and Appropriation Register and reconciles expenditure with DAO on monthly basis.

### **External Scrutiny And Audit**

No external audit of the MNCH Cell Gujranwala has been carried out.

**Financial Management Staff:** One accounts assistant is posted at the district cell.

**Punjab PIU – PEFA Rating and Fiduciary Risk Assessment**

PEFA PERFORMANCE INDICATORS		Government of Punjab PEFA Rating	Punjab PIU PEFA Ratings	MNCH Punjab PIU Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>				
PI-1	Aggregate expenditure out-turn compared to original approved budget	<b>B</b>	<b>D</b>	<b>High</b>
PI-2	Composition of expenditure out-turn compared to original approved budget	<b>C</b>	<b>D</b>	<b>High</b>
PI-4	Stock and monitoring of expenditure payment arrears	<b>D</b>	<b>D</b>	<b>High</b>
<b>B. KEY CROSS-CUTTING ISSUES:</b>				
<b>Comprehensiveness and Transparency</b>				
PI-5	Classification of the budget	<b>A</b>	<b>A</b>	<b>Low</b>
PI-6	Comprehensiveness of information included in budget documentation	<b>A</b>	<b>A</b>	<b>Low</b>
PI-8	Transparency of inter-PIU fiscal relations	<b>A</b>	<b>B</b>	<b>Moderate</b>
PI-10	Public access to key fiscal information	<b>B</b>	<b>B</b>	<b>Moderate</b>
<b>C. BUDGET CYCLE</b>				
<b>C(i) Policy-Based Budgeting</b>				
PI-11	Orderliness and participation in the annual budget process	<b>A</b>	<b>A</b>	<b>Low</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>B</b>	<b>B</b>	<b>Moderate</b>
<b>C(ii) Predictability and Control in Budget Execution</b>				
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>A</b>	<b>D</b>	<b>High</b>
PI-18	Effectiveness of payroll controls	<b>C+</b>	<b>D+</b>	<b>High</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-21	Effectiveness of internal audit	<b>D</b>	<b>D</b>	<b>High</b>

<b>C(iii) Accounting, Recording and Reporting</b>				
PI-22	Timeliness and regularity of accounts reconciliation	<b>B</b>	<b>B</b>	<b>Moderate</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-25	Quality and timeliness of annual financial statements	<b>B</b>	<b>B</b>	<b>Moderate</b>
<b>C(iv) External Scrutiny and Audit</b>				
PI-26	Scope, nature and follow-up of external audit	<b>D+</b>	<b>C+</b>	<b>Substantial</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>	<b>D+</b>	<b>High</b>

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT PUNJAB PIU<sup>29</sup>**

Sr #	Action	Responsibility	Timeline
1	Filling of all Finance and Accounts positions (recruitments should preferably be among accounts and finance professionals)	Provincial SH / PPC	Continuous Process
2	Preparation of Annual Procurement Plans	PPC	30 July 2010
3	Training of staff in financial management	NPM / PPC	As per the Training Implementation Plan
4	Delegation of powers to Provincial Programme Coordinator as per Financial rules of Government of the Punjab to undertake procurements	Provincial SH	Provinces / Regions to decide according to the rules & regulation
5	Coding of fixed assets fulfilling the prescribed formalities.	PPC	30th June of every fiscal year
6	Preparation of MNCH Cell (districts) financial reports on monthly basis i.e. 10th of each month (Consolidated Provincial / Regional MNCH Cells financial reports for the whole province / region by 15th of every month). Complete monthly financial reports submitted to Federal Program Implementation Unit by 25th of every month.	PPC	Consolidated financial reports submitted to National Program by 25th of each month.
7	Consolidated monthly financial report of all the Provinces / Regions prepared by 28th of each month.	NPM	28th of each month.
8	Ensure preparation and submission of province / region Quarterly Utilization Report based on the above mentioned reconciled financial reports to the National MNCH Program.	PPC	Within 30 days of the report or timeframe as prescribed by the Internal Auditor
9	Ensure follow up and compliance on the	PPC	Round the Year

<sup>29</sup> Second Mini Review of the National Maternal, Newborn and Child Health (MNCH), Ministry of Health and Technical Resource Facility, 14 April 2010, pp.44

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	recommendations of the Internal Audit findings		
10	Ensure that the cash plans are submitted to National MNCH Program before 1 July of every financial year.	PPC	1st July of every calendar year
11	Fix responsibility on an Health Department official to ensure that the provincial MNCH programme release request authorization by FD does not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)	Provincial SH / PPC	
12	Ensure timely financial release from AG office on the 7th day of release from finance department.	PPC	Round the year
13	Quarterly Financial Management Coordination Meeting at provincial / regional MNCH CELL with all districts	PPC	Every quarter of a fiscal year.
14	Periodic provincial / regional steering committee meetings	Provincial SH / PPC	Biannual
15	Internal audit of Punjab MNCH Cell and district MNCH Cells conducted periodically including payroll reconciliation.	PPC/DOH	Annual
16	Annual financial statements audited by DAG within 4 months after the closure of the previous fiscal year.	PPC/DAGP	31st Oct of each fiscal year
17	Payment to CMWs through cheques	Provincial SH/PPC	31st of August each fiscal year.

SH: Secretary Health, PCo: Programme Coordinator, NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager, HD: Health Department, FD: Finance Department

## Sindh PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

The results of the financial management assessment of Sindh PIU have been presented under six core dimensions of PEFA. Indicator wise rating as well as fiduciary risk rating is placed at Annexure A.

### Credibility of the Budget

**Budget Outturns:** In last three years actual expenditure deviated from actual releases by 25%, 8% and 64%. The percent deviation of actual expenditure with respect to approved budget during 2007-08, 2008-09 and 2009-10 was 70%, 113%, and 89% respectively. Likewise, the percent difference of actual expenditure with respect to PC-I allocation for Sindh PIU in years 2007-08, 2008-09 and 2009-10 was found to be 95%, 70% and 92% respectively.

**Funds Flow:** Funds become available to Sindh PIU once released by AG Sindh Office. Government of Sindh took between 112 to 250 days to release the funds to Sindh PIU after these have been released by the AGPR to provincial government. Since programme inception only 26% of the funds earmarked for Sindh PIU in PC-I were made available. Utilization was only 51% of the funds released or 15% of the allocation as per PC-I. Budget of Sindh PIU is lapsable and during last three financial years (2006-07 to 2008-09) Rs. 463 million were released, Rs. 297 million were spent and Rs. 166 million were lapsed but were re-appropriated in next financial year. Delayed submission and approval of cash/work plan is a primary reason for delayed release and non-utilization of funds.

**Expenditure Arrears:** There is no reliable data on the stock of arrears for the last two years available with the PIU.

## Comprehensiveness and Transparency

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** The budget and cash plans are prepared according to bifurcations as per PC-I and there is no mechanism of communication of budget allocation prior to the start of budgeting processes. The allocation information is made available when the allocations have been finalized by the Priorities Committee.

## Policy-Based Budgeting

**Budget Preparation:** Sindh PIU forwards budget estimates to Federal PIU as per timelines provided. Budget estimates are prepared on the basis of cost tables in PC – I and no detailed costing is prepared. District MNCH cells have not been established and there is no input from the district level during budget preparation.

**MTBF:** Budget is prepared on annual basis. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

## Predictability and Control in Budget Execution

**Payroll Processing:** Finance Section at Sindh PIU processes the monthly payroll and any changes in employee status are made after approval of programme manager. Monthly salary slips are not issued to staff and neither any record of enquires from staff regarding pay errors or calculations mistake is kept. The officer responsible for preparation of payroll does not sign payroll sheet or a formal statement regarding accuracy and completeness of payroll. Employee's master data is maintained in excel sheet and is not reconciled with monthly payroll which causes the risk that payroll may not be updated for changes in employee status. Monthly payroll is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.



**Procurement:** Public Procurement Rules, 2004 adopted by Government of Sindh are followed. Some instances of violation of these rules have been identified by internal and external auditors. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared. Finance section is also handling procurements. No pre-numbered receiving reports are prepared by the PIU. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods.

**Fixed Assets:** Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Physical verification of fixed assets is not being undertaken regularly and since programme inception physical verification has not been carried out.

**Internal Audit:** Internal audit of Sindh PIU was carried out by a team from Federal PIU, including internal auditor, for 2006-07 to 2008-09. Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Following issues were highlighted in the report;

- Irregular withdrawal of funds amounting to Rs 24 million from PLA and crediting the same into current account of the program for further payments.
- Non deduction of income tax from salaries of staff.
- Inspection report prepared on receipt of medicines not filled properly.
- Instances of non compliance with procurement rules.
- Cash book not prepared according to rules.
- Differences totalling to Rs. 2 million noted in vouchers and expenditure statements due to incorrect posting.

### **Accounting, Recording and Reporting**

**Financial Accounting and Reporting:** Sind PIU operates a Personal Ledger Account (PLA) and maintains accounting record in the form of Cash Book and Appropriation Register. Each cheque issued requires endorsement by treasury office where

transactions are entered into government accounts. On monthly basis PIU reconciles expenditure with Accountant General's office.

### **External Scrutiny and Audit**

**External Audit:** Audit of Sindh PIU was conducted by Department of the Auditor General of Pakistan in November 2008 for financial year 2007-08 and in October 2009 for financial year 2008-09. Following issues were highlighted in the report;

- Non adjustment of advances on timely basis.
- Payments to contractors were made even though there was rectification work required to be completed on the project.
- Selection criteria for midwives not followed.
- Procurement rules not followed.
- Stores/stock register not updated for furniture purchases.
- Sales tax not withheld at payment stages from payments made to suppliers.
- Non deduction of income tax at source from payments to contractors/suppliers.
- Financial record for PLA accounts not maintained in accordance with CGA notification.

**Financial Management Staff:** Finance section of Sindh PIU is working at 50% strength posts provided in PC-I are filled. The top position of Finance Officer who has the overall responsibility for coordination and management of programme's financial management is lying vacant. Remaining positions provided in PC-1 are filled except for one accountant assistant each at District MNCH level. An Admin and Procurement officer post was created instead of accounts officer and is managing admin and procurement matters.

**Monitoring and Evaluation (M&E):** Sindh PIU does not prepare and circulate M&E reports, regularly. Coordination committee and steering committee meetings are held only once in year. Planning & Development Department does not carry out the review of programme at provincial level as it is not a part of Annual Development Plan.

### **District MNCH Cells – Sindh**

In Sindh province MNCH cells have not been established at the district level mainly due to issues in hiring of staff. Solutions team visited district Hyderabad where an officer of EDO (Health) was appointed as focal person for coordination with MNCH Programme. All financial processing was carried out at the provincial PIU level and there was no setup at the district.

## Sindh PIU – PEFA Rating and Fiduciary Risk Assessment

PEFA PERFORMANCE INDICATORS		Sindh Government PEFA Rating	Sindh PIU PEFA Ratings	MNCH Sindh PIU Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>				
PI-1	Aggregate expenditure out-turn compared to original approved budget	D	D	High
PI-2	Composition of expenditure out-turn compared to original approved budget	C	B	Moderate
PI-4	Stock and monitoring of expenditure payment arrears	D	D	High
<b>B. KEY CROSS-CUTTING ISSUES:</b>				
<b>Comprehensiveness and Transparency</b>				
PI-5	Classification of the budget	A	A	Low
PI-6	Comprehensiveness of information included in budget documentation	C	A	Low
PI-8	Transparency of inter-PIU fiscal relations	B	B	Moderate
PI-10	Public access to key fiscal information	C	C	Substantial
<b>C. BUDGET CYCLE</b>				
<b>C(i) Policy-Based Budgeting</b>				
PI-11	Orderliness and participation in the annual budget process	B+	B+	Moderate
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C	Substantial
<b>C(ii) Predictability and Control in Budget Execution</b>				
PI-16	Predictability in the availability of funds for commitment of expenditures	B	D	High
PI-18	Effectiveness of payroll controls	C+	D+	High
PI-20	Effectiveness of internal controls for non-salary expenditure	C	C	Substantial
PI-21	Effectiveness of internal audit	D	D	High
<b>C(iii) Accounting, Recording and Reporting</b>				

PI-22	Timeliness and regularity of accounts reconciliation	<b>C+</b>	<b>B</b>	<b>Moderate</b>
PI-24	Quality and timeliness of in-year budget reports	<b>D++</b>	<b>C+</b>	<b>Substantial</b>
PI-25	Quality and timeliness of annual financial statements	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
<b>C(iv) External Scrutiny and Audit</b>				
PI-26	Scope, nature and follow-up of external audit	<b>B</b>	<b>D+</b>	<b>High</b>
PI-28	Legislative scrutiny of external audit reports	<b>D</b>	<b>D+</b>	<b>High</b>

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT SINDH PIU<sup>30</sup>**

Sr #	Action	Responsibility	Timeline
1	Filling of all Finance and Accounts positions (recruitments should preferably be among accounts and finance professionals)	Provincial SH / PPC	Continuous Process
2	Preparation of Annual Procurement Plans	PPC	30 July 2010
3	Training of staff in financial management	NPM / PPC	As per the Training Implementation Plan
4	Delegation of powers to Provincial Programme Coordinator as per Financial rules of Government of the Sindh to undertake procurements	Provincial SH	Provinces / Regions to decide according to the rules & regulation
5	Coding of fixed assets fulfilling the prescribed formalities.	PPC	30th June of every fiscal year
6	Preparation of MNCH Cell (districts) financial reports on monthly basis i.e. 10th of each month (Consolidated Provincial / Regional MNCH Cells financial reports for the whole province / region by 15th of every month). Complete monthly financial reports submitted to Federal Program Implementation Unit by 25th of every month.	PPC	Consolidated financial reports submitted to National Program by 25th of each month.
7	Consolidated monthly financial report of all the Provinces / Regions prepared by 28th of each month.	NPM	28th of each month.
8	Ensure preparation and submission of province / region Quarterly Utilization Report based on the above mentioned reconciled financial reports to the National MNCH Program.	PPC	Within 30 days of the report or timeframe as prescribed by the Internal Auditor
9	Ensure follow up and compliance on the	PPC	Round the Year

<sup>30</sup> Second Mini Review of the National Maternal, Newborn and Child Health (MNCH), Ministry of Health and Technical Resource Facility, 14 April 2010, pp.48

## Financial Management Review and Development of Risk Mitigation Plan

	recommendations of the Internal Audit findings		
10	Ensure that the cash plans are submitted to National MNCH Program before 1 July of every financial year.	PPC	1st July of every calendar year
11	Fix responsibility on an Health Department official to ensure that the provincial MNCH programme release request authorization by FD does not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)	Provincial SH / PPC	
12	Ensure timely financial release from AG office on the 7th day of release from finance department.	PPC	Round the year
13	Quarterly Financial Management Coordination Meeting at provincial / regional MNCH CELL with all districts	PPC	Every quarter of a fiscal year.
14	Periodic provincial / regional steering committee meetings	Provincial SH / PPC	Biannual
15	Internal audit of Sindh MNCH Cell and district MNCH Cells conducted periodically including payroll reconciliation.	PPC/DOH	Annual
16	Annual financial statements audited by DAG within 4 months after the closure of the previous fiscal year.	PPC/DAGP	31st Oct of each fiscal year
17	Payment to CMWs through cheques	Provincial SH/PPC	31st of August each fiscal year.

SH: Secretary Health, PCo: Programme Coordinator, NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager, HD: Health Department, FD: Finance Department

## Khyber-Pakhtunkhwa PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

The results of the financial management assessment of KHYBER PAKHTUNKHWA PIU have been presented under six core dimensions of PEFA. Indicator wise rating as well as fiduciary risk rating is placed at Annexure A.

### Credibility of the Budget

**Budget Outturns:** In the last three years actual expenditure deviated from actual releases by 37%, 43% and 5%. The percent deviation of actual expenditure versus approved budgeted amount was 92%, 57% and 47% respectively. Likewise, the percent difference of actual expenditure against PC-1 allocation for KHYBER PAKHTUNKHWA in years 2007-08, 2008-09 and 2009-10 was found to be 96%, 81% and 62% respectively.

**Funds Flow:** Funds were released to KHYBER PAKHTUNKHWA PIU AG KHYBER PAKHTUNKHWA Office after 81 to 160 days from the date of funds release by federal government. Since programme inception only 25% of the funds earmarked for KHYBER PAKHTUNKHWA PIU in PC-I were made available. Utilization was only 57% of the funds released or 9% of the allocation as per PC-I. Budget of KHYBER PAKHTUNKHWA PIU is lapsable and during last three financial years (2006-07 to 2008-09) Rs. 418 million were released, Rs. 177 million were spent and Rs. 241 million were lapsed but were got re-appropriated. Delayed submission and approval of cash/work plan is a primary reason for delayed release and non-utilization of funds.

**Expenditure Arrears:** There is no reliable data on the stock of arrears available with the PIU.



## Comprehensiveness and Transparency

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** The budget and cash plans are prepared according to bifurcations as per PC-I and there is no mechanism of communication of budget allocation prior to the start of budgeting processes. The allocation information is made available when the allocations have been finalized by the Priorities Committee.

## Policy-Based Budgeting

**Budget Preparation:** KHYBER PAKHTUNKHWA PIU forwards budget estimates to Federal PIU as per timelines provided. Budget estimates are prepared on the basis of cost tables in PC – I and no detailed costing is prepared. District MNCH cells are not consulted during budget preparation.

**MTBF:** Budget is prepared on annual basis. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

## Predictability and Control in Budget Execution

**Payroll Processing:** Finance Section at KHYBER PAKHTUNKHWA PIU processes the monthly payroll and any changes in employee status are communicated to Finance Section by Establishment Section with the approval of provincial programme manager. Employee's master data is maintained in excel sheet and is not reconciled with monthly payroll which causes the risk that payroll may not be updated for changes in employee status. Monthly payroll is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice. No payroll specific audit have been undertaken within the last three years though payrolls may have been looked at during regulatory external audit

**Procurement:** PPRA rules are applicable on the programme, which are largely complied. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared. Purchase Orders and Stock Receiving reports are not sequentially numbered. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods.

**Fixed Assets:** Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Assets provided by other agencies are not taken into Fixed Asset Register. Physical verification of fixed assets is not being undertaken regularly.

**Internal Audit:** Internal audit of KHYBER PAKHTUNKHWA PIU was carried out by a team from Federal PIU including internal auditor in January 2010 for the financial years of 2006-07 and 2007-08. Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Following issues were highlighted in the report;

- Instances where Procurement Rules were not followed.
- Non deduction of income tax on salaries to staff.
- Stock entries of procurement not recorded in stock register after the receipt of materials.
- Cash book not maintained according to Treasury rules of Government.

### **Accounting, Recording, and Reporting**

**Financial Accounting and Reporting:** KHYBER PAKHTUNKHWA PIU operates a Personal Ledger Account (PLA) and maintains accounting record in the form of Cash Book and Appropriation Register. Each cheque issued requires endorsement by treasury office where transactions are entered into government accounts. On monthly basis PIU reconciles expenditure with Accountant General's office.

## External Scrutiny and Audit

**External Audit:** Audit of KHYBER PAKHTUNKHWA PIU was conducted by Department of the Auditor General of Pakistan in October-November 2009 for financial year 2007-08. Following issues were highlighted in the report;

- Expenditure on stipends paid in excess of allocated amount.
- Expenditure on advocacy workshop whereas no budget was provided in PC1.
- Sales tax not withheld on payments to suppliers.
- Non deduction of income tax on salaries to staff.
- Non deposit of sales tax with Government withheld from payments to contractors/suppliers.

**Financial Management Staff:** All the positions provided in PC-1 are filled and one accountant assistant each at District MNCH level is also appointed. One post each for Stores and Procurement officer needs to be created to manage the stores and procurement matters.

**Monitoring and Evaluation (M&E):** Khyber Pakhtunkhwa PIU does not prepare and circulate M&E reports, regularly. Coordination committee and steering committee meetings are held only once in year. Planning & Development Department does not carry out the review of programme at provincial level as it is not a part of Annual Development Plan.

## District MNCH Cell Haripur

The results of the financial management assessment of District MNCH Cell Haripur have been presented under six core dimensions of PEFA.

### Credibility of the Budget

No separate budget is allocated for the district cell. In Khyber-Pakhtunkhwa programme has not been devolved to district level, therefore all transactions are processed at provincial PIU.

### **Comprehensiveness and Transparency**

District Cell has no role in budgeting process. No information regarding budgetary allocations is communicated to the district MNCH Cell.

### **Policy-Based Budgeting**

Budgeting process is centralized at PIU level and district cell is not consulted.

### **Predictability and Control in Budget Execution**

Major transactions at District MNCH Cell Haripur represents payroll and stipend of CMW students which are processed at provincial PIU. On monthly basis, the accountant assistant of MNCH cell brings cash from provincial PIU Peshawar for making salary and stipend payments which is a high risk.

No internal audit of district MNCH cell has been conducted.

### **Accounting, Recording, and Reporting**

A cash book is maintained at district cell for salary payments and includes names of employee and acknowledgement for salary payment.

### **External Scrutiny and Audit**

No external audit of the MNCH Cell Haripur has been carried out.

### **Financial Management Staff**

One accounts assistant is posted at the district cell.

## Khyber Pukhtunkhwa PIU – PEFA Rating and Fiduciary Risk Assessment

PEFA PERFORMANCE INDICATORS		Khyber Pakhtunkhwa Government PEFA Rating	Khyber Pakhtunkhwa PIU PEFA Ratings	Khyber Pakhtunkhwa PIU Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>				
PI-1	Aggregate expenditure out-turn compared to original approved budget	D	D	High
PI-2	Composition of expenditure out-turn compared to original approved budget	C	A	Low
PI-4	Stock and monitoring of expenditure payment arrears	D	D	High
<b>B. KEY CROSS-CUTTING ISSUES:</b>				
<b>Comprehensiveness and Transparency</b>				
PI-5	Classification of the budget	A	A	Low
PI-6	Comprehensiveness of information included in budget documentation	B	B	Moderate
PI-8	Transparency of inter-PIU fiscal relations	B	B	Moderate
PI-10	Public access to key fiscal information	C	C	Substantial
<b>C. BUDGET CYCLE</b>				
<b>C(i) Policy-Based Budgeting</b>				
PI-11	Orderliness and participation in the annual budget process	A	A	Low
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	B	B	Moderate
<b>C(ii) Predictability and Control in Budget Execution</b>				
PI-16	Predictability in the availability of funds for commitment of expenditures	C+	D	High
PI-18	Effectiveness of payroll controls	B+	D+	High
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	C+	Substantial
PI-21	Effectiveness of internal audit	D	D	High

<b>C(iii) Accounting, Recording and Reporting</b>				
PI-22	Timeliness and regularity of accounts reconciliation	<b>B</b>	<b>B</b>	<b>Moderate</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>	<b>C+</b>	<b>Substantial</b>
PI-25	Quality and timeliness of annual financial statements	<b>B</b>	<b>B</b>	<b>Moderate</b>
<b>C(iv) External Scrutiny and Audit</b>				
PI-26	Scope, nature and follow-up of external audit	<b>D+</b>	<b>D+</b>	<b>High</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>	<b>D+</b>	<b>High</b>

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT KHYBER PAKHTUNKHWA PIU<sup>31</sup>**

Sr #	Action	Responsibility	Timeline
1	Filling of all Finance and Accounts positions (recruitments should preferably be among accounts and finance professionals)	Provincial SH / PPC	Continuous Process
2	Preparation of Annual Procurement Plans	PPC	30 July 2010
3	Training of staff in financial management	NPM / PPC	As per the Training Implementation Plan
4	Delegation of powers to Provincial Programme Coordinator as per Financial rules of Government of the Khyber Pakhtunkhwa to undertake procurements	Provincial SH	Provinces / Regions to decide according to the rules & regulation
5	Coding of fixed assets fulfilling the prescribed formalities.	PPC	30th June of every fiscal year
6	Preparation of MNCH Cell (districts) financial reports on monthly basis i.e. 10th of each month (Consolidated Provincial / Regional MNCH Cells financial reports for the whole province / region by 15th of every month). Complete monthly financial reports submitted to Federal Program Implementation Unit by 25th of every month.	PPC	Consolidated financial reports submitted to National Program by 25th of each month.
7	Consolidated monthly financial report of all the Provinces / Regions prepared by 28th of each month.	NPM	28th of each month.
8	Ensure preparation and submission of province / region Quarterly Utilization Report based on the above mentioned reconciled financial reports to the National MNCH Program.	PPC	Within 30 days of the report or timeframe as prescribed by the Internal Auditor
9	Ensure follow up and compliance on the	PPC	Round the Year

<sup>31</sup> Second Mini Review of the National Maternal, Newborn and Child Health (MNCH), Ministry of Health and Technical Resource Facility, 14 April 2010, pp.52

## Financial Management Review and Development of Risk Mitigation Plan

	recommendations of the Internal Audit findings		
10	Ensure that the cash plans are submitted to National MNCH Program before 1 July of every financial year.	PPC	1st July of every calendar year
11	Fix responsibility on an Health Department official to ensure that the provincial MNCH programme release request authorization by FD does not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)	Provincial SH / PPC	
12	Ensure timely financial release from AG office on the 7th day of release from finance department.	PPC	Round the year
13	Quarterly Financial Management Coordination Meeting at provincial / regional MNCH CELL with all districts	PPC	Every quarter of a fiscal year.
14	Periodic provincial / regional steering committee meetings	Provincial SH / PPC	Biannual
15	Internal audit of Khyber Pakhtunkhwa MNCH Cell and district MNCH Cells conducted periodically including payroll reconciliation.	PPC/DOH	Annual
16	Annual financial statements audited by DAG within 4 months after the closure of the previous fiscal year.	PPC/DAGP	31st Oct of each fiscal year
17	Payment to CMWs through cheques	Provincial SH/PPC	31st of August each fiscal year.

SH: Secretary Health, PCo: Programme Coordinator, NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager, HD: Health Department, FD: Finance Department



## Baluchistan PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

The results of the financial management assessment of Balochistan PIU have been presented under six core dimensions of PEFA. Indicator wise rating as well as fiduciary risk rating is placed at Annexure A.

### Credibility of the Budget

**Budget Outturns:** In the last three years actual expenditure deviated from actual releases by 91%, 37% and 46 %. The percent deviation of actual expenditure against approved budgeted amount during 2007-08, 2008-09 and 2009-10 was 94%, 51% and 78% respectively. Likewise, the percent difference of actual expenditure with respect to PC-1 allocation in years 2007-08, 2008-09 and 2009-10 was found to be 97, 79 and 88% respectively.

**Funds Flow:** Funds were released to Balochistan PIU by AG KHYBER PAKHTUNKHWA Office after 103 to 248 days from the date of funds release by federal government. Since programme inception only 23% of the funds earmarked for Balochistan PIU in PC-I were made available. Utilization was only 41% of the funds released or 10% of the allocation as per PC-I.

**Expenditure Arrears:** There is no reliable data on the stock of arrears available with the PIU.

### Comprehensiveness and Transparency

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is

compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** The budget and cash plans are prepared according to bifurcations as per PC-I and there is no mechanism of communication of budget allocation prior to the start of budgeting processes. The allocation information is made available when the allocations have been finalized by the Priorities Committee.

### Policy-Based Budgeting

**Budget Preparation:** Balochistan PIU forwards budget estimates to Federal PIU as per timelines provided. Budget estimates are prepared on the basis of cost tables in PC – I and no detailed costing is prepared. District MNCH cells are not consulted during budget preparation.

**MTBF:** Budget is prepared on annual basis. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

### Predictability and Control in Budget Execution

**Payroll Processing:** Finance Section at Balochistan PIU processes the monthly payroll and any changes in employee status are communicated to Finance Section by Establishment Section with the approval of provincial programme manager. Employee's master data is maintained in excel sheet and is not reconciled with monthly payroll which causes the risk that payroll may not be updated for changes in employee status. Monthly payroll is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice. No payroll specific audit have been undertaken within the last three years though payrolls may have been looked at during regulatory external audit.

**Procurement:** PPRA rules are applicable on the programme, which are largely complied. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared. Instances of non-compliance with

procurement rules have been identified by audit. No reconciliation of payments made with stocks/equipment/assets received has been carried to ensure delivery of procured goods.

**Fixed Assets:** Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Assets provided by other agencies are not taken into Fixed Asset Register. Physical verification of fixed assets is not being undertaken regularly.

**Internal Audit:** Internal audit of Balochistan PIU was carried out by a team from Federal PIU including internal auditor in December 2009 Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Following issues were highlighted in the report;

- Instances where Procurement Rules were not followed.
- Non deduction of income tax on salaries to staff.
- Cash book not maintained according to Treasury rules of Government.

### **Accounting, Recording, and Reporting**

**Financial Accounting and Reporting:** Balochistan PIU operates an Assignment Account and maintains accounting record in the form of Cash Book and Appropriation Register. On monthly basis PIU reconciles expenditure with Accountant General's office.

### **External Scrutiny and Audit**

**External Audit:** Audit of Balochistan PIU was conducted by Department of the Auditor General of Pakistan in December 2009 for financial year 2007-08 and 2008-09. Following issues were highlighted in the report;

- Procurement of imported vehicles which is violation of cabinet decision.
- Provision of a vehicle and a computer to government functionaries.
- Instances of non-compliance with procurement rules.
- Non adjustment of advances.

**Financial Management Staff:** All the positions provided in PC-1 are filled except for one cashier/clerk.

**Monitoring and Evaluation (M&E):** Steering committee meetings are held regularly. Balochistan PIU does not prepare and circulate M&E reports, regularly. Planning & Development Department does not carry out the review of programme at provincial level as it is not a part of Annual Development Plan.

## District MNCH Cell Quetta

The results of the financial management assessment of District MNCH Cell Quetta have been presented under six core dimensions of PEFA.

### Credibility of the Budget

No separate budget is allocated for the district cell and all transactions of district cell are processed at provincial PIU.

### Comprehensiveness and Transparency

District Cell has no role in budgeting process. No information regarding budgetary allocations is communicated to the district MNCH Cell.

### Policy-Based Budgeting

Budgeting process is centralized at PIU level and no district cell is consulted.

### Predictability and Control in Budget Execution

Major transactions at District MNCH Cell Quetta represents payroll and stipend of CMW students which are processed at provincial PIU.

No internal audit of the MNCH Cell Quetta has been carried out.

### Accounting, Recording, and Reporting

A cash book is maintained at district cell for salary payments and includes names of employee and acknowledgement for salary payment.

### External Scrutiny and Audit

No external audit of the MNCH Cell Quetta has been carried out.

**Financial Management Staff:**

Post of accounts assistant approved in PC1 is lying vacant.

## Balochistan PIU – PEFA Rating and Fiduciary Risk Assessment

PEFA PERFORMANCE INDICATORS		Balochistan Government PEFA Rating	Balochistan PIU PEFA Ratings	Balochistan PIU Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>				
PI-1	Aggregate expenditure out-turn compared to original approved budget	<b>B</b>	<b>D</b>	<b>High</b>
PI-2	Composition of expenditure out-turn compared to original approved budget	<b>C</b>	<b>D</b>	<b>High</b>
PI-4	Stock and monitoring of expenditure payment arrears	<b>D</b>	<b>D</b>	<b>High</b>
<b>B. KEY CROSS-CUTTING ISSUES:</b>				
<b>Comprehensiveness and Transparency</b>				
PI-5	Classification of the budget	<b>A</b>	<b>A</b>	<b>Low</b>
PI-6	Comprehensiveness of information included in budget documentation	<b>B</b>	<b>B</b>	<b>Moderate</b>
PI-8	Transparency of inter-PIU fiscal relations	<b>B+</b>	<b>B+</b>	<b>Moderate</b>
PI-10	Public access to key fiscal information	<b>C</b>	<b>C</b>	<b>Substantial</b>
<b>C. BUDGET CYCLE</b>				
<b>C(i) Policy-Based Budgeting</b>				
PI-11	Orderliness and participation in the annual budget process	<b>B+</b>	<b>B+</b>	<b>Moderate</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>D</b>	<b>D</b>	<b>High</b>
<b>C(ii) Predictability and Control in Budget Execution</b>				
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>B+</b>	<b>D</b>	<b>High</b>
PI-18	Effectiveness of payroll controls	<b>C+</b>	<b>D+</b>	<b>High</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>C</b>	<b>C</b>	<b>Substantial</b>
PI-21	Effectiveness of internal audit	<b>D</b>	<b>D</b>	<b>High</b>
<b>C(iii) Accounting, Recording and Reporting</b>				

PI-22	Timeliness and regularity of accounts reconciliation	C+	A	Low
PI-24	Quality and timeliness of in-year budget reports	D+	C+	Substantial
PI-25	Quality and timeliness of annual financial statements	C+	C+	Substantial
<b>C(iv) External Scrutiny and Audit</b>				
PI-26	Scope, nature and follow-up of external audit	D+	D	High
PI-28	Legislative scrutiny of external audit reports	D+	D+	High

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT BALOCHISTAN PIU<sup>32</sup>**

Sr #	Action	Responsibility	Timeline
1	Filling of all Finance and Accounts positions (recruitments should preferably be among accounts and finance professionals)	Provincial SH / PPC	Continuous Process
2	Preparation of Annual Procurement Plans	PPC	30 July 2010
3	Training of staff in financial management	NPM / PPC	As per recommendation of detailed plan
4	Delegation of powers to Provincial Programme Coordinator as per Financial rules of Government of the Balochistan to undertake procurements	Provincial SH	Provinces / Regions to decide according to the rules & regulation
5	Coding of fixed assets fulfilling the prescribed formalities.	PPC	30th June of every fiscal year
6	Preparation of MNCH Cell (districts) financial reports on monthly basis i.e. 10th of each month (Consolidated Provincial / Regional MNCH Cells financial reports for the whole province / region by 15th of every month). Complete monthly financial reports submitted to Federal Program Implementation Unit by 25th of every month.	PPC	Consolidated financial reports submitted to National Program by 25th of each month.
7	Consolidated monthly financial report of all the Provinces / Regions prepared by 28th of each month.	NPM	28th of each month.
8	Ensure preparation and submission of province / region Quarterly Utilization Report based on the above mentioned reconciled financial reports to the National MNCH Program.	PPC	Within 30 days of the report or timeframe as prescribed by the Internal Auditor
9	Ensure follow up and compliance on the	PPC	Round the Year

<sup>32</sup> Second Mini Review of the National Maternal, Newborn and Child Health (MNCH), Ministry of Health and Technical Resource Facility, 14 April 2010, pp.60



## Financial Management Review and Development of Risk Mitigation Plan

	recommendations of the Internal Audit findings		
10	Ensure that the cash plans are submitted to National MNCH Program before 1 July of every financial year.	PPC	1st t July of every calendar year
11	Fix responsibility on an Health Department official to ensure that the provincial MNCH programme release request authorization by FD does not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)	Provincial SH / PPC	
12	Ensure timely financial release from AG office on the 7th day of release from finance department.	PPC	Round the year
13	Quarterly Financial Management Coordination Meeting at provincial / regional MNCH CELL with all districts	PPC	Every quarter of a fiscal year.
14	Periodic provincial / regional steering committee meetings	Provincial SH / PPC	Biannual
15	Internal audit of Balochistan MNCH Cell and district MNCH Cells conducted periodically including payroll reconciliation.	PPC/DOH	Annual
16	Annual financial statements audited by DAG within 4 months after the closure of the previous fiscal year.	PPC/DAGP	31st Oct of each fiscal year
17	Payment to CMWs through cheques	Provincial SH/PPC	31st of August each fiscal year.

SH: Secretary Health, PCo: Programme Coordinator, NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager, HD: Health Department, FD: Finance Department

## FATA PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

The results of the financial management assessment of FATA PIU have been presented under six core dimensions of PEFA. Indicator wise rating as well as fiduciary risk rating is placed at Annexure A.

### Credibility of the Budget

**Budget Outturns:** In two of the last three years actual expenditure deviated from actual releases by 19% and 74%. The percent deviation of actual expenditure with respect to approved budgeted amount during 2008-09 and 2009-10 was 72% and 96% respectively. Likewise, the percent difference of actual expenditure against PC-1 allocation for FATA in years 2007-08, 2008-09 and 2009-10 was found to be 97%, 81% and 95% respectively.

**Funds Flow:** Funds become available to FATA PIU once released by AGPR. Since programme inception only 17% of the funds earmarked for FATA PIU in PC-I were made available. Utilization was only 20% of the funds released or 3% of the allocation as per PC-I. Budget of FATA PIU is lapsable and during last three financial years (2006-07 to 2008-09) Rs. 35 million were released, Rs. 10 million were spent and Rs. 25 million were lapsed. Delayed submission and approval of cash/work plan is a primary reason for delayed release and non-utilization of funds.

**Expenditure Arrears:** There is no reliable data on the stock of arrears available with the PIU.

## Comprehensiveness and Transparency

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** The budget and cash plans are prepared according to bifurcations as per PC-I and there is no mechanism of communication of budget allocation prior to the start of budgeting processes. The allocation information is made available when the allocations have been finalized by the Priorities Committee.

## Policy-Based Budgeting

**Budget Preparation:** Budget is prepared as per instructions provided by Federal PIU. Detailed costing for budget preparation is not prepared and budget estimates are largely based on cost estimates provided in PC-I.

**MTBF:** Budget is prepared on annual basis. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

## Predictability and Control in Budget Execution

**Payroll Processing:** AGPR Sub Office Peshawar processes the monthly payroll of FATA PIU and any changes in employee status are communicated to AGPR sub office by PIU with the approval of regional programme manager. Monthly payroll received from AGPR is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.

**Procurement:** PPRA rules are applicable on the programme, which are largely complied. Few instances of non-compliance have been highlighted by external auditors. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared.

**Fixed Assets:** Fixed Assets Register is maintained without mentioning cost of assets and also fixed assets are not coded. Assets provided by other agencies are not taken into Fixed Asset Register. Physical verification of fixed assets is not being undertaken regularly.

**Internal Audit:** Internal audit of PPIU was carried out by a team from Federal PIU including internal auditor in January 2010 for FY 2006-07 to 2008-09. Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Following issues were highlighted in the report;

- PPRA Rules not followed.
- Medical reimbursements made without proper supporting documents.
- Incorrect object codes used for expenditure sanction.
- Cash book not prepared according to Treasury rules of Government.

### Accounting, Recording, and Reporting

**Financial Accounting and Reporting:** Cash Book and Appropriation Register is maintained at FATA PIU. Accountant General of Pakistan Revenues is responsible for pre-audit, making payments and maintaining accounts in respect of FATA PIU. On monthly basis, FATA PIU reconciles expenditure with AGPR Sub Office which provides details of budget and expenditure.

### External Scrutiny and Audit

**External Audit:** Audit of FATA PIU was conducted by Department of the Auditor General of Pakistan in September 2009 for financial year 2008-09. Following issues were highlighted in the report;

- Log books for vehicles not maintained.
- No late penalty recovered for late supply.
- Late recording of expenditure in cash book.

**Staffing:** The positions provided in PC-1 are filled except for one Accountant Assistant each at Agency level MNCH office.

**FATA PIU – PEFA Rating and Fiduciary Risk Assessment**

PEFA PERFORMANCE INDICATORS		FATA PIU PEFA Rating	FATA PIU Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>			
PI-1	Aggregate expenditure out-turn compared to original approved budget	<b>D</b>	<b>High</b>
PI-2	Composition of expenditure out-turn compared to original approved budget	<b>D</b>	<b>Low</b>
PI-4	Stock and monitoring of expenditure payment arrears	<b>D</b>	<b>High</b>
<b>B. KEY CROSS-CUTTING ISSUES:</b>			
<b>Comprehensiveness and Transparency</b>			
PI-5	Classification of the budget	<b>A</b>	<b>Low</b>
PI-6	Comprehensiveness of information included in budget documentation	<b>B</b>	<b>Moderate</b>
PI-8	Transparency of inter-PIU fiscal relations	<b>B+</b>	<b>Moderate</b>
PI-10	Public access to key fiscal information	<b>C</b>	<b>Substantial</b>
<b>C. BUDGET CYCLE</b>			
<b>C(i) Policy-Based Budgeting</b>			
PI-11	Orderliness and participation in the annual budget process	<b>B+</b>	<b>Moderate</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>C+</b>	<b>Substantial</b>
<b>C(ii) Predictability and Control in Budget Execution</b>			
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>D</b>	<b>High</b>
PI-18	Effectiveness of payroll controls	<b>D+</b>	<b>Substantial</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>C+</b>	<b>Substantial</b>
PI-21	Effectiveness of internal audit	<b>D</b>	<b>High</b>
<b>C(iii) Accounting, Recording and Reporting</b>			

PI-22	Timeliness and regularity of accounts reconciliation	<b>B</b>	<b>Substantial</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>	<b>Substantial</b>
PI-25	Quality and timeliness of annual financial statements	<b>B+</b>	<b>Moderate</b>
<b>C(iv) External Scrutiny and Audit</b>			
PI-26	Scope, nature and follow-up of external audit	<b>C+</b>	<b>Substantial</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>	<b>High</b>

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT FATA PIU<sup>33</sup>**

Sr #	Action	Responsibility	Timeline
1	Filling of all Finance and Accounts positions (recruitments should preferably be among accounts and finance professionals)	Director Health FATA / PPC	Continuous Process
2	Preparation of Annual Procurement Plans	PPC	30 July 2010
3	Training of staff in financial management	NPM / PPC	As per Training Implementation Plan
4	Delegation of powers to Provincial Programme Coordinator as per Financial rules of Government of the FATA to undertake procurements	Director Health FATA	Provinces / Regions to decide according to the rules & regulation
5	Coding of fixed assets fulfilling the prescribed formalities.	PPC	30th June of every fiscal year
6	Preparation of MNCH Cell (districts) financial reports on monthly basis i.e. 10th of each month (Consolidated Provincial / Regional MNCH Cells financial reports for the whole province / region by 15th of every month). Complete monthly financial reports submitted to Federal Program Implementation Unit by 25th of every month.	PPC	Consolidated financial reports submitted to National Program by 25th of each month.
7	Consolidated monthly financial report of all the Provinces / Regions prepared by 28th of each month.	NPM	28th of each month.
8	Ensure preparation and submission of province / region Quarterly Utilization Report based on the above mentioned reconciled financial reports to the National MNCH Program.	PPC	Within 30 days of the report or timeframe as prescribed by the Internal Auditor
9	Ensure follow up and compliance on the recommendations of the Internal Audit findings	PPC	Round the Year

<sup>33</sup> Second Mini Review of the National Maternal, Newborn and Child Health (MNCH), Ministry of Health and Technical Resource Facility, 14 April 2010, pp.56

## Financial Management Review and Development of Risk Mitigation Plan

10	Ensure that the cash plans are submitted to National MNCH Program before 1 July of every financial year.	PPC	1st July of every calendar year
11	Fix responsibility on an Health Department official to ensure that the provincial MNCH programme release request authorization by FD does not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)	Director Health FATA / PPC	
12	Ensure timely financial release from AG office on the 7th day of release from finance department.	PPC	Round the year
13	Quarterly Financial Management Coordination Meeting at provincial / regional MNCH CELL with all districts	PPC	Every quarter of a fiscal year.
14	Periodic provincial / regional steering committee meetings	Director Health FATA / PPC	Biannual
15	Internal audit of FATA MNCH Cell and district MNCH Cells conducted periodically including payroll reconciliation.	PPC/DOH	Annual
16	Annual financial statements audited by DAG within 4 months after the closure of the previous fiscal year.	PPC/DAGP	31st Oct of each fiscal year
17	Payment to CMWs through cheques	Director Health FATA /PPC	31st of August each fiscal year.

SH: Secretary Health, PCo: Programme Coordinator, NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager, HD: Health Department, FD: Finance Department



## AJK PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

The results of the financial management assessment of AJK PIU have been presented under six core dimensions of PEFA. Indicator wise rating as well as fiduciary risk rating is placed at Annexure A.

### Credibility of the Budget

**Budget Outturns:** In the last three years, including current financial year, actual expenditure deviated from actual releases from 18% to 95%. The percent deviation of actual expenditure with respect to approved budgeted amount during 2007-08 and 2008-09 was 93% and 55% respectively. Likewise, the percent difference of actual expenditure against PC-1 allocation for AJK in years 2007-08, 2008-09 and 2009-10 was found to be 97%, 81% and 98% respectively.

**Funds Flow:** Funds become available to AJK PIU once released by AG AJK. The Since programme inception only 24% of the funds earmarked for AJK PIU in PC-I were made available. Utilization was only 41% of the funds released or 10% of the allocation as per PC-I. Delayed submission and approval of cash/work plan is a primary reason for delayed release and non-utilization of funds

**Expenditure Arrears:** There is no reliable data on the stock of arrears available with the PIU.

### Comprehensiveness and Transparency

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is

compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** The budget and cash plans are prepared according to bifurcations as per PC-I and there is no mechanism of communication of budget allocation prior to the start of budgeting processes. The allocation information is made available when the allocations have been finalized by the Priorities Committee.

### Policy-Based Budgeting

**Budget Preparation:** Budget is prepared as per instructions provided by Federal PIU. Detailed costing for budget preparation is not prepared and budget estimates are largely based on cost estimates provided in PC-I.

**MTBF:** Budget is prepared on annual basis. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

### Predictability and Control in Budget Execution

**Payroll Processing:** Finance Section at AJK PIU processes the monthly payroll and any changes in employee status are made after approval of regional programme manager. Payroll is prepared by Accounts Assistant, reviewed by Accounts Officer and approved by regional Programme Manager and each official signs the payroll calculation of each individual employee. Salary is paid through crossed cheques to each employee. Master data of employee's is maintained by Assistant Director (Admin) in the shape of personnel files and is not reconciled with monthly payroll which causes the risk that payroll may not be updated for changes in employee status. Monthly payroll is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.

**Procurement:** PPRA rules are applicable on the programme, which are largely complied. Few instances of non-compliance have been highlighted by external auditors. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared.

**Fixed Assets:** Fixed Assets Register maintained by PIU is largely a stock register providing details of assets issued and available. Designation of the official to whom asset is issued is provided, however, cost of assets, location and detailed description is not available. Fixed assets are also not coded and physical verification of fixed assets has not been undertaken.

**Internal Audit:** An internal audit of PPIU was carried out by a team from Federal PIU including internal auditor for FY 2006-07 to 2008-09. Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Following issues were highlighted in the report;

- Non-deduction of income tax from salaries
- Expenditure is some object heads in excess of budget provision
- Deficiencies in claims submitted for workshops

### **Accounting, Recording, and Reporting**

**Financial Accounting and Reporting:** AJK PIU operates an Assignment Account and maintains accounting record in the form of Cash Book and Appropriation Register. On monthly basis PIU reconciles expenditure with Accountant General's office.

### **External Scrutiny and Audit**

**External Audit:** Audit of FATA PIU was conducted by Department of the Auditor General of Azad Jammu and Kashmir in August 2009 for financial year 2008-09. Following issues were highlighted in the report;

- Excess payment of conveyance and house rent allowance to employees
- Non provision of record relating to civil work in Bagh
- Weak contract management

**Staffing:** The positions provided in PC-1 are filled including two accounts officers and one Accounts Assistant. Financial management staff is also responsible for procurement function.

## **District MNCH Cell Muzafarrabad**

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

### **Credibility of the Budget**

There is no separate annual budget of district cell and up to Jan 2010 all payments of district cell were also made by PIU. Recently, assignment account of district has been opened and AJK PIU transfers funds mainly related to salaries, stipends of students of CMW schools and operating expenses to this account.

### **Comprehensiveness and Transparency**

No separate budget of district cell is prepared and neither district cell is involved in the budget making process.

### **Policy-Based Budgeting**

District cell has no role in budgeting process. PIU prepares budget based on cost estimates provided in PC-I.

### **Predictability and Control in Budget Execution**

Major payment at district cell presents payroll of staff and stipend of CMW School students. Monthly payroll for district cell employees and stipend for students of CMW School is processed by Accounts Assistant, reviewed by District MNCH Cell Coordinator and approved by District Health Office.

No internal audit of district cell has been carried out.

### **Accounting, Recording, and Reporting**

District MNCH Cell AJK operates an Assignment Account and maintains accounting record in the form of Cash Book and Appropriation Register. Reconciliation with the accounting office and submission of monthly accounts to AJK PIU is no regular.

**External Scrutiny and Audit**

No external audit of MNCH Cell Muzafarrabad has been carried out.

**Staffing:**

One accountant assistant is working at MNCH Cell.

**AJK PIU – PEFA Rating and Fiduciary Risk Assessment**

PEFA PERFORMANCE INDICATORS		AJK PIU PEFA Rating	AJK PIU Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>			
PI-1	Aggregate expenditure out-turn compared to original approved budget	<b>D</b>	<b>High</b>
PI-2	Composition of expenditure out-turn compared to original approved budget	<b>D</b>	<b>High</b>
PI-4	Stock and monitoring of expenditure payment arrears	<b>D</b>	<b>High</b>
<b>B. KEY CROSS-CUTTING ISSUES:</b>			
<b>Comprehensiveness and Transparency</b>			
PI-5	Classification of the budget	<b>A</b>	<b>Low</b>
PI-6	Comprehensiveness of information included in budget documentation	<b>B</b>	<b>Moderate</b>
PI-8	Transparency of inter-PIU fiscal relations	<b>B+</b>	<b>Moderate</b>
PI-10	Public access to key fiscal information	<b>C</b>	<b>Substantial</b>
<b>C. BUDGET CYCLE</b>			
<b>C(i) Policy-Based Budgeting</b>			
PI-11	Orderliness and participation in the annual budget process	<b>B+</b>	<b>Moderate</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>C+</b>	<b>Substantial</b>
<b>C(ii) Predictability and Control in Budget Execution</b>			
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>D</b>	<b>High</b>
PI-18	Effectiveness of payroll controls	<b>D+</b>	<b>High</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>C+</b>	<b>Substantial</b>
PI-21	Effectiveness of internal audit	<b>D</b>	<b>High</b>
<b>C(iii) Accounting, Recording and Reporting</b>			

PI-22	Timeliness and regularity of accounts reconciliation	<b>B</b>	<b>Substantial</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>	<b>Substantial</b>
PI-25	Quality and timeliness of annual financial statements	<b>B+</b>	<b>Moderate</b>
<b>C(iv) External Scrutiny and Audit</b>			
PI-26	Scope, nature and follow-up of external audit	<b>C+</b>	<b>Substantial</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>	<b>High</b>

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT AJK PIU<sup>34</sup>**

Sr #	Action	Responsibility	Timeline
1	Filling of all Finance and Accounts positions (recruitments should preferably be among accounts and finance professionals)	SH AJ&K/ PPC	Continuous Process
2	Preparation of Annual Procurement Plans	PPC	30 July 2010
3	Training of staff in financial management	NPM / PPC	As per Training Implementation Plan
4	Delegation of powers to Provincial Programme Coordinator as per Financial rules of Government of the AJ&K to undertake procurements	SH AJ&K	Provinces / Regions to decide according to the rules & regulation
5	Coding of fixed assets fulfilling the prescribed formalities.	PPC	30th June of every fiscal year
6	Preparation of MNCH Cell (districts) financial reports on monthly basis i.e. 10th of each month (Consolidated Provincial / Regional MNCH Cells financial reports for the whole province / region by 15th of every month). Complete monthly financial reports submitted to Federal Program Implementation Unit by 25th of every month.	PPC	Consolidated financial reports submitted to National Program by 25th of each month.
7	Consolidated monthly financial report of all the Provinces / Regions prepared by 28th of each month.	NPM	28th of each month.
8	Ensure preparation and submission of province / region Quarterly Utilization Report based on the above mentioned reconciled financial reports to the National MNCH Program.	PPC	Within 30 days of the report or timeframe as prescribed by the Internal Auditor
9	Ensure follow up and compliance on the recommendations of the Internal Audit findings	PPC	Round the Year

<sup>34</sup> Second Mini Review of the National Maternal, Newborn and Child Health (MNCH), Ministry of Health and Technical Resource Facility, 14 April 2010, pp.62



## Financial Management Review and Development of Risk Mitigation Plan

10	Ensure that the cash plans are submitted to National MNCH Program before 1 July of every financial year.	PPC	1st July of every calendar year
11	Fix responsibility on an Health Department official to ensure that the provincial MNCH programme release request authorization by FD does not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)	SH AJ&K / PPC	
12	Ensure timely financial release from AG office on the 7th day of release from finance department.	PPC	Round the year
13	Quarterly Financial Management Coordination Meeting at provincial / regional MNCH CELL with all districts	PPC	Every quarter of a fiscal year.
14	Periodic provincial / regional steering committee meetings	SH AJ&K/ PPC	Biannual
15	Internal audit of AJ&K MNCH Cell and district MNCH Cells conducted periodically including payroll reconciliation.	PPC/DOH	Annual
16	Annual financial statements audited by DAG within 4 months after the closure of the previous fiscal year.	PPC/DAGP	31st Oct of each fiscal year
17	Payment to CMWs through cheques	SH AJ&K/PPC	31st of August each fiscal year.

SH: Secretary Health, PCo: Programme Coordinator, NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager, HD: Health Department, FD: Finance Department

## Gilgit Baltistan PIU

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

The results of the financial management assessment of Gilgit Baltistan PIU have been presented under six core dimensions of PEFA, at the end of the narrative.

### Credibility of the Budget

**Budget Outturns:** In the last three years, including current financial year, actual expenditure deviated from actual releases from 18% to 67%. The percent deviation of actual expenditure with respect to approved budgeted amount during 2008-09 and 2009-10 was 52% and 92% respectively. Likewise, the percent difference of actual expenditure against PC-1 allocation for Gilgit Baltistan in years 2007-08, 2008-09 and 2009-10 was found to be 99%, 79% and 95% respectively.

**Funds Flow:** Funds become available to Gilgit-Baltistan PIU once released by AGPR. Since programme inception only 17% of the funds earmarked for Gilgit Baltistan PIU in PC-I were made available. Utilization was only 61% of the funds released or 10% of the allocation as per PC-I. Budget of Gilgit Baltistan PIU is lapsable and during last three financial years (2006-07 to 2008-09) Rs. 38 million were released, Rs. 29 million were spent and Rs. 9 million were lapsed. Delayed submission and approval of cash/work plan is a primary reason for delayed release and non-utilization of funds.

**Expenditure Arrears:** There is no reliable data on the stock of arrears available with the PIU.

### Comprehensiveness and Transparency

**Classification of the budget:** A New Accounting Model (NAM) was approved by the President of Pakistan in 2001. NAM embodies a Chart of Accounts (CoA) which is

compliant with IMF GFSM 2001 fiscal reporting standards. MNCH programme's budget is prepared using CoA and allows GFS-compliant reports on economic and functional/sub-functional classifications.

**Transparency of inter-PIU fiscal relations:** The budget and cash plans are prepared according to bifurcations as per PC-I and there is no mechanism of communication of budget allocation prior to the start of budgeting processes. The allocation information is made available when the allocations have been finalized by the Priorities Committee.

### Policy-Based Budgeting

**Budget Preparation:** Budget is prepared as per instructions provided by Federal PIU. Detailed costing for budget preparation is not prepared and budget estimates are largely based on cost estimates provided in PC-I.

**MTBF:** Budget is prepared on annual basis. The programme has also been directed by MoH to prepare Output Based Budget for the budget years 2010-13. However, staff is not trained to take up budget preparation based on MTBF.

### Predictability and Control in Budget Execution

**Payroll Processing:** AGPR Sub Office Gilgit processes the monthly payroll of Gilgit Baltistan PIU and any changes in employee status are communicated to AGPR sub office by PIU with the approval of regional programme manager. Monthly payroll received from AGPR sub office is not reconciled with previous month's payroll to identify variances which, although not required under rules, is an international best practice.

**Procurement:** PPRA rules are applicable on the programme, which are largely complied. Few instances of non-compliance have been highlighted by external auditors. Procurement planning at the programme is limited to annual work plan and detailed procurement plan is not prepared.

**Fixed Assets:** Fixed Assets Register maintained by PIU is largely a stock register providing details of assets issued and available. Designation of the official to whom asset is issued is provided, however, cost of assets, location and detailed description is

not available. Fixed assets are also not coded and physical verification of fixed assets has not been undertaken.

**Internal Audit:** An internal audit of PPIU was carried out by a team from Federal PIU including internal auditor during April 2010. Internal audit activity is focused on compliance with applicable rules and controls evaluation and Value for Money issues are not covered. Following issues were highlighted in the report;

- Non utilization of funds
- No physical verification of stores and stocks

### **Accounting, Recording and Reporting**

**Financial Accounting and Reporting:** Cash Book and Appropriation Register is maintained at Gilgit Baltistan PIU. AGPR sub office Gilgit is responsible for pre-audit, making payments and maintaining accounts in respect of Gilgit Baltistan PIU. On monthly basis, Gilgit Baltistan PIU reconciles expenditure with AGPR Sub Office which provides details of budget and expenditure.

### **External Scrutiny and Audit**

**External Audit:** Audit of Gilgit Baltistan PIU was conducted by Department of the Auditor General of Pakistan for financial year 2006-07, 2007-08 and 2008-09. Following issues were highlighted in the report;

- Non achievement of targets
- No physical verification of stores and stocks

**Staffing:** The positions of financial management staff for Gilgit Baltistan PIU provided in PC-1 are filled including two accounts officers, one accounts assistant and one clerk/cashier.

## District MNCH Cell Ghizer

The evaluation of effectiveness of financial management systems at MNCH has been conducted on the basis of Public Expenditure and Financial Accountability (PEFA) Framework. The Framework is an integrated monitoring framework that allows measurement of PFM performance and includes a set of high level indicators, which measures and monitors performance of PFM systems and processes.

### **Credibility of the Budget**

There is no separate annual budget of district cell and all payments of district cell are being made by PIU.

### **Comprehensiveness and Transparency**

No separate budget of district cell is prepared and neither district cell is involved in the budget making process.

### **Policy-Based Budgeting**

District cell has no role in budgeting process. PIU prepares budget based on cost estimates provided in PC-I.

### **Predictability and Control in Budget Execution**

Major payment at district cell presents payroll of staff and stipend of CMW School students. Monthly payroll for district cell employees and stipend for students of CMW School is prepared at regional PIU. Salary and stipend at district level is paid in cash. No internal audit of district cell has been carried out.

### **Accounting, Recording, and Reporting**

No record is currently maintained by the District MNCH Cell

### **External Scrutiny and Audit**

No external audit of District MNCH Cell has been carried out.

**Staffing:** Except for the DHO, who is a part time staff performing Focal Point functions the district cell has no staff. .

**Gilgit Baltistan PIU – PEFA Rating and Fiduciary Risk Assessment**

PEFA PERFORMANCE INDICATORS		Gilgit Baltistan PIU PEFA Rating	Gilgit Baltistan Fiduciary Risks
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>			
PI-1	Aggregate expenditure out-turn compared to original approved budget	<b>D</b>	<b>High</b>
PI-2	Composition of expenditure out-turn compared to original approved budget	<b>D</b>	<b>High</b>
PI-4	Stock and monitoring of expenditure payment arrears	<b>D</b>	<b>High</b>
<b>B. KEY CROSS-CUTTING ISSUES:</b>			
<b>Comprehensiveness and Transparency</b>			
PI-5	Classification of the budget	<b>A</b>	<b>Low</b>
PI-6	Comprehensiveness of information included in budget documentation	<b>B</b>	<b>Moderate</b>
PI-8	Transparency of inter-PIU fiscal relations	<b>B+</b>	<b>Moderate</b>
PI-10	Public access to key fiscal information	<b>C</b>	<b>Substantial</b>
<b>C. BUDGET CYCLE</b>			
<b>C(i) Policy-Based Budgeting</b>			
PI-11	Orderliness and participation in the annual budget process	<b>B+</b>	<b>Moderate</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>C+</b>	<b>Substantial</b>
<b>C(ii) Predictability and Control in Budget Execution</b>			
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>D</b>	<b>High</b>
PI-18	Effectiveness of payroll controls	<b>D+</b>	<b>Substantial</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>C+</b>	<b>Substantial</b>
PI-21	Effectiveness of internal audit	<b>D</b>	<b>High</b>
<b>C(iii) Accounting, Recording and Reporting</b>			

PI-22	Timeliness and regularity of accounts reconciliation	<b>B</b>	<b>Substantial</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>	<b>Substantial</b>
PI-25	Quality and timeliness of annual financial statements	<b>B+</b>	<b>Moderate</b>
<b>C(iv) External Scrutiny and Audit</b>			
PI-26	Scope, nature and follow-up of external audit	<b>C+</b>	<b>Substantial</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>	<b>High</b>

**PLAN FOR STRENGTHENING THE FINANCIAL MANAGEMENT SYSTEM AND MITIGATION OF FIDUCIARY RISKS  
AT GILGIT BALTISTAN PIU**

Sr #	Action	Responsibility	Timeline
1	Filling of all Finance and Accounts positions (recruitments should preferably be among accounts and finance professionals)	Provincial SH / PPC	Continuous Process
2	Preparation of Annual Procurement Plans	PPC	30 July 2010
3	Training of staff in financial management	NPM / PPC	As per Training Implementation Plan
4	Delegation of powers to Provincial Programme Coordinator as per Financial rules of Government of the Gilgit / Baltistan to undertake procurements	Provincial SH	Provinces / Regions to decide according to the rules & regulation
5	Coding of fixed assets fulfilling the prescribed formalities.	PPC	30th June of every fiscal year
6	Preparation of MNCH Cell (districts) financial reports on monthly basis i.e. 10th of each month (Consolidated Provincial / Regional MNCH Cells financial reports for the whole province / region by 15th of every month). Complete monthly financial reports submitted to Federal Program Implementation Unit by 25th of every month.	PPC	Consolidated financial reports submitted to National Program by 25th of each month.
7	Consolidated monthly financial report of all the Provinces / Regions prepared by 28th of each month.	NPM	28th of each month.
8	Ensure preparation and submission of province / region Quarterly Utilization Report based on the above mentioned reconciled financial reports to the National MNCH Program reports to the National MNCH Program.	PPC	Within 30 days of the report or timeframe as prescribed by the Internal Auditor
9	Ensure follow up and compliance on the recommendations of the Internal Audit findings	PPC	Round the Year
10	Ensure that the cash plans are submitted to National MNCH Program before 1 July of every financial year.	PPC	1st July of every calendar year
11	Fix responsibility on an Health Department official to ensure that the provincial MNCH programme release	Provincial SH / PPC	



## Financial Management Review and Development of Risk Mitigation Plan

	request authorization by FD does not take more than 5 working days (excluding days taken by MNCH programme to address issues / objections raised by MoH)		
12	Ensure timely financial release from AG office on the 7th day of release from finance department.	PPC	Round the year
13	Quarterly Financial Management Coordination Meeting at provincial / regional MNCH CELL with all districts	PPC	Every quarter of a fiscal year.
14	Periodic provincial / regional steering committee meetings	Provincial SH / PPC	Biannual
15	Internal audit of Gilgit / Baltistan MNCH Cell and district MNCH Cells conducted periodically including payroll reconciliation.	PPC/DOH	Annual
16	Annual financial statements audited by DAG within 4 months after the closure of the previous fiscal year.	PPC/DAGP	31st Oct of each fiscal year
17	Payment to CMWs through cheques	Provincial SH/PPC	31st of August each fiscal year.

SH: Secretary Health, PCo: Programme Coordinator, NPM: National Programme Manager, NSC: National Steering Committee, DPM: Deputy Programme Manager, HD: Health Department, FD: Finance Department

## Framework for Measuring Improvements of MNCH Financial Management System.

The draft final report provides step by step performance improvement and risk mitigating action throughout the report, summed up in the “Plan for Strengthening MNCH Financial Management System and Mitigating Fiduciary Risks. The Framework for Measuring Improvements of MNCH FMS draw on these action and puts them into a matrix structure to facilitate monitoring of the Programme Managers at the National and Provincial / Regional Levels.

### MNCH Framework for Measuring Improvements in the FMS

Sr#	Benchmark	Timeline
a)	95% of all Finance and Accounts positions to be filled, at any given time in the MNCH Programme	<b>30 September, 2010</b>
b)	Federal PIU to have a monthly reconciled consolidated fiscal operations statement, with the time lag of a month	<b>31 May, 2010</b>
c)	Record of 100% follow up for funds release by the Finance Officers and PIU Coordinators s outlined in the respective Plan for Strengthening FMS	<b>31 May, 2010</b>
d)	50% achievement in implementing the Training Implementation Plan	<b>31 December, 2010</b>
e)	100% achievement in implementing the Training Implementation Plan	<b>30 June, 2011</b>
f)	Initial implementation of the FMS management incentives and accountability proposed schema	<b>31 December, 2010</b>
g)	Full implementation of the FMS management incentives and accountability proposed schema	<b>30 June, 2011</b>
h)	100% achievement against the FM related quarterly / bi-annual coordination meetings, at any given time,	<b>15, June 2010</b>

	starting with the Strategic Thinking Coordination Meeting, as outlined in the Plan of Strengthening FMS	
i)	Submission of Cash Plan to the MoH during first week of July	<b>7, July 2010</b>
j)	100% submission of quarterly utilization reports to MoH, within one month of the end of the quarter, at any given time	<b>31, July 2010</b>
k)	Dedicated Procurement Unit functional	<b>30, September 201</b>
l)	100% compliance with the action of the Internal Audit function	<b>30, June 2010</b>
m)	Decreasing funds flow lead times	<b>Continuously from quarter to quarter</b>
n)	Federal PIU monitoring, on a monthly basis, 100% implementation of the PIU specific Plan for Strengthening	<b>Continuously from 31, May 2010</b>
o)	100% compliance to address the weaknesses identified by the System Design Assessment, that are applicable to all PIUs	<b>30, December 2010</b>

## APPENDICES

### ANNEX I: MNCH PIU Wise Financial Performance

(Rupees in millions)

PIU	FY	PC1	PSDP Allocation		Releases			Expenditure			
		Amount	Amount	%age of PC1	Amount	%age of PSDP	%age of PC1	Amount	%age of Releases	%age of PSDP	%age of PC1
Federal	2006-07	54	18	34%	18	100%	34%	3	14%	14%	5%
	2007-08	219	70	32%	9	13%	4%	9	100%	13%	4%
	2008-09	350	151	43%	67	44%	19%	8	12%	5%	2%
	2009-10	379	269	71%	32	12%	8%	-	0%	0%	0%
	<b>Total</b>	<b>1,002</b>	<b>509</b>	<b>51%</b>	<b>127</b>	<b>25%</b>	<b>13%</b>	<b>20</b>	<b>15%</b>	<b>4%</b>	<b>2%</b>
Punjab	2006-07	22	37	169%	37	100%	169%	-	0%	0%	0%
	2007-08	1,342	492	37%	380	77%	28%	93	24%	19%	7%
	2008-09	2,454	1,060	43%	782	74%	32%	756	97%	71%	31%
	2009-10	1,535	1,088	71%	100	9%	6%	-	0%	0%	0%
	<b>Total</b>	<b>5,352</b>	<b>2,677</b>	<b>50%</b>	<b>1,299</b>	<b>49%</b>	<b>24%</b>	<b>849</b>	<b>65%</b>	<b>32%</b>	<b>16%</b>
Sindh	2006-07	15	11	76%	11	100%	76%	-	0%	0%	0%

## Financial Management Review and Development of Risk Mitigation Plan

	2007-08	461	184	40%	148	80%	32%	23	16%	13%	5%
	2008-09	918	396	43%	304	77%	33%	273	90%	69%	30%
	2009-10	644	456	71%	57	13%	9%	-	0%	0%	0%
	<b>Total</b>	<b>2,037</b>	<b>1,048</b>	<b>51%</b>	<b>520</b>	<b>50%</b>	<b>26%</b>	<b>297</b>	<b>57%</b>	<b>28%</b>	<b>15%</b>
KHYBER PAKHTUNKHW A	2006-07	13	12	88%	12	100%	88%	-	0%	0%	0%
	2007-08	419	169	40%	136	81%	33%	18	13%	11%	4%
	2008-09	845	365	43%	270	74%	32%	158	59%	43%	19%
	2009-10	609	432	71%	46	11%	8%	-	0%	0%	0%
	<b>Total</b>	<b>1,886</b>	<b>977</b>	<b>52%</b>	<b>464</b>	<b>47%</b>	<b>25%</b>	<b>177</b>	<b>38%</b>	<b>18%</b>	<b>9%</b>
Balochistan	2006-07	11	8	75%	8	100%	75%	-	0%	0%	0%
	2007-08	287	148	52%	101	68%	35%	9	9%	6%	3%
	2008-09	740	320	43%	246	77%	33%	155	63%	49%	21%
	2009-10	682	484	71%	45	9%	7%	-	0%	0%	0%
	<b>Total</b>	<b>1,720</b>	<b>960</b>	<b>56%</b>	<b>401</b>	<b>42%</b>	<b>23%</b>	<b>164</b>	<b>41%</b>	<b>17%</b>	<b>10%</b>
FATA	2006-07	5	5	99%	5	100%	99%	4	87%	87%	86%
	2007-08	74	28	38%	3	11%	4%	3	81%	9%	3%
	2008-09	139	60	43%	27	44%	19%	3	11%	5%	2%

## Financial Management Review and Development of Risk Mitigation Plan

	2009-10	80	57	71%	16	28%	20%	-	0%	0%	0%
	<b>Total</b>	<b>298</b>	<b>150</b>	<b>50%</b>	<b>51</b>	<b>34%</b>	<b>17%</b>	<b>10</b>	<b>20%</b>	<b>7%</b>	<b>3%</b>
FANA	2006-07	5	4	77%	4	100%	77%	1	27%	27%	21%
	2007-08	81	26	32%	3	13%	4%	1	39%	5%	2%
	2008-09	130	56	43%	33	59%	25%	2	5%	3%	1%
	2009-10	131	93	71%	21	22%	16%	-	0%	0%	0%
	<b>Total</b>	<b>348</b>	<b>180</b>	<b>52%</b>	<b>61</b>	<b>34%</b>	<b>18%</b>	<b>4</b>	<b>7%</b>	<b>2%</b>	<b>1%</b>
AJ&K	2006-07	6	4	70%	4	100%	70%	-	0%	0%	0%
	2007-08	89	43	48%	4	9%	4%	3	75%	7%	3%
	2008-09	213	92	43%	50	54%	23%	6	11%	6%	3%
	2009-10	171	121	71%	34	28%	20%	-	0%	0%	0%
	<b>Total</b>	<b>478</b>	<b>260</b>	<b>54%</b>	<b>91</b>	<b>35%</b>	<b>19%</b>	<b>8</b>	<b>9%</b>	<b>3%</b>	<b>2%</b>

**Source:** Data collected from respective PIUs and PC1

## ANNEX II: Responsibilities of the Key Financial Management Positions

**Deputy Programme Coordinator (F&A):** Managing overall financial management of the programme including budget preparation of the whole programme, preparation of financial monitoring reports for GoP and Donors, providing guidance to provincial/regional offices in financial matter, review of monthly management accounts, managing procurement, administration and HR functions for the programme.

**Finance Officer:** Preparation of budget, cash plan and reconciliations with districts. Review of financial claims before approval of competent authority, overall responsibility for maintenance of proper books of accounts, facilitate conduct of audit and handling all matters related to financial management.

**Accounts Officer:** Preparation of periodic accounting reports and reports requested by management, pre-audit of all payment vouchers before approval, ensuring budget controls, reconciliation with bank and ensuring compliance with audit recommendations.

**Assistant Accounts Officer:** Assist accounts officer in financial management including preparation of reports, preparation of NIS, processing release, preparation of annual cash and work plan, processing of cases related to procurement and carrying out internal inspection.

**Clerk/ Cashier:** Ensure safe custody of cash, disbursement of cash to payees within stipulated time, receipt of cash and deposit in treasury, maintenance of cash book, maintenance of record relating to advances and adjustments against advances and any other work/ duty assigned by management.

**Accounts Assistant:** Data archiving and safe custody of financial records/ vouchers, preparation of bills/vouchers, maintaining correspondence record, compilation of data and any other work/ duty assigned by management.

## ANNEX III: Training Needs Assessment and Training Implementation Plan

MNCH Programme Training Needs Assessment and Training Implementation Plan										
Sr#	Course Title	Course Description	Required Training Level [ Basic (B) Intermediate (I) Advanced (A)]	Proposed Timeframe	Year wise	Trainee Number	Trainee Name	Trainee Titles / Departments	In-Country / Out of Country (IC) / (OC)	Course Duration
<b>NEED BASED TRAINING</b>										
1	Medium Term Budgetary Framework (MTBF)	Conceptual framework of MTBF and its implementation at GoP. Principles of Output Based Budgeting. How to define goals, objectives, outputs and outcomes. Linkage between policy and budgeting. Costing of outputs and outcomes. Development of indicators to measure performance against outputs. Preparation of future cash flow projections	I	Jul-10	2010	18	Mr. Waheed Khan Mr. Mansoor Ahmed Mr. Naeem Mehmood Mr. Habib-ur-Rehman Mr. Kashif Ali Raza Mr. Iqbal Ahmed Syed Bahadur Shah Mr. Said Amin Mr. Muhammad Abid Mr. Muhammad Imran Mr. Mohammad Nisar Mr. Mian Asif Gul Mr. Ziaullah Dr. Farhat Shaheen Mr. Amjad Khan Mr. Adnan Mir Mr. Sajjad Ali Mr. Aslam Pervaiz	Internal Auditor DDO, Federal PIU FM, Punjab PIU AO, Punjab PIU AO, Sindh PIU AO, Sindh PIU FO, KP PIU AO, KP PIU Acct. Asst., KP PIU Acct. Asst., KP PIU Bio-Statistician, FATA PIU AO, FATA PIU Acct. Asst., FATA PIU Dy. Prog. Cood., AJK PIU AO, AJK PIU AO, AJK PIU AO, FANA PIU AO, FANA PIU	IC	3-4 days - Full Time



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2	Medium Term Budgetary Framework (MTBF)	Conceptual framework of MTBF and its implementation at GoP. Principles of Output Based Budgeting. How to define goals, objectives, outputs and outcomes. Linkage between policy and budgeting. Costing of outputs and outcomes. Development of indicators to measure performance against outputs. Preparation of future cash flow projections	B	Jan-Feb-11	2011	130	Finance Officer Accounts Officer Asst. Acct. Officer Acct. Asst.	At all PIUs and District MNCH Cells on the basis of skill of each individual	IC	One Week - Full Time
3	International Public Sector Accounting Standards	Conceptual framework of IPSAS (Cash Basis and Accrual). Components of financial statements under Cash Basis IPSAS. Reporting entity and consolidation. Third party payments. Reporting budget vs actual information. Reporting commitments, assets and liabilities. Cash flow statement. Reporting external assistance	I	Sep-10	2010	12	Mr. Waheed Khan Mr. Mansoor Ahmed Mr. Naeem Mehmood M.r Habib-ur-Rehman Ch. Shoukat Mr. Sarfraz Mr. Kashif Ali Raza Mr. Iqbal Ahmed Syed Bahadur Shah Mr. Said Amin Mr. Muhammad Abid Mr. Muhammad Imran	Internal Auditor DDO, Federal PIU FM, Punjab PIU AO, Punjab PIU AO, Punjab PIU Acct. Asst., Punjab PIU AO, Sindh PIU AO, Sindh PIU FO, KP PIU AO, KP PIU Acct. Asst., KP PIU Acct. Asst., KP PIU	IC	3-4 - Full Time
4	Procurement Management and PPRA Rules	Overview of PPRA rules. Principles of procurement as defined in PPRA rules. Preparation of procurement plan. Preparing/ developing specifications for procurement. Selection of procurement method. Procedures for tendering. Bid receipt, opening and evaluation. Contract approval and award. Contract management. Handling complaints	I	Aug-10	2010	12	Mr. Khalid Mehmmod Dr. Pervaiz Kamal Khan Dr. Alamgir Khan Mr. Mohammad Imran Mr. Zahoor Ahmed Dr. Farhat Shaheen Mr. Amjad Khan Mr. Adnan Mir Dr. Syed Shabbar Hussain Mr. Sajjad Ali Mr. Ghulam Usman Mr. Wazir Shujat Abbas	AAO, Federal PIU Coordinator, FATA PIU M&E Officer, FATA PIU Proc. Asstt., FATA PIU Logistic Asstt. FATA PIU Dy. Prog. Coord., AJK PIU AO, AJK PIU AO, AJK PIU Asstt. Dir, FANA PIU AO, FANA PIU Admin Officer, FANA PIU Acct. Asst., FANA PIU	IC	2-3 days - Full Time

## Financial Management Review and Development of Risk Mitigation Plan

5	Procurement Management and PPRA Rules	Overview of PPRA rules. Principles of procurement as defined in PPRA rules. Preparation of procurement plan. Preparing/ developing specifications for procurement. Selection of procurement method. Procedures for tendering. Bid receipt, opening and evaluation. Contract approval and award. Contract management. Handling complaints	I	Aug-10	2010	20	Programme Managers Programme Coordinators Dy. Prog. Coordinators	All PIUs	IC	1 days - Full Time
6	New Accounting Model	Accounting policies of gov. of pakistan, chart of accounts, financial reporting, operation of assignment account, reconciliation with banks and accountning offices, maintaining books of accounts and stock registers, commitment accounting.	I	Jan-11	2011	8	Syed Bahadur Shah Mr. Said Amin Mr. Muhammad Abid Mr. Muhammad Imran Dr. Pervaiz Kamal Khan Dr. Alamgir Khan Ch. Shoukat Mr. Sarfraz	FO, KP PIU AO, KP PIU Acct. Asst., KP PIU Acct. Asst., KP PIU Coordinator, FATA PIU M&E Officer, FATA PIU AO, Punjab PIU Acct. Asst., Punjab PIU	IC	2-3 days - Full Time
7	Work Plan and Cash Plan Preparation	Activity planning, resource planning, costing outputs based on template of planning commission	I	Jan-11	2011	5	Dr. Alamgir Khan Mr. Mian Asif Gul Mr. Ziaullah Ch. Shoukat Mr. Sarfraz	M&E Officer, FATA PIU AO, FATA PIU Acct. Asst., FATA PIU AO, Punjab PIU Acct. Asst., Punjab PIU	IC	2-3 days - Full Time
8	Project Management	Project planning, procurement time, scope and cost management, project integration managment, project communication management, project HR management, monitoring and evaluation, earned value technique and critical path analysis.	I	Sep-10	2010	20	Programme Managers Programme Coordinators Dy. Prog. Coordinators	All PIUs	IC	1-2 days - Full Time
9	Public Financial Management	Overview of the country's financial management system including budgeting, accounting and audit	B	Jul-10	2010	20	Programme Managers Programme Coordinators Dy. Prog. Coordinators	All PIUs	IC	1 day - Full Time

## Financial Management Review and Development of Risk Mitigation Plan

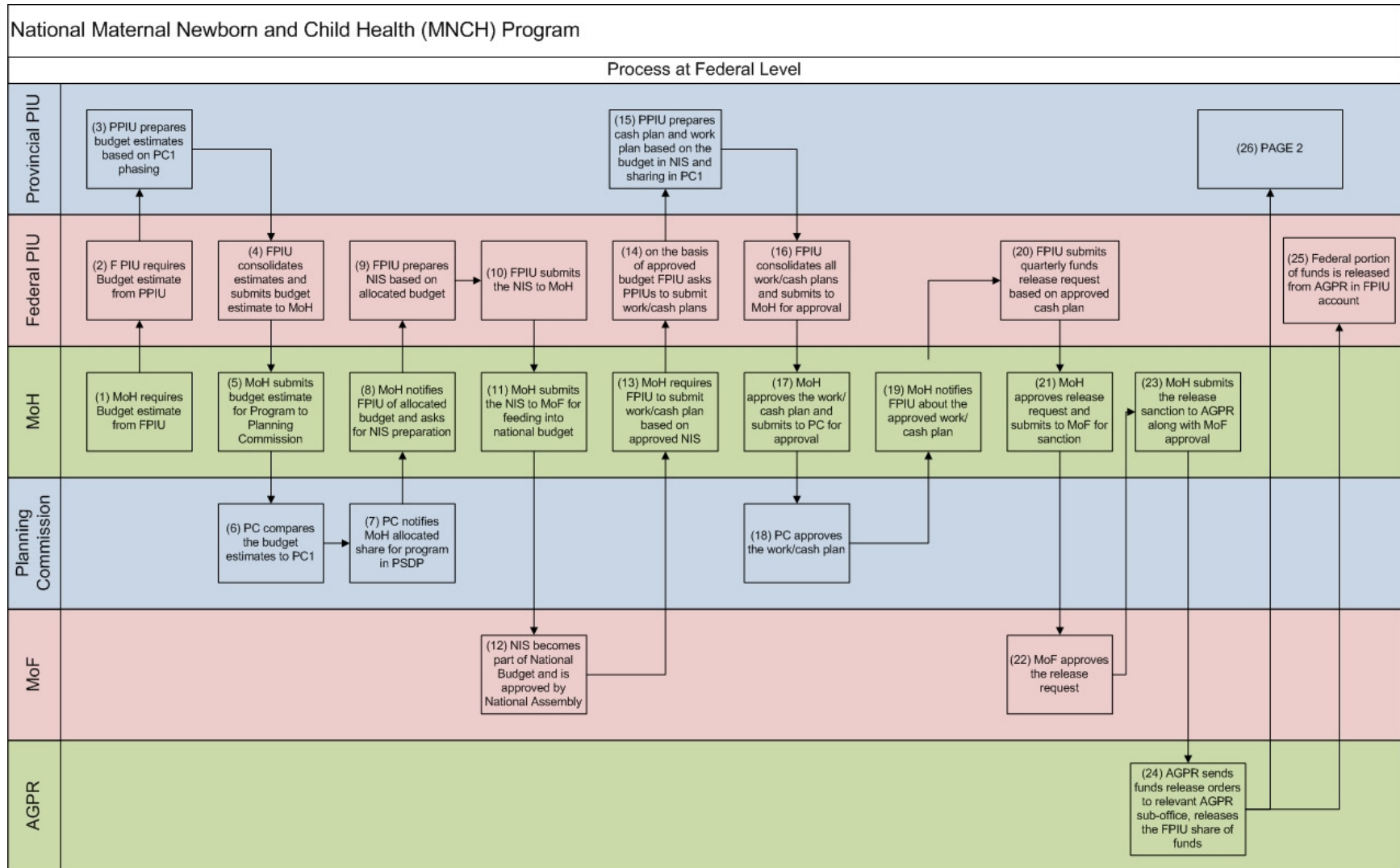
10	Book Keeping and Govt. Rules	Preparation of vouchers, maintaining cash book, preparing trial balance and summary reports. Overview of the Government Financial Rules and staff rules.	I	Jul-10	2010	130	Accounts Assitants	At all District MNCH Cells	IC	3 days - Full Time
11	IT Training	Microsoft Windows, Word and Excel	A	Jul to Sep 10	2010	130	Finance Officer Accounts Officer Asst. Acct. Officer Acct. Asst.	At all PIUs and District MNCH Cells on the basis of skill of each individual	IC	3 days - Full Time
12	Basic Accounting	Principles of Accounting, Financial Statements etc.	I	Sep to Dec 10	2010	130	Finance Officer Accounts Officer Asst. Acct. Officer Acct. Asst.	At all PIUs and District MNCH Cells on the basis of skill of each individual	IC	One Week - Full Time
13	Intenal Audit	Concept, functions, risk based approach, monitoring, follow ups, supporting management	I	Sep to Dec 10	2010	18	Mr. Waheed Khan Mr. Mansoor Ahmed Mr. Naeem Mehmood Mr. Habib-ur-Rehman Mr. Kashif Ali Raza Mr. Iqbal Ahmed Syed Bahadur Shah Mr. Said Amin Mr. Muhammad Abid Mr. Muhammad Imran Mr. Mohammad Nisar Mr. Mian Asif Gul Mr. Ziaullah Dr. Farhat Shaheen Mr. Amjad Khan Mr. Adnan Mir Mr. Sajjad Ali Mr. Aslam Pervaiz	Internal Auditor DDO, Federal PIU FM, Punjab PIU AO, Punjab PIU AO, Sindh PIU AO, Sindh PIU FO, KP PIU AO, KP PIU Acct. Asst., KP PIU Acct. Asst., KP PIU Bio-Statistician, FATA PIU AO, FATA PIU Acct. Asst., FATA PIU Dy. Prog. Cood., AJK PIU AO, AJK PIU AO, AJK PIU AO, FANA PIU AO, FANA PIU	IC	2-3 days - Full Time
14	Internal Audit	Risk based approach, management support, monitoring , follow ups, actions etc.	A	Jul-10	2010	1	Mr. Waheed Khan	Internal Auditor	IC	3 days - Full Time
15	Leadership and Management Development		A	Sep-10	2010	20	Programme Managers Programme Coordinators Dy. Prog. Coordinators	All PIUs	IC	1 day - Full Time

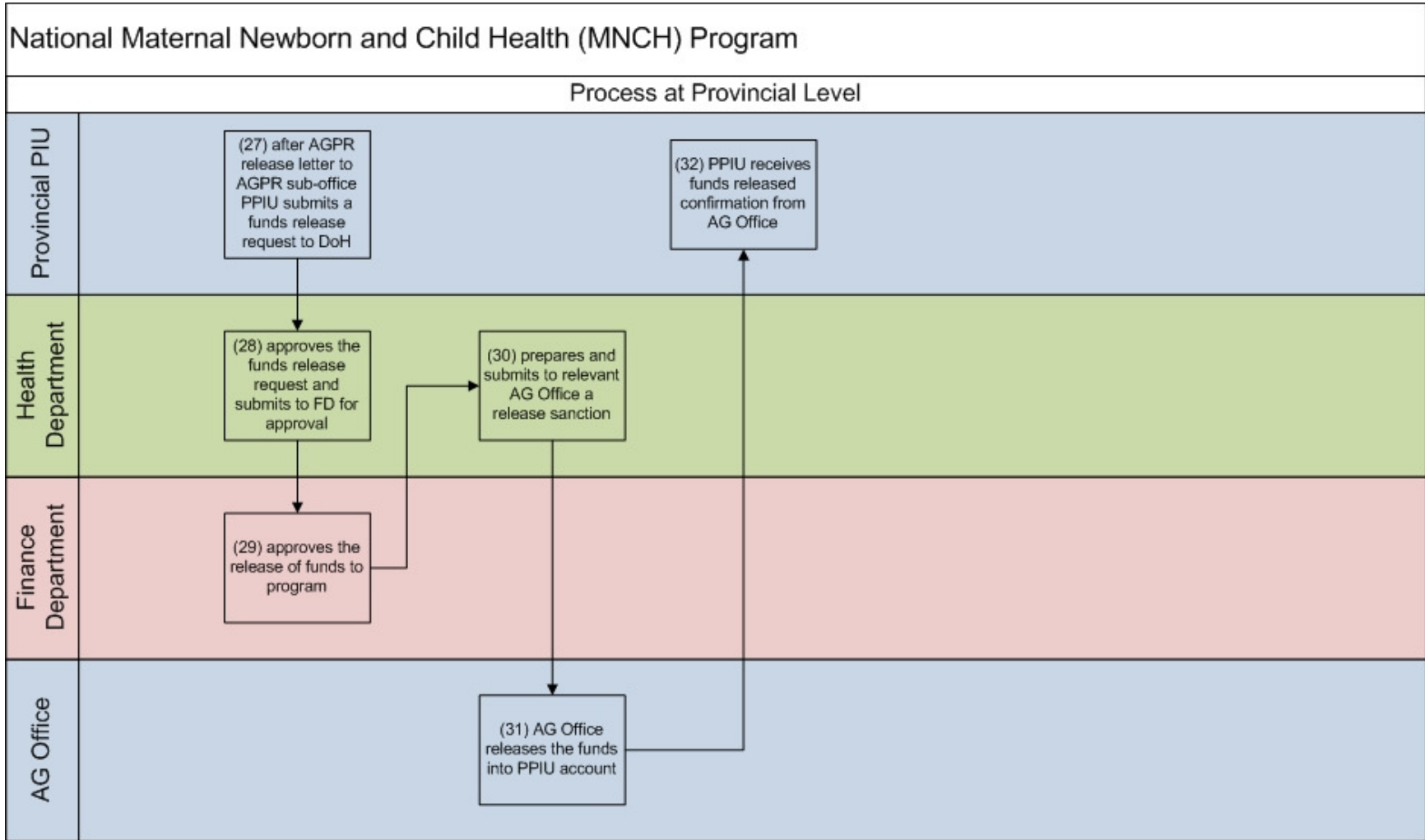
## Financial Management Review and Development of Risk Mitigation Plan

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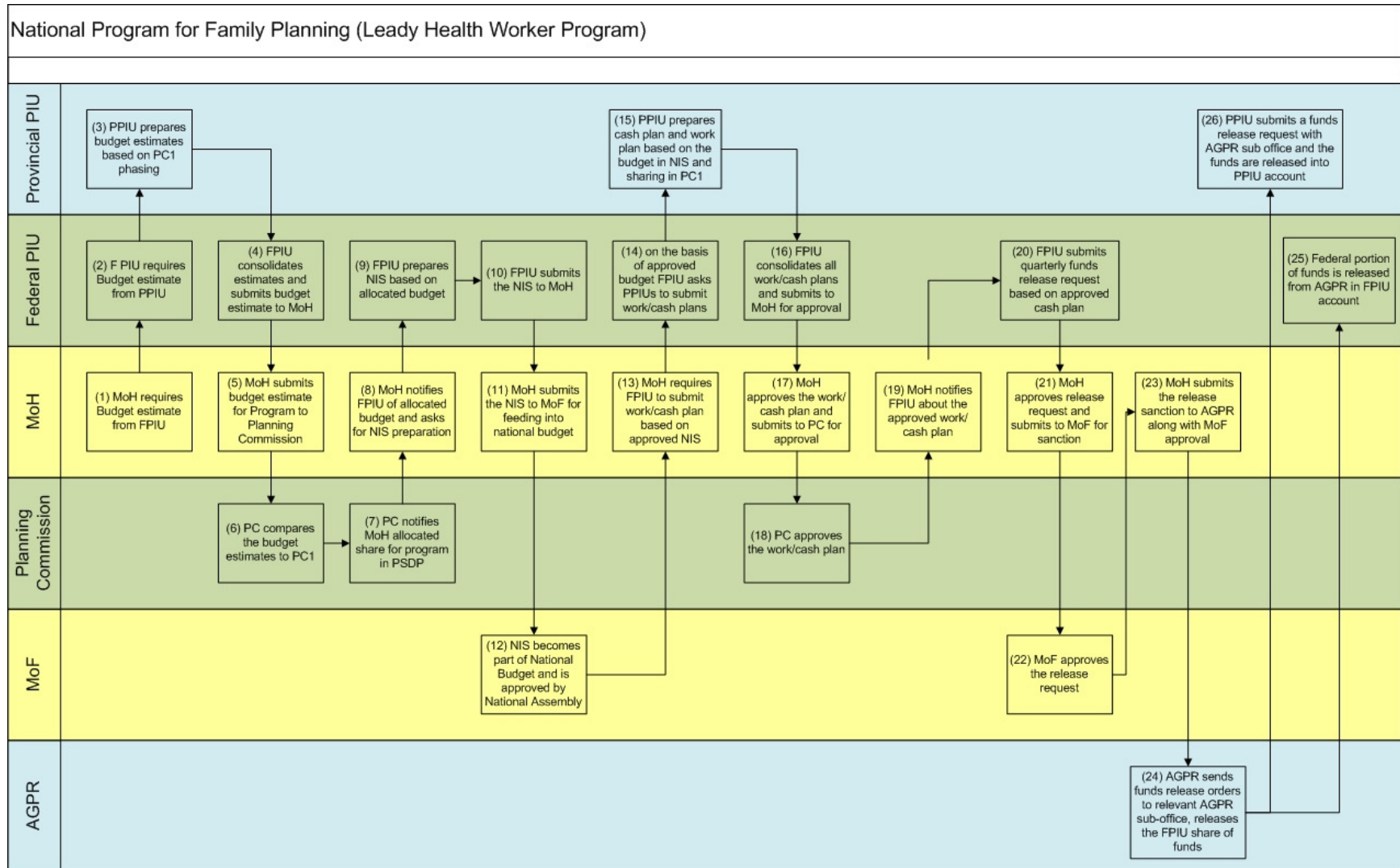
16	Communication Skills		A	Oct-10	2010	20	Programme Managers Programme Coordinators Dy. Prog. Coordinators	All PIUs	IC	1 day - Full Time

## ANNEX IV: Funds Flow Diagram for MNCH Programme

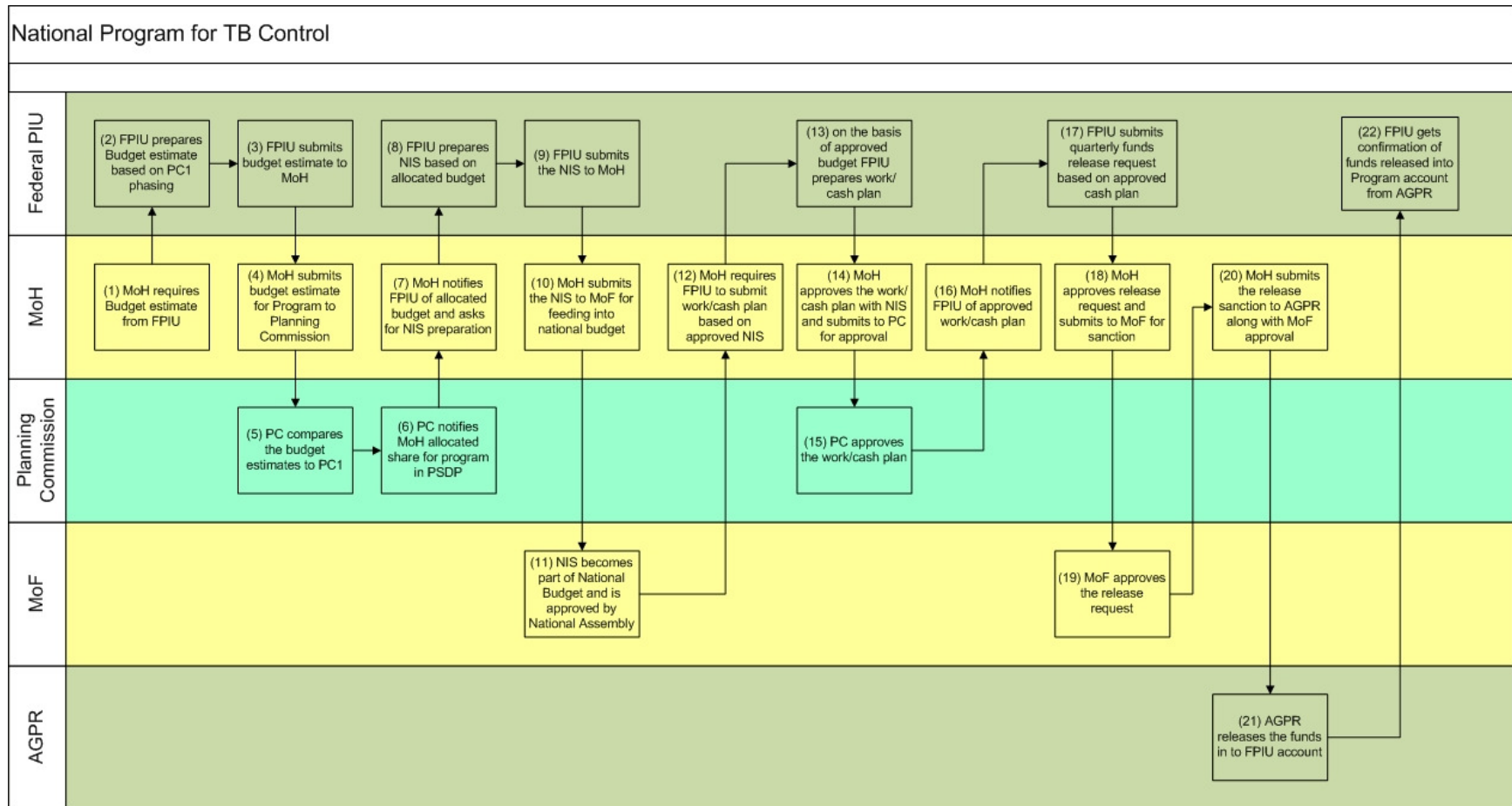




## ANNEX V: Fund Flow of LHW Programme



## ANNEX VI: Fund Flow of TB Programme





## ANNEX VII: MNCH District Level Roll Out Current Status

	Balochistan	Punjab	KHYBER PAKHTUNK HWA	Sindh	FATA	FANA	AJK	Total
MNCH Cell at districts established and all payments made through Account IV	-	36	-	-	-	-	-	36
MNCH Cell at districts established and all payments made through District Assignment Account	14	-	-	-	-	-	-	14
MNCH Cell at districts established but only O&M payments made through District Assignment Account	-	-	-	-	-	-	8	8
MNCH Cells established and all payments are made at provincial level	-	-	24	-	-	8	-	32
MNCH Cells not established and all payments are made at provincial level	9	-	-	23	6	-	-	38

## Financial Management Review and Development of Risk Mitigation Plan

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Neither MNCH cell established nor any payment made at district level	6	-	-	-	-	-	-	6
	<b>29</b>	<b>36</b>	<b>24</b>	<b>23</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>134</b>

## ANNEX VIII: Criteria for Assessing Systems

Managers need to have a standard framework of control so that they can ensure that minimum standards of control are built into systems which they are designing. In order to assist this process, it is possible to specify general control objectives which can be used to set control criteria for each system. These control objectives can be classified into six broad areas:

- Operations management
- Authority
- Transaction recording and processing
- Asset recording and processing
- Security
- Substantiation

A sample of such control framework is shown below. A manager should ensure that:

### Operations management

Accountability	-	responsibility for specific duties and the span of control is placed clearly on individuals and reporting lines are specified.
Separation of duties	-	the activities of authorisation, execution, custody and recording of a transaction should be segregated.
Overall control	-	relevant and timely information is available to all levels of management to enable them to exercise control over their operations.
Operating policies	-	are clearly stated and communicated to all those people who need to know.
Operating arrangements	-	are clearly stated and communicated to all those people who need to know.

Satisfactory performance of the arrangements for operations management should ensure that all managers or managing bodies establish control over their affairs. Of course, that is not enough and management needs some mechanism for ensuring that these controls are exercised, namely that:-

Compliance	-	procedures are specified which ensure that the arrangements and procedures established are complied with.
<b>Authority</b>		
Statutory authority	-	services and transactions are in accordance with legislation and government department instruction
Professional authority	-	standards of service provision <sup>35</sup> are in accordance with, and certainly no better than professionally recommended standards.
Organisational Authority	-	services, establishment levels, contract terms and conditions and transactions are in accordance with Managerial policies.
	-	procedures for incurring expenditure, collecting income and the custody and disposal of assets are in accordance with Managerial policy.
	-	assessment scales and scales of charges are regularly reviewed and approved by the appropriate level of management.

### Transaction recording and processing

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<sup>35</sup> NB: authorisation of the level of standards and provision lies with the elected body though professional guidelines may provide an independent yardstick against which to assess policy.

Authorisation	-	transactions are authorised in accordance with the Body's standing orders and financial regulations or other arrangements.
Occurrence	-	recorded income and expenditure did in fact occur.
Completeness	-	all transactions have been processed and recorded in the accounts or permanent records as appropriate.
Measurement	-	transactions have been valued in accordance with the Body's accounting policies.
Timeliness	-	transactions were initiated or recorded within a reasonable timescale.
Propriety	-	each transaction is a correct charge against the Body.
Disclosure	-	each transaction is coded to the correct accounting classification.

### Asset recording and processing

Existence	-	recorded assets exist.
Ownership	-	recorded assets are owned by or attributable to the Body.
Completeness	-	all assets are recorded in accordance with standing orders and financial regulations.
Valuation	-	recorded assets have been valued in accordance with the Body's policies.
<b>Security</b>		
Transaction streams	-	all prime documents for income and expenditure are secure and custody clearly stated.
	-	access to prime documents is properly authorised.
Assets	-	all assets are secure and custody clearly stated.
	-	access to assets and asset utilisation is properly

		authorised.
Permanent records	-	permanent records are secure and custody clearly stated.
Timeliness	-	transactions were initiated or recorded within a reasonable timescale.
<b>Substantiation</b>		
Assets	-	recorded assets are periodically compared with financial and other information from an independent source.
	-	recorded assets are physically checked and the need for write off provisions assessed.
Permanent records	-	recorded information is periodically compared with prime data or checked physically if this is appropriate.

These objectives could be established by managers and accountants as general control objectives when designing a system. From these, each system would have specific control objectives designed for it based on the general control objectives. This would then provide a model control framework to design each system.

## ANNEX IX: Evolving Externalities with Implications for MNCH Programme

### SINDH

#### NFC Award

The team observes lower ownership for the MNCH programme, in the event that the programme is devolved to the province as a consequence to the implementation of the recent NFC award. Having said that, the team's engagement with the relevant authorities finds that MNCH Programme, overall through the country, has a much higher ownership by the Government than LHW and TB. This finding has been validated by the participants of the Mini Review during March 2010. In Sindh, it is felt that the provincial programmes including the hepatitis control may be given preference for additional funding if fiscal space becomes available. Furthermore the funds will be used for existing and on-going projects in comparison to a new programme.

#### MTBF

There are indications at the senior most administrative levels that Sindh Government has in principal decided to introduce MTBF in the province. However there is no clarity on the timeframe and its seen as a longer term activity. Preparatory work is being carried out, in this regard.

#### Devolution

There were only two Sections amendments in the Sindh Ordinance under the amendment bill passed in February 2010 by the provincial Assembly. The amendments are regarding holding of election. Instead of original section 153, which held election on non-party basis the following was substituted:

**“Section 153. Elections on party basis.** The Local Government Elections shall be held on party basis: Provided that individual candidates can also contest the elections independently”.

The original Section was drafted in the Martial law regime therefore it disallowed the basic democratic right to have party based election.

The second change was the insertion of a new Section for holding new elections and dissolution of the present posts. After Section 179, the following new Section shall be added:

**“Section 179-A. Conduct of Elections:** - (1) Notwithstanding anything contained in this Ordinance, for the purpose of holding next elections to the Local Governments, all the Local Governments viz, the District Governments, City District Government, Taluka Municipal Administrations, Town Municipal Administrations, Union Administrations, the Zila Councils, Taluka Councils, Town Councils and Union Councils in the Province shall stand dissolved on the date as may be notified by the Government.

(2) On dissolution of Local Governments under sub-section (i) all the Nazims and Naib Nazims of all the local Governments, viz, District Governments, City District Government, Taluka Municipal Administrations, Town Municipal Administrations, Union Administrations and Members of the Councils shall cease to hold their respective offices.

(3) The Government shall appoint civil servants as Administrators who shall perform the functions and exercise the powers of the Nazims of respective Local Governments, till the newly' elected Nazims take oath of their offices.

(4) The Government may from time to time issue directions to the Administrators in the performance of their function or exercise of powers under sub-section (3).

(5) (a) On dissolution of the Local Governments and Councils, the Government shall within 30 days request the Chief Election Commissioner for holding the elections of Local Governments in a time frame not exceeding 120 days from date of appointment of Administrators.

(b) The elections of the Local Governments shall be conducted under this amendment or new enactment. In case any new law is not passed, the elections shall be conducted under this amendment. In any case, the Government shall ensure elections within 120 days within the scope of clause (a) above.



(c) The Election Commission shall announce the schedule as per clauses (a) and (b) above and the election schedule so announced shall be governed by the Election Commission Rules.”

Statement of objects and reasons

## BALUCHISTAN

### Devolution

Senior administrative levels of Baluchistan Government view that presently no changes in the Local Bodies Act have been made which may affect the devolution process. However, changes in future cannot be ruled out.

### NFC Award

Province expects that additional funds would help them finance the development program in a good way as the program remains under financed at present. Moreover, they also expect to launch more schemes in the social sector.

### MTBF

The province started the initiative in 2004-2005 and continued till 2006-2007 but has not accrued much success and ownership at the provincial public financial management systems.

## KHYBER PUKHTUNKHWA

### MTBF

MTBF is slowly being implemented in the Province and said to be getting some traction, more recently. There is dire need of training.

### NFC Award

The award is still being in unbundled and there is uncertainty about its final outcome. There is however a feeling that if additional funds become available the province would be able to implement various funds more effectively.

### Devolution

Devolution is still an ongoing process and there is still much uncertainty about its final shape.

## PUNJAB

### MTBF

Health Department is amongst the pilot departments for implementation of MTBF in Punjab. Whilst some elementary level budget making has been started, including HoD, there is still a long way to transform to MTBF, substantively.

### NFC Award

The team observes lower ownership for the MNCH programme, in the event that the programme is devolved to the province as a consequence to the implementation of the recent NFC award. Having said that, the team's engagement with the relevant authorities finds that MNCH Programme, overall through the country, has a much higher ownership by the Government than LHW and TB. This finding has been validated by the participants of the Mini Review during April 2010.

### Devolution

The Punjab Local Government (Amendment) Bill 2010 was passed on 23 February 2010 to make amendments in the appointment of administrators in place of district and tehsil nazims in the province for the interim period till the enforcement of the new law.

The government has made amendments in four sections namely Sections 150, 159, 164 and insertion of a new provision, section 179-A, after Section 179.

The Chief Election Commissioner under section 150 of the ordinance has been replaced by Election authority by amendment in section 150 with the following:

**“Section 150 Election Authority:** The government shall appoint an election authority for conducting elections of local governments for a term of four years.”

Sub-section 2 “The election authority shall consist of a chairman and not less than two other members.”

Sub-section 3 “No person shall be appointed chairman unless he has been or is qualified to be a judge of a High Court.”

Sub-section 4 states “A member of the election authority shall be a person who is or has been in the service of Pakistan in BS-20 or above.”

Sub-section 5 “The government shall determine the terms and conditions of service of the chairman and members.”

Sub-section 6 “The election authority shall exercise such powers and perform such functions as may be prescribed.”

Sub-section 7 “The election authority shall, subject to the provisions of the ordinance and the rules, regulate its own procedure.”

Sub-section 8 “The election authority may appoint officers and servants on such terms and conditions as may be prescribed.

Sub-section 9 “It shall be the duty of all executive authorities in the province and all local authorities under the administrative control of the government to assist the election authority in performance of its functions.”

The second amendment is made in Section 159, Term of Office of local governments has been changed from 3 years to 4 years.

**“Section 159 Term of Office:** The term of office of local Governments in district shall be four years commencing from the date of notification of assumption of office by respective councils”

The third amendment is made in Section 164 Notification of results which instead of the chief election commissioner is now to be notified by Election Authority.

**“Section 164 Notifications of results etc:** The Election Authority shall notify the result of every election, by-election and resignation, removal or recall of member, Nazim or Naib Nazim”

The fourth and final amendment is inserted section 179-A slightly different from Section 179-A in the Sindh Ordinance.

**“Section 179-A Dissolution of Local Government** (1) “This section shall have effect notwithstanding anything contained in this ordinance or in any other law.

(2)For the purposes of holding next elections for local governments, all zila councils, tehsil councils, town councils, and union councils shall stand dissolved with immediate effect.

(3 )Consequent upon the dissolution of the councils under sub-section (2), all nazims, naib nazims and member of the councils shall cease to hold their respective offices.

(4) The government shall appoint a person as administrator for a local government to perform the functions and exercise the powers of the nazim, naib nazim and council under the ordinance or any other law.

(5) The government may issue general or special directions to an administrator in the performance of his functions or exercise of powers under sub-section 4.

(6) As soon as may be but not later than one hundred and eighty days, the government shall notify a date for holding of election of the local governments”.

## Persons Met

	<b>Name</b>	<b>Designation</b>
1	Dr. Farooq Akhtar.	National Program Manager MNCH Program Islamabad
2	Dr. Saleem Wali Khan.	Technical Advisor MoH UNFPA, MNCH Program Lahore
3	Mr. Khushaal Abbasi.	Finance Manager MNCH Islamabad.
4	Mr. Mansoor Ahmad.	Drawing and Disbursing Officer, MNCH Islamabad
5	Mr. Muhammad Ghazi.	Accounts Officer MNCH Islamabad.
6	Mr. Waheed Khan.	Internal Auditor.
7	Mr. Ahmed Owaise Pirzada.	Additional Secretary Planning Commission
8	Mr. Asghar Abbasi.	Deputy Chief Planning Commission
9	Mr. Talib Hussain Baloch.	Joint Secretary (Budget) Ministry of Finance
10	Mr. Younas.	Additional Secretary (Provincial Finance) Ministry of Finance
11	Mr. Hassan.	Senior Deputy Accountant General
12	Dr. Safdar Rana.	Deputy Director General, Ministry of Health
13	Mr. Naeem Mahmood.	Deputy Director Finance MNCH Program Lahore
14	Ms. Sabiha Khursheed Ahmad.	Provincial Program Coordinator MNCH Program Lahore
15	Dr. Hijab Farrukh.	Deputy Director MNCH Program Lahore
16	Mr. Habib ur Rehman.	Accounts Officer
17	Mr. Naveed.	Special Secretary Finance Department Lahore
18	Dr. Omer Ghuman.	Deputy Secretary Health Department Lahore.
19	Mr. Umar.	Deputy Secretary (Finance)
20	Mr. Abdul Basit Jasra.	Deputy Accountant General , Lahore
21	Mr. Adnan Rafique.	Assistant Accountant General , Lahore
22	Mr. Muhammad Qayyum.	Accounts Officer Accountant General Office Lahore
23	Mr. Qambar Ali Shah.	Asst. Accounts Officer Accountant General Office Lahore
24	Mr. Abdullah Khan Sumbal.	Special Secretary MoH Lahore
25	Mr. Sarfraz Ahmed.	Deputy Secretary ( B & A) Health Department Lahore.
26	Mr. Anwar Latif.	Chief Health Planning & Development Department Lahore Asst. Chief Health Planning & Development Department
27	Mr. Abdul Majeed.	Lahore

28	Mr. Abdul Haq Bhatti.	Chief Planning Officer P & D Department Lahore
29	Mr. Hamid Siddique.	Senior Planning Officer P & D Department Lahore
30	Dr. Hanif Saqib	District Program Coordinator Lahore
31	Dr. Mah Jabeen	District Program Coordinator Gujranwala
32	Dr. Fayyaz Ahmad Ranjha	Executive District Officer (Health)
33	Dr. Ms. Sahib Jan Badar.	Provincial Program Co-ordinator, MNCH Sindh Deputy Project Manager (Monitoring & Evaluation), MNCH,
34	Dr. Ashiq Hussain Shah.	Sindh Provincial Project Manager, Lady Health Workers Program,
35	Dr. Feroz Memon.	Sindh Provincial Project Manager, National TB Control Program,
36	Mr. Jalbani.	Sindh
37	Mr. Fazal-ur-Rehman.	Chief Secretary, Govt of Sindh
38	Mr. Kashif Ali Raza	Admin and Procurement Officer MNCH Karachi
39	Mr. Iqbal Ahmed	Accounts Officer MNCH Karachi
40	Dr. Nisar Mr. Muhammad Arshad	MNCH Focal Person Hyderabad
41	Khokhar	Section Officer, Finance Department, Sindh
42	Mr. Agha Nasir.	Additional Accountant General, Sindh
43	Mr. Muhammad Shafi Junejo.	Accounts Officer, AG Office, Sindh
44	Dr. Khalid Ahmed.	Additional Secretary (Development) Health Department, Sindh
45	Mr. Mohsin Sheikh.	Deputy Director (Development), Health Department, Sindh
46	Ms. Shaista Jabeen.	Additional Director (Development), Health Department, Sindh Provincial Program Coordinator MNCH Program KHYBER
47	Dr. Salar Khan.	PAKHTUNKHWA
48	Mr. Syed Bahadar Khan.	Finance Officer MNCH Program KHYBER PAKHTUNKHWA Section Officer, Finance Department, KHYBER
49	Mr. Anwar ul Haq.	PAKHTUNKHWA Assistant Accountant General, AG'S Office, KHYBER
50	Mr. Mohammad Ajmal.	PAKHTUNKHWA Section Officer, Health Department, KHYBER
51	Mr. Adeel.	PAKHTUNKHWA
52	Dr. Shokat Hussain	Public Health Specialist, MNCH Cell Haripur

53	Dr. Muhammad Idress	EDO (Health), Haripur
54	Dr. Muhammad Nawaz	MS – District Headquarter Hospital, Haripur
55	Mr. Muhammad Usman	Accounts Assistant, MNCH Cell Haripur
56	Dr. Pervaiz Kamal.	Regional Coordinator MNCH Program FATA
57	Mr. Mian Asif Gul.	Accounts Officer MNCH Program FATA
58	Mr. Zaiullah.	Assistant Accounts Officer MNCH Program FATA
59	Mr. Muhammad Nasir.	Epidemiologist MNCH Program FATA
60	Dr. Sahib Gul.	Additional Director, MNCH FATA
61	Dr. Muhammad Nazeem Khan	Program Coordinator MNCH Program Gilgit-Baltistan
62	Mr. Sajjad Ali	Accounts & Finance Officer MNCH Program Gilgit-Baltistan
63	Mr. Aslam Pervaiz	Government Officer MNCH Program Gilgit-Baltistan
64	Mr. Pervaiz Ahmed	M & E Officer MNCH Program Gilgit-Baltistan
65	Mr. Ghulam Usman	Admin Officer MNCH Program Gilgit-Baltistan
66	Ms. Jahan Noor	Communication MNCH Program Gilgit-Baltistan
67	Dr. Sher Hafiz Khan	District Health Officer Ghizer
68	Dr. Yousuf Bizenjo.	Provincial Coordinator MNCH Balochistan
69	Dr. Rafiq Mengal.	Deputy Provincial Coordinator MNCH Balochistan
70	Dr. Hafiz Inayat.	Deputy Provincial Coordinator MNCH Balochistan
71	Mr. Bala Chand	Accounts Officer
72	Dr. Raj Raisani.	Communication Officer MNCH Balochistan
73	Dr. Hafiz ur Rahman.	Epidemiologist MNCH Balochistan
74	Mr. Sher Zaman.	M & E Officer MNCH Balochistan
75	Mr. Akbar.	Accounts Officer MNCH Balochistan
76	Dr. Noor Muhammad Baloch	Project Manager National TB Control Program
77	Mr. Farooq Akhtar Qazi	Finance Officer LWH Program
78	Mr. Nurul Amin Mengal.	Additional Finance Secretary Balochistan
79	Mr. Shamsuddin.	Deputy Accountant General AG Office Balochistan
80	Mr. Jalal Kakar.	Secretary Health Department Balochistan
81	Mr. Qayum Nazar Changezi.	Additional Chief Secretary (Development) Balochistan
82	Mr. Tahawar Ahmad	F.A Health
83	Mr. Asif Sheikh	Chief (Programming) P&D Division

84	Dr. Tariq Jaffar.	Chief Planning Officer Balochistan
85	Dr. Abdul Qadir	District Programme Coordinator Quetta
86	Dr. Sardar Mehmood	Regional Program Manager MNCH Program Muzaffarabad
87	Mr. Amjad Khan	Accounts Officer
88	Mr. Adnan Mir	Accounts Officer
89	Mr. Raja Umair Siddiqui	Accounts Assistant
90	Dr. Maryam	In-charge, MNCH Cell Muzaffarabad
91	Mr. Arsahd Abbasi	Accounts Assistant
92	Mr. Muhammad Sabir Abbasi	District Health Officer, Muzaffarabad

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