

PN.ABW-939  
97870

**A STUDY OF FINANCIAL MANAGEMENT SYSTEM OF THE  
DIRECTORATE OF PRIMARY EDUCATION  
IN THE NWFP AND BALOCHISTAN**

*Prepared by*

**Mian M.Nazeer**

*for*

**Academy for Educational Development Inc.  
Project Office, Primary Education Directorate  
Hayatabad, Peshawar**

*April 1994*

# Table of Contents

## EXECUTIVE SUMMARY

	<u>Page</u>
<b>Part-I. <u>Introduction</u></b>	
. Background	1
. Scope of Work	3
. Methodology and Approach	5
- Identifying the main issues	6
- Review of the relevant documents	7
- Interviews	10
- Evaluation of the Computerized System	11
<b>Part-II <u>Resources and Expenditures</u></b>	
<b>I <u>Provision and Coordination of Resources</u></b>	
1. <u>Provision and Coordination of Resources in the N.W.F.P.</u>	
a. Provision	14
b. Coordination	16
c. Status of the PLA	18
2. <u>Provision and Coordination of Resources in Balochistan</u>	
a. Provision	19
b. Coordination	21
<b>II. <u>Financial Information of Primary School Sections in Secondary Schools in N.W.F.P.</u></b>	<b>23</b>
<u>Financial Information of Primary School Sections in Secondary Schools in Balochistan</u>	25

	<u>Page</u>
<b>III. <u>Maintenance and Reporting of PE Expenditure in NWFP</u></b>	27
<b><u>Expenditure Reporting in Balochistan</u></b>	29
<b>IV. <u>Categorization of Receipts, Withdrawals and Expenditure - NWFP</u></b>	31
<b><u>Categorization of Receipts, Withdrawals and Expenditure - Balochistan</u></b>	33
<b>V. <u>Appropriateness of Information Regarding Financial Resources and Representation of the Totality of All Expenditures - NWFP</u></b>	35
<b><u>Appropriateness of Information Regarding Financial Resources and Representation of the Totality of All Expenditures - Balochistan</u></b>	39
<b>Part-III <u>Current Budgetary and Expenditure Process</u></b>	
<b>A. The Process in NWFP</b>	43
<b>B. The Process in Balochistan</b>	46

	<u>Page</u>
<b>Part-IV</b> <b><u>The Degree of Control Exercised by the Director PE</u></b>	50
<b>A.</b> <b><u>The Position in NWFP</u></b>	
.    Recurrent Funds	51
.    Development Budget	53
.    Donor Funds	53
.    PLA Accounts	53
.    Internal Checks	54
.    Stock Checking/Fixed Assets Register	55
.    Role in Budget Making	55
<b>B.</b> <b><u>The Position in Balochistan</u></b>	56
<b>Part-V</b> <b><u>Current Computerized System - Is it Fully Representative?</u></b>	
.    The System in the NWFP	59
.    The System in Balochistan	63
<b>PART-VI</b> <b><u>Recommendations</u></b>	66

## Abbreviations

ADB	-	Asian Development Bank
ADP	-	Annual Development Programme
AG	-	Accountant General
AMPE	-	Assessment Monitoring and Policy Evaluation
AWP	-	Annual Work Plan
BEMIS	-	Balochistan Educational Management Information System
DCW	-	Director Civil Works
DDO	-	Drawing and Disbursing Officer
DEO	-	District Education Officer
EMIS	-	Educational Management Information System
FAWP	-	Fifth Annual Work Plan
FMIS	-	Financial Management Information System
FMS	-	Financial Management System
NGO	-	Non-Government Organization
PE	-	Primary Education
PED	-	Primary Education Directorate
PEDP	-	Primary Education Development Programme
PIL	-	Project Implementation Letter
PLA	-	Personal Ledger Account

**Abbreviations (Contd.)**

PMIS	-	Personnel Management Information System
PSDP	-	Public Sector Development Programme
SAP	-	Social Action Programme
SDEO	-	Subdivisional Education Officer
SE	-	Secondary Education
WFP	-	World Food Programme



## Executive Summary

The financial resources used in support of primary education are shown under two heads - development and recurring budgets. In both the provinces - NWFP and Balochistan - the Director PE has control over a large portion of the development budget for his sector but little control over the recurring budget. There is anyway not much leeway for control in the recurring budget, as the salary component is a given commitment while the non-salary base is too small to permit of any meaningful exercise. This category of budgets represents more a tradition of provision rather than any particular criteria or norms.

2. As regards the coordination of the donor funds, the Director PE in Balochistan has a clear role to play while his opposite number in NWFP has no say except in the USAID grant. The sphere of influence and control of the Director PE must extend to all activities bearing on the PE Sector if the goals of effective planning and performance control are to be achieved. Detailed recommendations are given in the report.

3. Financial information about the Primary Schools (Sections) in Secondary Schools is not clearly reflected in the FMS of PED in both the Provinces, and is bound to remain so till all the school tiers are fully bifurcated and there is no overlap of the spheres of control and accountability. Such bifurcation seems to be on the cards in both the Provinces.
4. The system of maintaining and reporting expenditure in both the Provinces fails to capture all expenditures committed to primary education. In both the Provinces, a great deal of such expenditure is neither consolidated nor visible. There is no single information format to reflect all expenditures on PE at a glance. In any case, the preset cash basis of accounting is no longer sufficient to meet the needs of PED.
5. In the NWFP, the categorization of receipts, withdrawals, and expenditures is not listed in keeping with the operational classifications contained in the PIL 8. To secure this, the PED will have to move the Auditor General's Office with full justification of how such a classification will improve resource planning and management.

6. In Balochistan, however, the new functional codes have been incorporated into the proformae, and reporting done accordingly. However, in both the provinces, the FMS basically remains unchanged in terms of management requirements.
7. The information base of the Directorate of PE in both the Provinces neither reflects ALL the expenditures nor ALL the financial resources committed to PE. This is because these Directorates are not the ONLY agency for funds going into PE. Funds are channelled and expended through a variety of outlets, and are therefore not recorded in the FMS of these Directorates. For that, the database of the PE Directorates must be expanded to include information about all these sums of money, and the element of overlap must be removed by separating PE cadres from the rest of the school system.
8. The report describes in detail the current budgetary and expenditure process of the PED in both the provinces and recommends certain rectifications in the system, particularly as regards the verifiability and certifiability of the PE expenditure incurred by the DEOs/SDEOs.

9. To augment the degree of control exercised by the Director PE, the consultant recommends regular internal checks and field audits, financial discipline in the operation of PLA (PED-NWFP), regular stock checking, and getting the Personnel Management Information System in place. It is also recommended that the Director PE in both the Provinces must be involved in the finalization of PE budgetary proposals, and in the appraisal and evaluation of PE Sectors development schemes. Also, he must enjoy freedom from outside interference in decision-making, in meting out punishment and rewards and, should have some measure of supervisory authority over the construction work undertaken by agencies other than the Directorate's own.
10. The Computerized System in both the provinces is not set up to serve the needs of financial management. It is designed more for reporting data than for anything else. The only help that it gives in financial management is by way of computerizing the existing manual system, aiming as it does at securing the limited objectives of speed and accuracy. To be able to help financial management with a view to securing performance control and effective planning, the database of the computerized system will

have to become fully comprehensive, and address the management requirements by processing data according to a need-oriented framework of information.

11. Detailed recommendations have been developed in the report for the redesign of the FMS, which if carried through will also involve changes in the Computer Software. It is further recommended that the consultant redesigning the system take into account the corrective actions proposed for the present set-up, since such actions are essential to enable any FMS to function and operate effectively.
12. It is recommended that the accounting component of the FMS be so redesigned as will perform the generally accepted accounting functions. The merit of converting the present cash accounting system into a double entry, accrual system be looked into. To achieve the objectives of redesigning the system, it is advisable to think out alterations/additions in the administrative set-up for which some of the lines have been indicated.

## **PART I**

### **INTRODUCTION**

#### **Background**

At the time of the launching of the USAID sponsored Primary Education Development Program, it was clear that the financial management system (FMS) of primary education (PE) in the NWFP and Balochistan provinces will need to be repatterned if it is to meet the requirements of the new program. Evidently, since the existing FMS was a subset of a given system of management, which itself was being changed and modified, it (FMS) had also to undergo changes to reflect the new set-up and the new perceptions about the role of PE, the size and sources of its funding and its requirements of management and performance control.

The Project Implementation Letter (PIL) No. 8, issued by the USAID Mission to Pakistan in May 1990, laid down the guidelines for setting up a financial management system that "will represent ALL financial resources in primary education (PE), both donor and provincial". The system was expected to reflect both budgetary allocations and expenditures, and was eventually to be computerized.

This was considered necessary for both planning of PE and a more effective management of PE resources. Additionally, the donors had wanted this system to be transparent and comprehensive, and maintained in a manner that will facilitate control of performance. The donors had wanted to supplement the resources of the provinces committed in support of PE. For want of transparency, they rightly fear the possibility of the provinces substituting donor funds for their own allocations. Again, a system that is not clearly streamlined could be hosting a lot of inefficiencies with the resultant wastage of resources.

While some progress towards streamlining the system on the lines indicated was made, the mission noted a set of varied problems bearing on the reliability of budgetary and expenditure data, with the result that "it continues to remain difficult for donors to argue for provincial fiscal responsibility in the area of primary education". It was therefore decided to acquire the services of a Financial Management Specialist to look in the various issues both in Balochistan and NWFP, and come up with specific recommendations.

This study was commissioned through an agreement signed between the Academy for Educational Development Inc. and the consultant on Financial Management System, on October 25, 1993

(Contract No. 391-0497-C-00-0546-00). The Scope of Work of the consultant was as given below.

### **Scope of Work**

"The consultant will:

- 1 Examine the individual financial management systems to see how far along they are in containing appropriate financial information for all financial resources used in support of primary education in the two provinces, including an analysis of whether and how the financial information on primary schools (sections) in secondary schools is reported on and used in the Primary Directorate financial management system.
- 2 Examine the financial management system in each province to see how well it represents (contains) all expenditures on primary education.
- 3 Interview the appropriate provincial authorities to ascertain their financial reporting and auditing requirements and how those may influence or limit changes that can be made in the existing system to make it more functional, streamlined for efficiency, and fully representative of allocations

(budget) and expenditures from all sources supporting any aspect of primary education in the two provinces;

These will include appropriate officials in the Dept. of Finance, the Secretariat of Education, the Auditor General's offices, the Accountant General's offices, and the Directorates of Primary Education.

4. Examine the current budgetary and expenditure process in both provinces. How are different accounts handled? Where are they recorded? What records are maintained there?
5. Examine what control the Directors of Primary Education have over budgeting and expenditures on all Primary Directorate staff salaries; e.g. DEOs, SDEOs, teachers, etc, as well as over all other classes of expenditures.
6. Examine what portion or portions of a fully representative system the current computerized system in each province represents.
7. On all these points make recommendations in the final report of the consultancy for corrective actions to be taken in Phase II in the redesign of the financial management system."

## Methodology and Approach

The methodology of the study comprised the following major components:

- i. Identification of the main issues involved;
- ii. A review of all the relevant documents bearing upon the subject matter of the study;
- iii. Interviews with the concerned authorities in the two provinces
  - a. to elicit their views and secure information/cross-check the information collected;
  - b. to ascertain their financial reporting and auditing requirements, and the way these requirements and the existing FMS interact;
  - c. to know about the policy and policy reforms initiated which relate to the FMS;
- iv. Interviews with the relevant officials of the donor agencies/donor funded projects to see how the grant component of the PE resources and its expenditure is administered.

v. Have a close look at the computerized system (EMIS) in the two provinces and see as to what degree does it meet the requirements of a fully representative system? In other words,

- What does it contain?
- How comprehensive is it?
- How far along will it serve as an instrument of planning and management?
- What have been the major considerations shaping it as it is?

**a. Identifying the main issues**

The main issues were derived from the Scope of Work (SOW), and were further fine tuned during discussions with Dr. Wade Robinson, Chief of the Party, PEDP, at Peshawar; Dr. William G. Darnell, Team leader, Planning and Administration, PEDP, at Quetta; and in discussions held with Dr. Sarah Tirmazi, Chief, HRD Division and Mr. Nadir Abbas at the USAID Mission, Islamabad, on November 21 and 23, 1993. The consultant was also enlightened by his perusal of some of the base documents referred to below.

## **b. Review of the Relevant Documents**

Essentially, four sets of documents have been reviewed so far:

- i. Those supplied together with SOW and at the time of signing the agreement. These were
  - A copy of the original letter containing the SOW of the Financial Management Specialist and / or Accounting Firm;
  - The Project Implementation Letter (PIL) 8 and MOU dated May 8, 1990;
  - The Fifth Annual Work Plan (FAWP) of June 7, 1993;
  - The PLM - Primary Education Development Program (391-0497) NWFP; and
  - The PEDP estimated budget, FAWP, revised June 19, 1993.
- ii. The two reports prepared by the Mr. H.U. Beg and the relevant portions of the Evaluation Report;
- iii. Budget documents and other relevant material provided by the Primary Education Directorates, Peshawar and Quetta, and those secured from the relevant sections of the

provincial Civil Secretariats and some DEOs and SDEOs;  
and

iv. Such documents as bear directly and indirectly upon the  
FMS study, as

1. Authorized Current Expenditure, July-October 1993 (Education), Govt. of NWFP, Finance Department, Vol.III, Part A.
2. Govt. of NWFP, Demands for Grants (Development Expenditure) for 1992-93, Vol.III, Part E.
3. Annual Development Program (last two issues), Govt. of NWFP, P&D Department.
4. PC-I, Primary Education Development Program, Govt. of NWFP, October 1989.
5. Delegation of Powers under the Financial Rules and the Powers of the Re-Appropriation Rules (Revised 1992), Govt. of NWFP, Finance Department.
6. Primary Education Development Program for Balochistan (USAID) PC-I, September 1989.

7. Public Sector Development Program 1993-94, Government of Balochistan, sector Social Action Program, sub-sector Primary Education.
8. Primary Education Development (PED), Fourth and Fifth Annual Work Plans for Balochistan.
9. Project Agreement (Balochistan PEP) between IDA and the province of Balochistan, May 19, 1993.
10. Officers' Guide, Education Rules and Regulations, Directorate of PE, Balochistan, May, 1993.
11. PC-I, Primary Education Development Program, Government of Baluchistan, October 1992.
12. Reference books such as
  - Account Code, Vol. I
  - Education Code, NWFP
  - General Financial Rules, Vol.I.
  - Treasury Rules of the Federal Government.
  - A Handbook for Drawing and Disbursing Officers, 1982.

- Chart of Classification of Federal and Provincial Governments; Receipts and Disbursements, issued by the Auditor General of Pakistan.

13. Also perused were some readily available source material on SAP, especially the following:

- Pakistan Social Action Program Project, Aide-Memoire of the World Bank Mission, September, 1993;
- Social Action Program of NWFP, Operational Plan 1993-94, December 1993; and
- Social Action Program 1993/94 - 1997/98, Government of Balochistan, December 1993.

### **c. Interviews**

The interviews were conducted on the basis of an open-ended schedule of interviews. In the NWFP, interviews were held at the PE Directorate (including two extended sessions with the Director PE), at the Accountant General's Office (including the Accountant General and the Deputy Accountant General) at the Auditor General's office, in the

P&D Department of the Government of NWFP (SAP and Education Sections) with the Secretary and Additional Secretary Education (Mr. Hifz-ur-Rehman), the Additional Secretary Finance (Ms. Ali Begum), Professor Ibrahim Beg, formerly Additional Secretary, P&D Department, and some DEOs and SDEOS.

Interviews in Balochistan were similarly conducted. These interviews started with the PE Directorate and those interviewed included the Director PE, the Deputy and Assistant Directors and the team leader of the USAID Project, and concerned people at the Departments of Education, Finance and the P&D Department, the Accountant General, the Director Secondary Education and among others, some DEOs and SDEOs.

Some interviews were also held at Islamabad. These included Mr. H.U. Beg, a former Finance Secretary of the Government of Pakistan and author of the two reports referred to earlier, Ms. Tehsin Syed Khan and Mr. Damianos Odeh at the World Bank (RMP) Mr. Rinus Zijsvelt at the Asian Development Bank, and other concerned officials of the donor agencies and the donor funded projects.

#### **d. Evaluation of the Computerized System**

In Peshawar, extended sessions were held with Mr. Shakeel Akhtar, the EMIS Consultant, Mr. Muhammad Fayyaz, Deputy Director,

Research, Development and Evaluation Section and other concerned officials. Mr. Shakeel Akhtar gave detailed presentations of the system developed by him. Print-outs of the main formats developed for the purpose were also secured from him for detailed perusal.

In Balochistan, the computerized system of the PED has two units, one, the Assessment Monitoring and Performance Evaluation (AMPE) and the other BEMIS. In these two units, the people with whom detailed discussions were held included Sayyed Atta Abbas, Financial Systems Engineer, who is looking after the AMPE Unit; Mr. Fahim Akbar, Project Advisor, BEMIS (Balochistan Education Management Information System); and Dr. Brian J. Spicer, Consultant to BEMIS on Data Utilization. Mr. S.A. Abbas gave a detailed presentation of what he is doing; Mr. Fahim Akbar briefed the consultant on the nature and scope of the work currently undertaken by the Balochistan Education Management Information System; and Dr. Spicer talked about who all the users of the BEMIS data can be / are and on how to improve the quality of data utilization. Some print-outs of the flow diagrams and formats developed by the AMPE unit were also secured for eventual perusal.

## NOTE

While the Directorate of PE in NWFP started functioning from January 1, 1991, the Directorate of PE in Balochistan came into being only last year, i.e. 1993. Although funds, including USAID and other donor support funds were committed towards PE Balochistan for nearly as many years as in the case of NWFP, they, in fact, were committed within the unified school education system. The desired isolation came about only late last year (July 1993) when the Directorate PE was formally "bifurcated" and the Director PE was appointed (September 1993). This delay in taking a start, however, was compensated to a degree by certain advantages. The required focus on PE had already taken place; funds had been committed; a support infrastructure developed over time; there was sufficient time for planning the working of the separate directorate; and the desired coordination of all effort aimed at the development of PE was agreed upon in a number of fora, including PC-I documents for donor support project (as for example the PC-I for the World Bank Project, "Balochistan Primary Education Development Program", October 1992).

## PART II

### Resources and Expenditures

#### I Provision and Coordination of Resources

##### 1. Provision and Coordination of Resources in the NWFP

###### a. Provision

The financial resources used in support of primary education are shown under two heads - Development and Recurring Budgets.

The Operating (Recurring) Budgets are provided regularly by the provincial governments and are shown in the budget publication called "Authorized Estimated Current Expenditures" under the following heads:

6 - 41100 -- Administration

6 - 41500 -- Primary Education

These budgets reflect more a tradition of provision rather than any particular criteria or norms (unless, of course, the tradition itself is claimed to be normatively derived). The demands accommodated and the expenditures authorized are preponderated by the salary component. If one was therefore to take the present composition of revenue budgets to reflect the costs of education, then the preponderant element (better than nine-tenths) of cost would work out

to be the salaries of teachers and other auxiliary echelons. Surely, there is more to primary education than personnel, and for that matter to the current costs of primary education than their salaries? Surely, there are non-salary elements the non-provision of which in the budget reflects the criteria used. In fact, it is the balance between these two elements which sets one norm apart from another.

The Development Budget is reflected in the Provincial Annual Development Program under the Sector Education and Training with sub-sector "Primary Education". As may be seen from the 1993-94 ADP (pages 36 - 41), the information herein contained relates to the name and status of the scheme; its estimated cost, etc., for a total of 23 schemes, out of which 7 are unapproved while 16 are approved schemes. Of the 16 approved schemes, 8 are donor funded. These include:

1. Primary Education Charsadda District Project, which is predominantly funded by the Federal Republic of Germany through a grant;
2. Primary Education Development and Expansion Project, World Bank;
3. Primary Education (Girls) Project, funded predominantly by the Asian Development Bank through a soft Social Sector

- loan with a small grant component from the Norwegian Government;
4. Improvement of teaching material for Primary Education, funded by NORAD;
  5. Primary Schools Water Sanitation Program for Districts Dir & Karak, UNICEF;
  6. Promotion of Primary Education for Girls in NWFP, WFP;
  7. Primary Teachers Training Project, Asian Development Bank; and
  8. Primary Education Development Program, USAID.

#### **b. Coordination**

Excepting project at 8, above, the financial resources are handled directly by the donors, and although they are committed to the development of PE, they are a part of their own development package. In other words, the money so coming is not a part of the multi-donor support for one specific project or purpose -- in this case, Primary Education. However, there is presently a change in the thinking favouring a turnaround of assistance flows, i.e., assistance from donors flowing in support of the Primary Education Program. This implies the donors joining hands in support of a specific or a commonly

prioritized program, rather than such programs getting a share out of a package of assistance.

As things stand at the moment, the Directorate has no control over the resources committed. As in the case of other grant financed schemes, the accounts are directly handled by the donor agencies through their Project Directors on site and do not get channelled through the Director PE. The control of such resources rests with the donor agency. Most donors have been following their own system of providing and carrying forward of funds (to avoid lapsability), as for example, the "Imprest Account" method used by the ADB \* , but it seems that under pressure from the World Bank and Donor Coordinating Committee, the system is being made uniform for all donors.

But although there is a change in the thinking about assistance flows, and a trend towards donor coordination, this would in no perceptible way enhance the present position of resource coordination at the Directorate level unless the program is firmed up in consultation with the Director PE and the coordination of these resources rests with

---

\* ADB finances implementation and recurrent costs under their "Imprest Funds".

him, as has been achieved in the case of Balochistan. It is only then that progress will be deemed to have been made towards the achievement of the Benchmark in respect of Program Coordination as laid down in the Fifth Annual Work Program (FAWP) namely that "All programs, activities and program budgets serving Primary Education, both ADP and donor supported, will be designed in consultation with and will be coordinated through the office of the Director of Primary Education".

### **c. Status of the PLA Account**

As regards the USAID Primary Education Program, the funds flow in differently. The funds go into a PLA account in the name of the Director PE, NWFP, who is the Competent and Controlling authority in respect of these funds. This PLA was meant to be "Non-Lapsable" as per the terms of agreement between the USAID and the Government of Pakistan. The idea was "to ensure smooth flow of funds for the programs". But that status has not been achieved in the case of NWFP.

Legally and technically, however, the condition of Non-Lapsability for a PLA is not tenable, if the amount has once become a part of the consolidated fund. Lapsability is a logical concomitant of the legislated annual sanction of a budget, and for that reason, once the fiscal year ends, the force of legislation ceases. The Supreme Court of Pakistan

has also given a verdict in the matter that PLA funds are lapsable. However, the purpose of "smooth flow" is served by re-sanctioning the amount for the next year, and the period between the end of the fiscal year and the release of the moneys contained in the next year's budget can be bridged by going through the existing authorization procedure, which sanctions the utilization of a proportional amount for the time in question \*. A certain portion of this account can be carried forward as "imprest account" but PLA qua PLA is lapsable. This does not affect the amount as such, but the account for that year "lapses".

## **2. Provision and Coordination of Resources in Balochistan**

### **a. Provision**

The financial resources used in support of PE for the year 1993-94 are shown under two heads:

- Recurring Budget
- Development Budget

The Recurring (operating) Budget is provided by the provincial government and is reflected in the budget publication called "Permanent Establishment provided in the Budget for 1993-94" under the head:6-400000

---

\* Thus, when the amount of Rs. 347,172,800/- was transferred to this account and the PE Directorate could not use the entire amount in that fiscal year, the balance was re-sanctioned by the government for the next year and later years.

Social Services and sub-head 6-41500 Primary Education. (Vide general observations on recurring budgets in the preceding section on NWFP.)

The Development Budget is reflected in the Provincial Public Sector Development Program under the sector "Social Action Program" and sub-sector "Primary Education". The 1993-94 Public Sector Development Program (cf.pp.110-111) contains information about the name and status of the scheme, its estimated cost, etc. for a total of 13 schemes, out of which 4 are unapproved while 9 are approved, 7 of these being donor funded. These are:

1. Girl's Primary Education Project (ADB assisted)
2. Primary Education Development Program (USAID)
3. Construction of 200 Additional Classrooms (SAP)
4. Promotion of Girl's Primary Education in Balochistan (WFP Project)
5. Construction of 100 buildings for Shelterless Primary Schools (SAP)
6. Balochistan Primary Education Development Program (World Bank assisted).
7. Teacher's training Project (ADB)

In addition, the consultant was informed by SO (Dev.) Education that UNICEF is assisting in "Balochistan Instructional Material

Development Cell" and "Primary Education Curriculum Reform Program".

**b. Coordination**

The Benchmark of the PED FAWP for Balochistan (June 17, 1993) in connection with "Program Coordination" reads: "All the new programs and activities serving Primary Education in Balochistan, both ADP and donor supported, will be designed in consultation with and coordinated through the office of the Director Primary Education. No program affecting primary education will be approved by the Department without this review". In the PC-I which the Government of Balochistan Education Department had submitted for the World Bank Primary Education Development Program, (Oct. 1992) it was said "A very important part of the Government's effort to improve primary education is the coordination of all ADP, recurrent and donor funded activity. The position of PE Director in the new Directorate of PE will be responsible for integrating all these resources into one program. Uncoordinated projects will not be allowed once the new Directorate is established". (Emphasis added).

How do things stand vis-a-vis this benchmark? As regards the USAID funded "Primary Education Development Program", it is directly handled by the Director PE. The funds go into a PLA account in the

name of the Director PE, Balochistan, who is the Drawing and Disbursing Officer in this case. The PLA account has been made non-lapsable as per the terms of agreement between the USAID and the Government of Balochistan. This status has been ensured for the PLA by obtaining a certificate from the Finance Department and the Accountant General to this effect. This means that the funds do not become a part of the consolidated fund of the Government of Balochistan and remain as of day one at the disposal of the Director PE. The "Smooth Flow" as provided for in the original project implementation document is thus fully ensured.

The World Bank Primary Education Development program has been approved, the project documents have all been signed and the project is deemed operational as of July, 1993. The funds coming under this program are in the form of a loan (unlike the USAID funds which are a grant). Some of the arrangements also vary. For example, the funds are deposited by the World Bank in the National Bank of Pakistan in an account in the name of the Director PE, and not in the treasury as in the case of the USAID grant. Nonetheless, it is going to be a PLA account directly administered by the Director PE.

The donor project funds in respect of the other projects are not reflected in the budget because there is no amount committed by the

Government. However, coordination by the Director PE is the key word. Excepting the ADB's funding which seems to be an outlier, all the donor funds do come through / are coordinated by the Director PE. In most of the cases, he issues the cheques also. In fact, the FAWP shows all the funding agency-wise in an integrated manner. Quoting this, the authorities in the PED claim their full-scale readiness for SAP \*.

The degree to which the Director PE can effectively coordinate the PE activity and integrate various sources into one common plan of action, is also the measure of his control. It also places performance control, planning and management into realizable dimensions.

## **II. Financial Information of Primary School Sections in Secondary Schools in NWFP**

Although Primary Education has been bifurcated from the Secondary Education as part of a policy reform, and the budget of PE has also reportedly been bifurcated, the administration of these schools

- 
- "Integrated" and "Coordinated" were by the way the two words stressed by the donor representatives participating in a SAP related seminar held during the period the Consultant was in Quetta.

is under the Secondary Education System. As such, there is an overlap of administrative jurisdiction and financial responsibility. Evidently, the funds come in through the PE's DEO and then passed on to the Secondary System. The verifiability / certifiability of the financial information of such schools remains an open question.

Apart from regular budget provided by the provincial government for DEOs and SDEOs, an administrative budget under head 6 - 41100 is also provided to cover Directorate of PE. It covers all expenditures like establishment, allowances, repairs, communications, transport, rent and utilities. A monthly expenditure statement against budget allocation is prepared and sent to the Director, Secondary Education for compilation and reconciliation with the AG's office. In other words, the funding for this head is not shown for PE in isolation from the Secondary Education and is not transparently reflected by the PE budget.

## Financial Information of Primary School Sections in Secondary Schools in Balochistan

The post of Director PE was created as of July 1993. Before that, PE was part of the School Education System with an Additional Director for PE. All the resources committed in the provincial budget to various tiers of school education were consolidated at the Directorate Schools, and whatever extra budgetary resources came in the name of PE were also disbursed through this office.

Now that the PE has been bifurcated from the SE, things have moved quickly. The budget has also been bifurcated with all the DEOs, SDEOs, etc. having been transferred to the PE so that the newly created directorate can be given the right start.

Primary level education however still persists in certain middle and high schools ( Middle schools are by definition from class 1 to class 8. Bifurcation in this sense will be complete only after the middle level, i.e., class 6 to 8 is also "isolated". This isolation will result in the wake of an ADB project, the PC-I of which has already been prepared). According to the Director SE, there are some 612 middle schools and 309 high schools having PE sections. Their financial liability is borne by the PED. The funds are passed on to the Head Masters / Mistresses by the DEOs / SDEOs directly, and the expenditure statements are also sent by the school authorities to the concerned DEOs / SDEOs. But administratively, these schools are under the SE directorate. As such,

the Head masters / Mistresses who operate the primary level accounts are accountable to their own system. This obviously limits the degree to which the DEOs/ SDEOs have any effective check in order to verify and certify expenditure incurred.

Senior posts are however inter-transferable, and the female DEOs still look after higher tiers of education, even though their services have been transferred to PED. The administrative budget may still have some overlap as funding for PE is not shown in isolation, and on that score, is not as transparently reflected by the PE budget. In fact, the functional code for middle or lower secondary education is the same as that for PE, viz. 41500.

### III. Maintenance and Reporting of PE Expenditure in NWFP

There is no single format for management information to see at a glance monthly, quarterly or annual expenditures on PE. However, monthly expenditures from PLA, expenditure on Administration (6-41100) (the PE part), expenditure on Primary Education (6-41500) and Development Revenue Expenditure (8-41500)\* if combined on a specific date, could provide a sum total (still not all) of the expenditures on PE. The DEOs monthly expenditure statements are consolidated at the Director PE's office in the Expenditure Check register, and as such represent Primary Education 6-41500. The Administrative expenditures are recorded in another Expenditure Check register but are nonetheless at hand. And so can the expenditure statements of PLA be prepared. The combination of these three

- 
- In the accounting procedure designed for SAP, release of SAP funds by the Finance Department and booking of SAP expenditure shall be classified as below:

- a. Capital expenditure,

- 9-31400
    - 9-31401 (non-SAP)
    - 9-31402 (SAP)

- b. Development Revenue expenditure,

- 8-41500
    - 8-41501 (non-SAP)
    - 8-41502 (SAP)

- c. Revenue expenditure,

- 6-41500
    - 6-41501 (non-SAP)
    - 6-41502 (SAP)

statements can provide a consolidated view of the known expenditures on PE. Yes, a consolidated view of the known expenditure on PE, but still not a view of ALL the expenditures. As detailed in a subsequent section, a great deal of the expenditure committed to PE, derived from diverse sources, is neither consolidated nor visible. On the other hand, the USAID and the other donor agencies would wish to see the expenditure on PE to be more visible and consolidated in the interest of

- a. Better planning
- b. Effective management of PE personnel, and
- c. Effective management of the resources committed in support of PE.

The above objectives cannot, however, be met adequately under the existing accounting system. The prevalent system of cash accounting though a more favoured system of governments round the world\* can at best serve limited accounting ends. Its popularity with governments is due to its relative administrative simplicity, convenience and economy in operation. It also facilitates analyses of the impact of certain budgetary actions. But the system has many limitations. It is certainly inadequate to meet management requirements - performance control, improved planning and effective management of

---

\* Excepting in spheres where they are constrained to use commercial accounting.

men and moneys. On that account, it is inappropriate to form the accounting basis of organizations where the management aspect is required to be underscored. For that, the more suitable system is the accrual accounting system, also called the double entry system.

### **Expenditure Reporting in Balochistan**

There is no single format for management information to show at a glance monthly, quarterly or annual expenditures on PE. One may however add monthly expenditures against the PLA and expenditures on PE (6-41500) on a specific date and have a sum total of the expenditures on PE. This may further be reinforced with a certain part of the ADP funds which are disbursed through the Director PE, these being the funds falling under the sub-head called "Capital Revenue Budget". But even that will not give a complete picture since some donor funds and a major part of development expenditure, namely, that incurred against the "Capital Development Budget" part of the Public Sector Development Program will remain outside the fold. The funds for the Public Sector Development Program, Capital Development, are directly released by the Finance Department to the Director Civil Works (DCW) Education. Statements of the expenditure so made are not transmitted to the PED. In Balochistan, the DCW (Edu) undertakes the civil works of all school education tiers, including the PE. However, construction activity funded through the PLA (USAID & World Bank) is

executed strictly under the supervision of the Engineering Consultants appointed for the purpose.

#### **IV. Categorization of Receipts, Withdrawals and Expenditures - NWFP**

The PIL 8 lays down that a quarterly statement of (i) receipts and withdrawals and (ii) sectoral distribution of expenditures under the PED program as shown in table 4 annexed to the PIL shall be sent by the Education Department of the province to their own Finance Department, Planning & Development Department, Ministry of Finance and USAID. The format referred to above gives a purpose oriented distribution of funds, and would have facilitated review and monitoring according to the main categories / functional heads of expenditure as given in the PIL, viz. administration and management, teacher supply and training, instructional material, construction and contingencies. However, that is not being done because rendition of expenditure account in this way will not fall under the given Heads of Accounts and there will be a problem of reconciling accounts. Accounts are classified according to the Chart of Classification which lists heads of accounts as presently adhered to. This Chart is prepared by the Auditor General of Pakistan under Article 170, and can be changed by the Auditor General according to the provision of the same Article. The Education Department can therefore make a request for re-ordering the Heads of Accounts in such a way as to categorize expenditure according to the 5 sectors mentioned above. But till such a change is made, accounts will have to be rendered on the formats presently used.

A distinction may, however, serve to resolve this problem, namely, a distinction between account-keeping on the given pattern and an analysis of these accounts according to the purpose which they serve. While the accounts may be maintained and rendered on the given pattern, their analysis / analyses may be carried out in any manner and for any defined purpose. Such analysis / analyses can have a parallel existence and pattern, and do not need any sanction. If any sanction is sought or needed, it is contained in the very Preface to the revised edition of the "Chart of Classification" which recognizes "the need to improve the knowledge about the economic and social effects of (the Government's) actions for taking well informed and well conceived policy decisions ....." and itself "seeks to provide a scientific information base for national policy decisions with a view to facilitating judicious allocations of available resources among competing demands and their economic use". The two sets of exercises therefore do not have to be mutually exclusive. Apart from their aid in analysis as an input towards management and planning, reporting on these formats have a monitoring function also which cannot be effectively performed by the present forms of expenditure reporting.

Obviously, the FMS as it exists is prior to the newly perceived role and organizational structure of the PED. It is now inadequate and inefficient to reflect the major concerns in this area as well as to be an effective tool of control and management to help in bringing about the desired changes. But to effect any changes in the fabric of FMS, the

PED will have to move the Auditor General's office together with a justification for a change sought.

### Categorization of Receipts, Withdrawals & Expenditures -- Balochistan

The PIL 8 lays down that a quarterly statement of i) receipts and withdrawals, and ii) sectoral distribution of expenditures under the PED program as shown in table 4 annexed to the PIL shall be sent by the Education Department of the province to their own Finance Department, Planning and Development Department, Ministry of Finance and USAID. This is already done by the PED and has been sent till the quarter July 1993 to September 1993 (this being the first quarter of the bifurcated Directorate).

As the project had a great deal of time for planning before the PED came into existence, and a team of willing and enthusiastic workers, they moved the proper quarters to secure new functional codes for the rendition of their accounts. These new functional codes are incorporated into the proformae and formats developed. Again, since SAP is already on where Balochistan is concerned, new functional codes have been allowed for the submission of accounts under SAP, the new budget-type code being 9. This is a step forward towards the shape of things in the New Year for the PE Directorate. The Consultant has also seen a copy of a suggested SAP reporting

form that will be sent by the AG to the P&D Department. AG's office has now a separate cell for SAP which has started receiving expenditure.

**V. Appropriateness of Information Regarding  
Financial Resources and Representation of the  
Totality of All Expenditures -- NWFP**

We now jointly address the two questions, viz. whether ALL financial resources and ALL expenditures on PE are reflected by the present financial system.

Let us take the funds first. Funds are coming in two ways to the Directorate PE, one, as regular budget allocation and two, through PLA opened in the name of the Director PE sanctioned by the competent authority. In addition, development allocations are vastly derived from donor agencies. Most of these allocations are reflected in the ADP, but the PED does not have any record of how the allocations so made are actually released and committed to the PE. The funds come directly to the Project Directors who act as the Project Implementation Units for these sums of money. They are responsible only to their respective donor agencies. Neither are these resources coordinated by the Director PE, nor are these consolidated with other resources at the Directorate.

The Directorate of PE is thus not the only agency for funds committed to PE. It is simply one of them. To that extent its database is also not complete.

Funds have also been coming through the Tameer-e-watan \* (now suspended) and other programs of the federal government which are not reflected in the resource picture of the PE. Financial resources also find their way in the PE sector through the money at the disposal of the MNAs, MPAs and Senators. The accompanying liabilities thus incurred are eventually passed on to the PED but at the commitment stage, the Directorate remains out of the picture.

And then there is the whole range of private sector investment in the PE. These resources are going to be further augmented through private sector assistance program of the Frontier Education Foundation. A certain component of SAP funds are also supposed to be channelled into the PE sector via assistance to the private sector. Add to this the proposed Prime Minister's Highest Priority Projects where primary schools will be established on a 50/50 sharing basis between the private and the public sector. This whole spectrum of effort in the PE sector is not represented in the information base of PED and renders it incomplete to that extent. And as long as this state of affairs continues, there will be a vacuum in the effective planning and management of PE and may at some time lead to a mushrooming of other structures to fill this vacuum. Should that happen, it will erode the basis of policy reforms to isolate primary education

---

\* A program of national reconstruction launched by the former regime of Mr. Mohammad Nawaz Sharif.

with a view to focusing more attention on the sector, "foster its development", and / or "increase its efficiency and administration". PED will at best represent a given modicum of public sector effort.

Is the financial management system in NWFP representative of ALL expenditures on PE? By the same logic of facts as given in the sphere of resources, NO. It does not reflect the expenditures incurred at all levels and by all the agencies. Even the statements from the DEOs do not come with regularity, nor are those that come fully verified or certified. The reporting responsibilities and requirements are both minimal. While there are district level structures of Accountant General's office, there are no field checks by officers of the PED. The Audit Officer of the PED goes only to the field if there is a case of investigation; not otherwise. There is no verification or crosscheck of the payroll with the people actually employed or expenditures actually incurred. The Personnel Management Information System (PMIS) is still not fully functional. No wonder that there have been reports of bogus payrolls. Hence, the concern of the donor agencies with the authenticity of information and possible leakages of resources.

Similarly, since grants are directly disbursed, it is not ascertainable as to how much is actually spent and on what. The donor agencies make their expenditure through Project Directors and are not bound to supply any statement of their expenditure to the PED. Although these expenditures are subject to audit by the Auditor General's office, and the audit reports together with the expenditure

statements must obviously remain on record, these are not made available to the Directorate.

Expenditure made under the federal government programs are also not recorded by the FMS of the PED. Nor are expenditures incurred by the MNAs, MPAs and Senators, or those by the Local Government, NGOs and partly or wholly private sector initiatives. Each of these categories of expenditure has its own reporting and monitoring channel. To the extent that these gaps signify, the financial management system of the PED does not show ALL the expenditures in the PE sector.

While on the one hand, the expenditures are not captured by the FMS, on the other, all that a statement of expenditure may contain will not be expenditure in the technical sense of the term. For example, certain payments are known to have been made out of the PLA account only to be returned to it on recoupment. This is not only a violation of the way a PLA account should be maintained or "recouped" but also a denial of funds for that period of time to the legitimate heads of PLA expenditure.

A word about the "isolation" of the PE from the other tiers of school education. As a policy reform, the PE has been bifurcated, and although its budget and administration has been separated, some of the circles overlap. The "Administration" budget comes as a single package and is then disaggregated over the different levels of education in terms of expenditure. This is partly because the senior officers are

transferable from one level of education to the other. These posts have still not been fully bifurcated; some cadres remain joint. The isolation of PE shall be completely effected only if the policy reforms extend to the other tiers of school education also. The consultant has come to learn that such reforms may be in the offing, with ADB coming in for a Lower Secondary Reform Program, and the World Bank planning secondary level reforms, each insisting on isolating expenditure, allocations, etc. However, this still may not complete the process of bifurcation if ALL the posts are simultaneously not bifurcated, and there are no joint cadres.

**Appropriateness of Information Regarding Financial Resources and Representation of the Totality of ALL Expenditures -- Balochistan**

In the case of Balochistan, the Directorate, as mentioned earlier, has been created only recently (July 1993) through bifurcation of the Directorate of Schools, and the Director himself appointed as late as September 1993. There is not much history therefore to base a judgment on. The question therefore that is primarily addressed is not as to whether it does reflect all resources and all expenditures on PE or does not but whether it is setup so as to or to be able to reflect ALL resources both those committed as well as expended on PE?

The answer is NO. In the first place, the Directorate of PE does not even deal with ALL primary education. It deals only with the component of PE which used to be provincially funded and which now has been isolated from the lower secondary and higher secondary levels of education. As such, all private schools and schools run by NGOs are outside the purview of the PED even if they are grant recipient to one or another degree. Funds committed to such schools and expenditures made on the PE conducted by these schools are therefore not reflected by the FMS of the PED. In fact, these schools do not even form a part of the database of the Directorate, excluded as they are from the very school census\*.

Again funds coming through the Tameer-e-Watan or other programs of the federal government are not reflected in the resource picture of the PE. Financial resources also find their way in the PE sector through the money at the disposal of MNAs, MPAs and Senators. The private sector resources are further going to be augmented through the program of the Balochistan Educational Foundation once it becomes functional, and a certain component of SAP funds channelled into this sector. The proposed Prime Minister's Highest Priority Projects in the PE sector also provides for the establishment of schools on a 50 / 50 sharing basis between the private and public sector. The present FMS is not designed to reflect these resources or their disposal.

**Note:** Footnote next page.

Which of the resources is the system then designed to reflect? Those coming from the provincial government's recurring budget, or those coming under the Annual Development Program and such donor funds as are coordinated by the Director, PE. Even here, however, there are exceptions. The Capital Development Budget component of the Public Sector Development Program goes directly to the Directorate of Civil Works (Education North / South) and are not channelled through the Directorate of PE. Within the donors' group, the ADB funds are still not being coordinated by the Director PE and so are some programs of UNICEF and others. Thus, even the condition of Coordination of all programs is not complete and not without exception.

Is the financial management system now representative of ALL expenditures on PE? The answer is NO. As has been remarked above, some of the activities in the PE field are outside the purview of the Directorate. Some funds that are committed to the PE activities controlled by the Directorate are disbursed directly, and are not reflected by the FMS of the Directorate. Again, there is the element of the overlap referred to earlier. While the Directorate has been bifurcated, it has not involved the bifurcation of all posts. Some of the Cadres are therefore common and inter-transferable, while the Budget

- 
- In addition, there are a number of schools managed by the armed forces or other similar bodies having PE components but which fall outside the purview of the PED.

Head 6-41500 stands both for the primary as well as the middle (lower secondary, class 1-8) level of education. A part of the expenditure is also incurred on building schools that may soon be upgraded to middle. An estimated number of 177 primary schools in Balochistan are lined up for such an upgradation in the next plan.

Even the statements coming from the DEOs/SDEOs and other DDOs are not fully verified or certified for the simple reason that there is no accurate personnel information system to cross check with. As such, cases of irregularities committed in payment of salaries to non-existing teachers or amounts expended on "ghost schools" \* have surfaced lately, in spite of the fact that there are district level structures of AG's office, and that the DDOs have to draw their budgets from the local treasury offices. Neither of these can, however, take the place of field checks by officers of the PED. These checks are few and far between.

---

\* *In December 1993, while the consultant was in Quetta in connection with the present study, a scandal of 70 "Ghost Schools" came to the surface.*

## PART III

### Current Budgetary and Expenditure Process

#### A. The Process in NWFP

To secure an insight into this process, a meeting was held with the Assistant Director Budget and Accounts. The PED has a regular budget allocation for recurring (operating) expenditure authorized by the Finance Department. The two main heads of expenditure are as given below:

- \* Primary Education..... 6-41500
- \* Administration ..... 6-41100

The budget on head Administration is for the whole of the provincial education including the budget of the Director PE.

A proposed budget for all PE is submitted by the office of the Director PE to the Government. When the budget is approved by the Government, it is intimated by the Education Department to the Director PE. The same is transmitted to DEOs/SDEOs by the Directorate each one receiving his share of grant in proportion to his approved demand estimates. The expenditure is then made accordingly. The DEOs, SDEOs, Headmasters/Headmistresses are authorized DDOs. In actual fact, however, all the powers have been given over to the SDEOs with DEOs left only with nominal functions to perform.

There is one Audit/Account Officer at each DEO/SDEOs office. The DEOs/SDEOs draw monthly cash for disbursement from the Government treasury with the approval of the District Accounts Officer who represents the office of the Accountant General. A monthly statement signed by the DEOs/SDEOs and their Account Officers is sent to the Director PE. These monthly statements are consolidated in the office of the Director in the "Expenditure Check Register". As per Government rules, this consolidated Expenditure Check Register is reconciled with the AG's office. The AG's office also receives statements from their respective District Account Officers regarding every department.

The consultant also held a meeting with Mr. Khadim Hussain, Cashier of the PED (since there is no Accounts Officer) to see what records of the PLA receipts and payments are kept. Apparently the following records are maintained.

- \* Cash Book
- \* Treasury Pass Book
- \* Check Book Counter folio

For payments, a note sheet comes from P&D and is approved by the Director. The cheque is issued under the Director's signature and duly recorded in a cash book against heads. There is a Treasury Pass Book which is maintained mutually by the Treasury Officer and the Directorate. In the Pass Book, the receipts/payments are recorded

which are transacted at the Treasury Office. In fact, it is a copy of the Treasury office record.

The P&D Section in the Directorate of PE is responsible for construction, furniture and fixture purchases. Up to June 1993, the construction procedure was as follows:-

The P&D section would ask the C&W Department of the Government of NWFP to submit the estimated cost for required construction. The C&W Department would submit the estimated cost of which a certain portion would be paid to it in advance and the execution of the work taken in hand. The C&W would then submit physical/financial progress reports to the P&D Section which are duly processed by the Directorate.

It seems as though in future the PED would have its own Directorate of Works (which may eventually become the Directorate of Works for the whole of the Education Department). This will facilitate certain processes involved in approval and execution, and what is more, bring the execution of the works program under control of the Director PE.

As regards the PLA, it is maintained with the Treasury to which all receipts from the USAID are credited. The expenditure from this head is supposed to be incurred in keeping with an Annual Work Plan duly approved by a Steering Committee headed by the ACS with Secretaries of the Departments of Finance, Education, P&D and C&W as its members. However the Accountant General's office demands a

formal sanction of the Finance Department before releasing funds for expenditure. The AG's Office in fact regards the Steering Committee only as a vetting forum, not a sanctioning authority.

Within the PED, the rules governing a PLA account tend to be ignored as payments are known to have been made out of this account to meet the fund requirements of other items of current expenditure, and then subsequently recouped.

One final comment before this section is closed. There was an understanding (in fact a provision in writing) that a qualified Accounts Officer "to maintain the accounts properly" would be employed by the Directorate. This has not been done. Secondly, financial discipline demands the separation of one function from another. Even with the best of intentions, the combination of cash and cash book, check issuing authority and maintenance of bank/treasury pass books, etc, in one person is in violation of financial discipline. The observance of financial propriety is not a matter of mere niceties.

## **B. The Process in Balochistan**

To secure an insight into this process, the consultant held detailed discussions with Mr. Faiz Mohammad Jaffer, the Assistant Director and Mr. Mohammad Shafi, Deputy Director. The PED has a regular budget allocation for recurrent expenditure approved and

provided by the Balochistan Government under the head Primary Education 6-41500.

A proposed budget is submitted by the Director PE to the Balochistan Government. When it is approved, the portion of the PE included in the budget book called "Permanent Establishment Provided in the Budget" is intimated to the PED by the Education Department. The same is transmitted to DEOs, SDEOs, and Headmasters/Headmistresses of such secondary schools as have primary education section in them. There is one Superintendent with the DEO's office and an Assistant in the SDEO's office. The DEOs, SDEOs and Headmasters/Headmistresses are authorized DDOs. At the present moment, all the disbursing powers have been given to the SDEOs. The DEOs are left with the inspection and other functions listed in their charter of duties. They draw their monthly cash from Treasury offices/National Bank branches. The DEOs, SDEOs and Headmasters/Headmistresses send their monthly expenditure statements to the PE Directorate for consolidation where these statements are consolidated division wise. The Directorate of PE then processes these statements towards two channels. One, the Finance Department, which receives the consolidated excess/surrender reports submitted on a six-monthly basis by the DDOs to the Directorate. The other channel is the AG's office with whom these consolidated statements are to be reconciled. The AG's office also receives statements from its respective District Accounts Officers. Withdrawals and expenditures must equal in the

last analysis. Under SAP the AG's office now has an additional responsibility. It is to him that the bills/ reports are sent for reimbursement and it is the AG's office that consolidates all the reports for onward submission to P&D which then transmits these further, see Annexure-I.

The second major component of funds is the USAID grant. For this purpose, a PLA account is kept with the Treasury. All USAID receipts are credited to this account. As regards expenditures out of this source, an Annual Work Plan is submitted by the PED to the Balochistan Steering Committee, PE Development Program. This Committee is headed by the ACS with the Secretaries of the Departments of Finance, Education, P&D and C&W as its members. Once the Annual Work Plan is approved, expenditures are authorized to be incurred accordingly. However, cases do move up to the Secretary Education for approval of detailed items and procedures adopted for purchases, work orders, etc.

The flow of funds under the World Bank Loan is as shown in Annexure-II.

The responsibility regarding the construction part of the Work Plan is delegated to the Director Civil Works (Edu). PED releases due payments to the DCW (Edu) against construction undertaken. The bills for construction are submitted by the DCW (Edu) duly signed and verified by the Engineering Consultants, Divisional Engineer and Divisional Accountant to PED. The bill is then countersigned by the

PED. Month-wise bill payment files are maintained. The payments are recorded in a cheque register and later on entered into the Cash Book. The month-end cash book balances are verified by PED (It may have been noted that while the government PSDP payments for construction purposes are made directly by the Finance Department to DCW (Edu), PLA payments are made through PED).

A Treasury Pass Book is maintained containing information about PLA accounts maintained at the Treasury Office. Apart from construction, month-wise bill files are maintained in respect of expenditures from PLA accounts. The same procedure is followed for recording payments

## PART IV

### The Degree of Control Exercised by the Director PE

The degree of control exercised by the Director PE is the principal criterion of whether the head of the organization has the leverage to manage and is in a position to plan effectively or not. The whole idea of bifurcating the Primary level from the Secondary level and of isolating PE can have any effect only if the act of separation and the consequent autonomy in decision-making would lead to more efficient decisions and a streamlined process of decision-making. And that is not possible without sufficient in-built control and the exercise of this control.

In financial management, control may be studied from three aspects:

- i. the spheres of control;
- ii. the degree of control; and
- iii. the exercise of control.

There are three main spheres of financial control in PE.

- \* the recurrent budget;
- \* the development budget;
- \* the donor funds.

As regards the degree of control it is built into the powers of the Director as defined in the rules of business and his job description. It is further supported by the existence of comprehensive financial rules

and procedures laid down by the competent authority. However, the real lever lies in the exercise of this control by the Director in the spheres to which his control extends. The Director's ability to exercise this control is, however, constrained by a variety of factors -his own position in the decision-making cluster, outside interference and the pressures that can be generated from within. Further more, it is constrained by the presence or absence of an appropriate control and monitoring mechanism at his disposal, by the quality, training and integrity of the actors in the system; and by the effectiveness of the system of punishment and reward, if any in place.

## **A. The Position in NWFP.**

### **. Recurrent Funds**

The recurrent budget has two parts - the administration budget/expenditure, and the Primary Education budget/expenditure. The administration budget/expenditure is controlled by the PED. Here, the expenditure statement is ready up to April 1993, while the statement for the balance of the period is pending.

As regard primary education budget/expenditure, the Director PE only acts as a channel of passing these funds on to the district levels (DEOs/SDEOs) and then receives the expenditure statements from these echelons for purposes of consolidation. The monthly statement of this account has been reconciled with the Accountant General's office up to June 1992. Consolidation for the period till June 1993 is

in progress while no posting has as yet been made for July 1993 and onwards. The delay in consolidation is caused by the fact that statements by the DEOs/SDEOs are not sent in time.

It is thus apparent from the above, that the Director does not have much control in matters of recurrent budget. First, since the bulk of the money is tied down to salaries as such there is not much leeway for anything else. It is important at this stage to draw a distinction between control as a mechanism of regulating the flow of funds towards given heads of expenditure, and control as the ability to reorder expenditure with a view to altering the present weights and priorities in favour of a more desirable pattern. That is where the "leeway for anything else" fits in. This leeway is conditioned by the present base and composition of recurrent budget and without a change in the base and composition of the recurrent budget, this aspect of control will be non-existent.

Secondly, even where salaries are concerned, the largest chunk falls in the sphere of district level structures (DEOs and SDEOs), and here also essentially the SDEOs. The element of control between the Director and the District level is in fact the weakest. The DEOs/SDEOs do not even send their expenditure statements with regularity or in time. This is causative of delay in consolidation which is a clear measure of the lack of PED's control over the regional offices. Again there is no submission of sanctioned strength by the SDEOs. If this record is not available with the Director's office, what then is the

measure of his control over the actual expenditure as per item of expenditure charged? Accurate data and its availability at the right time is the sine qua non of higher management systems and control. However, the maintenance and procurement of such data require control and its exercise.

### **. Development Budget**

The element of control is fairly pronounced in the case of development budget. Here also, however, the Director PE has little control in the sphere of construction. The construction Advisory Unit is practically still born. While it has a skeletal staff, it is non-functional. The work is done by the C&W Department as per its own procedure. The Director has little involvement in the evaluation of the tender documents. He only takes a building over after it has been completed.

### **. Donor Funds.**

It may have been seen earlier in this study (Part-II) that excepting the PLA of the USAID assisted PEDP, the Director has neither any control over the bulk of the donor funds, nor much coordinative role to play.

The PLA is however directly controlled by the PED.

### **. PLA Accounts**

The consultant has seen statements of these accounts till the end of the Fiscal Year 1993. It is, albeit, sad to note that these statements show disregard for precision in rendering the data. For example, the

column totals of expenditure and balance are incorrect. Again, in the monthly expenditure statement for the month of June 1993, under Head 8-40000-Social Services 8-41000, a whole new column entitled "other schemes" amounting to Rs. 622,295/45 has been added. When inquired by the consultant as to the nature of this head, it transpired that the payment was made out of the PLA account but in fact belonged to other budgets and was eventually to be re-adjusted. This amounts to a violation of the rules. The audit could also object to the payment of Rs. 50 million out of the PLA in favour of the Frontier Education Foundation. Even if repaid and subsequently re-adjusted, this is irregular. And liberties taken with this account have been more frequent than just these. A PLA account has clearly laid down rules and procedures and cannot be assumed as a "permanent advance" from which any expenditure can be met and eventually the amount recouped when available in other budgetary sources. Here is yet another dimension of financial control -freedom with responsibility- the discretion to operate a fund with due regards to the bounds of discipline and propriety.

#### **. Internal Check**

Where the Director does not have any control over PE funds in the field, he can exercise a powerful influence by carrying out internal checks and audits on the accounts of the field offices. With 57 SDEOs, 18 male and 17 female DEOs in the field, it is surprising to note that there is no regular internal check from the Director's Office

on the field. The internal auditor visits the field only if there is any investigation. Account statements originating from the field have to be accepted for what they are.

. **Stock Checking/Fixed Assets Register**

There is no way of verifying/certifying the existence of non-expendable items. A physical check has possibly never been carried out to verify what is on record (a record or a register would be a prerequisite for such a process) or to certify the physical existence of what has been taken on record. Thus, even where there is direct control, there is so little semblance of its exercise.

. **Role in Budget Making**

To sum up, the Director PE does not enjoy any control over most aspects of the PE system in the province, and does not exercise the desired degree of control where he has the power. As mentioned above, the exercise of his control is constrained by a variety of factors. The role of the Director in processing the demands for grants (recurrent) and in the appraisal and approval of development schemes is also nil or negligible. The demands originate from the DEOs/SDEOs and are passed on by the Director to the provincial authorities. He has little role of his own. In the processing of the development schemes, on the other hand, it is the Chief Planning Officer who plays an active role. The Director has mostly to take what comes from above.

## **B. The Position in Balochistan.**

In what follows, it will be well worth remembering that the Directorate has been bifurcated only in July last year and the process saw its fruition only a few months ago with the appointment of a Director.

Keeping this in view, and keeping in view the existing systems and procedures, the Director has one or another degree of control over the following Budgets/Expenditures:

- \* PE Budget/Expenditures (recurring);
- \* Provincial Government Development Budget (Capital Revenue Budget only);
- \* PLA accounts of USAID, World Bank and other donors, the ADB being the only outlier. Possibly also, some selected expenditure is directly incurred by the donors.

There are three main components that circumscribe control. Firstly, there is, what has been already referred to above, the degree of coordination which is a measure of control exercised by the Director. Secondly, there is the accuracy of data-the degree to which it is accurate, and the timeliness with which it is available for reconciliation. This depends upon the training and discipline (sense of awareness, responsibility and exercise of rules and regulations) of those who furnish the data relating to the funds received by them and what has been done with it-- expenditure. There have been violations here some of which came to light. These violations are again a compound function

of the actions of the DDOs and those of local treasuries and the District Accounts administration. The control is vitiated to the extent that any or all of them cannot be checked. Field audit is not as yet a strong point of the Directorate. Thirdly, the measure of the Director's control can be greatly enhanced by the kind of data available with BEMIS. The school census data at the moment is not much of a tool of management or control. For example, if there would be a comprehensive and an updated Personnel Information System a cross check of salaries and payroll could be greatly facilitated.

Fourthly, the Director obviously has no control over the construction work that is executed by the DCW (Edu) directly under funding from the Finance Department. This control is improved when the Director PE commissions the work himself and has it supervised by professional consultants responsible to the Directorate itself. Incidentally, the lack of such supervision, or the lack of provision for such supervision, under SAP construction activity would give cause for a question mark in the sphere of the Director's control.

As for specific accounts, the PLA account has been reconciled with the Treasury office up to September, 1993, month-end balances of the cash book are verified by PED up to August, 1993; under the PE 6-41500 expenditure statements for the DEOs/SDEOs are consolidated up to September, 1993; there is no reconciliation with the AG's office so far. This responsibility is partly shared by the Director Secondary Education through whom the reconciliation is done.

Again, there has been no regular internal check from the Director's office on the field or even on his own office. As such, account statements originating from the field have to be accepted for what they are. Formerly, the internal check duties were performed by the office of the Director Schools.

Although fixed assets (stock) registers are maintained at the Directorate and reportedly, also by the DEOs and SDEOs, no physical checks have been carried out so far. On an optimistic note, perhaps the short time that the Directorate has had since it was bifurcated holds a brief. Perhaps.

## PART V

### Current Computerized System

#### Is it Fully Representative?

#### The System in the NWFP

In the North-West Frontier Province Primary Education Directorate, the Research, Development and Evaluation section has two units which computerize data and provide computer-based output to the users. One is the EMIS (Educational Management Information System) which essentially processes the school census data. This Census is conducted on the basis of a single page questionnaire which itself needs to be revised and made more comprehensive to yield a database that will suggest more meaningful relationships. The other unit jointly handles the FMIS (Financial Management Information System) and the PMIS (Personnel Management Information System). At present, the FMIS\* comprises two modules, the Administration and Management Module and the Planning and Development Module. The information on donor agencies' budget and expenditure does not figure in the system at the moment. But it is proposed to be subsequently

---

\* Implementation has also started on the District-Level Financial Management Information System (DFMIS). At the present moment the system has been implemented in 4 pilot districts, and is being extended to 2 other districts. This will help in updating and maintaining the data base at the Directorate, and shall also form a step towards meeting one of the requirements of Social Action Programme.

incorporated in an overall Performance and Resource Monitoring System together with the other two modules.

However, the FMIS that has been presently developed has simply transferred the existing manual system \* on to the computer with the "same features, techniques and reporting structures". As such, it is an offshoot of the existing accounting system and is therefore similarly constrained.\*\* More importantly, even the idea of computerizing the system at this stage was not to change the system in any fundamental way but using the same systems and procedures, to secure the advantages of speed, accuracy and efficiency which a computerized system can deliver as against the manually maintained system. To the extent that the system has been implemented, the objectives seem pretty much secured, and if judged by past performance in terms of speed and accuracy, it is no mean achievement. Furthermore, it is not so much extra mileage, accuracy and capability to be on time only once but every time the operation has to be repeated.

There was also another reason for just doing that and no more at the moment. A FIMS in a directorate like the PED has to correspond with the reporting systems presently obtaining in the AG's office and the Finance Department. It cannot function in isolation. As such, the

- 
- \* What is commonly referred to as the "manual system" means the present accounting system maintained and operated manually.
  - \*\* It is therefore advisable to streamline the accounting procedures before the introduction of EDP systems. Developing countries offer a number of instances where disappointments have led to a reversion to the manual procedures.

Content and nature of the change sought at this level must be compatible with, if not preceded or simultaneously accompanied by a change in, the FIMS of the other departments with which the PED has to interact.

### valuation

A computerized system only reflects what has been fed into it. Limited by that initial database, it can yield certain outputs and perform certain chores.

The present system in the PED is still under implementation and remains to be completed. As such, whatever observations are made from the FMS point of view only relate to what the existing design can or cannot do, rather than what is wrong with it.

1. The program as presently designed can at best be used for routine and office chores as storage, classification and retrieval about budgets and expenditures on usual items. It is an IS (Information system) without any pretension to FM (financial management).
2. The proposed formats are essentially reporting formats. There is nothing wrong with that per se. A MIS may in fact be either designed to REPORT or to focus on the data needed for supporting the management in the decision-making process, or both. If it does only the former, i.e., report, it may either be a matter of the choice of a

particular design or a stage of development and / or implementation. In the case of PED NWFP, it is not an exclusive choice of a given design but a stage of development, possibly forced by "user" requirements. There is a clear awareness that it is neither complete nor enough, but there is neither a concept nor a given framework of how the system is to develop if it is to become a tool of Financial Management.

3. The database is neither comprehensive enough (in terms of funds from all sources and expenditures incurred by all parties) to be able to provide access to all the information required, nor is it set up so as to give a feed-back to the planners/decision makers/policy reformers/policy reform consultants about strategic relationships between key variables. It is simply tuned to an "accounting" exercise.
4. There is yet to be any progress towards formatting data to reflect the USAID's Table 3 (whereby one can quickly monitor the growth of expenditure over the previous year - -- both for development and recurring) and Table 4 where a format for "Receipts and Withdrawals" and "Sectoral Distribution of Expenditure" may be shown. This is again a reflection of what is being done or not done manually. Since data is presently not booked under the "Heads" as

given in the PIL 8, there is no formatting to reflect the same.

5. In terms of the Benchmark of the FAWP, the MIS as set up at the moment is not comprehensive enough to achieve the program goals. Although it is now proposed to develop a more elaborate Resource and Performance Monitoring System, that will also be nothing more than the various components of the existing FMIS put together. Without a change in the design and analytical content of the system, achieving the program goal is certainly going to be elusive.

## **The System in Balochistan**

### **. Evaluation**

In the Balochistan PED, there are two units which computerize data and conduct computer based studies. One is the Assessment, Monitoring and Policy Evaluation (AMPE) unit and the other is the Balochistan Educational Management Information System (BEMIS).

As far as BEMIS is concerned, it does not interface with the FMS. It is predominantly occupied with processing the school census data. The school census which is conducted twice a year throws up only a limited kind of data about class-wise enrolment, number of schools, teachers, classrooms, materials used, distance from primary schools to nearest boys' or girls' middle schools, etc. This is a questionnaire

based study, and the questionnaire itself needs a great deal of improvement even to be able to do what it has been designed for.

The AMPE is also concerned with formats and statements rather than with the FMS. However, the statements (quarterly) are made in keeping with the USAID's Table 4 containing statements of receipts and withdrawals and "Sectoral Distribution of Expenditure" and are facilitated by the fact that the manually maintained system also provides for the record of entries on the same line. The conceptualized relationship between AMPE and FMS is given in one of the charts displayed in the office of the AMPE consultant (see Annexure III), but this relationship is not operational.

The consultant was told that there was no computerized FMS at the moment; that it is still at the proposal stage and shall form part of a plan to integrate all the three elements -- BEMIS, AMPE & FMS --- under BEMIS. That however looks too ambitious. BEMIS is presently being technically supported by NEMIS. That support is going to end soon unless a second phase of support is sanctioned. Again, the BEMIS data itself will have to improve and be made far more comprehensive to be of any particular use to its present users; and will have to undergo a great deal more improvement before it can furnish the database for management support.

Actually, the entire emphasis at the moment is on information technology and not on evolving a decision support system. That will require the use of information technology with a different orientation,

a different level of analysis and different kinds of formats. However, before that can be done, someone has to do the thinking as to what is it that they would want / need to have from the information technologists. The users will themselves have to specify their requirements.

## PART VI

### RECOMMENDATIONS

*Given below are two sets of recommendations - One the recommendations that have been developed on the basis of preceding analysis part by part; and two, recommendations made for the redesign of the system. The first set of recommendations relates to the functioning of the existing FMS and the accompanying administrative set up. The second set of recommendations deals with the redesign of the FMS, and more specifically, with what should be the terms of reference and scope of work of a consultant proposed to be appointed for the contemplated redesign. The lay out of the first set of recommendations is such that as far as possible, corrective actions for NWFP and Balochistan are separately proposed. Some repetitions may therefore have been unavoidable.*

#### Resources and Expenditure

##### NWFP

- *The recurrent budgets must contain substantial provisions for non-salary items of PE costs which must conform to given norms. This general recommendation relates to both the provinces- NWFP and Balochistan.*

- *The Director PE must be involved in the processing of demands for grants before / and till they become a part of the budget proposals sent up to the provincial assembly.*
- *Where the ADP is concerned, the Director PE should act as an ex-officio member of the PDWP (Provincial Development Working Party) during the vetting of the development schemes in the PE sector, and his voice be fully heeded to in project scrutiny/appraisal.*
- *In the case of on-going donor funded programs in the sector, the Director PE be regularly supplied with progress reports and a copy of the expenditure statement.*
- *To secure the goal of coordination, it is recommended that the Director PE be involved in the design of all donor funded programs bearing on PE, and he should coordinate all expenditure.*
- *If it is still intended to secure the non-lapsable status for the PLA account, the Balochistan example could help. This should not present the government with any problem since the very fact of the amount being at hand and the funds being non-governmental frees it from any extra taxation effort, or for that matter, any re-appropriation or changes in the given weights within a budget.*

### **Balochistan**

- *The initial advantages secured by Balochistan (in terms of coordination of resources, non-lapsability of account, visibility in the maintenance of account and its function-wise ascertainability, etc.) must now be translated in actual performance control, more effective planning, and better management of resources. They have got the right apparatus in place: They must now concentrate on securing the desired results.*
- *As recommended in the case of NWFP also, the Director PE must remain involved in the processing of demands for grants, and should act as an ex-officio member of the PDWP during the vetting of the development schemes in the PE sector.*
- *Cf. also recommendation # 1. in the preceding section on NWFP.*

### **Maintenance and Reporting of PE Expenditure**

- *There must be a single information format to reflect all expenditures on PE at a glance.*
- *With the greater focus on meeting the management requirements the cash accounting system needs to be replaced by the accrual or double-entry system. These recommendations are relevant to both NWFP and Balochistan.*

## Categorization of Receipts, Withdrawals and Expenditures

### NWFP

- *The PED should proceed to move the Auditor General's office to allow them to re-order the categorization of their receipts, withdrawals and expenditures. This should be justified by demonstrating how the proposed change will improve the information base, and how this information base will be used to support more effective planning and greater performance control.*
- *Till such time that the change is made, the existing system may be rightly put to use to yield the maximum possible information, and of the right kind. There is however no bar on parallel patterns and analyses to advance the cause of management and planning, as well as to monitor the expenditure on required lines.*
- *While considering the above recommendations, the agreement of the provincial governments to report future expenditure on SAP formats may be kept in view. This holds good both for NWFP and Balochistan.*

### Balochistan

*All this notwithstanding, the FMS essentially remains unchanged, and is of a piece with the system as it exists for other sections of Government activity. Obviously, it cannot have the desired degree of change in isolation. Inter-departmental interfacing is therefore an*

*important requisite to work for. In the second place, it is still far from being an effective tool of control and management. To become that, it will have to meet the management requirements, granting of course that the management knows what it requires and to what intents and purposes. (See also the section on MIS)*

### **Appropriateness of Information Regarding Financial Resources**

#### **NWFP**

- *The database of the PE Directorate must be expanded to include all sums of money committed to PE in respect of all those activities falling within its purview.*
- *The coordination function must come into play with full force, and encompass all donor funds.*
- *The Personnel Management Information System must be operational so as to enable verifiability and certifiability of the statements originating from the Drawing and Disbursing officers.*
- *This still cannot take the place of field checks, which must become a regular exercise.*
- *The rules relating to the operation and "recoupment" of a PLA must be strictly observed. Procedural liberties soon tend to become financial improprieties.*
- *The element of overlap must be removed by separating PE cadres fully from the rest of the school system.*

**Balochistan**

- *The database of the PE Directorate must be expanded to include all sums of money committed to Primary Education in respect of all those activities falling within its purview.*
- *There must be a single format to reflect all expenditures on PE at a single glance.*
- *The coordination function must encompass all donor funds without exception.*
- *Regardless of who executes the Capital Development Budget component of the Public Sector Development Program, the Construction Advisory Unit of the Directorate of PE must remain in the picture. Similarly, the amounts expended in this way must be reflected in the expenditure on PE, by or on behalf of the Directorate.*
- *The element of overlap must be removed by separating cadres in respect of PE sector, and the account head 6-41500 must be "cleaned" so as to stand for Primary Education as now defined, i.e. class 1 to 5.*
- *The Personnel Management Information System must be updated and operationalized so as to enable certifiability and verifiability of the statements originating from the Drawing and Disbursing Officers.*

- *There is no substitute for field checks. These must form a regular feature of the system.*

### **Current Budgetary and Expenditure Process**

#### **NWFP**

- *The DEOs must be authorized to exercise some checks and balances on the SDEOs.*
- *The condition of appointing a qualified Accounts Officer be urgently met.*
- *Rules of financial propriety be strictly observed. It is not only a matter of what can go wrong but what is wrong per se.*
- *The PLA may not be treated as a permanent advance to come in handy whenever current expenditure needs require ready cash.*
- *The formats currently developed by the FMIS unit (for proposed budget) may be further refined and given a trial run.*
- *The Accountant General's office may review the procedure to seek the Finance Department's formal sanction to release funds once the Steering Committee has approved these.*

#### **Balochistan**

*As far as the process part is concerned, it is a neat job and the consultant has no recommendations to offer. However, there remains the aspect of verifying and certifying the actual as against the reported expenditure by the SDEO's. The Directorate does consider this as a*

*weak spot. It is recommended that even if the whole of the province cannot be covered in one go, a selective checks system may be instituted which should be regularly carried out. This may require the blessings of the effective political authorities.*

### **The Degree of Control Exercised by the Director PE**

#### **NWFP**

*If the Director PE has to be an effective authority in planning and performance control, he must*

- *Exercise the control where he has the authority, such as internal checks, ensuring the operation of PLA according to rules and in keeping with the AWP, regular stock checking and keeping up-to-date fixed assets register; and extend his control over the DEOs/SDEOs level by getting his Personnel Management Information System in place. Information is an important lever of influential existence;*
- *Be actively involved in the processing of demands for grants and be able to inter-act effectively with DEOs/SDEOs, if in no other way, at least by linking his own role with verifiable and certifiable statements, and taking over purchases in his own hands where there is cause for suspecting irregularities;*

- *Enjoy freedom from outside interference in decision making and in giving effect to some system of punishment and reward. It is also necessary to extend the base of his recurrent budget by a certain measure where he can exercise his discretion and intervene to secure a more desirable state of affairs.*

### **Balochistan**

- *An up to date Personnel Management Information System should be urgently in place. It would greatly facilitate a cross check of salaries and payroll of the district level staff.*
- *Nothing can take the place of internal checks and field audit. The Director would vastly extend his measure of influence by instituting such checks and audits.*
- *The Director must have some means of control over the works carried out directly by the DCW (Edu) under "Capital Development Budget". This control can be exercised through physical inspection, progress monitoring and expenditure review sessions.*
- *As a general principle, control can be effectively exercised only if decision making is free from outside interference. This can only be done with the overt blessings of the political bosses.*
- *The inception of the Social Action Programme in Balochistan will bring in its own control mechanism, such as the use of the World Bank bidding system for purchases exceeding certain sums.*

*Such new control mechanisms have better be made known in the form of a manual for official use.*

**Current Computerized System - Is It Fully Representative ?**

**NWFP**

*The consultant readily grants that much cannot be changed in isolation from the systems in use in the AG's office and the Finance Department. But that is only true of some formats. In fact, a more elaborate system of formats can show different relationships for different levels and purposes of analysis, and to that extent, enhance its own usefulness. It is therefore recommended to develop formats which can show such relationships, permit effective control of funds, program management and evaluation. The reports so produced must provide both physical and financial data - by type and by program - and furnish bases for assessment in relation to specified targets and location of responsibility.*

*Again, as has already been remarked, for a FMIS to accomplish the program goals and meet the benchmarks, it will have to be more than just a set of formats. By definition, an information system is a set of organized procedures that when executed, provides information to support decision-making and control in the organization. It is a management tool of analysis, of effective planning and of securing improved performance. The present system at its present stage of development is far from it.*

*That leads us to another important pre-requisite in the development of an information system. It is the decision-maker-the "user" of the information - who has to define the information required. The designers of the information system may regard any "output" to be information \* while the decision-maker may not. It is important to note that there is a two-way relationship between the decision-maker and the information system. While the information system helps the process of decision-making, different types and levels of decision-making have different requirements. It is thus the nature of the decision making that is required to be supported by an information system that will determine the nature and complexity (sophistication level) of the information system. That is why it is so necessary to have frameworks for information. These frameworks provide a conceptual model to aid in the design of the system - its content and communication. And these frameworks have to be indicated by the information "users". Information technologists can only exert from the supply-side of information. It is the "users" of the information representing the demand side who have to define the information required. This point which is equally relevant both for NWFP and Balochistan is further elaborated in the recommendations for Balochistan.*

---

\* *Distinction may also be made between data and information. Data as such is not information. "Information is data that has been processed into a form that is meaningful to the recipient and is of real perceived value in current or prospective decisions" (cf. Davis, G.B., Management Information Systems: A Framework for Analysis, McGraw Hill, 1974).*

*In the meantime the information base must be made fully comprehensive to reflect all the resources \* and the patterns of their commitment; and the formats more diversified so as to make available formatted data to enable donors and management both to monitor the growth of expenditure, sectoral and sub-sectoral distribution and key intra-sectoral relationships. It is also of the essence of things that the data processed and the reporting system are not only comprehensive but fully reliable. The Social Action Program, based as it is on the reimbursement of bills is going to rely heavily on the system. Its unhindered operation of honouring the expenditure after it has been incurred will depend upon how faithfully this expenditure is reported. This general recommendation holds both for NWFP as well as Balochistan.*

*Again, since the SAP funds are released on the receipt of expenditure information, the entire system will have to work quickly also, in addition to being reliable.*

### *Balochistan*

- *It is necessary first to enhance the utility of what is being done. Since the cash-book management system is in place and data is being entered on a regular basis, let there be a strict adherence*

---

\* *This relates not only to the data but also the coding system. For example, the coding system of the donors varies greatly. For the system to reflect donor-wise resources, therefore the system will have to be quite comprehensive or the donors will have to synchronize their coding systems with each other.*

*to the coding system as given in the Annual Work Plan. This would facilitate in monitoring the financial progress in addition to the physical progress.*

- *A significant amount of Non-Development Budget data is lying in worksheet formats. These can be transformed into database with a view to making the process of budget demands and grants automated.*
- *The conceptualized relationship between the AMPE and FMS as shown in Annexure III be operationalized. The information technology acquired must now serve the ends of a decision-support system.*
- *If the MIS is to act as a decision support system, there will have to be a need-orientation as well as an orientation of those in need. In fact, there will have to be three sides to a meaningful relationship between the data base and policy level decision-making.*

*1st, and foremost (the pre-requisite) - a utilization worthy data;*

*2nd, (and a necessary condition) - a relevant set of analytical exercises yielding*

- *Correlations - positive or negative (indicative)*
- *Measurable impacts (quantitative)*
- *Discernible responses (qualitative)*

*adding up to a composite index to furnish bases for decision-making;*

*3rd, (the sufficient condition) - developing a capacity level to make use of the data and the indices. That should take the form of initiation workshops and hands-on training of the users of information. This recommendation is equally valid for the NWFP.*

*It would be extremely useful if the main personnel involved in the computerization system in the NWFP and Balochistan can get together now and then and exchange notes on the methodology adopted and problems faced in implementation.*

## II

**Recommendations for the Redesign of the FMS**

*In addition to the specific recommendations made subsequently in this section, the consultant to be appointed for the redesign of the FMS in Phase II will also have to take into account some of the recommendations developed in the preceding section. The reason is simple: These corrective actions are essential to enable any FMS to function and operate effectively. In fact, even the present system may have served well, at least for the accounting part, if the proposed actions had been in place. It is therefore of the essence of things that the consultant weld the new recommended structure with such extra-systemic and system related elements as will enable/allow the system to function and operate according to its design.*

*In the redesign of the FMS, the proposed consultant will have to knit together three major components:*

- i. The Fund Flows, viz. the acquisition and use of resources where recommendations will relate to the basis of fund allocations, their channelization into the PE system, the checks and balances on expenditure, accountability and reporting;*
- ii. The Accounting System, viz. the basis of maintaining accounts and the system to be followed here as will suit the management requirements of the PED Program, i.e.,*

*performance control, improved planning, and a more effective management of men and moneys; and*

- iii. Information Flows - the MIS (including all the three elements as now understood - the EMIS, the FMIS and the PMIS) together with their district level linkages.*

*The present consultant has indicated some of the actions on the first and the third component which may with benefit be taken into consideration. Additionally, the proposed consultant may wish to give some thought to the following four points:-*

- a. At present, education as a sector is lumped together with other social sectors to form one composite budget category. Will it not be better if a separate budget code is assigned to education, and within that, the PE sector forms an autonomous category with functional and object codes reconceived in the light of the newly envisioned requirements of the sector? If yes, spell out details.*
- b. Will it not be advisable if more rational norms and criteria are indicated which may be kept in view in allocating recurrent budgets? What should be these norms and how should these be derived? Should there be some studies on the unit costs of various types of education (e.g. arts and science) and recommendations developed on the basis of those for budget allocations?*

- c. *The consultant may also wish to look at the present formats of the development budgets and may like to advise on their reformatting. Codal redesigns have been known to improve functional reviews/analyses.*
- d. *The proposed consultant may also address the question as to what manner of changes may be needed in the AG's accounting system and in that of the Finance Department to help ready interfacing.*

### **The Accounting System**

*The accounting component of the FMS be so redesigned as will perform the generally accepted accounting functions, viz.*

- i. *Keeping systematic records. The transactions to be recorded systematically enabling the organization to prepare fund flow/financial statements - balance sheet, receipt and expenditure statement, sources of funds and application statement.*
- ii. *Protecting the properties of the organization - warding against unjustified and/or unwarranted use.*
- iii. *Communicating the Results - reporting, flow of information facilitating the decision-making process and control without recourse to the original data.*
- iv. *Meeting the Legal Requirements.*

*As any qualified accountant would know, Trial Balance is a prerequisite for the preparation of a Financial Statement. Once the Trial Balance is prepared, the management can communicate their results to the concerned agencies easily. Again, the fund flow/financial statement referred to above will furnish the single format reflecting all financial activities of the PED at a glance.*

*This can obviously be done only if the existing accounting system is converted into a Double Entry, Accrual Accounting System. The consultant to be appointed will therefore have to look into the merits of the system and carefully examine its functional features vis-a-vis the management objectives of the PED. Also to be examined will be the modalities of interacting with other government departments who are operating on cash management basis.*

*To achieve the objective of redesigning the system, the consultant may also like to think out the accompanying set-up.*

- a. For example, the CTA's office may itself need to have the services of a professional financial expert with the twin functions of assisting the CTA in coordinating with the consultant and the PED staff, and in monitoring the financial progress and process of PE.*
- b. It may be considered advisable to recommend the appointment of a qualified accountant as Financial Advisor to the PED. His duties and job description may be conceived*

*to include charge of financial activities at the PED and supervisory liaison with the accounts officers at the DEOs/SDEOs.*

- c. External audit is yet another area deserving of consideration, where external auditors may carry out annual audit and express their views on the financial statement of the PED. An additional point to be considered in this regard may be as to who should appoint the external auditors, and who should they report to? The provincial Secretary Education? Who?*
- d. The consultant to be appointed may also need to look at the internal audit department. Does he see the need to extend this unit? What does he think should be the qualification and job description of the person to head this unit? Who should he report to? The Director PE? What should be the composition of his team, if he is deemed to have one? How should this unit relate to the field offices? (There is evidently a great need for frequent field visits. Once the redesigned system is in place, there will be even a greater need for ensuring that the system as redesigned functions at all levels.)*

*The present consultant is aware of the general resistance/reluctance to make alterations/additions in the existing administrative set-ups, but if a cost of less than 1% of the PE budget can secure the*

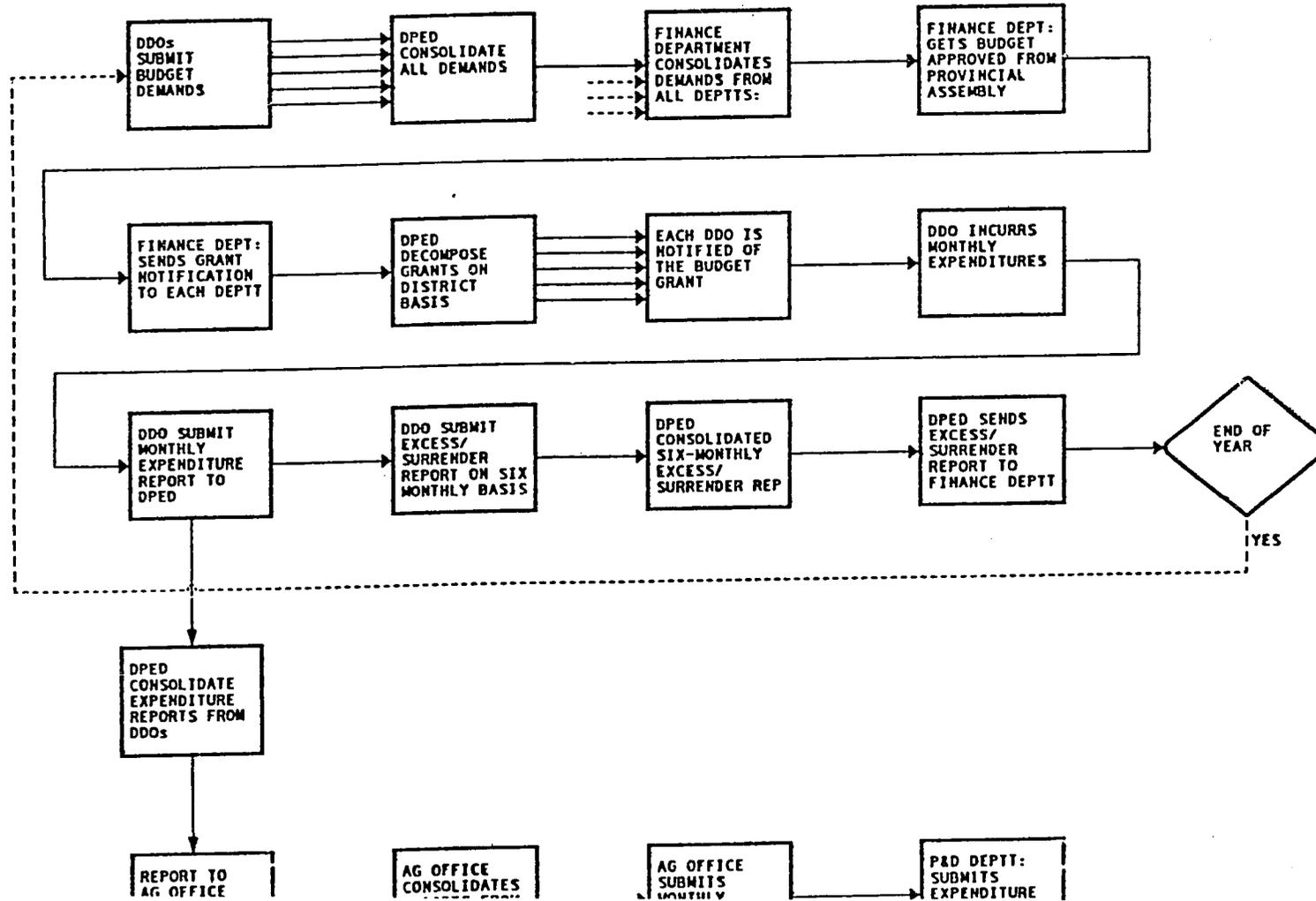
*advantages expected, the proposed consultant may be able to put up a good case and see it through.*

*The present consultant is also aware that a redesign like the one proposed will need a team comprising skills more broad based than those of a consulting accountant only. It will also need the input of a Financial Management Specialist and an organizational/institutional management expert to be teamed up with their accounting counterparts.*

# FLOW OF DATA FOR THE NON-DEVELOPMENT BUDGET

*Balochistan*  
Annexure I

46-



# PRIMARY EDUCATION DIRECTORATE FLOW OF FINANCIAL INFORMATION

Balochistan  
Annexure II

