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**INDIA: Swachh Bharat Mission Support Operation
(Program-for-Results)**

Fiduciary Systems Assessment

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The World Bank**

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ABBREVIATIONS AND ACRONYMS

ACB	Anti-Corruption Bureau
AE	Assistant Engineer
AIP	Annual Implementation Plan
C&AG	Comptroller and Auditor General of India
CEO	Chief Executive Officer
DFPR	Delegation of Finance Power Rules
DLIs	Disbursement-Linked Indicators
E&Y	Ernst & Young Ltd
EM	Earnest Money
F&C	Fraud & Corruption
FSA	Fiduciary Systems Assessment
GoI	Government of India
GP	Gram Panchayat
GSDA	Groundwater Surveys and Development Agency
IDA	International Development Association
IHHL	Individual Household Latrine
INT	Institutional Integrity
JE	Junior Engineer
JP	Janpad Panchayat
GKN	GrameenKaryaNideshika
M&E	Monitoring and Evaluation
MIS	Management Information System
MOU	Memorandum of Understanding
NBA	Nirmal Bharat Abhiyan
NGO	Non-Governmental Organization
NRDWP	National Rural Drinking Water Program
OGFR	Odisha General and Financial Rules
OPWD	Odisha Public Works Department
PAP	Program Action Plan
PC	Production Centre
PMU	Project Management Unit
PwC	PricewaterhouseCoopers Private Ltd.
PWD	Public Works Department
RA	Running Account
RES	Rural Engineering Service
RSM	Rural Supply Mart
RTI	Right to Information
RTPP	Rajasthan Transparency in Public Procurement
RWSS	Rural Water Supply and Sanitation
SBM-G	Swachh Bharat Mission Gramin
SD	Security Deposit
SOR	Schedule of Rates
SWSM	State Water and Sanitation Mission
ToR	Terms of Reference
TSC	Total Sanitation Campaign
UC	Utilization Certificate
WBCS	West Bengal Civil Service
WSSD	Water Supply and Sanitation Department
ZP	Zila Parishad

EXECUTIVE SUMMARY

INTEGRATED FIDUCIARY SYSTEM ASSESSMENT

Summary and Background

1. A Fiduciary Systems Assessment (FSA) was carried out to evaluate the arrangements relevant to the Operation and to determine whether they provide reasonable assurance that the Operation funds will be used for their intended purpose. Taking into account the improvements required and the agreement on the actions required to strengthen the systems (which are reflected in the PAP), the overall fiduciary framework is considered adequate to support the Operation management and to achieve the desired results.

2. Assessments have been carried out in five States through two consulting firms. PwC was engaged to carry out assessments in West Bengal and Odisha, while E&Y was engaged for assessments in Chattisgarh, Madhya Pradesh and Rajasthan. In SBM-G, a national programme these five states [Low income states] have been considered a representative sample. It is noted that the institutional and governance arrangements vary from state to state. The assessments were carried out in the period prior to the full-fledged implementation of the new SBM-G guidelines. Many of the findings of the assessment are being addressed under the SBM-G

3. The Assessment of Operation fiduciary systems integrates findings in three areas:

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

4. Major issues thus identified in these five sample States are considered in the following paragraphs, and will be addressed through PAP, and other technical assistance, and thru addressing staffing needs followed by capacity building measures. Keeping in view that procurements under the project include a large number of small value cases for construction of individual household latrines (IHHLs), specific issues related to procurement of materials and contracts for IHHLs have been examined.

Swachh Bharat Mission Support Operation

5. The overall objective of the Operation is to accelerate efforts under SBM-G to achieve universal sanitation coverage, enhance cleanliness and eliminate open defecation in rural areas by leveraging Bank funds to incentivize performance of the states and, to increase MDWS capacity to facilitate states in program implementation. Both the GoI and the states

have demonstrated commitment to these objectives, and are updating policies and guidelines for program implementation, allocating requisite financial resources and putting in place systems and procedures to strengthen program implementation. The scope of the Bank supported Operation consists of two primary categories of activities that are designed to enhance: (i) sanitation improvement in rural areas; and (ii) institutional capacity strengthening of MDWS in program management, advocacy, monitoring and evaluation. Each of these activity categories are summarized in Section II-D, and described in detail within Annex 1.

6. The proposed Operation will support the national program over a five year period (2015-2020); coinciding with the timeframe of the national program¹. The Operation strengthens the institutional, technical, fiduciary, social and environmental areas of rural sanitation delivery nationally. To this effect the Operation is expected to contribute significantly to eliminating open defecation, and achieving and sustaining ODF in rural India. The critical elements of behavior change, and improved institutional capacities are expected to considerably improve the levels of performance at the state and local levels, and set in motion a self-reinforcing cycle.

7. The projected investment of the national program is US\$22 billion over the five year period. GoI has already made an allocation of US\$ 413 million for FY 2015-16 which represents 20% of the estimated program costs in 2015-16. The Bank will finance US\$ 1.5 billion, as IBRD loan over five years, accounting for about seven percent of the projected SBM-G program costs.

8. The development objective for the Operation (hereinafter referred to as the “Program Development Objective or “PDO” is: to reduce open defecation in rural areas, and strengthen MDWS capacity to manage the national SBM-G program.

9. The GOI has developed a Swachh Bharat Mission Guidelines (Gramin) which lays down the broad principles for construction of IHHLs, Community Sanitary Complexes (CSCs), Solid & Liquid Waste Management and related procurements, the assessments specifically covered procurement, operation, Rural Sanitary Marts (RSMs); Production Centres (PCs); and role of GPs etc.

Procurement Systems

10. With due attention to the principles of public procurement i.e. economy, efficiency, effectiveness, equal opportunity, transparency and accountability and in accordance with the World Bank operation policy requirement to assess if the program systems provide reasonable assurance that financing proceeds will be used for the intended purposes, a sample fiduciary assessment was carried out in 5 States. In addition an earlier assessment carried out for RWSS project in 6 Low income states was also referred. The present program procurement systems were assessed in regard to procurement planning, processes and procedures, controls and integrity, procurement capacity and contract administration. Based on these assessment the most critical findings and proposed actions are as below:

¹ While the National program has set targets to achieve a clean India by October 2nd, 2019, the program is expected to be effective till the end of the financial year, i.e. March 31st 2020.

- Most procurements (IHHLs under category 1) are expected to be **highly decentralised and each of very low value**. The challenge for these therefore will not be for complexity of procurement, but for ensuring consistency, efficiency and monitoring this very large number of small value contracts, where applicable².
- Fiduciary assessment of a sample of States has brought out that at this lowest rung of the decentralised procurement there is a need to bring in clarity on how budget and procurement plan are required to be linked, on accountability, on integrity of the process, on maintenance of records; and on quality control.
- The staff availability and its capacity to carry out procurement or provide support at decentralized level is limited.

11. Procurement arrangements vary widely amongst different States in respect of applicable rules and regulations, the organisations involved in actual procurement, governance and accountability arrangements, grievance handling and redressal systems, disclosure of information, record keeping, procurement management information, capacity, quality control, contract management etc. **Many variations have been noted in the procedures in construction of IHHLs** like (a) procurement by individual beneficiaries from suppliers/ shopkeepers through discussions; (b) procurement by Sarpanch and by GPs, without quality check and without procurement records; (c) construction under the oversight of Block/districts with GPs not having any significant role; (d) PCs acting as contractors; (e) masons acting as material suppliers; (f) absence of contracts & long delays in completion; (g) RSMs also acting as contractors rather than as material sources; and (h) lack of inspection of the final construction work etc. **As a result the fundamental principle of public procurement i.e transparency, economy, efficiency and equal opportunity gets diluted.** A comparative position of various items of 'Procurement Considerations in Fiduciary Assessment' in each of the five States in Table 4 gives an overview of current status of related procurements in these States.

12. For most states procurement systems for Works and goods are covered under PWD manual and Store purchase manual respectively. In addition there may be relevant government orders issued from time to time. Since, procurement is a State subject, rules and practices differ from State to State. Improved transparency of procurement processes at the household/village level is reported in some places owing to the follow-up in spirit of community processes advocated under the SBM-G.

13. Procurement under SBM (G) mostly includes civil works of small and medium size (upgrading or new construction of water supply system and providing of sanitation facilities). There are no large contracts valued at or above Operational Procurement Review Committee (OPRC) thresholds (US\$50 million for works; US\$30 million for goods, US\$20 million for non-consulting services, and US\$15 million for consultant services) under the Program. Most procurements except for a few packages under Category 2, are expected to be highly decentralised and low value, therefore skill development challenge will not be for complexity of procurement, but for ensuring consistency, uniformity and monitoring this very large

² The SBM-G program aims at reduction in open defecation through changing behaviors and thus in spirit advocates the construction of individual latrines by households themselves. Where such mobilization occurs effectively, the program would pass on the incentive to the households on successful completion, precluding any contracts by the program.

number of small value contracts. Specific procurement methods that would be applicable to the Program include open competitive bidding, direct contracting and shopping.

14. The assessment of the existing procurement systems and arrangements identified certain areas of improvement which could directly or indirectly compromise the efficient achievement of program objectives: *rules and guidelines are spread across multiple documents and circulars emphasizing need for comprehensive instruction for all steps of the procurement process; lack of regulations for services; existence of entry barrier to contractors; instances of excessive use of direct contracting or single source processes in a non-transparent manner; non-application of Bank debarment/suspension lists which may result in unacceptable contract awards to Bank debarred/ suspended firms or individuals; need for alternative dispute resolution mechanism; lack of procurement planning; delays in contract administration due to delayed allocation of budget or payments; non-availability of standards for disclosure/transparency; absence of procurement information system, and oversight over procurement process including procurement review and audit.*

15. FSA recognizes that given the scale, the available time, volume, capacity limitations and decentralized nature of the program there may be areas which will be addressed but may not get fully mitigated

16. To address the above issues corresponding Program actions are proposed to be agreed with the Government prior to Credit negotiations. To strengthen the Program's procurement implementation capacity, several crucial measures should be adopted including additional staffing, intensive training and hiring of qualified procurement/contract management support consultants, and robust procurement audit. The Bank will also provide assistance and support to the program implementation and will closely monitor the program procurement performance.

Financial Management Systems

17. Financial management for the program is characterized by the dispersed nature of the implementation arrangements, with added challenges of disparateness of the arrangements at the state level. A common feature across the states is that a significant part [75-80 percent] of the program funds are utilized by way of payments for individual household latrines (IHHLs), some of which are routed through GPs, NGOs, RSMs, contractors etc.

18. The financial management systems at the national and state level are operational albeit with several identified inefficiencies; These include an established budgetary framework that ensures that adequate resources are allocated to departments and implementing agencies. While there are some concerns noted in the findings of the assessment over the timeliness of state share fund releases, there appears to be sufficient predictability in the availability of resources for the implementation of the program. Basic books of accounts are maintained at all levels, though significant internal control weaknesses are noted from field observations (also confirmed in various state and program level Comptroller & Auditor General audit reports).

19. Under the SBM-G guidelines, formats have been prescribed for Utilization certificates and annual statement of accounts. Variations were noted in the accounting and book-keeping practices followed at the State level, particularly with reference to the treatment of fund releases from state to districts, districts to blocks, blocks to GPs and other institutions. Downstream financial management aspects such as fund utilization, financial reporting and

audit assurance receive insufficient management attention. This accounting practice, coupled with the risk of lapse of budgetary outlay, has created an in-built incentive for ministries to 'spend' the budget at all levels.

20. Consequently, consolidation of the program level expends at the state and national level poses several challenges. Monthly financial, and physical, performance reports are uploaded at the block level in the central database maintained by MDWS; efforts to triangulate the reported expend with the audited financial statements and the underlying books of accounts indicate that the financial information available on website may not be reliable or accurate. There are also concerns over the oversight and auditing arrangements, partly on account of the dispersed nature of the institutional arrangements. These factors considerably increase the financial management risk of the program for all levels of stakeholders including the beneficiaries.

21. In defining the program content with respect to the strengthening of the financial management systems for the program, key focus will be to (a) development of detailed financial management guidelines as required, manuals and procedures, including establishing benchmarks for internal controls and auditing arrangements at national and state level; (b) enhancing the staffing for financial management and oversight function at national and state level; (c) implementation of PFMS (Program Financial Management System) developed by Controller General of Accounts under Ministry of Finance as agreed by the States, to monitor and track the usage of central plan funds.

Governance and Accountability

22. Institutional arrangements and governance structures for the Program are assessed as adequate in all participating states. The new policy framework emphasizing sustained behavior change and ODF communities is sound and aligned with international best practices. The capacity of institutions and incentives of actors at all levels however needs to be aligned with this new policy shift. The institutional architecture for delivery is highly decentralized, with defined roles and responsibilities at centre, state, district, block and GP levels. Unlike previous sanitation programs, the SBM-G allows states the flexibility to design their delivery mechanisms to fit the local context. However, as is the case with other centrally-funded programs in India, the district remains the main delivery unit – working through block support teams and GP functionaries.

23. At the national level the main tool for accountability is the monitoring system developed by the Ministry of Drinking Water and Sanitation, including physical and financial progress through Periodical Progress Reports, Performance Review Committee meetings, Area Officer's Scheme, District Level Monitoring and Vigilance and Monitoring Committees at the State/District Level. However, this system will have to be strengthened to ensure that the information provided is reliable, timely and verifiable.

24. Although implementation of the governance and accountability arrangements on the ground varies from state to state, overall these systems provide good underpinnings for improving transparency and accountability of the Program but they require to be further strengthened.

25. Vigilance systems. In general, the vigilance function of line departments is fulfilled by a chief vigilance officer, and Vigilance Committees are also established at the Block, ZP and GP levels with various degrees of effectiveness. This will need to be strengthened.

26. Grievance redressal mechanisms are present in every state. However, in practice, these systems would need to be strengthened so they are more accessible and complaints properly registered, and managed. Electronic grievance redressal systems and 24x7 helplines exist in some states (“Sanjog Helpline” in Odisha, “Sampark” portal in Rajasthan, “CM Helpline” in Madhya Pradesh) that allow for the identification and tracking of SBM-G related complaints.

27. Transparency and social accountability. The identification of beneficiaries is conducted by the GPs and the Block level coordinator is responsible for reporting of progress and the verification of utilization certificates. In some states, such as Madhya Pradesh, physical and financial progress is uploaded to an online system, but in most states such information is not published or disclosed to beneficiaries/communities. Social audits are to be conducted for SBM-G, but the detailed procedures have been developed only in some States, e.g. Karnataka. The Right to Information Act (2005) is another accountability mechanism available to citizens and in some states, such Odisha, the Department has established an RTI cell which answers all SBM related enquiries. Rajasthan and Madhya Pradesh have enacted their own Right to Information legislation.

INTEGRATED FIDUCIARY SYSTEM ASSESSMENT

A. Introduction

1. The proposed PforR financing of the SBM (Gramin) by the World Bank requires an assessment of the program fiduciary arrangements in accordance with the World Bank OP/BP 9.0 to determine the suitability of the application of the approach to this Program and to mitigate the fiduciary risks of the proposed Program. This document contains the findings to the integrated Fiduciary System Assessment (FSA) of the fiduciary framework of the proposed Program.

2. Given that this is a PforR lending, the program will exclude activities that, involve procurement of (i) works, estimated to cost US\$50 million equivalent or more per contract, (ii) goods, estimated to cost US\$30 million equivalent or more per contract, (iii) non-consulting services, estimated to cost US\$20million equivalent or more per contract, and (iv) consultant services, estimated to cost US\$15million equivalent or more per contract.

3. FSA has evaluated capacity of relevant institutions to implement the proposed program while providing adequate fiduciary assurance on the use of program funds. The assessment highlighted several issues for which agreement on short term and medium term solutions shall be reached with GoI.

4. FSA recognizes that given the scale, volume, capacity limitations and decentralized nature of the program there may be areas which will be addressed but may not get fully mitigated.

5. The fiduciary risk rating is considered to be high.

B. Program Description

6. The proposed Operation provides support to the Swachh Bharat Mission – Gramin (SBM-G) national program, the renewed rural sanitation program launched on October 2, 2014. The Program Development Objective is *to reduce open defecation in rural areas, and strengthen MDWS capacity to manage the national SBM-G program. The Operation is designed to accelerate and sustain behavior change in rural households and villages – stopping open defecation, using safe technologies and adopting hygienic behaviors - for more than 60 percent of India’s rural population, thereby benefiting more than 550 million persons by reducing open defecation by households, and benefitting a proportion thereof with the collective gain of achieving and sustaining village-wide open defecation free status, and increasing populations with solid and liquid wastes management.* The Operation will be implemented over a five year period, during 2016-2020.

7. The Program will use a set of DLIs to incentivize performance across institutional tiers on sustained service delivery as well as create incentives for investments to attain and retain the ODF status at the GP level. The Program will be coordinated and monitored by MDWS at the national level, although implementation responsibilities will be with the state governments. Each state will develop their implementation plans with appropriate institutional arrangements to achieve the agreed results. All states have completed their first year’s (FY 2015-16) Annual Implementation Plan (AIP) prioritizing an initial set of targets and investments.

Scope of the Program

8. The overall objective of SBM-G is to accelerate efforts to achieve universal sanitation coverage, enhance cleanliness and eliminate ODF in rural areas. Both GoI and States have demonstrated commitment to these objectives, and are updating policies and guidelines for program implementation, allocating requisite financial resources and putting in place systems and procedures to strengthen program implementation. The scope of the Bank supported Operation consists of two categories of activities: (i) performance incentives for sanitation improvement in rural areas; and (ii) strengthening institutional capacities on program management, advocacy, monitoring and evaluation by MDWS. The indicative list of activities to be supported under this category is summarized below:

Category 1: Performance incentives for sanitation improvements in rural areas (PforR):

9. The Program will finance SBM-G program activities and operationalize the performance based incentive grants to states based on the state reduction in the population practicing open defecation, populations residing in villages that sustain ODF status, and the rural population with SLWM. A set of DLIs for measuring reduction in open defecation prevalence, sustainability of ODF status, and increased populations with SLWM are provided in Section G and is detailed in Annex 3. The indicative list of activities to be supported under this category are summarized below:

- (a) Construction and use of safe and functional individual household latrines
- (b) Construction and use of functional community sanitary complexes
- (c) Use and maintenance of school, anganwadi and public sanitation
- (d) Construction of liquid waste management³ facilities and systems
- (e) Establishment of solid waste management facilities and services
- (f) Behavior change communication activities

10. The end use of the performance grant will be for any activity for sanitation improvements under SBM-G. Approved activities will be detailed in the MDWS guidelines for the Performance Incentive Grants Scheme to be issued to states. Illustrative items include construction of improved household sanitation, community sanitation and public sanitation facilities with water storage, rehabilitation of defunct toilets, construction and management of solid and liquid waste collection and treatment systems, operation and maintenance (O&M) of sanitation facilities, and any item listed in the annual implementation plan of the districts and states. The availability of these performance grants is expected to become an attractive incentive for the states and their implementing tiers at the district, block and GP levels.

Category 2: Strengthening institutional and implementing capacities on program management, advocacy, monitoring and evaluation by MDWS. (IPF)

11. Program management capacity and coordination at the national level will be strengthened by hiring key human resources in the PMU with the strategic purpose of accelerating the pace of implementation. The indicative list of Category 2 activities to be supported are:

³ While fecal wastes are to be safely disposed of as a part of sanitation investments, liquid waste management shall mainly comprise investments in systems for safe disposal of grey (non-fecal) wastewater, including sullage, storm-water, etc.

- (a) Strengthening of the PMU, engaging a Program Management Consultant (PMC) within the PMU of MDWS
- (b) Strengthening program M&E system at the national level
- (c) National third party annual sanitation surveys to cover all states and union territories
- (d) Establishment of a robust and credible verification mechanism for program results
- (e) Capacity building and trainings on thematic areas
- (f) Strengthening program governance and accountability systems
- (g) National level advocacy and behavior change communication activities
- (h) Learning and knowledge transfer

Institutional Arrangements

12. The Ministry of Drinking Water and Sanitation (MDWS) is primarily responsible for meeting the SBM-G goals. The Swachh Bharat Mission is set up at the MDWS with the Secretary, MDWS as the Mission Director of SBM-G. The Joint Secretary in charge of the SBM-G, is virtually the focal point for the national program in the Ministry.

13. In the five sample states the nodal institution is the Department of Panchayati Raj and Rural Development (PRRD). Most States have established a State Water and Sanitation Mission (SWSM), Communication and Capacity Development Unit (CCDU), and District Water and Sanitation Missions (DWSM). An exception is West Bengal where the sanitation program is being turned into a Mission Bharat Bengal. Policy guidelines are developed at the State level whilst detailed planning and monitoring is being undertaken at the District and Block level.

14. The proposed Operation shall be implemented by the existing institutional structures at the national, state, district, block and GP levels for SBM-G. The MDWS shall carry out program management nationally, and the nodal departments in the states shall be responsible for implementation of the Program with districts as the base implementation unit with the goal of creating ODF GPs. Key implementation responsibilities are outlined below and reflect the national program guidelines.

15. **National Level:** The National SBM-G in the MDWS, headed by the Secretary as the Mission Director, is the nodal agency for implementing the Program. The National Mission shall comprise of specialized structures for strong program management including those for Program coordination, steering, developing and issuing relevant guidelines and regulations, planning, monitoring and evaluation, technical support, communications and knowledge sharing. The National Mission is responsible for coordinating with other national Ministries, especially the Ministry of Human Resources Development (MHRD), and Ministry of Women and Child Development (MWCD), for implementation of SBM components for sanitation in schools and anganwadis. The National Mission shall be responsible for carrying out independent verification assessments as spelt out in the Program. The National Mission will engage an Independent Verification Agency (IVA) that would include procurement process verification with demonstrated capacity and independence in undertaking the verification role executed in a timely and efficient manner. MDWS will prepare the consolidated results reports and request for disbursement.

16. **State Level:** The primary responsibility for Program delivery lies with the state governments. The State Swachh Bharat Missions – Gramin (SSBM-G), as registered society in the nodal department, shall be responsible for implementing the Program in their States.

The Principal Secretary of the nodal Department will be the State Mission Director and Member Secretary. Overall, the implementation mechanism of the Program at the state level will consist of (i) SSBM-G, (ii) District Swachh Bharat Mission – Gramin (DSBM-G), (iii) Block Program Management Unit, and (iv) Gram Panchayat. In each of these states an Apex Committee is expected to be set up, headed by the Chief Secretary to aid and advise the State Mission.

17. The State Mission shall supervise the implementation of the Program in the districts in the states, facilitate convergence among other departments, ensure preparation of the Annual Implementation Plan (AIP) for each district according to a standard framework incorporating elements of bottom-up planning (at the GP levels), and consolidate these plans into the State AIP for presentation to and concurrence by the National SBM on an annual basis. The State Plans shall have district wide plans consolidated for all GPs. Coordination among various actors at the state level is particularly important to achieve the Program results.

18. **District Level:** In each district, a DSBM-G will be formed. Although the nodal department in the states will play a catalytic role in implementation of the Program, the role of the District Collector / CEO of the District administration will be pivotal. District will be the base implementation unit. District wide sanitation plans (district level AIPs) will be formulated by consolidating the GP level ODF plans. Districts will be the implementation unit for deployment of social mobilization, rolling out of behavior change interventions, facilitating the marketing of products, trainings and capacity building. Monitoring of the district level performance will be a crucial role of the District Mission.

19. **Block Level:** Blocks in the districts will set up *Block Program Management Units* which will be a bridge between the districts and the Gram Panchayats. The Block Program Management Unit will coordinate all activities for social mobilization, awareness generation, motivation, facilitating supply chains and monitoring implementation status for a cluster of GPs at the block level.

20. **Gram Panchayats:** GPs are responsible for the implementation of rural sanitation program and shall endeavour in achieving ODF status. GPs are responsible to preparation of GP level ODF plans, sensitize and motivate communities, constantly supervise and monitor the implementation progress and monitor household behaviors. GPs may choose to set up Village Water and Sanitation Committee and any other monitoring committee to supervise the implementation at the village and ward level.

C. Program Cost and Financing

21. The projected investment of the national program is US\$22 billion over the five year period. GoI has already made an allocation of US\$ 413 million for FY 2015-16 which represents 20% of the estimated program costs in 2015-16. The Bank will finance US\$ 1.5 billion, as IBRD loan over five years, accounting for about seven percent of the projected SBM-G program costs.

D. Program Fiduciary Performance

Financial Management

22. Notwithstanding the disparateness of the implementation arrangements noted across the states, the financial management systems for the program have several common features across the states. These include (a) annual planning processes based on baseline data; (b) budgetary provisions at national and state level based on consolidated state annual plans; (c) fund release protocols; (d) accounting systems at implementing agency level/s; and (e) annual statutory audit at the implementing agency level.

23. As part of Program preparation and in accordance with OP/BP 9.00 Guidelines, a Fiduciary Systems Assessment [FSA] for the Program has been conducted at national level and in the States of Rajasthan, Madhya Pradesh, Chhattisgarh, Odisha and West Bengal to determine whether the fiduciary systems provide reasonable assurance that Program expenditures will be used for the intended purposes. The assessment findings are not likely to be very different in other states and therefore, this assessment may be considered as a fair representation of the fiduciary systems on the overall. The findings of the assessment are summarized as follows:

24. **Planning and Budgeting:** Annual planning processes are by and large in place; annual plans are typically based on baseline data and assessed demand for IHHLs prepared at the district level and consolidated for the state – block or village level plans were however not seen in any of the states. The consolidated state annual plans form the basis for annual budgets at the state and national levels. Medium terms strategic plans [for five years as per SBM guidelines] are absent for some States. Evidence shows State program objectives are consistent with the national development strategy.

25. The funds allocated for the program [erstwhile Nirmal Bharat Abhiyan (NBA)] at the national level are reflected in the Union Budget in Demand for Grants Number 30, pertaining to Ministry of Drinking Water and Sanitation. The routing of the program funds through the State budget started from 2014-15 budgets. Starting from FY14-15, the State budget reflects both central and State share of the program and include donor funded expenditures, where applicable. Beneficiary share of the program costs [IHHLs etc.] are not captured in the national or state budget. The preparation of budget and its approval in the Parliament [and Legislative Assembly for the states], provisions for which are enshrined in the Constitution of India, goes through legislative scrutiny and the Parliament exercises full control over the annual budgetary system through this mechanism. The process of preparing the budget, discussing it in Parliament, and its subsequent approval is considered as an effective instrument of financial control of government activities.

26. **Treasury and Fund flows:** Fund releases are processed through Treasury into separate bank accounts of State Water Missions [registered as societies] or directly into bank accounts of District Missions [or Zilla Parishads, as the case may be] in instalments. SBM guidelines require that the state releases the central and the corresponding state share into bank accounts of State Mission within 15 days of the receipt of central share [delays invite penal interest] and therein to the districts, block and village level implementing agencies. Delays in transfer of funds at all levels and disconnects between fund releases and annual implementation plans has however been a common problem across all states; this significantly impacts the ability of the implementing agencies to plan and deliver against the committed annual action plans. Under the SBM-G, the States have been provided the flexibility to disburse funds to districts based on performance.

27. **Transparency:** Ministry/Departments budget allocations, budget execution reports, year-end financial statements and audit reports are available at both national and state levels

on Government websites and are accessible to the public. Budget and financial statements are voluminous and not in user friendly formats. Budget execution reports at national and state levels report fund transfers and releases and do not necessarily reflect the complete program expenditures in any meaningful form. SBM-G [earlier NBA] website provides financial information on releases and expend at national and state levels. However, this data may be incomplete as there are gaps in the reconciliation of expenditures reported in Utilization Certificates [UCs] and/or annual audited financial statements of the various levels of implementing agencies.

28. **Accounting and Financial Reporting:** The aggregate monthly accounts prepared by the Controller General of Accounts (CGA) for GoI and Comptroller & Auditor General Office [C&AG] for States, compiled from the departmental accounts, provide monthly accounts of budget implementation. The monthly accounts of the central government are important in-year budget reports that are accessible to the general public through the website of the CGA/State Finance departments. However, as stated earlier the quality of actual expend reported at national and state levels are based on fund releases [for SBM-G] and therefore, do not facilitate meaningful assessment of financial performance.

29. The budget classification system in India which takes into account the COFOG functional classification system is consistent with the GFS manual of 1986 based on the cash accounting system. The budget classification system as determined by C&AG office is uniformly applied across all Indian states. The budget classification system in India has improved over the years to establish a uniform classification for the budget accounts and plan, clear presentation of objectives and purposes of government expenditure in terms of functions, programs and activities, bringing together all expenditures under appropriate functional (major), program (minor), and activity (subhead) irrespective of the organization administering it, and generating timely data for monitoring expenditure on programs and activities.

30. The accounting standards prescribed by the Government (President of India) on the advice of the CAG, IGAS, are not fully aligned with the Cash IPSAS prescribed by the IFAC. There are differences between Government Accounting system in India and cash basis IPSAS relating to the structure, disclosures and basis of accounting. SBM-G guidelines provide only for standard financial reports such as audit of SBM-G account, submission of Utilization certification and Annual Statement of Accounts, to be followed at the state levels. None of the states covered in the assessment have developed accounting and financial management guidelines or manuals. Consequently, existing accounting systems of the implementing agencies are used as a default position, Observations from field visits reveal that variable accounting standards are applied, including treatment of fund releases and advances as expend, multiplicity of bank accounts etc.

31. As per scheme guidelines, the Department of Drinking Water and Sanitation has developed an online monitoring system for TSC/ NBA. The TSC/ NBA project district is required to submit physical and financial progress reports through this on line software (IMIS) for which user-id and password have been generated and communicated by DDWS-NIC cell. Efforts to triangulate the financial progress entered through the on line software with Utilization Certificates [UCs] and audited financial statements submitted by the States confirm that there are significant disconnects in the financial expend reported. Field visits reveal large unspent balances at all levels which are not reflected in the financial statements and in some States not considered as these have been reported earlier as expend.

32. In line with the Government Financial Rules [State and Center] monitoring of financial progress, including processing of fund releases is typically centered around submission of Utilization Certificates on an annual basis. Utilization certificates are submitted by the GP to the blocks and collated up to the district and State. GP level UCs are required to be verified by Block level officials but due to manpower issues [1 block officer to verify UCs of approximately 60 GPs] there is delay in processing of UCs, which adversely affect the fund flows.

33. Annual financial statements are prepared at the level of the implementing agencies [SWSMs, DWSMs, ZP, Block agencies and GPs]; there is albeit with significant delays. SBM guidelines also require the States [SWSM] to prepare and submit annual program audited financial statements incorporating receipts and expenditures of the districts and the underlying implementing agencies. There is no record to show that systems are in place for the implementing agencies below the district level to prepare and submit periodic financial reports to the district.

34. A multi-year perspective in expenditure planning and budgeting has been lacking in India. While the States have enacted the FRBM Act stipulating the requirement of Medium Term Fiscal Policy (MTFP) detailed medium term expenditure framework for various sectors are not worked out. The budgeting thus remains strictly annual without a multi-year perspective relating to expenditure commitments of various sectors. In an effort to avoid lapsing of annual budgets [applicable to departments, ZP etc. which use the Treasury systems] monies are drawn towards the close of the financial year and parked in personal ledger accounts of the District officials for use in the next financial year. For agencies [SWSM, DWSM, GPs etc.] that operate outside the Treasury systems, the unspent balances in bank accounts roll over into the next financial year.

35. **Internal Controls, including Internal Audits:** The internal control framework at national and state levels are embodied in the Budget Manual, Financial Rules and Treasury Code read with the Store purchase manual & Works Manual and other related employee rules. These rules contain principles covering budgeting, revenue and expenditure, delegation of authority, accounting, procurement, pay, allowances and pensions, stores, works etc. The control systems are applied consistently for expend processed through the Treasury systems but get substantively diluted when the funds are transferred outside of the State systems [for off-Treasury operations]. The off budget expend are not subject to Treasury controls nor are the audited by C&AG.

36. Field visits reveal that some level of internal audits are carried out as part of the institutional systems at ZP, PS and GP levels [MP, Chhattisgarh], albeit with significant delays. Internal audits where undertaken, typically focuses on transactions and is constrained by significant staff vacancies. Payroll controls are fairly robust for payments through Treasury systems; these controls however, do not extend to program staff engaged on contractual basis. SBM-G finances minimal levels of capital assets, limited to office furniture, computers etc. at SWSM, DWSM, ZPs, PS and GP levels, which are typically subject to asset management systems at the level of the individual agencies. There is no evidence of planning for cash flows; review meetings are however conducted routinely to assess the progress, reasons for non-performance, and delays in submission of UCs etc. These meetings are held at State level with all the CEOs of the districts present and also at the district level with all the BDO of the blocks.

37. **Program Audit:** Auditing arrangements are typically fragmented across the various implementing institutions and vary across the states. Agencies operating outside of the State Treasury systems are audited by CA firms [empaneled by C&AG], ZPs, PS and GPs are audited annually by CA firms and/or Local Fund Auditors [LFA] operating under the State Finance Departments. Some of the common findings across districts include (i) the books of account have not been properly prepared by the accountant; (ii) Bank statement is not maintained for different schemes; (iii) advances are disbursed to staff through cash/bearer cheque and the expenditure being incurred by staff in cash and advances may be unadjusted since long period of time; and (iv) compliance of previous year audit objection has not been produced for verification.

38. C&AG conducts performance audits for select states at periodic intervals. The performance audit of TSC/NBA covering period 2009-14 was carried out in selected districts, Gram Panchayats and Villages. Implementation of TSC/NBA revealed serious irregularities viz., deficiency in planning, improper fund management, inadequate awareness campaigning through Information Education Communication (IEC) activities, lack of monitoring, supervision and social audit. Besides, instances of idling of expenditure, fraudulent drawl, bogus construction and suspected misappropriation of funds were also noticed.

39. **Strengthening Financial Management Systems:** In defining the program content with respect to the strengthening of the financial management systems for the program, key focus will be to (a) development of detailed financial management guidelines, manuals and procedures, including establishing benchmarks for internal controls and auditing arrangements at national and state level; (b) enhancing the staffing for financial management and oversight function at national and state level; (c) implementation of PFMS (Program Financial Management System) developed by Controller General of Accounts under Ministry of Finance as agreed by States, to monitor and track the usage of central plan funds.

Procurement & Contract Management

- (a) **Procurement profile:** At the State level major procurement activities shall comprise of works and related material inputs at the Block level or village level by the GP's or individual beneficiaries. Some of works like CSC or SLWM and related procurement may be procured at the State and District levels, Major activities at central level would be those required for institutional strengthening of MDWS. This includes (i) procurement of certain key consultancies, as required; (ii) capacity building, staffing and training; (iii) strengthening MDWS's capacity to provide program management and technical support to states; (iii) strengthening program M&E system at the national level, and program oversight, governance and accountability systems; (iv) setting up of evaluation unit in MDWS; etc..
- (b) Table G 'Procurement Considerations in Fiduciary Assessment' in the five States presents the existing procurement arrangements in five sample states and establishes the following main gaps:
 - (i) **Procurement planning & linkage to budget** – Departments prepare budget estimates but there is no practice of preparation of procurement plans with details of timeline, estimates and quantities. Moreover, the State AIP is prepared based on AIPs of the districts but without block level AIPs.

Proposed Mitigation: *MDWS issues guidance to all States to direct Districts to prepare their procurement plan in consultation with the concerned GP's. Procurement plans must be prepared based on the availability of project funding. Procurement packaging shall be done based on technical nature and implementation sequence to ensure economy, efficiency and equal opportunity for prospective bidders. MDWS shall prepare a consolidated procurement plan covering individual packages to be procured at the Central level and procurements under broad categories which are to be carried out at the decentralized levels. The procurement plan will be updated at least annually or earlier, if required.*

- (ii) **Applicable procurement rules and procedures**—rules, guidelines and procedures vary from State to State, and in many cases the procedures are not available at one place for ready reference. No guidelines/standardised documents are in place for procurement of services.
- (iii) Village level procurement⁴ being of low value does not always follow a formal system and makes it susceptible to unacceptable practices, lack of transparency and discretionary decision making. Thereby curtailing participation of any new prospective bidders. The procurement procedure followed at this level varies very widely amongst the States. In some places RSMs and PCs are used; RSMs also act as contractors rather than as material sources; work is allotted to RSMs on informal basis through mutual agreement; RSMs also get empanelled through self-application process; RSMs have become dysfunctional at some places; procurements are being made from open market in parallel with RSMs even where RSMs are operational.
- (iv) Variations have been noted in the procedures used like (a) procurements by individual beneficiaries and procurement of materials from suppliers/shopkeepers through discussions, with no quotations and with no contracts (b) procurement is by Sarpanch or GP; standard formats for quotations are not used, there are no contracts for supply of materials; there is no quality check for delivered goods; sub-engineer inspects the final construction work; (c) procurement is by GPs; there is no contract with GP; there is no check on quality of goods delivered; and procurement registers are not maintained; (d) in some places construction of IHHLs is being done under the oversight of Block/districts and GPs do not have significant role; (e) PCs are acting as contractors taking up construction of IHHLs; and (f) in some places masons are acting as material suppliers; and (g) there are cases of absence of contracts & long delays in completion etc.

Proposed Mitigation: To ensure transparency, economy, efficiency and equal opportunity (a) *Mandate open competitive bidding as the default procurement method and provide procedure for open competitive bidding;*

⁴ The SBM-G program aims at reduction in open defecation through changing behaviors and thus in spirit advocates the construction of individual latrines by households themselves. Where such mobilization occurs effectively, the program would pass on the incentive to the households on successful completion, precluding any contracts by the program for IHHL.

(b) Guidelines for Procurement will help formalise procurement process for SBM and provide guidance on maintenance of records; (c) put in place framework for procurement monitoring and oversight thru Independent Verification Agency (IVA); (d) make available guidance on generating MIS for overall management control; and (e) provide sanctions against unacceptable practices including fraud and corruption. These will be included in the Guidelines and will help in streamlining the processes and quality of procurement.

- (v) *Dispute resolution and Grievance Redressal*—grievance redressal is understandably handled differently in various States, but it is noted that in some States it is not a robust monitoring and redressal system and in one case it is largely informal. No alternative dispute resolution procedure or written process for complaint handling mechanism exists besides Jurisdiction Avenue during bidding process. The assessment did not come across any complaint documentation.

Mitigation: *Implement a robust grievance monitoring and redressal system for complaints handling and for combating Fraud and Corruption and set up a mechanism so that lists of firms and individuals debarred/ temporarily suspended by the Bank are made available to procuring entities,*

- (vi) **Bidding documents including e-procurement**— presently there are no standard documents being used by the States .it is noted that eProcurement platform developed and deployed by National Informatics Centre is being used by some States while others have their own service provider. It is assumed that all IA will have the required infrastructure and associated action (such as training and capacity building of procurement staff to undertake e-procurement.

Proposed Mitigation: *States issue guidance as required, as outlined in the Guidelines for use of Model bidding documents including forms and templates of contract and bid evaluation for use by procurement officials. The contracts shall have key conditions and terms such as performance security, insurance, advance payment and progressive payments, completion dates, liquidated damages, provision for contract variation, dispute resolution, warranty obligations, etc.*

- (vii) **Registration of contractor** -is a prerequisite condition to be fulfilled for participation in bidding process, which may act as barrier and restrict many bidders from participating. Similarly criteria for selection of sanitary marts in some places is non-transparent and discretionary which will be an impediments to transparency and equal opportunity.

Proposed Mitigation: *Registration to be continuously open to all prospective bidders/suppliers, as outlined in the Guidelines, and is linked only to capacity and capability.*

- (viii) **Staffing and capacity - At district/GP level as large number of works contracts are to be handled.** However, e significant capacity constraints for efficient and transparent procurement and oversight are noted. It is

crucial to strengthen the capacity of key staff in dealing with procurement, contract management, oversight, training & record keeping

Proposed Mitigation: *States to prepare and implement strategy for adequate staffing followed by strengthening capacity of key staff on procurement, contract management, record keeping, oversight, training, quality control, transparency thru regular trainings and other support systems.*

- (ix) **Internal/External controls** – in the highly decentralized system of procurement envisaged under the project, effective controls both internal and external are of paramount importance. Aspects that contribute to these controls include (a) internal audit; (b) clear schedule of powers; (c) clearly defined accountability; (d) quality control; and (e) availability of complete procurement records. These issues are handled differently in various states and it is noted that in some States systems related to these aspects are not robust. For example it is seen from the assessments in 5 States that at some places there is no internal audit; there is no audit at GP level; there is no clear schedule of powers; accountability is not clearly defined; there is limited quality control; records are not maintained etc. A separation of functions for independently assessing and ensuring integrity of the process and system is required to be put in place. Further, there is need to strengthen the verification of procurement to determine adherence to agreed guidelines, procurement processes and procedures.

Proposed Mitigation: *Introduce relevant provisions in the Guidelines as required, for Procurement laying down procedures, schedule of powers, responsibilities and implementing independent procurement verification, and proper record keeping.*

- (x) **Dispute resolution system** –disputes do arise. It is noted from the assessments in 5 States that in the contracts for RSMs and NGOs and presumably in the large number of decentralised procurements there are no formal dispute resolution mechanisms in place.

Proposed Mitigation: *It would be necessary to lay down in the Guidelines for Procurement that if beneficiaries, NGOs, RSMs etc. have any issues, how these will be reported to State/ District/ Block and resolved in a transparent and unbiased manner, and their implementation monitored through the MIS and post reviews*

- (xi) **Contract Management** – management of contracts is essential for satisfactory construction activity even if the contracts are of small value, as otherwise it can easily lead for example to non-functioning IHHLs and creeping in of unacceptable non-transparent practices. It is noted from the assessments in the 5 States that at some places work order terms and conditions are flouted, there are time overruns, there is shortage of sub-engineers to supervise and lack of procurement staff at block and district levels. Terms and conditions in work orders issued to RSMs and NGOs are not enforced. It has also been noted in some cases that there is not even a signed contractual agreement, which could at least be sought to be enforced.

Proposed Mitigation: *Introduce suitable provisions regarding accountability and responsibility in the Guidelines for Procurement, and provision of adequate technical and procurement staff as required.*

- (xii) **Procurement Management Information System (PMIS)**—absence of procurement management information has been noted in almost all States studied. Information related to the procurement plan, procurement process followed, information in regard to responsive supplier/bidder, and performance monitoring of contractor/supplier is not organized or consolidated at the district or state level to help make appropriate management decisions. Procurement related information such as procurement/ financial progress, bidders’ participation, price comparison, and contractor’s performance etc. is not captured for management review and decision making. E-procurement system wherever cleared and implemented would have provision for such MIS reports and tender-wise information for various departments to monitor procurement at the central level.

Proposed Mitigation: *Introduce a functioning PMIS for planning and monitoring such a highly decentralised program, as per provisions in the Guidelines. The utility of such a PMIS could be assessed through pilots in some States/Districts.*

- (xiii) **Disclosure of information** – the assessment has brought out that the extent of public disclosure of information on the outcome of the procurement process, varies from State to State. There is a need for guidelines that promote consistent practices across board for disclosure of contract award information. The states would need to formulate and implement a disclosure policy for procurement, such as contract award, achievement of targets and expenditures, at various levels to maintain transparency in the system.

Proposed Mitigation: *The Guidelines for Procurement shall provide information on method, content and timing of such disclosure.*

E. Fraud & Corruption

40. The main mitigation tools to mitigate the Fraud & Corruption risk under SBM is a robust monitoring systems that provides reliable, timely and verifiable information about financial and physical progress, and social audits that validate such information on the ground.

41. Monitoring and Accountability systems: At the national level, the Ministry of Drinking Water and Sanitation has developed a comprehensive system of monitoring the implementation and impact of the Program including utilization of funds, through Periodical Progress Reports, Performance Review Committee meetings, Area Officer’s Scheme, District Level Monitoring and Vigilance and Monitoring Committees at the State/District Level. Physical and financial progress is being uploaded on monthly bases on the MDWS monitoring system under NBA. Periodic review meetings are to be conducted to review the physical and financial progress in the implementation of schemes in the states. Besides review meeting, video conferencing is also to be organized to review progress of NBA/SBM-

G and suggest corrective measures where required to achieve physical and financial objectives. Field visits are also to be made by the officers of the Ministry to review the implementation of sanitation programs.

42. M&E Framework proposed under SBM-G: The monitoring framework proposed under SBM-G will involve Annual Monitoring Survey. This needs to be done through a process initiated at the national level, focusing on a 3rd Party independent monitoring of the sanitation status in rural areas across the country. The MDWS initiated a third party annual survey through the services of the national Sample Survey Organisation (NSSO) in 2015. The MDWS is currently preparing for annual third-party national surveys of key program indicators in the remaining years.

43. Concurrent monitoring: Concurrent monitoring of the implementation of the Program has also been proposed, ideally using community level participation. This should ideally use Information and Communications Technology (ICT), to feed data into the SBM-G –MIS. The data of such monitoring is to serve as the main source of information for the Mission Directorates and the RALU at various levels.

44. Monitoring and Evaluation Cell under SBM-G: SBM-G envisages the setting up of a Monitoring and Evaluation Cell which shall be responsible for carrying out relevant and suitable annual or biannual Monitoring exercises of the implementation of the SBM-G in States, in consultation with other agencies like NSSO and Registrar General of India. The Cell shall be responsible for coordination with States and Districts on Monitoring. The Cell shall also monitor the reports and publications being brought out by various agencies and organizations regarding the changing sanitation situation in the country. The Cell will also have the responsibility of monitoring the activities of all other Ministries of Government of India and individual States / UTs with respect to the Swachh Bharat Mission. Guidance in this respect is already framed as part of SBM-G guidelines. The Cell will work towards developing and strengthening of the SBM-G-MIS of the Ministry in coordination with the NIC.

45. Independent Agencies for concurrent monitoring: SBM-(G) guidelines permit the use of independent agencies/CSOs/NGOs for the concurrent monitoring of the program. The Central and State Missions are allowed the liberty to engage such agencies with experience in monitoring activities and having presence in the respective States, for this purpose. Independent 3rd party evaluations of the program including procurement function could also be carried out at Central and State levels.

46. Social Monitoring: Social audits are to be conducted for SBM-G, but the procedures have been developed only by a few States, e.g. Karnataka.

47. Vigilance function: At the national level, there is a Central Vigilance Commission (CVC) which is the apex governmental body to address governmental corruption. It is an autonomous body, free of control from any executive authority and plays a key role in advising various authorities in central Government organizations in planning, executing, reviewing and reforming their vigilance work.

48. Other vigilance and anti-corruption mechanism at the program level include the Anti-Corruption Bureau and its state level constituent bodies; which enforces the Prevention of Corruption Act, 1988, financial and performance audits by the Comptroller and Auditor

General (C&AG) of India, Right to Information Act, 2005 and the various state and departmental level vigilance and grievance redressal systems.

Odisha

49. At the state level, there is a State Level Vigilance structure which investigates and advices on corruption related to government servants. The nodal agency for checking corruption in Odisha is Odisha State Vigilance Directorate. It deals with complaints of corrupt practices against officers. It is headed by Director General of Police, Vigilance and assisted by three Inspector Generals of Police. The State vigilance department is divided into six divisions. All six divisions are headed by a Superintendent of Police (SP). In RDD, a representative of Odisha Vigilance Directorate is nominated, who looks after corruption issues in the department. There is also an RTI Cell set up within the department, which answers all RTI related enquiries.

50. In addition, Government of Odisha has launched online grievance redressal mechanism “e-Abhiyoga/ Centralized Public Grievances Redress and Monitoring System (CPGRAMS)” developed by National Informatics Centre. Through this portal, Citizens are encouraged to lodge their complaints. Once a complaint is lodged, it is either submitted to Office of the Chief Minister, Government of Odisha, or to respective departments for appropriate action. All offices till Tehsil are connected through this portal. The citizen can also view action status of the complaint made through this portal. In order to make the portal more users friendly, it also provides user manuals for different kinds of users, bifurcated into department users and district users. There is also a 24 hour helpline to register complaints.

51. Grievance Redressal system - An electronic Integrated Grievance Redressal System namely Sanjog Helpline has been implemented in the Rural Development Department. It is an IT solution to handle public grievances. It informs about the grievance of people to the right authority in real time through SMS, e-mail and fax. A dedicated toll-free telephone i.e. 1800-345-6770/155335 has been installed. Through this telephone, any person can register his complain on water supply & sanitation and PMGSY works undertaken by this department. A consolidated report is sent via email and fax to the concern department at the end of the day for the reference.

West Bengal

52. The state Government has set up a Vigilance Commission headed by the Vigilance Commissioner. There is a Vigilance Cell within the Personnel and Administrative Reforms (P&AR) Department that is entrusted with the practices and procedures of disciplinary rules in relation to the Government servants, belonging to the administrative and disciplinary control of this department. As Cadre Controlling Authority of I.A.S., W.B.C.S. & West Bengal General Service Officers the P & A.R. Department ensures, through Vigilance Cell, the duties and obligations of its officers in pursuance of prescribed Service Conduct Rules, and initiates disciplinary actions for violation of such prescribed conduct by the officers concerned.

53. At Department level, there is a designated vigilance officer who looks into matters related to the department in consultation with the State Vigilance Commission. There is an RTI Cell within each department which receives and disposes off RTI applications.

54. At district level, a District Council has been set up in each district, which is headed by the leader of the largest opposition party in the Zilla Parishad, for ensuring that rules and regulations are followed in the functioning of all the three tiers of Panchayat system of local government and schemes are properly implemented. The District Council is supposed to meet regularly to scrutinize accounts, financial transactions and annual reports of PRIs in the districts and inspect works taken up by the panchayats. It plays the role of a scrutinizing body, akin to the Public Accounts Committee (PAC) of the Legislative Assembly. There is a Vigilance & Monitoring committee in each district for looking into the complaints related to implementation of various rural development programs. In West Bengal, Chairperson of the ZP heads this committee.

Rajasthan

55. **Anti-Corruption Bureau:** The Anti-Corruption Bureau [ACB] has jurisdiction over all employees of the State Government. However, the ACB has only an investigative mandate and conducts inquiries only into cases referred by government departments as well as complaints filed by citizens on bribery, corruption, criminal misconduct, embezzlement of government money and other corrupt practices by public officials. Each line department is required to conduct preliminary enquiries on misconduct by its employees. Only a few departments in Rajasthan [which includes the Panchayati Raj Department, have assigned the fiduciary responsibility to a Vigilance Officer, However establishment of clear processes, clear mandate and designated responsibility for handling any allegation of fraud and corruption, supported by an established cell should be mandated.

56. **Other governance and accountability mechanisms** include audits by the LFAD, State AG and C&AG audits [financial and/or performance review], of which the scope includes both the prevention and detection of fraud and corruption; (b) disclosure of information and responding to requests for information in line with the RTI Act of 2005; and (c) grievance redress system (Rajasthan Sampark portal)

57. **Public Grievance Redressal Department:** The Public Grievance Redressal Department of GoR manages the complaints and public grievances centrally in the State of Government. The Department was constituted under Government notifications of 1971. Rajasthan Sampark: 'Sugam Samadhan' - portal for online lodging of complaints and their redressal - was launched in May 2011. This portal has been subsequently updated to 'RajasthanSampark' portal in 2013. It is aimed at as a step to ensure improved service delivery to the citizens in the State through resolution of their grievances and complaints

58. **Decentralized Vigilance function for Panchayati Raj Department of GoR:** The PRD of GoR has an established vigilance system wherein the CEO of a ZP can trigger police investigation (by filing a First Information Report in the local police stations against the underlying offices and contractors for fraud, embezzlement and corruption. Such an investigation can also be triggered by the local administration.

Chhattisgarh

59. **Janadarshan:** It is the name given to the Chief Minister (CM) Grievances Redressal Program started in 2008. In Jandarshan program on every Thursday Honorable CM meets the public and personally receives their grievances. Collector Jandarshan program is also organized in the districts from time to time for public. The whole process of Jandarshan is computerized for effective monitoring and redressal of these grievances.

60. **Gram Suraj Abhiyan [GSA]:** The GSA is a week-long programme organized by Government of Chhattisgarh every year. Different teams of officers visit different villages and record complaints and demands of rural mass. These files are then uploaded on the Gram Suraj website. Applicants can see the status of their complaints at any time on the portal or through SMS/e-mail. Registered letters are forwarded online to district, department or officer for necessary action. In another arrangement of public grievances redressal system citizens can register their complaints in the **Janshikayat** system through web, through video conferencing from the VC studio of district Collectorate, through post/mail. A unique number is given to each compliant and complainants can see the status of their complaints at any time on the portal. The complaints are forwarded to district, department or officer for necessary action.

61. The State enacted the Chhattisgarh Lok Aayog Adhiniyam 2002 with the objective for setting up the Lok Aayog organization to effectively to deal with the cases of the acts misconduct, abuse of power and corruption on the part of the public servants. Any person aggrieved by an action of a public functionary can file a complaint. Any person can also send a complaint to the Lok Aayog for enquiry, if he feels that any public servant is guilty of misconduct. A complaint may be presented to the Secretary, Lok Aayog or can be sent under registered post.

62. The State also has an **Anti-Corruption Bureau (ACB)** to conduct enquiries into complaints made by the members of the public or received from Government officials and from Lok Aayog relating to bribery, corruption, misconduct.

63. **Right to Information Act** - Under the RTI Act, 2005, any public entity is bound to proactively disclose information of general interest (listed in section 4 of the Act) and answer any request for information in a timely manner. Chhattisgarh State Information Commission was constituted as per the provisions under Right to Information Act, 2005, oversees the implementation of the RTI Act within the State. PR&RD department answers requests for information, through 4,694 assistant public information officers, 9,498 public information officers and 733 first appellate officers at the GP/JP/ZP and State level.

64. **Vigilance in PR&RD Department** - Each line department including PR&RD is supposed to conduct preliminary enquiries on misconduct by its employees based on complaints received from various channels (as detailed above) in the State. PR&RD does not have such a vigilance cell and its vigilance function is neither codified/ formalized nor recorded/ disclosed.

65. **Decentralized Vigilance Function** - The CEO of a ZP can conduct preliminary investigation/enquiry and trigger police investigation (by filing a First Information Report at the local police station) against officials of GPs/JPs/ZPs and contractors for fraud, embezzlement and corruption. Suchan investigation can also be triggered by the local administration (District Collector, Sub Judicial Magistrate) based on complaints received.

Madhya Pradesh

66. Madhya Pradesh has multiple agencies for vigilance and public grievances. These are as follows:

- Lokayukta
- State Vigilance Commission

- Economic Offence Wing
- Rajya Soochna Aayukta (Right to Information Wing)
- Complaint and Vigilance Wing of Department of Rural Development and Panchayati Raj
- State Women Commission
- Chief Minister Helpline

67. Nearly 200 complaints related to Nirmal Bharat Abhiyan and Swachh Bharat Mission have been received by the Complaint and Vigilance Cell of Department of Rural Development and Panchayati Raj since 2011. The records of complaints prior to that are not available. Complaint and Vigilance Department is also covered under RTI and people can ask for status of enquiry through RTI.

Table 1. Key Program Actions

Cross cutting
1. Strengthen institutional capacity in terms of staffing, staff training and orientation.
2. Strengthening existing complaint and grievance redressal mechanism to handle complaints related to all aspects and all levels of procurement, financial management, fraud and corruption issues, service delivery.
Fiduciary action
1. The proposed program IPF component will ensure staffing requirements are met at the national level for program implementation to support achievement of program objectives, and extensive capacity building activities will be undertaken under the IPF as well as the P4R components both at the central level and state level for the stakeholders/partners at the State/district/block/GP levels.
2. Fiduciary guidelines to be followed for SBM-G will be issued by the MDWS to States for latter's compliance, as required.
3. Prepare Financial Management Manual for SBM (G) for adoption by the States, as per requirement
4. Implement PFMS for accounting, fund flows and financial reporting across all States
5. Conduct independent verification through an IVA each year and share the findings with the Bank,
6. Implement the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing and set up a mechanism to make available lists of firms and individuals debarred/ temporarily suspended by the Bank to all procuring entities.

Table 2. Key Actions linked to PAP

Fiduciary Issue	Link to *PAP/
1. MDWS, shall roll out fiduciary management practices and ensure that annual audits of accounts are conducted by states in accordance with SBM-G guidelines	PAP # 2
(a) Roll out of Public Finance Management System (PFMS) in States during the Program period.	–
(b) Annual audits to confirm that Procurement implementing agencies in the State have consistently followed procurement provisions of the State Delegation of Financial Power Rules issued by the respective State Department of Finance and or General Financial Rules (GFR) of Government of India and Government orders (as applicable) over the Program period	–
2. MDWS shall strengthen citizen-feedback systems in SBM-G program and facilitate states in implementing the same.	PAP #4
(a) MDWS will assess and identify areas for strengthening citizen’s feedback and roll out of the same over the Program period.	–
(b) Social Audits rolled out over the program period, as agreed with the states	–
(c) Assess and identify areas for improvement of Grievance redressal systems in first year of the Operation and roll out over the program period	–

Monitoring Fiduciary Performance over Program Period

While key fiduciary areas requiring specific actions for strengthening in government systems have been listed in the Program Action Plan, it will be important to also monitor the overall fiduciary performance during the duration of the Program. Table X identifies the specific indicators which will be monitored (together with the relevant baseline position) to provide the framework to measure improvements in the performance of financial management and procurement processes.

Table 3. Monitoring Indicators for Fiduciary Performance

Indicator	Measure	Baseline
Financial Management		
Annual budget realism	Variance between annual budget proposed by provinces and budget allocated (%)	Budget allocated is less than 50% of budget proposed.
In-year budget adjustments	Significance of the budget adjustment/reallocation made by PPC versus amount approved annually	Not significant
Quality of annual financial statements	Completeness and timeliness of annual reports	Incomplete and untimely annual financial statements
Effectiveness of reconciliations	Regularity of bank reconciliations and clearance of advances and suspense accounts	Reconciliation with State Treasury is done only once a year
Availability of Program funds	Ready availability of Program funds for implementing units requesting payments for completion of Program activities	Delay in budget allocation to implementing units in quarter I every year
Effectiveness of internal audit function	Coverage, quality and management response to internal audit reports, frequency and distribution of audit reports	No internal audit function exists or internal audit function is weak across the States
Effectiveness of internal controls	Existence and effective use of financial management and cost norms. Timely and accurate information system for decision making	No financial management manual
Quality of audit report	Scope, nature and adherence to acceptable auditing standards. Audit Opinion on consolidated financial statements	Audit standards are not fully compliant to international standards.
Follow-up on audit recommendations	Evidence of timely and adequate follow-up by the Program management on audit recommendations	Audit recommendations are followed up by States
Procurement		
system of selection of Bidders /Suppliers	Procurement being carried out thru competitive selection	Most of the procurements are made on open competition basis.
Non availability of records	Records are maintained for all procurement actions.	Progressive improvement in maintenance of records.
Processing of contractor payments.	Average time taken for release of payment from date of validation of Measurement Book and date of bill raised by contractor.	Improved efficiency of contractor payments.
Contract administration/time over-runs.	Average time taken for completion of project from date of award of contract and difference between estimated date of completion as per contract and completion date.	Improved time efficiency in project execution.

STATE WISE SUMMARY OF FIDUCIARY ASSESSMENT PROCUREMENT

Table 4. Procurement Considerations in Fiduciary Assessment

	Description	States				
		CG	MP	RJ	WB	Odisha
1.0	Procurement Planning					
	Departments prepare budget estimates but there is no practice of preparation of procurement plans with details of timeline, estimates and quantities. Moreover, in many cases the State AIP is prepared based on AIPs of the districts but without block level AIPs. Most procurement under the program is decentralized at GP level for IHHLs. Material requirements are consolidated for procurement through state rate contracts or through RSM only occasionally.					
1.1	Is procurement planning linked to available budget	Procurement planning is absent. ZP/JP/GP proceed with activities based on the approved AIP.		Procurement planning is absent under SBM (G). State prepares an AIP including toilets without any clear cross-linkages between budget and procurement	There is absence of procurement planning. Only State and District level AIP including toilets are prepared.	
1.2	Is procurement of goods and services consolidated for economy of scale	No. Most procurement is decentralised at GP level for IHHLs. Only toilet seats were procured against State rate contract.	Most procurement is decentralised and not consolidated at State level. But GPs get advance for construction of 25 toilets at a time, and therefore economy of scale can be achieved by procuring materials for them at one time.	The specific information was not available.	The work is given to RSMs for construction on saturation basis. Thus a certain degree of economies of scale is inbuilt in the process.	The work is given to NGOs for construction on saturation basis. Thus a certain degree of economies of scale are inbuilt in the process

	Description	States				
		CG	MP	RJ	WB	Odisha
2.0	Procurement Processes and Procedures [Overall]					
	Procurement rules, guidelines and procedures vary from State to State, and in many cases the procedures are not available at one place for ready reference. No guidelines/ standardized documents are in place for procurement of services.					
		CG	MP	RJ	WB	Odisha
2.1	Applicable procurement rules and procedures	<ul style="list-style-type: none"> Procurement for goods is as per the Store Purchase Rules. Works are procured as per the Works Manual of RES. Procurement by the Sarpanch at the GP is not as per rules, and Sarpanch acts as contractor for works upto Rs 10 lakhs 	Store Purchase Rules & PWD Manual are available but do not adequately and concisely address the processes and procedures. No specific rules or procedures exist for procurement of services.	<p>The Rajasthan Transparency in Public Procurement Act, 2012 is applicable to all procurements of Rs 10,000 & above.</p> <p>At GP level Rural Works Guidelines or [GrameenKaryaNideshik a (GKN)] provide guidelines to support and assist the RRD and PRD for smooth execution of works.</p>	<p>Procurement guidance spread over several documents including West Bengal Financial Rules, West Bengal Treasury Rules, Delegation of Financial Power Rules, Public Works Department Code and Guidelines for Procurement of services.</p> <p>Most GP procurement is through RSMs appointed without formal empanelment procedure. No MOU between RSM and government agency. Work orders are</p>	<p>Procurement guidance spread over several documents included Odisha General Financial Rules (OGFR), Odisha Treasury Code, Odisha Service Code, Delegation of Finance Power Rules (DFPR), the Odisha Public Works Department (OPWD) Code and the Central Public Works Accounts Code.</p> <p>Most GP procurement is through NGOs that are formally empanelled. No MOU between NGOs and government agency. Work orders are issued to NGOs.</p>

	Description	States				
		CG	MP	RJ	WB	Odisha
					issued to RSMs	
2.2	Do procurement arrangements provide for wide advertising of bidding opportunities	Yes advertising provisions are specified for procurements by RES, but no separate file maintaining records of advertisements.	Yes, the procuring entity is required to publish an invitation to bid, on the State Public Procurement Portal and in one such other manner as may be prescribed. This does not apply to GP level procurement where it is mostly direct procurement.	Yes, the procuring entity is required to publish an invitation to bid, on the State Public Procurement Portal and in one such other manner as may be prescribed.	Yes, it is done for general procurements. No advertisements seen for procurements under SBM-G.	Yes, advertisements are floated in local and national dailies for empanelment of NGOs.

	Description	States				
		CG	MP	RJ	WB	Odisha
2.3	Is open competition the default approach, with conditions for use of other methods clearly described	<p>Procurement by RES is through tenders except for works costing less than Rs 50,000.</p> <p>At GP level, Sarpanch acts as the contractor and he buys the required materials from any source so long as the price is lower than the estimated cost.</p>	<p>Yes as per government rules.</p> <p>At GP level most common is direct procurement. GPs procure from vendors located in the vicinity of the village.</p>	<p>RTPP Act stipulates that open competitive bidding shall be the most preferred procurement method.</p>	<p>Yes, as per government rules.</p> <p>But at GP level procurement is through allocation to RSMs and not through open competition</p>	<p>Yes as per government rules.</p> <p>Construction of IHHL is allocated to NGOs and is not through open competition</p>
2.4	Are the qualification, evaluation, and award criteria clearly defined in bidding documents, and are they relevant and non-discriminatory	<p>In procurements by RES, the standard bidding documents include qualification, evaluation and award criteria.</p> <p>In procurements by the Sarpanch, these are not applied.</p>	<p>Given the small value of contracts these are not applied.</p>	<p>RTPP Act stipulates that bidding documents must specify amongst others qualification and evaluation criteria.</p>	<p>Yes, at State level as per government rules.</p> <p>At GP level – there is no formal empanelment of RSMs</p>	<p>Yes at State level as per government rules.</p> <p>At GP level – NGOs may also get empanelled through self-application provided they meet the set threshold criteria.</p>

	Description	States				
		CG	MP	RJ	WB	Odisha
3.0	Procurement Processes and Procedures [Specific to Procuring Entities]					
	<p>Decentralized procurement at village level being of low value does not always follow a formal system and makes it susceptible to unacceptable practices, lack of transparency and discretionary decision making. The procurement procedures followed at this level vary very widely amongst the States. In some places RSMs and CPs are used; RSMs also act as contractors rather than as material sources; work is allotted to RSMs on informal basis through mutual agreement; RSMs get empanelled through self-application process; RSMs have become dysfunctional at some places; procurements are being made from open market in parallel with RSMs even where RSMs are operational.</p> <p>Other variations noted in the procedures used include (a) procurements by individual beneficiaries and procurement of materials from suppliers/ shopkeepers through discussions, with no quotations and with no contracts (b) procurement by Sarpanch who also acts as the contractor; (c) procurement by GPs; there is no check on quality of goods delivered; and procurement registers are not maintained; (d) construction of IHHLs under the oversight of Block/districts and GPs do not have significant role; (e) PCs acting as contractors and taking up construction of IHHLs; and (f) masons acting as material suppliers; and (g) absence of contracts & long delays in completion etc.</p> <p>Hand holding support at the village level is often not available from competent ZP/district/HQ staff, and extent of defunct toilets is quite high in most states assessed.</p>					
3.1	Does GP procurement	At GP level procurement for construction is carried out by the Sarpanch who also acts as the contractor.	GPs get funds for construction of 25 toilets at a time i.e. only Rs 3 lakhs are available at any given point of time	GrameenKaryaNideshika (GKN) provides guidelines for areas such as cost estimate, financial and technical sanctions, technical specifications, inspection and valuation of works, and issuance of completion and utilization certificates.	Procurement under SBM-G/NBA primarily relates to construction of IHHLs. This is being done at block/district levels and GPs do not play any significant role.	Procurement under SBM-G/NBA primarily relates to construction of IHHLs. This is being done at block/district levels and GPs do not play any significant role.
	(a) use standard format for request for	Standard formats for requests for quotations are not	GPs do not use standardized formats for requests for	SBDs are made available on website of Finance Department, but are not	There are no standard formats	

Description	States				
	CG	MP	RJ	WB	Odisha
quotations	there for procurements by Sarpanch.	quotations.	consistently applied to procurement at GP level.		
(b) get quotations in writing	Quotations for supply of materials available. No quotations for supply of labour.	GPs do not get quotations in writing.	GPs obtain written quotations from vendors/contractors.	No quotations are called for IHHL construction	
(c) maintain record of quotation opening	Quotations taken from vendors are maintained, but there are no records of quotation opening.		There are no records available for quotation opening. There is no centralized repository of such records.	With no quotations, there is no opening of quotations.	
(d) issue a contract even if very brief	No contracts were available		Formal contracts between vendor and GP were not available during field visits to the GPs. However the contract formats are prescribed in the GKN and RTPP.	A work order is issued that mentions the terms and conditions for construction.	
(e) maintain measurement books	Measurement books are maintained by sub-engineer	Measurement books are not maintained.	Measurement books are maintained by GPs. These could not be verified but LFAD report show their availability.	Measurement books are not maintained	
(f) Maintain	Procurement registers	Procurement	Procurement registers are	Register for RSM	Procurement register for NGO

	Description	States				
		CG	MP	RJ	WB	Odisha
	procurement register, and keep records.	are not maintained, but procurement records are maintained.	registers are not maintained by GPs. Some procurement records are retained, but others like SBDs, evaluation, technical assessments etc. are not maintained.	not maintained, but some procurement records are maintained.	empanelment is not maintained. Records are not maintained in a systematic manner.	empanelment is maintained at District level. Records are maintained of documents submitted by RSMs for empanelment.
3.2	Is GP procurement supported with	For works costing less than Rs 10 lakhs procurement is done by the Sarpanch.	RSMs and PCs were set up in the initial phases but have become dysfunctional.		GPs do not play any significant role in procurement.	GPs do not play any significant role in procurement.
	(a) SORs	Estimates are verified by sub-engineer from RES department and rate charts are maintained.	Budget estimates is provided by RES.	SORs are not maintained at GP level.	Model estimate is fixed at the State level.	
	(b) ZP/GP procurement guidelines	There are no GP specific procurement guidelines		The RTPP, GKN and GFR include procedures related to goods and works procurement. However documentation relating to this is not available at GP level.	There are no GP/ZP specific procurement guidelines.	
	(c) Technical support for design, budgeting	Design documents are available and sub-engineers check the construction with reference to them.	Technical support for design is provided by Rural Engineering Department.	Technical support for design is provided by the districts.	A model estimate with technical design and budget for IHHL is fixed at State level.	

	Description	States				
		CG	MP	RJ	WB	Odisha
	(d) Hand holding by competent staff from ZP/district/HQ	RES engineer attached to GP/JP/ZP provides technical assistance.	Hand holding support was not observed.	Formal handholding support activities from ZP, District or State in procurement were not observed.	Support is provided by staff from District/ Block and GP.	
3.3	<i>For ZP/ PMU/ central procurements does the entity/state have</i>					
	(a) Formal rules & regulations	Formal rules and regulations exist as detailed in point#2.1				
	(b) Preference for State PSUs & if so what is the preference	Various preferences are applicable as per government orders.	No such preferences were observed.	Preferences are allowed as per State government orders issued from time to time. But no specific information available on preferences in respect of ZP/PMU/Central procurements	RSMs carry out construction and State PSUs are not involved.	NGOs carry out construction and State PSUs are not involved.
	(c) Preference for local contractors/ suppliers	Various preferences are applicable as per government orders.	GPs provide preference to vendors empanelled under MNREGA.	Preferences are allowed, but specific information in respect of ZP/ PMU/ Central procurements was not available.	Yes, local RSMs are given preference.	Yes, local contractors are given preference. NGOs having PCs in the block are given work orders for the GPs in the respective block.
	(d) Exemption from payment of EM/SD for some categories	Exemptions are available as per government orders.	Exemptions are available as per government orders.	Contracts awarded on piece work system are exempt from deposition of performance security.	EM/SD are not taken from empanelled NGOs.	EM/SD are not taken from empanelled NGOs.
	(e) Preference	It seems that there is	No new vendors are	Preferences are allowed,	No preference is given in registration of contractors/	

	Description	States				
		CG	MP	RJ	WB	Odisha
	in registration of Contractors, suppliers	area wise registration of contractors.	being registered. Vendors registered under MNREGA are the preferred vendors.	but specific information in respect of ZP/ PMU/ Central procurements was not available.	suppliers.	
	(f) Extent of defunct toilets & corrective action being taken	Almost 74% of constructed toilets are not functioning.	26.06% (14.5 million) toilets are not functioning.	7.68 lakh toilets are not functioning.	11.54 lakh defunct toilets are there in the State.	4.74 lakh defunct toilets are there in the State.
4.0	Controls and Integrity					
	<p>In the highly decentralized system of procurement envisaged under the program, effective controls both internal and external are of paramount importance. Aspects that contribute to these controls include (a) internal audit; (b) clear schedule of powers; (c) clearly defined accountability; (d) quality control; (e) availability of complete procurement records; and (f) an effective grievance redressal system. These issues are handled differently in various states but it is noted that in some States systems related to these aspects are not robust. For example it is seen that at some places there is no internal audit; there is no audit at GP level; there is no clear schedule of powers; accountability is not clearly defined; there is limited quality control; quotations are not collected; records are not maintained; grievance redressal is largely informal etc. A separation of functions for independently assessing and ensuring integrity of the process is required to be put in place.</p> <p>The extent of public disclosure of information on the outcome of the procurement process varies from State to State and there is a need to promote some consistency in disclosure of contract award information.</p>					
4.1	<i>Are effective internal and external controls in place</i>					
	(a) clear schedule of powers	RES has clearly defined schedule of powers.	Powers of officers are defined. Book of Financial powers defines the powers.	Schedule of powers is given in GKN.	There is no clear schedule of powers at program level.	

	Description	States				
		CG	MP	RJ	WB	Odisha
	(b) clearly defined accountability	Accountability is defined for decision making at different levels.	Roles and responsibilities of officers are provided in relevant laws e.g. in Panchayati Raj Act.	Schedule of powers and accountability of the officers are defined in GKN and RTPP.	Accountability under the program is not defined.	
	(c) quality control processes, and	Quality control is ensured through supervision/approval as laid out in the works manual.	Quality control is the responsibility of Rural Engineering Department.	These Rules also provide the quality inspections and control. However well-defined documents to support these are not available at GP/ZP levels due to capacity constraints.	Quality of construction of IHHL is verified by technical person before release of payment.	
4.2	Are procurement decisions made by competent authorities on the basis of established processes	Authorities competent to take decisions are laid down as per the schedule of powers for procurements by RES. Not applicable to procurements by Sarpanch who also acts as a contractor.	No. Procurement is not institutionalised. GP level decisions are primarily taken by the Sarpanch and Gram Sachiv.	Due processes as laid down in the relevant laws and guidelines are followed while making procurement decisions.	A committee at ZP level called Janasasthya O ParibeshSthayeeSamiti has been formed to decide regarding engagement of RSM. Block level officers are also involved in award of work order.	A committee at district level has been formed to undertake decisions on empanelment of NGOs.

	Description	States				
		CG	MP	RJ	WB	Odisha
4.3	Do bidding procedures adequately preserve integrity	The rules/procedure provide for maintaining integrity of the process in RES procurements.		RTPP Act includes detailed code of integrity. Further information not yet readily available.	There is no formal system for receiving bids for IHHL construction.	Empanelment of new RSMs is carried out based on their technical capability.
	(a) custody of the bids, and	Bids accepted in sealed envelopes and kept in office premises.	Information not readily available.	Information was not readily available.	Bids are not called.	Documents are kept with the committee at block level.
	(b) confidentiality of evaluations	Confidentiality is maintained, though not stated clearly in the report.	Information not readily available.	Information was not readily available.	Bids are not called or evaluated.	Confidentiality of evaluations is maintained.
4.4	Is there a functioning complaint mechanism	Not specific to procurement. These are handled through the general vigilance/ complaints handling section.	Yes. Complaints received through multiple channels are transferred to Complaint and Vigilance Cell of Department of Rural Development and Panchayati Raj for resolution. CM helpline also has provision for complaints.	Yes, the state has Public Grievance Redressal Department and others like Anti-Corruption Bureau.	There is no formal system in place. Informally complaints can be received by block/ district offices	A robust grievance redressal system is in place namely Sanjog helpline and e-Abhijoga (Chief Minister Grievance Redressal portal)

	Description	States				
		CG	MP	RJ	WB	Odisha
4.5	How debarment and suspension lists will be disseminated to the procurement entities	Usually disseminated through notice/ letters. In some departments these lists are available on their websites. E-procurement system allows for Centralized view of all suppliers registered/ blacklisted for all classes.	MP online has the list of debarred and suspended vendors.	Under RTPP Act this will be available on website. At present some departments like PWD have information on their websites.	There is no such debarment and suspension list.	These are uploaded in the website of Government of Odisha (list of blacklisted NGOs can be accessed at http://www.odisha.gov.in/pc/Download/blacklisted_NGO.pdf)
4.6	The outcome of the procurement process is disclosed to the public	The procurement process outcomes are not readily disclosed to public.	Yes. Information on contract award is published on the websites specified in the NIB.	Yes. Information on contract award is published on the websites specified in the NIB.	No disclosure of empanelment of RSMs is being made at Mission/ District/ Block office.	No such disclosure of empanelment of RSMs is being made at Mission/ District/ Block office.
4.7	Audit arrangements	There is an internal audit department at the ZP level	CAG is responsible for audits.	CAG is responsible for audits.	Annual audit is done at all levels.	Annual audit is done at all levels. CAG and Local Fund Audits. No procurement specific audit and no concurrent audit.
	(a) audit agency	At ZP, audit is done by both Local Fund Audit directorate and empanelled CAs.	CAG is responsible for audits.	CAG audit at State & districts; and LFAD audit at PS and GP levels. CAG empanelled CAs do ZP audits that includes	Auditors are appointed in all districts.	Local fund audit of GPs is done by Finance Department

	Description	States				
		CG	MP	RJ	WB	Odisha
				sample PSs and GPs.		
	(b) procurement audit	There is no separate procurement audit conducted.		Procurement audits, post-procurement reviews, concurrent audits and internal audits are not conducted nor planned.	There is no procurement specific audit.	
5.0	Procurement Capacity					
	Lack of adequate capacity has been noted at various levels across entities, and there is a need for enhanced procurement capacity, more important at district/GP levels as large number of works contracts are handled at this level. All institutions have capacity constraints for efficient and transparent					
5.1	Is there adequate staffing	Staffing and capacity are a concern at the ZP/JP/GP levels.	Staffing and capacity are a concern at the ZP/JP/GP levels.	Adequate staffing across levels and hierarchies is needed.	Lack of adequate staff at mission and district offices. No dedicated staff to look after procurement.	
	(a) numbers	There are shortages of sub-engineers to adequately supervise works at the GPs	In institutional arrangements in the report, several weaknesses in staffing have been brought out.	Adequate staffing across levels and hierarchies is needed.	At mission office, 4 out of 10 positions are vacant. At Howrah district 7 out of 10, and at South 24 Parganas district 8 out of 10 positions are vacant.	At mission office, 3 out of 10 positions are vacant. At Khordah district 3 out of 10, and at Ganjam district 2 out of 10 positions are vacant.
	(b) qualification and experience, and	The qualification & experience of engineers are well defined in RES.	In institutional arrangements in the report, several weaknesses in staffing have been	Vacancies need to be filled with qualified staff.	Given the vacancy there is need for immediate filling up with qualified staff.	

	Description	States				
		CG	MP	RJ	WB	Odisha
			brought out			
5.2	Implementing agency past performance track record	From the sample reviewed at RES, it was noted that 52% works were completed within allocated timeline. Payments were made within 30-90 days.	This has not been assessed.	This has not been assessed.	Past performance of RSMs is taken into account before issuance of work orders	
6.0	Contract Administration					
	<p>Management of contracts is essential for satisfactory construction activity even if the contracts are of small value, as otherwise it can easily lead for example to non-functioning IHHLs and creeping in of unacceptable non-transparent practices. It is noted that at some places work order terms and conditions are flouted, there are time overruns, there is shortage of sub-engineers to supervise, and lack of procurement support at block and district levels. Terms and conditions in work orders issued to RSMs and NGOs are not enforced. Sometimes there is not even a signed contractual agreement, which could be sought to be enforced.</p> <p>Absence of procurement management information has been noted in almost all States studied. Information related to the procurement is not organized or consolidated at the district or state level to help make appropriate management decisions, and needs to be organized. E-procurement system wherever</p>					
6.1	Is there adequate capacity for contract administration	Shortage of sub-engineers to supervise works at the GPs has been noted.	Absence of standardized contract templates is leading to non-uniform practices in contract administration.	Contract administration/post procurement reviews are presently not part of activities in State.	No. Work order terms and conditions are often flouted. There is lack of specialised procurement staff at block & district levels.	
6.2	Is there evidence of	From the sample reviewed at RES,	This information	There were 5-10% cases of time overrun of works	There is no cost overrun as amount for each IHHL is fixed.	

	Description	States				
		CG	MP	RJ	WB	Odisha
	cost and time overruns in the performance of contracts	delays in completion were observed in 48% cases with cost overruns in about 5% cases	was not available.	taken up by PRIs, and not more than 2% cases of cost overrun.	Cases of time overrun have been seen.	
6.3	Are there procedures to inspect for quality control of goods, works, or services delivered	As per works manual, inspections are carried out by sub-engineers, SDOs and executive engineers and quality of works is checked.	RES is responsible for monitoring quality. No checks are conducted on quality of materials supplies, only check on toilet having been constructed through photographs.	RTPP Act requires inspection & quality control. GKN provides technical specifications for quality. The Panchayati Raj Department follows procedures laid down in the GKN to support and assist the RRD and PRD for smooth execution of works. This provides for inspection and valuation of works.	Evaluation of IHHLs construction is done by SwachhtaDoot&NirmanSahayak (100%) and Sub Assistant Engineer & Assistant District Coordinator (10%)	Evaluation of IHHLs construction is done by JE-II (100%) and Assistant Engineer (10%)
6.4	Are payments timely and in accordance with contract provisions.	RES took 30 to 90 days for making payments.	The information was not available.	The information was not available.	Test checks indicate delay in payments made to RSMs.	Test checks indicate delay in payments made to NGOs and it takes 30 to 40 days to receive the payment.
6.5	Are efficient contractual dispute resolution procedures in	The dispute resolution mechanism is provided in the contracts.	No formal dispute resolution mechanisms in place for procurements at	Contractual dispute resolution procedures have not been separately prepared.	No formal dispute resolution mechanism in place. If RSMs/ beneficiaries have any issue, they can come directly to the	No formal dispute resolution mechanism in place. If NGOs/ beneficiaries have any issue, they can come directly to the District/ Block/ GP office and raise a complaint.

	Description	States				
		CG	MP	RJ	WB	Odisha
	place		GP level		District/ Block/ GP office and raise a complaint.	
6.6	Are contractual remedies enforced	There is evidence of enforcement of contractual remedies by RES in specific sample cases.	Specific Information was not available.	Specific Information was not available.	There is no formally signed contractual agreement between RSM and government agency. Terms and conditions in the work order issued to the RSMs are not enforced.	There is no formally signed contractual agreement. Terms and conditions in the work order issued to the NGOs are not enforced.

[CG-Chattisgarh; MP-Madhya Pradesh; RJ-Rajasthan; WB-West Bengal]

STATE WISE SUMMARY OF FIDUCIARY ASSESSMENT FINANCIAL MANAGEMENT

Table 5. Financial Management Considerations in Fiduciary Assessment

	Item	States				
		CG	MP	RJ	WB	Odisha
1.0	Planning and Budgeting					
1.1	What is the relationship between strategic plans, the budget, and medium-term financial planning?	<p>Multi-year perspective in expenditure planning and budgeting has been lacking in India. It is maintained that the five year plans in India provide the basis for a multi-year perspective for resource allocation. However, the economic planning and budget differ in their scope and time span. While plans provide a conceptual framework by focusing on various sectors in the economy, the budget is more concerned with systems of control over the use of funds by government and pays more attention to financial aspects. Further, in the context of current budgetary practice, the link between the plan and the budget is weak. In the process of budget preparation the plan allocations are dispersed over various heads and sub-heads of expenditure.</p>				
		<ul style="list-style-type: none"> As per the SBM guidelines, a 5 year plan consisting of 5 AIPs for the State is under preparation. The 5 year plan is based on the SBM (G) mission objectives and the strategy for the program. 	<ul style="list-style-type: none"> Districts Water Supply and Sanitation Mission (DWSSM) prepares Project Implementation Plan (PIP, containing medium-term plan for next five years. DWSSM also prepares the Annual Implementation Plan (AIP) for district level. AIP is not prepared on the basis of PIP. 	<ul style="list-style-type: none"> Government of Rajasthan has targeted achievement of sanitation coverage by October 2017, 2 years prior to the National target. CCDU, PRD is responsible for planning and reviewing progress of sanitation activities at State level under SBM with appropriate IEC strategies. 	<ul style="list-style-type: none"> Baseline completed – on MDWS website PIP not yet completed AIP for 2015-16, uploaded on MDWS website AIP based on district level plans Absence of block level AIPs in the visited districts. National budget based on consolidated State AIPs 	<ul style="list-style-type: none"> Baseline completed in 2015 – on MDWS website PIP not updated to retrofit TSC to NBA program guidelines AIP for 2014-15 and 2015-16 prepared AIPs have been prepared without receiving the block/district level plans. National budget based on consolidated State AIPs
1.2	Is the Program consistent with the national development strategy? Is it effectively costed? Does it feed into the national medium term expenditure plans?	<ul style="list-style-type: none"> Evidence shows State program objectives are consistent with the national development strategy; The funds allocated for the erstwhile Nirmal Bharat Abhiyan (NBA) at the national level are reflected in the Union Budget in Demand for Grants Number 28, pertaining to Ministry of Drinking Water and Sanitation. The budget document also reveals that routing of the funds through the State Plan started from 2014-15 budgets. No allocations through the state plan route were seen in the earlier years, viz. 2012-13 and 2013-14. The total allocation under NBA for 2014-15 is INR 42,600 million. 				
		<ul style="list-style-type: none"> A 5 year plan 	<ul style="list-style-type: none"> The costing of 	<ul style="list-style-type: none"> Program cost has 	<ul style="list-style-type: none"> The PIP gives the 	<ul style="list-style-type: none"> Odisha has not prepared any

	Item	States				
		CG	MP	RJ	WB	Odisha
		<p>consisting of 5 PIPs for the State are under preparation. The overall program cost is being prepared as part of this process. Detailed activity wise costing is being undertaken for each district.</p>	<p>program is based on the gap between Open Defecation Status and the existing status of toilet coverage as per the baseline survey which was conducted in 2012 and is subsequently updated on ongoing basis. The present percentage of households not having toilets in Madhya Pradesh is 73.83%.</p> <ul style="list-style-type: none"> • Yes, the overall program cost has been determined on the basis of number of toilets required to achieve open defecation free status. The total estimated cost of the project in Madhya Pradesh is Rs. 1,70,288.99 Lakhs 	<p>been determined. Total program cost is Rs. 102,243.17 lacs for Rajasthan.</p> <ul style="list-style-type: none"> • The program costs are monitored through AIPs. • The program costs are determined on basis of the requirements of Panchayats and Districts and finalised as per State priorities. 	<p>medium term perspective though it is not yet finalised. Ideally the yearly AIPs are supposed to dove- tail with PIP for convergence between planning and implementation though such convergences are often quite weak.</p> <ul style="list-style-type: none"> • All district level plans and state level AIPs are costed. • The districts have drafted the AIPs on the basis of assessment of IHHLs constructed and target mentioned in Baseline Survey data, which proves inadequacy in planning procedure. 	<p>PIP under the erstwhile NBA since it was not able to complete the baseline survey within time.</p> <ul style="list-style-type: none"> • All district level plans and state level AIPs are costed • The State AIP (2014-15) for Odisha was made though some of the districts failed to submit district level AIPs. In addition, AIPs for 2009-14 were often prepared without obtaining Block AIPs.
1.3	Have the sources of Program financing (government and stakeholders) been identified?	<ul style="list-style-type: none"> • Under the revised SBM guidelines, the incentive amount for toilet construction has been increased to INR 12, 000 • MGNREGA fund has been completely delinked from the ongoing Mission • The share of Central fund will be routed through the States treasuries, which will then be routed to the bank account for SBM-G maintained by the State Mission office/s. • The compulsory beneficiary contribution has been removed from SBM-G. However, flexibility is given to states to include beneficiary contribution for construction of toilets to promote ownership. It is expected that the reach of the Mission and total number of constructions would increase in near future on account of the removal. • The amount provided as loan has been increased to INR 0.5 million, though the period & mode of repayment remains unchanged across Missions (i.e. in 12-18 instalments after one year from receiving of loan). In addition, the ceiling of the total available 				

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	<p>revolving fund available to the district has been escalated to INR 15 million.</p>					
	<ul style="list-style-type: none"> The State share for NBA is disbursed through the State treasury to the district's water & sanitation accounts (maintained at commercial banks) and subsequently to GPs. The GPs undertake various activities under the NBA scheme and disburse payments/subsidies to the suppliers/contractors beneficiaries through cheques and provide utilization certificates against the work undertaken. 	<ul style="list-style-type: none"> Funding for SBM-G will be through budgetary allocations of the central and state governments, the Swachh Bharat Kosh, and multilateral agencies. The Swachh Bharat Kosh has been established to collect funds from non-governmental sources. Table below, details the fund sharing pattern for SBM-G between the central and state government, as provided for in the SBM-G guidelines. 	<ul style="list-style-type: none"> The sources of program financing is divided between Central Government and State government (i) IEC, IHHL, Administrative charges, SLWM(75% from GOI and 25% from State) (ii)Community Sanitary Complexes (60% from GOI, 30% from State and 10% from beneficiary/HH/Community) (iii) Revolving Fund (80% from GOI, 20% from State) 	<ul style="list-style-type: none"> The sources of program financing is divided between Central Government and State government: (i) IEC, IHHL, Administrative charges, SLWM (75% from GOI and 25% from State) (ii) Community Sanitary Complexes (60% from GOI, 30% from State and 10% from beneficiary /HH/Community) (iii) Revolving Fund (80% from GOI, 20% from State) 	<ul style="list-style-type: none"> The sources of program financing is divided between Central Government and State government: (i) IEC, IHHL, Administrative charges, SLWM (75% from GOI and 25% from State) (ii) Community Sanitary Complexes (60% from GOI, 30% from State and 10% from beneficiary /HH/Community) (iii) Revolving Fund (80% from GOI, 20% from State) 	
1.4	<p>Is there an effective relationship between the implementing agency and the finance ministry (or equivalent competent authority) for negotiating the annual budget?</p>	<ul style="list-style-type: none"> The budget preparation involves participation of ministries/departments when they submit their initial budget estimates followed by interactions with the Ministry of Finance, where the budget ceilings are communicated to departments. The departments finalize their budget estimates after taking into account the expenditure ceilings communicated by the Ministry of Finance and the plan allocations from the erstwhile Planning Commission, which determines the size of funding for new schemes. 				
	<ul style="list-style-type: none"> The funding for the Sate plan is based on discussion by the Planning and Finance Departments. Each department submits its budget separately 	<ul style="list-style-type: none"> State Water Supply and Sanitation Mission (implementing agency at state level) consolidates the budget of 	<ul style="list-style-type: none"> Discussions and negotiations are held between Planning department, Finance department and Department of 	<ul style="list-style-type: none"> Discussions and Negotiations are conducted between Finance Department, PRD Department for the finance budget and 	<ul style="list-style-type: none"> Discussions and Negotiations are conducted between Finance Department, Rural Development Department for the finance budget and SBM allocation. 	

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		for Plan and Non-Plan expenditures. The Finance and Planning Departments are the nodal departments for budgeting and planning. In-year budget adjustments are through re-appropriation or additionally with the approval of the delegated authority, generally FD. All additional amounts are later on approved by the Legislature through a Supplementary Budget.	individual districts at state level and submits the same to Central Government. Discussions and negotiations are conducted between Planning department, Finance department (GoMP), Department of Panchayati Raj for the finance budget and SBM allocation.	Panchayati Raj for the finance budget and SBM allocation. <ul style="list-style-type: none"> Annual budgets are finalised according to State's overall development strategy. State Budget does not recognize amount directly transferred by Central Government to districts for central schemes / shares Disbursement is recognized as expenditure for funds through treasury mechanism. 	SBM allocation.	
1.5	Are all Program revenues (e.g., user fees) and expenditures (e.g., donor-funded expenditures) captured on the budget insufficient detail to provide a meaningful tool with which to monitor implementation?	<ul style="list-style-type: none"> At national level, expend financed from budget [GoI share only] and donor funded expend are budgeted; State budget reflects national and state share of expend [national budget share included in state budgets from FY2014-15]; User or beneficiary contributions not reflected in national or state or mission budgets. As per scheme guidelines, the Department of Drinking Water and Sanitation has developed an online monitoring system for TSC/ NBA. The TSC/ NBA project district is to submit physical and financial progress reports through this on line software (IMIS) for which user-id and password have been generated and communicated by DDWS-NIC cell Program MIS captures program expend in entirety. However, there are concerns over the quality of the financial information included in IMIS – described in detail under sections below. 	<ul style="list-style-type: none"> The amount allocated for SBM is mentioned in the state budget along with the expenditure for the previous year. Budget provides revenues and 	<ul style="list-style-type: none"> The amount allocated for SBM is mentioned in the state budget along with the expenditure for the previous year. Status of expenditure (both physical and 	<ul style="list-style-type: none"> The amount allocated for SBM is mentioned in the state budget along with the expenditure for the previous year. Status of expenditure (both physical and financial progress) is being uploaded on the MDWS website and 	
	<ul style="list-style-type: none"> Yes, the budget provides for capturing all revenues and expenditure in sufficient detail for monitoring 	<ul style="list-style-type: none"> Budgetary allocations towards Swachh Bharat Mission project are listed as separate line items in the state budget. The budgetary allocations provide 				

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			overall allocation to the project. District wise budget allocation is provided on the IMIS maintained by Ministry of Water Supply and Sanitation.	expenditures envisaged for the Sectors, Programs and Plans.	financial progress) is being uploaded on the MDWS website and is updated on a regular basis.	is updated on a regular basis.
1.6	Does the legislature rigorously examine and debate the budget law (scope, procedures, adequacy of time)?	<ul style="list-style-type: none"> • The preparation of budget and its approval in the Parliament, provisions for which are enshrined in the Constitution of India, goes through legislative scrutiny and the Parliament exercises full control over the annual budgetary system through this mechanism • The process of preparing the budget, discussing it in Parliament, and its subsequent approval is considered as an effective instrument of financial control of government activities 				
		<ul style="list-style-type: none"> • The budget estimates are approved by the State legislature at the start of the financial year. There is sufficient scrutiny, debate and rigour in the legislative process for budget approval. Only on approval of the annual budget by the Legislature, FD releases the demand for grants to the respective line departments 	<ul style="list-style-type: none"> • The budget estimates are approved by the State Legislature before the beginning of financial year. The budget is scrutinized and debated in the legislative process for budget approval. 	<ul style="list-style-type: none"> • The program comes under the purview of GF&AR, RTPP Act and other laws and procedures as applicable to Government of Rajasthan. This includes discussion in the State Legislature for the overall State Budget. The budget estimates are approved by the State legislature at the start of the financial year. 	<ul style="list-style-type: none"> • Discussions on state budget are carried out in the state legislature and are put to vote. Once approved by the state legislature, the executive gets the mandate to incur expenditure 	<ul style="list-style-type: none"> • Discussions on state budget are carried out in the state legislature and are put to vote. Once approved by the state legislature, the executive gets the mandate to incur expenditure
2.0	Transparency					
2.1	Is key financial information (budgets, budget execution reports, year-end financial statements, audit reports, contract awards) about the	<ul style="list-style-type: none"> • Ministry/Departments Budget allocations, budget execution reports, year-end financial statements and audit reports are available at both national and state levels on Government websites and are accessible to the public; data on contract awards are not available for public access. • Budget and financial statements are voluminous and not in user friendly formats. • Budget execution reports at national and state levels report fund transfers and releases and do not necessarily reflect program 				

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Program available to the public in an accessible form?	<p>expenditures in any meaningful form</p> <ul style="list-style-type: none"> SBM-G [earlier NBA] website provides financial information on releases and expend at national and state levels. However, this data may be considered incomplete and unreliable as these are not based on accounting records and in many instances, do not match with the expenditures reported in Utilization Certificates [UCs] or annual audited financial statements of the various levels of implementing agencies. 				
	<ul style="list-style-type: none"> The budget documents along with the actual expenditure are uploaded in the State Finance department portal for the entire sector. Program wise details at the State level were available with the department but it not available in the State Government website. The GoI website of SBM (G) has district wise data (of both Central Government & State Government contributions) on the budgeted funds, Released funds, Expenditure data and physical progress data. 	<ul style="list-style-type: none"> Yes, key financial information and physical progress information is available online on the IMIS portal maintained for Swachh Bharat Mission. Physical progress reports, Financial Progress reports, Release of funds, Monitoring level reports, Panchayat reports etc. are updated on a regular basis and are available on http://sbm.gov.in/tsc/NBA/NBAHome.a.spx 	<ul style="list-style-type: none"> The budget documents along with the actual expenditure are uploaded in the State Finance department portal for the entire sector. Program wise details at the State level are not available in the State Government website. The GoI website of SBM (G) has district wise data (of both Central Government & State Government contributions) on the budgeted funds, Released funds, Expenditure data and physical progress data 	<ul style="list-style-type: none"> PR Department's annual budget documents are being uploaded on the website of Finance Department, Government of Odisha. Status of expenditure (both physical and financial progress) is being uploaded on the MDWS website and is updated on a regular basis. No independent audit reports or financial statements for Block or District are being made accessible to the public. 	<ul style="list-style-type: none"> RD Department's annual budget documents, including Normal Budget, Tribal Sub plan and Scheduled castes Sub-Plan are being uploaded on the website of Finance Department, Government of Odisha. Status of expenditure (both physical and financial progress) is being uploaded on the MDWS website and is updated on a regular basis. No independent audit reports or financial statements for Block or District are being made accessible to the public.
3.0	Accounting and Financial Reporting				
3.1	Are actual expenditures compared to the budget with reasonable frequency, and are explanations required for significant variations from the	<ul style="list-style-type: none"> While there are no provisions for presenting a mid-year budget report to the Parliament, the aggregate monthly accounts prepared by the Controller General of Accounts (CGA) for GoI and Comptroller & Auditor General Office [C&AG] for States, compiled from the departmental accounts, provide monthly accounts of budget implementation. The monthly accounts of the central government are important in-year budget reports that are accessible to the general public through the website of the CGA/State Finance departments. 			

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budget?	<ul style="list-style-type: none"> • However, the quality of actual expenditure reported at national and state levels are based on fund releases [for SBM-G] and therefore, do not facilitate meaningful assessment of financial performance. 				
	<ul style="list-style-type: none"> • The actual expenditures are compared to the budget at various levels at different frequencies. At the department level monthly comparisons are made and reasons for deviations are identified. At the end of the year, the actual expenditure is tabled in the legislature along with the budget demands for the next year as part of the budget process. 	<ul style="list-style-type: none"> • Actual expenditure is compared to budgetary allocation and a report comparing budget allocation with actual expenditure is available online on the Swachh Bharat Mission website. • However, formal documentation of budgetary monitoring through MIS reports is not available. 	<ul style="list-style-type: none"> • At the end of the year, the actual expenditure is tabled in the legislature along with the budget demands for the next year as part of the budget process. • As the funds releases till Block level are recorded as expenditure and at GP level, expenditure is recorded according to utilization by beneficiaries; the cross-linkage between State expenditure and panchayat expenditure is not established nor fully established. 	<ul style="list-style-type: none"> • The budget outturn (defined as actual expenditure as a percentage of budget estimates) under NBA/ TSC for 2012-13 is 36% • Significant budget outturns are symptoms of weakness in public financial management systems and shows lack of capacity to absorb allocation levels 	<ul style="list-style-type: none"> • The budget outturn (defined as actual expenditure as a percentage of budget estimates) under NBA/ TSC for 2012-13 is 69% • Significant budget outturns are symptoms of weakness in public financial management systems and shows lack of capacity to absorb allocation levels
3.2	Does the Program use the government classification system for budget preparation and reporting?	<ul style="list-style-type: none"> • The budget classification system in India which takes into account the COFOG functional classification system is consistent with the GFS manual of 1986 based on the cash accounting system. The budget classification system as determined by C&AG office is uniformly applied across all Indian states. 			
3.3	Is the budget classification system sufficient to allow tracking of Program expenditure?	<ul style="list-style-type: none"> • The budget classification system in India has improved over the years responding to phenomenal growth and diversity in government functions and outlays from an organizational structure based classification prior to 1974 to a more meaningful classification of transactions for presentation and reporting of government operation in terms of functions, programs and activities • The salient features of the reforms were to establish a uniform classification for the budget accounts and plan, clear presentation of objectives and purposes of government expenditure in terms of functions, programs and activities, bringing together all expenditures under appropriate functional (major), program (minor), and activity (subhead) irrespective of the organization administering it, and generating timely data for monitoring expenditure on programs and activities 			

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		<ul style="list-style-type: none"> The program uses the government classification system for budget preparation and reporting. The financial & physical progress is also reported as per the formats provided by the Central Government. The budget classification system is sufficient to allow tracking of Program expenditure. 	<ul style="list-style-type: none"> Yes, the budget classification system has allocated separate line items for classification of program expenditure. Therefore, the budget allocation and expenditure under the project can be tracked. 	<ul style="list-style-type: none"> The amount allocated for SBM is mentioned in the state budget along with the expenditure for the previous year as a line item. Disbursements are treated as expenditures till District / Block levels. At GP level expenditure is based on amounts expended as per beneficiaries' utilization certified and reported. 	<ul style="list-style-type: none"> The system of budget classification is in place to track the program expenditure. Annexure C of the Finance Accounts (Vol-I), 2012-13 lists the details of expenditure under major schemes, that have distinct classification under subheads and in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts and have been booked under "800-Other Expenditure". 	<ul style="list-style-type: none"> The system of budget classification is in place to track the program expenditure. The amount allocated for SBM is mentioned in the state budget along with the expenditures for the previous year as a line item. Evidence for tracking of program expenditure can also be seen from the Finance Accounts prepared by AG.
3.4	Are accounting policies at the Program level consistent with national public sector policies/standards?	<ul style="list-style-type: none"> The accounting standards prescribed by the Government (President of India) on the advice of the CAG, IGAS, are not fully aligned with the Cash IPSAS prescribed by the IFAC. There are differences between Government Accounting system in India and cash basis IPSAS relating to the structure, disclosures and basis of accounting SBM-G guidelines do not provide standard financial management procedures [including accounting, financial reporting, audit etc.] to be followed at the state levels. None of the states covered in the assessment have developed accounting and financial management guidelines or manuals. 				
		<ul style="list-style-type: none"> The District water & Sanitation Committee is also required to maintain and prepare annual accounts of the NBA/SBM (G). They maintain a cash book, bill register and cheque books to record transactions 	<ul style="list-style-type: none"> There are no separately defined accounting policies for the project. Accounting for the project is carried out at the Block level and District level and such accounts are consolidated at 	<ul style="list-style-type: none"> GoR follows the single entry cash basis of accounting. Only those transactions where cash has been paid or received are recorded by the As the common practice across the 	<ul style="list-style-type: none"> Accounts at the district and block level is being maintained on an Integrated Financial Management System (IFMS) system. Accounts at the Gram Panchayat 	<ul style="list-style-type: none"> It was observed that there is no documented standard for Monthly Accounting routine, relating to various accounting outputs like monthly abstracts, monthly reconciliation and regular passbook updates etc. at block and district level. Cash books were being

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		from the district water & sanitation accounts. There is no particular accounting guideline prescribed by NBA/SBM (G) for this program.	the state level.	Central and State Governments in India, the transfers of funds to Deposit heads in the Public Account undermine the accuracy and completeness of accounts. GoR needs to review the amounts under deposit heads (also called personal ledger accounts).	level are being maintained on Gram Panchayat Management System (GPMS).	maintained on PAMIS till last year. In Balianta Block of Khordah district, it was observed that from 2014 onwards, the manual cash registers are being maintained but not updated on regular basis. .
3.5	How effective are the linkages between the Program and the sector, and between the sector and the central FM reporting systems?	<p>As per scheme guidelines, the Department of Drinking Water and Sanitation has developed an online monitoring system for TSC/ NBA. The TSC/ NBA project district is to submit physical and financial progress reports through this on line software (IMIS) for which user-id and password have been generated and communicated by DDWS-NIC cell. The financial progress entered through this on line software should essentially tally with the financial progress shown in UC under different components of the schemes</p> <ul style="list-style-type: none"> • There is no centralized FM reporting system for the program; financial and physical information on performance is uploaded on the online monitoring system on an offline basis. This data is based on the actual utilization of funds at all levels of implementation, though not based on books of accounts; • Below the District level, all fund releases under the Program are accounted for as expend; the state level financial statements [consolidated for all districts] therefore do not match with the MIS; 				
3.6	Is there a regular and timely two-way flow of information between the Program and the finance ministry?	<ul style="list-style-type: none"> • MDWS finalizes the budget for the program based on the expenditure ceiling set by Ministry of Finance. • Flow of information is being monitored through the Central Plan Scheme Monitoring System (CPSMS) which is being implemented by the Office of Controller General of Accounts in the Ministry of Finance. The scheme has established a common transaction-based on-line fund management and payment system and MIS for the Plan Schemes of Government of India • At MDWS, two way flow of information is built-in as part of the program design involving the following elements: <ul style="list-style-type: none"> ○ Approval of AIP-The Plan Approval Committee of MDWS reviews the AIP and gives its recommendation. States are required to amend the plan as per the directions given by PAC. Once PAC approves the plan, it is forwarded to the National Scheme Sanctioning Committee ○ Funds are released by MDWS to the various states in two instalments. The first instalment of 50% of the amount approved in the Project Approval Committee is released. The second instalment is released based on utilization of 60% of the available funds with the State(opening balance, funds released under first instalment and interest earned thereon), submission of the audited accounts, utilization certificate for the central and state share, annual performance report and any 				

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	other information as may be required by MDWS				
	<ul style="list-style-type: none"> The information on budgets, release from treasury, fund flow data is available to the program implementing department from the Finance department. 	<ul style="list-style-type: none"> IMIS maintained by the Ministry of Water Supply and Sanitation is the primary source of bottom-up information transfer on progress and fund utilization. The maintenance and updation of IMIS is done regularly, thus providing central level stakeholders with regular and timely updates. 	<ul style="list-style-type: none"> Though the accounting information on actual expenditure of the GP/PS/ZP is available through an on-line accounting portal, it is not used by the program department/ Finance department for automated real time monitoring of the actual expenditure. There is high reliance on the monthly progress reports rather than the accounting information for expenditure data. 	<ul style="list-style-type: none"> GoI releases the fund and sanction letter is uploaded on MDWS website. Funds are first transferred to the Finance Department of the State. 	<ul style="list-style-type: none"> The funds from the Centre will be routed through the state budget and it will be the responsibility of the state to release both the centre and the state's share to OSWSM within a stipulated time frame. The release of central funds by the state will be monitored by Govt of India through CPSMS. Based on the requirement, funds are allocated to the districts that are the executing agencies under the programme.
3.7	Do budget reports provide accurate, comprehensive, and understandable information to allow monitoring progress against the budget?	<ul style="list-style-type: none"> The funds allocated for the erstwhile Nirmal Bharat Abhiyan (NBA) at the national level are reflected in the Union Budget in Demand for Grants Number 28, pertaining to Ministry of Drinking Water and Sanitation. It can be seen from the budget documents of 2014-15, that funds are being allocated under three main streams- (i) under Rural Water Supply and Sanitation (Major Head 2215) and (ii) Provision for projects/Schemes for the benefit of North Eastern region and Sikkim (Major Head 2552) and (iii) State and UT Plan (Major heads 3601, 3601 and 2552. The budget document also reveals that routing of the funds through the State Plan started from 2014-15 budgets. No allocations through the state plan route were seen in the earlier years viz 2012-13 and 2013-14. Following the instructions issued by Ministry of Finance (Department of expenditure), MDWS has also been coming out with Outcome Budgets on regular basis since 2007-08. The outcome budget also provides projected outputs covering vulnerable sections of the society, namely Scheduled Castes (SC) and Scheduled Tribes (ST). Controller General of Accounts prepares the consolidated accounts from various Ministries/departments on monthly basis which are then reconciled with the cash figures of Reserve bank of India (banker to Govt of India/states). The estimates of the CGA give a good snapshot of progress made in the implementation of the Budget. The budget documents also give a perspective regarding the original budget allocation vis-à-vis the actual expenditure figures. 			

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	<p>The budget estimates for any particular year gives apart from the budget estimates of the forthcoming year (e.g. 2015-16), the revised estimates of the current year (e.g. 2014-15) and the actual estimates of the previous year (2013-14). Thus comparison of budgetary allocations for a particular year against the actual figures gives the extent of budget outturn.</p>				
	<ul style="list-style-type: none"> One of the issues is in the recognition of expenditure by the State Government. The State Government considers release of funds from treasury as expenditure. Though the funds have been disbursed, they are usually parked in the bank accounts of the GP/JP/ZP. This leads to anomaly in the figures of the expenditure reported by the State Government and the actual expenditure on the ground. The State budget (actual expenditure figures) does not provide a true picture of the expenditure of the program and it only shows the release of funds by the State treasury. The monthly progress reports of the GP/JP/ZP are used to track actual expenditure. 	<ul style="list-style-type: none"> There is a difference between the expenditure and unspent balance reported at GPs and other tiers of Government because of recognition of expenditure at GPs is based on the accounting for disbursements to beneficiaries according to the utilization certificates whereas at Block offices and above levels the funds disbursed are treated as expenditure 	<ul style="list-style-type: none"> GoR considers release of funds from treasury as expenditure. When the funds are disbursed, these remain in the bank accounts of the GP/PS/ZP till actual disbursement to beneficiaries based on certified utilization certificates. This leads to anomaly in the figures of the expenditure reported by the State Government and the actual expenditure. The State budget (actual expenditure figures) does reflect the actual expenditure of the program as it only shows the release of funds by the State treasury. The monthly progress reports of the GP/PS/ZP are used to track actual expenditure. 	<ul style="list-style-type: none"> The expenditure, unspent balance, physical and financial progress is District / State level through upload on MDWS website and reviews. Review meetings are conducted to assess the progress, reasons for non-performance. At the District level, monthly meetings with District Magistrate, Additional District Magistrate and District Project Coordinators are done to review the physical progress. 	<ul style="list-style-type: none"> The expenditure, unspent balance, physical and financial progress is District / State level through upload on MDWS website and reviews. Review meetings are conducted to assess the progress, reasons for non-performance. Review meetings are conducted on monthly basis at district level and by Member Secretary, OWSM at least once in two months

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3.8	<p>What is the system for preparing annual financial statements for the Program? Do implementing agencies meet their obligations in a timely and comprehensive manner?</p>				
	<ul style="list-style-type: none"> Under SBM (G), financial statements are prepared based on the format prescribed (Receipt and Payment Account, Income and Expenditure Account, Balance Sheet and Notes forming part of Accounts) in the guidelines. Once the annual accounts are prepared, it is audited by the auditor and submitted to MDWS. The Finance Accounts and Appropriation Accounts are prepared by the Controller General of Accounts (CGA) which takes into account the expenditure incurred by MDWS in plan schemes like SBM-G. The consolidated year-end financial statements of the Government of India are based on the detailed information for all the ministries/departments and decentralized units. 				
	<ul style="list-style-type: none"> The District water & Sanitation Committee is required to maintain and prepare annual accounts of the NBA/SBM (G). They maintain a cash book, bill register and cheque books to record transactions from the district water & sanitation accounts. At the Block level the accounts of the JPs are maintained by an accountant for all the schemes implemented & monitored by the block. The JPs are also required to annually prepare Statements of accounts of revenue and expenditure of the JPs and to be placed before the JP Finance Committee. In line with other schemes, the block water & sanitation 	<ul style="list-style-type: none"> State, District, Block and Panchayat level accounts are audited by AG/Empaneled CA Firms. The release of funds till Block level is recorded as expenditure, however, at GP level, expenditure is recorded according to utilization by beneficiaries; the cross-linkage between State expenditure and panchayat expenditure is not fully established. The financial statements at the district level are prepared by the empanelled Chartered Accountants. The district level financial statements are consolidated at the state level. 	<ul style="list-style-type: none"> DWSMs are required to maintain a separate account in respect of the grants received by them under Swachh Bharat Mission in a nationalized bank and any unspent balance out of this grant will be refunded by the grantee immediately after the completion of the project. The DWSM is required to furnish UCs and other relevant documents in support of expenditure incurred along with the outcomes indication wise utilization for the funds released in accordance with the General Financial Rules in this regard and as per funding norms as per Centre and State share. The 	<ul style="list-style-type: none"> Accounts and Finance under ZillaParishad and Panchayat Samiti is guided by West Bengal Panchayat (ZillaParishad and Panchayat Samiti) Accounts and Financial Rules, 2003. Accounts, Audit and Budget under Gram Panchayat is guided by The West Bengal (Gram Panchayat Accounts, Audit and Budget) Rules, 2007. The Annual financial statements under the program compiling all the districts are prepared. 	<ul style="list-style-type: none"> Accounts are being prepared at the district level and compilation is done at Mission office. An overall financial statement under the program is prepared at Mission office. It was also noted that audit for 2013-14 was also pending (as on the date of visit) as the accounts were not yet finalized at the District level, that lead to an overall delay in compilation of Accounts at Mission Office.

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		committee maintains a cash book, bill register and cheque books to record transactions from the block water & sanitation accounts		pay and Accounts officer, MDWS acts as drawing and disbursing officer for the purpose.		
4.0	Treasury Management and Fund Flow					
4.1	Are adequate funds made available for Program implementation?	<ul style="list-style-type: none"> It was observed that funds provided during the financial year are not utilized and huge amount of funds are lying idle and transferred to the subsequent year. The issue has not been the availability of funds; on the contrary most of the states have not been unable to utilize the amount that has been allocated. 				
4.2	Are funds available in an orderly and predictable manner?	<ul style="list-style-type: none"> As per Ministry of Finance instructions, the funds are released in two instalments. The first instalment of 50% of the amount approved by the Plan Approval Committee is released. The second instalment is released based on utilization of 60% of the available funds with the State, (i.e. opening balance, funds released under first instalment and interest earned thereon.) In addition, states are also required to submit audited accounts, utilization certificate for the central and state share, annual performance report and any other information as may be required by MDWS for release of the second instalment. 				
4.3	Are the arrangements to transfer Program funding from the finance ministry to the implementing agency satisfactory?	<ul style="list-style-type: none"> The Central Plan Scheme Monitoring System (CPSMS) was developed by Controller General of Accounts under Ministry of Finance, to monitor and track the usage of central plan funds. All agencies designated to receive funds under any program/scheme are required to register on the system. This also includes registration of all the bank accounts of various agencies. Once approved, the information flows to the banks through the CPSMS-Core Banking Solution interface and funds are transferred to the bank account of the agencies. Under the NBA process, funds are released from the Centre directly to the various state missions. Since these funds are routed outside the normal treasury process, internal control mechanisms are not adequately austere. To mitigate these risks of “off budget” fund transfer, NBA guidelines mandate the use of CPSMS for the release and monitoring of the funds. Under the SBM-G, though the central funds are to be routed through the state budget, the release of the funds would continue to be monitored through CPSMS. 				
		<ul style="list-style-type: none"> There is large variation in proposed budget, release and actual expenditure for the last two years. Most of the expenditure is undertaken from the 	<ul style="list-style-type: none"> Central Government funds are received in the month of May or June every year. Unlike Central Government funds which are released in the beginning of 	Following are the key points: <ul style="list-style-type: none"> The funds for SBM flow from GoI through GoRtoZillaParishad, Panchayat Samiti and Gram 	<ul style="list-style-type: none"> GoI releases the fund and sanction letter is uploaded on MDWS. Funds are first transferred to the Finance Department of the State. 	<ul style="list-style-type: none"> The funds from the Centre will be routed through the state budget and it will be the responsibility of the state to release both the centre and the state’s share to OSWSM within a stipulated time frame. The

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	<p>balances from previous years.</p> <ul style="list-style-type: none"> The release of funds to the Blocks/GPs is based on demands raised and utilization certificates submitted. There is very little correlation to the Plan. Utilization certificates are submitted by the GP to the blocks. 	<p>year, state government funds are released on quarterly basis. The fact that unutilized funds exist in the bank accounts of Gram Panchayat points towards the fact that adequacy of funds for project implementation is not a challenge.</p> <ul style="list-style-type: none"> Funds are made available to states by the Central Government on the basis of utilization in previous years. Central Government monitors the utilization of funds through online MIS maintained on the website of Ministry of Water Supply and Sanitation. 	<p>Panchayat and ultimately to beneficiaries. The channels consists of both Treasury and Off-Treasury systems.</p> <ul style="list-style-type: none"> The funds are received from GoI in 2 instalments. First instalment is received in June-July and second instalment is received only after 60% expenditure has been accomplished. At state level, the budget is submitted to the Finance Department, Rajasthan and approval is taken for the fund that is to be released to the districts. The funds are then released to the districts personal deposit account through treasury of the Finance Department. Funds are transferred to GPs in the bank accounts maintained for the programs and schemes. Funds 	<ul style="list-style-type: none"> The release of central funds by the state will be monitored by Govt of India through CPSMS The department raises a request for funds to the Finance Department. The budget cell of PRD raises an e-requisition to the Finance Department through e-bantan. Once approved, it is then forwarded to Pay & Accounts Office. The printout is generated & bill is prepared. The cheques are drawn and issued to WBSRDA including the state share. Then the funds are transferred to the districts and finally to the Blocks who are the implementing agencies under the programme. 	<p>release of central funds by the state will be monitored by Govt of India through CPSMS. Based on the requirement, funds are allocated to the districts that are the executing agencies under the programme.</p>

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				to beneficiaries are transferred through GPs' bank accounts.		
4.4	What are the arrangements for managing multi-year programs? How are unused budget allocations treated?	<ul style="list-style-type: none"> Multi-year programs like SBM-G involve framing of perspective plans (called Project Implementation Plan or PIP) by the states. Under SBM-G, a National Scheme Sanctioning Committee (NSSC) has been given the mandate to approve the PIPs. PIPs were also required to be framed under the erstwhile NBA program Under SBM (G), at the centre and at the state level, budget will lapse after the end of the financial year. However money parked in bank accounts outside the Pay and Accounts/ treasury system is allowed to be carried forward to the next year. 				
		<ul style="list-style-type: none"> Allocation of funds is not in line with the proposed AIPs for the districts. There are very little linkages between the fund requirement as per the AIP and the funds allocated from the Centre& the State. 		<ul style="list-style-type: none"> Even as SBM is a multi-year program, Multi-year planning is not done for SBM (G). The unused budget allocations are transferred to the next year 	<ul style="list-style-type: none"> The unused budget allocations is transferred to the next year AIPs are prepared every year and PIP for the state under SBM (G) is under preparation 	<ul style="list-style-type: none"> The unused budget allocations is transferred to the next year AIPs are prepared every year and PIP for the state under SBM (G) is under preparation
5.0	Internal Control (including Internal Audit)					
5.1	Is there an internal control system at the Program level for which management takes full responsibility?	<ul style="list-style-type: none"> The internal control rules and procedures for the Program are based on (i) codified forms of accounting and financial rules and (ii) administrative rules and regulations as applicable for central government The General Financial Rules (GFRs), Delegation of Financial Power Rules (DFPRs), Treasury Rules, Receipt & Payment Rules Procedures provides the core of internal control procedures and systems. At the same time internal control systems in the ministries and departments is also bound by Acts of Parliament such as FRBM, directions of Parliamentary Committees, and guidelines given by Central Vigilance commission (C.V.C). In addition there is internal audit team within each Ministry working under Chief Controller of Accounts but responsible to the Secretary of the concerned Ministry. Apart from these measures, directives and circulars issued by Ministry of Finance from time to time to the ministries and departments for strengthening internal controls and expenditure management. 				
		<ul style="list-style-type: none"> There is an internal audit department at the ZP which is responsible for internal audit of all 	<ul style="list-style-type: none"> The internal control system does not sufficiently focus on monitoring utilization of 	<ul style="list-style-type: none"> The internal control system does not sufficiently focus on monitoring utilization of 	<ul style="list-style-type: none"> The regulatory environment for the state is defined by a set of rules which include the West 	<ul style="list-style-type: none"> The regulatory environment for the state is defined by a set of rules which include the Odisha General Financial Rules (OGFR),

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		<p>programs of ZP/JP/GP. The major function of this department is to oversee the accounts and conduct audit at the block & GP level. On an average around ten audit officers are appointed for each block. Internal audit reports on the GPs are sent to the CEO Janpad/ZP. The accounts of GPs are examined & audited by the Department auditor from the Block level.</p>	<p>expenditure and link it with physical progress of projects because of three main reasons – (i) accounting of release of funds upto Panchayat Samiti level is treated as expenditure rather than actual expenditure or spending, (ii) cash basis and single entry system of accounting and (iii) focus more on achievement of outputs under a Programme rather than outcomes of the expenditure / funds.</p>	<p>expenditure with physical progress of projects because of three main reasons – (i) accounting of release of funds upto and by Panchayat Samiti level is treated as expenditure rather than actual expenditure or spending, (ii) cash basis and single entry system of accounting and (iii) focus more on achievement of outputs under a Programme rather than outcomes of the expenditure / funds.</p>	<p>Bengal Financial Rules, West Bengal Treasury Rules, Delegation of Financial Power Rules. These rules are supplemented from time to time by departmental orders/ notifications/ guidelines as may be required.</p>	<p>Odisha Treasury Code, Odisha Service Code, and Delegation of Finance. These rules are supplemented from time to time by departmental orders/ notifications/ guidelines as may be required.</p>
5.2	Are there effective cash flow planning, management, and monitoring arrangements?	<ul style="list-style-type: none"> In 2006, Govt of India had come out with a system called Modified Cash Management system for a limited number of Ministries. The focus was to (i) seek greater evenness in budget expenditure (ii) reduce the rush of expenditure during the last quarter (iii) monitor the expenditure pattern and (iv) reduce the tendency of parking of funds. The departments/Ministries are required to come up with a Monthly Expenditure Plan (MEP) based on which Quarterly Expenditure Allocation (QEA) are prepared. Ministries cannot issue cheques beyond what is allocated under QEA without taking permission from Ministry of Finance. This will help the government to estimate its cash balances and plan its borrowing requirements. Since 2012-13, the concept of MEP and QEA has been extended to cover all Demands for Grants which has helped the Govt of India to time the borrowings based on cash flow position 				
		<ul style="list-style-type: none"> There is an internal audit department at the ZP which is 	<ul style="list-style-type: none"> Cash flow plan detailing the timing and quantum of 	<ul style="list-style-type: none"> Funding for the Program is provided in the GoR budget 	<ul style="list-style-type: none"> There is no system of cash flow planning, 	<ul style="list-style-type: none"> There is no system of cash flow planning, management and monitoring

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	<p>responsible for internal audit of all programs of ZP/JP/GP. The major function of this department is to oversee the accounts and conduct audit at the block & GP level. On an average around ten audit officers are appointed for each block. Internal audit reports on the GPs are sent to the CEO Janpad/ZP. The accounts of GPs are examined & audited by the Department auditor from the Block level.</p>	<p>cash flow during the course of project is not prepared. SBM guidelines however do provide details on how funds will be distributed upto the village level and also provides information on retention of funds at different levels.</p> <ul style="list-style-type: none"> • The funds are disbursed to districts as per the AIP. Districts transfer the funds to GPs on the basis of demand and progress of work achieved by the GPs. • Monitoring of funds is not robust at the GP level as the bank accounts of GP are outside the purview of SWSSM. • Monitoring of fund utilization is based on utilization certificates that are prepared at village level and reviewed at block level 	<p>under social & sanitation sector under a separate budget line. This is as per the practice of GoR, wherein it creates separate budget lines for external funding. The Bank's funding shall flow to GoI and then through GoR Treasury and eventually - alongside GoR's budgetary allocation for the Program to District and Block Offices- shall be disbursed to various agencies implementing the Program. The state budget is generally approved by the State Legislature before commencement of the financial year on April 1 of each year.</p>	<p>management and monitoring arrangements.</p> <ul style="list-style-type: none"> • Unspent balances are lying with the district and block level authorities 	<p>arrangements.</p> <ul style="list-style-type: none"> • Unspent balances are lying with district and block level authorities. Recently block level authorities have been asked to surrender unutilized money to districts office.

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5.3	Are there effective payroll controls at the Program level? Are payroll records reconciled to human resource records (“the nominal roll”)? Is there a strong system of payroll audit to identify control weaknesses and/or ghost workers?	<ul style="list-style-type: none"> The internal control system ensures that the changes in personnel records are reflected in the payroll. There exists a continuous process of reconciliation for the payroll data with the previous month’s payroll, supported by full documentation for all changes made to personnel records each month at the level of departments and ministries. Regular update on changes in personnel details and payrolls are also reflected in the service books of the personnel The Budget Account Section of MoF also maintains the payroll and the personnel records of staff from various line Ministries/Department which forms the basis of salary expenditure. The figures are updated in August on the basis of inputs received from various Ministries /Department which are reflected in the revised estimates. The Pay Research Unit of Department of Expenditure also maintains a database of government employees. According to the Central Government rules, there is a need of payroll audit on an annual basis by Ministries. Internal audit section is required to carry out this exercise. However, the payroll audit is not effective and there have been instances of ghost workers as pointed out in CAG reports. Under SBM (G), the staffs are hired on a contractual basis as the nature of the job is technical. The involvement of in-house resource under the program is very limited, as such the risk relating to weak payroll control and ghost employees is minimal. 				
		<ul style="list-style-type: none"> Payroll Controls – effective payroll controls are in place at the State and the District level for the staff hired by the State Government/ District administration for the program. The payroll is automated and linked to the treasury for salary payments. 	<ul style="list-style-type: none"> The payroll for SBM (G) is particularly for CCDU department within SBM. 2% of the project cost is related to administrative expenditure which includes Salary. No ghost workers were identified for the program 	<ul style="list-style-type: none"> The payroll for SBM (G.) is particularly for CCDU department within SBM. 2% of the project cost is related to administrative expenditure which includes Salary. No ghost workers were identified for the program 	<ul style="list-style-type: none"> Attendance registers are being maintained at District and Block level and signed on daily basis by the higher authority. There is no such payroll audit at District/ Block level. 	<ul style="list-style-type: none"> Attendance registers are being maintained at District and Block level and signed on daily basis by the higher authority. There is no such payroll audit at District/ Block level.
5.4	Is there an adequate system of control over non-payroll expenditure (including a robust asset management system)?	<ul style="list-style-type: none"> The General Financial Rules gives the framework of asset management at Central Government level. Rule 186 to Rule 202 deals with various aspects of inventory and asset management which the includes the following: <ul style="list-style-type: none"> Rule 187: Receipt of goods and materials from private suppliers Rule 188. Receipt/issue of goods and materials from internal divisions of the same organization Rule 189. Custody of goods and materials Rule 190. Lists and Accounts Rule 192.-(1) Physical verification of Fixed Assets (2) Verification of Consumables and (3) Procedure for verification Rule 195. Transfer of charge of goods, materials etc. Rule 196. Disposal of Goods Rule 197. Modes of Disposal 				

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	<ul style="list-style-type: none"> ○ Rule 198. Disposal through Advertised Tender ○ Rule 199. Disposal through Auction ○ Rule 200. Disposal at scrap value or by other modes ● The internal audit is required to report regarding compliance of these Rules. Apart from these Rules, a Manual on Policies and Procedures for Purchase of Goods has also been framed to give more operational clarity. 					
	<ul style="list-style-type: none"> ● Non-payroll expenditure – the non-payroll expenditure relevant to the program is explained in detail in the procurement section of this report 	<ul style="list-style-type: none"> ● 2% of the project cost is related to administrative expenditure which includes Salary. IEC activities are separately budgeted in the AIPs as per the priorities decided at the State level by CCDU/PRD. ● These expenditures are part of AIPs and are monitored through review meetings. However the Minutes of these meetings are not available in public domain nor made available 	<ul style="list-style-type: none"> ● 2% of the project cost is related to administrative expenditure which includes Salary. IEC activities are separately budgeted in the AIPs as per the priorities decided at the State level by CCDU/PRD. ● These expenditures are part of AIPs and are monitored through review meetings. However the Minutes of these meetings are not available in public domain nor made available. 	<ul style="list-style-type: none"> ● The majority of expenditure under the program is ‘Payment made to RSM’. ● Once the construction work is completed by RSM, utilisation certificate is submitted by the RSM which is then verified on sample basis and payment is released thereafter. So there exists a system of control over payment to RSMs under the program. 	<ul style="list-style-type: none"> ● The majority of expenditure under the program is ‘Payment made to NGO’. ● Once the construction work is completed by NGO, utilisation certificate is submitted by the NGO which is then verified on sample basis and payment is released thereafter. So there exists a system of control over payment to NGOs under the program. 	
5.5	Is a robust asset management system in place?	<p>As per Rule 190 of GFR, suitable item wise lists and accounts are to be kept on the basis of prescribed formats. The nature of the formats depends upon the type of assets as mentioned below:</p> <ul style="list-style-type: none"> ○ Fixed Assets such as plant, machinery, equipment, furniture, fixtures etc. in the Form GFR-40 ○ Consumables such as office stationery, chemicals, maintenance spare parts etc. in the Form GFR-41. ○ Library books in the Form GFR 35 <p>Registers are created on the basis of these formats to create a functional asset management system.</p>				
		<ul style="list-style-type: none"> ● There is a high reliance on the UCs for record of toilet construction at the 	<ul style="list-style-type: none"> ● There is minimal asset creation under SBM (G) except for the toilets which are 	<ul style="list-style-type: none"> ● There is minimal asset creation under SBM (G) except for the toilets which are 	<ul style="list-style-type: none"> ● There is minimal asset under SBM (G). The asset primarily consists of 	<ul style="list-style-type: none"> ● There is minimal asset under SBM (G). The asset primarily consists of the office furniture.

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		GP/JP level. The maintenance of assets register is weak for the program. The details of assets records/ construction records are detailed in the procurement section of this report	owned by beneficiaries and State has no ownership rights on IHHLs. The Program expenditures focus more on the expenditure on disbursements The asset primarily consist of the office furniture which is under the purview of Department of Panchayati Raj, GoMP	owned by Beneficiaries and State has no ownership rights on IHHLs. The Program expenditures focus more on the expenditure on disbursements The asset primarily consist of the office furniture which is under the purview of Department of Panchayati Raj, GoR	office furniture.	
5.6	Are adequate monitoring and evaluation arrangements in place for the Program?	<ul style="list-style-type: none"> The Ministry of Drinking Water and Sanitation has developed a comprehensive system of monitoring the implementation and impact of the programme. These include (i) Annual Monitoring Survey- The process for this will be initiated at national level and focus on 3rd party monitoring (ii) Concurrent Monitoring- This involves monitoring through community level participation. NGOs/CSOs can also take part in concurrent monitoring. This apart, the program will have dedicated monitoring units at national, state and district level to monitor program implementation. Monitoring is also done through Periodical Progress Reports, Performance Review Committee meetings and through Vigilance and Monitoring Committees at the State/District Level. At national level, monitoring is done through IMIS database wherein the details regarding the status (both financial and physical progress) at all levels (GP, Block, District and State), are available. Panchayat level progress is reported (both physical and financial) by the State/ District/ Block/ GP. District level achievements of RSM/ PC/ SLWM/ IEC component are filled up by districts. Districts and State level approvals are done within the stipulated time frame and once approved the Monthly Progress Reports (MPR) are prepared and uploaded on website. 				
		There is adequate monitoring and evaluation arrangements in place for this progress. Some of the weaknesses in the processes have been	CAG audit report for the year 2011-12 highlights non-compliance to conduct of Social Audits. Social Audit of construction and development works	GoR has initiated measures to strengthen M&E. Concurrent monitoring mechanisms are also been developed. In 2012-13, Water,	At the District level, monthly meetings with District Magistrate, Additional District Magistrate and District Project Coordinators are	The frequency of review meetings were as follows: <ul style="list-style-type: none"> Monthly review meetings at district level Review by Member Secretary, OWSM at least once in two months Monthly meeting at

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	detailed in the respective sections of this report	was to be conducted quarterly in each financial year in the meeting of Gram Sabha. Scrutiny of records of 116 GPs of two districts (Mandla&Sagar) revealed that 107 GPs (92 per cent) had not conducted the Social Audit.	Sanitation & Hygiene [WASH] evaluation was conducted by UNICEF. PMUSSO is the implementing agency responsible for M&E under the institutional arrangement designed for SBM/NBA. As PMUSSO is not fully functional and the CCDU is performing the roles of the PMUSSO there is a lack of role clarity, ownership and resource availability within CCDU to carry out tasks related to M & E.	done to review the physical progress. <ul style="list-style-type: none"> At Block level, monthly meetings with BDO, Joint BDO and RSMs are done with a focus on monitoring and resolving issues related to IHHL construction. In those meetings, the Karmadhakshya, Jana Swastha-O-ParibeshSthayeeSamity and Assistant District Coordinator of the concerned district are also present. The physical monitoring at the GP level is done by NirmanSahayaks and SwachhataDoots. 	block level <ul style="list-style-type: none"> No third party verification currently being undertaken in Odisha. No evidence of any periodical evaluation studies that have been conducted by any institutions or organizations. 	
5.7	Is there regular review of the internal control system in the sector through an effective internal audit function? In response to audit findings?	<ul style="list-style-type: none"> The internal audit is conducted based on departmental codes and manuals issued by accounting departments. The internal audit does not focus on systemic issues in helping the management in improving the efficiency and effectiveness of operations. In general it focuses more on the transactional nature of the operations. An internal audit setup is present in each Ministry/Department which works under the Chief Controller of Accounts but reports to the Secretary of the concerned ministry. They focus mainly on the Principal Accounts Office, Pay and Accounts office and DDOs in Ministries/Department. Further, they are also involved in carrying out audit of various Schemes/programmes of various Ministries/Departments 				
		<ul style="list-style-type: none"> Internal audit coverage and frequency is a concern. This is mainly due to inadequate staffing 	<ul style="list-style-type: none"> Internal audits are not conducted at the state level or ZP level. Concurrent audits are conducted at the block level 	<ul style="list-style-type: none"> There is no provision for internal audits, concurrent audits, performance audits, and procurement 	<ul style="list-style-type: none"> No internal audit is conducted at State/ District and Block level since there is no mandate under the TSC 	<ul style="list-style-type: none"> No internal audit is being carried out at District and Block level as there is no provision of internal audit under the TSC/ NBA/ SBM-G guidelines. Annual

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	levels (including vacancy in sanctioned posts). The follow up of audit findings is weak and it was observed during the field visits that there was many of the audit findings were yet to closed / there was considerable delay in responding to audit findings.	(Janpad). Concurrent audit reports are not available at ZP, therefore, we could not assess the nature, extent and timing of control testing conducted in concurrent audit. Absence of internal audit is a leads to risks that material control deficiencies may not be identified and corrected in time.	reviews. The financial audits focus on 100% financial transaction reviews and no risk-based or sampling methods are used. M&E framework is not yet framed. • There are significant delays in financial audit completion and audit paras.	/NBA/SBM-G guidelines. • Though the AG conducts a transaction audit of the PRI institutions periodically, it is often delayed and done multiple years at a time. Thus, there is a need for a continuous audit mechanism in the form of an internal audit, especially for SBM funds.	audit is to be conducted on an annual basis. • Though the AG conducts a transaction audit of the PRI institutions periodically, it is often delayed and done multiple years at a time. Thus, there is a need for a continuous audit mechanism in the form of an internal audit, especially for SBM funds.
6.0	Program Audit				
6.1	What are the current Program audit arrangements (including scope, comprehensiveness, regularity, timeliness)?	<ul style="list-style-type: none"> • Under SBM (G) guidelines, audit requirements of the Government of India and the CAG as decided from time to time needs to be followed. • The Comptroller and Auditor General of India (CAG) is the supreme audit institution in India responsible for auditing the accounts of Central and States. It carries out financial audit, compliance audit, performance audit and IT audit. One of the main problems of these audit reports is that they are often delayed • The accounts of the state mission and district missions are audited by a Chartered Accountant selected from a panel approved by the CAG, within six months of the close of the financial year in accordance with the General Financial Rules of the Government of India. The draft sample audit report is annexed in SBM (G) guideline and reporting is made in the prescribed format by the auditors. 			
	<ul style="list-style-type: none"> • The State government has appointed Director/Commissioner of local fund audit (DLFA) as a primary auditor of accounts of panchayat raj institutions. • The office of the 	<ul style="list-style-type: none"> • Financial audits are conducted by AG Office / LFAD. • There is no provision for internal audits, concurrent audits, performance audits, and procurement 	<ul style="list-style-type: none"> • Financial audits shall be conducted by AG Office / LFAD. • There is no provision for internal audits, concurrent audits, performance audits, 	<ul style="list-style-type: none"> • Annual audit is being done at all levels. Auditors have been appointed in all the districts to undertake external audit. Apart from this, there exists an auditor at 	<ul style="list-style-type: none"> • Annual audits are done at State Mission and District level, which is in accordance to the National level guideline. CAG audit is also done regularly. Further Local Fund Audit of GPs is done by Finance Department.

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		Account General (Audit) (AG) is conducting audit of PRIs under Technical Guidance and supervision (TGS) module as notified (October 2011) by the State Government. The CAG of India has the right to conduct such test check of the accounts and to comment on and supplement the report of the statutory auditor, as he may deem fit under sub section (1) of section 20 (1) of the CAG's (Duties, Power and Conditions of service) Act 1971.	reviews. The financial audits focus on 100% financial transaction reviews and no risk-based or sampling methods are used. M&E framework is not yet framed. <ul style="list-style-type: none"> • There are significant delays in resolving outstanding audit paras. 	and procurement reviews. The financial audits focus on 100% financial transaction reviews and no risk-based or sampling methods are used. M&E framework is not yet framed. <ul style="list-style-type: none"> • There are significant delays in financial audit completion and audit paras 	WBSRDA responsible for compiling the data for all the districts and express an opinion. Apart from this there is a CAG audit and a Local Fund Audit (done at the GP level)	
6.2	Has the Supreme Audit Institution or other auditor appointed by the government recently performed any Program specific investigations/ audit reports? If so, what were the key findings, and how are these findings being followed up? Is there evidence of changes in systems/processes at the program level in response to audit findings?	<ul style="list-style-type: none"> • The CAG is responsible for audit of all government departments and public and constitutional entities at the Centre and State Government level. The nature of audit includes financial, compliance and performance audit of selected programmes. The audit reports are examined by Public Accounts Committee (PAC) of the Parliament and recommendations are given which are taken cognizance of by the Executive. However the PAC scrutinizes only a limited portion of the audit report. The Ministries/ Departments also submit an Action Taken Notes on paras not covered by PAC- but its role is largely to meet procedural requirements. There is no law that mandates the Ministries/Departments to submit their Action Taken Reports within a certain time period. As a result most of these reports are gross delayed. 				
		<ul style="list-style-type: none"> • There has been no sector (water & sanitation) /program (NBA) specific audit in the last 3 years by the CAG. However local body audits 	<ul style="list-style-type: none"> • Program specific investigations/audits have not been conducted. Financial audits are conducted under NBA. As SBM has 	<ul style="list-style-type: none"> • Program specific investigations/audits have not been conducted. Financial audits are conducted under NBA. As SBM has 	<ul style="list-style-type: none"> • AG audit has been conducted under the Department for various schemes. We have not come across any program specific audit report. 	<ul style="list-style-type: none"> • AG audit has been conducted under the Department for various schemes. The latest AG audit of the program was conducted in November,

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	<p>(sample) are regularly (yearly) conducted by the CAG & DLFA</p> <ul style="list-style-type: none"> There are large numbers of outstanding audit objections and the resolution of audit objections is also very slow. During the year 2012-13 around 6,300 audit objections were raised by LFA and during the same period only 92 objections were settled by the PRIs. At the end of 2012-13 there were over 1, 41,000 audit observations yet to be settled. 	<p>been launched only in 2014-15 the first financial audit shall be conducted after the end of current financial year.</p> <ul style="list-style-type: none"> CAG audits for procurement and related expenditure are done on a post-facto basis and the responsibility for putting up preventive controls significantly rests with the State Government or respective departments. These reviews are part of financial audit and not separately conducted. 	<p>been launched only in 2014-15 the first financial audit shall be conducted after the end of current financial year.</p> <ul style="list-style-type: none"> CAG audits for procurement and related expenditure are done on a post-facto basis and the responsibility for putting up preventive controls significantly rests with the State Government or respective departments. These reviews are part of financial audit and not separately conducted. . 		<p>2014.</p> <ul style="list-style-type: none"> The audit findings included observations related to short release of state matching share, misappropriation of fund, diversion of fund, non-adjustment of advances, pending UCs, discrepancy in MIS figures. The audit observations are being followed up at Mission office. 	
6.3	<p>Are there satisfactory arrangements in place for the legislative scrutiny of audit reports (timeliness, hearings on key findings, issuance of recommendations actions and implementation by the executive)?</p>	<ul style="list-style-type: none"> At Central level, the Public Accounts Committee (PAC) of the Parliament scrutinizes only limited portion of the audit report. The PAC can summon any individual for hearing. Representatives from the ministries and departments appear before the PAC when matters relating to them are taken up. Generally, the examination of audit report by PAC takes more than 6 months and thereafter the ministries take some time for submission of replies against queries. Thus the process of scrutiny of audit reports takes more than 12 months to complete. Generally, the recommendations of the PAC are acted upon by the government. 				
	<ul style="list-style-type: none"> The CAG, through the State Accountant General (Audit), conducts financial audits and performance and internal control reviews, covering all departments, 	<ul style="list-style-type: none"> Financial audits are being conducted by AG Office / LFAD. There are delays noticed in conduct / completion of audits. However, there is no provision of concurrent audits, 	<ul style="list-style-type: none"> Financial audits are being conducted by AG Office / LFAD. There are delays noticed in conduct / completion of audits. However, there is no provision of concurrent audits, 	<ul style="list-style-type: none"> Financial audits are being conducted by AG Office. There are delays noticed in the conduct / completion of audits. However, there is no provision of concurrent audits, 	<ul style="list-style-type: none"> The audit of Accounts for Odisha during 2011-12 was done on 9th March 2013 which is way beyond the guidelines as the audit needs to be done within six months of the close of financial year. It was also noted that audit for 2013- 	

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	<p>government, autonomous bodies and authorities, with substantial government funding. The reports are finalized and are tabled in the Legislature. The audit findings are examined by a Public Accounts Committee of the Legislature that issues recommendations and follows up on the action taken by the departments in response to the audit reports.</p> <ul style="list-style-type: none"> The number of outstanding audit objection of PRIs included in the inspection reports of AG was 698 as of March 2014. It takes considerable amount of time to resolve audit queries, finalise audit comments, and submit comments to the legislature. 	<p>internal audits, post-procurement audits. Social audits are being envisaged but not yet conducted.</p> <ul style="list-style-type: none"> The audit reports of CAG/State AG are placed to Public Accounts Committee of the State legislature for their review and comments. 	<p>internal audits, post-procurement audits. Social audits are being envisaged but not yet conducted.</p> <ul style="list-style-type: none"> The audit reports of CAG/State AG are placed to Public Accounts Committee of the State legislature for their review and comments. 	<p>internal audits and post procurement audits. Social audits are being envisaged but not yet conducted.</p>	<p>14 was also pending as the accounts were not yet finalized at the District level, that lead to an overall delay in compilation of Accounts at Mission Office.</p> <ul style="list-style-type: none"> Apart from this, there is no concurrent, internal and procurement audit.
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7.0	Planning and Budgeting				

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7.1	What is the relationship between strategic plans, the budget, and medium-term financial planning?	<p>Multi-year perspective in expenditure planning and budgeting has been lacking in India. It is maintained that the five year plans in India provide the basis for a multi-year perspective for resource allocation. However, the economic planning and budget differ in their scope and time span. While plans provide a conceptual framework by focusing on various sectors in the economy, the budget is more concerned with systems of control over the use of funds by government and pays more attention to financial aspects. Further, in the context of current budgetary practice, the link between the plan and the budget is weak. In the process of budget preparation the plan allocations are dispersed over various heads and sub-heads of expenditure.</p>				
		<ul style="list-style-type: none"> As per the SBM guidelines, a 5 year plan consisting of 5 AIPs for the State is under preparation. The 5 year plan is based on the SBM (G) mission objectives and the strategy for the program. 	<ul style="list-style-type: none"> Districts Water Supply and Sanitation Mission (DWSSM) prepares Project Implementation Plan (PIP, containing medium-term plan for next five years. DWSSM also prepares the Annual Implementation Plan (AIP) for district level. AIP is not prepared on the basis of PIP. 	<ul style="list-style-type: none"> Government of Rajasthan has targeted achievement of sanitation coverage by October 2017, 2 years prior to the National target. CCDU, PRD is responsible for planning and reviewing progress of sanitation activities at State level under SBM with appropriate IEC strategies. 	<ul style="list-style-type: none"> Baseline completed – on MDWS website PIP not yet completed AIP for 2015-16, uploaded on MDWS website AIP based on district level plans Absence of block level AIPs in the visited districts. National budget based on consolidated State AIPs 	<ul style="list-style-type: none"> Baseline completed in 2015 – on MDWS website PIP not updated to retrofit TSC to NBA program guidelines AIP for 2014-15 and 2015-16 prepared AIPs have been prepared without receiving the block/district level plans. National budget based on consolidated State AIPs
7.2	Is the Program consistent with the national development strategy? Is it effectively costed? Does it feed into the national medium term expenditure plans?	<ul style="list-style-type: none"> Evidence shows State program objectives are consistent with the national development strategy; The funds allocated for the erstwhile Nirmal Bharat Abhiyan (NBA) at the national level are reflected in the Union Budget in Demand for Grants Number 28, pertaining to Ministry of Drinking Water and Sanitation. The budget document also reveals that routing of the funds through the State Plan started from 2014-15 budgets. No allocations through the state plan route were seen in the earlier years, viz. 2012-13 and 2013-14. The total allocation under NBA for 2014-15 is INR 42,600 million. 				
		<ul style="list-style-type: none"> A 5 year plan consisting of 5 PIPs for the State are under preparation. The overall program cost is being prepared as part of this 	<ul style="list-style-type: none"> The costing of program is based on the gap between Open Defecation Status and the existing status of toilet coverage as 	<ul style="list-style-type: none"> Program cost has been determined. Total program cost is Rs. 102,243.17 lacs for Rajasthan. The program costs 	<ul style="list-style-type: none"> The PIP gives the medium term perspective though it is not yet finalised. Ideally the yearly AIPs are supposed to dovetail with PIP 	<ul style="list-style-type: none"> Odisha has not prepared any PIP under the erstwhile NBA since it was not able to complete the baseline survey within time. All district level plans and state level AIPs are costed

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	<p>process. Detailed activity wise costing is being undertaken for each district.</p>	<p>per the baseline survey which was conducted in 2012 and is subsequently updated on ongoing basis. The present percentage of households not having toilets in Madhya Pradesh is 73.83%.</p> <ul style="list-style-type: none"> • Yes, the overall program cost has been determined on the basis of number of toilets required to achieve open defecation free status. The total estimated cost of the project in Madhya Pradesh is Rs. 1,70,288.99 Lakhs 	<p>are monitored through AIPs.</p> <ul style="list-style-type: none"> • The program costs are determined on basis of the requirements of Panchayats and Districts and finalised as per State priorities. 	<p>for convergence between planning and implementation though such convergences are often quite weak.</p> <ul style="list-style-type: none"> • All district level plans and state level AIPs are costed. • The districts have drafted the AIPs on the basis of assessment of IHHLs constructed and target mentioned in Baseline Survey data, which proves inadequacy in planning procedure. 	<ul style="list-style-type: none"> • The State AIP (2014-15) for Odisha was made though some of the districts failed to submit district level AIPs. In addition, AIPs for 2009-14 were often prepared without obtaining Block AIPs.