

REQUEST FOR EXPRESSIONS OF INTEREST (CONSULTING SERVICES– FIRMS SELECTION)

India

**Bihar Integrated Social Protection Strengthening Project
Credit # 5349 IN**

Assignment Title: Strengthening Financial Management Systems in Rural Development Department and its affiliated program implementing units at state District and Block level.

Reference No. CS-5

The Government of Bihar has obtained financing from the World Bank toward for the Bihar Integrated Social Protection Strengthening Project, and Rural Development Department through the Bihar Rural Development Society intends to part of the proceeds for consulting services.

The objective of the consulting services (“the Services”) broadly includes carrying out a review of existing Financial Management System in RDD & BRDS at all institutional levels (State, District, Block and Panchayat- w.r.t NREGA), suggest measures for improvement and strengthening the system, and formulate a plan of action for strengthening the financial management system. This will include (i) assessing the existing Financial Management System of RDD & BRDS, particularly fund flow & banking arrangements, including efficiency of mode of payments to beneficiaries, planning & budgeting, internal control, accounting, financial reporting & quality of audit. and(ii) suggest institutional and program wise financial management strengthening plan along with a detailed implementation plan with indicators which will help determining the baseline & for monitoring progress.

A draft Terms of Reference is available at www.socialwelfare.bih.nic.in

The Society now invites eligible consulting firms (“Consultants”) with experience carrying out similar assessment/ studies, especially in the advising on reforms in the area of public financial management, especially at the state level, including but not limited to business process reviews and implementation of IT based accounting systems in large programs spread over a substantial geographical area and/or large number of accounting units to indicate their interest in providing the Services. Interested Consulting firms should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services.

The attention of interested Consulting firm is drawn to paragraph 1.9 of the World Bank’s *Guidelines: Selection and Employment of Consultants funder IBRD Loans and IDA Credits & Grants* by World Bank Borrowers (January 2011) (“Consultant Guidelines”), setting forth the World Bank’s policy on conflict of interest.

Sept 2013



Consulting firm may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications.

A Consulting firm will be selected in accordance with the Quality Cost Based Selection (QCBS) method set out in the Consultant Guidelines.

Further information can be obtained at the address below during office hours from **10.00 to 18.00 hours**

Expressions of interest must be delivered in a written form and should include your firm's demonstrated capacity to provide the required expertise, as well as your firm's previous experiences with similar projects, preferably in similar demographical regions, and preferably those provided for similar assignments. Also you are kindly requested to submit the filled up information in the format available on the website **www.socialwelfare.bih.nic.in** to the address below through **Registered Post/ Speed Post/ Courier/ By Hand** by **15 November, 2014 till 05.00pm.**
December,

Bihar Rural Development Society (BRDS),
Department of Rural Development
Old Secretariat, Patna 800023

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**Bihar Rural Development Society (BRDS)
Department of Rural Development
Government of Bihar**

**Terms of Reference for Consultancy Services for Financial Management System
Strengthening of BRDS and RDD units implementing key social protection programs**

1. Background

The Government of Bihar with support from the World Bank is implementing the "Bihar Integrated Social Protection Strengthening (BISPS) Project" (herein after called Project). The objective of this Project is to strengthen institutional capacity of key institutions and departments to deliver social protection programs and services and expand outreach of social care services for poor & vulnerable, persons with disabilities, older persons and widows in Bihar. The Bihar Rural Development Society (BRDS), an entity registered under the Societies Registration Act, 1860, to support the Rural Development Department (RDD) is one of the implementing agencies of the project. The detailed organizational structure of the BRDS with key functional properties and its features is attached at **Annexure - "A"** for reference.

The Rural Development Department (RDD) Government of Bihar is responsible for the implementation of several large Centrally Sponsored Schemes (CSS) such as Mahatma Gandhi National Rural Employment Guarantee program (MNREGA) and Indira AwasYojana (IAY). It approximately receives Rs.5000 Crore (USD 800 million) as 'Grant in Aid' from Gol for these programs. These programs, at the state level, are managed by Bihar Rural Development Society (BRDS), an autonomous organization under the aegis of Rural Development Department (RDD) which is responsible for overall implementation and oversight of these schemes several flagship CSS. The implementation is through its districts (District Rural Development Agencies- DRDA's) and block level units (Block Development Officer- BDO) and in some instances schemes also through the PRI Institutions e.g. MNREGA. Till March 31st 2014, funds for such CSS programs were being directly received at by BRDS or DRDA, which necessary counterpart funds only being released by GoB. With effect from April 1, 2014 Gol has amended the funds flow mechanism, whereby Gol share of financing is also routed through the state budget/treasury, which in turn releases funds to BRDS for implementation of the programs. In addition the units at the District and Block levels are also vested with the responsibility of implementing various State Plan and Non Plan Schemes of RDD as well as other departments of the Government of Bihar (GoB) e.g., social pension payments. For these funds are drawn from the state treasury as Advance Contingency Bills (based on the budget provision) and initially deposited in bank accounts with commercial banks and then utilized for making payments related to specific programs. Based on current estimates there are approximately 45 to 50 active state schemes, in addition to CSS being managed by the Block Development Officer (BDO).

The above financing and funds flow arrangements entails scheme wise accounting and beneficiary payments and financial reporting by a large number of units and the need for consolidation at the district and state level for onward reporting to Gol for CSS. Inadequate attention to financial management & accounting has resulted in delays in compilation & consolidation of accounts and in preparation of program-wise financial statements for audit. This in turn has resulted in delay of submission of Utilization Certificate and audit reports to



Ministry of Rural Development (GoI) impacting timely release of funds to BRDS, GoB. In the case of state schemes, scheme specific bank accounts and cash books need to be maintained in addition to a consolidated cash book at the block level. Since funds are parked in commercial bank account, with limited oversight from the state level, there have also been instances in the past of diversion of funds drawn for one scheme to another resulting in non-settlement/ submission of Detailed Contingency Bills (DC Bills) to the treasury/ Accountant General.

In order to address these constraints, BISPS Project aims to strengthen the financial management and accounting system which will address the needs of individual program reporting and financial accountability (i.e. fund flow, banking arrangement, accounting, audit, budget planning and execution, staff capacities) and at institutional level (at State, District and Block, -BDO and Block PO and PRI level institutions). The following actions are being taken/ proposed by BRDS:

- a) Recruitment of suitably qualified accounting and audit staff at the state, district and block level to strengthen the financial management capacity
- b) Implementation of a uniform IT based accounting system (TALLY), which is capable of program and institutional wise accounting & financial reporting.

In parallel, BRDS is seeking to engage an agency / consultant to conduct an independent assessment of existing financial management systems of the RDD & BRDS both at program and institutional level and suggest measures of improvement and strengthening at all levels in planned manner.

2. Objective of Consultancy

The overall objective of consultancy is to review and assess the entire Financial Management System of RDD & BRDS at all institutional levels (State, District, Block and Panchayat- w.r.t NREGA), suggest measures for improvement and strengthening the system, and formulate a plan of action for strengthening the financial management system. Specifically, the agency / consultant will be responsible for (i) **assessing & reviewing the existing Financial Management System of RDD & BRDS**, particularly fund flow & banking arrangements, including efficiency of mode of payments to beneficiaries, where applicable, planning & budgeting, internal & operational control, payments & accounting, financial reporting & monitoring, procedures for and quality of accounting & audit and its follow up compliance mechanisms, availability of human resources and related infrastructure at all levels, for identifying persisting gaps and (ii) **suggest institutional wise (BRDS, DRDA and BDO) and program wise (IAY, NREGA and Social Pension and any other large program) financial management strengthening plan** along with a detailed implementation plan with indicators for determining the baseline & monitoring progress and assignment of responsibilities to specific staff in BRDS. This improvement plan should also bring in/reflect good practices adopted in other states in India

3. Detailed Scope of Work

3.1 Review & Assessment of existing Financial Management (FM) System of BRDS/RDD

The review and assessment of the existing institutional structures for program implementation (with focus on Financial Management System of BRDS at all levels (i.e. RDD Secretariat, BRDS, DRDA, BDO office and Program Office (PO) of Block and Panchayat for NREGA) of RDD will be carried around the six domains listed below. During the review and assessment exercise program guidelines, statutory requirements/ provisions and related policies (including Bihar Budget Manual GFR's and Treasury Code as applicable) will also need to be studied and detailed observations w.r.t. their fulfilment would be included in the review and assessment report. Details of scope of work associated with each domain are illustrated below:

3.1.1 Fund Flow and Banking arrangements

- (i) Map all the programs/ schemes for which funds are received by BRDS, DRDA's and BDO's from various sources (i.e. CSS and state programs) to evaluate the fund flow mechanism and protocols governing the fund flow at each level from State to Panchayat considering the relative importance of each program/ scheme. Based on the crucial findings of evaluation, recommend the areas of improvement for the same.
- (ii) Review and assess the banking arrangements for transfer of funds from one unit/level to other and related office procedures, rules & regulations with an objective to develop a framework that will provide a basis to improve the efficiency of inter unit transfers by moving to an electronic platform and reduce redundant paper work (file movements) and improve cash management by managing/reducing the float of idle funds and avoiding cash out-age situations.
- (iii) To review and assess the active beneficiary payment systems of BRDS, in terms of mode of payment, time required for payment, monitoring of payments, outreach, linkage with policies and other relevant perspectives and suggest measures for improvements.

3.1.2 Budget Planning, Execution and Reporting

- (iv) Review the planning & budget process in RDD/ BRDS in terms of basis & processes for determination of grant-in-aid requirement from GoI and State Finance as well as GoI to meet both Program Expenditures and all administrative recurring and non-recurring activities, formats for budget preparation, segregation of budget heads and their synchronization with GoI budget heads, planning for financial backlogs and whether it is based on inputs provided from Block and District program implementing units.
- (v) Review the budget allocation processes at each level which broadly includes the basis / process of making funds available at each level, plan and non-plan expenditures – ideal versus actual, contingent expenditure arrangements, monitoring checks, protocols for less/ excess expenditure, mode of payment, GoI and state sharing pattern and reconciliation processes.

3.1.3 Review of past IT initiatives for improving Financial Monitoring

- (vi) Review the implementation status/ efficacy of initiatives like PFMS, Gfact and other systems, if any, adopted/ implemented by BRDS, DRDA's with an objective to assess

the feasibility to consolidate the gamut of such individual modules/systems/initiatives under one centralized system. The findings will be crucial in terms of choice & recommendation of IT based accounting system (i.e TALLY proposed by BRDS or any other optimum solution) considering flexibility for end-user interface at each level, system's effectiveness in information sharing and dissemination, usability and authenticity of data the accounting system generates and addresses risks in terms of connectivity & accessibility issues, effectiveness in system's completeness, updation intervals and frequencies and integration modalities with other related systems i.e MIS or payroll.

3.1.4 Accounting, financial reporting & Audit Procedures

- (vii) Review the basis and quality of record keeping and accounting at various levels, (separately for CSS and state programs) including the challenges posed by various requirement of individual programs and identify the gaps. Review the financial mgt manual & standard Chart of Accounts, if any, for individual programs (manual or automated accounting systems) for key programs for standardization both in manual accounting systems or IT based systems and suggest new or refinements in existing chart of accounts.
- (viii) Review the financial reporting requirements (state and CSS), and existing quality and timeliness of reporting existence to monitor all financial activities of BRDS from bottom to top and vice-versa. This will takes into account, , the reporting frequencies, quality of standard reporting formats, guidelines, timelines, accountability of reporting, periodic reports format, quality aspects (**whether the in-year and annual financial reporting is based on underlying & updated books of accounts**) and extent up to which existing financial reporting system monitors and supports the financial processes
- (ix) Determine the extent to which existing MIS & accounting system/s (manual and IT based) provide real-time financial data, produce interim financial statements and reports of financial position and operational performance.
- (x) Review controls, if any, across all institutional levels for ensuring the quality & timeliness of accounting and audit reports/ accounts books at individual accounting units and for availability of consolidated and audited financial status at each institutional level.
- (xi) Review the obligations for audit (individual programs), audited financial statements for quality and regularity of audits, periodicity of audit, publication of audit results, audit observations for improvements and their compliance; external creditability of audit (basis of selection, fees, multiplicity of audits) and level of coordination between auditors and BRDS staff.
- (xii) Review the role clarity of staff w.r.t. audit, delegation mechanism, directives from the state government and authority to manage and/or conduct the internal and external audit.

3.1.5 Human Resource (Finance & Accounts)



- (xiii) Review the institutional set-up at each level to understand whether any dedicated committee is in place to monitor and/or govern the FM system and related processes. If so, then assess its functionality, accountability and effectiveness w.r.t. related perspectives.
- (xiv) Review and assess the finance and accounts internal staff capacity at each level to deal with day-to-day financial matters. The qualification and relevant professional work experience of staff will be assessed in depth to evaluate their capacities to deal with systemic reforms and other related transformations within BRDS. This is with a view to re-consider, if any, the appropriateness of finance staffing proposed at various levels

3.1.6 Infrastructure and Resource availability

- (xv) Review the infrastructure and resource requirement versus availability at all institutional levels to assess the obstacles/ gaps, if any, in the smooth operations including implementation of suggestions/ recommendations made by the Consultant.

3.2 Prepare a detailed Plan of Action

Based on the findings of review and assessment for improving the BRDS financial management system, prepare a detailed plan of action for improving the Financial Management System across all levels and in individual programs. This should include suitable prioritization and administrative/ institutional/operational changes that may be required. The plan should list the tasks/ activities should be taken up (sequencing), with timelines and responsibility matrix as well as the likely impact (outcome), will be prepared by the Consultant. Plan of action should be result oriented and must take into account the existing capacity of staff, governance issues, practical feasibility of implementation and other internal & external obstructions related with reforms/ transitions. With every suggestion/ recommendation/ framework, Plan of Action will provide the details of required resources (infrastructure, IT, human resource etc.) for implementing them. Detailed report on Plan of Action will cover all six domains included in the review and assessment. Besides it will also include but not limited to the following points:

- (i) Pragmatic solution for streamlining the fund flow mechanism and how a consolidated picture of funds transfer between all institutional levels on periodic basis could be obtained. Solution should focus upon modifying/ transforming the existing fund flow and banking arrangements to desired level.
- (ii) a framework entailing for budget planning process with suggestive modifications and providing desired support to BRDS in preparing standardized planning and reporting formats.
- (iii) methods to track the budget availability, expenditure and means to control the excess expenditure if incurred under different budget heads. Besides, clearly specify the requirements and steps to overcome the drawbacks, if any, in the budget execution.
- (iv) Optimum solution for accounting considering connectivity, MIS, staffing and banking arrangements with a migration/ transition plan to integrate the diversified modules, whether manual or IT based, related with financial monitoring under single system along with desired level of customization, if required.



- (v) Suitable plan for addressing the backlogs, if any, in accounting and audit and measures for re-creation of opening balance sheets, with adjustment entries where necessary)
- (vi) solution to digitize the accounts books, keep track of all accounts data, modifications if required in the existing accounting systems, provide framework for improvement required in the standard accounting formats and improved methods of internal controls including reconciliation of bank accounts and inter unit accounts on the basis of findings of review and assessment.
- (vii) Define roles and responsibilities of entire Finance & Accounts(F&A) staff of BRDS at the state, district and block level pertaining to the execution and management of FM system, establishment of accountability mechanism, execution of suggested Plan of Action and for taking up related updations and reforms in future.
- (viii) Provide details of training requirements based of the assessment needs of dedicated F&A staff and other methods to capacitate the existing staff to bring their existing capacities at desired level of expertise.
- (ix) A framework for strengthening the quality of internal and external audit. including Terms of reference for audit, basis of selection of auditors (packaging of assignments) with a view to improve timeliness & quality, but lower transaction cost due to multiplicity of audits

4. Methodology

- (i) The Consultant will begin by reviewing the secondary information available from various sources as well as information provided by the Client. Simultaneously, the Consultant will collect the primary information from all institutional levels through personalized field visits, in any case, not exceeding the prescribed time limit provided in the Para 5.
- (ii) Primary data for review and assessment will be collect from **4 districts and 4 blocks** in total. Therefore, 1 block per district will be selected for visit and this will include a visit to Block PO office and two Panchayats in the block. The identified districts include the following, (.....) which is a combination of difficult to reach locations and weak banking arrangements and certain well performing districts.
- (iii) Will include focussed group discussion(s) to get feedback on issues and proposed recommendations with a group of BDO's/Nazir's, PO /accountants at block DRDA/finance heads at the district level, necessary state level discussions with Finance & General Administration Depts and AG and meeting with bankers. These meetings will be facilitated by RDD/BRDS.
- (iv) For every deliverable wherever mentioned, as detailed out in the Para 6, the Consultant will take into account the comments/ feedback of the Client while finalizing the deliverable/s. All the deliverable/s will be submitted to Bihar Rural Development Society, Government of Bihar.

5. Time Period of the Assignment



This assignment would be for a period of **four (4) months**, effective from its inception date including **two (2) months** for the field visits. Any change in the period of assignment will only be made after mutual review by both the parties. The entire assignment is expected to be completed by the timeline given in Key Task deliverable and timeline table given below.

6. Key tasks, Deliverables, Team Composition and Timelines

S. No.	Deliverable	Timeline	Remarks
1	Inception Report with detailed methodology for review including field visit plans	Within 30 days from the award of contract	
2	Draft Assessment Report of existing financial management system	within 90 days of award of contract	The interface/ linkage between the financial and non-financial elements will also be included.
3	Draft FM Strengthening Plan for RDD/BRDS with detailed Plan of Action	within 105 days of award of contract	Plan of Action should be feasible w.r.t. implementation considering the state governance issues & future reforms of BRDS
4	Final assessment report and Final FM strengthening report with detailed Plan of Action	Within 120 days of award of contract	This report should reflect the feedback received from RDD/BRDS.

List of key positions, whose CV and experience would be evaluated:-

S. No.	Key Positions *	No.	Minimum Qualification	Area of Specific Expertise Desired	Man Months required
1	Team Leader	1	CA with additional qualification with at least 20 years post qualification experience.	Experience of various facets of Public Financial management (PFM) incl. govt accounting systems at the state level, with hands on reform experience in financial management in the public sector.	1
2	Technical Experts	1	CA with at least 15 years' experience with public finance management projects/ systems	Experience of PFM system at the state level and in review/ designing PFM systems for national/ state government programs. Knowledge of govt social sector programs will be an advantage	4
		1	CA/PGDM /CAIIB with at least 10 years' experience in banking operations	Experience in developing cash & fund management solutions, preferably in rural areas and/or government sector.	2

3	Team Members	2	2 Research assistants – CA's with at least 8 years of experience.	Well versed with knowledge of PFM systems and hands on experience with IT based accounting & assurance systems.	8
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**for all positions ability to read and speak Hindi is essential*

7. Submission of Reports and Documentation

All interim reports and final reports are to be submitted in hard copy form (2 copies) and editable soft copy format. All final deliverables shall be in English language. Final reports shall be reviewed by the review team and modifications/recommendations are expected to be incorporated by the consultant. The consultant shall be available to make refinements to the final report for a period of **three (3) months** from the date of submission of the final reports. It may also be noted that the copyright and ownership to all outputs from the assignment will vest with the World Bank and the Government of Bihar.

8. Services & Support to be provided by GoB to the Consultant

The Rural Development Department, Government of Bihar will be the nodal agency for this assessment, but the assignment will also require discussions with the State Finance Department and selected Treasuries. Besides, internal visits at different institutional levels will also be required for successful completion of assignment. The RDD will provide logistical support to the Consultant especially for organizing the visits to the Blocks and meetings with Block level and district officials. Following will be the other facilities/ support provided by the BRDS, Govt. of Bihar to the Consultant:

- The consultant would be given access to all documents, correspondence, and any other information related to the project and deemed necessary by the Consultant. This will include but not limited to providing information and documentation on various programs of RDD, both state funded and CSS and the approx. quantum annually, periodic reports, statement of expenditures, utilization certificates, guidelines & manuals, financial & audit statements, the implementation and financial management arrangements.
- RDD will issue necessary orders to all field offices in this regard for smooth review & facilitate field visits to sample districts and blocks and meeting with field level functionaries (DDC, BDO, POs and their respective accounts staff)& provide the Consultant with necessary authorisation to procure information from government departments.
- Designate an Officer responsible for management and coordination of this study & facilitate meetings, discussions with treasuries and/or with any concerned individual staff as may be required by the Consultant.
- Facilitate meeting with key stakeholders i.e. Finance Department and the General Administrative Department at State, district and block level.
- Provide working space for the Consultant's team deputed at state level.
- Provide all logistic support (travel & boarding / lodging costs to be borne by the Consultant) for field visits. Review progress reports and addressing constraints, if any, faced by the Consultant.



DETAILED ORGANISATIONAL STRUCTURE OF THE BRDS

The Bihar Rural Development Society (BRDS), Government of Bihar (GOB), is an autonomous organization under the aegis of Rural Development Department (RDD) – GOB. Its administrative units include:

- the Office of the Block Development Officer (BDO office),
- Office of the Program Officer (PO - the Nodal Officer at the Block for implementing Mahatma Gandhi National Rural Employment Guarantee Scheme),
- the District Rural Development Agency (DRDA),
- the Finance and Accounting (F&A) Units in the Secretariat, and
- the F&A units in the BRDS

The BDO and PO are at the block level, the DRDA is at the district level and the Secretariat / BRDS at the State Level. It may be noted that BDO office falls under the administrative control of RDD, although it serves the functional and program implementation requirements of several department of the State. This applies to finance and accounting services as well.

At the State level, the RDD Secretariat has no accounting role for the schemes. The Secretariat undertakes monitoring of performance of the schemes, approves and authenticates financial reports of districts as well as their funding requests, establishes systems and procedures for efficient financial, accounting and fiduciary management across the State for RDD programmes. The Secretariat also coordinates with the funding agencies, essentially MORD, GOI and the Finance Department, GoB on allocation of funds, programme/scheme performance and programme management issues. Further, the Secretariat also has accounting and budgeting units/sections that undertake accounting and budgeting functions for the secretariat (including release of state share of funds for RDD programmes/schemes) as well as discharge of payment (bills as well as salaries) and other entitlement functions.

The State level team at BRDS would play a crucial role in guiding BRDS towards its vision and mission. Broadly, the state unit would design policies, set up operational procedures, ensure governance / compliance, guide the planning, coordination, quality assurance, monitoring, the programmes across the state. The team would also play a pivotal role in liaising with stakeholders and building partnerships.

The State Unit/ Head Office of BRDS is in Patna. It is headed by a Chief Executive Officer (CEO), who reports to the Executive Committee of BRDS. The State Employment Commissioner, Government of Bihar is the CEO of BRDS. The CEO would have a team of dedicated development professionals in various domains/ programmes, led by a Chief Operating Officer (COO). The functional specialists would be at various levels as Directors, Coordinators and Advisors. These in turn would have managerial level staff reporting to them to carry out programmes in their respective domains/ units.

The Controller Finance would ensure the fiduciary governance of the project. S/he would be assisted by a team of finance, procurement and accounts staff to ensure smooth funds flow and meeting all statutory requirements for BRDS. To leverage the technological advances, BRDS would have a dedicated team for IT and E-Governance headed by a Director.

