

Financial Management Improvement Plan (FMIP)

FY 2012/13 to FY 2015/16



Ministry of Health and Population
Ramshahpath, Kathmandu, Nepal
December, 2012

The Financial Management Improvement Plan (FMIP) - FY 2012/13 to FY 2015/16 has been prepared by Ministry of Health and Population (MoHP), Government of Nepal. Technical and Financial assistance for the work was provided by NHSSP

Contributors: Dr. Babu Ram Marasini, Shiva Prasad Simkhada, Dr. Suresh Tiwari, Mohan Thapa and Shiva Pandit



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Preface

The Ministry of Health and Population (MoHP) has taken several steps during the preparation and finalisation of this ***Financial Management Improvement Plan (FMIP) - FY 2012/13 to FY 2015/16***. We have realised the importance of strengthening financial management practices across the MoHP which will help achieve the targets outlined in the Governance and Accountability Action Plan (GAAP) of the Nepal Health Sector Programme-2. This plan intends to strengthen the MoHP's current practices on financial planning, accounting procedures, the internal control system, financial reporting, monitoring, auditing and transparency measures. It further intends to enhance the capacity of the human resources working in the planning and financial management sectors. We are considering this document as a live document which can be revised and improved as per the need.

We would like to offer our special thanks to the EDPs for providing technical inputs during preparation and finalising of this document. We also value the inputs from departments, centres and divisions under the MoHP. Last but not least we are thankful to NHSSP for its technical and financial support in preparing and finalising this important document.

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1. Background

Financial management refers to the capacity to plan in accordance with national policy and fiscal framework, to prepare budgets and ensure their timely release, to ensure transparent and timely accounting for spending, and to provide follow up financial auditing of expenditures, including assessment of value for money. There is wide agreement that effective institutions and systems of financial management have a critical role to play in supporting implementation of policies of national development and poverty reduction. During NHSP-1 and the initial period of NHSP-2, activities were implemented to strengthen the financial management system and thereby improve performance in financial management. This has contributed to timely budget release, improved financial reporting and improved absorption capacity. In particular, efforts during the initial stage of NHSP-2 have already resulted in a reduction in audit queries at all levels and prompt responses to any such queries that do arise. MoHP has prepared a concept note on the Transactional Accounting and Budget Control System (TABUCS) and included it in the current AWPB-2011/12. There has been a significant improvement in reducing irregularities against audited expenditures, from 9% in 2009 to 7% in 2010, and an increase in the proportion of irregularity clearances, from 35% in 2008/9 to 46% in 2009/10. In order to strengthen the current good practices and implement new initiatives, this Financial Management Improvement Plan (FMIP) has been prepared and endorsed by Ministry of Health and Population (MoHP).

2. Purpose

The Financial Management Improvement Plan (FMIP), which is an addendum to the Plan contained in the Governance and Accountability Action Plan (GAAP), intends to strengthen the MoHP's current practices on financial planning, accounting procedures, internal control system, financial reporting, monitoring, auditing and transparency measures. The plan also intends to enhance the capacity of the human resources working in the planning and financial management sectors. The objectives and their indicators are included in the following table. The FMIP draws on the audit observations and also on the categories included in the

internationally-recognised standardised approach to public financial management, known as PEFA – the Public Expenditure and Financial Accountability framework (www.pefa.org).

3. Key Results

The overall thrust of implementing the Financial Management Improvement Plan is to reduce the fiduciary risk and to improve the overall financial accountability in the health sector.

Following are the key Results Indicators:

- Volume of irregularities in the audit report reduced to about 30%;
- Trimester progress reports are prepared within 45 days of the end of the trimester;
- Audit reports are prepared and submitted within 9 months of the end of fiscal year;
- Funds are disbursed to hospitals based on performance.

4. Financial Management Improvement Plan (FMIP) – FY 2012/13 to FY 2015/16

Key Objectives	Key Activities	Responsible Agencies	Key Indicators	Reporting Frequency	Expected Results	Remarks
Overall Objective :Financial Management Improvement Plan (FMIP) developed, endorsed and implemented						
1. Re-activate the online connectivity with Financial Comptroller General's Office (FCGO) financial database	1.1 Carry out the need assessment for software compatibility and send request letter to FCGO 1.2 Develop and install the software at MoHP 1.3 Enter into an MOU with FCGO to establish online connectivity with FCGO financial database	Finance section of MoHP	Need assessment report finalised Request letter submitted MOU for online connectivity with FCGO's financial database established	October/November 2012	- Submission of Financial Monitoring Report (FMR) to EDPs within 40 days after each trimester	
2. Strengthen the existing financial management information system and reporting mechanism	2.1 Design and pilot the transaction account and budget control system (TABUCS) 2.2 Finalise the TABUCS with feedback from piloted spending units 2.3 Implementation of TABUCS in all spending units 2.4 Prepare FMR using manual	Finance section of MoHP/ DoHS/ NHSSP	-TABUCS system designed and piloted -TABUCS software finalised -TABUCS software installed in 265 spending units - FMR prepared	September 2012- June 2013 June 2013 July 2013-September 2013	- Using TABUCS, FMR will be submitted to EDPs within 30 days after each trimester Submission of implementation progress report (IPR) to EDPs within 30 days after each trimester - One website to work on the	

Key Objectives	Key Activities	Responsible Agencies	Key Indicators	Reporting Frequency	Expected Results	Remarks
	<p>and software</p> <p>2.5 prepare the implementation progress report (IPR)</p> <p>2.6 Link TABUCS with Electronic Annual Work Plan and Budget (eAWPB)</p>		<p>using the TABUCS</p> <p>- IPR prepared using the TABUCS</p> <p>- TABUCS and eAWPB website merged</p>	<p>Second trimester report FY 2013/14</p> <p>Second trimester report FY 2013/14</p> <p>August 2013 to September 2014</p>	TABUCS and eAWPB	
3. Improve the fund flow mechanism and absorption capacity	<p>3.1. Strengthen the capacity of MoHP and DoHS to send annual work plans with authorisation letter within one month of budget approval</p> <p>3.2 Coordinate with FCGO to ensure the timely budget release from the District Treasury Controllers Office (DTCO)</p> <p>3.3 Implement a fund flow tracking system</p>	MoHP/Departments Divisions/ Centres	<p>- Authorisation letter and annual work plan received on time</p> <p>- 80% absorption rate reported</p> <p>-Fund flow tracking system developed</p>	<p>-Within two months of start of each fiscal year</p> <p>-Trimester wise release within two months of each trimester</p> <p>December 2013</p>	<p>- Fund flow traced by spending units</p> <p>-Absorption capacity analysed by spending units</p>	

Key Objectives	Key Activities	Responsible Agencies	Key Indicators	Reporting Frequency	Expected Results	Remarks
4. Strengthen the internal financial control system	<p>4.1 Formation of financial management technical committee within MoHP</p> <p>4.2 Strengthen the internal audit mechanism</p> <p>4.3 Introduce Performance based contracting for hospital services</p> <p>2.4 Introduce guidelines on internal control procedures</p>	MoHP/ Departments/ Divisions/ Centres	<p>-Organise one meeting on trimester basis</p> <p>-Internal audit in trimester basis</p> <p>-7 hospitals performance-based contracts signed in FY 2012/13</p> <p>-Guidelines prepared</p>	<p>August 2012</p> <p>FY 2012/13 onwards</p>	<p>-Compliance report of internal audit</p> <p>-Timely production of progress reports</p> <p>- MoHP reports annually on the services purchased from hospital</p> <p>-MoHP produces a road map for expanding Performance Based Contracts (PBC) for purchasing other tertiary care services</p> <p>-Guidelines printed & disseminate to each spending units</p>	
5. Prevent and reduce the audit irregularities	<p>5.1 Formation of audit committee</p> <p>5.2 Audit clearance manual development</p> <p>5.3 Workshop on audit clearance</p>	MoHP/ DoHS	<p>-one meeting in every trimester organised</p> <p>-Audit clearance manual produced</p> <p>-Workshop on</p>	<p>August 2012</p> <p>March 2013</p>	<p>-Manual Printed and distributed to each spending units</p> <p>-Estimate the cost of performance audit</p>	

Key Objectives	Key Activities	Responsible Agencies	Key Indicators	Reporting Frequency	Expected Results	Remarks
	<p>procedures</p> <p>5.4 Capacity building of financial officers on audit clearance</p> <p>5.5 Introduction /strengthening performance based audit</p>		<p>audit clearance manual organised</p> <p>-To conduct training on audit clearance each at one region</p> <p>-To request OAG to include two more programs in 5 districts for performance audit</p>	<p>November 2012</p> <p>November 2013-May 2013</p> <p>March 2013 – March 2015</p>	<p>and request OAG to conduct 20 audits in each year</p> <p>-Addition of one module for audit clearance progress tracking in TABUCS</p> <p>-More than 80% submitted and 50% irregularities settled</p>	

Key Objectives	Key Activities	Responsible Agencies	Key Indicators	Reporting Frequency	Expected Results	Remarks
6. Develop the capacity of human resources working in financial management (MoHP/DoHS and spending units)	<p>6.1 Capacity Building of members of audit committee</p> <p>6.2 Training on Financial Management to Office Chief and Account Chief</p> <p>6.3 Training on the TABUCS</p> <p>6.4 Abroad training/exposure on Financial Management for 6 people from MoHP/DoHS</p> <p>4.5 Prepare Financial Management Handbook and finalize it through workshops</p>	MoHP/DoHS/ NHSSP	<p>-Organise one Workshop for audit committee each year</p> <p>-4 days training /workshop at each region</p> <p>-Trainings for spending units using TABUCS manual and software</p>	<p>FY 2013/14</p> <p>March 2013</p> <p>July 2013 to December 2013</p>	<p>-100% submission to clear the audit irregularities</p> <p>-At least 30% audit irregularity cleared</p> <p>-Status of audit irregularity by spending unit</p> <p>-Final Financial Management handbook used by all spending units</p>	
7. Strengthen monitoring and feedback mechanism	<p>7.1 Monitoring by MoHP, Departments, Divisions and Centres</p> <p>7.2 Monitoring by RHDs</p> <p>7.3 Monitoring by district</p> <p>7.4 Feedback to Audit committee</p> <p>7.5 Feedback to Financial Management Committee</p>	MoHP/ Departments/ RHDs/Divisions /Centres/DPHO /DHO	<p>-2 districts of each region</p> <p>-each district per year</p> <p>-each health facility per year</p> <p>-Reporting of monitoring from RHD to audit committee and</p>	Each year- starting from 2013/14	<p>MoHP will include the Public Financial Management (PFM) monitoring plan in the AWPB</p> <p>PFM-M&E guidelines prepared</p>	

Key Objectives	Key Activities	Responsible Agencies	Key Indicators	Reporting Frequency	Expected Results	Remarks
			financial management committee			

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