***(Final Draft)***

**A**

**REPORT**

**ON**

**TRANSPARENCY AND SOCIAL ACCOUNTABILITY**

**FOR**

**SCHOOL SECTOR REFORM PROGRAM (SSRP)**

**Submitted To**

**Asian Development Bank**

**March 30, 2012**

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**Table of Contents:** Page No. Abbreviations 2 Executive Summary 5

1. Background
2. Objective of the study 16
3. Methodology
4. Limitations 16
5. Institutional and Policy measures adopted for maintaining transparency and Accountability 16

 5.1 Major policies and legal provisions

 5.2Institutional arrangements at central and local level 19

6 .Mechanisms, Tools adopted for maintaining Accountability and Transparency 22

6.1 Local Profiles and Flash Reports 22

6.2 School Improvement Plan (SIP) 23

6.3 Financial management 24

6.4 Human Resource Management 27

6.5 School management committees and District Education Committee 28

6.6 Social audit provisions and practices 32

6.7 Financial Audit provisions and process 34

6.8 Monitoring and Evaluation 35

* 1. Roles and responsibilities of central level agencies

for maintaining accountability and transparency: 36

 7 Key issues and challenges 37

7.1 Clarity on accountability of SMC/DEC 38

7.2 Policy and Implementation Gaps 38

7.3 Weak capacity at all levels 39

7.4 Weak local planning and management system 40

7.5 Structural and capacity deficiencies in social audit process 41

7.6 Weak financial management and audit mechanisms 41

7.7 Weak supervision, monitoring and reporting systems 42

7.8 Political and security situation 43

* 1. State restructuring and restructuring of the present service delivery mechanisms 43

8. Recommendations and way forward

8.1 Social Audit 44

8.2 Financial Management 44

8.3 Strengthening local school planning system 46

8.4 Strengthen inclusive, accountable and responsive Institutional arrangements 47

8.5 Enhance capacity for effective planning, implementation, accounting, and monitoring, reporting and auditing 47

8.6 Enhance citizen engagement and participation for maintaining Transparency and Accountability 48

1. Conclusion 48

References

Annexes

**Abbreviations**

ADB Asian Development Bank

AIN Association of International Non Government Organizations

AWPB Annual Work Plan and Budget

ASIP Annual Strategic Implementation Plan

CA Constituent Assembly

CAC Community Awareness center

CDC Curriculum Development Center

CIAA Commission for Investigation of Abuse of Authority

CoC Code of Conduct

CSSP Community School Support Program

DC District Council

DDP District Development Plan

DDC District Development Committee

DDF District Development Fund

DFID Department for International Development

DEC District Education Committee

DEO District Education Office/officer

DEP District Education Plan

DG Director General

DIP Decentralization Implementation Plan

DPs Development Partners

DPP District Periodic Plan

DTCO District Treasury Comptroller Office

ECED Early Childhood Education and Development

EMIS Education Management Information System

ESC Education Service Commission

EFA Education for All

EPC Education Policy Committee

ERO Education Review Office

EO Executive Officer

FCGO Financial Comptroller General Office

FM Frequency Modulation

FMR Financial Management Report

FY Fiscal Year

GAAP Governance Accountability Action Plan

GACAP Governance and Anti Corruption Action Plan

GPI Gender Parity Index

GON Government of Nepal

I/NGO International Non Governmental Organization

IPFC Integrated Plan Formulation Committee

IT Information Technology

JAR Joint Annual Review

JCM Joint Consultative Meeting

JFA Joint Financial Arrangements

JICA Japan International Cooperation Agency

JQM Joint Quarterly Meeting

LBs Local Bodies

LBFAR Local Body’s Financial Administration Rules

LDO Local Development Officer

LGCDP Local Governance and Community Development program

LSGA Local Self Governance Act

LSGR Local Self Governance Rules

MDG Millennium Development Goal

MOE Ministry of Education

MOF Ministry Of Finance

MOLD Ministry Of Local Development

MTR Mid Term Review

MTEF Medium Term Expenditure Framework

NCED National Center for Education Development

NER Net Enrolment Rate

NGO Non Governmental Organization

NPC National Planning Commission

NRs Nepalese Rupees

NVC National Vigilance Center

OAG Office of the Auditor General

PAC Public Accounts committee (of Parliament)

PCF Per Capita Funding/ Per Child Funding

PIM Program Implementation Manual

PPMO Public Procurement Management Office

 PTAs Parent Teachers Associations

 RC Resource Centers

RD Regional Director

RED Regional Education Directorate

RPs Resource Persons

RTI Right to Information Act

SA Social Audit

SAC Social Audit Committee

SESP Secondary Education Support Program

SISM Support for Improvement of Primary School Management

SIP School Improvement Plan

SMCs School Management Committees

SSRP School Sector Reform Plan

SWAp Sector wide Approach

TEP Teacher Education Project

TEVT Technical Education Vocational Training

UNDP United Nations Development Program

 VDC Village Development Committee

VDPP Village Development Periodic Plan

VEC Village Education Committee

VEP Village Education Plan

WB World Bank

WCF Ward Citizen Forum

**Executive Summary:**

**1. Background:**

The SSRP is jointly funded by GON and nine pooling Development Partners (DPs) and fast track initiatives catalytic fund including non-pooling partners has been implemented from 2009 and will be completed in 2014. The DPs support is continued in the perspective of Sector wide Approach (SWAp) since 1997.

 Key policy goals and values, such as the right to education, gender parity, inclusion, equity and decentralization are the guiding principles for implementation of the plan.

The programs have substantially contributed for improvements in education sector outcomes. The achievements have been possible due to many of the reform measures undertaken few of them are as;

1. Decentralization of decision making power up to community and school management level
2. Expansion of demand side intervention schemes to enroll children from marginalized groups
3. Capacity Building initiatives taken for planning, implementation, and financial management at all levels
4. Harmonization support from across many Development Partners (DPs) both pooling and non pooling,
5. Efforts to Institutionalize tools and instruments for transparency and social accountability including social audit in all community schools

**2. Objectives of the present study:**

 To provide input to the work of MTR team on;

1. Effectiveness of transparency instruments with focus on social audit at local level
2. Recommend for improvement performance in school management, through improved planning, community involvement in social auditing and financial management (Refer to Annex-3 for TOR)

**3. Policy and legal measures adopted for ensuring transparency and accountability:**

The GON have adopted different policy and legal measures for ensuring transparency and accountability and accordingly institutions are arranged at all levels. The interim constitution, current three year plan, Foreign aid policy and SSRP document provide broader policy directives. Similarly, key legal frameworks are in place such as; Education act and rules, Local self governance act and rules including financial rules of LBs, Financial procedure act and rules, Good governance (management and operation) act and rules and Right to Information act and rules and different directives, manuals, guidelines and circulars issued from the GON, MOE/DOE .

**4. Institutional Arrangements at central and local level:**

At central level, the institutions are arranged for policy formulation, coordination and compliance monitoring, oversight agencies for maintaining discipline, control and oversight for check and balance and agencies are responsible for management and execution of the program. Similarly at local level the agencies are spread over from district to grass root level for implementation and management of the program and for deliver of the services.

**5. Key findings and recommendations:**

The executive summary is presented in a form of key findings and recommendations, this is as follow:

* 1. **Local planning and budgeting process:**
1. **Flash Reports and profiles:**

***Findings*:**

Local profiles, Flash reports, SIP, EMIS, ASIP and PIM are the major tools, instruments used and practiced for local planning and budgeting process. Local profiles, including VDC profiles, Flash report 1 &2 provide data and information for SIP and preparation of AWPB. The positive aspect is that each unit involved in preparation of these documents from local to central level. The Flash reports are prepared and published within the timeline as set in the calendar. These documents are also used for budget calculation and allocation purposes as well.

The flash reports are criticized on the ground that; the number of the enrolled students is inflated in some of the schools for i) securing higher central grants for retention of teachers and their positions in the schools ii) misappropriate or manipulate the allocated grant resources at local Level. iii) inconsistencies between local profiles and Flash reports iv) high enrollment, dropout and low retention rate v) multi enrolment of the same children in adjoining schools for scholarships and other benefits and absence of horizontal cross verification procedures and strictness in attendance even within one RCs vi) weak periodic cross verifications on data and flash reports vii) weak supervision, monitoring, and reporting, analysis and prompt follow up actions from higher levels.

 **Recommendations:** i) establish effective cross verification system of the data and information of the profiles, flash reports and EMIS ii) strengthen supervision and monitoring mechanisms iii) Immediate penal actions for wrong reporters iv) Strengthen software based EMIS and Link financial and physical reports with budget release

**b) School Improvement Plan (SIP)**:

***Findings:***

Most of the schools have prepared SIP and certain schools need to update or review; because SIP is taken as a strategic document and provides medium term Vision, Mission, Goal, Objectives, Strategies, Outputs and Outcomes with verifiable indicators. The planning process as explained has to be people centered, bottom up, decentralized, democratic and participatory. As provisioned, this SIP has to be linked with VEP, DEP and with the Central level ASIP. Further it is assumed that this document will act as the basic frame for facilitating access, inclusion, equity and participation of the deprived groups.

The following main reasons are noticed for weaknesses in SIP

i)The awareness about the importance of SIP among the stakeholders and capacity for preparation of the plan is observed weak at local level ii) The prepared SIP is observed ambitious and resource forecasted are not matching with the projected central budget ceilings and limited efforts are made for local resources mobilization, iii) Most of resources are allocated as conditional budgetary allocation and earmarked with strict budget heads, iv) heavy dependence on central grants have restricted local autonomy v) The SIP is not linked with local Bodies plans due to the protracted absence of local elected representatives in LBs vi) non predictable allocations from LBs and any correlation is not made with SIP projections and transferred on ad hoc basis for meeting immediate requirements most probably on political influence vi) The SIP is not directly linked with the ongoing social mobilization programs targeted to deprived communities, Ward Citizen Forums (WCFs), Integrated Plan Formulation Committees (IPFCs) and other people based institutions. SIP is also not formally linked with other ongoing programs by different service providers such as LBs, I/NGOs, financial institutions, cooperatives and community organizations. vii) It is not fully based on the real profiles, data and information and prepared with limited consultations among real stakeholders viii) SIP is hardly linked with AWPB, monitoring, financial and social auditing purposes ix) capacity gaps are not analyzed and accordingly local CD plan is rarely linked with SIP, although recently some pilot initiatives are undertaken in five districts x) Still many schools are without SIP and prepared SIPs period is also on the verge of expiration.

**Recommendations:**

i) Prepare resource projections (central grants, LBs grants, I/NGOs and local) before initiating the SIP to avoid the wish list planning ii) Validate profiles and information and analyse information and link SIP with information iii) adopt consultative process to have meaningful participation by engaging maximum stakeholders such as SMCs, PTAs, WCFs, CACs and IPFCs, Community organizations and cooperatives during the planning process to have ownership of the SIP iv) Relate SIP with AWPB, social and financial audit process v) link SIP with VEP and other potential programs at local level along with VDPP vi) Include Capacity Development plan within SIP vii) review and update SIP periodically

**c) Financial Management and Audit:**

*Findings*

The Program implementation Manual (PIM) issued by MOE/DOE, elaborates basic norms, specifications, standards and mechanisms for fund calculations, management and implementation of program at local level. The flash reports, SIP and local AWPB are the basis for conditional and non conditional grants calculations and transfers. The authorization, fund flow and reporting routes and audit mechanisms are also specified in the guidelines, manuals and JFA. The Treasury Single Account (TSA) system introduced in some of the districts has simplified the release and reporting system. Now the funds directly released to school accounts upon the recommendations of the DEO.

The delayed budget release is chronic in Nepalese financial management which has complicated and distorted predictable fund flow mechanism. It often carried over up to the last month of the Fiscal Year (FY) and many negative implications occur, such as; i) hampers to achieve targeted outputs and outcomes, especially in the activities such as constructions, scholarships and payment for books ii) haphazard use of the funds distorts the procurement process, and iii) funds transferred in the non freeze account of schools which is against the financial discipline. iv) Delayed budget release is observed due to demand side weaknesses such as; late compilation and submission of reports from local cost centers and compilation complicacies at DOE it self and vi) supply side issue is due to late approval of program and budget especially in the release of P1 programs. vii)The software installed at DEO not fully functional due to the weak capacity and long hours of load shedding, and is not linked with national server viii)Delayed submission of unaudited and audited financial statements is repeated issue raised in joint meetings with DPs.

Minimum attention is paid for improvement in the accounting system and capacity development of the account operators. The primary and lower secondary schools are without accountants and only secondary schools have the positions of accountants. Most of the untrained teachers and accountants are maintaining accounts without any operational manual and using the formats annexed in the education rules and based on the instructive circulars. Many of the schools do not have collections of records of these instructions. Systematic orientation about accounting and auditing is missing in the schools.

Most of central level decisions are not well transmitted up to school levels. Most of the schools do not have these guidelines, directives and manuals and relevant messages and instructions are not communicated to the all stakeholders.

The following five areas are also observed weak in financial management i) fully reliable database of teacher’s, students that is drawn out of flash reports, and on the basis of these records, budget release mechanism depends ii) weak capacity of RPs to become fully operational and weak supervision, monitoring and fund tracking system iii)Weak compliance of issued guidelines due to late and complex budget release process iv) Dual accountability in construction management and weak compliance of the formalities and procedures v) weak procurement planning and management vi) PIM is still complex and not user friendly.

Absence of final audit procedure manual for schools lacks systematization. The selection process of auditors is not criteria driven. Recommendation power of three registered auditor is entrusted to SMC and SMC at present is without its council, the provision of sharing of audit reports to stakeholders through SA and annual meetings of parents and stakeholders, who do not possess any mandatory roles (only ethical roles) for taking any further actions. The account committee is also not thought out at school level for check and balance. There is complete absence of institutional mechanism for compilation, follow up actions and settlement of audit irregularities at local level. Although the DEOs retain power to issue instructions but DEOs capacity is observed weak for resolving all above audit related issues.

**Recommendations:**

 i) ensure timely release of program and budget to the cost centers ii) strengthen fund tracking and reporting mechanisms iii) A comprehensive manual for accounting and auditing has to be issued iv) Provide practical training to teachers and accountants of the schools v) Support mechanism has to be established at RCs for proper accounting and reporting at schools vi) establish transparent selection process of the final auditor in schools vii) institutional arrangements have to be explored for compiling, record management and settlement of audit objections at district level viii) establish the system of procurement planning at high level transaction cost centers ix) Link budget release with financial reporting x) backward and forward Linkage has to be established between social audit, financial audit and SIP xi) Simplify PIM and make it user friendly and make them available up to school level

**d) Human Resource management:**

***Findings:***

Human resource management is related with i) the management of the development administration of education by the GON officials and ii) within the schools, management responsibility relies on professional teachers and SMCs. The present organizational structure of DEO is not reviewed since long; as per the increased responsibilities, volume of budget, including the increased number of schools. Overburdened DEO staff with limited positions with limited software (IT) based reforms has limited to meet the growing requirements and present management challenges. The frequent transfer of the responsible personnel at higher managerial and subordinate administrative staff levels has contributed the weak system management and loose institutional memory. The low retention of staff in remote areas is another challenge in overall Nepalese bureaucracy.

Similarly, the human resources positions in the lower secondary and secondary schools are observed low where as in the primary schools needs readjustments, reallocations, and merger and upgrading.

The construction budget is also transferred to schools. The decentralized provision of construction management without having proper accounting systems and sufficient technical backstopping contributed for increased volume of audit objections. Limited technical engineering staff positions and personnel at DEO level and absence of institutional relation with District Technical Offices (DTOs) or Building division offices of GON for supervision of engineering related construction works is also observed missing and has affected for maintaining quality of the construction works.

**Recommendations:** i) Classify and restructure DEO as per increased responsibility with proper Organization Development (OD) or Organization and Management (O &M) study ii) Enhance institutional and individual capacity of the DEO iii) strengthen IT system in DEO iv) Reassess teacher’s positions and ensure recruitment of qualified and quality teachers v) discourage multiple system in teachers recruitment and career development vi) enhance professional capacity of teachers vii) increase the number of engineering staff with sufficient logistics and avoid dual accountability of engineering staff for maintaining quality of construction works

1. **School Management Committee (SMC) and District Education Committee (DEC)**

The management responsibility of the schools is decentralized to SMCs. The composition is made of four elected representatives from the parents and relatives including one woman representative. The chair person has to be selected or elected out of the list of the parents of the student; the legal provision lacks the representatives from the deprived groups such as *dalits* and poor and do not meet 33% of women member’s requirements and children representatives. The SMC needs restructuring with wider stakeholder’s representation according to meet inclusive principle of child friendly school governance and as per constitutional spirit.

It is observed that five types of SMCs are in operation e.g. i) highly committed and truly represented ii) supportive to school management with limited initiatives for creating local participation and mobilization of resources iii)Low commitment for school improvement, even hardly conduct the regular meetings, limited allotment of their time and mostly involved in their own business i.e. passive iv) highly involved in party politics and influence schools with their political interests v) Vested interest, highly corrupt and petty personal interest such as; recruitment of teachers with bribe or encroached through their relatives or engaged to divert school resources for their personal benefits

A thirteen member DEC is formed under the chairpersonship of the chairperson of the DDC and formally DDC is not engaged in the formation process but at present the DDCs are running without elected political leaders since 2002, the LDO is assigned to chair the DEC meeting. Without elected local leaders the horizontal accountability to wards the people, in true sense, may not be expected. It is also not attuned as an inclusive people based institution as per the changed context. The horizontal formal linkages between DEC and DDC is also not maintained and formalized.

There is not any hearing mechanism for the decisions of the DEC. The GON may dissolve if the DEC is unable to fulfill its assigned responsibilities. Virtually DECs accountability is upward. However, the tradition of reflection of AWPB in annual DDP is maintained, but true sense of horizontal education planning at the local level is not practiced.

**Recommendations:** i) Restructure SMC/ DEC to make it more inclusive, representative and accountable as per constitutional spirit ii) constitute a three member account committee from the parents; at the initial stage can be piloted in secondary and higher secondary schools iii) explore possibilities for AWPB approval process from the majority of parents iv) explore possibility of recommendation authority of the final auditors from the parents as screened and submitted by respective account committee v) Explore the possibility for devolution of authority, power and resources including the management responsibilities to elected local governments vi) find ways and means to avoid SMCs from elite capture, vested interest groups or politicization/partycization of SMCs through intensive orientation programs for parents vii) Make DEC accountable to DDCs and maintain horizontal functional linkages with DDCs for planning and budgeting

1. **Capacity development plan:**

MOE/DOE has prepared a draft capacity development plan and instructed to local level agencies for preparation of CD plan on the basis of capacity assessment of their organization. The systematic, institutional and individual capacity weaknesses are observed in the overall systems.

**Recommendations:** i) Expedite amendments in the Education act and rules and accordingly attune the guidelines and manuals ii) Restructure the existing institutional arrangements according to the constitutional spirit iii) Establish formal linkage with LBs for planning and resource mobilization, monitoring, social auditing and public hearing iv) Prepare and disseminate a comprehensive hand book by assimilating all directives, manuals, guidelines and circulars systematically to make it user friendly and make it available to all schools and put it in the websites as well v) Enhance capacity of the school teachers and staff of DEO staff for meeting the ASIP and DEP/SIP goals and objectives

1. **Social Audit practices:**

***Findings:***

As per the provisions of education rules a seven member SA committee is formed in each community schools. The social audit directive (guideline) is issued by MOE on 2065 (2008) for conducting social audits compulsorily in all the (community managed and aided) schools within September 15 of every year. The directive is very brief only having seven clauses and three annexes.

The following positive observations are made after interactions with central and field level officials:

1. Provisioning of the social audit in the education rules, initiative taken for issuing the directive is appreciated widely. Further issuance of instructions to tie-up SA process with fund release covenant and interlinked with final audit exemplifies high level commitment of GON/ MOE/DOE/ DEO for maintaining transparency, encouraging voice of the people with their wider participation and constructive feedback in the management of school improvement process..
2. Most of the Social Audit committees of the schools have prepared social audit reports and maintained records.
3. The progress reports of the Banke and Kavre districts show that only 66% and 85% of schools have conducted social audits in the last FY 10/11 respectively. Banke is far behind for meeting even the targets of national average.
4. The GAAP status report submitted in JCM meeting shows that about 84.9% (24572 schools) have conducted SA.

The following shortcomings are also observed:

1. Shortcomings in the structures of the directives and weak understanding relating to SA concept at local level
2. The orientation program on social audit concept, process and objectives, is not carried out at local level at all to the SA committee members, as a consequence different people understand it differently
3. Separate social audit event, in majority cases, is not convened within September as provisioned
4. It is noticed that none of the financial audit report have recognized the SA reports similarly SA report does not include comments on the financial audit objections
5. Most of the SA activities revolve round to income and expenditures of the schools which do not capture overall school management issues including the quality, equity and access issues
6. The SA reports are not even analyzed by SMCs, DEO or DOE and any follow up actions regarding process or suggestions is not carried out from higher level
7. A compiled version of the SA report is not prepared and disseminated to stakeholders by DEO and DOE

**Recommendations**:

1. Social Audit directive or guideline has to be amended immediately to make it more user friendly, outcome based and result oriented by incorporating access, equity, quality and management aspects within the scope of Social audit (see annex 1 for model content)
2. A training manual for social audit has to be prepared and accordingly trainings and orientation activities have to be conducted for organizers of Social audit events at local level.
3. Social Audit events may be carried out through the NGOs or civil society who are exposed to SA activities in the districts and can be contracted out for initiating the SA activities at Secondary and higher secondary levels at the initial phase. This type of events can be organized to train or expose with social audit process to local SA committee members practically by involving other adjoining school’s SA committee key members in the same event.
4. The SA activities may be contracted out to expert NGOs at local level so that so that they may provide trainings to SA committee and provide backstopping services and follow-ups for certain number of years and submit achievement reports to DEO.
5. A strong system has to be installed in each school for preparation of SA report and its follow-ups.
6. SA report has to be strictly linked with financial audit and similarly financial audit concerns and irregularities also have to be presented/ reviewed in the social audit even
7. The reporting of the SA event and reports have to be compiled at higher levels from RC- to School supervisors to DEO and RED/DOE
8. The SA chapter has to be added in the annual status report of DEO and DOE. Serious concerns raised have to be followed by the respective authorities.
9. This activity has to be included in the capacity development plan of the local units and districts.
10. **Monitoring and Evaluation:**

The SSRP has provisioned for monitoring of the functions and assigned responsibilities from ministry, DOE, RED, DEO, Supervisors, RPs, DEC, SMC and head Master at local levels. On top of that fourteen monitoring teams are formed under the leadership of joint secretaries of the ministry and departments the team is made responsible for each zone for monitoring of the educational programs. The joint monitoring programs are also organized at different levels.

The specific indicator based monitoring is hardly takes place. The complaints hearing mechanisms are not systematized. Occasionally the serious complaints are investigated by assigning the team of experts on the spot and the team by DOE/MOE and submit the report. But follow up actions are rarely taken. The combined joint team of GON/ DPs also monitors the activities before JAR and JCM. The MTR and Final evaluation reports are prepared by the external monitoring teams.

In overall system of government programs monitoring is generally does not receive priority in terms of resources or personnel. The education sector is also is not out of it. It is observed in the field and interaction with the DEO staff the monitoring is not so effective because of heavy work load of the DEO staff especially school supervisors pay least attention for monitoring of the schools. They are heavily engaged in administrative functions and Training activities rather in monitoring functions. The Resource Persons (RPs) are generally junior teachers may not functional for supervision and monitoring to their senior head masters. They generally compile the reports of the schools. The hierarchies of indicators are not delineated as per the levels of monitoring mechanisms at different levels and accordingly the responsibilities are not assigned. The EMIS is effective tool used for systematic reporting and it also needs periodic review and serious cross verifications.

**Recommendations:**

1. Specify the indicators according to hierarchy levels and segregate output and outcome level of indicators for implementation and policy level respectively
2. Strengthen the monitoring divisions of the Ministry and DOE including ERO. RED capacity has to be strengthened so that they can perform assigned sample monitoring effectively
3. Follow up mechanisms established for feedback received and immediate actions have to be taken place for corrections and encourage to well performer
4. Explore the possibility of the third party monitoring on representative sample basis
5. Categorize the districts in three levels i.e. RED, YELLOW and GREEN and on the basis of their performance. Strictly monitor RED and sample monitoring for YELLOW and GREEN categories. Prepare indicator based performance measures to upgrade them and tie up officials and institutions with financial and nonfinancial incentives
6. Strengthen periodic reporting systems as well and link up budget release with reporting

**i) Enhance citizen engagement and participation for maintaining Transparency and Accountability at local level**

1. Promote maximum meaningful people’s participation in planning, implementation, monitoring and auditing including social auditing with orientation and engaging in the school activities
2. Create environment within the schools and GON education offices for credible delivery of services; with responsive, transparent, accountable and ethical governance through behavioral changes in public dealings by adopting the tools prescribed in the RTI and Good governance act/rules
3. Develop communication strategies and publish periodic reports and make public through regular bulletins, websites, status reports and other print and electronic media including FM radio for awareness and transparency at local level
4. Respond immediately the complaints with a systematic complaint hearing mechanism
5. Establish downward/ horizontal accountability of the institutions such as SMC/PTA/SA committee and DEC/DEO and RP/RC at local level

**J) Roles and responsibilities of central level agencies for maintaining accountability and transparency:**

The central level agencies especially MOE/DOE/EPC/ERO is equally accountable for maintaining transparency and accountability. The central agencies may create enabling environment for implementing agencies that are working at local level. The enabling environment may be created through i) Timely approval and release of program and budget from central level agencies. ii) compilation and timely submission of the periodical physical/financial reports to the concerned agencies to ensure timely release of the trimester budget from the center iii) The monitoring divisions of the MOE/DOE and ERO need to identify the non complier agency that are not performing and not meeting their responsibility that is assigned through responsibility matrix, GAAP, Policy matrix, job description, and calendar of operation etc

.iv) identify and analyze cause of non compliance v) initiate corrective measures immediately through appropriate channels vi) the central agencies need to categorize districts in three broad categories with transparent check list and performance measuring indicators a) completely non complier and high fiduciary risk prone districts as a’ ‘RED’ b) medium level districts as ‘YELLOW” and c) well performer in ‘GREEN’ vii) Analyze capacity gaps and develop strategies to enhance their performance with implementation of capacity development plan and RED and YELLOW districts may be promoted to other colors with intensive review of their performance by an independent team of experts assigned by ERO

viii) needs to develop performance incentives through financial or nonfinancial measures to respective officials and offices ix) Central agencies role mostly limit themselves in policy formulation and approval, ,coordination with central level agencies for maintaining the calendar, setting norms, specifications and standards for maintaining quality and equity, monitoring of the activities by setting hierarchy of indicators for different levels and accordingly develop monitoring plan for different levels, compliance monitoring and fund tracking, timely submission of reports to DPs, FCGO, MOF, NPC, OAG and other relevant agencies

ix) Adopt disclosure policy of information at each level and assign spokesperson at even in DEO level and monitor compliance of instruments suggested by good governance act.

x) The EPC and ERO needs to be activated to ensure downward accountability of the central level agencies involved with a visible compliance of the responsibility matrix, policy matrix and GAAP.

1. **Background:**

Education is taken as a key priority area by the Government of Nepal (GON) and focus is concentrated on improvement of School sector education. This is because of the national and international commitments made by the state. Accordingly, major policy, legal and programmatic commitments are made by incorporating education right as a basic fundamental human rights in the present Interim Constitution, 2007. The state has taken responsibility to provide basic education; literacy and numeracy to its citizens free of cost for having qualified human resources in the country for overall national development. Nepal has also expressed its full commitments to meet the Millennium Development Goals (MDGs) of “ Ensuring that by 2015 all children, particularly girls, children in difficult circumstances and those belonging to the ethnic minorities, have access to and complete free and compulsory primary education of good quality”.(MOE/SSRP,2009)

The government is implementing School Sector Reform Plan (SSRP), which is a long term strategic plan for achieving the goals, objectives of Basic and Secondary education that the GON, Ministry of Education (MOE) has envisioned for the years 2009/10-2013/14 (MOE, SSRP,2009). The SSRP is continuation of the past programs such as Education for All (EFA), Secondary Education Support Program (SESP), Community School Support Program (CSSP) and Teacher Education Project (TEP) for mainstreaming and institutionalizing the gains achieved as well as to introduce the new reforms such as the restructuring of school education, improvement in quality of education and institutionalization of performance accountability with maximum participation of the people especially deprived and marginalized people in a transparent way.

The SSRP is jointly funded by GON and nine pooling Development Partners (DPs) and fast track initiatives catalytic fund including non-pooling partners has been implemented from 2009 and will be completed in 2014. The DPs support is continued on the perspective of Sector wide Approach (SWAp) since 1997.

 Key policy goals and values, such as the right to education, gender parity, inclusion, equity and decentralization are the guiding principles for implementation of the SSR plan.

The programs have substantially contributed to improvements in education sector outcomes. The Net Enrolment Rate (NER) at primary level (Grades 1-5) increased from 67% in 1995 to 95% in 2011, Gender Parity has been achieved at the primary, lower secondary and secondary levels with Gender Parity Index (GPI) of 0.99, 0.99 respectively.(Flash Report, 2011)

The achievements have been possible due to many of the reform measures taken such as;

1. Decentralization of decision making power to community and school management
2. Expansion of demand side intervention schemes to enroll children from marginalized groups (girls and from deprived communities) including per child financing and scholarships.
3. Capacity Building for planning, implementation, and financial management at all levels of system
4. Harmonization support from across many Development Partners (DPs) both pooling and non pooling, behind a set of coherent and agreed upon programs in school education
5. Efforts to Institutionalize tools and instruments for transparency and social accountability including social audit in all community schools

**2. Objectives of the present study:**

 To provide input to the work of MTR team on;

1. Effectiveness of transparency instruments with focus on social audit at local level
2. Recommend for improvement performance in school management, improved planning, community involvement and social auditing and financial management (Refer to Annex-3 for TOR)
3. **Methodology:**

The methodology is adopted for conducting the study; which includes literature review, field visits, meetings and interactions with related officials and stake holders with specific as follows;

1. Literature review with special mention related with social audit and financial management
2. SSRP related policy, implementation and progress report documents including GAAP, GACAP II, Draft capacity development Plan
3. Aide memoirs, JAR, JCM, JQM, fiduciary risk related study reports
4. Meetings with related high level officials of GON/ADB
5. Field observations in two districts (one from tarai and one from hills) and meetings with DEO and staff, RPs, Head teachers/ teachers and stakeholders such as SMCs, PTAs, Social audit committee members
6. Meetings with DDC/ VDC/ Municipal and DTCO officials at district level

**4. Limitation of study:**

The study is based on the secondary information received from the different documents, reports and interactions with stakeholders involved in policy, implementation and management levels. The limited field visits and observations of few schools only in two districts may not fully represent diverse situations, intensive and extensive geographical and institutional variations

 **5.** **Policy/ Legal measures and Institutional arrangements:**

**5.1 Policy and Legal measures taken for ensuring transparency and accountability**

 **5.1.1 The interim Constitution of Nepal:**

The interim constitution is based on the democratic principles guaranteed the fundamental and human rights including right to education, social justice and right to information. The constitution has provisioned for separation and balance of power among the state organs i.e. executive, legislative and judicial with constitutional oversight mechanisms such as Public account committee (PAC) of the parliament, Office of the auditor General (OAG), Commission for the Investigation of Abuse of Authority (CIAA). The free press and media are recognized as key instrument for creating transparency and accountability. Further the constitution has provisioned state policies as guiding principles, state restructuring to make it more inclusive, so that opportunities to be provided to the citizens for access, participation and ownership; especially Disadvantaged Groups of people (DAGs) in the decision making through devolution of power, authority and resources equitably at local level through local self governance system.

**5.1.2 Good governance (management and operation) act 2008 and Right to Information Act, 2007**

The good governance (management and operation) act 2008 has elaborated the basis to maintain minimum intricacies for the responsible position holders such as a) transparency, objectivities, accountability and integrity b) financial discipline, corruption free, people friendly administration c) based on decentralization and devolution d) basis of good governance i.e. Delineation of roles and responsibilities between politicians and administrators for policy and administrative decisions at all levels,

The right to information act (RTI) 2007, has further assured and defined the procedures that to be adopted for maintaining accountability and transparency mechanisms having the provisions of citizen charters, public hearings, grievance hearings and response, disclosure of information, the programs, budgets and progress reports through different mediums, media including print and electronic media for general public. Similarly assigning the responsibility to contact and spoke person in each of the office s and maintaining the help desk for general public is also provisioned.

**5.1.3 Education act, 2028 (1971) and education rules 2059 (2002)**:

The Education act, 2028 (1971) and Education rules 2059 (2002) and different guidelines, directives, manuals have made provisions for establishment of different institutions, committees, commissions and their roles, responsibilities and accountability mechanisms, at different levels and specified their horizontal and vertical accountability with different institutions and organizations involved at different levels. The bottom up planning processes specified with the provisions of Flash reports, School Improvement Plans (SIP), Village Education Plan (VEP), District Education Plan (DEP) and Annual Strategic Implementation Plan (ASIP) and Annual work Plan and Budget (AWPB) at different Levels ensures participation of the different stake holders in the planning and budgeting process. Similarly a well established Education Management Information System (EMIS) provides information base for policy makers and managers at different levels. This envisioned planning and budgeting mechanism ensures transparent, efficient, effective and systematic implementation and management of the resources at different levels. The District Education Committee (DEC), Village Education Committee (VEC), School Management Committee (SMC), Parent Teacher Association (PTA) and Social Audit Committee (SAC) are people based institutions are facilitated and supported by the Organizations at the central and local level; such as MOE, DOE, NCED, CDC, RED, DEO, Resource Centers (RCs) and Head Masters and teachers.

 **5.1.4 Financial procedures act 1998 and financial procedures rules, 2007**

The Financial procedures act 1998 and financial procedures rules, 2007 elaborate the financial management system of the GON with clarity on budgeting, accounting, auditing and reporting systems at different levels and elaborate the roles and responsibilities of the different actors involved in the financial transactions and management. The legal provisions provide a clear accountability framework for establishing financial management at different levels and their functional linkages. The Education act and rules also provide accounting and auditing systems of the schools at local level. The public procurement act 2007 and procurement regulations 2008 provide regulatory framework for public procurement of goods and services at different levels and it is mandatory for all the offices of the GON and its supported institutions and organizations. The budget formulation guidelines, 2008 (2064) issued from the MOF elaborates the details of budget formulation and implementation processes and procedures for central and district level agencies including the LBs budget formulation process.

**5.1.5 The Local Self Governance Act, 1999 (LSGA), Local Self Governance Rules, 2000 (LSGR) and Local Bodies Financial Administration Rules, 2007**

The Local Self Governance Act, 1999 (LSGA), The Local Self Governance Rules, 2000 (LSGR) and Local Body Financial Administration rules, 2007 (LBFAR) also provide legal framework and advocates for devolution of the power, authority, resources to local bodies (DDC, VDC and Municipality) at local level and elaborates planning and management, accounting and auditing, reporting processes and procedures for assigned roles and responsibilities to local governing bodies in a systematic, democratic, responsive, transparent and accountable way at local level. According to the provisions of LSGA, the primary and secondary education has to be devolved to local government institutions at district; village and municipal levels with clear delineation of roles and responsibilities by respective Ministries. Further planning, budgeting and management responsibility along with resources have also to be transferred to local governing bodies as a conditional or unconditional grant. LBs are running without elected political representatives since 2002.

In absence of elected political representatives the people based institutions are initiated and are in existence both at demand and supply side from community to district level. The social mobilization/ transformation programs targeted to Disadvantaged Groups (DAGs) facilitate for access, participation and link with programs of the different service providers working at local level (GON, LBs and I/NGOs). The Bottom up planning process initiated from settlement level involving the people at grass roots goes through Ward Citizen Forums (WCFs), Integrated Plan Formulation Committees (IPFC), VDCs/Municipalities and Village councils/Municipal councils. The district level activities referred from the VDCs and Municipalities are discussed and prioritized at *ILLAKA* level (cluster of VDCs and Municipalities) and referred to DDCs. Then within the DDC sectoral plans are discussed at Sector Plan formulation committees and synergies maintained among different sectors at Integrated Plan Formulation Committee ( IPFC) and prioritized plan and budget submitted at DDC and then to District Council (DC). This is named as District Development plan (DDP) and education sector programs and activities are also reflected in DDP.

Local Governance and Community Development program (LGCDP), is a largest program under implementation for strengthening decentralization/devolution since 2008 and delivery of services at the local level especially to deprived groups through effective community development. The provisions for strengthening demand side through transformation approach of social mobilization targeted to Disadvantaged Groups (DAGs) in all VDCs and 400 wards of the resource poor municipalities for their empowerment and meaningful participation in the development initiatives at local level. Similarly attention is paid to strengthen capacity of the supply side institutions at local level through strengthening participatory planning, budgeting, monitoring and reporting systems with accountable and transparent manner. It encourages convergence planning and networking of the supply side service providers including government line agencies, I/NGOs, private sector and civil society institutions.

Performance based non conditional grant allocations are made for LBs on the basis of the result reports received from the assessment made by independent consultants evaluated through Minimum Condition and Performance Measures (MC/PM) tools and indicators. This MC/PM system is rolled out in all DDCs and Municipalities and MC system for all VDCs, around 14 DPs are involved as a pooling and non pooling DPs in LGCDP as well.

**The Three Year Plan** also emphasizes for good governance practices, decentralization, people centered planning process with transparent and open procedures, with clarity on accountability mechanisms and budgeting process based on the Medium Term Expenditure Framework (MTEF) with prioritization of the activities in the category of P1, P2 and P3 to secure the funds for P1 activities and education SSRP ranked as P1 program.

**The GON Foreign Aid policy** advocates for alignment, harmonization, national ownership and mutual accountability of the support provided by DPs on the basis of Paris declaration principles and Accara Aid Accord.

 Specific and crosscutting directives, procedures and implementation manuals of varied nature issued from MOE/DOE provide clarity on procedures and process and also define roles, responsibilities and mechanisms for planning and management of school sector reforms. Further these tools also suggest for accountability and transparency while implementing the activities at local level

**5.2 Institutional Arrangements:**

**5.2.1. Central Level:**

 **a) Policy level:** The National Planning Commission (NPC), Ministry of Finance (MOF), Financial Comptroller General Office (FCGO) and Ministry of Education (MOE) and Education Policy Committee (EPC) and other committees provisioned under SSRP for policy directives and accountability are established organizations.

**b) Over Sight Constitutional Bodies:** Public Account Committees of the parliament, Office of the Auditor General (OAG), Commission for the investigation of Abuse of Authority (CIAA), National Vigilance Center NVC), Public Procurement Management Office (PPMO) are established for hearing and investigation of the irregularities and investigation of misuse of power and corruption cases. The following is the brief introduction of these institutions.

**b.1** **Public Account Committees of the Constituent Assembly (parliament):**

According to the constitutional provisions the Constituent Assembly (CA) may form different committees and subcommittees under it. Presently, CA has formed eight committees and two special committees under it (CA, work procedure rules, 2065). The objectives of the forming of the parliamentary committee are to promote public accountability and effectiveness of the state and government. The functions of the committee in broader sense are to maintain control, accountability and good governance. Accordingly the CA has formed the Public Accounts Committee and it is proactive and functional. The committee also submits its report in the parliament with its notes on evaluation of the policies, programs, resource mobilization and utilization, and overall management aspects of GON. The GON submits OAG report which is received from the President to the parliament and the report of the OAG is discussed under this committee. The secretary of the respective ministry is responsible for all the accounts and irregularity because he works as a chief account officer and accountable to parliament for any kind of the irregularities performed under his/her ministry. Many of the cases of the irregularity and corruption cases are also investigated by this committee. PAC has been pro active to probe irregularities through preventive and post operative actions and try to make the government accountable and suggests government to take the corrective actions timely.

**b.2 Office of the Auditor General (OAG):**

OAG is the supreme constitutional body for public audits. It has mandate to audit all public accounts in terms of regularity, economy, efficiency, and effectiveness. It can also undertake performance audits. The position of the Auditor General has been lying vacant for the past Five years and the capacity of OAG needs strengthening. The Auditor General submits reports to the President and the audit objections and irregularities raised in these reports are discussed by the Parliamentary Accounts Committee (PAC). Responsible Ministries are made accountable to the parliamentary scrutiny. However, current OAG audits are mostly limited to procedural and financial issues and still have to cover broader scope mandated to this reputed organization. The audit recommendations are rarely seriously followed by the respective agencies for initiating corrective measures despite of the clarity on the process and procedures.

**b.3. Commission for the investigation of Abuse of Authority, (CIAA):**

The CIAA Act, 2048 established this apex constitutional body to curb corruption in Nepal. Articles of the Interim Constitution of Nepal (2063) empower CIAA to investigate and probe cases against the persons holding any public office and their associates who are indulged in abuse of authority by way of corruption and or improper conduct. In addition CIAA plays the role of an ombudsman, investigator and prosecutor.

CIAA has approved a five-year strategy paper on corruption control and developed a Code of Conduct for officials which can be replicated to all public offices. However it appears that insufficient attention has been paid to ensuring that the CIAA is properly staffed in line with its mandate. The CIAA is running without chief commissioner and other commissioners and the position of the Chief Commissioner and that of other commissioners have not filled for the last five years. Another weakness of CIAA is that it is not legally authorized to investigate some of the corruption-prone areas. Private sector, NGOs, privately owned banks and other social institutions, where public money involved, do not come under its remit[[1]](#footnote-1). At present, the authority of CIAA is delegated to its secretary and the secretary is appointed by the government who is directly accountable to the GON.

CIAA also has the authority to delegate responsibilities of investigation of corruption cases to the regional and district administration offices that commensurate their roles and responsibilities. However, such a delegation doesn’t appear to be effective. The investigation of the corruption cases of the schools falls under the jurisdiction Chief District Officer (CDO) and Regional Administrators but in present weak governance situation the compliance is very weak.

**b.4. National Vigilance Center NVC) :**

NVC was created by the government through an executive order and placed under the Office of the Prime Minister and Council of Ministers, with a mandate to develop and adopt corruption preventive measures in public offices. This institution is also responsible for “Technical Inspection” of infrastructure. It also further analyzes the property reports submitted by the public position holders and officials and list and report of the non compliances submitted to CIAA. . Currently the Centre is not fully functional due to staffing, budgeting and other organizational and institutional problems. However, some recent efforts from GON are intended to revitalize this institution.

**b.5 Public Procurement Management Office (PPMO)**

PPMO, a regulatory body, has been established as per provisions made by Public Procurement Act (PPA), 2063. The office is under the Office of the Prime Minister and Council of Ministers. The main function of PPMO is to regulate, facilitate and standardize public procurement systems in public offices. This Office hears the procurement-related complaints and recommends necessary actions/remedies to the concerned office. The legislation has made provision of a Review Body for hearings relating to procurement, in the form of a quasi-judicial body. The office is barely functional now and efforts are underway, with support from both GON and donors, to make this office functional.

**c) Institutions involved in the Management and Implementation of SSRP:** Department of Education (DOE) and CDC, NCED and TEVT, Regional Education Directorate (RED) are involved for supporting planning, budgeting, implementation, monitoring and management of education sector at central and regional level.

**d) Education Review Office (ERO)**: ERO is established as an independent entity to carryout independent educational audit of educational institutions, schools and National Assessment of School Achievements (NASA)

**e) Education Policy committee (EPC):** The EPC, is a thirteen member committee chaired by Minister for Education and other members are drawn from key ministries and institutions involved in policy-planning, management, resourcing and service delivery of school education. The overall responsibility of this committee is, “providing policy directions and guidelines to Ministry of Education” and purpose of the committee is, “to facilitate policy coherence, policy co-ordination and policy review. The mandate of the committee is, i)to coordinate policy decisions in education sector ii)to recommend necessary policies to the government for approval iii) to conduct research and studies on policy related issues iv)to monitor and follow up on the policy actions v) to assist ministry in the development of short and long term plan vi) to organize consultation sessions on education related issues (SSRP,2009)

**f) ICAN** registers private auditors and set the norms for private auditors

**5.2.2. District and Local Level:**

a) Local Bodies ( DDC, VDC and Municipalities), District Education Office (DEO), District Treasury Comptroller Office (DTCO), District Education Committee (DEC), Resource Centers (RCs), School Management Committees (SMCs), Parent Teacher Associations (PTAs), Social Audit Committee (SAC), Head Master, Teachers, Students and Parents

b) I/NGOs and People based Organization Involved in education

c) Institutional and religious schools

 d) Registered Auditors at local level

The responsibility Matrix for the institutions and organizations is well placed and delineated roles and responsibilities for all the institutions and organizations at all levels for implementation and management of SSRP.

**6. Mechanisms, tools and Instruments adopted for accountability and transparency in education sector:**

The Education act, 2028 (1971) and education rules, 2059 (2002) and aligned guidelines, directives, manuals and occasional circulars issued from the center have provided legal, planning, accounting and audit including Social Audit (SA) and over all management and implementation framework for education sector. This legal and implementation framework provides system, process and mechanisms for transparency and accountability by provisioning institutional and organizational setup for implementation at different levels and charted out their roles and responsibilities including horizontal and vertical accountability. The following key instruments are frequently used for transparency and accountability in education sector.

* 1. **Local Profiles and Flash Reports :**

Flash reports 1 and 2, Village/municipal and district and school/community level profiles are the tools used for basic statistics and information for planning and implementation of education programs and projects at local level. Two flash reports are prepared; one at the beginning and other is at the end of the academic year, which is taken as basis for different budgetary calculations and allocations such as Per Child Fund (PCF), scholarship and book grant, and allowances for girls and deprived, communities and localities. The program Implementation Manual (PIM) guideline issued from DOE is updated every year and elaborates overall implementation procedures and sets standard specifications and norms, rates for implementation of education program including construction management at local level. This document is also taken as backbone for local AWPB, and its implementation, monitoring, as well as for internal and final audit purposes.

The positive aspects of the above documents which provide i) systematic guiding base documents for planning, budgeting, implementation, monitoring and auditing ii) base data for schools, teachers and their type, gross and net enrolments rates, gender ratios and parity index, iii) basis for calculations and flow of grant allocations to different cost centers iv) institutional base and arrangements for managing the assigned responsibilities, accountably and transparently vi) provides strong basis for EMIS vii) information for school mapping

However, the Flash Reports are criticized on the ground that the number of the enrolled students is inflated in some of the schools for i) securing higher central grants for retention of teachers and their positions in the schools ii) misappropriate or manipulate the allocated grant resources at local Level. iii) the quality of the village profiles prepared by the VDCs and their authenticity and correlation between the school profiles creates confusions and inconsistencies iv) the higher number of students are enrolled at the beginning of the academic year but gradually drop out and retention is low in the late years for various reasons v) multi enrolment of the same children in adjoining schools for scholarships and other benefits and absence of horizontal cross verification procedures and strictness in attendance even within one RCs vi) missing periodic cross verifications on the data and flash reports vii) weak supervision, monitoring, auditing including SA and sincere and authentic reporting and prompt follow up actions from higher levels.

Even though the DOE has instructed to all responsible agencies involved that inflated rate will be treated as a corruption and misuse of power and will be investigated seriously and. responsible head master will be penalized accordingly under the provision of anti corruption acts. The alternative measures are also under discussion at policy level such as issuance of identity cards, strict supervision and student tracking systems to control misuse of the data and funds. As mentioned by DOE, the dropout in numbers of about 300000 students is the result of the cross verification measures applied in the present flash reports.

Lack of systematic tracking and follow up mechanisms and absence of wide publicity of the penalized cases, and other disclosure measures, especially for the suspect schools is realized essential. It is also generally commented that misappropriations and irregularities cases identified by the different investigation commissions and committees are lying pending without any penal actions to the culprits on the recommendations of the report.

 **6.2.** **School Improvement Plan (SIP):**

It is assumed that the SIP is prepared on the basis of data, information received from the flash reports and village/municipal profiles. It is also expected that it will be prepared with wider consultations, participation and engagement of related stake holders especially parents and DAGs. SIP is taken as a strategic document and provides medium term Vision, Mission, Goal, objectives, strategies, outputs and outcomes with verifiable indicators. The planning process as explained has to be people centered, bottom up, decentralized, democratic and participatory. This SIP has to be linked with VEP, DEP and with the Central level ASIP. If it is prepared genuinely as expected, then it will be best tool for bringing the ownership of the stakeholders. The periodic review of the SIP will provide dynamism and will contribute to accommodate the changed policy and implementation. The AWPB is prepared annually to contribute for meeting the broader Goals and objectives of SIP. It is also expected that the AWPB will translate the policies and strategies into action naturally will contribute to activate the provision of meaningful participation of the people and accordingly transparency, accountability tools also be activated. Further it is assumed that this document will act as the basic frame for facilitating access, inclusion, equity and participation of the deprived groups. Initiatives taken to support SIP preparation with participatory approaches involving all stakeholders including NGOs and VDC in the process in JICA supported districts under SISM project is noticed successful (Aide memoire JCM field report, 2011) and that model can be replicated in other districts as well. But in most cases participatory concept is not genuinely translated and the participatory process is not adopted by majority of the schools in the ground.

The following main reasons are noticed for weaknesses in SIP

i)The awareness about the importance of SIP among the stakeholders and capacity for preparation of the plan is observed weak at local level ii) The prepared SIP is observed ambitious and resource forecasted are not matching with the projected central budget ceilings and guidelines and limited efforts and contributions are made for local resources mobilization, i.e. high dependency on central transfers iii) Most of resources are allocated as conditional earmarked budgetary allocation and tied up with strict budget heads, iv) heavy dependence on central grants have restricted local autonomy v) The SIP is not linked with local Bodies plans due to the protracted absence of local elected representatives in LBs vi) The allocation of resources from the LBs for education sector is un predictable and any correlation is not maintained with SIP projections and generally transferred on ad hoc basis for meeting immediate requirements that are mostly on political or elite influence vi) The SIP is not directly linked with the ongoing social mobilization programs targeted to deprived communities, and newly created institutions such as; Ward Citizen Forums (WCFs), Integrated Plan Formulation Committees (IPFCs) and other people based institutions operating at local level.

SIP is also not formally linked with other ongoing programs by different service providers such as LBs, I/NGOs, financial institutions, cooperatives and community organizations. These programs are directed for empowerment of deprived communities by adopting social transformation approach for creating effective demand side linkages at local level. There are ample opportunities and potentials to contribute for fulfilling to provide physical facilities in the schools and may contribute through awareness creation to achieve physical targets for school enrolment, retention support to reduce drop-outs and contribute to citizen engagement participation and transparency at local level

 vii) It is not fully based on the real profiles, data and information and prepared with limited consultations among real stakeholders viii) SIP is hardly linked with AWPB, monitoring, financial and social auditing purposes ix) capacity gaps are rarely analyzed and accordingly local CD plan is hardly linked with SIP, although recently some pilot initiatives are undertaken in five districts with the support of JICA x) Still many schools are without SIP and prepared SIPs period is also on the verge of expiration.

**6.3. Financial Management:**

The Program implementation Manual (PIM) provided by MOE/DOE elaborate basic norms, specifications, standards and mechanisms for fund flow for its operations at local level. The flash reports, SIP and local AWPB are the basis for conditional and non conditional grants calculations and transfers. The PIM is prepared on the basis of policy direction received from national plan documents, Joint Annual Review (JAR), Joint Consultative Meeting (JCM) meetings and the policies adopted through the Annual Budget speech in the parliament. The authorization, fund flow and reporting routes and audit mechanisms are specified in the guidelines, manuals and JFA. However, The PIM is still considered complex and complicated for its users. About more than thirty thousand cost centers are involved in the financial transactions and management of school sector program. These cost centers are located and disperse all over the country up to very grassroots at settlement level and operate in diverse conditions and environment. It is really a herculean task to manage these cost centers efficiently, economically, effectively with accountable and transparent way in a centralized system of operation that is why it demands a highly decentralized system of education management.

The Treasury Single Account (TSA) system introduced in some of the districts has simplified the accounting, release and reporting system. Now the funds directly released to school accounts upon the recommendations of the DEO. Some of the DEOs have initiated to deposit the salary in the personal accounts of the teachers in their bank accounts where ever is feasible, but majority of the schools have not initiated the process due to absence of banking system in close vicinity.

The provisioning of accountability and transparency, in the given legal frameworks, fund flow mechanisms and processes, is clear. The recommended tools such as disclosure of program, budget and funds to the stakeholders and to related authentic people by different mediums of communications such as publishing in the notice boards, to make public through print and electronic media, such as regular bulletins of DEO and FM radio programs, websites. A few DEOs have initiated budget discussions with the parents and guardians at the meetings. The mechanisms for regular monthly meetings between Headmasters and Resource Persons at resource center level provide opportunity for two way communications and information flow. The detail status report is presented in JCM indicate positive initiatives for improving the financial management system in the education sector.

However, it is observed that all of these processes are not fully adopted by majority of schools, RPs or DEOs at local level. The recent World Bank (WB) and Department for International Development (DFID), ADB studies have indicated, “high fiduciary risk and flat trajectory change” areas in the financial transactions, management at different levels. The GAAP has also identified the key issue areas where stake holders have to be very much conscious for management of SSRP. The news in different media related with fake schools, ghost teachers and inflated number of students has also reflect weakness and flaws in financial management, including budget preparation, planning, implementation, record keeping, supervision, fund tracking, monitoring and reporting.

The delayed budget release is chronic in Nepalese financial management which has complicated and distorted predictable fund flow mechanism. The budget release cumulates at the last month of the Fiscal Year (FY) and produces many negative implications such as; i) hampers for meeting the targeted outputs and outcomes, especially in the activities such as constructions, scholarships and payment for books ii) haphazard use of the funds at the end of FY, distorts the procurement process, and iii) at the end of the FY, funds transferred in the non freeze account of schools which is against the financial discipline. These types of unpredictable transfer have contributed to increased volume of the audit irregularities and as a consequence delay in the budget release. iv) Delayed budget release is observed due to demand side weaknesses such as; late compilation and submission of reports from local cost centers and compilation complicacies at DOE it self and submission of complied reports to central level vi) supply side issue is due to late approval of program and budget and complicated procedural complicacies in budget release systems especially in the release of P1 programs. However, institutional linkages for information on budget status with FCGO may resolve the immediate issue of reporting but progress on actual expenditures still have to be collected from cost centers. vi)The software installed at DEO may enter the data but due to the capacity lacks and long hours of load shedding in electrical power supply disrupts the process and is not linked with national server vi)Delayed submission of unaudited and audited financial statements is repeated issue raised in joint meetings with DPs.

Out of about 65 billion MOEs budget about 55 billion budget is transferred to schools. Minimum attention is paid for improvement in the accounting system and capacity development of the account operators. The primary and lower secondary schools are without accountants and only secondary schools have the positions of accountants. Most of the untrained teachers and accountants are maintaining accounts without any operational manual and using the formats annexed in the education rules and instructions issued periodically and many of the schools do not have systematic collections of records of these instructions issued from Department and Ministry. Systematic orientation about accounting and auditing is missing in the schools. Although the presently developed CD plan has foreseen this issue but actual delivery according to the plan may be far away.

The procurement system is also observed very weak. As provisioned in the Public Procurement Act, 2007 and rules 2008, all the offices have to prepare procurement plans and accordingly they have to procure goods, services and carryout construction related activities adopting the procedures set out in the legal framework. But the compliance is very weak at cost centers including at DEO level. Most of the construction related activities are carried out through users committee but the manual for mobilization of such users committees is not practiced. The formalities related for maintaining records such as Muster rolls, Measurement Books, and other construction related formats are not complied properly. Orientation to User committee about quality of the work and reporting system is not provided and regular technical support and backstopping is also weak. Similarly, the bidding process is also not free and independent and not out of the general complaint due to fragile security situations in some parts of the country.

The final audit mechanism is established and GON audit up to DOE level is conducted by Office of the Auditor General and School level final audit is conducted through the ICAN registered auditors. The school audit mechanism and process is also weak and needs multiple reforms there is complete absence of system and mechanisms for internal audit in the school’s account. Absence of final audit procedure manual is also observed for schools. The selection process of auditors is not criteria driven, the recommendation power of three registered auditor is entrusted to SMC and SMC at present is without its council, (generally the generally assembly or annual General Meeting of the shareholders (AGM) nominates auditors in private auditing systems even in LBs system also the respective council appoints auditors) out of recommended auditors DEO appoints final auditors. The provision of sharing of audit reports to large stakeholders through SA and annual meetings of parents and stakeholders who do not possess any mandatory roles (only ethical roles) for any of the further action is also not observed effective. Institution such as account committee is also not thought out at school level for maintaining check and balance and maintaining accountability. There is complete absence of institutional mechanism for compilation, follow up actions and settlement of audit irregularities at local level so that it may provide timely instructions to schools and SMCs. Although the DEOs retain power to issue instructions but DEOs capacity is observed weak for resolving all above audit related issues.

**6.4. Human resource management:**

Human resource management is related with i) the management of the development administration of education by the GON officials and ii) within the schools, management responsibility relies on professional teachers, support staff and SMCs. The present organizational structure of DEO is not reviewed since long; and not restructured as per the increased responsibilities, volume of budget, including the increased number of schools, their planning, budgeting, implementation, monitoring and reporting requirements as well as the added responsibilities for maintaining records and processing applications for new applicant for teacher’s recruitment conducted through the Education Service Commission (ESC).The structural changes in education reform systems through the restructuring of basic (1-8) classes and Secondary (9-12) classes also has increased the roles and responsibilities and volume of work both at departmental level and District education office level.

 Overburdened DEO staff with limited positions with limited software IT based reforms can not meet the growing requirements, expectations and management challenges; such as planning, implementation, accounting and auditing, monitoring and reporting for maintaining quality of education service delivery, as expected, within given time. The frequent transfer of the responsible personnel at managerial as well as implementation levels has negatively contributed for system management and resulted in weak institutional memory.

The low retention of staff and unfulfilled vacant positions in remote areas is another challenge in Nepalese bureaucracy. Similarly, human resource positions in the lower secondary and secondary schools are observed low where as in the primary schools needs readjustments, reallocations, and merger and upgrading. The diverse nature of the teacher’s positions such as permanent teachers, *Rahat* teachers, teachers on contract basis, and teachers recruited by SMCs locally, ECED teachers has complicated the human resource management at local level and challenges the predictability in the teachers’ tenure and benefits. The teachers feel insecure through PCF mode of funding because they afraid, it may cause their frequent transfers from the schools depend on number of the students. Strong teacher’s resistance is also observed for handing over of the schools for community management and their recruitment by the SMCs.

Absence of the accountants in the primary and lower secondary schools and weak account management capacity of the teachers without any accounting orientation, backup support; observed as a challenge for meeting proper accounting and auditing standards. The construction budget is also transferred to schools without orientation in the system of construction management and accounting systems with sufficient technical backstopping contributed negatively for increased volume of audit objections. Limited technical engineering staff positions and personnel at DEO level without sufficient logistics for supervision and absence of institutional relation with District Technical Offices (DTOs) or Building division offices of GON for supervision of engineering related construction works is also observed missing and has affected for maintaining quality of the construction works at school level. The long awaiting state restructuring process is also not permitting the administrative organizational restructuring of the DOE/DEO and due to these uncertainties at national level education service delivery is badly affected at local level.

**6.5 School Management Committees (SMCs) and District Education Committee (DEC):**

**6.5.1 School Management Committees (SMCs):**

The management responsibility of the schools is assigned or decentralized to SMCs. The composition is made of four elected representatives from the parents and relatives including one woman representative. The chair person has to be selected or elected out of the list of the parents of the student; other representatives are from VDC’s respective ward, financial contributor, social workers and teacher’s union including nomination from SMC. The legal provision lacks the representatives from the deprived groups such as *dalits* and poor and do not meet 33% of women member’s requirements and children representatives. The present WCFs representatives are also not represented in absence of ward chairpersons instead, in some of the schools VDC secretary is represented in SMCs. The SMC needs restructuring with wider stakeholder’s representation according to meet inclusive principle of Child Friendly School governance and as per constitutional spirit. The SMC is entrusted with overall responsibilities of implementation and management such as; planning, implementation, monitoring, resource mobilization, teacher’s recruitment and management and finalization of SIP and AWPB. Although key roles and responsibilities are assigned to SMCs, some of the schools are still without SMCs and even for represented SMCs limited orientation and capacity development programs are organized.

 Presently; SMCs are criticized on the ground of politicization with high party influence and elected on the grounds of party panels. Elite capture is generally observed in SMC which debars wider and meaningful people’s participation and people from the opposition panel who are defeated in the selection/election process hardly take initiatives in the affairs of school management. As a consequence local resources are poorly mobilized and managed for overall improvement in schools. Similarly such party politics influences the critical decisions of teacher’s recruitment and management. The chances of the misuse of the budget may be high if it could not function with true spirit of education governance.

 It is observed that five types of SMCs are in operation e.g. i) highly committed and truly represented ii) supportive to school management with limited initiatives for creating local participation and mobilization of resources iii)Low commitment for school improvement and even hardly conduct the regular meetings provide limited time and effort for schools and are mostly involved in their own business i.e. passive iv) highly involved in party politics and influence schools with their political interests v) Vested interest, highly corrupt and petty personal interest such as; recruit teachers with bribe or fill the positions through their relatives/party interest or divert intentionally school resources for their personal benefits

**6.5.2 District Education Committee (DEC):**

A thirteen member DEC is formed under the chairpersonship of the chairperson of the DDC. But at present the DDCs are running without elected political representatives since 2002, the LDO is assigned to chair the DEC meeting. There is complete absence of involvement of DDC in the formation process of DEC of DDC. Without elected local leaders the horizontal accountability to wards the people, in true sense, may not be expected. The composition of the majority of DEC members is also made of the representatives nominated from the different interest institutions and positions. It is also not attuned according as the inclusive people based organization in present changed context. The horizontal formal linkages between DEC and DDC is not maintained

There is absence of hearing mechanism for the decisions of the DEC. The GON may dissolve if the DEC is unable to fulfill its assigned responsibilities. Virtually DECs accountability is upward and vertical. However, the tradition of reflection of AWPB of education sector in annual DDP is maintained, but true sense of horizontal participatory education planning at the local level is still missing.

**6.5.3 Decentralization and devolution of the school functions to local governing bodies:**

Devolution is interpreted differently by different people according to their own perspectives. Decentralization Implementation Plan (DIP) which is approved by the Decentralization Implementation and Monitoring Committee (DIMC), an apex body for implementation and monitoring of decentralization programs and chaired by Prime minister and all the ministers and secretaries are the members of that committee, defines devolution in our context, according to the spirit of devolution. The devolution as interpreted in DIP means transfer of Functions, Funds, and Functionaries along with the capacity development packages for LBs, and role of central government is given for standard setting on respective Ministry’s scope, along with monitoring and evaluation of the assigned responsibilities and resources. The Local Body’s Fiscal Commission (LBFC) is mandated for setting standards for revenue assignments (local own source resource mobilization and utilization, Intergovernmental fiscal transfers through conditional and unconditional grants and LBs borrowing systems) including accounting and auditing mechanisms for Local Bodies. Presently the LBFC has developed performance based fund allocation mechanism based on the MC/PM results with transparent formula driven criteria.

The SSRP has expressed its interest for devolution of planning functions to local levels up to the school management committees. SSRP document delineates planning responsibilities for local bodies and management responsibilities to SMCs. It is also indicated that the SIP has to be linked with VEP and DEP and accordingly Village Education Committees (VEC) and District Education Committee (DEC) are recommended for management of education sector at local level.

 As per the LSGA provisions, the primary education functions are devolved to DDCs in 2002 by GON even though the primary education falls under the functional responsibility of the VDC and municipality. The primary education fund, mostly consist of teacher’s salary authorized to DDC and transferred through DDF to DEO fund. The administrative functionaries (personnel) are vertically managed where as teachers are managed by the DEO and SMCs jointly. In the Community managed schools the management responsibility of teachers is assigned to SMCs. The Local Bodies (LBs,) DDCs, VDCs and Municipalities) generally support to the schools according to the proposal submitted by the school management Committee and recommended by DEO and mostly limited to constructions and teacher’s salary activities as proposed by school management and agreed by LBs. These supports are not systematic and transfers are carried out on an ad hoc basis. It is indicated by different studies that around 20-25% of the LB resources are spent on education sector. Some of the LBs have charged piggy back additional taxes of 1% for education and health sector on land registration and transferred to schools mostly for construction and maintenance of the school roofs and class rooms. Banke DDC has supported Schools around Rs 18.5 million and Kavre DDC has allocated around NRs 15 million for school roofing and maintenance and additional class rooms in the last FY067/68. There is complete absence of systematic record of the LBs (DDC, VDC and municipality) fund transfer for facilitating the School Sector Reforms.

Present education act contradicts with the provision of LSGA and which is still not amended. Vertical decentralization in a de concentration or delegation mode of the education activities shifts education responsibilities directly but not the accountability from the MOE/DOE up to the school level and contradicts with the true spirit of devolution as provisioned in LSGA. It has multiple implications on planning, budgeting, accounting, auditing and management of the local and school resources.

 In the de concentrated mode of decentralization many actors are involved from central level to local level without transferring the accountability to local institutions and multiple actors play their roles without synchronizing their responsibilities horizontally. It is very challenging to pinpoint accountability where multiple actors are involved in the vertical management system at local level. Although the responsibility matrix is prepared under SSRP delineates the responsibility of the different actors involved even though without amending the education act and rules. This top down multi accountability mechanism may not be functional for meeting the present challenges of effective service delivery to such large number of institutions that exist in education sector.

 **6.5.4 Capacity development:**

The Ministry of Education (MOE) has recently developed a draft of National Framework and Guidelines for Capacity Development Plan for the entire education sector in the country. The National Framework provides a broader conceptual basis for capacity development in education sector in Nepal. Both the framework and guidelines are prepared, piloted taking schools in the focus and aiming to achieve the SSRP goals and targets. It is expected that individual organizations at each level will follow the templates and guidelines to prepare their own capacity development plan. Most importantly, capacity development plan must be linked with the key organizational results and that these results at the end should ensure broader SSRP objectives and targets.( CD plan, 2010) Even though the framework is there having clear steps, processes at different stages and is expected as an integral part of the SIP/VEP/DEP and DDP but in reality most of the schools are not aware of these plans and DEOs feel it most challenging to translate in to reality in present environment along with the weak capacity of DEOs itself at local level.

Realizing the weak systemic, institutional/organizational and individual capacity at all levels high focus is given to implement capacity development initiative package that includes system improvement with policy and legal amendments, reforms in the institutional managements and trainings and orientations are organized for teachers, managers and other stakeholders at different levels under SSRP, however the following systematic, institutional and individual on capacity development shortcomings are observed

**a) Systematic**

 i) The legal amendment on the existing education act is not yet forwarded to parliament by the cabinet which has delayed the structural changes in present education system such as 1-8 primary and 9-12 secondary school system. ii) There are a lot of confusions and contradictions between education and local self governance act which has directly affected the accountability mechanisms and resource allocations iii) The School Education Management Matrix; according to Education Act and Rules, is well written and the responsibilities are assigned but are not effectively complied as expected in the ground iv) The financial management Manual or comprehensive guideline is waiting as a draft version because the act and rules are not amended and social audit directive or guidelines is also needs amendment in the context of large number of diverse stakeholders and users of SA directive v) Most of the directives, manuals and guidelines are in scattered form and out of the access of the most of the schools needs reformulation, amendment and compilation in one comprehensive handbook, manual or in a book form after thorough review of the past issued instructions through different mediums and distributed to all schools as a guidebook for implementation

**b) Institutional**

 i) Present local institutional arrangement is not in a position to take full accountability for management of the schools because education is not fully devolved to SMCs and still practiced under de concentrated mode of decentralization under which management is guided by directives and instructions from above that limits local autonomy and ownership ii) The teacher’s positions are still in shortage in lower secondary and secondary schools and the primary level teachers are sufficient but needs readjustment iii) The recruitment mode of the teachers is also not yet clear and comprehensive and different modalities are in experiment for teacher recruitment, posting and transfers; such as in community managed schools the authority is devolved to SMCs, where as the community aided schools the government recommended teachers have to be recruited, the teachers under Rahat quota are also appointed by DEO or SMC not yet fully clear iv) Most of the teacher’s tenure is not permanent and teacher’s attention is more on their tenure than the sincerity in delivering education skills to students. v) The DEO’s organizational structure is not restructured to meet growing expectations of the people to accommodate as per increased roles and responsibilities; such as planning, school administration, human resource development, Monitoring & Evaluation, ECED, primary or Higher secondary level, SA and Financial accounting and audit may be few examples for restructuring of the DEO organization and the present human resources at DEO offices are under staffed vi) The planning process which is provisioned in SSRP is not fully adopted and practiced at the local level and lacks wider stakeholders involvement, consultations, participation and ownership. The planning process is still observed ritual, mechanical and top down and even not properly linked with local governance planning systems, despite of the local government’s role is expected in education planning vii) a systematic capacity development plan is not implemented after thorough assessment of the institutions along with capacity development strategy viii) The transparency tools and mechanisms needs to be activated by publishing regular bulletins, status reports, organizing programs through FM radio, hosting websites in DEO offices,( Kavre DEO may be example for publication and documentation) ,ix) sharing through press conferences including the SA report and financial audit reports and findings, appointments of the spokes persons in DEO offices, Public grievance and complaint handling and response mechanisms, managing citizen charters even in the schools are observed weak.

**c) Individual**

The trainings and orientations are still lacking and that needs to be conducted and attuned according to the changed context after the Training Needs Assessment (TNA) at different levels for varied stakeholders, for meeting the organizational requirements. For example the finance and SA related trainings and orientations for teachers and SMC personnel are not organized at school level at all. The teachers those are handling accounts and accountants at school level are still not exposed to accounting and auditing systems. Similarly, the RPs is also observed not exposed to accounting and auditing systems of the schools. Similarly need based training and capacity development initiatives are still lacking for the DEO staff including RPs and teachers skill upgrading.

**6.6 Social Audit (SA) provisions and practices:**

As per the provisions of the education rules, 2002 clause no 171(ka) seven member social audit committee is formed to evaluate every year community schools whether they are functioning according to the provisions of education act 1971 and rules2002[[2]](#footnote-2).

The social audit directive (guideline) is issued by MOE on 2065 (2008) for conducting social audits compulsorily in all the (community managed and aided) schools within September 15 of every year. The directive is very brief only having seven clauses and three annexes. The directive has mentioned roles and responsibility of the committee in very brief and the report of the social audit have to be submitted by the SMC for final audit and final auditor has to consider it within its scope of audit. The SMC, Head Teacher and Teachers are made responsible to make available all relevant data and information compulsorily to the social audit committee.

 Further, the social audit committee has to prepare the report by incorporating all positive and reform areas that have to be carried out for smooth functioning of the schools. The report has further to incorporate the compliance status of the suggestions made by last year’s social audit. The committee has to prepare a final report after the discussions made through social audit process in an elaborate form and report to i) School supervisor ii) and school supervisor has to submit all the SA reports of his/her area in a compiled form to DEO iii) DEO has to submit the compiled report of the district within January 15 to DOE and RED and iv) DOE has to prepare a final report of social audit with elaboration of the status of the schools. The SA is made compulsory for budget release for schools as well.

The following positive observations are made having discussions and field interactions with relevant stake holders both: at central/local levels:

1. Provisioning of the social audit in the education rules, initiative taken for issuing the directive is appreciated widely, issuance of instructions to tie-up SA process with fund release covenant and interlinked with final audit exemplifies high level commitment of GON/ MOE/DOE/ DEO for maintaining transparency, encouraging voice of the people with their wider participation and constructive feedback in the management of school improvement process. The DOE has made it mandatory fund release as well.
2. Most of the Social Audit committees of the schools have prepared social audit reports and maintained records.
3. The progress reports of the Banke and Kavre districts show that only 66% and 85% of schools have conducted social audits in the last FY 10/11 respectively. Banke is far behind for meeting even the targets of national average. A lower secondary school headmaster of Banke is completely unaware of the SA process and does not have any knowledge about SA directive as well, where as in Kavre one of the primary school management has conducted SA within prescribed time and having wider participation of the stakeholders and guardians and discussed overall institutional, physical, educational and financial matters and suggested very constructive ideas for overall improvement of the school. (progress report and status report of Banke and Kavre, 2011)
4. The GAAP status report submitted in JCM meeting (see annex) shows that about 84.9% (24572 schools) have conducted SA. The DOE has instructed DEOs to link school social audit report to fund release to schools and most of DEOs are practicing it. (GAAP status report 2011)

The following short comings are observed in social audit process:

1. Short comings in the Structure of social audit directives and clarity on the concept of social audit:

The directive is very brief and the document which is commonly applicable and frequently used by all schools across the country, ranges from primary, lower secondary, secondary to higher secondary levels does not encapsulate true meaning, concept and process of social audit within its scope. It is observed that understanding about SA concept and process at school level is very poor; this may be due to ambiguity in the understanding in the meaning by the stakeholders. The statement in the education rules has treated SA as “an evaluation of the activities carried under the Education and Rules.” Which is not true; as SA process is completely different from evaluation.

 The common understanding of SA process at local level is more or less understood as and limited to presentation of income and expenditures tables to the audience in annual meetings of the parents and guardians. Where as it was expected that the SA event will be organized separately and recommendations of the SA report would have to be presented in the annual general meetings of the stakeholders. This confusion may have arise due to structural deficiencies in the directive itself because, the directive is very brief does not elaborate i) rational of SA ii) objectives, principles iii) specific definition of the stakeholders that have to be invited in the social audit event iv) the process, stages of social audit and code of conduct of the SA committee and stakeholders. v) The annexes are not user friendly, not attuned with the present scope of work of the program and least considered to accommodate the achievements for meeting the SIP objectives and goals. vi) Major SSRP components such as Scholarships, book distribution, construction work, including access, inclusion, equity and gender related result measures, financial matters including audit queries and compliance also may not be accommodated in the present annexes vii) the annex formats are more output oriented rather than outcome and result based. viii) least considers demand side perspectives ix) the present reporting formats may not sufficiently address the voices of the people x) compliance status report of the last year’s suggestions and comments, is not provisioned viii) follow up responsibility and roles of the higher level authority is not mentioned in the present directive

1. The orientation program on social audit concept, process and objectives, is not carried out at local level at all to the SA committee and related stakeholders, as a consequence different people understand it differently
2. It is noted through the discussions at local level that separate social audit event in majority cases is not convened within September as mentioned in the directive.
3. It is noticed that none of the financial audit report have recognized the SA reports and any linkages with financial reports are not made as provisioned in the directive similarly SA report does not include the audit objections and its compliance status within its scope
4. The SA reports are not even analyzed by SMCs, DEO or DOE and any follow up actions regarding process or suggestions is not carried out from higher level
5. A compiled version of the SA report is not prepared and disseminated to stakeholders by DEO and DOE

**6.7 Financial Audit provisions and process:**

The financial audit of GON account up to DEO level is carried out as; internal audit by DTCO and final audit by OAG, The internal audit of the devolved sector primary education is carried out by the internal auditor of the DDC who is only responsible to the funds channeled through District Development Fund (DDF). Systematic lapses are observed for internal audit mechanisms of the schools because of the absence of provisions in the rules.

 For Final audits, all types of school financial transactions are audited by registered private auditors selected from the roster of the ICAN by the SMCs. The SMCs generally recommend three registered auditors to DEO and DEO nominates one out of the recommended auditors preferably number one out of the priority list is selected. The general comments on the school audit process is made that it is not transparent and least consultative having least citizen engagement in the audit process and cost of audit is also beyond the budget allocated and has fully to be borne by the schools. Any remarkable and specific comments are not made by the auditors for improvement of overall account management; maintain financial discipline so that management may take up the reform measures.

 Generally, final audits are conducted on the guiding principles of regularity; efficiency, economy and effectiveness, but observations of school audit reports hardly bring these principles within its scope. They hardly look up overall performance of the schools objectively and mostly limited within the financial statements prepared by the schools and limited time is given for the audit process and least consultations are made with stakeholders during preparation and implementation of audit or audit report sharing stages. It is noticed from the field visits that the selection of the auditors is also not criteria based and the criteria for selection is not known to the parents or PTA. The auditors do not cover the scope of the construction related activities of the schools despite of the construction funds are transferred to school level; neither construction related forms such as Measurement Book, Work Completion Reports, and muster rolls forms are audited as a part of school audit.

 The audit reports are least shared among the guardians and parents. Responsibility is not assigned for settlement of audit objections. The Audit manual for schools is also not prepared. This may be due to the deficiencies in education rules that parents are only informed and not accountable about the financial status. The provision of Account committee is also missing in the school management. The LBs account committees are not functional because of the absence of elected representatives in the LBs for maintaining oversight roles over school management.

 **6.8 Monitoring and Evaluation:**

 The SSRP has provisioned for monitoring of the functions and assigned responsibilities at different levels. The SMC, RCs and DEO are directly responsible for monitoring of the functions at district and local level. The School supervisors are assigned responsibility with certain number of schools according to the number of positions and geographical locations. On top of that Resource Persons at the resource center level also bear the responsibility of the monitoring and supervision. The SMC is responsible to supervise and monitor within the schools, where as Head Master is responsible for monitoring the class room and teacher’s performance. The regional director is also responsible for monitoring within the region. The DOE and MOE is also monitors on sample basis. The fourteen monitoring teams are formed under the leadership of joint secretaries of the ministry and departments the team is made responsible for each zone for monitoring of the educational programs. The joint monitoring programs are also organized at different levels. The specific indicator based monitoring is hardly taken. The complaints hearing mechanisms are not systematized. Occasionally the serious complaints are investigated by assigning the team of experts on the spot and the team by DOE/MOE and submit the report. But follow up actions are rarely taken. The combined joint team of GON/ DPs also monitors the activities before JAR and JCM. The MTR and Final evaluation reports are prepared by the external monitoring teams.

In overall system of government programs monitoring is generally does not receive priority in terms of resources or personnel. The capacity of the monitoring division is generally observed weak with limited personal and logistics. The education sector is also is not out of it. It is observed in the field and interaction with the DEO staff the monitoring is not so effective because of heavy work load of the DEO staff especially school supervisors pay least attention for monitoring of the schools. They are heavily engaged in administrative functions and Training activities rather in monitoring functions. The Resource Persons (RPs) are generally junior teachers may not functional for supervision and monitoring to their senior head masters. They generally compile the reports of the schools. The indicator based monitoring system is still not fully functional. The hierarchies of indicators are not delineated as per the levels of monitoring mechanisms at different levels and accordingly the responsibilities are not assigned. The EMIS is effective tool used for systematic reporting and it also needs periodic review and serious cross verifications.

 **6.9 Roles and responsibilities of central level agencies for maintaining accountability and transparency:**

The central level agencies especially MOE/DOE/EPC/ERO is equally accountable for maintaining transparency and accountability. The central agencies may create enabling environment for implementing agencies that are working at local level. The enabling environment may be created through i) Timely approval and release of program and budget from central level agencies. For this purpose coordination with NPC/MOF/FCGO needs to be strengthened and these agencies also need full ownership of the program responsibly ii) compilation and timely submission of the periodical physical/financial reports to the concerned agencies to ensure timely release of the trimester budget from the center iii) The monitoring divisions of the MOE/DOE and ERO need to identify the non complier agency that are not performing and not meeting their responsibility that is assigned through responsibility matrix, GAAP , Policy matrix, job description, and calendar of operation etc .iv) identify and analyze cause of non compliance is due to policy deficiency, implementation or management weaknesses or of negligence of any of the responsible person or agency v) initiate corrective measures immediately through appropriate channels vi) the central agencies need to categorize districts in three broad categories with transparent check list and performance measuring indicators a) completely non complier and high fiduciary risk prone districts as a’ ‘RED’ b) medium level districts as ‘YELLOW” and c) well performer in ‘GREEN’ vii) Analyze capacity gaps and develop strategies to enhance their performance with implementation of capacity development plan and RED and YELLOW districts may be promoted to other colors with intensive review of their performance by an independent team of experts assigned by ERO viii) needs to develop performance incentives through financial or nonfinancial measures to respective officials and offices ix) Central agencies role mostly limit themselves in policy formulation and approval, coordination with central level agencies for maintaining the calendar, setting norms, specifications and standards for maintaining quality and equity, monitoring of the activities by setting hierarchy of indicators for different levels and accordingly develop monitoring plan for different levels, compliance monitoring and fund tracking, timely submission of reports to DPs, FCGO, MOF, NPC, OAG and other relevant agencies ix) adopt disclosure policy of information at each levels and monitor compliance of instruments suggested by good governance act.

The EPC and ERO needs to be activated to ensure downward accountability of the central level agencies involved with a visible compliance of the responsibility matrix, policy matrix and GAAP.

 **7. Key Issues and challenges**:

**7.1 Clarity on accountability of SMC/DEC; accountable to parents/ stakeholders or higher education authority?**

Many institutions and stakeholders are involved in school sector management at different levels. The power, authority and resources are de concentrated at different levels. Full devolution of education sector Functions, Funds and Functionaries to local level is still far away due to the present country’s protracted transition and uncertainties in political and state restructuring. The SMC is entrusted with over all school management and assigned thirty two roles and responsibilities but is still lacks inclusive structure and wide representation as per present constitutional spirit. Legal provisions for representation of 33% women, Dalits, DAGs and representative from child clubs is still awaiting for representative and inclusive SMC. Out of the ten members selected/elected only four representatives are represented from the parents and other representation is made from nominations from different institutions and SMC itself, and by nature their accountabilities are remain on their parent organization or nominee.

In most cases, high handed political influence and panel based elections of SMCs restricts active and meaningful participation of all people. In real term SMCs have to be accountable to the parents and other stakeholders but present provisions in the rules such accountable mechanisms are not foreseen. The provision for formation of account committee from parents or guardians is not thought out for oversight roles. SMCs are more or less accountable to DEO or DEC because they have to follow their instructions from above. As an electoral process SMC is accountable to their electoral horizontally but by rule they have to be accountable to higher authorities because DEC retains the power for dissolution of SMC. Legally, Parents and local stakeholders have not any approval roles; they are made liable to share only information related to AWPB and audit report. Structurally, the meaningful participation of the parents and guardians is not expected in the present legal framework. It is obvious that under such weak legal provisions full downward accountability may not be attained or expected.

The present DEC structure is also needs to be reviewed according to changed context, to make it more inclusive, representative and accountable to local people. The present mechanism does not permit to allow discussing the decisions made by DEC in any of the local formal forums with agenda. Although the representation is made from all the stakeholders but their collective accountability is not specified. Mechanism for horizontal accountability needs to be explored.

**7.2 Policy and Implementation Gaps:**

The SSRP is designed to achieve policy objectives of good governance, decentralization, rule of law, inclusion, access, quality, equity and participation. As provisioned in the SSRP document LBs are not fully involved in the planning and management of education sector at present, due to absence of elected political representatives in Local Bodies. As explained in the plan document, LBs are made responsible for ECED and non-formal education management which narrows the scope of LBs and contradicts with LSGA’s functional assignments. Even in the implementation of these two programs any fundamental differences are not observed in the field. However, the education sector plan is reflected in District Development Plan and all the resources and authorizations are transferred directly to DEO from DOE except the primary education GON resources. This is because primary education component is devolved to DDCs in 2002 along with implementation directives. But the system of devolution is not functioning effectively with true spirit of devolution as explained in LSGA and DIP, the present operational system has only added one layer more for budget release and further created dual accountability of DEO with LBs and DOE/ FCGO for internal auditing and reporting. The LBFC is not involved for sectoral fund allocation and setting standards for audit at local levels under SSRP.

 Other locally generated or block grant related financial resources are transferred from LBs to schools on immediate need based or as an Ad hoc basis. The predictable resource allocation system is not established at local level where as, the SSRP document expects LBs contribution for meeting the financial gaps in education sector. The Local Governance and Community Development program (LGCDP) encourages the sectoral devolution and have allocated resources for promotion of the sectoral devolution initiatives for last two years in selected districts including education. Many tools of good governance as foreseen by the good governance (management and operation) act 2008, and Right to information act, 2007 for maintaining transparency, accountability such as citizen charters, social audit, public hearing, information disclosure and sharing mechanisms, appointment of spokes person, complaint hearing resolve mechanisms are not fully practiced as indicated in the legal and policy provisions.

 But most of the provisions of the act and rules are not observed complied in true sense at local level. The EPC is not fully operational for mitigating the policy gaps.

It is observed that most of the guidelines, directives, manuals and circulars are out of the access of the majority of the schools. The orientation is also lacking. The two way communication mechanism in RCs with head Masters and RPs meeting do not truly trickle down up to the management level of the schools and to the teachers. In such situation the implementation gaps are visibly noticed. In addition to that the following reasons are also observed for the policy and implementation gaps;

 i) Absence of true political, administrative commitments at all levels and contradictions among the policies and legal provisions it self ii) Decade long armed conflict, long transition along with political and security uncertainties iii) Absence of elected representatives and accountable political mechanism at LBs since 2002 iv) lack of wide awareness among stakeholders about the true spirit of the policy and legal provisions v) poor supervision, and compliance monitoring mechanisms and vi) confusions on guidelines and directive issued vii) weak systematic, institutional and individual capacity for implementation v) long awaiting organizational restructuring of DEO and over burdened DEO staff vi) weak capacity of RPs vii) Varied management approaches adopted for teacher recruitment promotion, transfers and pending uncertainties for securing the permanent tenure. viii) Variance is also observed in the management within and among community aided and community managed school systems ix) weak understanding about new innovative concepts among stakeholders x) absence of strong communication strategy and dissemination of the real information up to grass root levels xi) fully operational EPC and ERO

**7.3. Weak capacity at all levels:**

Education Act amendment bill is still pending, impede the major policy decisions that to be made to accommodate the change contextual issues and growing expectations of the people. Accordingly institutional reforms are not taken place due to the delayed state restructuring process which has created confusions relating to the organizational structures of the education management including the devolved structures. The individual capacity gaps are addressed through trainings and other logistic support including the use of IT. But the human resource gaps at the administration and schools are still observed and not meeting the full requirements in time in a quality basis. The present context and dynamism in education management systems is demanding the complete restructuring of the organizational structure of DEO and school management systems to secure the uniformity among the broad categories of the schools. The structure and capacity of SMC needs to be reviewed according to the changed context to make it more accountable, inclusive, responsible and responsive to parents and stakeholders. Further studies are required whether the devolution of functions, funds and functionaries along with accountability is possible at local level in present transitional stage.

The following statement made in the Fiduciary risk assessment study also supports the capacity gaps and flaws in many areas “”Nepal’s performance in PFM suggests a system that is generally well designed but unevenly implemented. The OAG reports for past years show an increase in audit objections and number of instances of non-compliances with set rules and regulations. Also, recent articles in the press and electronic media about possible misuse of funds in the education sector indicate that the control compliance monitoring has been weak in this sector. It shows that there are gaps in the control framework, constraints on implementation, and inadequate capacity and commitments to discharge the functions at all levels.”(ADB, 2011)

**7.4 Weak local planning and management system**

The present education planning and management mechanisms are still observed top down based on the multiple directives with multiple stakeholders and institutional arrangements. SIP is taken as a very base document for projecting school sector resources. It is assumed that this plan document is prepared and approved with participatory and consultative approach involving large number of real stakeholders with genuine citizen engagement. But it is observed, in most cases, that SIP is taken as an instrument for budget release purposes from DEO to meet the required covenant and accordingly rituals and formalities are maintained.

 In theory it is also mentioned that SIP has to link with VEP/MEP and DEP to complement Village/Municipal and District Development plan, but in reality it is observed that parallel and top down planning is still going on. It is taken as the duplication of efforts and resources. In most of the cases the SIP planning is also not directly linked with the social mobilization programs which are mainly targeted to DAGs to facilitate access and participation of women and DAGs in development initiatives and mostly bypassed the existing community level forums created for planning and prioritization purposes; such as Ward Citizen Forums, IPFCs at local level. Least engagement of the people and stakeholders in planning cycle and absence of formal linkages with LBs planning is seen as the basic impediments for accountable governance in school management.

In most cases, SIP is prepared by SMC and hardly discussed with the stakeholders. The AWPB is also not based on SIP as well. It may be due to tie-up conditional budget allocation system that has restricted local autonomy and made the local people and institutions upward looking having the upward accountability. The unplanned and ad hoc transfers from LBs also disrupting the institutional and systematic linkages and planning at local level and encourages personal influences for diversion of resources at local level. It will be really challenging for calculating the local resource contributions as expected in SSRP and not properly meeting the basic requirements of LBs block grant allocation guidelines which is also against the basic principles of local decentralized planning process. Absence of convergence planning having multiple planning channels duplicates the resources and efforts and also against the SWAp spirit and principles as well. It has also multiple implications and challenges for creating alignment, harmony, local ownership and mutual accountability at local level among the actors and players in planning, budgeting, implementing, monitoring, fund tracking, recording, reporting and auditing.

**7.5 Structural and capacity deficiencies in social audit process**

As mentioned in the education rules the responsibility of the SA committee is “to evaluate whether the school activities are functioning according to the education act or rules.” But SA process is completely different from the evaluation. SA is defined as, “a process where the beneficiaries/right holders and stakeholders analyze, review and provide feedback on the effectiveness, efficiency, and relevance of program, activities and resources of an institution. It is a way of understanding, measuring, reporting and ultimately improving an organizations social, ethical, environmental, financial and managerial performance through creating a conversation between an organization and its clients, partners and stakeholders (AIN, 2010)

It is important that to bring conceptual clarity about the social audit concepts, objectives, principles and process, the present SA directive issued for schools, is structurally in complete and needs amendment or re-written which may include the content prescribed in (annex 1)

The SA concept and process is not well understood by concerned stakeholders at local level. It is observed that the SA committee prepares the formats and in most cases only financial portion is presented in general parents meeting rather organizing a separate event for SA as expected by SA directive. The notes of comments and suggestions made by the stakeholders are not recorded systematically out of the SA event, and included in SA report and follow-up action plans are hardly sketched out.

A compiled version of the report is not prepared from the outcomes of SA at district and departmental level. The financial audit mechanism hardly recognizes the comments made by the stakeholders and not reflected in final audit reports. The fiduciary risk assessment report comments on SA as,” Social Audit has been considered an important tool in checking fiduciary risk and quality of service delivery. However, its conduct and reporting system has not been reviewed or monitored by DEOs and hence its effectiveness is questionable.” (ADB, 2011) The monitoring system is also lacking the result based monitoring of the SA process. The SA process is also not linked with local public hearing mechanism and other transparency tools.

**7.6 Weak financial management and audit mechanisms**

As mentioned above the state has given top priority to education sector by allocating about 17% of the total national development budgetary resources for this sector and out of that allocation large volume of resources are transferred to schools (about 55 billion out of 65 billion). The DPs are also generously supporting and joining hands with technical assistance and financial resources adopting SWAp approach for meeting the universal goals by delivering quality education. The JFA is signed between GON and DPs. Many pooling/ non pooling DPs are involved since long for improving the education system in Nepal. The Fund flow mechanisms including authorization routes are well written. It is very challenging for the managers for managing more than thirty thousand cost centers for fund tracking, compliance monitoring and financial management and reporting. Even though the norms and guidelines are well written in the Program Implementation Manuals, guidelines issued from DOE and updated every year. Orientation of those guidelines is conducted at different levels. The functional and institutional linkage with FCGO for information sharing is a positive step for timely reporting. The Capacity Development plan is also piloted in five districts.

But the Implementation is still a major challenge. This is because most of these central level decisions are not well transmitted up to school levels. Most of the schools do not have these guidelines, directives and manuals and the recent developments are not communicated to the all stakeholders.

The following are specific bottlenecks are observed in financial management:

i) fully reliable database of teacher’s record, accurate student records of the flash reports, on the basis of which budget release mechanism depends ii) weak capacity of RPs to become fully operational and weak supervision, monitoring and fund tracking system iii)Weak implementation of guidelines issued because of late and complex budget release process impede program implementation iv) Dual accountability in construction management and weak compliance of the formalities and procedures that has to be adopted v) weak procurement planning and management vi) It is still challenging task for collecting report from the cost centers and compilation at different levels.

It is observed that about 1.5 million NRs to more than ten million rupees budget in average is transacted at each school level which is larger than the budget of some of the VDCs. The software based accounting system in initiated but still it is in initial stage and not fully operational at DEO level. Financial management support mechanism and internal audit system is not established for schools. Many studies relating to fiduciary risks analysis has indicated (refer to DFID and ADB study) high fiduciary risks in the financial management and suggested mitigation measures.

The fund tracking especially for scholarships and books is essential because many of the complaints are made regarding the right use of those funds. In the primary schools the teachers are generally involved as accountant and their capacity is observed very weak, because any orientations and trainings relating to accountancy, book keeping and reporting are not conducted. Similarly the capacity of the accountants at secondary and higher secondary level is also weak. There is not any support mechanisms at RC level for fund tracking and account management and RPs also lack accounting orientation. The provision for accountant at primary school level is far away and cluster based account support mechanism is also not indicated in the literature. Dual responsibility of the teacher without any incentive mechanism may hamper the quality of education service delivery and account management.

 A proper account management, Internal audit system and quality of final audit and compliance of audit objections needs further intensive study for reforms in school accounting and audit systems and mechanisms. The selection and follow up procedures of the final auditors is still to be systematized for transparency and accountability in the selection and quality of audit process. Institutional arrangements for compilations of school audit irregularities and follow up mechanisms at district level is essential for strong financial management.

**7.7 Weak supervision, monitoring and reporting systems**

 Different levels of supervision, monitoring and evaluation mechanisms are projected in the SSRP document. But in reality the ME system has received least priority in the overall government systems and education system is not out of total system. The indicator based periodic monitoring is still not systematized. The hierarchy of indicators along with periodic plan is not in place. Insufficient attention along with weak organizational structure of DEO and overburdened and insufficient staff at local level may not pay attention in monitoring activities. The incentive mechanism for monitoring is also weak. A single RP at Resource Centers with multiple activities/responsibilities also ranks least priority in monitoring. The position of RP and professional competency also do not permit to supervise and monitor to his/her seniors. The joint supervision schemes are effective but may not cover all the schools and activities. Third party monitoring systems are also not introduced. Indicator based reporting systems are also still needs to be strengthened at all levels. EMIS is effective, but it may not cover all details of the expected outcomes. Regular fund tracking and financial monitoring reporting system needs to be strengthened. As the monitoring role is assigned to Regional Education Directorate (RED), but its capacity is also weak and may not perform true spirit of monitoring. The provision of third party monitoring is also not established for sample monitoring of the program. The mapping of the high risk districts/schools is also not considered for continuous tracking of the activities by respective authorities. The follow up mechanism of the feedback received is also not systematized and weak. The follow up on risk mitigation plan for high fiduciary risks areas also needs updated.

The fiduciary risk assessment report comments about monitoring as,” Monitoring of the DEOs by RED and of the Schools by DEOs has not been systematic. Least priority is given for regular and timely monitoring by formulating an early monitoring plan. Monitoring visits are being carried out on the basis of complaints received and availability of budget (ADB, 2011)

**7.8 Political and security situation**

The political situation is still is not stable and will continue until; i) state restructuring process completes ii) promulgation of new constitution from Constituent Assembly iii) conduction of the elections at all levels along with administrative setup and reallocations of the personnel according to changed set up. The security situation is slightly improving but still not predictable. Some parts of the country are still in fragile security situation and managers and staff have to face regular security threats. Most of the cases of the irregularity are occurred in the areas where security situation is in fragile situation and continuously not monitored due to weak retention of the staff.

**7.9 State restructuring and restructuring of the present service delivery mechanisms**

As provisioned in the Interim constitution, Nepal is moving from highly centralized unitary system to federal system of governance and is under state restructuring process. The commission is formed and timeline is given for submission of report to the commission is within January, 2012. This commission has submitted the report and controversy on the report is observed even by the political parties. At present the CA members are discussing the report in the CA and it is assumed that the number of the provinces/ states will be finalized by Constituent Assembly (CA) and that to be included in the forthcoming constitution.. CA committees have recommended three levels of Government i.e. federal, provincial and local. Still many uncertainties are there about governance structures, administrative and organizational restructuring, power sharing mechanisms, and tiers of local governments. It is also still uncertain for service delivery mechanisms at local level. How devolution and decentralized service delivery will be carried out ,the list of the functional and revenue assignments and responsibilities including the concurrent list is yet to be finalized for each level of government, It is also not clear; what will be the roles and responsibilities of the Private sector/I/NGOs and civil society. State restructuring process is really a challenging task for a country of diversity like Nepal and equally challenging for policy decision makers and political parties to address these diversities, identity and competencies in a convincing way to satisfy divergent expectations of majority of the people.

The administrative restructuring is also another challenge because most of the service delivery related positions will be reallocated to provincial and local levels and present bureaucracy is in a unitary mode and having centralized orientation. State restructuring not only demands physical, administrative restructuring but also demands behavioral restructuring of the traditional mindsets of top down mentality and having upward accountability to people centric orientation with responsive, responsible, accountable and transparent behavior setting with customer friendly orientations. With these challenges many uncertainties for accountability mechanisms yet to be defined and are under restructuring process. It is really challenging and hard to achieve expected goals and objectives of SSRP under such uncertainties and protracted transition and political instability with accuracy and certainty even though the physical progress is observed satisfactory needs more quality focus.

**8. Recommendations and way forward:**

**8.1 Social Audit**

 8.1.1 Social Audit directive or guideline has to be amended or rewritten immediately to make it more user friendly, outcome based and result oriented by incorporating overall aspects of Social audit process (see annex 1 for model content)

8.1.2 A training manual for social audit has to be prepared and accordingly trainings and orientation activities have to be conducted for organizers of Social audit events at local level. For conducting at large scale the local resource persons either to have developed or utilized. For development of local trainers, Training of Trainers (TOT) classes can be organized at regional level to produce trainers for district level.

8.1.3 Social Audit events may be carried out through the NGOs or civil society who are exposed to SA activities in the districts and can be contracted out for initiating the SA activities at Secondary and higher secondary levels at the initial phase. This type of events can be organized to train or expose with social audit process to local SA committee members practically by involving other adjoining school’s SA committee key members in the same event. These types of events may contribute to enhance their capacities of adjoining schools so that they can continue their activities by themselves. These initiatives may be taken as participatory knowledge transfer model at local level

8.1.4 The SA activities may be contracted out to expert NGOs at local level so that they may provide trainings to SA committee and provide backstopping services and follow-ups for certain number of years and submit achievement reports to DEO.

8.1.5 RED may also conduct sample social audits in selected schools and has to be involved in the monitoring of the SA process that are conducted at district level as well

8.1.6 A strong system has to be installed in each school for preparation of SA report and its follow-ups. SA report has to be linked with the fund release systems.

8.1.7 SA report has to be strictly linked with financial audit and similarly financial audit concerns and irregularities also have to be presented/ reviewed in the social audit event

8.1.8 The reporting of the SA event and reports have to be compiled at higher levels from RC- to School supervisors to DEO and RED/DOE

8.1.9 The SA chapter has to be added in the annual status report of DEO and DOE. Serious concerns raised in the SA event have to be followed and monitored reviewed by the respective authorities and system.

8.1.10 SA activity has to be included in the capacity development plan of the local schools and DEO.

**8.2 Financial Management**

8.2.1 The provision of indicative budget ceilings and guidelines has to be made available to DEO and Schools in advance so that schools may initiate participatory programming and budgeting process for preparation AWPB to enhance autonomy, participation and ownership in budget formulation process

8.2.2 Strengthen Flash reporting and EMIS through cross verification process for its reliability for fund flow and link budget release with periodic trimester reporting. Prepare a transparent check list for meeting the basic requirement of budget release and strictly follow it for strengthening timely reporting of the program.

8.2.3 Strengthen timely release of the budget from the center so that the time schedule of the calendar of operation at the local level may be maintained and activities can be carried out smoothly and effectively without cost overrun.

8.2.4 Strengthen fund tracking system and as far as possible transfer salary amounts to teacher’s personal accounts through banking systems with proper formalities of procedures adopted and reconcile bank statements with the financial statements before release of the next installments

8.2.5 A comprehensive Manual for Accounting and Auditing has to be issued immediately by finalizing the draft manual with elaboration on the audit systems and procedures for effective financial management of the schools

8.2.6 Provide practical trainings and orientation to the teachers and accountants involved in account management on the provisions of accounting, book keeping and auditing rules and manuals including the accounting software

8.2.7 Support mechanism for financial management at school level has to be provided by RCs for strengthening accounting, record keeping and fund tracking system

8.2.8 Explore possibilities of internal audit mechanisms for school management

8.2.9 Encourage transparent selection process of final auditor at school level so that they are accountable to local people and assure quality audit that to be ensured with maximum stakeholder’s engagement in the auditing process

8.2.10 Institutional arrangements have to be explored for compiling, record maintenance follow up and settlement of audit objections at District level

8.2.11 Ensure the quality of audit with close collaboration of ICAN and system of some sample audit reports to be verified by ERO.

8.2.12 Ensure provisions of the procurement planning that has to be strictly followed at least for large budget volume transaction cost centers. Similarly, procurement of the goods and services strictly complied with the provisions of public procurement act and rules. Support has to be provided with user friendly manuals for DEO and School level procurement process including the management of user committees

8.2.13 Strengthen complaint hearing and response mechanism and root out the problem at initial stage with responsive systems.

8.2.14 Link budget release with quality financial reporting including the SA report

8.2.15 strictly comply with the provisioned activities to achieve outputs as indicated in the “Financial Management Action Plan (draft) for SSRP, 2011-12” and GAAP within the indicated timeline

**8.3 Strengthening local school planning system:**

8.3.1 Update or prepare revised School Improvement Plan (SIP) Most of the prepared SIPs are in the verge of their end of the period and needs either revision or formulation of new plans. The process has to be made participatory and realistic, based on the local up dated information and potentials. The vision, mission, goals, objectives and strategies have to be achievable and attainable that to be setout with maximum people’s participation and engagements. Resource projections has to be realistic calculated on the basis of the trends of past central transfers, LBs possible contributions, and local other sources and commitments have to be negotiated horizontally for predictable funding. The AWPB has to be built on the basis of SIP and periodic reviews have to be made along with revised targets and resources. Issues relating to achieve targets have to be discussed among stakeholders by involving larger community especially parents and DAGs and corrective measures adopted accordingly.

8.3.2 Possible strategies explored to link SIP with VEP/MEP and DEP and SIP has to be initiated from settlement level linking with ongoing social mobilization programs, prioritized in the Ward Citizen Forums and IPFC before finalization in respective committees and councils for institutionalization of planning process for avoiding duplication in resources and efforts and securing the LBs resources and contributions for better predictability. SMC may play catalytic role for resource generation through planning process. The district AWPB approved by DEC needs to be formally linked with DDC planning by adopting DDC planning process including DPP.

8.3.3 The progress has to be reviewed in the SMCs with involvement of the larger community and members of the ward Citizen Forums and other relevant stakeholders and positive feedback has to be taken and corrective measures are adopted timely. School related key achievements and issues related agendas have to be discussed at the LBs level in their periodic reviews as well and follow up initiatives from LBs have to be taken.

8.3.4 Annual plan and budget has to be disclosed at local level and Progress reports has to be published periodically as the status report of the concerned agency. The DEO has to publish key achievements in periodic bulletins and put in their websites.

**8.4 Strengthen inclusive, accountable and responsive Institutional arrangements at school and district level management:**

8.4.1 Restructure SMC/ DEC to make it more inclusive, representative and accountable as per constitutional spirit;

8.4.1.1 Restructure to ensure 33% of women, and representation from Dalits, Janjatis DAGs and from minorities and children clubs and their networks

8.4.1.2 Elected number of representatives in the composition of SMC from parents should not out number the other nominated numbers, e.g. the composition of elected or nominated by parents should be more than 50% of the total number

8.4.1.3 The composition of the DEC needs to be reviewed to make proper representations from DAGs and 33% of women and representatives of the children as well

8.4.2 Constitute a three member account committee from the parents; at the initial stage can be piloted in secondary and higher secondary schools

8.4.3 Explore possibilities for AWPB approval process from the majority of parents

8.4.4 Explore possibility of recommendation authority of the final auditors from the parents as screened and submitted by respective account committee

8.4.5. Explore the possibility for devolution of authority, power and resources including the management responsibilities to elected local governments having their transparent bylaws for management of SMC/DEC as well in the long run after elected local governments at local level

8.4.6 Find ways and means to avoid SMCs from elite capture, vested interest groups or politicization/partycization of SMCs through intensive orientation programs for parents

**8.5 Enhance capacity for effective planning, implementation, accounting, monitoring, reporting and auditing at all level**

8.5.1 Expedite amendments in education act and rules for structural changes in education system along with institutional arrangements at local level so that they may be inclusive, accountable to local people according to constitutional spirit for management of education sector and accordingly update the directives, manuals and guidelines

8.5.2 Establish formal linkages with local governments and other service providers for planning, resource mobilization, implementation, monitoring including social auditing along with public hearing

8.5.3 Strengthen EMIS including the flash reports with strong cross verification tools and prepare or update realistic SIP and synergize with VEP/MEP. In addition to that the DEP should complement DDP and medium term periodic plans of Local governments including Village Development periodic Plans/Municipal Development Periodic Plans (VDPP/MDPP) and District Periodic Plans (DPP)

8.5.4 Encourage local resource mobilization from LBs such as; piggy back taxation in land registration (Banke) and resource allocations from the sales of sand, stones and gravels in Kavre for investment in education sector. Systematize LBs fund flow with predictable measures and tools, such as linking with budget ceiling, reflection in the AWPB and long term assurances through MOU between DEC/DEO and LBs and maintain Records of LBs investments in education sector

8.5.5 Prepare a comprehensive Implementation guide book/hand book/ manual by assimilating all the directives, manuals, guidelines and circulars systematically to make it user friendly and make it available to all potential users up to school level

 8.5.6 Review selection criteria of RPs so that they have to be more professionally competent and gain professional respect. Strengthen RCs with more staff and logistics.

8.5.7 Develop and implement capacity development plan according to the requirements ASIP/ SIP to achieve the broader goals of quality education along with reorientation on inclusion, access, participation, transparency and accountability measures adopted at local level

8.5.8 Conduct TOT to create a strong HR base or trainers/ resource persons from GON/NGOs at local level to deliver trainings on specialized matters including SA. The inventory of such trainers/resource persons is maintained for the use of schools at local level.

8.5.9 Ensure resources to carryout the activities according to the approved Capacity Development Plan including for trainings.

8.5.10 Establish follow up and compliance monitoring mechanisms along with key indicators and incentives for effective result based monitoring of the program. Possibility of the periodic third party monitoring have to be explored at local level.

8.5.11 Strengthen reporting systems both physical and financial to meet the time lines given and enhance quality reporting with introduction of the appropriate software through IT systems.

**8.6 Enhance citizen engagement and participation for maintaining Transparency and Accountability at local level**

8.6.1 Promote maximum people’s participation in planning, implementation, monitoring and auditing including social auditing with orientation and engaging in the school activities

8.6.2 Create environment within the schools and GON education offices for credible delivery of services; with responsive, transparent, accountable and ethical governance through behavioral changes in public dealings by adopting the tools prescribed in the RTI and Good governance act/rules

8.6.3 Develop communication strategies and publish periodic reports and make public through regular bulletins, websites, status reports and other print and electronic media including FM radio for awareness and transparency at local level

8.6.4 Respond immediately the complaints with a systematic complaint hearing mechanism

8.6.5 Establish downward/ horizontal accountability of the institutions such as SMC/PTA/SA committee and DEC/DEO and RP/RC at local level

**9. Conclusion:**

The three key variables i.e. participation, transparency and accountability are interchangeably used in good governance practices for strengthening decentralization, rule of law and democracy. Inclusion, access and ownership are only possible through decentralized local governance system. Maximum participation and engagement of the people in the planning and management of the schools will enhance accountability and transparency at local level. The institutional arrangements created at local level such as DEC and SMC have to be truly representative, inclusive and credible so that people can trust, discharge their potential and contribute for improvement in education system. Top down planning along with upward looking structures may not be supportive for ensuring transparency and accountability at local level despite of the excellent rules and procedures. So the instruments and mechanisms designed have to be translated in true spirit and compliance monitoring has to be strictly followed and corrected immediately. The tracking and control mechanisms needs strengthened for maintaining standard for quality assurances. The formal structures of the DEO have to be reviewed and restructured according to the changed context and volume of assigned responsibilities. The instruments suggested for ensuring transparency such as citizen charter, social audit and periodic disclosure of the program and budget through different mediums and media including print and electronic, websites and informal and formal discussions along with a strong communication strategy will contribute for enhancing participation and accountability.

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**Annexes:**

**Annex 1**

**Key areas for amendment or (rewritten) of Social Audit (SA) directive or guideline for schools 2065 :**

**Preamble:** Better to include Rational of Social Audit (SA) in preamble

**Include Objectives** of SA Directive or Guideline

**Include Objectives and principles** of Social Audit

**Amendment in existing directive clause no.2** in definitions of following sub-clauses

**5th (Na) line Definition** of committee refer to clause no 3(2)

**8th (ja) line specify stakeholders** for clarity and categorize as;

1. Parents and guardians
2. Social workers, such as contributors in the form of cash or kind
3. Members of SMC/PTA
4. DEC member if representing from school catchment area
5. VDC/Municipality representatives, representative of WCF, CAC or Cooperatives chairperson of the locality, Social Mobilizes working within the VDC
6. SMC/PTA/SA committee chairs of the adjoining schools
7. Head teachers and member secretaries of adjoining schools
8. I/NGOs, civil society represen5tatives working at VDC/Municipality
9. RPs/School Supervisors
10. Media persons, journalists
11. Invite district level representatives
12. Others

 **Part 1:**

 **Formation of SA committee, working procedures and roles and responsibilities of SA committee**

1. Formation of Social Audit Committee as education rules 171(Ka), include the list of relevant possible invitees
2. Procedures for conduction of meetings and its working procedures
3. Roles and responsibilities of SA committee
4. Preparation of code of conduct of SA committee and guiding rules of for the participants and audience

**Part 2:**

**SA Process and stages**

**Stage 1) preparation**

1. Collection of Data and information
2. Fixation of SA dates at least before 15 days
3. Fixing of agenda of the SA event
4. Prepare list of invitees and dispatch of invitation letters with agenda
5. Nomination of the facilitator of SA event
6. Nomination of the reporters of the SA event
7. Finalization of the presentation materials and draft report and name of the presenter of the report on behalf of the committee

**Stage 2) Organization**

1. Non discriminatory sitting arrangements for participants and SA committee (SAC) members (possibly face to face between participants and SAC members)
2. Chairperson of the SA committee chairs the meeting
3. Arrange attendance register of the participants
4. Facilitator welcomes and presents the ground rules, Code of Conduct (CoC), agenda of the event and other formalities about the conduction of the event and announce probable timings
5. Person responsible for information or report presentation, presents the report in brief,
6. Compliance report of the last year’s suggestions and action presented by presenter
7. Discussions ( Facilitator has to make sure that every one may have opportunity for participation especially encourage women and representatives from DAG)
8. Reporters have to note every points that are raised by the participants
9. Chairperson thanks, highlights key points, and key issues and suggestions made; and adjourns the meeting

**Stage 3) Reporting:**

1. Reporters prepare the report from the notes
2. Facilitator and reporters combine the presented report, incorporate comments on report and include issues and suggestions made by the participants
3. Finalize compiled report for presentation in SAC
4. Report presented in the formal meeting of SAC
5. SAC updates and finalize the report
6. Report submitted to RPs and SMCs
7. RPs compile the report to area supervisors
8. School Supervisors compile and submit to DEO
9. DEO compiles and submit to RED and DOE

**Stage 4) Follow Up:**

1. SAC prepares follow up action plan with responsibility Matrix and forwards to relevant authorities and persons
2. RP prepares thorough follow-up plan of his/her jurisdiction and forwards to School supervisors and similarly prepares for his/her area and forwards to DEO
3. DEO assigns responsibilities to respective persons and authorities for regular follow up and includes status in trimester reports of the RPs and Supervisors
4. Auditors ensure to study the SA report and Follow-up actions
5. Included SA key highlights and achievements and compliance report in the Annual status report published by DEO
6. DOE prepares a separate chapter on its annual status report

**Annex for Social Audit directive:**

The annex for social audit directive may contain:

**Part ‘A’**

1. Tentative Format for the collection of information for Presentation in SA event
2. Key achievements of Last AWPB in financial and physical terms (consistent with SIP or not)
3. Strategic decisions made by SMC and its compliance status
4. List of the scholarship distributed and issues and its effect on access and equity
5. Efforts made for admission for girls and from deprived groups; such as Dalits and minorities and success achieved so far
6. Status of Availability of text books in time
7. Status of construction related/ improvement in physical facilities or logistics such as computers/ learning/teaching aid and equipments/ furniture and furnishing
8. Total calendar days maintained in school
9. Teachers performance and outcome
10. Students retention and drop-out
11. Major Audit objections of last year
12. Compliance of last year’s SA suggestions
13. People’s participations and name of the major contributors/donors and type of contribution
14. Key issues and initiatives taken to resolve emerging issues
15. Others if any

**Part ‘B’**

Name of the participants/stakeholders and their Comments/ suggestions

**Part ’C**’

Compilation Format for RPs/SS/and DEO

**Part ‘D’**

List of the participants/stakeholders attended the meeting

**Annex 2**

 **List of persons met:**

1. Ministry Of Education/ Department of Education

Mr Janardan Nepal Joint Secretary

Dr Lav Deo Awasthi Joint Secretary

Mr Mahashram Sharma Director General

Mr Gokul Pokherel Under Secretary (Account)

Mr Bal Ram Timilsina Deputy Director, DOE

Mr Ram Raj Khakurel Undersecretary, DOE

1. Financial Comptroller General Office

Mr Mahesh Dahal Joint financial comptroller general

Mr Ramesh Siwakoti Deputy financial comptroller general

1. Office of the Auditor General

Mr Jeevan Kumar Suvedi Director

1. District Development Committee Office, Banke

Mr Bishwa Raj Dotel Local Development Officer

Mr Rajesh K C Divisional Engineer

Mr B.B. Khatri Planning, monitoring and administrative Officer

Mr Prakash Acharya Account Officer

1. District Education Office, Banke

Mr Bhakta Bahadur Dhakal District Education Office

Mr Man Prasad Regmi Section Officer

Mr Ganesh Gyawali Account Officer

Mr Som Raj Dangi Accountant

Mr Tank Nath Dahal Resource Person

Mr Bishnu Prasad Sharma Resource Person

1. District Development Committee office, Kavre

Mr Megh Nath Kafle Local Development Officer

1. District Education Office , Kavre

Mr Ram Saran Sapkota District Education Officer

Mr Bharat Raj Tripathi under Secretary

Mr Ramesh Prasad Upreti Resource Person

Mr Poorna Chandra Kafle Resource Person

1. Dhulikhel Municipality Office

Mr. Ganesh Nepali Executive Officer

Mr Shree Bikram Byanju program officer

1. Gyanodaya Higher Secondary School, Khajura, Banke

Mr Purna Bahadur Lodari Chairperson, SMC

Mrs Sita Tiwari Member, SMC

Mr. Jeevan Kadel Member, SMC

Mr Lok Bahadur Shahi Member, SMC

Mr Nutan Poudel Assistant Headmaster

Mr Rishi Ram Sapkota Headmaster

Mr Rishi Ram Gautam Teacher

Mr Chandra Prakash Khadka Accountant

1. Lower secondary School, Pureni, Banke

Mrs Devaki Aryal Head master

1. Lower secondary School, Sahapurwa, Banke

Mr Badre Aalam Khan Headmaster

1. Siddheswar higher secondary School Sidhanawa, Fattepur -8

Mr Om Prakash Pun Principal

Mr Puspalal Shahi Teacher

Mr Muktinath Chaudhari Teacher

Mr Madhur Kumar Thapa Teacher

Mr Dirgharaj Bajgain Teacher

1. Saheed Samarak Higher Secondary School, Kamdi, Banke

Mr Laxman Prasad Gautam Principal

Mr Anil Aali Idreshi Teacher

Mr Prem Prakash B.C Teacher

Mr. Bal Bahadur Oli Teacher

Mr Jakesh Sonkar Teacher

1. Kaliganga Primary School, Charengiphedi, Kavrepalanchowk

Mr. Ramesh Prasad Neupane Head master

1. Janak Higher Secondary School, Bhakundebesi, Kavre

Mr Sthir Prasad Lamsal Head Teacher

Mr Achyut Pd. Dahal Teacher

Mr Prakash Timilsina Teacher

Mr Bimal Khanal Teacher

Mr Udaya Narayan Yadav Teacher

Mrs Kabita Guragain Teacher

Mr Om Prakash Koirala Teacher

Mrs Ganga Adhikari Teacher

Mr Shreekrishna Adhikari Teacher

Mr Ram saran tiwari Teacher

Mr Shivahari Khanal Teacher

Mr Rambabu Bhattarai Teacher

Mr Laxman Yadav Teacher

Mr Sangita Rayamajhi Teacher

1. Hanuman Higher Secondary School, Kavre

Mr Ram Chandra Homegai Head Master

Mr Devi Pd Dhungana Teacher

Mr Madhusudan Dhital Teacher

Mr Man Bahadur Tamang Teacher

Mr Binda Lal Shah Teacher

Mr Dhakal Pd Dhital Teacher

Mr Dhruba Narayan Yadav Teacher

Mr Deependra Pd Pyakurel Teacher

Mr Bhemsen Bahadur Basnet Teacher

1. ADB

Ms Kowswar Chaudhary Senior social Sector Specialist

Mrs Smita Gyawali Program Officer

Mr Bhuban Bajracharya Program coordinator

Mr Pramod Bhatta Education Specialist

Mr Sisir Bhattarai

1. Members of MTR team

Dr Chris Cumming Team Leader

Mr Dipu Shakya Teacher Management and Development Specialist

Mr Farrukh Moriani Governance, Institutional and Capacity Development

Ms Sushan Acharya Equity

**Annex 3**

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1. See CIAA Annual Report No 15 for 2061 (CIAA website) [↑](#footnote-ref-1)
2. Composition of the committee:

PTA chair ----Chair

Two members nominated by PTA, including one women member—member

Ward chairperson of respective ward - member

One intellectual representative nominated by PTA- member

One student who is topper in the highest class - member

One teacher nominated by Head Master- member -secretary

 [↑](#footnote-ref-2)