Report No. 78289-SS

Government of Republic of South Sudan Public Finance Management Assessment: Northern Bahr el Ghazal State

Based on the Public Expenditure Financial Accountability Framework (PEFA)

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CURRENCY AND EXCHANGE RATES

Currency unit = Sudanese pound

US$1 = SDG 3 (As of June 23, 2011)

Government fiscal year (FY): Calendar year

Abbreviations and Acronyms

BCC	Budget Call Circular
BSP	Budget sector plan
BSWG	Budget Sector Working Group
CBTF	Capacity-Building Trust Fund
CEDF	Committee for Economy, Development and Finance
CIFA	Country Integrated Fiduciary Assessment
COFOG	Classification of the Functions of Government
COM	Council of Ministers
CPA	Comprehensive Peace Agreement
GATC	Government Accountancy Training Center
GFS	Government Finance Statistics
GoSS	Government of Southern Sudan
GRSS	Government of the Republic of South Sudan
HRIS	Human Resource Information System
IA	Internal Auditor
IAU	Internal Audit Unit
ICSS	Interim Constitution of Southern Sudan
MoFEP	Ministry of Finance and Economic Planning, GRSS
MoFTI	Ministry of Finance, Trade and Industry, NGBSG
NBGS	Northern Bahr el Ghazal State
NBGSG	Northern Bahr el Ghazal State Government
NGO	Nongovernmental organization
NTR	Nontax revenue
PEFA	Public Expenditure and Financial Accountability
PI	Performance indicator
PIT	Personal income tax
SDG	Sudanese pound
SRA	State Revenue Agency
SSEPS	South Sudan Electronic Payments System.
SSLA	South Sudan Legislative Assembly
SLA	State Legislative Assembly
TA	Technical assistance
TIN	Taxpayer identification number
UNDP	United Nations Development Programme.
UNV	UN volunteer
USAID	United States Agency for International Development
USD	US dollar

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Summary Assessment

The reforms that took place in NBGS between 2007 and 2010 have been mainly in the areas of planning, budgeting, fiscal decentralization, and, to an extent, budget execution, and are based on the public finance management (PFM) reforms at the level of the Government of the Republic of South Sudan (GRSS).

- Planning and budgeting processes are now linked, with high ratings for performance indicators (PIs) 5, 6, and 11 (see table 1). Though further strengthening is desirable, they are developed enough to enable the introduction of a medium-term perspective to budgeting, with a future high score for PI-12.

- Budget execution has strengthened to an extent through the introduction of a centralized payments system and through improved control over the payroll resulting from introduction of an information technology (IT)–based system; salaries comprise about 70 percent of NBGSG expenditure, so control over the payroll is important. More work is required, however, for updating personnel records, and a technical assistance (TA) project is under way in this regard (PI-18).

- The fiscal transfers system provides a reasonably predictable flow of funds from GRSS to NBGSG and has enabled the state to plan and budget, for the most part, with the confidence that the resources will be available to financial execution of the budget (PIs 8 and HLG 1).

Strengthening of revenue administration, components of budget execution, reporting, internal control systems, and accounting and auditing processes has lagged behind (PIs 13–17 and 20–25, partly because of capacity constraints and partly because of the perceived priority attached to strengthening budget preparation and payments processes in support of efficient delivery of much needed basic public services.

- Although a centralized payments system is providing discipline in terms of matching payments to available resources, control systems at the earlier commitment stages of budget execution are working imperfectly, as evidenced by a lack of phasing of expenditure commitments in line with projected cash availability during the year (a spending agency can commit its whole annual budget at the beginning of the year) and payments arrears (“pending payments”) accumulating (PIs 4 and 16). An integrated financial information management system (IFMIS) called FreeBalance was introduced to the state’s Ministry of Finance, Trade and Industry (MoFTI) in late 2010, but it has not yet been fully used as an instrument of expenditure control.

- The State Revenue Authority was established in 2010 and has embarked on a strengthening program with initial focus on introducing tax legislation, educating taxpayers about their responsibilities, bringing more people into the tax net via unique taxpayer identification numbers (TINs), and introducing an IT-based tax administration system that will help improve efficiency and facilitate the preparation of revenue performance reports for the first time. Internal control strengthening measures are needed in order to ensure that all collected revenues are deposited into MoFTI-controlled bank accounts. (PIs 7, 13–15, 20, and 24).

- Reporting and accounting processes are beginning to strengthen. The newly established IFMIS system is enabling the preparation of monthly budget execution reports for the first time (PI-24). These reports include those to be submitted to the newly established (December 2010) States Transfers Monitoring Committee at the GRSS-level Ministry of Finance and Economic Planning (MoFEP) on the use of conditional grants. The monthly reporting system may itself strengthen budget execution by providing the data needed to inform management if corrective measures are needed to bring the budget back on track. MoFTI should be able to prepare a budget execution report for 2011, the first time that an annual report will have been produced.

- The first annual report on budget performance would facilitate the preparation of the first ever annual financial statement of NBGSG (PI-25). Further measures are needed, however, to strengthen accounting mechanisms so that a credible annual financial statement can be produced. These include the need to introduce regular in-year bank account reconciliation mechanisms in terms of bank accounts controlled by MoFTI and all spending agencies (PI-22) and, as recognized by MoFTI, to strengthen accountability for the spending of petty cash advances.

- The internal audit (IA) function was introduced in MoFTI in 2007 but has largely been ineffective, due to capacity constraints and the need to focus the use of manpower on strengthening budgeting and budget execution systems. Slow development of the IA function has been a feature of PFM reforms in other countries also, including neighboring Ethiopia, for the same reasons. The IA directorate in MoFTI has prepared an audit plan for 2011–14 with a focus on areas of perceived high and medium risks. (As described under PI-21 in section 3, the risks are revenue collection, expenditure control, payroll control, fixed-asset management, procurement control, and PFM systems in counties in general).

- As noted in the PEFA assessment of GRSS, a formal PFM law at GRSS level probably needs to be in place first as a basis for introducing some of the measures noted above, particularly in relation to (i) ensuring deposit of all revenues into MoFTI accounts, (ii) enabling MoFTI to have full knowledge of and access to the balances of spending agency bank accounts in support of strengthened cash management, (iii) introducing an orderly in-year expenditure control system, and (iv) requiring the timely preparation of bank reconciliation reports. A draft bill was prepared a few years ago but has yet to be enacted.

- The external audit and legislative oversight functions have until recently played a minimal role in exerting their demand for accountability from the executive branch of government (PIs 26–28). The Audit Chamber in Juba has responsibility for auditing all levels of government, but was hampered in exercising this responsibility until mid-2010, when a new auditor general was appointed. The absence of annual financial statements for NBGSG and capacity constraints within the Audit Chamber will limit the speed with which the Chamber can audit NGBS government institutions. The State Legislative Assembly (SLA) effectively came into existence only in 2010, following elections. The only draft budget that it has effectively reviewed is the one for 2011. Indications are that the SLA is determined to play an effective oversight role.

Assessment of Aweil West County PFM Systems

In addition to assessing the state, the team assessed the systems of Aweil West County. The strengths and remaining challenges needing to be addressed in the county are broadly the same as for NBGSG. A specific challenge is to establish an accounting function in the county administration. Currently there is only a cashier, who looks after the cash safe, but a separate checking function is not in place to reconcile cash inflows and outflows with the stock of cash. Similarly, the lack of an accountant precludes bank account reconciliations and annual financial statement preparation.

A Note on Terminology

The assessment was conducted in June 2011, prior to South Sudan’s independence on July 9. In the earlier drafts of the assessment, the central government was referred to as Government of Southern Sudan (GoSS). In this final report, this term is replaced for the most part by Government of the Republic of South Sudan (GRSS).

Table 1: Summary of Performance Indicator Ratings for Northern Bahr el Ghazal State

Note: Shaded areas represent M2 scoring methodology			Overall	i	ii	iii	iv
A. Credibility of the Budget							
PI-1	Aggregate expenditure outturn compared to original approved budget	**M1**	NR▲	NR▲			
PI-2	Composition of expenditure outturn compared to original approved budget	**M1**	NR▲	NR▲	NR▲		
PI-3	Aggregate revenue outturn compared to original approved budget	**M1**	NR▲	NR▲			
PI-4	Stock and monitoring of expenditure payment arrears	**M1**	NR▲	NR▲	D▲		
B. Comprehensiveness and Transparency							
PI-5	Classification of the budget	**M1**	B	B			
PI-6	Comprehensiveness of information included in budget documentation	**M1**	C	C			
PI-7	Extent of unreported government operations	**M1**	NR	NR	D		
PI-8	Transparency of intergovernmental fiscal relations	**M2**	C+	A	C	D	
PI-9	Oversight of aggregate fiscal risk from other public sector entities	**M1**	D	NA	D		
PI-10	Public access to key fiscal information	**M1**	D	D			
C (i) Policy-based Budgeting							
PI-11	Orderliness and participation in the annual budget process	**M2**	B+	B	A	NA	
PI-12	Multiyear perspective in fiscal planning, expenditure policy, and budgeting	**M2**	D	D	NA	D	D
C (ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	**M2**	C+	B	B	D	
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	**M2**	C+	C	NA	D	
PI-15	Effectiveness in collection of tax payments	**M1**	D	NR	NR	D	
PI-16	Predictability in the availability of funds for the commitment of expenditures	**M1**	D	D	D	NA	
PI-17	Recording and management of cash balances, debt ,and guarantees	**M2**	C	NA	C	NA	
PI-18	Effectiveness of payroll controls	**M1**	D+	B	B	B	D
PI-19	Competition, value for money, and controls in procurement	**M2**	NR	NR	NR	NR	NR
PI-20	Effectiveness of internal controls for nonsalary expenditure	**M1**	D+	C	C	D	
PI-21	Effectiveness of internal audit	**M1**	D	D	D	NA	
C (iii) Accounting, Recording, and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	**M2**	NR	D	NR		
PI-23	Availability of information on resources received by service delivery units	**M1**	D▲	D▲			
PI-24	Quality and timeliness of in-year budget reports	**M1**	NA	NA	NA	NA	
PI-25	Quality and timeliness of annual financial statements	**M1**	D	D	NA	NA	
C (iv) External Scrutiny and Audit							
PI-26	Scope, nature, and follow-up of external audit	**M1**	NA	NA	NA	NA	
PI-27	Legislative scrutiny of the annual budget law	**M1**	B	B	NA	B	NA
PI-28	Legislative scrutiny of external audit reports	**M1**	NA	NA	NA	NA	
D. Donor Practices							
D-1	Predictability of direct budget support	**M1**	NA	NA	NA		
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	**M1**	D	D	NA		
D-3	Proportion of aid that is managed by use of national procedures	**M1**	D	D			
E. Predictability of Fiscal Transfers from Higher Level Government (HLG)							
HLG-1	Predictability of fiscal transfers from GRSS: (i) year-on-year and (ii) within the year		A	A	A		

NR = Not Rated, as data not available. NA = Not Applicable, as not applicable under the current situation.
▲= measures being taken now that should result in an improved rating in the future.
M1 = Method 1 and M2 = Method 2; these indicator scoring methods are defined in section 3.1.
Columns i, ii, iii, and iv represent dimensions—or subindicators—that address key elements of the PFM process. The dimensions and their scores are discussed in section 3.

1. Introduction

1.1 Objective

The purpose is to assess the public finance management (PFM) system performance of the Northern Bahr el Ghazal State Government (NBGSG). The assessment is one of a number of PEFA assessments being conducted in South Sudan: the others concern Government of the Republic of Southern Sudan (GRSS), Unity State, Jonglei State, and Western Equatoria State. These assessments will later feed into a Country Fiduciary Risk Assessment (CIFA) along with a Country Procurement Assessment Report being prepared by another World Bank team on the procurement systems of GRSS and the same state governments.

1.2 Process of Preparing the Report

Under contract to the World Bank and the Task Team leadership of Adenike Sherifat Oyeyiola, a team of four consultants visited South Sudan during June 5–26, 2011. The team consisted of Peter Fairman (team leader), Getnet Haile (contracted by UNDP), Charles Mugerwa, and Gregory Smith. The assessment was funded by the World Bank, South Sudan-MDTF and the UNDP.

The team visited Aweil, capital city of Northern Bahr el Ghazal State (NBGS), during June 12–17, 2011.

The team had made contact with UNDP in Juba the week before in order to obtain background information on NBGSG. The UNDP officials in Juba and Aweil facilitated the team's meetings in the State.

During June 15–16, the team met with officials from MoFTI, the State Ministry of Education, State Revenue Authority, and State Legislative Authority (SLA). The acting director for planning and budgeting in MoFTI was away and nobody else was available to discuss planning and budgeting systems. Instead, the team met with one of the UNDP Support to States Project staff, Ephraim Israel, a UN volunteer (UNV), who was specifically advising MoFTI on planning and budgeting; . The team also visited Aweil West County (70 kilometers from Aweil) in the morning of June 16. If more time had been available, the team would have visited another one or two sector ministries (for example, the Ministry of Health and Ministry of Agriculture), the local Chamber of Commerce, and another county.

The team expresses its appreciation and thanks to all the officials met for their excellent cooperation. The team also thanks the UNDP Support to States Project staff for their generosity in allowing us to use their already limited office space and Internet facilities, particularly during the first two days of the team's visit.[1]

A first draft report was submitted to World Bank on July 8, 2011. On the basis of comments received from the World Bank, PEFA secretariat and UNDP in early August, the team submitted a second draft report to the Bank on September 1, 2011, prior to the PEFA workshop held in Juba on September 5, 2011. This third and final draft report was submitted

[1] The assessment team had been hoping to meet two other Supports to States Project staff, also UNVs—the financial management specialist and the local revenue Specialist—but unfortunately they were both out-of-country.

on September 27, 2011. The assessment was funded by the World Bank, Southern Sudan MDTF and the UNDP.

1.3 Scope of the Assessment

The PEFA assessment is focused on the PFM systems of NBGSG in South Sudan and the county of Aweil West, one of NBGS's six counties. (Originally two counties were to be covered, but for reasons explained above it was possible only to cover one).

The county is the level of government immediately below the state government. It is politically distinct from the state government, as it has its own elected council (in theory—in practice these councils have not yet been established), and has its own legally defined revenue raising and expenditure assignments. Under the county level are *payams*, which are geographically dispersed units of the county government and, as such, are not assessed separately.

The PEFA Framework is not used to assess the PFM system of Aweil West, though the same areas are covered. Development of PFM systems is still in its early stage at the county level and, in any case, the smallness of the counties and their heavy reliance on senior levels of government and donor agencies for fiscal transfers and procurement restricts the meaningfulness of applying the PEFA scoring methodology to them.

2. Background Information

2.1 General Information

Box 2.1 contains background information on NBGS.

Box 2.1: Key Facts about for Northern Bahr el Ghazal State

- Population: 721,000, of which 53 percent is younger than 18 and 92 percent is rural— It is the most rural of the country's states.
- Area: 30,543 square kilometers, one of South Sudan's smaller states.
- Population density is 24 per square kilometer, higher than the average of 13 per square kilometer for South Sudan as a whole, but considerably lower than in Uganda, where it is 136 per square kilometer.
- 21 percent of the adult population (15 years and above) is literate, lower than the 27 percent literacy for South Sudan as a whole.
- 76 percent of the population lives below the poverty line, the highest of any state in South Sudan.
- 80percent of households depend on crop farming or animal husbandry as their primary source of livelihood. Aweil West County has very fertile land, and livestock herding remains a key component of the county's culture.
- 66 percent of the population has access to improved sources of drinking water.
- Of the five counties, Aweil East is the largest in population, with 43 percent of the total population of NBGS, and Aweil Center is the smallest, with 6 percent of the population; Aweil West is the second largest county, with about 23 percent (166,217) of the population of the state. The county is divided into nine *payams*, which are basically administrative units of the county government, where many services are delivered.[2] *Payams* are themselves subdivided into Bomas and Villages. The 2011 budget summarizes the state of roads, primary schools, primary health care, water supply, and general administration infrastructure in the county.

Sources: Southern Sudan Centre for Census, Statistics and Evaluation, "Key Indicators for South Sudan" (Juba: 2010); and2011 Budget for West Aweil County.

The NBGSG comprises 19 spending agencies divided into six sectors: (i) Accountability and Economic Functions, (ii) Education, (iii) Health, (iv) Natural Resources and Social Development, (v) Physical Infrastructure, and (vi) Public Administration and Rule of Law. Services are provided in counties as well as in the capital city, Aweil. Total employees in 2011 are estimated at 11,382, up from 10,715 in 2010 (excluding county-level employees funded by transfers from NBGSG).

The administration for Aweil West County is divided into seven departments: (i) General Administration, (ii) Education, (iii) Health, (iv) Agriculture, (v) Water, Sanitation and Hygiene, (vi) Social Development, and (vii) Public Works. The number of staff, as listed in

[2] The *payams* are: Mariam East, Mariam West, Gomjuer East, Gomjuer Centre, Gomjuer West, Ayat East, Ayat Centre, Ayat West, and Achana.

the 2011 budget, is 683, of which 583 are classified employees (grades 1–12 and 14, according to the GRSS civil service structure, which is used also at lower levels of government). One hundred are unclassified staff (grades 13, 15–17). The bulk of employees work in the education and health departments.

2.2 Government Reform Program

The state governments are implementing the same PFM reform programs as at the central government level, with the help of MoFEP and key spending agencies (for example, Health), supported by technical assistance from donors, particularly UNDP: Economic Planning Project, Local Government and Recovery Project, and Rapid Capacity Placement Initiative (in connection with deployment of UN volunteers with PFM expertise. The sequence is similar to that of the central government PFM reform program, with initial strong emphasis on strengthening planning and budgeting systems and using the same techniques. Reforms in budget execution are also similar, though somewhat lagging the reforms at central level. Capacity and capability issues are even more pressing than at central level.

2.3 Description of 2010 and 2011 Budgets

2.3.1 NBGSG

The NBGSG budget for 2011 is structured as follows:

- *Executive Summary*: Includes identification of challenges faced in preparing the budget, particularly: (i) late notification from GRSS of fiscal transfers to be received in 2011, (ii) collation of data on revenue collected by different collecting agencies, (iii) difficulties in preparing 2010 expenditure execution reports, (iv) difficulty in collecting information on development partner activity, (v) difficulties faced by some spending agencies in indicating key planned activities for 2011, and (v) shortage of skilled manpower. Data on execution of the 2010 budget was available only up to September 2010 and it was not possible to provide estimated outturns for 2010.
- *Section A: Plan and Budget Overview*
  - Summary of sector objectives for 2011 for each of the six sectors.
  - Aggregated summary of revenue and expenditure and key change from 2010 (more funding for capital expenditure, funding of pension scheme and building up reserve fund).
  - Summary breakdown of fiscal transfers, revenue and expenditure (by sector, spending agency, chapter and county).
- *Section B: Details of Budgets of Spending Agencies*: grouped under the six sectors. Each subsection (covering one spending agency) starts with a narrative describing fiscal performance during 2010, where data was available. Tables follow, indicating (i) allocations to each directorate within the spending agency by broad economic classification (salaries, operating and capital expenses) and a summary of activities planned by each directorate; (ii) budget estimates for each spending agency by each expenditure item, coded according to the detailed economic classification; and (iii) detailed capital expenditure estimates.

- *Annexes* containing budgets of each county government in the same format as under Section B (a summary is also included under Ministry of Local Government in section B, as the spending agency with responsibility of overseeing local government affairs).

Table 2.1 presents an overview of NBGSG budgets for 2010 and 2011. Table 2.2 presents the same budgets broken down by sector. Table 2.3 presents the proportional source of revenues for these budgets.

Table 2.1: NBGSG 2010 and 2011 Approved Budgets

SDG million	2010 Budget	2011 Budget	% composition
Financial Resources	**121.4**	**152.9**	**100**
Transfers from GRSS	*113.5*	*141.6*	*92.6*
Block	49.1	69.4	
General	40	56.1	
State Legislative Assembly (CDF)	5.1	5.4	
Counties (for capex)	4	7.9	
Conditional grants 1/	64.4	72.2	
Own Revenue	*7.9*	*11.3*	*7.4*
Tax	6.8	9.5	
Nontax	1.1	1.8	
Expenditures	**121.4**	**151.4**	**100**
Salaries	NA 2/	93.9	62.0
Operating	NA	17.3	11.4
Capital	NA	18.8	12.4
Transfers to counties & CDF 3/	NA	21.4	14.1
Balance	**0**	**1.5**	
Accumulation/use of reserves	0	-1.5	
(- = accumulation)			

Source: NBGSG 2011 budget document. The table excludes county revenues and expenditures.
1/ Provided by 21 GRSS spending agencies for salaries (mainly) and operating and capital expenditures.
2/ Not available in 2011 budget document. The 2010 budget document was not available to the team.
3/ CDF = Constituency Development Fund for projects in counties selected by SLA members: SDG 2.9 million in 2011, zero in 2010. The CDF is funded by a capital transfer from SSLA,

Table 2.2: NBGSG Expenditure by Sector, 2011 Budget [1/]

SDG million	2011 Budget	% composition
Total Expenditure by sector	**151.4**	**100.0**
Accountability and economic development	16.4	*10.8*
Education	24.5	*16.2*
Health	7.1	*4.7*
Natural resource and social development	7.6	*5.0*
Physical infrastructure	8.7	*5.7*
Public administration and rule of law	87.1	*57.5*

1/ The 2011 budget shows the sector composition of the 2010 budget, but the data appear not to be correct.
The sector composition includes the transfers to the counties and does not indicate the expenditure composition of NGBSG-specific expenditure. As transfers to counties are only 14 percent of total expenditure, the expenditure composition is probably similar.

Table 2.3: NBGSG Composition of Revenues

SDG million	2010 Budget	% composition	2011 Budget	% composition
Revenues	**7.9**	**100.0**	**11.3**	**100.0**
Tax	*6.8*	*86.1*	*9.5*	*84.1*
Personal income tax	5.2	65.8	4.0	35.4
Profits tax	0	0.0	0.5	4.4
Sales tax	0	0.0	2.4	21.2
Stamp duties	0.2	2.5	0.2	1.3
Excise duties	0	0.0	0.2	1.8
Household tax	1.4	17.7	1.5	13.3
Rental income tax	0	0.0	0.3	2.2
Property tax	0	0.0	0.5	4.4
Nontax	*1.1*	*13.9*	*1.8*	*15.9*
Local market revenues	0.7	8.2	0.6	5.3
Trading licenses	0.5	5.7	1.2	10.6

Source: 2011 budget.

About 85 percent of domestic revenues consist of tax revenues, the largest item of which is the personal income tax. This appears to have been overestimated in 2010, and a lower forecast is projected in 2011. Other items of tax are forecast to be significantly higher than in 2011.

2.3.2 Aweil West County

The County Development Plan and Budget for 2011 is structured as follows:

- *Executive Summary*: The strategic plan and budget were prepared on the basis of extensive consultations with stakeholders and assistance from donor partners. Preparation faced many challenges, including capacity constraints, inadequate office space and facilities, and lack of community awareness. Nevertheless, a rigorous process of prioritization took place in determining the composition of the 2011 budget. The most important priorities were funded, but unfunded priorities remain.
- *Chapter 1: Background & Introductory Notes*: Objectives of County Development Plan; socioeconomic, demographic, and political background; and identification of infrastructure constraints in each sector.
- *Chapter 2*: Analysis of human resource constraints, identification of key development partners (several, including NGOs), analysis of key departmental development issues (for example, lack of school buildings), Strength, Weaknesses, Opportunities and Threats (SWOT) analysis.
- *Chapter 3*: (i) Identification of departmental priority areas, program priority areas under each department, activity priority areas under each program, and estimated costs of addressing these (using roughly the same methodology as at central GRSS level: for example, under the Education Department, primary education is regarded as a program priority area, and a priority activity is constructing four primary schools in each *payam*; (ii) county resource envelope; and (iii) projections of annual expenditures for each department according to broad economic classification.
- *Chapters 4–6:* Estimation of (i) salary and allowance costs for each grade under each department; (ii) operational costs by item (for example, domestic travel) for each department according to quantities and unit costs; and (iii) capital costs by item for each department according to quantity and unit costs.
- *Chapter 7: Annual Plan and Budget:* A matrix showing, for each department, program, objectives, activities, costs, and funding sources. The matrix is divided into two, the first section concerning funded priorities, the second concerning unfunded priorities.
- *Chapter 8: Revenue and Expenditure Statement.*

Table 2.4 summarizes the 2011 budget. Own revenues make up only 6.3 percent of the budget. Fiscal transfers finance all of salary and capital expenditures. As noted in the 2011 budget document for NBGSG, the allocation for capital expenditures has been increased significantly since the 2010 budget.

Table 2.4: Aweil West County, Summary of 2011 Budget

SDG 000s	2011 Budget	% composition
Financial Resources	**3150**	**100.0**
Fiscal transfers	***2950***	***93.7***
Transfers from GRSS (for capex)	*1580*	*50.2*
Transfers from NBGSG for salaries	1334	*42.3*
Transfers from NBGSG for opex	36	*1.1*
Own Revenue	***200***	***6.3***
Tax	*120*	*3.8*
Land tax	28	*0.9*
Household tax	45	*1.4*
Daily collections tax	15	*0.5*
Trading license tax	32	*1.0*
Non-tax	*80*	*2.5*
Permits	17	*0.5*
Court fees	12	*0.4*
Auction fees	27	*0.8*
Slaughtering fees	26	*0.8*
Expenditures	**3,150**	**100.0**
Salaries	1,334	42.3
Operating	236	7.5
Capital	1,580	50.2
Balance	**0**	
Accumulation/use of reserves	0	
(- = accumulation)		

Note: The 2011 budget document contains no data on 2010 budget.

Table 2.5: Aweil West County 2011 Budget, Sectoral Composition of Expenditures

SDG millions	2011 Budget	% composition
Total Expenditure by sector	**3,149.7**	**100.0**
Accountability, Public Administration & Rule of Law	1,487.7	*47.2*
Education	501.5	*15.9*
Health	731.5	*23.2*
Agriculture	121.5	*3.9*
Water & sanitation	307.5	*9.8*
Physical infrastructure	0	*0*

Expenditure on accountability, public administration, and the rule of law makes up nearly 50 percent of expenditure. This is mainly because the state government has significant responsibilities for basic service delivery and infrastructure development in many areas.

2.4 Legal and Institutional Framework for PFM

2.4.1 Legal framework for PFM

The legal framework for PFM in South Sudan originates in the Interim Constitution of Southern Sudan (ICSS), 2005. The key sections are summarized in the GRSS level PEFA assessment. State governments have prepared their own state-level interim constitutions, broadly mirrored on the ICSS; the assessment team was unable to access the interim constitution for NBGS.

The Revenue Authority Act, accompanying tax acts, and the 2011 Appropriations Act have recently come into force. These are referred to under the relevant performance indicators in section 3.

2.4.2 Institutional framework for PFM

Important institutional developments in the past 18 months have been the following:

- The installation of FreeBalance at MoFTI, albeit only one unit.
- The roll out of the Southern Sudan Electronic Payroll System in the states.
- The issue by MoFEP of “Planning Guidelines for States and Counties” in May 2010, “Payment Procedures” in February 2011 (mirrored on the GRSS-level “Payments Procedures”), and “Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year, 2011,” in April 2011.

The structure of MoFTI broadly mirrors that of MoFEP at GRSS level: the two key departments are Planning and Budgeting, and Accounting. The internal audit unit is stand-alone.

These developments are discussed in more detail in section 3 under the relevant performance indicators.

3. Assessment of the PFM Systems, Processes, and Institutions

3.1 Introduction

Section 3 provides the detailed assessment of the PFM indicators presented in table 1 of the Summary Assessment. The summary of scores is based on actual performance detailed here. The scoring methodology does not recognize ongoing reforms or planned activities, but these are summarized at the end of the discussion on each subsection.

Each indicator contains one or more dimensions (columns i, ii, iii, and iv in table 1), or subindicators, that address the key elements of the PFM process. These are described with their relevant performance indicators. Two methods of scoring are used. Method 1 (M1) is used for all single dimensional indicators and for multi-dimensional indicators when low performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator). A plus sign is given where any of the other dimensions are scoring higher.

Method 2 (M2) is based on averaging the scores of individual dimensions of an indicator. It is prescribed for multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table for two, three, and four dimensional indicators is used to calculate the overall score.

3.2 Budget Credibility

Good practice in public financial management emphasizes the importance of the budget being credible so that planned government policies can be achieved. Budget credibility requires actual expenditures to be similar to approved budgets—in both aggregate and composition of expenditure terms—and that there are no unpaid bills, which eventually have to be paid at the expense of the provision of public services in future years. The following matrix from table 1 (presented in the Summary Assessment) summarizes the assessment of indicators relating to budget credibility.

Assessment of Performance Indicators of Budget Credibility

No.	Credibility of Budget	Score	Dimensions	Scoring Methodology
PI-1	Aggregate expenditure outturn compared to original approved budget	NR▲	NR▲	M1
PI-2	Composition of expenditure outturn compared to original approved budget	NR▲	NR▲	M1
PI-3	Aggregate revenue outturn compared to original approved budget	NR	NR	M1
PI-4	Stock and monitoring of expenditure payment arrears	NR▲	(i) NR (ii) D▲	M1

PI-1: Aggregate expenditure outturn compared to original approved budget

It is not possible to rate this indicator, for two reasons:

- The 2008 and 2009 budgets were not reviewed by the State Legislative Assembly (SLA), as this was not yet operative—elections were not held until 2010. The Council of Ministers (CoM) approved the budgets, but such approval lacks legitimacy as it does not necessarily reflect the public will. The SLA became operative in early 2010, following elections, but was not yet in a position to scrutinize the draft budget presented to it. The 2011 budget is the first one to go through the process of legislative scrutiny and final approval.
- In any case, MoFTI did not record the expenditure outturns for 2008–10. (The 2011 budget contains expenditure outcomes for the first nine months of 2010 only.) Automated systems for recording expenditures were not yet in place: (i) FreeBalance was installed only at the beginning of 2011 and (ii) line ministries did not report to MoFTI on their expenditures financed by the petty cash disbursed to them each month by MoFTI.

Having said this, the aggregate expenditure outturn, if reported on, would likely be close to the "approved" budgets, as nearly all the financial resources of NBGSG come from the unconditional and conditional grants provided by GRSS. The actual resources provided have been close to the amounts stated in the GRSS budget, implying a high level of predictability.

With FreeBalance now functional, monthly budget implementation reports are being generated and it should be possible for an annual budget implementation report to be prepared for 2011.

Aweil County: The same situation broadly applies, except that, in the absence of an IT-based budget performance-reporting system, the preparation of budget performance reports may not be forthcoming, at least in 2011.

PI-2: Composition of expenditure outturns compared to original approved budget

Ideally, spending agencies should be confident at the beginning of the year that they will be able to implement their approved budgets. Such confidence facilitates planning for the delivery of public services smoothly during the year.

This indicator cannot be rated, for the same reasons that PI-1 could not be rated.

PI-3: Aggregate revenue outturn compared to original approved budget

Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are based on that forecast.

NBGSG's revenues comprise only 7.5 percent of the state's total financial resources, the remainder consisting of fiscal transfers from GRSS (as stated in the 2011 budget). As with expenditure performance, MoFTI does not have records of revenue performance for 2008–2010, as the State Revenue Authority has not been providing these. Section 2 summarizes revenue estimates for 2010 and 2011, as contained in the 2011 budget estimates.

PI-4: Stock and monitoring of expenditure payment arrears

This indicator is concerned with expenditure payment arrears. A high level of arrears can indicate problems such as inadequate expenditure commitment controls, cash rationing, and inadequate budgeting for contracts.

A centralized payments system is in effect in NBGSG. MoFTI is responsible for approving all payments requests submitted by spending agencies, and for paying suppliers directly (for purchases of goods and services above a certain limit) or depositing the funds for payments in spending agencies' bank accounts (for wages and salaries and purchases of goods and services up to a specified limit). For approval, a payments request must be consistent with the approved budget. Once a payments request is approved, it becomes a "pending claim." The actual payment depends on the availability of cash, with wages and salaries and transfers to counties having first priority. The payments request and payments processes are specified in "Payments Procedures" issued by MoFTI in February 2011 (the first time such a document was issued; it is based on a similar document issued by the GRSS MoFEP in 2008).

There is no standard definition of "arrears" in NBGSG. In practice, however, arrears can be defined as "pending claims" outstanding at the end of the fiscal year, excluding those that are less than 30 days old. At central GRSS level, they also include contractual obligations that have been incurred without sufficient budget provision but which have been approved as payables anyway (due to the legal obligation to pay) plus contractual obligations that have been incurred without sufficient budget provision, and which have not yet been approved as pending claims due to insufficient cash availability or due to some doubts as to the validity of the contractual obligation. At NBGSG level, the incidence of such contractual obligations is very low, according to MoFTI; the unbudgeted purchase of food grains and dura at very high expense in 2007 was at central GRSS level.

According to MoFTI, pending claims have been accruing since 2008. It, however, has no record of the total stock of pending claims at the end of December 2010, as the data are contained in individual folders and have not been collated. Systematic recording of pending claims started only in April 2011 in the form of an arrears ledger (showing dates of pending claims, nature of claim, and date of payment); the recording of data was still a work in progress. Payments requests that have not been approved (for example, because of insufficient supporting documentation) are kept in the office of the Minister of MoFTI.

The minister of MoFTI informed the assessment team that clearing of all pending claims this year was a priority. Extra care was being taken in regard to entering into expenditure commitments. As indicated in Section 6 of the 2011 Appropriations Act (and reiterated in Section 4.4. of "Payments Procedures") line ministries now have to obtain prior confirmation from MoFTI that sufficient funds are available from their balances of budgetary appropriations to finance the proposed contract (expenditure commitment), followed by the signature of the State Ministry of Legal Affairs in order for the contract to be legally binding. These procedures apply for proposed contracts larger than specified thresholds.[3] All orders to

[3] Contracts for goods worth over SDG 40,000, contracts worth over SDG 100,000, and consultancy services worth over SDG 20,000.

purchase goods and services should be recorded as obligations (commitments) to be recorded against appropriated funds at the time the order is placed or a contract is signed.

The minister also informed the assessment team that NGBSG had not been involved in the Strategic Grain Reserve affair (the unbudgeted high-value contract entered into in 2007 to purchase food grains and dura), as this had been entirely conducted at central GRSS level. However, NGBS had been adversely affected as GRSS had assigned responsibility to state governments to store the food grains and dura. NGBS had neither the capacity to store the grain reserves nor the training needed to manage the reserves. As a result, a lot of dura was wasted.

Breakdown of PI-4 Scores

Score	Minimum Requirements	Justification	Information Sources
NR▲ (M1)			
NR	*(i) Stock of expenditure payment arrears and any recent change in the stock* The stock of arrears was not known at the end of December 2010	MoFTI knows that pending claims have been accumulating since 2008. However, until March 2011, it did not have a system of recording and aggregating these claims. Since March 2011 the Directorate of Accounts has been developing a pending claims recording ledger, work on which was still ongoing at the time of this assessment. It keeps a record of when approved claims (payables) are paid. The ledger does not include payments requests that have not yet been approved.	Interview with minister of MoFTI. Directorate of Accounts Appropriations Act, 2011, Section 6 on Contractual Obligations "Payments Procedures," February 2011, Section 4.4
D▲	*(ii) Availability of data for monitoring the stock of expenditure payment arrears.* There are no reliable data on the stock of arrears from the last two years	The PEFA scoring criteria apply to the situation at the end of the past two financial years. A system of monitoring arrears has only recently (March 2011) been established and is still under development.	Minister of MoFTI Directorate of Accounts

Aweil West County

The county has never had any unpaid pending claims outstanding at the end of the year. The main reason is that 94 percent of its resources are in the form of transfers from NBGSG and GRSS. Forty-two percent of resources are for salary payments. Fifty percent are for capital projects, via a grant from GRSS for capital projects, for which disbursement is conditional on the capital projects being reflected in the approved budget. So, for 92 percent of expenditures, the issue of pending claims unpaid at the end of the year does not arise. The block grant from NBGSG for operating expenses (1.1 percent of resources) is predictable. The main area of unpredictability, which could result in pending claims outstanding at the end of the year, is own revenues (7 percent of resources). The county has managed expenditure commitments against projected own revenues so that pending claims are paid without significant delay.

3.3 Comprehensiveness and Transparency

The indicators in the Comprehensiveness and Transparency dimension of PFM assess to what extent the budget and fiscal risk oversight are comprehensive, as well as to what extent fiscal and budget information is accessible to the public. The following matrix summarizes the assessment of indicators under this dimension.

Assessment of Performance Indicators for Comprehensiveness and Transparency

No.	B: Comprehensiveness and Transparency: Cross-cutting Issues	Score	Dimensions	Scoring Methodology
PI-5	Classification of the budget	B	(i) B	M1
PI-6	Comprehensiveness of information included in budget Documentation	C	(i) C	M1
PI-7	Extent of unreported government operations	NR	(i) NR (ii) D	M1
PI-8	Transparency of intergovernmental fiscal relations	C+	(i) A (ii) C (ii) D	M2
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D	(i) NA (ii) D	M1
PI-10	Public access to key fiscal information	D	(i) D	M1

PI-5: Classification of the budget

A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional, and program. The classification system used by NBGSG (and Aweil West County) is a simplified version of the one used by GRSS. Expenditures are clearly labeled by sector, spending agency, directorate within each agency, and by “chapter” (salaries, operating, or capital). There are six sectors broadly corresponding to functions: Accountability and Economic Functions, Education, Health, Infrastructure, Natural Resources and Social Development, and Public Administration and Rule of Law. Some sectors contain more than one spending agency. Some sectors, for example, Education and Health, specifically include development partner activities. For each directorate, information is provided on the activities that are planned to be undertaken. The activities themselves are not coded.

The sectors are not the same as COFOG functions, but at this level of government, the fit is close enough; the main point is that the budget classification system clearly shows the purpose of government spending, and this is the case.

Breakdown of PI-5 Scores

Score	Minimum Requirements	Justification	Information Sources
B (M1)			
B	*(i) The classification system used for formulation, execution and reporting of the central government’s budget.* The budget formulation and execution is based on administrative, economic, and functional classification (using at least the 10 main COFOG functions), using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards	The budget classification coding system used by NBGSG (and Aweil West County) is a simplified version of the one used by GRSS. The classification is on a sectoral and administrative basis (each spending agency belongs to a sector). Each spending agency is split into directorates, each with its own GFS-consistent economic classification system and uncoded set of activities. The sectors do not match COFOG, but nevertheless the coding system clearly reflects the purpose of government spending.	NBGSG and Aweil West County budget books for 2011

PI-6: Comprehensiveness of information included in budget

Annual budget documentation (annual budget and supporting documents) should inform the executive, the legislative, and the general public and assist in informed budget decision making and transparency and accountability. In addition to the detailed information on revenues and expenditures, and in order to be considered complete, the annual budget documentation should include information on the elements in table 3.1, where assessment is also made about their availability in NBGS.

Table 3.1: Information Provided in the Budget Documentation

No.	Item	Available	Justification/Source
1	Macroeconomic assumptions, including at least estimates of aggregate growth, inflation, and exchange rate	No	Source: 2011 approved budget.
2	Fiscal deficit, defined according to GFS or other internationally recognized standard	Yes	The 2011 approved budget shows a surplus (savings).
3	Deficit financing, describing anticipated composition	Yes	The 2011 approved budget shows a surplus, so deficit financing is zero.
4	Debt stock, including details at least for the beginning of the current year	N/A	NBGSG does not incur debt.
5	Financial Assets, including details at least for the beginning of the current year in a timely manner.	No	Financial assets will be shown as cash balances in the annual financial statements once they are prepared (none prepared to date).
6	Prior year's budget outturn, presented in the same format as the budget proposal	N/A	There was no budget for 2009.
7	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal	Yes	The current year's budget is shown (the budget was not revised), along with estimated outturn up to September for revenues and expenditures for most spending agencies. As noted in the 2011 budget document, collating the data for the estimated outturns was beset with problems (this was the first time), but this situation is expected to improve in time for preparation of the 2012 budget.
8	Summarized budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year	N/A	There was no budget for 2009.
9	Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs	No	Apart from the detailed estimates, the 2011 budget document contains narrative on physical performance during the current year, and sector expenditure objectives, priorities, and key activities for the next budget year. There is no explicit differentiation between "new policy initiatives" and spending on services currently being provided.

Breakdown of PI-6 Scores

Score	Minimum Requirements	Justification
C (M1)		
C	*(i) Share of the information benchmark in the budget documentation most recently issued by the central government* Recent budget documentation fulfils 3-4 of the 9 information benchmarks.	Given GRSS cannot borrow, the fourth information benchmark is not applicable here. Neither are the fourth and eighth benchmarks applicable, as there was no budget in 2009. Hence, recent budget documentation fulfils three of the six relevant information benchmarks. See table 3.1 for further explanation.

PI-7: Extent of unreported government operations

Annual budget estimates, in-year execution reports, year-end financial statements, and other fiscal reports for the public should cover all budgetary and extrabudgetary activities of regional government to allow a complete picture of regional government revenue, expenditures across all categories, and financing.

(i) Level of unreported extrabudgetary expenditure (other than donor-funded projects)

The budgets of all NBGSG and Aweil West County spending agencies include all public spending falling within their mandate.

Unreported collection and spending of domestic tax revenue represent unreported extrabudgetary operations. As is the case with GRSS, anecdotal evidence suggests that not all revenue collected is deposited in the bank accounts of MoFTI and the Revenue Authority. A portion of revenue tends to be collected in physical cash form, and the managers of the collectors are supposed to deposit the money into bank accounts or into the cash safe (in the case of Aweil West County). Revenue components collected in this way include household tax (poll tax), local market revenues, and trading licenses. (Personal income tax, comprising about two-thirds of domestic revenues, is deducted at source by employers and deposited into the State Revenue Authority’s bank account.)

It is difficult for MoFTI to monitor the situation, as a multiple copy-sequentially numbered receipting system is only partly in place. The 1995 Ordinance on Financial and Accounting Procedures, though now only partly observed, provides for receipts for revenue collection, through Form 15. This is a unique receipt that must be issued for all legal revenues collected. It is only in bi-duplicate form, however (one for payer and one for the receipt pad, for the spending agency), when ideally a third slip should be attached for the finance ministry/revenue authority. A series of other forms used to be used that effectively tracked the receipt of the revenue into the bank account or cash safe, but their use has more or less died out. In any case, Form 15 is not always used and other single-copy receipts are used instead, the result being no audit trail. Use of single-copy receipts makes it easier for spending agencies to keep the revenues for themselves and to spend it on items outside the approved budget.[4] [5]

One way for MoFTI to detect nondeclared, nontax revenues collected by spending agencies would be through the bank statements of the agencies. But agencies are not required to disclose their bank statements to MoFTI, neither are the banks themselves; the draft PFM bill prepared by GRSS provides for this, but it has yet to be enacted. The internal audit function in NBGSG, which could guard against such practices, has yet to get off the ground.

4 The assessment team experienced this directly through the payment of airport tax at Juba airport prior to taking a domestic flight. An unnumbered single slip receipt was issued, thus indicating the possibility that the revenue might not be surrendered to GRSS-level MoFEP; no receipt was issued for the return flight. As mentioned to the assessment team by representatives of MoTR, this behavior is partly to get around insufficient funding from MoFEP to pay for wages and fuel requirements. A study commissioned by MoFEP in 2009 and funded by AfDB discusses (section 2.29) the hazards of not having a proper receipting system in place. See Zeru Gebre Selassie “Non-Oil Revenue Study,” vol. 1 (Juba: MoFEP, October 2009).

5 The UNDP representatives met by the assessment team on April 20 during the GRSS PEFA assessment also mentioned the issue of nonreporting of revenue collection at both state and county level.

(ii) Income/expenditure information on donor-funded projects which is included in fiscal reports

Most of the donor partners that operate directly with NBGSG are NGOs; official multilateral and bilateral-funded programs and projects being implemented within NBGS come under the auspices of GRSS. The 2011 budget makes reference to only one NGO, CONCERN, which is implementing a project in the natural resources and development sector, at an estimated cost of SDG 6 million in 2011. The budget document refers to the need to include donor operations within NGBSG budgets in the future. One way of doing this would be to include donor agencies in Budget Sector Working Groups (as discussed under P-11).

The 2011 budget for Aweil West County mentions support from several donor agencies, but the amount of support in financial terms is not indicated.[6]

Breakdown of PI-7 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M1)			
NR	*(i) Level of unreported extrabudgetary expenditure (other than donor-funded projects)* It constitutes 1 percent to 5 percent of total expenditure.	It is possible that a proportion of domestic revenue is collected but not deposited in NBGSG's bank account/cash safe and is then spent outside the budget. The 2010 budget estimate for domestic revenue excluding personal income tax amounted to SDG 2.7 million, 2.2 percent of budgeted expenditure. Even if double this amount was collected and then spent outside the budget, the proportion of the budget that this represents would still be less than 5 percent. But it is not possible to tell, so the dimension cannot be scored. A rigorous receipting system is not in place that would guard against such unreported government operations.	Interviews with MoFTI and State Revenue Authority NBGSG 2011 budget, provided by MoFTI. "Non-Oil Revenue Study," October 2009 (footnote 4)
D	*(ii) Income/expenditure information on donor-financed projects which is included in fiscal reports* This area is seriously deficient.	The NBGSG 2011 budget refers to the need to include donor projects in the budget estimates in future years. The 2011 budget is the first one prepared that went to the State Legislative Assembly for approval, and budget preparation is still in the learning phase. The Aweil West County budget for 2011 mentions the names of various donor agencies providing support, but not their planned spending.	NBGSG 2011 budget document Aweil West County Budget, 2011

PI-8: Transparency of intergovernmental fiscal relations

As with other state governments, NBGSG provides fiscal transfers to its five counties in the form of transfers for paying salaries and transfers for funding operating expenses. Counties also receive funding from GRSS for capital projects, channeled through NGBSG. As with the allocation formulae, these are very simple, following the same principles as for the transfers from GRSS to NBGSG (discussed under PI-8 of the GRSS PEFA assessment). As shown in the 2011 budget for NBGSG, the allocation from NBGSG for operating expenses in each county is SDG 36,000. The allocation from NBGSG for paying salaries is based on the number of employees in each county government, while the allocation from GRSS for the

[6] The donor agencies mentioned are: UNDP, UNICEF, Food and Agricultural Organization, World Food Programme, and a number of NGOs (Concern Worldwide,, Sudan Bridge, Voluntary Aid Detachment, AAA, NLM, , DOR, NRC).

capital transfer is SDG 1.58 million per county. The amount of capital transfer is based on requests from counties based on capital projects indicated in their approved budgets.[7]

As nearly all of county resources come from fiscal transfers, the timeliness of the notification of resources is critical in terms of preparation of the budget. Notification came very late in terms of preparing the 2011 budget, not until December. This was due to NBGSG not receiving notification of fiscal transfers from GRSS until very late.

Counties are supposed to report their resource inflows and expenditures to NBGSG but they have not been doing so. The State Transfers Monitoring Committee established by GRSS in mid-2010 is emphasizing the need for state governments and counties to submit monthly revenue and expenditure reports as conditions for receiving the next monthly tranche of transfers. Submission of such reports is only just getting under way.

Breakdown of PI-8 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M2)			
A	*(i) Transparency and objectivity in the horizontal allocation among counties of transfers from higher levels of government* The horizontal allocation of almost all transfers (at least 90 percent by value) from GRSS and USG is determined by transparent and rules based systems.	The horizontal allocation of grants to counties is determined in a transparent and rules-based manner. The allocation for salaries is determined by the number of civil service employees in the county. The allocations for operating expenses and capital expenditures are equal for each county. Actual allocations for capital expenditures are based on the approved budget for a county, including a capital expenditure component.	Interviews with MoFTI staff 2011 NBGSG budget 2011 Aweil West County budget Meeting with Aweil West county commissioner and his staff
C	*(ii) Timeliness of reliable information to counties on their allocations from higher level governments* Reliable information to county governments is issued before the start of the county fiscal year, but too late for significant budget changes to be made.	Counties receive notification from MoFTI on how much they will receive in transfers according to the three types of transfers. This information arrived very late (December 2010) in terms of 2011 budget preparation. As most of expenditure is financed by fiscal transfers, meaningful budget preparation cannot start until the information is provided.	As above
D	*(iii) Extent of consolidation of fiscal data for general government according to sectoral categories* Fiscal information that is consistent with state government fiscal reporting is collected with a long delay.	Reporting by county governments on the use of the transfers they receive began only in early 2011.	As above Presentation by States Transfers Monitoring Committee at workshop held in Juba in May 2011 for the staff of MoFTIs in state governments

[7] The NBGSG budget shows an allocation of the Constituency Development Fund (CDF). This originates from the SLA at GRSS level and is a fund that SLA members can allocate to development projects in counties. The allocation criteria seem not transparent, but it appears that the projects are implemented outside of the county administrative framework. The Aweil West budget makes no reference to resources from CDF.

PI-9: Oversight of aggregate fiscal risk from other public sector entities

This indicator assesses the extent to which the state government monitors the fiscal position of (i) autonomous government agencies (AGA) and public entities (PE) and (ii) subnational governments.

Breakdown of PI-9 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
NA	*(i) Extent of state government monitoring of AGAs and PEs*	NBGSG does not have any PEs or AGAs.	Interviews with MoFTI
D	*(ii) Extent of state government monitoring of the fiscal position of counties* No annual monitoring of county governments takes place, or it is significantly incomplete.	County governments cannot currently borrow, although Section 79 of the Local Government Act (2009) permits them to do so. The potential exists in principle, however, for fiscal liabilities to build up in terms of arrears, if own-revenue collection and the receipt of the block grant fall short of budgeted amounts, but expenditures are incurred according to the budget. Counties do not report systematically to NBGSG on resource inflows and expenditures, hindering NGBSG's ability to monitor their financial situation. In the case of Aweil West County, the commissioner claimed that the government has never had any pending claims.	Interviews with MoFTI and the Aweil West County government

PI-10: Public access to key fiscal information

Transparency will depend on whether information on fiscal plans, position, and performance of the government is easily accessible to the general public or at least interested groups. Table 3.2 illustrates the elements of public access to information that are fulfilled by NWGSG. (In order to count in the assessment, the full specification of the information benchmark must be met.)

Table 3.2: Elements of Information for Public Access

Elements of Information for Public Access	Availability and Means
1. Annual budget documentation when submitted to legislature	The draft 2011 budget for NWGSG was available to the public when submitted to the State Legislative Assembly. The budget includes the county government budgets in summarized terms. The detailed 2011 budget for Aweil County West was also available to the public, following approval by the executive (the county does not at this time have an elected council).
2. In-year budget execution reports within one month of their completion	Not publicly available, as not yet prepared
3. Year-end financial statements within six months of completed audit	Annual financial statements (AFS) have not yet been prepared
4. Availability of external audit reports to the public	Not yet prepared, partly because AFS have not yet been prepared
5. Contract awards with value above approximately US$100,000 are published at least quarterly.	Not publicly available: no contract awards above approximately US$100,000
6. Availability to public of information on resources for primary service units	Not publicly available

Breakdown of PI-10 Scores

Score	Minimum Requirements	Justification
D (M1)		
D	(i) Number of the 6 elements of public access to information that is fulfilled The government makes available to the public one to two of the six listed types of information.	The government makes available to the public one of the five listed types of information (element four as not been applicable at this time).

3.4 Policy-based Budgeting

The indicators in this group assess to what extent the central budget is prepared with due regard to government policy. The table below summarizes the assessment.

Assessment of Performance Indicators for Policy-based Budgeting

No.	C (i) Policy–based Budgeting	Score	Dimensions	Scoring Methodology
PI-11	Orderliness and participation in the annual budget process	B+	(i) B (ii) A (iii) NA	M2
PI-12	Multiyear perspective in fiscal planning, expenditure policy, and budgeting.	D	(i) D (ii) NA (iii) D (iv) D	M2

PI-11: Orderliness and participation in the annual budget process

This indicator reflects the organization, clarity and comprehensiveness of the annual budget process.

Budget preparation in states and counties is guided by MoFEP's "Guidelines for Integrated State and County Planning and Budgeting," dated May 2010 and based on the planning and budgeting guidelines prepared for GRSS spending agencies in 2006, followed by similar guidelines issued in 2008 for state governments alone. The purpose of the May 2010 document is to ensure that state and county level plans and budgets are integrated. The main points in this document are the following:

- Counties should fully participate in State Budget Sector Committees (similar in concept to the Budget Sector Working Groups at GRSS level, the number and composition of sectors being the same). This will allow counties to set out the priorities developed in their Participatory Plans, which are prepared based on guidance prepared by the GRSS-level Local Government Board. Counties will have clear information on the resources they can expect to receive from the state. Counties then use this information to help them prepare their budgets. **Counties are expected to complete their participatory plans by June 30. Budget Sector Committees meet during August-September.**
- The state ministry of finance (MoFTI in the case of NBGSG) estimates the resource envelope for state and county expenditure combined and divides the resources available between the state government spending agencies and the counties, thus creating budget ceilings. **These ceilings are discussed by the State Council of**

Ministers in October and then communicated to state spending agencies and counties via a Budget Call Circular (BCC) by end-October.

- The state spending agencies then prepare their budgets within the ceilings indicated in the BCC, according to the three main categories of expenditure (salaries, operating, and capital) and showing the main activities they plan to undertake. Technical guidelines for plan and budget preparation accompany the BCC. The spending agencies also identify any planned transfers to counties; the Ministry of Local Government draft budget indicates transfers to counties for general administrative expenditure, while sector spending agencies shows transfers to counties for sector-related expenditure (for example, county health worker salaries appear under both the state Ministry of Health for all counties, and, for each county, appear under the health department). **The spending agencies submit their proposed plans and budgets to MoFTI by mid-November.**
- Proposed plans and budgets should reflect the proposed spending and plans of donor agencies. The Aid Information Management System that GRSS MoFEP has prepared will facilitate this. Donor agencies are encouraged to be members of Budget Sector Committees.
- The MoFTI discusses the proposed plans and budgets with the spending agencies and compiles the state budget document. Some adjustments may be necessary to reflect the final notification by GRSS MoFEP of the resources that GRSS will provide to states and counties. MoFTI submits the draft budget to the Council of Ministers for approval by the first week of December. **The Council of Ministers submits the draft budget to the State Legislative Assembly no later than December 15.**
- **Once the state budget document is ready, counties ensure their budgets are consistent with it and then present them to the County Legislative Council (or Executive Council if there is no legislature as yet).**

In practice, the budget preparation process is not yet completely compliant with these guidelines. There is no meaningful strategic plan in place to guide budget preparation. There is a document entitled " State Strategic Plan for NGBS, 2007-11," but it is not well prioritized and sequenced, nor realistically costed taking resource constraints into account. The 2011 budget document makes no reference to it at all.

The Planning and Budgeting Department in MoFTI is not staffed, resulting in the planning and budgeting specialist from UNDP (a UN volunteer) playing a substantial role. The Budget Sector Committees were not fully functional during the preparation of the 2011 budget. Plans were tending to follow budgets, rather than, as should have been the case, budgets following plans. The preparation of the 2011 budget followed the Guidelines, but this was mainly a paper exercise. This was not completely surprising, given the absence of an overall strategic plan and that 70 percent of the state government budget consists of salaries, thus constraining the possibilities for strategizing. The same holds true to some extent for the county budgets.[8]

[8] UNDP representatives met by the GRSS PEFA assessment team on April 20 also indicated that links between planning and budgeting still required strengthening. UNDP has provided considerable capacity building support to state governments over the last few years (Economic Planning Project, Local Government & Recovery Project, Rapid Capacity Placement Initiative (in connection with deployment of UNVs with PFM expertise).

As indicated under PI-27, the State Legislative Assembly was less than impressed by the quality of the 2011 draft budget submitted to it, and made some significant changes in terms of the strategic priorities that it perceived.

The planning and budgeting specialist from UNDP indicated that preparation of the 2012 budget would be more rigorous and more in conformity with the Guidelines. Sector agencies will be developing prioritized and realistically costed sector strategic plans.

West Aweil County

The county prepared a budget for 2011, broadly consistent with the Guidelines, which it considers to be clear and understandable. The planning and budgeting function was established in 2007, but the first budget prepared according to a development plan was the one for 2009. The 2011 budget was the second one, with considerable assistance provided by the donor community; the budget document makes particular reference to the assistance from Sudan BRIDGE, an NGO. A participatory planning approach was used, as per the Guidelines, and the plan being submitted to MoFTI, as per the calendar. The notification of fiscal transfers from GRSS and NBGSG did not arrive until December 2010, leading to delays in approving the budget.

The head of the planning and budgeting department indicated that the department is preparing a three year strategic plan for 2012–14, under the guidance of the Local Government Board (part of GRSS).

Breakdown of PI-11 Scores

Score	Minimum Requirements	Justification	Information Sources
B+ (M2)			
B	*(i) Existence of and adherence to a fixed budget calendar* A clear annual budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time.	A budget calendar is in place, as provided by the Guidelines referred to above, and was generally adhered to for the preparation of the 2011 budget, except that a delay occurred due to the late (December) notification by MoFEP of its fiscal transfers to states.	"Guidelines for Integrated State and County Planning and Budgeting," MoFEP, May 2010 2011 approved budget for NGBSG, February, 2011 2011 approved budget (by Executive Council) for Aweil West County Interview with minister of finance, NBGSG, June 15 Interview with UN volunteer, planning and budgeting specialist for MoFTI, June 17.
A	*(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)* A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to MDAs.	The May 2010 "Guidelines for Integrated State and County Planning and Budgeting" are clear, even if (in the absence of a strategic plan) the adherence to them may have been somewhat mechanical. The Council of Ministers debated the sector spending ceilings proposed by MoFTI in relation to the preparation of the 2011 budget prior to the Budget Call Circular being sent out to spending agencies.	As above
NA	*(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)* This dimension cannot be scored as information on date of approval is required for the last three years, but the legislature has not been in place.		As above

PI-12: Multiyear perspective in fiscal planning, expenditure policy, and budgeting

This indicator looks at the link between budgeting and policy priorities from the medium-term perspective and the extent to which costing of the implications of policy initiatives are integrated into the budget formulation process.

The annual budget preparation process has only recently been established at the state government level. The explicitly stated objectives and planned activities contained in the budget for 2011 imply a medium-term perspective, but development of a formal medium-term perspective to budgeting will not take place until the nationwide development plan is in place late in 2011. As noted under PI-11, a strategic plan for 2007–11 was prepared for NBGS but was not realistically costed, prioritized, and sequenced. In the case of major sectors such as education and health, strategic plans would be based on those developed by the education and health ministries at GRSS level.

Dimensions (i), (iii), and (iv) are therefore rated D, indicating that a medium-term perspective to budgeting has yet to be developed. Dimension (ii) is not rated, as NBGSG has not borrowed.

Breakdown of PI-12 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
D	*(i) Preparation of multiyear fiscal forecasts and functional allocations* No forward estimates of fiscal aggregates are undertaken.	A medium-term perspective to budgeting has yet to be developed.	Interviews with MoFTI and Aweil West County
NA	(ii) *Scope and frequency of debt sustainability analysis*	NBGSG has not incurred any debt.	Interview with MoFTI
D	*(iii) Existence of sector strategies with multiyear costing of recurrent and investment expenditure* Sector strategies may been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure.	A medium-term perspective to budgeting has yet to be developed.	Interview with MoFTI and Aweil West County
D	*(iv) Linkages between investment budgets and forward budget estimates.* Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.	A medium-term perspective to budgeting has yet to be developed.	As above

3.5 Predictability and Control in Budget Execution

These indicators review the predictability of funds for budget execution and the internal controls and measures in place to ensure that the budget is executed in an accountable manner.

Assessment of Performance Indicators for Predictability and Control in Budget Execution

No.	C (ii) Predictability and Control in Budget Execution	Score	Dimensions	Scoring Methodology
PI-13	Transparency of taxpayer obligations and liabilities	C+	(i) B (ii) B (iii) D	M2
PI-14	Effectiveness of measures for taxpayers registration and tax assessment	C+	(i) C (ii) NA (iii) D	M2
PI-15	Effectiveness in collection of tax payments	D	(i) NR (ii) NR (iii) D	M1
PI-16	Predictability in the availability of funds for the commitment of expenditures	D	(i) D (ii) D (iii) NA	M1
PI-17	Recording and management of cash balances, debt, and guarantees	C	(i) NA (ii) C (iii) NA	M2
PI-18	Effectiveness of payroll controls	D+	(i) B (ii) B (iii) B (iv) D	M1
PI-19	Competition, value for money, and controls in procurement	NR	NR	M2
PI-20	Effectiveness of internal controls for nonsalary expenditure	D+	(i) C (ii) C (iii) D	M1
PI-21	Effectiveness of internal audit	D	(i) D (ii) D (iii) NA	M1

PI-13: Transparency of taxpayer obligations and liabilities

Background

The Governor of NBGS announced a tax reform strategy in the State Legislative Assembly in May 2010 in response to the perceived dysfunctionality of the existing system. There were no linkages between different collecting agents claiming to work for the state government, no efficient coordination between the state and counties, and no indicators as to which type of taxes were collected at state level, by whom, and how.

The governor’s announcement paved the way for the establishment of the NBG State Revenue Authority (SRA) in June 2010. This was by way of a Governor’s Decree initially and then through the State Revenue Authority Act of 2011 in accordance with Articles 52, 140, and 157 of the Interim Constitution of the Northern Bahr el Ghazal State, 2010. It is the only institution responsible for collecting state revenue. Counties can continue to collect their revenues as per the Local Government Act of 2005.

The SRA is semiautonomous and accordingly is governed by a policymaking board, members of which are the governor of NBGS (chairman), minister of MoFTI (deputy chairman), representatives from line ministries with economic functions, representatives of the private sector (State Chamber of Commerce and Workers Union), as well as the commissioner general (chief executive officer) of the SRA, who functions as secretary to the board.

A tax expert assigned by UNDP assisted in the setting up of SRA, including the preparation of legislation. Financial assistance (US$295,000) toward meeting the costs of the tax reform program, including capacity building and training costs, has come from the donor-funded Capacity Building Trust Fund (CBTF). A significant cost has been the establishment of an integrated tax administration system (IGTAS).

According to the Interim Constitution of Southern Sudan and the Interim Constitution of NBGS, the revenues that can be collected by the state are property tax and royalties, service charges, license fees, state personal income tax, levies on tourism, fees from state government projects, stamp duties, excise duties, and border trade charges. All revenue collected would be deposited into MoFTI's main bank account, a requirement that was reinforced by a decree issued by the governor of NBGS in late 2010 (a move unpopular with tax collectors).

According to the SRA Act, the commissioner general of the SRA should submit annual financial statements and an annual performance report to the minister of MoFTI (as head of the governing board) within three months of the end of the previous fiscal year. The auditor general should audit the annual financial statements within two months of receiving them. The minister of finance should submit a copy of the annual report of SRA and the opinion of the auditor general to the State Legislative Assembly within two months of receiving it.

(i) Clarity and comprehensiveness of tax liabilities

Under the SRA Act, the SRA shall put in place laws and regulations governing each type of tax. The State Revenue Authority Income Tax Act came into force recently. It covers personal income tax, business profits, rental income, and investment income. Taxes apply only to residents of NBGS and the definition of residency is clear. The act is detailed and clear and discretionary powers appear limited. For example, definitions of what constitutes taxable income are clear, and rates, exemptions, deductions (for example, depreciation provisions) and withholding provisions are clearly stated. A memorandum of understanding for free movement of goods between NBGS and Western Bahr el Ghazal State was signed to avoid double taxation problems.

An accompanying Income Tax Procedures Act determines the payments procedures for the taxes that fall under the SRA Income Tax Act. Under Section 6, anyone opening a business in NBGS would have to obtain a taxpayer identification number (TIN) within seven days; failure to do so would be punishable by fines of SDG 500 and an interest penalty of 2 percent a month. Section 9 provides for an audit process. Section 13 provides for taxpayers to appeal assessment decisions, first to the commissioner general of SRA, then, if still not satisfied, to the court system. Section 17 provides for fines of 10 percent of tax liabilities to be levied in the instance of understatement of taxes due. Section 18 provides for penalties for tax fraud in the form of administrative fines of 100 percent of the evaded tax and criminal penalties ranging between six months and two years imprisonment. Failure to withhold tax is met by fines of 100 percent of the unpaid tax and imprisonment for three months to two years.

Section 20 of the Income Tax Procedures Act provides for deposit by SRA of all revenues into a revenue account in the Ivory Bank, located in Aweil, with no right by SRA to withdraw funds from that account; this important provision was made possible by Governor's Decree

Number 22 of 2010, prior to the SRA Act. MoFTI has the right to transfer the funds into its own account for the purposes of funding the budget.

Legislation covering the other areas of tax falling under the mandate of SRA has yet to be prepared: sales tax, excise tax, property tax, and household tax. Income tax, including rental income tax, makes up 77 percent of all NBGSG' tax revenues, according to the 2011 budget.

As mentioned in the PEFA assessment of GRSS, a major tax clarity issue is the unclear division of tax responsibilities between different levels of government. The establishment of the SRA has helped to clarify the divisions between the state and counties, but divisions between the state and GRSS remain to be clarified. To this end, an Inter-Governmental Fiscal Relations Task Force was established earlier in 2011. It has prepared a report, which was still confidential at the time of the PEFA assessment. The report is expected to be discussed by the Council of Ministers after July 9.

(ii) Taxpayer access to information on tax liabilities and administrative procedures

SRA has been conducting taxpayer education campaigns, through public notice boards and posters (very prominent in Aweil), workshops, SRA T-shirts, and sponsorship of sports events (for example, the local soccer league, also very prominent to the PEFA assessment team, as the sports field was very close to the hotel where it was staying). It has recently started a publication, *Aweil Revenue Times*, the purpose of which is "to be a one-stop-shop to conduct public awareness and campaign about the public responsibility to pay taxes." The publication includes simplified descriptions of the different types of taxes. The SRA has its own partially functioning website, www.nbg-sra.org; some parts of the website are still under construction. The website contains the Income Tax Act and tax registration forms for persons and businesses.

(iii) Existence and functioning of a tax appeals mechanism

The Income Tax Procedures Act provides for a rudimentary tax appeals system, as indicated under dimension (i). It is too soon to determine how well this is functioning. It does not go into nearly the same amount of detail as in the GRSS Taxation Act of 2009.

Breakdown of PI-13 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M2)	As listed in PEFA Framework		
B	*(i) Clarity and comprehensiveness of tax liabilities* Legislation and procedures for most, but not necessarily all, major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.	The new Income Tax Act and accompanying Income Tax Procedures Act covers about 77 percent of taxes collected by the new State Revenue Authority. The act is comprehensive and clear and provides little discretionary power for SRA. Legislation covering the other taxes under SRA's mandate has yet to be prepared.	Interview with commissioner general of SRA State Revenue Authority Act, Income Tax Act, Income Tax Procedures Act *Aweil Revenue Times*, vol 1, 1ssue 1 (publication of SRA) NBGSG 2011 approved budget www.nbg-sra.org
B	*(i) Taxpayer access to information on tax liabilities and administrative procedures* Taxpayers have easy access to comprehensive, user friendly, and up-to-date information on tax liabilities and administrative procedures for some of the major taxes, while for other taxes the	As explained in the text. The information mainly relates to income tax liabilities and to residents of the town of Aweil; the bulk of taxpayers reside in Aweil.	As above

Score	Minimum Requirements	Justification	Information Sources
	information is limited.		
D	*(iii) Existence and functioning of a tax appeals mechanism* No functioning tax appeal system has been established.	A rudimentary tax appeals system is provided for in the Income Tax Act. It is too early to determine how well it is functioning.	Income Tax Act

Aweil West County

County revenues comprise only 6.4 percent of total financial resources. Sixty percent of revenues derive from taxes, shared with NBGSG on a 60:40 basis (60 percent goes to the county). The taxes are household tax (the largest component), land tax, service taxes, and trading license taxes. Nontax revenues accruing 100 percent to the county are permits, customary court fees, auction fees, and slaughtering fees.

The clarity of state legislation covering shared taxes is discussed above under dimension (i). Income tax revenue generated within the county is retained entirely by the state. As SRA prepares legislation covering other taxes, including those shared with counties, the clarity of tax liabilities should increase.

The county administration has a taxpayer awareness program. With regard to income tax, it informs residents ahead of time when tax declarations are due; the tax revenue goes to the state, but the county gets some of this back through transfers and so has an interest in making sure people comply with tax declaration obligations. It also informs citizens when trading licenses and household taxes are due.

PI-14: Effectiveness of measures for taxpayer registration and tax assessment

Effectiveness in tax assessment is ascertained by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers.

(i) Controls in the taxpayer registration system

The SRA has been active in requiring potential taxpayers to obtain unique taxpayer identification numbers (TIN) and to register. The GRSS-level tax directorate in MoFEP controls the issuance of TINs, so that a taxpayer need only have one TIN. Registration is applied for through completing Personal and Business Registration Forms, both available from SRA HQ in Aweil and offices located in five out of the six counties, including Aweil West, as well as from the SRA website. Upon registering, the taxpayer is provided a certificate of registration, a copy of which was provided to the team. So far, the registration campaign has covered the town of Aweil, where the bulk of taxpayers reside. Three thousand taxpayers have been registered, of which 2,400 are small- and medium-sized businesses. Chapter III, Section 17 of the 2009 Tax Law requires taxpayers and persons responsible for withholding tax to be registered.

Since January 2011, the TIN system has been linked to the business license application system as a means of capturing potential taxpayers in the tax net. Business license applications require a TIN. The application is signed by both the director of Aweil Town Council and the director of revenue at the SRA. The business permit was digitalized to enable interconnectivity with the TIN system, as captured under the IGTAS. Interconnectivity will make tax auditing easier.

The TIN system currently mainly applies to businesses. Most employees do not require TINs, as long as their employer has a TIN. The employer then withholds personal income tax liabilities from employee salaries and conveys the revenue to SRA.

The new integrated tax administration system (IGTAS) has facilitated the increasing coverage of the TIN. The IGTAS is being designed and established with financial assistance from CBTF, using the same Nairobi-based company (SIGNET) that designed EasyPay, the state's payroll management system (PI-18). The IGTAS has 10 modules, of which the first covers business registration and the issuance of TINs. All the taxpayers registered have been captured in the IGTAS database.

(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations

Penalties for noncompliance are set out in the Income Tax Procedures Act, as described under PI-13. The penalties appear sufficient, but it is too early to tell.

(iii) Planning and monitoring of tax audit and fraud investigation programs

The tax audit function is not yet in place. The relevant module under IGTAS is being developed and is expected to be in place within the next few months.

Breakdown of PI-14 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M2)	As listed in PEFA Framework		
C	*(i) Controls in the taxpayer registration system* Taxpayers are registered in a database system for individual taxes, which may not be fully and consistently linked. Linkage to other registration/licensing functions may be weak but are then supplemented by occasional survey of potential taxpayers.	A TIN system was introduced at the beginning of 2011 and now covers 3,000 taxpayers in Aweil, of which 2,400 are small/medium sized businesses. The system is linked to the business permit application system. Individuals working in companies or government do not require TINs, as their employers, who do have TINs, deduct amounts for taxes from salary payments.	Interview with commissioner general of SRA *Aweil Revenue Times* Personal and Business Registration application forms, Tax Registration Certificate, Business Permit Application form
NA	*(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations*	Penalties are contained in the Income Tax Act and appear to be high enough to act as a deterrent to noncompliance. However, it is too early to tell, and so this dimension is not scored.	Income Tax Procedure Act Interview with commissioner general of SRA
D	*(iii) Planning and monitoring of tax audit and fraud investigation programs* Tax audits and fraud investigations are undertaken on an ad hoc basis if at all.	The tax audit function has not yet been established. A reporting and monitoring module is being designed under IGTAS and is expected to be ready within the next few months. .	Interview with commissioner general of SRA

Aweil West County

See discussion under PI-13.

PI-15: Effectiveness in collection of tax payments

Accumulation of tax arrears can be a critical factor undermining high budgetary outturns, while the ability to collect tax debt lends credibility to the tax assessment process and reflects equal treatment of all taxpayers, whether they pay voluntarily or need close follow-up.

(i) Collection ratio for tax arrears and ratio of tax arrears to total tax revenue collections

The SRA at present does not record tax receivables in a systematic way, though it knows who hasn't paid or who has underpaid and it may follow up (as related to the assessment team in one particular instance of a business owner who refused to pay his due taxes). A tax debtor tracking module is to be added to IGTAS later this year.

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

As noted under PI-13, as of late 2010 all taxes due to SRA from taxpayers resident in Aweil are to be paid directly into SRA's bank account in Ivory Bank; MoFTI has control over this account (see PI-17). As indicated by the commissioner general, this move was not popular with tax collectors, who apparently have given the impression that they are well remunerated, more so than their senior colleagues. As noted in the *Aweil Revenue Times*, SRA claims it was able to persuade traders to pay taxes directly into the SRA bank account, particularly in the case of sales tax, business profits tax, and trading license fees.

Tax collectors in the counties and *payam* markets have to transport the physical cash to Ivory Bank in Aweil (referring to the 40 percent of tax revenues that accrues to NBGSG). A receipting system in theory helps guard against the possibility of leakage. The receipting system is provided for under the 1995 Financial and Accounting Procedures Ordinance through a number of sequentially ordered forms: (i) Form 15, cash receipt handed to the payer with a copy kept on the receipt paid, which is eventually handed to the finance ministry; (ii) Form 67, Collectors' Account, where the collector records the amount collected; (iii) Form 39, Credit Advice, representing deposit of cash into bank account or cash safe; and (iv) Form 19, representing the recording of the deposit in the cash book/treasury book of the finance ministry. However, only Form 15 is used these days, and this may not be enough to guard against leakage, as it is only in duplicate (also discussed under PI-7). The internal audit unit in MoFTI has raised this issue (PI-21).

(iii) Frequency of reconciliations between tax assessments and amounts received by the Treasury

A system is not yet in place to record tax assessment, tax collected, taxes receivable, and taxpayer debts.

Breakdown of PI-15 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
NR	*(i) Collection ratio for gross tax arrears and ratio of tax arrears to total tax revenue collections*	Data on tax arrears is not yet collected, though a module soon to be added to IGTAS will enable tracking of tax debts.	Interview with commissioner general of SRA
NR	*(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration* Revenue collections are transferred to the Treasury at least weekly.	Residents of Aweil pay their taxes directly into SRA's account at Ivory Bank in Aweil; MoFTI has access to the account. Taxes collected in physical cash form in counties and *payams* are supposed to be paid into SRA's account, but the control system (receipting system) is such that not all of it may be paid. As it is not known for certain whether the money arrives in the account, it is not possible to score this indicator, though a B rating (revenue deposited in SRA account at least weekly) would apply for the taxes collected in Aweil.	As above SRA Income Tax Act and Income Tax Procedure Act *Aweil Revenue Times*, on bank payment of revenues
D	*(iii) Frequency of reconciliations between tax assessments and amounts received by the Treasury* Complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury does not take place annually.	This follows from the NR for dimension (i).	As above

Aweil West County

County administration revenue collectors collect revenues mainly in *payams*, particularly in market areas. They take 60 percent of the tax revenues shared with the state government. State collectors and county collectors check each other. Form 15 (noted above under dimension ii) is used as a receipt to be provided to payers; a sample was provided to the assessment team. The other old Government of Sudan forms are no longer used, thus shortening the audit trail. The copy in the receipt book is stamped by the executive director of finance in the county administration, who also controls the number of Form 15 books issued. Some revenues are collected daily, some weekly. The cash collected is taken back to the county administration headquarters on a motor bicycle. According to the cashier, this does not pose a security issue, as the amount of cash being transported tends to be small and can simply be stuffed into pockets.

Some of the revenue collected is deposited in the cash safe, which is under the control of the cashier. Some of the revenue is deposited in a bank account that the county keeps in Ivory Bank in Aweil, 70 kilometers away. The county administration does not have an accounts department. Combined with the less than comprehensive receipting and recording system, this means that there is perhaps a risk of not all revenue collected being deposited into the bank account/cash safe.

PI-16: Predictability in the availability of funds for the commitment of expenditures

Effective execution of the budget in accordance with work plans requires that spending ministries and agencies receive reliable information on the availability of funds within which they can commit expenditure.

(i) Extent to which cash flows are forecast and monitored

Cash flows are not forecast and monitored. This is in the context, however, of a situation where over 90 percent of financial resources are derived from block and conditional grants from GRSS, the monthly flows of which are predictable, and where 60 percent of expenditures is for salaries and 15 percent of expenditures for transfers to counties.

(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure commitment

The only binding expenditure ceiling for spending agencies is their approved budget. Salaries and transfers to county governments, together comprising about 75 percent of state expenditures, are predictable on a month-to-month basis, given the predictability of transfers from GRSS.

For the remaining 25 percent of expenditure covering operating costs and capital expenditure, spending agencies can in principle commit up to their entire annual budget for these items at the beginning of the year, regardless of the availability of cash for paying bills arising from the commitments. The state-level Appropriations Act for 2011 requires, however, that spending agencies entering into contractual agreements exceeding SDG 20,000 for consultancy services, SDG 40,000 for goods, and SDG 100,000 for works require prior confirmation of sufficiency of appropriation balances from MoFEP. This does not necessarily mean that sufficient cash is available at the time when payables should be paid. Section 7 of the Appropriations Act stipulates that monthly expenditures are subject to cash limits dictated by revenue availability, but a system of cash limits has not yet been established. Prior to 2011 there were no Appropriations Acts, as there was no functioning legislature.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of spending agencies (MDAs)

Section 6 of the 2011 Appropriations Act provides for in-year adjustments to the budget, along the same lines as stipulated in the GRSS-level Appropriations Acts. The reader is referred to the PEFA assessment of the PFM system at GRSS level. This dimension is not rated as no adjustments to the 2011 budget had taken place at the time of preparing this assessment.

Breakdown of PI-16 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	*(i) Extent to which cash flows are forecast and monitored* Cash flow planning and monitoring are not undertaken or are of poor quality.	Cash flow planning is not yet conducted. It is of relevance, however, to only about 25 percent of the budget.	Interview with MoFTI staff 2011 approved budget
D	*(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure commitments* Spending agencies are provided with no reliable indication of actual resource availability for commitment.	Expenditure commitment decisions are linked only to the approved budget. In principle, spending agencies can enter into commitments up to the limits of their budgets all in one go at the beginning of the year, regardless of the actual resources available for spending. Discretionary expenditure commitment decisions, however, apply only to about one quarter of the budget with regard to operational and capital expenditure.	Interview with MoFTI staff 2011 approved budget State level 2011 Appropriations Act Interview with Ministry of Education
NA	(iii) *Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.*	The 2011 Appropriations Act lays out the conditions for in-year adjustments to the budget. There were no appropriations acts prior to 2011, mainly because of the absence of a functioning legislature. The 2011 budget came into effect only in February 2011 and as yet there have been no adjustments to the budget requiring approval above the level of management of spending agencies.	Interview with MoFTI staff 2011 Appropriations Act

Aweil West County

The same analysis applies as at the state government level.

PI-17: Recording and management of cash balances, debt, and guarantees

(i) Quality of debt data recording and management

This dimension is not rated as NBGSG and Aweil County have not incurred any debt. In principle, they are allowed to borrow, as stipulated in the Interim Constitution of Southern Sudan.

(ii) Extent of consolidation of the government's cash balances

MoFTI has control over seven bank accounts, all held in Ivory Bank (the Central Bank of South Sudan does not have a branch in Aweil): block grants, conditional grants, current account, personal income tax, pension, other revenue, and dura (the last-mentioned for deposits arising from dura sales). Payments can be made from any of these accounts. The balance on any of these accounts is in principle knowable on a daily basis.

MoFTI does not have end-of-month information on the balances of bank accounts held by spending agencies and by counties and does not have the right to obtain this (this issue is raised in the GRSS PEFA report). The balances consist of funds transferred from MoFTI for payments of salaries and allowances, petty cash advances (to fund transactions of less than SDG 1,000), payments to suppliers (in the instances where MoFTI does not pay them directly under the centralized payments system), and the own-source revenues of spending agencies.[9] As noted under PI-7 and PI-15, it is possible that some spending agencies collect revenue and keep it in their bank accounts, rather than surrendering it to MoFTI (though it is more likely that they will keep any such revenue in physical cash form).

(iii) Systems for contracting loans and issuance of guarantees

This dimension is not rated as NBGSB does not borrow or guarantee loans.

Breakdown of PI-17 Scores

Score	Minimum Requirements	Justification	Information Sources
C (M2)			
NA	*(i) Quality of debt data recording and management*	Not applicable, as GRSS has no debt.	
C	*(ii) Extent of consolidation of government's cash balances* Calculation of most government cash balances takes place at least monthly, but the system used does not allow consolidation of bank balances.	The available cash balances in the MoFTI-controlled bank accounts are in principle known by MoFTI on a daily basis. Balances of bank accounts under the control of spending agencies (for salaries and allowances, petty cash advances, transfers from MoFTI for payments to suppliers and own source revenue collections) are not known by MoFTI, which does not have a legal basis to obtain the information.	Interviews with MoFTI staff Interview, director general, State Ministry of Education
NA	*(iii) Systems for contracting loans and issuance of guarantees*	Not applicable, as NBGSG does not borrow or guarantee loans.	

Aweil West County

The county's cash balances mainly consist of balances in its bank account in Ivory Bank in Aweil. Grants from NBGSG (for salaries and operating expenditure) are paid into this. County departments do not have their own bank accounts. Balances are also kept in physical cash form. Revenues tend to be collected at *payam* level in physical cash form and then either spent straightaway or deposited in cash safes, both at the *payam* level and in the county administration headquarters, and then used to finance small purchases. In principle, the county can know the size of its cash balances on a daily basis.

PI-18: Effectiveness of payroll controls

As a major component of expenditure, effective control of the payroll is an important indicator of sound financial management.

(i) Degree of integration and reconciliation between personnel records and payroll data

NBGSG has its own computerized payroll management system, known as EasyPay, covering all classified and unclassified workers (as defined under the structure of the public service at

[9] The director general of the State Ministry of Education (SMoE) mentioned to the assessment team that the amount of petty grant was very low (only $300 a month), one consequence being that the ministry had insufficient funds to buy fuel for its vehicles, forcing their grounding. Another reason for the small amounts of petty cash is that donor agencies partly cover the operating requirements of spending agencies; for example, an NGO supplied the SMoE with computers.

GRSS level). This is in contrast to other states, which are using the Southern Sudan Electronic Payroll System (SSEPS), rolled out to state governments in 2010 under a USAID-financed technical assistance (TA) project at GRSS level. MoFTI decided not to adopt SSEPS, as it didn't have significant advantages over EasyPay (as acknowledged by the TA project). It improved the structure of EasyPay, however, on the project's advice, through adding some more columns to the pay sheet, such as workstation, date of birth, and date of employment.

Spending agencies prepare monthly pay sheets in EasyPay, which show the serial number, date of birth, job title, work station, gross salary, deductions, and benefits for each employee. The pay sheet is submitted to the director general of the spending agency, who sends to the director general of finance in MoFTI, who then submits to the controller of accounts. After approval, the salary bill is paid into the bank accounts of spending agencies, which then make payments to staff, who have to appear with their ID card and sign the pay sheet in order to receive their salary. Copies of the approved pay sheet are provided to GRSS-level MoFEP and to the spending agency.

This system ensures that all those in a spending agency who are being paid appear on a pay sheet prepared by the spending agency, but does not ensure that all those whose names are on pay sheets should be on the pay sheets. Some may be on the pay sheets but have not actually been working for one reason or another (absenteeism, dismissal, death); this issue is more likely to arise in the case of unclassified workers. Accordingly, Ministry of Public Service (MPS) is preparing a nominal roll of personnel under the framework of a human resource information system (HRIS), with the help of UNDP. The assistance is being coordinated by the Ministry of Public Service in GRSS, where an HRIS was established in 2010, under a USAID-financed TA project. The MPS was established earlier in 2011. Currently it is collecting data on all state- and county-level employees and is receiving training on how to prepare nominal rolls. Eventually it should be possible to have a complete matching of the payroll and personnel records,

Having said this, the minister of MoFTI was strongly of the opinion that any "ghosts" were cleared a long time ago.

(ii) Timeliness of changes to personnel records and the payroll

New appointees, salary changes, promotions, terminations, and retirements are reflected in pay sheets and then the payroll within one month. In the case of death, the family receives the salary of the deceased staff member for three months as a matter of the public service policy at GRSS level. Unauthorized absences may not be reflected in the monthly pay sheets.

(iii) Internal controls of changes to personnel records and the payroll

Three staff in MoFTI are authorized by a letter from the head of the Administration Department to operate EasyPay. They have a secret password. Any corrections can be made only through sending a memo to the director general of finance at MoFTI and then receiving his written approval.

At spending agency level, the person who prepares the monthly pay sheet is not the same person who checks the sheet, who, in turn is not the same person who approves it. Final approval is made by the director general of the spending agency.

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

No payroll audits have been conducted either by the internal audit unit at MoFTI or the Audit Chamber. The internal audit unit has, however, prepared formats for payroll audits.

Breakdown of PI-18 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
B	*(i) Degree of integration and reconciliation between personnel records and payroll data* Personnel data and payroll data are not directly linked, but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data.	A computerized payroll management system, EasyPay, is used to prepare the monthly payroll. Pay sheets are prepared by spending agencies each month and in most cases reflect changes, such as appointments. The pay sheets are checked by the establishment officers and then eventually submitted to the payroll unit in MoFTI for preparation of the monthly wage and salary bill. The newly established Ministry of Public Service is in the process of preparing a computerized nominal roll, with technical assistance under a USAID-financed project. MPS is currently collecting employee data from all over the state, including at county level. Eventually, the personnel data should be completely accurate.	Interview with payroll unit in MoFTI Interview with director general, Ministry of Public Service Sample pay sheet of Ministry of Wildlife Interview with State Ministry of Education
B	*(ii) Timeliness of changes to personnel records and the payroll data* Up to three months' delay occurs in updating of changes to the personnel records and payroll, but this affects only a minority of changes. Retroactive adjustments are made occasionally.	Changes in monthly pay sheets resulting from new appointments, promotions, terminations, and retirements are updated within a month. Changes as a result of deaths are made after three months as a matter of policy. Changes due to unauthorized absence may take longer to make. Changes in the pay sheets are quickly reflected in the monthly payroll prepared by MoFTI.	As above "Manual for the Public Service in Southern Sudan", GRSS-level Ministry of Labor and Public Service, 2007
B	*(iii) Internal controls of changes to personnel records and the payroll* The authority and basis for changes to personnel records and the payroll are clear.	The authority for establishment officers in spending agencies to change personnel records is clear, but such changes do not necessarily result in an audit trail. Changes to the payroll in MOFTI require a number of signatures, reflecting segregation of responsibilities, resulting in an audit trail. Access to EasyPay in MoFTI is restricted to the three staff of the payroll unit, who have a secret password. Corrections to the payroll require approval from the DG of MoFTI.	As above
D	*(iv) Existence of payroll audits to identify control weaknesses* and/or ghost workers No payroll audits have been undertaken within the past three years.	See text.	Internal audit unit in MoFTI Payroll unit in MoFTI Director General, State Ministry of Education

Aweil West County

Counties do not have separate spending agencies as at state level. Functions such as education and health are conducted by departments that all fall under the executive director, who reports to the commissioner. Accordingly, preparation of the monthly payroll is straightforward. As at state level, the preparation of the monthly pay sheet forms the basis for the preparation of the monthly payroll. The assessment team was shown a sample of a monthly sheet, including the serial number and signature of each staff member upon receipt of notification of payment of their monthly salary (staff members are paid by check). *Payam*-level staff are included in the pay sheet. A copy of the monthly payroll is sent to MoFTI. The system is manual and Excel-based. EasyPay is used only at the state government level.

It takes about three months to reflect changes in personnel data (new appointments, promotions etc.). An issue is absenteeism. Currently clear procedures are not in place to monitor absenteeism, both during the day or over a number of days, and no penalty system is in place to sanction employees who are absent without authorization.

PI-19: Competition, value for money, and controls in procurement

A well-functioning procurement ensures that money is used efficiently and effectively.

Procurement activities at state and county levels are governed in principle by the GRSS-level Interim Public Procurement and Disposal Regulations (Interim Regulations), effective from June 29, 2006. In practice, however, they are not, mainly because most procurement is in fact organized by GRSS-level spending agencies under the conditional grant arrangements.[10] Any purchases of goods and services organized by NBGSG tend to be for relatively small items that fall below the thresholds for competitive tendering.

Data were not available to substantiate this, however. Accordingly, this indicator is not rated.

Aweil West County

At the time of the visit by the assessment team, the county administration was organizing its very first major procurement effort, related to construction of a new building. The administration does not have a procurement department, but the Administration Department and Planning and Budgeting Department were working together on the proposed procurement.

The administration does not have written procedures, but was very aware of the need for cost-effectiveness. Accordingly, it arranged for the county engineer to prepare specifications and then advertised for quotations. Conditions for submission of quotations included demonstration of legality, appropriate experience, and a certificate of experience. Seven companies had expressed interest. An evaluation committee had been formed. The deadline for submission of quotations was the Monday following the assessment team’s visit.

PI-20: Effectiveness of internal controls for nonsalary expenditure

Controls concerning revenue management and payroll have been discussed under PI-14, PI-15, and PI-18.

(i) Effectiveness of expenditure commitment controls

At GRSS level, the annual Appropriation Acts have prohibited spending agencies from spending beyond their appropriated budgets. In addition, since 2009, they have not been

[10] For example: (i) procurement for the State Ministry of Education is organized by the GRSS-level Ministry of Education, according to the director general of the state Ministry of Education met by the assessment team; and (ii) the under secretary of the GRSS-level Ministry of Agriculture and Forestry met by the assessment team during the GRSS-level PEFA assessment in April indicated that his ministry organized procurement at state level on behalf of the state government.

allowed to enter into expenditure commitments exceeding SDG 20,000 for consultancy services, SDG 40,000 for goods, and SDG 100,000 for works without receiving written confirmation from MoFEP that sufficient funds are available from the uncommitted balances against their budgetary appropriations. Following such confirmation, the contracts had to be signed by Ministry of Legal Affairs and Constitutional Development.

The first Appropriations Act for NBGSG came into force only in 2011, following the approval by the State Legislative Assembly of the 2011 budget. Prior to 2011 there was no functioning SLA. The act more or less follows the GRSS-level act and contains the same threshold levels concerning prior approval by MoFTI for proposed contracts, based on the remaining appropriations balance. Section 7 of the act also stipulates monthly cash limits on expenditures, as per the GRSS Act.

The concept of commitment controls at the state government level is far less meaningful than at the GRSS level. Over 90 percent of financial resources are in the form of transfers from GRSS, and three-quarters of state government expenditure is in the form of salaries (60 percent) and transfers to counties (15 percent). Moreover, as indicated under PI-19, procurement of larger items (capital expenditure) is mainly handled by GRSS-level agencies under conditional grant arrangements. A significant proportion of operating expenditures is nondiscretionary, such as utility bills, or is discretionary but payment is due up front (for example, for fuel and travel).

(ii) Comprehensiveness, relevance, and understanding of other internal controls and processes

and

(iii) Degree of compliance with rules for processing and recording transactions

Payments requests and payments

Internal control systems governing payments requests and payments are in place, with emphasis on segregation of responsibilities. The procedures are well circulated and understood. Procedures are documented in MoFTI's Payments Procedures, which came into force in February 2011, based on GRSS's Payments Procedures (as summarized in the GRSS-level PEFA assessment). Duties are segregated between preparation, checking, and approving of payments requests. Standardized forms in computerized format (for entry into FreeBalance) are contained at the back of the document.[11] The procedures cover the use of petty cash, but MoFTI intends to issue a separate set of procedures for use of petty cash, as is the case at GRSS level. All payments requests have to be accompanied by the correct supporting documentation: supplier invoices, copy of contract/purchase order, and proof of receipt of goods or services.

In reality, these payments requests and payments procedures have been in existence for some time under the framework of the Government of Sudan's Financial and Accounting Procedures Ordinance dated 1995. These old manual procedures are still being used, alongside the new procedures, as evidenced by a sample payments request and payments authorization provided to the assessment that used the old Government of Sudan Form 17. The new 2011 forms facilitate entry of data into FreeBalance.

[11] Commitment and Expense Form, Alternate Accounting Officer Nomination Form, Payment Authorization Form, Contract Budget Availability Form, Salary Commitment and Expense Form, Budget Item Transfer Form, and Claim Rejection Form.

Accountability reports

Spending agencies and county administrations are supposed to submit monthly accountability reports to MoFTI for salary payments and use of petty cash. Not all comply. MoFTI withheld two months of salary from the Police Department and refused to replenish the petty cash fund of the Ministry of Health, because of their failures to provide accountability reports.

Spending agencies receiving conditional grants from GRSS-level spending agencies are supposed to submit monthly accountability reports on the use of the conditional grants, most of which in fact are for payment of salaries. Until this year they were not doing so. Counties were also not reporting on the use of the grants they were receiving, both from GRSS (conditional grants for capital expenditure) and from the state governments.

MoFEP at GRSS level is requiring tightened accountability in 2011 from both state governments and counties, as documented in the circular on "Conditions for Use, Release and Reporting on Transfer to States," issued by MoFEP and the Ministry of Labor and Public Services in April 2011. Only Western Equatoria State was complying with this requirement at the time of this PEFA assessment. The newly established (December 2010) States Transfers Monitoring Committee, headed by MoFEP, is in charge of monitoring whether the accountability conditions are being met.

Property management

There have been partially successful attempts to provide identification numbers to physical assets and there is a staff member of MoFTI with specific responsibilities for property management (he was not available for interview). At present there is no fixed asset register, and asset identification number and annual inventory checks were not taking place.

Bank account reconciliation

As noted under PI-22, bank account reconciliation procedures tend not to be followed.

Personnel controls

The public service manual at GRSS level (as described in the GRSS-level PEFA assessment) appears to be little known at state level. Principal control weaknesses are lack of monitoring of attendance, lack of compliance with leave conditions and lack of effective penalties for noncompliance.

Breakdown of PI-20 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)	Listed in PEFA Framework		
C	*(i) Effectiveness of expenditure commitment controls* Expenditure commitment control systems exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated,	In principle, spending agencies cannot enter into expenditure commitments that are not covered by the approved budget or which would result in the budget being exceeded. This system is not linked to projected cash availability, but this is somewhat academic as over 90 percent of financial resources consist of predictable transfers from GRSS and the bulk of expenditure consists of nondiscretionary items: salaries, transfers to counties, and elements of operating expenditure.	2011 Appropriations Act 2011 Payments Procedures Interview with Accounts Department, MoFTI
C	*(ii) Comprehensiveness, relevance, and understanding of other internal control rules/procedures* Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application.	Understanding by spending agencies of internal control rules is generally good in terms of (i) payments request and payments procedures, (ii) accountability requirements concerning use of conditional grants and petty cash, and (iii) deposit of revenues into MoFTI-held bank accounts, accompanied by use of required receipting procedures. Understanding of the requirements for bank account- owned property, and the monitoring of staff attendance at work is not so good.	As above Payments request to the secretary-general of the Council of Ministers from a department for payment of bodyguards. Contains: (i) SG's signature of approval and authorization to transmit request to director general of MoFTI and (ii) Approval signature of DG MoFTI. Followed by: Form 17 (from 1995 ordinance) payments authorization through issue of check (drawn on block grant account), based on payments request approval, signed by DG MoFTI (primary signature) and director of accounts, MoFTI (secondary signature). A sample of payments request for police salaries and payments authorization in May 2011 using the 1995 ordinance procedures. Includes credit advice from Ivory Bank, showing payment into police bank account. Sample of computerized 2011 Commitments and Expenses–Salaries Form for request for payment of salaries to police, under 2011 Payments Procedures.
D	*(iii) Degree of compliance with rules for processing and recording transactions* The core set of rules is not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified/emergency procedures.	Compliance is generally good in terms of observance of the principles of segregation of responsibilities, particularly in connection with the preparation and processing of payments requests. Compliance is limited in terms of • Accountability for the spending of conditional grants and petty cash • Bank account reconciliation • Deposit of all revenues into MoFTI-controlled accounts and use of required receipting procedures • Observing personnel attendance and leave procedures • Use of government property Compliance tends to be worse than understanding, hence the lower rating.	As above

Aweil West County

The state government formats for payments requests are not used, but the county has procedures for payments requests and authorization: letter of payments request, accompanied by an invoice, to the executive director of the county, and authorization of payment by the executive director (stamped on the letter) and the signature of the deputy director of accounts (the cashier) on the letter, indicating authorization of payment. A sample request and authorization (for payment of 50 pieces of ironsheet) was provided to the assessment team.

The county administration does not have an accounting unit. The cashier is in charge of both controlling the flows into and out of the cash safe and the accounting for these flows, indicating a possible internal control issue. There is no system yet in place for monitoring these flows; the cashier mentioned that a simple Excel spreadsheet model was needed.

In terms of controls over revenue collection, as indicated under PI-15, the old 1995 ordinance procedures are still partially used, through Form 15 (sample provided to the assessment team). But not all the forms are used, indicating a potential internal control weakness, though in practice the county administration maintains that the system works reasonably well. The forms are stamped in the county administration office, and the executive director controls the number of receipt books issued.

The administration does not perform bank account reconciliations, representing an accounting weakness. This is mainly because as yet there is no accounting unit. Similarly, the lack of an accounting function has precluded the submission of regular budget execution reports to MoFTI and the parent spending agencies at state level.

Control over the use of government property is deficient, as strongly emphasized by the commissioner. He informally maintains a register, and has provided lists of property in all offices, but a formal monitoring system needs to be in place.

Concerning personnel controls, there are no clear procedures to be taken when employees are absent from work.

PI-21: Effectiveness of internal audit

Regular and adequate feedback to management is required on the performance of the internal control systems, through an internal audit function.

(i) Coverage and quality of the internal audit function

The Internal Audit and Inspection Directorate in MoFTI has been operational since 2005, with a staff of four, one of whom is the director. The directorate does not have its own office and generally feels neglected. Working papers and documents are kept in a safe box. The directorate does not have an internal audit manual, though it has a training manual, which contains a number of formats for planning, auditing, and reporting. It has developed new formats for payroll audits. Spending agencies do not have internal audit functions.

(ii) Frequency and distribution of reports

The directorate conducted one audit in 2008, but did not prepare a report. It also provided assistance to the Audit Chamber that year. It conducted no audits in 2009. It had an audit plan for 2010, but was unable to execute most of it, due to budget constraints and political factors (elections and the preparation for the referendum). It issued a report on local government (county) revenue in 2010, at the request of some county administrations. A key concern of the report was the issue by revenue collectors of nonofficial receipts (instead of the official Form 15 receipt, as mandated under the Financial and Accounting Procedures Ordinance of 1995). The directorate also conducted an investigation in 2010 on Aweil Center County concerning the misallocation of funds for salaries (SDG 32,000). Another activity in 2010 was provision of assistance to the Audit Chamber (PI-26). The directorate is not involved in the checking of payments requests (it has no pre-audit checking function). It has not conducted any payroll audits.

The directorate submitted an audit plan for 2011–14 to the director general of MoFTI in February 2011. The plan covers (i) revenue collected in 2010; (ii) nonsalary expenditure; (iii) payroll, in conjunction with the newly established Ministry of Public Service; (iv) fixed assets management; (v) procurement management; (vi) administration; and (vii) counties. Items i through iii and item vii are assessed by the directorate as high risk, and the other three items as medium risk. Between 17 and 18 audits are planned for each of the four years, with four audits a year for each of the high risk areas.

The directorate considers it needs eight extra staff in order to be able to implement its audit plans: one IT specialist, three auditors, a driver, two clerks and a cleaner. In a letter to the state minister of public services dated April 27, it requested the additional manpower, as well as the establishment of the internal audit directorate in the Council of Ministers. The provision of additional manpower would require a supplementary budget.

(iii) Extent of management response to internal audit findings

Breakdown of PI-21 Scores

Score	Scoring Criterion	Justification	Information Sources
D (M1)			
D	*(i) Coverage and quality of the internal audit function* There is little or no internal audit focused on systems monitoring.	The Internal Audit and Inspection Directorate was established in MoFTI in 2005. It does not have its own office space. It has conducted very little audit activity. It was able to implement only a small proportion of its audit plan in 2010, due to budgetary and political constraints. It has prepared an audit plan for 2011–14 and has requested additional funding in order to implement it. The internal audit function has not been established in spending agencies and county administrations.	Interview with director of Internal Audit and Inspection Directorate in MoFTI Internal audit plan for 2011–14 and request to Ministry of Public Services for extra staff, be funded through a supplementary budget later in 2011
D	*(ii) Frequency and distribution of reports* Audit reports either nonexistent or irregular.	Very few reports have been prepared so far and those that have been done were done on a very irregular basis, mainly at the request of a spending agency or county.	Interview with director of Internal Audit and Inspection Directorate
NA	*(iii) Extent of management response to internal audit findings*	The very small number of IA reports prepared so far has been at the request of a spending agency/county. In the case of the misallocation of funds toward salaries in the spending agency, the funds were reallocated back, indicating that the recommendations of the directorate were not ignored. It is uncertain whether the recommendations concerning revenue collection receipts at county level were followed up on. Given that the very few IA reports prepared so far, this dimension is considered to be not applicable.	Interview with Director of Internal Audit and Inspection Directorate

Aweil West County

Internal audit functions have not been established at county level, the idea being that state level internal audit functions would also cover counties. The last year that the internal auditor from MoFTI visited was in 2007.

3.6 Accounting, Recording, and Reporting

This set of indicators assesses the timeliness of accounting, recording and reporting. A summary of the scores is presented in the following matrix.

Assessment of Performance Indicators for Accounting, Recording, and Reporting

No.	Accounting, Recording, and Reporting	Score	Dimensions	Scoring Methodology
PI-22	Timeliness and regularity of accounts reconciliation	NR	(i) D (ii) NR	M2
PI-23	Availability of information on resources received by service delivery units	D▲	(i) D▲	M1
PI-24	Quality and timeliness of in-year budget reports	NA	(i) NA (ii) NA (iii) NA	M1
PI-25	Quality and timeliness of annual financial statements	D	(i) D (ii) NA (iii) NA	M1

PI-22: Timeliness and regularity of accounts reconciliation

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants—this is an important part of internal control and a foundation for good quality information for management and for external reports. Timely and frequent reconciliation of data from different sources is fundamental for data reliability.

(i) Regularity of bank reconciliations

Bank account reconciliation is not yet practiced, except in the case of expenditures financed by the block grant. The Accounts Directorate in MoFTI does not record revenue collections, thereby precluding comparison and reconciliation with deposits of revenue in MoFTI-controlled bank accounts, as recorded in the bank statements. Statements for the MoFTI's block grant bank account are checked against the block grant cash book, which is electronically maintained under EasyPay (the payroll management IT package, as explained under PI-18). Cash books are not maintained for expenditures financed from other MoFTI bank accounts, although the bank statements can be checked against payments vouchers, but this is cumbersome. Spending agencies do not practice bank reconciliation, but even if they did, MoFTI would not know about it.

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

As with (i) reconciliation and clearance of suspense accounts and advances is not practiced, as the accounting system is not yet developed enough; as indicated under PI-25, annual financial statements are still not prepared. Advances, including advance of petty cash to spending agencies, are recorded as expenses at the time of payment, so the issue of clearance does not arise.

Breakdown of PI-22 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M2)	As listed in PEFA Framework		
D	*(i) Regularity of bank reconciliations* Bank reconciliation for all Treasury-managed bank accounts take place less frequently than quarterly *or* with backlogs of several months.	With the exception of the block grant bank account and the block grant cash book maintained in MoFTI (using EasyPay), bank reconciliation of the MoFTI-controlled bank accounts does not take place.	Interview with Accounts Department of MoFTI Block grant bank account statement, January 2010 Cash book transactions for block account, August 2010
NR	*(ii) Regularity of reconciliation and clearance of suspense accounts and advances*	The accounting system does not capture advances and suspense accounts.	As above

Aweil West County

The county administration does not practice bank reconciliation.

PI-23: Availability of information on resources received by service delivery units

Problems can arise in front-line service delivery units in obtaining resources that were intended for their use. This indicator is assessed on the basis of collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focusing on primary schools and primary health clinics) in relation to the overall resources available to the sectors. The indicator covers primary education and health care service delivery units that are under the responsibility of state governments and counties.

Conditional grants to state governments include grants for primary education and health, as state governments have primary responsibilities in these areas. These grants finance the bulk of expenditures on primary education and health in both states and counties. One of the conditions is frequent reporting and accounting, but until now these have not been enforced. As mentioned in paragraph 2 of “Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011,” transfers will no longer be sent to states without prior accounting and reporting on expenditures financed by these transfers. A States Transfers Monitoring Committee (STMC), established in late 2010 under the GRSS-level MoFEP, is reviewing the monthly reports, preparation of which started only in March, 2011.

Donor agencies, including NGOs, provide substantial amounts of assistance to primary health care and education sectors through stand-alone projects outside NBGSG’s PFM systems. For example, according to the director general of education, NGOs constructed five schools in NBGS during 2010.

Breakdown of PI-23 Scores

Score	Minimum Requirements	Justification	Information Sources
D▲ (M1)			
D▲	*(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-end delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units* No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the past three years.	No comprehensive information has been available to date on resources received by basic service delivery units, which are mainly the responsibility of state governments. This situation has recently started to change due to MoFEP imposing tougher reporting and accounting requirements regarding the use of conditional grants, which effectively finance much of basic service delivery at the state level. These requirements came into effect only in March 2011 and, at the time of this PEFA assessment, only three months of reports had been submitted to MoFEP by state governments.	Memo from under secretary of planning in MoFEP to director generals and state ministries of finance on "Reporting on Transfers to States," April 4, 2011 "Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011," April 2011, MoFEP and Ministry of Labor and Public Service Benjamin Ayali, Chair of STMC, "Use of and Reporting on State Transfers," presented at workshop for state governments in Juba in early June 2011

Aweil West County

The same situation applies at county level. The county's main responsibility for primary health care and education is at the level of health units. Health care centers (with in-patient treatment facilities) come under the mandate of NBGSG, as do primary schools.

PI-24: Quality and timeliness of in-year budget reports

The ability to "bring in" the budget requires timely and regular information on actual budget performance to be available both to the ministry of finance (and Cabinet), in order to monitor performance and if necessary to identify new actions to get the budget back on track, and to line ministries for managing the affairs for which they are accountable.

(i) Scope of reports in terms of coverage and compatibility with budget estimates

MoFTI began preparing monthly expenditure reports only in January 2011, using FreeBalance, which was installed in late 2010. The reports contain summaries of expenditures by spending agency, with no information on expenditure by chapter and line item; petty cash advances to spending agencies are classified as expenditures, with no indication of what they were spent on. The reports do not contain information on expenditure commitments and pending claims. Monthly revenue reports are not yet prepared as SRA has not submitted information on revenue collections. The reports have been submitted in soft copy to MoFEP at GRSS level, but not to spending agencies (contrary to the requirements of the Payments Procedures). Spending agencies do not prepare their own financial reports.

Expenditure reports prepared prior to 2011 were simply cash payment lists, showing the date, check number, name of beneficiary, type of expenditure and amount; a sample was provided to the assessment team.

(ii) Timeliness of the issue of the reports

The monthly expenditure reports prepared by MoFTI since the beginning of the year have been prepared within a month of the end of the month.

(iii) Quality of information

Assessment of the quality of financial reports would have been easier if audit reports had been available.

The minister of MoFTI indicated that FreeBalance is not fully up and running, which might have implications for the quality of the reports. Only one machine had been installed, another was needed.

The States Transfers Monitoring Committee's presentation at the workshop held for state governments in early June 2011 expressed some concerns at the quality of the monthly reports submitted by state governments on the use of conditional grants (which finance about 50 percent of state government expenditures). Some states were reporting far less expenditure than the transfers sent, suggesting that perhaps that not all expenditure was being recorded in FreeBalance. On the other hand, some states were reporting far greater expenditures than transfers, indicating that expenditures were perhaps being reported twice. Either way, recording procedures had to improve. Suggestions for improvements included the following:

- Ensuring that payments requests are entered into FreeBalance prior to payments being made (the importance of this procedure in terms of control over budget execution was stressed in the GRSS-level PEFA assessment)
- Reducing the amount of funds automatically released to spending agencies each month and correspondingly increasing the amount of direct payments to suppliers by MoFTI
- Setting thresholds above which payments must be made by check or bank transfer
- Ensuring clear segregation of duties
- Carrying out bank reconciliations.

This indicator is assessed on the basis of the last completed financial year. As in-year reporting only started in January, 2011, the scoring criteria do not apply yet, so the indicator and dimensions are assessed as nonapplicable. **Score: NA (M1)**

Aweil West County

The county administration records the resources it receives (revenues, fiscal transfers from NBGSG for payments of salaries and operating expenditure, no transfers received yet in relation to block grant from GRSS for capital expenditure). The administration does not prepare in-year budget execution reports. It prepared a summary report on 2010 expenditure.

PI-25: Quality and timeliness of annual financial statements

Consolidated year-end financial statements are critical for transparency in the PFM system. This indicator is assessed in terms of (i) completeness of the financial statements, (ii) timeliness of the submission of the financial statements, and (iii) accounting standards used.

No annual financial statements have been prepared to date by MoFTI and the county administrations. MoFTI intends to prepare an expenditure report for 2011. Thus dimension (i) is assessed as D (a consolidated financial statement is not prepared annually), while dimensions (ii) and (iii) are not applicable.

Score: D (M1)

3.7 External Scrutiny and Audit

This set of indicators looks at the quality and timeliness of external scrutiny of the government's budget estimates as well as public accounts.

Assessment of Performance Indicators for External Scrutiny and Audit

No.	External Scrutiny and Audit	Score	Dimensions	Scoring Methodology
PI-26	Scope, nature, and follow-up of external audit	NA	(i) NA (ii) NA (iii) NA	M1
PI-27	Legislative scrutiny of the annual budget law	B	(i) B (ii) NA (iii) B (iv) NA	M1
PI-28	Legislative scrutiny of external audit reports.	NA	(i) NA (ii) NA (iii) NA	M1

PI-26: The scope, nature, and follow-up of external audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds. Dimensions to be assessed are (i) scope/nature of audit performed, (ii) timeliness of submission of audit reports to the legislature, and (iii) evidence of follow-up on audit recommendations.

MoFTI informed the assessment team that the Audit Chamber (responsible for auditing all government entities in South Sudan) had visited in 2009 or 2010. There was no exit conference, however, and the Chamber did not provide a report to MoFTI. In any case, there were no annual financial statements to audit.

Accordingly, this indicator is not rated as it is not applicable (NA) at this time.

Score: NA (M1)

PI-27: Legislative scrutiny of the annual budget law

The power to give the government authority to spend rests with the legislature and is exercised through the passing of the budget law.

Background

The assessment team met representatives of the Committee for Economy, Development and Finance (CEDF). The State Legislative Assembly (SLA) did not come into existence until March 2010, following elections. Members received training on parliamentary procedures from the GRSS-level Ministry of Parliamentary Affairs. Some donor-supported capacity building took place during 2007 for all state legislative assemblies.

The SLA was not in a position to review the 2010 budget; the 2011 budget was the first to receive a full review. The draft budget went through four readings and was hotly debated. Significant reallocations were made from the MoFTI draft budget to the draft budgets for the Ministries of Health and Infrastructure.

(i) Scope of the legislature's scrutiny

The SLA reviews the draft budget submitted to it by the Council of Ministers. As noted under PI-6, the 2011 budget included statements of policies and plans on which the budget was prepared.

(ii) Extent to which the legislature's procedures are well-established and respected

The SLA has a procedures document—"Parliamentary Procedures"—to guide its deliberations. The assessment team was unable to take away a hard copy (no soft copy was available), but a brief look at the document indicates that it follows the same structure as for the National Legislative Assembly (SSLA); the assessment team had obtained the "Code of Conduct" from the CEDF in SSLA during the GRSS-level PEFA assessment in April 2011. The SLA appears to adhere to the Procedures as evidenced by the four readings that took place in connection with the review of the 2011 budget.

(iii) Adequacy of the time for the legislature to provide a response to budget proposals

The SLA had four weeks to review the draft 2011 budget. The CEDF considered this to be sufficient time.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

Section 5 of the 2011 Appropriations Act clearly indicates the rules for in-year amendments to the budget. The rules are broadly the same as those stipulated in the GRSS-level Appropriations Act.

This dimension is not applicable yet, as 2011 is the first year that there has been a budget that has received proper scrutiny from the SLA and, at the time of the assessment, implementation of the budget was still in its early stages. The CEDF informed the team that a supplementary budget was likely to be presented to the SLA in September.

Breakdown of PI-27 Scores

Score	Minimum Requirements	Justification	Information Sources
B (M1)	Listed in PEFA Framework		
B	*(i) Scope of the legislature's scrutiny* The legislature's review covers fiscal policies and aggregates for the coming year, as well as the detailed estimates of expenditure and revenue.	As indicated in the 2011 budget estimates book.	-011 budget document
NA	*(ii) Extent to which the legislature's procedures are well-established and respected* Simple procedures exist for the legislature's budget review and are respected.	A "Parliamentary Procedures" document guides SLA deliberations, including review of the draft budget through the process of four hearings. This is the first full year of a functioning SLA and thus it is too early to judge whether the procedures are respected. This dimension is therefore considered to be not yet applicable. Nevertheless, the CEDF members met by the team appear dedicated and motivated and gave a strong impression that the procedures are respected.	Interview with head of CEDF "Parliamentary Procedures" document
B	*(iii) Adequacy of time for the legislature to provide a response to budget proposals.* The legislature has at least one month to review the budget proposals.	The SLA had one month to review the 2011 budget. The CEDF considered this to be enough time.	Interview with head of CEDF
NA	*(iv) Rules for in-year amendments to the budget without ex-ante approval of the legislature*	The 2011 Appropriations Act contains clear rules. At the time of the assessment it was too early in the year to judge whether the rules are respected. This is the first year of a fully functioning SLA.	2011 Appropriations Act

Aweil West County

The county does not have a functioning legislature. The county's budget for 2011 is contained in the 2011 budget for NBGSG, which was reviewed by the SLA, indicating an element of legislative review.

PI-28: Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that is approved.

This indicator is not applicable (NA) as the Audit Chamber has not submitted any audit reports to the SLA, as noted under PIs 25 and 26.

The CEDF indicated to the assessment team that it expects MoFTI to submit quarterly budget performance reports to the SLA during the course of 2011. The CEDF would then review these. The first report, covering March-May 2011 (the budget was approved in February), was expected in June.

Score: NA (M1)

3.8 Donor Practices

Assessment of Performance Indicators for Donor Practices

No.	Donor Practices	Score	Dimensions	Scoring Methodology
D-1	Predictability of direct budget support	NA	(i) NA (ii) NA	M1
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D	(i) D (ii) NA	M1
D-3	Proportion of aid managed by use of national procedures	D	(i) D	M1

D-1: Predictability of direct budget support

This indicator is not applicable (NA) as NBGSG does not receive direct budget support.

Score: NA (M1)

D-2: Financial information provided by donors for budgeting and reporting on project and program aid

The dimensions to be assessed are *(i) completeness and timeliness of budget estimates by donors for project support* and *(ii) frequency and coverage of reporting by donors on actual donor flows for budget support*.

Donor agencies, particularly NGOs, provide support to NBGSG and Aweil West County in the form of stand-alone projects. Only one NGO project is indicated in the 2011 budget document: CONCERN, in terms of its planned support of SDG 6.2 million to the natural resources and social development sector. The budget document notes the need to incorporate the planned spending of donors in future budgets.

The Aweil West County budget for 2011 mentions the names of the several donor agencies providing aid, the sectors in which they are operating, and planned activities, but does not indicate the amounts of aid.

Breakdown of D-2 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)	As listed in PEFA Framework		
D	*(i) Completeness and timeliness of budget estimates by donors for project support* Not all major donors provide budget estimates for disbursement of project aid at least for the government's coming fiscal year and at least three months prior to its start.	As explained in the text.	2011 budgets for NBGSG Interview with director general of the Ministry of Education
NA	*(ii) Frequency and coverage of reporting by donors on actual donor flows for budget support*	The reports would compare actual flows with planned flows, as reflected in the approved budget. The planned flows are not contained in the approved budget, so the scoring criterion is NA.	

D-3: Proportion of aid that is managed by use of national procedures

The dimension to be assessed is the overall proportion of aid funds to the government that are managed through national procedures (banking, authorization, procurement, accounting, audit, disbursement, and reporting).

Donors are not using the public financial management systems (including procurement systems) of NBGSG and Aweil West County at this time.

Breakdown of D-3 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	*(i) Overall proportion of aid funds to central government that are managed through national procedures* Less than 50 percent of aid funds to NBGSG managed through national procedures.	Donor-financed projects are not using NBGSG's PFM systems at this time	MDTF, JDT, UNDP, World Bank

3.9 Predictability of Fiscal Transfers from Higher Level Government (HLG)

HLG-1: Predictability of fiscal transfers from GRSS: (i) year-on-year and (ii) within the year

NBGSG receives most of its funding from GRSS in the form of the block grant and conditional grants. Aweil West County receives most of its funding from NBGSG and GRSS, the latter in the form of a block grant for budgeted capital expenditure channeled through NBGSG three times a year in March, June, and September. Efficient execution of approved budgets therefore is heavily reliant on the predictable and timely availability of the transfers.

Timely disbursement of funds is a high priority of GRSS, as noted in the PEFA assessment of GRSS. NBGSG (minister of finance and director general of the Ministry of Education) indicated that funds generally arrive on time every month. Aweil West County (commissioner's office) indicated that the grants for salaries and operating expenses also arrive on time every month.

For Aweil West County, the disbursement of the block grant from GRSS for capital expenditure is usually not on time. The office claimed that GRSS released the money in 2009, but the funds never made it to the county. GRSS did not release the funds in 2010, but this was mainly because GRSS did not approve the county's proposed capital budget. (The capital budget has to be of a quality acceptable to GRSS, in terms of alignment with priorities and the reasonableness of the cost estimates.) The county was still waiting for the first disbursement under the 2011 budget.

For NBGSG the rating for predictability is A.

Annex 1: Summary of Local Government Act, 2009

The Local Government Act was gazetted in October 2009. This act is set out in 15 chapters and 3 appendices, summarized as follows:

CHAPTER II: GUIDING PRINCIPLES

Section 6
Local Government is the third layer of government in Southern Sudan, consisting of autonomous local government councils to be established in accordance with the provisions of this Act.

Section 8: Local Government Authority
The local Government Authority shall be vested in each local government council, which shall be a legal entity with the right to sue and be sued in its own name.

Section 9: Sources of Local Government Legislation
(1) The sources of legislation in the local government councils shall include:
- (a) The Interim Constitution of Southern Sudan 2005
- (b) The constitution of the respective states in Southern Sudan
- (c) The Local Government Act
- (d) Customs and traditions of the people

Section 12: Objectives of the Local Government
- Promote self-governance, community participation in maintaining law and order and promoting democratic, transparent and accountable local government
- Establish the local government institutions as close as possible to the people

Chapter III: DECENTRALIZED SYSTEM OF LOCAL GOVERNMENT

The local government shall comprise three tiers of government:
- (a) The **county**, city, municipal and town (councils);
- (b) The **payam** and block councils (coordinative administrative units); and
- (c) The **boma** and quarter councils (basic administrative units).

Section 24: Primary Responsibilities of the Local Government Councils
The primary responsibilities of the local government councils shall be, but not limited to:
- (a) Regulation and maintenance of law and public order
- (b) Regulation, provision, and maintenance of services to the people
- (c) Land administration and environmental management

Section 33: Emoluments of Members of the Legislative Councils
Members of the legislative council shall not be paid monthly emoluments but shall be entitled to allowances which shall be determined by each council in accordance with public service law and regulations and the prevailing cost of living in each locality

Section 48: The County Commissioner

(1) The county commissioner shall be directly elected by the people of the county.
(2) The tenure of office of the county commissioner shall be four years from the date of assuming office and may be re-elected for one additional term only.
(3) The county commissioner shall be:
  (a) the head of the County Executive Council;
  (b) the chairperson of the County Security Committee;
  (c) the representative of the state governor in the county;
  (d) not be a member of the Legislative Council; and
  (e) accountable to the County Legislative Council in the discharge of his or her functions and duties.

Chapter VII- THE CIVIL SERVICE OF THE COUNCIL

Section 49: The Chief Administrator of the Council

(1) Each local government council shall be headed by a chief administrator from the general list of the local government administrative officers of the state, who shall be the head of civil service of the council.
(2) The titles of the chief administrators of the local government councils shall vary according to the type and status of the council as follows:
  (a) Executive director, for a County Council;
  (b) Chief executive officer, for a City Council;
  (c) Chief executive officer, for a Municipal Council; and
  (d) Town clerk, for a Town Council.

Section 60: The County Executive Director

There shall be a county executive director for each county who shall be an appointed official from the general list of local government administrative officers of the state.

Sections 61–68 set out the powers, functions ,and duties of the respective council officers

Chapter VIII: LOCAL GOVERNMENT PLANNING AND FINANCE

Section 69: The Principle of Integrated Participatory Planning

(1) The preparation of council plans shall be based on an integrated participatory approach, which encompasses the departmental plans of all the units of the council.
(2) The council plans shall be made up of annual, medium-, and long-term plans.

Sections 70–72 detail the council planning unit, its functions, and duties

Section 73: Sources of Local Government Finance

(1) The Local Government Council shall be funded by a combination of government grants, locally generated revenues, community contributions, grants and donations from organizations and individuals, and loans in accordance with the creditworthiness or any other sources authorized by law.
(2) Each council shall raise funds from its sources to meet its expenditures.

Section 74: Local Sources of Revenue
The Local Government Councils may generate revenue from the following sources:

(1) Taxes
   (a) Council property tax
   (b) Social services tax
   (c) Council land tax
   (d) Animal tax
   (e) Gibana tax
   (f) Council sales tax
   (g) Capital gains tax
   (h) Produce tax (*ushur*)
   (i) Any other taxes as may be authorized by law, rules and regulations

(2) Local rates
   (a) User service charges
   (b) License fee
   (c) Administrative fines
   (d) Royalties
   (e) Permits
   (f) Customary court fees and fines
   (g) Contract fees
   (h) Auction fees;
   (i) Any other fees and charges as may be authorized by any other law, rules, and regulations

(3) Local earnings from Council investments and projects

Section 75: Community Contributions
Labor, monetary and contribution in kind.

Section 76: Grant-in–Aid
The local government council shall mobilize funds to meet its expenditures through accessing grants from government, donors, and donor agencies

Section 77: Government Grants
(1) The council shall receive grant-in-aid from the Government of Southern Sudan and the state
(2) The following grants may be allocated all or any of them to the local government council from the Southern Sudan or state revenue:
   (a) Conditional grants,
   (b) Block grants,
   (c) Equalization grants, and
   (d) State support grants.

(3) Any government grant allocated under sub-section (1) above shall be disbursed through the State Authorities directly into the bank account of each Local Government Council, through which expenditures shall be regulated by the local government council concerned.

Section 78: Donor Grants

Donors may support LGs directly, indirectly, through technical assistance. The donor funds granted to any local government shall be kept in an account in a credible bank.

Section 79: Loans

(1) The Local Government Councils, as corporate bodies, shall, based on their credit worthiness, have the right to borrow.
(2) Each council shall encourage and promote the establishment of microfinance institutions from which it may access credit facilities for its projects.

Section 80: Establishment of a Local Government Fund

(1) There shall be established a Local Government Development Fund, which shall be a "basket fund" for all donations and contributions to the local government councils to meet the recovery and development expenditures of the councils.

Section 81: The Financial Year of the Councils

(1) The financial year of the local government councils shall be the calendar year.
(2) The commissioner, mayor, or town clerk, as the case may be, shall prepare and present to the legislative council before the beginning of the financial year an appropriation act of the allocation of revenues and expenditure in accordance with the provisions of this act.

Section 82: Appropriations Bill

the appropriations bill includes evaluation of the economic, financial, and performance situation, a statement of general budget, budget proposals, and council priorities.

Section 83: Submission of the Budget Proposal

(1) The council's proposal for next year's budget shall be submitted to the Legislative Assembly by June 30 of the current year.
(4) The appropriation act, when passed by the Legislative Council, shall become the approved annual budget.

Section 84: Execution of the Council Budget

(1) Upon approval, the execution of the budget shall be the responsibility of the chief administrator of the council and supervised by the Legislative Council.

(2) The council **shall maintain its books of account** in order to record:
   (a) All transactions of funds received and spent;
   (b) All income earned or accrued but not received; and
   (c) All expenditure committed but not incurred

Section 85: Audit of Council Accounts

(1) Accounts of the local government councils shall be audited annually by the auditor general of the government or any other audit firm appointed by the Legislative Council and approved by the auditor general.

Section 86: Provisional and Supplementary Financial Measures

In the event of delay in passing of the budget by the Legislative Council beyond the beginning of the financial year:

(1) Expenditure shall continue, pending adoption of the general budget, in accordance with the estimates approved for the previous year, as if the same has been appropriated by law for the new financial year.

Section 87: Final Accounts
The commissioner, mayor, or town clerk shall cause to be presented to the Legislative Council, during the six months following the end of the financial year, the audited financial report of all council's revenue and expenditure for consideration.

Chapter XIII: INTERGOVERNMENTAL LINKAGES

Section 123: The Local Government Board
(1) The Local Government Board is established in accordance with the provisions of Article 173 (3) of the Constitution. Its powers and functions are set out in Section 124.

Section 125: State Ministry of Local Government and Law Enforcement (MoLG&LE)
MoLG&LE responsibility for the functional organization of the local government is set out in (a)–(h).

The local government taxes, fees and charges shall be determined by each local government council in consultation with state authorities and the Local Government Board.

Annex 2: List of People Met

Name	Position
H.E. Lt. General Paul Malong Awan	Governor of NBGS
H.E. Ruay Ronald Deng Dut	State Minister of Finance
Simon Lual Majok	Director of Accounts
Albino Bol	Controller of Accounts
Valentino Dhien Deng	Director of Internal Audit, MoFTI
H.E. Mareng Chuor Deng	Commissioner General, Northern Bahr el Ghazal Revenue Authority
H.E. Stephen Chol Ajongo	Minister of Education
Cuerar Atem Biajo	Acting Director General of Ministry of Education
	State Minister of Public Service
	Head of Committee for Development, Finance and Economy, State Legislative Authority
	Commissioner of Aweil West County (AWC)
	Head, Planning and Budgeting Office, AWC
	Cashier, AWC
Ephrame Israel	UNDP Planning and Budgeting Specialist