

Report No.: 78290-SS

Government of Republic of South Sudan

**Public Finance Management
Assessment: Unity State**

**Based on the Public Expenditure
Financial Accountability (PEFA) Framework**

May 31, 2012

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CURRENCY AND EXCHANGE RATES

Currency unit = Sudanese pound

US\$1 = SDG 3 (As of June 25, 2011)

Unity State Government fiscal year (FY): Calendar year

Abbreviations and Acronyms

ACC	Anti-Corruption Commission
BCC	Budget Call Circular
BoSS	Bank of Southern Sudan
BSP	Budget sector plan
BSWG	Budget Sector Working Group(s)
CBTF	Capacity-Building Trust Fund
CEDF	Committee for Economy, Development and Finance
CIFA	Country Integrated Fiduciary Assessment
CMC	Cash Management Committee
COM	Council of Ministers
CPA	Comprehensive Peace Agreement
DG	Director general
FMIS	Financial management information system (also called FreeBalance)
GATC	Government Accountancy Training Center
GFS	Government Finance Statistics
GoNU	Government of National Unity
GoSS	Government of Southern Sudan
GRSS	Government of the Republic of South Sudan
HRIS	Human resource information system
IA	Internal audit/auditor
IPSAS	International Public Sector Accounting Standards
ISPPA	International Standards for the Professional Practice of Internal Auditing
ICSS	Interim Constitution of Southern Sudan
JDT	Joint donor team
LICUS	Low Income Countries under Stress
MDTF	Multi-Donor Trust Fund
MoFEP	Ministry of Finance and Economic Planning
MoFTI	Ministry of Finance, Trade and Investment
MoLPS	Ministry of Labor and Public Services
NBGSG	Northern Bahr el Ghazal State Government
NGO	Nongovernmental organization
NTR	Non-tax revenue
PAC	Public Accounts Committee
PE	Public entities
PEFA	Public expenditure and financial accountability
PFM	Public financial management
PI	Performance indicator
PIT	Personal income tax
SA	Spending agency
SSEPS	South Sudan Electronic Payments System.
SSAC	South Sudan Audit Chamber
SLA	State Legislative Assembly
SSLA	South Sudan Legislative Assembly
SDG	Sudanese pound
TA	Technical assistance
TIN	Taxpayer identification number

UNDP	United Nations Development Programme
UNV	United Nations volunteer
US	Unity State
USG	Unity State Government
USD	US dollar
USAID	United States Agency for International Development

Scope Declaration

At the time of this assessment (June 2011), Unity State was challenged by security issues, and the assessment team was not able to obtain clearance to visit. Instead, Unity State's Ministry of Finance, Trade and Industry (MoFTI) sent three officials to visit the assessment team in Juba on June 10, 2011: the deputy director of taxation, the director of procurement, and the director of planning and budgeting. The assessment team also obtained a number of documents, including budget estimates and the strategic plan for Unity State.

This report was drafted as a result of that process and is therefore based on a limited assessment. As the assessment team did not visit Unity State, it could not independently verify representations from officials and statements in documents. The report should be read with these limitations in mind.

Summary Assessment

Positive Factors

1. **The budget is prepared with due regard to state government policy, which is consistent with the Government of the Republic of South Sudan (GRSS) framework.** Budget preparation processes have evolved since 2005, with the assistance of well-focused and effective technical assistance. The budget classification system (PI-5, see table 1) clearly indicates the purpose of government spending, a prerequisite for the preparation of policy-oriented budgets (PI-11). The budget documents are comprehensive and of a fairly high quality (PI-6) and can be “publicly availed” as they are read and discussed live over BANTEO FM radio. The policy-oriented annual budget preparation process provides the necessary platform from which sectors, counties, and *payams* can provide information to the state level. The medium-term perspective to budgeting has yet to evolve, but the strengthened budget preparation process has laid a good basis for this.
2. **An electronic payroll system was established during 2010.** The number of “ghosts”— people no longer employed but still on the payroll—has been significantly reduced, and the processing of the monthly payroll has become easier and quicker. The numbers of people on the payroll has been slashed considerably. A new Ministry of Labor and Public Service (MoLPS) has just been established in the state and is overseeing the development of a human resource information system (HRIS). The first stage entails the review and update of all personnel records. In cases of termination and death, updates of personnel records may take some time, resulting in “ghosts,” although the incidence of these has fallen sharply. Eventually, the update of personnel records and the establishment of the HRIS should result in the complete integration of personnel records with the payroll system.
3. **An integrated financial management information system (IFMIS) has been established.** The system was introduced by the FreeBalance Company in October–November 2010, but its application is still limited to three staff in the State Ministry of Finance, Trade and Industry (MoFTI). It will have a big role to play in strengthening budget execution, reporting, and accounting processes. Further training is needed so that it can be rolled out to spending agencies and more of its functions can be used.
4. **Legislative oversight has been strengthened.** Since the elections in 2010, the State Legislative Assembly has increased its assertiveness, particularly in terms of analyzing the draft budget. It has yet to scrutinize external audit reports, as none have been produced yet.
5. **Government-donor interaction has been strengthened.** The Unity State Government (USG) and donor partners appear to be working more closely together, with resultant benefits in terms of better coordinated service delivery. The 2011 budget document includes planned donor activities on a sector basis. There is still room for improvement, for example, through the signing of memorandums of understanding (MoUs) between donor groups and USG.

Key Remaining Challenges

The downstream areas of public financial management (PFM)—budget execution, revenue administration, some internal control systems, and reporting, accounting, and audit systems—require substantial strengthening to support a credible budget.

1. **Meaningful budget performance reports are still not being produced, nor are annual financial statements.** The first three performance indicators of the assessment, in which revenue and expenditure outturns are compared with the approved budgets, (the difference being a good measure of credibility and predictability), cannot be rated due to the absence of credible outturn data.
2. **Procurement is undertaken entirely through single sourcing, perhaps resulting in higher costs of delivering public services than necessary.**
3. **There appear to be control weaknesses in a number of areas.** These relate to (i) expenditure commitments (implying the risk of payments arrears); (ii) revenue collection by ministries, allowing diversion of revenues; (iii) the use of government property, particularly government vehicles; and (iv) the adherence to accountability requirements in relation to bank reconciliations and the use of petty cash. The internal audit function has been very limited in its effectiveness so far, while the external audit function has been virtually invisible.
4. **Taxpayer education services have not yet been prepared and a unique taxpayer identification number system is not yet in place.** Both absences hinder efficient revenue administration. The administration of oil revenue by the Government of National Unity is not transparent, contributing to unpredictability in the flow of oil revenues.

A PFM law is still not in place, even though a draft was prepared more than three years ago. Instead, PFM is governed by appropriations acts and procedures, such as the Payments Procedures and Use of Petty Cash procedures introduced by GRSS. The MoFEP stresses the need for a new PFM law that would provide the legal basis for many PFM-strengthening measures that it would like to implement—for example, obtaining access to spending agency bank accounts and obtaining accountabilities from all ministries and local governments (counties) before release of subsequent tranches of conditional grants.

A Note on Terminology

The assessment was conducted in June 2011, prior to Southern 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 Unity 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 outturns compared to original approved budget	M1	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	A		
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	C	C			
C (i) Policy-based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	B	B	A	D	
PI-12	Multiyear perspective in fiscal planning, expenditure policy, and budgeting	M2	D	D	NR	D	D
C (ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	D+	C	D	D	
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	D	D	NA/NR	D	
PI-15	Effectiveness in collection of tax payments	M1	D	NR	D	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	D	C	D	D	D
PI-20	Effectiveness of internal controls for non salary expenditure	M1	D+	C	C	D	
PI-21	Effectiveness of internal audit	M1	D	D	NA	NA	
C (iii) Accounting, Recording, and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	NR	B	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	D	D	D	D	
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	C+	C	C	B	NR
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 budget and reporting on project and program aid	M1	D+	C	D		
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	M1	A	A	A		

NR = Not rated due to insufficient data to score. NA = Not applicable under the existing situation.

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 Unity State Government using the Public Expenditure and Financial Accountability (PEFA) Framework. This report will later feed into a country fiduciary risk assessment (CIFA) along with PEFA reports prepared by the team for GRSS, Jonglei State, Northern Bahr el Ghazal State, and Western Equatoria State, and a Country Procurement Assessment Report being prepared by a World Bank team on the procurement systems of both GRSS and the same four states, using the OECD-DAC assessment methodology of the Organization for Economic Cooperation and Development–Development Assistance Committee (OECD-DAC). The CIFA will include an action plan for implementing PFM reforms.

1.2 Process of Preparing the Report

Under contract to the World Bank and the Task Team leadership of Adenike Sherifat Oyeyiola, two consultants as part of a team of four consultants interviewed Unity State (US) officials at the World Bank office in Juba on June 10 2011. The team consisted of Peter Fairman (team leader), Getnet Haile, Charles Gerald Mugerwa, and Gregory Smith. Fairman and Mugerwa interviewed the Unity State officials: Martin Nhial Ruah, deputy director of taxation; Kuong Ter Duol, director planning and budgeting; and Thomas Gatjang Yuash, director of procurement. The team of consultants could not visit US for security reasons. In addition to the documentary information provided by the US officials, the team obtained information from the Ministry of Finance and Economic Planning (MoFEP), the UN Development Programme (UNDP), and the Local Government Board, which is based in Juba. The team expresses its appreciation and thanks to all the people met.

A first draft report was submitted to World Bank on July 14, 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, prior to the PEFA workshop held in Juba on September 5. This third report represents the draft final report. The assessment was funded by the World Bank, South Sudan MDTF, and the UNDP.

1.3 Scope of the Assessment

This PEFA is focused on the Unity State Government. If the assessment team had been able to visit US, the scope would also have included two counties.

2. Unity State Background Information

2.1 General Information

Box 2.1 contains background information on Unity State.

Box 2.1: Key Facts about Unity State

- Population: 585,801, according to the Population and Housing Census 2008.
- Area: 42,000 square kilometers.
- Unity State has oil fields. Under the 2005 CPA, USG is entitled to receive 2 percent of Sudan's net oil revenues.
- Unity State is administratively divided into 9 counties, 80 *payams*, 323 *bomas*, and 1,195 villages.
- 28 percent of the population can read and write.
- Crop farming and animal husbandry are the main livelihoods of 70 percent of households.
- 68 percent of the population lives below the poverty line, the second highest of all the states.

Source: Southern Sudan Centre for Census, Statistics and Evaluation, "Key Indicators for Southern Sudan" (2010). The GRSS website also has additional background information: <http://www.goss.org/>.

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, Ministry of Health). They are supported by technical assistance from donors, particularly UNDP (particularly its Economic Planning Project, Local Government and Recovery Project, and Rapid Capacity Placement Initiative) in connection with deployment of UN Volunteers (UNV) 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, using the same techniques as at the central level. Reforms in budget execution, reporting, and accounting 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 Budgetary Outcomes

Table 2.1 provides an overview of the budget performance, while table 2.2 presents the budget expenditures by sector.

Table 2.1: Budget Performance (SDG millions)

	2010 Budget	2011 Budget	%
Financial Resources	160.9	182.9	100
<i>Transfers from GRSS</i>	113.5	142.9	78.1
Block grants	49.1	69.4	
General	40.0	56.1	
State Legislative Assembly	5.1	5.4	
Counties (for capex)	4.0	7.9	
Conditional grants ^{1/}	64.4	73.5	
<i>Own Revenue</i>	47.4	40.0	21.9
Oil	30.0	30.0	
Tax	12.0	7.0	
Personal income	0.0	1.6	
Other	12.0	5.4	
Nontax	5.4	3.0	
Expenditures	161.4	183.4	100
Salaries	NA ^{2/}	99.1	54.0
Operating	NA	27.4	14.9
Capital	NA	32.7	17.8
Transfers to counties	NA	24.2	13.2
Balance	-0.5	-0.5	
Accumulation/Use of Reserves	0.5	0.5	
(- = accumulation)			

^{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.

Table 2.2: Unity State Expenditure by Sector (SDG millions)

	2011 Budget	%
Total Expenditure by Sector ^{1/*}	159.2	100.0
Accountability and economic development	22.0	13.8
Education	20.5	12.9
Health	17.3	10.9
Natural resource and social development	15.1	9.5
Physical infrastructure	21.1	13.3
Public administration and rule of law	63.2	39.7

* ^{1/} Excludes transfers to counties.

2.4 Legal and Institutional Framework for PFM

2.4.1 Legal framework for PFM

The framework is provided by the Interim Constitution of Unity State, 2006, which is based on the Interim Constitution of Southern Sudan, 2005. Prior to 2011, there were no annual appropriations acts to provide further legal backing. An appropriations bill was prepared for the 2011 budget, but, at the time of this assessment, the draft 2011 budget had yet to be submitted to the State Legislative Assembly.

2.4.2 Institutional framework for PFM

Important institutional developments since 2010 include the following:

1. The installation of the FreeBalance financial management and information system at MoFTI during October-November, 2010. Three staff were trained in its use. The installation enabled the first budget performance report ever to be prepared, in March 2011. The quality of the data is questionable, according to the MoFTI team, which considers that more training is needed. FreeBalance is not yet being used as an instrument for controlling budget execution.
2. The roll out of the Southern Sudan Electronic Payroll System in the states.
3. 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 institutional framework is discussed in more detail in section 3 under the relevant performance indicators, but the following overarching observations are noteworthy.

Subnational governments (state governments and local governments)

Progress has been made in decentralization, and a significant portion of the GRSS budget is transferred directly to its 10 states. Grants to the states are based on a very simple formula—one-tenth each—that cannot address horizontal imbalances but do relay a notion of “fairness” to the state governors. In July 2010 there was no mechanism for controlling expenditures of conditional grants, and currently there is little reporting on expenditures of any grants. However, plans were in place to improve this in 2011, informed by recent census and household data that allow for improved budget analysis. Elaboration is provided under PI-8.

The state government transfers resources to local governments (counties), especially via the county block transfers, which provide for capital expenditure at the county level; the block transfer is sent from GRSS through the state for onward transfer to the county.

Share of oil revenues

Unity State, according to the Comprehensive Peace Agreement (2005), is entitled to a share of 2 percent of Sudan’s oil revenues after costs, the same share as for the three other oil-producing states.

Procurement

There is no procurement system in place. All procurement is done through single sourcing. This is detailed under PI-19.

Planning and budgeting

The budget process is supported by a planning process that is led by MoFEP and requires spending agencies, ministries, and commissions to submit budget sector plans. The work is carried out by the Budget Sector Working Groups (BSWGs). Unity State has six BSWGs: Accountability and Economic Sector; Education Sector; Health Sector; Infrastructure Sector; Natural Resources and Social Development; and Public Administration. The preparation and use of the Excel-based planning templates has required significant technical assistance and consultants, which in past years was provided through UNDP.

The directorates in MoFTI are Planning and Budgeting, Accounts, Taxation, Commerce and Supply, and Investment Authority Cooperation. The Internal Audit Unit is a separate unit.

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

3.1 Introduction

Section 3 provides the detailed assessment of the public finance management (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 multidimensional indicators when poor performance in one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, measurement 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 multidimensional indicators when 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. In both scoring methodologies, the “D” score is the residual score if the requirements for any higher score are not met. The PEFA handbook (“PFM Performance Measurement Framework,” June 2005, www.pefa.org) provides detailed information on the scoring methodology.

3.2 Credibility of the Budget

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 that actual expenditures 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 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

A. Credibility of the Budget		Score	Dimensions	Scoring Methodology
PI-1	Aggregate expenditure outturn compared to original approved budget	NR	NR	M1
PI-2	Composition of expenditure outturns 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 was not possible to rate this indicator as end-of-year budget performance reports and final accounts are not prepared. The budget documents for 2008 to 2010 capture actual expenditures for only nine months, and the USG team considered these to be unreliable due to deficiencies in the data recording system and capacity constraints. Moreover, the 2010 budget was never approved by the State Legislative Assembly, due to political elections taking place.

Beginning in 2011, however, the USG Ministry of Finance, Trade and Industry, through its Directorate of Planning and Budgeting started preparing quarterly budget analysis (performance) reports. The installation of FreeBalance in late 2010 has enabled this. The assessment team reviewed the report for the first quarter of 2011. The report is comprehensive and indicates considerable improvement over the previous situation, though, as noted in section 2, the MoFTI team has doubts about the quality of the data collected from the accounting system (discussed also under PI-24).

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 noted under PI-1.

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.

This indicator cannot be rated, for the same reasons noted under PI-1 and PI- 2. Receipts of oil revenues have tended to be unpredictable due to (i) the high volatility of global oil prices and (ii) the GoNU's delay of the transmission of oil revenues to USG, including its share of draw-downs from the Oil Revenue Stabilization Account (as also has been the case for GRSS, as indicated in the GRSS PEFA assessment).

PI-4: Stock and monitoring of expenditure payment arrears

This indicator is concerned with expenditure for 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 has been in effect at USG for some time (though not to the liking of some spending agencies, particularly police and education), with MoFTI responsible for approving all payment 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 agency bank accounts (for wages and salaries and purchases of goods and services up to a specified limit). Once a payment request is approved, it becomes a

“pending claim.” The actual payment depends on the availability of cash, with wages, salaries, and transfers to county governments having first priority.

There is no standard definition of arrears at Unity State and at GRSS level. In practice, however, arrears can be defined as “pending claims” outstanding at the end of the fiscal year plus invoices submitted by suppliers of goods and services that were procured by spending agencies without sufficient budgetary provision. A significant pressure for spending outside the approved budget tends to emanate from spending agencies with security responsibilities. In some cases, arrears stem from errors in the procurement and payments request process.

The MoFTI team indicated that data on arrears, as defined above, are not collated. Payments against end-of-year arrears are not reflected in the subsequent year’s budget. Instead, they creep into the subsequent year’s payments in a rudimentary and ad hoc manner.

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 at the end of December 2010 was not known.	A system for collating data on payment arrears is not in place, though USG officials know that arrears exist.	Interview with MoFTI team
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.	As explained in the text.	Same

Contractors and suppliers have never submitted formal complaints to MoFTI over delayed payments and no court case has ever been brought against USG, though teachers threatened to go on strike in 2009 due to salary arrears. Public procurement is conducted in USG entirely through single sourcing. Hence, a contractor even when not paid on time prefers not to complain formally, for fear of jeopardizing a system that favors him or her.¹

3.3 Comprehensiveness and Transparency

The indicators in the comprehensiveness and transparency core dimension of PFM assess the extent to which 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 core dimension.

¹ The well-publicized off-budget procurement of food grains/dura a few years ago was at GRSS level.

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) A	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	C	(i) C	M1

PI-5: Classification of the budget

A robust classification system allows the tracking of spending according to sector, administrative unit, functional/program, and economic.

The classification system used by USG is a simplified version of GRSS's. Expenditures are coded by sector, spending agency, directorate within each agency, and by "chapter" (salaries, operating, or capital expense). The six sectors correspond to the main functions of government: (i) accountability and economic functions, (ii) education, (iii) health, (iv) infrastructure, (v) natural resources and social development, and (vi) public administration and rule of law. The directorates broadly correspond to subfunctions. Some sectors contain more than one spending agency (for example, public administration and rule of law). Some sectors classify spending according to programs (for example, health, but not education) as well as directorates, but these are just the same as directorates, so the extra layer of classification is redundant. For each directorate, information is provided on the activities that are planned to be undertaken. The activities themselves are not coded, whereas they are at the GRSS level. All sectors specifically include development partner activities, but these are not coded according to economic classification (as assessed under indicator D-2).

Breakdown of PI-5 Scores

Score	Minimum Requirements	Justification	Information Sources
B (M1)			
B	<p>(i) <i>The classification system used for formulation, execution and reporting of the central government's budget.</i></p> <p>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.</p>	<p>The budget classification coding system used by USG 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, but, unlike at GRSS level, uncoded set of activities. The sectors do not match COFOG, but nevertheless the coding system clearly reflects the purpose of government spending.</p>	<p>USG Budget books for 2009, 2010 and 2011, provided by Planning and Budget Directorate of MoFTI.</p>

PI-6: Comprehensiveness of information included in budget documentation

Annual budget documentation (annual budget and supporting documents) should inform the executive and legislative branches and the general public and assist in budget decision making, 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 items in table 3.1. Their availability in Unity State is also assessed in the table.

Table 3.1: Information Provided in Budget Documentation

No.	Item	Available	Justification/Source
1	Macroeconomic assumptions, including at least estimates of aggregate growth, inflation, and exchange rate	No	Source: 2011 Budget as presented to the State Legislative Assembly (SLA).
2	Fiscal deficit, defined according to GFS or other internationally recognized standard	Yes	The 2011 budget is a balanced budget. Source: 2011 Budget as presented to the SLA.
3	Deficit financing, describing anticipated composition	Yes	A balanced budget was presented for 2011. Source: 2011 Budget as presented to the SLA.
4	Debt stock, including details at least for the beginning of the current year	Not applicable Not borrowed so far	According to Local Government Act 2009 and the Interim Constitution of Unity State, Unity State can borrow based on its creditworthiness. The state has not borrowed so far.
5	Financial assets, including details at least for the beginning of the current year in a timely manner.	No	Source: 2011 Budget as presented to the SLA.
6	Prior year's budget outturn, presented in the same format as the budget proposal	No	Source: 2011 Budget as presented to the SLA. The outturns for 2009 are not shown.
7	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal	Yes	Source: 2011 Budget as presented to the SLA. The budget was not revised and it was too early to provide a meaningful estimated outturn.
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	No	Source: 2011 Budget as presented to the SLA. Data indicate the budget for the current year, but not 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	There is detailed description of budget activities for each spending agency, but "explanation of new policy initiatives" is not provided in the draft budget submissions. Source: 2011 Budget as presented to the SLA.

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 three to four of the nine information benchmarks.	Given that GRSS cannot borrow, the fourth information benchmark is not applicable here. Hence recent budget documentation fulfils 3 of the 8 relevant information benchmarks.(table 3.1).

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 extra budgetary activities of government to allow a complete picture of government revenue, expenditures across all categories, and financing.

(i) Level of extra budgetary expenditure (other than donor-funded projects) that is unreported, that is, not included in fiscal reports

The budgets of all USG spending agencies include all public spending falling within their mandate.

Unreported collection and spending of domestic nontax revenue (NTR) represent unreported extra budgetary operations. The USG team indicated that not all revenue collected is deposited directly into MoFTI's revenue account. Electricity bills are usually paid in cash to collectors who are supposed to deposit the money into the Electricity Account, which comes under the Ministry of Physical Infrastructure (its directorates include Power). MoFTI has access to it, however, and MoPI cannot spend the funds in the account without MoFTI approval, which is contingent upon the proposed spending being covered by the approved budget. But some of the cash collected by tax collectors may get "lost" on the way and then may be spent on items that are not budgeted for. The same applies to collection of land fees, which are supposed to be deposited into the land fees bank account.

Six other ministries also collect NTR (Health, Information, Local Government, Agriculture, Animal Resources, and Education) and deposit much of it into their own bank accounts, which are outside the purview of MoFTI. Some of the revenue is collected in the form of cash for later deposit into the bank account or cash safe, but, as with cash received for payment of electricity bills, some may be lost.²

A receipting system in theory helps guard against the possibility of leakage. The 1995 Financial and Accounting Procedures Ordinance of the Government of Sudan provides for this through a number of sequentially ordered forms, which effectively track the receipt of cash through to the recording of its deposit in a bank account or cash safe and in the cash book of MoFTI or a spending agency.³ However, only the cash receipt (Form 15) tends to be used these days, and this may not be enough to guard against leakage, as it is only in biduplicate form (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.

The spending by ministries of NTR collected by them should be done according to their approved budgets, and the ministries are supposed to apply first to MoFTI to spend the money. As a check, ministries are requested to provide copies of their monthly bank statements to MoFTI and are required to surrender end-of-year cash balances to MoFTI. In practice, this system does not work perfectly. Ministries resist requests by MoFTI for

² 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 levels.

³ (i) Form 15, cash receipt handed to the payer with a copy kept on the receipt paid, 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.

information and may be using NTR to spend on items not included in the approved budget. As indicated in the GRSS PEFA assessment, a new PFM law needs to be in place in order for MoFTI to enforce its requirements. The draft PFM bill prepared by GRSS provides for these requirements to be met, but, over three years since the first draft was prepared, it has yet to be enacted.

Internal audit functions could guard against under collection of NTR and its spending outside the budget, but, as indicated under PI-21, these are not yet fully effective.

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

The 2011 budget document shows donor spending planned in each sector in 2011 and actual disbursements in 2010 according to project (in total, not by economic classification), donor agency, and implementing agency. The spending does not take place using USG's PFM systems, hence it is not shown in the 2011 Appropriations Bill.

Breakdown of PI-7 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M1) NR	<i>(i) Level of extra budgetary expenditure (other than donor-funded projects) that is unreported, that is, not included in fiscal reports</i>	Some spending agencies may be collecting and spending own source nontax revenues outside the budget without fully reporting this to MoFTI. Given the size of the USG's budget (SDG 161.4 million in 2010, SDG 183.3 million in 2011) and the budget for NTR (SDG 9.3 million in 2010, SDG 3 million in 2011) such unreported expenditure is unlikely to exceed 5 percent of the budget. But it is difficult to know exactly, so it is not possible to rate it.	Interview with USG team. 2011 draft USG budget.
A	<i>(ii) Income/expenditure information on donor-funded projects that is included in fiscal reports</i> Complete income/expenditure information for 90 percent (by value) of donor-funded projects is included in fiscal reports.	As explained in text.	2011 draft USG budget

PI-8: Transparency of intergovernmental fiscal relations

(i) Transparency and objectivity in the horizontal allocation among counties of transfers from higher levels of government

As with other state governments, USG provides fiscal transfers to its nine counties in the form of transfers for paying salaries and for funding operating expenses. Counties also receive funding from GRSS for capital projects, channeled through USG. As with the allocation formulae, these are very simple, following the same principles as for the transfers from GRSS to USG (discussed under PI-8 of the GRSS PEFA assessment). Table 10 in the 2011 budget for USG shows the following for each county:

- General transfers for salaries, the amount in each county depending on the number of employees

- Transfers for salaries for specific sectors: education, health, agriculture and animal resources, the amounts in each country depending on the number of employees (which appear to be the same for the animal resources sector)
- A 60 percent share of tax revenues collected in each county, personal income tax comprising more than half of tax revenues
- Transfers to cover operational expenditures in the health, education, and agriculture sectors: equal amounts per county for health (SDG 31,355), education (SDG 23,369), and unequal amounts for agriculture (equal amounts of SDG 55,556 for five counties, equal amounts of SDG 74,075 for three counties, and zero for one county).
- The GRSS transfer for capital expenditure: an equal amount of SDG 877,778 per county, conditional upon capital expenditure budgets being included in the approved budget for each county

(ii) Timeliness of reliable information to counties on their allocations from higher level governments

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 USG not receiving notification of fiscal transfers from GRSS until late.

(iii) Extent of consolidation of fiscal data for general government according to sectoral categories

Counties are supposed to report their resource inflows and expenditures to USG, but they have not been doing so. The State Transfers Monitoring Committee established by GRSS in December 2010 is emphasizing the need for counties to submit monthly revenue and expenditure reports to state governments as a condition for receiving the next monthly tranche of transfers. According to the USG team, there is confusion concerning reporting by counties. The main issue is lack of capacity; substantial capacity building is needed.

Breakdown of PI-8 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M2)			
A	<p><i>(i) Transparency and objectivity in the horizontal allocation among counties of transfers from higher levels of government</i></p> <p>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.</p>	<p>The horizontal allocation of grants to counties is determined in a transparent and rules-based manner. The allocation from USG for salaries (73 percent of total transfers to counties) is determined by the number of civil service employees in the county. The allocations from USG for operating expenses are equal for each sector in each county, except for agriculture, and allocations from GRSS for 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.</p>	<p>Interview with USG team</p> <p>2011 draft budget, Tables 9 and 10.</p>
C	<p><i>(ii) Timeliness of reliable information to counties on their allocations from higher level governments</i></p> <p>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.</p>	<p>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, due to delays in the receipt by USG of the amount of transfers they would receive from GRSS. As most of expenditure is financed by fiscal transfers, meaningful budget preparation cannot start until the information is provided.</p>	<p>Interview with USG team.</p>
	<p><i>(iii) Extent of consolidation of fiscal</i></p>	<p>Since early in 2011 counties have been required to</p>	<p>Interviews with USG</p>

Score	Minimum Requirements	Justification	Information Sources
D	<i>data for general government according to sectoral categories</i> Fiscal information that is consistent with central government fiscal reporting is collected and consolidated for less than 60 percent (by value) of state government expenditure or if a higher proportion is covered, consolidation into annual reports takes place with more than 24 months delay, if at all.	report monthly to USG on their budget performance, as per instructions from the newly established States Transfers Monitoring Committee based in GRSS-level MoFEP. They have not been doing so, partly due to capacity constraints.	team. Presentation by chair of States Transfer Monitoring Committee and deputy director of Accounts, on "Use and Reporting on State Transfers," at workshop in Juba on May 30, 2011

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

Breakdown of PI-9 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
NA	(i) <i>Extent of state government monitoring of AGAs and PEs</i>	USG does not have any public enterprises or autonomous government agencies.	Interview with USG team
D	(ii) <i>Extent of state government monitoring of the fiscal position of counties</i> No annual monitoring of county governments takes place, or is significantly incomplete.	The county governments do not borrow, though they are in principle allowed to do so, according to the provisions of the Local Government Act, 2009. The potential exists in principle, however, for fiscal liabilities to build up in terms of arrears—if own-revenue collection and the receipt of fiscal transfers fall short of budgeted amounts but expenditures are incurred according to the budget. Counties do not report systematically to USG on resource inflows and expenditures, hindering USG's ability to monitor their financial situation.	Interview with USG team

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 4 illustrates the elements of public access to information that are fulfilled by USG (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 USG had not been submitted to the State Legislative Assembly (SLA) at the time of the USG team meeting with the PEFA assessment team. The USG team expects, consistent with previous practice, that the draft budget will be available to the public when it is submitted to SLA. The minister of finance's budget speech would be live on radio as would be the deliberations of the SLA on the budget.
2. In-year budget execution reports within one month of their completion	The first ever budget performance report was prepared earlier 2011 for the first quarter of 2011 and was publicized on the local radio station.
3. Year-end financial statements within six months of completed audit	No annual financial statements have been prepared within the past three years.
4. Availability of external audit reports to the public	No external audit reports have been prepared, partly because no AFS have been prepared.
5. Contract awards with value above approximately US\$100,000 published at least quarterly	No
6. Availability to public of information on resources for primary service units	No

Breakdown of PI-10 Scores

Score	Minimum Requirements	Justification
C (M1)		
C	(i) Number of 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 two of the five listed types of information (counting element four as not being applicable at this time). See table 3.2.

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 following matrix 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) D	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, 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 the guidelines 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 from 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 USG) estimates the resource envelope for state and county expenditures 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

expenses, and capital expenses), 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 show transfers to counties for sector-related expenditure. **The spending agencies then submit their proposed plans and budgets to the State Ministry of Finance 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.
- 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 (CoM) for approval by the first week of December. **The CoM submits the draft budget to the State Legislative Assembly not 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, resulting in planning and budgeting processes being not yet fully linked.

- A meaningful strategic plan is not in place to guide budget preparation. The State Strategic Plan for USG, 2008–11 is not well prioritized and sequenced and is not costed. The 2011 budget document makes no reference to it. USG is not preparing another strategic plan, as it intends to be guided by the new South Sudan Development Plan that was released after independence on July 9, 2011.
- Donor agencies are not yet represented on state Budget Sector Committees. Their presence, given the significant size of their activities in USG, would make budget preparation easier through easier identification of areas of possible duplication of activities and through improved alignment of donor priorities with USG and county priorities. The USG team mentioned that sectors have some idea of what NGOs are doing in their sector, but this was not always the case. USG wants to sign a memorandum of understanding with donors.
- County staff do not always fully understand the guidelines, including the standardized templates, and tend not to have proficiency in the use of Excel spreadsheets for populating these templates. Insufficient electricity supply is another constraint.
- Late notification by GRSS of the level of fiscal transfers to the state and counties (as referred to under PI-8) is also problematic.

UNDP representatives met by the GRSS PEFA assessment team on April 20, 2011 also made the point that links between planning and budgeting still required strengthening. UNDP has provided considerable capacity-building support to state governments over the past few years

(Economic Planning Project, Local Government and Recovery Project, Rapid Capacity Placement Initiative) in connection with the deployment of UNVs with PFM expertise.

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 spending agencies 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 May 2010 "Guidelines for Integrated State and County Planning and Budgeting" (see text for PI-11) and was generally adhered to for the preparation of the 2011 budget, except a delay occurred due to the late (December) notification by MoFTI of its fiscal transfers to states.	"Guidelines for Integrated State and County Planning and Budgeting," MoFEP, May, 2010 Interview with USG team
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 spending agencies, which reflects ceilings approved by the Council of Ministers.	The May 2010 "Guidelines" are clear, even if the adherence to them is not complete. 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.	Same Draft 2011 budget
D	(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years) The budget has been approved with more than two months delay in two of the past three years.	At the time of this assessment, the draft 2011 budget had still not been submitted to the State Legislative Assembly. The independence referendum process delayed budget preparation. The 2010 budget was never approved due to the elections. The 2009 budget was approved, but the USG team did not know when.	Interview with USG team

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 is integrated into the budget formulation process.

The annual budget preparation process is still being strengthened at the state government level. The explicitly stated objectives and planned activities contained in the 2011 budget 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 later during 2011. As noted under PI-11, a strategic plan for 2008–11 was prepared for USG but was not costed, prioritized, and sequenced. Major sector strategic plans would be based on those developed at GRSS level.

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

Breakdown of PI-12 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
D	(i) <i>Preparation of multi-year fiscal forecasts and functional allocations</i> No forward estimates of fiscal aggregates are undertaken	As explained in text	Interview with USG team
NA	(ii) <i>Scope and frequency of debt sustainability analysis</i>	USG has not borrowed	Same
D	(iii) <i>Existence of sector strategies with multiyear costing of recurrent and investment expenditure</i> Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure.	As explained in text	Same
D	(iv) <i>Linkages between investment budgets and forward budget estimates</i> Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.	As explained in text	Same

3.5 Predictability and Control in Budget Execution

This set of indicators reviews the predictability of funds for budget execution and the internal controls and measures that 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	D+	(i) C (ii) D (iii) D	M2
PI-14	Effectiveness of measures for taxpayer registration and tax assessment.	D	(i) D (ii) NA/NR (iii) D	M2
PI-15	Effectiveness in collection of tax payments	D	(i) NR (ii) D (iii) D	M1
PI-16	Predictability in the availability of funds for 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	D	(i) C (ii) D (iii) D (iv) D	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) NA (iii) NA	M1

PI-13: Transparency of taxpayer obligations and liabilities*(i) Clarity and comprehensiveness of tax liabilities*

Taxation is administered by the Directorate of Taxation, which is part of MoFTI (unlike Northern Bahr el Ghazal State, where a semi-autonomous State Revenue Authority was

established in 2010). The directorate comprises a number of departments, including the tax collection department, but it does not have a tax audit unit. The directorate administers the GRSS Taxation Act of 2009, the main elements of which are contained in the GRSS-level PEFA assessment. The directorate and tax collectors face capacity constraints in all areas. Staff were due to receive training from the Tanzanian Revenue Authority, starting June 22.

Oil revenues are administered by GoNU. Transparency issues concerning oil revenue administration are discussed in the GRSS-level PEFA assessment and apply just as much to USG, which receives 2 percent of Sudan's oil revenues (net of management and pipeline charges) as per GRSS.

As mentioned in the GRSS-level PEFA assessment, a major tax issue is the unclear division of tax responsibilities between different levels of government, the most visible impact of which is the existence of multiple check points at jurisdictional boundaries, resulting in large efficiency losses. 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 this PEFA assessment. The report was expected to be discussed by the Council of Ministers after July 9, 2011. The lack of clarity mainly relates to the divisions of responsibilities between GRSS and states. Under revenue-sharing arrangements, counties receive 60 percent of state tax revenues (excluding oil revenues). Nevertheless, according to the USG team, there is an issue of transparency of tax collection responsibilities at county administration levels.

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

At Unity State level, there are no taxpayer education systems or campaigns. Taxpayers do not have access to information on tax liabilities and administrative procedures.

(iii) Existence and functioning of tax appeals mechanism

A taxpayer complaints system is provided for in the 2009 Taxation Act, but has not yet been established in USG.

Breakdown of PI-13 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M2)	As listed in PEFA Framework		
C	<i>(i) Clarity and comprehensiveness of tax liabilities</i> Legislation and procedures for some major taxes are comprehensive and clear, but the fairness of the system is questionable due to substantial discretionary powers of the government entities involved.	The justification is reproduced from the GRSS-level PEFA assessment: "With the exception of personal income taxes, taxes, such as business and excise taxes, require regulations, which if in existence would address the issue of discretionary powers. Tax regulations are currently being drafted." The USG Taxation Directorate has done nothing to enhance the clarity of taxes.	GRSS-level Taxation Act, 2009 Meeting with USG officials
D	<i>(ii) Taxpayers' access to information on tax liabilities and administrative procedures</i> Taxpayer access to up-to-date legislation and procedural guidelines is seriously deficient.	The Taxation Directorate in MoFTI has not developed a taxpayer education system.	Meeting with USG officials
D	<i>(iii) Existence and functioning of a tax appeals mechanism</i> No functioning tax appeal system has been established.	As at GRSS level, there is no established tax appeals mechanism yet at the state level, though the 2009 Taxation Act provides for one.	GRSS-level Taxation Act, 2009 Meeting with USG officials.

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

Section 17 of the 2009 Taxation Act requires taxpayers and persons responsible for withholding tax to be registered. Section 20 of the act states that a unique taxpayer identification number (TIN) and a certificate of registration shall be issued to a registered taxpayer; the details are described in the GRSS-level PEFA assessment.

A registration system is partially in place at the GRSS level but has yet to be developed in Unity State. A rule prohibits a business from participating in a public tender unless it presents a TIN certificate. Since at USG level award of tenders is only through single sourcing, the procedure for possessing a TIN as a prequalification to tender is not in use.

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

The penalties for noncompliance are set out in the 2009 Tax Act. The penalties are sufficient enough to enforce the law. At USG level, the issue is somewhat academic as a registration system is not yet in place.

(iii) Planning and monitoring of tax audit programs

The USG has not yet designed a tax audit system, which presupposes the existence of a registration and declaration system.

Breakdown of PI-14 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)	As listed in PEFA Framework		
D	<i>(i) Controls in the taxpayer registration system</i> Taxpayer registration in the state is not subject to any effective controls or enforcement systems.	There is no taxpayer registration system at USG level, though, according to the Taxation Act 2009, all taxpayers and persons who withhold taxes should be registered.	Taxation Act, 2009 Meeting with USG officials
NR/NA	<i>(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations</i> Penalties for noncompliance are generally nonexistent or ineffective.	The penalties regime provided by the Taxation Act is not yet enforced at USG level, mainly because a registration system is not yet in place, so the scoring criterion is nonapplicable. In the case of nontax revenue, the legal department in the Taxation Directorate can levy fines up to SDG 2 million, but effectiveness is not known, so this part of the dimension cannot be rated..	Taxation Act, 2009 Meeting with USG officials
D	<i>(iii) Planning and monitoring of tax audit and fraud investigation programs</i> Tax audits and fraud investigations are not undertaken at all.	The tax audit function is not in place. A tax audit function presupposes the existence of a registration and declaration system. Tax audit capacity is being developed at GRSS level, and this will help build up tax audit capability at state level.	Meeting with USG officials

PI-15: Effectiveness in collection of tax payments*(i) Collection ratio for tax arrears and ratio of tax arrears to total tax revenue collections*

The Taxation Directorate does not record or follow up on tax receivables including those in arrears, and so there is no basis for measuring this ratio.

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

The Taxation Directorate does not have its own bank account for the purpose of collecting taxes, but MoFTI as a whole does. Some revenues, including nontax revenues, are collected by line ministries, and some of this is spent at source. Some taxes are collected by tax collectors, and these remit cash to MoFTI irregularly. In other cases, for the large nontax revenue heads (land fees and electricity tariffs), taxpayers deposit cash directly into bank accounts (land fees account and electricity account). Withdrawals of cash or payments from these accounts are controlled by the respective collecting line ministry (Physical Infrastructure in the case of the electricity account) and MoFTI. The standard Form 15 is used by tax collectors to receipt collections, but there are significant leakages reported at various levels of the tax collection system (as also discussed under PI-7).

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

There is no system in place to record tax assessment, tax due, tax collected, taxes receivable, taxpayer arrears, and thereby enable reconciliation with tax receipts.

Breakdown of PI-15 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
NR	<i>(i) Collection ratio for gross tax arrears and ratio of tax arrears to total tax revenue collections</i> Not scored.	Data on tax arrears is not collected.	Meeting with USG officials
D	<i>(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration</i> Revenue collections are transferred to the Treasury less regularly than monthly.	Some taxes are collected by tax collectors and these have no regular periods for remittance of collections to MoFTI. Tax leakages are common phenomena at that level. Some line ministries collect revenues and use funds at source but later present accountabilities to MoFTI. Underdeclaration is inherent at that level. Some customers pay directly to banks with respect to land fees and electricity tariffs. However, reconciliation between the amounts collected by collecting agent and handed to the respective ministries is rudimentary and leakages are possible.	Meeting with state officials
D	<i>(iii) Frequency of reconciliations between tax assessments and amounts received by the Treasury</i> Complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury does not take place.	There is no complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury. There is no information on tax arrears.	Meeting with USG officials.

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 forecasted and monitored

A cash-flow forecasting system, if in place, would enable the conveyance to spending agencies of how much they can spend each month, and thus how much they can commit to spend. Such a system would help to enhance in-year predictability of the budget and would contribute to more efficient cash management.

Such a system is not in place yet; it is only now being developed at GRSS level, as indicated in the GRSS-level PEFA. The lack of a cash-flow forecasting system should, however, be seen in the context of a situation where 70 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 9 percent of expenditures for transfers to counties (according to the 2011 budget projections). Nevertheless, such a system would be more useful for USG than for non-oil-producing states, where fiscal transfers from GRSS total about 90 percent of financial resources. The main forecasting issue then is the predictability of oil revenues, which is not easy, given fluctuations in oil prices and delays by GoNU in transferring oil revenues to USG.

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

At the state level, as at the GRSS level, the only binding expenditure ceiling for spending agencies is their respective approved budget. Salaries and transfers to counties are budgeted in 2011 to make up about 69 percent of USG expenditures. By their nature, they have the first call on cash availability. This proportion is somewhat lower than for Northern Bahr el Ghazal State (NBGS), where it is 75 percent, but it is still high. For the other 31 percent, for operating and capital expenditures, spending agencies can enter into expenditure commitments for any amount at any time of the year, regardless of the availability of cash for paying bills arising from the commitments.

At GRSS level, (and, beginning this year, in NGBS), annual appropriations acts specify monetary thresholds above which spending agencies entering into contractual agreements require approval from MoFEP. The thresholds are the same at both levels of government; the GRSS-level PEFA assessment report elaborates. The acts also provide for the establishment of Cash Management Committees (CMC) to establish quarterly budget allocations and monthly cash limits on expenditures, both in order to strengthen in-year expenditure predictability, although, at the time of the PEFA assessment, these were not yet in effect, except for the CMC at GRSS level. An appropriations bill for 2011 has been prepared for USG containing the same provisions but has not yet been enacted.

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

At the GRSS level, annual appropriations acts stipulate the rules for adjusting the budget during the year, including when prior SLA approval is required. This system is not yet in place in USG, though a Unity State Appropriations Bill has been drafted for the 2011 budget year. The bill is similar to the GRSS Appropriations Act for 2011 (as described in the GRSS-

level PEFA) and is consistent with the provisions of Section 86 of the Interim State Constitution concerning the circumstances under which a supplementary appropriations bill has to be presented to the SLA for approval of changes in budget allocations. Unity State does not have a history of supplementary budgets. They are not very relevant, with so much expenditure being financed by conditional grants.

The frequency of in-year adjustments to the budget was not tracked prior to introduction of the FreeBalance system to Unity State in October- November 2010. The first report generated via the FreeBalance system was in March 2011, but the system does not log the frequency of in-year adjustments. Staff need more training in FreeBalance in order to optimize use of it.

Breakdown of PI-16 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	(i) <i>Extent to which cash flows are forecast and monitored</i> Planning for and monitoring of cash-flow forecasting are not undertaken or are of every poor quality.	MoFTI rations funds based on current bank balances and priorities on a daily basis. It does not prepare monthly and quarterly cash-flow forecasts.	Meeting with USG officials
D	(ii) <i>Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure commitments</i> Spending agencies are provided commitment ceilings for less than a month or no reliable indication at all of actual resources available for commitment.	An expenditure commitment control system is not in place. In practice, spending agencies can commit up to the limits provided by the budget, regardless of the actual resources available for spending. Under the cash-rationing system in place, MoFTI decides on a daily basis the amount of cash available for paying bills. .	Meeting with USG officials Appropriations Bill, 2011
NA	(iii) <i>Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of spending agencies</i> The dimension is to be rated for the situation in the last completed financial year, but there was no approved budget in 2010.	The criteria for in-year adjustments to the budget that are decided upon above the level of MDA management are laid out in the Appropriations Bill, 2011, as explained in text. The newly established FreeBalance system does not generate information on the frequency of in-year adjustments to the budget, so in principle the dimension cannot be scored, though in-year adjustments are likely to be frequent, given the state of control systems. As of late 2011 there had been no supplementary budgets.	Appropriation Bill, 2011 Meeting with USG officials

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

(i) *Quality of debt data recording and management*

Whereas the state is allowed to borrow based on its credit worthiness, according to Local Government Act 2009, this borrowing, loan, or guarantee can be done only through approval of the State Legislative Assembly by an act. Unity State has not incurred any debt to date.

(ii) *Extent of consolidation of the state's cash balances*

MoFTI manages and controls four bank accounts at Ivory Bank: the accounts for GRSS transfers, land fees revenue, electricity tariffs revenue, and local revenue. MoFTI can switch funds between the accounts it controls at any time based on need, and it knows the bank balances on these bank accounts on a daily basis (except for the electricity account, which is also under the control of the Ministry of Physical Infrastructure). Each spending agency has a bank account for salaries and allowances and a bank account for petty cash, also at Ivory

Bank. Own-source revenues of spending agencies may be deposited into these accounts, though a portion may be kept in physical cash form.

Whereas MoFTI may request access to spending agency bank accounts, the practice is to leave agencies to manage their own bank accounts without any supervision. As stated by the state official, the “sovereignty of individuals and ministries is respected.” As such, MoFTI knows the balances on only the accounts it controls and is only able to consolidate these.

As at the GRSS level, the USG officials claim that the lack of clear financial management regulations deters effort to compel ministries to report to MoFTI on their outstanding bank balances. A new public financial management law and accompanying regulations should provide for such enforcement. A new PFM law has been drafted at the GRSS level. Among its stipulations are that all government revenues should be paid into the Consolidated Fund, managed by the Ministry of Finance, and all government expenditures should be financed from the Consolidated Fund, implying that line ministries will not be able to hold their own bank accounts. The draft law has yet to be enacted by GRSS, which implies that states which often follow GRSS laws and regulations have to wait.

(iii) Systems for contracting loans and issuance of guarantees

According to the Interim Constitution of Southern Sudan, Article 193, state governments may borrow money with the approval of the respective legislature. It is also stated that neither the GRSS nor the Bank of Southern Sudan shall be required to guarantee borrowing by any state government in Southern Sudan.

The Local Government Act, 2009, Section 79 provides that Local Government Councils, as corporate bodies, shall, based on their credit worthiness, have the right to borrow. Each council shall encourage and promote the establishment of microfinance institutions from which it may access credit facilities.

No borrowing has taken place so far, nor have any loan guarantees been issued so far. Any such loans and loan guarantees would, according to the Appropriation Bill of 2011, have to be approved ex ante by the State Legislative Assembly.

Breakdown of PI-17 Scores

Score	Minimum Requirements	Justification	Information Sources
C (M2)			
NA	<i>(i) Quality of debt data recording and reporting</i>	Not rated; No recorded or known debt incurred by USG	USG Draft Budget 2011 Meeting with USG officials Appropriations Bill, 2011
C	<i>(ii) Extent of consolidation of government's cash balances</i> Calculation of most government cash balances takes place at least monthly, but the system does not allow consolidation of bank balances.	The available cash balance in the MoFTI-controlled bank accounts is known by the ministry on a daily basis. However, balances of bank accounts under the control of spending agencies are not known by MoFTI.	Meeting with USG officials
NA	<i>(iii) Systems for contracting loans and issuance of guarantees</i>	Unity State may borrow with the approval of the State Legislative Assembly. It is known to have borrowed so far. It has not issued any guarantees or loans.	Southern Sudan Interim Constitution, Articles 115 & 193 USG Interim Constitution USG State Appropriation Bill, 2011 Meeting with USG officials

PI-18: Effectiveness of payroll controls

Over 61 percent of USG expenditure is in respect to Chapter 21: Salaries. Therefore, as a major component of expenditure, effective control of the payroll is an important indicator of sound financial management. This indicator is concerned with the payroll of public servants only; wages for casual labor and discretionary allowances are included in the assessment of general internal controls (PI-20).

Unity State Government employment procedures mainly follow GRSS procedures, which are described in the GRSS-level PEFA assessment.

The Southern Sudan Electronic Payroll System (SSEPS) was introduced in November 2010 and is managed by MoFTI. It is similar to the old financial form no.7, which was manually filled in. The way in which it operates is described in the GRSS-level PEFA assessment. The use of SSEPS has sharply reduced the number of “ghosts.” Before the introduction of SSEPS, some staff even in grade 1 (the top grade) could be found among the unclassified staff (grades 14–16). A clean-up of the payroll facilitated by SSEPS has resulted in the downsizing of the payroll to 3,000 staff from over 7,000 (excluding the organized forces: police, wildlife, and fire brigade).

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

Each state ministry has a human resources department, which holds personnel records under the control of an establishment officer. Some data is still missing from personnel records, such as details about dates of birth, location of employee, date of appointment, and death details. Thus, the risk of ghosts still exists.

Spending agencies prepare monthly paysheets in SSEPS, which show for each employee the date of birth, job title, work station, gross salary, deductions, and benefits. Eventually the paysheets will include the personal identification numbers of employees. Establishment officers check that monthly payroll sheets are in agreement with the existing personnel records. The pay sheet is then submitted to the director general of the spending agency, who sends it to the director general of finance in MoFTI, who then submits to the Accounts Department, the head of which then requests the payroll officers to review the pay sheet and prepare the payroll. The internal auditor then reviews the payroll, which is subsequently checked by the accountants department. Finally, the payroll is approved by the director general of finance in MoFTI. The screening process is rigorous.

After approval, the salary bill is paid into the bank accounts of spending agencies, which then make payments to staff, who must appear 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.

The Ministry of Labour and Public Service (MoLPS) was recently established, but it not yet functional. One of its responsibilities will be to oversee the establishment of a computerized human resource information system, through which all personnel records will be brought up to date and eventually completely match the payroll. In this regard, a TA project financed by USAID has recently commenced. All personnel records would eventually be stored at MoLPS, as it is at GRSS level in the case of classified workers.

As part of the process of strengthening controls over the payroll, USG has started a process of issuing personal identification numbers to staff, with an attendant identity card (one of the USG officials showed the team his new ID card). As another control, MoFTI has a system of clocking in and out, using a counter book. However, not all ministries have this control, and it is possible that staff are being paid their full salaries even if they do not work regularly or even at all. The likelihood is greater in the case of unclassified staff. The USG officials noted that more controls on attendance and study leave were necessary, and a retirement age policy needed to be introduced. Nevertheless, the situation had improved and inaccuracy in personnel records was now only a relatively minor issue. The forthcoming HRIS will help in further improving the system.

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

Changes in personnel records resulting from new recruits and promotions are updated within a month. There is no system that ensures that establishment officers in spending agencies make the necessary changes in personnel records resulting from resignations, deaths, terminations, and absenteeism, particularly in the case of unclassified staff. The paysheets and thus the monthly payroll will not be adjusted if the personnel records are not adjusted.

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

Changes to personnel records maintained in spending agencies can be made only by the establishment officers in those agencies. The authority to make the changes is clear, but changes may not result in an audit trail. With regard to changes to the payroll, as noted under dimension (i), preparation of the monthly payroll goes through a rigorous screening process with multiple signatures, leaving an audit trail. The SSEPS is password protected within MoFTI, and access is restricted to the four officers designated to operate it.

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

Monthly payroll reviews are conducted by the internal audit unit in MoFTI, and have contributed to the clean-up of the payroll. At the time of this assessment (June 2011), the internal audit unit was a one-man department. These reviews do not amount to a payroll audit, which would also entail a review of the personnel records system.

The scope of the external auditor (Audit Chamber) also includes payroll audits. The USG officials were not aware of any payroll audits that had been conducted either by the Audit Chamber or respective line ministries. The GRSS level PEFA assessment indicates that it is highly unlikely that the chamber would have conducted such audits yet.

Breakdown of PI-18 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
B	<p>(i) <i>Degree of integration and reconciliation between personnel records and payroll data</i></p> <p>Personnel and payroll data are not directly linked, but the payroll is supported by full documentation for all changes to personnel records each month and checked against the previous month's payroll data.</p>	<p>Personnel records may be inaccurate in some cases, but MoFTI considers that much progress has been made toward bringing these up to date and that inaccuracies are now a relatively minor issue. The process of preparing the monthly payroll is rigorous, and the payroll broadly matches the existing personnel records. Payrolls are reviewed by the internal auditor as part of the payment process. Development of an IT-based HRIS has just started, an initial step of which is to check the accuracy of the existing personnel records.</p>	Meeting with USG officials
B	<p>(ii) <i>Timeliness of changes to personnel records and the payroll data</i></p> <p>Up to three months' delay may occur in updating of changes to personnel records and the payroll, but this affects only a minority of changes. Retroactive adjustments are made occasionally.</p>	<p>Changes in personnel records such as new employment and promotions are reflected in the payroll within a month. The system does not provide, however, for quick relay of information by spending agencies to MoFTI on resignations, terminations, deaths, and absenteeism. Retroactive adjustments may be necessary.</p>	Meeting with USG officials
B	<p>(iii) <i>Internal controls of changes to personnel records and the payroll</i></p> <p>The authority and basis for changes to personnel records and the payroll are clear.</p>	<p>The authority for establishment officers to change personnel records is clear, but such changes do not necessarily result in an audit trail. Changes to the payroll require a number of signatures, reflecting segregation of responsibilities, resulting in an audit trail.</p> <p>Access to the payroll system is password protected and restricted to the four staff in the payroll unit in MoFTI.</p>	Meeting with USG officials
D	<p>(iv) <i>Existence of payroll audits to identify control weaknesses and/or ghost workers</i></p> <p>No payroll audits have been undertaken within the past three years.</p>	<p>The internal auditor reviews the payroll system every month as part of the procedural payment process controls, but this does not constitute a full audit, which would also require an audit of the personnel records system. There is no known payroll audit that has been undertaken either by the Audit Chamber or a line ministry</p>	Meeting with USG officials

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

A well-functioning procurement ensures that money is used efficiently and effectively. Unity State Government does not have procurement procedures of its own and is supposed to follow GRSS' Interim Public Procurement and Disposal Regulations issued in June, 2006. These regulations specify that competitive tendering methods are the preferred procurement method over specified thresholds.

The procurement director in MoFTI, who was part of the USG team interviewed by the PEFA assessment team, hadn't seen these regulations. The directorate of procurement in MoFTI is in charge of overseeing procurement activities in the state. The procurement director informed the team that procurement is based on single sourcing and is mainly carried out at the higher authority levels in the state, namely the State Secretariat.

(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework

USG uses GRSS's Interim Public Procurement and Disposal Regulations. The rating is therefore the same as under the GRSS PEFA assessment.

(ii) Use of competitive procurement methods

The Interim Regulations provide clear guidance as to when less competitive bidding methods can be used above thresholds. Little or no justification appears to be provided in USG for use of less competitive bidding methods for all types of procurement. Single-source procurement is the norm at the state. Lack of proper procurement planning (spending agencies are supposed to prepare procurement plans at the beginning of the new fiscal year, but many do not), lack of competing suppliers, and volatile market prices were adduced as the main factors for opting for less competitive bidding.

Neither internal procurement reports nor audit reports on procurement were available for review by the assessment team. The officials interviewed did not know of state ministries that keep organized records on the value of each public procurement and the procurement method used. The procurement regulations do not stipulate recording and reporting on procurement activities.

(iii) Public access to complete, reliable, and timely procurement information

This dimension measures the availability of key procurement information to the public through appropriate means. Information covers government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints.

According to state officials interviewed, the public does not have access to procurement information. Procurement complaints have not been submitted to date to the State Secretariat, or the Public Grievances Chamber, which has two legal officers in its secretariat.

(iv) Existence of an independent administrative procurement complaints system

This dimension is scored according to whether a body reviewing complaints on procurement meets a number of requirements; these are specified in the GRSS-level PEFA assessment.

Article 56 and 57 of the Interim Public Procurement and Disposal Regulations provide for a mechanism for submitting complaints (as also elaborated on in the GRSS-level PEFA assessment), the first step being to the head of the procuring entity and then to the procurement directorate in the Ministry of Finance.

A complaints mechanism has not been set up in USG. Complaints are not submitted in any known way. As a result, it is not possible to assess whether authorities address complaints according to the regulations.

Breakdown of PI-19 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
C	<p>(i) <i>Transparency, comprehensiveness, and competition in the legal and regulatory framework</i></p> <p>The legal and regulatory framework for procurement meets three of the six requirements listed in the PEFA Framework.</p>	The GRSS regulatory framework is followed. Three out of the six requirements were met in terms of the GRSS's Interim Procurement Regulations.	<p>GRSS Interim Procurement Regulations, 2006</p> <p>Meeting with USG officials</p>
D	<p>(ii) <i>Use of competitive procurement methods</i></p> <p>When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements for less than 60 percent of the value of contracts awarded or reliable data are not available.</p>	No records are available as to the value of procurement according to procurement method. The team was informed that in Unity State single-source procurement is the main procurement method for amounts above the thresholds.	<p>GRSS Interim Procurement Regulations, 2006</p> <p>Meeting with USG officials</p>
D	<p>(iii) <i>Public access to complete, reliable, and timely procurement information</i></p> <p>The government lacks a system to generate substantial and reliable coverage of key procurement information, or does not systematically make key procurement information available to the public.</p>	Key procurement information is not made available to the public: (i) government procurement plans; (ii) bidding opportunities; (iii) contract awards, and (iv) data on resolution of procurement complaints. None of these items listed above is provided to the public, nor are records maintained for such by the state.	<p>GRSS Interim Procurement Regulations, 2006</p> <p>Meeting with USG officials</p>
D	<p>(iv) <i>Existence of an independent administrative procurement complaints system</i></p> <p>There is no independent procurement complaints review body.</p>	Complainants can go no further than the Procurement Directorate in MoFTI, which is not procedurally independent of the procurements process, as its officials are implicitly involved in the authorization of the procurement processes. There are no known complaints submitted so far in Unity State either to the Ministry of Finance or the Public Grievances Chamber.	<p>GRSS Interim Procurement Regulations, 2006</p> <p>Meeting with USG officials</p>

PI-20: Effectiveness of internal controls for nonsalary expenditure

Controls concerning payroll, debt, and revenue management have been discussed under PIs 14–15 and PIs 17–18.

(i) Effectiveness of expenditure commitment controls

The Unity State Appropriations Bill, 2011, prohibits spending agencies from spending beyond their appropriated budgets. (At the time of the assessment, the draft budget had yet to be submitted to the State Legislative Assembly, so the bill had yet to be enacted). Section 6 on Contractual Obligations stipulates that no spending agency receiving appropriations under this bill may enter into any contractual arrangement exceeding SDG 20,000 for consultancy services, SDG 40,000 for goods, and SDG 100,000 for works without receiving written confirmation from MoFTI that sufficient funds are available from appropriations balances.

These controls, however, do not ensure that expenditure commitments are matched by cash availability when payment becomes due. Proposed commitments (contracts and/or local purchase orders) below these thresholds require approval within the spending agencies, based on remaining appropriations balances, the regulatory basis being the 1995 Financial and Accounting Procedures Ordinance. Cash availability is not taken into account, as this is under the control of MoFTI, which does not yet not impose in-year cash availability limits on spending agencies (though Section 7 (1) of the Appropriations Bill provides for this), implying the need for spending agencies to control their expenditure commitments accordingly.

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

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

Payment requests and payments

Internal control systems governing payment requests and payments are in place, though USG has not yet prepared any payments procedures as NBGSG has done. A payments request process goes through a number of signatures, starting from the bottom of the hierarchy (the proposer), then moving to the top (director general), where approval is obtained and authority to proceed is given (which moved back down to the middle of the hierarchy). A good filing system is in place that helps ensure that records are kept in an orderly manner. All payment requests have to be accompanied by the correct supporting documentation: Payment Request Form (or original authorization letter), supplier invoices, copy of contract, and proof of receipt of goods or services.

Property management

Control systems for property management are not strong. The USG officials interviewed said that there are no fixed asset registers and asset identification numbers and that annual inventory checks and stock counts (“board of survey”) do not take place. It was not uncommon for government property and vehicles to be used illegitimately, with few controls over use. Use of government assets tends to be personalized (that is, there is no conceptual separation between individual property and government property). Some individuals apparently buy vehicles and register them using government number plates (GRSS) to evade paying taxes. The risks and penalties arising from detection are minimal.

The Financial and Accounting Procedures Ordinance issued by the Government of Sudan in 1995 contains detailed procedures for property management. In principle, this ordinance is still in effect, but in practice, except in some areas, it is clearly not observed

Petty cash in physical cash form is not always safeguarded well. The USG officials mentioned that a metal chest (safe) belonging to MoFTI and kept in Ivory Bank had recently been broken into. Petty cash systems have not yet been audited to determine whether they provide adequate safeguards against loss and leakage.

Controls over spending agency bank accounts

As noted under PI-17, spending agencies have their own bank accounts. While MoFTI may request access to the respective bank statements, the practice is to leave ministries to manage their own bank accounts without any supervision. Thus MOFTI cannot check that spending agencies are performing bank account reconciliations—representing an important

accountability control—and cannot check on their nontax revenue collections and the spending thereof.

Documentation controls

Formats for payment requests procedures are used. These formats, however, are not prenumbered and serially sequenced, a usual requirement for internal control systems.

Cash receipts, such as for nontax revenue, are controlled by respective ministries, except for land fees and electricity tariffs, which are paid directly to block bank accounts by customers. There are control weaknesses in the receipting process and subsequent use of the collected funds (as elaborated on under PI-7 and PI-15).

Reporting

Since early 2011, spending agencies are supposed to have been sending monthly budget performance reports to MoFTI, including on the use of conditional grants. These reporting and accountability requirements are stipulated by the States Transfers Monitoring Committee located in MoFEP and established in July 2010.

Personnel controls

Unity State is expected to follow GRSS human resource management procedures. GRSS has a well articulated and well organized public service procedure manual that covers procedures ranging from entitlement of employees to compensation and benefits: for example, the types of leave that can be taken and the format to be used for a leave certificate. The procedures are clear and well understood but are not always complied with. Staff attendance control is weak (except in the Ministry of Finance) and there are doubts whether all employees' absences from work are supported by approved leave forms and, if not, whether unauthorized leave can be detected and reported.

Compliance with internal control procedures is reasonable in the areas of expenditure commitment and payment requests. Compliance tends to be limited in the areas of reporting, bank reconciliation, documentation control, nontax revenue control, property management, and employee incentive payments. There are no independent audit reports to ascertain the degree of compliance.

Breakdown of PI-20 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)	Listed in PEFA Framework		
C	<p>(i) <i>Effectiveness of expenditure commitment controls</i></p> <p>Expenditure commitment control systems exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated,</p>	<p>In principle, spending agencies cannot enter into expenditure commitments that are not covered by the approved budget or that would result in the budget being exceeded. This system is not linked to projected cash availability. As noted under PI-16, cash flow forecasting systems and related periodic cash spending limits have not yet been developed. Spending agencies may therefore enter into commitments without knowledge that the cash will be available for making payments to suppliers. The risk is higher than in other states, as a significant proportion of financial resources derives from oil, and monthly projections of oil revenues tend to have a significant margin of error.</p> <p>There are no budget performance reports or final accounts to ascertain the true effectiveness of commitment controls..</p>	<p>Appropriation Bill, 2011</p> <p>Meeting with state officials</p> <p>Budget documents for 2009, 2010, and 2011</p>
C	<p>(ii) <i>Comprehensiveness, relevance, and understanding of other internal controls and processes</i></p> <p>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.</p>	<p>The understanding by spending agencies and the relevance of the internal control rules is reasonable in terms of commitments and payment requests, petty cash use, conditional grant use, procurement procedures, IT controls, and personnel management. Understanding of controls over the use of real assets (e.g., government vehicles), deposit of all revenues in MoFTI-controlled accounts, and the requirement for bank reconciliation procedures appears limited.</p>	<p>Appropriation Bill, 2011</p> <p>Meeting with state officials</p> <p>Budget documents for 2009, 2010, and 2011</p>
D	<p>(iii) <i>Degree of compliance with rules for processing and recording transactions</i></p> <p>Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.</p>	<p>Compliance is weak or limited in terms of</p> <ul style="list-style-type: none"> • Proper document control. • The procurement regulations (use of less competitive bidding methods with insufficient reasons for urgency); single sourcing is the only option practiced at the state. • Monthly submission of accountability reports on the use of petty cash and use of conditional grants; • Preparation of bank reconciliation reports; • Use of government property; and • Reporting of receipt and use of nontax revenues by line ministries, <p>Compliance is good in terms of segregation of duties, payment requests procedures, and use of IT.</p> <p>Compliance appears to be lower than understanding, so this dimension is rated lower than dimension (ii).</p>	<p>Appropriation Bill, 2011</p> <p>Meeting with state officials</p> <p>Budget documents for 2009, 2010, and 2011</p>

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 (or an equivalent systems monitoring function).

In Unity State, the function of internal audit is promulgated in the Interim Constitution of the State, Article 165 (1), which provides that all state government units shall be required to establish and operate internal audit units to ensure that proper auditing and budget management are observed. The legacy of internal audit in the state was inherited from the Government of Sudan as a predominantly prepayments check function. This still applies for the most part including in both GRSS and in Unity State. Technically, such pre-audit of

transactions in the PEFA framework is considered as part of the internal control system and therefore assessed as part of indicator PI-20.

GRSS provides some training to state staff in aspects of internal auditing through the Low Income Countries Under Stress (LICUS) project supported by the World Bank. Unity State has benefited from this initiative, and it received an internal audit charter under this support. The Internal Audit Unit in MoFTI has only one staff member. The USG team indicated that he is not well qualified but trainable.

(i) Coverage and quality of the internal audit function

The scope of the internal audit unit until recently focused on pre-audit of transactions, including review of the next month's payroll. The unit is credited for having contributed to the clean-up of the payroll. Though the unit has a mandate to review other areas and controls, it has not done so due to lack of time and insufficient training received. The USG officials noted the importance of the internal audit unit and consider that its functionality should be developed further. The quality of the internal audit function was reported as being in need of improvement with respect to knowledge and skills.

(ii) Frequency and distribution of reports

The state officials interviewed reported that they are not aware of any reports produced and distributed by the internal audit unit.

(iii) Extent of management response to internal audit findings

State officials interviewed asserted that there are no management responses to internal audit findings because there are no internal audit reports in the first place.

As the internal audit function gets off the ground at the GRSS level, it is expected to train states (in this case Unity State) in internal audit best practices and frameworks and once that happens the situation is likely to improve in regard to scope, quality of internal audit work and follow up of internal audit findings. For now, the function is in need of improvement.

Breakdown of PI-21 Scores

Score	Scoring Criterion	Justification	Information Sources
D (M1)			
D	<i>(i) Coverage and quality of the internal audit function.</i> There is little or no internal audit focused on systems monitoring.	Internal audit has one staff member. It conducts payroll reviews and checks as part of the monthly salary payment process. The function has access and mandate to review other areas but has not yet done so, due to capacity constraints.	Meeting with Unity State officials Internal Audit Charter GRSS audit manual
NA	<i>(ii) Frequency and distribution of reports</i>	This dimension is not applicable at this time, as the internal audit unit is not yet functioning..	Meeting with Unity State officials Internal Audit Charter GRSS audit manual Budget analysis report, March 2011
NA	<i>(iii) Extent of management response to internal audit findings</i>	State officials interviewed asserted that there are no management responses to internal audit findings because there are no internal audit reports. Therefore, this dimension is not applicable at this time.	Meeting with Unity State officials. Internal Audit Charter GRSS audit manual Budget analysis report March 2011

3.6 Accounting, Recording, and Reporting

This set of indicators assesses the timeliness of accounting, recording, and reporting. The following matrix presents a summary of the scores:

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) B (ii) NR	M2
PI-23	Availability of information on resources received by services delivery units	D	(i) D	M1
PI-24	Quality and timeliness of in-year budget reports	D	(i) D (ii) D (iii) D	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. This indicator is assessed on the basis of regularity of bank account reconciliations and regularity and clearance of suspense accounts and advances.

(i) Regularity of bank reconciliations

MoFTI has about five bank accounts under its control, all in Ivory Bank. MoFTI functions as the Treasury for the state. Spending agencies have their own bank accounts for salaries and operational funds, also in Ivory Bank. Their bank accounts are not independently checked by the Treasury. The USG officials indicated that bank reconciliations are prepared monthly within the following month for MoFTI-controlled accounts. Unity State is an oil-producing state, but information on its oil-revenue receipt bank account (different from the GRSS transfers account) was not available to the assessment team. Officials interviewed were not very certain about that account. At GRSS level, discrepancies are significant in regard to oil revenue records, and this may also be the case for Unity State.

State officials interviewed were not sure whether all spending agencies prepare monthly bank reconciliation statements. MoFTI does not exercise its mandate to request access to spending agency bank accounts, even though all such accounts are also held in Ivory Bank.

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

State officials interviewed were not aware of suspense accounts and advances outstanding. The state does not prepare final accounts in which such information would be reported. There are no advances paid to contractors. Suspense accounts may arise due to unidentified revenue and payments or suspense assets and liabilities.

Breakdown of PI-22 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M2)	As listed in PEFA Framework		
B	(i) <i>Regularity of bank reconciliations</i> Bank reconciliation for all Treasury-managed bank accounts take place at least monthly, usually within four weeks from end of month.	Bank accounts controlled by MoFTI (the Treasury)—about five in total—are reconciled monthly. Interviewed state officials were not certain whether SA bank accounts are reconciled monthly. Information on the oil-revenue receipt account was not known to state officials interviewed.	Meeting with state officials Unity State three-month budget analysis report, March 2011 GRSS draft accounts for 2007, 2008
NR	(ii) <i>Regularity of reconciliation and suspense accounts and advances</i>	There were no known or reported suspense and advance accounts. Lack of information on this may signal poor record keeping and accounting systems that fail to track any reconciling items. Without such information, the regularity of reconciling them does not arise, hence the dimension is not rated.	Meeting with state officials Unity State three-month budget analysis report, March 2011 GRSS draft accounts for 2007, 2008

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

Problems can arise in front-line service delivery units related to obtaining resources 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 Unity State Government.

Conditional grants to state governments include grants for primary education and health, as state governments have primary responsibilities in these areas. One of the conditions attached to such grants is required frequent reporting and accounting, but until now these have not been enforced. Paragraph 2 of GRSS MoFEP's "Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011" states that transfers will no longer be sent to states without accounting and reporting in return. The increased emphasis on accountability is due to both a significant increase in the size of conditional grants in 2011 relative to previous years and strengthened IT packages that will enable reporting and accounting: Southern Sudan Electronic Payroll System (SSEPS), as discussed under PI-18 (the bulk of conditional grants finances salaries) and the FreeBalance financial management information system.

A States Transfers Monitoring Committee, established in late 2010, is reviewing the monthly reports and recommending to the GRSS undersecretaries of MoFEP and MoLPS what transfers should be made to the states each month.

Conditional grants fund a proportion of basic services in the states, so the reports on the use of conditional grants would be an important source of information on actual resources received by service delivery units versus what should have been received.

Reporting on service delivery in Unity State includes an annual report to the Council of Ministers with respect mainly to the education and health sectors. This report is activity-based, and it does not include financial information. There are no extensive reports for primary education and primary health care service delivery.

The GRSS budget documentation includes reports of performance under the activities of the various SAs, including MoE and MoH. It provides information on the activities done, but not specific to the level of service delivery unit at state level.

Donors fund significant proportions of public services directly through off-budget projects and programs. Donor budget books provide information on what has been expended under each project in the previous year and the budget for the current year. They state the number of activities under each project, but without specifying the particular health centers or schools and how many for each state.

Breakdown of PI-23 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	<p>(i) <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.</i></p> <p>No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the past three years.</p>	<p>No comprehensive information has been available to date on resources received by basic service delivery units, which are mainly the responsibility of the state government.</p> <p>Information in the budget reflects budget per directorate, but budget performance reports are not prepared to detail resource use up to the primary service delivery units to a county level. The strategic plan, though, has some details to a county-level analysis.</p> <p>This situation is likely to improve, starting in 2011, due to recently announced tougher reporting and accounting requirements under conditional grants, which effectively finance much of basic service delivery at state and county level</p>	<p>Unity State budgets for 2009, 2010, and 2011</p> <p>Unity State three-month budget analysis report March 2011</p> <p>Meeting with Unity State officials</p> <p>GRSS 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</p> <p>GRSS Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011, April 2011, MoFEP and MoLPS</p>

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

The ability to "bring in" the budget requires making timely and regular information on actual budget performance available to both the Ministry of Finance and the Cabinet, in order to monitor performance and if necessary identify new actions to get the budget back on track. It is also an essential aid and to line ministries in managing the affairs for which they are accountable.

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

Accounting and recording are conducted mainly by MoFTI, due to the centralized payments system. The MoFTI system has long been in place, even during the days of rule from Khartoum. All payment requests in excess of SDG 4,000 are processed through MoFTI. Spending of petty cash advances (below SDG 4,000) disbursed to spending agencies is supposed to be reported to MoFTI, according to its Petty Cash Procedures.

FreeBalance was rolled out to Unity State in October-November 2010. The first FreeBalance report was in March 2011. The report for April and May 2011 was in progress at the time of this report. Using FreeBalance, MoFTI is supposed to record approved payment requests and actual payments on a monthly basis (including the expenditures out of petty cash disbursed to

spending agencies and disbursements to these agencies to pay salaries, incentives, and allowances). Approved payment requests, actual payments, and remaining appropriations balances are supposed to be recorded on a real-time basis, while revenue collections are recorded on the basis of copies of customer deposit slips (direct revenue payments to block accounts) and bank advice statements (and thus not on a real-time basis, as the statements may be submitted some time after the revenue is received).

In line with GRSS's payments procedures, MoFTI is supposed to issue monthly budget execution reports to spending agencies, containing actual expenditures against the budget but not including expenditure commitments (contracts and purchase orders), which are not recorded in FreeBalance. Similarly, SAs are expected to prepare their own financial reports, showing own revenues, expenditures, and bank balance movements, and submit these monthly reports to MoFTI. They have been doing so in Unity State. The spending agencies have also been preparing activity-based reports for the Council of Ministers, but these have not included financial information.

FreeBalance software, which would facilitate preparation of financial reports, has been installed only in MoFTI and only three staff members have been trained in its use. The USG officials indicated the need to roll out FreeBalance to other spending agencies and the need for more training in its use. Spending agencies would then be in a better position to prepare in-year budget performance reports and annual reports.

(ii) Timeliness of the issue of the reports

Spending agencies prepare monthly reports and submit them to MoFTI. Local governments (counties) are also expected to report back to MoFTI, but they never do so.

(iii) Quality of information

The state has not produced final accounts in its life since the start of Comprehensive Peace Agreement in 2005. There are no audit reports either. The quality of information was such that until very recently it has not been possible to prepare meaningful in-year budget performance reports. The budget documents indicate expenditures and revenues for the first nine months of the fiscal year, but a quick review reveals data inconsistencies. The USG officials were also skeptical of the quality of the data.⁴ The Budget Analysis Report prepared by MoFTI for January-March 2011 also lacks meaning as it contains no expenditure data.

Breakdown of PI-24 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	<p><i>(i) Scope of reports in terms of coverage and compatibility with budget estimates</i></p> <p>Comparison to budget may not be possible across all main administrative headings.</p>	<p>As indicated by the USG officials, in-year budget reports prepared prior to 2011 had little meaning due to data problems, particularly in relation to revenue collection.</p> <p>The budget analysis report covering the first quarter of 2011 also has little meaning, as it contains no expenditure data.</p> <p>Counties do not prepare reports for the state, except for some payroll returns.</p>	<p>Meeting with USG officials</p> <p>Unity State three-month budget analysis report, March 2011</p> <p>Unity State budgets for ; 2009, 2010, and 2011</p>

⁴ Many of the figures shown in the nine-month report for 2010 indicate 75 percent performance, which is highly improbable, suggesting that the numbers are not real.

Score	Minimum Requirements	Justification	Information Sources
D	(ii) <i>Timeliness of the issue of reports</i> Quarterly reports are either not prepared or issued late, often with more than eight weeks delay.	Over the past few years, spending agencies have been preparing monthly budget execution reports and submitting them to MoFTI. But MoFTI rarely (if ever) consolidates these reports into quarterly performance reports. Performance information on the budget covered nine months only. MoFTI, however, prepared a budget performance report for the first quarter of 2011. It was still in unofficial draft form more than eight weeks after March.	Meeting with USG officials Unity State three-month budget analysis, March 2011 Unity State budgets for ; 2009, 2010, and 2011
D	(iii) <i>Quality of information</i> Data is too inaccurate to be of any real use, especially expenditure data.	The bookkeeping and accounting system in the state is still developing. Information and data in expenditure reports are often inconsistent in the same report and considered inaccurate and unreliable even by state officials. Use of FreeBalance software may improve the situation. Revenue collection data is suspected to be inaccurate due to lack of effective controls in collection and not being reported on a real-time basis.	Meeting with USG officials Unity State three-month budget analysis, March 2011 Unity State budgets for 2009, 2010, and 2011

PI-25: Quality and timeliness of annual financial statements

Consolidated year-end financial statements are critical for transparency in the PFM system. USG has never prepared any annual financial statements.

(i) *Completeness of the financial statements*

There are no annual financial statements prepared by the state. Some information may be extracted from the budget document, but this is for nine months only, and the data therein are considered inaccurate.

(ii) *Timeliness of the submission of the annual financial statements*

The time framework for submission of annual financial statements is regulated under Article 89 of the Interim Constitution of Unity State, which provides that annual financial statements of all levels of government in the state shall be prepared and presented to the Southern Sudan Audit Chamber within the six months following the end of the financial year. There have been no annual financial statements prepared by the state so far, hence the timeliness of submission cannot be assessed.

(iii) *Accounting standards used*

Unity State Interim Constitution Chapter VI, Article 164 on Accounting Procedures, Standards and Fiscal Accountability provides under 164 (1) that all levels of government in the state shall comply with generally accepted accounting procedures, standards, and fiscal accountability to ensure that public funds are allocated and expended according to the budget of the respective local government. At the GRSS level for consistency purposes, according to Section 48 (3) of the draft PFM and Accountability Bill, it is indicated that accounts should be prepared in accordance with International Public Sector Accounting Standards (IPSAS). Section 48 (5) states that the accounts prepared should state the basis of accounting (i.e., cash, modified cash, accrual).

However, there are no annual financial statements prepared by the state. Therefore, this dimension cannot be rated. But there is probably a need to iron out for states which accounting standards to follow for consistency and comparison purposes. In this case for Unity State, the wording in the Interim State Constitution refers to generally accepted accounting standards while the GRSS interim PFM Bill mentions IPSAS. The two are

different. There is every need to harmonize accounting standards in GRSS, state, and local governments for consistency and comparison purposes.

Ongoing actions and plans

A rollout of FreeBalance to the spending agencies is planned. It is envisioned that this will help in obtaining information for the preparation of annual financial statements.

As no annual financial statements have been prepared to date, dimension (i) is rated D. The other two scoring criteria are not applicable at this time.

Score: D (M1), (i) D.

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 the public accounts.

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	C+	(i) C (ii) C (iii) B (iv) NR	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.

Unity State Interim Constitution Chapter VI, Article 165 Audits, 165 (2) in respect to external audit states that annual financial statements of all levels of government in the state shall be prepared promptly and presented to the Southern Sudan Audit Chamber in accordance with Article 195 of the Interim Constitution of Southern Sudan (ICSS).

The Audit Chamber has not performed any audits to date of government entities in Unity State. During the GRSS-level PEFA assessment, the team visited the Audit Chamber. The Chamber attempted to audit all the 10 states, including Unity State. The Chamber attempted to construct combined financial statements for all the 10 states, but this was a legal oversight. All states are independent legal entities and should have separate accounts and audit reports. The audit therefore could not proceed.

As audits have yet to take place, the scoring dimensions are not applicable 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.

The Unity State Legislative Assembly (SLA) was established under Article 55 (1) of the Interim Constitution of Unity State. It is composed of directly elected members and special numbers of other categories as may be determined by law. Its mandate is clearly presented in the constitution, including overseeing the executive and scrutinizing the budget.

The SLA members were elected in 2010. Previously they were appointed. The SLA has 12 specialized committees, including the Public Accounts Committee and the Economy, Development and Finance Committee. . It follows well-defined procedures. In the first years, the SLA assembly was not very active because it was appointed. It is now vigilant because it was elected under universal adult suffrage. At the time of this assessment (June 10, 2011), the assembly was interviewing the minister of finance and the director general before passing the budget for 2011. Passing of the budget was late partly because of insecurity in the area, which kept UNDP advisors from work for some time.

(i) Scope of the legislature's scrutiny

The Economy, Development and Finance Committee scrutinizes the draft budget submitted to it by the Council of Ministers.

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

The Code of Conduct (2010) of the Legislative Assembly is comprehensive and is mainly respected. For example, the draft budget goes through four readings prior to final approval by the SLA. The fact that the minister was interviewed in respect to the 2011 budget provides an example of rules compliance.

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

Draft budgets are submitted late to the SLA, but nevertheless up to 45 days are available for discussion, as per the ICSS.

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

The Appropriation Acts clearly stipulate the role of spending agencies, MoFEP, and SSLA regarding in-year budget adjustment. According to Appropriation Bill 2011 Section 4: Limits to Expenditure:

- No funds shall be transferred from one chapter to another during the financial year, or from one spending agency to another, nor shall any money be spent on any activity that is not included in the approved budget's activity estimates, nor will overall spending be allowed to increase without the approval of the assembly through a Supplementary Appropriation Bill.

- Spending agencies may transfer funds between budget lines within a chapter, as long as expenditures against the different budget lines do not exceed the total appropriation for the chapter, as approved in the Appropriations Bill.

The degree to which these rules are respected was difficult for the team to determine, due to the limited time available to conduct the assessment and the presence of the USG in Juba rather than in Unity State. To date, no Supplementary Appropriations Bills have been submitted to the SLA, and no budget performance reports have been prepared, which would have provided some indications of adjustments.

Breakdown of PI-27 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M1)	As listed in PEFA Framework		
C	(i) <i>Scope of the legislature's scrutiny</i> The legislature's review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.	The documentation submitted to Committee for the Economy, Development, and Finance consists only of detailed draft budget estimates.	Meeting with Unity State officials Unity budgets for 2009, 2010, and 2011 Unity State three-month budget analysis, March 2011 Interim Constitution of Unity State Unity State Appropriation Bill, 2011
C	(ii) <i>Extent to which the legislature's procedures are well established and respected</i> Procedures exist for the legislature's budget review, but they are not fully respected.	The procedure is established and respected in many instances. However, the lack of experience and the absence of technical backup to the committee mean that procedures are not always respected. Late submission of the draft budget by the Council of Ministers results in the timelines stated in the Code of Conduct not always being met, but that is not the fault of SLA committees.	Code of Conduct, 2010 Meeting with Unity State officials Unity budgets for 2009, 2010, and 2011 Unity State three-month budget analysis, March 2011 Interim Constitution of Unity State Unity State Appropriation Bill, 2011
B	(iii) <i>Adequacy of time for the legislature to provide a response to budget proposals</i> The legislature has at least one month to review the budget proposals.	Budgets are not submitted in time to SLA. The budget for 2009 was submitted in July 2009, for 2010 it was submitted in January 2010, and for 2011 it was submitted in Feb/March 2011. There is still sufficient time to review the budget; the Interim Constitution provides for up to 45 days (Section 86).	Code of Conduct, 2010 Meeting with Unity State officials Unity Budgets for 2009, 2010, and 2011 Unity State three-month budget analysis, March 2011 Interim Constitution of Unity State- Unity State Appropriation Bill, 2011
NR	(iv) <i>Rules for in-year amendments to the budget without ex-ante approval of the legislature</i> Clear rules exist, but they may not always be respected or they may allow extensive administrative reallocations as well as expansion of total expenditure.	Clear rules are stipulated in the annual Appropriation Acts regarding the extent to which the rules are respected.. The team did not have sufficient information to determine the extent that these rules are respected.	Code of Conduct, 2010 Meeting with Unity State officials Unity budgets for 2009, 2010, and 2011 Unity State three-month budget analysis, March 2011 Interim Constitution of Unity State Unity State Appropriation Bill, 2011

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 is done through review of audit reports.

Specialized committees were set up in the SLA. They still await audit reports, which may take some time to arrive, since the annual accounts have not been prepared since inception of the state under the Comprehensive Peace Agreement. This indicator is not applicable at this time.

Breakdown of PI-28 Scores

Score	Minimum Requirements	Justification	Information Sources
NA (M1)			
NA	Timeliness of examination of audit reports by the legislature	This dimension is not applicable at this time, as no audit report has been presented to the SLA	Meeting with Unity State officials
NA	Extent of hearings on key findings undertaken by the legislature	This dimension is not applicable at this time	Meeting with Unity State officials
NA	Issuance of recommended actions by the legislature and implementation by the executive	This dimension is not applicable at this time	Meeting with Unity State officials

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	(1) NA (2) NA	M1
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D+	(i) C (ii) D	M1
D-3	Proportion of aid that is managed by use of national procedures	D	(i) D	M1

D-1: Predictability of direct budget support

This indicator is not applicable as Unity State and GRSS do not yet receive direct budget support.

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.

As noted under PI-7, the 2011 budget contains information about donors with regard to planned spending during the next budget year and actual spending during the current year. The information is provided on a sector basis. The information for the next budget year is provided in August, consistent with USG's budget preparation calendar. The information is not provided according to the budget classification system used by USG (the same as GRSS's).

Breakdown of D-2 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)	As listed in PEFA Framework		
C	<p>(i) <i>Completeness and timeliness of budget estimates by donors for project support</i></p> <p>Not all major donors provide budget estimates for disbursement of project aid, at least for the state government's fiscal year and at least three months prior to its start</p>	Donor information on planned disbursements for the next year is contained in the 2011 budget by donor and by sector. The information is provided in August, consistent with USG's budget preparation calendar. The donors do not use USG's budget classification system.	<p>Meeting with Unity State officials</p> <p>Unity State strategic plan 2007–2011</p> <p>Unity State budgets for; 2009, 2010, and 2011</p>
D	<p>(ii) <i>Frequency and coverage of reporting by donors on actual donor flows for budget support</i></p> <p>Donors do not provide quarterly reports within two months of end-of-quarter on the disbursements made for at least 50 percent of the externally financed project estimates in the budget.</p>	Information is provided only on an annual basis.	<p>Donor Book</p> <p>Meeting with Unity State officials</p>

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 state government that is managed through national procedures (banking, authorization, procurement, accounting, audit, disbursement, and reporting).

Donors are not using country financial management systems at this time.

Breakdown of D-3 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	<p>(i) <i>Overall proportion of aid funds to central government that are managed through national procedures</i></p> <p>Less than 50 percent of aid funds to USG is managed through national procedures.</p>	Donor-financed projects are not using USG's PFM systems at this time.	USG officials

3.9 Predictability of Fiscal Transfers from Higher Levels of Government

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

USG receives much of its funding from GRSS in the form of the block and conditional grants. Efficient execution of 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. The 2011 budget document indicates that 75 percent of the budgeted block grants and conditional grants had been disbursed during the first nine months of 2010, indicating a high

degree of timeliness. As in NBGSG, there appears to be an issue in the timeliness of the block grant from GRSS to counties for funding capital expenditures. USG officials mentioned that disbursements had been irregular, but that the situation had been resolved. The issue may have been that counties need to have a credible capital budget in place in order to receive the grant, and this may not have been the case. The size of the grant to counties is relatively small: 5 percent of total transfers from GRSS in the 2011 budget.

For USG the rating for predictability is A.

Annex A: List of People Interviewed

Unity State PFM assessment meeting held on June 10, 2011, at the World Bank office in Juba, Republic of South Sudan

Name	Position
Kuong Ter Duol	Director Planning and Budgeting
Martin Nhial Ruah	Deputy Director of Taxation
Thomas Gatjang Yuash	Director of Procurement