Report No.: 78292-SS

Government of Republic of South Sudan

Public Finance Management Assessment: Western Equatoria State

Based on the Public Expenditure Financial Accountability Framework (PEFA)

May 31, 2012

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CURRENCY AND EXCHANGE RATES

Currency unit = Sudanese pound

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

Government fiscal year (FY): Calendar year

Abbreviations and Acronyms

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

Summary Assessment

Strong 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 far for reading and discussing, since these processes are captured live on FM 90, a state-owned radio station, the only local radio in Yambio. 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. **Electronic payroll Systems have been established, starting in 2008.** The Southern Sudan Electronic Payroll System (SSEPS) was started in the state's Ministry of Education in 2008 and in the country's Ministry of Finance, Trade and Industry (MoFTI) in October 2010. This has contributed to a "cleaning" of the payroll system, and processing of the monthly payroll has become easier and quicker. The payroll preparation is now centralized in MoFTI, which enhances checks and balances with line ministries and with establishment officers representing the Ministry of Labour, Public Service, and Human Resources but resident in line ministries. Payroll controls are fairly strong, adjustments on the payroll are based on written information, and changes are effected within a month. An internal audit also checks payrolls on a sample basis and issues recommendations for improvement in the payroll cycle. Personnel files and records are kept by the respective spending agencies in the offices of the establishment officers. These form the basis for review and verification of the monthly payroll by the establishment officers. The state payroll is uploaded to GRSS website by the 15^{th} of the following month.
3. **An integrated financial management information system (IFMIS) has been established.** The FreeBalance system was introduced in October 2010. Monthly budget performance reports were prepared on the system for January to May 2011, although they lack meaningfulness. Reports are uploaded to the GRSS website after approval by the minister of finance. The accounting function is strong at Yambio compared to other states visited by this assessment, and bank reconciliations are properly done and on time.
4. **There is a strong and established internal audit function:** The Internal Audit Department (IAD) in MoFTI is fully established with 15 staff members, including 10 auditors. It covers all spending agencies: 10 county administrations and 15 ministries. It conducts financial audits for the most part, some investigative assignments, and a limited number of systems audits and also covers the payroll cycle on a sampled basis. Internal audit reports are comprehensive and contain issues and recommendations. The IAD conducts both entry and exit meetings with audited entities and also follows up on audit recommendations in subsequent audits. It issues reports to the minister of finance, auditees, and the State Legislative Assembly (SLA). The function is supported by the executive in its work, as evidenced by its many staff, spacious office, laptop computers, and a motorcycle. The executive responds to audit recommendations and provides action points to rectify issues. With the provision of more technical updates, and

training in basic English report-writing skills, the internal audit function in Yambio, Western Equatoria State (WES), can be a center of excellence providing a practical learning center for other states, especially those visited by this assessment, in respect to internal audit.

5. **Legislative oversight has been strengthened.** Since the elections in 2010, the SLA has increased its assertiveness, particularly in terms of analyzing the draft budget. It continues to need more technical support to avoid mistakes such as reallocating earmarked budget lines. It has yet to scrutinize external audit reports, as none have been produced yet.

6. **Progress has been made in developing revenue administration systems.** The state established its own revenue agency in 2010, the Western Equatoria Revenue Authority. This authority is headed by the director general of taxation, who was also part of the team instructed in PEFA methodology by this assessment in Juba, April 2011. The authority is supported by the United Nations Development Programme through a resident revenue specialist in technical assistance (TA). The state has a tax act, and tax bills have been drafted to update the act, although most of these are modeled on the Government of Southern Sudan (GoSS) Tax Act. (GoSS was the predecessor to GRSS.)

The Revenue Authority has embarked on a tax awareness campaign (through FM 90 radio) and a tax registration drive. Over 750 taxpayers have been registered, with 300 already assessed based on information on business registration status, type of business, turnover, number of employees, and so forth. The registered taxpayers have been assigned a file number but not yet taxpayer identification numbers (TIN). Tax receipts and documents are prenumbered, centrally issued, and accounted for. The state has innovative tax administration, collection, banking, and safe custody procedures, such as door-to-door registration of taxpayers, including hawkers and small food vendors, linking the payment of taxes to the issue of trade licenses. It banks collections to a single bank account for development of the state. The absence of a computerized TIN system has hindered the commencement of rigorous tax collection.

The Revenue Authority has no withdrawal mandate on the bank account, which was decreed by the state governor as an economic development account for the sole function of financing high priority development projects. At the time of this assessment, the account had a sizeable credit balance of over SDG 2.3 million. This is an innovative saving mechanism for development purposes as part of the wider agenda to deliver the peace dividend to the people of WES. These savings will be bolstered once the remaining leakages in the tax collection system are sealed.

7. **Government-donor interaction has been strengthened.** The WES government and donor partners appear to be working more closely together, with resultant benefits in terms of better coordinated service delivery. There is room for improvement, for example through the signing of memorandums of understanding between donor groups and WES.

Key Remaining Challenges

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

1. **Meaningful budget performance reports are still not being produced, and neither are annual financial statements.** The first three performance indicators of this assessment (see table 1), where 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 using a competitive mechanism, but there is scope for improvement in the procedures.** These include placing advertisements, registering tenders

received, conducting the evaluation process, keeping minutes, publishing tender awards and relevant information, and improving the set up and functioning of an independent complaints mechanism.

3. **There are some control weaknesses in an number of areas.** These relate (i) expenditure commitments, implying the risk of payments arrears—the FreeBalance system, which would address this issue, is not yet being used as an instrument for controlling budget execution; (ii) no final accounts; (iii) the use of government property, particularly government vehicles; (iv) the adherence to accountability requirements, including delays by counties in submitting accountability reports and counties not remitting taxes due to the state; (v) staff incentives and overtime allowances not included on the payroll, thereby understating reported staff emoluments and thereby not deducting the right personal income tax (PIT); and (vi) coverage, scope, and timing of the external audit function, which is a mandate of the Audit Chamber in Juba, which has yet to issue any state audit report.

A PFM law at GoSS level is still not in place, even though a draft was prepared more than three years ago. 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 PFM law at GRSS level is a prerequisite for the adoption of similar laws at state level.

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 Western Equatoria State

Note: Shaded areas represent M2 scoring methodology			Overall	i	ii	iii	iv
A. Credibility of the Budget							
PI-1	Aggregate expenditure outturn compared to original approved budget	**M1**	NR▲	NR▲			
PI-2	Composition of expenditure outturn compared to original approved budget	**M1**	NR▲	NR▲	NR▲		
PI-3	Aggregate revenue outturn compared to original approved budget	**M1**	NR▲	NR▲			
PI-4	Stock and monitoring of expenditure payment arrears	**M1**	NR▲	NR▲	D▲		
B. Comprehensiveness and Transparency							
PI-5	Classification of the budget	**M1**	B	B			
PI-6	Comprehensiveness of information included in budget documentation	**M1**	C	C			
PI-7	Extent of unreported government operations	**M1**	NR	NR	D		
PI-8	Transparency of intergovernmental fiscal relations:	**M2**	B	A	B	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	NA	D	D
C (ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	**M2**	D+	C	C	D	
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	**M2**	D+	C	C	D	
PI-15	Effectiveness in collection of tax payments	**M1**	D	NR	D	D	
PI-16	Predictability in the availability of funds for commitment of expenditures	**M1**	D	D	D	D	
PI-17	Recording and management of cash balances, debt, and guarantees	**M2**	C	NA	C	NA	
PI-18	Effectiveness of payroll controls	**M1**	C+	B	B	A	C
PI-19	Competition, value for money, and controls in procurement	**M2**	D	C	D	D	D
PI-20	Effectiveness of internal controls for nonsalary expenditure	**M1**	C	C	C	C	
PI-21	Effectiveness of internal audit	**M1**	B	B	B	B	
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	B	D	
PI-25	Quality and timeliness of annual financial statements	**M1**	D	D	D	D	
C (iv) External Scrutiny and Audit							
PI-26	Scope, nature, and follow-up of external audit	**M1**	NR	NR	NR	NR	
PI-27	Legislative scrutiny of the annual budget law	**M1**	C+	C	B	B	C
PI-28	Legislative scrutiny of external audit reports	**M1**	NR	NR	NR	NR	
D. Donor Practices							
D-1	Predictability of direct budget support	**M1**	NA				
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	**M1**	D	D	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.		NR	NR	NA	NR	

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

1. Introduction

1.1 Objective

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

1.2 Process of Preparing the Report

Under contract to the World Bank and the Task Team leadership of Adenike Sherifat Oyeyiola, a team of four consultants visited Southern Sudan during June 5–26, 2011. The team consisted of Peter Fairman (team leader), Getnet Haile, Charles Mugerwa, and Gregory Smith, the same team that conducted the PEFA assessment of GRSS in April. Getnet Haile and Charles Mugerwa visited Yambio, Western Equatoria State, during June 23–25, 2011, with one-and-one-half days available to conduct the assessment. The timing of the visit changed several times for reasons beyond the team's control.

The assessment team received a lot of support and cooperation from state officials. The DG of taxation had attended the PEFA orientation/introduction workshop in April 2011 in Juba. The team appreciated this support, and without it the extent of its work would have been very limited given the short time the team was in the state. Prior reconnaissance by the assessment team with key state officials proved to be a key success factor in this assessment.

A first draft report was submitted to World Bank on July 18, 2011. On the basis of comments received from PEFA Secretariat and UN Development Programme in early August, the team submitted a second draft report to the Bank on September 3, prior to the PEFA workshop held in Juba on September 5. This third and final draft report was presented on September 26, 2011. The assessment was funded by the World Bank, Southern Sudan MDTF, and the UNDP.

1.3 Scope of the Assessment

This PEFA assessment is focused on the PFM systems of the government of Western Equatoria State (WES) in South Sudan. At the time of this PEFA assessment South Sudan was known as Southern Sudan; the name changed to South Sudan on July 9, 2011, the day of independence. Originally, the team also intended to visit also two counties, but because of the time constraints the counties were not covered.

2. Background Information

2.1 General Information

Box 2.1 contains background information on WES.

Box 2.1: Key Facts about Western Equatoria State

- Population: 619,000—45 percent is younger than 18 and 84 percent is rural. The latter is similar to the figure for all of South Sudan at 83 percent.
- Area: 79,343 square kilometers, one of South Sudan's smaller states.
- Population density is 7.8 people per square kilometer, lower than the average of 13 per square kilometer for South Sudan as a whole, and considerably lower than the 136 per square kilometer in Uganda.
- 33 percent of the adult population (15 years and above), is literate, higher than the 27 percent literacy for South Sudan as a whole.
- 42 percent of the population lives below the poverty line, the highest of any state in South Sudan.
- 90 percent of households depend on crop farming or animal husbandry as 'their primary source of livelihood.
- 40 percent of the population has access to improved sources of drinking water.
- Of the 10 counties, Yambio is the largest in population, with 152,257 people, while Nagero has a population of 10,077. The average household has seven members.

Source: Southern Sudan Centre for Census, Statistics and Evaluation, "Key Indicators for South Sudan" (Juba: 2010),

Western Equatoria is a state in the southwest of South Sudan and is bordered by Central Equatoria to the east, Democratic Republic of Congo to the south, and Central African Republic to the west. To the north lie Western Bahr el Ghazal, Warap, and Lakes states. The Western Equatoria State Government (WESG) is comprised of 20 spending agencies divided into six sectors: Accountability and Economic functions, Education, Health, Natural Resources & Social Development, Physical Infrastructure, and Public Administration and Rule of Law. Services are provided in counties as well as in the capital city, Yambio.

2.2 Description of 2009–2011 Budgets

Table 2.1 presents an overview of WESG budgets for 2009, 2010, and 2011. Table 2.2 presents the same budgets broken down by sector. Table 2.3 presents the proportional source of revenues for these budgets.

Table 2.1: WESG Approved Budgets, 2009–2011 (SDG millions)

	2009 Budget	2010 Budget	2011 Budget	% composition
Financial Resources	**113.3**	**117.7**	**143.2**	**100**
Transfers from GRSS	*111.7*	*115.2*	*135.2*	*94.4*
Block	44.1	49.1	69.4	
General	36.7	39.6	55.4	
State Legislative Assembly	5	5.1	5.4	
Counties (for capex)	2.4	4.4	8.6	
Conditional grants [1/]	67.6	66.1	65.8	
Own revenue (state level)	*1.6*	*2.5*	*6.0*	*5.6*
Tax	1.0	1.6	3.2	
Nontax	0.6	0.9	2.8	
Expenditures	**113.3**	**117.7**	**143.2**	100
Salaries	77.8	79.3	96.3	67
Operating	11.4	12.2	17.8	12
Capital	12.1	12.2	9.3	7
Transfers to counties	12.0	14.0	19.8	14
Balance	**0**	**0**	**0**	
Accumulation/use of reserves	0	0	0	

Source: WES 2011 and 2010 budget documents. The table excludes county revenues and expenditures.
Notes: [1/] Provided by GRSS spending agencies for salaries (mainly), operating, and capital expenditure.

Table 2.2: WESG Expenditure by Sector, Budget for the years 2009–2011 (SDG millions) [/1]

	2009 Budget	2010 Budget	2011 Budget	% composition
Total Expenditure by sector	**113.3**	**117.7**	**143.2**	100
Accountability and economic development	7.1	8.1	7.4	5
Education	15.5	21.3	24.2	17
Health	7.4	6.6	8.8	6
Natural resource and social development	9.9	9.2	10.7	7
Physical infrastructure	8.0	8.0	9.3	6
Public administration and rule of law	65.4	64.5	82.8	58

[/1] The sector composition includes the transfers to the counties and does not indicate the expenditure composition of WESG-specific expenditure. As transfers to counties are only 14 percent of total expenditure, the expenditure composition is probably similar.

Table 2.3: WESG Composition of Revenues

		2009 Budget		2010 Budget		2011 Budget	
		Amount (SDG)	% composition	Amount (SDG)	% composition	Amount (SDG)	% composition
TOTAL REVENUE		**1,573,000**	**100%**	**2,500,000**	**100%**	**6,049,817**	**100%**
(A) TAX REVENUE		**1,000,000**	**64%**	**1,590,000**	**64%**	**3,206,872**	**53%**
1	State Personal Income Tax	360,000	36%	572,000	36%	1,921,872	60%
2	Business Profit Tax	250,000	25%	397,000	25%		0%
3	Rental Income Tax	60,000	6%	95,000	6%		0%
4	Capital Gains Tax	1,000	1%	2,000	0%		0%
5	Stamp Duty Tax	20,000	2%	32,000	2%	35,000	1%
6	Development Tax on Trading License	78,000	8%	124,000	8%	500,000	16%
7	Development Tax on Professional License	25,000	3%	40,000	3%		
8	Development Tax on Commodities	200,000	20%	318,000	20%	500,000	16%
9	Service charges	5,000	5%	8,000	1%	50,000	2%
10	Clearance Certificate	1,000	1%	2,000	0%	100,000	3%
11	Rubber Stamp					100,000	3%
(B) NON - TAX REVENUE		**573,000**	**36%**	**910,000**	**36%**	**2,842,945**	**47%**
1	Land Tax (Survey fees, Sale of Plots, and Air Strip Fees)	211,000	37%	335,000	37%	693,945	25%
2	Agriculture Products (State Farms)	4,000	1%	6,000	1%	6,000	0%
3	Forest Products (Timber and Non-Timber)	135,000	24%	215,000	24%	700,000	25%
4	Animal Resources (Animal Products)	14,000	2%	22,000	2%	22,000	1%
5	Fisheries (Fish Products and Market Fish Tax)	15,000	1%	24,000	3%	24,000	1%
6	State Ministry of Commerce and Supply (Permit and Verification Fee)	74,000	3%	118,000	13%	649,000	23%
7	Health (Assessment of Age Certificates)	45,000	8%	72,000	8%	550,000	19.6%
8	Cooperative	75,000	13%	118,000	13%	80,000	3%
9	Police Licenses (Driving, Vehicles and Motorcycle Plate Number)				0%	118,000	4%

Source: 2009, 2010, and 2011 budgets.

About 60 percent of domestic revenues consist of tax revenues, the largest item of which is personal income tax. The actual tax revenue collected in the year 2010 was SDG 2,710,148, 8.4 percent higher than budgeted for.

2.3 Legal and Institutional Framework for PFM

2.3.1 Legal framework for PFM

The legal framework for PFM in Southern Sudan originates in the Interim Constitution of Southern Sudan (ICSS), 2005. The key sections are summarized in the GRSS-level PEFA assessment. State governments, including WESG, have prepared their own state-level interim constitutions, broadly mirrored on the ICSS. The WESG interim constitution was signed in 2008.

The State Revenue Authority was established in 2010. It falls under the Directorate of Revenue. The state Taxation Act came into force in 2010. These are referred to under the relevant performance indicators in section 3.

2.3.2 Institutional framework for PFM

Important institutional developments as of date of assessment have been the following:

- The installation of the financial management information system FreeBalance at the Ministry of Finance, Trade and Industry (MoFTI) in October 2010.
- The rollout of the Southern Sudan Electronic Payroll System in the states.

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

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

3.1 Introduction

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

Each indicator contains one or more dimensions (columns i, ii, iii, and iv in table 1), or subindicators, that address the key elements of the PFM process. These are described with their relevant performance indicators. Two methods of scoring are used. Method 1 (M1) is used for all single-dimensional indicators and for multidimensional indicators when poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, 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, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table for two, three, and four dimensional indicators is used to calculate the overall score.

3.2 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 actual expenditures to be similar to approved budgets—in both aggregate and composition of expenditure terms—and that there are no unpaid bills, which eventually have to be paid at the expense of the provision of public services in future years. The following matrix from table 1 (presented in the Summary Assessment) summarizes the assessment of indicators relating to budget credibility.

Assessment of Performance Indicators of Budget Credibility

	A. Credibility of Budget	Score	Dimensions	Scoring Methodology
PI-1	Aggregate expenditure outturn compared to original approved budget	NR▲	NR▲	M1
PI-2	Composition of expenditure outturn compared to original approved budget	NR▲	NR▲	M1
PI-3	Aggregate revenue outturn compared to original approved budget	NR	NR	M1
PI-4	Stock and monitoring of expenditure payment arrears	NR▲	(i) NR (ii) D▲	M1

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

It is not possible to rate this indicator. MoFTI did not record the expenditure outturns for 2008 and 2009. The budget execution report for the year 2010 was not prepared by spending agency, which makes it difficult to compare with the budget. Automated systems for recording expenditures were not yet in place: (i) FreeBalance was installed only in October 2010 and (ii) most of the line ministries did not report to MoFTI on their expenditures financed by the petty cash disbursed to them each month by MoFTI, especially in the periods before 2011.

Having said this, the aggregate expenditure outturn, if reported on, would likely be close to the “approved” budgets, as nearly all the financial resources of WESG come from the unconditional and conditional grants provided by GRSS (table 2.1). The receipts of these have a high level of predictability.

With FreeBalance now functional, monthly budget implementation reports are being generated, and it should be possible for an annual budget implementation report to be prepared for 2011. Currently, the Accounts Unit of MoFTI generates financial reports by spending agencies, by chapter, and budget classification. An upward pointing arrow is therefore appended to the rating.

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

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

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

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.

WESG’s revenues comprise only 5 to 6 percent of the state’s total financial resources, the remainder consisting of fiscal transfers from GRSS (table 2.1). As with expenditure performance, MoFTI does not have records of revenue performance for 2008–2010, as the State Revenue Directorate[1] has not been providing these. Section 2 summarizes revenue estimates for 2009, 2010, and 2011, as contained in the 2009–2011 budget estimates. Therefore, this indicator is not rated.

PI-4: Stock and monitoring of expenditure payment arrears

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

The existing system of accounting recording doesn’t allow tracking of arrears. According to the Directorate of Accounts, spending agencies are requesting cash requirements as per their budget, and no request will be approved if it is not supported by the budget. There is no information however, whether or not arrears exist.

1 The directorate was reorganized in January 2011. Current year (2011) revenue collection data were properly recorded and reported.

Breakdown of PI-4 Scores

Score	Minimum Requirements	Justification	Information Sources
NR▲ (M1)			
NR	*(i) Stock of expenditure payment arrears and any recent change in the stock* The stock of arrears was not known at the end of December 2010.	Information was not available about stock of arrears to the team.	Directorate of Accounts
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 past two years	The PEFA scoring criteria apply to the situation at the end of the past two financial years. A system of monitoring arrears has only recently (March 2011) been established and is still under development.	Minister of MoFTI Directorate of Accounts

3.3 Comprehensiveness and Transparency

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

Assessment of Performance Indicators for Comprehensiveness and Transparency

No.	B: Comprehensiveness and Transparency: Cross-cutting Issues	Score	Dimensions	Scoring Methodology
PI-5	Classification of the budget	B	(i) B	M1
PI-6	Comprehensiveness of information included in budget documentation	C	(i) C	M1
PI-7	Extent of unreported government operations	NR	(i) NR (ii) D	M1
PI-8	Transparency of intergovernmental fiscal relations	B	(i) A (ii) B (iii) 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 in the following dimensions: administrative unit, program, economic activities and functional activities. The classification system used by WESG is a simplified version of the one used by GRSS. Expenditures are clearly labeled by sector, spending agency, directorate within each agency, and by "chapter" (i.e., salaries and operating or capital expense). There are six sectors broadly corresponding to functions: (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. Some sectors contain more than one spending agency. Some sectors, for example, education and health, specifically include development partner activities. For each directorate, information is provided on the activities that are planned to be undertaken. The activities themselves are not coded.

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

Breakdown of PI-5 Scores

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

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 informed budget decision making and transparency and accountability. In addition to the detailed information on revenues and expenditures, and in order to be considered complete, the annual budget documentation should include information on the elements in table 3.1, where assessment is also made about their availability in WES.

Table 3.1: Information Provided in the Budget Documentation

No.	Item	Available	Justification / Source
1	Macroeconomic assumptions, including at least estimates of aggregate growth, inflation, and exchange rate	No	Source: 2011 approved budget.
2	Fiscal deficit, defined according to GFS or other internationally recognized standard	Yes	The 2011 approved budget shows that budget for expenditure is equal to total budgeted revenue (no surplus or deficit).
3	Deficit financing, describing anticipated composition	Yes	The 2011 approved budget shows neither deficit nor surplus, so deficit financing is zero.
4	Debt stock, including details for at least the beginning of the current year	N/A	WESG does not incur debt.
5	Financial assets, including details for at least the beginning of the current year in a timely manner	No	Financial assets will be shown as cash balances in the annual financial statements once they are prepared (none prepared to date). Advances paid to employees and contractors would not be reflected as receivables, as accounting is on a cash basis.
6	Prior year's budget outturn, presented in the same format as the budget proposal	No	Budget execution report was not presented with the budget proposal. Budget execution report was available to the team in a different format from the proposed budget.
7	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal	Yes	
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	Yes	Summarized budget data are available for the years 2008, 2009, and 2010.
9	Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs	No	Apart from the detailed estimates, the 2011 budget document contains narrative on physical performance during the current year and sector expenditure objectives, priorities. and key activities for the next budget year. There is no explicit differentiation between "new policy initiatives" and spending on services currently being provided.

Breakdown of PI-6 Scores

Score	Minimum Requirements	Justification
C (M1)		
C	*(i) Share of the information benchmark in the budget documentation most recently issued by the central government* Recent budget documentation fulfils three to four of the nine information benchmarks.	Given that WESG does not borrow, the fourth information benchmark is not applicable here. Hence, recent budget documentation fulfils four of the eight relevant information benchmarks. See table 3.1 for further explanation.

PI-7: Extent of unreported government operations

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

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

The budgets of all WESG spending agencies are include in the WESG budget.

Unreported collection and spending of domestic nontax revenue (NTR) represent unreported extra budgetary operations. As is the case with GRSS, anecdotal evidence suggests that not all revenue collected is deposited in the bank accounts of MoFTI and the Revenue Authority. Since February 2011, unlike in other visited states (Northern Bahr el Ghazal, Unity, and Jonglei), all WES spending agencies collecting all types of revenue have been supposed to deposit it into the bank accounts of Revenue Directorate in MoFTI.

Revenue is collected using Form 15, which is summarized by collectors in Form 67, in accordance with the Ordinance on Financial and Accounting Procedures issued in 1995. Collectors are then supposed to deposit the cash in the bank account of the Revenue Directorate and submit the deposit slip and duplicates of the forms to the Revenue Directorate. Revenue collected is reconciled against the bank statement on a monthly basis. In WESG, revenue recording is more organized than in other states, but the likelihood that some revenue may not be recorded is nevertheless high.[2] Tax audit has not yet commenced. Staff are currently attending training in Tanzania.

County governments are supposed to remit 40 percent of many of the revenues they collect to the State Revenue Directorate. According to the 2011 revenue budget estimates, revenue collected in the way is budgeted at SDG 1.95 million, representing about one-third of all WESG revenues. The items are included in the list of revenues shown in table 2.3 in section 2. According to the Revenue Directorate, not all these revenues are remitted to it. To the extent that county administrations do not record the collection and use of these revenues, the use of such revenues also represents unreported extra budgetary operations.

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

Most of the donor partners that operate directly in WES (multilaterals, bilateral, and nongovernmental organizations, NGOs) are doing so under the auspices of GRSS. No information is available as to the degree of their collaboration with MOFTI in budgeting and reporting, particularly in the case of NGOs. Donors are managing their funds through their own systems, and these are not included in the budget of WES.

[2] The assessment team witnessed that Form 15 may not be issued to taxpayers. The airport tax collectors charged the team SDG 20 each and when asked for receipt, they said that they would provide it at the time of the return flight. At that time, the team reminded the airport staff about the receipt but the staff refused to provide the receipt. A similar incident occurred in Northern Bahr el Ghazal, as noted in the PEFA assessment of that state. In addition, internal auditors stated in their report that the revenue collected by State Ministry of Agriculture was lower than their expectation.

Breakdown of PI-7 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M1)			
NR	*(i) The level of unreported extra budgetary expenditure (other than donor funded projects)*	No information is available as to the extent of unreported extra budgetary expenditures. Before February 2011, revenue collecting agencies used to spend the revenue they collect. Since February 2011, revenue collecting agencies are required to deposit all revenue collected directly to the accounts of the Revenue Directorate. Counties are collecting a substantial amount of all revenue collected in WES, but they are not remitting to the WESG Revenue Directorate all of the 40 percent share that is due to WESG. Given the small proportion of domestic revenue to total expenditure, the extent of unreported revenue in relation to total expenditure is likely to be small. The information is not available to precisely rate this dimension, so the dimension cannot be rated.	Interviews with MoFTI and State Revenue Directorate WESG 2011 budget, provided by MoFTI
D	*(ii) Income/expenditure information on donor-financed projects which is included in fiscal reports* Information on donor-financed projects included in fiscal reports is seriously deficient.	Information on donor projects in WES was not available to the team. The approved budget report and the draft financial reports do not include budget and outturns of donor funded projects in WES.	WESG 2011 budget document

PI-8: Transparency of intergovernmental fiscal relations

As with other state governments, WESG provides fiscal transfers to its 10 counties in the form of transfers for paying salaries and transfers for funding operating expenses. Counties also receive funding from GRSS for capital projects channeled through WESG. As with the allocation formulae, these are very simple, following the same principles as for the transfers from GRSS to WESG (discussed under PI-8 of the GRSS PEFA assessment). The allocation from WESG for paying salaries is based on the number of employees in each county government. The allocation of the GRSS grant for capital projects is the same for each county (as is the case for the other states), the condition being that a capital expenditure budget must be included in the annual budget for WESG.

The budget for 2011 was approved in April 2011 by the State Legislative Assembly (SLA). As of the time of assessment, this budget document has not yet been endorsed by the governor due to technical errors noted by MoFTI. The adjustments were under way at the time of the assessment team's visit.

Counties are supposed to report their resource inflows and expenditures to WESG. Most of them are reporting, especially in the current year. The State Transfers Monitoring Committee established by GRSS in mid-2010 is emphasizing the need for state governments and counties to submit monthly revenue and expenditure reports as conditions for receiving the next monthly tranche of transfers. Submission of such reports is only just getting under way.

Breakdown of PI-8 Scores

Score	Minimum Requirements	Justification	Information Sources
B (M2)			
A	*(i) Transparency and objectivity in the horizontal allocation of fiscal transfers among subnational governments* The horizontal allocation of almost all transfers (at least 90 percent by value) from GRSS and WES is determined by transparent and rules0based systems.	The horizontal allocation of grants to counties is determined in a transparent and rules-based manner. The allocation for salaries is determined by the number of civil service employees in the county, while the allocations for operating expenditures (a small proportion of total grants) and the grant from GRSS for capital expenditure are equal for each county.	Interviews with MoFTI staff
B	*(ii) Timeliness of reliable information to subnational governments on their allocation* SN governments are provided reliable information on the allocations to be transferred to them ahead of completing their budget proposals, so that significant changes to the proposals are still possible.	Counties receive notification from MoFTI on how much they will receive in transfers according to the three types of transfers. This information arrived in September in time for 2011 budget preparation. As most of expenditure is financed by fiscal transfers, meaningful budget preparation cannot start until the information is provided. GRSS has tended to be late (i.e.,. after September) in providing estimates of fiscal transfers to the state.	Interviews with MoFTI staff
D	*(iii) Extent of consolidation of fiscal data for general government according to sectoral strategies* Fiscal information that is consistent with state government fiscal reporting is collected with a long delay.	Reporting by county governments on the use of the transfers they receive began only in early 2011.	Interviews with MoFTI staff Presentation by States Transfers Monitoring Committee at workshop held in Juba in May 2011 for the staff of MoFTIs in state governments

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

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

Breakdown of PI-9 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
NA	*(i) Extent of state government monitoring of AGAs and PEs*	WESG does not have any Public Enterprises or Autonomous Government Agencies.	Interviews with MoFTI staff
D	*(ii) Extent of state government monitoring of the fiscal position of counties* No annual monitoring of county governments takes place, or is significantly incomplete.	County governments cannot currently borrow, although Section 79 of the Local Government Act (2009) permits them to do so. The potential exists in principle, however, for fiscal liabilities to build up in terms of arrears, if own-revenue collection and the receipt of the block grant fall short of budgeted amounts, but expenditures are incurred according to the budget. Counties do not report systematically to WESG on resource inflows and expenditures, hindering WESG's ability to monitor their financial situation.	Interviews with MoFTI staff

PI-10: Public access to key fiscal information

Transparency will depend on whether information on fiscal plans, position, and performance of the government is easily accessible to the general public or at least interested groups. Table 3.2 illustrates the elements of public access to information that are fulfilled by WESG. (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
Annual budget documentation when submitted to legislature	The draft 2011 budget for WESG was available to the public when submitted to the State Legislative Assembly. The budget includes the county government budgets in summarized terms. Budget information was released through Yambio FM radio.
In-year budget execution reports within one month of their completion	Not publicly available
Year-end financial statements within six months of completed audit	No audited annual financial statements (AFS) have yet been released
Availability of external audit reports to the public	No audited AFS released so far
Contract awards with value above approximately US$100,000 published at least quarterly	Not publicly available: no contract awards above approx. US$100,000
Availability to public of information on resources for primary service units	Not publicly available

Breakdown of PI-10 Scores

Score	Minimum Requirements	Justification
C (M1)		
C	*(i) Number of the 6 elements of public access to information that is fulfilled* The government makes available to the public one to two of the six listed types of information.	The government makes available to the public 1oneof the six listed types of information (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 matrix below summarizes the assessment.

Assessment of Performance Indicators for Policy Based Budgeting

No.	C (i) Policy–based Budgeting	Score	Dimensions	Scoring Methodology
PI-11	Orderliness and participation in the annual budget process	B	(i) B (ii) A (iii) 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 the GRSS Ministry of Finance and Economic Planning’s (MoFEP) “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. These were followed by similar guidelines issued in 2008 for state governments alone. The purpose of the May 2010 document is to ensure that state and county level plans and budgets are integrated. The main points in this document are:

- 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 by the GRSS-level Local Government Board. Counties will have clear information on the resources they can expect to receive from the state. Counties then use this information to help them prepare their budgets. **Counties are expected to complete their participatory plans by June 30. Budget Sector Committees meet during August-September.**
- Each state's ministry of finance (MoFTI in the case of WESG) estimates the resource envelope for state and county expenditure combined, and divides the resources available between the state government spending agencies and the counties, thus creating budget ceilings. **These ceilings are discussed by the State Council of Ministers in October and communicated to state spending agencies and counties via a Budget Call Circular (BCC) by end-October.**
- The state spending agencies then prepare their budgets within the ceilings indicated in the BCC, according to the three main categories of expenditure (salaries, operating and capital), and showing the main activities they plan to undertake. Technical guidelines for plan and budget preparation accompany the BCC. The spending agencies also identify any planned transfers to counties; the Ministry of Local Government draft budget indicates transfers to counties for general administrative expenditure, while sector spending agencies show transfers to counties for sector-related expenditure (for example, county health worker salaries appear under both the state Ministry of Health for all counties, and, for each county, appear under the health department). **The spending agencies 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.
- The State Ministry of Finance 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. The State Ministry of Finance submits the draft budget to the Council of Ministers (CoM) for approval by the first week of December. **The CoM then 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. The team learned that a strategic plan from the year 2007 to 2011 was prepared. According to Directorate of Budget, the strategic plan was not costed, but was often referred to by the directorate during budget preparation. This document was not available for the team. As a result, it was not possible to assess the extent of relationship between the strategic plan and the annual budgets. In terms of flexibility with strategy, about 73 percent of the state government budget consists of salaries, thus constraining the possibilities for strategizing. The same holds true to some extent for the county budgets.

The Budget Sector Committees were not fully functional during the preparation of the 2011 budget. The workshop was not conducted for the year 2011 budget, as many officials were busy with issues concerning the referendum. A workshop was conducted in the year 2009 for the preparation of the 2010 budget.

According to Budget Directorate, the time available for spending agencies to prepare their budget submissions is sufficient enough, though the assessment team did not have enough time to seek confirmation from spending agencies. Executives of spending agencies apparently complained about the changes made by the SLA to the proposed budget. As stated above, the 2011 budget approved by SLA had yet to be endorsed at the time of the assessment team's visit.

Budgets for the year 2009 to 2011 were approved by SLA with a delay of more than three months as shown below.

Budget	Date Received by clerk	Date passed by SLA
2011	March 2011	23 April 2011
2010	Aug-July 2010	September 2010 (election)
2009		April 2009

Breakdown of PI-11 Scores

Score	Minimum Requirements	Justification	Information Sources
B (M2)			
B	*(i) Existence and adherence to a fixed budget calendar* A clear annual budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular), so that most of them are able to meaningfully complete their detailed estimates on time.	A budget calendar is in place, as provided by MoFEP's "Guidelines" referred to in text, and was generally adhered to for the preparation of the 2011 budget, except for some delays due to preparation for the referendum. In earlier years, delays have resulted through GRSS not sending estimates of fiscal transfers early enough.	"Guidelines for Integrated State and County Planning and Budgeting," MoFEP, May 2010 Interview with director of budget and planning, WESG State Legislative Assembly
A	*(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of submissions (budget circular or equivalent)* A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by the Cabinet (or equivalent) prior to the circular's distribution to MDAs.	The May 2010 "Guidelines for Integrated State and County Planning and Budgeting" (elaborated on in text above) are clear, even if (in the absence of a strategic plan) the adherence to them may have been somewhat mechanical. The Council of Ministers debated the sector spending ceilings proposed by MoFTI in relation to the preparation of the 2011 budget.	As above
D	*(iii) Timely budget approval by the legislature or similarly mandated body (within the past three years)* The legislature has, in two of the past three years, approved the budget within two months of the start of the fiscal year.	The budget for the past three years has been approved with more than three months delay.	As above

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

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

Because of time constraints, information was not requested whether sector strategies were available in some of spending agencies such as Ministry of Education and Health, but the situation is unlikely to be different than that of the other states visited by the assessment team.

Development of a formal medium-term perspective to budgeting would not take place until the nationwide development plan is in place later during 2011. As noted under PI-11, a strategic plan for 2007–2011 was prepared for WESG, but it was not realistically costed.

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

Breakdown of PI-12 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
D	*(i) Preparation of multiyear fiscal forecasts and functional allocations* No forward estimates of fiscal aggregates are undertaken.	As explained in the text	Interviews with MoFTI staff
NA	(ii) *Scope and frequency of debt sustainability analysis*	WESG has not incurred any debt.	Interviews with MoFTI staff
D	*(iii) Existence of sector strategies with multiyear costing of recurrent and investment expenditure* 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 the text	Interviews with MoFTI staff
D	*(iv) Linkages between investment budgets and forward budget estimates* Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.	As explained in the text.	Interviews with MoFTI staff

3.5 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) C (iii) D	M2
PI-14	Effectiveness of measures for taxpayers registration and tax assessment	D+	(i) C (ii) C (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 the commitment of expenditures	D	(i) D (ii) D (iii) D	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	C+	(i) B (ii) B (iii) A (iv) C	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	C	(i) C (ii) C (iii) C	M1
PI-21	Effectiveness of internal audit	B	(i) B (ii) B (iii) B	M1

PI-13: Transparency of taxpayer obligations and liabilities

(i) Clarity and comprehensiveness of tax liabilities

Taxation is under the responsibility of the Directorate of Taxation in MoFTI, charged with the establishment and institutionalization of a State Revenue Authority. The WES State Revenue Authority was established in 2010. The authority is headed by a Director General of Taxation supported by two directors namely; a Director of Tax Revenue, and a director of nontax revenue. The authority is still in process of becoming operationally semi-autonomous; the establishing act provides for a board, but this is yet to be constituted. So, in effect, the Taxation Directorate still administers taxation. The directorate comprises a number of units, including a tax collection department and a tax audit unit, which is under the director of administration.

The Directorate of Taxation administers the WES Taxation Act of 2010, which is modeled on the GoSS Taxation Act 2009, the main elements of which are contained in the GRSS-level PEFA assessment. Incorporated companies regardless of their size are not taxed by the state. These companies will be taxed by GRSS. The directorate and tax collectors face capacity constraints in all areas. At the time of the assessment (23–24 June 2011), WESG staff were attending training in Yambio from the Tanzanian Revenue Authority.

As mentioned in the GRSS-level PEFA assessment, a major tax clarity 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 partly relates to the divisions between GRSS and states but also relates to the divisions between WESG and county administrations. Under revenue-sharing arrangements, counties retain 60 percent of state tax revenues and submit the other 40 percent they collect to WESG. Nevertheless, according to the WESG state officials, there is an issue of transparency of tax collection responsibilities at county administration levels. In WES, no county has ever submitted tax to the state, though some five counties reported (but not remitted) some amounts collected in 2010.

The tax law is not supported by regulations. Detailed regulations could have helped to implement general statements stated in the act to limit subjectivity in tax law application.

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

As the state is in a postwar country, people have limited understanding about taxation. Enforcement of the law is difficult. Because of this the state is currently working on tax awareness campaigns.

The State Taxation Act sets out the taxes due to the state and local councils. The Taxation Act is distributed to the public through the Chamber of Commerce offices in Yambio and in the 10 counties. State officials acknowledged that distribution is not wide as only a few copies are printed due to resource constraints. There is no bookshop in Yambio to help in selling copies to members of the public. Some information on tax education and administrative procedures are presented to the public through talk shows on FM 90, which is state-owned radio and the only radio in Yambio. The talk show runs twice a week on Tuesdays and Thursdays from 4 pm to 5 pm. It has a phone-in program, which allows taxpayers air their views and questions and provide feedback to the State Revenue Authority. Information is also distributed through the Chamber of Commerce offices located in Yambio and the counties.

(iii) Existence and functioning of tax appeals mechanism

A taxpayer complaints system is provided for in the 2010 Taxation Act, but it has not yet been established. A Tax Appeals Committee is in the process of being established. A draft letter proposing the formation of this was seen by the assessment team, but the key criteria for members being independent from the executive were not clear. The assessment team shared insights about this with the director general of taxation during the assessment.

Breakdown of PI-13 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M2)	As listed in PEFA Framework		
C	*(i) Clarity and comprehensiveness of tax liabilities* Legislation and procedures for most, but not necessarily all, major taxes are comprehensive and clear, with fairly limited powers of government entities involved.	Business taxes are clearly identified. All businesses other than those incorporated will be subject to business tax. Though referred to in the tax law, regulations for the implementation of the tax act are yet to be issued. Their absence provides more discretionary power for the tax authority.	GoSS Taxation Act 2009 WES Taxation Act 2010 Meeting with officials of the WES State Revenue Authority
C	*(ii) Taxpayer's access to information on tax liabilities and administrative procedures* Taxpayers have access to some information on tax liabilities and administrative procedures, but the usefulness of the information if limited due to coverage of selected taxes only, lack of comprehensiveness, and/or not being up-to-date.	The State Revenue Authority presents radio programs on FM 90 Radio twice a week on Tuesday and Thursday from 4-5 pm. This covers mostly Yambio capital city and may not be widely spread throughout the state. The Tax Act is distributed to the Chamber of Commerce offices in Yambio and at counties. The access by the public is still limited but improving.	Meeting with WES State Revenue Authority officials
D	*(iii) Existence and functioning of a tax appeals mechanism* No functioning tax appeal system has been established.	The State Taxation Act of 2010 provides for a tax appeals mechanism. This is not yet established, but a tax appeals body is in the process of being established and a draft letter to that effect was seen by the assessment team in the director general's office.	GoSS Taxation Act 2009 WES Taxation Act 2010 Meeting with WES State Revenue Authority officials Draft letter proposing set up and nominations to the tax appeals body per the Taxation Act 2010

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 GoSS 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 rule prohibits a business from participating in a public tender unless it presents a TIN certificate.

TIN certificates are not yet issued, but unique identification numbers are provided. Each identified taxpayer has a separate file, containing (i) taxpayer application for registration; (ii) a copy of the business registration certificate, from the Ministry of Commerce and Supply, and (iii) a copy of a certificate of incorporation, relevant to large businesses only, and which are provided at GRSS level. Tax receipts and documents are prenumbered, centrally issued, and accounted for.

The Revenue Directorate is planning with the Ministry of Commerce and Supply to set up a system whereby obtaining a business registration/trade license certificate is conditional upon the business having a taxpayer registration certificate. Companies registered at GRSS level are required to be registered with the state. The definitions of business classification are unclear. Incorporated companies are referred to as big companies; other companies are either medium or small traders.

So far the directorate has registered 750 businesses and assessed about 300 traders of those, based on interviews about their sales activities. The state has innovative tax administration, collection, banking, and safe custody procedures such as door-to-door registration of taxpayers, including hawkers and small food vendors, and linking the payment of taxes to issue of trade licenses. Apart from using records of the Ministry of Commerce and Supply, the Revenue Directorate also obtains information from counties about registered traders.

Employees as yet do not have to be registered. Personal income tax is withheld from employee income at source by registered employers.

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

The penalties for noncompliance are set out in the GoSS 2009 Tax Law and the State Taxation Act under Sections 10,11, and 12. The penalties are sufficient enough to enforce the law. These penalties have not yet been administered at WES since the State Revenue Authority is in its infancy and has not yet embarked on rigorous tax collections and enforcements. The WESG officials indicated that all these will be applied especially after independence on July 9, 2011. This resolve will be tested with time. An issue is poor awareness of taxation, which makes it difficult to impose penalties.

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

A tax audit unit is in place under the directorate of tax administration, though very little audit work has been undertaken to date, as the tax registration system is still in the process of being implemented. Tax audit capacity is being developed at the GRSS level, and this will help build up tax audit capability at the state level

Breakdown of PI-14 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M2)	As listed in PEFA Framework		
C	*(i) Controls in the taxpayer registration system* Taxpayers are registered in a database system for individual taxes, which may not be fully and consistently linked. Linkage to other registration/licensing functions may be weak but are then supplemented by occasional survey of potential taxpayers.	A door-to-door tax registration system is in place, especially in Yambio State City. Tax file numbers are allocated but TINs are not yet. The tax officers work from markets and register all businesses, including hawkers and food vendors. The taxpayers files reviewed by this assessment were found to include: date of start of business, type of business, promoters, contact telephones, location, turnover, number of staff, and a tax file number on the spring file.	GoSS Taxation Act 2009 WES Taxation Act 2010 Meeting with WESG officials Taxpayers files reviewed
C	*(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations* Penalties for noncompliance generally exist, but substantial changes to their structure, levels, or administration are needed to make them effective.	The penalties regime provided by the Taxation Act is not yet enforced at WES level, mainly because a rigorous tax collection system was reportedly awaiting Independence Day on July 9, 2011. Fines in the State Taxation Act range from SDG 500 to SDG 10,000 or imprisonment of not more than 10 years.	Taxation Act, 2009 WES State Taxation Act 2010 Meeting with WESG Revenue Authority officials
D	*(iii) Planning and monitoring of tax audit and fraud investigation programs* Tax audits and fraud investigations are not undertaken at all.	The tax audit function is in place. It is under the directorate of tax administration. It has hardly undertaken any tax audit work.	Meeting with WESG Revenue Authority officials

PI-15: Effectiveness in collection of tax payments

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

The State Revenue Authority started work in March 2011. Taxpayers who are assessed are required by policy to pay taxes in quarterly installments. Tax officers maintain records to follow-up on the remaining balance, but the arrears are not centrally recorded and reconciled. However, the installments basis and payments thereafter can form a basis for recording tax arrears. This has not happened yet as the stock of arrears is not expected to be much, based on the infancy of the authority. The authority does not yet have a methodical basis for following up on arrears. Instead the office is now preoccupied with taxpayer registration. Tax receipts and documents are prenumbered, centrally issued, and accounted for.

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

All taxes collected are referred as “development taxes.” According to the Directorate of Revenue, the development tax has been in effect since 1972, when an agreement was signed in Addis Ababa to the effect that tax collections were to be invested for the development of the states. The revenue collected would not be remitted to MoFTI and could be withdrawn only with the authority of the governor, and only when revenue deposits reached a high enough level to finance investment projects.

Revenues collected by tax collectors and spending agencies are banked directly to the collection account of the Revenue Directorate. Personal income taxes (PITs) are deducted at source, and MOFTI remits monthly PITs collected to the bank account of Revenue Directorate. The directorate receives bank slips and reconciles these with Form 15, the revenue receipts, and also checks against the bank statements. The account had a balance of over SDG 2.3 million at the time of this assessment.

The standard Form 15 is used by tax collectors to receipt collections, but there are still some leakages at various levels of the tax collection system, as noted also under PI-7. For example, some collectors do not issue receipts for tax collected. This was witnessed first-hand by the assessment team. The team paid airport taxes of SDG 20 but were never issued a receipt even after reminders to the tax collector.

The team informed the director general of taxation about the incident for follow-up to seal tax leakages. In addition, some counties are retaining some of the revenues they are collecting on behalf of WESG. It is not clear what proportion they are retaining.

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

There is no system in place as yet to record tax assessment, tax due, tax collected, taxes receivable, taxpayer arrears and thereby enable reconciliation with tax receipts. These various types of information are kept as stand alone in various files and not consolidated for purposes of reconciliations.

Breakdown of PI-15 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
NR	*(i) Collection ratio for gross tax arrears and ratio of tax arrears to total tax revenue collections* Not scored.	Data on tax arrears is not collected centrally.	Tax files Interview with State Revenue Authority officials Meeting with Revenue Directorate
D	*(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration* Revenue collections are transferred to the Treasury less regularly than monthly.	Revenue collections are deposited directly to a Revenue Authority collection account. This account is managed by the state. It is used as a savings account for development of the state. Tax collectors may take at least a week to deposit collections to the account, especially from border posts/entries are far away from Yambio State City. Counties have never remitted portions of taxes due to the state. The process for reconciling collections and amounts banked is effective only to what is banked. Tax collected and not banked or unreceipted may be hard to track. The system does not allow transfer to MoFTI, only to the Revenue Directorate bank account, as noted in the text.	Tax collection schedules Bank statement for the SRA account
D	*(iii) Frequency of reconciliations between tax assessments and amounts received by the Treasury* Complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury does not take place.	There is no complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury. There is no information on tax arrears. A tax debts tracking system is being prepared.	Tax files and collection information Meeting with State Revenue Authority 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 from which they can commit expenditure.

(i) Extent to which cash flows are forecast 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 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 the 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 over 90 percent of financial resources are derived from block and conditional grants from GRSS, the monthly flows of which are predictable, and where 80 percent is for salaries and transfers to counties (according to the 2011 budget projections, as shown in table 2.1).

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

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 a high percentage (about 80 percent) of WESG expenditure. By their nature, they have the first call on cash availability. For the remaining 20 percent of expenditure, 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 in 2010, in WES), 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 (CMCs) to establish quarterly budget allocations and monthly cash limits on expenditures 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 was prepared for WES containing the same provisions but has not yet been endorsed by the state following some errors of commissions in the budget for 2011 passed by the State Legislative Assembly (SLA).

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

Based on GRSS appropriations acts, annual appropriations acts stipulate the rules for adjusting the budget during the year, including when prior SLA approval of a supplementary appropriations bill is required. The State Appropriations Act for 2010 is in place, but the bill for 2011 has yet to be enacted. WES 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 FreeBalance system in WESG in October 2010. The first reports generated by FreeBalance are monthly from January 2011 up to May 2011, but the system does not log the frequency of in-year adjustments. More staff need to be trained in FreeBalance in order to optimize use of its various design modules.

Breakdown of PI-16 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	*(i) Extent to which cash flows are forecast and monitored* Cash flow forecasting, planning, and monitoring are not undertaken or are of very poor quality.	Not yet started. Its relevance is limited in the WESG situation, where most financial resources are provided as predictable fiscal transfers, and most spending in the form of salaries and transfers to counties is predictable.	Interviews with MOFTI staff
D	*(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure commitments* 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 principle, spending agencies can commit up to the limits provided by the budget, regardless of the actual resources available for spending. As indicated under dimension (i) the relevance of expenditure commitment control is limited in the WESG context.	Same as above
D	(iii) *Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of spending agencies* Significant in-year budget adjustments are frequent and not done in a transparent manner.	The criteria for in-year adjustments to the budget decided upon above the level of management of MDAs are laid out in the Appropriations Bill 2011 as explained in the text above. To date there have been no supplementary budgets. The newly established FreeBalance system does not generate information on the frequency of in-year adjustments to the budget. As the frequency and transparency of adjustments is not known, or not transparent, it may be difficult to score this dimension. However, the state of control systems in budget execution and reporting may not rule out unreported and unrecorded supplementary expenditures. Therefore a D rating has been assigned. The newly established FreeBalance system does not generate information on the frequency of in-year adjustments to the budget. This information was also not generated under the previous system.	State Interim Constitution, 2008 Interview with MoFTI staff

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. WESG has not incurred any debt to date.

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

Bank accounts were opened under WESG's name only in 2010, as prior to then there was no bank in WES.

MoFTI manages and controls two bank accounts, one for local revenue collections and the other for GRSS transfers. MoFTI may not unilaterally withdraw funds from the revenue collection account. Funds in this account are reserved for development projects, and proposed spending has to be approved by the governor. Each spending agency has a bank account, into which MoFTI transfers funds for salaries and allowances, petty cash, and payments to suppliers (in the instances where these are not paid directly by MoFTI), and also into which spending agency own revenues are partly paid (some are maintained in physical cash). MoFTI can know in principle the balances on its own accounts on a daily basis, but it does not have the legal right to obtain information on the balances of spending agency accounts. Cash balances in liaison offices in Juba and Khartoum, if any, are not known to officials in MoFTI.

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. An official in Unity State indicated to the team that conducted the PEFA assessment of that state that "the sovereignty of individuals and ministries is respected." This is also the case in WES. As such, MoFTI knows only the balances on the accounts it controls and is able to consolidate only these.

A new PFM law has been drafted at GRSS level that would, inter alia, require spending agencies to report to MoFTI on their outstanding bank balances. This has yet to be enacted.

(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. Neither the GRSS nor the Bank of Southern Sudan shall be required to guarantee borrowing by any state government in Southern Sudan.

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 any loan guarantees 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) Quality of debt data recording and management*	Not applicable. No recorded or known debt incurred by WESG	Meeting with MoFTI officials
C	*(ii) Extent of consolidation of the state's cash balances* Calculation of most government cash balances takes place at least monthly, but the system does not allow consolidation of bank balances.	The two main bank accounts are MoFTI's account used for the receipt of the block grant from GRSS and the Revenue Directorate's account. MoFTI has access to information on the end-month balances of the directorate. Spending agencies have bank accounts, but information on their balances is not provided to MoFTI. The balances of bank accounts of liaison offices in Juba and Khartoum are also not known to MoFTI.	Meetings with MoFTI and Revenue Directorate officials
NA	*(iii) Systems for contracting loans and issuance of guarantees*	WESG may borrow with the approval of the State Legislative Assembly. It has not borrowed or known to have borrowed so far. It has not issued any guarantees or loans.	Southern Sudan Interim Constitution, Articles 115 and193 WESG Interim Constitution

PI-18: Effectiveness of payroll controls

Two-thirds of WESG expenditure is in respect to salaries (see table 2.1). Therefore, 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).

Payroll is prepared for both classified and unclassified staff. Employment for classified staff is through the Ministry of Labor and Public Services (MoLPS). Employment of unclassified staff is through the director of administration and finance in each spending agency. Employment procedures are broadly the same as at GRSS level, as described in the GRSS-level PEFA assessment.

The Southern Sudan Electronic Payroll System (SSEPS) was first introduced in 2008 in the Ministry of Education (MoE) and subsequently introduced in MoFTI in full electronic format in October 2010. 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."

(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. Establishment officers are resident in ministries but represent MoLPS. The establishment officers use the personnel records to check the payroll.

A computerized human resource information system (HRIS), through which all personnel records will be brought up to date and eventually completely match the payroll, is yet to be established. In this regard, a technical assistance (TA) project financed by USAID has recently commenced. All personnel records would eventually be stored at MoLPS, as they are at GRSS level in the case of classified workers.

Since October 2010, the staff working in MoE on the payroll have been transferred to MoFTI, which now prepares the payroll of all spending agencies, except that of Ministry of Wildlife, which has sufficiently qualified staff to prepare monthly payrolls. There are three staff members in the payroll unit, including the manager, who considers that the unit is very overstretched and that more staff are needed.

The payroll preparation procedures are the following:

- The payroll unit collects requests from the administration and finance departments (AFDs) of spending agencies for payroll adjustments each month until the 25th of the month.
- Adjustments are entered into SSEPS.
- The payroll is printed out, submitted to the director general of MoFTI for approval, distributed to the respective spending agencies, checked by the AFDs of these agencies, then checked by the establishment officers (representing the Ministry of Labor and Public Services) in each agency, and then returned back to MoFTI.
- Cash is then transferred to spending agency bank accounts to pay salaries (either in cash or through deposit into employee bank accounts). Staff have to show up and sign in order to collect their salary.
- Copies of the payroll are sent to spending agencies, while payroll data are uploaded to the payroll website of GRSS by the 15th of the following month.

Overtime and incentives are prepared outside the payroll system

An issue is whether the checks carried out by the spending agencies are sufficient to ensure the accuracy of the personnel records that the payroll is based on. Insufficient monitoring of attendance may be one source of inaccuracy. Attendance registers are maintained in each department in WESG. It is the responsibility of the AFD of a spending agency to take action against absenteeism by communicating requests to the payroll unit for deduction from payrolls and informing establishment officers accordingly. Initial action may be in the form of oral or written warnings to the staff member whose absenteeism has been detected.

The assessment team had a look at some registers in MoFTI and found them in order and reviewed by the AFD. The counter book (attendance register) seems more of an administrative tool, however, detached from the payroll system, thereby undermining its usefulness. MoFTI staff indicated that not all ministries may be enforcing this control in equal measure, and it is possible that staff are being paid their full salaries even if they do not work regularly or even not work at all. The likelihood is greater in the case of unclassified staff. WESG officials noted that more controls on attendance and study leave were necessary, and a retirement age policy needed to be introduced.

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

Requested changes to the payroll take less than a month to be effected in the cases of new recruits and promotions. Adjustments for deceased employees may take more than three months; up to three months' pay to family members is provided for by regulations (based on GRSS-level public service regulations). The system does not ensure timely change to personnel records by establishment officers in the case of resignations, terminations, and absenteeism, particularly in the case of unclassified staff. The pay sheets 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

Personnel records can be changed only by MoLPS establishment officers that are physically located in spending agencies.

Payroll control signatories

- Payroll preparation stage
  1. Prepared by: Payroll officer in MoFTI
  2. Checked by: Controller of accounts in MoFTI and establishment officers in each spending agency
  3. Approved by: DG Finance through delegation
- Payment stage
  4. Pay master (teller)
  5. Witness (inspector assigned by the director of finance and administration in MoFTI)
  6. Payees

The SSEPS is password protected within MoFTI and access is restricted to the three officers designated to operate it.

MoFTI has proposed that physical monitoring/inspection should be introduced for when salaries are paid, to ensure that payment is being made to the right person. ID cards are not yet issued to employees to facilitate such monitoring (as noted in the Unity State PEFA assessment report, an ID-card system has just recently been introduced).

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

Monthly payroll reviews are conducted by the establishment officers. The IAD of MoFTI also reviews the payroll on a sample basis at least every three months. The assessment team looked at a sample of internal audit reports in respect to the payroll and found they were detailed and captured errors. These reviews present some form of a payroll audit, because personnel records are also within the scope of the internal audit review.

The scope of the external auditor (Audit Chamber) also includes payroll audits. The WESG officials were not aware of any payroll audits that had been conducted either by the Audit Chamber or respective line ministries, though they had heard that the Audit Chamber staff were in WES for some work during the first quarter of 2011. The GRSS-level PEFA assessment indicates that it is highly unlikely that the Chamber would have conducted payroll audits yet.

Breakdown of PI-18 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M1)			
B	*(i) Degree of integration and reconciliation between personnel records and payroll data* Personnel data and payroll data are not directly linked, but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data.	Personnel records are maintained by establishment officers resident in each spending agency but who are MoLPS staff. MoFTI payroll staff consider that, based on their interaction with establishment officers, most personnel records are up to date, and errors would be exceptions. Absenteeism is an issue, however, as controls are not strong enough to ensure linkage with the payroll. The process of preparing the monthly payroll is rigorous and the payroll broadly matches the existing personnel records. Payrolls are reviewed by the payroll inspectors and establishment officers, and by the IAD quarterly. The introduction of SSEPS in October 2010 has greatly helped to strengthen payroll management.	Interviews with MoFTI officials
B	*(ii) Timeliness of changes to personnel records and the payroll data* 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.	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, and retroactive adjustments may be necessary.	Interviews with MoFTI officials
A	*(iii) Internal controls of changes to personnel records and the payroll* Authority to change records and payroll is restricted and results in an audit trail.	The authority for establishment officers to change personnel records is clear, and changes are in writing, resulting in an audit trail. Changes to the payroll require a number of signatures reflecting segregation of responsibilities, resulting in an audit trail. Access to SSEPS is password protected and restricted to the three staff, including the manager, in the payroll unit in MoFTI.	Meetings with MoFTI officials
C	*(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers* Partial payroll audits or staff surveys have been undertaken within the past three years.	The internal audit section audits the payroll on a sample basis every three months. It covers all government entities and counties in stages and includes a sample of personnel records. Internal audit reports are produced with detailed issues for corrective action. Management provides comments and rectifies issues and document actions taken. Internal audit reviews are not part of the payment process. This qualifies it as an independent audit. No staff survey exercise was reported. There is no known full payroll audit that has been undertaken either by the Audit Chamber or a line ministry.	Meetings with MoFTI officials

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

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

The Department of Stores and Procurement was established as a department under MoFTI in 2008; previously it was known as the Stores Department. It has a staff of four, one of whom was away for training at the time of this assessment.

In evaluating performance under this indicator, it should be noted that GRSS-level spending agencies carry out a substantial proportion of procurement on behalf of state governments, particularly the national Ministries of Education, Health and Agriculture and Forestry, all of which disburse conditional grants to state governments.

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

The Western Equatoria State Government does not have procurement procedures of its own and instead follows GoSS's 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. They are described in more detail in the GRSS-level PEFA assessment report. The Interim Regulations provide clear guidance as to when less competitive bidding methods can be used above specified thresholds.

A Procurement Committee is in place in MoFTI, which is the main procuring entity for all of WESG. The composition of the committee broadly follows the GoSS-level Interim Regulations Section 6 (5). The members are: director general of MoFTI, head of the Stores and Procurement Department, and deputy head of the same.

Annual procurement plans are not yet prepared by MoFTI, in contravention of Section 6 (1) of the Interim Regulations.

(ii) Use of competitive procurement methods

Competitive procurement methods are used to an extent—the assessment team reviewed the contracts file and noted examples of some contracts signed—but nevertheless the procurement process appears to be rudimentary and fraught with weaknesses and capacity limitations, which require urgent attention as they undermine the principles of competitiveness:

- Spending agencies do not prepare procurement plans, as required by the Interim Regulations.
- The Procurement Committee is composed of officials in the procurement function, which leads to inherent questions about the key tenet of independence.
- Newspapers in the state are not yet produced, so advertisements are placed on the state-owned FM 90 radio, which may have a limited listenership. Details about a procurement can be obtained only by accessing procurement offices, which may breed a familiarity threat. There are no public notice boards where one can pin advertisements or publish other important procurement decisions.
- The bid receipt process is rudimentary as there is no bid-received register. Bid evaluation results are neither published nor posted on notice boards.
- There is no complaints mechanism in place.

Procurement officials interviewed were of the view that all procurement should be handled centrally at the unit, which seems to suggest that other agencies may still be undertaking some procurements as well.

The Interim Regulations do not stipulate recording and reporting on procurement activities, and WESG does not use its own initiative to record and report. Neither internal procurement reports nor audit reports on procurement were available for review by the assessment team. Details of procurements values executed and methods used are not consolidated in a report, but some information is available, including copies of contracts in a box file.

Given that GRSS-level ministries carry out much of the procurement themselves on behalf of state governments, the procurements organized by WESG may not be for large amounts. Nevertheless, the procurement process should still be transparent.

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

As mentioned above, WESG tenders are advertised on FM 90 radio, but not through other means, such as public notice boards. Bid evaluation results are not published or posted on notice boards. Thus the public has little access to procurement information.

(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, as specified under Articles 56 and 57 of the Interim Regulations. A complaints mechanism has not yet been set up in WESG. Prospective bidders sometimes complain about the procedures for bidding, which tend not to be well-specified in the tender documents issued by MoFTI. The Procurement Committee then explains the tenders.

Breakdown of PI-19 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
C	*(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework* The legal and regulatory framework for procurement meets three of the six requirements listed in the PEFA Framework.	Three out of the six requirements were found to meet the GRSS's Interim Procurement Regulations.	GoSS Interim Procurement Regulations, 2006 Meeting with MoFTI officials
D	*(ii) Use of competitive procurement methods* 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.	No records are available as to the value of procurement according to procurement method. The team was informed that WESG uses competitive bidding, and the assessment viewed some contracts on file. However, data is not consolidated and may not be reliable to gauge actual methods used	GoSS Interim Procurement Regulations, 2006 Meeting with WESG officials
D	*(iii) Public access to complete, reliable, and timely procurement information* 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.	Information on (i) procurement opportunities was reported to be presented on FM 90 in Yambio, but the assessment had no evidence to verify this apart from relying on WESG officials' representations. Other key procurement information is not made available to the public: (ii) government procurement plans; (iii) contract awards, and (iv) data on resolution of procurement complaints. Only one of four items listed is provided to the public and records were not available to the assessment team to verify the representations.	As above
D	*(iv) Existence of an independent administrative procurement complaints system* There is no independent procurement complaints review body.	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.	As above

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 WES Appropriations Bill 2011 prohibits spending agencies from spending beyond their appropriated budgets. The bill for 2011 had yet to be enacted at the time of assessment but it was similar to the Appropriations Act 2010 and is based on the GoSS-level Appropriations Acts. Section 6, "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 the balances against its budgetary appropriation to finance the contract. This control, however, does not ensure that expenditure commitments are matched by cash availability when payment becomes due. Neither does it ensure that commitments or contracts not exceeding the above-mentioned thresholds are within the limits of the annual Appropriations Act.

Section 7 (1) of the bill provides that monthly expenditure by spending agencies will be in accordance with cash limits established by the minister, but this system is not yet in effect. In any case, it would need to be integrated with an expenditure-commitment-control system linked to projected cash availability, which has yet to be designed. The cash limits would be set on the basis of revenue availability, according to the revenues that have been deposited into the Consolidated Fund, and expenditure priority, within the limits of the appropriations approved for each spending agency in the bill.

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

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

Payment requests and payments

Internal control systems governing payment requests and payments are in place, though WESG has not yet prepared any payments procedures, as Northern Bahr el Ghazal State Government 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 go ahead is given (which is then sent 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. Copies of these signatures on these forms were reviewed by the assessment team. The process of internal checks and control mechanisms for segregation of duties for preparation by, checked by, reviewed by, and authorized by were found to be followed. There is good understanding by staff of these procedures.

Property management

Control systems for property management are in place with scope for improvement. A fixed assets listing is maintained. The Procurement and Stores Department undertakes some stock counts. A stock count report on key forms and documents was reviewed by this assessment. The forms make up Stock Form 16—which acknowledges receipt of government assets, and which is signed by officials to acknowledge receipt of government assets—and another form to register issue of assets. These forms are sequentially numbered. These forms are based on the 1995 Government of Sudan Ordinance on Financial and Accounting Procedures.

There is no formal assets register to record asset numbers, location, officials responsible, cost, and state of the asset. Assets are not engraved with unique numbers. Even government laptops cannot be identified from individual laptops, except one laptop funded under a USAID Project, which had a label with the USAID project details (FreeBalance project). It is not uncommon for government property and vehicles to be used illegitimately, with few controls over use. Use of government assets tends to be personalized (there is no conceptual separation between individual property and government property). The 1995 Ordinance on Financial and Accounting Procedures provides procedures for such a register, but in this case they are not being followed.

With respect to physical petty cash, the assessment team found that this is physically well protected in a chest (safe) belonging to MoFTI. The petty cash book was found well maintained and updated according to receipts, issues, and the stock of cash, and issues are properly signed off by the various approval levels. Procedures contained in the 1995 Ordinance are still being followed: payment Form 40 records payments, Form 39 records receipts, and Form 19 is in effect the cash book.

Petty cash systems are part of the internal audit mandate, but no report was available to the team to confirm that the system provides adequate safeguards against loss and leakage. There were no petty cash records or balances or accountabilities provided to MoFTI by liaison offices in Juba and Khartoum, and leakages cannot be ruled out at that level.

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—an important accountability control— nor can it check on their nontax revenue collections and determine whether all this is receipted and remitted to the central revenue collection account. The practice in MoFTI-controlled bank accounts is that reconciliations are prepared and up-to-date. This sets a good example for spending agencies to emulate in controls over bank accounts.

Documentation controls

Formats for the payment requests procedures are used. These formats are prenumbered.

Cash receipts Forms 15, 17, and 40 are centrally controlled by the Procurement and Stores Department. Information on issued receipts is recorded. Control weaknesses are possible in instances where some cash collections are not receipted, as was the case for the airport tax payments by the assessment team that were not receipted. More details on this are presented under PI-7 and PI-15 of this report.

Revenue collection

Receipt of revenues is registered on Form 15 (as noted under PI-15). Forms, when issued, are registered, and collectors sign when receiving a new pad. All the receipts are stamped to avoid usage of unregistered receipts. The system for revenue collection controls appears to represent good practice.

Reporting

Since early 2011, spending agencies are supposed to have been sending monthly budget performance reports to MoFTI, including reports 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 December 2010. MoFTI has produced FreeBalance monthly reports since January 2011, but these are not elaborate enough to pass as budget performance reports.

Personnel controls

WES 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. Payments for incentives and overtime allowances seem not to be well regulated as a personnel control in terms of determining of how to pay for what extra work/overtime. This seems to be a lot at the discretion of the supervising authority.

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

Compliance with internal control procedures is reasonable in the areas of payment requests, bank reconciliations, cash chest control (except in WESG liaison offices), documentation control, and revenue collections. Compliance needs strengthening in areas of reporting, fixed assets controls, bank reconciliation, employee attendance, and employee incentive payments. The narrative under PI-21 indicates findings of the Internal Audit Department in MoFTI in relation to infringements of regulations and procedures by a number of spending agencies.

Breakdown of PI-20 Scores

Score	Minimum Requirements	Justification	Information Sources
C (M1)	Listed in PEFA Framework		
C	*(i) Effectiveness of expenditure commitment controls* Expenditure commitment control procedures exist and are partially effective but may not comprehensively cover all expenditures, or they may occasionally be violated	Commitment control is linked to the level of remaining unappropriated balances (the ceiling for appropriations being governed by the annual Appropriations Act) but is not linked to projected cash availability. Most of the expenditures (over 90 percent) relate to salaries and capital expenditures financed by GRSS transfers, while a portion of operating expenditures is nondiscretionary (e.g., utilities). The level of discretion in committing funds for expenditure is thus limited. But in principle it is possible that spending agencies may enter into commitments without knowledge that the cash will be available for making payments to suppliers in time.	Appropriation Bill 2011 Meeting with WES officials Budget documents for 2010 and 2011
C	*(ii) Comprehensiveness, relevance, and understanding of other internal control rules/procedures* Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some controls may be deficient in minor areas.	Understanding by spending agencies of the internal control rules is good in terms of payments request procedures, procurement procedures, document controls, personnel management to an extent, bank reconciliation, petty cash management, revenue collection, and inventory management (keeping of key documents). There is need for improvement of understanding in control areas such as motor vehicle use, engraving assets, bank reconciliation, staff incentives schemes, reporting, and cash control in WESG offices.	Appropriation Bill 2011 Meeting with state officials Budget documents for 2009, 2010, and 2011
C	*(iii) Degree of compliance with rules for processing and recording transactions* Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.	Compliance is good in terms of • Proper document control • Use of competitive bidding method • Preparation of bank reconciliations • Petty cash management • Segregation of duties, payment requests procedures, use of IT, use of receipts, and hand over of assets forms Compliance needs improvement in terms of • Improving procurement documentation, publication of information, and access to public • Preparation of elaborate budget performance reports • Preparation of final accounts • Engraving fixed assets, motor vehicle use controls • Staff incentive scheme • Receipting all tax and nontax revenues (For example the assessment team paid airport tax but was not availed with receipts even after a reminder. This is an important concern.) This dimension is rated D for the other state governments assessed as compliance seems to be not as good as understanding. In WES compliance appears to be somewhat better than in other states, partly due to a more effective internal audit function (PI-21). Therefore a C rating is provided.	Appropriation Act 2010 Appropriation Bill 2011 Meeting with WESG officials Budget documents for 2010 and 2011 Internal audit reports

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 equivalent systems monitoring function).

MoFTI attaches far more importance to the function in WES than in the other states reviewed. The function of internal audit is fully established with 15 staff, including 10 auditors. It covers all spending agencies under WESG and the 10 counties. The internal audit unit has an office in a separate building, a motorbike, and laptops. In other states visited by the assessment team, the internal audit function did not have its own office space. With some more professional development and training, including in the area of written English skills, the internal audit function in WES could provide a practical learning center for other states.

GRSS provides some training to state auditors through the Low Income Countries Under Stress (LICUS) project supported by the World Bank. WESG staff have attended some workshops under this support and obtained audit guidelines and audit charter information. The internal audit staff are not aware, however, of what audit standards they should follow, as they did not receive an audit manual from GRSS. This confirms the need for more technical training and continuing professional development.

(i) Coverage and quality of the internal audit function

The scope of the Internal Audit Department (IAD) includes all spending agencies in WESG plus the 10 counties. It conducts mostly financial audits covering revenue collection and payments, some investigative assignments, and limited systems audits. It also covers the payroll cycle every quarter on a sample basis; the audit includes a review of some personnel records. Unlike other states visited, internal audit in WES does not engage in pre-audits of payments as part of the payments process. This contributes to elevating its operational independence from the rest of MoFTI.

The IAD produces reports on entities it audits. The reports discuss audit issues and provide recommendations. The assessment team found these reports to be comprehensive and of good quality compared to other states visited. Some of the internal audit findings are summarized in annex 1. It is clear that infringements of regulations and procedures take place, though how widespread and routine is not so clear. Relative to the other three state governments assessed, the extent of noncompliance may not be as great, as PFM systems are generally better developed.

(ii) Frequency and distribution of reports

There is no set timetable for distribution of reports. The payroll is sampled for audit every quarter of the year. Other entities are audited at least three times a year, so effectively the frequency is four times a year. Other audits are conducted upon request, and there is no established frequency for this. Reports are shared with auditees for comments and issued to auditees, the minister of MoFTI, and the SLA. Auditees met by the assessment team verified this. IAD also prepares a detailed end-year report.

(iii) Extent of management response to internal audit findings

The IAD engages in entry and exit conferences, in contrast to other states visited by the assessment team. The executive in WESG responds to audit recommendations and stipulates actions to be taken to rectify issues. According to the estimate of the head of the IAD, 70 percent of the internal audit findings are acted upon by management. For example, in relation to the payroll, some staff were noted to be on the payroll after ceasing to be in employment. This was rectified in subsequent payrolls and the issue was not raised again by the auditors in subsequent reviews.

Breakdown of PI-21 Scores

Score	Scoring Criterion	Justification	Information Sources
B (M1)			
B	*(i) Coverage and quality of the internal audit function* Internal audit is operational for the majority of the state government entities and substantially meet professional standards. It is focused on review of systemic issues at least 50 percent of staff time.	Internal audit has 10 staff members and covers all state spending agencies and the 10 counties. Internal audit reports reviewed by this assessment were found to be of good quality and comprehensive. Quality can improve further through continuing professional development and training in basic written English skills.	Meeting with WES Internal Audit Unit Internal audit charter GRSS audit manual Internal audit reports
B	*(ii) Frequency and distribution of reports* Reports are issued regularly for most audited entities and distributed to the audited entity, MoFTI, and SLA.	Some reports are issued quarterly, such as the payroll sample audits. Three reports are produced per entity in a year, and there is an annual comprehensive report. This is regular even in the absence of a structured timetable. Reports are issued to audited entities, the minister of finance, and the State Legislative Assembly.	Meeting with WESG officials Meeting with internal audit staff Internal audit reports
B	*(iii) Extent of management response to internal audit findings* Prompt and comprehensive action is taken by many (but not all) managers.	Management provides audit comments on audit reports and presents action points. WES takes audit findings seriously. There is ample executive support to the internal audit office including providing good office space, laptops, and a motorbike.	Meeting with WESG officials Meeting with internal audit staff Office facilities seen Meeting with payroll staff

3.6 Accounting, Recording, and Reporting

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

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) B (iii) D	M1
PI-25	Quality and timeliness of annual financial statements	D	(i) D (ii) D (iii) D	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 two bank accounts in Ivory Bank under its control, one for transfers from GRSS and the other for local revenue. Spending agencies have their own bank accounts for salaries and operational funds, also held in Ivory Bank. Spending agencies' bank accounts are not independently checked by the Treasury.

The assessment team reviewed the manual cash book and found that the bank reconciliations are prepared monthly within the following month for the MoFTI-Treasury accounts. The PEFA assessment was conducted on 24 June 2011 and the reconciliation for May 2011 was already prepared and signed off for evidence checking by senior officials. The official responsible for maintaining bank accounts and preparing reconciliations had a wealth of experience in book keeping. He follows up with the bank immediately to trace and clear outstanding reconciling items in the subsequent month, especially items that may be questionable. There are no long-outstanding reconciling issues.

Reconciliations of spending agency bank accounts were not reviewed by this assessment, but MoFTI officials intimated that the practice is similar to MoFTI's. The state MoFTI does not exercise its mandate to request access to spending agency bank accounts.

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

The official responsible for bank reconciliation indicated to the team that any reconciliation items discovered under dimension (i) might include suspense and advance items that may arise due to unidentified revenue and payments or suspense assets and liabilities. The reconciliations reviewed by this assessment did not indicate any such items. State officials interviewed were not aware of suspense accounts and advances outstanding in spending agency accounts. The state financial statement (draft) is prepared on a cash basis and does not allow capturing advances. Suspense accounts are often originated from unknown bank deposits in relation to revenue. However, revenue-related transactions are not recorded by accounts and are not included in the financial statement. WESG does not pay advances to contractors. The most common type of advance is advance of salary, which is supposed to be cleared the following month. In any case, advances are treated as expenditures under the WESG accounting system, as they are under GRSS.

Breakdown of PI-22 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M2)	As listed in PEFA Framework		
B	*(i) Regularity of bank reconciliations* Bank reconciliation for all Treasury-managed bank accounts take place at least monthly, usually within four weeks from end of month.	MoFTI-controlled bank accounts (about two in total) are reconciled monthly. Interviewed state officials indicated that spending agency bank accounts are reconciled monthly, but MoFTI has no documentary knowledge of this. The amounts in these accounts are unlikely to be large, as salaries and nonsalary operating bills have to be paid.	Meeting WESG officials Cash book and reconciliation statements
NR	*(ii) Regularity of reconciliation and clearance of suspense accounts and advances*	MoFTI has no knowledge of any suspense accounts and advances but reconciling items might include suspense or advance accounts. There are no uncleared balances brought forward, but this may manifest a poor accounting system that is not able to capture such. This dimension is not rated as, under the cash accounting system, the information is not available.	Meeting with WESG officials Cash book and reconciliation statements

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

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

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 is frequent reporting and accounting, but until now these have not been enforced. As mentioned in paragraph 2 of “Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011,” transfers will no longer be sent to states without 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 the previous years and strengthened IT packages that will enable reporting and accounting: the Southern Sudan Electronic Payroll System (SSEPS), as discussed under PI-18—the bulk of conditional grants finances salaries—and the Free Balance Financial Management Information System. A States Transfers Monitoring Committee (STMC), established in late 2010, is reviewing the monthly reports and recommending to the GRSS undersecretaries of MoFEP and Labour and Public Services which transfer should be made to the states each month.

At a workshop held for state governments on the new reporting arrangements during the week commencing May 30, the chairman of the STMC indicated that WES was the only state complying with the new reporting and accountability requires and offered his congratulations. As part of this reporting, MoFTI uploads it monthly payroll and FreeBalance reports monthly to the GRSS website.

Nevertheless, the improved reporting does not provide for comprehensive reporting on service delivery in WES. FreeBalance reports are not detailed enough to qualify as budget performance reports or service delivery unit reports. County administrations provide a significant proportion of basic services, financed mainly by fiscal transfers from WESG, but they do not yet report (only just beginning to under the new STMC requirements) on how the money is spent. Health centers and primary schools do not maintain notice boards indicating resources received from GRSS and the state. Local newspapers in Yambio do not publish such transfer of resources.

Donor agencies also provide support through stand-alone projects. Donor budget books provide information on what has been expended under each project in the previous year and the budget for the current year. The donor book reports 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	*(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 unit* No comprehensive data collection on resources to service delivery units in any major sector has been conducted and processed within the past three years.	No comprehensive information has been available to date on resources received by basic service delivery units, which are mainly the responsibility of the state government. Information in the budget reflects budget per directorate, but budget performance reports are not prepared in enough detail to indicate resources received at primary service delivery level. This situation has started to improve in 2011, due to the recently announced tougher reporting and accounting requirements under conditional grants, which effectively finance much of basic service delivery at state and county levels.	Western Equatoria budgets for 2010, and 2011 Meeting with WESG officials 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. GRSS, “Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011,” April 2011, MoFEP and Ministry of Labor and Public Services.

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

The ability to “bring in” the budget requires timely and regular information on actual budget performance available to (i) MoFTI and the Cabinet in order to monitor performance and if necessary to identify new actions to get the budget back on track, and (ii) to line ministries for managing the affairs for which they are accountable.

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

Accounting and recording are conducted mainly by MoFTI due to the centralized payments system. 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.

In annual financial reports for the year 2010 were prepared using an Excel Spreadsheet. These reports show actual expenditure detailed by chapter (code), subcode, and detail accounts and are classified by month. The reports don’t show the corresponding budget of the year.

FreeBalance was rolled out to Western Equatoria State in October 2010. Reports have been issued monthly since January 2011. As yet these are not prepared in sufficient detail. The reports show expenditure by spending agency according to budget classification, but they do not capture the expenditures of liaison offices in Khartoum and Juba; MoFTI does not know how much is remitted to them and how much is spent. The reports include the spending by spending agencies of their petty cash, though, as mentioned under dimension (iii), these may not be accurate. They do not show as yet unapproved payment requests and remaining appropriations balances, as they do at GRSS level. Expenditure commitments (contracts and purchase orders) are not captured in FreeBalance.

The reports do not include revenue collections, as these are managed by the Revenue Directorate and the data is not yet entered into FreeBalance. The Revenue Directorate has started to prepared revenue performance reports; it issued a report showing monthly collection over 14 months from May 2010 to April 2011. But revenue collections have until now not been reflected in budget performance reports.

MoFTI is supposed to send its monthly financial reports to spending agencies. Spending agencies are supposed to prepare their own financial reports, showing own revenues, expenditures, and bank balance movements and submit these to MoFTI and county administrations. Counties are also supposed to prepare reports and submit to MoFTI. None of these are done yet in WES.

FreeBalance software, which would facilitate preparation of financial reports, has been installed only in MoFTI, and only four staff have been trained. There is need to roll out FreeBalance to other spending agencies and the need for more training in its use. Both MoFTI and 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

During 2010, in-year financial reports were submitted on a quarterly basis during a five-week period from the end of the quarter.[3] The FreeBalance report has been issued every month since January 2011. Spending agencies are supposed to prepare monthly reports and submit them to MoFTI, and counties are also expected to report back to MoFTI, but they have not done so yet.

(iii) Quality of information

The financial statements produced for the year 2010 do not provide budget comparison information and budgeted and actual revenue collections. The quality of information was such that until very recently it has not been possible to prepare meaningful in-year budget performance reports. Significant deficiencies with the budget performance reports that have been prepared since January 2011 are the following: (i) they exclude revenue collection; (ii) spending agencies do not report on the expenditures of their petty cash; (iii) expenditures are shown as advances from MoFTI; and (iv) expenditures do not include those of liaison offices of WES in Khartoum and Juba.

Breakdown of PI-24 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
D	*(i) Scope of reports in terms of coverage and compatibility with budget estimates* Comparison to budget may not be possible across all main administrative headings.	An actual expenditure report was prepared for 2010, but it didn't include budget and revenue. In-year budget reports prepared through FreeBalance are not comprehensive and not systematic and exclude revenue collections, expenditures of spending agencies out of petty cash, and expenditures of WES liaison offices. Expenditure commitments are not recorded in FreeBalance and are therefore not included in budget performance reports. The Revenue Directorate issued a report on revenue collection in June 2011 for 14 months from April 2010 to May 2011, but this is not contained in the budget performance report prepared in Free Balance.	Meeting with WESG officials WESG budgets for 2010 and 2011
B	*(ii) Timeliness of the issue of reports* Reports are issued quarterly and within five weeks of the end of the quarter.	Quarterly during 2010, in five weeks time from the end of the quarter. The monthly budget performance reports prepared since January 2011 have been issued within one month of the end of the month.	Meeting with WESG officials WESG budgets for 2010 and 2011 State Revenue progress report dated June 2, 2011 MOFTI accounts
D	*(iii) Quality of information* Data are too inaccurate to be of any real use.	The accounting and reporting system in WES is still developing. Information and data in expenditure reports is often inconsistent and incomplete. Use of FreeBalance software may help to improve the situation. The data in the Revenue Authority's performance report may not be complete due to instances of not issuing receipts to taxpayers, as was the case for the airport tax paid by the assessment team, and counties not remitting to WESG all of the 40 percent of the revenues that they collect that is due to the state.	Meeting with WESG officials WESG budgets for 2010 2011 State Revenue Authority progress report dated June 2, 2011

[3] This information is according to the head of accounts but is not evidenced by documents such as covering letters.

PI-25: Quality and timeliness of annual financial statements

Consolidated year-end financial statements are critical for transparency in the PFM system.

(i) Completeness of the financial statements

A financial statement was prepared for the year 2010. The financial statement shows only expenditure reports by chapters, subcodes, and detail accounts. It does include information on revenue, budget, and financial assets and liabilities and other expenditures incurred by coordination offices outside WES. The situation is likely to improve in 2011 with the use of the FreeBalance system.

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

The time framework for submission of annual financial statements is regulated in the 2006 Interim Constitution of Western Equatoria 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. The first draft prepared by the director of accounts was not complete. Expenditures made in different coordination offices of the WESG in Juba and Khartoum were not included. As a result the report is awaiting adjustment before being released. Hence the timeliness of submission cannot be assessed. The report has not been submitted to the Audit Chamber for audit.

(iii) Accounting standards used

The Interim Constitution provides 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. There is no stated accounting standard for the financial statement prepared by WESG, though admittedly this report was not circulated outside Directorate of Finance. It is prepared on a single entry accounting cash basis. There is a need to harmonize accounting standards in GRSS, state, and local governments for consistency and comparison purposes. But first, the draft PFM bill that has been prepared at GRSS level needs to be finalized and enacted.

Ongoing actions and plans

Roll out of FreeBalance to the state and spending agencies. This should facilitate the preparing annual financial statements.

Breakdown of PI-25 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	*(i) Completeness of the financial statements* A consolidated government statement is not prepared annually, *or* essential information is missing from the financial statements, *or* the financial records are too poor to enable audit.	The approved budget is not shown in the statement, and hence there is no budget comparison. Expenditures at coordinating office were not included in the in-year reports Revenue information is not included in the report	Financial statements for the year 2010 .
D	*(ii) Timeliness of the submission of the annual financial statements* If financial statements are prepared, they are generally not submitted for external audit within 15 months of the end of the fiscal year.	The 2009 and 2010 annual financial statements had not yet been completed as of August 2011 and thus had not been submitted to the Audit Chamber.	Accounts Directorate
D	*(iii) Accounting standards used* Statements are not presented in a consistent format over time or accounting standards are not disclosed.	Financial statements are not presented according to International Public Sector Accounting Standards (IPSAS) standards, and no standards are stated as a basis for the preparation of the financial statements for the year ending December 31, 2010.	Directorate of Finance Draft (incomplete) financial report for the year 2010

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	Not rated	(i) NR (ii) NR (iii) NR	M1
PI-27	Legislative scrutiny of the annual budget law	C+	(i) C (ii) B (iii) B (iv) C	M1
PI-28	Legislative scrutiny of external audit reports.	Not rated	(i) NR (ii) NR (iii) NR	M1

PI-26: 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.

The 2006 WES Interim Constitution states in respect to external audit 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, 2005.

The Audit Chamber staff were reported to have visited Western Equatoria State sometime in the first quarter of 2011 to do audits for 2006 and 2007. For the GRSS-level PEFA assessment, the team visited the Audit Chamber in Juba. The Audit Chamber attempted to audit all the 10 states, including Western Equatoria State. The Audit 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, this indicator is not rated. The reader is referred to the GRSS-level PEFA assessment for the assessment of PI-26.

Score: NR (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 Western Equatoria State Legislative Assembly (SLA) was established under the Interim Constitution of Western Equatoria. It is composed of directly elected members and special members 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 48 members, of whom 46 were already elected. There are two vacancies awaiting election. The SLA has eight specialized committees called Assembly Business Committees, including the Committee on Economy, Finance and Development (CEDF), headed by an economist. The CEDF has six members and may invite members with specialized knowledge.

SLA follows well-defined procedures in the form of the Conduct of Business Regulations 2010. These regulations were developed and harmonized by all 10 GRSS states in Torit (capital city of Eastern Equatoria State) with support from development partners.

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. The clerk to parliament reported that these regulations are followed and respected, which enhances discipline in debate and conduct of business. Passing of the budget is often late because it is late from the executive, and delays are also partly attributed to elections and referenda.

(i) Scope of the legislature's scrutiny

The CEDF 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 Conduct of Business Regulations, 2010, of the SLA is comprehensive and is mainly respected. For example, the draft budget goes through four readings prior to final approval by the SLA. The assembly passed the 2011 budget with some amendments to budget lines, first reducing the allocations to MoFTI and, second, adjusting some lines that were earmarked by line ministries. The latter was found to be in technical error and the 2011 budget was to be adjusted in that respect. In essence, much as this was an error and indicates need for technical support for SLA, in other respects it signifies that SLA is not a rubber stamp.

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

According to the clerk of SLA, there is sufficient time for the legislature to respond to budget proposals. Documentation evidencing the actual date of receipt of the budget and the date on which the budget passed by SLA was not available to the team. Dates in the following matrix are from notes of the clerk.

Budget	**Date received by clerk**	**Date passed by SLA**	**Remark**
2011	March 2011	23 April 2011	Specific date of receipt not known
2010	August-July 2010	September 2010 (election)	
2009			

Budgets are submitted late and there is scope for improvement in timely presentation of the budget to the SLA.

(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: 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.

These rules seem to be respected, though to date a supplementary appropriations bill has not been submitted to the SLA and it is difficult to verify if amendments to the budget have taken place; meaningful budget performance reports have not been prepared. It was envisioned that there would be a supplementary budget in September 2011. Future studies will confirm this.

Breakdown of PI-27 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M1)	As listed in PEFA Framework		
C	*(i) Scope of the legislature's scrutiny* 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, Finance and Development consists only of detailed draft budget estimates.	Meeting with WESG officials WES budgets for 2010 and 2011 Interim Constitution of WES WES Appropriation Bill, 2011
B	*(ii) Extent to which the legislature's procedures are well established and respected* Simple procedures exist for the legislature's budget review and are respected.	The procedure is established and respected in many instances. However, the lack of experience and absence of technical backup to the CEDF mean that technical errors may be committed by the SLA as was the case in the 2011 budget. 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 Business Regulations, 2010 Meeting with the clerk to SLA (parliament) and the director of finance and administration, SLA WES budgets for 2010 and 2011 WES Interim Constitution, 2006 WES Appropriation Bill, 2011
B	*(iii) Adequacy of time for the legislature to provide a response to budget proposal* The legislature has at least one month to review the budget proposals.	Budgets have been submitted late to the SLA (see PI-11), but procedurally there is still sufficient time to review the budget; the Interim Constitution provides for up to 45 days.	Code of Business Regulations, 2010 Meeting with the clerk to SLA (parliament) and the director of finance and administration, SLA WES budgets for 2010 and 2011 WES Interim Constitution, 2006 WES Appropriation Bill, 2011
C	*(iv) Rules for in-year amendments to the budget without ex-ante approval of the legislature* 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, indicating strict limits on extent of in-year budget amendments without prior SLA approval. However, these rules may not always be respected, and there is no complete budget performance information to help in verifying this.	Code of Business Regulations, 2010 Meeting with the clerk to SLA (parliament) and the director of finance and administration, SLA WES budgets for 2010 and 2011 WES Interim Constitution, 2006 WES 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.

The CEDF still waits for audit reports, which may take some time since the annual accounts have not been prepared since inception of the state under the Comprehensive Peace Agreement. This indicator is therefore not rated (NR).

Score: NR (M1).

3.8 Donor Practices

Assessment of Performance Indicators for Donor Practices

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

D-1: Predictability of direct budget support

This indicator is not applicable as WES 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 2010 and 2011 budgets did not contain information about donors with regard to planned spending during the next budget year and actual spending during the current year, the information being provided on a sector basis. The information for the next budget year is provided in August, consistent with WES's budget preparation calendar. The information is not provided according to the budget classification system used by WESG (the same as GRSS's).***

Breakdown of D-2 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)	As listed in PEFA Framework		
D	*(i) Completeness and timeliness of budget estimates by donors for project support* Not all major donors provide budget estimates for disbursement of project aid, at least for the state government's fiscal year and at least three months prior to its start.	Donor information on planned disbursements for the next year is not contained in annual budgets. UN Group, World Vision, and Concern are some of the donors in WES.	Meeting with WESG officials WES strategic plan 2008–2012 WES budgets for 2010 and 2011
D	*(ii) Frequency and coverage of reporting by donors on actual donor flows for budget support* 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.	Information is not provided.	Donor Book at GRSS level Meeting with WESG officials

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 regional government that are 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	*(i) Overall proportion of aid funds to central government that are managed through national procedures* Less than 50 percent of aid funds to regional government are managed through national procedures.	Donor-financed projects are not using WES's PFM systems at this time.	WES Budget Directorate

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

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

WES receives much of its funding from GRSS in the form of the block grant 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 other states visited for this assessment, there appears to be an issue in the timeliness of the block grant from GRSS to counties for funding capital expenditure. This, however, is not relevant to the assessment of this indicator, which is concerned with the timeliness of transfers that are to be used to financing WES's own budget, not those to be used for financing county budgets.

(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget

No reports were available to the team as to the actual transfers received by the WES, though the reports for the first nine months of 2010 indicated that 75 percent of budgeted block and conditional grants had been received, indicating a high level of predictability. Much of the grant funding is used to pay wages and salaries, also indicating a high level of predictability.

(ii) Annual variance between actual and estimated transfers of earmarked grants

Not applicable—part of dimension (i).

In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year)

No report available to the team. Timeliness is probably good, as timely disbursement of transfers is a priority of GRSS MoFEP.

Breakdown of HLG-1 Scores

Score	Minimum Requirements	Justification
NR (M1)	As listed in PEFA Framework	
NR	*(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget*	No sufficient data available. Data is available only for the first nine months of 2010, which indicates high predictability (75 percent of budgeted transfers received). Predictability should be good, given that transfers to states is a high priority for GRSS and that much of the transfers are for paying wages and salaries.
NA	*(ii) Annual variance between actual and estimated transfers of earmarked grants*	Not applicable, as it is covered under dimension (i)
NR	*(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year)*	No sufficient data available

Annex 1: Summary of Internal Audit Department Findings

- State Ministry of Finance, Trade and Industry
  - Payment of SDG 1.125 million was effected to engineer Joe Mutamba in January 2010 without a contractual agreement and acknowledgment of Legal Administration. The payment was effected by the approval of the former governor and former Ministry of Finance of WES.
  - SDG 2.23 million paid to Aroma Trading (Joice Richard Noti) between June 2009 and February 2010 without contractual agreement.
  - A contractual agreement was entered into with Shandarak Angwenyi for the printing of 10,000 ID cards for state ministries, units, and counties costing SDG 340,000. The cards were not fully supplied, but SDG 238,000 was paid.
  - Advance payment of SDG 6,000 paid for the purchase of bamboo for fencing of the Department of Commerce, Industry and Supplies. The bamboo was not provided and thus the fence was not built.
  - In-year financial reports between June 2009 and December 2009 were not presented to IAD.
  - Unable to ascertain the amount of dura and maize received and sold during the year due to lack of sufficient documentation.
  - Unable to give clear information about use of funds for celebrating the CPA due to lack of proper records. The information was not recorded in the financial statement for the year 2009.
- State Secretary
  - Vehicle spare parts maintained at state secretary stores are for different models than the state has.
  - A company using VIP guest house without agreement. The IAD was unable to differentiate the assets of the company and the government.
  - The state secretary is not closing the treasury book on a daily basis.
  - No proper handing over of the stadium by the contractor: some of the infrastructure is cracking, and the generator is exposed to sunlight and rain without a shelter.
- State Ministry of Education
  - SDG 333,311 was paid to different contractors for the construction of schools against payment certificate but without contractual agreements.
  - Seven teachers found to be in post without sufficient authorization and documentary evidence of their qualifications.
  - Eleven staff took advance of SDG 12,732, which was not refunded for more than six months.
- Ministry of Agriculture
  - Did not produce financial statements between June 2009 and May 2010.
  - Did not have suspense accounts book to control loans and advances given to staff. Advances of SDG 8,260 were given to 19 staff members; they remained outstanding for between 2 and 12 months.

- A contract value of SDG 10,978 was signed by a contractor and State Ministry of Agriculture without the involvement of Legal Administration Affairs.
- A contractor was paid against payment certificate without contractual agreement for a sum of SDG 7,976.

- State Ministry of Health
  - Financial statements for the period from June 2009 to May 2010 were not prepared.
  - The department of accounts doesn't maintain suspense accounts to control advance payments.
  - The treasury book shows a balance of SDG 248,535 in the name of a cashier who left for Juba in 2009 and which was not handed over to a subcashier.
  - Revenue amounting to SDG 17,170 collected by the ministry from pharmacy sales was not transferred to government's chest, but instead disbursed as loans and advances to staff.
  - During a cash count in relation to the government's chest, SDG 22,893 was counted that was not recorded in the books of accounts.
  - Information on revenue and expenditures from international and local donor sources is not well documented and recorded in the books of account. Hence, the auditors were unable to determine the total amount.
- Local Government
  - SDG 146,550 paid between September 2009 and February 2010 to a paramount chief representing token payments to subchiefs and headmen without a pay list attached.
- Ministry of Physical Infrastructure
  - Spending of revenues obtained from sale of water on items outside the approved budget.
  - Treasury book is not properly maintained.
  - Some of the payment orders are prepared after payments are effected.
  - A payment of SDG 7,980 to a contractor was made without contractual agreement and approved payment certificates.
  - Financial assistance of SDG 9000 was paid to a person for an urgent mission in the state with no clear information about the use of the money.
  - One motor bike and one TV set reported as stolen
- State Ministry of Information and Communications
  - One car was taken to Kampala by the former director general for maintenance and had not yet been returned.
- State Ministry of Social Development
  - SDG 11,530 paid to a contract based on verbal agreements.
  - Advance taken by former director of finance and administration for the purchase of generator spare parts had still not been settled eight months later.
- Directorate of Taxation
  - Tax collected by tax collectors (SDG 54,042) remained in the collectors' hands (at home) for more than two months.
  - Incentives paid to collectors from collections before they are deposited in the chest.
  - Revenue Form 15 serial No.23601-23700 was stolen.

Annex 2: List of People Met

No	Name	Position
1	HE Evans Doctor	Minister of Finance
2	HE. Daniel Mosa Tabia	DG Finance
3	HE. Gibson	Acting Minister of Finance
4	Nelson Sebit	Director of Planning &Finance
5	Peter Parumene Durufur	Dep. Director Budget & Revenue
6	Kido Joseph	Inspector of Planning & Statistics
7	Paul Taban Donga	Dep. Director of Finance
8	Jeffreys Joe Elias	Dep. Director of Accounts
9	Scopas Onesimo	Inspector of Accounts (Payroll Officer)
10	Tambua Aquilo Wamite	Inspector of Accounts (Payroll Specialist)
11	Zingorani Albert Joseph	Asst Inspector of Finance & Admin
12	Augustino Salah Juma	Head Accountant
13	Victor Phillip Joshua	Asst. Inspector of Finance & Admin
14	Emmanuel Kenyi	Controller of Accounts
15	John Joseph Mamu	Book Keeper
16	Isaac Abedenigo Pisikando	Inspector of Accounts
17	Silvestro Mabruk Zinga	Book Keeper
18	Michael Ramadan	Chief Cashier
19	Nelson Henry Abdallah	Sr. Inspector, Stores and Procurement
20	Christopher Taban Zephania	Ad Stores and Procurement
21	Lawrence Sumbia Amin	Director General, State Revenue Authority, WES
22	James Richard	Director, Tax Revenue
23	Morris Christopher	Controller of Accounts
24	Henry Abayona	Director, Non Tax Revenue
25	Henry Badri Gernano	Clerk to State Legislative Assembly
26	Archangelo Rabbi Nassibi Umbarani	Director of Admistration & Finance, SLA
27	John Manyag	Inspector, Internal Audit
28	Joseph Nduhayo Frank	Head, Internal Audit
29	Donato Joseph Andrea	Senior Auditor