

Public Expenditure and Financial Accountability (PEFA) Assessment

**Greater Amman Municipality,
The Hashemite Kingdom of
Jordan**

FINAL REPORT

19 October 2017

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Acronyms and Abbreviations

AB	Audit Bureau (Jordan's SAI)
AfD	<i>Agence Francaise de Developement</i>
BCC	Budget Call Circular
BoD	Board of Directors
CFS	Consolidated Financial Statements
CG	Central Government
DoP	Department of Planning
DSA	Debt Sustainability Analysis
FY	Fiscal Year
GAM	Greater Amman Municipality
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GFSM	Government Financial Statistics Manual
GoJ	Government of Jordan
IASB	International Accounting Standards Board
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
JD	Jordanian Dinar
MDAs	Ministries, Departments, Agencies
Mol	Ministry of Interior
MoMA	Ministry of Municipal Affairs
MoPIC	Ministry of Planning and International Cooperation
MTEF	Medium Term Expenditure Framework
N/A	Not applicable
NGO	Non-Government Organization
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SAI	Supreme Audit Institution
STA	Single Treasury Account
USD	United States Dollars
WB	World Bank

Fiscal year: 1 January

Currency: Dinar 'JD' (1 JD = USD 1.41)

Executive Summary

Purpose and management of the assessment

The overall objective of this PEFA assessment was to draft a comprehensive “PFM Performance Report” according to the upgraded PEFA Performance Measurement Framework Methodology of 2016 to provide an analysis of the overall performance of the PFM systems of the Greater Amman Municipality (GAM) and to provide a baseline against which future progress can be measured.

Assessment coverage and timing

This assessment covered the City Government of GAM, and most of the fieldwork took place in October 2016, with a follow-up visit in February 2017: most of the indicators were assessed using data from 2016 and the two previous completed FYs. The first draft of the assessment and the ratings were discussed in detail with GAM, at a workshop in February 2017. The draft was revised, based on comments from the workshop, translated into Arabic and shared with GAM in April 2017. GAM reviewed the Arabic draft and provided further comments which have been addressed, and this updated draft was shared with GAM in June 2017. This report is the finalized version that now addresses all comments and suggestions received from GAM.

Impact of PFM Systems on the three main budgetary outcomes

Aggregate fiscal discipline

Overall, fiscal discipline in GAM is reasonable, at least when viewed in the context of the **annual** budget process currently in place: however, the lack of multi-year fiscal planning is an issue in need of consideration, particularly in the light of the risks that may arise from the various public-private partnership arrangements in place.

Most elements in the overall PFM system that contribute to achieving short-term fiscal discipline appear to be sound, as witnessed, for example, by the fact that the aggregate outturns of both revenue and expenditure are close to those in the original budget, although there is an issue about the variance in the composition of revenue (PI-3.2, rated ‘D’). In addition, the stock of payment arrears is declining (PI-22), and there are few unreported operations (PI-6, rated ‘B’).

While there are risks to fiscal discipline (beyond the concern mentioned above about ‘PPPs’), such as the lack of a debt management strategy (PI-13.3, rated ‘D’) and the absence of conventional oversight arrangements (PI-29.2, rated ‘D’), it should be noted that these risks are, to a certain extent, mitigated by the fact that various elements of the system concerned with budget execution work well. So, for example, predictability in the availability of resources, most aspects of procurement, the low level of expenditure arrears, and at least a basic operation of internal controls, all contribute to achieving aggregate fiscal discipline.

Strategic allocation of resources

The three indicators concerned with 'policy-based fiscal strategy and budgeting', (PIs 14 to 16) received poor ratings, as current legislation does not require medium-term budgeting, and hence it is difficult to demonstrate that the (annual) process to allocate budgetary resources is in accordance with GAM's declared strategic objectives. However, there is a new indicator relevant to this budgetary outcome: 'Public Investment Management' (PI-11). Fortunately, given that almost half of the resources available through the budget go to capital projects, this indicator is rated overall as 'C+', which represents sound practice.

The otherwise-sound budget preparation process is weakened by the absence of ceilings to guide units when compiling their estimates (PI-17.2, rated 'D'), and also by the limited scope of the scrutiny undertaken by the GAM council (PI-18.1 & 2, both rated 'C'). On the positive side, the budget is approved before the start of the financial year, and the council does have oversight of any amendments made during the year.

GAM performs reasonably well in administering its own revenues. Both indicators concerned with the collection of revenue are under the control of GAM, and while PI 19 is rated 'C' overall, there are weaknesses in some elements where procedures are not formally documented, and the monitoring of arrears (PI-19.4) is relatively weak. On the other hand, 'Accounting for revenues' (PI-20) is rated 'A'.

Most of the other indicators that relate to the strategic allocation of resources function at a satisfactory level. An exception is that while the budget documentation (PI-5, 'B') meets all the 'basic' requirements, its classification in accordance with international standards does not (PI-4, 'D').

Efficient use of resources for service delivery

Financial management is not an end but rather a tool to assist a government to deliver services to its citizens. From this standpoint, GAM's PFM system appears to work reasonably well. This can be seen in the rating for 'performance information' (PI-8, 'B+'), which demonstrates the efficiency with which services are delivered. Of course, services cannot be delivered in the absence of funds, and in this respect, there may be some concerns associated with the rating for predictability in the availability of funds to support expenditure (PI-21, 'C+'). On the other hand, most of the mechanisms in place to reduce possible leakages in the system, such as internal controls, procurement, and controls over payroll (PIs 25, 24 and 23 respectively) are at least reasonable, although 'Public Asset Management' (PI-12) shows a poor level of performance. The 'Internal Control and Audit Department' is some way from performing according to the modern concept of Internal Audit (PI-26; 'C+'), but this weakness is offset to a significant extent by the good ratings for the basic accounting controls in place (PI 27, rated 'B+').

Lastly, the oversight arrangements (addressed in PIs 30-31) are unusual, in that the Audit law (amended in 2002) and the Municipal Law both require the Audit Bureau to audit GAM (although no deadline is specified), but the report of the audit goes not to the GAM council but to Parliament, with copies to the Prime Minister and Minister of Finance. In addition, GAM has hired a private auditor to report on an annual 'statement of revenues and expenses' – the report for 2015 was submitted to the GAM Council at the beginning of February 2017.

In summary, and given the legal restrictions requiring an annual budget process, most aspects of GAM's PFM system function at a satisfactory level, and should allow GAM to attain its short-term fiscal and budgetary objectives. This said, there remain areas for improvement, although it must always be borne in mind that any sub-national government

can only operate within the confines of the legal framework established by the national government.

Performance changes since last assessment

This is the first assessment of GAM.

Overview of on-going and planned PFM reforms and main weaknesses identified

The Ministry of Municipal Affairs has been working in accordance with its reform strategy 2015-2020 which was approved by the Council of Ministers. The strategy contains six national objectives:

- (i) develop the performance of municipal sector and enhance its efficiency,
- (ii) enhance service delivery to local community,
- (iii) contribute to the fight against poverty and employment,
- (iv) contribute towards the achievement of balanced development among governorates and districts,
- (v) solve environmental problems that lays within the responsibility of municipalities and joint services councils, and,
- (vi) contribute to solving traffic problems in the Kingdom. The strategy aims at significant reforms in the municipal work through concentrating on three themes: legislative reform, financial reform, and administrative reform.

On the legislative front, major reform has been achieved by the enactment of the Municipal Law no 41 of 2015 and the Decentralization Law no. 49 of 2015. MoMA had prepared these two laws with the objective of widening public participation in decision making at the local government level and thereby strengthening decentralization.

The Municipal law is intended to strengthen municipalities' independence and widen their functions and responsibilities and to embody the principle of decentralization through the establishment of local councils. The Decentralization Law is intended to materialize the national vision to expand the adoption of democratic elections at the local level, to increase public participation in decision making and implementation, especially regarding sustainable development, and to implement administrative decentralization. The municipal elections on August 15, 2017 which were held for the first time in Jordan will put the decentralization principle to practice with the hope of addressing the real needs of the people and improving the service delivery and standards of living in the governorates and districts.

The financial reform included strengthening the government support to municipalities by increasing transfers from oil revenues and other channels of support. In this same vein, on August 13, 2017 the government decided to distribute JD 100 million to municipalities to help them settle a proportion of their debts. In addition, MoMA is providing municipalities with vehicles and equipment in cooperation with MoPIC and international donors.

The administrative reform includes the amendments of legislation to assign appointment to the Civil Service Bureau and stop random appointments. There are plans for capacity building and training programs, and the set-up of new structures to implement decentralization.

Table 0.1: Overall summary of PFM Performance Scores

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings				Overall Rating
			.1	.2	.3	.4	
Sub-National Government							
HLG-1	Transfers from a higher level of government	M1	A	NA	D		D+
Pillar I: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	D*	B	A		D+
PI-3	Revenue outturn	M2	B	D			C
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	D				D
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside fiscal reports	M2	B	B	NA		B
PI-7	Transfers to subnational governments	M2	NA	NA			NA
PI-8	Performance information for service delivery	M2	A	B	B	A	B+
PI-9	Public access to key fiscal information	M1	D				D
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	NA	NA	NA		NA
PI-11	Public investment management	M2	B	B	C	C	C+
PI-12	Public asset management	M2	C	D	C		D+
PI-13	Debt management	M2	C	B	D		C
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	D	D	D		D
PI-15	Fiscal Strategy	M2	D	D	D		D
PI-16	Medium-term perspective in expenditure budgeting	M2	D	D	D	NA	D
PI-17	Budget preparation process	M2	B	D	C		C
PI-18	Legislative scrutiny of budgets	M1	C	C	A	B	C+
Pillar V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	D	D	C	C
PI-20	Accounting for revenues	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	A	C	D	C	C+
PI-22	Expenditure arrears	M1	A	C			C+
PI-23	Payroll controls	M1	B	B	A	C	C+
PI-24	Procurement	M2	B	A	B	D	B
PI-25	Internal controls on nonsalary expenditure	M2	C	C	C		C
PI-26	Internal audit	M1	A	C	C	C	C+
Pillar VI. Accounting and Reporting							
PI-27	Financial data integrity	M2	B	A	B	B	B+
PI-28	In-year budget reports	M1	A	A	C		C+
PI-29	Annual financial reports	M1	C	D	C		D+
Pillar VII. External Scrutiny and Audit							
PI-30	External audit	M1	D	D*	D*	D	D
PI-31	Legislative scrutiny of audit reports	M2	D*	D*	D*	D*	D

1 Introduction

1.1 Rationale and purpose

The Public Expenditure and Financial Accountability (PEFA) program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance. PEFA is a tool that helps governments achieve sustainable improvements in PFM practices by providing a means to measure and monitor performance against a set of indicators across the entire range of public financial management institutions, systems, and processes.

The overall objective of this assessment was to draft a comprehensive “PFM Performance Report” using the PEFA Performance Measurement Framework Methodology of 2016. The assessment provides the management of the Greater Amman Municipality (GAM) with an indicator-led assessment of the operation of the city’s PFM systems, and an objective understanding of the overall fiduciary environment of these systems: it also identifies those parts of the PFM system that may be in need of further reform and development.

The specific objectives of the assessment were to:

1. Use the 2016 PEFA Framework to assess GAM's current PFM performance;
2. Provide a basis for the preparation of a technical assistance (TA) plan for strengthening GAM's PFM systems and processes, thereby enhance the efficiency, transparency and accountability of the city's finances. (*N.B. the TA plan does not form part of the PEFA Report (though it was developed by the same team), but is an independent product for use by GAM*);
3. Establish a baseline for GAM's PFM systems that will help the city management to calibrate and monitor improvements made to the city's ability to manage its finances efficiently over time.

1.2 Assessment management and quality assurance

Box 1-1 Assessment management and quality assurance arrangements

PEFA Assessment Management Organization

- Oversight Team – Chair & Members: Renaud Seligmann, Practice Manager, Governance Practice MENA, Lewis Hawke, Head PEFA Secretariat
- Assessment Manager and Task Team Leader: Rama Krishnan Venkateswaran, Lead Financial Management Specialist, The World Bank
- Assessment Task Team: Jad Mazahreh, Senior Financial Management Specialist, Lea Hakim, Senior Country Economist; Lina Fares, Senior Procurement Specialist; Mona El-Chami, Senior Financial Management Specialist; Walid Al Najjar, Financial Management Specialist; Amal Chaoul, Program Assistant provided administrative and logistical support to the team (all World Bank), assisted by Philip Sinnett, Charles Hegbor and Sura Khuzai (international and local consultants).

Review of Concept Note and/or Terms of Reference

- Virtual Peer Review between September 28 and October 10, 2016

- Franck Bessette, Program Manager (World Bank), Julia Dhimitri, Public Sector Specialist (PEFA Secretariat), Kirti Devi, Senior Municipal Finance Specialist (PPIAF), Thierry Laibastre, Senior Project Officer (*Agence Francais des Developpement*) October 18, 2016

Review of the Assessment Report

- Date of reviewed draft report: September 2017.
- Reviewers: Franck Bessette, Program Manager (World Bank); Kirti Devi, Senior Municipal Finance Specialist, Public-Private Infrastructure Advisory Facility (PPIAF); Dickel Schweitzer, Urban Projects Officer, *Agence Francais des Developpement* (AFD), Jordan; and, Holy-Tiana Rame, Public Finance Specialist, PEFA Secretariat.

This initiative was carried out in collaboration with AFD, although the World Bank was responsible for quality assurance of the assessment report using its standard procedures for analytical work, and the whole exercise was subject to the quality assurance process of the PEFA Secretariat: “**PEFA CHECK**”, which includes peer reviews of the concept note and the final draft report by government of GAM, and two additional peer reviewers from development partners.

1.3 Assessment Methodology

Coverage of the assessment

The 2016 PEFA methodology is set out in the Public Finance Management Performance Measurement Framework (available at www.pefa.org), and uses seven pillars and 31 specific Performance Indicators (PIs) to measure the operational performance of the key elements of the PFM systems, processes and institutions. The Framework is a tool which enables the identification of information for measurement and monitoring of PFM performance progress over time, and a common platform for dialogue. It supports the development of a shared information pool thus avoiding duplicative and inconsistent analytical work. It also forms part of a strengthened approach to supporting PFM reform, which emphasizes country-led reform, donor harmonization, alignment around the country strategy, and a focus on monitoring and results. There is specific guidance from the PEFA Secretariat on the application of the Framework to Subnational Governments.

Each Indicator is scored on a scale from A to D. The bases for these ratings are the minimum requirements set out in the methodology. Many indicators include two or more dimensions, which are “added up” using PEFA-specific methods M1 or M2. For method M1, the weakest link is decisive; the overall rating is based on the lowest score. For M2, the average of the sub-ratings is used to arrive at the score for the overall indicator.

The assessment is focused on GAM’s PFM system, as per GFS 2014, including cross-cutting and overall issues, the revenue side, and the budget cycle from planning through execution to control, reporting and audit. A number of indicators are designed to probe the interaction between GAM and public service providers at the local level, and the use of extrabudgetary funds. This assessment therefore covers general government as applied to GAM, including all districts and GAM-controlled funds which are accounted for separately outside the budget.

The assessment process

- The first step in the preparation of this assessment was for the Team to review supporting documents, before starting the fieldwork. This was followed by a two-day PEFA training workshop in May 2016 for a core team of GAM officials responsible for

coordinating and supporting the assessment. The workshop introduced the PEFA methodology, and explained the purpose of the assessment; the roles and responsibilities of the various entities; and, an overview of the requirements for each indicator (the Framework was translated into Arabic for the core team prior to the assessment).

- The Assessment Team met with GAM and Government officials and other institutions during the first mission in October 2016 to clarify information received, obtain additional information, and conduct interviews regarding the actual functioning of financial management processes and the status of reform efforts. At the end of the first field mission, the Team discussed initial observations with GAM on each indicator.
- A second mission in February 2017 reviewed and revised the draft Performance Report based on consultations with different stakeholders and development partners in a two-day workshop. The feedback received was used to revise the draft assessment, which was then translated into Arabic and again shared with GAM to ensure that the contents of the report and the ratings were clearly understood by senior management. GAM reviewed the translated draft assessment and provided additional comments which have been incorporated into the draft report.
- GAM hosted a final workshop on 20 September, 2017 with key internal counterparts including the Worshipful Mayor of Amman, His Excellency the City Manager as well as other stakeholders such as Ministry of Finance, Ministry of Planning & International Cooperation, Ministry of Municipal Affairs, Development partners, and other relevant stakeholders identified by the authorities. The findings and conclusions of the assessment were presented and areas for future public financial management reform program (including an outline of the TA Plan) was discussed.

When performance was assessed

Much of the fieldwork took place in October 2016 (with follow-up work early in 2017), but as the financial year begins on 1 January, the opportunity to use 2016 data and that from the two previous completed FYs was taken: PEFA is essentially a backward-looking process, based on evidence about actual current public sector financial management practices, and using statistical information about different aspects of revenue and expenditure over the most recent FYs.

Sources of information

The sources of information for the assessment included relevant legislation, budget documentation, reports other documentation and data provided by GAM, oversight agencies and non-state sources (e.g. Jordan Audit Bureau, the Parliament, Chamber of commerce), and other institutions such as the World Bank and the IMF. The numerous government officials and other stakeholders interviewed are listed in **ANNEX 4B**.

Other methodological issues for the preparation of the report

The assessment process required the:

- review of legal and regulatory documentation, budget documentation and financial and audit reports;
- assessment of PFM practice procedures and systems;
- quantitative analysis of official financial and budgetary data; and,
- the application of professional judgment.

An important consideration in the assessment is an appreciation of the quality, comprehensiveness and accuracy of data that is used to determine the budget credibility indicators. The reliability of the PEFA indicators can only be as good as the accuracy of the financial data upon which they were assessed.

2 Country background Information

2.1 Country economic situation

2.1.1.1 Country context

The Hashemite Kingdom of Jordan is an upper-middle-income country with a population stands at around 9.5 million, including 2.9 million guests and a per-capita GNI of US \$4,390. The population is around 80% urban and is one of the youngest among upper-middle-income countries, with 38% under the age of 14. The country has limited natural resources and agricultural land, and water is especially scarce. Potash and phosphate are the main export commodities. Jordan ranks as the world's fourth poorest country in terms of water resources. Services account for more than 70% of gross domestic product (GDP) and more than 75% of jobs. As one of the most open economies of the region, Jordan is well integrated with its neighbors through trade, remittances, foreign direct investment (FDI), and tourism, and has especially strong links to the Arab Gulf economies. Jordanian policymakers aim to use the demographic opportunity of a well-educated, young population to build a dynamic, knowledge-based economy, as articulated in the National Agenda and Executive Development Plan (EDP).

Two successive external shocks, the global financial downturn and the regional turmoil that followed the Arab Spring, have worsened Jordan's long-term structural vulnerabilities. Following the global financial downturn of 2008, growth decelerated sharply. Turmoil throughout the region led to (i) slower growth and lower fiscal revenues, and (ii) increased public spending to partly accommodate social pressures. This has resulted in an accumulation of a large public debt, the servicing of which exacerbates fiscal pressures. However, Jordan has proven remarkably resilient despite decades of turmoil in its neighborhood. The economy has absorbed the recurrent population influx, its high vulnerability to energy and food import prices, and the lack of natural resources. It has generated sustained growth and low headcount poverty, coupled with generally low inflation and a credible exchange-rate regime. Jordan has managed a unique balancing act in the region in terms of maintaining domestic stability despite the persisting conflicts on its doorstep.

More than six years of violent conflict in Syria have resulted in massive movements of people within Syria, as well as into neighboring countries. The UN estimated that by the end of August 2016, Jordan was hosting more than 600,000¹ registered refugees. It has granted Syrian refugees access to services, such as health and education, in host communities. Standing at about 10% of Jordan's population, the large influx of refugees is straining the availability and quality of public services, especially in the northern governorates. The country faces immediate security, social and fiscal challenges, as well as adverse impacts on its future potential development gains. The additional demand for public services (including electricity, water, solid waste management, education, and health) is adding a significant burden to Jordan's already weak public finances. In 2014, the Government published the *National Resilience Plan 2014–2016*, presenting proposed priority responses to mitigate the impact of the Syrian crisis on Jordan and Jordanian host communities. To meet its increasing needs, Jordan has had to substitute cheap gas with expensive oil imports at an average annual cost of about US\$2 billion. As a result, the

¹ As of August 2016, UNHCR reported that there are 5,165,317 Syrian "persons of concern" of whom 660,442 are registered as refugees in Jordan. There are about 1.5 million Syrian refugees in Jordan, only 20 percent are living in the Za'atari, Marjeb al-Fahood, Cyber City and Al-Azraq refugee camps.

National Electricity Power Company (NEPCO) has been running deficits, and gross public debt has risen rapidly and is estimated to have reached around 92% of GDP at the end of 2015.

2.1.1.2 Institutional Context

Political authority in Jordan lies with His Majesty the King who issues Directives through the Prime Minister, as Head of Government (GoJ). The members of GoJ – the Council of Ministers – which represents the various sectoral and inter-sectoral ministries, are appointed through the Prime Minister but are not elected or ratified by parliament as in other countries. The framework for public decision making is governed by legislation in which two Houses of Parliament participate: the members of the Lower *House of Representatives* are elected and members of the Upper House (*the Senate*) are appointed.

2.1.1.3 Municipal Governance

Local governance is structured into 12 regional authorities/Governorates, each subdivided into Districts and headed by a Governor appointed by the King. The line ministries work through regional agents (Directors) assigned to the Governorates. The regional authorities act as agents 'on behalf' of their respective central authority as the principal. After several rounds of amalgamation of local governments, there are now 99 municipalities, plus the Greater Amman Municipality (GAM).

The legal framework of municipalities is set out in Law 14 of 2007 and the most recent version, Law 41, 2015. Municipalities are private associations and do not form part of central government, and as such, they possess some elements of self-rule through elected officials. The Law gives municipalities the right to levy and collect a limited range of local taxes and fees, hence their "quasi-public" status, and they are considered to be local service providers.

The GoJ considers empowering local governments a key priority and the current policy initiatives on decentralization are steps in that direction. Though the Decentralization Bill passed by the Parliament in 2015 was rejected by the King as some provisions were contrary to the Constitution, the need to empower local governments with powers, functions and resources is generally accepted. With the Royal Government of Jordan embarking on decentralization reforms, local governments will be expected to be more efficient and accountable in providing local services.

2.1.1.4 Background to Greater Amman Municipality

The metropolitan area of Amman, Jordan's capital, accounts for approximately 40% of the country's population; 80% of its industry; and, 55% of total employment. In recognition of the expansion of the city and the integration of nearby villages and suburban developments, the perimeter of GAM) was extended in 2007 to include seven additional districts, bringing its total area to 1,680 square km with a then population of 2.2 million. However, this figure does **not** include the influx of citizens from neighboring countries such as Syria, Iraq and Palestine who are increasingly resident in Amman on a more-or-less permanent basis, leading to unofficial estimates of the city's current population of 4.5 million. The increasing level of urbanization as well as the burgeoning demands on civic services by the rapidly growing population has created tremendous pressure on GAM to put in place efficient and accountable systems for delivering municipal services. To address this need, GAM has embarked on a capital investment plan (CIP) to upgrade its existing systems for delivering urban services and to put in place new infrastructure such as a Bus Rapid Transit System, which is expected to enhance the quality of traffic management in the city. GAM is currently financing most of its CIP from donor support (for example the BRTS is financed through a loan from AFD).

However, in the longer term, GAM intends to finance its CIP from its own resources and by accessing capital markets, based on the strength of its financial management and creditworthiness. In this context, GAM intends to enhance the capacities and performance of its financial management systems and processes so that it can manage its current resources in an efficient, transparent and accountable manner.

Though other Municipalities are subject to supervision by the Ministry of Municipal Affairs (MoMA), GAM reports directly to the Prime Minister and is a part of the Governorate of Amman. The Mayor of GAM is appointed by the Prime Minister directly and is supported by a local administration whose Head is the city manager. The Mayor is held accountable by citizens to implement programs (waste disposal, urban planning, permit issuance, emergency services, etc.) based on the agreed upon budget priorities laid out by the Municipal Council.

GAM is by far the largest local government in Jordan, with more than 22,000 staff organized in seven administrative units (see **Table 2.3** below) GAM's efforts to improve the quality of its financial management and enhancing its financial sustainability will also serve as a model to other local governments in Jordan.

World Bank support focuses on mitigating the immediate impact of the regional crisis, while at the same time supporting long term development objectives and structural reforms, to improve the equity and quality of public service delivery, particularly for water and energy services. The development objective is to assess the financial management systems of GAM and to strengthen them, thereby enabling GAM to meet its service delivery responsibilities in an efficient, transparent and accountable manner, and to facilitate the city's access to market finance, based on the strength of its financial performance.

2.1.2 Key aspects of GAM's economic and fiscal reforms

At the national level, Jordan has ambitious plans to achieve the social and economic development objectives set out in the Government's 'Vision 2025': more immediate actions are set out in the Executive Development Program 2016-18, which makes relatively modest assumptions about economic growth, and provides a realistic diagnosis of many of the obstacles to improvements in public service delivery. As the major driver of economic growth in the country (as well as being the largest center of population by far) GAM is central to achieving these objectives: so, for example, a sound public investment management framework is in place – and this was internationally recognized by the award of the World Council on City Data – Platinum Level ISO 37120 in 2014. A recognition of the need to build from this sound base underlies GAM's commitment to reform its PFM practices.

2.1.3 Key economic indicators

Table 2.1: Selected economic indicators for Jordan¹

	FY 2014	FY 2015	FY 2016
GDP	25,437	26,637	26,970
GDP per capita (\$)	2,890	2,795	2,894
Population (millions)	8.80	9.53	9.55
Real GDP growth (%)	3.1	2.4	2.8
CPI (ave. annual change) (%)	1.7	- 1.6	1.25

Source: PEFA assessment of Jordan, 2016; ¹ Disaggregated data is not available for GAM

2.2 Fiscal and budgetary trends

2.2.1 Fiscal performance

Table 2.2 shows that the allocation of resources to different expenditure headings has been relatively stable over time, except for a significant increase in capital expenditure in the current FY.

Table 2.2: Aggregate Fiscal Data

	GAM actuals (2017 Est) JD'm			
	2014	2015	2016	2017 Est
Revenue	238	258	280	296
<i>Own Revenue</i>	218	243	264	276
<i>Grants</i>	20	15	16	20
Expenditure	288	315	348	496
<i>Payroll & related</i>	119	126	133	144
<i>Operating expenses</i>	22	22	23	19
<i>Other expenses</i>	22	27	22	27
<i>Capital expenditure</i>	84	107	129	224
<i>Funded projects</i>	3	2	11	52
<i>Expropriation of land</i>	38	31	29	30
Deficit, financed by:	50	57	68	201
<i>Borrowing for capex</i>	50	3	19	118
<i>Own capital revenues</i>	0	54	49	74
<i>Capital Grants</i>	0	0	0	8

Source: GAM "Financial History" Budget Directorate

2.2.2 Allocation of resources

GAM has substantial service delivery responsibilities, notably roads, bridges and underpasses; street lighting and traffic management; refuse removal & disposal; public transport, agriculture; public markets, social and cultural services, and spatial planning, economic development and business licensing. Currently, more than 22,000 staff are employed, organized in seven administrative units.

Table 2.3: Budget Allocations by Functions (in JD)

Actual budgetary allocations by sector		
	FY 2015	FY 2016
Mayor of Amman	1,600,000	2,105,000
City Manager	130,863,015	143,513,143
Environment & Regions	54,017	2,285,609
Public Works	117,559,335	188,267,705
Agriculture Affairs	764,369	684,947
Finance & Administration	35,202,303	70,973,932
Social Development	595,000	935,000
Economic Development & Planning	30,200,000	22,097,089
Total	335,838,039	430,862,515

Source: GAM Finance Dept.

NB: GAM started to prepare Sectoral budgets **during** FY 2015, hence only FYs 15 and 16 are included in the table

Table 2.4 Budget allocations by economic classification as % of expenditure

Actual budgetary allocations by economic classification (as a % of total exp)		
	FY 2015	FY 2016
Salaries and wages	40%	42%
Operational expenditures	7%	7%
Other (including interest on debt)	9%	7%
Developmental projects	31%	31%
Land Acquisition	10%	9%
Projects financing	4%	3%
Total expenditure	100%	100%

Source: GAM Finance Dept.

2.3 Legal and regulatory arrangements for PFM

The Constitution

The Constitution was originally promulgated in 1952, and has been amended in several occasions, most recently in 2016. The King appoints the Prime Minister, and other Ministers in consultation with the Prime Minister.

Jordan is a unitary state based on a high degree of political, administrative and financial centralization with a two-tier system of sub-national government (i.e. governorates and municipalities). Each of the 12 governorates is headed by a governor appointed by the King through the Ministry of Interior (Mol) who acts, together with the deconcentrated directorates of line ministries, as an extension of the central government. Governorates are administrative units directly attached to the Mol. There are 100 municipalities, each of which has a legal personality with financial and administrative autonomy: they are organized into four categories, corresponding to their size, and except for GAM and the Aqaba Special Economic Zone, are supervised by the Ministry of Municipality Affairs (MoMA).

The Parliament of Jordan (Majlis Al-Umma) is the bicameral Jordanian national assembly. Established by the 1952 Constitution, the legislature consists of two houses: the Senate ("Majlis Al-Aayan") and the House of Representatives (Majlis Al-Nuwaab). The Government is not dependent on the National Assembly except to the extent that a Government on appointment should seek a Vote of Confidence, and must resign if confidence is refused. The National Assembly consists of a Chamber of Deputies elected for a four-year term, and an appointed Senate drawn from people with a record of experience in different aspects of public service. New principal legislation on the structure and rates of taxes and on the revenue and expenditure of government bodies included in the main annual budget and the budget of independent Government Units requires the approval of both Houses before being promulgated by the King (Articles 111 and 112 of the Constitution). The National Assembly is normally in session for four months each year beginning in November, and thus should be able to approve each year's budget before the new fiscal year begins. Laws needs the approval of both houses while the Government have the power to issue by-laws which determine many aspects of PFM.

Budget preparation and execution

Budget preparation and execution is governed by the Law on Municipalities No.41/2015, which sets out the responsibilities of the local Council to approve the general budget and annual budget of the municipality and have it endorsed by the Minister of Municipalities yet in the case of the GAM, the Prime Minister approves GAM annual budget. The council is composed of the heads of the local councils attached to it (75% of its members) and the rest is assigned by the Prime Minister. The Prime Minister designates the Mayor amongst

the council members based on the recommendation of the Minister. GAM has administrative and financial independence. The council has the responsibility of approving GAM annual budget and have it endorsed by the Prime Minister. GAM City manager has the responsibility of preparing the annual budget. The Municipal Financial Bylaw 142/2016 sets out the format on which GAM should prepare its annual budget. Budget execution rules and procedures mainly follow the municipalities' regulation 142/2016 and the national financial regulations.

Taxation

Taxation is administered by the Income and Sales Tax Department (ISTD), the Customs Department (CD) and the Lands and Survey Department (LSD) which is responsible for property taxes; all reporting to the Minister of Finance. Customs duties are covered by the 1998 law and numerous subsequent directives, and property taxes by the 1954 law as subsequently amended. Personal Income Taxes are currently governed by the 2014 Income Tax Law, while sales taxes are covered by the 2010 General Sales Tax (GST) Law.

State Audit Agency

The Audit Bureau (AB) is Jordan's Supreme Audit Institution, and was established in its present form in 1952 under Law no 28, issued in accordance with Article 119 of the Constitution: this stipulates that the "Audit Bureau has been set to audit the revenues and expenditures of the state and ways of expenditure". To work in line with the recent developments taking place in Jordan, an Amending Audit Law no (3) of 2002 has been passed, and it included several aspects, the most important of which are:

- Providing the Audit Bureau with the power to conduct post-audit for expenditures, in the meantime the head of the Audit Bureau may in certain cases, under an approval of the Prime-minister take a decision to conduct pre-audit. Before this amendment, the Audit Bureau has been conducting pre-audits of all amounts of expenditure exceeding JD5,000. It is working currently on shifting its focus gradually from pre- to post-audit.
- Providing the Audit Bureau with the power to conduct the administrative audit, whereas previously the Audit Bureau has been conducting audits to administrative decisions and procedures only if they relate directly to financial issues.
- Providing the Audit Bureau with the mandate to conduct the environmental audit, and the performance audit.
- Expanding the Audit Bureau's scope of audit to include the companies that the government owns 50% and more of its ownership.
- Giving the President of the Audit Bureau the authority to call on counselors, experts, and specialists for any issues that require special technical expertise.
- Employees and officers were made subject to legal accountability if they refuse to present documentation to the auditors of the Audit Bureau, or if they do not response to audit inquires within the period specified by law.

The AB is a member of international and regional SAI bodies, such as INTOSAI and ARABOSAI and is proceeding towards compliance with ISSAIs according to a phased program supported by INTOSAI.

The AB has the mandate of auditing GAM accounts as per the Municipalities law and the AB law. However, the Municipalities law does not set a deadline for that audit and does not require the AB to submit and annual audit report to the GAM council. The AB has a resident team at GAM that performs continuous audit. The AB performs ex ante audit over 100% of GAM expenditures, 70% of revenues, mainly buildings licenses fees, and 15% of other revenues. A withdrawal from ex ante audit process had started a few years ago along with the government strengthening internal audit in public entities. It is expected that the AB will progressively withdraw completely from ex-ante audits in more entities, including GAM.

GAM does not submit annual financial statements to the AB for audit. However, the AB annual audit report includes audit findings regarding GAM derived from the continuous audit. In general, the annual audit report had improved over the last year becoming more in compliance with international auditing standards. The AB confirms that it performs a comprehensive audit that covers performance audit. Follow up on audit findings has improved however, more efforts are needed to improve timeliness. The audit findings of the last three annual audit reports (2013-2015) were classified based on criticality and will be discussed with Parliament. The AB is not financially and administratively independent.

Although GAM is its own legislative authority, the Council does not perform any scrutiny of AB reports. The Parliament reviews the annual audit report of the AB, which has a section on GAM, and holds public hearings.

Internal Control and Internal Audit

Internal control and internal audit in GAM are governed by its policies and procedures approved by the Board of Directors (BoD) and follows the national related laws and regulations, where applicable. GAM senior management maintains layers of controls that ensure acceptable work and ethical conduct upon service delivery. Currently, there is heavy apparatus of control on transactional basis by each department's internal controllers and the Audit Bureau's representative. GAM was advised to balance between the ex-ante and ex-post review procedures on transactions, and more importantly shift some effort to the review and testing of the internal control systems in place, from a higher procedural level, to inform on the adequacy of the design and effectiveness of controls, especially that most departments have established automated systems and head towards system integration with the others in the institution.

Internal audit practice is mainly governed by the audit charter approved by the BoD. The internal audit department is being positioned to provide reasonable assurance and in-house advisory services, developing year after another. To ensure the internal audit department is in line with good practices, the department will need to adopt the international standards set by the Institute of the Internal Audit (IIA), which regulates the profession globally.

In general, while there is room for improvement, GAM is currently maintaining an internal control framework with effective internal controls in place.

Legal framework for Procurement

Each of the main procuring entities, as well as every independent agency or government entity (including local government units) engaging in procurement, have their own procurement by-law. This fragmentation leads to a situation where the totality of Jordan's procurement is covered by 56 separate by-laws. Even though the procedures for similar goods and services seem to be quite comparable, the differences that do exist, as well as the sheer number of separate by-laws, impose a burden on business and make it very difficult to adjust the procurement process. Local governments, especially GAM also carry out their own procurement, which is governed by Bylaw 153 of 2016 – Regulations of Supplies and Works. This translates into high legal risks for vendors, increased costs of learning agency specific regulations, and/or possible market fragmentation (and capture) as vendors bid only for contracts with those agencies that they know best. It is also costlier for the government to oversee multiple regulatory systems.

2.4 Institutional arrangements for PFM

The main responsibility for PFM rests with the Department of Finance (DoF), which prepares the five-year Socio-Economic Development Plan (SEDP) and is responsible for economic forecasting and for the planning of capital expenditure, including determination of the list of capital projects approved for the following year presented to the Majalis as part of the Budget. DoF is responsible for revenue, expenditure, financing, accounting, reporting and the overall fiscal stance; in particular: allocating expenditure provisions to departments and nine 'Sectors', where the responsibility for actually carrying out GAM activities actually lies. The Department of Finance (DoF) is responsible for managing cash balance and monitoring revenue and expenditure cash flow.

2.5 Other important features of PFM and its operating environment

The Jordanian PFM System has a clear legal framework which is implemented across PFM institutions, including GAM, and is led by MoF. The degree of reliance on the FMIS is currently very high and is expected to increase, as is the sophistication of reporting needs.

3 Assessment of PFM Performance

Subnational Indicator

HLG-1 Transfers from a higher level of government

This indicator assesses the extent to which transfers to the subnational government from a higher-level government are consistent with original approved high-level budgets, and are provided according to acceptable time frames.

HLG 1.1 Outturn of transfers from higher level government

This dimension captures if and how actual transfers differ from amounts originally agreed and transferred over the last three FYs. In Jordan, these transfers are based on a share of nationally collected taxes and oil revenues.

Table 3.1: Comparison of Budget to Actual transfers (JD M)

	2014		2015		2016	
	Budget	Actual	Budget	Actual	Budget	Actual
Budget/ Actual	13	14	15	15	15	14.5
% received	93%		100%		97%	

As can be seen in **Table 3.1**, there were only minor variations in amounts received compared to the original budget in each of the last three FYs.

Dimension Rating = A

HLG 1.2 Earmarked grants outturn

No earmarked grants were budgeted in either 2014 or 2015, while in 2016, an amount of JD 15M was budgeted, to come from a GCC grant to build bridges on intersections: however, it was subsequently decided that these funds would be received by and spend by the central government.

Dimension Rating = NA

HLG 1.3 Timeliness of transfers from higher level government

GAM's budget preparation process proceeds in the absence of any schedule from GoJ, and in each of the last three FYs, disbursements have not been received evenly or systematically.

Dimension Rating = D

HLG-1	Dimension	Score	Justification
Transfers from a higher level of government		D+	Scoring Method M1
HLG 1.1	Outturn of transfers from higher level government	A	Transfer were at least 95% of the original budget estimate in 2 of the last 3 years.
HLG 1.2	Earmarked grants outturn	NA	There were no earmarked grants in 2 of the 3 years covered by this assessment.
HLG 1.3	Timeliness of transfers from higher level government	D	There is no schedule and amounts are received unevenly and unsystematically.

Ongoing reforms:
No known reforms.

Pillar I. Budget reliability

PI-1 Aggregate expenditure outturn

This indicator measures the deviation between GAM's actual total expenditure and the originally approved budget over the last three completed fiscal years – 2014, 2015 and 2016, which, on one hand, reflects discipline in compliance with the originally approved budget, and on the other hand, demonstrates the city's ability to implement the budgeted expenditure. PEFA defines good practice, i.e. qualifying for the highest rating, as avoiding a deviation of more than $\pm 5\%$ in at least two of the last three years.

1.1 Aggregate expenditure outturn

It is important to contextualize this dimension as GAM's annual budget is prepared using Microsoft Excel spreadsheet; there is no medium-term expenditure framework even though annual budget is linked to the 5-year medium-term strategic plan. The budget is manually uploaded onto Oracle through the General Ledger, which could result in misclassifications and omissions, thereby affecting the outcome of budget execution and reporting. That notwithstanding, the Finance Department confirms that all financial data loaded unto Oracle is accurate. As shown in **Table 3.2** (results matrix) below, aggregate expenditure outturn when compared to the originally approved budget shows good fiscal discipline; the yearly deviations were 0.9%, 6.1% and 18.1% respectively for FY2014, FY2015, and FY2016 (the calculations for the Table are reported in **ANNEX 4A**).

Dimension Rating = B

Table 3.2: Comparison of Budget to Actual (primary expenditure, Dinar '000)

	2014		2015		2016	
	Original Budget	Exp outturn	Original Budget	Exp outturn	Original Budget	Exp outturn
Total city budget	291,248	288,638	335,838	315,332	388,433	317,943
Total exp deviation	0.9%		6.1%		18.1%	

Source: Budget Department/Financial Affairs Directorate - AFS

PI-1	Dimension	Score	Justification
	Aggregate expenditure out-turn	B	Scoring Method M1
	1.1 Aggregate expenditure out-turn	B	Aggregate expenditure outturn in two out of the last three completed fiscal years was between 90% and 110% of the originally approved budget; actual deviations were 0.9% in FY2014, 6.1% in FY2015 and 18.1% in FY2016.

Ongoing reforms:
No known reforms.

PI-2 Expenditure composition outturn

Where the composition of actual expenditure varies considerably from the original budget, the budget is unlikely to be a useful statement of policy intent. PI-2 is a tighter measure of budget discipline, as it measures how well expenditure can forecast at the vote level. The indicator has three dimensions, and measures the deviation in the composition of expenditure outturn compared to the originally approved budget. The originally approved budget reflects the GAM Council's decisions on the relative priority of resources in each function or socio-economic mandate: hence substantial variations between the outturn and the original budget suggest that the relative importance of functions has been undermined.

2.1 Expenditure composition outturn by function

Variance in expenditure composition is measured by multiplying the original budget for each function by the ratio of the aggregate expenditure outturn to the original aggregate budget, defined as for PI-1. The actual expenditure for each function is then deducted from the adjusted original provision. Finally, these absolute variances (whether positive or negative) are aggregated and compared with the total expenditure outturn.

Table 3.3: Comparison of Budget to Actual by function (Dinar '000)

Actual budgetary allocations by sector (JD '000)				
	FY 2015		FY 2016	
	Budget	Actual	Budget	Actual
Mayor of Amman		1,600	2,105	1,600
City Manager		130,863	143,513	137,965
Environment & Regions		54	2,285	151
Public Works		117,559	188,267	119,511
Agriculture Affairs		764	684	1,747
Finance & Administration		35,202	70,973	56,737
Social Development		595	935	935
Economic Development & Planning		30,200	22,097	30,095
Total	*	335,838	430,862	348,743

* This sectoral data was introduced **during** FY 2015

GAM's expenditure classification began to use a functional basis during 2015, and hence there is only one year's data available, which means that it is not possible to rate this dimension.

Dimension rating = D*

2.2 Expenditure composition outturn by economic type

GAM's annual budget is classified under economic category, including budgeted and actual expenditure on interest on debt: while there is no item for 'contingency', it can be rated in accordance with the PEFA framework – the calculations appear in **Annex 4A**, but in summary the variances were 2.5%, 7.6%, and, 25.1%.

Dimension rating = B

2.3 Expenditure from contingency reserves

This dimension is rated on the basis that there is no identified 'contingency' in GAM's annual budget, and hence no expenditure can be charged to it.

Dimension rating = A

PI-2	Dimension	Score	Justification
Expenditure composition outturn		D+	Scoring Method M1
2.1	Expenditure composition outturn by function	D*	A functional classification was introduced during FY2015, so there is insufficient data to rate the dimension, which requires '2 of the last 3 years'.
2.2	Expenditure composition outturn by economic type	B	The variances by economic category, were 2.5%, 7.6%, and, 25.1%.
2.3	Expenditure from contingency reserves	A	As there is no contingency reserve, expenditure cannot be charged to it.

Ongoing reforms:

No known reforms.

PI-3 Revenue outturn

This indicator uses two dimensions to assess the quality of revenue estimation: firstly, by comparing the aggregate revenue outturn compared to the amount in the budget originally approved by the GAM council; then secondly, by measuring the variance in the **composition** of the revenue: the larger the deviation, the lower the rating.

3.1 Aggregate revenue outturn

Three departments – budget, treasury (which includes the revenue unit) and executive management – develop revenue forecasts, generally based on historical collection data, adjusted in relation to current national growth rates (between 3% to 5% over the last three years) and factors such as inflation, rate of population growth, and global economic factors that have implications on national income levels. At present, GAM uses Excel spreadsheets for revenue projections. Assistance from the French Agency for Development (AFD) resulted in the development of a 10-year multi-year perspective in revenue forecasting on an annual rolling basis, a development from GAM's previous 5-year forecasting horizon.

As the aggregate revenue outturn was between 94% and 112% of the originally approved budget in two of the last three completed fiscal years a B rating is allocated (the calculations are reported in **ANNEX 4A** and summarized in **Table 3.4** below). According to GAM officials, the reduction between 2014 and 2015 (from 99.4% to 94%) was due to delays in transferring fuel levies by the central government. Also, the revenue shortfall in 2016 resulted from the anticipated Gulf grant not being disbursed as planned.

Table 3.4: Comparison of Budgeted & Actual Revenue (domestic revenue, Dinar M)

	2014	2015	2016
Total revenue deviation	99.4%	94.0%	83.1%
Composition variance	8.1%	18.9%	28.9%

Source: Financial Affairs Directorate

Dimension rating = B

3.2 Revenue composition outturn

GAM has seven main revenue sources; these are revenue from property taxes, levies and fines, returns on investments, central government grants, grants from foreign partners, interest on cash investments, income from the sale of land, and property leases. For the period under review (2014, 2015, and 2016) at least 83% of GAM's revenue has been generated through property taxes, levies and fines.

While the variance in revenue composition was more than 15% in FY2015 and FY2016, the variance in 2016 was exceptionally high at 28.9%, attributable according to officials to

the failure of central government to honor its obligations on fuel levies collected on behalf of GAM as well as Gulf-State grants not disbursed as planned. However, further analysis of the data reveals that revenues from property taxes, fines and levies exceeded budget by 4.5% whereas investment income fell short by 3.3% in 2014. In 2015, however, revenue from property taxes, fines and levies fell below budget by 11.2%.

Dimension rating = D

PI-3	Dimension	Score	Justification
Revenue outturn		C	Scoring Method M2
3.1	Aggregate revenue outturn	B	Aggregate revenue outturn compared to the originally approved budget was between 94% and 112% in two of the last three years; i.e. 99.4%, 94% and 83.1% in FY2014, 15 &16 respectively.
3.2	Revenue composition outturn	D	Composition variance were more than 15% in two of the last three years; actual variances were 8.1% in 2014, 18.9% in 2015 and 28.9% in 2016.

Ongoing reforms:

No known reforms.

Pillar II. Transparency of public finances

PI-4 Budget classification

This indicator uses a single dimension to assess the extent to which GAM's budget and accounts classification is consistent with international standards.

4.1 Budget and accounts classification is consistent with international standards

The Municipal Financial Bylaw 142/2016, requires GAM to prepare an annual budget in accordance with a specific format based on economic classification and the source of financing. Hence the budget is not classified in accordance with the Government Finance Statistic Manual (GFSM 2014)² – i.e. into administrative, functional, sub-functional, and programmatic components, while geographic classification is not applicable.

Table 3.5: Budget formulation, execution and reporting

Budget Classification	Formulation	Execution	Reporting
Administrative (Chapter)	No	No	No
Economic	Yes	Yes	Yes
Functional/sub-functional*	Yes	Yes	Yes
Programmatic	No	No	No
Geographic	NA	NA	NA

* Only since FY 2015

As mentioned above, economic classification is used for budget formulation, execution and reporting: however, reporting is also undertaken using a functional classification. Furthermore, while the budget formulation provides sufficient information on revenue and source of financing, self-generated revenue is a lump-sum amount without details. Expenditures in the proposed budget are classified into recurrent and capital.

Dimension rating = D

PI-4	Dimension	Score	Justification
	Budget classification	D	Scoring Method M1
	4.1 Budget classification	D	Budget formulation, execution, and reporting are not based on administrative and functional GFSM standards or a classification that can produce consistent documentation comparable with those standards.

Ongoing reforms:

No known reforms.

PI-5 Budget documentation

This indicator has one dimension to assess the comprehensiveness of the information provided by GAM management in the annual budget documentation presented to the Council and the Prime Minister's Office, measured against a specified list of basic and additional elements included in the last budget submitted, i.e. the FY2017 budget.

² GFSM classification provides a recognized international framework for the economic and functional classification of transactions, revenues and expenditures are broken down into four and three classification levels, respectively.

5.1 *The comprehensiveness of the information provided in the annual budget documentation*

In accordance with the Law on Municipalities (No.41/2015), the Council approves the general budget and annual budget, and while for all other municipalities in Jordan, this requires endorsement by the Minister of Municipalities, in the case of GAM, the Prime Minister approves the annual budget. **Table 3.6** provides a summary of the information contained in the annual budget proposal submitted to GAM Council and then to the Prime Minister for scrutiny and approval. As can be seen in the table, GAM complied with all four basic elements, while only three of the eight additional elements are met, and one is partially met) due to missing financial assets information in the budget proposal related to securities). *N.B. element number six not applicable to GAM.*

Dimension rating = B

Table 3.6: Budget documentation benchmarks

No.	Budget documentation benchmarks	Availability
Basic elements		
1.	Forecast of the fiscal deficit or surplus or accrual operating result.	Yes
2.	Previous year's budget outturn, presented in same format as budget proposal.	Yes
3.	Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes
4.	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates (Budget classification is covered in PI-4.)	Yes
Additional elements		
5.	Deficit financing, describing its anticipated composition.	Yes
6.	Macro-economic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	NA
7.	Debt stock, including details at least for the beginning of the current year presented in accordance with GFS or other comparable standard.	Yes
8.	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Partially met
9.	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	No
10.	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	No
11.	Documentation on the medium-term fiscal forecasts.	No
12.	Quantification of tax expenditures.	Yes

PI-5	Dimension	Score	Justification
	Budget documentation	B	Scoring Method M1
5.1	Budget documentation	B	Budget documentation contains all four basic and three of eight additional elements, while one is partially met, (element number six is not applicable to GAM).

Ongoing reforms:

GAM is in the process of preparing a medium-term budget for 2018-2020.

PI-6 *Sub-national government operations outside financial reports*

In principle, all Government operations using public finances should be included in budget reports to ensure transparency, public disclosure, more efficient allocation and use of the resources, as well as budget sustainability. This will be the case if the expenditure and revenue of extrabudgetary units and expenditure and revenue related to extrabudgetary activities of budgetary units are insignificant, or if such revenues and expenditures are included in the government financial reports and are submitted for evaluation in a timely manner.

6.1 *Expenditure outside financial reports*

To ensure budget credibility, all revenues and expenditures funded from own sources as well as from donors should be captured in the annual budget. This improves the strategic allocation of resources, the alignment of policy initiatives, and eliminates duplication; it also promotes coordination with and donors. It is GAM's policy not to implement donor projects without approval, especially for grants; should donors decide to pay directly for investment projects, GAM's approval is mandatory. Donors also provide reports of disbursements. Expenditures from loan-financed projects are by default included in the financial reports. At least 95% of expenditures from all donor funded projects and programs are captured in GAM's annual budget and financial reports.

Dimension rating = B

6.2 *Revenue outside financial reports*

Besides GAM's own revenues, at least 95% of grants from donor sources are reported in the budget and financial reports; the remaining 5% of revenue from donor sources relates to technical assistance directly paid for by donors. As elaborated in PI-6.1 above, the policy guidelines on donor-financed projects have contributed to ensuring and streamlining donor activities in GAM.

Dimension rating = B

6.3 *Financial reports of extra-budgetary units*

There are no extrabudgetary units which receive funding from GAM and hence ought to submit financial reports for consolidation. In addition, when there is a need for services to be provided by a third party, GAM receives the gross contract sum and makes payments to the service provider.

Dimension rating = NA

PI-6	Dimension	Score	Justification
	Sub-national government operations outside financial reports	B	Scoring Method M2
6.1	Expenditure outside financial reports	B	At least 95% of expenditures from all donor funded projects are captured in GAM's financial reports.
6.2	Revenue outside financial reports	B	At least 95% of revenues from all donor funded projects are captured in GAM's financial reports.
6.3	Financial reports of extra-budgetary units	NA	There are no extra-budgetary units receiving funding from GAM. For all third-party contracts, GAM receives gross amount and pays supplier or service provider the service cost.

Ongoing reforms:

No known reforms.

PI-7 Transfers to subnational governments

This indicator would be used to assess the transparency and timeliness of transfers from GAM to district governments that have direct financial relationships with it: however, while GAM is divided into districts for administrative purposes, these districts do not receive fiscal transfers from GAM.

7.1 System for allocating transfers

Dimension rating = NA

7.2 Timeliness of information on transfers

Dimension rating = NA

PI-7	Dimension	Score	Justification
	Transfers to subnational governments	NA	Scoring Method M2
7.1	System for allocating transfers	NA	There are no direct financial relationships between GAM and the Districts within it.
7.2	Timeliness of information on transfers	NA	There are no direct financial relationships between GAM and the Districts within it.

Ongoing reforms:

Not applicable.

PI-8 Performance information for service delivery

Good practice indicates that key performance indicators for the planned outputs and outcomes of programs or services financed through the budget are included in the executive's budget proposal and related documentation as well as in the year-end report, audit reports and performance evaluation reports, in order to promote greater operational efficiency in service delivery. Service delivery units should also know what resources they can expect to be available to enable them to discharge their responsibilities and achieve annual and medium-term performance targets as well as strategic sector objectives, and these are also measured.

8.1 Performance plans for service delivery

GAM has six sectors; namely:

- (i) Public works;
- (ii) Districts and environment;
- (iii) Health and agriculture;
- (iv) Community development;
- (v) Planning and economic development; and,
- (vi) Finance and administration.

Each of these service delivery sectors prepare long (10 years), medium (5 years) and short (3 years) term strategic plans with clear objectives and key performance indicators (KPIs). Both GAM's Council and the national legislature approve these plans. Annual action plans are developed from the 3-year short-term strategy with succinct linkages. Royal initiatives are also included in the strategic plans. One important feature during the preparation of GAM's strategic plans is the collaboration between GAM and the private sector as well as the community; this is necessary in order to ensure 'buy-in' of all stakeholders. GAM has a communication strategy; the strategy outlines modes of public information. Key among

them are publication on GAM's website, a weekly 4-hour radio program, constant interaction with all 22 district representatives on GAM's governing council, and community feedback mechanism through distribution of questionnaire. For instance, the launch of the 'Cave Tourist Project' was given media coverage and published on GAM's website. Each district representative receives a copy of the approved sector strategies, which contains KPIs classified according to each service sector; this is used to monitor implementation of planned activities and performance targets.

Dimension rating = A

8.2 *Performance achieved for service delivery*

The Strategic Planning Department monitors and evaluates projects and programs; it does so by measuring outcome against KPIs, using reporting templates developed to monitor progress. Monitoring is twofold: (i) financial, in collaboration with the finance, audit and budget departments, and (ii) monitoring physical progress. Financial monitoring considers approved project budget allocations, actual cash disbursements or cost to date, rate of absorption, unutilized budget, and the variance in terms of budget versus actual disbursements. Physical progress monitoring measures the rate of implementation by comparing target completion dates against actual completion dates, as well as the planned outcomes versus actual outcomes in terms of quality and standards. Project completion and performance reports are published at least annually on GAM's website according to each sector; district representatives also receive copies of completion reports.

Dimension rating = B

8.3 *Resources received by service delivery units*

This dimension measures the extent to which a system is in place to monitor if the service delivery units received the funds allocated to the sector/services as planned.

Even though a Public Expenditure Tracking Survey (PETS) has not been conducted in the last three fiscal years to track resource allocation to service delivery sectors, GAM's internal reporting framework provides a detailed account of all resources received both in cash and in kind. The information is reported in GAM's audited annual financial statements. For instance, donor contribution (grants) in cash and in kind amounted to JD 1.1 M in FY2015. The Royal Initiative on public parks in Amman donated toys and gaming equipment to GAM; these were received and recorded into the stores ledger, and distributed to designated parks.

Dimension rating = B

8.4 *Performance evaluation for service delivery*

This dimension assesses the extent to which the design of service delivery programs and the efficiency and effectiveness of those programs is assessed in a systematic manner through independent performance evaluations. The Excellence Department in GAM is responsible for internal monitoring and evaluation of projects and performance standards for service delivery across all sectors. The institutional framework for M&E includes collection of feedback from citizens through questionnaires; this has proven to be very useful. The Audit Bureau also undertakes performance audits and publishes its reports. Projects and programs funded by development partners have a mandatory external evaluation system as part of the contract terms; for instance, the Bus Rapid Transit (BRT) funded by the *Agence Francaise de Developement (AfD)* has an external evaluator for monitoring and evaluating progress of project; the report is published.

Dimension rating = A

PI-8	Dimension	Score	Justification
Performance information for service delivery		B+	Scoring Method M2
8.1	Performance plans for service delivery	B	Each of the five service delivery sectors in GAM prepares long, medium and short-term strategies with key performance indicators; these are published on GAM's website according to each sector. Each of the 22 representatives on GAM's governing council also receives copies for dissemination at the district level.
8.2	Performance achieved for service delivery	B	Project completion and performance reports are published at least annually according to each service sector. Each district representative on GAM's council also receives copies of completion and performance reports.
8.3	Resources received by service delivery units	B	Information on resources (both cash and kind) received by GAM service sectors is recorded and reported in the audited annual financial statements.
8.4	Performance evaluation for service delivery	A	External performance evaluations are carried out by the Audit Bureau, the Excellence Department and other independent evaluators; the reports are made public.

Ongoing reforms:

No known reforms.

PI-9 Public access to fiscal information

Good practice requires ready public access to key fiscal information. This indicator assesses the public access to information about different aspects of budget performance, as a measure of fiscal transparency. The PEFA framework lists nine elements of fiscal information, of which five are considered 'basic' and four are 'additional' elements. The scoring is based on assessment of public access (through appropriate means such as websites, billboards, notice boards, etc.) to the number of the above information elements.

9.1 The comprehensiveness of fiscal information available to the public

GAM has an official website for publishing public information. However, current practice only fully complies with one of the five 'basic' elements of the assessment criteria, (the annual budget execution report) and meets two of the four additional elements. **Table 3.7** below analyses the type of fiscal information made available to the public through appropriate means and in a timely manner.

Table 3.7: Public access to key fiscal information

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
Basic elements			
1.	Annual Executive Budget Proposal documentation: A complete set of executive budget proposal documents (as assessed in PI-5) is available to the public within one week of the executive submitting them to the legislature.	No	Annual Executive Budget proposal is not provided to the public by the GAM
2.	Enacted Budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law	No	Enacted budget is not published by the GAM after being approved by the Prime Minister
3.	In-year budget execution reports: The reports are routinely made	No	No in-year budget execution reports are made available to the public

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
	available to the public within one month of their issuance, as assessed in PI-27		
4.	Annual budget execution report: The report is made available to the public within six months of the fiscal year's end	Yes	GAM publishes comprehensive final accounts showing budget of 2 previous years compared to actual.
5.	Audited annual financial report, incorporating or accompanied by the external auditor's report: The report(s) are made available to the public within twelve months of the fiscal year's end	No	GAM does not publish annual financial statements by the external auditors (GAM is subject to two audits, by the Audit Bureau, and also by a private audit firm.
Additional elements			
6.	Summary of the Budget Proposal: A clear, simple summary of the Executive's Budget Proposal or the Enacted Budget accessible to the non-budget experts, often referred to as a 'citizens' budget', and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the Executive Budget Proposal's submission to the legislature and within one month of the budget's approval	No	Abridged budget known as the citizen's budget is not yet produced.
7.	Information on services provided to the community by the GAM from all funding sources	Yes	GAM publishes comprehensive information on services provided to the community.
8.	Information on fees, charges, and taxes that belong to the GAM	Yes	GAM publishes all information related to fees, charges, and taxes.
9.	Other external audit reports: All non-confidential reports on central government consolidated operations are made available to the public within six months of submission	No	GAM appoint annually a private audit firm to audit its financial statements, which is not required by law: the report is not published by GAM

PI-9	Dimension	Score	Justification
Public access to fiscal information		D	Scoring Method M1
9.1	Public access to fiscal information	D	Currently, citizens have full access to only one basic and 2 additional benchmarks.

Ongoing reforms:

GAM is planning to publish annual budgets, citizen's budgets, financial reports, and audited financial statements on the website.

Pillar III. Management of assets and liabilities

PI-10 Fiscal risk reporting

This indicator measures the extent to which fiscal risks to the city are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of district governments or public corporations, and contingent liabilities from the city’s own programs and activities, including extrabudgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters.

10.1 Monitoring of public corporations

This dimension assesses the extent to which information on the financial performance and associated fiscal risks of the city’s public corporations is available through audited annual financial statements. As GAM does not have any direct responsibility for any public corporations, this indicator is ‘Not Applicable’.

Dimension rating = NA

10.2 Monitoring of subnational governments

As there are no sub-national **governments** beneath GAM, this indicator is ‘Not Applicable’.

Dimension rating =NA

10.3 Contingent liabilities and other fiscal risks

Up to the last completed fiscal year, GAM does not have any kind of contingent liabilities, therefore, no report is produced.

Dimension rating = NA

PI-10	Dimension	Score	Justification
Fiscal risk reporting		NA	Scoring Method M2
10.1	Monitoring of public corporations	NA	GAM does not have direct responsibility for any public corporations
10.2	Monitoring of subnational governments	NA	There are no sub-national governments beneath GAM.
10.3	Contingent liabilities and other fiscal risks	NA	There are no contingent liabilities to report on: however, current developments in transportation will mean that in future, ‘PPP’ arrangements will need to be considered.

Ongoing reforms:

No known reforms.

PI-11 Public investment management

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects, with an emphasis on the largest and most significant projects. Good practice requires that appraisals are conducted according to national guidelines, the analyses are reviewed by an entity other than the sponsoring entity, and that the results are published.

GAM's public investment management framework is strong; it won international recognition with the World Council on City Data – Platinum Level ISO 37120 in 2014. Presently, the Public Works Department is staffed with competent personnel; however, it appears there is sustainability plan to ensure continuity should current staff vacate their post.

11.1 *Economic analysis of investment proposals*

The PEFA Framework defines “major investment projects” as those where the total investment cost of the project amounts to 1% or more of total annual budget expenditure and the project is among the largest 10 projects (by total investment cost) for each of the five largest government units, measured by the units’ investment project expenditure. **Table 3.8** below uses this definition to highlight the five largest current projects.

The Works Department of GAM is responsible for critically analyzing investment proposals, although the analysis seems to be less rigorous for those initiated by His Majesty the King. The public investment technical team is comprised of staff from the Works Department, the Operations Department and the Budget Department. Investment proposals are analyzed in line with investment guidelines developed by GAM; the guidelines provide institutional content among others, including project approval process, private sector and community involvement and project impact evaluation. The institutional framework supporting economic analysis of investment projects is twofold: first, His Majesty initiates projects of interest; and second by community necessity, in line with GAM's medium-term strategic plans where questionnaires are distributed to assess the socio-economic impact. Investment projects emanating from the Royal Court are mandatory and hence are budgeted for. Those from communities and the strategic plan undergo rigorous economic analysis to ensure they fit into the overall medium-term strategy, taking into consideration GAM's fiscal space, staff capacity to undertake, monitor and implement projects, and most importantly the overall public interest irrespective of whether investment is economically profitable or not. Further, proposed projects will have to be prioritized based on GAM's financial position and overall public interest. Even though GAM is administratively and financially independent of central government, project appraisals are undertaken in consultation with the Ministry of Public Works, and the final review and approval rests solely with the Prime Minister. The results of the economic analysis of investment projects are published, first by informing each of the 22 community representatives on GAM's council, and second through media engagements spearheaded by the Mayor as well as GAM's website.

Dimension rating = B

11.2 *Investment project selection*

Project prioritization and selection is based on established guidelines. Three key criteria underpin project prioritization and selection; these are:

- Desirability – project(s) must be in line with overall GAM's medium-term strategic plan; must be of institutional relevance as well as provide support to both public and private sectors;
- Achievability – this looks at the project deliverability, funding mechanisms and other environmental constraints and challenges;
- Viability – cost implications and mainstream revenue-generating potentials, management implications, financial sustainability and project economic impact. More importantly, the overall public interest overrides economic benefit.

Another key feature in project selection process is the use of PESTEL analysis module: the analysis examines the political, economic, social, technological, environmental and legal implications of undertaking such projects. In addition to the above, project feasibility study is also conducted to examine the strengths, weaknesses, opportunities and threats (SWOT) with regards to proposed project(s). Furthermore, public engagement remains vital in project selection; the selection framework allows for the distribution of a questionnaire to citizens to gauge their general perception and overall impact. These are all prior considerations before projects are included in the annual budgets.

Dimension rating = B

11.3 *Investment project costing*

Good practice requires that budget documentation includes medium-term projections of investment projects on a full-cost basis and the budget process for capital and recurrent spending is fully integrated. Sound budget management requires the preparation of comprehensive and forward-looking project budget plans for capital and recurrent costs over the life of the investment. Projections of recurrent cost implications from projects are needed to plan and incorporate these costs into budgets going forward.

Comprehensive project costings consider both investment costs and the linked recurrent expenditure, and cost-benefit analysis including critical sensitivity analysis is used, which considers both public and private interests. Costings should also ascertain affordability and cash flow implications in relation to the available fiscal space for current and ongoing projects funded by the budget, and whether the stress test in terms of external borrowing provides a credible measure for further borrowing. Evidence produced by GAM officials relating to the five largest current projects (shown in **Table 3.8**, below) indicates that whereas total project capital costing is undertaken by the Studies and Designs Department and included in the budget, recurrent forward linked expenditures are not estimated. In addition, the budget estimate is done annually, since the budget does not have a multi-year perspective. That said, road construction projects have an exceptional criterion, requiring a two-year maintenance contract to be included in the original contract terms.

Table 3.8: Summary of Five Largest Approved GAM Projects JDs Billions)

Name of Project	Capital Cost	Forward Linked Recurrent Cost				Total
		Dec 2016	Dec 2017	Dec 2018	Dec 2019	
Construction of intersection	15,174,522	0	0	0	0	15,174,522
Construction of cell 4 at landfill site- Gabawi	7,183,670	0	0	0	0	7,183,670
Construction of biogas recovery plant	12,108,336	0	0	0	0	12,108,336
Bus Rapid Transit project	232,400,000	0	0	0	0	232,400,000
Construction of King Abdallah Gardens Park	9,170,469	0	0	0	0	9,170,469
TOTAL						276,036,997

Source: GAM Accounting Department – Financial Affairs Directorate

Dimension rating = C

11.4 *Investment project monitoring*

The Project Management & Monitoring Unit is responsible for monitoring and evaluating project implementation. The functions of this unit are three-fold: (i) project planning; (ii) project execution or implementation; (iii) project completion or closure. At the planning stage, the unit develops a project schematic implementation framework indicating the various stages of project implementation from commencement to completion. The execution stage involves field visits to track actual project implementation and compare outcomes with planned implementation schedule, to analyze deviations and reasons therefor. The unit uses in-house templates both for financial reporting and tracking physical progress. The closure stage is arduous since all defects should be identified, reported and corrected prior to signing off. During all three stages, monthly and quarterly financial and progress reports are prepared for management, although these are not made public. That said, project completion reports are published on GAM's website; also, each of the 22 representatives on GAM's council are notified and are expected to inform their constituents. The financial reports assess the financial absorption rate including variance analysis to ascertain budget execution levels. The progress reports examine the level of completion compared with planned implementation schedule.

Dimension rating = C

PI-11	Dimension	Score	Justification
Public investment management		C+	Scoring Method M2
11.1	Economic analysis of investment proposals	B	Most projects economically appraised by GAM are reviewed and approved by the Prime Minister prior to selection and implementation; the results of their socio-economic impact are published. However, projects emanating from the Royal Court do not undergo the same rigorous economic analysis.
11.2	Investment project selection	B	Most major projects are prioritized and selected for inclusion into the annual budget based on set guidelines. The selection standards include the PESTEL analysis module and distribution of questionnaires to communities to solicit views.
11.3	Investment project costing	C	Whereas both investment cost and recurrent forward linked expenditure projections are made, their inclusion in the budget is only annual, as there is no multi-year budget.
11.4	Investment project monitoring	C	Cost of investment projects as well as physical progress are monitored monthly and quarterly with the production of financial and progress reports to management; completion reports are published except for monthly and quarterly progress reports.

Ongoing reforms:

No known reforms.

PI-12 Public asset management

The assessment of this indicator focuses of the quality and comprehensiveness of a register covering GAM's financial and non-financial assets, and the legal and administrative framework governing the disposal of these assets. It has three dimensions.

12.1 Financial asset monitoring

GAM has equity investments in seven corporations (both public and private), all in Jordan and managed by the Treasury Department: they are listed in **Table 3.9**, below. At December 30, 2016, total equity investments at cost stood at JD 18.2 M (equivalent to USD 25.6 million), with total number of shares currently standing at 11.4 million from initial total shares of 15.4 million, the current market value of which is JD 14.1 M. Whereas GAM maintains and updates investment records indicating the name of the company invested in, the number of shares, the historical cost, the movement in equity, the market share price and the dividend yield, the report is not publicized nor included in the annual audited financial statements. The 2014 audited financial statements report total investment revenues of JD 0.6 M; further evidence from the Treasury Department indicates that six of the seven companies are either not profitable or did not declare dividends.

Table 3.9: Entities where GAM has a financial Interest

Name of Company	No of Shares held by GAM	Unit Share Price (JD)	Total Value (JD)
Electricity company	1,933,057	2.38	4,600,676
Jordan Diary	9,000	2.48	22,320
Comprehensive Multiple Transportation PLC	650,000	1.00	650,000
Deadsea for Real Estate and Tourism	4,708,000	1.00	4,708,000
Community & Village Development Bank (CVDB)	3,827,938	1.00	3,827,938
Jordan Bio Gas	250,000	1.00	250,000
Amman International Marathon Company	8,750	1.00	8,750
Total			14,067,684

Dimension rating = C

12.2 Nonfinancial asset monitoring

Although GAM does not maintain a comprehensive register of fixed assets, it does keep records of both vehicles and office furniture (using in-house asset management software). The internal policy guideline for asset capitalization is based on purchase price of JD 300 and above; anything below is expensed.

In 2007, as part of measures to improve fixed asset management, GAM purchased Oracle software to comprehensively record, account and manage all its fixed assets: however, this has not yet been activated; only records of vehicles and office furniture are captured on an excel spreadsheet with information on date of purchase, historical cost, location of asset, condition of asset, asset life span, method of depreciation, annual and accumulated depreciation, and the net book value. Officials have indicated their commitment to resume the asset valuation exercise to include land, roads, buildings, and all other immovable property and ensure its completion by end of 2017.

Dimension rating = D

12.3 Transparency of asset disposal

The management of asset transfer and disposal is governed by the GAM Suppliers' Byelaw 153/2016, Article 26 of which outlines the approval processes prior to asset disposal or transfer. Under sub-section 1, the Mayor must approve initial proposal to dispose asset. The setting up of a committee to evaluate the recommended assets to be disposed is also outlined in Article 34; the evaluation committee shall consist of five members from GAM's Board of Directors. Subsection 3 of Article 26 delineates public auction as the default method of asset disposal; further, bidding process must be transparent and allow fair competition. Article 28 mandates GAM to advertise all assets to be disposed or transferred in both print and electronic media. The advertisement notifies the public of the date and venue of the public auction and place proposal in sealed and stamped envelopes. According to Article 29, private successful bidders must make payments in cash to Collection Department/Financial Affairs Directorate and present payment slip to Procurement Department in order that the asset transfer and change of ownership processes be completed. For government and/or state owned successful bidders, payments are effected through government payment procedures. Information on proceeds from the sale of fixed assets is disclosed in the annual audited financial statements even though not comprehensively to include names of successful bidders; proceeds from disposal amounted to JD 5.7 M (proceeds from sale of land – JD 5.4 M and sale of supplies – JD 0.3 M).

Dimension rating = C

PI-12	Dimension	Score	Justification
	Public asset management	D+	Scoring Method M2
12.1	Financial asset monitoring	C	GAM maintains and updates all equity investments in both public and private companies in an internal report, but this is not made public nor included in the AFS.
12.2	Nonfinancial asset monitoring	D	GAM does not maintain a comprehensive fixed asset register; however, records of vehicles and office furniture are maintained.
12.3	Transparency of asset disposal	C	Suppliers Byelaw specifies procedures for disposal of fixed assets; information on sale proceeds is provided in the audited AFS, but does not indicate the names of new owners.

Ongoing reforms:

GAM has engaged the services of Deloitte to undertake a comprehensive asset valuation, accounting and recording as part of measures to improve non-financial asset management; however, the process remains to be completed.

PI-13 Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. There are three dimensions: 13.1 assesses the integrity and comprehensiveness of reporting GAM's debt (both domestic and foreign debts as well as guarantees including PPPs); 13.2 measures the legal and regulatory framework governing approval of loans and guarantees; and, 13.3 assesses the medium-term debt strategy.

13.1 Recording and reporting of debt and guarantees

Good practice requires full information to be available about all government debt (including debt guaranteed by government), with accuracy ensured by monthly reconciliations between data sources. In GAM, debt management is part of the Treasury function, under the management and supervision of the head of treasury. Both domestic and foreign debts are recorded using Microsoft Excel spreadsheets, detailing the creditor, the year the loan was contracted, the loan principal and interest, and the duration of loan repayments. Nonetheless, the debt report fails to provide statistical analysis of borrowing implications on GAM's finances. Information provided by GAM Treasury reveals a total loan portfolio of JD 408.3 M³ as at September 2016 with a total debt servicing cost of JD 107.8 M⁴, representing a weighted average of 26.4% of the principal loan amount – a very high interest-to-principal ratio, more than a quarter of the principal amount. In addition, there is also a running overdraft facility with two commercial banks – Housing Bank and Cities and Villages Development Bank; this stood at JD 28.2 M⁵ as at 24th October 2016. Both domestic and foreign debts are recorded, reconciled and updated at least annually; the information on debt is published annually and is available at inter-departmental level.

There is no information on PPPs. As for guarantees, GAM does not guarantee loans for any institution, whether fully or partially owned.

Dimension rating = C

13.2 Approval of debt and guarantees

Good practice envisages that a single Government entity will be responsible for approving the contracting of all loans and the issue of all guarantees, and that the borrowing policy will be implemented within a framework which establishes transparent limits on outstanding debt which are consistent with the government's fiscal targets.

GAM's authority to borrow is provided for under Article 17 of the Municipalities Law 2015 - Law No.41/2015. It states that municipalities may borrow from any institution provided the Minister responsible (in this case the Prime Minister) grants the authority to do so, having fulfilled all loan appraisal conditions in terms of economic viability, purpose of loan, interest and repayment schedules, among others. Further, the law stipulates that the Council of Minister's approval may be sought where necessary in terms of providing sovereign guarantee to lenders. In practice, these legal provisions have been adhered to; central government through the Ministry of Finance guarantees loans contracted by GAM. Each

³ Equivalent to US 574 million

⁴ Equivalent to US 152 million

⁵ Equivalent to US 40 million

year, as part of the budget preparation process, borrowing proposals are submitted to the Prime Minister for approval following internal (GAM) scrutiny and approval processes. Where there is the need for additional financing, a request is forwarded to the Prime Minister for final approval. Policy guidelines leading to the promulgation of PPP legislative instrument are not yet in place but planned for in the future. All ODA loans to GAM are managed and included in the national debt, and treated as grants to GAM.

Dimension rating = B

13.3 *Debt management strategy*

A medium-term debt management strategy may produce reduced borrowing costs and better repayment terms with creditors, as well as providing a better cash flow management framework. At present, GAM does not prepare such a strategy; however, annually as part of the annual budget, it submits borrowing proposals to the Prime Minister, which serves as a debt ceiling. Further to this, projects requiring additional financing that have been scrutinized and approved by GAM's Council during the year are forwarded to the Prime Minister for final authorization and approval prior to signing loan agreement.

Dimension rating = D

PI-13	Dimension	Score	Justification
Debt management		C	Scoring Method M2
13.1	Recording and reporting of debt and guarantees	C	Both domestic and foreign debts are recorded and reconciled at least annually; however, information on GAM's debt is not publicly available.
13.2	Approval of debt and guarantees	B	Approval to borrow rest solely with the Prime Minister; reports on loans are also forwarded to the Prime Minister.
13.3	Debt management strategy	D	GAM does not prepare a medium-term debt management strategy; however, it appears an informal mechanism exist in managing its debt portfolio.

Ongoing reforms:

No known reforms.

Pillar IV. Policy-based fiscal strategy and budgeting

PI-14 *Macroeconomic and fiscal forecasting*

This indicator measures the ability of a government or city to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations.

14.1 *Macroeconomic forecasts*

GAM has a Strategic Financial Plan which covers a three-year period and is updated annually. The latest plan was developed by the Team comprising the City Manager and Deputies and covers the 2015-17 FYs, and is shared with the GAM Council for information, as GAM is autonomous. However, the data in the plan doesn't include all macroeconomic indicators.

Dimension rating = D

14.2 *Fiscal forecasts*

In accordance with Municipal Law, forecasts of key fiscal indicators, including revenue, expenditure and budget balance are produced, but for the coming fiscal year only.

Dimension rating = D

14.3 *Macrofiscal sensitivity analysis*

GAM did not prepare and publish any analysis of macro-fiscal sensitivity and external factors that may affect revenue, expenditure and debt.

Dimension rating = D

PI-14	Dimension	Score	Justification
	Macroeconomic and Fiscal Forecasting	D	Scoring Method M2
14.1	Macroeconomic forecasts	D	GAM prepares Strategic Plans covering 3-year periods, but these do not contain key macroeconomic indicators.
14.2	Fiscal forecasts	D	Medium-term and long-term fiscal forecasts are not prepared: currently, GAM prepares fiscal forecast for the budget year only.
14.3	Macrofiscal sensitivity analysis	D	GAM does not prepare analysis of macro-fiscal sensitivity and external factors that may affect revenue, expenditure and debt.

Ongoing reforms:

GAM is in the process of preparing medium term budget for 2018-2020.

PI-15 *Fiscal Strategy*

This indicator provides an analysis of the capacity of GAM to develop and implement a clear fiscal strategy, as well as its ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of fiscal goals.

Good practice requires a government/city council to prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years, which are submitted to the Council. GAM, in accordance with current legislation (which applies to all Municipalities, regardless of size), has a Strategic Plan and this includes projections of capital projects.

15.1 *Fiscal impact of policy proposals*

Estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years are not made.

Dimension rating = D

15.2 *Fiscal strategy adoption*

Not yet available, no evidence produced on such strategy.

Dimension rating = D

15.3 *Reporting on fiscal outcomes*

This dimension assesses the extent to which the GAM makes available – as part of the annual budget documentation submitted to the Council – an assessment of its achievements against the stated fiscal objectives and targets: this is not done at present.

Dimension rating = D

PI-15	Dimension	Score	Justification
Fiscal Strategy		D	Scoring Method M2
15.1	Fiscal impact of policy proposals	D	Estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years are not made.
15.2	Fiscal strategy adoption	D	Fiscal strategy is not yet developed.
15.3	Reporting on fiscal outcomes	D	Fiscal strategy is not yet developed.

Ongoing reforms:

No known reforms.

PI-16 *Medium-term perspective in expenditure budgeting*

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans.

16.1 *Medium-term expenditure estimates*

Medium-term expenditure estimates are not yet prepared.

Dimension rating = D

16.2 *Medium-term expenditure ceilings*

Medium-term expenditure estimates are not yet prepared.

Dimension rating = D

16.3 *Alignment of strategic plans and budgets*

Medium-term strategic plans are not yet prepared.

Dimension rating = D

16.4 *Consistency of budgets with previous year estimates*

As medium-term expenditure estimates are not yet prepared, this dimension cannot be rated.

Dimension rating = NA

PI-16	Dimension	Score	Justification
Medium-term perspective in expenditure budgeting		D	Scoring Method M2
16.1	Medium-term expenditure estimates	D	Medium-term expenditure estimates are not yet prepared.
16.2	Medium-term expenditure ceilings	D	Medium-term expenditure estimates are not yet prepared.
16.3	Alignment of strategic plans and medium-term budgets	D	Medium-term expenditure estimates are not yet prepared.
16.4	Consistency of budgets with previous year estimates	NA	As medium-term expenditure estimates are not yet prepared, this dimension cannot be rated.

Ongoing reforms:

GAM is in the process of preparing medium term budget for 2018-2020.

PI-17 Budget preparation process

This indicator assesses the budget formulation process that allows for an effective top-down and bottom-up participation of budget agencies, including their political leadership. It also assesses the extent to which the annual budget preparation process supports the linking of the draft budget to public policy objectives. Dimensions (i) and (ii) are assessed using the last budget submission, for FY2016. Dimension (iii) is assessed using the last three approved budgets: i.e. the FY 2015, 2016, 2017.

17.1 Budget calendar

GAM follows the municipalities financial Law related to budget preparation. Though the Law does not provide for a detailed not go into detail regarding the budget calendar, it specifies only that that the deadline to submit the final budget to the Mayor is the end of September. Thus there is a clear annual budget calendar that guides the preparation and submission of the annual budget. The budget circular issued in July asked for budget proposals to be submitted by each sector within a month, identifying priority areas for the forthcoming year, line with the Strategic Plan 2020 (which covers a five-year period). The circular contains clear timelines for each of the six sectors to follow, and the process then requires aggregation from each sector into departments.

Table 3:10: Budget calendar and timeline at subnational level

Timetable	Actions
July	Circular issued
July-Aug:	Draft budget proposal from departments
Aug. 20 –	Comments from Financial Affairs Directorate on budget proposals.
By mid Sept.	Negotiation on draft budget between Financial Affairs Directorate, DPI with departments and districts.

Dimension rating = B

17.2 Guidance on budget preparation

Budget formulation in the various sectors follows guidance issued by the Financial Affairs Directorate on recurrent and capital expenditures, but there are no budget ceilings for each department/sector. The process is cumulative, from sectors to Departments, to Budget, to strategic planning, to the Board, and is then submitted to the Prime Minister.

Dimension rating = D

17.3 *Budget submission to the legislature (Council)*

The GAM Council formally received the proposed budget in November in each of the last three financial years. The Deputy City Manager for Financial Affairs provides the estimated budget to the Financial Planning Committee during Oct/Nov for informal discussions. The budget formulation calendar (see 18.3, below) shows that time is allowed for discussions on estimated budget by the Council, which started in October.

Dimension rating = C

PI-17	Dimension	Score	Justification
Budget preparation process		C	Scoring Method M2
17.1	Budget calendar	B	The budget circular issued in July contains clear timelines for each of the six sectors to follow, and asked for proposals to be submitted within a month, identifying priority areas for the forthcoming year, line with the Strategic Plan 2020.
17.2	Guidance on budget preparation	D	Budget is prepared based on the detailed proposals of sectors and departments, but ceilings are not provided.
17.3	Budget submission to the legislature	C	The annual budget proposal was submitted to the Council in November.

Ongoing reforms.

There is a draft law under discussion which will reflect the 'special' status of GAM, which is currently treated in the same way as any other municipality in the country.

PI-18 *Legislative scrutiny of budgets*

This indicator assesses the legislative scrutiny and debate of the annual budget law as described by the scope of the scrutiny, the internal procedures for scrutiny and debate and the time allocated to that process, in terms of the ability to approve the budget before the commencement of new FY.

18.1 *Scope of budget scrutiny*

Good practice envisages that the legislature will be able to have an impact on the Government's fiscal policy proposals, the medium-term budget framework, medium-term budgetary priorities, and budget revenue and expenditure estimates, through its scrutiny and discussion of the budget proposals.

At the subnational level, legislative scrutiny refers to the relevant assembly, council, or equivalent body (and not to the national or federal parliament)⁶. The Municipalities law (No. 41 of 2015) requires the GAM Board (membership of which is set by the Council of Ministers) to performed this scrutiny. Within GAM, the Council is composed of the heads of the local councils attached to it (75% of its members) and the rest are assigned by the Prime Minister. The Prime Minister designates the Mayor amongst the council members based on the recommendation of the Minister. The Council is composed of 42 members including the Mayor: two thirds are elected by the people and one third appointed by the Council of Ministers, to represent government departments. They are elected/ appointed every 4 years, with the last elections/ appointments held on September 8, 2013.

GAM has administrative and financial independence. The City Manager has the responsibility of preparing the annual budget, while the Council has the responsibility of approving it and have it endorsed by the Prime Minister.

⁶ SNG PEFA Guide October 2016

The various departments within GAM submit their budgets to the budget department (in the Financial Affairs Directorate), according to the financial planning methodology guideline. The budget is consolidated and submitted for review and adjustment by the Finance Committee, and is then submitted to the Council for approval.

Table 3.11: Budget calendar and the timeline at subnational level

Timetable	Actions
July	Circular issued
July-Aug:	Draft budget proposal from departments
Aug. 20 –	Comments from Financial Affairs Directorate on budget proposals.
By mid Sept.	Negotiation on draft budget between Financial Affairs Directorate and different sectors and departments

The Council's review of the budget covers details of expenditure and revenue for the budget year. This includes the overall amounts allocated for investment projects, the estimated revenues and their sources, the estimated expenditures, and the budget deficit or surplus. The budget does not include medium or long term fiscal priorities or forecasts. The Council does not analyze the investment budget in detail, but rather the total amount allocated to it. It does review some fiscal policies, but on an ad-hoc basis.

Dimension rating = C

18.2 *Legislative procedures for budget scrutiny*

The Municipalities law makes the Council responsible for preparing strategic plans, developing programs for sustainable development, approving the budget, and many other tasks. Procedures for budget scrutiny and budget hearings are set in the financial planning methodology guideline and are followed. The Mayor issues a circular in July each year to the City Manager, sector deputy managers, and executive directors to provide their financial needs based on the GAM strategic plan and operational plan previously approved by the Council. The Council can approve a supplementary budget. The Financial Planning Committee is the standing committee tasked with scrutinizing the budget and GAM's fiscal policies. It submits its recommendations to the Council. The Audit Bureau is invited to the budget review meeting but usually does not attend to avoid any conflict of interest.

The GAM budget is usually discussed over several meetings of the Council and committees, which are public: announcements of their timing and agenda are visibly posted in GAM. Citizens can attend if they have a specific case related to items on the agenda, although decisions are made in closed sessions.

Dimension rating = C

18.3 *Timing of budget approval*

Financial regulations under the Municipalities' Act (41/2015) require the annual budget to be submitted to the Prime Minister one month before the beginning of the year. The Council has to review, approve and submit to the Council of Ministers by November of each year and thus one month before the end of the year.

Table 3.12: Budget Submission to Council and Adoption (2014-2016)

Budget Year	Draft Budget Submitted to Council	Budget Adopted by Council
2014	30/12/2013	30/12/2013
2015	31/12/2014	31/12/2014
2016	25/11/2015	25/11/2015

Table 3.12 above demonstrates that the GAM budget has been approved before the start of the financial year in each of the last three FYs.

Dimension rating = A

18.4 *Rules for budget adjustments by the executive*

PEFA defines good practice as requiring clear rules limiting the government's power to make in-year budget amendments without the prior approval of the legislature. The Council can reallocate funds between operating budget chapters and articles if the allocated funds were not utilized, with the approval of the Prime Minister. While the Council has the right to make a supplementary budget in September, if there is a significant and unexpected change in economic circumstances or national priorities, no supplementary budgets have yet been presented.

The financial bylaws do not permit budget allocations to be exceeded, and there are clear rules that allow administrative reallocations: while these may be extensive, the rules are adhered to in most instances.

Dimension rating = B

PI-18	Dimension	Score	Justification
Legislative scrutiny budgets		C+	Scoring Method M1
18.1	Scope of budget scrutiny	C	The Council's review covers details of expenditure and revenue.
18.2	Legislative procedures for budget scrutiny	C	budget proposals are reviewed by the financial Planning Committee of the Council in advance of budget hearings and are adhered to.
18.3	Timeliness of budget proposal approval	A	The Council's has approved the annual budget before the start of the year in each of the last three fiscal years.
18.4	Rules for budget adjustment by the executive	B	Clear rules exist for in-year budget adjustments by the executive, and are adhered to in <i>most</i> instances. Extensive administrative reallocations may be permitted.

Ongoing reforms:

There is a draft law under discussion which will reflect the 'special' status of GAM, which is currently treated in the same way as any other municipality in the country.

Pillar V. Predictability and control in budget execution

PI-19 Revenue administration

This indicator assesses the compliance of revenue agencies to prescribed rules and regulations.

19.1 Rights and obligations for revenue measures

GAM collects broadly two types of revenues: firstly, are 'Own Source' revenues, which are collected and are available for its use, and secondly, revenues that GAM collects on behalf of other agencies – either as part of GAM's mandated responsibilities or for a pre-determined collection charge (currently 15% of the amount collected).

Table 3.13 Revenues collected by GAM on behalf of other agencies and the collection charges

Revenue Item	Transferred to	Collection Charge
Sales Tax Deposits	Taxes Department	0%
Income Tax Deposits	Taxes Department	0%
Traffic fines for municipalities outside Amman	Other Municipalities	15%
Property Tax	Ministry of Finance	0%
Sewage Tax	Ministry of Finance	0%
Stamps Fees	Ministry of Finance	0%
Property Tax for other Municipalities	Other Municipalities	15%

The collection of revenue is in accordance with the provisions of the Law on Municipalities (Law #14 of 2015). According to Section 16 of this Law, "Taxes, fees and any other funds imposed in the interest of the municipality shall be collected by the council, local council, government, or contractors or agents that are contracted for this purpose according to provisions of this Law". The Tax collection function is managed by the Revenue Collection Department within GAM which reports to the Deputy City Manager (Financial Affairs Directorate). For the past three years, GAM has followed a highly citizen centric approach to revenue collection. Taxpayers are sent monthly invoices on time on their tax obligations. Citizens can check their tax dues and payment status online in the GAM website. Staff teams were constituted to carry out citizen outreach activities with the objective of informing citizens on the importance of timely payment of their tax dues. Brochures and notices are distributed to citizens to create awareness of the importance timely tax payment. Several measures to simplify the process of tax payment were introduced such as e-payment systems, and payment kiosks in supermarkets/malls.

GAM, in accordance with Property Law (11/1954), has put in place a two-step system for citizens who have grievances and complaints on tax assessments. At the first level, there are 36 committees, each with three members (including one citizen representative). At the second level, there is a three member 'Appeals Committee' (including one citizen representative) that is empowered to receive appeals on the decision of the first level Committee and take a decision.

Dimension rating = A

19.2 Revenue risk management

GAM follows a consistent approach to monitoring revenue collection. The Revenue Collection Department (RCD) prepares a monthly spreadsheet of actual revenue collected disaggregated into each revenue source and identifies variances between the budgeted revenue collection estimates and actual revenue collections. The spreadsheet is reviewed every month by the RCD and any significant variances are identified and followed up with the concerned department/official responsible for the collection. In those cases where the variances continue to persist, the issue is escalated and brought to the attention of the City

Manager. In addition, aggregate figures from year to year are maintained and compared for each revenue item that enables GAM to monitor the performance of revenue collection across years as well as across revenue sources. While these monitoring steps are robust, the absence of a written down set of procedures for the monitoring of revenue collection makes these processes ad-hoc and less transparent.

Dimension rating = D

19.3 Revenue audit and investigation

GAM has a dedicated section for undertaking Revenue Audits situated within the DRC. The Audit Section reconciles the actual collection of revenue with the tax invoices as well as with Bank statements soon after the close of every week/month to ensure that there are no revenue leakages. In addition, the Audit section also undertakes field visits to other areas within GAM as well as Border check posts where revenue collection is carried out for GAM. The Audit Section carries out a closing of the audit of invoices every quarter. Where there is a suspicion of fraud the audit section refers the case to the Committee of Inspection for taking steps for prosecution and recovery. To prevent embezzlement by tax collectors, GAM takes a financial guarantee from the concerned employees. The findings of the Audit are conveyed to senior management through regular internal reporting. The Revenue Audit procedures need to be compiled and systematized through a Revenue Audit Manual.

Dimension rating = D

19.4 Revenue arrears monitoring

GAM maintains a list of arrears, classified according to categories of revenues as well as year. GAM manages its arrears proactively as is evidenced by the fact that total arrears at the end of FY 15 (JD 110.7 M) stood at less than 40% of the total revenue collected for the same period (JD 315.5 M). Though there are no documented rules and procedures for the management of revenue arrears, the monitoring systems enables GAM to disaggregate between revenue collections relating to receivables from previous years and those relating to the receivables from the current year. This enables the Revenue Collection Department to keep track of collections outstanding from previous years as evident from the monitoring tables relating to property tax shown below.

Table 3.14: Age Analysis of Stock of Tax Arrears FY2016

Yr	Property Tax	Paid current	Paid Previously	Exemption	Added now and before	Incentive discount for early payers	Remaining from current	Annual Remaining	Accumulated remaining
12	71,325,685	38,908,405	12,978,906	4,547,697	952,467	1,883,000	32,417,280	13,960,144	72,329,615
13	77,944,086	44,084,896	19,216,617	2,916,905	574,088	2,093,904	33,859,190	10,205,852	82,535,468
14	87,399,475	49,502,096	17,508,666	3,067,360	400,898	2,440,012	37,897,379	15,282,239	97,817,707
15	102,872,568	58,249,661	22,528,527	6,441,763	63,308	2,879,591	44,622,907	12,836,334	110,654,041
16	Collectible for 2016							108,521,629	
	Collected from the years before 2016							10,883,587	
	Collected from the year 2016							40,641,338	
	Remaining Receivables							167,650,745	

Source: GAM Revenue Collection Dept.

Dimension rating = C

PI-19	Dimension	Score	Justification
Revenue administration		C	Scoring Method M2
19.1	Rights and obligations for revenue measures	A	GAM collects its own source revenues using multiple channels and provides its tax payers with easy and up-to-date information on the main revenue obligation areas and has put in place robust processes and procedures for redressing citizen grievances and complaints.
19.2	Revenue risk management	D	Revenue Risk Management procedures are partly structured and systematic, but are not documented.
19.3	Revenue audit and investigation	D	GAM undertakes audit and fraud investigations regarding revenue collection, but the procedures are not documented.
19.4	Revenue arrears monitoring	C	The stock of revenue arrears at the end of the last completed fiscal year is below 40% of the total revenue collection for the year and the revenue arrears older than 12 months are less than 75% of total revenue arrears.

Ongoing reforms:

Draft Law 142/2016 covers revenue collection monitoring and auditing.

PI-20 Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts.

20.1 Information on revenue collections

Despite improvements in revenue generation over the last three years, the absence of a consolidated report with statistical analysis restricts efforts to identify additional measures required to improve revenue collections. The RCD prepares a monthly revenue report for management, which highlights all actual collections against projections, classified by type of revenue. However, the report does not identify reasons for deviations between revenue targets and actual collections in order to formulate remedial steps. As indicated in **Table 15** below, total revenue for April, May and June 2016 were JD 21.6 M, JD 25.1 M and JD 18.5 M respectively.

Table 3.15: Monthly Revenue Report to DoF

Revenue type	April 2016	May 2016	June 2016	Total
Property, Land & Bldg Tax	4,871,700	3,282,664	3,053,937	11,208,301
Bldg Permit Fees	2,983,591	1,443,264	1,040,772	5,467,627
Tenancy Contracts Fees	36,767	35,390	23,763	95,920
Parking Fees	32,724	36,697	34,763	104,184
Vocations Permit Fees	517,839	410,297	237,268	1,165,404
Signs & Billboards Fees	811,355	1,163,067	1,152,660	3,127,082
Handcrafts Metiers permits fees	118,301	86,516	47,680	252,497
Vocations Garbage fees	151,799	109,696	58,588	320,082
Domestic Garbage fees	3,517,922	453,886	1,473,535	5,445,342
Land sale	393,505	455,146	602,818	1,451,468
Sale of Supplies	113,574	12,770	0	126,344
Traffic Fines	3,968,808	4,176,797	3,318,389	11,463,994
Health labs. Revenue	81,629	95,961	73,353	250,942
Graveyards (cemetery) revenue	62,227	58,232	92,906	213,365
Gardens and parks rev.	25,561	22,042	5,181	52,784
Various revenues	497,835	367,467	165,676	1,030,978
Penalties	186,079	192,085	270,868	649,032
Confiscations	856	256,130	14,883	271,868

Vegetables central market renting returns	1,015,583	1,294,609	1,118,671	3,428,863
Slaughter House Fees	429,894	638,538	599,773	1,668,204
Auction Fees	22,983	27,161	11,013	61,157
Fuel Proceeds	0	0	3,000,000	3,000,000
Retirement returns	31,630	32,135	30,951	94,717
Network & Communications Installation fees	6,750	147,385	5,000	159,135
Public Transportation Revenues	0	0	0	0
Bldg Rent Fees	212,697	118,228	234,560	565,484
Shares Investment dividends	0	0	193,306	193,306
Aljubaiha Entertainment Park Revenues	1,222	22,035	22,704	45,960
Funding sources (grants, loans & municipal bonds) External & Int.	514,932	500,000	1,642,646	2,657,578
The government debt	1,000,000	1,000,000	0	2,000,000
Sale Lands untapped	0	8,681,220	0	8,681,220
Total Revenue	21,607,760	25,119,416	18,525,662	65,252,838

Dimension rating = A

20.2 *Transfer of revenue collections*

Taxpayers have three methods of paying their tax liabilities; (i) e-payment system via mobile phone, (ii) cash payments to revenue collectors at designated collection centers, and (iii) electronic bank transfer and/or direct cash deposit at designated banks. Direct bank deposits and e-payment systems reflect in GAM's bank account daily within 24 hours; cash payments to revenue collectors within banking hours are deposited the same day except where banks are closed over the weekend or on public holidays in which case deposits are done within 72 hours; these deposits in-transit represent less than 5% of total collections. The risk management framework for such instances include mandatory collateralized legal guarantees by revenue collectors deposited with GAM which are renewed annually; also, the filling of a delayed cash deposit form by the revenue collector is done and submitted to the area manager as proof of cash in transit. The unbanked cash is securely locked in safes at GAM's revenue collecting centers.

Dimension rating = A

20.3 *Revenue accounts reconciliation*

'Revenue accounts reconciliation' refers to the process of reconciling total revenue assessed in a given period to actual revenue collected, arrears which arise as a result of the difference between revenue assessed and revenue collected, and then actual revenue collections to total revenue transferred to the Treasury. GAM has, over the years, improved revenue collection due to enhanced capacity of revenue collectors and the general improvement of revenue management framework; however, arrears remain a major challenge (cf. PI-19.4). The RCD works in tandem with the audit and treasury departments to reconcile revenue assessed, collected, banked (or transferred to treasury bank accounts) and outstanding bills from taxpayers; this process is done monthly within four days after the end of the month. There is also a quarterly revenue reconciliation mechanism. Regular update of taxpayer database contributes to improving revenue collections; this is done but with some laxity.

Dimension rating = A

PI-20	Dimension	Score	Justification
Accounting for revenue		A	Scoring Method M1
20.1	Information on revenue collections	A	Management receives comprehensive monthly reports from the RCD, covering all revenues.
20.2	Transfer of revenue collections	A	Direct taxpayer deposits as well as e-payments reflect in GAM's bank accounts within 24 hours; however, some (less than 5%) cash collections are banked within 72 hours as a result of banks closing on weekends and public holidays.
20.3	Revenue accounts reconciliation	A	Reconciliation of tax assessed, collected, banked and arrears is done monthly within four days after the end of the month.

Ongoing reforms:

GAM is revising the monthly revenue reports to explain the deviations in revenues.

PI-21 Predictability of in-year resource allocation

This indicator has four dimensions, used to assess the extent to which GAM provides reliable information on the availability of funds to its sectors to facilitate service delivery, and to consolidate and control its cash balances. For effective budget execution, it is crucial that departments receive reliable information on expenditure commitment ceilings as well as the availability of funds. The assessment is based on the last completed FY, 2016.

21.1 Consolidation of cash balances

GAM operates 32 bank accounts with three commercial banks; namely Housing Bank, Cities & Villages Development Bank (CVDB), and Societe Generale. Although there is no Treasury Single Account (TSA) *per se*, all banks have internet banking facility that enables the Treasury to ascertain daily closing bank balances used for the preparation of both daily and monthly liquidity reports. The daily liquidity report provides closing bank balances of each account and is then summarized to reflect the net overall balance at close of business. At close of business on 24th October 2016, GAM had a net overdrawn balance of JD 26.65 M: the main components of this deficit balance were overdraft facilities with Housing Bank amounting to JD 16.02 M and Societe Generale at JD 12.15 M. The daily liquidity report however, fails to indicate the cash imprest at hand at close of business each day, although this is less than 1% of total cash available in GAM's bank accounts. The monthly liquidity report provides further details by including, apart from consolidated net bank balances, a summary of both domestic and foreign debt due for payment each month.

Dimension rating = A

21.2 Cash forecasting and monitoring

The Accounting Department prepares a cash outflow forecast each year, once the Council has passed the annual budget. while RCD prepares cash inflows in collaboration with different departments. The cash flow forecast is usually prepared by dividing approved budget by twelve; it is not updated. One major weakness in the cash flow forecasting framework is the lack of coordination between the procurement department and the treasury department on one hand, and between treasury, accounting, and budget departments on the other hand. Even though consolidation of GAM bank balances is done daily and monthly (cf PI-21.1 above), the lack of coordination among treasury, accounting, budget and procurement departments weakens the treasury management function. Further, the absence of a TSA contributes to ineffective treasury management.

Dimension rating = C

21.3 *Information on commitment ceilings*

Departments (sectors) within GAM are provided with monthly expenditure commitments once the Council has passed the annual budget estimates; nonetheless, the information on expenditure commitment ceilings may be unreliable, as there are frequent and significant budget reallocations (described in PI-21.4 below). Expenditure payments are monthly; however, they are largely dependent on the availability of cash. Poor cash management coupled with ineffective cash flow forecasting and monitoring largely affect the smooth implementation of the monthly expenditure commitment framework.

Dimension rating = D

21.4 *Significance of in-year budget adjustments*

There are no clear rules governing in-year budget reallocations: virement, which amounted to JD 1.4 M in 2016, is significant and frequent. The most beneficial department as far as virement is concerned is the Works Department. Budget reallocations between departments require the approval of the Deputy City Manager responsible for the department (or sector) initiating the virement; final authorization and approval are also required from the GAM Council and the Central Government Cabinet. The final accounts report on budget virements.

Dimension rating = C

PI-21	Dimension	Score	Justification
	Predictability of in-year resource allocation	C+	Scoring Method M2
21.1	Consolidation of cash balances	A	Treasury Department prepares both daily and monthly liquidity reports which summarize net bank balances as well as domestic and foreign debts due for payments.
21.2	Cash forecasting and monitoring	C	Accounting and RCD prepare annual cash flow forecasts; however, it is weak and not updated. There is also no coordination between budget, procurement, accounting and treasury departments.
21.3	Information on commitment ceilings	D	Whereas monthly expenditure commitment ceilings are provided to GAM's departments, they are unreliable due to the frequent and significant in-year budget virements.
21.4	Significance of in-year budget adjustments	C	While there are no clear rules governing virement, budget reallocations are frequent but transparent.

Ongoing reforms:

No known reforms.

PI-22 *Expenditure Arrears*

This indicator uses two dimensions to measure the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control.

22.1 *Stock of expenditure arrears*

GAM defines expenditure arrears as all bills (including payroll, etc.) unpaid after 56 working days: **Table 3.16** provides an analysis of expenditure arrears over the last three completed fiscal years. In FY2014, expenditure arrears constituted 0.9% of total expenditure; in FY2015 and FY2016, they represented 0.7% and 0.6% of total expenditure respectively. In all three completed fiscal years, the stock of expenditure arrears was less than 1% of

total actual expenditure. Nominally, arrears decreased by JD 0.3 M in 2015 from the 2014 figure. In 2016, the stock of arrears further dropped by JD 0.5 M compared to 2015 figures, representing a fall of 22.2%, reflecting GAM's efforts to pay accounts as they fall due.

Dimension rating = A

Table 3.16: Stock of arrears as of the end of the last three fiscal year (Dinar)

Expenditure Items	2014	2015	2016
Total GAM expenditure	288,638,758	315,332,320	317,942,532
Stock of expenditure arrears	2,605,329	2,298,115	1,787,234
% stock of arrears to total exp	0.9%	0.7%	0.6%

Source: GAM Accounts Department/Financial Affairs Directorate.

22.2 *Expenditure arrears monitoring*

While the commitment controls in the Oracle system are functional, their efficacy leaves much to be desired. Spending ceilings for GAM sectors are not respected, even though the aggregate spending limits as per approved budgets are respected. At the end of each fiscal year, the accounts department compiles information on the stock of expenditure arrears; the information is classified according to each expenditure category: however, arrears are not age-profiled, even though the Oracle system can do this. GAM staff indicate that more than 60% of expenditure arrears relate to construction and infrastructural projects.

Dimension rating = C

PI-22	Dimension	Score	Justification
Expenditure arrears		C+	Scoring Method M1
22.1	Stock of expenditure arrears	A	The stock of arrears compared to total actual expenditure is less than 1% in all three completed fiscal years 2014, 2015, and 2016.
22.2	Expenditure arrears monitoring	C	Information on stock of expenditure arrears is generated annually by the accounts department at the end of each fiscal year. However, the information on arrears is not age-profiled.

Ongoing reforms:

No known reforms.

PI-23 *Payroll controls*

This indicator is concerned with the payroll for public servants only: and the dimensions consider the way it is managed, how changes are handled and how consistency with personnel records management is achieved.

23.1 *Integration of payroll and personnel records*

Good practice looks for a situation where personnel and payroll records are closely linked in such a way that any decisions of the relevant authorities that make changes to personnel records (e.g. promotion of a staff member) automatically result in an appropriate change to that person's salary.

The Human Resources department (HRD) manages personnel appointments, changes in status, and terminations/retirements. Staff hiring and promotion is controlled by a list of approved positions. HRD is responsible for the employment process in accordance with the Civil Service laws and regulations and relevant municipalities' laws, and are working on drafting their own regulations that would suit better the GAM environment. HR maintains a database that includes records for each employee (softcopies) and in addition maintains same information reflected in personnel folders (hardcopies).

The Payroll section, once part of HR, has recently been moved organizationally to the Accounting department, but continues to have access to personnel data in the HR system, used to prepare payroll lists. However, while payroll list production is automated, it is not integrated with the HR system, although monthly reconciliations occur to ensure the completeness and accuracy of records with respective salary amounts. Once payroll lists are prepared, reviewed by the section's internal controllers, calculations are made on trial basis with the IT department to ensure anomalies and errors are discovered before final posting and further processing for payments. A copy is sent to the budget department (for ensuring budget classifications and allocation availability) and accounting department by the payroll section for their review and feedback. Once approvals are received, the payroll list is submitted to treasury for payment by cheque or transfer to staff bank accounts.

In conclusion, HR, payroll section (accounting department) and budget department systems are not fully integrated which poses the risk of human errors and disruption to data transfer from one department to another. However, controls in place are assessed to reduce such errors. (It is worth mentioning that GAM is currently working on integrating the payroll process and related procedures through the Oracle system.)

Dimension rating = B

23.2 *Management of payroll changes*

Good practice requires the avoidance of frequent retrospective adjustments to individuals' pay, which can easily be the source of error.

Changes to personnel records are initiated by employment letters from GAM senior management as a result of a hiring/appointment process. The Civil Service Law and the HR regulation of 2012 and its amendments in 2015 and 2016 are followed. Such changes are reviewed and approved by HR heads of sections and director then reflected in the HR system. Since the payroll accounting section has access to the HR system and can extract data to prepare payroll lists, payroll accountants are notified of changes when they occur.

Retroactive adjustments can occur, especially when an employee receives approval on overtime compensation or a plea is resolved. Adjustments are calculated and included in the following month's payroll to avoid any salary arrears.

Dimension rating = B

23.3 *Internal control of payroll*

Good practice requires strong control by senior management to prevent unauthorized changes to personnel and payroll records which would result in unjustified increases in the pay of some individual staff members to administrative agencies and city-owned enterprises.

The payroll expenditure cycle starts with the preparation of the monthly payroll lists by the designated accountant and follows with sequential reviews by supervisors, department's own financial controllers, and budget holders. Payroll lists undergo review by the Audit Bureau representative before being cleared and forwarded to the Treasury department for payment. The Budget department receives a copy of the payroll lists and performs its own review. Changes to personnel and payroll data are restricted. Any changes are documented throughout the process and the controls in place are sufficient to prevent material deficiencies, unauthorized intrusions, and errors. The Payroll section has continued to develop its own automated system with strengthening entry validity controls, expanding the database, and obtain IT department's technical support. Output from the system is then matched by HR and Senior Management communications and reported to the Head of the Payroll Section. Data transmission from HR to Finance to Treasury and

Budgeting departments are well consolidated. The controls in place ensure the integrity of payroll data, even in the absence of the automated systems integration. (GAM is currently working on integrating these separate systems with Oracle to streamline procedures and ensure full data integrity.)

This assessment has revealed that the HR department are the main party responsible for managing changes and documenting them in a way that creates an acceptable audit trail, which enables reasonable accountability checks, intrusion detection, and problem analysis. Due to capacity constraints, the Payroll section does not maintain its own archive but relies on the HR archive they have access to.

Dimension rating = A

23.4 Payroll audit

The PEFA 'good practice' criteria look for a system of dedicated payroll audits, which will check the existence of each staff member and the underlying justification for elements in personnel records (e.g. certification of the professional qualification as claimed), as well as the accuracy of the calculation of his or her pay.

The internal controller within the payroll unit and the Audit Bureau office (both ex-ante and ex-post) perform transaction based reviews on the accuracy of the payroll calculation and identification of discrepancies, which to some extent, can help identify the existence of ghost workers or the need to fill data gaps. The HR department undertakes reviews through field visits and matching of personnel folders to check for ghost workers.

However, no external party has assessed the adequacy and effectiveness of the design and overall implementation processes system for payroll as a whole. The IT system developed in-house was also not audited by an external party to certify sufficient controls are in place and no controls can be compromised by users. Moreover, the Internal Control and Audit Department do not carry out regular internal audits on the payroll.

Dimension rating = C

PI-23	Dimension	Score	Justification
Payroll controls		C+	Scoring Method M1
23.1	Integration of payroll and personnel records	B	Payroll is supported by full documentation for all changes to personnel records each month and is checked against previous month's payroll data. Staff hiring and promotion is controlled by a list of approved positions. However, no direct links and integration between systems to reflect immediate updates and budget availability.
23.2	Management of payroll changes	B	Personnel records and payroll are updated and reconciled on monthly basis with few retroactive adjustments.
23.3	Internal control of payroll	A	Controls are in place to ensure the integrity of payroll data and an audit trail is documented.
23.4	Payroll audit	C	Partial payroll audits are performed on transactions but overall assurance to the effectiveness of the payroll system and controls does not exist.

Ongoing reforms:

The Payroll Section is aiming to integrating their system with the Oracle system.

PI-24 Procurement

This indicator is based on the last completed FY, 2016 and examines key aspects of procurement management. It focuses on the transparency of arrangements, the emphasis on open and competitive procedures, the monitoring of procurement results, and access to appeal and redress arrangements.

24.1 Procurement monitoring

Local governments in Jordan carry out their own procurement, governed by their own regulations (Bylaw 153 of 2016, Regulations of Supplies and Works). This translates into high legal risks for vendors, increased costs of learning agency-specific regulations, and/or possible market fragmentation (and capture) as vendors bid only for contracts with those agencies that they know best. It is also costlier for the government to oversee multiple regulatory systems.

The Tendering and Procurement Department (TPD) is responsible for monitoring procurement procedures from selection method until signing of contract starting with announcement; tendering, bid opening; evaluation; awarding of contract as well as following the contract implementation that includes preparing any required variation order and extension of contract. Automation is used to record the letter of award and pertaining details as well as the amount.

Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for **most** procurement methods for goods, services and works, as can be seen for example in **Table 3.17**, below. The TPD carries on the monitoring process to ensure the following:

- The specifications are not biased or directed to the specific source or brand name.
- The estimated cost is updated by the technical department and the Department of Studies and Design, through the price in the local market or previous bids.
- The invitation for bidding is published in the local newspapers; on the website of the Tender and Procurement Department (www.gamtenders.gov.jo); and on GAM's Social Media (Facebook; www.facebook.com/GAMtenders). International tenders are published in an English-language newspaper and DG market. Competitive bidding is the default method.
- The recommendation to award and the name of selected vendors is published in GAM website and Social Media (Facebook). A 4-day standstill period is observed to allow bidders to challenge the decision and submit an objection or complaint, if any, in accordance with the mechanism as published.
- The bid opening is done publicly in the presence of the participating bidders. The minutes of the bid opening is published on the website of Tender and Procurement Department and GAM's Facebook pages.

Dimension rating = B

24.2 Procurement methods

GAM satisfactory levels for procurement competition results are 74% for quantity, and 94% value of contracts following competitive bidding. On the basis of data on contracts award in FY 2016, out of 249 contracts amounting JD 13.6 M (\$ 19.1 M equivalent), (i) 118 (47%) amounting JD1.4 M (\$ 2 M-11%) were awarded using shopping procedures, and (ii) 67 (27%) amounting JD 11.3 M (\$15.9 M) 83% were awarded using advertisement and competitive procedures, while only 64 (26%) amounting JD 0.8 M (\$ 1.2 M) or 6% are awarded on a direct contract basis. It is noted that the average contract value (regardless of methods) is of JD 54,438 (\$ 76,781) and can reach an upper average for considered

large contracts of JD 168,661 (US\$ 237,885) using tender committee competitive processing.

Table 3.17: Procurement methods used in 2016 (JD m)

Authority for clearance	Direct Contract		Request for quotations		Competitive Bidding		Total	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Secretary General (SG)	17	122					17	122
Committee of SG	11	380	38	574			49	955
City Manager	18	33					18	33
Committee of City Mgr	17	103	70	303			87	406
Tender Committee	1	179	10	556	67	11,300	78	12,037
TOTAL (JD)	64	820	118	1,434	67	11,300	249	13,555
USD equiv		1,157		2,022		15,938		19,118
%	26%	6%	47%	11%	27%	83%	100%	100%

Source: Technology & information section in Tendering and Procurement Dept., GAM

Dimension rating = A

24.3 *Public access to procurement information*

In general, the public have easy access to full information on procurement plan and contract information, including contract awards, in the Procurement Newspaper and the public procurement website. Key procurement information made available to the public is listed in **Table 18**, below:

Table 3.18: PEFA requirements to rate this dimension

The following key procurement information is available to the public through appropriate means:		
1	Legal and regulatory framework for procurement: on GAM website	Yes
2	City procurement plans: not published	No
3	Bidding opportunities: published on the website	Yes
4	Contract awards (purpose, contractor and value): published on the website and to participating bidders.	Yes
5	Data on resolution of procurement complaints: not publicly available	No
6	Annual procurement statistics	Yes

Dimension rating = B

24.4 *Procurement complaints management*

Table 3.19 below, lists the features of an independent administrative procurement complaint system. National legislation prescribes these features, and GAM meets four of the six criteria: however, the review mechanism is not independent.

Table 3.19: Mechanisms for reviewing procurement complaints

Complaints are reviewed by a body which:		
1	is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	X
2	does not charge fees that prohibit access by concerned parties	√
3	follows processes for submission and resolution of complaints that are clearly defined and publicly available	X
4	exercises the authority to suspend the procurement process;	√
5	issues decisions within the timeframe specified in the rules/regulations	√

Complaints are reviewed by a body which:		
6	issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority)	√

Dimension rating = D

PI-24	Dimension	Score	Justification
Procurement		B	Scoring Method M2
24.1	Procurement monitoring	B	Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for most procurement methods for goods, services and works.
24.2	Procurement methods	A	The total value of contracts awarded through competitive methods in the last completed fiscal year represents 90% of total value of contracts.
24.3	Public access to procurement information	B	The public have easy access to 3 of the 6 'key' items of information relating to procurement.
24.4	Procurement complaints management	D	The procurement complaint system meets 4 of the 6 criteria, but is not independent.

Ongoing reforms:

The newly enacted Bylaw No 153 of 2016 – Regulations of Supplies and Works, reviewed in particular the authority thresholds. The implementation regulations were to be issued by April 2017. No other reforms are foreseen.

PI-25 Internal controls on nonsalary expenditure

This indicator covers a wide range of processes and type of payment across central government including existence of segregation of duties, effectiveness of expenditure commitment controls and effectiveness of the payment controls systems.

25.1 Segregation of duties

The Financial Affairs Directorate has set internal financial controls for budget planning and execution in accordance with the Municipalities' Regulation 41 (2015), and payment procedures are documented for staff guidance. Authorized signatories for payments are well determined, however, definitions of roles and responsibilities to segregate duties between authorization, recording, custody, and reviews are not further clarified. Controls in place are regularly evaluated and modified by heads of units in the department upon need.

Dimension rating = C

25.2 Effectiveness of expenditure commitment controls

Each year, budget allocations are entered in the financial system and status can be displayed by budget holders and financial managers, allowing them to have on-time access to residual balances. Controls over expenditure commitments are assessed as being effective in so far as preventing budget overruns, and no procurement procedure can be initiated unless budget availability is confirmed by the budget holder. Further checks are performed by the accounting department and Audit Bureau representative to ensure availability of allocated funds, which may not always be the case. Subsequently, payment requests undergo the budget holders and internal controllers' review before payments are processed and paid. However, the financial system is not yet integrated with the budget system (Oracle), although plans do exist to integrate these systems. Before the end of the fiscal year, requests for revising budget allocations and transfer between budget categories

can be submitted to the Board of Directors for resolution, with justifications for additional needs of funds/overrun of budgets. Revisions can take place once ratified by the Prime Minister.

Dimension rating = C

25.3 *Compliance with payment rules and procedures*

Payment rules and procedures mainly follow the municipalities' regulation 142/2016 and the national financial regulations. Compliance with such regulations and internal procedures is perceived to be high, and is acceptable according to the Audit Bureau report of 2014, although this shows several cases of non-compliance, especially in the areas of allowances to board members or GAM executives and overcharged amounts paid to contractors. GAM maintains a register to track status of each observation/violation raised by the Audit Bureau. In addition, the written procedures for each section/ process are to be consolidated in a one financial management procedures manual, as a single guide for Financial Affairs Directorate staff and other units/departments on the policies and procedures set.

Dimension rating = C

PI-25	Dimension	Score	Justification
Internal controls on nonsalary expenditure		C	Scoring Method M2
25.1	Segregation of duties	C	Although authorized signatories for payment are specified and effective, segregation of duties are not clearly specified.
25.2	Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are in place and limit commitments to available cash, with minor exceptions although the extent of the coverage cannot be determined.
25.3	Compliance with payment rules and procedures	C	Generally, payments are executed in accordance with regular rules and procedures. The majority of exceptions are properly authorized and justified.

Ongoing reforms:

GAM is drafting its own financial regulation that will addresses its unique structure and processes. A financial policies and procedures manual will be useful to cover all the revenue and payment cycles and unify the internal controllers in all sections of the Financial Affairs Directorate to follow, with minimal need for supervisors' interpretations. Many of these controls are manual in nature, but can be automated within Oracle.

PI-26 *Internal audit*

International good practice in public financial management looks for the operation of internal audit as a service to management, with the function to identify ways of correcting and improving systems, to impact the economy, efficiency, and effectiveness with which public services are delivered.

26.1 *Coverage of internal audit*

The Internal Control and Audit Department (ICAD) of GAM was established in 2012 and was positioned administratively under the Audit and Institutional Performance Development (AIPD) Unit that reports to the Mayor. ICAD is divided into four sections: financial control, technical and engineering auditing, administrative auditing, health and environment auditing. No audit committee has been established by the GAM Board for ICAD to report to. However, GAM 2015 governance guideline refers to a Governance Committee that is headed by the Mayor, and comprises: i) the City manager, ii) Deputy Mayor, iii) Head of

Finance Committee/GAM Council, iv) four members selected by the Council, v) executive Manager of auditing and institutional development. ICAD is designed to functionally report to the Mayor through the AIPD, which does not give it the full independence but moreover, reports show that ICAD have reported to the City Manager or his deputies, which impairs in fact its independence. In addition to the internal audit function, GAM relies on its General Inspection unit, the Integrity unit and the Audit Bureau's in-house office to form the overall internal control and assurance system.

ICAD does not adopt or adhere to the Institute of Internal Auditors (IIA) 'International Professional Practice Framework' nor does it apply the International Standards for Internal Audit, or have a formal internal audit charter in accordance with the IPPF. However, ICAD had formulated its own strategy and work methodology, which is to some extent in line with IPPF and follows a modern approach to ensure coverage of all six sectors in GAM. Thus the coverage of internal audit is comprehensive and therefore materiality is hundred percent. The strategy and work methodology outlines the objectives of the internal audit function, the rules and responsibilities including the reporting lines, and the scope of work (audit coverage).

Unlike most internal control/audit functions in the public sector on the national level, ICAD does not perform ex-ante control reviews but rather performs ex-post audits. ICAD, furthermore, distinguishes between the role of financial controllers and inspectors involved in the daily transactions and those of their role as auditors providing reasonable assurance after the events occur (the confusion of titles and roles is wide spread in the public sector which causes functional overlaps, additional control layers, and expectation gaps).

ICAD objective is to add value to GAM by improving its operations' effectiveness, efficiency, and compliance to prevailing laws and regulations, in a systematic approach. ICAD sets up an annual risk-based plan for all sectors and this is presented to senior management for endorsement. Analysis of other PEFA performance indicators reveal that ICAD does not conduct information system audits and only performs audits around the automated systems rather than through it. Audit plans also show that ICAD also does not conduct audits on management policies or those related to the effectiveness of overall internal control system, understood to be due to capacity constraints and its position in the organizational hierarchy.

Dimension rating = A

26.2 *Nature of audits and standards applied*

ICAD is not aware of the International Standards issued by the IIA nor obtains professional consultation/guidance from the existing association for Internal Auditors in Jordan: no local standards exist.

The audit engagements conducted by ICAD in general extend beyond the financial audits to performance audits and compliance audits. Health and environmental audits, for example, focus heavily on the compliance of auditees with some work on performance audits, while administrative audits and the technical perform performance audits. The degree of emphasis varies between sections as seen from examples of individual audit reports.

Evaluation of the adequacy and effectiveness of internal controls are not much performed to reveal impact of controls, whether the impact is consistent with policy and operational objectives, or whether the controls are sufficient and most suitable to meet the intended objectives.

ICAD as a function has not been subject to internal or external professional quality assessments, which can reflect on the quality of their work and scope of engagement, along to their mandate.

Dimension rating = C

26.3 *Implementation of internal audits and reporting*

ICAD prepares a risk based annual plan and a program for each planned audit task. The focus is mainly on transaction-based compliance audits. The tasks performed during the year by the auditors are divided into: planned and requested. The requested audits are those that senior management of GAM ask ICAD to consider specific issues and report findings. While most of the requested tasks, if not all, are completely conducted, the planned audits during the past three years are not fully completed. Limitations are mainly due to shortage of qualified staff.

Each section in ICAD has its standard work program format for its audits: however, these audit programs do not describe the various risks associated, the procedures the auditor in charge plans to perform, or respective timetables. Furthermore, internal audit reports do not inform the auditee on the risks associated with the observations and classify findings based on significance and risk exposure. In the absence of detailed documented guidance (or Manual) for auditors on procedures to be taken on each assignment based on its nature, and audit reports not differentiating observations and findings based on significance, performance and outcomes can vary. On the other hand, audit reports and observations are well communicated to senior management and keep them aware of audit results and findings.

The 2016 annual audit report shows that the percentage of completed against planned audit engagements is on average 74%, with technical audit at 72% and financial control at 72.2%, while health and environmental up to 90.5% and administrative only 50.6%. These percentages improved in comparison to those of the previous year's, 2014 and 2015. Hence audit coverage for GAM is partial and Internal Audit provides oversight on part of the budget outcomes. The constraints to be overcome in developing the IA function, the ICAD, and its audit coverage to a level comparable to international goods practices are staffing, the legal framework, mandate, and unawareness of its value added among the different sectors in GAM.

Dimension rating = C

26.4 *Response to internal audits*

The ICAD keeps track of responses from auditees to observations it raises during engagements in its final audit reports. The 2015 annual audit report shows a 52% response rate on all audits performed during the year. However, this rate only considered responses received by ICAD in writing and does not include those verbal responses and explanations or those that take immediate corrective actions, which if documented would reflect a higher response rate.

Dimension rating = C

PI-26	Dimension	Score	Justification
Internal audit		C+	Scoring Method M1
26.1	Coverage of internal audit	A	An established internal audit department that is well functioning and has set up a customized modern approach, to cover all six sectors.
26.2	Nature of audits and standards applied	C	Performance, compliance and financial audits are undertaken, depending on need. No international or local standards are applied

PI-26	Dimension	Score	Justification
			and no quality assurance mechanism is in place.
26.3	Implementation of internal audits and reporting	C	Performance of auditors can vary in the absence of an audit procedures guide/methodology and results of audit may not achieve objectives or address concerns. However, senior management are well informed of observations and consider such reports for decision making.
26.4	Response to internal audits	C	Responses to audit reports and observations communicated to auditees are well tracked and communicated to senior management through the annual audit report. Verbal and immediate actions by auditees (not in writing) will need to be considered or documented in an alternative method. Impact of audits on GAM cannot be clearly measured.

Ongoing reforms:

No known reforms.

Pillar VI. Accounting and reporting

PI-27 Financial data integrity

Reliable reporting of financial information requires a system of consistent checking and verification of accounting records and practices as a critical part of internal controls to ensure quality decision-making information. This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data.

27.1 Bank account reconciliation

Good practice looks for regular and frequent reconciliations between Treasury and associated bank account records. GAM has 32 bank accounts, which are not operated as a Treasury Single Account. Reports show that these accounts are reconciled at the end of each month, within a week of the end of the month.

Dimension rating = B

27.2 Suspense accounts

Since GAM introduced the Oracle financial system in 2011, there have been major problems in clearing unreconciled items. However, by the end of 2015, all these items had been cleared from the suspense account, except for those related to the Housing Bank (which is the last outstanding element of a long-standing problem), and the 'usual' (i.e. temporary) use of suspense account had resumed: accounts are reconciled monthly, with a month, and cleared at the end of the year, according to AB reports.

Dimension rating = A

27.3 Advance accounts

As is the case in most countries, there are two main requirements to use 'advance accounts': a) for staff travelling on official GAM business, in which case the Financial Regulations specify due process in terms of timely accounting for and retirement of the advance; and, b) for contractors undertaking work on behalf of the Municipality, in which case the terms of the contract apply. In either case, **most** such accounts are cleared in a timely manner.

Dimension rating = B

27.4 Financial data integrity processes

Within GAM, departmental procedures specify which officials have access to particular types of information and the manner in which changes to records can be made. The accounting system automatically logs which official accessed data, when and what changes were made.

Dimension rating = B

PI-27	Dimension	Score	Justification
Financial data integrity		B+	Scoring Method M2
27.1	Bank account reconciliation	B	GAM has 32 bank accounts, and these are reconciled at the end of each month, within a week of the end of the month.
27.2	Suspense accounts	A	Suspense accounts are reconciled monthly, and cleared at the end of the fiscal year.
27.3	Advance accounts	B	Most advance accounts for staff travel or for contractors undertaking work on behalf of GAM are cleared in a timely manner.
27.4	Financial data integrity processes	B	Access and changes to records is restricted and recorded, and results in an audit trail.

Ongoing reforms:
No known reforms.

PI-28 In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures.

28.1 Coverage and comparability of reports

Good practice requires the availability of up-to-date information on expenditure broken down by function, economic nature and administrative unit (there are no deconcentrated units). The Oracle system in place within GAM allows managers on-line access to this level of financial information.

In addition, a monthly report on budget execution (in the same format as the approved budget) is submitted to the City Manager, and this allows direct comparison with the budget.

Dimension rating = A

28.2 Timing of in-year reports

In addition to the real-time, on-line access to Oracle data, budget execution reports are produced each month, by the second week of the subsequent month.

Dimension rating = A

28.3 Accuracy of in-year budget reports

Good practice requires the production of in-year budget execution reports whose accuracy can be relied on. While the Oracle system used in GAM allows direct on-line comparison with the budget for all items (at both commitment and payment stages) and there are no concerns about the accuracy of this data, no systematic analysis of this data is conducted.

Dimension rating = A_C

PI-28	Dimension	Score	Justification
In-year budget reports		C+	Scoring Method M1
28.1	Coverage and comparability of reports	A	Financial Affairs Directorate uses the Oracle system which allows on-line access to managers, and monthly reports are submitted to the City Manager which cover revenue and expenditure against the budget.
28.2	Timing of in-year reports	A	Reports are available monthly by the second week of the subsequent month.
28.3	Accuracy of in-year budget reports	C	Oracle reports include commitments and allow direct comparison with the budget at any time, but there is no systematic analysis of the data.

Ongoing reforms:
No known reforms.

PI-29 Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system.

29.1 *Completeness of annual financial reports*

Good practice looks for the production of annual consolidated statements of revenue and expenditure, including revenues from charges for services which are paid into accounts opened at the Treasury, even if the amounts concerned remain available for use at its discretion by the institution collecting them. The financial statements should also include complete information about all GAM and GAM-guaranteed debt, together with information about financial assets held by GAM.

Table 3.20: Information contained in GAM Financial Statements

Financial heading	Sub-financial heading	Presence in Financial Statements
Revenue	Direct tax	Yes
	Indirect tax	Yes
	Non-tax revenue (incl. IGF)	Yes
	Grants	Yes
Expenditure & transfers	Personnel Emolument	Yes
	Administration	Yes
	Service	Yes
	Investments	Yes
	Statutory payments	Yes
	Subsidies	Yes
	Retained IGF	No
	DP funded projects	Yes
Assets	Cash & Bank balances	No
	Advances	Yes
	Public loans (receivable)	Yes
	Equity & other investments	Yes
	Revenue arrears	No
Liabilities	Public debts (domestic)	Yes
	Public debts (foreign)	Yes
	Statutory obligations	Yes
	Expenditure arrears	Yes

Table 3.20 above, lists the information contained in GAM's Financial Statements.

Dimension rating = C

29.2 *Submission of reports for external audit*

The GAM annual financial report is sent to the Prime Minister within the four-month period prescribed in the law, but **not** to the AB.

The subsequent AB report to the Majalis includes a section of the state of GAM's finances, it is unclear how this has been generated, and therefore the dimension cannot be rated.

Table 3.21: Timeliness of Submission of report to the Prime Minister

Financial Year	Financial Statements for:	Date of Submission to PM
FY2014	30/12/2013	2/1/2014
FY2015	31/12/2014	6/1/2015
FY2016	25/11/2015	8/12/2015

Source: GAM

Dimension rating = D*

29.3 *Accounting standards*

Good practice anticipates that the annual financial statements will be produced in accordance with the standards drawn up by the International Federation of Accountants (IFAC). However, GAM complies with the national accounting standards set by the MoF and these are currently used for reporting purposes: these standards are broadly in line with the cash-basis of International Public Sector Accounting Standards (IPSAS), and can be found on the MoF website.

Dimension rating = C

PI-29	Dimension	Score	Justification
Annual financial reports		D+	Scoring Method M1
29.1	Completeness of annual financial reports	C	Financial report is prepared annually and is comparable with the approved budget. However, the reports do not include information on financial assets, non-financial assets and guarantees.
29.2	Submission of reports for external audit	D*	Annual financial report is sent to the Prime Minister within the four-month period prescribed by law – but is not sent to the AB.
29.3	Accounting standards	C	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time, but do not fully comply with IPSASs.

Ongoing reforms:

No known reforms.

Pillar VII. External scrutiny and audit

PI-30 External audit

This indicator assesses the quality of the external audit in terms of the scope and coverage of the audit, adherence to appropriate audit standards (including independence of the external audit institutions), the focus on significant and systemic PFM issues in its reports, and the performance of a full range of financial audits, such as the reliability of financial statements, the regularity of transactions and the functioning of internal control and procurement systems. The assessment focuses on the last audited financial year, 2015.

30.1 Audit coverage and standards

The Audit Bureau (AB) is Jordan's supreme audit institution (SAI), and was established in its present form in 1952, under Law no 28 issued in accordance with Article 119 of the Constitution: this stipulates that the "Audit Bureau Act has been set to audit the revenues and expenditures of the state and ways of expenditure". To work in line with the recent developments taking place in Jordan, an Amending Audit Law no (3) of 2002 has been passed, and it included several aspects, the most important of which are providing the Audit Bureau with:

- the power to conduct post-audit for expenditures, in the meantime the head of the Audit Bureau may in certain cases, if approved by the Prime Minister take a decision to conduct pre-audit. Before this amendment, the Audit Bureau has been conducting pre-audit of the mounts of expenditure that exceed (5000) JD. It is working currently on shifting its focus gradually from pre- to post-audit.
- the power to conduct administrative audit, whereas previously the Audit Bureau has been conducting audits to administrative decisions and procedures only if they relate directly to financial issues.
- the mandate to conduct the environmental audit, and the performance audit.
- an expanded scope, to include companies that the government owns 50%.
- the authority for the President of the Audit Bureau to call on counselors, experts, and specialists for any issues that require special technical expertise.
- powers to make employees and officers legally accountability if they refuse to present documentation to auditors, or if they do not response to audit enquires within the period specified by law.

The AB is a member in international and regional SAI bodies, such as INTOSAI and ARABOSAI, and is proceeding towards compliance with ISSAIs according to a phased program supported by INTOSAI.

The AB law, requires GAM, as for any entity subject to AB audit, to submit final accounts to the AB within 6 months from the end of the year. Any auditee has to respond to the AB observations within 30 days if it is based in Jordan and within 60 days if it is based outside Jordan. The AB has to submit an annual audit report to the parliament with copies to the PM and Minister of Finance at the beginning of the regular parliamentary session or when the parliament asks (Oct/Nov). The Municipalities law confirms that GAM is subject to the AB audit, but does not specify any details regarding the scope and timeliness of this audit.

As per the AB law, AB performs ex-post audit on expenses; however, the President of the AB is allowed in special cases and with the approval of the Prime Minister to perform ex-ante audit. The AB has a resident office at GAM, and performs both ex-ante and ex-post audit of revenues and expenses as follows:

- Expenses are 100% pre-audited

- Revenues are 70% pre-audited. Mostly buildings licenses fees revenues that constitute around 70% of revenues. The rest is audited based on a random sample of 15%.

The AB 2015 annual report has around 26 pages on GAM, and the number was around 50 in 2014: observations are very detailed and based on ex-ante work and participation in committees.

The AB has mostly been involved in ex-ante auditing (such as auditing payments before they are disbursed), given that most public entities lacked effective internal auditing systems. However, over the past few years, and with the support of development partners, the Audit Bureau has been training internal auditors at the different public bodies. It has also been trying to engage more in ex-post auditing. In this context, the World Bank has provided a US\$250,000 grant to build its capacity. The Audit Bureau also has a Memorandum of Understanding with Jordan's Anti-Corruption Commission, and they are trying to increase cooperation between the two bodies. For example, they exchange quarterly reports, and are currently developing electronic databases to simplify exchange and access to information between the two organizations.

GAM has decided, but is not obliged, to hire a private external auditor in addition to being audited by the AB. On timeliness, the private external auditor audit report for 2015 was submitted in beginning of February 2017, although it must be noted that only the statement of revenues and expenses is audited.

The 2016 PEFA criteria emphasize the role of the external auditor in relation to the annual financial statements, to which the AB has devoted little attention in the past; its stance has been that it would provide an audit opinion when financial statements were presented in accordance with international standards.

Dimension rating = D

30.2 *Submission of audit reports to legislature (i.e. GAM Council)*

PEFA considers that good practice is marked by the delivery to the Council of the annual report on GAM's financial statements within three months of the auditor's receipt of these statements from GAM.

The AB law requires the MoF to submit final accounts including all auditees annual financial statements for audit within 6 months from the end of the year. In addition, the Municipalities law requires the Mayor to provide final accounts to the Prime Minister within four months from the end of the year. While the law mentions that the accounts of GAM are subject to the audit of the AB, the AB is **not** required to submit an audit report to the GAM Council. Hence, no audit reports are submitted to the GAM council.

Dimension rating = D*

30.3 *External audit follow-up*

Good practice envisages that audited units will respond constructively to audit recommendations, which may address how to improve the performance of systems and how to strengthen discipline over employees as well as more narrowly defined financial issues, and also that information will be collected about the extent to which recommendations are followed, and the results obtained.

An "integrity strengthening" unit was established at GAM on May 14, 2013. Its responsibility is to receive all accountability institutions reports (AB, Anti-corruption commission, and ombudsmen, parliament) and follow up on addressing their observations. The unit maintains a database of all received reports and observations.

Usually, based on the ex-ante audit, the resident AB team produce observations or violations which are communicated to the Mayor in an official letter from the AB President, and the law requires a response within 30 days. In principle, the absence of such an answer would result in the AB writing to the Prime Minister who will advise the Mayor to respond and take corrective action: failing a response, the final step would be for Prime Minister to have the issue discussed at the cabinet who will make a decision.

The AB must submit an annual audit report to the parliament with copies to the PM and Minister of Finance at the beginning of the regular parliamentary session or when the parliament asks (Oct/Nov). AB 2013, 2014 and 2015 annual audit reports show close follow up on observations. The latest evidence of follow up was the meeting held between 14-17 April 2016 where it was decided to send 26 cases to court, refer four cases to the Integrity and Anti-Corruption Commission, transfer another four cases to the Council of Ministers for a decision, and send 22 cases to the Minister of Finance to take legal measures to recover wasted or stolen public funds.

Dimension rating = D*

30.4 *SAI Independence*

Table 22 below, assesses current practice in Jordan against the core elements of INTOSAI standards:

Table 3.22: Independence of SAI in relation to INTOSAI standards

INTOSAI Standards	Adherence of external audit practices to INTOSAI standards
AG Independence i.e. appointment, termination, salary	Yes , The President of the AB is appointed by Royal decree based on the recommendation of the Council of Ministers: Parliament is informed. The President cannot be fired, transferred, retired, or be punished without the approval of Parliament (but if Parliament is not in session, this can be done with the King's approval, based on recommendation of the Council of Ministers).
Financial Independence of OAG and Staffing Arrangements	No : Budget of AB is submitted to MoF.
Access to Public Records	Yes : SA has 100% access to documents required.
Independence in Preparation of Annual Audit Work Plan	No . The workplan is approved by Parliament.

The law confirms that the AB is an independent entity. However, it prepares annual budget in the same manner as any other ministry, and this is submitted to the MoF. In reality, the AB is not administratively nor financially independent and it is subject to the Council of Ministers (the Executive). The AB has a wide scope of authority as previously mentioned, which includes:

- Monitoring revenues and expenses, advances, loans, etc.
- Providing advice in accounting matters to auditees
- Auditing public funds spending to ensure legality and efficiency
- Ensuring compliance with laws and procedures
- Ensuring that the administrative decisions and procedures are complied with.

The President of the AB is appointed with a Royal decree based on the recommendation of the Council of Ministers, and Parliament is informed. The AB President cannot be fired, transferred, obliged to retire, or punished except with the approval of Parliament. However, if Parliament is not in session, it can be done with the approval of the King based on the recommendation of the Council of Ministers. The Council of Ministers have to then provide reasons to the Parliament (this was actually the case with the previous President).

The AB has all access to all relevant information and documents to be audited, and prepares its annual audit report about the final accounts and submits to Parliament at the beginning of its session (Oct/Nov) with copies to the Council of Ministers and Minister of Finance.

Therefore, it can be seen that the Audit Bureau does not operate independently from the executive with respect to procedures for appointment and removal of the Head of the SAI, and the approval of the SAI's budget.

Dimension rating = D

PI-30	Dimension	Score	Justification
External audit		D	Scoring Method M1
30.1	Audit coverage and standards	D	Performance is less than required for a C score.
30.2	Submission of audit reports to the legislature (i.e. GAM Council)	D*	The law does not require the AB to submit a report to GAM.
30.3	External audit follow-up	D*	GAM generally correct errors found in compliance audits, and further action would – in theory – be taken by the Prime Minister should findings not be followed up by GAM.
30.4	SAI Independence	D	The Audit Bureau does not operate independently of government.

Ongoing reforms:

No known reforms.

PI-31 *Legislative scrutiny of audit reports*

The focus of the first dimension is based on the audit reports submitted to legislature within the last three years, while the assessment of the other dimensions is based on the last 12 months.

31.1 *Timing of audit report scrutiny*

The Mayor has to prepare final accounts within four months from the end of the year. The Council approves the final accounts and sends them to the Prime Minister for endorsement. GAM accounts are subject to the AB audit, however, no set deadline is provided in the Municipalities law. The AB performs ex-ante and ex-post audit, but does not provide an audit report to the GAM council.

Dimension rating = D*

31.2 *Hearings on audit findings*

The GAM Council does not hold hearings on audit findings, although should there be significant issues raised, the Prime Minister will summon the Mayor and the President of the AB.

Dimension rating D*

31.3 *Recommendations on audit by the legislature*

The Council does not receive the AB reports, which highlight the recommendations for rectification of problems, there is no mechanism in place to ensure that the Council follows up on those suggestions or recommendations.

Dimension rating D*

31.4 *Transparency of legislative scrutiny of audit reports*

The Council's' meetings are public. Announcements of the timing of meetings and the agenda is posted in GAM buildings. Citizens are allowed to attend if they have a specific case related to items on the agenda. However, no audit reports are received by the council.

Dimension rating D*

PI-31	Dimension	Score	Justification
Legislative scrutiny of audit reports		D	Scoring Method M2
31.1	Timing of audit report scrutiny	D*	Council does not receive AB audit reports.
31.2	Hearings on audit findings	D*	Council does not receive AB audit reports.
31.3	Recommendations on audit by the legislature	D*	Council does not receive AB audit reports.
31.4	Transparency of legislative scrutiny of audit reports	D*	Council does not receive AB audit reports.

Ongoing reforms:

No known reforms.

4 Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

Budget reliability

GAM has produced reasonable expenditure budgets (PI-1), although the variance between expenditure outturns compared to the budget originally approved is increasing, from less than 5% in FY2014, to 18.1% in 2016. In addition, a functional basis for the expenditure classification was only introduced in 2015, and hence it is not possible to rate this aspect, although the economic categorization in place is sound. However, the budget framework fails to identify contingency amounts as separate votes – they are embedded in each expenditure item – which does not encourage transparency (although this dimension is rated A as there is no identified 'contingency' against which expenditure can be charged).

Aggregate revenues were within 6% of the budget in two of the three-year assessment period; however, the composition of revenue varied considerably, and deteriorated to almost 30% in the last year assessed.

Transparency of public finances

A prerequisite to transparency of public finances is the classification of budget estimates; presently, GAM budget classification fails to meet GFS standards in terms of administrative and functional classification (PI-4). That notwithstanding, the budget documentation is comprehensive and meets four of the basic and three of the additional elements according to PEFA standards (PI-5).

Significant effort has been made to ensure inclusion of most donor-financed projects and programs into GAM's budget estimates and financial reports. At present, at least 95% of all donor-financed projects (both revenue and expenditure) are part of GAM's annual budget as well as actual budget execution reports. A standard procedure exists for third-party service providers in that GAM receives gross service fees and then pays third-party service providers agreed service charges, hence eliminating off-budget financing. GAM has no extra-budgetary units (PI-6), and there are no sub-national governments under GAM and therefore PI-7 is not applicable.

GAM's strategic plans provide an outline of key performance indicators; these plans are not fully costed in terms of initial investment cost and forward linked recurrent expenditure. Both these performance targets and actual performance outcomes are published on the website as well as shared with the 22 council representatives for dissemination. Both resources received in cash and in kind are properly recorded and reported in annual financial statements. Apart from internal monitoring and evaluation performed by GAM officials, independent external evaluations on service delivery are also carried out with the results published (PI-8). Public access to GAM's fiscal information is very limited, besides public access to fees, rates and other applicable taxes, as well as information on service delivery, the public has no access to key fiscal information such as annual executive budget proposals, annual approved budget, annual financial statements, annual audit reports, and in-year budget execution reports (PI-9). Nonetheless, all procurement tenders are publicly evaluated.

Management of assets and liabilities

As GAM has no responsibility for public corporations or sub-national governments, there are no such fiscal risks. However, while there are no PPP arrangements currently in place,

there soon will be (in the form of the Rapid Transit initiative), yet there are neither policy guidelines nor legislation in place. GAM does not keep track of its contingent liabilities (PI-10).

There are two broad categories of public investments; the first is those arising from a Royal initiative, and the second from GAM's own investment strategy. Whereas all project investments drawn from GAM's strategy (the majority of GAM's capital investment projects) undergo rigorous economic analysis to determine their socio-economic viability, those initiated by the Royal family do not. Project selection (with the exception of Royal initiatives) is based on approved selection criteria, and also includes solicitation of public opinion. Whereas initial project costs are fully budgeted for, forward linked recurrent expenditures are not, revealing weaknesses in medium-term budgeting framework. Independent evaluations of investment projects are carried out and published (c.f. PI-11).

GAM's management of assets (both financial and non-financial) is inconsistent, in that while records of all equity investments are maintained and updated, the information is not published nor included in the annual financial statements. GAM does not keep a comprehensive fixed asset (non-financial assets) register even though some fixed assets such as vehicles and furniture are recorded. The legal framework (Suppliers Byelaw) outlines asset disposal framework; nonetheless the process for asset disposal fails to comprehensively disclose new owners (PI-12).

GAM has a large debt portfolio, which in September 2016 stood at JD 408.3 M, with debt servicing cost of JD 107.8 M, representing a weighted average of 26.4% of total debt. Again, it has a running overdraft of JD 28.2 M as at October 2016. GAM uses a Microsoft Excel spreadsheet to record both domestic and foreign debt; this is reconciled and updated at least annually but the information is not made public. The Prime Minister is solely responsible for authorizing GAM's borrowing; that said, no medium-term debt management strategy is prepared.

Policy-based fiscal strategy and budgeting

There is a clear annual budget calendar, which is adhered to, and which allows budgetary units at least four weeks to complete their detailed estimates, but without ceilings (PI-17). The requirements of the indicators related to 'macroeconomic and fiscal forecasting', 'fiscal policy' and 'medium-term perspective in expenditure budgeting' (PIs-14, 15 & 16) are all rated 'D', as GAM has up to the present time followed the law which requires only an annual budget process. The annual budget proposal is submitted to the Council in November, before the beginning of the financial year.

Predictability and control in budget execution

Measures adopted by GAM regarding the rights and obligations of taxpayers and citizens are comprehensive, adequate and simple; some of these measures include online access to tax information, client service desks, distribution of brochures, timely remittance of tax liabilities and IT-based revenue collection mechanisms. Revenue risk management framework is satisfactory and limits the potential of massive revenue leakages. Nonetheless, revenue audit measures need improvement in terms of the systematic documentation of compliance improvement plans. Revenue arrears are quite significant and represent 40% of total own revenues (PI-19).

The Department of Revenue Collection (the Treasury) is responsible for recording and reporting on all revenues collected by GAM. Each month, a revenue report is prepared for executive management, categorizing revenue types and comparing budget against actual collections; however, there are no explanations for deviations. At least 95% of all revenues collected are banked within 24 hours; exceptions arise when collections are made during

off-banking hours and some instances holidays. Complete revenue reconciliation is carried out within four weeks after the end of the preceding month (PI-20). Treasury management functions are weak; whereas daily and monthly cash consolidation statements are prepared, there is no systematic framework for preparing and updating cash flow forecast to better manage treasury operations that will ultimately reduce the need to borrow. In addition, there is no coordination between the procurement, treasury and budget departments, necessary for effective cash flow management. Significant in-year budget reallocations are made with no clear rules, thereby negatively affecting project implementation, as well as the effective implementation of monthly expenditure commitment framework (PI-21).

Expenditure arrears constitute between 5% and 11% of total expenditure, and have been declining in both nominal and percentage terms since 2013 – 8% in FY2013, 11.2% in FY2014, and 5.1% in FY2015. The accounts department generates a statement of expenditure arrears annually even though GAM's basis of accounting is cash; nonetheless, expenditure arrears are not age-profiled (PI-22). Payroll controls are satisfactory, with changes to personnel and payroll effected within a month; however, there is no direct interface between personnel and payroll data. All updates are manual; these are reconciled monthly within a month. Manual control processes resulting in audit trails are place to guarantee the integrity of personnel and payroll data; however, no, payroll audits have been carried out in the last three years (PI-23).

The procurement management system only keeps records on contract awards: there is no framework for preparing and publishing annual procurement plans. Competitive tendering is the default method of procurement with at least 90% of contracts awarded through competitive bids. As stated under PI-9, public access to fiscal information is limited, and this is also applies to procurement; whereas procurement statistics, laws, and contract awards are made public, information on procurement complaints, procurement plans, and bidding opportunities are not. While there is a functional administrative procurement complaints mechanism, it lacks transparency (PI-24). The internal control environment is satisfactory; the framework clearly spells out segregation of duties among authorized officials. There is work-in-progress to integrate the budget with the financial management system through Oracle; presently expenditure commitment is controlled by actual cash available. Even though clear rules exist regarding payment procedures, authorized exceptions do arise but are not necessarily justified (PI-25). In general, internal audit functions do not meet international standards, lack audit plans with clear objectives, and limited performance of specialized audits. That notwithstanding, management provides a formal response to all audit queries; it also tracks implementation of recommended actions (PI-26).

Accounting and reporting

Monthly reconciliations of bank accounts are satisfactory and carried out within a week of the preceding month, though not within the Treasury Single Account framework. Financial data integrity relies heavily on the internal control environment, which is satisfactory and provides both manual and IT-based audit trails. The reconciliation and clearing of suspense and advance accounts have been impressive, thereby improving financial data accuracy (PI-27). The timeliness of producing in-year financial statements is adequate, done within two weeks after the end of the previous month. These reports are compatible with original budget estimates and allow for easy statistical analysis at both expenditure commitment and payment stages, although the extent to which this facility is used is not clear (PI-28). The annual financial are produced on simplified cash basis: GAM keeps records of revenue and expenditure arrears (PI-29).

External scrutiny and audit

The Audit Bureau (AB) has the mandate to audit GAM accounts as per the Municipalities law and the AB law. However, the Municipalities law does not set deadlines for audit nor does it require the AB to submit an annual audit report to the GAM council. The AB has a resident team at GAM that performs continuous audit. The AB performs ex ante audit over 100% of GAM expenditures, 70% of revenues, mainly buildings licenses fees, and 15% of other revenues. A withdrawal from ex-ante audit process started a few years ago along with the government strengthening internal audit in public entities. It is expected that the AB will withdraw from the ex-ante audit of more entities, including GAM, in the future. GAM does not submit annual financial statements to the AB for audit. However, the AB annual audit report includes audit findings regarding GAM derived from the continuous audit. In general, the annual audit report had improved over the last year becoming more in compliance with international auditing standards. The AB confirms that it performs a comprehensive audit that covers performance audit. Follow-up on audit findings has improved however, more effort is needed to improve timeliness. The findings of the last three annual audit reports (2013-2015) were classified based on criticality and will be discussed with parliament. The AB is not financially and administratively independent.

While the GAM council is the legislative authority, it does not perform any scrutiny of the AB reports: Parliament reviews the annual audit report of the AB, which has a section on GAM, and holds public hearings.

4.2 Effectiveness of the Internal Control Framework

The internal control framework components work to establish the foundation for sound internal control within the entity through directed leadership, shared values and a culture that emphasizes accountability for control.

Control Environment

GAM is mainly governed by the Municipalities Law no. 41 of 2015, and follows national related laws and bylaws such as the Labor Law and the Civil Service bylaws. Where relevant, GAM also follows the Financial Control Bylaw no. 11 of 2015.

GAM is governed by its Board of Directors and executively reports directly to the Prime Minister. GAM is subject to State Audit Bureau's auditing and its heavy ex ante control intervention is well evidenced in the revenue and expenditure processes. As a public interest entity, GAM's performance is closely followed by the public and the parliament.

On the executive level, the Mayor of Amman is GAM's Chief Executive Officer. The Mayor of Amman, with the Board of Directors being informed, sets the "tone at the top". The tone at the top, which is perceived by GAM staff, reveals the importance of management's tight control and collective accountability. Due to the bureaucratic structure and public administration policies followed, transparency within GAM units is not emphasized. The degree of transparency is controlled by managers each in their capacity and thus levels of transparency varies across the GAM units.

In terms of the internal control structure, GAM senior management maintains layers of controls to ensure proper work conduct, ethical conduct, and integrity of staff towards the provision of public services. Directorates such that of the Institutional Performance Development (of which Internal Audit is positioned under), the Inspector General, and the Legal Affairs, have been set by senior management to oversee and emphasize the internal control of GAM. At the time being, GAM is internally re-evaluating the internal

control setup and is re-considering the directorates' structures along with their respective responsibilities, in pursuit to ensure an effective internal control framework is in place, which will serve and support GAM's vision and latest strategy.

While commitment to competence is showcased by management in several key staff positions, GAM suffers from the large number of staff that were injected annually by the Civil Service Authority, as part of addressing the high unemployment among Jordanian workforce, of which GAM was required to absorb. Hence, externally hiring became a challenge, and was then limited to critical positions/expertise. To reduce some pressure and to overcome these challenges, at least partially, GAM adopted a strategic staff rotation approach. The GAM Human Resources Unit (HR) has been working on a strategy to utilize available human resources effectively based on their own HR Bylaw of 2012 and through their annual HR policies and procedures.

Risk Assessment

Risk identifications in GAM arise from the pursuit of achieving the Entity-wide objectives, steered by BOD and executed by senior management. Similarly, risk identification on process levels occurs upon application of set policies and procedures and are discussed/reported to middle level management, possibly communicated thereof to senior management shall be assessed to be significant.

Responsibilities for risk assessment and management are not clear and not formally structured, however, tend to be of management's focus as they pursue improving GAM's performance and enhance its capabilities. Still the regularity of such exercise is not clear.

The observations GAM receives from the Audit Bureau, Internal Audit, and the Inspection Directorate, also form a feedback to GAM's risks and informs their continuous assessment process.

Control Activities

GAM has designed and implemented a set of internal controls on different levels, from decision making to transactional processes. The internal controls are dictated by the national laws and spelled out in GAM's policies and instructed procedures. The control activities are implemented more in a bureaucratic form with a vertical reporting structure, and controls in place can be either manual or automated.

Through this assessment, and as noted from audit reports, GAM in general maintains a sound internal control system. The controls setting/ evaluation by management is majorly based on practice and experience to address and mitigate significant risks perceived, but rarely result from a formal internal controls evaluation on the adequacy of the controls' design and the effectiveness of implementation.

Information and Communication

GAM maintains channels of communication with internal as well as external parties. Internally, BOD and the Mayor's decrees are physically mailed and communicated down the chain to relevant parties. Instructions from the City Manager and middle level managers can be in the form of instruction letters or emails.

A management information system is maintained and the information technology unit is an integral unit that GAM management rely on for managing data. With running an Oracle system, the information across directorates and several units have been either integrated or process, or planned to be automatically integrated. Given the size of GAM, this process is implemented through a multi-year program.

Monitoring

The BoD exercises oversight over high level objectives and ensures that senior management continues to carry out ongoing monitoring towards these objectives' accomplishment. Senior management in its role, monitors the performance of middle management/staff and outcomes. Extensive vertical reporting provide evidence on the level of coordination, oversight and accountability top - down in the hierarchy.

Monitoring activities in the form of separate evaluations are assigned to the internal assurance units: and in return, their results inform the level and adequacy of monitoring activities carried out by management.

4.3 PFM Strengths and Weaknesses

Aggregate fiscal discipline

Overall, fiscal discipline in GAM is reasonable, at least when viewed in the context of the **annual** budget process currently in place: however, the lack of multi-year fiscal planning is an issue in need of consideration, particularly in the light of the risks that may arise from the various public-private partnership arrangements in place.

Most elements in the overall PFM system that contribute to achieving short-term fiscal discipline appear to be sound, as witnessed, for example, by the fact that the aggregate outturns of both revenue and expenditure are close to those in the original budget, although there is an issue about the variance in the composition of revenue (PI-3.2, rated 'D'). In addition, the stock of payment arrears is declining (PI-22), and there are few unreported operations (PI-6, rated 'B').

While there are risks to fiscal discipline (beyond the concern mentioned above about 'PPPs'), such as the lack of a debt management strategy (PI-13.3, rated 'D') and the absence of conventional oversight arrangements (PI-29.2, rated 'D'), it should be noted that these risks are, to a certain extent, mitigated by the fact that various elements of the system concerned with budget execution work well. So, for example, predictability in the availability of resources, most aspects of procurement, the low level of expenditure arrears, and at least a basic operation of internal controls, all contribute to achieving aggregate fiscal discipline.

Strategic allocation of resources

The three indicators concerned with 'policy-based fiscal strategy and budgeting', (PIs 14 to 16) received poor ratings, as current legislation does not require medium-term budgeting, and hence it is difficult to demonstrate that the (annual) process to allocate budgetary resources is in accordance with GAM's declared strategic objectives. However, there is a new indicator relevant to this budgetary outcome: 'Public Investment Management' (PI-11). Fortunately, given that almost half of the resources available through the budget go to capital projects, this indicator is rated overall as 'C+', which represents sound practice.

The otherwise-sound budget preparation process is weakened by the absence of ceilings to guide units when compiling their estimates (PI-17.2, rated 'D'), and also by the limited scope of the scrutiny undertaken by the GAM council (PI-18.1 & 2, both rated 'C'). On the positive side, the budget is approved before the start of the financial year, and the council does have oversight of any amendments made during the year.

GAM performs reasonably well in administering its own revenues. Both indicators concerned with the collection of revenue are under the control of GAM, and while PI 19 is

rated 'C' overall, there are weaknesses in some elements where procedures are not formally documented, and the monitoring of arrears (PI-19.4) is relatively weak. On the other hand, 'Accounting for revenues' (PI-20) is rated 'A'.

Most of the other indicators that relate to the strategic allocation of resources function at a satisfactory level. An exception is that while the budget documentation (PI-5, 'B') meets all the 'basic' requirements, its classification in accordance with international standards does not (PI-4, 'D').

Efficient use of resources for service delivery

Financial management is not an end but rather a tool to assist a government to deliver services to its citizens. From this standpoint, GAM's PFM system appears to work reasonably well. This can be seen in the rating for 'performance information' (PI-8, 'B+'), which demonstrates the efficiency with which services are delivered. Of course, services cannot be delivered in the absence of funds, and in this respect, there may be some concerns associated with the rating for predictability in the availability of funds to support expenditure (PI-21, 'C+'). On the other hand, most of the mechanisms in place to reduce possible leakages in the system, such as internal controls, procurement, and controls over payroll (PIs 25, 24 and 23 respectively) are at least reasonable, although 'Public Asset Management' (PI-12) shows a poor level of performance. The 'Internal Control and Audit Department' is some way from performing according to the modern concept of Internal Audit (PI-26; 'C+'), but this weakness is offset to a significant extent by the good ratings for the basic accounting controls in place (PI 27, rated 'B+').

Lastly, the oversight arrangements (addressed in PIs 30-31) are unusual, in that the Audit law (amended in 2002) and the Municipal Law both require the Audit Bureau to audit GAM (although no deadline is specified), but the report of the audit goes not to the GAM council but to Parliament, with copies to the Prime Minister and Minister of Finance. In addition, GAM has hired a private auditor to report on an annual 'statement of revenues and expenses' – the report for 2015 was submitted to the GAM Council at the beginning of February 2017.

In summary, and given the legal restrictions requiring an annual budget process, most aspects of GAM's PFM system function at a satisfactory level, and should allow GAM to attain its short-term fiscal and budgetary objectives. This said, there remain areas for improvement, although it must always be borne in mind that any sub-national government can only operate within the confines of the legal framework established by the national government.

4.4 Performance changes since a previous assessment

Not applicable, as this is the first assessment of GAM.

5 Government Reform Process

PFM reforms are at the heart of the priorities of the Government of Jordan, which continue to be of great importance in keeping the economy stable at a time of exceptional difficulty caused by external circumstances. Since 2004, Jordan has been continuously engaged in improving PFM, both for the benefits it brings directly and because progress in this area is a condition to be met in maintaining the support of development partners.

Within the government the lead role is taken by the Ministry of Finance (MoF) (Including the General Budget Department (GBD), the three tax Departments and the General Supplies Department (GSD)); the other Ministries principally concerned are the Ministry of Planning and International Cooperation (MoPIC) which coordinates public investment planning (including responsibility for the current program to improve Public Investment Management) and external assistance, and the Ministry of Public Sector Development (MPSD) which seeks to rationalize the structure of government and reduce the burden on the rest of the economy. On the other hand, the MOMA has been leading the reforms at the municipal level.

The Ministry of Municipal Affairs (MoMA) has been working in accordance with its reform strategy 2015-2020 consisting of six national objectives: i) develop the performance of municipal sector and enhance its efficiency, ii) enhance service delivery to local community, iii) contribute to the fight against poverty and employment, iv) contribute towards the achievement of balanced development among governorates and districts, v) solve environmental problems that lays within the responsibility of municipalities and joint services councils, and vi) contribute to solving traffic problem in the Kingdom. The strategy aims at significant reforms in the municipal work through concentrating on three themes: legislative reform, financial reform, and administrative reform.

The enactment of the Municipal Law no 41 of 2015 and the Decentralization Law no. 49 of 2015 are considered two major legislative reforms. Those two laws aim of widening public participation in decision making and enforcing decentralization. The municipality law came to strengthen municipalities' independence and widen their functions and responsibilities and to embody the principle of decentralization through the establishment of local councils. The Decentralization Law came to materialize national vision to expand the adoption of democratic elections in accordance with state approach, to increase public participation in decision making and implementation especially with regard to sustainable development, and to implement administrative decentralization. The municipal election and the decentralization elections on August 15, 2017 which was held for the first time in Jordan will put the decentralization principle to practice with the hope of addressing the real need of the people and improving the service delivery and life standards in the governorates and districts.

The fiscal reform included strengthening the government support to municipalities by increasing the oil products transfers and other channels of support, the last of which was the government decision took on August 13, 2017 to distribute JD 100 M to municipalities to help them settle good part of their debts. In addition, the MoMA is providing municipalities with vehicles and equipment in cooperation with MoPIC and international donors.

The administrative reform includes the amendments of legislations to stop random appointments and assign appointment to Civil Service Bureau. There are plans for capacity

building and training programs, and the set-up of new structures to implement decentralization.

At the national level, development partners have contributed, and are continuing to contribute substantially to these efforts, with new programs begun in 2015 by the EU (direct budget support of 40 million Euro over three years, with an additional 7.5 million Euro for technical assistance), and in 2016 by USAID (the third Fiscal Reform Project providing \$35 M over four years).

While on the local government level, the Municipal Finances Sector Policy Loan (SPL) was approved by AFD board of directors on October 20th, 2016, in response to the financing request of the government of Jordan. The financing agreement of the municipal finance SPL was signed in November 30th, 2016 followed by the disbursement by AFD, in December, of the first half of its € 100 M budget support to the Government of Jordan for the strengthening of municipalities. This budget support is based on meeting specific policy reform triggers at the local government covering the areas: i) Strengthening national framework to Improve municipal financial sustainability, ii) Strengthening municipal financial management systems and capacities, and iii) Strengthening Cities and villages Development Bank (CVDB) contribution to municipal development financing. The USAID has an ongoing program on “fiscal reform and public financial management” covering the period 2016-2020 for an amount of \$ 40 M. The program seeks to improve Jordan’s overall fiscal and macroeconomic stability via improved revenue performance, strengthened budgeting and debt management practices, increased accountability and performance of government institutions, and increased participation of the private sector. Part of the program is supporting increased capacity for fiscal management at decentralized levels.

On the other hand, the World Bank is supporting the PFM reforms at the local government level through the context of “strengthening municipal financial management systems to sustain service delivery in municipalities affected by the refugee crisis”. The objective of the Project is to strengthen the institutional and financial systems and capacities of selected municipalities in Jordan to improve local service delivery. Under this broad objective of helping to improve municipalities’ financial management capabilities, the Project sets out four specific goals to: i) improve the effectiveness and impact of municipal spending; ii) improve municipalities’ transparency and accountability to local communities-beneficiaries; iii) strengthen municipalities’ capacity to mobilize own revenues; and iv) debt reduction of municipalities’ and solvency. While this Project focuses on the 20 municipalities in the northern governorates, some of the outputs and the learning from this Project could potentially be scaled up to the other municipalities resulting in improvements in the delivery of basic services to a wider number of beneficiaries.

Most power below the central level in Jordan is located within the 12 governorates, which are deconcentrated units of the central government that receive their funding through the Ministry of the Interior (MoI). Governors are appointed by the central government and are responsible to, and report to, the MOI. Their mandates under the new decentralization law increases their coordination role of the existing Executive Councils and envisioned elected Governorate Councils, and increase their planning authorities for the development in each Governorate. Within the new decentralization framework, the role of Governorates in development planning must be linked to input and coordination with municipalities as centers of population and economic activity.

Jordan’s 100 municipalities, in contrast, are legal and budgetary entities governed by the Law on Municipalities, which defines them as “a civil institution with financial and administrative independence.” They are classified into four categories based on population size. Their affairs are overseen by the MoMA. Municipalities are for the most part

institutionally weak, and many responsibilities and financial resources remain vested in centrally-controlled agencies. Yet, municipalities remain responsible for a variety of services that affect ordinary people's daily lives.

Despite multiple constraints, municipal councils and mayors currently remain the only elected and accountable officials below the national parliament to whom citizens have access. An estimated 83% of Jordan's 9.5 million people, and a majority of those living below the poverty line, are urban residents, and municipalities remain the most visible element of public administration for most citizens. However weakly, they represent the State's capacity for and commitment to service delivery

The persistence of very cumbersome financial control arrangements applicable to all payments by government bodies, including municipalities, and of an approach to audit by the Audit Bureau largely based on compliance testing of individual transactions, are illustrations of the difficulty of achieving rapid change. There is now movement in both these areas, although there is still a considerable distance between Jordan adopted financial control and audit arrangements and international best practice. There is a need to revise the AB Law to improved its financial and administrative independence as well immunity to the President.

Annexes

Annex 1: Performance Indicator summary

Subnational indicator			
HLG -1	Transfers from a higher level of government	D+	
HLG 1.1	Outturn of transfers from higher level government	A	Transfer were at least 95% of the original budget estimate in 2 of the last 3 years.
HLG 1.2	Earmarked grants outturn	NA	There were no earmarked grants in 2 of the 3 years covered by this assessment.
HLG 1.3	Timeliness of transfers from higher level government	D	There is no schedule and amounts are received unevenly and unsystematically.
Pillar I: Budget reliability			
PI-1	Aggregate expenditure outturn	B	
1.1	Aggregate expenditure outturn	B	Aggregate expenditure outturn in two out of the last three completed fiscal years was between 90% and 110% of the originally approved budget; actual deviations were 0.9% in FY2014, 6.1% in FY2015 and 18.1% in FY2016.
PI-2	Expenditure composition outturn	D+	
2.1	Expenditure composition outturn by function	D*	A functional classification was introduced during FY2015, so there is insufficient data to rate the dimension, which requires '2 of the last 3 years'.
2.2	Expenditure composition outturn by economic type	B	The variances by economic category, were 2.5%, 7.6%, and, 25.1%.
2.3	Expenditure from contingency reserves	A	As there is no contingency reserve, expenditure cannot be charged to it.
PI-3	Revenue outturn	C	
3.1	Aggregate revenue outturn	B	Aggregate revenue outturn compared to originally approved budget was between 94% and 100.4% over the three-year assessment period; actual revenue outturns were 100.4%, 99.4% and 94% in FY2013, FY2014 and FY2015 respectively.
3.2	Revenue composition outturn	D	Composition variance were more than 15% in two of the last three years; actual variances were 8.1% in 2014, 18.9% in 2015 and 28.9% in 2016.
Pillar II. Transparency of public finances			
PI-4	Budget classification	D	
4.1	Budget classification	D	Budget formulation, execution, and reporting are not based on administrative and functional GFSM standards or a classification than can produce consistent documentation comparable with those standards.
PI-5	Budget documentation	B	
5.1	Budget documentation	B	Budget documentation contains the full four basic and three of the eight additional elements, while one is partially met, (element number six is not applicable to the GAM).
PI-6	Central government operations outside financial reports	B	
6.1	Expenditure outside financial reports	B	At least 95% of expenditures from all donor funded projects are captured in GAM's financial reports.
6.2	Revenue outside financial reports	B	At least 95% of revenues from all donor funded projects are captured in GAM's financial reports.

6.3	Financial reports of extra-budgetary units	NA	There are no extra-budgetary units receiving funding from GAM.
PI-7	Transfers to subnational governments	NA	
7.1	System for allocating transfers	NA	There are no direct financial relationships between GAM and the Districts within it.
7.2	Timeliness of information on transfers	NA	There are no direct financial relationships between GAM and the Districts within it.
PI-8	Performance information for service delivery	B+	
8.1	Performance plans for service delivery	A	Each of the five service delivery sectors in GAM prepares long, medium and short-term strategies with key performance indicators; these are published on GAM's website according to each sector. Each of the 22 representatives on GAM's governing council also receives copies for dissemination at the district levels
8.2	Performance achieved for service delivery	B	Project completion and performance reports are published at least annually according to each service sector. Each district representative on GAM's council also receives copies of completion and performance reports
8.3	Resources received by service delivery units	B	Information on resources (both cash and kind) received by GAM service sectors is recorded and reported in the audited annual financial statements.
8.4	Performance evaluation for service delivery	A	External performance evaluations are carried out by the Audit Bureau and other independent evaluators; the reports are made public
PI-9	Public access to key fiscal information	D	
9.1	Public access to fiscal information	D	Currently, citizens have full access to only one basic and 2 additional benchmarks.
Pillar III. Management of assets and liabilities			
PI-10	Fiscal risk reporting	NA	
10.1	Monitoring of public corporations	NA	GAM does not have direct responsibility for any public corporations.
10.2	Monitoring of subnational governments	NA	There are no sub-national governments beneath GAM.
10.3	Contingent liabilities and other fiscal risks	NA	There are no contingent liabilities to report on: however, current developments in transportation will mean that in future, 'PPP' arrangements will need to be considered.
PI-11	Public investment management	C+	
11.1	Economic analysis of investment proposals	B	Most projects economically appraised by GAM are reviewed and approved by the Prime Minister prior to selection and implementation; the results of their socio-economic impact are published. However, projects emanating from the Royal House do not undergo the same rigorous economic analysis.
11.2	Investment project selection	B	Most major projects are prioritized and selected for inclusion into the annual budget based on set guidelines. The selection standards include the PESTEL analysis module and distribution of questionnaire to communities to solicit their views.
11.3	Investment project costing	C	Whereas both investment cost and recurrent forward linked expenditure projections are made, their inclusion in the budget is only annual, since budget has no multi-year perspective.
11.4	Investment project monitoring	C	Cost of investment projects as well as physical progress are monitored monthly and quarterly with the production of financial and progress reports to management; completion reports are published except for monthly and quarterly progress reports.

PI-12	Public asset management	D+	
(i)	Quality of central government financial asset monitoring	C	GAM maintains and updates all equity investments in both public and private companies. Whereas the report provides information on fair value of equity, it is not made public & is not included in annual audited financial statements.
(ii)	Quality of central government non-financial asset monitoring	D	GAM does not maintain a comprehensive fixed-asset register; that said, it keeps records of vehicles and office furniture with information on date of purchase, condition, life span, historical cost, and location of asset.
(iii)	Transparency in the sale of non-financial assets	C	Suppliers Byelaw specifies procedures for disposal of fixed assets; information on sale proceeds is provided in the audited AFS, but does not indicate the names of new owners.
PI-13	Debt management	C	
13.1	Recording and reporting of debt and guarantees	C	Both domestic and foreign debts are recorded and reconciled at least annually; however, information on GAM's debt is not publicly available.
13.2	Approval of debt and guarantees	B	Approval to borrow rest solely with the Prime Minister; reports on loans are also forwarded to the Prime Minister.
13.3	Debt management strategy	D	GAM does not prepare a medium-term debt management strategy; however, it appears an informal mechanism exist in managing its debt portfolio.
Pillar IV. Policy-based fiscal strategy and budgeting			
PI-14	Macroeconomic and fiscal forecasting	D	
14.1	Macroeconomic forecasts	D	GAM prepares Strategic Plans covering 3-year periods, but these do not contain key macroeconomic indicators.
14.2	Fiscal forecasts	D	Medium-term and long-term fiscal forecasts are not prepared: currently, GAM prepares fiscal forecast for the budget year only.
14.3	Macrofiscal sensitivity analysis	D	GAM does not prepare analysis of macro-fiscal sensitivity and external factors that may affect revenue, expenditure and debt.
PI-15	Fiscal strategy	D	
15.1	Fiscal impact of policy proposals	D	Estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years are not made.
15.2	Fiscal strategy adoption	D	Fiscal strategy is not yet developed.
15.3	Reporting on fiscal outcomes	D	Fiscal strategy is not yet developed.
PI-16	Medium-term perspective in expenditure budgeting	D	
16.1	Medium-term expenditure estimates	D	Medium-term expenditure estimates are not yet prepared.
16.2	Medium-term expenditure ceilings	D	Medium-term expenditure estimates are not yet prepared.
16.3	Alignment of strategic plans and medium-term budgets	D	Medium-term expenditure estimates are not yet prepared.
16.4	Consistency of budgets with previous year estimates	NA	As medium-term expenditure estimates are not yet prepared, this dimension cannot be rated.
PI-17	Budget preparation process	C	
17.1	Budget calendar	B	The budget circular issued in July contains clear timelines for each of the six sectors to follow, and asked for proposals to be submitted within a month, identifying priority areas for the forthcoming year, line with the Strategic Plan 2020.

17.2	Guidance on budget preparation	D	Budget is prepared on the basis of the detailed budget proposals of agencies and units, but ceilings are not provided.
17.3	Budget submission to the legislature	C	The annual budget proposal was submitted to the Council in November.
PI-18	Legislative scrutiny budgets	C+	
18.1	Scope of budget scrutiny	C	The Council's review covers details of expenditure and revenue.
18.2	Legislative procedures for budget scrutiny	C	The procedures to review budget proposals are approved by the Council's in advance of budget hearings and are adhered to.
18.3	Timeliness of budget proposal approval	A	The Council's has approved the annual budget before the start of the year in each of the last three fiscal years.
18.4	Rules for budget adjustment by the executive	B	Clear rules exist for in-year budget adjustments by the executive, and are adhered to. in <i>most</i> instances. Extensive administrative reallocations may be permitted.
Pillar V. Predictability and control in budget execution			
PI-19	Revenue administration	C	
19.1	Rights and obligations for revenue measures	A	GAM collects its own source revenues using multiple channels and provides its tax payers with easy and up-to-date information on the main revenue obligation areas and has put in place robust processes and procedures for redressing citizen grievances and complaints.
19.2	Revenue risk management	D	Revenue Risk Management procedures are partly structured and systematic, but are not documented.
19.3	Revenue audit and investigation	D	GAM undertakes audit and fraud investigations regarding revenue collection, but the procedures are not documented.
19.4	Revenue arrears monitoring	C	The stock of revenue arrears at the end of the last completed fiscal year is below 40% of the total revenue collection for the year and the revenue arrears older than 12 months are less than 75% of total revenue arrears.
PI-20	Accounting for revenue	A	
20.1	Information on revenue collections	A	Management receives comprehensive monthly reports from the RCD, covering all revenues.
20.2	Transfer of revenue collections	A	Direct taxpayer deposits as well as e-payments reflect in GAM's bank accounts within 24 hours; however, some (less than 5%) cash collections are banked within 72 hours as a result of banks closing on weekends and public holidays.
20.3	Revenue accounts reconciliation	A	Reconciliation of tax assessed, collected, banked and arrears is done monthly within four weeks after the end of the month.
PI-21	Predictability of in-year resource allocation	C+	
21.1	Consolidation of cash balances	A	Treasury Department prepares both daily and monthly liquidity reports which summarize net bank balances as well as domestic and foreign debts due for payments.
21.2	Cash forecasting and monitoring	C	The budget department prepares an annual cash flow forecast; however, it is weak and not updated. There is also no coordination between budget, procurement and treasury departments.
21.3	Information on commitment ceilings	D	Whereas monthly expenditure commitment ceilings are provided to GAM's departments, they are unreliable due to the frequent and significant in-year budget virements.
21.4	Significance of in-year budget adjustments	C	While there are no clear rules governing virement, budget reallocations are frequent but transparent.
PI-22	Expenditure arrears	C+	

22.1	Stock of expenditure arrears	A	The stock of expenditure arrears compared to total actual expenditure is less than 1% in all three completed fiscal years 2014, 2015, and 2016.
22.2	Expenditure arrears monitoring	C	Information on stock of expenditure arrears is generated annually by the accounts department at the end of each fiscal year. However, the information on arrears is not age-profiled.
PI-23	Payroll controls	C+	
23.1	Integration of payroll and personnel records	B	Payroll is supported by full documentation for all changes to personnel records each month and checked against the previous month's payroll data. Staff hiring and promotion is controlled by a list of approved positions. However, no direct links and integration between systems to reflect immediate updates and budget availability.
23.2	Management of payroll changes	B	Personnel records and payroll are updated and reconciled on monthly basis with few retroactive adjustments.
23.3	Internal control of payroll	A	Controls are in place to ensure the integrity of payroll data and an audit trail is documented.
23.4	Payroll audit	C	Partial payroll audits are performed on transactions but overall assurance to the effectiveness of the payroll system and controls does not exist.
PI-24	Procurement	B	
24.1	Procurement monitoring	B	Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for most procurement methods for goods, services and works.
24.2	Procurement methods	A	The total value of contracts awarded through competitive methods in the last completed fiscal year represents 90% of total value of contracts.
24.3	Public access to procurement information	B	The public have easy access to 3 of the 6 'key' items of information relating to procurement.
24.4	Procurement complaints management	D	The procurement complaint system meets 4 of the 6 criteria, but is not independent.
PI-25	Internal controls on nonsalary expenditure	C	
25.1	Segregation of duties	C	Although authorized signatories for payment are specified and effective, segregation of duties are not clearly specified.
25.2	Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are in place and limit commitments to available cash, with minor exceptions although the extent of the coverage cannot be determined.
25.3	Compliance with payment rules and procedures	C	Generally, payments are executed in accordance with regular rules and procedures. The majority of exceptions are properly authorized and justified.
PI-26	Internal audit	C+	
26.1	Coverage of internal audit	A	An established internal audit department that is well functioning and has set up a customized modern approach, to cover all six sectors.
26.2	Nature of audits and standards applied	C	Performance, compliance and financial audits are undertaken, depending on need. No international or local standards are applied and no quality assurance mechanism is in place.
26.3	Implementation of internal audits and reporting	C	Performance of auditors can vary in the absence of an audit procedures guide/methodology and results of audit may not achieve objectives or address concerns. However, senior management are well informed of observations and consider such reports for decision making.
26.4	Response to internal audits	C	Responses to audit reports and observations communicated to auditees are well tracked and communicated to senior management through the annual audit report. Verbal and immediate actions by auditees (not in writing) will need to be

			considered or documented in an alternative method. Impact of audits on GAM cannot be clearly measured.
Pillar VI. Accounting, recording and reporting			
PI-27	Financial data integrity	B+	
27.1	Bank account reconciliation	B	GAM there are 35 bank accounts, and these are reconciled at the end of each month, within a week of the end of the month
27.2	Suspense accounts	A	Suspense accounts are reconciled monthly, and cleared at the end of the fiscal year.
27.3	Advance accounts	B	Most advance accounts for staff travel or for contractors undertaking work on behalf of GAM are cleared in a timely manner.
27.4	Financial data integrity processes	B	Access and changes to records is restricted and recorded, and results in an audit trail.
PI-28	In-year budget reports	C+	
28.1	Coverage and comparability of reports	A	DoF uses the Oracle system which allows on-line access to managers, and monthly reports are submitted to the City Manager which cover revenue and expenditure against the budget.
28.2	Timing of in-year reports	A	Reports are available monthly by the second week of the subsequent month.
28.3	Accuracy of in-year budget reports	C	Oracle reports include commitments and allow direct comparison with the budget at any time, but there is no systematic analysis of the data.
PI-29	Annual financial reports	C	
29.1	Completeness of annual financial reports	C	Financial report is prepared annually and is comparable with the approved budget. However, the reports do not include information on financial assets, non-financial assets and guarantees.
29.2	Submission of reports for external audit	D	Annual financial report is sent to the Prime Minister within the four-month period prescribed by law – but is not sent to the AB.
29.3	Accounting standards	C	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time, but do not fully comply with IPSASs.
Pillar VII. External scrutiny and audit			
PI-30	External audit	D	
30.1	Audit coverage and standards	D	Performance is less than required for a C score.
30.2	Submission of audit reports to the legislature	D*	The law does not require the AB to submit a report to GAM.
30.3	External audit follow-up	D*	GAM generally correct errors found in compliance audits, and further action would – in theory – be taken by the Prime Minister should findings not be followed up by GAM.
30.4	SAI Independence	D	The Audit Bureau does not operate independently of government.
PI-31	Legislative scrutiny of audit reports	D	
31.1	Timing of audit report scrutiny	D*	Council does not receive AB audit reports.
31.2	Hearings on audit findings	D*	Council does not receive AB audit reports.
31.3	Recommendations on audit by the legislature	D*	Council does not receive AB audit reports.
31.4	Transparency of legislative scrutiny of audit reports	D*	Council does not receive AB audit reports.

Annex 2: Sub-National Profile, Jordan

This profile provides an overview of a subnational government structure, including main functional responsibilities, fiscal and budgetary systems, and institutions, but does not attempt to provide a comprehensive explanation of intergovernmental financial relations.

1. Subnational government structure

<i>What higher-level government legislation and regulations define and guide the subnational government structure?</i>	The legal framework for municipalities is set out in Law 14 of 2007 and the most recent version Law 41, 2015. They are considered to be private associations and do not form part of central government, and as such, they possess some elements of self-rule through elected officials.
<i>What is the number of government levels or administrative tiers, and what is the average size of the population they serve?</i>	There are 100 Municipalities, serving between 5,000,000 to 2,000 citizens.
<i>What is the year of the subnational government law, decentralization law, or last major reform of intergovernmental fiscal structure? What is the name of the law or reform?</i>	Law 14 of 2007 and Law 41, 2015.
<i>How does the entity, or entities, focused on by the assessment compare with other jurisdictions at the same level of government in terms of population size, density, economic activity, total and per capita expenditure, and own-source revenues?</i>	GAM is by far the largest Municipality in Jordan, and does not have a line relationship with the MoMG, but reports directly to the Prime Minister. However, the current Municipal legislation applies – at least in theory – to GAM as to all other Municipalities, regardless of size.

Table A. Overview of subnational governance structure in Jordan

Govt level	Corporate body?	Own political lead'ship?	Approves own budget?	Number of jurisdictions	Average of population	% of public exp	% of public revenues	% funded by transfers
Central	Yes	Yes	Yes	1	10	95	95	0
Local	Yes	Yes	See above	100	10,000	5	5	10

2. Main functional responsibilities of the subnational government

<i>Which subnational government level is the most significant in terms of its public service delivery and public expenditure as measured by the value of expenditure and coverage?</i>	There is only one level of 'municipality' although GAM as the capital city is not typical.
<i>What are the main expenditure functions or responsibilities of the government level under consideration? Where are these functional assignments defined (e.g. in law or a constitution)? Are these functional assignments generally accepted clear and followed in practice? Are the functions devolved delegated or shared with a higher-level government?</i>	Under the City Manager, there are six 'clusters', as follows: <ul style="list-style-type: none"> • Environment & Regions; • Public Works; • Agriculture Affairs; • Finance & Administration; • Social Development; • Economic Development & Planning. These functions are devolved.

3. Subnational budgetary systems

<i>To what degree do central or higher-level laws and regulations guide the subnational budget cycle?</i>	To a considerable extent.
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<i>What are the main features of the subnational financial management process: for example, do entities hold their accounts in the national treasury or in bank accounts in their own name?</i>	GAM is an independent entity.
<i>What is the composition of the subnational government, by economic classification, for the latest year for which actual expenditure data are available? (Complete the top section of table B.)</i>	See Table B, below.
<i>Does the subnational government have its own budget, adopted by its own approval body (such as the legislature) without subsequent modification by a higher-level government (other than approval processes)? If not, please explain.</i>	Yes, but once approved by the GAM Council, the budget is sent to the Prime Minister.
<i>Does the subnational government hold and manage its own accounts within a financial institution of its choice, within applicable legislation or regulation? Alternatively, is it required to hold accounts in a central bank or national treasury?</i>	Yes.
<i>Does the subnational government have the authority to procure its own supplies and capital infrastructure within the context of applicable procurement legislation or regulation? Is higher-level or external approval required for subnational procurement, or is there a limit to the procurement authority of the subnational government?</i>	Yes.

4. Subnational fiscal systems

<i>What is the composition of financial resources collected and received by the subnational government in the latest full year for which revenue data are available? (See table B.)</i>	See table B, below.
<i>What are the main own-revenue sources assigned to the subnational level? What tax and nontax revenue sources are the most significant?</i>	GAM has seven main revenue sources; these include own revenue from property taxes (80%+), levies and fines, returns on investments, central government grants, grants from foreign partners, interest on cash investments, and income from the sale of land and property leases.
<i>What are the main intergovernmental fiscal transfers, including revenue sharing and intergovernmental grants, provided to the subnational government?</i>	Fuel levies and Gulf-State grants (although these have not been disbursed as planned in recent years).
<i>Is the subnational government allowed to borrow? If so, what mechanisms for borrowing are available? What legislative or regulatory restrictions are imposed on subnational borrowing?</i>	Yes, from domestic banks.

Table B. Overview of subnational government finances 2016

Item	Total (JD '000,000)	% of total
Wage and salary expenditure	133	27
Nonwage recurrent administrative expenditure	44	9
Capital expenditure	306	63
Total expenditure	483	100
Own revenue	276	57
Intergovernmental fiscal transfers	20	4
Other revenue sources	70	14
Total revenue	376	
Borrowing	118	24

5. Subnational institutional (political and administrative) structures

<i>Does the relevant subnational level have a directly elected approval body or legislature? If not, please explain. Is the elected body involved in approving the budget and monitoring finances?</i>	Yes, and the GAM Council does approve the budget and monitoring finances.
<i>Is the local political leadership executive or approval body able to appoint its own officers independent of external or higher-level administrative control? Are the chief administration officer the chief financial officer internal auditor and other subnational finance officials appointed and hired by subnational authorities?</i>	Yes.
<i>Is there any asymmetry in political fiscal and administrative arrangements in the country? If so this should be captured in the narrative of the PEFA report.</i>	As stated, GAM is by far the largest Municipality and is duly treated as such by GoJ. However, current Municipal legislation applies – at least in theory – to GAM as to all other Municipalities.

Annex 3: Summary of observations on the internal control framework

“Information for this annex should be drawn from the PEFA assessment only. No new information should be collected. Where there is no information to provide a summary of findings, the table should include the words ‘No information available from the PEFA assessment’”.

(PEFA SECRETARIAT GUIDANCE)

Internal control components and elements		Summary of observations
1. Control environment		
1.1	<i>The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization.</i>	The Mayor is GAM’s Chief Executive Officer, (appointed by the Prime Minister) and is held accountable by citizens to implement programs. The senior management maintains layers of effective controls to ensure acceptable work, ethical conduct and collective accountability, as witnessed by PI-25.3 ‘Compliance with payment rules and procedures’, rated as ‘C’.
1.2.	<i>Commitment to competence</i>	While management’s commitment to competence is shown in key staff positions, GAM has suffered from an annual injection of a large number of staff by the Jordanian Civil Service Authority to address high unemployment. External hiring was limited to critical positions/expertise. To reduce pressure and to partially overcome the challenges, GAM has adopted a strategic staff rotation approach.
1.3.	<i>The “tone at the top” (i.e. management’s philosophy and operating style)</i>	The Mayor is GAM’s Chief Executive Officer, and sets the “tone at the top”, which stresses the importance of tight control and collective accountability. However, due to the bureaucratic structure and public administration policies in place, transparency is not emphasized, and varies across GAM.
1.4.	<i>Organizational structure</i>	GAM is governed by the Municipalities Law no. 41 of 2015, and follows national laws and bylaws such as the Financial Control Bylaw no. 11 of 2015, the Labor Law and the Civil Service bylaws. GAM is governed by a Board of Directors which reports directly to the Prime Minister. In terms of the internal control structure, senior management maintains layers of controls to ensure proper work conduct, ethical conduct, and integrity of staff towards the provision of public services. Directorates such that of the Institutional Performance Development (which includes Internal Audit), the Inspector General, and Legal Affairs oversee and emphasize internal controls, which are rated overall as ‘C’ by PI-25 ‘Internal control of nonsalary expenditure’.
1.5.	<i>Human resource policies and practices</i>	The GAM Human Resources Unit (HR) has been working on a strategy to utilize available human resources effectively based on the 2012 Bylaw, and through their annual HR policies and procedures, and this is partly reflected in the rating of ‘B’ for PI-23.1 ‘Integration of payroll and personnel records’.
2. Risk assessment		
2.1	<i>Risk identification</i>	While risk identification occurs via the application of standard policies and procedures (and are reported to middle level management, then to senior management if significant), but the picture is rather mixed: good for PI-11.1 (‘Economic analysis of investment proposals’) but weak for 19.2 (‘Revenue risk management’), 13.3 ‘Debt management strategy’, both rated ‘D’ and ‘Cash forecasting and monitoring’, 21.2, rated ‘C’.
2.2	<i>Risk assessment (significance and likelihood)</i>	While the Audit Bureau, Internal Audit, and the Inspection Directorate all provide feedback on risks and inform GAM’s continuous assessment process, arrangements are not formally structured and there is no clear responsibility for risk assessment and management (<i>although PI-10 was not used in the assessment</i>).
2.3	<i>Risk evaluation</i>	The observations from the Audit Bureau, Internal Audit, and the Inspection Directorate, provide feedback on risks and inform GAM’s continuous assessment process, but not in a structured
2.4	<i>Risk appetite assessment</i>	
2.5	<i>Responses to risk (transfer, tolerance, treatment or termination)</i>	

		manner: for example, PI-12.2 ‘Nonfinancial asset monitoring’, rated ‘D’ .
3. Control activities		
3.1	<i>Authorization and approval procedures</i>	The Audit Bureau uses demanding ex ante controls over GAMs revenue and expenditure processes. Also, GAM has designed and implemented internal controls on different levels, from decision making to transactional processes: these are set out in GAM’s policies and instructed procedures, for example in Procurement – c.f. PI-24, rated ‘B’ overall .
3.2	<i>Segregation of duties (authorizing, processing, recording, reviewing)</i>	This is no more than adequate, and PI-25.1 ‘Segregation of duties’ is rated ‘C’ .
3.3	<i>Controls over access to resources and records</i>	Control activities are implemented more in a bureaucratic form with a vertical reporting structure, and controls in place can be either manual or automated, and PI-25.3 ‘Compliance with payment rules and procedures’ is rated ‘C’, while PI-27.4 ‘Financial data integrity processes’ is rated ‘B’ .
3.4	<i>Verifications</i>	The fact that PI-28.3 ‘Accuracy of in-year budget reports’ is rated ‘A’ suggests that these processes work well.
3.5	<i>Reconciliations</i>	Similarly, PI-27.1 ‘Bank account reconciliations’ is rated ‘B’ suggests that these processes work well.
3.6	<i>Reviews of operating performance</i>	Several indicators/dimensions suggest that there are reasonable review mechanisms in place, for example, PI-22 ‘Expenditure arrears’ .
3.7	<i>Reviews of operations, processes and activities</i>	Internal audit practice is governed by the charter approved by the BoD, and will in time adopt IIA standards. At present, some parts of the procurement system work well (PI-24.1 ‘Procurement monitoring’, rated ‘B’), while others do not: for example, 13.3 ‘Debt management strategy’, rated ‘D’ .
3.8	<i>Supervision (assigning, reviewing and approving, guidance and training)</i>	Using PI-25 (rated ‘B’ overall) as an example, this aspect of the system appears satisfactory.
4. Information and communication		
		GAM maintains channels of communication with internal as well as external parties. Internal decrees are communicated to relevant parties. The MIS is relied on for managing data (using Oracle) across directorates. Reporting arrangements work well, as seen in the ‘A’ rating for PI-28.1 ‘Coverage and comparability of reports’ .
5. Monitoring		
5.1	<i>Ongoing monitoring</i>	The BOD exercises oversight over high level objectives and ensures that senior management continues to carry out ongoing monitoring towards these objectives’ accomplishment. Senior management in its role, monitors the performance of middle management/staff and outcomes. Extensive vertical reporting provide evidence on the level of coordination, oversight and accountability top-down in the hierarchy, supported by ‘Accurate in-year budget reports, 28.3, rated ‘A’ .
5.2	<i>Evaluations</i>	Monitoring activities in the form of separate evaluations are assigned to internal assurance units: and in return, their results inform the level and adequacy of monitoring activities carried out by management, witnessed by PI-8.4 ‘Performance evaluation for service delivery’, rated ‘A’ .
5.3	<i>Management responses</i>	As far as responses to internal audit reports go, more could be done, as 26.4 ‘Response to internal audits’ is rated only ‘C’ , although this needs to be seen in the context of the still-developing internal audit function.

Annex 4A: Data used for scoring PI-1, 2 & 3

Table 4A.A – Analysis for PI-1: Fiscal Year 2014

Economic classification	budget	Actual	adjusted budget	deviation	absolute deviation	percent
Salaries and wages	119,195,000	119,414,021	118,127,145	1,286,875	1,286,875	1.1%
Operational expenditures	22,865,000	22,051,152	22,660,155	-609,002	609,002	2.7%
Others	2,505,000	2,290,719	2,482,558	-191,838	191,838	7.7%
Interest on debt (part of other)	20,000,000	19,928,700	19,820,822	107,878	107,878	0.5%
Developmental projects	74,268,997	75,099,353	73,603,629	1,495,724	1,495,724	2.0%
Loan instalments payments	10,595,920	8,612,257	10,500,992	-1,888,735	1,888,735	18.0%
Land Acquisition	37,500,000	37,849,060	37,164,041	685,018	685,018	1.8%
Projects financing	4,318,100	3,393,495	4,279,414	-885,919	885,919	20.7%
allocated expenditure	291,248,017	288,638,758	288,638,758	0.0	7,150,992	
Contingency	0.00	0.00				
total expenditure	291,248,017	288,638,758				
overall (PI-1) variance						0.9%
composition (PI-2) variance						2.5%
contingency share of budget						0.0%

Table 4A.B – Analysis for PI-1 Fiscal Year 2015

Data for year =	2015					
Economic classification	budget	Actual	adjusted budget	deviation	absolute deviation	percent
Salaries and wages	126,550,000	125,576,929	118,823,065	6,753,863	6,753,863	5.7%
Operational expenditures	23,830,000	22,432,741	22,374,979	57,762	57,762	0.3%
Others	2,370,000	2,235,957	2,225,291	10,665	10,665	0.5%
Interest on debt (part of other)	25,300,000	25,299,095	23,755,223	1,543,871	1,543,871	6.5%
Developmental projects	107,088,038	97,811,957	100,549,418	-2,737,461	2,737,461	2.7%
Loan instalments payments	9,200,000	9,176,843	8,638,263	538,580	538,580	6.2%
Land Acquisition	29,500,000	30,836,527	27,698,778	3,137,748	3,137,748	11.3%
Projects financing	12,000,000	1,962,270	11,267,299	-9,305,029	9,305,029	82.6%
allocated expenditure	335,838,038	315,332,320	315,332,320	0.0	24,084,982	
contingency	0	0				
total expenditure	335,838,038	315,332,320				
overall (PI-1) variance						6.1%
composition (PI-2) variance						7.6%
contingency share of budget						0.0%

Table 4A.C – Analysis for PI-1 Fiscal Year 2016

Data for year =	2016					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Salaries and wages	135,050,000.00	133,310,517.04	110,541,935.7	22,768,581.3	22,768,581.3	20.6%
Operational expenditures	23,350,000.00	22,741,881.08	19,112,582.0	3,629,299.1	3,629,299.1	19.0%
Others	23,886,983.00	21,701,460.34	19,552,116.5	2,149,343.8	2,149,343.8	11.0%
Interest on debt (part of other)			0.0	0.0	0.0	#DIV/0!
Developmental projects	139,146,047.00	99,783,192.79	113,894,656.7	14,111,463.9	14,111,463.9	12.4%
Gulf grant for intersections	15,000,000.00	-	12,277,889.9	12,277,889.9	12,277,889.9	100.0%
Land Acquisition	22,000,000.00	29,283,237.57	18,007,571.9	11,275,665.7	11,275,665.7	62.6%
Projects financing	30,000,000.00	11,122,243.84	24,555,779.9	13,433,536.0	13,433,536.0	54.7%
allocated expenditure	388,433,030.00	317,942,532.7	317,942,532.7	0.0	79,645,779.7	
Contingency	0	0				
total expenditure	388,433,030.00	317,942,532.66				
overall (PI-1) variance						18.1%
composition (PI-2) variance						25.1%
contingency share of budget						0.0%

Table 4A.D: Analysis of revenue outturn - PI-3

Data for year =	2013					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Income on fees, taxes and levies	240,526,63	241,698,917	241,392,046	306,870.8	306,870	0.1%
Social contributions						
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0%
Grants						
Grants from domestic and foreign governments	0.0	0.0	0	0.0	0.0	100.0%
Other revenue						
Other revenue	11,500,000	11,398,822	11,541,377	-142,555	142,555	1.2%
Investment income	3,648,646	3,497,458	3,661,773	-164,315.8	164,315	4.5%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	0	0	0.0	0.0	0.0	0.0%
Sum of rest	0	0	0.0	0.0	0.0	0.0%
Total revenue	255,675,277	256,595,197	256,595,197	0.0	613,741	
overall variance		1.4%				100.4%
composition variance		94.2%				0.2%

Data for year =	2014					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Income on fees, taxes and levies	261,890,498	272,108,014	260,438,483	11,669,531	11,669,531	4.5%
Taxes on goods and services	0	0.	0	0	0	100.0%
Social contributions						
Social security contributions	0	0	0	0	0	0.0%
Other social contributions	0	0	0	0	0	0.0%
Grants						
Grants from domestic foreign governments	2,500,000	2,500,000	2,486,139	13,860	13,860	0.6%
Other revenue						
Other revenue	23,318,100	11,621,393	23,188,816	11,567,423	11,567,423	49.9%
Investment income	3,539,419	3,403,826	3,519,795	-115,968	115,968	3.3%
Fines, penalties and forfeits	0	0	0	0	0	100.0%
Transfers not elsewhere classified	0	0	0	0	0	100.0%
Sum of rest	0	0	0	0	0	0.0%
Total revenue	291,248,017	289,633,234	289,633,234	0	23,366,784	
overall variance		4.0%				99.4%
composition variance		93.9%				8.1%

Data for year =	2015					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Income on fees, taxes and levies	283,210,000	295,817,783	266,079,502	29,738,280	29,738,280	11.2%
Taxes on goods and services	0	0.	0	0	0	0.0
Social contributions						
Social security contributions	0	0	0	0	0	0.0
Other social contributions	0	0	0	0	0	0.0
Grants						

Grants from domestic and foreign governments	5,000,000	0.0	4,697,565	-4,697,565	4,697,565	100.0%
Other revenue						
Other revenue	32,500,000	10,817,137.00	30,534,175	-19,717,038	19,717,038	64.6%
Investment income	15,128,038	8,889,313	14,212,989	-5,323,676	5,323,676	37.5%
Fines, penalties and forfeits	0	0	0	0	0	0.0
Transfers not elsewhere classified	0	0	0	0	0	0.0
Sum of rest	0	0	0	0	0	0.0
Total revenue	335,838,038	315,524,233	315,524,233	0	59,476,561	
overall variance		2.8%				94.0%
composition variance		93.8%				18.9%

Annex 4B: List of Stakeholders Interviewed

GAM PEFA Officials met 23-27 Oct 2016			
Number	Name	Title	Venue
1	HE Akel Biltaji	Mayor of Amman	GAM
2	Hazem Neimat	Deputy Mayor	GAM
3	Eng Fawzi Masad	Chief Resilience Officer Mayor's Assistant	GAM
4	Omar Salameh Al Louzi	City Manager	GAM
5	Samer Yaseen	Deputy City Manager / Financial & Administrative Affairs	GAM
6	Wadhah Al Awajeen	Executive Financial Manager	GAM
7	Hatem Al Mahameed	Director Budget Directorate	GAM
8	Ibrahim Al Zyoud	Director Accounts Directorate	GAM
9	Mohammad Abu Awad	Treasury Manager	GAM
10	Ayman Al Raqqad	Director Collection Directorate	GAM
11	Nawal Al Awamrah	Staff - Collection Directorate	GAM
12	Murad Wahdan	Head pf Property Tax Department	GAM
13	Shaker Al Daboubi	Director Estimation Directorate	GAM
14	Eng Aydah Al Abbadi	Head of Planning & Development Unit / Financial Sector	GAM
15	Eng Mohammad Abu Zaytoun	Head of Planning & Development Unit / Works Sector	GAM
16	Aref Al Hajjaj	Staff - Budget Directorate	GAM
17	Adnan Al Moumani	Staff - Budget Directorate	GAM
18	Ibrahim Al Jadaan	Director Internal Audit Directorate	GAM
19	Mohammad Abdel Razzaq Al Zubi	Head of Financial Audit Unit – Internal Audit Directorate	GAM
20	Hatem Al Hunaiti	Executive Director for Huma Resources	GAM
21	Diana Hakron	Staff – HR	GAM
22	Shorha Haroon	Staff – Treasury	GAM
23	Najwa Hijazeen	Staff – Executive Financial Director Office	GAM
Service Delivery			
24	Basem Al Tarawneh	Deputy City Manager – Environment and Districts	GAM
25	Tahseen Al Abbadi	Deputy City Manager – Agricultural Affairs	GAM
26	Eng Ahmad Malkawi	Deputy City Manager – Public Works	GAM
27	Dr Fahed Al Bayyari	Deputy City Manager – Social Development	GAM
External Audit			
28	Eissa Ghunaimat	Head of Audit Bureau – Audit Unit at GAM	GAM
29	Rami Al Samman	External Auditor - BDO	GAM
30	Dr Abed Kharabsheh	President - Audit Bureau	AB
31	Waleed Rahahleh	Secretary General – Audit Bureau	AB
32	Mohammad Hiassat	Director – Quality Assurance	AB
33	Eissa Ghunaimat	Head of Audit Bureau – Audit Unit at GAM	AB
34	Mufleh Al Hajahjeh	Head of Municipalities Audit	AB
Procurement			
35	Eng Omar Al Adwan	Director Tenders' Directorate	GAM
Agence Francaise de Development AFD			
36	Thierry Liabastre	Sr Projects Officer, AFD Urban Development program	AFD