

Report No.: 78291-SS

Government of Republic of South Sudan



**Public Finance Management
Assessment: Jonglei State**

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

May 31, 2012

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CURRENCY AND EXCHANGE RATES

Currency unit = Sudanese pound

US\$1 = SDG 3 (As of April 29, 2011)

Government fiscal year (FY): Calendar year

Abbreviations and Acronyms

ACC	Anti-Corruption Commission
BoSS	Bank of Southern Sudan
CEDFPA	Committee for Economy, Development, Finance and Public Accounts
GFS	Government Finance Statistics
GoNU	Government of National Unity
GoSS	Government of Southern Sudan
GRSS	Republic of the Republic of South Sudan
HRIS	Human resource information system
ICSS	Interim Constitution of Southern Sudan
JDG	Joint Donor Group
JSLA	Jonglei State Legislative Assembly
LICUS	Low-income countries under stress
MDTF	Multi-Donor Trust Fund
MoA	Ministry of Agriculture and Forestry
MoE	Ministry of Education
MoFEP	Ministry of Finance and Economic Planning, GRSS level
MoH	Ministry of Health
MoRT	Ministry of Roads and Transport
MoLA	Ministry of Legal Affairs
MLPS	Ministry of Labor and Public Service
PPU	Procurement Policy Unit
SA	Spending agency
SLA	State Legislative Assembly
SMoFEP	State Ministry of Finance and Economic Planning
SPLA	Sudan Peoples' Liberation Army
SPLM	Sudan Peoples' Liberation Movement
SSEPS	South Sudan Electronic Payments System.
SSAC	South Sudan Audit Chamber
SSLA	South Sudan Legislative Assembly
TIN	Taxpayer identification number
UNDP	United Nations Development Programme.
USAID	United States Agency for International Development

Summary Assessment

The summary assessment encapsulates section 3 of the report in terms of the six cores of PFM performance and donor practices. The “Credibility of the Budget” core represents the “outcome” core, reflecting the influences of the other five cores plus donor practices. The cores, indicator-by-indicator scores, and dimensions are presented in overview in table 1 and in detail in section 3.

Positive Factors

- **Preparation of budget in accordance with policy:** The budget is prepared with due regard to state government policy, which is consistent with the Government of the Republic of South Sudan (GRSS) framework. The budget classification system, measured with performance indicator 5 (PI-5, see table 1,) clearly indicates the purpose of government spending, a prerequisite for the preparation of policy-oriented budgets (PI-11).
- **Establishment of transparency of intergovernmental fiscal relations:** Allocation of transfers to counties is done in a transparent manner, with salary transfers determined by the number of civil service employees in the county, and allocations for operating expenses and capital expenditures are equal for each county. Though late, reliable information to counties is issued. The poor performance in fiscal reporting by counties and subsequent consolidation is likely to improve in 2011 as counties have been required to report monthly to Jonglei State on their budget performance, as per instructions from the newly established States Transfers Monitoring Committee based in the GRSS-level Ministry of Finance and Economic Planning (MoFEP).
- **Establishment of an electronic payroll system during 2010:** There is a degree of integration and reconciliation between personnel records and payroll data, with establishment officers verifying payroll before it is paid. Payroll changes are updated within one month except for procedures that allow data on deceased personnel to remain active for a period of three months according to human resource regulation. There is strong internal control over personnel records. Both the Southern Sudan payroll system (SSPS) and human resource information system (HRIS) are password protected and access is restricted to authorized users.
- **Establishment of an integrated financial management information system (IFMIS):** Annual budget performance reports for 2009 and 2010 have not been prepared. FreeBalance, an integrated financial management system, has been operational at State MoFEP since April 2011. Though starting late, the pace of progress in using the system is encouraging. Budget execution transactions can be captured down to the line-item level. It is likely that preparing a budget performance report for 2011 will be possible for the first time since 2008, though it would exclude revenue performance, as this is not being captured by FreeBalance.
- **Strengthening of legislative oversight:** It is promising that the State Legislative Assembly (SLA) reviewed and passed the state budget for the year 2011, the first time a review has been completed since 2007. It has yet to scrutinize external audit reports, as none have been produced yet.

Key Challenges Remaining

Public financial management areas of budget execution, revenue administration, some internal control systems, procurement, reporting, accounting, and audit systems require substantial strengthening in support of a credible budget.

- Meaningful budget performance reports are still not being produced, nor are annual financial statements. The first three performance indicators, where revenue and expenditure outturns are compared with the approved budgets (the difference being a good measure of credibility and predictability), cannot be rated, due to the absence of credible outturn data.
- The Procurement Directorate is not fully functional and has a limited role in the procurement process. Procurement is undertaken entirely through single sourcing, perhaps resulting in higher costs of delivering public services than necessary.
- The Internal Audit and Adjustment Directorate is solely engaged in accounting activities, and no internal audit activities have been performed so far.
- There appear to be control weaknesses in relation to (i) expenditure commitments (implying the risk of payments arrears); (ii) FreeBalance not yet being used as an instrument for controlling budget execution; (iii) revenue collection by ministries, allowing diversion of revenues; (iv) the use of government property, particularly government vehicles; and (v) the adherence to accountability requirements in relation to bank reconciliations and the use of petty cash.
- There is no recording and follow-up of tax receivables and no reconciliations of tax assessments with tax collections. There is wide usage of uncontrolled duplicated (photocopied) receipts, which pose internal control risks. Taxpayer education services have not yet been prepared, and a unique taxpayer identification number system is not yet in place, both hindering efficient revenue administration.

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

A Note on Terminology

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

Table 1: Summary of Performance Indicator Ratings for Jonglei State

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

NR = Not Rated, as data not available. NA = Not Applicable, as not applicable under the current situation.

▲ = measures being taken now that should result in an improved rating in the future.

M1 = Method 1 and M2 = Method 2; these indicator scoring methods are defined in section 3.1.

Columns i, ii, iii, and iv represent dimensions—or subindicators—that address key elements of the PFM process. The dimensions and their scores are discussed in section 3.

1. Introduction

1.1 Objective

The purpose is to assess the public financial management (PFM) system performance of Jonglei State in South Sudan. This report feeds into a Country Fiduciary Risk Assessment (CIFA) along with a South Sudan PEFA Assessment Country Procurement Assessment Report being prepared by a World Bank team on GRSS's procurement system, using the OECD-DAC assessment methodology, and with PFM diagnostics study on three other state governments. The CIFA will include an action plan for implementing PFM reforms.

1.2 Process of Preparing the Report

Under contract to the World Bank and the Task Team leadership of Adenike Sherifat Oyeyiola, a team of two consultants (Getnet Haile and Gregory Smith) visited Bor in Jonglei state for four days during June 2011, along with Government of Republic of South Sudan (GRSS) budget directorate inspector Joseph Luwaya. The team held meetings with officials from the State Ministry of Finance and Economic Planning (SMoFEP); State Ministries of Education, Health, and Local Government; Bor County Headquarters; and technical assistants funded by the United Nations Development Programme (UNDP). The team expresses its appreciation and thanks to all the officials met, for their excellent co-operation.

A first draft report was submitted to World Bank on July 14, 2011. On the basis of comments received from PEFA Secretariat, World Bank and UNDP in early August, the team submitted a second draft report to the Bank on September 2, prior to the PEFA workshop held in Juba on September 5. This third report and final draft report was submitted on September 26, 2011. The assessment was funded by the World Bank, Southern Sudan MDTF and the UNDP.

1.3 Scope of the Assessment

This PEFA is focused on the State Government of Jonglei. At the time of this PEFA assessment, South Sudan, then known as Southern Sudan, was a semi-autonomous part of Sudan managed by GoSS, as part of the Government of National Unity (GoNU) that included both GoSS and the Government of Sudan ("the north"). The independent country of the Republic of South Sudan came into being on July 9, 2011.

2. Background Information

2.1 General Information

Jonglei is the largest state in South Sudan, both by area (estimated at 122,581 square kilometers) and by population (1,358,602 people).¹ Jonglei State has 11 Counties: Old Fangak, Khorflus, Ayod, Duk, Wuror, Nyirol, Akobo, Pochalla, Pibor, Twic East, and Bor South (table 2.1). Bor is the state capital and the location of the state's public administration.

Table 2.1: County Populations, Jonglei State

County	Total Population	County	Total Population
Twic East	85,349	Nyirol	108,674
Old Fangak	110,310	Akobo	136,210
Khorflus	99,068	Pibor	66,201
Ayod	139,282	Pochalla	148,475
Wuror	178,519	Bor South	221,106
Duk	65,588	Jonglei State	1,358,602

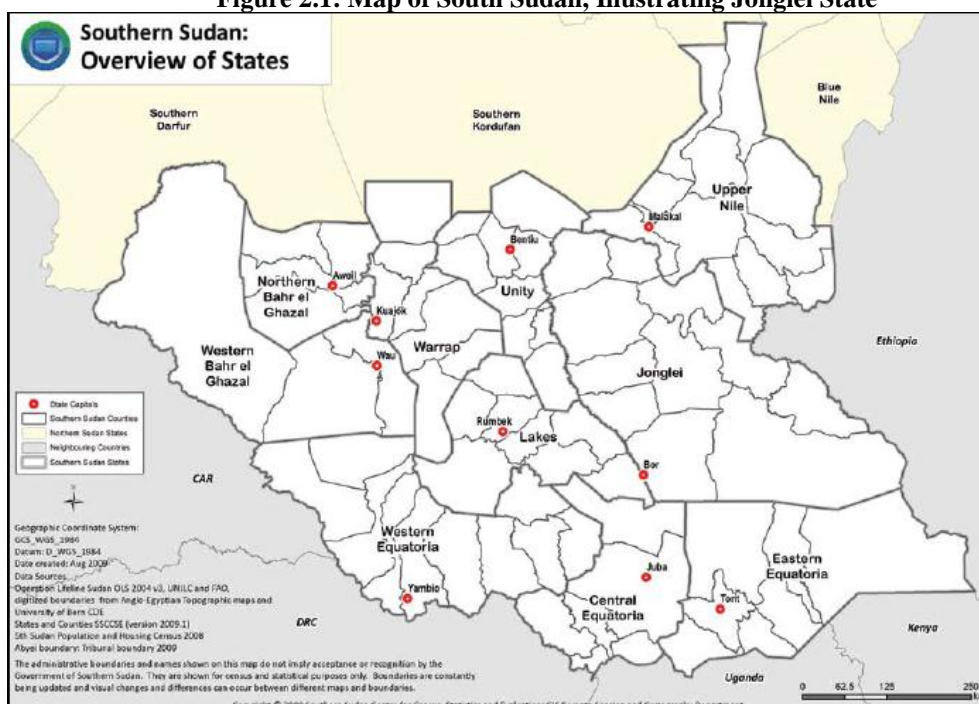
Source: *Sudan Population and Housing Survey, 2008* (Juba: South Sudan National Bureau of Statistics, 2008)

Socioeconomic development activities have been guided by the Jonglei State Strategic Plan 2007 to 2011 (published in June 2007). A key challenge is insecurity, partly because of tribal conflict. Instances of violence are common, even as recent as a clash between the SPLA and a militia in February 2011.²

¹ *Sudan Population and Housing Survey, 2008* (Juba: South Sudan National Bureau of Statistics, 2008)

² Matt Richmond, "Southern Sudan Fighting in Jonglei State Killed 197," www.bloomberg.com/news/2011-02-15/southern-sudan-fighting-in-jonglei-state-killed-197-update1-.html, accessed June 14, 2011.

Figure 2.1: Map of South Sudan, Illustrating Jonglei State



Source: South Sudan Centre for Census, Statistics and Evaluation.

2.2 Description of Budgetary Outcomes

The budget in Jonglei State—as with most non-oil-producing states in South Sudan—is almost entirely reliant on transfers from GRSS. Table 2.2 shows that 98 percent of revenues were in the form of GoSS transfers (either block grants or conditional grants) in 2010. Own revenues have improved since 2007 mostly on account of the introduction of personal income tax (PIT) of state employees.

Table 2.2: Jonglei State Financial Resources

Year	SDG		Total	% Own Revenues
	GoSS Transfers (Actual*)	Own Revenues (Actual)		
2007	40,021,755	167,157	40,188,912	0.4%
2008	49,181,438	1,456,036	50,637,474	2.9%
2009	115,118,581	4,228,223	-	-
2010	124,164,398	2,476,697	126,641,095	2.0%
2011	126,598,482	-	-	-

Source: Jonglei SMoFEP. Figure for 2011 is the budget estimate.

2.2.1 Economic classification of the budget

Table 2.3 shows budgeted expenditure on an economic classification basis during 2007–2011: salaries (75 percent in 2010), followed by capital costs (15 percent in 2010), and operating costs (10 percent in 2010). Expenditure outturn data are not available, though the establishment of FreeBalance earlier this year should change this.

Table 2.3: Jonglei State Budget by Component, 2007 to 2011 (SDG)

Year	Personnel	Salary	Approved Budget SDG		Total
			Operating	Capital	
2007	4,791	6,226,380	1,074,545	31,524,000	38,824,925
2008	5,403	60,898,792	25,752,319	80,190,438	166,841,549
2009	12,625	87,311,563	13,322,137	18,599,581	119,233,281
2010	13,345	102,686,487	13,931,855	20,655,092	137,273,434
2011	9,856	142,937,996	26,617,607	23,516,998	193,072,601

Source: Jonglei SMoFEP.

2.2.2 Functional classification of the budget

Table 2.4 shows the state's budgeted expenditure over the period 2007 to 2011 by sector. The highest allocation in 2010 went to Public Administration and Rule of Law followed by Education. SDG 18.5 million was transferred down to county level in 2010.

Table 2.4: Jonglei Budget by Sector, 2008 to 2010

Sector	Budget SDG		
	2008	2009	2010
Accountability & Economic functions	8,599,612	2,940,180	2,535,720
Education	77,738,308	14,804,815	18,320,694
Health	17,637,210	5,324,650	6,864,470
Infrastructure	24,318,652	5,316,232	5,214,010
Natural Resources & Social Dev't	9,407,337	15,881,695	5,381,413
Public Admin. & Rule of Law	19,841,030	45,332,770	80,456,297
Transfers to Counties	9,299,400	16,507,448	18,500,830
Other (including reserves)	-	13,138,516	-
Grand Total	166,843,557	119,248,315	137,275,444

Source: Jonglei SMoFEP.

2.3 Legal and Institutional Framework for PFM

Jonglei is governed by its 2008 interim constitution, which is consistent with the GoSS interim Constitution. The state has its own Taxation Act (2010), which is more or less similar to the GoSS Taxation Act of 2009.

The state does not have its own law governing PFM. As indicated in the PEFA assessment for GoSS, a PFM bill awaits approval by the SLA, and this would govern PFM legislation at the state government level. In the absence of a state level procurement law, the GoSS level Interim Procurement and Disposal Guidelines govern procurement in Jonglei State.

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

3.1 Introduction

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

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

Method 2 (M2) is based on averaging the scores of individual dimensions of an indicator. It is prescribed for multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table for two, three, and four dimensional indicators is used to calculate the overall score. In both scoring methodologies, the “D” score is the residual score if the requirements for any higher score are not met. The PEFA handbook (“PFM Performance Measurement Framework,” June 2005, www.pefa.org) provides detailed information on the scoring methodology.

3.2 Credibility of the Budget

Good practice in public financial management emphasizes the importance of the budget being credible so that planned government policies can be achieved. The following matrix summarizes the assessment of indicators relating to budget credibility.

Assessment of Performance Indicators of Budget Credibility

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

PI-1: Aggregate expenditure outturn compared to original budget

The ability to implement the budgeted expenditure is an important factor in supporting the government's ability to deliver the public services for the year, as expressed in policy statements, output commitments, and work plans. The indicator reflects this by measuring the actual total expenditure compared to the originally budgeted total expenditure (as defined in government budget documentation and fiscal reports), but excludes donor-funded project expenditure (over which governments have little control).

As of June 2011 actual or outturn data were unavailable from Jonglei State for expenditure, and hence this performance indicator could not be scored.

Breakdown of PI-1 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M1)			
NR	-	No outturn data available	SMoFEP

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

When the composition varies considerably from the original budget, the budget will not be a useful statement of policy intent. Ideally, spending agencies should be confident at the beginning of the year that they will be able to implement their approved budgets. Such confidence facilitates planning for the delivery of public services smoothly during the year.

As of June 2011 actual or outturn data were unavailable from Jonglei State for expenditure, and hence this performance indicator could not be scored.

Breakdown of PI-2 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M1)			
NR	-	No outturn data available	SMoFEP

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

Optimistic revenue forecasts can lead to unjustifiably large expenditure allocations and to larger fiscal deficits should spending not be reduced in response to an under-realization of revenue. Pessimistic forecasts can, on the other hand, result in the proceeds of an over-realization being used for spending that has not been subjected to the scrutiny of the budget process.

Table 3.1 illustrates Jonglei State's own revenue and compares budgeted figures with actual outturns. The actual budget outturn shows a significant deviation in 2008 and 2010, which was -86 percent and -53 percent, respectively. The deviation in 2009 was low.

Table 3.1: Jonglei State Own Revenue Performance, 2008 to 2010

Year	SDG Own Revenue (Budget)	SDG Own Revenue (Actual)	Deviation (%)
2008	10,059,651	1,456,036	-86%
2009	4,127,725	4,228,223	2%
2010	5,294,427	2,476,697	-53%

The legacy of the wartime period, when tax payment was limited to certain small payment and action plans were difficult to implement due to security issues, has contributed to the low level of revenue outturn.³

Breakdown of PI-3 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	<i>Actual domestic revenue was below 92 percent or above 116 percent of budgeted domestic revenue in two or all of the last three years</i>	Actual domestic revenue was 14 percent and 47 percent of budgeted revenue in 2008 and 2010, respectively.	SMoFEP

PI-4: Stock and monitoring of expenditure payment arrears

A high level of arrears can indicate such problems as inadequate commitment controls, cash rationing, and inadequate budgeting for contracts.

A centralized payments system is in effect in Jonglei, with SMoFEP responsible for approving all payment requests submitted by spending agencies. Payments may be made directly to suppliers (for purchases of goods and services above a certain limit) or transferred to the accounts of spending agencies, for wages and salaries and associated allowances and incentive payments. Once a payment request is approved (it must be supported by the budget), it becomes a “pending payable.” The actual payment depends on the availability of cash.

Pending claims are recorded, but the outstanding pending claims as of December 31, 2010, were not available to the team. As a result, it was not possible to determine the extent of arrears (pending payments for which goods and services received and outstanding for more than 30 days) at the end of 2010.

³ Revenue Directorate, Jonglei State.

Breakdown of PI-4 Scores

Score	Minimum Requirements	Justification	Information sources
NR (M1)			
NR	(i) Stock of expenditure payment arrears and any recent change in the stock	Data on the stock of arrears are not available to rate this dimension.	Directorate of Accounts, SMoFEP
D	(ii) Availability of data for monitoring the stock of expenditure payment arrears.	Data were not available to team.	Directorate of Accounts, SMoFEP

3.3 Comprehensiveness and Transparency

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

Assessment of Performance Indicators for Comprehensiveness and Transparency

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

PI-5: Classification of the budget

A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional, and program. The classification system used for Jonglei State budget formulation is both clear and robust and illustrated in the 2010 budget documentation (the last completed financial year). Expenditures are clearly labeled by sector and spending agency and by budget category or “chapter” (salaries, operating, or capital). For each spending agency, clear information is also provided on expenditures under “Program Areas” and “Main Activities” (subprogram level).

Breakdown of PI-5 Scores

Score	Minimum Requirements	Justification	Information Sources
B (M1)			
B	(i) The classification system used for formulation, execution and reporting of the central government's budget. The budget formulation and execution is based on administrative, economic and functional classification, using at least the 10 main COFOG functions or a standard that can produce consistent documentation according to those standards.	Expenditures are clearly labeled by sector (total of 10 sectors), spending agency, and budget category or “chapter” (salaries, operating, or capital). For each spending agency, clear information is also provided on expenditures under “Program Areas” and “Main Activities” (subprogram level). The purpose of government expenditure is clearly shown.	Jonglei State budget for 2010 as presented to Legislative Assembly SMoFEP

PI-6: Comprehensiveness of information included in budget documentation

Annual budget documentation (annual budget and budget-supporting documents) should inform the executive, the legislative, and the general public and assist in informed budget decision making and transparency and accountability. In addition to the detailed information on revenues and expenditures, and in order to be considered complete, the annual budget documentation should include information on the elements in table 3.2, where assessment is also made about their availability in Jonglei State.

Table 3.2: Information Provided in the Budget Documentation

No.	Item	Available	Justification/Source
1	Macroeconomic assumptions, including at least estimates of aggregate growth, inflation and exchange rate	No.	Not in budget documentation
2	Fiscal deficit, defined according to GFS or other internationally recognized standard	Yes.	Information on surplus or deficit provided in the 2011 budget documentation presented to the Legislative Assembly
3	Deficit financing, describing anticipated composition	Not applicable	No borrowing to date
4	Debt stock, including details at least for the beginning of the current year	Not applicable	No borrowing to date
5	Financial assets, including details at least for the beginning of the current year in a timely manner	No.	Not made available
6	Prior year's budget outturn, presented in the same format as the budget proposal	No.	Not made available
7	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal	Yes.	Evident in the 2011 budget documentation presented to the Legislative Assembly
8	Summarized budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year	Yes.	Evident in the 2011 budget documentation presented to the Legislative Assembly
9	Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs	No.	Not made available

Breakdown of PI-6 Scores

Score	Minimum Requirements	Justification
C (M1)		
C	<p>(i) Share of the information benchmark in the budget documentation most recently issued by the central government</p> <p>Recent budget documentation fulfils three to four of the nine information benchmarks</p>	Jonglei State met three out of the seven applicable elements.

PI-7: Extent of unreported government operations

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

Unreported extra budgetary activities are by definition difficult to measure. However, the one circumstance under which they are expected in Jonglei State is when counties and spending agencies have collected revenue directly and not transferred funds to SMOFEP accounts. The extent of such extra budgetary activities is, however, unlikely to be sizeable given the lack of opportunity to collect revenue outside sources already being accessed by the state administration.

Information on donor aid being provided to the state is not available, though it is known that donor agencies are implementing projects in the state in the same areas of responsibility as the state government (for example, in health and education services).

Breakdown of PI-7 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M1)			
NR	(i) <i>Level of unreported extra budgetary expenditure (other than donor-funded projects)</i>	A number of counties and spending agencies are believed to be collecting and spending own-source tax and nontax revenues without fully reporting the extent of such revenue to SMOFEP. There is no evidence as to the extent of unreported revenue.	Interviews with various stakeholders, including SMOFEP and Ministry of Local Government
NR	(ii) <i>Income/expenditure information on donor-financed projects which is included in fiscal reports</i>	No information is available on donor aid.	

PI-8: Transparency of intergovernmental fiscal relations

This indicator assesses the transparency of intergovernmental fiscal relations against the following dimensions:

- (i) *transparency and objectivity in the horizontal allocation of fiscal transfers among subnational governments;*
- (ii) *timeliness of reliable information to subnational governments on their allocation; and*
- (iii) *extent of consolidation of fiscal data for general government according to sectoral strategies.*

Jonglei State provides transfers directly to its 11 counties, following guidelines provided by GRSS MoFEP.

Breakdown of PI-8 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M2)			
A	<p>(i) <i>Transparency and objectivity in the horizontal allocation of fiscal transfers among subnational governments</i></p> <p>The horizontal allocation of almost all transfers (at least 90 percent by value) from GRSS and Jonglei State is determined by transparent and rules based systems.</p>	The allocation from Jonglei State for salaries is determined by the number of civil service employees in the county. The allocations from Jonglei State for operating expenses are equal for each sector in each county. Allocations from GRSS for capital expenditures are equal for each county.	Interviews with various stakeholders, including SMOFEP and Ministry of Local Government
C	<p>(ii) <i>Timeliness of reliable information to subnational governments on their allocation</i></p> <p>Reliable information to subnational governments is issued before the start of the subnational fiscal year but too late for significant budget changes to be made.</p>	Counties receive notification from SMOFEP on how much they will receive in transfers according to the three types of transfers. This information tends to arrive late (e.g. December 2010 in terms of 2011 budget preparation), due to delays in the receipt by Jonglei State of the amount of transfers they would receive from GRSS. As most of expenditure is financed by fiscal transfers, meaningful budget preparation cannot start until the information is provided.	As above
D	<p>(iii) <i>Extent of consolidation of fiscal data for general government according to sectoral strategies: Fiscal information that is consistent with central government fiscal reporting is collected and consolidated for less than 60 percent (by value) of subnational government expenditure or if a higher proportion is covered, consolidation into annual reports takes place with more than 24 months delay, if at all</i></p>	Since early in 2011, counties have been required to report monthly to Jonglei State on their budget performance, as per instructions from the newly established States Transfers Monitoring Committee based in GRSS-level MOFEP. Previously they were not doing this. They are still not doing so, partly due to capacity constraints.	Interviews with USG team Presentation by chair of States Transfer Monitoring Committee and deputy director of accounts, MoFEP, on "Use and Reporting on State Transfers," at workshop in Juba on May 30, 2011

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

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

Breakdown of PI-9 Scores

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

PI-10: Public access to key fiscal information

Transparency will depend on whether information on fiscal plans, positions, and performance of the government is easily accessible to the general public, or at least to interested groups. Table 3.3 illustrates the elements of public access to information that are fulfilled by Jonglei State. (In order to count in the assessment, the full specification of the information benchmark must be met.)

Table 3.3: Elements of Information for Public Access

Elements of Information for Public Access	Availability and Means
Annual budget documentation when submitted to legislature	Not publicly available, although a copy could plausibly be sought by asking state officials
In-year budget execution reports within one month of their completion	Not produced
Year-end financial statements within six months of completed audit	Not produced
Availability of external audit reports to the public	Not produced
Contract awards with value above approximately US\$100,000 are published at least quarterly	Not produced
Availability to public of information on resources for primary service units	Not produced

Breakdown of PI-10 Scores

Score	Minimum Requirements	Justification
D (M1)		
D	<i>(i) Number of the 6 elements of public access to information that is fulfilled</i> The government makes available to the public none of the six listed types of information.	Many of the elements in table 3.3 are not produced and efforts are not made to make budget documentation publicly available.

3.4 Policy-based Budgeting

The indicators in this group assess the extent to which the central budget is prepared with due regard to government policy. The following matrix summarizes the assessment.

Assessment of Performance Indicators for Policy-based Budgeting

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

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

This indicator reflects the organization, clarity, and comprehensiveness of the annual budget process. Dimensions to be assessed are

- (i) existence and adherence to a fixed budget calendar;
- (ii) clarity/comprehensiveness of and political involvement in the guidance on the preparation of submissions (budget circular or equivalent); and
- (iii) timely budget approval by the legislature or similarly mandated body (within the past three years).

The state budget calendar is designed to be consistent with GRSS MoFEP guidelines and the Interim Constitution of Southern Sudan, which requires the draft annual budget be presented to the SLA for approval. The state budget cycle relies on timely submission of information on transfer from GRSS.

Breakdown of PI-11 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M2)			
C	<p>(i) <i>Existence and adherence to a fixed budget calendar</i></p> <p>An annual budget calendar exists, but is rudimentary, and substantial delays may often be experienced in its implementation, which allows spending agencies so little time to complete detailed estimates that many fail to complete them timely.</p>	<p>Delays are often experienced, and spending agencies often have too little time to complete detailed estimates in a satisfactory manner. The main reason is MoFEP (GRSS) not providing information on the amount of fiscal transfers to Jonglei until very late in the year (as also indicated under PI-8).</p>	<p>Interviews with GRSS MoFEP, SMOFEP and Jonglei State Ministry of Education.</p>
D	<p>(ii) <i>Clarity/comprehensiveness of and political involvement in the guidance on the preparation of submissions (budget circular or equivalent)</i></p> <p>A budget circular is not issued to MDAs or the quality of the circular is very poor or the Cabinet is involved in approving the allocations only immediately before submission of detailed estimates to the legislature, thus having no opportunities for adjustment.</p>	<p>State ministers are involved in approving the allocations only immediately before submission of detailed estimates to the legislature, thus having no opportunities for adjustment.</p>	<p>Interviews with SMOFEP and Legislative Assembly committees</p>
D	<p>(iii) <i>Timely budget approval by the legislature or similarly mandated body (within the past three years)</i></p> <p>The budget has been approved with more than two months delay in two of the past three years.</p>	<p>The 2009 and 2010 budgets did not go through the state legislature. The 2008 budget went through in November 2008 and the 2011 budget in May 2011.</p>	<p>Interviews with SMOFEP and Legislative Assembly committees</p>

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

This indicator looks at the link between budgeting and policy priorities from the medium-term perspective and the extent to which costing of the implications of policy initiatives are integrated into the budget formulation process. In particular, it assesses the following: (i) *multiyear fiscal forecast and function allocations*; (ii) *scope and frequency of debt sustainability analysis*; (iii) *existence of costed sector strategies*; and (iv) *linkages between investment budgets and forward expenditure estimates*.

There is no current legislation requiring multi-year budgeting. Budget Sector Plans have some medium-term elements but are almost entirely focused on the next financial year. Some

spending agencies (including health and education) are developing medium-term strategies but at the time of the assessment were only available in draft form.

Breakdown of PI-12 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
D	(i) <i>Multiyear fiscal forecast and function allocations</i>	No forward estimates of fiscal aggregates are undertaken.	Interviews with SMoFEP
NA	(ii) <i>Scope and frequency of debt sustainability analysis</i>	Refers to scope and frequency of debt sustainability analysis, which is not currently relevant to Jonglei.	As above
D	(iii) <i>Existence of costed sector strategies</i> Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure.	Sector strategies do not substantially complete costing of investments and recurrent expenditure.	Interviews with SMoFEP and Ministry of Education
D	(iv) <i>Linkages between investment budgets and forward expenditure estimates</i> Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.	Sector strategies do not provide forward estimates of recurrent expenditure linked to investments.	Interviews with SMoFEP

3.5 Predictability and Control in Budget Execution

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

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

PI-13: Transparency of taxpayer obligations and liabilities

The Taxation Directorate of SMOFEP is assisted by a revenue specialist from UNDP.

(i) Clarity and comprehensiveness of tax liabilities

As per the interview with the staff of the Taxation Directorate, the Taxation Act 2010 is fairly comprehensive and clear to the extent of the authority of the state. It is more or less similar to the Taxation Act 2009 of GoSS. Accompanying regulations have yet to be drafted. The act is under revision to address certain procedures and penalties that are essential for the application and enforcement of the law.

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

The Taxation Act is yet to be published. The Taxation Directorate has a plan for educating taxpayers through awareness-creation forums and brochures. Most of the taxpayers do not distinguish the difference between trade-related fees and taxes. Excise taxes are better known than trade profit taxes and personal income taxes. According to the Taxation Directorate, programs designed to educate taxpayers have not been implemented due to budget constraints.

(iii) Existence and functioning of tax appeals mechanism

The Taxation Act 2010 states the requirement to establish tax appeal system. This has not yet been done.

Breakdown of PI-13 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M2)	As listed in PEFA Framework		
C	<i>(i) Clarity and comprehensiveness of tax liabilities</i> Legislation and procedures for some major taxes are comprehensive and clear, but the fairness of the system is questioned due to substantial discretionary powers of the government entities involved.	Business and excise taxes require regulations, which if in existence would address the issue of discretionary powers.	Meeting with Directorate of Taxation and his staff
D	<i>(i) Taxpayers' access to information on tax liabilities and administrative procedures</i> Taxpayer access to up-to-date legislation and procedural guidelines is seriously deficient.	The Taxation Directorate is yet to issue legislation and guidelines to the public.	Taxation Directorate
D	<i>(iii) Existence and functioning of a tax appeals mechanism</i> No functioning tax appeal system has been established.	Though the tax appeal system is established in the law, the Tax Appeal Board is not yet established.	Meeting with Directorate of Taxation and his staff

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

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

(i) Controls in the taxpayer registration system

A taxpayer identification number (TIN) system is not yet established. Businesses are provided a sequential business ID, though this is not in accordance with the Taxation Act. No registration certificate is issued. There are about 11 big traders and about 800 petty traders.

Currently, all public employees are paying personal income taxes through withholding by their employers. The Tax Directorate has a plan to widen the scope of PIT collection to cover private sector employees also. The linkage between trade registration and tax registration as part of a control system is not yet established.

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

Enforcement of the tax law is in its infancy stage. Taxpayers are mainly familiar with duty and excise taxes (dating back to before the Comprehensive Peace Agreement). The Taxation Directorate considers it necessary to focus on tax education and public awareness creation before enforcement of the law.

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

Tax audit is not yet conducted. The Directorate of Adjustment and Internal Audit is undertaking audits on revenue collection. This audit doesn't extend yet to taxpayers. According to the Taxation Directorate, security is a challenge to undertaking monitoring activities on tax collections at the county level.

Breakdown of PI-14 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)	As listed in PEFA Framework		
D	<i>(i) Controls in the taxpayer registration system</i> Taxpayer registration is not subject to any effective controls or enforcement systems.	Control on taxpayer registration is yet to be made. There is no linkage with other government systems.	Taxation Directorate Director and staffs Chamber of Commerce
D	<i>(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations</i> Tax audits and fraud investigations are undertaken on an ad hoc basis if at all.	The limited extent of development of the tax audit function to date contributes to weak enforcement of the law.	Taxation Directorate
D	<i>(iii) Planning and monitoring of tax audit and fraud investigation programs</i> Tax audits and fraud investigations are undertaken on an ad hoc basis if at all.	These functions are not yet practiced.	Taxation Director Taxation Directorate staff

PI-15: Effectiveness in collection of tax payments

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

The Taxation Directorate does not record tax receivables after its assessment and does not follow-up tax payments due and tax debts. Tax revenue is recorded only when a cash payment is received.

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

The Taxation Directorate does not have its own bank account for the purpose of collecting taxes. All taxes collected are deposited into the bank accounts of SMoFEP. The 40 percent state share of taxes collected at the county level is transported to the town of Bor on a weekly

basis and deposited in the revenue account of SMOFEP. The usage of photocopied formats for revenue collection poses potential internal control risks where some of the revenue collected may not reach the accounts of SMOFEP.

(iii) Frequency of complete accounts reconciliation between tax assessments and amounts received by the Treasury

No reconciliation is made between tax assessments and amounts received in SMOFEP's bank account. There is no system in place to record tax assessment, tax collected, taxes receivable, and taxpayer debts.

Breakdown of PI-15 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
Not Rated	<i>(i) Collection ratio for gross tax arrears and ratio of tax arrears to total tax revenue collections</i>	Data on tax arrears are not collected.	Taxation Directorate
B	<i>(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration.</i> Revenue collections are transferred to the Treasury at least weekly.	The Taxation Directorate does not have its own bank account for the purpose of collecting taxes. All taxes collected, either through banks or directly by SMOFEP, are supposed to be deposited into the bank accounts of SMOFEP. Taxes collected at county level are transferred to the bank account in Bor on a weekly basis.	SMOFEP accounts Taxation Directorate
D	<i>(iii) Frequency of complete accounts reconciliation between tax assessments and amounts received by the Treasury</i> Complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury does not take place annually or is done with more than 3 months delay.	This follows from the NR for dimension (i). In addition, there are problems of reconciliation between the Taxation Directorate and Accounts Department.	SMOFEP accounts Taxation Directorate

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

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

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

Cash flow forecasting is not yet practiced. Funds are released by SMOFEP for budget execution according to the amount of cash available; if cash is not sufficiently available, payments may be delayed (as indicated under PI-4). In principle, cash inflows are reasonably predictable, because most of Jonglei State's financial resources are in the form of transfers from GRSS.

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

Spending agencies are not currently provided with explicit expenditure commitment ceilings linked to projected cash availability. State MoFEP transfers petty cash of SDG 5000 per month for big spending agencies and SDG 2500 for smaller ones, implying that commitments should not exceed the amount of petty cash provided. Large payment requests, e.g., for vehicle maintenance, are based on expenditure commitments entered into with suppliers, consistent with the approved budget but without knowledge of whether and when SMOFEP will make available the financial resources for eventual payment. In other words, SMOFEP does not provide reliable information to spending agencies on the level and periodicity of expenditure commitments they can enter into.

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

Data were not available to the team regarding adjustments to the approved budget.

Breakdown of PI-16 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	<i>(i) Extent to which cash flows are forecast and monitored</i> Cash flow forecasting, planning, and monitoring are not undertaken or are of poor quality.	There is no monthly or quarterly cash flow forecasting.	SMoFEP Accounts Directorate
D	<i>(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure commitment</i> Spending agencies are provided commitment ceilings for less than a month or no reliable indication at all of actual resources availability for commitment.	With the exception of planned purchases to be paid by petty cash, SMOFEP does not provide spending agencies with any information on the financial resources that will be available to pay suppliers for the goods and services that they have committed to purchase, i.e., there is no expenditure commitment control system.	Spending agencies (MoE, Ministry of Commerce and Supplies)
NR	<i>(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of spending agencies</i>	No information was available to assess the extent of in year budget adjustments.	

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

(i) Quality of debt data recording and reporting

According to Article 83 of Interim Constitution of Jonglei State, the SLA may delegate to the governor of the state the power to approve internal and external borrowing of money on the sole credit worthiness of the state within the macroeconomic framework while the assembly is not in session. Jonglei State has not borrowed to date.

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

SMoFEP controls five bank accounts: development, block grant, operating expenses, pension fund, and chest. The chest account is meant for miscellaneous and emergency payments. The minister decides from which account to effect payments. SMOFEP can access information on its cash balances held in these accounts upon request from the bank. Each spending agency has its own bank account, which is used for receiving transfers from SMOFEP and revenues collected by the agency. Transfers from SMOFEP are mainly for salaries and related

allowances and petty cash advances. SMOFEP does not have automatic access to information on the balances held in these accounts. Revenues collected by spending agencies other than the Taxation Directorate are therefore not known to SMOFEP. Thus, consolidated reports on cash balances of all government accounts are not yet prepared.

(iii) Systems for contracting loans and issuance of guarantees

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

No borrowing has taken place so far, at the level of either states or GRSS, and there are no specific procedures for contracting loans and issuing guarantees.

Breakdown of PI-17 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
NA	<i>(i) Quality of debt data recording and reporting</i>	Not applicable, as the state has no debt.	SMOFEP, Directorate of Accounts
D	<i>(ii) Extent of consolidation of government's cash balances</i> Calculation of balances takes place irregularly, if at all, and the system used does not allow consolidation of bank balances.	Cash balances are known by SMOFEP on its own accounts upon request from the bank. However, the Accounts Directorate does not prepare consolidation of these balances. SMOFEP is not provided information on the balances of spending agency bank accounts.	SMOFEP, Directorate of Accounts
NA	<i>(iii) Systems for contracting loans and issuance of guarantees</i>	The state may borrow with the approval of the SLA, but has not borrowed so far. It has not guaranteed any loans and is not required to do so.	Interim Constitution, Articles 115 and 193

PI-18: Effectiveness of payroll controls

As a major component of expenditure, effective control of the payroll is an important indicator of sound financial management. This indicator is concerned with the payroll of public servants only; wages for casual labor and discretionary allowances are included in the assessment of general internal controls (PI-20).

Two computerized systems—the human resource information system (HRIS) and the Southern Sudan Electronic Payroll System (SSEPS)—have been operational at Jonglei state since September 2010. Payroll is processed at SMOFEP by four staff members in the payroll preparation unit for all ministries and counties, for both classified and unclassified personnel. Following approval by MoFEP senior management, the payroll is sent to the State Ministry of Labor and Public Service (MLPS) for verification against the HRIS. Following MPLS approval, SMOFEP transfers the salary budget to the respective ministries and counties through their bank accounts. Payroll sheets are distributed in two copies, the original being returned to SMOFEP after payment. Payroll data are uploaded to the web-based database so as to be accessed by GRSS level MoFEP.

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

Establishment officers at the state MLPS verify payroll sheets prepared by MoFEP's payroll managers on a monthly basis. The personnel records are maintained using HRIS. Payrolls are paid only when checked and approved by MLPS.

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

Changes in personnel records resulting from new recruits are updated within a month. There is a serious delay in disseminating information on resigned and terminated staff to MLPS. There is no system that ensures that MLPS is aware of resignations and terminations unless the respective spending agencies inform MLPS accordingly. Personnel records of deceased staff will not be updated for three months as the public service regulations allow payment of salary for three months to the family.

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

There is a separation of roles in preparation of payroll, maintenance of personnel records, and effecting of payments. The SSPS and HRIS are password protected and access is restricted to authorized users only. It is the responsibility of the establishment officers at MLPS to make sure that payroll sheets are in agreement with the personnel records on a monthly basis. Both systems (payroll and HRIS) generate audit trails for changes. Payroll data are updated based on approved documents from MLPS. New recruitment has to be approved by the MLPS, and then the information is passed through director general of finance and director general of budget and planning before reaching payroll managers for inclusion in the payroll system. MLPS is also responsible for communicating resigned and transferred staffs to SMOFEP.

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

On a monthly basis, the payroll manager observes physically when payroll payments are effected at ministry level. Payment is organized to make sure that salaries paid to actual, existing staff members. Such monitoring is not conducted at the county level. Payroll managers investigate identical names in the payroll system. In 2004, they found four cases where the same individuals were receiving payments from different agencies and ministries. The Directorate of Internal Audit and Adjustment has not been engaged in payroll audit. MLPS conducted a head count in February 2011. The Ministry of Education then suspended payroll payments of about 30 teachers as per notification of MLPS following its head count.

Breakdown of PI-18 Scores

Score C+ (M1)	Minimum Requirements	Justification	Information Sources
B	<p>(i) Degree of integration and reconciliation between personnel records and payroll data</p> <p>Personnel data and payroll data are not directly linked, but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data.</p>	Payroll and human resource data are managed by SSPS and HRIS. These systems are not integrated but there is a monthly reconciliation to make sure that payroll records are in consistent with the HRIS database.	MLPS Payroll Managers Director of Accounts
B	<p>(ii) Timeliness of changes to personnel records and the payroll data</p> <p>Up to three months' delay occurs in updating of changes to the personnel records and payroll, but this affects only a minority of changes. Retroactive adjustments are made occasionally. Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payroll. Retroactive adjustments are rare.</p>	Normally, payroll records are updated on a monthly basis. However, information such as death of employees and resignation may not be updated before three months.	As above
A	<p>(iii) Internal controls of changes to personnel records and the payroll</p> <p>Authority to change records and payroll is restricted and results in an audit trail.</p>	Changes to payroll records are required to be supported by official letters. The staff in charge of maintaining personnel records are separate from those who prepare the payroll sheets and effect the payments. Access to the payroll system is password protected and only establishment officers have access to HRIS.	As above
C	<p>(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers</p> <p>Partial payroll audits or staff surveys have been undertaken within the past three years.</p> <p>Partial payroll audits or staff surveys have been undertaken within the past three years.</p>	Head counts were undertaken by MLPS in five selected five counties (out of the 11 counties), and there is a monthly reconciliation of payroll sheets against the payroll record. Also, payroll managers physically monitor each ministry when payroll is affected. Internal auditors have not conducted payroll audits.	MLPS Adjustment and Internal Audit Directorate Payroll managers, and Directorate of Planning and Budgeting

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

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

Procurement activities at GRSS level are governed by the Interim Public Procurement and Disposal Regulations issued in 2006 and effective from June 29, 2006. These regulations have to be followed for the procurement of goods, services, and works, financed in whole or in part from public funds except for military hardware or in cases where the government decides that it is in the national interest to use different procedures.⁴ The Procurement Policy Unit (PPU) in MoFEP's Directorate of Procurement is in charge of overseeing procurement activities in

⁴ GRSS, Interim Public Procurement and Disposal Regulations, page 8 (Scope and Application).

all public bodies. In order to provide a stronger legal basis for regulating procurement activities, particularly in the area of enforcement, a procurement bill has been drafted and submitted to the Ministry of Legal Affairs.

Most of procurement needs of Jonglei State, including procurement of vehicles, are undertaken by GRSS. Capital expenditures from conditional grants related to ministries in the state are accomplished by the respective ministries at GRSS level.

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

Jonglei State has not yet enacted its own procurement law or regulation. The GRSS-level procurement regulation indicated that it is also applicable at the level of states. According to the procurement procedure of Southern Sudan, all single-sourcing procurements, procurement of goods and works using prequalification methods, and consultancy services to be procured using quality-based selection methods require the prior approval of the Procurement Policy Unit, whatever the value of the procurement before awarding the contract to a successful bidder. Procurement of goods with a value of SDG 20,000 or lower, and procurement of works with a value of SDG 50,000 or lower, are approved by the undersecretary of the respective spending agency. Procurements of goods and works above these thresholds have to be approved by the Directorate of Procurement in SMoFEP.

The legal and regulatory framework for procurement meets three of the following requirements:

Requirements	Meet requirements? (Yes/No)
1. Be organized hierarchically, with precedence is clearly established	Yes
2. Be freely and easily accessible to the public through appropriate means	No
3. Apply to all procurement undertaken using government funds	Yes
4. Make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified	Yes
5. Provide for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints	No
6. Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature	No

(ii) Use of competitive procurement methods

The regulation provides clear guidance as to when less competitive bidding can be used above thresholds. According to the Procurement Directorate in SMoFEP, no procurement activities take place at its level. A report on procurement activities was not available to the team. As a result, it was not possible to determine the extent of usage of competitive bidding. Based on discussions with MoE and MoFEP, most of the procurement activities are small purchases and are normally purchased using less than open competition methods. The team learned that the Ministry of Physical Infrastructure floated an open tender for maintenance of roads

through a widely circulated newspaper.⁵ The team could not ascertain whether this incidence reflects the regular procurement practices of the ministries or is occasional.

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

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

The Procurement Directorate is not currently in a position to provide such information because of its limited capacity. This was also confirmed during a discussion with the Chamber of Commerce in Jonglei State; disseminating of procurement information is not yet practiced. Contract awards are not publicized by either by the spending agency or the PPU.

(iv) Existence of an independent administrative procurement complaints system

This dimension is scored according to whether a body reviewing complaints on procurement satisfies the following requirements:

1. Comprises experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government;
2. Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions
3. Does not charge fees that prohibit access by concerned parties;
4. Follows processes for submission and resolution of complaints that are clearly defined and publicly available
5. Exercises the authority to suspend the procurement process
6. Issues decisions within the timeframe specified in the rules/regulations
7. Issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority)

Articles 56 and 57 of the Interim Public Procurement and Disposal Regulations provide for a mechanism for submitting complaints. According to the regulations, suppliers may seek review of the procurement process when he/she suffers loss or injury due to a breach of a duty imposed on the procuring entity. A complainant shall, in the first instance, be submitted to the Head of the procuring entity. The head of the procuring entity shall issue a written decision within 30 days. If the complainant is not satisfied with the decision of the head, the complainant is entitled to submit the complaint to the Procurement Policy Unit (PPU), which shall review within 30 days. The decision of the PPU shall be final. The PPU recommends the appropriate course of action. In the case of dispute arising between the parties to a procurement contract, the law of South Sudan shall apply.

There is no independent procurement complaints body at the level of Jonglei State. There was no information available to assess whether authorities address complaints, if any, according to the regulations, including suspending of a procurement process and responding within the specified period of time.

There are no procedures in the regulations that provide for the charging of fees for entertaining complaints.

⁵ *Citizen*, July 19, 2011.

Breakdown of PI-19 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
C	<i>(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework.</i> The legal and regulatory framework for procurement meets three of the six requirements.	As indicated in the requirements matrix above.	Interim Public Procurement and Disposal Regulations Procurement Directorate
D	<i>(ii) Use of competitive procurement methods</i> When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements for less than 60 percent of the value of contracts awarded or reliable data are not available.	No records are available as to the value of procurements according to procurement method. The team was informed that single-source procurement is the main procurement method for procurement above the thresholds.	MoE Directorate of Commerce and Supply Procurement Directorate
D	<i>(iii) Public access to complete, reliable, and timely procurement information</i> The government lacks a system to generate substantial and reliable coverage of key procurement information, or does not systematically make key procurement information available to the public.	The Ministry of Physical Infrastructure has allowed public access to its procurement tender. Most of the spending agencies and SMOFEP have not provided information on procurement.	Chamber of Commerce Procurement Directorate
D	<i>(iv) Existence of an independent administrative procurement complaints system.</i> There is no independent procurement complaints review body.	There is no independent administrative procurement complaint system at the level of the state.	Interim regulations Procurement Directorate Chamber of Commerce, Jonglei State

PI-20: Effectiveness of internal controls for nonsalary expenditure

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

(i) Effectiveness of expenditure commitment controls

As per the discussion with the Directorate of Accounts (and as noted under PI-16), there is no a system to control expenditure commitments according to approved budgets and projected cash availability. Spending agencies were not aware in the past as to the amount of annual budget allotted to them as there were no approved budgets between 2008 and May 31, 2011.

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

Payment requests and payments

Internal control systems governing payment requests and payments are in place, using standardized formats. The assessment team was informed about a payments procedures document (modeled on that of GRSS MoFEP) that had been prepared by SMoFEP, but it was not available for review. Payments are classified in two categories: petty cash payments effected by spending agencies and payments made directly by SMoFEP. Monthly petty cash advances to spending agencies vary between SDG 2,500 and SDG 5,000 depending on their size. The directorate of accounts in each spending agency is responsible for the management of petty cash and ensuring controls over payments.

Payment requests above the petty cash threshold are forwarded to SMoFEP through the Budgeting and Planning Directorate for approval. If a payment request is supported by the approved budget, then it will be forwarded to commitment officers. When approved for payment, the director of accounts effects the payment. This procedure is well understood by requesting spending agencies and relevant directorates in SMoFEP. Based on the assessment made on some of the payment documents, the team observed proper segregation of duties with evidence of audit trail and documentation.

Property management

There is no established procedure for the control of properties and equipment. A proper recording, identification, and control system including physical counts is not in place. The assessment team observed that the Ministry of Commerce and Supply has maintained a list of properties. It is a good start and needs improvement in terms of having complete information, including detailed description as to model, serial numbers, value, location, and identification.

Bank account reconciliation and clearance of advances

Bank accounts are not reconciled by SMoFEP and spending agencies. As all expenditures are recorded as expenditures at the time of payment, there is little control over advance payment. There is no memorandum record to follow-up on advances. Though accountability reports are expected from spending agencies so far none of them have sent a report for the petty cash advances remitted to them on a monthly basis.

Personnel controls (other than payroll control, covered under PI-18)

There is a practice of maintaining records for attendance and reporting of absentees. Other administrative means, for example, verbal or written reprimand, are often used rather than a salary deduction to discourage absenteeism.

Document controls

Receipts used for revenue collections are not centrally controlled. Some of the receipts used for revenue collections are duplicates. No serially sequenced receiving and issuing documents are used for the receiving and issuing of properties and goods. Accountability for receipts is difficult to ensure. Some of the revenue collection formats (particularly Form 15 issued to payers) are those of the GoNU, which is appropriate, but this procedure is not always adhered to.

Table 3.4 summarizes the internal control systems in place, the level of understanding of these, and the degree of compliance with them.

Table 3.4: Summary of Internal Control Systems

Internal Control System	Description	Understanding	Complied
Segregation of duties for payment procedures	There is a segregation of duties for preparing payment request documents, checking, and approving at SMOFEP level.	This system is well understood at all levels.	Fair compliance
Reporting and reconciliation	SMOFEP is required to submit reports to the spending agencies on a monthly basis. Spending agencies are required to submit accountability reports to SMOFEP on a monthly basis for the petty cash advance they received The requirement for regular bank reconciliation is not stated in the payment procedure manual or Appropriations Act at the level of GRSS (or in the draft PFM bill). There are no procedures for periodic and surprise cash counts (apart from those contained in the now generally not used Financial and Accounting Procedures Ordinance of Government of Sudan, 1995).	The payment procedure manual is not well circulated. The practice is understood at the level of SMOFEP. It seems that there is little understanding of the importance of bank reconciliation. Limited understanding on the importance of periodic cash count.	No accountability reports are submitted by spending agencies to SMOFEP and SMOFEP is yet to issue reports on budget execution to spending agencies. Bank accounts are not reconciled by either SMOFEP or spending agencies. No periodic or surprise cash counts
Property management	There is a property management procedure except one article on disposal of assets in the Interim Public Procurement and Disposal Regulations (2006). Detailed procedures are contained in the Financial and Accounting Procedures Ordinance of Government of Sudan (1995), but this ordinance is now generally not used.	There is little understanding of the importance of control over public properties	Little compliance with best practices in property control. Directorate of Commerce and supply maintains a list of property. No property receiving and Issuing documents are used; no fixed asset registers are maintained.
Documentation for forms and receipts.	Payment procedure formats Cash Receipts, such as for non-tax revenue (NTR), are not multi-copy, pre-numbered and serially sequenced in a format centrally regulated by SMOFEP. Accountability for the receipt and use of NTR is therefore very difficult to assure.	Well understood at the level of SMOFEP but not by spending agencies Directorate of Internal Audit in SMOFEP is aware of the importance of receipt controls and the current lack of availability of formats and control.	Payment documents from requesting to effecting of payments are used by SMOFEP (Accounts) properly. These formats are not yet fully used by spending agencies. There is little control over receipt vouchers: little scrutiny, periodic counting, and control over printing and usage.
Control on the use of IT	The main software packages used by state MoFEP are FreeBalance, the payroll management system (SSPS), and the personnel database (HRIS). All of these systems require a user password. Hence, unauthorized access is not permitted.	Users understand the importance and relevance of security on the usage of these software.	Complied

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

As shown in table 3.4, there is partial compliance with some of the internal control procedures, including payment requests, IT usage, leave, and allowances. Compliance tends

to be limited in the areas of reporting, bank reconciliation, property management, own-source revenue, and documentation control. Audit reports would have been useful sources of information for assessing these particular dimensions, but internal audit reports were not available. The first internal audit report is yet to be released, which is on revenue collection.

Breakdown of PI-20 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)	Listed in PEFA Framework		
D	(i) <i>Effectiveness of expenditure commitment controls</i> Commitment control systems are generally lacking or they are routinely violated.	Commitment control systems have been lacking because there have been no approved budgets to relate to and there has been no linkage to cash availability.	MoE, Directorate of Commerce and Supplies, and DG of MoFEP
C	(ii) <i>Comprehensiveness, relevance, and understanding of other internal controls and processes</i> Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application.	Understanding by SMOFEP of the internal control rules is good in terms of payment request procedures, procurement procedures, IT controls, and personnel management. Understanding by SMOFEP and spending agencies of the need for accountability reports, bank reconciliation, reporting by spending agencies of own-source revenue, and controls over the use of government owned real assets is limited. The internal control procedures over real assets are far from comprehensive.	As above
D	(iii) <i>Degree of compliance with rules for processing and recording transactions</i> The core set of rules is not complied with on a routine and widespread basis due to a direct breach of rules or unjustified routine use of simplified/emergency procedures.	Compliance is limited in terms of: <ul style="list-style-type: none"> • Proper document control • Monthly submission of accountability reports on the use of petty cash • Preparation of bank reconciliation reports • Use of government property • Reporting of receipt and use of nontax revenues by line ministries, Compliance is good in terms of segregation of duties, payment requests procedures, use of IT, and personnel benefits controls. Understanding is stronger than compliance, hence the lower rating relative to dimension (ii).	Procurement Directorate Accounts Directorate Internal Audit Directorate Ministry of Education

PI-21: Effectiveness of internal audit

Regular and adequate feedback to management is required on the performance of the internal control systems, through an internal audit function (or equivalent systems-monitoring function).

(i) Coverage and quality of the internal audit function

The internal audit function was established in Jonglei State in September 2009. The Internal Audit Directorate is under SMOFEP and is staffed with eight people, including the director.

Currently the directorate is auditing tax revenue collections. No other internal audit functions have been performed since its establishment. The directorate is very much involved in accounting issues, including preparation of annual financial statements.

Unlike the ministries at GRSS levels, spending agencies in Jonglei State do not have their own internal audit units.

(ii) Frequency and distribution of reports

The report on tax revenue collection is yet to be released. No other internal audit reports have been issued so far.

(iii) Extent of management response to internal audit findings

Not applicable as reports have not been prepared.

Breakdown of PI-21 Scores

Score	Scoring Criterion	Justification	Information Sources
D (M1)			
D	<i>(i) Coverage and quality of the internal audit function</i> There is little or no internal audit focused on systems monitoring.	Internal audit coverage is small. The first internal audit work, still ongoing, has been on tax revenue collections.	Internal Audit (IA) Manual
D	<i>(ii) Frequency and distribution of reports</i> Audit reports either nonexistent or irregular.	No reports released so far.	IA Directorate
NA	<i>(iii) Extent of management response to internal audit findings</i>	Not applicable, as no reports have been prepared yet.	IA Directorate

3.6 Accounting, Recording, and Reporting

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

Assessment of Performance Indicators for Accounting, Recording, and Reporting

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

PI-22: Timeliness and regularity of accounts reconciliation

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

(i) Regularity of bank reconciliations

There are five bank accounts controlled by SMOFEP: for development, block grant, SMOFEP main account, pension, and SMOFEP chest account opened for emergency issues. These bank accounts are not reconciled.

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

The existing recording system does not allow tracking advance payments made to staff and suppliers. All payments made are recorded as expenses or transfers on the day of payment. Suspense balances of SDG 1,112,796 and SDG 130,000 were reported in the financial reports for 2008 and 2007 respectively. These balances represent loans made to officials. There are no separate subsidiary records which help to reconcile and clear these loans.⁶

Breakdown of PI-22 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M2)	As listed in PEFA Framework		
D	<i>(i) Regularity of bank reconciliations</i> Bank reconciliation for all Treasury-managed bank accounts take place less frequently than quarterly or with backlogs of several months.	Bank accounts are not reconciled. There are five bank accounts controlled by SMOFEP. Each spending agency has its own bank accounts. The team learned that MoE and Ministry of Commerce and Supplies do not reconcile their bank accounts.	SMoFEP, Accounts Department. MoE
NR	<i>(ii) Regularity of reconciliation and clearance of suspense accounts and advances</i>	The accounting system does not capture advances. Suspense balances are reported but not cleared. Given the cash accounting method used, this dimension is not rated.	SMoFEP annual financial statements for 2007 and 2008 SMoFEP, Directorate of Adjustment and Internal Audit

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

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

⁶ Advances (loans) to officials are recorded under expenditures as a suspense account and recorded under revenue when refunded (paid back to the ministry) with the same description as “suspense account.”

Conditional grants to state governments include grants for primary education and health, as state governments have primary responsibilities in these areas. One of the conditions is frequent reporting and accounting, but until now these have not been enforced. As mentioned in paragraph 2 of “Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011,” transfers will no longer be sent to states without accounting and reporting in return. The increased emphasis on accountability is due to both a significant increase in the size of conditional grants in 2011 relative to the previous year and strengthened IT packages that will enable reporting and accounting: The Southern Sudan Electronic Payroll System (SSEPS), as discussed under PI-18—the bulk of conditional grants finances salaries—and the FreeBalance Financial Management Information System. A States Transfers Monitoring Committee, established in late 2010, will review the monthly reports and recommend to the undersecretaries of SMOFEP and Labour and Public Services what transfers should be made to the states each month.

Donor budget books provide information on what has been expended under each project in the previous year and the budget for the current year. They state the number of activities under each project, but without specifying the particular health centers or schools.

The budget documentation includes reports of performance under the activities of the various spending agencies, including MoE and MoH. It provides information on the activities done, but not specific to the level of service delivery unit. In any case, the basic services (for example, primary education and primary health care) are mainly provided at the state government level.

Based on the assessment made by the state MoE in Jonglei State, no reports are prepared by service delivery units. The MoE is not in a position to generate the report, as the accounting system is centralized at the state level. State-level reports are summarized by chapters and do not give information at service delivery unit level.

Breakdown of PI-23 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	<p><i>(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-end delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units</i></p> <p>No comprehensive data on resources provided to service delivery units in any major sector have been collected and processed within the last three years.</p>	No comprehensive information has been available to date on resources received by basic service delivery units.	MoE SMoFEP

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

The ability to “bring in” the budget requires that timely and regular information on actual budget performance be available both to the Ministry of Finance and Cabinet in order to monitor performance and to identify new actions, if necessary, to get the budget back on track. Information to line ministries is also essential in order for them to manage the affairs for which they are accountable.

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

All payment requests are processed through SMOFEP except petty cash payments. In principle, directors of accounts and administration of the respective spending agencies are responsible for submitting accountability reports for the petty cash used. This practice is not observed, however.

FreeBalance, an integrated accounting system, has been operational at SMOFEP since April 2011. At the time of this assessment, transaction entries for January and February 2011 had been completed and transaction entry for March 2011 was in progress. The pace of completion appears to be picking up. Budget execution transactions are compatible with the budget’s line items. As a result, in-year budget execution reports show comparison between the budget and actual budget execution by expenditure line items and spending agencies. The report doesn’t cover budgeted revenue and actual revenue collection. The team learned that revenue collections will not be entered into FreeBalance until such time that consultants provide the training.

(ii) Timeliness of the issue of the reports

Spending agencies have not received any monthly reports from SMOFEP. The use of FreeBalance will make it easy in the future to provide these reports. SMOFEP Accounts Directorate expects to submit the financial report for March 2011 to GRSS MoFEP before June 20, 2011. SMOFEP has not submitted any quarterly financial reports to the State Legislative Assembly. Spending agencies have not prepared any financial reports or accountability reports, based on the samples observed by the assessment team.

(iii) Quality of information

The absence of bank reconciliation and the lack of distribution by SMOFEP of budget performance reports to spending agencies for review, combined with the lack of independent review by internal auditors, raise serious concerns about the accuracy of information. Some of the spending agencies interviewed also had not received the approved budget, thus hindering comparison with budget performance reports. The use of FreeBalance will help to improve the quality of the reports, particularly once spending agencies obtain the chance to review the in-year reports.

Breakdown of PI-24 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)	As listed in the PEFA Framework		
C	(i) <i>Scope of reports in terms of coverage and compatibility with budget estimates</i> Comparison to budget is possible only for main administrative headings. Expenditure is captured either at commitment or at payment stage, but not both.	Reports are compatible with the budget and presented by expenditure line items and by spending agencies. Expenditure commitments are not captured (though the system has the feature) and reported. These reports are not yet distributed to spending agencies. Revenues, both estimated and actual outturn, are not recorded and reported.	SMoFEP Accounts Department FreeBalance-generated monthly reports MoE Directorate of Commerce and Supply
D	(ii) <i>Timeliness of the issue of reports</i> Quarterly reports are either not prepared or are often issued with more than eight weeks delay.	Currently, reports are prepared on a monthly basis, starting with the usage of FreeBalance software in early 2011. The soft copies covering January and February were sent to GRSS. They are not issued, however, to senior management of spending agencies and to the State Legislative Assembly,	SMoFEP account MoE JSLA
NR	(iii) <i>Quality of information</i>	It is difficult to measure the quality of reports as independent views from users of these reports were not available to the team. These reports were not subject to review by the respective spending agencies. Bank account reconciliations, if available, would have enabled a check on the accuracy of information. Given the difficulty of evaluating the quality of information, this dimension has not been rated.	As above

PI-25: Quality and timeliness of annual financial statements

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

Financial statements were prepared by the Directorate of Adjustment and Internal Audit for 2007 and 2008. The Directorate of Accounts is expecting that the reports for 2009 and 2010 will also be prepared by the Directorate of Adjustment and Internal Audit, which claims, however, that it may not prepare them as this is outside of its scope. The Directorate of Accounts would like to focus on the preparation of financial statements for 2011 as the adoption of FreeBalance will make this easier than for other years.

(i) Completeness of the financial statements

The financial reports prepared for 2007 and 2008 covered more than 80 percent of total expenditures within the state. They show revenue and expenditures by major classification (by type of transfer and revenue and by type of expenditures),⁷ but they do not show expenditures by line item under each spending agency. They also do not show actual expenditures from petty cash transferred to spending agencies and from transfers to counties, or the expenditures of counties financed by their own revenues. Bank account balances and cash on hand are not included in the report.

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

⁷ Revenues are classified as block grant, conditional grant, personal income taxes, and revenues earned by spending agencies. Expenditures are classified as salaries and wages, operating costs, and capital expenditures..

Year	Date of completion by Directorate of Adjustment and Internal Audit	Date AFS submitted to Audit Chamber	Months from end of fiscal year
2009	Not yet completed		At least 18
2008	2009		
2007	2008		
2006	Not available		

The annual financial statement for 2009 had not yet been prepared by June 2011, which is 18 months from the end of the fiscal year.

(iii) Accounting standards used

No disclosure is attached to the financial reports as to the accounting standard adopted for the preparation of the financial statements. Both of the financial reports (2007 and 2008) were not prepared in accordance with International Public Sector Accounting Standards IPSAS.

Breakdown of PI-25 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	<i>(i) Completeness of the financial statements</i> A consolidated government statement is not prepared annually, or essential information is missing from the financial statements or the financial records are in too poor condition to enable audit.	Information including budget execution at the level of spending agencies and on cash balances and disclosures are not included in the financial reports	Financial statements for 2007 and 2008
D	<i>(ii) Timeliness of the submission of the annual financial statements</i> If financial statements are prepared, they are generally not submitted for external audit within 15 months of the end of the fiscal year.	The 2009 and 2010 annual financial statements had not been prepared as of June 2011.	Accounts Directorate Adjustment and Internal Audit Directorate
D	<i>(iii) Accounting standards used</i> Statements are not presented in a consistent format over time, or accounting standards are not disclosed.	Financial statements are not presented in IPSAS standards and no standard is stated as a basis for the preparation of the financial statements for the years ending December 31, 2007 and 2008	Adjustment and Internal Audit Directorate Financial statements for the years 2007 and 2008

3.7 External Scrutiny and Audit

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

Assessment of Performance Indicators for External Scrutiny and Budget

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

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

A high-quality external audit is an essential requirement for creating transparency in the use of public funds.

The Audit Chamber is responsible for auditing the accounts of all governmental entities in South Sudan. According to Article 80 of the Interim Constitution of Jonglei State of Southern Sudan, the auditor general of the Audit Chamber shall present an annual report to the president of Jonglei State.

(i) Scope and nature of audit

At the time of this assessment the Audit Chamber was auditing Jonglei State for the first time. As the audit work was in progress, the assessment team was not able to collect information as to the nature of the audit, the auditing standard, and the methodology used. This dimension therefore cannot be assessed at this time.

(ii) Timeliness of submission of audit reports to the legislature

According to Article 80 of the Constitution of Jonglei State of Southern Sudan, the governor of Jonglei State shall cause to be presented to the State Assembly, during the six months following the end of the financial year, the final accounts for all revenue and expenditure as are set forth in that year, as well as expenditure withdrawn from the reserve funds. The Southern Sudan Audit Chamber shall audit the accounts as required by Article 195 of the Interim Constitution of Southern Sudan and present the audit report to the State Assembly.

No financial statements have been audited so far. This dimension therefore cannot be rated at this time.

(iii) Evidence of follow-up on audit recommendations

As noted under PI-28, the Legislative Assembly of Jonglei State of South Sudan also has a mandate to follow-up on implementation of audit findings through its Committee for Economy, Development, Finance and Public Accounts (CEDFPA). The committee has not received audited financial reports, so this dimension is not applicable at this time.

Breakdown of PI-26 Scores

Score	Minimum Requirements	Justification	Information Sources
NA (M1)			
NA	<i>(i) Scope and nature of audit (including adherence to auditing standards)</i>	Not rated, as first external audit is currently ongoing.	
NA	<i>(ii) Timeliness of submission of audit reports to the legislature</i>	No audit reports have been prepared to date.	Legislative Assembly Interim Constitution
NA	<i>(iii) Evidence of follow-up on audit recommendations</i>	As per above.	Audit Chamber

PI-27: Legislative scrutiny of the annual budget law

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

The Jonglei State Legislative Assembly (JSLA) was created under Article 54 of the Interim Constitution of Jonglei State (2008) (ICJS). The JSLA is composed of Sudan People's Liberation Movement (SPLM) members (44 members), National Congress Party (NCP) members (1), and United Democratic Front (UDF) (3).

The powers conferred on the JSLA include discussions on all the statements made by the president; impeachment of the president and the vice president of Jonglei State; and approval of the policies, plans, and the annual budget of Jonglei State.

The CEDFPA is responsible for scrutiny of the annual draft budget prepared by SMoFEP. The committee has three permanent members and four ad hoc members who joins the committee during budget review.

(i) Scope of the legislature's scrutiny

The CEDFPA scrutinizes the draft budget submitted to it by the Council of Ministers. As noted under PI-6, the draft budget contains detailed draft budget estimates only. This was done for 2011 for the first time since 2007.

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

The Code of Conduct of the Legislative Assembly is comprehensive and is mainly respected. For example, the draft budget goes through four readings prior to final approval by JSLA. This was well practiced when the 2011 budget was being reviewed. However, because of the delay in the notification of the amount of fiscal transfers from GRSS, JSLA did not review the budgets for 2008 through 2010.

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

The CEDFPA was given five weeks (from March 22 to May 31, 2011) to review the 2011 budget. The time provided was sufficient.

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

The Appropriation Acts clearly stipulate the role of spending agencies, SMoFEP, and JSLA regarding in-year budget adjustment. The budget for 2011 was passed late on May 31, immediately prior to this assessment. The budgets for 2008 through 2010 were not approved by JSLA, so this dimension is not applicable at this time; budget adjustments are not relevant in the absence of approved budgets.

Breakdown of PI-27 Scores

Score	Minimum Requirements	Justification	Information Sources
NA (M1)	Listed in PEFA Framework		
NA	<i>(i) Scope of the legislature's scrutiny</i>	The 2010 budget was not submitted to CEDFPA for scrutiny due to long delays in finalizing it. As 2010 is the last completed financial year (the relevant one in terms of scoring), this dimension cannot be assessed. The documentation submitted to CEDFPA for the 2011 budget consisted of detailed draft budget estimates only (not fiscal policies). If applicable, the score would have been C.	CEDFPA JSLA Clerk and Deputy Speaker of House
NA	<i>(ii) Extent to which the legislature's procedures are well-established and respected</i>	For the same reason as for (i) this dimension cannot be assessed. In the case of the 2011 budget, the rating would have been B or C, if it had been applicable..	CEDFPA
NA	<i>(iii) Adequacy of time for the legislature to provide a response to budget proposals</i>	This dimension cannot be assessed, for the same reasons as under the first two dimensions. The time available to review the 2011 Budget was about five weeks, which would have scored B.	CEDFPA
NA	<i>(iv) Rules for in-year amendments to the budget without ex-ante approval of the legislature</i>	This dimension cannot be assessed for the same reasons as for the other dimensions. The 2011 budget was approved on May 31, just prior to this assessment, so no budget adjustments had been made.	LA Clerk CEDFPA

PI-28: Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that is approved. The Committee for Economy Development, Finance and Public Accounts did not receive audit reports. This indicator is therefore not applicable

Score: NA (M1)

3.8 Donor Practices

Assessment of Performance Indicators for Donor Practices

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

D-1: Predictability of direct budget support

This indicator is not applicable as Jonglei State does not receive direct budget support from donors.

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

A few donors, including the UN Development Programme, SNV World, and Stromme Foundation, attended the 2011 budget preparation workshop but did not provide any information on planned expenditures. Donor representatives indicated that they disclose their plans through GRSS, as indicated in the Donor Budget Book, which accompanies the GRSS budget estimates. The book related to the 2010 budget contains estimates of two future years in addition to the current budget year. It contains some information on planned expenditures in states, but no information on actual expenditures.⁸ The SMoFEP has not received any budget execution reports from donors.

Breakdown of D-2 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)	As listed in PEFA Framework		
D	<i>(i) Completeness and timeliness of budget estimates by donors for project support</i> Not all major donors provide budget estimates for disbursement of project aid, at least for the state government's fiscal year and at least three months prior to its start	No information is provided by donors at the state level. It is provided only at GRSS level through the Donor Budget Book.	Budget and planning Directorate of Jonglei State Donor Budget Book, prepared at GRSS level
D	<i>(ii) Frequency and coverage of reporting by donors on actual project flows for budget support</i> Donors do not provide quarterly reports within two months of end-of-quarter on the disbursements made for at least 50 percent of the externally financed project estimates in the budget.	No information is provided to MoFEP.	Directorate of Budget and Planning Directorate of Internal Audit and Adjustment

⁸ Donor Book 2010

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

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

Breakdown of D-3 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	(i) Overall proportion of aid funds to central government that are managed through national procedures Less than 50 percent of aid funds to regional government are managed through national procedures.	Donor-financed projects are not using JS's PFM systems at this time.	Directorate of Budget and Planning Directorate of Internal Audit and Adjustment

3.9 Predictability of Fiscal Transfers from Higher Level Government (HLG)**HLG-1: Predictability of fiscal transfers from GRSS: (i) year-on-year and (ii) within the year**

Jonglei State receives much of its funding from GRSS in the form of the block grant and conditional grants. Efficient execution of budgets therefore is heavily reliant on the predictable and timely availability of the transfers.

Timely disbursement of funds is a high priority of GRSS, as noted in the PEFA assessment of GRSS. The 2011 budget document indicates that 75 percent of the budgeted block grants and conditional grants had been disbursed during the first nine months of 2010, indicating a high degree of timeliness. As in other states visited for this assessment, there appears to be an issue in the timeliness of the block grant from GRSS to counties for funding capital expenditures. This, however, is not relevant to the rating of this dimension, which is concerned with the timeliness of the grants from GRSS to the Jonglei State Government, excluding the counties.

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

Actual transfers were less than budgeted transfers by 9 percent in 2008 and 2 percent in 2008 and 2009, but were the same in 2010, as presented in the following matrix.

Jonglei State Transfers from GRSS

	Transfers from GRSS (Budget)	Transfers from GRSS (Actual)	Deviation (%)
2008	49,181,448	44,953,215	-9%
2009	115,118,581	112,641,884	-2%
2010	124,164,398	124,164,398	0%

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

Not applicable, as the earmarked (conditional) grants are included under dimension (i).

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

Delay of transfer of funds from GRSS is a concern of Jonglei State, but mainly in connection with the grants to counties, which are channeled through the state government. There is no information available to the team to measure the timeliness of transfers during the year, although, given the high priority accorded by GRSS to the timely disbursement of transfers to state governments, the rating would probably be high, at least B.

Breakdown of HLG-1 Scores

Score	Minimum Requirements	Justification	Information Sources
NR (M1)	As listed in PEFA Framework		
A	<i>(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget</i> In no more than one out of the past three years have HLG transfers fallen short of the estimate by more than 5 percent.	The deviations were 9 percent, 2 percent, and 0 percent.	Reports of Directorate of Budget and Planning
NA	<i>(ii) Annual variance between actual and estimated transfers of earmarked grants</i>	Not applicable, as included under dimension (i).	
NR	<i>(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year)</i>	No sufficient data available.	

Annex 1: List of People Met

Name	Position
Akuila Maluth Mam	Minister of Finance, Jonglei State
Duom Koul Ageer	Director General, MoFEP, Jonglei State
Aguek Nyok Mabiei	Director of Accounts
Daniel Than Mabiei	FMIS Officer
Ajah Kor Jok	FMIS Officer
Omot Agada Bui	FMIS Officer/Commitment Officer and Budget and Planning Officer
Abot along	Director of Planning and Budgeting
Alith Apeec	Director of Taxation
Honourable Elizabeth Deu Aguien	MP, Controller of House
Honourable Den Chol	Chairperson of Development Economic, Finance and Public Accounts Committee
James Ajuer	Clerk
James Den Gideon	Payroll Manager
John Garang Bakheit	Payroll Manager
Kuol Monykul Atem	Director of Commerce and Supply
Garang Kuir Agner	Deputy Director of Commerce and Supply
John Majorl Mun	Director of Supply
Anyeon Deng Akec	Director of Weights and Measures
Monykuer Dut	Bor County Executive Director
William Manynug Roor	Director of Procurement and Investment
Majok Johnson Kual	Working in the Procurement Directorate
James Thik Tour	Deputy Chair person – JSCCIA
Ahier Bior Deng	Secretary JSCCIA
Gatkuoth Simon Duol Kueth	Director General of Education
John Garang Dau	Director of Accounts – at MoE
James Chaknen Gatluak	Deputy Director of Administration and Finance – MoE
Benjamin Garang Atem	Director of Adjustment and Internal Audit
Zuangin Racho Belko	Senior Inspector of Internal Audit
Kuol Gak Atem	Inspector of Internal Audit
Abass Wiliiam Akor	Assistant Inspector of Internal Audit
Kueth Chol Turuk	Assistant Inspector of Audit
Prof. Arop Leek Deng (Ph.D)	Secretary-General, CMS
Abdul Wurie	Planning Specialist, UNDP
Charity Mayo	Local Revenue Specialist, UNDP
Nicolas Jonga	State Specialist, UNDP