Report No.: 78288-SS

Government of Republic of South Sudan

Public Finance Management Assessment: South Sudan

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

ACCA	Association of Chartered Certified Accountants
ACU	Aid Coordination Unit
AIMS	Aid Information Management System
BA	Bachelor of Arts
BCC	Budget Call Circular
BoSS	Bank of Southern Sudan
BSP	Budget Sector Plan
BSWG	Budget Sector Working Group
CBTF	Capacity Building Trust Fund
CBSS	Central Bank of South Sudan
CEDF	Committee for Economy, Development and Finance
CIFA	Country Integrated Fiduciary Assessment
COC	Chamber of Commerce, Agriculture and Industry.
CoM	Council of Ministers
CMC	Cash Management Committee
CNPC	Chinese National Petroleum Corporation
COFOG	Classification of the Functions of Government
CPA	Comprehensive Peace Agreement
GATC	Government Accountancy Training Center
GFS	Government Finance Statistics
GoNU	Government of National Unity
GoSS	Government of Southern Sudan
GRSS	Government of Republic of South Sudan
HRIS	Human resource information system
IA	Internal auditor
IAU	Internal Audit Unit
ICSS	Interim Constitution of Southern Sudan
IMAC	Interministerial Project Appraisal Committee
IPPDR	Interim Procurement and Property Disposal Regulations
JDT	Joint Donor Team
LICUS	Low-income countries under stress
MDA	Ministries, departments, and agencies
MDTF	Multi-Donor Trust Fund
MoAF	Ministry of Agriculture and Forestry
MoE	Ministry of Education
MoFEP	Ministry of Finance and Economic Planning
MoH	Ministry of Health
MoTR	Ministry of Transport and Roads
MoLA	Ministry of Legal Affairs
MLPS	Ministry of Labor and Public Service
MHRD	Ministry of Human Resource Development
NGO	Nongovernmental organization
NTR	Nontax revenue
ODI	Overseas Development Institute

OECD-DAC	Organization of Economic Cooperation and Development-Development Assistance Center
ORSA	Oil Revenue Stabilization Account
PAC	Public Accounts Committee
PCF	Petty cash fund
PEFA	Public Expenditure and Financial Accountability
PI	Performance indicator
PIT	Personal income tax
PPU	Procurement Policy Unit
PRF	Payments Request Form
SA	Spending agency
SDG	Sudanese pound
SPLA	Southern Sudan Peoples' Liberation Army
SPLM	Southern Sudan Peoples' Liberation Movement
SSEPS	South Sudan Electronic Payments System.
SSAC	Southern Sudan Audit Chamber
SSACC	Southern Sudan Anti-Corruption Commission
SSCCSE	Southern Sudan Center for Census, Statistics and Evaluation
SSLA	Southern Sudan Legislative Assembly
TA	Technical assistance
TIN	Taxpayer identification number
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	US dollar

SUMMARY ASSESSMENT

SA.1 Integrated Assessment of PFM Performance

This PEFA assessment is focused on the Government of the Republic of South Sudan (GRSS). At the time of the assessment South Sudan was a semi-autonomous part of Sudan managed by the Government of Southern Sudan (GoSS), as part of the Government of National Unity (GoNU) that included both GoSS and the Government of Sudan.

Low Credibility of Annual Budgets

The credibility of the annual budgets in South Sudan is low, due mainly to major weaknesses in the budget execution process. Fixing these should be an urgent priority. The main responsibility of governments is to deliver public services. The annual budget process is the mechanism for determining the allocation of financial resources to service delivery, and this process appears to be working reasonably well. See performance indicators (PIs) 5, 6, and 11, presented in table 1 and examined in detail in section 3 of this report. The budget execution process is supposed to provide for the actual availability of funds to service delivery activities on a timely and orderly basis, consistent with the approved budget and annual work plans. Unfortunately this is not happening, resulting in budgets that lack credibility, as indicated by low ratings for PEFA PIs 1–4 and 16.

- *In particular, the in-year predictability in the availability of funds is low (PI-16), with payments being executed through a stringent cash-rationing system.* Spending agencies therefore tend to have a very short time horizon for planning expenditures. A more predictable flow of resources could have been achieved during the year through (i) building up a savings cushion—possible as actual revenues have significantly exceeded budgeted amounts—which would absorb unexpected oil price reductions during the year, instead of spending all of the excess revenues; and (ii) a more orderly budget execution system in the form of monthly cash spending limits based on cash flow forecasts and a related expenditure commitment control system. Instead, spending agencies have tended to front-load budget execution, thereby potentially exacerbating the cash availability situation later in the year, while some have entered into spending commitments not covered by the budget.
- *The cash-rationing system has led to a large build-up of payment arrears* (low score for PI-4). In principle, proposed expenditure commitments are supposed to be controlled for consistency with the approved budget, but this is not always the case, the most well-known example being the procurement of grain and dura for food reserves in 2007. Commitments not budgeted still have to be paid, as contracts have been signed and the procured goods and services received. Payments of pending claims outstanding at the end of the year are not budgeted for in the following year's budget, but are paid out of the approved budgets of spending agencies in the following year, thereby reducing the credibility of their future budgets.

The budget is not credible, and the public is also largely unaware of this fact. Reporting and accounting, external audit, legislative oversight, and public access to information are still in their early stages of development, as indicated by low ratings for PIs 7, 10, 15, and 22–28.

Achievements and Remaining Challenges

1. Upstream planning and budgeting functions have improved considerably since 2005, and the budget is now being prepared with due regard to government policy.

- The budget classification system (PI-5), through its program/activity structure, indicates the purpose of government spending, a prerequisite for the preparation of policy-oriented budgets (PI-11). The budget preparation processes are well defined, with a clear distinction between the strategic and detailed estimation phases of budget preparation. The ongoing introduction of a database for use in preparing budgets in place of spreadsheets, combined with clearer linkages between the administrative, program/activity, and economic classification structures of the budget, should further strengthen budget preparation processes.

- The budget documents are comprehensive for the most part, are of high quality (PI-6), and are publicly available in that they can be found on the GRSS website (notwithstanding a low score for PI-10). "Budget at a Glance" documents are also published. Significant exceptions are the budget for Ministry of South Sudan Peoples' Liberation Army (SPLA) and Veterans Affairs, which is a one-line item comprising 30 percent of GRSS expenditure, by far the largest item in the budget, and the allocation of the Constituency Development Fund to state governments by the Southern Sudan Legislative Assembly (SSLA), representing 5 percent of the 2010 budget.

- The robust policy-oriented annual budget preparation process provides the necessary platform on which a medium-term perspective to budgeting could eventually be introduced (PI-12)

- Well-targeted technical assistance has played a useful role and will continue to be needed for some time to come.

2. The lack of a basic public finance management (PFM) law hinders the strengthening of the budget execution, reporting, and accounting aspects of PFM. A bill was drafted during 2007, and was expected to be enacted by the end of 2009, as agreed by GRSS and donor partners under the Mutual Accountability Matrix for the Compact between GRSS and Donor Partners ("Juba Compact"). This was never enacted, however, partly due to disagreements among stakeholders on what model the act should be based upon (for example, the UK model used in neighboring anglophone African countries or central/eastern European-type models, such as the one adopted for Kosovo).

Instead, PFM is governed by procedures, such as the Payments Procedures and Use of Petty Cash procedures. The old (1995) and very comprehensive Financial and Accounting Procedures Ordinance of the Republic of Sudan is now only partly used. The Ministry of Finance and Economic Planning (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 information on balances in spending agency bank accounts and using these balances for financing budget execution).

3. The constitutional and legal controls regarding changes to the approved budget appear not to be fully adhered to. Perhaps because of the absence of a PFM law, the requirement (as stipulated in the Interim Constitution of Southern Sudan and reflected in the annual Appropriations Acts) for Supplementary Appropriations Acts approving proposed changes in spending appears not to be followed closely, with SSLA approval often coming after the fact. Total spending exceeded the budget in 2009, but no Supplementary Appropriations Bill was brought to SSLA. Much of the spending covered by the Supplementary Appropriations Acts for 2008 and 2010 had already taken place—more so in 2008 than 2010—prior to enactment.

4. An integrated financial management information system (IFMIS, also known by its commercial name, FreeBalance) has been established in eight spending agencies, but its role in controlling budget execution is limited. Only reporting functionalities are currently being used. The benefits are felt in terms of faster and more accurate generation of budget performance reports (PI-24). Urgently needed is the use of the system for budget execution control (processing of expenditure commitment requests, payment requests, and payments) and for accounting, including the addition of a bank reconciliation module to the IFMIS (PIs 16, 20, and 22). Expansion to several more spending agencies is desirable in order for the benefits to be fully appreciated and to discourage agencies from adopting other electronic budget execution and accounting solutions running in parallel. The Ministries of Education and Agriculture and Forestry, both important ministries, are running stand-alone applications, though they have view-only access to the IFMIS.

- An issue appears to be the configuration of IFMIS in terms of budget execution and the configuration of the semiannual payment requests forms (PRFs) currently submitted to MoFEP by spending agencies. IFMIS is currently configured according to spending agency and chapter, as per the annual Appropriations Acts. The PRFs are, however, configured according to the detailed budget classification system (referred to under number 1, above, and described in detail under PI-5 in section 3), drilling down to the five-digit detailed line item level. A reconfiguring of IFMIS to take account of this issue is ongoing.

5. The South Sudan Electronic Payroll System (SSEPS) and a human resource information system (HRIS) were established during 2010, resulting in a significantly reduced risk of salaries being paid when they should not be paid. The SSEPS and HRIS are managed by MoFEP and Ministry of Labor and Public Service (MoPLS), respectively. Personnel records held in spending agencies are not necessarily kept up to date, however, and the task is complicated by geographical dispersion of service delivery units and lack of systems for monitoring attendance. An element of risk therefore remains. An ongoing project is focusing on updating personnel records (PI-18).

6. A basis has been laid for the strengthening of tax administration as a result of the 2009 Taxation Act. Taxpayer education programs are expanding, taxpayer identification numbers (TIN) are being introduced, and a tax audit function has been developed, with the help of technical assistance (TA). The ratings for PIs 13–15 are low as strengthening measures are still in their early stages. With the advent of independence, GRSS is assuming responsibility for customs and value-added tax (VAT) administration. An important specific challenge is the reduction of multiple tax checking points at interjurisdictional boundaries; these are a drain on public finances and the economy in general due to the efficiency losses they represent. *(As of , September2011 the 2009 Taxation Act is being amended to reflect GRSS's new taxation responsibilities, as reflected in the new Transitional Constitution.)*

7. Internal control systems governing PFM are not well established and complied with. The internal audit function oriented toward the monitoring of internal control systems is still at

an early stage of development (PIs 20 and 21). The outcome is PFM systems that do not function effectively and a high potential for wasteful expenditure, diversion of funds, and corruption.

- Semiannual expenditure control systems help ensure that proposed expenditure commitments are in line with the approved budget, but do not control them in terms of projected cash availability, which has tended to be less than the approved budget. The outcome is expenditure arrears (PI-4).

- MoFEP tends to pay suppliers via spending agencies rather than directly, as required by the "Payments Procedures," thus creating the potential for leakage or arrears if the suppliers are not paid or are paid late (PIs 7 and 4).

- MoFEP does not exert its right to have information on the cash balances held by spending agencies and to require regular bank reconciliation reports (PIs 17 and 22).

- MoFEP does not enforce its requirements for spending agencies to account for their use of petty cash advances (under "Payments Procedures for use of Petty Cash") (PI-22).

- MoFEP does not enforce its requirements for spending agencies to submit all own-source revenue to MoFEP and to account properly for the receipt of these (PIs 7 and 15). Correct receipting procedures tend not to be followed.

- MoFEP does not enforce the provisions under the Interim Procurement and Property Disposal Regulations, in particular the provision that competitive procurement methods are the preferred option above specified thresholds. Single-source procurement has been the preferred method. This creates a significant risk that public services have been provided at higher cost than necessary. In part, though, this is because the unpredictability of the budget (PIs 2 and 16) hinders planning for procurement.

- Controls over the use of government property (for example, government vehicles) are not in place, resulting in misuse.

- Controls over staff attendance tend not to be enforced; for example, staff may be absent from their posts for part of the day without consequences for their pay.

- There is insufficient compliance with filing and documentation procedures.

- Assisted by TA, internal audit units in spending agencies are beginning to move toward systems-oriented auditing and away from the prechecking of expenditure commitment and payment requests. Progress is hindered, however, by a shortage of trained auditors, difficulties in retaining them, and, in some cases, lack of support from management (PI-21). It should be stressed, however, that while internal audit units can identify weaknesses in internal control systems and recommend remedial measures, it is up to management to acknowledge the issues and implement measures.

8. Effective external audit and legislative oversight functions are beginning to develop. Since the appointment of a new auditor general in 2010, the Audit Chamber's effectiveness has improved significantly, though capacity constraints impose limits on the pace of strengthening. The backlog of auditing GRSS's annual financial statements is being reduced. Audited annual financial statements for 2005 and 2006 have been submitted to the SSLA. The Chamber has conducted some useful topic-specific audits; a recent payroll audit showed that ghost workers remain an issue, mainly due to personnel records not being kept up to date. It successfully completed an investigative audit of Ministry of Commerce at the request of the undersecretary. At the time of the PEFA field visit in April 2011, it was embarking on an audit of the "cut-off" system, whereby balances in spending agency bank accounts are supposed to be returned to MoFEP's account at the end of the fiscal year. A key challenge is for the Chamber to discuss its audit findings with the auditees, in particular with MoFEP in relation to the audit of the annual financial statements (PI-26).

Both the Committee for Development, Economy and Finance (responsible for reviewing the draft budgets) and the Public Accounts Committee (PAC, responsible for reviewing audit reports) in the SSLA are keen to exercise their functions effectively. The PAC has not been functioning as it has not had any audit reports to review. Capacity and capability constraints limit the rate at which legislative oversight can strengthen, and technical assistance can probably play a role in strengthening capacity (PIs 27-28). A litmus test for SSLA's demonstration of its seriousness in requiring accountability by the executive branch of government for the use of public funds will be its approval of publication of audit reports (the Auditor General is accountable to the SSLA and would therefore require SSLA permission to publish audit reports following their review by SSLA).

9. GRSS-donor interaction has been reasonable but could be strengthened. The recording by GRSS of planned and actual donor aid has improved significantly through the aid management information system installed in MoFEP. PEFA performance indicator D-2 (financial information provided by donors) scores low as donors do not yet report according to GRSS's budget classification system, but this is mainly a question of time, as modalities have been identified. Country financial management and procurement systems are not yet used (D score for D-3). In terms of aid coordination, relative to many other countries this has been reasonably good between GRSS and donors, helped by the Aid Coordination Unit in MoFEP and donor participation in Budget Sector Working Groups. Coordination between donors has also been relatively good (the Multi-Donor Trust Fund—MDTF—and the Joint Donor Team are good examples). In both cases, however, there is plenty of room for improvement, starting with MoFEP playing a more effective lead role.

SA.2 Prospects for Reform Planning and Implementation

The PFM strengthening process has been under way for some years, with extensive assistance from donor partners, and the Government wants the process to continue, partly because it wants to become eligible for receiving budget support. Immediate PFM strengthening measures that MoFEP has indicated it intends to see are the following:

- Timely enactment of the PFM ill, the first version of which was drafted in 2007. This would greatly assist with the implementation of other measures, listed below.
- Drafting of a Procurement Bill; at present public procurement is governed by the Interim Procurement and Property Disposal Regulations (IPPDR).
- Strengthening in-year cash flow forecasting as a prerequisite for improving the in-year predictability of the budget and reducing the incidence of payment arrears. Improved cash flow forecasting would enable the introduction of monthly cash limits on expenditure s(perhaps initially within a quarterly allocation framework until revenue predictability

improves) with proposed commitments required to be constrained by these limits. These needs were emphasized in MoFEP's presentation of "Expenditure Priorities and Funding Needs, 2008–11" to the 2008 Sudan Consortium in April 2008.

- Enforcement of the procedures for petty cash by making accountability for the use of petty cash a condition for receiving the next tranche ("no accountabilities, no petty cash").
- Mandating spending agencies to disclose to MoFEP their end-of-month cash balances and to submit monthly bank reconciliation reports and bank statements to MoFEP, in support of improved cash management, reporting, and accounting. Obtaining this information is a necessary step toward implementing a treasury single account (TSA) system.

Some of these measures (expenditure commitment control, accountability for the use of petty cash) were in fact agreed to between GRSS and other stakeholders in 2009 through the Juba Compact's Mutual Accountability Matrix referred to above, but have yet to be implemented.

Other useful steps that GRSS might consider are (i) improving controls on the use of government property through the establishment of a systemwide asset management system; (ii) developing a proper manual accounting system for the collection of nontax revenue by spending agencies (a standardized, multicopy, and sequentially numbered system); (iii) eventually, when political and security conditions are appropriate, strengthening the transparency and comprehensiveness of some major spending items, particularly the budget of Ministry of SPLA and Veterans' Affairs.

An overriding issue is capacity constraints. PFM and public administration systems are developed and operated by people. Improvements in systems can take place only at the pace that capacity and capability constraints permit.

Update: September 1, 2011

The following has happened in terms of PFM reform since April 2011, when the PEFA field work was conducted:

- The PFM Bill was submitted to SSLA but withdrawn due to concerns raised by Ministry of Justice, followed by the desire of MoFEP to make further changes. *Update, February 14, 2012: the PFM Bill was enacted in late 2011.*
- A Procurement Bill was drafted, but has not yet been submitted to SSLA
- The IFMIS (FreeBalance) has been strengthened to some extent in the eight spending agencies where it was already in place, but it has not been rolled out to further agencies. A consultant is currently working on a reconfiguration of IFMIS so that it can be better used as a budget execution system on the basis of the approved budget (as discussed above), instead of being mainly a reporting and accounting system.
- Financial forms are being prepared in English to replace the old Arabic forms contained in the Government of Sudan's Financial and Accounting Procedures Ordinance.
- Amendments to the 2009 Taxation Act are being drafted, to reflect the independence of South Sudan on July 9. The amendments are needed, as oil revenues, customs duties, and VAT were the responsibilities of GoNU. Currently the collection of these revenues has no legal basis. The president has established a committee to revise the receipt forms (Form 15 for domestic revenue, Form 30 for customs revenue).
- A computerized tax administration system is being prepared by a consulting company, with funding from USAID.

- With oil revenues now administered by MoFEP directly (previously these were administered by GoNU), MoFEP is developing a system to ensure that it receives accurate information on the amount of oil revenues collected relative to what is due. (As noted under PI-13, the inaccuracy of information was an issue.) Accurate information includes data on oil production and prices and proof of receipt of revenues in GRSS's account in the Central Bank of South Sudan (CBSS, formerly BoSS).
- MoFEP is planning to establish a semi-autonomous Revenue Authority, as mandated in the new Transitional Constitution.
- The financial year has been changed to July–June from the calendar year, as indicated in the new Transitional Constitution for the Republic of South Sudan, that came into effect in July 2011 (otherwise, the provisions of the new Constitution have little bearing on the conduct of PFM).
- The Audit Chamber has submitted (informally) the audited 2005 and 2006 annual financial statements to SSLA.

Some of the measures that MoFEP had been hoping to implement, beginning May, have not been implemented, partly because of the run-up to independence on July 9. The following have not yet been implemented:

- The establishment of cash flow forecasting systems, accompanied by the implementation of a system of quarterly budget allocations, monthly cash limits on expenditure and commitment controls. Systems were prepared, but the political situation precluded their implementation.
- MoFEP has not been successful yet in obtaining information on cash balances held in spending agency bank accounts, despite attempts to do so in conjunction with CBSS. The lack of a PFM act was a constraint to obtaining this information, but the establishment of GRSS and CBSS on July 9 in principle meant all former GRSS-held bank accounts had to be closed and then applications submitted to MoFEP for re-opening, thus giving MoFEP the opportunity to exercise control and form the basis for moving to a TSA. CBSS is acquiring a new accounting system, which would facilitate the introduction of a TSA. In practice, however, as of September 2011 MoFEP had not as yet gained control.
- The enforcement of the procedures for accountability for the use of petty cash by spending agencies has not happened.
- Preparing of an accounting manual was delayed until at least late 2011 due to a change over in the source of funding (from World Bank to the African Development Bank).
- As for diminishing the pending claims issue (PI-4), a strategy has still to be developed to gradually clear the stock. Once a strengthened budget execution system is in place, and subject to improvement in the predictability of oil revenue receipts referred to above, the pending claims issue may diminish in importance.
- Reorganization of the customs system. As advised by USAID through a study conducted in 2010 (referred to under PI-13), the transfer for customs responsibilities to the new GRSS from GoNU required careful planning. It appears this did not take place, resulting in a system that is not operating properly.
- Finally, the status of the approved 2011 budget is unclear. With a new financial year in place (July–June), GRSS has directed the preparation of a new budget covering July

2011 to June 2012. At the time of the PEFA validation workshop on September 5, 2011, it appeared that the new budget was still being drafted, requiring probably a supplementary budget to be prepared for the period from July 9 up to approval of the new budget.

A Note on Terminology

The assessment was conducted mainly in April, 2011, prior to independence on July 9. In the earlier drafts of the assessment, the Government was referred to as Government of Southern Sudan (GoSS) and the Central Bank as Bank of Southern Sudan (BoSS). In this final report, these terms are replaced for the most part by Government of the Republic of South Sudan (GRSS) and Central Bank of South Sudan (CBSS). Other titles have changed since July 9, but the changed titles are not reflected in the text. For example, the SSLA is now known as the National Legislative Assembly, the Council of Ministers as the National Council of Ministers, the Southern Sudan Revenue Fund as the National Revenue Fund and the Audit Chamber of Southern Sudan as the National Audit Chamber.

Table 1: Summary of Performance Indicator Ratings for the Republic of South Sudan

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**	D▲	D▲			
PI-2	Composition of expenditure outturn compared to original approved budget	**M1**	D+	D	A		
PI-3	Aggregate revenue outturn compared to original approved budget	**M1**	D	D			
PI-4	Stock and monitoring of expenditure payment arrears	**M1**	D+	D	B		
B. Comprehensiveness and Transparency							
PI-5	Classification of the budget	**M1**	B	B			
PI-6	Comprehensiveness of information included in budget documentation	**M1**	B	B			
PI-7	Extent of unreported government operations	**M1**	D+	D	B		
PI-8	Transparency of intergovernmental fiscal relations	**M2**	C+	B	B	D	
PI-9	Oversight of aggregate fiscal risk from other public sector entities	**M1**	D	NA	D		
PI-10	Public access to key fiscal information	**M1**	C	C			
C (i) Policy-based Budgeting							
PI-11	Orderliness and participation in the annual budget process	**M2**	B	B	A	C	
PI-12	Multiyear perspective in fiscal planning, expenditure policy, and budgeting	**M2**	D+	D	NA	C	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+▲	C	C	D▲	
PI-15	Effectiveness in collection of tax payments	**M1**	D+	NR	C	D	
PI-16	Predictability in the availability of funds for the commitment of expenditures	**M1**	D+	D	D	C	
PI-17	Recording and management of cash balances, debt, and guarantees	**M2**	C	NA	C	C	
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+	C	C	D	
PI-21	Effectiveness of internal audit	**M1**	D▲	D▲	D	D	
C (iii) Accounting, Recording, and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	**M2**	D	D	D		
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**	C+	C	A	C	
PI-25	Quality and timeliness of annual financial statements	**M1**	D+	C	D	C	
C (iv) External Scrutiny and Audit							
PI-26	Scope, nature, and follow-up of external audit	**M1**	D+	C	D	D	
PI-27	Legislative scrutiny of the annual budget law	**M1**	C+	C	C	B	C
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**	C	C	C		
D-3	Proportion of aid that is managed by use of national procedures	**M1**	D	D			

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

1. Introduction

1.1 Objective

The purpose of the assessment is to assess the public finance management (PFM) system performance of the Government of the Republic of South Sudan (GRSS). This report will later feed into a Country Fiduciary Risk Assessment (CIFA) along with a Country Procurement Assessment Report prepared during June–July 2011 by a World Bank team on GRSS's procurement system, using the OECD-DAC assessment methodology, and with a PFM diagnostics study on four state governments (Northern Bahr el Ghazal, Unity, Western Equatoria, Jonglei) that was conducted during June 2011. The CIFA will include an Action Plan for implementing PFM reforms.[1]

1.2 Process of Preparing the Report

Under contract to the World Bank and the Task Team leadership of Adenike Sherifat Oyeyiola, a team of four consultants visited Juba during April 10–29, 2011. The team consisted of Peter Fairman (team leader), Getnet Haile, Charles Mugerwa, and Gregory Smith. The team held meetings with officials from the Ministry of Finance and Economic Planning (MoFEP); the Ministries of Education, Health, Agriculture and Forestry, and Roads and Transport; the Audit Chamber; the Committee of Economy, Development and Finance; the Public Accounts Committee of the Legislative Assembly; the Centre for Census, Statistics and Evaluation; the Chamber of Commerce, Industry and Agriculture; the United Nations Development Programme (UNDP); the Joint Donor Team; the Multi-Donor Trust Fund (MDTF); and the NGO Forum. Unfortunately, a key official from MoFEP, the under-secretary for planning, was out of the country during the period of the field visit.

The purpose of meeting the ministries was not to focus on them alone but to obtain a sample perspective of PFM at ministry level. These five ministries comprise 19 percent of total GRSS spending (2011 budget), excluding block transfers to state governments. Excluding the Ministry of SPLA and Veterans' Affairs spending (26 percent of total spending agency expenditure), the percentage is 26 percent.

The team conducted an inception workshop on April 14, explaining the PEFA assessment methodology. It presented its initial findings at a meeting of all stakeholders in MoFEP on April 28. A first draft report was submitted to the World Bank on May 10, 2011, and a second draft, reflecting double-checking of all information received, was submitted on June 19. The draft was transmitted by the World Bank to MoFEP, other development partners, and the PEFA secretariat on July 18, along with the draft reports for the four state governments. Comments received from MoFEP, PEFA secretariat, World Bank, UNDP, Deloitte (USAID-funded), the UK consulting firm PKF (in connection with the external audit function), and the Joint Donor Team in early August were incorporated, where appropriate, into a third draft report, that was circulated to stakeholders prior to a PEFA workshop conducted in Juba on September 5, 2011. Peter Fairman and Getnet Haile returned to Juba for a week prior to the workshop in order to incorporate the comments and prepare a presentation.

This final draft was submitted to World Bank on September 26, 2011.

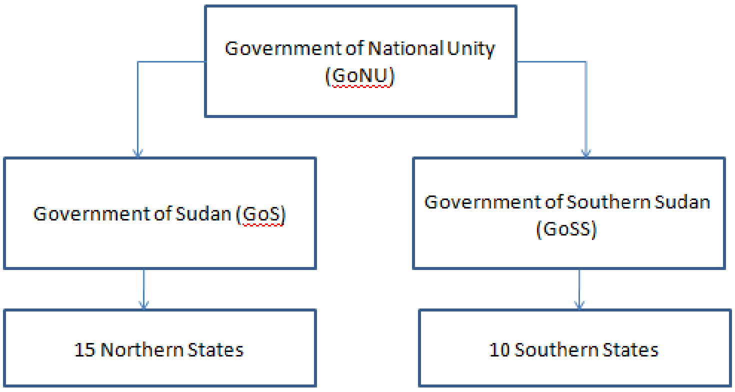
[1] A CIFA covering Sudan for the period 2005–2007 was published in May 2010, based on a PEFA assessment in 2008. The CIFA dealt mainly with the northern part of Sudan, with limited reference to the south.

The team expresses its appreciation and thanks to all the officials met, including the technical experts and Overseas Development Institute fellows working in MoFEP, for their excellent cooperation.

1.3 Scope of the Assessment

This PEFA assessment is focused on the Government of the Republic of South Sudan. At the time of the assessment Southern Sudan was a semi-autonomous part of Sudan managed by the Government of Southern Sudan (GoSS) as part of the Government of National Unity (GoNU) that included both GoSS and the Government of Sudan ("the north"). GoSS was established in 2005 after a Comprehensive Peace Agreement (CPA) brought to an end 22 years of conflict between the Government of Sudan and the Sudan People's Liberation Movement (SPLM). Southern Sudan became an independent country—the Republic of South Sudan—on July 9, 2011, following a positive vote in a referendum held in January 2011. Figure 1 summarizes the structure under GoNU.

Figure 1.1: Structure of the Government of National Unity



The budget for the Ministry of SPLA and Veterans' Affairs is by far the largest in the budget, but, for security and political reasons, is a one-line item. The scope of this PEFA assessment in effect, therefore, applies to approximately three-quarters of GRSS operations, not the full 100 percent, for many of the indicators (PIs 6, 11, 12, and 16–24).

2. South Sudan Background Information

2.1 General Information

Box 1 contains background information on South Sudan.

Box 2.1: Key Indicators for South Sudan

- Population: 8.26 million
- Area: 644,329 square kilometers
- More than half (51 percent) of the population is below the age of 18. 72 percent of the population is below the age of 30.
- 83 percent of the population is rural.
- 27 percent of the adult population is literate.
- 51 percent of the population lives below the poverty line,
- 78 percent of households depend on crop farming or animal husbandry as their primary source of livelihood.
- 55 percent of the population has access to improved sources of drinking water.

Source: Southern Sudan Centre for Census, Statistics and Evaluation (2010), "Key Indicators for Southern Sudan" (Juba: 2010). The center's Statistical Year Books for 2009 and 2010 contain a wealth of geographical, social, and political information, while the GRSS website also contains considerable background information (www.GRSS.org/).

Perhaps uniquely for a post conflict government, GoSS in 2005 had immediate access to millions of dollars in domestic oil resources with which to fund its budget. However, the Joint Assessment Mission (JAM) report prepared by the World Bank, UN, Government of Sudan, and SPLM in 2005 noted that the entire public service had to be built up virtually from scratch. The JAM recommended that the core public financial management functions should be contracted out to international firms for at least the first two years of government until capacity was built.[2]

Formal and informal practices that existed both before and during the conflict shaped what was possible in terms of systems development at the start of the peace. In 2005 GoSS drew on staff from both the Southern Sudan Coordinating Council, which administered territories controlled by the Government of Sudan in the South during the conflict, and the Civil Administration of New Sudan, which covered the areas held by the rebel Sudan People's Liberation Army (SPLA). The Financial and Accounting Procedures Ordinance (1995) of the Republic of Sudan provided a basis for PFM.

Capacity, however, was very limited. Key ministries had very few technical staff, and the skills of those staff were not suited to modern fiduciary systems. Poor local infrastructure (including transport and housing), prefabricated offices, weak IT capacity and limited communication only compounded these problems. Nonetheless, GoSS had to embark immediately on the process of budget preparation, as millions of dollars of oil revenues started to flow as early as 2005, as mandated by the CPA; hence the JAM's recommendation that PFM functions should be contracted out to start off with.

[2] See F. Davies, "Contracting out Core Government Functions and Services in Southern Sudan," in *Partnership for Democratic Governance Contracting Out Government Functions and Services, Emerging Lessons from Post-Conflict and Fragile Situations* (Paris: OECD, 2009), chap. 3.

Since 2005, and particularly since 2007, GoSS has been making steady progress in developing its PFM systems. In support it has also been building up its civil service capacity, as formalized through a public service policy and manual prepared in 2008.

2.2 Description of Budgetary Outcomes

Table 2.1: Budget Performance

SDG millions	2008 Bud.	2008 Act.	2009 Bud.	2009 Prov.	2010 Bud.	2010 Prov.	2011 Bud.
Revenue	3464	6790	3658	4240	4503	5757	5767
Oil	3312	6671	3413	4122	4402	5630	5656
Non-0il	152	119	245	118	101	127	111
Expenditure	3428	5713	3606	4235	4483	5576	5767
Salaries	1647	1873	1840	1977	2179	2206	2433
Operational	770	1453	899	165	80	1057	544
Transfers to states & MDTF	156	774		1090	1233	1224	1531
Capital	855	1612	868	1002	990	1091	1258
Balance	*36*	*1077*	*52*	*5*	*20*	*181*	*0*
GoNU direct		24					
Exchange rate loss		65		0		167	
Statistical Discrepancy/Accumulation or Use of Reserves	*-35.8*	*-988*	*-52.1*	*-5.2*	*-20*	*-13.9*	*0*
Memo item:							
Transfers to states		638	1154	1090	1228	1219	1527
% expenditure		11.2		25.7		21.9	
Block grants		453		439		543	
Conditional grants		185		651		676	
Transfers to MDTF	156	136	146	0	5	5	4

Source: GRSS budget documents.
Notes: 1. Bud. = approved budget, Act. = actual expenditure, Prov. = Provisional outturn.
2. Oil revenues are net of direct expenditures debited by GoNU.
3. Exchange rate losses refer to losses on oil revenue transfers.
4. Revenues and expenditures accounted for on a cash basis; unpaid approved payment requests are excluded from expenditures. The balance does not necessarily imply accumulation or de-cumulation of cash reserves due to possible inaccuracies in the recording of revenues and expenditures, as noted in PI-24. For example, the positive balance in 2008 appears too high.

Table 2.1 shows actual expenditure exceeding budgeted expenditure by large margins, the excess being financed by revenues well in excess of budgeted amounts. Revenues and expenditures grew rapidly in the period prior to 2008: actual revenue and expenditure amounted to SDG 1,870 million and SDG 452 million (equivalent of the USD amount), respectively, in 2005. Borrowing was zero, as GRSS had no access to loan facilities.

GRSS is in a fortunate position relative to other postconflict countries due to its large oil-based revenues, comprising about 98 percent of total GRSS revenues. They amounted to about five times the level of donor aid in 2009. The large revenues have enabled public expenditure per capita per year of about $250—a considerable sum when compared to $61 per capita per annum in Sierra Leone during 2008.[3] Given the enormous postconflict investment needs, government planners have prioritized the use of its resources as follows: security; roads, primary health care, basic education; and water and production.[4]

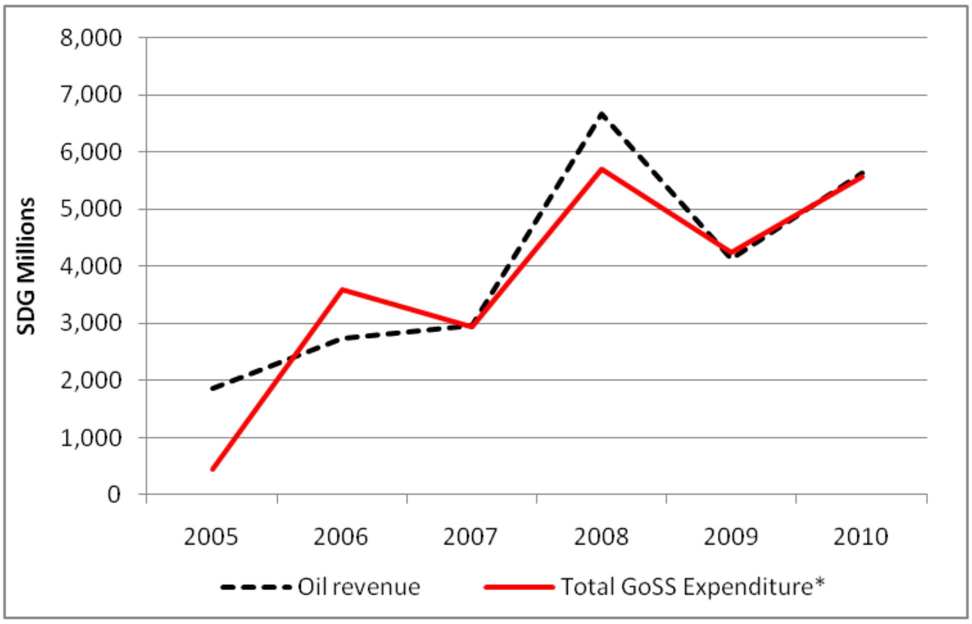
The downside, however, of dependence on oil-based revenue is fluctuations in revenue performance due to fluctuations in global oil prices. As shown in Figure 2.1, oil prices were particularly volatile over the past few years. In order to try and reduce oil-price-induced fluctuations in government expenditures (figure 2.2), GRSS worked with GoNU to put in place an oil revenue stabilization account (ORSA) mechanism. This had some success, as noted under PI-3 in section 3, though there were control problems at times (discussed under PI-13). It also endeavored to increase the currently very small proportion of non-oil-based revenue to total revenue, as noted under PI-3 and PIs 13–15.

Figure 2.1: Weekly All Countries Spot World Oil Price (US$ per Barrel)

Note: Prices are FOB and weighted by estimated export volume. The PEFA assessment period is highlighted.
Source: US Energy Information Administration. www.eia.gov.

Figure 2.2: Actual GoSS Oil Revenues and Expenditure 2005 to 2010

[3] F. Davies and G. Smith, "Planning and Budgeting in Southern Sudan: Starting from Scratch," *ODI Briefing Paper* 65, November 2010 (see: http://www.odi.org.uk/resources/details.asp?id=4980&title=southern-sudan-budget-reforms-post-conflict).
[4] Government of Southern Sudan, "Expenditure Priorities and Funding Needs 2008-2011," prepared for the Sudan Consortium, MoFEP, April 2008.



Note: *GRSS expenditure only (excludes donor projects), including all state transfers.
Source: GRSS Budgets 2006, 2007, 2008, 2009, 2010, and 2011, provided by MoFEP.

2.2.1 Functional classification of the budget

Table 2.2 shows classification of the budget by sector. The largest sectors are security, public administration, infrastructure, and rule of law. The education and health sectors are relatively small, partly because of the responsibilities of the state governments in these areas.

Table 2.2: GRSS Expenditure by Sector 2008 to 2010

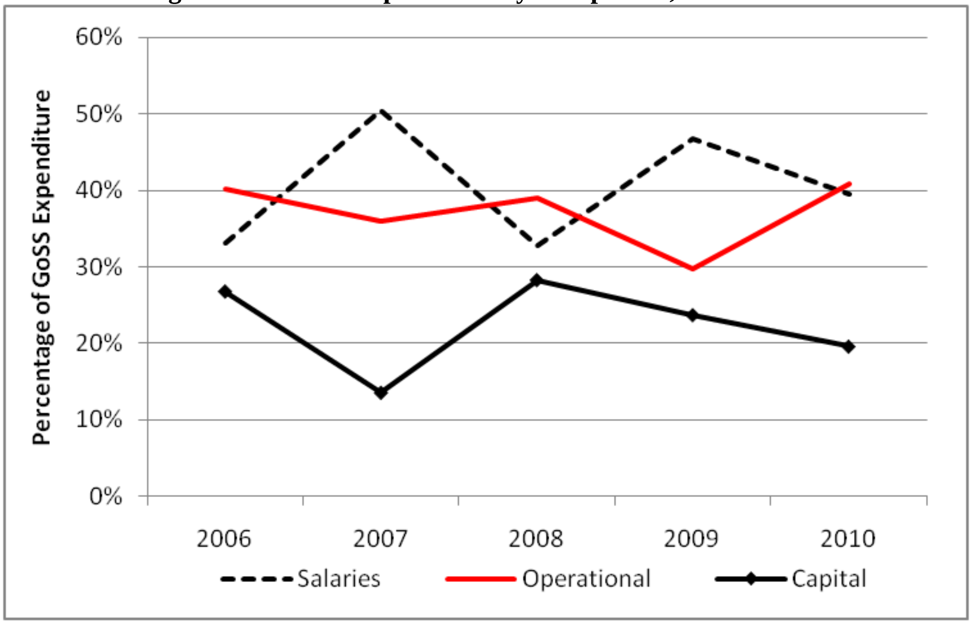
	2008		2009		2010	
GoSS Sector / SDG million	Actual	% Share	Actual	% Share	Actual	% Share
Accountability	666.33	12.6%	333.10	8.8%	533.32	10.6%
Economic Functions	148.20	2.8%	94.85	2.5%	162.38	3.2%
Education	47.08	0.9%	234.09	6.2%	279.17	5.6%
Health	400.12	7.6%	97.06	2.6%	139.38	2.8%
Infrastructure	817.35	15.5%	536.30	14.1%	635.86	12.7%
Natural Resources & Rural Dev't	196.45	3.7%	178.77	4.7%	185.35	3.7%
Public Administration	512.63	9.7%	348.45	9.2%	844.73	16.8%
Rule of Law	515.18	9.8%	529.35	13.9%	665.65	13.2%
Security	1,884.64	35.7%	1,411.44	37.1%	1,505.53	30.0%
Social & Humanitarian Affairs	84.10	1.6%	39.36	1.0%	72.82	1.4%
Grand Total	**5,272.08**	**-**	**3,802.76**	**-**	**5,024.20**	**-**

Note: Excludes donor project funds and block grant transfers to states. Includes conditional state transfers (budgeted under specific spending agencies). Thus figures are lower than shown in table 2.1. The 2010 outturn is provisional.
Source: GRSS budgets for 2008, 2009, and 2010 and provisional outturns for 2010 (provided by MoFEP).

2.2.2 Economic classification of the budget

Table 2.1 and figure 2.3 indicate that salaries are on average the largest component of GRSS expenditure, averaging about 42 percent of total expenditure during 2006 to 2010, and are budgeted to remain at 42 percent in 2011. Operational expenditure, including transfers to the states, has averaged about 35 percent of total expenditure (in the 2011 budget as well), with capital expenditure averaging about 23 percent (22 percent in the 2011 budget).

Figure 2.3: GRSS Expenditure by Component, 2006 to 2010



Note: GRSS expenditure only (excludes donor projects); includes all state transfers.
Source: GRSS Budgets 2006, 2007, 2008, 2009, 2010, and 2011, provided by MoFEP.

2.3 Legal and Institutional Framework for PFM

2.3.1 Legal framework for PFM

The basis for the legal framework for PFM is the Interim Constitution of Southern Sudan (ICSS), 2005. The key sections are the following:

- Articles 87–88: The annual budget is to be presented to Legislative Assembly of Southern Sudan (SSLA) before the end of the financial year (same as calendar year). If the SSLA does not approve the budget within 45 days, the president may issue a presidential decree on the budget, which is then deemed to have been passed by the Assembly. Supplementary budget laws are required if GRSS proposes to increase spending above the level specified in the approved budget, or if it proposes to transfer funds from one chapter to another.

- Articles 91 and 195: The president of GRSS is required to submit the final accounts of GRSS to SSLA within six months following the end of the financial year. The auditor general of Southern Sudan has to submit his/her report on these accounts to SSLA within six months of the end of the financial year.

- Article 184: Provides for GRSS to raise revenue from various sources through the legislative process. This includes 50 percent of national non-oil revenue collected in Southern Sudan. All spending of revenues has to be reflected in the annual approved budgets of GRSS.

- Article 185 provides specifically for revenue from oil sources. GRSS is entitled to receive 42 percent of net oil revenue derived from oil-producing wells in Southern Sudan after the payment to the Oil Revenue Stabilization Account (ORSA) and to four oil-producing states in Southern Sudan (each receiving 2 percent of net oil revenue); net refers to the subtraction of pipeline and management charges from gross revenues. Regarding the Abyei Area, GRSS is entitled to receive 42 percent of net oil revenue. Revenues also include GRSS's share of withdrawals from ORSA, as provided for under the CPA and established in 2006. Section 192 of the ICSS states that ORSA will be established from government oil net revenue derived from actual export sales above an agreed benchmark price (which would be established annually as part of the national budget). ORSA is also referred to under PI-3 in section 3 and in the narrative background component of PI-13.

- Article 187: All GRSS revenue is to be pooled into a Southern Sudan Revenue Fund, administered by MoFEP.

- Article 193: GRSS and state governments may borrow money with the approval of the respective legislature. Neither GRSS nor the Central Bank of South Sudan (CBSS) are required to guarantee borrowing by state governments.

- Article 194: All levels of government are to comply with generally accepted accounting procedures and standards, to be regulated under law.

- Article 195: Provides for the establishment of an independent Audit Chamber, its organization to be established by law.

- Article 198: Debts or liabilities incurred by any level of government are the responsibility of that level of government.

- Judiciary: Articles 126–137 provide for a judiciary that is independent of the executive and legislative branches of government at both central and state levels. In terms of the legal framework for PFM, it has the ultimate responsibility for ensuring this is adhered to. The judiciary comprises the Supreme Court of South Sudan, Courts of Appeal, High Courts, and County Courts. The president of the Supreme Court is answerable to the president of South Sudan.

- Schedules: These outline the legislative and executive powers of GoNU, GRSS, and state governments, and concurrent powers.

- *Update, September 1, 2011:* A new Transitional Constitution came into effect on July 1, 2011 The provisions covering PFM are broadly unchanged on the expenditure side, but some changes have been made on the revenue side, reflecting the new responsibilities of GRSS in terms of management of oil, customs, and VAT revenues. Perhaps a significant change has also been made on the external audit side:
    - Under Article 174, a National Petroleum and Gas Commission is to be established as a policy-making body with respect to petroleum and gas resources.
    - Article 176 provides for the establishment of a National Petroleum and Gas Corporation.
    - Article 177 provides for the establishment of a National Revenue Authority.
    - Article 178 provides for the establishment of an Oil Revenue Stabilization Account (ORSA), which would work along the same lines as the ORSA that operated under GoNU (as referred to above and described under PI-13 in section 3). The 2 percent of net revenue payable to the oil-producing states would be increased to 5 percent,

of which 2 percent would go to the state governments and 3 percent to the communities.
- o Article 178 also provides for the establishment of a Future Generation Fund from its share of oil revenues.
- o Article 186, section (6) provides for the national auditor general to be accountable to the president for the performance of the Chamber. Article 195 of the previous constitution did not specify this; in fact it did not specify to whom the auditor general was accountable.

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The only laws covering public finance currently in place are the annual Appropriations Acts and the 2009 Taxation Act. The very detailed and comprehensive 1995 Ordinance on Financial and Accounting Procedures covering the whole of Sudan is now only partially observed. A PFM bill was prepared in 2007, but has yet to be enacted.

Specific references to the legal framework underpinning PFM are provided under the relevant performance indicators in section 3.

2.3.2 Institutional framework for PFM

Administrative framework

The central government comprises 56 spending agencies (ministries, commissions, authorities, offices, chambers, the South Sudan Electricity Corporation, and the South Sudan Legislative Assembly). These are aggregated into 10 sectors: accountability, economic functions, education, health, infrastructure, natural resources, public administration, rule of law, security, and social and humanitarian affairs. MoFEP comprises the following directorates: taxation, planning and budgeting, accounts, procurement, internal audit, and finance and administration. Under each directorate fall a number of departments (for example, budget department). Two undersecretaries form the head of the administration hierarchy, the under secretary for finance and the under secretary for planning; they report to the minister of MoFEP.

State governments have approximately the same administrative structure, with fewer spending agencies. As elaborated on in section 3, PI-8, they receive unconditional and conditional transfers from the GRSS central government. With the exception of the oil-rich Unity State, most of their financial resources are in the form of these transfers. Under each state government fall a number of county governments.

Functional framework

Planning and Budgeting: Upstream PFM functions have improved considerably since 2005 and annual budgets are now more closely linked with GRSS strategic objectives and priorities.[5] Considerable technical and financial assistance was provided by UNDP, through its Support for Economic Planning (SEP) Project. A medium-term costed development plan is being developed, which, once in place, will facilitate a closer linkage and incorporate a formal measurement and evaluation (M&E) framework. The legal and institutional framework for the budgeting process is described under PI-11 in section 3.

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[5] F. Davies and G. Smith, "Planning and Budgeting in Southern Sudan: Starting from Scratch," *ODI Briefing Paper* 65, November 2010, www.odi.org.uk/resources/details.asp?id=4980&title=southern-sudan-budget-reforms-post-conflict).

Tax system: The legal and institutional framework is covered under PI-13.

Internal and external audit: Described under PIs 21 and 26.

Subnational governments: Progress has been made in decentralization, particularly since 2009, and a significant portion of the GRSS budget is transferred directly to the 10 states in the form of block grants. These are based on a very simple formula (one-tenth each) that cannot address horizontal imbalances but do relay a notion of "fairness" to the state governors. States also receive assistance through a number of conditional grants. Recent census and household data will underpin preparation of a equalizing grant transfer formula.

The mechanisms for ensuring that the conditions attached to conditional grants were being met have been less than robust, despite MoFEP's stated intentions (referred to in the 2009 Budget Speech) to ensure accountability for the spending of grants. A States Monitoring Transfers Committee (STMC) was established in December 2010 with a view to ensuring that the conditionalities were being met. Elaboration is provided under PI-8.

Procurement: The procurement system is described and assessed under PI-19. The system is discussed in more detail in the Country Procurement Assessment Review (CPAR) prepared under another consultancy during June 2011.

Budget execution, cash and debt management, reporting, and accounting

Budget execution starts with the preparation of proposals within spending agencies to purchase the inputs necessary for the delivery of services, consistent with the ceilings specified in the annual Appropriations Act. Contracts proposed by each spending agency exceeding SDG 40,000 for goods, SDG 100,000 for works, and SDG 20,000 for consultancy services require prior confirmation from MoFEP that sufficient funds are available from the balances against its budgetary appropriation. After receiving confirmation, such contracts then require the signature of the Ministry of Legal Affairs and Constitutional Development.[6]

A centralized payments system has been in effect since 2007. Payments of SDG 4,000 and above are made by MoFEP on the basis of approved payment request forms (PRF) submitted by spending agencies.[7] Payments are supposed to be made directly to vendors, except for salaries, allowances (including travel allowances), and incentives, which are paid into spending agency bank accounts. In many instances, however, MoFEP transfers funds directly into spending agency accounts. It then does not have the means to check that the agency has in fact paid the vendor, as it does not have access to the bank statements of the agency (though it is attempting to, but is hampered by the lack of a PFM Act).

Payments below SDG 4,000 are effected from the petty cash fund (PCF) of the respective spending agencies. MoFEP replenishes the PCF of each spending agency with SDG 100,000 each month (of which SDG 20,000 is set aside for the minister's office) on condition (in theory, though not in practice) that the spending agency accounts for the expenditure of the previous tranche of funding.

MoFEP records approved payment requests and payments, including the monthly petty cash advances to spending agencies and the expenditures from these, and sends monthly budget

[6] Sections 6 (1) and 6 (2) of the 2009, 2010, and 2011 Appropriations Acts.
[7] Each PRF should be accompanied by internal authorizations (three signatures), quotations, goods received notice, and invoice. The PRF is based on Form 4c, representing a holdover from the Financial and Accounting Procedures Ordinance, 1995. As per the annual appropriations acts, a PRF submitted by a spending agency must be consistent with the appropriations limits (aggregate and by chapter) for that spending agency specified by the act.

execution reports to spending agencies.[8] The accuracy of these reports has considerably improved since 2008, prior to which payment requests were often charged to the wrong line or to the reserve.

MoFEP's Payments Procedures and Petty Cash Advance Procedures indicate the steps involved for processing payment requests. These procedures have been in place since 2008, when MoFEP took over the responsibility from the Government Accounting Agent, appointed under the agreement reached between GoSS and donor agencies following the Joint Assessment Mission (JAM) in 2005.

Financial resources have not always been available for all payment requests following their approval by MoFEP (for reasons discussed in section 3). As a result, MoFEP established a Cash Management Committee (CMC) in 2008 in order to ration cash for making payments in an orderly and prioritized manner, with monthly salaries and transfers to states receiving the highest priority

The bulk of payments are now made through deposits in banks rather than through physical cash. The transition started in 2007, through an announcement from the minister of finance (in the 2008 Budget Speech) that suppliers should open bank accounts so that MoFEP could pay them through bank transfer or check. The states were also informed that they could not continue to receive transfers in physical cash form and that they should make use of the banking system. Starting in 2008, wage and salary payments to classified staff have been made through deposit into their bank accounts.

Until now, the IFMIS (FreeBalance) has mainly been used for generating reports and financial statements rather than as an expenditure control tool. The MoFEP is therefore missing out on a key benefit of an IFMIS. The processes of expenditure commitment, receipt of goods and services procured, receipt of invoices, and preparation of payment requests and of payables have been processed semiannually outside the IFMIS. Greater control, accuracy, and timeliness would be achieved if it was used to execute these processes.[9] An issue has been the difference in complexity between the detailed budget estimates, which form the basis of payment request forms, and the Appropriations Act, which specifies the control level at chapter level only.[10]

The IFMIS has so far been implemented in only eight spending agencies (Ministry of Agriculture and Forestry and Ministry of Education are not included, but have view-only access). They have online access to up-to-date information and are now receiving training on how to use it. The IFMIS is currently being rolled out to state governments, based on a decision to focus first on spending agencies at both central and state government levels with primary responsibility for providing basic services. However, some spending agencies without access are acquiring their own IT systems for PFM, resulting in duplication.

Balances in MOFEP-owned bank accounts held in the Central Bank of South Sudan are not yet linked with the IFMIS, but linkage is expected by the end of 2011, enabling real-time reconciliation of MoFEP bank accounts.

Elaboration is provided under PIs 16, 17, 20, 22, 24, and 25.

PI-18 in section 3 discusses budget execution control processes and issues in terms of management of the payroll, while PI-20 describes and assesses nonpayroll internal control systems.

Donor assistance

[8] As described in the 2009 Budget Speech.

[9] The team was provided with a schematic outline of how FreeBalance works and with user manuals for each module of FreeBalance: IFMIS Overview presentation to GRSS, Kemajl Ratkoceri, FreeBalance, November 23, 2009. The User Guides cover Basics, Appropriations, General Ledger, Controls, Expenditure, and General Ledger.

10 The standardized Payments Request form is shown at the end of the "Payments Procedures," prepared by MoFEP in 2009. For each spending agency, a payments request is made for each activity (six digits) at sub-line item level (five digits).

With support from UNDP's SEP project, MoFEP prepared an aid strategy in 2006 to help ensure that donor assistance to GRSS was used as effectively as possible. The strategy was approved by the Council of Ministers (CoM) in late 2006 (GRSS Aid Strategy, 2006–2010). An Aid Coordination Unit (ACI) was established in MoFEP with assistance from SEP. Through this assistance, an aid coordination advisor was located, the Inter-Ministerial Project Appraisal Committee (IMAC) was established, and an Aid Information Management System (AIMS) was procured and installed. Currently, an Overseas Development Institute fellow and a donor coordination team (Joint Donor Team, part of the Multi-Donor Trust Fund) assist the ACI.

The Aid Strategy is based on six principles: alignment, coordination, predictability, harmonization, institutional development, and mutual accountability. Key components include the following:

- The involvement of donors in the Budget Sector Working Groups (BSWGs), referred to at the end of subsection SA.1 in the Summary Assessment.
- The principles underpinning the selection of donor-aid modalities (for example, budget support, project support) and the type of financing (grant or loan).
- A GRSS-owned hierarchical system of aid approval: endorsement by BSWGs; approval by IMAC chaired by MoFEP; submission to CoM for projects over US$20 million; and signature by the Minister of Finance. The Aid Strategy outlines a modified approval system for aid provided by NGOs.
- Establishment of a system for aid reporting and evaluation. The AIMS is in place, and reports on a large component of donor assistance through the Donor Budget Book and the reporting mechanisms established under the MDTF. Elaboration is provided under indicator D-2 (see section 3). An Annual Development Aid Review provides an evaluation mechanism.

A large number of NGOs are operating in South Sudan, particularly at state level. The NGO Forum (met by the assessment team) considers that its members coordinate their activities well with state governments. For example, they follow GRSS guidelines in terms, for example, of supporting schools and health clinics, and participate in Budget Sector Working Groups. The first impressions of the assessment team conducting the PEFA assessments at state government level during June were that collaboration is indeed quite good.

The impressions of the Joint Donor Team (JDT), interviewed by the assessment team, were that coordination by GRSS of NGO activities could be strengthened, particularly in the case of the Ministries of Education and Health. The JDT was also of the opinion that NGOs could coordinate better between themselves. At the time of this assessment, a bill providing for strengthened GRSS oversight of NGOs was being prepared.

Corruption issues

Corruption is a major issue in South Sudan, as recognized, inter alia, by the South Sudan Anti-Corruption Commission (SSACC) and the Chamber of Commerce, Industry and Agriculture (CoC). According to the Joint Assessment Mission report of March 2005, corruption was not a serious issue at that time, but could become one as a result of large influxes of both oil revenues and aid following the CPA, unless safeguards and systems were put in place first.[11] In principle, strong governance systems, including a strong PFM system, would reduce the opportunities for corrupt

[11] "Framework for Sustained Peace, Development and Poverty Eradication," vol. 1, Joint Assessment Mission Sudan, March 18, 2005, page 32.

practices. Unfortunately, these have not been put in place to a sufficient extent, and corruption has become a serious issue.

The procurement process is one of the major areas where corruption appears to arise**.** For example, advances to contractors have been paid under roads and airport construction contracts, but with little evidence of work actually having being completed. GRSS no longer makes down payments, but the downside of this is liquidity problems for bona-fide contractors, particularly in a country where the banking system is still developing.

Another area where corruption may be prevalent is revenue collection, the opportunities arising from: (i) insufficient numbers of CBSS branches where taxes can be paid directly by the taxpayer rather than via a tax collector and (ii) the proliferation of tax collection points (for example, at international borders and the entrance points to cities and towns) spread across different levels of government (GRSS, state, and county levels). These issues are also discussed under PIs 13–15 in section 3. Absence of proper accounting systems for collection of nontax revenue by spending agencies, combined with MoFEP's inability/unwillingness to monitor spending agency bank accounts, also indicate opportunities for corruption.

The Country Procurement Assessment Review (CPAR), prepared by another company during June/July 2011, confirms the extent of the corruption issue: "Corruption remains a huge challenge in South Sudan."[12]

To help counter corruption, the South Sudan Anti-Corruption Commission (SSACC) was established in 2009 through the SSACC Act of that year, (based on ICSS Article 147), though it only became fully functional in 2010. Its headquarters are in Juba, but it has offices in each state. SSACC's operations are guided by its Southern Sudan Anti-Corruption Strategy and Action Plan 2010–14, endorsed by the CoM in December 2009. It has conducted a number of sensitization workshops nationwide as well as technical workshops on systems audit and risk assessment.

The SSACC considers itself hampered by its enabling legislation, which does not provide the power to arrest anyone for alleged corrupt activities. The SSACC has to use the court system in order to prosecute anyone. Although several corruption allegations have been submitted to SSACC, which has investigated many of them, only one case has gone to court to-date, the outcome of which is still pending The legislation also does not provide for any penalties for noncompliance, for example, noncompliance with the requirement for senior civil servants to declare their assets and liabilities (using a form developed by SSACC in 2009). A further weakness is that lower level staff, for example tax collectors, are exempt from this requirement. Further constraints are insufficient funding, a tendency (as with other spending agencies) for much of the funding to arrive late in the year, a shortage of qualified staff, partly due to insufficient remuneration levels, and limited English-speaking capabilities.

The SSACC can help to fight corruption, but, however well facilitated, it is unlikely to be able to do the job on its own if effective governance systems—PFM, public administration, and legal/judicial—are not in place. Thus, strengthening PFM systems, including procurement systems, is critical to the fight against corruption.

[12] Section 1.1.4 in the context of the summary of the findings under Pillar 4 (Oversight and Integrity) of the OECD-DAC procurement assessment methodology used by the CPAR consulting team (Denmark-based Ramboll).

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

3.1 Introduction

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

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

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

Good practice in public financial management emphasizes the importance of the budget being credible so that planned government policies can be achieved. Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. The indicators in this group assess to what extent the budget is realistic and implemented as intended, particularly by comparing actual revenues and expenditures with original approved ones, and analyzing the composition of expenditure outturn. 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	D▲	(i) D▲	M1
PI-2	Composition of expenditure outturn compared to original approved budget	D+	(i) D (ii) A	M1
PI-3	Aggregate revenue outturn compared to original approved budget	D	(i) D	M1
PI-4	Stock and monitoring of expenditure payment arrears	D+	(i) D (ii) B	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. This indicator measures the actual total expenditure compared to the originally budgeted total expenditure (as defined in government budget documentation and fiscal reports), but it excludes donor-funded project expenditure (over which governments have little control) and interest payments (in any case, zero, as GRSS has not borrowed). The data for GRSS budgeted and outturn expenditure for 2008, 2009, and 2010 are summarized in table 3.1.

Table 3.1: GRSS Aggregate Expenditure Outturn Compared with the Original Approved Budget

		Total GoSS Expenditure* *SDG millions*	*Actual as a % of Budget*
2008	Original Approved Budget Actual	3,128.3 5,324.2	170%
2009	Original Approved Budget Actual	3,186.1 3,831.5	120%
2010	Original Approved Budget Actual (provisional)	4,409.8 5,033.5	114%

Note: Excludes donor project funds and block grants to states. Includes conditional grants to states (budgeted under specific spending agencies). The 2010 outturn is provisional.
Source: MOFEP; GRSS budgets and actual outturns for 2008 and 2009, and provisional outturns for 2010.

Table 3.1 indicates significant positive deviations in 2008, 2009, and 2010 (albeit decreasing), the reason being the financing provided by larger revenues than budgeted for (PI-3). As discussed in section 2.2, deviations can be largely associated with the difficulty of predicting a resource envelope that is uncertain due to fluctuating oil prices (Figure 2, section 2) and oil production volumes.

Breakdown of PI-1 Scores

Score	Minimum Requirements	Justification	Information Sources
D▲ (M1)			
D▲	*(i) Difference between actual primary expenditure and the originally budgeted primary expenditure (excluding debt service charges, but including externally financed project expenditure)* In two or all of the past three years actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 15 percent of budgeted expenditure.	The deviations (in absolute terms) were 70 percent, 20 percent, and 14 percent in 2008, 2009, and 2010, respectively. An upward pointing arrow is shown as predictability has increased each year.	MoFEP Accounts Department Expenditure outturn data generated by FreeBalance.

PI-2: Composition of expenditure outturn 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.

(i) Extent of the variance in expenditure composition during the past three years, excluding contingency items[13]

[13] Dimension (i) of PI-2 measures the extent to which reallocations between budget institutions have contributed to variance in expenditure composition beyond the variance resulting from changes in the overall level of expenditure (which is defined on the same basis as PI-1). It is calculated by summing up the deviations for each budget institution that are larger than the overall

Measurement requires an empirical assessment of expenditure outturns against the original budget at a sub aggregate level. The basis for assessment is administrative functions (GRSS spending agencies) and specifically the top 20 spending agencies (representing 89 percent of the GRSS budget on average during 2008–2010) and the remaining spending agencies pooled. The composition of budgeted and reported expenditure by GRSS spending agency is shown in detail in annex A for 2008–2010 and summarized in table 3.2.

Over-expenditure in some spending agencies was mainly funded through higher than budgeted revenues from 2008 to 2010 (PI-3), but also by reallocations from other spending agencies (both requiring ex-ante supplementary appropriations, though not fully observed, as discussed under PIs 16 and 27). Reasons for over-expenditure include:

- Deficient tracking of expenditure in some agencies, leading to them receiving more than their budget ceiling.
- Related to the above, deficient budgeting of contractual commitments: A proliferation of contracts was signed by GRSS after 2007 outside the formal planning/budgeting process, the most publicized of which were contracts (under Ministry of Internal Affairs) to purchase food grains in order to build up reserves. The full extent of such contractual commitments was only fully captured during the 2009 GRSS planning process (following submissions as part of annual Budget Sector Plans). The budget processes for 2010 and 2011 were characterized by improved awareness of ongoing contractual commitments.
- “Politically strong” agencies demanding and receiving more than their budget ceiling.
- Emergencies and unplanned priorities emerging after the date of budget approval.

Large over-spenders in all three years under review were the SPLA, MoFEP, and the President’s Office. As indicated in the Supplementary Appropriations Acts, MoFEP’s overspending was mainly due to it absorbing the over-commitments that took place (for greater transparency, the over-spending should be attributed to the spending agencies that over-committed, mainly the large over-spenders mentioned). The main systematic under-spenders have been the Ministries of Education, Health, and Water Resources. The picture therefore appears to be one of politically powerful spending agencies spending substantially more than their approved budgets, at the expense of the spending agencies with major responsibilities for service delivery.

(ii) The average amount of expenditure actually charged to the contingency vote over the past three years

This dimension recognizes that while it is prudent to include an amount to allow for unforeseen events in the form of a contingency reserve (although this should not be so large as to undermine the credibility of the overall budget), accepted “good practice” requires that these amounts be vired to those votes against which the unforeseen expenditure is recorded (in other words, that expenditure is not charged directly to the contingency vote). The GRSS budget in fact does not contain a contingency item.

deviation, as applied to each budget institution in percentage terms, then expressing the sum as a percentage of the “adjusted” approved budget (i.e., the approved budget adjusted for the overall deviation). Contingency items are excluded from the calculation to avoid double counting. Dimension (ii) measures the extent to which the contingency item is allocated to budget institutions for spending, rather than its spending being intransparently recorded as an expenditure under the contingency line.

Table 3.2: GRSS Expenditure Composition Variance and Average Contingency

	Average Contingency *(percent of the budget)*	*Composition Variance*
2008	0%	49.5%
2009		30.5%
2010		42.5%

Breakdown of PI-2 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
D	(i) *Extent of the variance in expenditure composition during the past three years, excluding contingency items* Variance in expenditure composition exceeded 15 percent in at least two of the past three years.	The variances in expenditure composition were 24.8 percent, 15.3 percent, and 21.3 percent during all three years	GRSS budgets for 2008, 2009, and 2010 and provisional outturns for 2010 (provided by MoFEP)
A	(ii) *The average amount of expenditure actually charged to the contingency vote over the past three years* Actual expenditure charged to the contingency vote was on average less than 3 percent of the original budget.	Actual expenditures charged to the contingency vote averaged 0 percent of the original budget (table 3.2)	As above

Note: See footnote 13 for explanation of methodology.

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

Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are based on that forecast. A comparison of budgeted and actual revenue provides an indication of the quality of revenue forecasting.

Revenue forecasting is carried out by MoFEP supported by insight and data from the ministry's Petroleum Unit based in Khartoum. As noted under PI-1, oil revenues dominate and are hard to estimate accurately. Oil price forecasts are deliberately conservative (20 percent discount applied to current oil price levels) in order to cushion against the risk of a decline in oil prices. Non-oil revenues make up only 2 percent of GRSS revenues and include personal income tax (PIT), customs, VAT and other national revenue, plus other GRSS nontax revenues. GRSS has often stated the need to raise more non-oil revenue, but the share of non-oil revenue in total revenue has hardly changed. Table 3.3 summarizes GRSS's revenue projection performance over the period 2008 to 2010.

Table 3.3: GRSS Domestic Revenue Projection Performance, 2008 to 2010

	2008 Budget	2008 Actual	% Diff.	2009 Budget	2009 Actual	% Diff.	2010 Budget	2010 Actual	% Diff.
Domestic Revenue	**3,488**	**6,790**	**94.7**	**3,658**	**4,241**	**15.9**	**4,503**	**5,757**	**27.8**
Oil revenue [1/]	*3,336*	*6,671*	*100.0*	*3,413*	*4,122*	*20.8*	*4,402*	*5,630*	*27.9*
Southern Sudan Share	*3,032*	-	..	*2,888*	*2,007*	*-30.5*	*3,568*	*3,341*	*-6.4*
Abyei share	-	-	..	325	164	-49.5	-	-	..
ORSA	304		..		1,141		834	1,869	*124.1*
Arrears from GoNU	-		..	200	810			420	..
Non-Oil revenue	*152*	*119*	*-21.7*	*245*	*119*	*-51.4*	*101*	*127*	*25.7*
Personal income tax	60	-	..	110	87	-20.9	52	61	17
Customs, VAT & other revenue	76	-	..	75	14	-81.3	20	27	35.0
Other GRSS revenue	16	-	..	60	18	-70.0	29	39	34.5

Note: Excludes donor project funds. The 2010 outturn figure is provisional. Source: GRSS budgets for 2008-2011.
[1/] Southern Sudan shares prescribed in ICSS and explained in section 2 under Legal and Institutional Framework. The Oil Revenue Stabilization Account is described under PI-13.

The impact of the fall in global oil prices is clear to see in 2009, with actual Southern Sudan oil revenue earnings falling significantly short of the budget estimate, as oil prices plummeted. There was also a somewhat smaller shortfall in 2010, mainly due to lower variability in oil prices.[14] The shortfalls were more than made up, however, through withdrawals from ORSA and the receipt of oil revenue arrears from GoNU. Non-oil revenue outturns fell short of target in 2008 and 2009.[15]

Breakdown of PI-3 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
D	*(i) Actual domestic revenue compared to originally approved budget* Actual domestic revenue was below 92 percent or above 116 percent of budgeted domestic revenue in two or all of the past three years	Actual domestic revenue was above 116 percent of budgeted domestic revenue in both 2008 and 2010 (table 3.3).	GRSS budgets for 2008, 2009, and 2010 and provisional outturns for 2010 (provided by MoFEP)

PI-4: Stock and monitoring of expenditure payment arrears

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

A centralized payment system is in effect in GRSS, with MoFEP responsible for approving all payment requests submitted by spending agencies, and for paying suppliers directly (apart from

[14] The deviation of actual revenue inflows from projections was greatest in 2008 when global oil prices ranged from US$36 to US$137 a barrel and lowest in 2010 when global oil prices ranged from US$68 to US$111 (figure 2.1, section 2). The volatility of oil prices also impacts on the predictability of revenues available from ORSA.
[15] This indicator has been revised, effective January 2011, so that over-performance is penalized as well as underperformance; over-performance reduces the predictability of the budget, as excess revenues are not known until later in the year, and so there is less time to plan for the efficient spending of excess revenues.

payments out of petty cash advances made directly by spending agencies to suppliers up to a limit of SDG 4,000). For approval, a payment request must be consistent with the approved budget. Once a payment request is approved, it becomes a “pending claim.” The actual payment depends on the availability of cash, with wages and salaries and transfers to state governments having first priority.

There is no standard definition of arrears in GRSS. In practice, however, arrears can be defined as “pending claims” outstanding at the end of the fiscal year, including contractual obligations that have been incurred without sufficient budget provision but which have been approved as payables anyway (due to the legal obligation to pay) plus contractual obligations that have been incurred without sufficient budget provision, and which have not yet been approved as pending claims (due to the requirement to verify if there is a legal obligation to pay): in summary, pending claims plus outstanding contractual obligations not yet included in pending claims.

Pending claims

Despite revenue outturns exceeding budget estimates (as discussed under PI-3) considerable pending claims have built up as the excess revenue has largely been spent, while expenditure commitments have been entered into that are not included in the approved budget, but which GRSS has a legal obligation to pay. The Accounts Department in MoFEP maintains a list of pending claims, the list including the date on which the payment request was approved. As MoFEP does not have a formal definition of when an outstanding payment request becomes overdue, the team has used 30 days as a cut-off point, roughly corresponding to the international definition.[16] Most claims have been pending for much longer (a number of years in some cases) due to insufficient cash availability and, in some cases, disputes.

Table 3.4 shows the list of pending claims (approved payment requests) awaiting prioritization for payment as of December 31, 2010. The list includes approved but as yet unpaid transfers to states totaling SDG 57 million. The lists shown to the team for the end of 2009 and 2010 indicate stocks of pending payments close to 50 percent of annual expenditure.

[16] In the absence of a definition specific to Southern Sudan, the definition of a nonsalary arrear used by the PEFA Framework is an invoice unpaid after 30 days. The GRSS system does not capture dates of submission of invoices. If it did, the time duration of the outstanding payment would be higher.

Table 3.4: Pending Claims

Spending Agency	No of Pending Claims, December 31, 2010	Amount in SDG
Ministry of SPLA Affairs	35	557,473,139
Ministry of Transport and Roads	110	380,331,765
Office of the President	110	361,983,254
Ministry of Finance and Economic Planning	377	322,067,160
SS Legislative Assembly	21	136,544,334
SS Internal Affairs Prisons	154	87,431,645
Ministry of Internal Affairs Ministry HQS	1	56,418,404
SS Internal Affairs Police HQs	112	39,425,861
Ministry of Health GRSS	205	35,275,407
Advance Transfer to Abyei	2	28,000,000
Ministry of Cabinet Affairs	106	27,738,963
Ministry of Housing, Physical Planning	151	25,186,146
Ministry of Education Science and Technology	125	19,935,777
SS Electricity Corporation	27	17,030,750
Ministry of Humanitarian Affairs	1	15,000,000
Ministry of Energy and Mining	50	13,677,281
Ministry of Higher Education	3	11,942,500
Ministry of Information and Broadcasting	69	11,493,110
Lakes State	10	11,354,700
Ministry of Labour and Public Service	45	10,184,494
Telecommunication and Postal Service	8	10,012,190
Ministry of Wildlife Conservation and Tourism	42	8,819,345
SS Audit Chamber	8	8,084,148
Ministry of Regional Cooperation	67	7,855,183
Ministry of Agriculture and Forestry	31	7,408,314
Ministry of Animal Resources and Fisheries	40	7,080,554
War Disabled Widows and Orphans	28	6,576,013
Western Bahr el Ghazal State	1	6,000,000
Ministry of Water Resources and Irrigation	47	4,868,695
Ministry of Culture and Heritage	47	4,729,772
Ministry of Commerce and Industry	37	4,594,984
Unity State	2	4,500,000
Judiciary of Southern Sudan	2	4,398,044
Ministry of Parliamentary Affairs	18	4,119,900
Office of the Vice President	45	3,977,197
Western Equatoria State	2	3,527,000
Ministry of Youth, Sports and Recreation	35	3,320,540
NBGS	2	3,246,000
SSRR Commission	12	3,061,973
Jonglei State	1	2,953,400
SS Peace Commission	41	2,862,183
Ministry of Presidential Affairs	19	2,609,009
Ministry of Legal Affairs and Constitutional Dev	25	2,474,226
SS Internal Affairs Fire Brigade	41	2,266,118
Gender and Religion Affairs	31	2,147,931

Spending Agency	No of Pending Claims, December 31, 2010	Amount in SDG
Ministry of Investment	18	2,133,797
SS Anti Corruption Commission	7	2,030,245
Co-operative and Rural Development	41	2,010,756
SS Human Right Commission	10	1,929,605
SS Demining Authority	20	1,564,769
SS Urban Water Corporation	13	1,554,598
Ministry of Culture Youth and Sports	26	1,349,900
SS Reconstruction Development Fund	19	1,015,667
SS HIV/ Aids Commission	30	1,008,642
Ministry of Environment	15	1,001,710
SSCCSE	20	762,160
SS Internal Affairs Administration HQs	9	734,065
SS BCSSA Commission	3	504,228
SS Employees Justice Chamber	12	479,730
SS Land Commission	3	471,468
SS FF AM Commission	12	403,546
Local Government Board	12	321,645
Warrap State	3	256,250
Northern Bahr el Ghazal	1	246,000
SS Civil Service Commission	4	199,400
SS Public Grievances Chamber	1	96,000
Ministry of Human Resource Development	2	54,116
SS DDR Commission	1	20,810
SS War Veteran Commission	1	7,187
Grand Total	**2629**	**2,310,143,704**

Source: MoFEP Accounts Department.

Table 3.5 indicates that 91 percent of the pending claims (SDG 2.1 billion) represents payment requests approved but unpaid for more than 30 days as of the end of December 2010. This amount represents 47 percent of the 2010 approved budget (as shown in Table 2.1).

Table 3.5: Age Profile of Pending Claims

Age	Age profile of pending claims outstanding on December 31, 2010 (SDG)	Percentage
Less than 30 days	198,335,627	9%
Over 30 days	447,434,527	19%
Over 60 days	124,183,264	5%
Over 90 days	146,681,192	6%
Over 120 days	1,393,509,094	60%
Total	2,310,143,704	100%

Source: MoFEP Accounts Department.

Contractual obligations not budgeted for and not yet included under "pending claims"

The other main item of payments arrears relate mainly to contracts totaling SDG 5.7 billion (well in excess of the 2010 budget) to purchase grain and dura (to build up food reserves) that were entered into by GRSS, although they were not covered in the approved budget. The beginning of the accumulation of these arrears dates back to 2007. Only some of these arrears are included under pending claims (for example, SDG 70 million in 2011). **Adding this number to pending payables, the proportion of arrears to total budgeted expenditure in 2010 rises to a massive 175 percent.**

As indicated in the Budget Speeches for 2008 through 2010, MoFEP intends to sharply strengthen the expenditure commitment control systems in order to ensure that no contracts are entered into that are not consistent with the approved budget and projected cash availability. As announced in the 2010 budget speech (which highlighted the "staggering" amount of outstanding contractual obligations), a freeze was imposed on new contracts, pending investigation into the ways in which existing contracts were negotiated and approved ("verification exercise"). Some of the contracts have turned out to be invalid as a result of this exercise. The strengthened commitment control system was supposed to be established in 2010, according to the 2010 Budget Speech, but, at the time of the PEFA assessment, it still had not been established—MoFEP indicated it would be in place by May 2011, depending on when the draft PFM bill was enacted (a new PFM Act would make it easier to introduce strengthened expenditure commitment control systems). *Update: As of early September, 2011 (when the PEFA closing-out workshop was held), the draft PFM bill had still not been enacted and the commitment control system was not yet in place.*

If MoFEP does not have sufficient cash to pay off pending claims and unbudgeted contractual obligations before the end of the year, the paying off is reflected in the budgets of spending agencies in future years and correspondingly reduced public services. For example, many pending claims for 2008 were paid out in early 2009, thereby disrupting the execution of the 2009 budget.

Breakdown of PI-4 Scores

Score	Minimum Requirements	Justification	Information sources
D+ (M1)			
D	*(i) Stock of expenditure payment arrears and any recent change in the stock* The stock of arrears exceeds 10 percent of total expenditure.	Pending claims figures (approved but as yet unpaid payment requests) show large amounts pending at the end of 2009 and 2010. Pending claims outstanding on 31 December 2010 comprised 47 percent of the approved 2010 budget. Payments due on unbudgeted 1,738 grain and dura contracts dating back to 2007 were outstanding at the end of 2010, equivalent to SDG 5.7 billion or about 127 percent of the 2010 budget. These are additional to pending claims, so total arrears at the end of 2010 amounted to about 175 percent of the 2010 budget.	Pending claims figures (generated by FreeBalance) provided by MoFEP The 2011 Accountability Budget Sector Plan, www.GRSS-online.org/ The 2010 Budget Speech and page 9 of the 2010 budget estimates
B	*(ii) Availability of data for monitoring the stock of expenditure payment arrears.* Data on the stock of arrears is generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions.	A list of pending claims provided to the team showed that data is generated on a monthly basis, permitting the identification of an age profile. This list may not include all arrears in terms of pending claims: (i) invoices submitted by suppliers to spending agencies may become overdue before the payment requests are submitted to MoFEP; (ii) payment requests submitted to MoFEP near to the end of the year may not yet have been processed. MoFEP also maintains a list of unpaid contractual obligations that were not budgeted for, such as the food grains contract. These are shown in the 2010 Budget book (though not in the 2011 Budget Book). These are mainly additional to pending claims, as only a small proportion is included in pending claims each year. This list is not generated annually, but through a request to spending agencies for information, which may not be complete.	As above

3.3 Comprehensiveness and Transparency

The indicators in the Comprehensiveness and Transparency core 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	B	(i) B	M1
PI-7	Extent of unreported government operations	D+	(i) D (ii) B	M1
PI-8	Transparency of intergovernmental fiscal relations	C+	(i) B (ii) B (iii) D	M2
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D	(i) NA (ii) D	M1
PI-10	Public access to key fiscal information	C	(i) C	M1

PI-5: Classification of the budget

A robust classification system should allow the tracking of spending on the following dimensions: administrative unit, functional/program, and economic. The classification system used for GRSS budget formulation broadly meets these criteria. In recent budgets, expenditures have been coded in the following sequence:

- Sector (10 sectors—for example, accountability is sector 1).[17]
- Spending agency, 56 in number (for example, Anti-Corruption Commission is coded 01, the first agency to appear in the budget estimates book).
- Activity (six digits, the first two representing the sector, the second two the program under which the activity falls—for example, the accountability program, which has the code 04—and the third two representing the activity number); there are 60 programs, excluding transfer programs, and close to 350 activities. The term *activity* would be better termed *subprogram*, as is the usual practice in a program budgeting structure, as the term is used again (in the last column of each table) to indicate in narrative form the specific activities. The purpose of the program is set out in the narrative preceding each spending agency table.
- The directorate/department/unit that is responsible for implementing the activity (four digits, the first two represent the sector agency, the second two the directorate/department/unit); for most spending agencies, the responsibility falls at directorate level.
- The economic classification under each activity, according to (i) Chapter—Chapter 21 is Compensation of Employees, including transfers; Chapter 22 is Operating Expenditures, including transfers; and Chapter 28 is Capital Expenditures, also including transfers; (ii) Subchapter—for example, 2110 is wages and salaries of GoSS employees; and (iii) sub-subchapter—for example, 21101 is salaries of employees, excluding allowances, which are captured under 21102. There are 36 subchapters and 130 sub-subchapters. The budget estimates book shows economic classification by activity only by chapter, but this is an aggregation built up from the sub-subchapters.
    - The classification is close to Government Finance Statistics (GFS), except that GFS classifies transfers as a separate chapter. This avoids the double counting that occurs in the GoSS budget, when, for example, transfers to state governments under Chapter 21 are counted as compensation of employees (for example, a transfer from Ministry of Education to finance teacher salaries at state level), and then recorded as compensation of employees again at state government level.
    - Detailed economic classifications at activity level pose potential cost allocation issues, particularly if the activity is the responsibility of a department/unit under a directorate (for example, as in MoFEP).

In the case of the Corruption Prevention Activity of the Anti-Corruption Commission, being implemented by the Directorate of Corruption Prevention and Education, the coding sequence excluding the economic classification is the following:

- 001 (Anti-Corruption Commission)
    - 010402 Activity (01 is Accountability sector, 04 is Accountability Program, 02 is the Corruption Prevention Activity);
        - 0101: (01 is Anti-Corruption Commission, 0101 is the Directorate of Corruption Prevention and Education).

Each activity is then classified according to economic classification up to five digits (chapter, subchapter, and sub-subchapter).

[17] The 10 sectors are: accountability, economic functions, education, health, infrastructure, natural resources, public administration, rule of law, security, and social and humanitarian affairs.

The structure clearly shows the purpose of government spending, both on a sector basis and on the program/activity basis. The 10 sectors are not all the same as the 10 COFOG sectors, but are partially the same, and a bridging table, if one was built, should be able to map the relationship between the two. Similarly, the 60 programs could probably be mapped to an extent to the 70 COFOG sub functions. Some programs cut across spending agencies, but the activities are specific to a spending agency, and, in most cases, under the management of one directorate or a department/unit under a directorate.

The very detailed economic classification system is contrary, however, to the program budget structure used by GRSS, which implies that the activity manager (for example, head of directorate) has flexibility in allocating inputs to achieve the objectives of the activity. Streamlining of the economic classification structure would reduce the extent of cost allocation issues. Arguably, greater flexibility would help to engender an improved culture of responsibility and accountability, and thereby contribute to strengthening budget execution.

Ongoing and planned developments

As elaborated on under PI-11, a project is under way to streamline budget preparation, including the budget classification system.

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.	As explained in the narrative. The budget classification clearly indicates the purpose of government spending.	GRSS budget books for 2008-2011, and the budget classification system (provided by MoFEP)

PI-6: Comprehensiveness of information included in budget documentation

Annual budget documentation 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, the annual budget documentation should include information on the elements in table 3.6.

Table 3.6: Information Provided in Budget Documentation

No.	Item	Available	Justification/ Source
1	Macro-economic assumptions, including at least estimates of aggregate growth, inflation, and exchange rate	No	Not currently produced at GRSS level. Source: 2011 Budget
2	Fiscal deficit, defined according to GFS or other internationally recognized standard	Yes	The 2011 budget is a balanced budget (revenue plus grants equals expenditure). Source: 2011 Budget.
3	Deficit financing, describing anticipated composition	Yes	A balanced budget was presented for 2011. Source: 2011 Budget
4	Debt stock, including details at least for the beginning of the current year	No	GRSS may incur formal debt (as provided for under ICSS), but to date has not incurred any. It has incurred informal debt (payments arrears), but this is not shown.
5	Financial assets, including details at least for the beginning of the current year, in a timely manner	No	Financial assets are shown only in the annual financial statements as cash balances.
6	Prior year's budget outturn, presented in the same format as the budget proposal	Yes	Source: 2011 Budget.
7	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal	Yes	Source: 2011 Budget.
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	Source: 2011 Budget.
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	The budget provides a detailed description of budget activities for each spending agency, but an explanation of new policy initiatives is not provided (although some explanation is found in the Budget Sector Plans). Source: 2011 Budget.

Breakdown of PI-6 Scores

Score	Minimum Requirements	Justification
B (M1)		
B	*(i) Share of the information benchmark in the budget documentation most recently issued by the central government* Recent budget documentation fulfils five to six of the nine information benchmarks.	Recent budget documentation fulfils five of the nine relevant information benchmarks (table 3.6)

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 government revenue, expenditures across all categories, and financing.

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

The budgets of GRSS spending agencies are included in the GRSS budget, except in the case of the Ministry of SPLA and Veterans' Affairs, where, for security and political reasons, only total budgeted expenditure is recorded. The spending of this ministry is budgeted in the 2011 budget at about 25 percent of total spending agency expenditure.[18]

Unreported collection and spending of nontax revenue (NTR) and also some tax revenue represent unreported extra budgetary operations. Revenues collected directly by GRSS spending agencies are supposed to be transferred to MoFEP's accounts held in CBSS (as required under ICSS). MoFEP requests spending agencies to include NTR and the spending thereof in their budget submissions and to report all revenues collected and the spending thereof, but there is a widespread perception that reporting is not entirely comprehensive. Taxes collected by GoNU are supposed to be deposited in MoFEP's account, but, in the case of customs duties, some of these are retained by the collectors.

It is difficult for MoFEP to monitor the situation. A multiple copy, sequentially numbered receipting system is only partly in place. The 1995 Ordinance on Financial and Accounting Procedures provides for such as system, but this is only partially observed, through Form 15. This is a unique receipt that must be issued for all legal revenues collected. It is only in bi-duplicate form, however (one for payer and one for the receipt pad for MoFEP), when ideally a third slip should be attached for the spending agency receiving the revenue. In any case, Form 15 is not always used and other single-copy receipts are used instead, the result being no audit trail. Use of single copy receipts makes it easier for spending agencies to keep the revenues for themselves and to spend it on items outside the approved budget.[19] *September 1, 2011 update: Form 15 in triplicate form has been designed since the time of the assessment in April 2011 and is expected to be issued soon.*

One way for MoFEP to detect non declared NTR collected by spending agencies would be through the bank statements of the agencies. But agencies are not required to disclose their bank statements to MoFEP, and neither is CBSS itself. The draft PFM bill provides for this, but it has yet to be enacted. Spending agencies are required to transfer their end-of-year bank balances to MoFEP's central bank account at the end of each year, but there is no effective mechanism to prevent them from transferring the balances instead to commercial bank accounts (unauthorized by MoFEP). The internal audit function in spending agencies, which could guard against such practices (see PI-21), is still in its early stages of development.

Anecdotal physical evidence of unreported revenue collection and the expenditure thereof cited by a number of interviewees includes luxury houses and cars (including along the Uganda–South Sudan border).

Another area of unreported extra budgetary operations is the spending of oil revenues prior to these revenues being deposited in MoFEP's bank account. The annual finance statements (as yet unaudited) of MoFEP for 2007 and 2008 refer to oil revenues earned in 2005 being spent (about US$60 million) on road construction projects. A report prepared by Global Witness on transparency of use of oil revenue due to GRSS also refers to such use of oil revenues, though it

[18] The Constituency Development Fund (CDF), managed by the SSLA, is another example of intransparency, but at state government level. The CDF is a sizeable capital transfer (SDG 221 million in the 2011 budget) from SSLA to state legislative assemblies, which then disburse these to development projects in counties. It is not reflected in county administration budgets.

[19] The assessment team experienced this directly through the payment of an airport tax at Juba airport in June prior to taking a domestic flight (as part of the state government PEFA assessment exercise). An un-numbered single slip receipt was issued, thus indicating the possibility that the revenue might not be surrendered to MoFEP; no receipt was issued at all for the return flight, despite the request for one. As mentioned to the assessment team by representatives of MoTR, this behavior is partly to get around insufficient funding from MoFEP to pay for wages and fuel requirements. A study commissioned by MoFEP in 2009 and funded by AfDB discusses (section 2.29) the hazards of not having a proper receipting system in place: Zeru Gebre Selassie "Non-Oil Revenue Study," vol.1", AfDB, October 2009. *Update, September 6, 2011: The same thing happened at Juba airport on September 6, when the assessment team left South Sudan; an un-numbered single slip receipt was issued for the payment of the airport tax.*

indicates diminished use of oil revenues in this way in 2007 and 2008 and no use during the first half of 2009.[20] The team did not have access to the 2009 annual financial statements prepared by MoFEP as they were not yet finished.

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

GRSS has made a concerted effort since 2006 to coordinate development partners and has encouraged them to report expenditure plans for the next financial year as part of the GRSS planning process and to report actual expenditures. Donor participation in Budget Sector Working Groups (BSWG) has made this process effective and a 'Donor Book' is published each year setting out what projects have been planned; how they notionally link to GRSS sectors; and programs, commitments/ planned disbursements and half yearly expenditure reports (as also noted under D-2). All donor projects currently supporting GRSS are grant funded. Information is more comprehensive for disbursement projections for the coming year than actual expenditures made in the current or previous year.

Breakdown of PI-7 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
D	*(i) The level of unreported extra budgetary expenditure (other than donor funded projects)* The level constitutes more than 10 percent of total expenditure.	The main Extra Budgetary Operation (EBO) is that of the Ministry of SPLA and Veterans' Affairs. The budget shown in the annual budgets is only a one line item, for security and political reasons, but comprises about 25 percent of total spending agency expenditure. Some spending agencies may be collecting and spending own source tax and nontax revenues without fully reporting the extent of such revenue to MoFEP. The amounts involved may be relatively small, but they are difficult to pinpoint precisely. Unreported EBOs may be even higher due to spending of oil revenues on unbudgeted items before they enter MoFEP's bank account. The annual financial statements for 2009 and 2010, when ready, would provide the information.	Interviews with various stakeholders including: MoFEP, spending agencies, and the Audit Chamber GRSS 2011 budget "Non-Oil Revenue Study," AfDB, October 2009 Global Witness Report, "Fuelling Mistrust," September 2009
B	*(ii) Income/expenditure information on donor-funded projects included in fiscal reports* Complete income/expenditure information is included in fiscal reports for all loan financed projects and at least 50 percent (by value) of grant financed projects.	The annual donor books published by GRSS provide information on donor projects. Donor aid is all in grant form. Donors are diligent about providing information on spending plans, but less diligent about reporting on actual expenditure. A "B" score is awarded. (An "A" score would require complete information for 90 percent of donor projects.)	GRSS Donor Books 2008, 2009, and 2010 (provided by MoFEP and available on GRSS website)

PI-8: Transparency of intergovernmental fiscal relations

This indicator assesses the transparency of intergovernmental fiscal relations in terms of

(i) Transparency and objectivity in the horizontal allocation of fiscal transfers among subnational governments

(ii) Timeliness of reliable information to subnational governments on their allocations

[20] "Fuelling Mistrust," Global Witness, September 2009.

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

GRSS provides conditional and block transfers to the 10 states, following a requirement in the ICSS to decentralize. The extent of decentralization increased substantially in 2009. Transfers to the states have averaged about 20 percent of GRSS expenditures in recent years (table 2.1 in section 2) and finance the bulk of expenditure of state governments, the exceptions being the three oil-producing states, particularly Unity State.

In 2006 GRSS had very little accurate data to work with, and transfers to the states were at first divided simply by 10. In subsequent years, and on the basis of information collected on payrolls (through teacher headcounts and so forth), a proportion of the transfers was provided in the form of conditional grants, the main criterion being the number of public servants requiring salary (for example, teachers' salaries in the case of the education conditional grant). Conditional grants also include a small operating-costs component and a capital expenditure component, the amount of the latter being assessed on a needs basis. The block grants (about 50 percent of total transfers) are still provided on the one-tenth sharing basis. Population, poverty, and other socioeconomic data collected by the Southern Sudan Centre for Census, Statistics and Evaluation (SSCCSE) in recent years will enable the development of an equalizing formula-based transfers system.

Another significantly sized fiscal transfer is from the SSLA to state governments in the form of the Constituency Development Fund. This is a transfer to state legislatures, which then allocates funds to county governments for development projects. The allocation formula by the states is nontransparent. The total amount budgeted in the 2011 budget is SDG 220 million, which is in the same range as the largest spending agency budgets, and is a significant proportion of total block transfers to state governments (SDG 727 million in the 2011 budget).

The State Transfers Monitoring Committee (STMC) has been active since December 2010 and since April 2011 has required monthly reports from the State Government Ministries of Finance explaining the use of the transfers received from GRSS. Subsequent transfers are conditional upon the submission and comprehensiveness of these reports. Guidelines for the submission of reports were distributed to state governments in April 2011 ("Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011") by MoFEP and the Ministry of Labor and Public Service (MLPS).

The STMC held a workshop for the state governments at the end of May 2011. The main finding was that most states had not complied with the new accountability requirements, with the principal exception of Western Equatoria State.

Breakdown of PI-8 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M2)			
B	*(i) Transparency and objectivity in the horizontal allocation of fiscal transfers among state governments* The horizontal allocation of most transfers from central government (at least 50 percent by value) is determined by transparent and rules-based systems.	The horizontal allocation of most grants is determined in a transparent and rules-based manner. In the case of the block grants, the formula is simple (10 percent of total block transfers are allocated to each of the 10 states). The allocation of conditional grants is determined mainly by the number of people employed in a given function in a given state). The GRSS budget documentation clearly articulates the purpose of each of the conditional grants and budget sector plans (disaggregating by budget component/chapter) set out the details. The allocation by SSLA of the CDF to the states (for onward allocation to county governments) is not transparent, however. .	GRSS Budget 2011, and Budget Sector Plans for each sector, provided by MoFEP MDTF/JDT
B	*(ii) Timeliness of reliable information to subnational governments on their allocations* State governments are provided reliable information on the allocations to be transferred to them ahead of completing their budget proposals, so that significant changes to the proposals are still possible.	The states receive notification from GRSS indicating the transfers they will receive. States have often started their budget processes before they receive the information on the amount of transfers, but the information is provided in sufficient time to permit significant changes to budget proposals. The amount of time was limited, however, in the context of preparing the 2011 budget, as the notification did not arrive until November.	States Circular 2010, provided by MoFEP Interviews with MoFEP
D	*(iii) Extent of consolidation of fiscal data for general government according to sectoral categories* Fiscal information that is consistent with central government fiscal reporting is collected and consolidated for less than 60 percent (by value) of state government expenditure.	States have not been providing annual reports to GRSS on the use of fiscal transfers, which finance the bulk of expenditure. Monthly reporting to GRSS by states on the use of fiscal transfers began only in early 2011.	Interviews with MoFEP and the State Transfers Monitoring Committee

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

(i) autonomous government agencies (AGA) and public entities (PE) and

(ii) state government fiscal positions.

Breakdown of PI-9 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M1)			
NA	*(i) Extent of central government monitoring of AGAs and PEs*	GRSS does not have any Public Enterprises or Autonomous Government Agencies. GRSS does have electricity and water corporations, but they are fully on-budget and not autonomous.	Interviews with MoFEP
D	*(ii) Extent of central government monitoring of state government fiscal positions* No annual monitoring of state government fiscal position takes place or it is significantly incomplete.	The state governments cannot currently borrow, although there is potential for fiscal liabilities to build up in terms of arrears, as actually happened in 2008, leading to establishment by GRSS of a SDG 20 million bail-out fund in 2009. Some annual tracking of the states' budget performance is evident, particularly in the case of the recently started system for monitoring the use of conditional grants, but it does not include comprehensive information for each of the 10 states nor is it consolidated for the purpose of fiscal oversight. The text under PI-8, dimension (iii) also implies a D rating.	Interviews with STMC and MoFEP 2009, 2010, and 2011 budgets.

PI-10: Public access to key fiscal information

Transparency will depend on whether information on fiscal plans, position, and performance of the government is easily accessible to the general public or at least interested groups. Table 3.7 illustrates the elements of public access to information that are fulfilled by GRSS.

Table 3.7: Elements of Information for Public Access

Elements of information for public access	Availability and means
(i) Annual budget documentation when submitted to legislature	Annual budget documentation (including submissions made to the SSLA) is available on the GRSS website (http://www.GRSS-online.org/) and copies are also made available when requested from MoFEP.
(ii) In-year budget execution reports within one month of their completion	Not publicly available.
(iii) Year-end financial statements within six months of completed audit	Not publicly available.
(iv) Availability of external audit reports to the public	Not publicly available.
(v) Contract awards with value above approximately US$100,000 are published at least quarterly	Not publicly available.
(vi) Availability to public of information on resources for primary service units	Not publicly available.

Breakdown of PI-10 Scores

Score	Minimum Requirements	Justification
C (M1)		
C	(i) *Number of the 6 elements of public access to information that is fulfilled* The government makes available to the public one to two of the six listed types of information.	The government makes available to the public one of the six listed types of information (table 3.7) .

3.4 Policy-based Budgeting

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

Assessment of Performance Indicators for Policy-based Budgeting

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

Background

The budget preparation process is supported by a MoFEP-led planning process that requires spending agencies (divided into10sectors) to submit Budget Sector Plans (BSPs). This process represents the strategic phase of budget preparation, representing common budgetary practice in many countries. The BSPs set out sector objectives and priorities, an indicative resource envelope, plus estimates of costs per spending agency for the next year on the basis of costs this year. MoFEP-prepared guidelines and templates support BSP preparation. BSP preparation is carried out under the auspices of Budget Sector Working Groups (BSWG), the membership of which includes donors, who also may be co-chairs—MoFEP prepared guidelines for effective donor participation in the 2011 budget preparation process.

Following joint review of the BSPs by MoFEP and spending agencies, MoFEP draws up proposed spending ceilings for each agency, to be incorporated in the Budget Call Circular (BCC). The spending ceilings are sent to CoM for discussion and approval, following which the BCC is sent out to the spending agencies, which then begin detailed budget estimation. This constitutes the second phase of budget preparation. The BCC is accompanied by formal Excel-based guidelines and templates. Following discussion of budget submissions with MoFEP, the draft budget is prepared by MoFEP and submitted to the SSLA following CoM approval.

SSLA approval, following debate of the budget, is in the form of approval of the Appropriations Bill. This is a summarized version of the budget estimates, showing the total appropriation ceiling for each spending ceiling, disaggregated into spending ceilings for each chapter: salaries, operating costs, and capital expenditure. The bill becomes law following the president's signing.

The budget documents are comprehensive and of a high quality and are publicly available as in that they can be found on the GRSS website (http://www.GRSS-online.org). "Budget at a Glance" documents have also been published since 2007, facilitating greater understanding of the budget by the layman.

(i) Existence of and adherence to a fixed budget calendar

There is no formal budget calendar per se; MoFEP staff indicated that a PFM law would probably be required in order to have a formal budget calendar. Nevertheless, the strategic planning phase typically starts in June with a workshop, followed by the preparation of BSPs by each of the 10 GRSS sectors by July. BSPs are reviewed by MoFEP and feedback is given to each BSWG.

The strategic phase is followed by the detailed budget estimation phase, following the issue of the BCC in September/October each year (late October in 2009 and 2010) that sets out the course of the remainder of the budget preparation process. The date of approval by CoM of the spending ceilings contained in the BCC may vary each year between mid-September and early October, depending on the availability of ministers, who may have travel obligations.

As provided for by ICSS (Article 87), the SSLA should approve the budget by the end of the fiscal year. The SSLA has 45 days to approve, meaning the draft budget should be submitted to SSLA by the middle of November if it is to be passed by the end of the year. The Code of Conduct for SSLA provides for four hearings of the budget: first, the Committee for Economy, Development and Finance (CEDF) reviews it. Second the Assembly as a whole reviews it. Third, the CEDF again reviews it, and last, the SSLA approves it. If the budget is not approved within 45 days, the budget is approved by presidential decree.

(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions

The Guidelines for Drafting Budget Strategic Plans and the Budget BCCs are well-drafted and clear, including the standardized templates. In the case of the 2011 budget, the basis of preparation of BSPs was the assumption that the indicative budget ceilings would be based on the 2010 budget, taking into account specific factors, particularly the need to include expenditure commitments under existing contracts, (to guard against further accumulation of arrears, as discussed under PI-4) and to provide adequately for existing GRSS salaries and state transfers and minimum running costs, as well as to specify the two highest priority areas that additional resources (maximum 15 percent of the current year's budget) could be allocated to if oil prices turned out to be higher than forecast.

The Guidelines also emphasized the need to include own-revenue estimates, as required under the 2009 Taxation Act. Donor partners (members of BSWGs) were requested to provide estimates of expenditures (also using standardized forms) consistent with sector strategic objectives and priorities.

Currently, political input into the strategic phase of budget preparation is not provided by the CoM. In some countries, the strategic phase commences with the CoM, or equivalent, reviewing strategic priorities, such a review informing the BSP preparation process.

The BCCs for 2010 and 2011, as with the Guidelines, are well-drafted and clear, accompanied by guidelines and standardized templates. It is stressed that if an item is not properly budgeted for, spending agencies cannot expect to receive additional funds during the year, and that any additional funding would require a Supplementary Appropriations Act. The rationale for setting the expenditure ceiling for each spending agency is clear, repeating the rationale stated in the BSP preparation guidelines plus mentioning the rationale for specific cases identified during the strategic phase where spending should be increased.[21]

The proposed spending ceilings contained in the BCC are submitted to the CoM for approval prior to the BCC being sent out to the spending agencies. Discussion of the ceilings may take more than one meeting, if required. Budget submissions to MoFEP are then required from each spending

[21] Not unsurprisingly, the spending agencies visited by the assessment team (Agriculture and Forestry, Education, Health, and Transport and Roads) all claimed that the ceilings allocated to them were not high enough and bore insufficient relation to their plans. However, with little fiscal space available (due partly to the unfunded contractual obligations issue discussed under PI-4), there is little scope in the budget preparation process for significant shifts in sectoral allocations. The Joint Donor Team, interviewed by the assessment team, pointed out, however, some apparent irrationalities in the setting of spending agency spending ceilings; for example, ceilings for MoE that provide funds for building schools while the supply of teachers for them is insufficient.

agency, including sign-off by the Ministry of Labour and Public Service on the number of personnel budgeted for.

An issue concerning the budget preparation process is the extent that pending payments (as discussed under PI-4) are to be carried forward to the following year is known in advance. Generally it is not known, so carry forward is at the expense of the approved budgets of spending agencies for that year. In terms of the scoring criterion, a high rating is justified, but in terms of the meaningfulness to spending agencies of spending ceilings, some may be skeptical.[22, 23]

(iii) Timely approval of the draft budget by the legislature

For 2008–2010, the Minister of Finance presented the draft budget to the SSLA too close to the end of the fiscal year for it to approve the budget prior to the end of the year. The 2011 draft budget was not presented to the legislature until after the end of the 2010 fiscal year, due to the independence referendum process.

Ongoing and planned developments

With USAID-financed technical assistance, work on a new budget preparation software package in database form (in place of Excel) started in July 2010. The object is to speed up budget preparation and improve its quality through a more rational budget classification, in terms of the relationships between administrative, program/activity, and economic classification structures, and greater efficiency in terms of data entry and usage.

Under the existing system, directorates in spending agencies are subordinate to program areas and their associated activities, with the result that responsibility for managing activities may be split between administrative units (mainly directorates). The system evolved in this way because the development of program structures preceded the creation of purpose-oriented organizational structures functioning as cost centers. A key principle of program budgeting is, however, that it is best in terms of results to have one manager wholly responsible for a program, rather than having responsibility for managing a program diffused between different managers. Under the system being developed by the TA project, administrative units would hierarchically be in front of programs/activities.

[22] For example, according to MoH, it will have SDG 30 million of pending claims unpaid at the end of 2010 deducted from the 2011 budget provision indicated in the 2011 Budget Estimates. MoTR informed the assessment team that it does not know ahead of the budget preparation process the amount of pending claims that will be carried forward.

[23] The extent of carry-over is reflected under PI-2 (end-year predictability of the budget), PI-4 on expenditure arrears, and PI-16 on the in-year predictability of the budget.

Breakdown of PI-11 Scores

Score	Minimum Requirements	Justification	Information Sources
B (M2)			
B	*(i) Existence of and adherence to a fixed budget calendar* A clear annual budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular), so that most of them are able to meaningfully complete their detailed estimates on time.	Budget preparation takes place in two phases: strategic and detailed estimation. The Guidelines for Drafting BSP contain a clear timetable for preparation. Five weeks are allowed, from mid-June to mid-July. The BCC issued in October guides the preparation of the draft budget estimates. The date of approval by CoM of the spending ceilings contained in the BCC may vary each year according to the availability of ministers, thus impacting on the amount of time available to prepare budget submissions. The deadline for submission of the 2011 estimates provided one week for preparation of the estimates (based on the date stamp at the end of the BCC); two weeks were allowed for the preparation of the 2010 estimates. Much of the work is in effect carried out during the strategic phase, so two to three weeks to prepare the detailed estimates may be sufficient.	Interim Constitution of Southern Sudan 2005, Articles 87–88 Guidelines for Preparing Budget Sector Plans, 2011–2013 Budget Call Circulars for 2011 and 2010 issued October 2011 Annual Appropriations Acts Meetings with Planning and Budget Directorate staff
A	*(Ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions* A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to MDAs.	The BCC issued for the 2011 budget process appears comprehensive and clear and reflects ceilings approved by the CoM prior to distribution to spending agencies.	BCC for 2011 issued in October 2011"
C	*(iii) Timely approval of the draft budget by the legislature* The legislature has, in two of the past three years, approved the budget within two months of the start of the fiscal year.	The 2011 budget was approved with more than two months delay (largely because of the referendum). Dates budgets approved by the SSLA: • 2008 budget: December 20, 2008 • 2009 budget: January 23, 2009 • 2010 budget: February 3, 2010 • 2011 budget: early April 2011	GRSS 'Budget at a Glance" 2009 and 2010 Interviews with MoFEP and the SSLA.

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

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

There is no current legislation requiring a multiyear perspective on budgeting. No forward estimates are undertaken as yet, either at aggregate fiscal level or at functional and economic classification level. With the help of technical assistance (a long-term adviser is to be appointed), the Macro-Fiscal Unit at MoFEP is developing a medium term-macro-fiscal framework, the initial focus being on strengthening revenue forecasting and developing a monetary framework for the new country of South Sudan. MoFEP is working with the Ministry of Investment on the preparation of a framework to estimate the future recurrent costs implied by capital projects.

The Ministry of Agriculture and Forestry has a strategic plan for 2007–11 and is currently preparing a successor for 2011–15 (National Food Security Plan).[24] The Ministry of Transport and Roads also has a strategic plan for 2007–11 and is in the process of preparing a successor. The expenditures of these two ministries comprise about 10 percent of total expenditure (as per the 2011 budget). The strategic plans of the Ministries of Education and Health expired in 2010. Both

[24] The assessment team was unable to access the strategic plan. The Joint Donor Team interviewed by the assessment team indicated that the strategic prioritization aspects of the plan were not given sufficient attention.

ministries admit they were not realistic, partly because of lack of a census, and are currently preparing new multiyear strategic plans. Budget Sector Plans have some medium-term elements in the sense that objectives cover a three-year period, but they are mainly focused on the next financial year.

Breakdown of PI-12 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M2)			
D	*(i) Multiyear fiscal forecasts and functional allocations* No forward estimates of fiscal aggregates are undertaken.	As explained in the text.	Interviews with MoFEP
NA	*(ii) Scope and frequency of debt sustainability analysis*	Article 193 of ICSS allows GRSS to borrow, but it has not done so yet. This dimension is therefore not yet relevant.	Interviews with MoFEP
C	*(iii) Existence of costed sector strategies* Statements of sector strategies exist for several major sectors, but they are only substantially costed for sectors representing up to 25 percent of primary expenditure.	Some multiyear “sector” strategies are in place (Ministry of Transport and Roads 2006-11, Ministry of Agriculture and Forestry, 2007-11, together comprising about 10 percent of total expenditure). The strategic plans (unrealistic) of the Ministries of Health and Education expired in 2010 and new plans are being drafted. Since 2007, each of the 10 sectors has drafted BSPs. Though comprehensive, they do not as yet have a multiyear perspective, though objectives and priorities are cast within a rolling three-year perspective.	2011 GRSS budget documentation and the 10 Budget Sector Plans for 2011, provided by MoFEP Interviews with Ministries of Agriculture and Forestry, Education, Health, and Transport and Roads
D	*(iv) Linkages between investment budgets & forward spending estimates* Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.	Proposed investments are related to sector strategies to an extent. The future recurrent costs implied by investments are not estimated as yet. MoFEP and the Ministry of Investment are jointly preparing a framework for estimating future recurrent costs implied by ongoing and committed capital projects.	2011 GRSS budget documentation and the 10Budget Sector Plans for 2011, provided by MoFEP Interview with Head of Macro-Fiscal Unit in MoFEP

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.

Assessment of Performance Indicators for Predictability and Control in Budget Execution

No.	C (ii) Predictability and Control in Budget Execution	Score	Dimensions	Scoring Methodology
PI-13	Transparency of taxpayer obligations and liabilities	D+	(i) C (ii) D (iii) D	M2
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D+▲	(i) C (ii) C (iii) D▲	M2
PI-15	Effectiveness in collection of tax payments	D+	(i) NR (ii) C (iii) D	M1
PI-16	Predictability in the availability of funds for the commitment of expenditures	D +	(i) D (ii) D (iii) C	M1
PI-17	Recording and management of cash balances, debt, and guarantees	C	(i) NA (ii) C (iii) C	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 non-salary expenditure	D+	(i) C (ii) C (iii) D	M1
PI-21	Effectiveness of internal audit	D▲	(i) D▲ (ii) D (iii) D	M1

PI-13: Transparency of taxpayer obligations and liabilities

Background

Oil revenue administration

The vast bulk of GRSS's revenue derives from the oil industry. The administration of this revenue is conducted by the Petroleum Unit of GoNU's Ministry of Energy, based in Khartoum. South Sudan receives 50 percent of oil revenues, net of management and pipeline charges of 8 percent of gross revenues. The four oil-producing states of South Sudan (Unity, Warrap, Upper Nile, Jonglei) each receive 2 percent of the country's oil revenues, and GRSS receiving 42 percent. In the case of the disputed area of Abyei, South Sudan receives 42 percent of revenues.

The transparency of the oil revenue administration has been the subject of much debate, both internationally and domestically. According to two reports prepared by Global Witness, the main transparency issues are the following:

1. The opaque manner with which the management and pipeline fees are set
2. Significant discrepancies between the oil production figures stated by Chinese National Petroleum Corporation (CNPC) and GoNU's figures, which are lower—GRSS's oil

revenues are based on GoNU's figures, and the fact that these are lower than CNPC's raises suspicions

3. Large arrears of payments of oil revenues to GRSS ($180 million as of March 2009)
4. Use of the Oil Revenue Stabilization Account (ORSA, also referred to under the Legal Framework in section 2)—revenues earned above the agreed benchmark oil price have not always been saved[25]
5. Use of oil revenues directly for financing road construction/rehabilitation projects before the revenues are reported to MoFEP—the annual financial statements prepared by MoFEP for 2007 and 2008 also refer to this (as well as the arrears in oil payment revenues).

The Chamber of Commerce, Industry and Agriculture (CoC) visited by the assessment team also referred to the lack of transparency in oil revenue administration.

In terms of this PEFA assessment, transparency issues are reflected under PI-7 (the use of oil revenues to finance infrastructure projects outside the budget), PI-22 (inability of GRSS to reconcile oil revenues received in MoFEP's bank account with the original source data maintained by the Petroleum Unit), and PI-25 (notes in the annual financial statements prepared by MoFEP).

As oil revenue was not been administered by GRSS at the time of the PEFA assessment, the assessment of PIs 13-15 is related only to non-oil-revenue administration.

Non-oil-revenue administration

The Interim Constitution of Sudan 2005 (Article 94), the Interim Constitution of Southern Sudan 2005 (Article 84(1)), and the CPA (Chapter III, Wealth sharing, Section 6 and 7) outline the type of taxes to be collected by the GoNU and GRSS. Fifty percent of the revenue collected by GoNU within Southern Sudan would be remitted to GRSS, net of 8 percent of administration fees.[26]

The first tax law enacted by GRSS was the Personal Income Tax Act 2007, which covers only personal income tax. This act ceased to operate after the enactment of The Taxation Act, 2009. The new act is more comprehensive than the earlier one and includes the following types of taxes:

- Personal income taxes of Southern Sudan
- Business taxes and levies on small and medium businesses,
- Excise duties on goods within Southern Sudan deemed to be luxury consumables,

The following taxes which are collected in Southern Sudan are outside the power of the Taxation Act 2009, as they are administered according to the tax laws issued by GoNU.

- Personal income tax levied on the staff of GoNU, who are working in Southern Sudan
- Business taxes and levies on corporate enterprises (large enterprises)

[25] Transparency issues concerning the ORSA are specifically discussed on page 51 of the "Fuelling Mistrust" article prepared by Global Witness in September 2009: (i) revenues were withdrawn from ORSA in 2006, even though oil prices were above the agreed benchmark price, and the account was nearly empty by the end of the year; (ii) only money from the sales of Nile Blend were deposited; money from the sale of Dar blend were excluded, contrary to the CPA; (iii) interest was not paid to GoSS, as sharia law was applied by GoNU; and (iv) transfers to BoSS from ORSA were being made in SDG instead of USD. The World Bank's Public Expenditure Review (PER) of December 2007 also referred to the rundown of ORSA reserves during 2006 and the need to have stronger management controls. (section 2.6) and the general intransparency of oil revenue administration. Global Witness prepared a further report in January 2011: "Crude Calculations: The Continued Lack of Transparency Over Oil in Sudan."

[26] "…the National Government shall allocate 50 percent of the national non-oil revenue collected in Southern Sudan,…to the GRSS to partially meet the development cost and other activities during the Interim Period." (CPA: Chapter 3, section 7.3)

- Excise and duties other than those stated above
- Value-added tax or general sales tax

The relevant laws governing taxation administered by GoNU are Customs Act 1986, Income Tax Act 1986, Stamp Duty Act 2002, and Value Added Tax Act 1999. These tax laws are outside the scope of this PEFA assessment and will not be further discussed. The Taxation Act 2009 is the basis of assessment of the tax administration-related PEFA indicators.

South Sudan became an independent state on July 9, 2011. There is no work in progress known to the PEFA assessment team on the ongoing activities regarding drafting of comprehensive Acts on VAT, excise and customs duties and revision of the Taxation Act (which excludes corporate taxes), or integration of these taxes under one taxation act. An assessment made by USAID in 2010 on the future customs administration functions of GRSS identified the following challenges:[27]

- Lack of comprehensive GRSS border infrastructure/equipment development and acquisition plan or strategy
- Lack of revenue collection, accounting and exemptions procedures and controls
- Lack of focus on border enforcement/security: weapons, drugs, money
- Insufficient use of information technology
- Lack of adequate ethics program

Section 17 of the Taxation Act provides for "Coordination of Tax Collection Administration and Tax Rates with the National and State Governments." Such coordination has been noticeably absent, as indicated by the lack of clarity in the division of tax collecting functions between GRSS, state governments, and county governments. The result has been a multiplicity of tax collection points at jurisdictional boundaries (for example, the border between South Sudan and Uganda, and the Juba city boundary) and associated efficiency losses due to both the additional tax burden on road users and the amount of time it takes to go through all the collection points.

This issue was raised in the "GRSS Growth Strategy, 2010–2014" (January 2010), and in the 2010 Budget Speech and was supposed to be addressed during 2010 (for example, checkpoints should only be for security and not collecting revenue). The issue had still not been addressed at the time of this PEFA assessment.[28, 29] More branches of Bank of Southern Sudan (BoSS), where revenues could more easily be directly deposited rather than being collected, would help to address the issue, but this would take time.

At the PEFA workshop held on April 28, 2011, the director of the Revenue Department of MoFEP indicated that a simplified, more transparent system was being prepared and would be reflected in

[27] "Customs Assessment: Strengthening the Customs Service of Southern Sudan," Washington, DC, USAID, November 29, 2010.

[28] Paragraph 48 of the Growth Strategy highlights multiple taxation as being one of the three major constraints to growth (the other two being security and poor infrastructure): "The issue of multiple taxation is evident to any observer travelling around the region. Widespread official and unofficial checkpoints are a big disincentive to those trying to get their produce to market." A recent report funded by AfDB on non-oil-revenue collection in Southern Sudan (Zeru Gebre Selassie, "Non-oil Revenue Study," October 2009) found many instances of double and multiple taxation—the same item being taxed by different levels of government—as well as many official and unofficial checkpoints collecting taxes, fees, and charges. At a workshop held in November 2009, it was agreed between MoFEP and state ministries of finance that, inter alia, checkpoints would be only for security purposes: goods crossing from one state into another should not be interfered with and goods would be taxed only at the final point of sale/consumption. This issue is also discussed in "Inter-governmental Fiscal Relations in Southern Sudan," Section 8, prepared by the Washington, DC–based National Democratic Institute for International Affairs (authored by Traci Cook) in 2008. The issue was also raised during the assessment team's presentation of its findings on April 28, 2011.

[29] The issue was also raised by the Chamber of Commerce, Industry and Agriculture (CoC) at its meeting with the assessment team on April 20. CoC indicated that there are as many as 14 tax collection checkpoints at the Uganda-Southern Sudan border.

an amended Taxation Law. The law has been reviewed with TA from USAID. *Update, September 1, 2011: Amendments to the 2009 Taxation Act are currently being prepared, mainly to reflect the post-July 9 situation, where GRSS now has authority over all taxes.*

Organization of taxation administration in GRSS

The directorate has different units, including Tax Payer Service, Collection, Tax Return Processing, Tax Audit, Research, and General Administration units. The directorate employs about 250 staff all over South Sudan. About 20 tax auditors are working in the tax audit team. The tax audit function was established only in July 2010. It is possible that the directorate will be upgraded to a separate South Sudan Revenue Authority after independence.

Important elements of the Taxation Act 2009:

- *Excise tax (Chapter XV).* Between 5and 20 percent: includes beverages, spirits, cars and vehicles, cigarettes, tobacco, and fuel
- *Personal Income Tax (Chapter XI and Schedule 2.* Zero rate for up to SDG 300 taxable income, then 10 percent rate up to SDG 5,000, then 15 percent above SDG 5,000
- *Business Profit Tax (Chapter XII and Schedule 2).* 10 percent for small businesses, 15 percent for medium-sized businesses
- *Tax on imported goods (Chapter XV and Schedule III).* 2 percent processed food items, 4 percent other goods, except 6 percent on vehicles. Some items are exempt.
- *Withholding tax:* 10 percent of amount of payment of dividends, interest or royalties, regardless of residency

Taxpayer identification number and certificate of registration (Chapter III): Any person who submits an application for registration or who is otherwise registered shall be issued a unique taxpayer identification number and a certificate of registration.

Rules and regulation (Chapter XIX, Section 119): The minister shall make rules and regulations as may be necessary for the effective and efficient implementation of the provision of this act.

Reward to informants (Chapter XIX, Section 12): Informants shall be granted a reward equal to 30 percent of the amount of tax collected for submission of evidence that successfully establishes that a taxpayer has evaded or attempted to evade tax liabilities.

Performance indicator dimensions

(i) Clarity and comprehensiveness of tax liabilities

The Taxation Act 2009 is fairly comprehensive and clear to the extent of the authority of GRSS. The act left some details to regulations, which are not yet in place, as the act itself is not yet gazetted due to the need for some minor editing. As a result, the tax law lacks completeness and may allow some discretionary power to the tax authorities. Some important elements of discretion, including the accounting standards to be used, the thresholds for categorizing businesses (between small, medium, and corporate), procedures on tax assessments in the absence of documents, conditions of waiving penalties, and seizure of property and intangible properties, are not addressed or elaborated in the tax law. In the absence of such procedures, tax assessment will be subjective and allow room for the exercise of discretion by the tax authority.[30] The directorate is currently drafting the regulations with the help of a consulting company (Deloitte).

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

The Taxation Directorate has a taxpayer service unit, which has published and distributed brochures to taxpayers on registration procedures. However, relevant information on tax liabilities and administrative procedures is not yet produced in the form of brochures. No taxpayer education campaign has been conducted so far (for example, through radio or television). The Taxation Directorate does not yet have its own website to disseminate information or any public gazette sales shops (as noted above, the Taxation Act has yet to be gazetted). *Update, September 1, 2011: Taxpayer education has since started.*

(iii) Existence and functioning of a tax appeals mechanism

According to Chapter X, section 49 of the Taxation Act, two bodies are identified to deal with tax complaints: the Tax Appeals Board and the High Court, if the taxpayer is not satisfied with the decision of the Appeals Board:

- Tax Appeals Board shall be convened by the minister of MoFEP with a membership of under-secretary (chairperson), president of the Southern Sudan Society of Accountants, director general of taxation (ex-officio), and an ad hoc member appointed by the minister.
- Taxpayers wishing to appeal a decision of the Directorate of Taxation have 30 days to do so. The burden of proof is on the person who appeals.
- The Appeals Board has up to 60 days to review the petition. If the Appeals Board does not make a decision, a decision shall be deemed to have been made in favor of the taxpayer.
- A taxpayer may appeal to the High Court if he/she does not accept the decision of the Appeals Board, provided that the appeal is initiated within 15 days of receiving the decision of the Appeals Board. The High Court may only permit an appeal under a question of jurisdiction, interpretation of law or a question of evidence. So far the Appeals Board has yet to be established.

[30] According to the director of the Taxation Directorate, there are about 10 companies in Juba presumed to be “corporate” companies; most of these are in the hotel business.

Breakdown of PI-13 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M2)	As listed in PEFA Framework		
C	*(i) Clarity and comprehensiveness of tax liabilities* Legislation and procedures for 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.	With the exception of personal income taxes, GRSS administered taxes, such as business and excise taxes, require regulations, which if in existence would address the issue of discretionary powers. Tax regulations are currently being drafted. This rating applies to the situation in April 2011, not the situation in September 2011, where GRSS has taken over all GoNU tax administration responsibilities, but without a legal framework (revised Taxation Act) yet in place..	Taxation Act 2009 Interview with head of Taxation Directorate CPA, Tax proclamations of GoNU Zeru Gebre Selassie, “Non-Oil Revenue Study,” AfDB-funded, October 2009
D	*(i) Taxpayer access to information on tax liabilities and administrative procedures* Taxpayer access to up-to-date legislation and procedural guidelines is seriously deficient.	The Taxation Directorate has printed and disseminated brochures on taxpayer registration procedures. No other brochures covering different tax liabilities and administration procedures have as yet been disseminated to taxpayers, nor has any taxpayer training being conducted. The Taxation Act is not yet gazetted and thus is not easily available to the public.	Taxation Act 2009 Meeting with director of Taxation and his staff Meeting with Chamber of Commerce, Industry and Agriculture executives. CPA
D	*(iii) Existence and functioning of a tax appeals mechanism* 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.	Taxation Act 2009 Meeting with director of taxation and his staff Meeting with Chamber of Commerce, Industry and Agriculture executives

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

Chapter III, Section 17 of the 2009 Tax Law requires taxpayers and persons responsible for withholding tax to be registered:

- Every person liable to make a payment or file a tax return or responsible for withholding tax shall submit an application for registration, on the prescribed form, to the Directorate of Taxation before commencing businesses or in any other case before the first payment.
- Any person responsible for withholding tax or any other person including a business, entrepreneur, individual, estate, or trust who makes reportable transactions exceeding SDG 3,600 during the calendar year must file tax returns with the Directorate of Taxation by the end of February of the following year.
- The Directorate of Taxation may cancel registration under circumstances detailed in the Taxation Act 2009.

Section 20 of the Taxation Act states that a unique taxpayer identification number (TIN) and a certificate of registration shall be issued to a registered taxpayer.

The tax registration system is manual. So far, 1,028 taxpayers have been registered in Juba.[31] The tax registration process has commenced in some states under the authority of state governments, for example, in Northern Bahr el Ghazal (as described in the PEFA assessment for that state). Registration is taking place only for small and medium enterprises[32] and organizations (for example, NGOs) that are obliged by law to withhold taxes on the incomes of their employees. A Tax Certificate is issued to the taxpayer upon registration. personal income taxpayer registration has not yet commenced, but personal incomes are taxed through employers withholding income tax from wage and salary payments.

To strengthen enforcement of registration requirements, a rule prohibits a business from participating in a public tender unless it presents a TIN certificate. There is no direct integration of the tax registration system with other government systems (for example, business registration, opening of bank accounts). There is no strong occasional survey to determine whether potential taxpayers are registered (for example, by inspection of business premises).

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

Penalties for noncompliance are set out in the 2009 Tax Law. The penalties are sufficient enough to enforce the law. For example, the penalty for failure is imprisonment of up to five years and fines of up to SDG 50,000. The penalties for the enforcement are summarized in table 3.8.

According to the Taxation Act the penalties for noncompliance may be waived due to verifiable reasons beyond the control of the taxpayer, in accordance with the conditions prescribed by the regulations.

A dedicated lawyer at MoFEP is currently working solely in the Taxation Directorate. Currently the Taxation Directorate has five legal cases. The delay in the judiciary process, the limited number of staff (20), limited experience and under training of tax auditors, and limited awareness of taxpayers are among the main challenges to enforcement of the law. Outreach is limited because of limited manpower.

Table 3.8: Penalties for Noncompliance with the 2009 Tax Law

Type of Penalty		Conditions and Penalty
Penalty for understatement		
	If understatement is less than 25% of tax actually required:	10% of the understatement
	If exceeding 25%	50%
	If exceeding twice	200%
	If paid voluntarily	5% regardless of the above two
Failure to		
	Pay on time	5% on a monthly basis until it is paid
	Fail to file a return	5% every month with a maximum of 25%
	Fail to file a return for income of sales proceed, dividend, or interest	20% of the assessed amount
	Failure to withhold tax	Pay the tax not withheld, as well as the respective penalties and interests
	Failure to register	Up to five years imprisonment and fine of up to SDG 50,000
	Offences involving the taxpayer (tax evasion)	Up to two years imprisonment and fine of up to SDG25,000
	Interest for late payment	120% of the commercial rate
Violation of the Act :		Up to one year imprisonment and fine of up to SDG15,000

[31] As of April 28, 2011

[32] Corporate (large enterprises) are supposed to pay tax to GoNU and will not be registered by the Taxation Directorate of Southern Sudan.

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

Tax audit is only just starting at GRSS, the tax audit team having been established only in July 2010. An organized annual plan for tax audit has not yet been developed, and no significant audit has been undertaken. Most of the tax assessments or reviews are based on intermittent regularities noticed by tax officers. Currently, the tax auditors are attending in-house training for two days in a week.

Breakdown of PI-14 Scores

Score	Minimum Requirements	Justification	Information Sources
D+▲ (M2)	As listed in PEFA Framework		
C	*(i) Controls in the taxpayer registration system* Taxpayers are registered in a database system for individual taxes, which may not be fully and consistently linked. Linkage to other registration/licensing functions may be weak but are then supplemented by occasional survey of potential taxpayers.	According to the Taxation Act, all taxpayers and persons who withhold taxes should be registered. The registration process has commenced. At the time of this assessment, about 1,000 taxpayers—mainly based in Juba—had been registered and issued with TINs and registration certificates. The registration is limited to small and medium businesses and NGOs. Personal income taxpayers' registration has not yet started, but employers withhold PIT on the salaries of their employees. The only linkage with other government systems is through the public procurement process.	Taxation Act Taxation Directorate Director and staff Chamber of Commerce, Industry and Agriculture
C	*(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations* Penalties for noncompliance generally exist, but substantial changes to their structure, levels, or administration are needed to give them a real impact of compliance.	Penalties according to the Taxation Act are comprehensive and sufficient in scale to enforce the law. Capacity constraints and lack of an operational tax audit function (dimension iii) impede the enforcement of the law.	Taxation Act Taxation Directorate
D▲	*(iii) Planning and monitoring of tax audit and fraud investigation programs* Tax audits and fraud investigations are undertaken on an ad hoc basis if at all.	The tax audit function is still being established. Employment and training of staff have commenced. Tax audit plans are expected to be developed in the near future, with help from a USAID-funded TA project. .	Taxation director Taxation Directorate staff

PI-15: Effectiveness in collection of tax payments

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

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

The directorate does not record tax receivables and does not follow-up tax payment and arrears. As a result, it is not possible to score this particular dimension.

(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 supposed to be deposited into the bank accounts of MoFEP. In places where there are no banks where MoFEP holds accounts, taxes collected are supposed to be transferred to MoFEP by tax collectors. The absence of MoFEP-controlled bank accounts at some tax collection centers (especially for imported goods) coupled with the lack of strong internal control on the usage of standard and regulated receipts are said to contribute to significant amounts of taxes collected that do not reach MoFEP.[33] In some of the collection centers, where there are no banks, collectors transport large amounts of cash by car along dangerous roads every week to make deposits in a nearby bank.[34]

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

There is no reconciliation system in place to reconcile tax assessment with tax payments received by MoFEP, taking into account tax due, taxes collected, taxes receivable, and taxpayer debts.

One of the reconciliation issue is that some of the tax payments are made through banks without a system in place that indicates who paid what type of tax. For taxpayers electing to pay their taxes through banks, rather than directly to MoFEP, tax return forms are not available at banks so that banks can notify the tax authority what type of tax has been paid or by whom. After paying through banks, taxpayers are required to provide a deposit slip to the tax office in order to complete their tax returns. The Accounts Directorate often faces difficulties in tracing the type of tax or revenue collected so that it can record it under the correct accounting code.

Breakdown of PI-15 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
NR	*(i) Collection ratio for gross tax arrears and ratio of tax arrears to total tax revenue collections*	Data on tax arrears are not collected.	Taxation Directorate
C	*(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration* Revenue collections are transferred to MoFEP at least monthly.	The Taxation Directorate does not have its own bank account for the purpose of collecting taxes. All taxes collected, either through other banks or directly to MoFEP, are supposed to be deposited into the bank accounts of MoFEP. In principle, such deposits should take place at least weekly, but some taxes appear to be lost due to theft/accident and issues concerning the receipting system.	MoFEP accounts Taxation Directorate
D	*(iii) Frequency of reconciliations between tax assessments and amounts received by the Treasury* Complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury does not take place annually or is done with more than 3threemonths delay.	This follows from the NR for dimension (i). In addition, there are problems of reconciliation between the Taxation Directorate and Accounts Department. Losses through theft/accident add to the reconciliation issues.	MoFEP accounts Taxation Directorate

[33] Based on discussion with Audit Chamber, SSACC, Directorates of Taxation, Accounts and Budget & Revenue at MOFED.
[34] Southern Sudan: Enabling the State: Estimating the Non-Oil Revenue Potential of State and Local Governments: Public Sector Reform and Capacity Building Unit (The World Bank) June 2010.

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 expenditures.

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

According to the terms of reference of the Cash Management Committee (CMC)—established in 2008—the director of planning in MoFEP is required to prepare cash flow forecasts on a monthly and quarterly basis (taking seasonal factors into account) and submit them to the CMC. In practice, however, this has not happened. The assessment team was informed that cash flow forecasting would start in May 2011, establishing the basis for quarterly budget allocations and monthly cash limits (as discussed under dimension ii).[35] Cash flow forecasting would require the full participation of spending agencies in terms of projections of monthly revenues and expenditures, the latter requiring the preparation of monthly procurement plans; not all spending agencies currently prepare these. (The Ministry of Agriculture and Forestry is an example of an agency that does; the Ministry of Education did not prepare one until early 2011, when it prepared a very detailed plan).

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

The only binding expenditure ceiling for spending agencies is their approved budget. Salaries and transfers to state governments comprise about 60 percent of the approved budget for GRSS.[36] They have the first call on cash availability. For the other 40 percent, spending agencies can enter into expenditure commitments for any amount at any time of the year, regardless of the availability of cash for paying bills arising from the commitments. Control over expenditure commitments is based on whether sufficient balances are available in terms of remaining uncommitted budgetary appropriations, as opposed to cash balances.[37]

In the case of spending agencies entering into contractual agreements exceeding the thresholds (SDG 20,000 for consultancy services, SDG 40,000 for goods, and SDG 100,000 for works), written confirmation of sufficiency of balances is first required from MoFEP.[38] This does not necessarily mean that sufficient cash is available at the time when payables should be paid. Sufficient cash availability to pay bills is more likely, however, than for expenditure commitments entered into below these thresholds, as they are more likely to meet the priority criteria of CMC for allocation of cash for paying bills when they become due.

Ongoing and planned activities

One of the responsibilities of the CMC, as outlined in the annual Appropriations Acts, is to establish monthly cash spending limits according to projected revenue flows for the month. At the time of the assessment, CMC was planning to establish such limits on the basis of quarterly allocations, starting in May, 2011, based on the cash flow forecasting exercise referred to under dimension (i). The CoM approved the proposed system in early 2011. Quarterly allocations will be based on the approved budget and disaggregated by activity, directorate and chapter; it will no

[35] The Ministry of Agriculture and Forestry indicated the importance of taking seasonality factors into account; funding requirements tended to be high in the first few months of the new fiscal year, prior to the start of the rainy season, but these requirements tended not to be taken into account when cash was being allocated.
[36] SDG [(2,177 Million + 524 million) /4,483 Million)].
[37] Appropriation Acts 2009 and 2010.
[38] Appropriation Acts 2009 and 2010.

longer be possible for a spending agency to spend its entire budget early in the year. The allocations will be imported into the IFMIS and payment claims will be recorded against these allocations; claims will be rejected if they result in the ceilings being breached. *September 1, 2011, update: The new system had not yet started.*

The monthly cash spending limits will be based on revenue estimates. Once a spending agency's monthly limit is reached, no more payment claims will be approved for that month. The limit will include a 10 percent contingency factor. Petty cash transfers to spending agencies will form part of the monthly limit. Spending agencies are expected to prioritize their claims (rather than MoFEP, under the current system). The Accounts Department in MoFEP will circulate updated monthly balances remaining to spending agencies.

A MoFEP interdepartmental technical team has been appointed to administer the system. The Terms of reference of the CMC are to be modified to reflect the new system.

For the system to work, spending agencies will need to ensure that planned expenditure commitments (contracts and purchase orders), implying future payment requests, are consistent with the quarterly budget allocations and monthly cash spending ceilings. Inconsistency runs the risk of payment arrears being accumulated. MoFEP is planning to introduce a formal expenditure commitment control system in July 2011. The proposed system includes a form showing planned contracts that can be approved only by the Ministry of Legal Affairs and Constitutional Development if first endorsed by MoFEP. *September 1, 2011, Update: The proposed system had not yet started.*

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

Articles 87–88 of the ICSS provide for in-year adjustments to the budget. Annual Appropriation Acts give legal form to the articles and provide a degree of transparency in the making of adjustments to the approved annual budgets.[39] The following types of adjustments can be made:

- *Transfer from one line item to another line item within a chapter:* According to the Appropriation Acts of 2010 and 2011, spending agencies may transfer funds between budget lines within a chapter without the approval of MoFEP. The 2009 Appropriation Act stated, however, that the minister of MoFEP had to approve transfer requests that do not exceed 20 percent of the category being reduced and that the CoM had to approve transfer requests exceeding 20 percent of the category being reduced.[40] This provision did not apply to later Appropriations Acts.
- *Transfers from one chapter to another:* The SSLA has to approve requests for the transfers of budget funds between one chapter to another through a Supplementary Appropriations Act.
- *Transfer from one spending agency to another:* The SSLA has to approve through a Supplementary Appropriations Act.

[39] Appropriation Acts 2009, 2010, and 2011.
[40] Interestingly, this requirement is approximately the same as the requirement stipulated in the 1962 (colonial era) Treasury Instructions for neighbouring Uganda, the stated rationale being that significant reallocations might adversely affect the quality of services that the budget was supposed to provide for. This provision also exists for all francophone countries in Africa, based on the organic French PFM Law of 1959.

- *Total spending ceiling increased:* The SSLA has to approve through a Supplementary Appropriations Act. [41]

Legislative approval for supplementary expenditures through Supplementary Appropriations Bills has to be given prior to the supplementary expenditure actually taking place, except in the following circumstances, where supplementary expenditures can take place without the requirement of a Supplementary Appropriations Bill: national emergencies, emoluments of the president and judiciary, GRSS contractual financial obligations, and court order awards.

Supplementary Appropriations Acts were presented to SSLA for 2008 and 2010. The 2008 Supplementary Appropriations Act shows total supplementary expenditure of SDG 2.1 billion, consisting of several adjustments spread over 31 spending agencies, but with three agencies (SPLA Affairs, Transport and Roads, and MoFEP) accounting for 70 percent of supplementary expenditures in terms of value.[42] The Supplementary Appropriations Bill was not approved until October 2008—two months before the end of the fiscal year—suggesting that much of the supplementary expenditure had already been incurred and that approval mainly represented rubber-stamping.[43]

No Supplementary Appropriations Bill was prepared for 2009, despite actual expenditure being significantly larger than the approved budget (as in 2008 and 2010) and, as indicated in annex 1, several spending agencies receiving increases in their budget, financed in part through decreases in the budget of other spending agencies. As in 2008 and 2010, SPLA Affairs and MoFEP took up the lion’s share of the increase in expenditure (in the case of MoFEP, the increase was partly due to payments related to the food grain/dura contracts). The reason for not having a Supplementary Appropriations Act was, according to Budget Department, that actual expenditure was running behind the approved budget for nearly all the year and there was no time to process a Supplementary Appropriations Bill very close to the end of the year to cover proposed increases in expenditure. A portion of the increase was allocated to contractual financial obligations and did not require prior approval by SSLA. But, for the other components of the increase, a Supplementary Appropriations Bill should have first been presented to the Assembly.

The SSLA approved a Supplementary Appropriations Bill on September 13, 2010, providing SDG 1.1 billion of additional spending (a 26 percent increase over the approved budget for 2010). The increases were spread over 38 out of the 51 spending agencies. The largest increases were for SPLA Affairs (SDG 320 million), President’s Office (SDG 190 million), MoFEP (SDG 172 million), Police (SDG 100 million), and SSLA (88 million), comprising 80 percent of the total increase. Some of the spending had not yet occurred, indicating at least a degree of *ex-ante* approval. [44]

[41] This requirement is also stated in the SSLA’s Code of Conduct (spending of surplus revenue relative to budget estimates and out of the legal reserve should not be spent except through prior approval of a Supplementary Appropriations Bill).

[42] SPLA Affairs, SDG 803 million; MoTR, SDG 446 million; MoFED, SDG 297 million. These adjustments are also shown in annex 1 of this report. FreeBalance does not log the frequency of adjustments, but examination of the Supplementary Appropriations Acts and the tables in annex 1 provides an indication.

[43] The Budget Speech for the 2008 budget explicitly refers to insufficient tracking of expenditure requests against budget provision, leading to overspending by the ministries being approved *ex post* (i.e. rubber stamped) through a Supplementary Appropriations Act. This was the case in the 2007 Supplementary Appropriations Act. Budget Department officials indicated to the assessment team that at least a proportion of the 2008 and 2010 Acts represented rubber-stamping.

[44] The JDT, interviewed by the assessment team, considered that excess revenues in 2010 (i.e. higher revenues than budgeted for) should have instead been added to reserves rather than spending them in 2010 without proper Legislative Assembly scrutiny. Proposals to spend the excess revenues should have been considered in relation to the 2011 budget preparation exercise.

Breakdown of PI-16 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
D	*(i) Extent to which cash flows are forecast and monitored*. Cash flow planning and monitoring are not undertaken or are of poor quality.	Though the TOR of the CMC requires the Planning and Budgeting Directorate of MoFEP to prepare monthly and quarterly cash flow forecasts, in practice this is not done.	CMC Terms of Reference CMC manual Interviews with MoFEP Planning and Budgeting Directorate and Accounts Directorate
D	*(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure commitments* Spending agencies are provided with no reliable indication of actual resource availability for commitment.	Expenditure commitment decisions are inked only to the approved budget. In principle, spending agencies can enter into commitments up to the limits of their budgets all in one go at the beginning of the year, regardless of the actual resources available for spending.	Cash payment procedures, MoFEP Procedure for Quarterly Allocations and Monthly Expenditure Limits," MoFEP, February 2011 "2011 Budget Execution Reforms-Recommendations," April 2011, MoFEP Interviews with spending agencies (MoA, MoH, MoA)
C	(iii) *Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of spending agencies* Significant in-year adjustments to budget allocations are frequent, but undertaken with some transparency.	As explained in narrative. D ratings would apply to 2008 and 2009 and a C rating for 2010. The rating applies to the last completed financial year, so a C rating is provided.	CSS, Articles 87–88 Annual Appropriations Acts Supplementary Appropriations Acts for 2008 and 2010 Interview with SSLA Interviews with Budget Directorate

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

(i) Quality of debt date recording and reporting

GRSS has not incurred any debt to date. It attempted to in 2009, but was unable to, due to the refusal of the Bank of Sudan to guarantee the loan.

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

MoFEP manages and controls 17 bank accounts. Eleven of them are foreign currency accounts in different currencies (including euro, USD, and GBP) held principally in CitiBank and STANBIC (Nairobi branch); one of them is for managing oil revenues. The six domestic currency accounts are held in Central Bank of South Sudan (CBSS) and are for managing non-oil revenues, the pension fund, as well as the general account from which funds are withdrawn to pay salaries and nonsalary payment requests and to make transfers to the state governments.[45] MOFEP can switch funds between the accounts at any time and it knows the balances on the accounts on a daily basis.

Spending agencies have their own bank accounts in CBSS, into which MoFEP deposits monthly petty cash advances and funds to pay wages, allowances (including travel allowances), and incentives. According to the 2009 "Payments Procedures," MoFEP is supposed, to pay suppliers of

[45] In 2007 MoFEP closed its accounts held in Khartoum and transferred the domestic currency balances to CBSS and the foreign currency balances to Stanbic and Citigroup (as mentioned in the 2008 Budget Speech).

goods and services directly for bills over SDG 4000, but this is not always the case, the MoFEP instead transferring funds to spending agencies, which then pay the suppliers.[46] Nontax revenue (NTR) earned by spending agencies is also deposited into their bank accounts held in CBSS, though, as noted under PI-7, it is suspected that some NTR is deposited into accounts held in commercial banks, possibly without the knowledge of MoFEP. Donor agencies tend to hold accounts in commercial banks, opened with the approval of the spending agency that the donor agency is working with.

MoFEP knows the number of bank accounts held by spending agencies in CBSS, but does not have information on the amount of balances held in these accounts. It does not know the number of accounts held in commercial banks by spending agencies and by donor agencies under the auspices of line ministries. As a result, MoFEP is unable to calculate and consolidate all GRSS cash balances.

According to MoFEP the lack of clear financial management regulations deters its effort to compel ministries to report on their outstanding bank balances. It says that any new public financial management law and accompanying regulations should provide for such enforcement. A new PFM law has been drafted (the first draft prepared in 2007). Among its stipulations are that all government revenues should be paid into the Consolidated Fund, managed by MoFEP, and all government expenditures should be financed from the Consolidated Fund, implying that spending agencies will not be able to hold their own bank accounts (paragraph 24 of the draft law). The draft law has yet to be enacted.

(iii) Systems for contracting loans and issuance of guarantees

According to the ICSS, Article 193, GRSS and the state governments may borrow money with the approval of the respective legislature. It is the function of the CoM to negotiate and conclude agreements on loans from abroad (Article 115 of ICSS). The SSLA may exempt categories of loans from the requirement for its prior approval. Conditions stated in Article 193 for foreign borrowing are (i) creditworthiness and (ii) consistency with national macroeconomic policies and the objective of maintaining external financial viability. Neither the GRSS nor the CBSS shall be required to guarantee borrowing by any state government in South Sudan.

No borrowing has taken place so far, and there are no specific procedures for contracting loans and issuing guarantees.

[46] Anecdotal information provided to the team indicates that it is not uncommon for spending agencies to have bank account balances of SDG 100,000 or so at any one time. For example, the cash flow statement in the Anti-Corruption Commission Report for 2009 indicates balances exceeding this.

Breakdown of PI-17 Scores

Score	Minimum Requirements	Justification	Information Sources
C (M2)			
NA	*(i) Quality of debt data recording and reporting*	Not rated, as GRSS has no debt.	MOFEP, Directorate of Accounts
C	*(ii) Extent of consolidation of the government's cash balances* Calculation of most government cash balances takes place at least monthly, but the system used does not allow consolidation of bank balances.	The available cash balance in the MoFEP-controlled bank accounts is known by MoFEP on a daily basis; the CMC uses this information to prioritize payment requests submitted by spending agencies. However, balances of bank accounts under the control of spending agencies (and also donor agency accounts held under the auspices of spending agencies) are not known by MoFEP and it is not possible for it to know what the overall consolidated cash position is of GRSS.	Interview, MoFEP, Directorate of Accounts Draft Public Finance Management Law List of MoFEP bank accounts, provided by MoFEP GRSS Annual Financial Statements, 2007 and 2008, Section 32 on Cash Balances
C	*(iii) Systems for contracting loans and issuance of guarantees* Central government's contracting of loans and issuance of guarantees are always approved by a single responsible government entity, but are not decided on the basis of clear guidelines, criteria or, overall ceilings.	GRSS may borrow with the approval of SSLA but has not borrowed so far. The criteria for borrowing are laid out in Article 193 of ICSS but are stated in general terms. A PFM Act, which could stipulate explicit criteria, is not yet in place.	ICSS, 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).

Background

Legislation governing the Civil Service was prepared following the CPA and has yet to be enacted, due to some unresolved deficiencies. A Civil Service Provisional Order, signed by the president in 2010, instead provides the regulatory underpinning of the civil service. Under the order, a Policy Framework for the Public Service of Southern Sudan, Public Service Manual, and Public Service Regulations have been in place since 2007. A Civil Service Commission—provided for under ICSS—has also been in place since 2007; it is responsible for formulating policies.[47]

Employees are categorized as classified and unclassified. Classified staff (from grade 1 to grade 14) are categorized as Super Grades, administrative (professional), technical (subprofessional), and clerical. Employees from grade 15 to grade 17 are unclassified staffs such as technicians, messengers, and cleaners. All Super Grades employees are appointed by the president and the CoMs. Administrative and classified staff are appointed by the under secretary/director general of the concerned ministry/commission subject to endorsement by the Ministry of Labour and Public Service (MoLPS).[48] The SPLA is included in the public service structure.

[47] Interestingly, in relation to the discussion on SSACC in section 2, one of the policy components is the requirement for all persons holding public office to declare incomes, assets, and liabilities.
[48] A Policy Framework for the Public Service of Southern Sudan, issued by MoLPS, 2007.

The GRSS is based in Juba, but services are delivered nationwide, particularly in the education, health, transport and roads, and agriculture and forestry ministries. These ministries and their employees, particularly unclassified staff, therefore have offices around the country.

All classified staff appointments must be processed through MoLPS before a formal letter of appointment is issued. MoFEP is requested to check that appointments are consistent with the approved budget, though in practice it has not checked. Verification is required as to whether the selection process has been conducted according to the procedures and the approved selection criteria. Unclassified staff in each spending agency can be engaged by the director of administration and finance of that agency, in consultation with the under-secretary of the ministry or director general of a commission. New positions approved by MoLPS during the year need to be approved by the Legislative Assembly (via MoFEP and Council of Ministers).

Personnel record control for classified employees is centralized under MoLPS. Personnel records for the unclassified staff are maintained by the Administration and Finance Directorates of the spending agencies.

Two computerized systems—the human resource information system (HRIS) and the MS-Access-based South Sudan Electronic Payroll System (SSEPS)—have been operational since 2010. They were designed with support from a USAID-financed project (HRIS) and from the Capacity Building Trust Fund (CBTF). Work is ongoing to integrate the two systems. The SSEPS uses built-in macros to automate calculation of pay, allowances, and deductions and to sort records into pay sheets by individual workstations. Pay sheets are printed on self-carbonated paper in quadruplicate with a view to creating maximum visibility. The SSEPS has built on Excel-based payroll systems that largely replaced manual systems in 2008–09, at both GRSS and state government levels. The SSEPS at GRSS level is a database (MS-Access) system in stand-alone form in spending agencies, with transfer of data to MoLPS being conducted via wireless Internet or USB sticks (Internet strength is not yet strong enough for network connectivity).

The SSEPS has strengthened accuracy and control of the payroll at both central and state government levels, and officials claim that, although "ghost workers" were initially an important issue, its importance had sharply diminished.[49] Progress has been uneven between spending agencies, with slower progress in the Police Service (under Ministry of Interior) and the Ministry of SPLA Affairs. Incentives and overtime payments do not pass through the SSEPS and hence are not subject to scrutiny by MoLPS. The Policy Framework (referred to above) indicated that the incentives system would be streamlined. This has not yet happened, and incentive and overtime payments still comprise a significant proportion of total payroll costs.

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

Payrolls are prepared by the Administration and Finance Directorates of the respective spending agencies.

The GRSS payroll system is largely based on the UK system, which came into effect in 1923. The basic control is the payroll sheet (Form 7), the monthly preparation of which requires a number of sign-offs, resulting in a comprehensive audit trail. The accountant who prepares the payroll sheet signs it, and the sheet is then checked by the establishment officer. The payroll sheet then has to be

[49] The strengthening of payroll management was highlighted in the 2010 Budget Speech. The information on SSEPS is partly contained in the inception report of the SSEDP project (June 2010) and "The role of improving teachers' payroll systems for education service delivery and state legitimacy in selected conflict-affected countries in Africa," prepared by Charles Goldsmith (team leader of the SSEDP project) as a background paper for the *Education for All Global Monitoring Report 2011* under the auspices of UNESCO. An example of increased control was the improved ability of MoE to detect diversion of conditional grants to state governments for teacher salary payments to other purposes.

approved by the director of the directorate, and then by the under-secretary (thus three checks following the preparation of the payroll by the accountant). Each spending agency then submits its approved payroll sheet to the under-secretary of MoLPS. The under-secretary then distributes the payroll sheet for each spending agency (51 in total) to three establishment officers, who then compare the payroll sheets against the Nominal Roll, which is contained in HRIS. The payroll sheet will be returned to the spending agency if the record in the payroll sheet is not consistent with the information in the Nominal Roll. Only payroll sheets that have passed the verification process will be endorsed by MoLPS and forwarded to MoFEP. As a further control, staff have to physically show up in order to sign for their monthly salary payment.

Data held in HRIS may be consistent with individual personnel records kept in the headquarters of spending agencies, but these may not be correct. As noted by the HRIS team in December 2009, the actual number of employees may differ from the records kept at headquarters due to the war-related disruptions and associated loss of records, the geographical dispersion of employees in the major service delivery ministries such as MOE, plus the absence of unique personal identification numbers for staff and ensuing heavy reliance on matching names—difficult because of different transcriptions being used for the same name.[50] The MoE conducted a head count in 2008, which enabled at least a partial updating of personnel records, but head counts have not been conducted by other spending agencies; head counts in a country such as South Sudan are expensive and logistically difficult to carry out due to the state of the roads network, particularly during the rainy season.

In the meantime, MoE's payroll sheets submitted to MoLPS are mainly approved and passed on to MoFEP for payment.[51] This is because staff still have to be paid, and pay sheets for the most part represent people who are indeed working (but see the paragraph below) and at present it is difficult to say a priori which set of data is correct.

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

Changes in personnel records resulting from new recruits and salary changes are updated within a month both at the level of spending agency (for unclassified staff) and at the level of MoLPS (for classified staff); the cut-off date for incorporating changes into the payroll is the 20th of each month, though this is not always enforced. Changes due to resignations/terminations may not be relayed by spending agencies to MoLPS for some months, particularly for unclassified staff. For example, MoFEP had a large number of cleaners (unclassified staff) on its payroll even though it had outsourced cleaning services. MoLPS does not have any other way of finding out about resignations/terminations. This is also an issue in relation to conditional grants to state governments that include payments for unclassified workers. With effect from 2011, state governments must fund unclassified employees from their own revenues.

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

Payroll sheets are prepared through SSEPS by an accountant in each spending agency, who has no role in the process of effecting payments. The payroll system is fully encrypted password protected, and any changes to be made by the accountant require permission from the respective establishment officer at MoLPS.

The HRIS is set up in three standalone computers managed by three establishment officers at MoLPS. Each of the establishment officers has exclusive access to the database and each is in

[50] Ideally, in the interests of efficiency, a census exercise would have been undertaken and unique personal identification numbers assigned prior to the investment in HRIS.

[51] This issue was flagged in the SSEPS project "Inception Report" prepared by Booz and Company in May, 2010.

charge of about 17 spending agencies. It is the responsibility of the establishment officers to make sure that payroll sheets are in agreement with the information contained in HRIS on a monthly basis. These officers are rotated from time to time in order to maintain impartiality. Both systems (SSEPS and HRIS) generate audit trails for changes.

Even if the internal controls of changes to personnel records and the payroll are good, these do not guard against personnel records not being changed to reflect employee layoffs and unauthorized absences, particularly for unclassified staff.

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

Payroll audits are conducted as one component of the internal audit system (PI-21) in some of the ministries where internal auditors are assigned. For example, internal auditors in MoTR checked payroll sheets against personnel records and the nominal roll in 2010, discovering some “ghosts” in the process, who were then deleted from the pay sheet. The audit process includes checking for unusual patterns. For example, monthly changes to payrolls requested by spending agencies are typically no more than three to four items. Changes significantly larger or smaller may raise red flags, warranting an audit. As noted above, the MoE conducted a comprehensive cross-country head count in 2008 (schools fall under the responsibility of state governments, but teacher salaries are largely financed through conditional grants from MoE). Logistical factors can impede the frequency of head counts if considerable travel is involved, particularly during the rainy season.

The Audit Chamber audited the payroll in the Ministry of SPLA Affairs (2007–08) and other spending agencies as part of its financial audit (PI-26). These audits identified payroll control weaknesses in the form of insufficient monitoring of attendance, insufficiently frequent head counts, and insufficient routine checking of payroll sheets against personnel records—as noted under dimension (ii) in the case of cleaners at MoFEP.

Future audit work may focus more on staff attendance, as MoLPS suspects that the ghost workers issue stems to a significant extent from staff showing up to work late and taking days off without authorization (as also indicated under PI-20).

Ongoing developments and plans

The HRIS project is engaged on a project to bring personnel records of spending agencies up-to-date. It is helping MoLPS put in place a personnel records database system that will reconstruct personnel records held in spending agencies, integrate these with the personnel records on file under HRIS (held in MoLPS), and thereby enable complete reconciliation between the personnel records and payroll records (the focus will be on “upstream” aspects of personnel and payroll data reconciliation). The same project will also focus on “downstream” aspects, such as monitoring of attendance and leave taking.

Breakdown of PI-18 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M1)			
B	*(i) Degree of integration and reconciliation between personnel records and payroll data* Personnel data and payroll data are not directly linked, but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data.	Payroll for classified employees prepared by SAs is based on personnel records held in each spending agency (SA), and is manually integrated with the HRMIS at MoLPS, which contains the nominal roll, also based on personnel records held in each SA. The payroll for unclassified personnel is processed at ministries and checked against the personnel records held at each SA. Monthly payrolls are subject to review by the establishment officer in each SA for correctness against the personnel records. An A rating would require a direct link between the payroll and nominal roll.	Administration and Finance Departments of Ministry of Education, Science and Technology, Ministry of Health, Ministry of Agriculture and Forestry, and Ministry of Transport and Roads Policy Framework for the Public Service in Southern Sudan, MoLPS 2007 Public Service Regulations (2007) Manual for the Public Service in Southern Sudan, MoLPS, 2007
B	*(ii) Timeliness of changes to personnel records and the payroll data* Up to three months' delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes. Retroactive adjustments are made occasionally.	Changes in personnel records (such as for new employment and salary changes) are updated within a month both at the level of SAs (for unclassified staff) and at the level of MoLPS (for classified staff). The dissemination of information to MoLPS/MoFEP by SAs on resigned and terminated staff, particularly unclassified staff, may be delayed, as the system does not provide for timely dissemination. The proportion of such staff to total staff is low.	As above
A	*(iii) Internal controls of changes to personnel records and the payroll* Authority to change records and payroll is restricted and results in an audit trail.	The audit trail is reflected in the multiple signatures required for the monthly pay sheets and the letters sent by Directorate of Administration and Finance (for unclassified employees) or by MoLPS as applicable. Changes to payroll records are required to be supported by official letters. The staff person in charge of maintaining personnel records is separate from the staff persons preparing payroll sheets and effecting payments. Access to the payroll system is password protected and only establishment officers have access to HRIS.	As above
C	*(iv) Existence of payroll audits to identify control weaknesses* and/or ghost workers Partial payroll audits or staff surveys have been undertaken within the past three years.	Internal auditors are assigned in 15 ministries. Some of these (MoTR for example) are performing payroll audits. External auditors also conduct payroll audit as part of their financial audit in the sampled ministries. Head counts at national level have been conducted by the MoE.	As above PI-21 in this report (Internal Audit) Internal Audit Directorate (MoFEP) Auditor General, Audit Chamber of Southern Sudan; meeting included discussion of payroll audits Technical advisor for SSEPS (funded by CBTF)..

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 (IPPDR), effective from June 29, 2006. These regulations are 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.[52] The Procurement Policy Unit (PPU) in MoFEP's Directorate of Procurement is in charge of overseeing procurement activities in all public bodies. As yet, it has not produced a procurement manual; according to the acting director general of the PPU, a consulting company prepared a manual but did not hand it over to PPU at the end of its contract in December 2009.

In order to provide a stronger legal basis for regulating procurement activities, particularly in the area of enforcement, a procurement bill was drafted during 2010 (with USAID through a consulting firm). At the time of this assessment it had yet to be submitted to the Ministry of Legal Affairs and Constitutional Development. *Update, September 1, 2011: No change in status.*

Procurement activities are mainly the responsibility of finance departments in spending agencies. There is no formal establishment position of procurement officer, nor any formal institutional structure for procurement in the form of procurement committees.

The Ministry of Health indicated some constraints to bringing procurement practices closer to international standards:

- Many domestically based companies do not have articles of incorporation, bank account statements, audited accounts, proof of previous experience, and proof of insurance; this makes it difficult for them to compete under open competition tendering methods.
- There is a large geographical disparity in prices within Southern Sudan, partly reflecting poor road conditions and associated high transportation costs, that complicates bid preparation and evaluation.
- Capacity constraints include not enough engineering/technical staff who can provide the detail necessary in bidding documents, and not enough professional procurement agents who can prepare good terms of reference and evaluate bids. This is reflected in bidding documents, which do not put enough detail on specifications. Insufficient English speaking skills tend to put local companies at a disadvantage, relative to foreign companies. (English has been the official language for a number of years, but Arabic—the official language of Sudan—is still used by people not yet versed in English).
- People tend not to read newspapers, where tenders are advertised.

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

According to the regulations, open competition is the preferred method of procurement. 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 PPU whatever the value of the procurement before awarding the contract to a successful bidder. Procurement of goods through request-for-quotations methods with a value of SDG 20,000 or lower, and procurement of works with a value of SDG 50,000 or lower, are

[52] Interim Public Procurement and Disposal Regulations, page 8 (Scope and Application).

approved by the under-secretary of the respective spending agency. Procurements of goods and works above these thresholds have to be approved by the PPU.

The legal and regulatory framework for procurement meets three requirements of table 3.9.

Table 3.9: Legal and Regulatory Framework for Procurement

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 used above thresholds. Based on the interviews conducted by the team with various spending agencies, the PPU, and CoC, little or no justification appears to be provided for use of less competitive bidding methods for much of procurement. Single-source procurement appears to be the norm, particularly in the case of MoTR and MoAF.[53] Lack of proper procurement planning (spending agencies are supposed to prepare procurement plans at the beginning of the new fiscal year, but many don't, including MoE until 2011), lack of competing suppliers, and volatile market prices are identified as the main factors for opting for less competitive bidding.[54]

Neither internal procurement reports nor audit reports on procurement were available for review by the PEFA team. Neither the PPU nor the four spending agencies visited by the assessment team keep organized records on the value of each public procurement and the procurement method used. The procurement regulations do not stipulate recording and reporting on procurement activities as a requirement.[55] Procurement activities were outsourced to a consulting firm until 2008. The firm prepared a report on procurement, but PPU did not disclose the report to the PEFA team for confidentiality reasons.

[53] The Chamber of Commerce mentioned to the assessment team the lack of competitive bidding. One particular recent example was the advertising by the Ministry of Energy for some equipment, when in fact the supplier (from South Africa) had already been chosen.

[54] This is not to imply that single-source procurement is necessarily inferior to competitive procurement methods in terms of the cost-effectiveness of the inputs procured and the urgency with which they were needed. This point is stressed in Fiona Davies (at the time, Adviser for Economic Planning in MoFEP), "Contracting Out Core Government Functions and Services in Southern Sudan," *Discussion Paper* for Joint AfDB/PDG conference on Contracting Out Core Government Functions and Services in Post-Conflict and Fragile Situations, Tunis, June 2009.

[55] The PPU indicated to the assessment team that it has requested spending agencies to submit regular procurement reports but as yet had not received any. MoAF informed the assessment team that it prepares quarterly, semi-annual, and annual reports, but the team was unable to access these.

To address this issue, MoFEP issued a Treasury Circular in April 2011 to spending agencies to remind them to ensure that all procurement activities are conducted in accordance with the Interim Public Procurement and Disposal Regulations.[56]

(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.

Bidding opportunities are available to the public through local newspapers and notice boards and occasionally on the GRSS website. The Chamber of Commerce mentioned to the team that some tenders are not publicized to the public in any form. Contract awards are not publicized by either by the spending agency or the PPU; only the procedures which allow bidders to participate in the bid opening process are publicized.[57] Public procurement plans are not available to the public. Procurement complaints have not been submitted to date to any procuring entities or PPU.

(iv) Existence of an independent administrative procurement complaints system

This dimension is scored according to whether a body reviewing complaints on procurement

1. is comprised of 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; and
7. issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).

Articles 56 and 57 of the IPPDR 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 complaint should, in the first instance, be submitted to the head of the procuring entity. The head of the procuring entity should issue a written decision within 30 days. If the complainant is not satisfied with the decision of the head, he/she is entitled to submit the complaint to the PPU, which has to review within 30 days. The decision of the PPU is final. The PPU may recommend the appropriate course of action. in the case of a dispute arising between the parties to a procurement contract, the Law of Southern Sudan is applied.

[56] Letter issued by the first under secretary of finance (MoFEP) issued on April 12, 2011. This was based on a Presidential Order dated 29 August, 2010. This mentioned that the resort to single-source procurement reflected lack of planning. Good planning would enable much procurement to take place through requests for quotations.

[57] The Ministry of Agriculture and Forestry indicated that it can show contract awards to people on request, but this is not the same thing as publicizing awards..

There is no independent procurement complaints body. The PPU is not technically fully independent in terms of handling procurement complaints as it is involved in the process of procurement approvals above the threshold.

In practice, complaints are not submitted in any formal way. According to the assessment team's meetings with some of the spending agencies, suppliers may complain verbally to the procuring spending agencies and PPU. No procurement complaints have been submitted in writing. According to the CoC, complaints are not addressed, except in so far that the complainants showed a lack of understanding of the procedures involved (for example, in the case of a contract for building 22 schools won by an Ethiopian company—the main reason why local companies were not successful was insufficient understanding of the forms). As a result it is not possible to assess whether authorities address complaints according to the regulations.

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

Update, September 1, 2011: The above assessment on procurement was conducted mainly in April 2011, prior to the CPAR mission that conducted its field work in June. The findings of the CPAR mission, which examined procurement using the more detailed OECD-DAC methodology, are substantially consistent with the PEFA assessment.

Breakdown of PI-19 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)			
C	*(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework* The legal and regulatory framework for procurement meets three of the six requirements	As indicated in table 3.9.	IPPDR
D	*(ii) Use of competitive procurement methods* When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements for less than 60 percent of the value of contracts awarded *or* reliable data are not available.	No records are available as to the value of procurement according to procurement method and on the justification for using less than fully competitive methods. The team was informed that single-source procurement is the main procurement method for procurement above the thresholds.	IPPDR PPU in MoFEP Procurement Officers at MoEST Interviews with PPU, MoAF, MoH, MoEST, MoTR. and MoAF Interview with Chamber of Commerce, Industry and Agriculture
D	*(iii) Public access to complete, reliable, and timely procurement information* The government lacks a system to generate substantial and reliable coverage of key procurement information, *or* does not systematically make key procurement information available to the public.	Only one of the four requirements are met, namely the publicizing of tendering opportunities. Public procurement plans, contract awards, and decisions on complaints are not publicized (though, according to the PPU, no complaints have been registered).	As above
D	*(iv) Existence of an independent administrative procurement complaints system* There is no independent procurement complaints review body.	The PPU is the last port of call for submitting complaints, according to IPPDR. It is not independent, however, as it is involved in the process of procurement. Complaints are submitted only verbally, and appear not to be addressed.	Interim regulations PPU and spending agencies Chamber of Commerce, Industry and Agriculture

PI-20: Effectiveness of internal controls for nonsalary expenditure

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

(i) Effectiveness of expenditure commitment controls

The Appropriation Acts prohibit spending agencies from spending beyond their appropriated budgets. Since 2009, they have not been allowed to enter into expenditure commitments exceeding SDG 20,000 for consultancy services, SDG 40,000 for goods, and SDG 100,000 for works without receiving written confirmation from the MoFEP that sufficient funds are available from the uncommitted balances against their budgetary appropriations. Checking that this is the case is conducted by the accountant at the spending agency level and the budget accountant and internal auditor at MoFEP. Following such confirmation the contracts must be signed by Ministry of Legal Affairs and Constitutional Development.

These commitment authorization provisions came into force in response to the very large expenditure commitments entered into in 2007 for the purchase of food grains and dura (for the food reserve), for which there was no budgetary provision. As the food grains were delivered according to the contract, GRSS had a legal obligation to pay, but insufficient means to do so and has therefore been in arrears in making payments (PI-4).

For contracts/agreements to purchase below the thresholds, spending agencies are still first supposed to check that planned purchases of goods and services are within the balances of uncommitted appropriations. This may not always be the case, however, and spending agencies may in practice enter into expenditure commitments that are not provided for in the budget. Subsequent payment requests submitted to MoFEP in principle should not be approved, but nevertheless GRSS now has a legal obligation to pay suppliers and payments arrears accumulate as a result.

Expenditure commitment control based on the remaining balance of uncommitted appropriations does not ensure that approved expenditure commitments are matched by cash availability when payment requests are submitted to MoFEP. As elaborated on under PI-16, MoFEP is planning to introduce a system where prior approval of planned expenditure commitments is based not only on the approved budget but also on projected cash availability at the time when payment is due.

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

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

Payment requests and payments

Internal control systems governing payment requests and payments are in place, as documented in MoFEP's Payments Procedures and Use of Petty Cash Procedures (both 2009). These are well circulated and understood. With regard to the use of petty cash (for payments no larger than SDG 4,000), duties are segregated between preparation, checking (including by the internal auditor), and approving of payment requests, and then of the actual payments. Payment requests exceeding SDG 4,000 are subject to further scrutiny by the head of the accounts department in the spending agency. Payment requests exceeding certain thresholds (as indicated under dimension (i)) have to be submitted to MoFEP for scrutiny. Payment requests exceeding SDG 1 million require the additional signatures of the director general of the Budget and Revenue Department and the under secretary for MoFEP. Payment requests exceeding SDG 2 million require the additional signature of the minister of MoFEP.

A specific control feature is the requirement for a specimen signature from each accounting officer of each spending agency. Only payment requests bearing that signature will be considered.

All payment requests have to be accompanied by the correct supporting documentation: Payment Request Form (or original authorization letter), supplier invoices, copy of contract, proof of approval by MoLA (for purchases above thresholds), and proof of receipt of goods or services. Payment claims submitted to MoFEP are provided with reference numbers for follow-up of payment status. Approved payment claims are recorded into the IFMIS, as are the actual payments.

The Cash Management Committee has to approve payments in according to priority. Recipients of payments are required to sign as applicable.

Property management

An established internal control system for property, equipment, and supplies is not yet in place (for example, no goods receiving and issuing documents are currently used for evidencing the receipt and usage of such items). In some of the ministries visited, there were no fixed register and asset identification number, and annual inventory checks were not taking place. Anecdotal observations presented to the team indicated use of government property was not always for legitimate reasons; use of government vehicles is a particular example. The SSACC is an exception: assets are registered and provided with identification numbers.[58]

The 1995 Financial and Accounting Procedures Ordinance contains detailed procedures for property management. In principle, this ordinance is still in effect, but in practice, except in some areas, it is not observed. The Public Service Manual (chapter 7) provides for controls over use of government assets, but these tend not to be complied with (vehicle log books are supposed to be used, but they are not).

Bank account reconciliation and clearance of advances

The spending agencies visited by the team do not reconcile their bank account statements with their records of revenues and expenditures, the exception again being the SSACC.[59] As indicated under PI-22, bank accounts controlled by MoFEP have not been reconciled by MoFEP since December 2009. This also appears to be the case with spending agency–controlled bank accounts.

In the case of advances under petty cash procedures, these procedures are clearly laid out and well understood. However, they appear not to be always complied with. Payments are recorded as expenditures, with no separate memorandum recording for follow-up in terms of what the money was actually spent on and whether the spending was consistent with the approved budget. The draft annual financial statements shown to the team indicate that a significant proportion of the advances are simply recorded as “advances” and not according to the type of expenditure. In theory, MoFEP only disburses the next petty cash tranche once the spending of the previous tranche has been accounted for, but in practice the disbursements are often made without accountability.

Personnel controls

GRSS has a well-articulated and well-organized Public Service Procedure Manual. The manual addresses procedures on the entitlement of employees to compensation and benefits, for example, the types of leave that can be taken and the format to be used for a leave certificate. The manual also contains procedures for termination, disciplinary issues, performance appraisal, vacation leave, study leave, sick leave, and death (in which case salary payments can be made to family members for three months after death). The procedures are clear and well understood but are not always complied with. For example, as indicated in PI-18, attendance control is weak, and there are doubts whether all employees’ absences from work are supported by approved -eave certificates. The

[58] 2009 annual report of SSACC.
[59] June 2010 monthly report of SSACC.

extent of compliance probably varies between spending agencies. For example, the interview with the Ministry of Agriculture and Forestry indicated a high degree of compliance.[60]

Document controls

Although the Public Service Procedure Manual provides for document controls (and office administration procedures in general), an appropriate level of internal control over accounting documents (for example, payment vouchers) is not in place. These documents are not serially sequenced and prenumbered. They are loose printouts, making it difficult to control the completeness of document recording and to avoid possible fraudulent activities through omission or submission. Cash receipt vouchers used by different ministries for the collection of revenue are not centrally managed, and a procedure on the control of unused documents is weak.[61]

Internal control over procurement process is governed by IPPDR, which are well understood by many. However, as indicated under PI-19, the rules are not well complied with and procurement methods chosen are often tend to be the restrictive competition ones, particularly single sourcing.[62]

Table 3.10 summarizes the internal control systems in place, the level of understanding of these, and the degree of compliance with them.

Table 3.10: 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 them at spending agency (SA) level, and then again at MoFEP level for payment requests and payments in excess of SDG 4,000. The system is a legacy of the old Sudan-wide Financial and Accounting Procedures Ordinance (1995).	This system is well understood at all levels.	Fair compliance
Reporting and reconciliation	According to the Payments Procedure Manual, MoFEP is required to submit monthly budget execution reports to SAs by expenditure chapter, budget line item, and activity.	The Payments Procedures Manual is very clear (section 10).	Some spending agencies visited by the team claimed they did not receive any reports from MoFEP. MoFEP Accounts Department said it would follow up.
	The Petty Cash Procedures Manual and Appropriation Act require monthly and quarterly accountability reports to be submitted to MoFEP by SAs.	The manual and Appropriations Acts are very clear.	Only a few spending agencies (and none of those visited by the team) are sending monthly and quarterly accountability reports on the petty cash advanced to them by MoFEP; the SSACC is one of the few. This is despite each SA having a Directorate of Administration and Finance staffed with accountants. The annual financial statements for 2007 and 2008 show nearly three-quarters of the expenditure of petty cash not accounted for.
	The requirement for regular bank	It seems that there is	Bank reconciliation statements

[60] The ministry went so far as to make radio announcements if employees do not return to work on time following their leave.
[61] The 1995 Financial and Accounting Procedures Ordinance issued by the Government of Sudan contains very detailed procedures concerning documentation control, but this ordinance is no longer widely circulated and knowledge of it seems limited.
[62] Presidential Order date August 29, 2007, on adherence to Procurement Procedure and Letter from the Office of Under Secretary of Finance dated April 12, 2011.

Internal Control System	Description	Understanding	Complied
	reconciliation is not stated in the Payment Procedure Manual or Appropriations Act (or in the draft PFM bill). .	little understanding of the importance of bank reconciliation.	related to MoFEP accounts have not been prepared since December 2009. Most spending agencies do not prepare bank reconciliation statements and therefore cannot produce their own financial statements.
	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).	There is limited understanding on the importance of periodic cash count.	No periodic or surprise cash counts.
Property management	There are no property management procedures 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 to best practices in property control. The only SA practicing compliance is the SSACC, which includes a list of properties in its annual report. No property receiving and Issuing documents are used; no fixed asset registers are maintained.
Documentation for forms and receipts.	Formats for the payment requests procedures are used. These formats however are not prenumbered and serially sequenced, a usual requirement for internal control systems.	The Payments Procedures Manual is widely disseminated and used.	The formats for payment requests are strictly used at SA and MoFEP level.
	Cash Receipts, such as for nontax revenue (NTR), are not multicopy, prenumbered and serially sequenced in a format centrally regulated by MoFEP. Accountability for the receipt and use of NTR is therefore very difficult to assure.	MoFEP and SAs are aware of the importance of receipt controls.	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 GRSS are FreeBalance, the payroll management system (SSEPS), 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 with.
Annual leave, pilgrimage leave, travel leave, study leave, sick leave and other special leave	Procedures are contained in the Public Service Manual and are clear as to the conditions for taking leave and the number of permissible leave days. Employees applying for leave complete standardized forms.	The manual is widely understood.	Partly complied with.
Staff allowances	Procedures are contained in the Public Service Manual, and are clear as to the procedures for funeral, acting, transport, housing, statehouse, feeding, and other allowances.	The manual is widely understood.	Partly complied with.
Staff incentive	Guidelines and procedures covering incentives are not in place. Internal controls over incentives are weak.	Clear understanding on the issue of incentives is limited.	Staff may be paid incentives of up to three months' salaries.

Degree of compliance with rules for processing and recording transactions

As shown in Table 3.10, 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, documentation control, and employee incentive payments. Audit reports would have been useful sources of information for assessing these particular dimensions, but such reports were not available to the assessment team (in any case, the audit function is not yet fully established).

Breakdown of PI-20 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)	Listed in PEFA Framework		
C	*(i) Effectiveness of expenditure commitment controls* Expenditure commitment control systems exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated,	Commitment control is linked to the level of remaining inappropriate balances (the ceiling for appropriations been governed by the annual Appropriations Act) but is not linked to projected cash availability. As noted under PI-16, cash flow forecasting and related periodic cash spending limits systems have not yet been developed, although Section 7 of the annual Appropriations Acts refers to such limits. Spending agencies (SAs) may therefore enter into commitments without knowledge that the cash will be available for making payments to suppliers. As noted under PI-4, the sum of expenditure commitments have far exceeded the cash available, leading to large pending claims, nearly all of which constitute arrears.	Appropriation Acts, 2009-2011 Interviews with MoE, MoH, MoTR, MoAF, Center for Census and Statistics, MoFEP Accounts Department, Audit Chamber, SSACC, Chamber of Commerce, Ministry of Industry and Agriculture
C	*(ii) Comprehen-siveness, relevance, and understanding of other internal controls and processes* 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 SAs of the internal control rules is good in terms of payments request procedures, procurement procedures, IT controls, and personnel management. Understanding by SAs of the value of budget execution reports, bank reconciliation, and controls over the use of government owned real assets is not so good. The internal control procedures over real assets are far from comprehensive.	As above
D	*(iii) Degree of compliance with rules for processing and recording transactions* The core set of rules are not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified /emergency procedures.	The understanding of rules is generally better than the compliance with the rules, hence the lower rating. Compliance is limited in terms of • Proper document control • The procurement regulations (use of less competitive bidding methods with insufficient reasons for urgency) • 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 non-tax revenues by line ministries Compliance is good in terms of segregation of duties, payment requests procedures, use of IT, and personnel benefits controls.	Procurement Directorate (MoFEP) MoFEP, Accounts Directorate MoFEP, Planning and Budget Directorate Interviews with MoAF, MoE, MoTR and MOH

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).

Background

The new GoSS that resulted from the CPA inherited the legacy of internal audit (IA) from the Government of the Republic of Sudan as a predominantly prepayments check function. The “Payments Procedures” provide the regulatory basis for the continuation of this function.

The draft Public Financial Management and Accountability Bill would provide the legal basis, once enacted, for progressing toward an internal *ex-post* systems audit function. Under the bill, each spending agency should establish and maintain an IA function, and internal auditors should be given unrestricted access to offices, persons, documents and records necessary for the conduct of internal audits. In this regard, strengthening of the IA function is highlighted as one of the reforms indicated in the “2011 Budget Execution Reforms” paper released by MoFEP in April 2011.

In practice, the IA function is in the early stages of progressing toward an *ex-post* audit system, with assistance from the World Bank–supported Low Income Countries Under Stress (LICUS) project and the multidonor-supported Capacity Building Trust Fund (CBTF). The development is being spearheaded by the Directorate of Internal Audit in MoFEP, the director general (DG) of which reports to the under secretary (finance and administration) in MoFEP. The number of staff in the Directorate is likely to increase. Heads of IA departments (IADs) in spending agencies are at director level and report to the ministers of the respective agencies, copied to the Directorate of IA MoFEP. All GRSS auditors are hired (and fired) by the Directorate of IA. To augment independence, it is planned to rotate IA staff among spending agencies.

Staffing and qualifications

Thirty trained staff (15 internal audit officers and 15 graduate-level assistant inspectors) were recruited to GoSS spending agencies in 2010 and plans were to recruit 20 more in 2011.[63] Older staff tend to have diplomas or other certificates and most of them stand to benefit from further technical training. Some of the new recruits have B.A. degrees in accounting, and public administration. Minimum entry qualifications are not explicitly stated in the draft internal audit manual. No locally hired internal audit staff have professional accountancy qualifications, though many staff are undertaking these courses.[64] Staff are typically trained in both accounting and auditing skills at the Government Accountancy Training Centre (GATC).

Through GATC, an audit advisor is assisting with development of technical skills, quality review, and preparation and maintenance of an Internal Audit Policies and Procedures Manual. The manual, finalized in October 2010, sets out the internal audit mission, policies, strategies, methodologies, and charter; personnel and training arrangements; code of ethics; and management of the audit function. The methodologies include standard operational procedures and templates for preparing audit working papers and reports. The manual was benchmarked from the International Standards for the Professional Practice of Internal Auditing (ISPPIA), prepared under the auspices of the Institute of Internal Auditors.

Due to capacity constraints the expansion and strengthening of the internal audit function will not be rapid. Professional accountants and auditors are in short supply and are in demand by the private sector as well as the public sector. Replacing auditors who leave because of opportunities elsewhere (private sector, donor agencies, or NGOs) or long-term study opportunities (as in Ministry of Education and Ministry of Agriculture) can take a long time.

Systems audits, as well as special and investigative audits, are beginning, and progress is being made toward reaching ISPPIA standards, as evidenced by reports reviewed by the assessment team. For example, the IAD of the Ministry of Transport and Roads undertook a payroll audit during 2010 at the request of the minister. The ministry cleaned up its pay sheets following the audit findings. The ministry's audit plan for 2011 indicated that the focus should be on priority risk areas such as non-tax-revenue collection, for example, landing fees collected at the airport. (As noted under PI-7, it may be the case that not all non-tax revenue is reported and that the unreported amount is spent outside the budget.) As another example, MoFEP's internal audit department is planning to conduct a systems review of budgetary controls at MoFEP itself.

[63] Progress report issued by Directorate of Internal Audit, January 2011.
[64] Certification might typically take place through the UK-based Association of Chartered Certified Accountants (ACCA). Qualifications include Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and Certified Fraud Examiner (CFE).

A summary of systems-oriented internal audit activities is presented in table 3.11. Out of the 15 spending agencies shown in the table, only 4 have actually conducted systems audits, the remainder being still in the planning stage.

Table 3.11: Status of Performance of Internal Audit Units as of March 32, 2011

No.	Ministry/Agency	No. of Internal Auditors	Performance
1	Energy and Mining	1	• Revenue systems audit completed • Payroll systems audit completed
2	Telecom and Postal services	1	• First systems audit completed
3	Wildlife Conservation and Tourism	2	• First systems audit completed
4	Roads and Transport	3	• Completed review of pay sheets on request • First systems audit completed
5	Culture, Youth and Sports	1	• Facing challenges with pay sheet review • One requested audit started • Submitted 2011 audit plan
6	Urban Water Corporation	1	• Inception report prepared, no IA activity yet
7	Commerce and Industry	1	• Risk assessment questionnaire distributed
8	Information and Broadcasting	1	• Prepared audit plan for 2011
9	Education, Science and Technology (Higher Education)	1	• Submitted inception report, no audit report yet
10	Cooperatives and Rural Development	2	• Inception report prepared, no audit activity yet
11	War Veterans Commission	1	• One Petty Cash audit completed in July 2010
12	Water Resources and Irrigation	1	• IA staff currently being trained
13	Legislative Assembly	2	• Progress not yet assessed
14	Human Rights Commission	1	• Progress not yet assessed
15	Ministry of Finance and Economic Planning (MoFEP)	10	• Systems audit will commence after approval of the ToR by under secretary
Total		**29**	

Source: MoFEP- Internal Audit Progress Report for the period ended January 31, 2010.

The plan is to have at least two auditors in each spending agency—more than 100 auditors altogether. As indicated in table 3.11, 29 internal auditors are currently in post; five of these, however, are engaged full-time in the pre-audit of transactions in MoFEP.

(i) Coverage and quality of the internal audit function

Out of the 54 spending agencies that make up GRSS, 15 had internal audit units (28 percent coverage) as of 31 January 2011, up from 6 in January 2010. The security sector, comprising 23 percent of the budget, is the main sector with no internal audit unit. Out of the 15 internal audit units, only 4 were actually conducting systems audits (the first four mentioned in table 3.11). The internal audit manual, developed in 2010, meets international standards.

The sample of reports reviewed indicated fairly good quality, with identification of risk areas and incorporation of these into audit plans (for example, non-tax-revenue collection systems in MoTR). Application and usage of these standards is, however, not yet up to the required level of quality. Greater support from top management in spending agencies and continuation of capacity development would help to strengthen the effectiveness of the internal audit function.

(ii) Frequency and distribution of reports

Reports are not regular but are issued as required. Since October 2010, when the internal audit manual was issued, five special audit and investigative audits had been prepared as of April 2011. Internal auditors in MoFEP are still fully engaged in pre-audit of payment requests and have not prepared any reports so far on the systems at MoFEP itself.

The framework for the frequency of the distribution of reports is not explicitly stated in the manual, apart from the annual audit report. Section 2.2.4 states that each year, by February 1, the head of the IA unit in each spending agency is to present to the accounting officer and the minister a report on the performance of the IA function over the previous year. This report should include, inter alia, audit scope, audits conducted, principal recommendations, review of implementation of previous recommendations, and the training of personnel. The assessment team was granted access to one such annual report. The practice in countries where the internal audit function is fully operational is a higher frequency of reports.

Section 8.7.2 of the internal audit manual states that internal audit reports should be distributed to the under secretary, the minister, and the head of the directorate/section that was audited, as well as the Internal Audit Directorate at MoFEP. The distribution list does not include the Audit Chamber, which can, however, obtain these reports upon request. It would be good practice to copy final internal audit reports to the Audit Chamber as part of the reporting routine.

(iii) Extent of management response to internal audit findings

The audit manual has structured formats for recording management responses and detailed follow-up action plans, including mention of the officials responsible for follow-up. Some spending agencies respond to and follow-up on internal audit recommendations, resulting in the writing of a letter to the IA unit indicating what measures they took based on the audit findings. The exemplary ones include the Ministry of Mines and Energy and the MoTR. The Ministry of Education, following a special audit report dated April 11, 2011, is implementing the audit recommendations. In some cases agencies do not act on the findings. A committee has been formed within MoFEP to oversee audit reports, but it is not yet functional.

As the internal audit function gets off the ground, the culture of response should also gradually pick up.

Breakdown of PI-21 Scores

Score	Minimum requirements	Justification	Information Sources
D▲ (M1)			
D▲	*(i) Coverage and quality of the internal audit function* There is little or no internal audit focused on systems monitoring.	The *ex-post* systems-oriented internal audit function is still at an early stage of development. Most of the audit activities are still in the form of *ex-ante* prepayment checks, but the systems-based approach began to get off the ground during 2010, with four spending agencies preparing reports.	Internal audit manual IA Directorate (MoFEP), director and advisor Meeting with IA Unit at MoRT MoE Special Audit Report IA development progress report (LICUS project)
D	*(ii) Frequency and distribution of reports* Audit reports either nonexistent or irregular.	Only a few reports have been prepared so far and no regular monthly or quarterly reports have been prepared by any of the IA units. The only report whose required frequency is mentioned in the internal audit manual is the annual audit report. The distribution list is explicitly stated in the manual. This excludes the Audit Chamber, which can obtain audit reports on request.	-IA Directorate, MoFEP and IA units in line ministries met
D	*(iii) Extent of management response to internal audit findings*	With the IA function only in its early stages of development, the number of audit reports prepared is too small to measure the overall response of management, although internal audit recommendations have been followed up on to some extent in the case of the very few audit reports prepared so far.	IA Directorate IA unit at MoTR MoE special audit report

3.6 Accounting, Recording, and Reporting

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

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	D	(i) D (ii) D	M2
PI-23	Availability of information on resources received b y services delivery units	D▲	(i) D▲	M1
PI-24	Quality and timeliness of in-year budget reports	C+	(i) C (ii) A (iii) C	M1
PI-25	Quality and timeliness of annual financial statements	D+	(i) C (ii) D (iii) C	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

At the time of the PEFA mission in April 2011, MoFEP had not fully reconciled any of its 17 bank account statements with its “above-the-line” revenue and expenditure records since December 2009. An important reconciliation issue was the recording of revenues. Oil revenues recorded were based on bank advice statements rather than basic source documents. Discrepancies were significant. Oil revenues received by MoFEP during 2005–08 according to its records were lower than revenues indicated in Petroleum Unit Oil reports by US$592.1 million (SDG 1.3 billion), as indicated in the annual financial statements (AFSs) for these years. The reasons, according to the AFSs, were that some revenues were being spent prior to the deposit of revenues with MoFEP and there were delays in the deposit of revenues by GoNU in MoFEP’s account. The situation improved, however, during 2010 as the result of the Accounts Department in MoFEP placing a representative on the GoNU Committee that monitored oil revenue and production data and assessed arrears that were then paid by GoNU to MoFEP (as shown in table 3.3). *Update, as of September 1, 2011: A formal, full reconciliation exercise was conducted during May-July, 2011 for the period January 2010–May 2011. Since July 9, 2011, GRSS has been in sole charge of managing its oil revenues and the reconciliation issue mentioned above no longer applies.*

Bank reconciliations are prepared in only some of the spending agencies. MoFEP has no access to these accounts. Spending agencies do not generally prepare annual financial statements, which, if prepared, would include balances in bank accounts. Some of the bank reconciliations conducted by spending agencies may not in fact be true reconciliations; a “reconciliation” provided by MoE to the assessment team was actually a transactions ledger. Donor agencies may perform regular reconciliations of their own bank accounts (many opened under the auspices of the relevant spending agency), but MoFEP also does not have access to their reconciliation statements.

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

Travel advances (per diems) and supplier advance payments are recorded as expenses at the time of payment. No separate memorandum records are maintained to monitor advance payments. As a result the annual financial statements for 2005–2008 do not show these advances (as receivables), even as disclosure items.

Balances on suspense accounts may arise due to unidentified revenue and payments. The annual financial statements for 2005 indicate uncleared end-year suspense account balances. Some of these balances have been carried over year-after-year. The 2006 annual financial statements indicate end-year balances carried over from 2005 of (i) US$109 million as payment pending further information and explanation from six banks where MoFEP holds accounts; (ii) pending unclassified receipts of US$0.3 million; and (iii) US$7.4 million kept in a bank account in Geneva that was not in the name of GRSS. This balance was also reported in the 2008 annual financial statements as outstanding.

Breakdown of PI-22 Scores

Score	Minimum Requirements	Justification	Information Sources
D (M2)	As listed in PEFA Framework		
D	*(i) Regularity of bank reconciliations* Bank reconciliation for all Treasury-managed bank accounts take place less frequently than quarterly *or* with backlogs of several months.	MoFEP-controlled bank accounts (17 in total) have not been formally and fully reconciled (no irreconcilable errors) with revenue and expenditure records since December 2009. MoFEP does not have access to information on spending agency bank accounts and does not know whether and how often bank reconciliations take place. (The SSACC seems to be an exception.)	MoFEP, Accounts Department MoA, MoH, MoA, MoE SSACC
D	*(ii) Regularity of reconciliation and clearance of suspense accounts and advances* Reconciliation and clearance of suspense accounts and advances takes place either annually *or* less frequently.	The accounting system does not capture advances. Suspense balances are reported for payments and receipts through banks for which no evidence was available. These balances have been carried forwarded for at least two years.	MoFEP annual financial statements for 2005– 2008 MoFEP, Accounts Department MoTR

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. The indicator covers primary education and health care service delivery units that are under the responsibility of GRSS and state governments.

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 two of "Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011," issued by the States Monitoring Transfers Committee (STMC) in April 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 South Sudan Electronic Payroll System (SSEPS, covering the bulk of conditional grants finances salaries as discussed under PI-18), and the FreeBalance financial management information system. The STMC will review the monthly reports and recommend to the under secretaries of MoFEP and MLPS which 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 what is in the budget for the current year. They state the number of activities under each project, but without specifying the particular health centers or schools involved.

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 being implemented, 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 provided mainly at the state government level.

Breakdown of PI-23 Scores

Score	Minimum Requirements	Justification	Information Sources
D▲ (M1)			
D▲	*(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-end delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector (s), irrespective of which level of government is responsible for the operation and funding of those units*	No comprehensive information has been available to date on resources received by basic service delivery units, which are mainly the responsibility of state governments. This situation is likely to improve, starting in 2011, due to recently announced tougher reporting and accounting requirements under conditional grants under STMC, which effectively finance much of basic service delivery at state level.	MoE, MoH MoFEP Memo from under secretary of Planning in MoFEP to director generals and state Ministries of Finance on "Reporting on Transfers to States," April 4, 2011 "Conditions for Use, Release and Reporting on Transfers to States in Fiscal Year 2011," April 2011, MoFEP and Ministry of Labor and Public Service

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

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

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

Using the IFMIS, MoFEP records approved payment requests and actual payments on a monthly basis (including disbursements to line ministries to pay salaries and related benefits and petty cash advances). Approved payment requests, actual payments, and remaining appropriations balances are recorded on a real-time basis, while revenue collections are recorded on the basis of bank advice statements (and thus not on a real-time basis, as the statements may be submitted some time after the revenue is received).

According to MoFEP's payment procedures, MoFEP is required to issue monthly budget execution reports to spending agencies. These reports are also required to be presented by activity and by economic classification (salary, operating, and capital). An example of an IFMIS-generated report (for the Ministry of Energy and Mining for April 2009) shown to the assessment team showed the following: approved budget by economic classification (but not by activity), amount spent to date, commitments/obligations (meaning approved payables), and the unappropriated balances remaining until the end of the year (budget minus expenditures-to-date minus payables). They do not include expenditure commitments entered into (contracts and purchase orders) prior to the commitments becoming payables, as the system does not as yet provide for this (an expenditure control issue, discussed under PI-20). Although proposed contracts above the threshold contained in the payments procedures require prior approval of MoFEP and the Ministry of Legal Affairs, the approved amounts (commitments) are not recorded in the IFMIS.

Similarly, spending agencies are expected to prepare their own financial reports, showing own revenues, transfers from MoFEP, expenditures, and bank balance movements. Most spending agencies, including those visited by the assessment team, do not prepare their own financial reports. The SSACC is an exception. The IFMIS software, which would facilitate preparation of financial reports, has been installed in only eight of the spending agencies and is not yet fully operational.

Some of the Directorates of Administration and Finance of spending agencies visited by the assessment team claimed that they did not receive monthly budget execution reports from MoFEP. Some of the reports were incomplete. The reports sent to MoAF are not classified by expenditure activities and economic classification under each activity. They also do not include information on the annual original budget estimates so that comparisons can be made. The Ministry of Transport and Roads indicated that it did not receive reports from MoFEP. According to the Accounts Directorate of MoFEP, the probable reason is the heads of some of the spending agencies may not disseminate these reports to their Administration and Finance Directorates. The Ministry of Education does receive monthly budget execution reports from MoFEP but indicated that they were not accurate. But this may just reflect that MoE’s records may be based on payment requests rather than actual payments.

Among the spending agencies visited by the team, SSACC prepares its own monthly financial reports. The report includes the approved budget, cumulative monthly expenditures up to the end of the reporting date, a list of expenditures for the month, unused budget balance, and bank reconciliation. The report does not include information on expenditure commitments.

The presentation and distribution of in-year financial statements is therefore not uniform across the spending agencies.

(ii) Timeliness of the issue of the reports

Expenditure reports are prepared by MoFEP Accounts Department on a monthly basis, using the IFMIS. Some spending agencies, such as MoTR, complain that they do not receive such reports, but this may reflect internal dissemination issues. MoFEP submits quarterly financial reports to SSLA every quarter. SSACC prepares its monthly financial statements within two weeks from the end of the month.

(iii) Quality of information

Assessment of the quality of financial reports would have been easier if audit reports had been available. As noted under PI-21, the internal audit function is only just getting off the ground and the Audit Chamber has not circulated any of its audit reports yet (discussed under PI-26).

According to the Directorate of Accounts in MoFEP, the quality of financial reports in terms of the accurate capture of information is fairly good. Submitted and approved payment requests are captured on a daily basis. The payment requests are being approved on the basis of supporting documentation provided by spending agencies (for example, purchase order, invoices, and goods receipts note). These are checked, verified, and approved prior to the submission of the payment request form to MoFEP and then checked again by MoFEP. Except for petty cash advances to spending agencies for which no accountability reports are prepared and presented to MoFEP, all payments are captured in the IFMIS. Petty cash advances for which no accountability reports are presented are recoded as petty cash expense in a lump sum.

MoE expressed a concern about the quality of the monthly financial reports. Some expenditures not related to the ministry were often presented in the monthly reports sent to it by MoFEP.

The limited application of some accounting standards (according to IPSAS), such as the lack of recording of expenditure commitments, the absence of monthly bank reconciliations, the use of advances, the non clearing of suspense accounts, and the recognition of revenue on the basis of net cash received as per bank advice slips (instead of real time records of gross revenue receipts) affects the quality of the in-year financial reports.

Ongoing actions and plans

Twelve new accountants have been recruited by MoFEP accounts to clear backlogs in accounting, including reconciliation of bank accounts and clearance of suspense accounts.

Breakdown of PI-24 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M1)	As listed in the PEFA Framework		
C	*(i) Scope of reports in terms of coverage and compatibility with budget estimates* Comparison to budget is possible only for main administrative headings. Expenditure is captured either at commitment or at payment stage, but not both.	MoFEP prepares monthly financial reports. Reports received by some SAs show comparison to budget by activities and line items according to economic classification. Some of the reports received by other SAs do not show the approved budget for performance analysis purposes. Expenditure commitments (commitments to purchase/procure) are not included. Revenue reports are not on a real-time gross basis, thereby precluding revenue performance analysis.	Interview with MoFEP Accounts Department. Sample of FreeBalance generated monthly reports, provided by MoFEP Accounts Department - Interview with MoE Administration and Finance Department (AFD) Interview with MoA AFD SSACC managing director
A	*(ii) Timeliness of the issue of the reports* Reports are prepared quarterly, or more frequently, and issued within four weeks of the end of period.	Expenditure reports are prepared by MoFEP Accounts Department on a monthly basis, using the IFMIS. Some SAs such as MoTR complain that they do not receive such reports, but this may reflect internal dissemination issues.	MoFEP Accounts Department MoE AFD MoA AFD MoTR AFD
C	*(iii) Quality of information* There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness.	All payments effected by MoFEP are recorded in the IFMIS, though not directly generated by it. The payments are based on well-documented and checked payment requests forms and supporting documents. Nevertheless, some spending agencies claim that monthly performance reports sent to them contain errors. Expenditure out of petty cash advances tends not to be well documented. Revenues are recorded when advice slips are received from banks showing receipts in net terms. Some expenditure deducted at source and not reported on. At times, the bank advice slips are received after the revenues have been deposited, thus monthly revenue statements may inaccurate.	As above

PI-25: Quality and timeliness of annual financial statements

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

The most recently completed annual financial statements prepared by MoFEP are for 2006–08. MoFEP expects to finalize the annual financial statements for 2009 by the end of June 2011. Preparation of the 2005–08 statements was contracted out to a consulting firm. The Accounts Directorate of MoFEP took over the responsibility of maintaining books of accounts and preparing financial statements in 2009.

(i) Completeness of the financial statements

MoFEP prepares a consolidated government financial statement annually, covering spending agencies at GRSS level and transfers to the states, but not the states themselves. The financial statements include budgeted and actual expenditures (payments) by sector and budgeted and actual revenues. Some revenues and expenditures are not included in the financial statements: (i) Expenditures deducted at source by GoNU from oil revenues are not included, so that oil revenues are recorded as net amounts—the amounts deducted are, however, presented as a disclosure; (ii) some of the revenues collected by spending agencies are not included in the financial statements or disclosed; and (iii) MDTF and other donor-funded expenditures incurred on behalf of GRSS are not included or disclosed.

Transfers are recorded as expenditures at the time of transfer. Financial assets other than cash (physical and in bank accounts) are not included in the financial statements. All advances paid to suppliers and staff are recorded as expenditures (e.g. advances paid for the purchase of vehicles are recorded as expenditures), and the composition of the expenditure tends not to be reported to MoFEP.

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

The delivery on financial statements is as follows:

Year	Date AFS approved by MoFEP	Date AFS submitted to Audit Chamber	Months from end of fiscal year
2009	May 5, 2011	May 5, 2011	16
2008	April 1, 2009	February 22, 2010	14
2007	April 1,l2008	February 22, 2010	26
2006	August 1, 2008	August 1, 2008	20

Delays in submitting the annual financial statements to the Audit Chamber are mainly due to the delay in MoFEP taking over the accounting function from the consulting firm and to understaffing.

(iii) Accounting standards used

According to the narrative in the draft financial statements they have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) on a modified cash basis of accounting, except where stated otherwise. Section 48 (3) of the draft PFM and Accountability Bill indicates that accounts should be prepared in accordance with international public sector accounting standards. Section 48 (5) states that the accounts prepared should state the basis of accounting (i.e. cash, modified cash, accrual).

Recognition of oil revenue as net receipt and omission of third party expenditures on behalf of GRSS (i.e. donor projects) are not in line with the cash basis IPSAS.[65] Accounting policies stated in the annual financial statements in recognition of inventory, payables, accruals, contingent liabilities and commitments have not been reflected in the 2006-08 statements or in disclosures to the statements.

[65] Section 1.3.13 of IPSAS—Financial Reporting Under the Cash Basis of Accounting updated in January 2007— requires that total cash receipts should be reported on a gross basis.

Breakdown of PI-25 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
C	*(i) Completeness of the financial statements* A consolidated government statement is prepared annually. Information on revenue, expenditure, and bank account balances may not always be complete, but the omissions are not significant.	Full information is not provided on: (1) oil revenues and related expenditures deducted at source; (2) some own revenues of ministries and the spending thereof; (3) expenditures financed out of petty cash advances; (4) donor-funded projects; and (v5 some financial assets, including bank balances of spending agencies, and some financial liabilities.	MoFEP annual financial statements for 2005–08 and draft for 2009
D	*(ii) Timeliness of the submission of the annual financial statements* If financial statements are prepared, they are generally not submitted for external audit within 15 months of the end of the fiscal year.	The AFSs for 2009 were submitted to the Audit Chamber in May 2011, 16 months after the end of the financial year. The delay is mainly due to the delay in MoFEP taking over the accounting function from KPMG.	MoFEP Audit Chamber
C	*(iii) Accounting Standards used* Statements are presented in a consistent format over time with some disclosure of accounting standards.	Financial statements are presented consistently over time, with some improvement, including comparison of actual outturns against the budget. The AFSs are supposed to be prepared according to the cash-based IPSAS, but in practice they are not.	Annual financial statements for 2005–08 and draft AFS for 2009 PSAS (prepared by International Federation of Accountants–IFAC)

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 Oversight and Audit

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

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

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

Background

The Southern Sudan Audit Chamber was established in 2005 according to Article 195 of ICSS. The auditor general is appointed by the president of GRSS, with the approval of a two-thirds majority of members of SSLA; removal from office also requires a two-thirds majority approval. The auditor general is required to present an annual report to the president and the SSLA. The law specifying the functions, terms and the conditions of service of the employees of the Audit Chamber is not yet enacted. The Audit Chamber Bill was signed by the president as a provisional order in January 2011 and, at the time of the assessment; it was before SSLA for consideration and passing into law. When enacted, the major function and duties of the Audit Chamber would be very similar to any auditor general's office following guidelines of the International Organization of Supreme Auditing Institutions (INTOSAI).

The first auditor general was appointed in 2006. A commission of five people was established, but technical expertise was limited. PKF (a UK consulting firm) was appointed in 2007 as a six-man team under a three-year contract to take charge of the external audit activities and strengthen the capacity of the Audit Chamber. It started with audits of projects financed by the Multi-Donor Trust Fund (MDTF). Initially, PKF could not audit GoSS as there were no annual financial statements to audit. It later assisted in auditing the 2005 and 2006 AFSs and, as of September 1, 2011, is finalizing the audits of the 2007 and 2008 AFSs. It has commenced auditing the 2009 AFSs, following their receipt in June 2011. It audited the Oil Revenue Account in Khartoum for the years 2005–2008. PKF's contract was extended for another year and is still ongoing. Recently PKF assisted with the drafting of an external audit development strategy for the next five years. An experienced audit adviser, who served as deputy auditor general of India, is also providing technical assistance to the Audit Chamber.

A deputy auditor general was appointed in 2009 with the mandate of an auditor general. The current auditor general was appointed in February 2010 and took up his appointment in July 2010. He is well educated and qualified for the position (holds two masters degrees and a CPA accounting qualification).

The Chamber as of May 2011 had the auditor general, 2 deputies, 1 executive director, 4 directors, 8 audit managers, 12 senior auditors, 20 auditors, 25 assistant auditors, and 17 drivers, amounting to 90 staff in all.

Currently only the auditor general and one deputy have professional accountancy qualifications. The rest are degree holders and some are pursuing professional accountancy qualifications, including through the Government Accounting Training Center (GATC). Staff are encouraged to attend INTOSAI conferences as part of their continuing education. The Hugh Pilkington Trust was recently hired to teach English speaking and writing skills to auditors; English-speaking abilities in South Sudan are in limited supply. Staff turnover and the limited supply of audit professionals are a challenge to the Audit Chamber.

(i) Scope and nature of audit

This dimension comprises three subdimensions. The lowest subdimension score is the score for the dimension as a whole. The subdimensions are (a) extent of coverage of SAs in terms of percentage of total public expenditure; (b) the nature of the audit, for example, financial audits, compliance audits, and performance audits; and (c) adherence to appropriate auditing standards (for example, as specified by INTOSAI), including the extent of focus on systemic issues.

(a) Extent of audit coverage of spending agencies

The Audit Chamber covers all public sector entities in South Sudan. The extent of audit coverage is also informed by the comprehensiveness of the financial statements. The GRSS financial statements are more comprehensive at income and expenditure levels and less so at assets and liabilities levels and the equity structure and cash flow. Hence the extent of audit coverage at an individual financial statement level is not fully comprehensive.

Audits have covered 30 GRSS spending agencies, representing about 80 percent of expenditures. Three of these agencies—SPLA, MoFEP, and the Interior Ministry—represent about 51 percent of expenditures. Specialized agencies, namely CBSS and the utility companies, have not been audited yet. The Chamber has not audited any state governments yet on an individual basis. The PKF team audited the 10 states combined in 2009, but this was not in line with the law, which stipulates that each state, as a separate legal entity, should have a separate audit report.

(b) Nature of audit

The emphasis is on annual financial statements covering revenue and expenditure. The audits also cover compliance with rules and procedures (including compliance with donor funding agreements), payroll cycles, procurement reviews, and the general internal control architecture. Performance and system audits are still in their early stages of development. No rigorous procurement audits and IT audits have been conducted so far, due mainly to limited human resources. Two nonfinancial audits were conducted by the Audit Chamber during 2010: an investigative audit at the Ministry of Commerce based on the request of the minister and a cut-off audit for the month of December 2010 with the initiation of the auditor general. The purpose of the latter was to examine issues concerning closing balances in terms of compliance with procedures for cut-off. According to the Appropriations Acts, ministries are obliged to deposit all their end-year holdings of cash on hand (bank deposits and physical cash) into MoFEP's main bank account.

(c) Adherence to auditing standards

The Audit Chamber follows the standards laid out by INTOSAI and relevant international auditing standards issued by IFAC, as noted in the Audit Manual (prepared during July-September 2010) , the Audit Chamber Code of Ethics and Code of Professional Conduct, and the draft Audit Chamber Bill (all with PKF assistance). The design structure includes standards to follow in engagement, planning, risk assessment, audit execution, gathering audit evidence, analytics, documentation, supervision of audits, direction, quality control, and reporting, as well as follow-up procedures and standards. Standards for use and reliance on the work of experts are also provided, including reliance on the internal audit function.

A quick review of the audit files by the assessment team indicated that the Chamber is diligent about complying with INTOSAI standards. The audit files are structured according to permanent and current audit files. The marked sections separated by dividers indicate various key audit sections including planning, communication, evidence gathered, audit tests conducted, and conclusions reached. There was also evidence of senior auditors reviewing the work of their subordinates.

Publication of audit reports (INTOSAI standard)

No reports have been published yet, as the SSLA has not yet reviewed them (PI-28). There is no legal obstacle to publication, which is expected soon in relation to the 2005 and 2006 annual financial statements.

Independence from executive branch of government (INTOSAI standard)

The Audit Chamber is accountable to the SSLA and the auditor general is appointed by the president. The Chamber is therefore independent in principle from the executive branch of Government. The budget of the Audit Chamber is independent and approved directly by SSLA. The Chamber can also independently mobilize resources from development partners. Appointment of support staff is through the public service laws except (Section 16 (4) of the audit bill) for the certified public accountants of the Chamber who may not necessarily be subject to public service pay scales. This provides additional flexibility to the Audit Chamber to attract scarce skills to fulfill its mandate. Independence is also enhanced through the receipt of its quarterly cash requirements in advance.

Cooperation and public relations (INTOSAI standard)

The Audit Chamber bill, which is expected to be enacted soon, grants the Audit Chamber full discretion in accessing all the information required for it to fulfill its responsibilities (Article 11, paragraph 3), thus meeting another INTOSAI standard. *Update, September 1, 2011: The bill has not yet been enacted.*

Audit methodology

The assessment team was not able to access the audit reports as they have not officially been released. The auditor general informed the team that audits of the annual financial statements and spending agencies are conducted on a sample basis, in order to determine whether the financial statements presented by MoFEP are presenting fairly the financial performance and position of the GRSS. In the process of auditing, the Chamber reviews the internal controls over assets, revenues, and expenditures. The audit includes payrolls, including ensuring that payroll payments are supported by sufficient personnel records and that no payment is made to a ghost worker. INTOSAI audit methodology includes exit interviews with auditees. The Chamber had sent management letters to some auditees, but no response had been received yet. The Audit Chamber uses the audit findings of internal auditors as additional input to its audits, as recommended by INTOSAI.

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

According to Articles 91 and 195(5) of ICSS, the Audit Chamber should present its report each year on the final accounts of GRSS to the SSLA within six months of the end of the fiscal year. Timely submission of audits to legislatures can enhance the effectiveness of the external audit function through the legislature exerting pressure on the executive branch of government to improve its PFM performance in areas that the external audit function has assessed as needing improvement.

The auditor general indicated to the team that the audit reports for 2005 and 2006 were ready and would be presented to the SSLA later in 2011; the annual financial statements were submitted to the Chamber in August 2008. The reports included annexes with respect to individual ministries that the Chamber has audited. The audits for 2007 and 2008 were still ongoing, but more than over 80 percent of the work had been completed. The audit reports would be released to SSLA sometime during the second half of 2011. The audit for 2009 had not yet started, as the Audit Chamber only recently received the draft financial statements from the MoFEP. The audit backlog and delays in submitting audit reports to the SSLA is attributed to capacity issues as well as the vacuum that occurred when the first auditor general left office. *Update, September 1, 2011: The audit reports for 2005 and 2006 have been shared 'informally' with SSLA. The AFSs for 2007 are still being audited. The AFSs for 2008 and 2009 have been submitted to the Chamber.*

The auditor general has submitted an annual report to SSLA (as required under Article 195 (5) of the ICSS), detailing the annual plan and performance for the office. The auditor general appeared before the SSLA in April 2011 and explained to the Assembly the progress of his work and challenges confronting the Chamber. This dialogue was reported in the newspapers in Juba, which indicated that SSLA was supportive of the Audit Chamber and was eagerly waiting to receive the audit reports for 2005 and 2006.

(iii) Evidence of follow-up on audit recommendations

The feedback communication process between the audit chamber and auditees is an important component of the audit process, as emphasized by INTOSAI. The Audit Chamber noted that it had provided limited feedback in the form of management letters to some auditees about its audit findings, but had received no response (with the exception noted in the next paragraph). It had not conducted any exit conferences. MoFEP indicated its concern to the assessment team about lack of communication from the auditor general. The auditor general's reason was partly because of his concern that the reports might reach the public prior to discussions with the auditees about the findings and agreements on the mitigative measures that the auditee should take. The lack of communication from the auditor general is a significant omission, given that audits are supposed to help auditees to improve their financial performance.

The exceptional case of good follow-up was the investigative audit conducted at the request of the Ministry of Commerce. The Chamber's recommendations were implemented by the Ministry. The successful follow-up was due to the accounting officer at Ministry of Commerce requesting the audit.

As noted under PI-28, SSLA also has a mandate to follow up on implementation of audit findings through specialized committees, such as the Public Accounts Committee (PAC). This mandate will be tested once audit reports start being presented to SSLA.

Breakdown of PI-26 Scores

Score	Minimum Requirements	Justification	Information Sources
D+ (M1)			
C	*(i) Scope and nature of audit performed (including adherence to auditing standards)* Central government entities have at least 50 percent of total expenditures audited annually. Audit predominantly comprises transaction-level testing, but reports identify significant issues. Audit standards may be disclosed to a limited extent only.	About 80 percent of GRSS spending agencies have been audited each year (in terms of percentage of their expenditure). The type of audit is mainly financial and compliance and mainly comprises transaction-level testing. Systems audits are still at an early stage of development. INTOSAI standards are followed, as documented in the Audit Manual. Human resource capacity constraints hinder the work of the Chamber.	Audit Chamber Audit Manual SSLA Audit Chamber Bill
D	*(ii) Timeliness of submission of audit reports to the legislature* Audit reports are submitted to the legislature more than 12 months from the end of the period covered (for audit of the financial statements from their receipt by the auditors).	No audit reports have been submitted to the legislature so far, the delay being mainly due to the vacuum created when the first auditor general left office. The audited AFSs for 2005 and 2006 are ready for submission to SSLA; these were submitted to the Chamber in August 2008. *Update September 1, 2011: Audited 2005-06 AFS have been 'shared' with SSLA.*	Audit Chamber Legislative Assembly Interim Constitution Audit Chamber Bill
D	*(iii) Evidence of follow-up on audit recommendations* There is little evidence of response or follow up.	The Audit Chamber has not discussed its audit reports with the auditees, which are therefore not in the position to follow-up on audit recommendations. (The exception is the case of the investigative audit in Ministry of Commerce, but this was requested by the under secretary.)	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 Southern Sudan Legislative Assembly (SSLA) was created under Article 57 (1) of the ICSS (2005). The SSLA is composed of SPLM members (70 percent), NCP members (15 percent), and other political parties (15 percent), as stipulated by the CPA.[66]

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

[66] See http://www.GRSS-online.org/.

The Committee for Economy, Development and Finance (CEDF) is responsible for scrutiny of the annual draft budget prepared by MoFEP. It faces challenges in terms of limited knowledge and skills in reviewing budgets and the lack of a supporting budget office. The Public Accounts Committee (PAC) is responsible for scrutinizing audit reports presented to it by the Audit Chamber (discussed under PI-28).

(i) Scope of the legislature's scrutiny

The CEDF scrutinizes the draft budget submitted to it by the Council of Ministers. As noted under PI-6, the draft budget contains detailed estimates only.

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

The procedures were established in October 2010 through the issue of a Code of Conduct, based on Article 84 of ICSS. The procedures are simple and clear (for example, four readings for the budget). The rejection of a recent Supplementary Appropriations Bill[67] was an example of compliance with procedures. The lack of experience and absence of technical backup to CEDF mean, however, that they are not always respected. Late submission of the draft budget by the CoM results in the timelines stated in the Code of Conduct not always being met, but that is not the fault of CEDF.

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

The CEDF expects to receive the draft budget by mid-November (45 days before the beginning of the fiscal year). In recent years, it has received the draft budget much later, but the 45 day review time (over four readings) has still held (except in 2008, when the time allowed was only 10 days), though this has resulted in the budget being approved after the end of the year.

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

The Appropriations Acts clearly stipulate the role of spending agencies, MoFEP and SSLA, regarding in-year budget adjustment. According to the 2010 and 2011 Appropriation Acts:

1. No funds shall be transferred from one chapter to another during the financial year, or from one spending agency to another, nor shall any money be spent on any activity that is not included in the approved budget's activity estimates, nor will overall spending be allowed to increase without the prior approval of the Assembly through a Supplementary Appropriation Bill.
2. Spending agencies may transfer funds between budget lines within a chapter without prior MoFEP approval, as long as expenditures against the different budget lines do not exceed the total appropriation for the chapter, as approved in the Appropriations Act.

Rule 1 appears not to be respected: Supplementary Appropriations Acts for 2008 and 2010 provided for extra spending for some spending agencies, but much of the spending had already taken place, so SSLA approval was *ex-post*. No Supplementary Appropriations Bill was placed before SSLA in 2009, even though spending for some agencies was higher than their approved budgets.

[67] The rejection was in relation to a supplementary expenditure request submitted to SSLA by the Council of Ministers to cover the cost of activities related to the Independence Day celebrations.

Breakdown of PI-27 Scores

Score	Minimum Requirements	Justification	Information Sources
C+ (M1)	Listed in PEFA Framework		
C	*(i) Scope of the legislature's scrutiny* The legislature's review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.	The documentation submitted to CEDF consists of detailed draft budget estimates only, and only after these have been finalized	CEDF
C	*(ii) Extent to which the legislature's procedures are well-established and respected.* Some procedures exist for the legislature's budget review, but they are not comprehensive and only partially respected.	As explained in the narrative.	CEDF Code of Conduct (2010)
B	*(iii) Adequacy of time for the legislature to provide a response to budget proposals.* The legislature has at least one month to review the budget proposals.	The ICSS allows up to 45 days for review (as also stipulated in the Code of Conduct). This was the case for the draft budgets for 2009–11.	CEDF Dates of Budget Speeches and approval of the Appropriations Bill
C	*(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature.* Clear rules exist, but they may not always be respected.	Clear rules are stipulated in the annual Appropriation Acts on the extent of in-year budget amendments without prior SSPA approval. However, these rules have not always been respected. Much of the spending covered under the 2008 Supplementary Appropriations Act had already taken place. There was no act for 2009, despite increased spending for several SAs. The 2010 Supplementary Appropriations Act, which is the relevant one for rating this dimension, contained elements of both *ex-ante* and *ex-post* approval.	2008 and 2010 Supplementary Appropriation Acts

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.

A Public Accounts Committee (PAC) is in place and is eager to carry out its function of scrutinizing external audit reports submitted to it. Like the CEDF, it is short of the technical capacity needed to review the reports. As indicated under PI-26, at the time of the PEFA assessment field work, no audit reports had been submitted to it. At the time of the validation workshop on September 5, 2011, the auditor general had "shared" the AFS for 2005 and 2006 with the SSLA, following his signing off on them in June 2011. This indicator cannot be rated, as so is designated as not applicable (NA), given that the SSLA had only just received the statements.

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	C	(i) C (ii) C	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 rated as GRSS does not as yet receive direct budget support.

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

A significant amount of donor funds is provided by agencies through the Multi-Donor Trust Fund (MDTF), established in 2005 in order to coordinate funding for the reconstruction and development needs of Southern Sudan. The 14 contributing external donors are Canada, Denmark, Egypt, European Commission, Finland, Germany, Iceland, Italy, Netherlands, Norway, Spain, Sweden, United Kingdom, and the World Bank, which administers the fund. USAID, perhaps the largest donor, with annual funding of about $300 million, is not a member; China also apparently provides significant aid financed through loans, but no records are available on the magnitude of funding. Excluding China, USAID provides about half of all aid assistance.

The Joint Donor Team (JDT), comprising Netherlands, UK, Norway, Sweden, and Denmark, is the co-chair of the MDTF, alongside MoFEP. The JDT plays an oversight function on overall fund performance. The JDT coordinates with the Aid Coordination Unit of MoFEP and other donors through the Implementation Working Group, to follow up on technical matters related to MDTF performance (MDTF Action Plan).

Other multidonor-supported pooling mechanisms include (i) the Sudan Recovery Fund, administered by UNDP, to meet recovery needs not covered by MDTF. The JDT is the co-chair of the steering committee that oversees the fund (MoFEP is the other co-chair); (ii) the Capacity Building Trust Fund (CBTF); (iii) Strategic Partnership; and (iv) Basic Services Fund. The combined amount of aid provided through these pooling mechanisms is about US$300 million a year.

Good records are maintained by the above-mentioned funds and bilateral support on commitments, disbursements, and expenditures. Planned expenditures by fund/donor above $100,000 are incorporated also in the GRSS Donor Book that accompanies the GRSS budget documentation, and includes USAID projections. Donors are increasingly making their aid projections known to MoFEP by August, consistent with the budget preparation calendar. Planned support was approximately US$400 million in 2009, representing about 23 percent of the GRSS budget that year. Some NGO activities are included in the Book (for example, Oxfam and World Vision). An accounting firm prepares quarterly monitoring reports for MDTF. The Donor Book shows actual half-year expenditures by donor and project. The records of commitments and expenditures do not use GRSS budget classification codes.

Breakdown of D-2 Scores

Score	Minimum Requirements	Justification	Information Sources
C (M1)	As listed in PEFA Framework		
C	*(i) Completeness and timeliness of budget estimates by donors for project support* At least half of the donors (including the five largest) provide complete budget estimates for disbursement of project aid for the government's coming fiscal year, at least three months prior to its start. The estimates may use donor classification and not be consistent with the government's budget classification system.	Much of donor aid, the main known exception being USAID (China may be also a significantly sized exception, but no records are maintained on the size of its planned and actual operations), is channeled through funds, of which MDTF is the largest. The Donor Book,, which includes USAID projections, and the MDTF quarterly monitoring reports provide detailed estimates of aid commitments for the next budget year. The government's budget classification system is not used.	Donor Books MDTF progress and quarterly monitoring reports
C	*(ii) Frequency and coverage of reporting by donors on actual donor flows for budget support* Donors do 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. The information does not necessarily provide a break-down consistent with the government budget classification.	MDTF quarterly monitoring reports are prepared by PriceWaterhouseCoopers, indicating committed and disbursed funds and actual expenditures. The Budget Books show half yearly expenditures, including for USAID, which accounts for about 50 percent of aid, excluding China. The government's budget classification system is not used.	As above

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

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

Donors are not using country financial management systems (including procurement systems) at this time; in the case of procurement, the MDTF uses the World Bank's procurement system.

Breakdown of D-3 Scores

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

4. Government Reform Process

4.1 Recent and Ongoing Reforms

Perhaps uniquely for a postconflict government, GoSS in 2005 had immediate access to millions of dollars of domestic oil resources with which to fund its budget. Capacity to use these was very limited, however. Key ministries had very few technical staff members, and their skills were not suited to modern fiduciary systems.[68] Infrastructure, IT capacity, and communications were poor. The Joint Assessment Mission (JAM) report prepared by the World Bank, UNDP, Government of Sudan, and SPLM in 2005 noted that the entire public service had to be built up virtually from scratch. It recommended that core PFM functions should be contracted out to international firms for at least the first two years of GoSS and funded through donor agencies, partly through the MDTF that was established as a key instrument for channeling donor assistance (D-2 in section 3).[69] The central government started to take over management of the core functions in 2008, with considerable external assistance continuing to be provided.

Building up civil service capacity: A public service policy and manual were prepared in 2008 (as described under PI-18), partly on the basis of a survey of public service personnel conducted in 2006, funded by the multidonor-supported and World Bank–administered Low Income Countries Under Stress (LICUS) program.[70] The Government Accountancy Training Center (GATC) was established in 2008 and has been conducting training in PFM since, financed by the multidonor supported/UNICEF administered CBTF and by LICUS.

Strengthening the legal framework for PFM: A PFM bill was drafted in 2007 (by an AfDB-funded expert) but has yet to be enacted. It has gone through a number of versions. One issue apparently has been a difference of opinion between donors. Some espouse a PFM law modeled on those established in other postconflict economies, such as Kosovo. Others espouse a British-style PFM law, modeled on those in place in East African countries, particularly nearby Uganda, given the influence of the former British colonial presence in Sudan, which extended into Southern Sudan, and given the steady pace of PFM reform in Uganda. Another issue may be politically based. MoFEP staff argue that a PFM law is a pre-requisite for proposed reforms to budget execution, reporting, and accounting systems. But some of these reforms may upset vested interests (for example, the requirement in the draft law for spending agencies to declare their month-end cash balances to MoFEP).

The Interim Procurement and Property Disposal Regulations (IPPDR) were drawn up in 2006, with funding from AfDB (with an emphasis of deconcentration of procurement administration to spending agencies and on the use of competitive procurement methods), with the intention that a procurement bill would be drafted and enacted in order to give legal force to the regulations. A bill

[68] A limited number of technical staff members were available from the Southern Sudan Coordinating Council, which administered territories controlled by the Government of Sudan in the South during the conflict, and the Civil Administration of New Sudan, which covered the areas held by the rebel Sudan People's Liberation Army (SPLA).

[69] Joint Assessment Mission, "Framework for Sustained Peace, Development and Poverty Eradication," March 2005; and F. F. Davies, "Contracting out Core Government Functions and Services in Southern Sudan," chap. 3 in *Partnership for Democratic Governance Contracting Out Government Functions and Services, Emerging Lessons from Post-Conflict and Fragile Situations* (Paris: OECD, 2009).

[70] A LICUS grant for "Capacity Building for Core Government Functions and Service Delivery" was provided to GoSS in 2005. A follow-up grant became active in 2009. The LICUS Trust Fund was established in 2004 through a transfer of IBRD surplus, with initial focus on Central African Republic, Haiti, Liberia, Myanmar, Somalia, Sudan, Togo, and Zimbabwe. The fund has been replenished periodically.

was drawn up (through the Deloitte project) but has not yet been enacted. Vested interests may be a factor also, as nontransparent single-source procurement methods have been the norm.[71]

Strengthening planning and budgeting systems: During 2005–07, the budget classification system was revised (PI-5) and a budgeting system put in place that provided for a strategic phase, based on plans with a medium-term focus, and a detailed estimation phase, starting off with the issue of a Budget Call Circular (described in section 2 and under PI-11 in section 3). An Aid Coordination Unit was established in MoFEP. An Inter-Ministerial Project Appraisal Committee (IMAC) was established.

External assistance has been provided by (i) the World Bank from 2005 to 2007, through the provision of a budget advisor; (ii) UNDP (through its provision of an economic policy adviser under its Support to Economic Reform Project); followed by (iii) USAID, through a consulting firm (Sudan Institutional Structure Strengthening Project),[72] and the Overseas Development Institute (ODI), through the placement of ODI fellows in line positions in the Planning and Budgeting Directorate. This assistance is still being provided,

Progress has been reasonable, as indicated by relatively high PEFA ratings under PIs 5 and 11. Ongoing activities under the Deloitte project are (i) strengthening of revenue forecasting and establishment of a macro-fiscal framework and (ii) fine tuning and rationalizing the budget classification framework and linking it to budget preparation through a database system—currently being prepared—rather than through an Excel-based system (described under PI-11).

Strengthening budget execution systems: Supported initially under the MDTF-funded Core Fiduciary Systems Support Project (CFSSP, established in 2005) and then by the USAID-funded Sudan Core Institutions Project, a centralized payments system was put in place during 2007 accompanied by payments procedures. An IFMIS (using the FreeBalance software) has been established in eight central government spending agencies, and, since late 2010, is being rolled out at state government level. The IFMIS was initially established in MoFEP alone in 2005 under the CSFSSP in support of the establishment of basic budget execution and accounting functions, which were virtually nonexistent as a result of the long years of conflict.

A deconcentrated procurement system was established—supported first through the first LICUS grant (two advisors during 2005–08, who helped to establish the PPU in MoFEP), and subsequently through the USAID project—on the basis of the IPPDR that came into effect in 2006, but a procurement law is still not in place.

As noted in the Summary Assessment and sections 2 and 3, the budget execution functionalities of FreeBalance are not being fully used, and budget execution, including the procurement process, is beset with problems (PIs 4, 16, 19, and 20). Strengthening measures agreed to under the Mutual Accountability Matrix drawn up under the 2009 Juba Compact have yet to be implemented (cash flow forecasting, preparation of monthly cash limits on expenditure, and expenditure commitment controls linked to these).

On the positive side, the payroll management system has strengthened significantly through the development and rollout of the SSEPS funded by CBTF and the HRMIS under the USAID-funded Core Institutions Project (PI-18).

[71] Progress since the 2005 JAM was reviewed in 2008: GoSS, "Progress in Southern Sudan, 2005-07," prepared for the 2008 Sudan Consortium, MoFEP, March 2008. The report noted the failure to enact PFM and procurement law but also remarked on the "vast" improvements in planning and budgeting, including the establishment of the Aid Coordination Unit in MoFEP and the establishment of the Inter-Ministerial Project Appraisal Committee (IMAC).

[72] The consulting company, Bearing Point, was originally contracted to implement this project. Bearing Point was subsequently taken over by Deloitte.

Strengthening reporting and accounting systems: Annual financial statements were prepared by an accounting firm (funded by MDTF through the CFSSP) until 2008, when GoSS took over responsibility.[73] As noted under section 3 (PI-25), preparation of annual financial statements has not been timely, though timeliness is improving. The IFMIS is being used for preparing in-year budget performance reports, the timeliness of which is now improving (PI-24). Not using the full functionalities of the IFMIS in terms of budget execution has complicated the preparation of timely and accurate reports and accounts. A bank account reconciliation module has yet to be established in the IFMIS and delays in the preparation of bank reconciliation statements have been long, though the situation has improved in recent months (PI-22). Strengthening measures agreed to under the Mutual Accountability Matrix drawn up under the 2009 Juba Compact have yet to be implemented (for example, monthly accounting for the use of petty cash).

Strengthening revenue administration: A Tax Administration Law was drafted with external assistance (USAID) and enacted in 2009. It has yet to be gazetted, however, due to some technical and legal issues later identified. As a result, strengthening of revenue administration is still in its early stages (PIs 13 and 14). Since July 9, 2011, GRSS has had responsibility for managing oil revenues, customs duties, and VAT, previously under the responsibility of GoNU. Notwithstanding a USAID-funded report prepared in 2010 on the need to start planning well ahead for the takeover of these responsibilities, very little planning in fact took place.

The Tax Administration Law is currently being revised (USAID-funded through Deloitte) to take into account the added responsibilities of GRSS. As noted under PI-13, the multiple revenue collection system operating at interjurisdictional boundaries has yet to be reformed in the interests of economic efficiency, notwithstanding donor-supported reports written on the issue. The Norwegian government is providing assistance on oil revenue management.

Establishing internal audit: Development of a modern *ex-post* systems-oriented internal audit function has been under way for some time, with assistance provided through LICUS and CBTF (as described under PI-21). The function is only just getting off the ground. This is not surprising, as building up internal audit capacity takes time in itself (as internal auditors first require appropriate academic qualifications and then training) and also because it takes time to build up the capacity of the civil service to develop and maintain the internal control systems that are then the subject of focus of the internal audit function.

Establishing external audit and legislative oversight functions: As described under PI-26, the capacity of the Audit Chamber has gradually been strengthened since 2005 through assistance from consultants PKF (funded by MDTF through CFSSP). The turnover of auditor generals has contributed to development of the external audit function being slower than anticipated, but the situation appears to be improving following the establishment of a new auditor general in July 2010. Delays in approving an external audit bill may be another factor; a bill was placed before the SSLA in January, 2011 and had yet to be enacted as of September 1, 2011.

Legislative oversight functions are still in their early stages of development, particularly in terms of scrutiny of external audit reports (partly because such reports are only just beginning to be provided to SSLA). The Committee of Economic Development and Finance and the Public Accounts Committees would probably benefit from technical assistance to strengthen capacity.

[73] KPMG was originally contracted to provide accountancy services under the Rapid Impact Emergency Project (RIEP) established through MDTF in 2005 to support the quick reestablishment of basic public services in Southern Sudan. Another component of RIEP was the furnishing and equipping of GoSS offices, so that GoSS could function effectively.

4.2 Institutional Factors Supporting Reform Planning and Implementation

The obvious question arising from the above description of PFM reforms is why have the up-stream planning and budgeting systems strengthened significantly more rapidly than in the downstream areas of PFM? The answers would appear to be the following:

- The TA provided in support of strengthening the upstream area may have been more substantial and more focused, the strengthened systems being more tailor-made and modeled on the experience in East African countries, particularly Uganda, and also more closely aligned to the pace of capacity development. The amount of external support was indeed substantial, starting off with support from UNDP and ODI fellows (all under multiyear contracts and sitting side-by-side with their counterparts in MoFEP) and then from USAID. In contrast, the amount of hands-on TA provided in the downstream areas was relatively small, with only one expatriate accountant (through USAID) working side-by-side with counterparts in the Finance Directorate.[74]
- Strengthening up-stream areas may be easier, as it is not so IT-intensive as the strengthening involved in downstream areas, the amount of change management is less, and vested interests opposed to change may be fewer.

In principle, PFM reforms have the greatest chance of success if they have strong political backing; they are coordinated and managed through a high-level body comprising senior management of the key PFM functions in the finance ministry and senior management in line ministries; and they go hand-in-hand with public administration, civil service, and legal reforms. Coordination includes the coordination of donor agencies in order to ensure government ownership of reforms and to guard against wasteful overlapping of donor-funded projects. Currently, coordination and management of PFM reform appears insufficient, though coordination of donors is improving as a result of the Aid Coordination Unit in MoFEP and the development of an aid management IT model (both assisted by ODI fellows and the Joint Donor Team).

Institutional and human resource capacity constraints are in most countries—and definitely in South Sudan—the ultimate binding constraints to the pace of PFM reform, and therefore PFM reforms need to be carefully prioritized and sequenced.

[74] F. Davies and G. Smith (2010), "Planning and Budgeting in Southern Sudan: Starting from Scratch," *ODI Briefing Paper* 65, November 2010 (http://www.odi.org.uk/resources). The paper reports GRSS's success in developing systems for planning and budget preparation as being due to tailor-made system development, with incremental improvements aligned to development in local capacity, supported by well-focused technical assistance.

Annex A: Calculation of Performance Indicator 2 on Budget Variance

Data for year = 2008

Administrative or Functional head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
SPLA Affairs	1,000,000,000	1,876,178,721	1,701,950,733	174,227,988	174,227,988	10%
Internal Affairs	420,000,000	462,816,694	714,819,308	(252,002,614)	252,002,614	35%
Transport & Roads	240,000,000	637,617,211	408,468,176	229,149,035	229,149,035	56%
Education, Science & Technology	220,000,000	47,084,231	374,429,161	(327,344,930)	327,344,930	87%
Housing, Lands & Public Utilities	200,000,000	4,194,408	340,390,147	(336,195,739)	336,195,739	99%
Health	140,000,000	290,219,940	238,273,103	51,946,838	51,946,838	22%
Environment, Wildlife Conservation & Tourism	106,000,000	108,774,614	180,406,778	(71,632,164)	71,632,164	40%
War Veterans Commission	103,000,000	2,854,305	175,300,926	(172,446,620)	172,446,620	98%
S.Sudan Legislative Assembly	83,937,961	185,322,806	142,858,274	42,464,531	42,464,531	30%
President's Office	67,100,000	157,982,111	114,200,894	43,781,217	43,781,217	38%
Judiciary of Southern Sudan	57,174,512	24,989,494	97,308,203	(72,318,708)	72,318,708	74%
Electricity Corporation	50,000,000	153,541,962	85,097,537	68,444,426	68,444,426	80%
Information & Broadcasting	35,000,000	90,694,682	59,568,276	31,126,406	31,126,406	52%
Cooperatives & Rural Development	35,000,000	27,486,185	59,568,276	(32,082,091)	32,082,091	54%
Agriculture & Forestry	30,000,000	32,356,173	51,058,522	(18,702,349)	18,702,349	62%
SSRRC	30,000,000	60,561,628	51,058,522	9,503,106	9,503,106	32%
Legal Affairs & Constitutional Development	25,272,765	22,276,455	43,013,001	(20,736,546)	20,736,546	82%
Animal Resources & Fisheries	24,000,000	26,353,571	40,846,818	(14,493,247)	14,493,247	60%
Finance & Economic Planning	20,000,000	641,780,693	34,039,015	607,741,678	607,741,678	3039%
Cabinet Affairs	18,200,000	52,135,039	30,975,503	21,159,536	21,159,536	116%
Sum of the rest	223,616,800	418,995,024	380,584,776	38,410,248	38,410,248	17%
Allocated Expenditure	3,128,302,037	5,324,215,947	5,324,215,947	(0)	2,635,910,016	0%
Contingency	-	-	-	-	-	0%
Total Expenditure	3,128,302,037	5,324,215,947	-	-	-	0%
Overall (PI-1) variance	-	-	-	-	-	70%
Composition (PI-2) variance			-	-		50%
Contingency share of budget	-	-	-	-	-	0%

Data for year = 2009

Administrative or Functional head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
SPLA Affairs	1,019,430,430	1,403,662,521	1,225,956,411	177,706,110	177,706,110	14%
Transport & Roads	460,000,000	451,172,592	553,191,206	(102,018,614)	102,018,614	18%
Internal Affairs	377,317,774	469,296,852	453,758,422	15,538,430	15,538,430	3%
Education, Science & Technology	291,300,000	234,088,973	350,314,344	(116,225,371)	116,225,371	33%
Health	170,000,000	93,457,737	204,440,229	(110,982,492)	110,982,492	54%
Wildlife Conservation & Tourism	110,000,000	110,769,921	132,284,854	(21,514,933)	21,514,933	16%
Housing, Physical Planning & Environment	69,200,000	61,121,075	83,219,199	(22,098,124)	22,098,124	27%
Electricity Corporation	60,000,000	42,321,130	72,155,375	(29,834,245)	29,834,245	41%
Water Resources and Irrigation	52,792,255	16,139,413	63,487,415	(47,348,002)	47,348,002	75%
Legislative Assembly	50,000,000	51,387,165	60,129,479	(8,742,314)	8,742,314	15%
Agriculture & Forestry	37,000,000	44,442,539	44,495,814	(53,275)	53,275	0%
President's Office	33,000,000	92,590,311	39,685,455	52,904,856	52,904,856	133%
War Disabled, Widows & Orphans Comm.	31,140,678	4,643,119	37,449,455	(32,806,336)	32,806,336	88%
Information & Broadcasting	31,000,000	28,576,033	37,280,276	(8,704,243)	8,704,243	23%
Animal Resources & Fisheries	30,200,000	14,079,984	36,318,206	(22,238,222)	22,238,222	74%
Judiciary of Southern Sudan	30,000,000	25,273,562	36,077,687	(10,804,125)	10,804,125	36%
Cabinet Affairs	29,000,000	82,279,720	34,875,098	47,404,622	47,404,622	163%
SSRRC	25,000,000	14,038,394	30,064,739	(16,026,345)	16,026,345	64%
Finance & Economic Planning	24,500,000	315,380,310	29,463,445	285,916,865	285,916,865	1167%
Legal Affairs & Constitutional Development	20,422,642	28,767,645	24,560,056	4,207,589	4,207,589	21%
Sum of the rest	234,764,435	248,043,433	282,325,262	(34,281,829)	34,281,829	15%
Allocated Expenditure	3,186,068,214	3,831,532,429	3,831,532,429	(0)	1,167,356,943	0%
Contingency	-	-	-	-	-	0%
Total Expenditure	3,186,068,214	3,831,532,429	-	-	-	0%
Overall (PI-1) variance	-	-	-	-	-	20%
Composition (PI-2) variance			-	-		30%
Contingency share of budget	-	-	-	-	-	0%

Data for year = 2010 (NB Provisional Outturn)

Administrative or Functional head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
SPLA Affairs	1,120,610,000	1,501,029,519	1,279,118,311	221,911,208	221,911,208	17%
Transport & Roads	463,180,000	541,757,527	528,695,996	13,061,531	13,061,531	2%
Internal Affairs	381,858,800	584,082,475	435,872,055	148,210,420	148,210,420	34%
Education, Science & Technology	323,530,000	216,285,595	369,292,749	(153,007,154)	153,007,154	41%
Legislative Assembly	204,631,288	126,453,779	233,576,024	(107,122,245)	107,122,245	46%
Health	182,260,000	132,943,922	208,040,356	(75,096,435)	75,096,435	36%
President's Office	135,490,000	471,642,925	154,654,822	316,988,103	316,988,103	205%
Wildlife Conservation & Tourism	132,060,000	120,419,812	150,739,654	(30,319,842)	30,319,842	20%
Cabinet Affairs	126,427,600	15,224,337	144,310,561	(129,086,224)	129,086,224	89%
Finance & Economic Planning	123,760,000	503,846,222	141,265,634	362,580,588	362,580,588	257%
Housing, Physical Planning & Environment	70,410,000	62,538,347	80,369,370	(17,831,023)	17,831,023	22%
Judiciary of Southern Sudan	68,000,000	37,673,415	77,618,480	(39,945,065)	39,945,065	51%
Electricity Corporation	67,690,000	64,575,202	77,264,631	(12,689,429)	12,689,429	16%
Water Resources and Irrigation	52,792,255	20,468,996	60,259,627	(39,790,631)	39,790,631	66%
Information & Broadcasting	40,660,000	48,659,988	46,411,285	2,248,703	2,248,703	6%
Agriculture & Forestry	40,510,000	32,840,675	46,240,068	(13,399,393)	13,399,393	33%
War Disabled, Widow s & Orphans Comm.	31,660,000	8,169,580	36,138,252	(27,968,672)	27,968,672	88%
Animal Resources & Fisheries	31,374,000	20,426,483	35,811,797	(15,385,314)	15,385,314	49%
Legal Affairs & Constitutional Development	31,090,000	37,607,165	35,487,626	2,119,539	2,119,539	7%
SSRRC	27,740,000	35,251,860	31,663,774	3,588,086	3,588,086	13%
Sum of the rest	754,049,749	451,642,009	860,708,758	(409,066,749)	409,066,749	54%
Allocated Expenditure	4,409,783,692	5,033,539,832	5,033,539,832	-	2,141,416,352	0%
Contingency	-	-	-	-	-	0%
Total Expenditure	4,409,783,692	5,033,539,832	-	-	-	0%
Overall (PI-1) variance	-	-	-	-	-	14%
Composition (PI-2) variance	-	-	-	-		43%
Contingency share of budget	-	-	-	-	-	0%

Annex B: List of People Met

MoFEP

Name	Position
Oboy Ofilang Itorong	Director General, Planning and Budget Directorate
Albino Chol Thiik	Director, Economic Planning Department
Simon Kirman Lado	Director, Accounts Department
Benjamin Ayali	Deputy Director, Accounts Department
Elizara Pitya Sila	Assistant Director, Accounts Department
Joseph Kewfi	Director, Revenue Department
Martin Mayen	Director, Procurement Department
Peter Ajango	Director, Internal Audit Department
Charles Chol Nyok	Deputy Director, Aid Coordination Department
Michael Ssenyongo	Accounts Specialist
Luke Obiri	Procurement Specialist
Patrick Nomo	Internal Audit Advisor
Peter Lilford	Budget Advisor, ODI Fellow

Ministry of Agriculture and Forestry

Name	Position
Beda M. Jeng	Under Secretary
Lino Loku Gori	Acting DG, Planning and Programming
Stephen Lomlig	DG, Administration and Finance
Louis Johnson Jake	Deputy DG, Administration and Finance
Clement Diko Paul	Procurement and Logistics Office
Peter Agiri Marone	Accountant
Augustine Jackson Belli	
James Jada Killa	Establishment Officer
Victor Justin Lowok	Inspector of Accounts

Ministry of Education

Name	Position
	Under secretary
	DG, Finance and Administration

Ministry of Health

Name	Position
Samson Baba	DG, Planning and Coordination Directorate
Samuel Kolong Gaduel	Acting DG, Finance and Administration Directorate
David Ajulang	Financial Management Specialist
Henry Owino	Procurement Specialist

Ministry of Labor and Public Service

Name	Position
Rebecca J. Okwari	Under Secretary
Suway Dackey Jaden	Acting DG Administration and Finance Directorate
George Opwanya	Acting Director, Accounts Department
Paulino Odur Ogwoko	Acting Director, Establishment Department
John Loroho James	Acting Director, General Establishment Department
Sunday Aggrey	Acting Director, Administration & Finance Department
Mathilda E. Ajidin	Acting Director for Personnel Data
Femo Peter Battal	Controller Accounts Department
Khamis Aquilino	Establishment Officer
Akim Michael	Assistance Establishment Officer

Ministry of Transport and Roads

Name	Position
Hon. Antony L. Makana	Minister
Simon Ayuen	Director General, Finance and Administration Directorate
Gabriel Makuro	Acting Director General, Roads and Bridges Directorate
Engineer Otim Bongo	Deputy Director, Urban Roads Projects
Martin Sulaka Jada	Internal Auditor
Jamal Jabidar Bashir	Internal Auditor

Ministry of Gender

Name	Position
Santino Majak Denis	Director General, Administration, Finance and Planning Directorate

South Sudan Anti-Corruption Commission

Name	Position
Deng Yai	Executive Director
Nalwu Datale	Director

South Sudan Center for Census, Statistics & Evaluation (SCCSE)

Name	Position
Margaret Labanya	Director General
Acwil Oghzal	Deputy Director
Mathya Ugila	

South Sudan Audit Chamber

Name	Position
Steven Kiliona Wondu	Auditor General
Tombe Logale Lukale	Deputy Auditor General
William Labi Yoele	Executive Director

South Sudan Legislative Assembly

Name	Position
Hon. Kutin Bayak	Deputy Chairperson, Public Accounts Committee (PAC)
Hon. Henry Omoi Akolawin	Deputy Chairperson, Committee for Economy, Development and Finance (CEDF)
Hon. Mel Wal Achien	Member, PAC
Hon. Mary Bicensio Wani	Member, CEDF

Western Equatoria State

Name	Position
Paul Taban	Director Public Procurement, Ministry of Finance, Trade and Industry
Lawrence Sulubia Amin	Director General, State Revenue Authority

Civil Society

Okuna Joe Albert	Journalist, Radio Niraya

Chamber of Commerce, Industry and Agriculture

Name	Position
Simon Akuei Deng	Secretary General
Charles M. Anyama	Capacity Building Consultant

Deloitte

Name	Position
Richard Lamberte	Chief of Party, Core Institutions Project
Julie Cooper	FMIS Advisor to MoFEP
Lynn Melliar	Treasury Advisor to MoFEP
David Martin	Budget Advisor

PriceWaterhouseCoopers

Name	Position
Wellington Masakari	Senior Manager

African Development Bank

Name	Position
Felix Ndukwe	Division Manager

Joint Donor Team

Name	Position
Honour Flanagan	Deputy Team Leader
Peter D’Souza	Economic Advisor

UNDP

Name	Position
Mandisa Masholugu	Team Leader, Poverty Reduction and MDGs Programme
Francis Luwangwa	Project Manager
Zinabu Samaro	Economist
Ferdinand Olang	Planning and Budgeting Coordinator
Getahun Tafesse Desta	Economist
Elizabeth Okotchi	Development Planning Specialist
Clara Kenyana	Statistician
Daniel Kiro	Programme Analyst
Ferdinand Olang	Project Coordinator

USAID

Name	Position
Sharon Hester	Governance Advisor
Elunai Abdalla	Financial Analyst

World Bank

Name	Position
Adenike Oyeyiola	Senior Financial Management Specialist and Task Team Leader
Anjani Kumar	Senior Procurement Specialist
Prosper Nindorera	Senior Procurement Specialist
Grace Tabu Felix	Team Assistant
Tesfamichael Nahusenay	Acting Country Manager

Annex C: Documents List

	Document Description	Date Issued
	HARD COPIES	
1	Southern Sudan Legislative Assembly, Conduct of Business Regulations	Issued on 2010
2	Audit Manual (Part I)	March 2010
3	Tax Registration Form	
4	A Policy Framework for the Public Service of Southern Sudan (MoLPSHRD)	January 2007
5	Interim Public Procurement and Disposal Regulations, 2006	
6	Code of Professional conduct: Audit Chamber	November 2009
7	Code of Professional Ethics: Audit Chamber	November 2009
8	Manual of Public Service Procedures ((MoLPSHRD)	February 2007
9	Eighth Governors' Forum: Laying the Foundation for a Strong, Vibrant and Peaceful Post-referendum Southern Sudan (By office of the President)	October 2010
10	Circular Letter on Procurement	
11	The Southern Sudan Anti-Corruption Commission Act, 2009	
12	Fourth Reading, Budget 2011 of the Government of Southern Sudan	Tuesday 15th March 2011
13	Draft Budget 2011 (MoFEP)	December 2010
14	Ministry of Education: Approved Budget for the year 2011	12th April 2011
15	Draft Budget 2010 (MoFEP)	December 2009
16	Strategic Audit Plan (Internal Audit Unit at Ministry of Road and Transport) From 2010-2013	
17	Activity Plan: Ministry of Education - 2011	November 22, 2010
18	Southern Sudan Anti-corruption Strategy, 2010-2014	December 2009
19	Procurement Plan and Report: Ministry of Agriculture	
20	Reporting Corruption: Operational Guidelines	February 2010
21	Southern Sudan Anti-corruption Action plan, 2010-2014	December 2009
22	Southern Sudan Anti-corruption Annual Plan 2010	January 2010
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