

The World Bank

**Assessment of Localities' Compliance
with Minimum Qualifying Criteria and
Identification of their Capacity Needs in
Northern Sudan, World Bank/LICUS**

Al Rashad

Assessment report

September 2006

COWI

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1 Introduction

A Community Development Fund project, executed by the Ministry of Finance, and funded by the Northern Sudan Multi-Donor Trust Fund is planned to provide urgently needed local public infrastructure and, in the longer term, to establish the capacities, mechanisms, and procedures in selected localities to enable them to support sustainable, locally-led development.

In the short-term a Programme Implementation Unit will be responsible for transferring funds for locally defined priority projects in the localities while over time the project will build the capacity of localities to plan, allocate resources and implement and manage such investments on their own. It is expected that some localities here and now will be able to efficiently manage such grants for improved service delivery at the community level, while other localities through the support will develop the necessary capacities over time.

In support of these objectives a capacity assessment of 16 selected localities in Northern Sudan was undertaken to:

- 1) Identify localities that comply with the Minimum Qualifying criteria (MQC) for accessing funding under the community development window of the CDF programme.
- 2) Identify localities that comply with the Capacity Building Support Access Criteria (CBSAC) for accessing funding under the capacity development window.
- 3) Assess the functional capacity needs of localities using the tentative Performance indicators.

This report is the capacity assessment of Al Rashad, which supplements similar reports for each of the 15 other localities assessed.

All the localities have been assessed based on the same set of criteria and performance indicators that were defined in a separate exercise. The criteria and indicators focus on functional areas such as planning, budgeting, financial management, human resource management, political institutions, etc., and reflect the legal framework in place in 2005 combined with a vision of decentralised local governance. However, since 2005 new State constitutions and state local government acts have been developed, and in three of the four states involved in the assessment the new legal frameworks are not yet approved.

The assessment was undertaken by COWI A/S in collaboration with DEGE Consult Ltd over a period of two weeks in September 2006. Four different sub-teams covered the 16 localities. Each sub-team was composed of an international consultant and two Sudanese representatives from local or national governments, private sector or the NGO sector. The teams spent one to two days in each locality interviewing relevant staff and political representatives, and reviewing relevant available documentation. The assessments were guided by a checklist based on the toolkit which was filled by all team members to ensure a systematic coverage of all the capacity criteria and indicators. Moreover, the State administrations in Blue Nile and North and South Kordofan were visited for interviews on the decentralisation setup and projected future arrangements in the given State.

The structure of the report follows the presentation of functional areas in the toolkit. Following the introduction, chapter 2 addresses the locality's compliance with the MQC. Chapter 3 looks at the locality's compliance with the Capacity Building Support Access Criteria. Chapter 4 assesses the locality's capacity based on the performance indicators. The conclusions regarding the locality's compliance with the MQC, CBSAC and assessment of functional gaps and capacity needs are presented in chapter 5. Here summary tables on the MQCs and performance indicators are also presented for easy reference. Issues arising from the assessment of relevance to future assessments are presented in chapter 6. The appendices include, among other, a summary of the relevant checklist filled by each sub-team.

It is noted that the 2006 assessment is the first assessment of the capacity of the localities under the CDF programme and the findings will serve as a baseline for future assessments, including the definition of performance criteria. In addition, a synthesis report outlines the general capacity level and challenges of the localities in Northern Sudan, including considerations regarding capacity building strategies.

1.1 Al Rashad

Al Rashad locality is located on the Eastern part of South Khordofan State. The locality has a population of 272,599, four administrative units (Tajmala; Al Abbassia; Omlubia and Al Karshola) and 168 people's committees.

Most of the locality is an area with a combination of rocky hills and good arable land. The arable land consists of muddy and sandy areas and most of the muddy areas are not easily accessible during the heavy rains. The main economic activities in the area are agriculture and livestock keeping.

The locality employs 2,975 people including teachers and is one of the areas that were affected by war. As a result some people were displaced by war giving rise to loss of the work force, including loss of skills. Among the priorities of the locality is to put the necessary infrastructure in place to make the area attractive for people to resettle and attract skilled labour. It is hoped that as

peace and stability continue to improve economic/income generating activities will increase and improvements in revenue collection will be realised.

The locality is participating in CDF projects but implementation is at early stages. The CDF LIU Steering Committee has been formed and is chaired by the Executive Director. The LIU is in the process of identifying fast track communities for implementation of projects with the prospects of rolling out the programme throughout the locality. The co-funding arrangement will be implemented after identification of these communities and relevant projects.

1.2 Assessment context

The assessment was affected by the fact that the Executive Director was new to the locality and was not in a position to explain some of the issues that happened prior to his transfer to the locality. Also it appeared like the locality was not well prepared for the assessment therefore it took some time for the assessment team to access some of the information we requested. The CDF LIU Manager was of great help to the team in terms of bridging the gap between the team and management on understanding of various issues relating to the assessment and in providing clarifications on information presented to the team.

2 Minimum qualifying criteria

2.1 Development planning and budgeting capacity

Functioning of the locality Executive Committee in development planning:

The Executive Committee is not in place instead an ad hoc meeting of the Executive Director and the heads of departments discusses the annual plan and budget. The locality does not keep minutes of such a forum therefore there is no evidence of discussion of the 2006 budget or any of the budgets for the previous years.

Existence of a timely and council approved annual social and economic plan: We did not find evidence of existence of an annual social and economic plan.

Existence of a timely and Legislative Council approved annual budget: The planning and budgeting process starts with the receipt of guidelines from the State Ministry of Finance. The heads of departments uses these guidelines to prepare their budget proposals and submits them to the Director of Finance and Administration Affairs for consolidation. The heads of departments meets to discuss and agree the budget. Then a technical team from the State visits the locality to assist in finalisation of the budget. The team among other things reviews the budget proposals to ensure they are in line with the guidelines and reflect the State and National policies and priorities. The locality then forwards the budget to the State Council of Ministers for approval.

In Al Rashad locality almost all of the conditions under this functional area, such as discussion and approval of plans and budgets by the legislative Council are not relevant, since there is no legislative council in place.

Clear link between annual plan and annual budget: The locality does not have an annual plan therefore the criteria relating to linkage between the plan and annual budget are not relevant.

Capture of operational costs in the budget derived from the capital investments: Since the annual plan is not in place it is not possible to establish whether operational costs in the budget are derived from capital investments in the annual plan.

Capture of maintenance costs in the budget derived from the capital investments: The annual plan is not in place therefore it is not possible to establish the link between maintenance costs in the budget and capital investments in the annual plan.

2.2 Fiscal capacity and financial management

No decrease in own revenues in nominal figures from the previous year-but-one to the previous year: On the basis of the audited accounts of the locality for the fiscal year 2004 and draft final accounts for the year 2005, there was a decrease in revenue collection from own sources by 41%. The locality therefore did not meet this criterion.

Co-funding requirements complied with for capital investments: The locality has not complied with the co-funding requirement. The project bank account has not been opened and there is no provision in the annual budget for the fiscal year 2006 to meet the co-funding requirement. It appears from the discussions with the management that the locality has not been advised on this requirement.

Entire final accounts for the previous financial year produced on time and submitted for audit: The final accounts for the previous year (2005) were prepared and submitted to external auditors for audit. The deadline for completion of accounts and submission for audit is end of March. Since the accounts were submitted without a covering letter or any evidence indicating the date of submission, it has been difficult to establish whether they were submitted on time.

All books of accounts maintained up-to-date, including bank reconciliation: The locality maintains all the relevant accounting books. These books, except the control book, are up-to-date. In addition the locality operates a single bank account mainly for receiving transfers from the State and effecting payments accordingly. The bank reconciliation for this account is up to date. There is no specific project bank account.

Project specific bank account(s) opened and ready for operations: The locality has not opened a specific bank account for receiving funds for development and capacity building from CDF. Discussions with the locality management and LIU Manager indicated that the locality has not reached the stage of opening a bank account.

Internal audit function in place, including quarterly reports submitted to the Council and the State: The Internal Audit function is in place and operational. The internal auditor produces periodic reports as required and the reports are submitted to the State. As in the case of submission of final accounts for audit, there is no documentary evidence to confirm timeliness of submission of internal audit reports to the State. Also, since the Legislative Council is not in place the reports are not discussed by the Legislative Council.

Clean audit report for the last audited year: The accounts for the fiscal year 2005 have been submitted for audit and the auditor has not completed the audit.

Last audited accounts available are for the year 2004 however there is no separate audit report for the locality instead there is one report covering all government institutions in the State, including Al Rashad locality. A review of the comments in this report and external audit correspondence file revealed issues that were raised by the auditors and how they were dealt with by the management.

No major financial irregularities noticed during the year and/or irregularities unsettled from previous years: In general there were no major financial irregularities, only minor issues were raised by the auditors and all were acted on by the management.

2.3 Procurement

Tender evaluation committee has been established and tender procedures are as per the regulations: There are very few procurements handled by the locality, most of the transactions involve direct purchases. Direct purchases involve items not exceeding SDD 300; beyond this limit tendering procedures are used. The procedures for direct purchases involve the Procurement Officer obtaining at least three quotations from a list of approved suppliers. The quotations are considered by the procurement committee whose chairman is the Executive Director, secretary is the Procurement Officer and other members include the Internal Auditor, the Accountant and one technical staff (nominated depending on the type of items). The committee evaluates the quotations and makes a decision on the supplier on the basis of quality, compliance with technical specifications, price, financial capacity and reliability of supply.

Where the value of items exceeds SDD 300, or when procurement involves a construction project, tendering procedures are followed. However, for construction projects there is a Construction Committee, whose membership excludes the Procurement Officer, which handles the whole process. In both cases, technical specifications are prepared by the relevant technical staff. On the basis of these specifications the locality invites bids from prospective suppliers, stating terms and conditions of the bids. Bids are received and on the closing date and time, the committee opens the bids in presence of bidders who wish to attend. The committee evaluates the bids, selects the bidder who meets the requirements and scored high in comparison with the rest. Once the recommendation has been approved, the winner is informed and procedures for contract negotiations and signing are completed and the winner is required to proceed with contract execution.

In Al Rashad the procurement organ is in place and there is evidence that it is working in line with the procedures in place.

2.4 Functioning of political institutions

Legislative Council in place and operational

The Legislative Council was dissolved in 2005 following the signing of the Comprehensive Peace Agreement (CPA). The Legislative Council will be re-constituted after the approval of the new State Constitution and the State Local Government Act. Once these legislations are in place, elections will be conducted and the Legislative Council, democratically elected, will be in place.

A review of the minutes of the Legislative Council meetings prior to its dissolution shows that it met quarterly as required and discussed relevant issues such as the budget, performance reports, etc. However, since the Legislative Council is currently not in place the locality has not met this condition.

2.5 Staff functionality

Position of Executive Director filled with requisite qualifications: The locality has filled all the key positions with staff with adequate qualifications and experience. The position of Executive Director is filled with a university graduate in Economic Development and a diploma in Public Administration.

Head of Administrative and Finance Affairs Section filled with requisite qualifications: The position is filled and the Head of Finance and Administrative affairs is a graduate of bachelors of accounting and is actually working in the position.

3 Capacity Building Support Access criteria

3.1 Capacity building plan

The localities do not see capacity building as being part of their responsibilities and therefore do not prepare capacity building plans. Capacity building activities in the locality are handled directly by the State government. The State identifies training programmes for localities and provides funds for such training activities. The State then requests the localities to nominate staff to attend the training programmes. The Executive Director in collaboration with the heads of departments nominates trainings / participants in these programmes. The nomination of participant normally is in reaction to training that is available at the time and who among the staff is available to attend. It is not based on detailed analysis of training needs of individuals and priorities of the locality.

3.2 Human resource management function

The Human Resources Management function is in place and there is a person designated as Personnel Officer who deputises the Personnel Assistant Inspector in the State government. In terms of the locality's organisation structure this function is within the department of Finance and Administration Affairs. The roles and responsibilities of the Personnel Officer are restricted to day to day operational issues such as processing annual leave, sick leave, etc. The Personnel Officer is not involved in strategic issues such as training needs assessment, preparation of a capacity building plan and its monitoring and evaluation.

4 Performance assessment

4.1 Development planning and budgeting capacity

Existence of a participatory planning process: There is very limited participation of citizens or communities in the process of planning and budgeting. We were informed that projects are initiated by local communities through their People's Committees but we did not find evidence of submission of the project proposals and active consultations with local communities. We were provided with only one letter as an example where Tadoour village wrote to the Commissioner on 23rd May 2006 to request funds for maintenance of a water pump. There is no clear indication that the planning process captures the needs of special groups and the NGO's participatory approaches are not harmonised with those of the locality.

Since 1989 there have been no development projects in the locality and the legislative council is not in place. Therefore all issues relating to desk and field appraisal of projects, discussion of plans by the committees of the council and approval of plans by the legislative council are not applicable to this locality. In the absence of the Legislative Council plans are approved by the State Council of Ministers and the State Assembly. There is no documentary evidence indicating such approvals.

Quality of the annual development plan: The locality did not prepare a development plan for the year 2006 therefore all questions on quality of the plan and adherence to formats are not relevant.

Comprehensive/strategic medium term (3-4 years) plan in place: There is a five-year strategic plan 2006 – 2010 with very little background information about the locality. The plan does not provide a description of how it was developed; challenges encountered; strategies for strengthening participatory approaches; analysis of strengths, challenges and opportunities; and vision, goals and objectives. Neither does it provide an analysis of activities to be implemented and their timing. It only indicates a description of items / activities / projects and their related allocation of funds for each of the five years, without indication of sources of funds to finance these activities. In addition, implementation strategies including strategies for monitoring and evaluation are not in place.

Budgeting capacity: When preparing an annual budget the locality takes into consideration the previous year's budget performance. Although the guidelines for budgeting stress the importance of consideration of available financial resources there is a funding gap of SDD 8,600,000 in the 2006 budget. Revenue projections over the medium term are not prepared, making it difficult to improve the accuracy of prediction of available resources and budget accordingly. In 2005 there was a 146.9% prediction deviation on revenue collections, with actual revenues exceeding budgeted collections. The expenditure variance was only 0.2%, actual expenditure being below approved amount. This is more of a control of expenditure rather than prediction deviation. Budget deviations require the approval of the authorities responsible for approving the budget. Deviations may take the form of overspending or reallocation between the budget items. The locality did not experience any of the two in the previous and current year.

Although there is consideration of priority sectors (education, health and water) in budgeting, the presentation of the budget and related reporting of performance are such that it is difficult to establish the proportion of the budget allocated to the priority sectors. Non Chapter 1 items represent 17.94% of total expenditure budget (82% of the expenditure budget is allocated to Chapter 1 items).

4.2 Fiscal capacity

Revenues: Revenue collection dropped by 41% from 2004 to 2005. Comparing the budget with actual collections in 2005, the locality collected 246.9% of its budget. Although management attributes this on increased peace and stability in the area, there was a big element of under budgeting on the revenue side. We did not find evidence for clear strategies to improve revenue collection and fiscal capacity.

Revenue management: Accountability measures on revenue collection such as authorised revenue collectors, financial forms and registers for revenue collection, procedures for remitting collections to the Treasurer, etc. are in place. However, there is no formal mechanism for providing feedback to communities on how much has been collected and how the revenue collected have been utilised.

Expenditures: On the expenditure side, actual administrative expenses based on draft accounts for year 2005 was 25.2% of total own revenue. This means about 75% of own revenues are spent on items other than administrative expenditure. The costs of the legislative council were 2% of the total expenditure in the same year. Note that the legislative council was in existence for the first half of 2005 only. Using the 2005 budget, the legislative council costs were estimated at 3% of total expenditure excluding Chapter 1.

The locality did not have projects/capital investments in 2005 and over the previous years since 1989 due to war. Therefore none of the own sources of revenues were utilised to finance capital investments.

4.3 Financial management and audit capacity

Budget execution and cash flow: Al Rashad locality keeps its revenue collections in Treasury Chest. Payments are made only when there is enough cash in the chest to meet the payments. If cash is not sufficient the claims have to wait until when the funds are available from revenue collections or transfers from the State. There is no system for cash flow planning to ensure that payments are met immediately when they are due. An analysis of debtors, creditors and cash on hand at end of 2005 indicates that the locality is not maintaining adequate liquidity to enable it to clear its current liabilities, as a result the locality is accumulating debts. The system of commitment control is not in place, making it difficult to manage the budget and cash flows.

Accounting: As noted under the MQCs the locality maintains all the relevant books of accounts and most of these are up to date, including bank reconciliation statements. Since the collections are not banked, the Treasurer maintains the Treasury Chest book for recording receipts and payments. Therefore a system of petty cash/imprest is not in place as it would be duplication. Creditors and debtors registers are not maintained instead details of debtors and creditors are captured in separate columns for these items in the control book. All assets are listed showing description, number, location and other relevant details. The list is kept in a file and updated annually when physical inspection is undertaken. Other documents and financial forms are kept safely and a register for recording movement of the forms is maintained.

Internal Control: The Internal Audit function is in place and operational. The internal auditor produces periodic reports as required and there is follow up by management on internal audit reports. The locality has not prepared customised internal policies and procedures to ensure adherence to State policies, guidelines, laws and regulations; and to safeguard against mismanagement, fraud and errors, irregularities, and conflict of interest. The locality follows the national guidelines and procedures such as the Financial and Accounting Procedures Bylaws 1995.

4.4 Procurement capacity

Procurement Organs: The technical evaluation committee is not in place. The Construction Committee functions as both the Procurement Committee and Technical Evaluation Committee. It is not clear whether the Committee considers all procurements. The impression of the Team is that it deals with procurements relating to construction projects only. The Commissioner is not involved in the procurement process therefore the issue of non-compliance with the recommendations of the committee is not applicable.

Procurement Process: There are strong elements of the procurement process such as advertisements of bids, existence of the procurement organ, criteria for evaluation of bids, preparation of bills of quantities etc. However, procurement planning is not in place and there is no wide circulation of information on tender awards.

4.5 Transparency and accountability

Downward reporting/accountability: There is limited downward accountability i.e. limited sharing of information between the locality headquarters and lower levels. In most cases information for example on approved projects flows to the areas where the projects are implemented and not to other areas. Also, information on approved budgets, plans, audited accounts; revenue collected etc is not widely circulated to the public.

Horizontal accountability: Horizontal accountability is likewise very limited and information sharing among the departments is on an ad hoc basis as some of the structures such as the Legislative Council and Executive Committee are not in place. These would be the forum for heads of departments to share information formally and be updated on what is going on in other departments. The same applies to sharing of information with non-state actors. Only recently the CDF LIU formed a Steering Committee whose membership includes all NGOs operating within the locality. It is expected that this will provide a forum for information sharing and harmonisation of activities.

Upward accountability: Upward accountability works well with periodic flow of information to higher levels (the State). However, the issue of timing of information flows need to be resolved as it was not clear whether the information is submitted on time.

4.6 Functioning of political institutions

Locality Legislative Council: The Legislative Council is not in place for the reason stated earlier in this report.

People's Committees: Although the People's Committees are in place, there is no evidence that they have been trained, mentored or given feedback on their performance by the locality. Only some NGOs and IFAD have provided training to the peoples committees.

4.7 Human resource development/capacity building

Capacity building planning process: As stated earlier in this report the human resource development/capacity building is seen as being a responsibility of the State government therefore the locality has not carried out capacity needs assessment and developed a comprehensive capacity building strategy/plan.

Quality of the Capacity Building Plan: The locality does not have a capacity building plan. At the present stage where the responsibility for capacity building is not decentralised to localities this indicator is not relevant.

Capacity building implementation: Implementation of capacity building activities is handled by the State government therefore this indicator is not relevant to Al Rashad locality. The state has conducted training on local government finance, good governance and administration.

Monitoring of CB: The locality is not involved in monitoring of capacity building activities as they fall under the responsibility of the State.

4.8 Project supervision and monitoring

Contracts management and technical supervision: The locality has not implemented projects for a long period due to war. However, for a project that the locality implemented on behalf of the State government and one small project for construction of abattoir it was evident that projects are implemented with appropriate contracts.

Monitoring and reporting: Although there is no evidence of clear strategy for monitoring project implementation, technical staff carries out project supervision, including inspection to ensure compliance with technical specifications and time schedules. After every inspection or monitoring visit the technical staff compiles progress monitoring reports and payments are made on basis of certification that work has been undertaken at the expected level of performance.

5 Conclusions

5.1 Compliance with Minimum qualifying criteria

The locality has failed to comply with some of the minimum qualifying criteria including: the absence of the legislative council and executive committee; the annual plan is not in place; the co-funding requirements and there was a decrease in revenue from 2004 to 2005. The results of assessment of MQC are summarised below:

Minimum Qualifying Criteria: Summary of status

Criteria	Compliant	Not compliant	N.A.
Development planning and budgeting capacity			
Functioning of the Locality Executive Committee in development planning		X	
Timely and council-approved annual social and economic plan		X	
Timely and Legislative Council-approved annual budget		X	
Clear link between annual plan and annual budget		X	
Capture of operational costs in the budget derived from capital investments		X	
Capture of maintenance costs in the budget derived from the capital investments		X	
Fiscal capacity and financial management			
No decrease in own revenues in nominal figures for the previous-year-but one to the previous year		X	
Co-funding requirements complied with for capital investments			X
Entire final accounts for the previous financial year produced on time and submitted for audit	X		
All books of account maintained up to date		X	
Project specific account opened and ready for operations			X
Internal audit function in place, including submission of quarterly reports to the Council and the State	X		
Clean audit report for the last audited year			X
No major financial irregularities noticed during the year	X		

and/or irregularities unsettled from previous years			
Procurement			
Tender evaluation committee has been established and tender procedures are as per regulations	X		
Functioning of political institutions			
Legislative Council in place and operational		X	
Staff functionality			
Positions of Executive Director filled with requisite qualifications.	X		
Head of Administration and Finance Affairs Section filled with requisite qualifications	X		

5.2 Compliance with Capacity Building Support Access criteria

The locality complies with the requirement to have a human resources management function within its structure. The function is operational as the position of personnel officer is filled. However, the locality does not meet the criterion regarding a capacity building plan being in place.

5.3 Capacity building needs and functional gaps based on performance indicators

In the course of assessing the locality we identified capacity building needs and functional gaps based on performance indicators in the following areas:

First, planning and budgeting: there is need to build capacity in planning and budgeting, particularly the introduction of participatory approaches to planning and budgeting. Also, strategic and medium-term planning and the linkages between these plans and the annual planning and budgeting process. As part of this process the introduction of revenue projections for the medium term and the need to have in place strategies for improving revenue collections.

Second, there is a need to strengthen the procurement capacity particularly the aspect of procurement planning and monitoring of implementation of procurement plans. This aspect is missing completely at the moment partly because of absence of projects which involve procurement activities and partly due to capacity gap.

Third, although there are some good elements of project management in the locality further capacity building is required particularly in project planning which involves things like project appraisal (desk and field appraisal); project implementation, monitoring and evaluation.

Fourth, in financial management gaps exist in cash flow management to ensure adequate liquidity. Also, the introduction of a system of commitment control to

ensure the locality operates within the available resources and that once there is a commitment the funds are not available for other purposes to avoid unnecessary accumulation of debts.

Fifth, through discussions with management it was clear that the management needs guidelines on implementation of issues related to transparency and accountability. In particular horizontal accountability and downward accountability were found to be weak.

Six, in view of decentralisation that is desired it is important for the localities to build capacity in carrying out capacity needs assessment, preparing and implementing capacity building plans, including monitoring and evaluation of the plans. While this activity is carried out by the State it is very unlikely that the needs of the locality will exactly match those identified by the State. In most cases opportunities arise that do not reflect the needs of the locality. When the locality takes the initiative to plan for its capacity building the locality can also seize opportunities that may come up.

Finally, to strengthen the internal audit function and make it more effective the internal audit should not be part of day-to-day operations which the auditor is supposed to audit. For example, the internal auditor is a member of the procurement committee and also is involved in pre-audit of payments. This weakens the independence and effectiveness of the internal audit function.

On external audit in the long term it would be more effective if a separate audit report is prepared for each locality. Currently there is only one report for all government institutions in the State government. This makes it difficult to identify issues related to a particular institution. Also it poses the problem of identifying issues that have not been resolved by the management. This may require strengthening of the capacity of the auditor general in the long term to reach a stage where a separate management report is prepared, management acts on the report and the auditor issues an opinion on the accounts. The audit report we accessed did not contain an opinion on the financial statements.

The table overleaf is our attempt to illustrate the general performance status of the locality. It shows the indicative level obtained by the locality in each functional area based on the performance indicators. An "A" thus indicates a generally favourable assessment in the sense that "most" questions in the tool kit under that performance area were answered positively. A "B" indicates that some capacity was shown but significant scope for improvement exists; only 1-2 questions in the tool kit under that performance area were answered positively. A "C" indicates that very weak capacity was shown in the sense that none of the questions defined in the tool kit under that performance area was answered positively.

It is emphasised that wide intervals have deliberately been set for each category, A, B, or C. It reflects that the categories should not be seen as scientifically established scores that determine the exact performance level of the locality for each functional area. The categories should only be seen as a general and tentative indication of the locality's performance level.

On this basis it is noted that Al Rashad obtained 5 A's, 8 B's and 9 C's, which suggests that it shows "good" or "some" capacity in most functional areas examined but also that it remains weak in many areas.

Performance/Capacity Area	Level
Development planning and budgeting capacity	
Existence of a participatory planning process	B
Quality of the annual development plan – must adhere to the provided format	C
Comprehensive/strategic medium term (3-4 years) plan in place	B
Budgeting capacity	B
Fiscal capacity	
Revenues	C
Revenue management (administration)	A
Expenditures	B
Financial management and audit capacity	
Budget execution and cash flow	C
Accounting	A
Internal Control	A
Procurement Capacity	
Procurement Organs	B
Procurement Process	B
Transparency and Accountability	
Downward reporting/accountability	C
Horizontal accountability	C
Upward accountability	A
Functioning of political institutions	
Locality Legislative Council	C
People's Committees	B
Human resource development/capacity building	
Capacity building planning process	C
Quality of the capacity building plan	C
Capacity building implementation	C
Monitoring of capacity building	C
Project supervision and monitoring	
Contracts management and supervision	A
Monitoring and reporting	B

A: Most questions relating to the performance measure answered positively

B: Only 1-2 questions relating to the performance measure answered positively

C: No questions relating to the performance measure answered positively

6 Issues arising

In general the assessment kit was viewed by the locality as being above their capacity. In some cases it took time for the staff to understand clearly what the kit meant in certain areas, such as transparency and accountability. Also, in practice some of the aspects included in the kit were designed in such a way that the activities are carried out by the locality whereas in actual fact they are handled by a higher level e.g. training/capacity building. In such cases clear guidelines need to be in place in order to determine whether a locality qualifies to receive funds or not. Included in this is the issue of existence of the executive committee which appeared uncommon.

Appendix A: Check list

Background information about the locality

- ❑ Locality Name: Al Rashad.
- ❑ Size of the local government in terms of population: 272,599
- ❑ Number of staff: 2,975 (including teachers)
- ❑ Number of administrative units: FOUR (Tajmala; Al Abbassia; Omlubia and Al Karshola)
- ❑ Number of people’s committees: 168
- ❑ Geographical location: Eastern part of South Khordofan State.
- ❑ Special features: Mountain areas, rocky, some good arable land, muddy and sandy areas. Some areas especially those with black clay soil are not easily accessible during the heavy rains. One of the areas which was affected by the war as a result of which people were displaced, making revenue collection and planning and implementation of projects difficult.
- ❑ Contact at locality: Name: Samuel Lueth Agot, Executive Director
Phone number: 0636 822 336 / 0636 822 005
Email: None



Name of team member completing the check list: Lima Jeremiah Lima

Signature:.....

Date: 5th September 2006

Minimum Qualifying Criteria

Development planning and budgeting capacity

Performance/capacity area (MQC)	Performance/capacity area (MQC)
Coordination of the planning function	Functioning of the locality Executive Committee in development planning
<p>The Executive Committee is not in existence as it is not provided for in the structure of the localities by Local Government Act 2003. The locality has an ad hoc meeting of the Executive Director and the heads of departments to discuss the budget and annual plan prior to submission to higher levels for approval. However, there was no evidence of minutes of such a forum for discussion of the 2006 budget or any of the budgets for the previous years.</p> <p>Did the Executive Committee meet as required (at least once per month)? This question is not applicable since there is no requirement for such a committee in the law governing the operations of the localities (Local Government Act 2003)</p> <p>Were meetings attended by the appropriate staff (the EC may co-opt technical resource persons)? As above.</p> <p>Did it discuss development planning and budgeting issues including e.g. the annual plan and budget, desk and field appraisal of projects, etc.? As above</p>	
Planning capacity	Existence of a timely and council approved annual social and economic plan (Section 10 B of the LG Act, 2003)
<p><i>Obtain and review the annual plan for the current year (2006):</i></p> <p>Was the annual plan signed as per guidelines (Council Chairman, Commissioner)? No. The locality does not have an annual plan instead they have a five year strategic plan covering a period 2006 to 2010. The five year plan has not been signed by the Council Chairman or the Commissioner. The Legislative Council was dissolved in 2005 following the peace agreement, since then it has not been reconstituted.</p> <p>Did the annual plan include a project profile for each of the prioritized projects following the recommended format? Not applicable, there is no annual plan for the locality.</p> <p>Review the minutes of council. On this basis, have the Legislative Council discussed and approved the annual plan? Not applicable, the Legislative Council is not in place. A review of the records indicates that in the first half of 2005 the Legislative Council was in place and among other things it discussed and approved the 2005 annual budget (refer to minutes of the Legislative Council that met on 2nd January 2005).</p>	
Budgeting capacity	Existence of a timely and Legislative Council approved annual budget

<p><i>Obtain and review the annual budget for the current year (2006).</i></p> <p>Has the annual budget been signed as per guidelines (Council Chairman, Commissioner)? No. The annual budget 2006 is in place but it was not approved by the Legislative Council therefore not signed by the Chairman. In the absence of the legislative Council, the budget was approved by the State Council of Ministers. There is no signature on the budget to indicate that it has been approved by the State. Also there is no any written correspondence from the State for the approval of the budget.</p> <p>Has the annual budget been prepared as per guidelines? Yes. In many respects the budget has followed the guidelines and the formats, except that in the revenue budget the locality did not indicate the deviations between previous year's actual and approved budget for the same period.</p> <p>Review the minutes of the Council. On this basis, does it appear that the Council discussed and approved the annual budget before the end of December? (Note the dates and relevant minutes.) As indicated above, the legislative council is not in place from the second half of 2006 therefore the budget was not discussed by the council. However, there is evidence of discussion of the year 2005 budget by the Legislative Council when it was in place as evidenced by minutes of the Legislative Council that convened on 2nd January 2005, two days after the end of December.</p>	
Financial interpretation of the plan	Clear link between annual plan and annual budget
<p><i>Review and compare the annual plan and budget.</i></p> <p>Based on the review/comparison, does it appear that the priority projects in the annual plan have been reflected in the annual budget (budget linked to activities and outputs)? Not applicable, the locality did not prepare an annual plan in addition there are no projects in the current budget.</p>	
Sustainability in the budgeting process	Capture of operational costs in the budget derived from the capital investments
<p>Ascertain whether there is consent from the relevant authorities to meet operational costs of investments prioritised in the annual plan and budget. Does there seem to be consent from these authorities to meet the operational costs of investments prioritised in the annual plan and budget? Not applicable.</p> <p>Review the budget. On this basis, have the major investments been catered for in terms of operational costs (cross reference to the operational issues in the project profile)? Not applicable.</p>	
	Capture of maintenance costs in the budget derived from the capital investments
<p><i>Review the annual plan (including project profiles).</i> None of these exists.</p> <p>Has the locality an elaborated maintenance strategy for capital investments? Not applicable.</p> <p><i>Review the budget.</i></p> <p>Has the locality made provisions to meet maintenance costs of major investments? Not applicable.</p>	

Fiscal capacity and Financial Management

Fiscal Capacity	No decrease in own revenues in nominal figures from the previous year-but-one to the previous year						
<p><i>Obtain a copy of the final accounts for the previous year-but-one and for the previous year.</i></p> <p>Review accounts and note the total locality own revenue in both years.</p> <table> <tr> <td>Locality own revenue in 2005 (Sudanese Dinars)</td> <td>397,421,676.00</td> </tr> <tr> <td>Locality own revenue in 2004</td> <td>674,444,643.40</td> </tr> <tr> <td>Decrease in revenue</td> <td>277,022,967.40</td> </tr> </table> <p>Have locality own revenues increased? No</p> <p>By what percentage have they decreased? 41%</p>		Locality own revenue in 2005 (Sudanese Dinars)	397,421,676.00	Locality own revenue in 2004	674,444,643.40	Decrease in revenue	277,022,967.40
Locality own revenue in 2005 (Sudanese Dinars)	397,421,676.00						
Locality own revenue in 2004	674,444,643.40						
Decrease in revenue	277,022,967.40						
	Co-funding requirements complied with for capital investments						
<p><i>Obtain and check bank statement for the Project Account.</i></p> <p>Have co-funding obligations been met as per project requirements (for example, if it has been posted for the first quarter of the first year)? Not applicable. The project account has not been opened. The locality operates only one account which is used for transfers from the State government for salaries (chapter 1) and development.</p> <p>Is there a record of the amounts deposited on the bank accounts (co-funded) and dates? Not applicable, see above.</p> <p><i>Obtain and review the budget for the current financial year.</i></p> <p>Is there a provision for meeting the co-funding obligations? Not applicable.</p> <p><i>(In the second year, it will be important to ascertain whether co-funding obligations for the previous year were actually complied with.)</i></p>							
	Communities made their matching contributions for specific community projects						
<p><i>N.A. This only applies for the second assessment.</i></p>							
Financial Management	Entire final accounts for the previous financial year produced on time and submitted for audit						
<p><i>Obtain the final accounts for the previous financial year (2005).</i></p> <p>Were they prepared and completed on time? The final accounts for 2005 were prepared, but it has not been possible to establish whether they were prepared on time or not. The signatures on the accounts do not indicate when they were signed (date). The accounts were signed by the Executive Director and the Finance Manager.</p> <p>Were they submitted for audit before end of March? Although the accounts were submitted to auditors, they were submitted without a covering letter. Also, they do not have a “received” stamp or letter of acknowledgement by the Auditor General showing the date the accounts were submitted. Therefore it has not been possible to confirm timeliness of submission of accounts to auditors.</p>							

	All books of accounts maintained up-to-date, including bank reconciliation
<p><i>Obtain and review the major books of accounts such as the daily accounts book, ledger books, liability registers, deposit books, vote books (item expenditure book/allocation of funds), sample of bank accounts.</i></p> <p>The locality has one bank account with Elnielin Bank, Abu Gibeha branch. The locality has prepared a reconciliation statement for this account as at 30th August 2006, signed by the Executive Director and Director of Finance on the same date.</p> <p>Are the major books of accounts maintained? Yes, and all are up to date except the Control Book which has been posted to end of June 2006. The books and last posting dates are as follows:</p> <ul style="list-style-type: none"> ▪ Expenditure analysis book – end of August 2006 (up to date) ▪ Accountants Register of Payments (daily payments) – 4th September 2006 (up to date) ▪ Accountants Register of Receipts (daily receipts) - 3rd September 2006 (up to date) ▪ Treasury Chest Book – 4th September 2006 (up to date) ▪ Bank book – 10th August 2006 (up to date – no any other bank transaction after this date) ▪ Adjustments (journals for monthly posting to the control book) – July 2006 ▪ Control Book – end of June 2006 (not up to date). ▪ 	
	Project specific bank account(s) opened and ready for operations. (There may be need to open up two bank accounts – one for the capital and the other for capacity building funds)
<p>Has a project specific bank account been opened with the required approvals (e.g. resolution of Council specifying bank and branch)? NO.</p> <p>Who are the signatories of the bank account? Not applicable</p> <p>Do the signatories meet the guidelines? Not applicable</p>	
Financial Reporting – applicable in the second assessment year	Regularly and timely submission of financial statements to the State
N.A. (only for second assessment)	
	Regularly (minimum quarterly) financial statements provided to the Council
N.A. (only for second assessment)	
	Regularly and timely submission of financial statements (accountability reports) to the PIU
N.A. (only for second assessment)	
Internal audit	Internal audit function in place, including quarterly reports submitted to the Council and the State
<p><i>Review internal audit reports for the previous and current financial years.</i></p> <p>Were they are prepared as required? Yes. The reports are prepared monthly, quarterly, semi annually and annually and they are submitted to the state. Examples of reports prepared by the Internal Auditor include the following:</p> <ul style="list-style-type: none"> ▪ Monthly reports March and April 2006; ▪ Quarterly report January to March 2006; ▪ Report for the month of May 2006 on Electricity; ▪ Report for the month of April 2006 covering Tajmalla and Al Abbassia administrative units; 	

- Report for the month of June 2006 covering Al Abbassia administrative unit; and
- Annual report for the year 2005 dated 28th January 2006

Were the internal audit reports submitted to Council? Not applicable

Were the internal audit reports submitted to the State? Yes. However, the reports are delivered by post or physically by the internal auditor without covering letter, therefore difficult to confirm and to establish timeliness of submission.

Audit reports

Clean audit report for the last audited year

Check the audit report and review the opinion of the auditors.

We have not seen a specific audit report for this locality instead a report covering all the localities in South Khordofan State including Al Rashad. The auditors issued a clean report for the year ended 31st December 2004. The report is not dated and has no reference number.

A review of the External Audit file indicates the following main issues were raised by the auditors:

- Chapter 1 expenditure by the locality exceeded the approved budget by Dinars 20,652,344;
- Letter dated 21 November 2005 with reference number 6/A/3 addressed to the Executive Director regarding the Directive to Control Financial Forms raised two issues: (a) violation of rules and regulations governing safekeeping of financial forms; and (b) the existence of counterfeit forms.
- Letter with reference number 6/A/1 dated 4th May 2006 issued by the Auditor General to the Assistant Director of Revenues on Financial Form 15 advising the addressee to take legal action against the Revenue Collector for the loss of receipts with numbers 994386 to 994400.

Were the comments "minor" only? Yes.

Have all the comments already been addressed by the locality? Yes. Except the first comment on chapter 1 expenditure. This item is not controlled by the locality but by the State government. The other two comments were addressed for as follows:

- The Executive Director wrote a letter with reference number SKS/RL/6/B1 dated 1st December 2005 directing all the administrative units to comply with the recommendations made by the Auditor General's Chamber on the issue of safekeeping of financial forms and existence of counterfeit forms;
- The Assistant Director of Revenues responded by writing to the Police, copy to the Executive Director advising the police to take action to interrogate the Revenue Collector (letter reference number 6/A/1 dated 11 June 2006).

Although the above comments do not relate to the year 2004 accounts, they provide evidences of actions taken by the management of the locality to address audit issues.

Which (if any) comments were not addressed? NONE

If yes to these two questions, the locality has passed the MQC.

No major financial irregularities noticed during the year and/or irregularities unsettled from previous years

Review the audit reports and other documentation.

Has the locality reported major financial irregularities during the finance year? NO.

Has the locality not addressed financial irregularities from the previous year audits? Not applicable since there have not been major irregularities in the previous few years.

Procurement

Procurement Organ	Tender evaluation committee has been established and tender procedures are as per the regulations
<p>Is procurement being made by an Organ/Committee established as per procurement regulations? Yes. The Procurement Committee whose membership include the Executive Director (Chairman); Procurement Officer (Secretary); Internal Auditor; Accountant and Technical Staff (nominated depending on the type of items procured). The Procurement Committee does not keep minutes of its meetings!</p> <p>What are the technical evaluation and procurement criteria and processes?</p> <ul style="list-style-type: none"> ▪ Direct purchasing for items not exceeding Dinars 300. The procurement officer obtains three quotations from the list of approved suppliers. The committee sits to consider the quotations and decide the best supplier based on quality, compliance with technical specifications, price, and other factors such as reliability of supply and financial strength. ▪ For items exceeding Dinars 300 tendering system is used. ▪ For procurement of construction contracts this committee is not involved, instead there is a Construction Committee which uses the estimates and technical specifications prepared by the Civil Engineer to invite bids following tendering procedures. The Procurement Officer is not a member of this committee. 	
Adherence to Procurement Guidelines – Second year	Adherence to the procurement procedures
N.A. (second assessment only)	
Expenditure performance – Second year	Actual expenditure on pro-poor sector areas (as per project investment menu)
N.A. (second assessment only)	

Functioning of political institutions

	Legislative Council in place and operational, e.g. regular meetings, decisions etc.
<p>The Legislative Council was dissolved in 2005, since then it has not been reconstituted. This awaits the approval of the new Constitution and election of new members following the peace agreement. Prior to its dissolution the Council met twice on 2nd January and 2nd July 2005. Minutes of the January meeting are available however for the July meeting we noted a document containing all the resolutions. This document was signed by the Legislative Council Chairman.</p> <p>Does the Council meet as stipulated in the relevant laws and regulations? Not applicable.</p> <p>Does the Council discuss the relevant issues (i.e. annual plans and budgets, audit and financial reports etc)? YES. Evidence of the two meetings of January 2nd and July 2nd, 2005 provide support of discussion of important issues. The January 2005 meeting approved the annual budget for 2005 whereas the July meeting discussed inter-alia:</p> <ul style="list-style-type: none"> ▪ Performance report presented by the Commissioner covering the first six months of the year; 	

- Approval of the housing plan for one of the villages in the locality;
- Recommendations of the Economic Committee on the status of revenue collection; and
- Estimates for the new revenue office.

Staff functionality

Staffing	Position of Executive Director filled with requisite qualifications
	<p>The Executive Director position is filled. The current Director Mr Samuel Lueth Ogot previously an Administrator at the Secretariat General of the State Government was transferred to Al Rashad to fill the position of Executive Director (letter reference number 50/H/5/M12 dated 5th June 2006).</p> <p>He is a graduate of Economic Development, University of Juba and has a Diploma in Public Administration, Sudan Academy for Administration Sciences. He has also attended a short course on Decentralisation and Strategic Planning, UNDP.</p> <p>He has experience as a finance officer in the Ministry of Finance for a period 1978 – 1983; and from 1983 he has been in the local government as an Administrative Officer.</p>
Staffing	Head of Administrative and Finance Affairs Section filled with requisite qualifications
	<p>The position is filled. Letter of appointment dated 25th August 2005 with reference number 50/A/2/11 addressed to the Executive Director of the locality appointed Mr. Ali Dafalla Musa as Director of Finance. The letter was issued and signed by the Director of State Public Service, South Khordofan State.</p> <p>He has a Bachelor of Accounting degree.</p>

Capacity Building Support Access Criteria (CBSAC)

Human resource development capacity

Capacity building/training plan in place (schedule), specifying how the capacity building support funds will be spent

Has a capacity building plan/training plan been developed? NO. Capacity building and training activities are handled by the State government.

Does the plan specify how the capacity building support funds will be spent? Not applicable.

Human resource management function in place (designated unit/person)

Review the functional division of HRD tasks at the locality, specifically review the organisational structure to determine if the HRM position has been provided for.

Based on the organisational structure - is there a human resource management function provided for? Yes. The position of Personnel Officer, reporting to the Administrative Officer (Under Finance and Administration Affairs department). This position is filled by Mr. Ibrahim Ahmed Adam who was transferred from the department of chapter 1 in the State Ministry of Finance (letter of transfer dated 7th July 2005 with reference number 50/H/1/General). He holds a Bachelors of Business Administration and he deputises the Personnel Assistant Inspector in the State government. His duties are restricted to day to day personnel administration issues within the locality such as processing annual leave for staff, sick leave, etc. He is not involved in training and capacity building, even when there are training opportunities offered by the state, the nomination of participants is done by the respective heads of departments.

Performance Measures

Development planning and budgeting capacity

Existence of a participatory planning process	
<p>Are participatory consultations undertaken with the community members through involvement of the people's committees? Yes. Minimal consultations since the Committee have not been functioning properly and there is no evidence of minutes of these Committees or correspondences relating to submissions and reviews of and/or feedback on the plans.</p> <p>Does the planning process capture the needs of special groups? No.</p> <p>Are NGOs' participatory planning processes and approaches harmonised with those of the Localities (non-state actors involved in the participatory planning process)? No. Only recently the CDF project local implementing unit started to co-ordinate the activities of NGOs through its Steering Committee which has representation of all local and international NGOs operating within the locality. This co-ordination mechanism aims at understanding their activities and wherever possible to harmonise them with those of the locality.</p> <p>Are technical departments involved in the desk and field appraisal of development projects? Not applicable, no development projects for the past three years because the area was affected by war.</p> <p>Review the minutes of the Executive Committee and note the relevant details e.g agenda item, date, etc. Are the annual plans, including project priorities, discussed by the Locality Executive Committee? Not applicable, the Executive Committee does not exist.</p> <p>Are the Committees of Council involved in the discussion of draft annual plans? Not applicable, the Legislative Council does not exist.</p> <p>Does the Locality Legislative Council discuss and approve the annual plan? Not applicable.</p> <p>Does the state level (Council of Ministers and State Assembly) review and endorse priority investments with recurrent cost implications to the state level? Not applicable. No investments for the past three years. We were informed that in the absence of the Legislative Council, the Council of Ministers approves the budget. However, there is no documentary evidence that the Council of Ministers reviewed and approved the 2006 annual budget. The practice is that when the Council of Ministers approves the budget they bind the approved budgets for all the localities within the State and circulate the bound booklet to the localities.</p>	
Quality of the annual development plan – must adhere to the provided format	
<p>Does the annual development plan provide background information to the Locality, including, for example, location, number of people's committees, economic activities, etc.? Not applicable, development budget not in place.</p> <p>Does it describe the participatory planning process through which the annual plan was developed? Not applicable.</p>	

Does it analyse the locality-peculiar challenges and opportunities (e.g. in relation to gender, environment and poverty)? Not applicable

Does it outline the prioritised investments to address the identified challenges? Not applicable.

Does it propose the strategies the locality will use to implement the annual plan? Not applicable.

Does it provide the strategies through which the locality will monitor and evaluate the annual plan? Not applicable.

Does it give the costs of each of the prioritised investments (budget allocation) and sources of funding? Not applicable.

Is it attached with detailed investment profiles for each of the prioritised projects (e.g. the project title, background/objectives, technical description, implementation strategies, funding requirements and sources, strategies for operation and maintenance, environment and gender screening, etc.)? Not applicable.

Comprehensive/strategic medium term (3-4 years) plan in place

Is there a strategic, medium term plan in place? Yes. Covering a period of five years 2006 to 2010.

Does it provide details of the background to the locality? Yes, but not detailed information on the locality. It just says the locality has heavy rains and a dense population; it needs basic infrastructure such as roads, water, education, energy, public health and housing.

Does it describe the process through which the medium term plan was developed (linked to the annual planning process)? No.

Does it list challenges encountered during the previous process and strategy for deepening of the participatory planning process? No.

Does it give detailed analysis of locality challenges and opportunities? No.

Does it give detailed analysis of crosscutting issues including poverty, environment and gender? No. There is no analysis of these issues but includes projects which touches on the issues of gender in education (construction of schools for girls) and environment (procurement of tractors and trails for refuse collection and disposal, construction of electricity power generation stations to promote the use of electricity as a source of energy instead of firewood).

Does it outline the locality Vision, goals, and objectives? No.

Does it specify activities to be implemented in the first year and gives indications of activities to be implemented in the proceeding years (to be checked when the plan is being rolled)? No.

Does it give cost projects to implement the medium plan with indicative sources of funding? No. It has costs of construction of bridges, roads and runways, and dams without indication the source of funding.

Does it elaborate the implementation strategies for the medium term plan? No.

Does it elaborate the strategies to monitor and evaluate the implementation of the medium term plan? No.

Budgeting capacity

Does the locality take into account its previous performance in budgeting and budget follow-up when it does the yearly budgeting? Yes. There is a consideration of the previous year's budget and actual performance as reflected in the budget guidelines for year 2006 and the budget proposals for 2006 which contain figures of actual results and approved budget for 2005.

Are revenue projections made over the medium term (3-4 years)? No.

Is budgeting based on available funds and identified sources? Yes. The budget guidelines for 2006 stress the reliance on ability of the locality to generate enough revenue to finance its operations. The guidelines further proposes the promotion of agriculture and other income generating activities and to widen the tax base and that the locality should indicate its contribution to the budget through self revenues. The locality's revenue estimates for year 2006 are Dinars 195,901,500 whereas the approved expenditure budget for the same period is Dinars 204,501,500 (Chapter 2: 96,795,675 and Chapter 3: 107,745,825). Although there is a funding gap of Dinars 8,600,000 there is a clear indication that the locality took into consideration the availability of funding. The locality expects the funding gap to be covered by the State government.

What is the budget prediction capacity/execution performance (% of deviation from budget)?

	<u>Actual 2005</u>	<u>Budget 2005</u>	<u>Variance</u>	<u>% deviation</u>
Revenue	397,421,676	160,915,000	236,506,676	146.98%
Expenditure	130,839,814	131,155,000	315,186	0.2%

The expenditure side of the budget is well controlled as indicated by a very low percentage deviation. Revenue collected was far beyond the budgeted level. Two reasons were provided for this deviation. First, peace and stability in the area after signing of the peace agreement made it possible to reach areas which were previously not accessible due to security. This argument is not consistent with the actual results for year 2004 which show a much higher figure of revenue collection (SDD 644,444,643.40). Second, under estimation of revenues when preparing the budget. This seems to be the more likely reason for the deviation.

Are budget deviations legally approved? Yes. Over spending and reallocation between budget items requires approval. During the previous year and in the current year the locality has not experienced these conditions therefore there is no documentary evidence on this.

What is the share of total budget allocated to services prioritized in the PEAP? Not applicable, the budget is not analysed by sectors therefore difficult to establish the proportion allocated to priority sectors.

What is the percentage of total budget on non-chapter 1 salary items? Total expenditure budget in 2006 (including chapter 1 items) is SDD 1,139,609,996. 17.94% of this amount (SDD 204,501,500) represents non-chapter 1 budget items.

Fiscal capacity

Revenues

What been the increase in own source revenues over the past two years? Revenue collection decreased by 41% from 2004 (SDD 644,444,643.4) to 2005 (SDD 397,421,676).

<p>What is the percentage of revenues collected against the planned revenues (targets)? Revenue collected in 2005 was SDD 397,421,676 whereas the budget for the same year was SDD 160,915,000 therefore the percentage of revenue collected against the budget was 246.98%.</p> <p>Are there clear strategies to improve own-revenues and fiscal capacity? NO</p>	
Revenue management (administration)	
<p>Does the revenue collection reach the targets set? Yes, as can be seen above actual collections for 2005 exceeded the budgeted collections by a big amount (Actual collections were 247% of the budget).</p> <p>Are accountability measures on revenue collection in place, such as registers, authorised collectors, banking, etc.? Yes, Revenue collectors use the various financial forms (Form 14, 15, 23 and 36) in keeping record of revenue collections. Twice in a month they remit their collections to the Treasurer who issues them with a receipt and record the transaction in the Treasury Chest Book.</p> <p>Is feedback given to communities on the amounts of revenue collected and how it is used? No. Previously feedback was provided through the assembly when it was in operation. Currently there is no formal mechanism for providing feedback on revenue collections.</p>	
Expenditures	
<p>What is the level of administrative expenditure compared to own source revenues (%)? Using the draft annual accounts for the year 2005: Actual administrative expenditure SDD 100,163,496.40 was 25.2% of total actual revenue from own sources SDD 397,421,676.</p> <p>What is the share of the costs for the Legislative Council out of the total budget? In 2005 the Legislative Council budget SDD 3,500,000 was 3% of the total budget SDD 131,155,000. In the draft accounts for year 2005 the Legislative Council costs SDD 2,469,000 formed 2% of total actual expenditure SDD 130,839,814, excluding chapter 1 items.</p> <p>What is the share of the local revenue spent on capital investments? There were no capital investments in 2005 therefore no portion of the local revenues that were spent on investments.</p>	

Financial management and audit capacity

Budget execution and cash flow	
<p>Are cash inflows and outflows managed so that the LG is able to meet current payments promptly, according to financial commitments? No.</p> <p>Is the Locality maintaining adequate liquidity, and not accumulating arrears or debts? No. The total amount of debtors (SDD 30,676,317.83) and cash/bank balance (SDD 123,094.34) in the draft accounts for year 2005 is SDD 30,799,407.17 is not sufficient to cover the balance of creditors SDD 57,162,349.95.</p> <p>Is there a commitment control system in place? No</p>	

If so, who orders, signs, authorises, etc? yes/no Not applicable	
Accounting	
<p>Are all books of accounts properly maintained and up to-date including:</p> <ul style="list-style-type: none"> • Creditor register; • Control of debt (registers etc.). <p>Yes. The control book and adjustments are not up to date also there are no separate registers for creditors and control of debt, instead the control book has columns for recording transactions relating to creditors and debtors.</p> <p>Is the imprest/petty cash management, including register, functioning and up-to date? No, since the locality keeps its collections and utilises the amount without banking the collections. The bank account is used for transfers from the State government.</p> <p>Is there a functioning system of assets register and management? Yes. The Storekeeper maintains a list of all the assets of the locality. The most recent list was prepared on 4th January 2005.</p> <p>Are inspections undertaken <u>and</u> inventories maintained of fixed assets? Yes. Inspections are carried out annually by the committee of inspection whose members are the Procurement Officer, Head of Abbassia Administrative Unit (Chairman), Internal Auditor, Accountant and a Technical Representative (Mechanical Engineer). The Committee prepared the 4th January 2005 list, signed by the chairman and Procurement Officer.</p> <p>Are financial management documents kept safe and locked away (safes)? Yes. In addition to being locked away in a cabinet, the Procurement Officer maintains a register for recording receipt of these forms, issues and balance for control of movement of documents. When the financial forms are issued, the recipient must sign in the register to acknowledge receipt.</p>	
Internal Control	
<p>Is the internal audit function operational? Yes, as evidenced by monthly reports for March, April, May and June 2006, quarterly report January – March 2006 and annual report for the year 2005 dated 28th January 2006.</p> <p>Is there evidence of follow up on the IA results? Yes. Executive Director’s letter dated 23rd May 2005 with reference number 6/B/1 responding to issues raised by the Internal Auditor on 25th April 2005 reference number 6/B/1.</p> <p>Is there any evidence of an active system of internal control, such as written policies and procedures adopted/customised by the management (internal procedures)? No. The locality follows national guidelines, regulations and procedures such as the Financial and Accounting Procedures Bylaws 1995.</p> <p>Is there any evidence of locality policies and procedures in place to ensure adherence to state policies, directives, laws and regulations? No, as above</p> <p>Is there any evidence of policies and procedures in place to ensure safeguarding against mismanagement,</p>	

errors, fraud, and other irregularities? No, as above.

Is there any evidence of policy procedures in place to promote orderly, economic, efficient and effective operations and delivery of services? No, as above.

Do internal accounting and reporting regulations and procedures exist? No, as above.

Is there any evidence of policies and procedures to ensure segregation of duties, such as:

- authorization to execute a transaction,
- record an action, and
- custody of assets involved in the transaction.

No. Only national policies and procedures exist, there are no internally prepared or customised procedures.

Do policies and procedures exist that safeguard against conflicts of interest? No, as above.

Procurement Capacity

Procurement Organs	
<p>Is the technical evaluation committee constituted with appropriate membership? No. The Construction Committee operates both as the procurement committee and technical evaluation committee. Members include the Attorney General (Secretary), Head of Engineering Affairs, Internal Auditor and one representative from the locality. The committee advertise tenders, reviews the bids and make a recommendation to the Executive Director for approval. An example of evidence of the existence and functioning of the committee is minutes dated 5th April 2005 with reference number DZ/MR/9/B/A.</p> <p>Does the technical evaluation committee considers all procurement proposals before procurements are made? NOT APPLICABLE</p> <p>Does the procurement authority (Commissioner) adhere to the recommendations of the technical evaluation committee (or explains non-adherence)? NOT APPLICABLE. The Commissioner is not involved in the procurement process.</p>	
Procurement Process	
<p>Does a Procurement Plan exist (and is it derived from the approved plans and budgets)? no</p> <p>Are bills of quantity (for works) and terms of reference (for services) prepared? Yes. There is evidence of bills of quantities in the construction project file, also letter dated 26th March 2006 with reference number WZ/MR/20/9/B signed by the Chairman of the Construction Committee makes reference to the bills of quantities.</p> <p>Are all procurements advertised (as per the thresholds)? Yes, example tender advertisement dated 29th March 2005 in the local newspaper inviting bids for construction of Zakat Chamber.</p> <p>Are proper evaluation criteria used for the bids and proposals? Yes. Minutes of the Construction Committee dated 5th April 2005 with reference number MZ/MR/9/B/A provide a list of conditions hat must be met by the contractors in order to be awarded the contract. These conditions are: technical experience detailing pro-</p>	

jects previously done; financial capability; curriculum vitae of staff indicating their qualifications and experience; schedule of implementation (schedule showing timing of activities from start to completion); project costs; and bids must be sealed. These conditions are used to rank contractors who tendered for the project and the top ranked contractor is awarded a contract.

Is there timely and transparent award of contracts? NO. We were informed that the tender award was advertised on notice board at the State Ministry of Finance. We were unable to confirm this as there was no letter circulating this information and advising the responsible officers to post it on notice board. We did not see tender award notification but evidenced a contract signed with the contractor who was awarded the project dated 28th August 2005 (almost five months from the date of invitation of bids).

Is there any communication to the locality about the tender awards? NO.

Transparency and Accountability

Downward reporting/accountability	
<p>Is the public informed about:</p> <ul style="list-style-type: none"> • Indicative planning figures (before the start of the planning process)? Not Applicable • Approved projects in the annual plan (with reasons for some of the community needs not to be implemented in a particular year)? Not applicable, under normal circumstances such information is conveyed through the Legislative Council which is currently not in place. • Approved budgets indicating sources of funding and clearly specifying the required community contributions (both the volume and nature of contributions)? Not applicable, as above. • Funds received to implement the projects and how they have been allocated? Limited sharing of information only to the administrative unit where the project is being implemented, through the Administrative Unit head. • Opinion of the audit reports and how the locality is addressing the queries? no • Project implemented (ongoing and completed) with explanations of variations with the plans if any? Yes, only in areas where the project is being implemented. • Public <u>access</u> to financial information (plans, budgets, accounts and audit reports)? Yes, through their representatives, financial information is not widely circulated. • Feed-back and information to the people's committees. Not applicable, they are not functional. 	
Horizontal accountability	
<p>Is there a reasonable level of information flow maintained among the departments, i.e. are departments updated on what is happening in other departments? No, ad hoc sharing of information.</p> <p>Is the regular submission of reports and provision of information to the Legislative Council? Not applicable.</p>	

Does the locality provide information to the non-state actors of the locality (other donor programmes, NGOs, private sector) to enhance synergies? No. NGOs operate/deal directly with local communities. A recent co-ordination mechanism has been developed through the CDF Steering Committee whose membership include representatives from all local and international NGOs operating in the locality. The committee is chaired by the Executive Director and its other members include head of departments – Education, Health, Water and Development Planning and Social Welfare, and CDF LIU Manager (secretary). The existence of this committee is confirmed by minutes of its first meeting dated 18th July 2006.

Upward accountability

Is the submission of the required reports to the State timely? Various reports are submitted to the State e.g. monthly, quarterly and annual internal audit reports (refer to a section on internal audit); and departmental monthly, quarterly and annual reports (see report covering January to December 2004 signed by the Commissioner, reference number 57/A/1 dated 13 March 2005). The reports are submitted without covering letters making it difficult to establish whether they were submitted on timely.

Is the submission of the required reports to the project implementation committee timely? N/A

Functioning of political institutions

Locality Legislative Council

Are discussions in the Council of a reasonable quality, i.e. do they discuss the annual plan, budget, financial and audit reports etc.? N/A

Are council sub-committees established in required areas? N/A

Are council sub-committees discussing the relevant issues related to their sectors? N/A

People's Committees

Is there evidence that the Locality has developed guidelines and a plan to mentor the people's committees in the execution of their functions, especially in relation to enhancing community driven development? NO, such initiatives are carried out by the State government.

Is there evidence that the Locality has actually trained the people's committees in the execution of their roles in relation to community-driven development? NO, only NGOs and IFAD have carried out training of the committees.

Is there evidence that the Locality has given feedback to the people's committees regarding their performance (achievements and challenges) and guidelines for further improvement? NO

Human Resource Development/ Capacity Building

Capacity building planning process

Has the locality conducted a capacity needs assessment to strengthen its function, with precedence given to

<p>institutional rather than individual needs (e.g. derived from systems for staff audit and appraisal)? No</p> <p>Has the locality developed a comprehensive capacity building strategy/plan (formulated as per the recommended format)? No</p> <p>Are the priorities in the CB plan within the project specified menu? N/A</p>	
Quality of the Capacity Building Plan	
<p>Does the capacity building plan provide the background to the locality in the context of capacity building? N/A</p> <p>Does it summarize the capacity building needs of staff, councillors, people's committees identified through the capacity needs assessment? N/A</p> <p>Does it detail the mix of strategies through which the capacity building needs should be addressed? N/A</p> <p>Does it cover both human resource development (enhancement of individual competencies) and institutional strengthening (re-tooling)? N/A</p> <p>Does it outline strategies through which CB activities will be monitored? N/A</p>	
Capacity building implementation	
<p>Are capacity building activities implemented by the providers recommended by the project? N/A</p> <p>Are capacity building activities implemented as per the capacity building plan? N/A</p>	
Monitoring of CB	
<p>Has the locality received reports from the training/CB activities? N/A</p> <p>Has the locality followed-up on the capacity building efforts, e.g. through monitoring and evaluation? N/A</p> <p>Has the staff and other stakeholders performance improved – are the expected outputs are in place? N/A</p>	

Project Supervision and Monitoring

Contracts management and technical supervision	
<p>Are all projects implemented with appropriate contracts (agreements)? Yes. Example, contract dated 3rd February 2005 for maintenance of butchery and contract dated 28th August 2008 for construction of Zakat Chamber.</p> <p>Are all payments made with the required certification (no advances, payments made against outputs)? Yes, for example Certificate of Completion of construction of Zakat Chamber dated 22nd July 2006 with reference 48/Z/1/M6.</p> <p>Does the technical staff ensure that the projects are implemented on schedule and following the specifica-</p>	

tions? Yes. Examples include the following progress monitoring reports: report dated 25th August 2005 with reference number WTAMA/TAMR/9/A/1; progress monitoring report dated 7th December 2005 with the same reference number; and monitoring report dated 13th February 2006. Also, letter dated 26th March 2006 with reference number W2/MR/20/9/B informing the contractor of the delays in completion of the project.

Monitoring and reporting	
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Has the locality developed a clear strategy for monitoring the implementation of projects? No

Does the locality monitor all projects being implemented (monitoring of progress)? Yes, as evidenced by the following progress monitoring reports: report dated 25 th August 2005 with reference number WTAMA/TAMR/9/A/1; progress monitoring report dated 7 th December 2005 with the same reference number; and monitoring report dated 13 th February 2006.

Is there evidence that the locality conducts technical inspections of projects? Yes. Please see the evidences in the preceding sections.
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Are progress reports arising from the monitoring and technical inspections exercises compiled? Yes, as indicated above.

Is there evidence that the Executive Committee discusses the monitoring and technical inspection reports and makes management decisions? Not Applicable.
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What is the percentage of projects implemented against the plan? 100%. There was only one project implemented by the State under supervision of the locality and it was completed in full and certificate of completion issued in July 2006 (certificate of completion reference number 48/Z/1/M6).

Appendix B: People met

1. Samuel Lueth Agot
Executive Director
2. Mohammed Elsadiq Abdalrhaim
Engineer
3. Abdaffadi Mahmoud
Chief Engineer
4. Ahmed Mohammed Tardawy
Staff Clerk
5. Abdalla Ibrahim Mohammed
Procurement Officer
6. Musa Rashid
Accountant
7. Salah Musa
Administrative Officer
8. Hassan Timath
CDF LIU Project Manager
9. Hamad Mohammed Kabu
Internal Auditor / LIU Project Accountant
10. Mohammed Nur Eldeen
Controller of A/C
11. Ibrahim Mohammed Adam
Public Service Officer

Appendix C: Documents made available and consulted

1. Analysis book – Expenditure
2. Analysis book – Revenue
3. Control book
4. Adjustments
5. Accountants Register of Payments
6. Accountants Register of Receipts
7. Bank books – all bank accounts
8. Treasury Chest Book
9. Guidelines for preparation of 2006 budget
10. Annual budget 2006
11. Final accounts – 2004 (audited) and 2005 (draft)
12. Internal audit reports 2005 and 2006
13. External audit report 2004
14. External audit file
15. Minutes of Legislative Council 2005
16. Minutes of Procurement Committee and procurement file
17. Organisation structure/chart
18. Letters of appointment – Executive Director, Internal Auditor, Head of Finance and Administration Affairs, and Personnel Officer
19. Bank reconciliation statements – all bank accounts
20. Fixed assets file/assets inventory list
21. Register for control of movement of financial forms
22. Construction Project File (incl contracts, monitoring reports & certificates of payment)
23. Strategic plan 2006 - 2010