

The World Bank

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

Kadogli

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 Kadogli, 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 Kadogli

Kadogli locality is located in the middle part of South Khordofan State. It is surrounded by the other localities and is the headquarters of the State government in South Khordofan. The locality appears to be the largest with a total population of 487,703 and five administrative units (excluding Haiban which will be fully operational as a locality from January 2007). Kadogli has a total of 90 People's Committees.

In terms of topography and weather, the locality is surrounded by mountains and most of the arable land is black clay soil, which makes accessibility to many areas within the locality difficult during the rain season. The locality receives heavy rains during the year and experiences relatively hot weather.

Agriculture and livestock keeping are the main economic activities. Kadogli town is also growing as a commercial centre and because of the forests surrounding the locality bee-keeping is also becoming an important activity.

Kadogli was affected by war and for many years has been a place of instability. The signing of the Comprehensive Peace Agreement has improved significantly peace and stability and this is reflected in growth in economic activities in the area. Improved infrastructure and social services are expected to boost further this growth in economic activities, and is the priority in the current budget and strategic plan 2006 – 2010 for Kadogli.

1.2 Assessment context

The assessment at Kadogli locality was affected by a strike that started on our second day of the assessment. Very few employees were at the locality to provide the team with information and explanations. Most of the records were locked away by employees who were involved in the strike therefore the team did not review such reports and had to rely on management verbal representation. The locality was not well prepared for the assessment.

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 and there is therefore no discussion of development plan and budget issues at that level in the locality.

Existence of a timely and council approved annual social and economic plan: The Legislative Council is not in place since it was dissolved following the signing of a Comprehensive Peace Agreement. The annual plan was therefore not discussed and approved by the Legislative Council. The plan made available to the assessment team has not been signed. Instead the plan has been included as part of the annual budget for 2006 which has been approved by the State Council of Ministers. The annual plan does not include project profiles. It is just a list of projects and their costs.

Existence of a timely and Legislative Council approved annual budget: As stated above the Legislative Council is not in place and therefore the annual budget was approved by the State Council of Ministers. There is no documentary evidence of this approval although indications are that the budget was approved late because a technical team supporting localities in finalising the budget carried out this role in 2006.

Clear link between annual plan and annual budget: There is a clear link between the annual plan and annual budget since three out of four projects included in the annual plan 2006 are reflected in 2006 annual budget. The fourth project, construction of Haiban locality, is not reflected in the budget since it was decided that the project will be funded by the national government. Therefore the locality took out this component from its 2006 budget.

Capture of operational costs in the budget derived from the capital investments: There is no clear indication of consent from the relevant authorities to meet operational costs of investments prioritised in the annual plan and budget. This is because there is no documentary evidence to confirm that the budget has been approved by the relevant authorities. There is a separate component in the budget for operational costs. However, the costs are not clearly identifiable with the projects included in the budget i.e. the budget is not analysed to reflect separately the operational costs relating to the proposed pro-

jects. Therefore it is not explicit whether operational costs of new investments have been catered for in the budget.

Capture of maintenance costs in the budget derived from the capital investments: Although a separate component in the budget exists for maintenance costs and the budget lists activities such as rehabilitation of 50 schools, 5 health centres, Kadogli Administrative unit and headquarters, etc there is no direct link between these estimated costs and proposed projects in the annual plan. The budget is not analysed such that one can see a direct link between the proposed projects and maintenance related to the projects. Further, there is no clear maintenance strategy for capital investments.

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: Based on the draft accounts for year 2005 and audited accounts for year 2004, revenue collection from own sources increased in nominal terms. The increase in revenue was 52.5%.

Co-funding requirements complied with for capital investments: The locality has not complied with this requirement. The CDF project has not started operations in Kadogli and therefore this criterion is not relevant to this locality.

Entire final accounts for the previous financial year produced on time and submitted for audit: We were informed that the accounts were prepared on time however we did not find any documentary evidence to support this. The accounts were signed by the Executive Director, Accountant and Director of Finance without indicating the date on which the accounts were signed. The accounts were submitted for audit on time although we were not able to confirm this with documentary evidence.

All books of accounts maintained up-to-date, including bank reconciliation: The locality maintains all the key books of accounts although some of these are not up to date – control book, expenditure analysis book and adjustments. There is only one bank account and the locality has prepared bank reconciliation statement as at 31st August 2006. The reconciliation is done monthly and is timely and up to date.

Project specific bank account(s) opened and ready for operations: With no projects established so far, the locality has not opened a project specific bank account. Therefore the criteria under this item are irrelevant at this stage.

Internal audit function in place, including quarterly reports submitted to the Council and the State: The internal audit function is in place and operational although the function is not operating as required in terms of production of reports. Only two reports were prepared, one for the last quarter of 2004 dated 20th February 2005 with reference number 6/B/1 and the other report for the financial year 2005 dated 15th January 2006. Since then the Internal Auditor has not produced any other report. This indicates that although the reports that

are in place were submitted to the State, production of reports and submission to relevant authorities are not timely.

Clean audit report for the last audited year: The report by the Auditor General is for all localities within the State and other government institutions. Hence there is no separate report for Kadogli. In addition the report does not contain an audit opinion on the financial statements of the localities. Due to a strike that started on our second working day of the assessment, we were not able to get access to the external audit file that would give us an indication of issues raised by auditors that are specific to the locality.

No major financial irregularities noticed during the year and/or irregularities unsettled from previous years: Through discussions with the Executive Director and Director of Finance we were informed that there were no major comments and the locality has addressed all of them.

2.3 Procurement

Tender evaluation committee has been established and tender procedures are as per the regulations: The procurement committee is in place, chaired by the Administrative Officer, Secretary – Procurement Officer, other members include the Internal Auditor, Engineer, Director of Finance and one Technical staff (depending on the items to be procured). Evidence of existence of the committee includes its minutes of its 14th July 2006 meeting to evaluate the quotations for the supply of spare parts for motor vehicles.

2.4 Functioning of political institutions

Legislative Council in place and operational: The Legislative Council is not in place for the reasons explained earlier in this report. It follows, therefore, that the annual plan and budget, internal and external audit reports and other key issues are not discussed by the council. The Legislative Council will be formed after approval of the State Constitution and Local Government Act. Once the two legislations are in place elections will be conducted to get members of the Legislative Council.

2.5 Staff functionality

Position of Executive Director filled with requisite qualifications: The position of Executive Director is filled. The Director is a University Graduate and has 25 years of local government experience as an administrator.

Head of Administrative and Finance Affairs Section filled with requisite qualifications: The position of Director of Finance is filled with a person who has 25 years of experience in local government, working in the finance department. The Director of Finance holds a Diploma in Accounts and Banking and he is currently pursuing a degree in Accounting at the Open University of Sudan.

3 Capacity Building Support Access criteria

3.1 Capacity building plan

The capacity building plan for the locality is not in place. Issues related to capacity building/training are handled by the State government and when opportunities arise the State informs the locality, which in turn nominates staff to participate in the programme.

3.2 Human resource management function

The Human Resource Management function exists and operates under the department of Finance and Administration Affairs. There is a designated person who handles the human resources management issues. The Personnel Officer has 23 years of experience on personnel function.

4 Performance assessment

4.1 Development planning and budgeting capacity

Existence of a participatory planning process: A participatory planning process is in place. The People's Committees identify their needs and communicate them to the locality for consideration in planning. We were unable to access the files to confirm the existence of such communication with the People's Committees on planning issues due to a strike on our second working day.

The planning process captures the needs of special groups. A good example is the budget for 2006 and the strategic plan 2006 – 2010 which include activities focusing on special groups, particularly those who were displaced by war. For example, funds for resettlement and transportation when implementing the resettlement plan for the war displaced, provision of infrastructure to attract the displaced to resettle in their areas, compensation to those who lost their livestock in war affected areas, etc.

Although we were informed that participatory planning approaches are in place, there is no harmonisation between the approaches used by NGOs and those of the locality. Also, for many years the locality was affected by war therefore it has been difficult to plan and implement projects. There is therefore no desk and field appraisal of projects by technical staff.

The annual plan and budget for 2006 were not discussed and approved by the Legislative Council as this institution is not in place. The plan and budget were approved by the State Council of Ministers but there is no documentary evidence indicating such approval.

Quality of the annual development plan – must adhere to the provided format: The annual development plan is a one page document showing a list of projects and their costs. In addition to the costs of implementing projects included in the 2006 annual plan, there is an indication of the source of funding (Central Government). In terms of format, the annual plan does not:

- Provide background information to the Locality;
- Describe the participatory planning process through which the annual plan was developed;
- Analyse the locality-peculiar challenges and opportunities;

- Outline the prioritised investments to address the identified challenges;
- Propose the strategies the locality will use to implement the annual plan; and
- Provide the strategies through which the locality will monitor and evaluate the annual plan.

Detailed investment profiles for each of the prioritised projects in the plan are not attached to the plan.

Comprehensive/strategic medium term (3-4 years) plan in place: The locality has a strategic plan which covers a period of five years from 2006 to 2010. This plan was prepared by the State government and includes a section with the plan for Kadogli locality (one page showing activities/projects and allocation of funds for each of the five years).

The plan suffers the same weaknesses as the annual plan i.e. it does not provide background to the locality; it does not describe the process through which it was developed; it does not list challenges encountered during the previous process and strategy for deepening of the participatory planning process; it does not give analysis of locality challenges and opportunities and analysis of cross-cutting issues including poverty, environment and gender; it does not outline the locality vision, goals, and objectives. Above all it does not address the strategic challenges and priorities for Kadogli specifically.

The plan is just a list of projects/activities and costs related to these activities spread over a five year period. It does not indicate the sources of funding for the projects. There are no implementation strategies and strategies to monitor and evaluate the implementation of the medium term plan.

Budgeting capacity: The locality takes into consideration previous year's performance when preparing its annual budget. This is provided for in the budgeting guidelines and is evident in the format of the 2006 annual budget which contains previous year's approved estimates and actual results.

Revenue projections over the medium term are not prepared and there is no strong evidence that the locality takes into consideration available resources when preparing the annual budget. For example, there is a very big funding gap (i.e. difference between approved expenditure and approved revenue) in the 2006 annual budget. The funding gap is about 53.7% of approved expenditure estimates.

The locality's budget prediction capacity is very low. In 2005 the locality collected only 29% of the approved collections from own sources (i.e. 71% deviation on the revenue side). On the expenditure side, the locality spent exactly what was budgeted for, without any deviation.

Budget deviations are approved particularly when there is reallocation of funds between budget items and where expenditure exceeds the budgeted amount.

However, during the year 2005 and 2006 to the date of the assessment the locality had not experienced reallocation or overspending.

The budget is not arranged by sectors and it is therefore difficult to establish the share of total budget allocated to prioritised sectors. Non-chapter 1 budget for the fiscal year 2006 is only 22% of the total expenditure budget.

4.2 Fiscal capacity

Revenues: Over the past two years, revenue increased by 52.5% in nominal terms. However, actual collection of revenue from own sources was only 29% of the budgeted revenue collections. There are no clear strategies to improve own revenue collection and fiscal capacity.

Revenue management (administration): As indicated above the locality does not attain its revenue collection targets. Accountability measures on revenue collection such as authorized collectors, registers, etc are in place and functioning. There is no feedback to communities on revenue collection and how the revenue collections are used.

Expenditures: In the fiscal year 2005 administrative expenditure (chapter 2) was 147.5% of own revenue collections. According to the locality management the actual expenditure include salaries paid to chieftains and leaders of mosques (mosque imams) which is part of the transfers from the State government. If we make an adjustment for this portion the ratio becomes 132.8%, indicating that the locality is spending more than its collections. This situation may contribute to an increase in the level of debts.

In 2005 the approved estimates for the legislative council was 7.5% of the total budget. In 2006 the locality made a provision of SDD 4,000,000 for the legislative council which is 1% of the total budget. None of the local revenue is allocated for capital investments as these are funded by the State.

4.3 Financial management and audit capacity

Budget execution and cash flow: There is no active management of cash inflows and outflows to ensure the locality is able to meet current payments promptly. The locality has an excess of current liabilities over current assets (cash/bank and debtors) by a big margin. Its liquidity position is therefore not good and may face difficulties making payments. The system of commitment control is not in place.

Accounting: As indicated under MQCs, the locality maintains all the key books of accounts although some of the books are not up to date. There is a system of assets management and a list of assets is maintained and updated annually when physical count is undertaken. We did not have access to this list due to a strike by employees of the locality on the second day of our field visit. Financial forms and other key documents are kept safely and a register is main-

tained to record movement of these forms. We did not verify its existence due to a strike by employees.

Internal Control: The internal audit function is in place although it is not very effective in terms of production of reports. For the two reports that the internal auditor has prepared there is evidence of follow up by the management on issues reported. There are no customised procedures and policies - the locality relies on national guidelines, policies and procedures for its internal controls. Policies and procedures to guard against conflict of interest are not in place.

4.4 Procurement capacity

Procurement Organs: There is a procurement committee in the locality but the Technical Evaluation Committee is not in existence. The procurement committee does not consider all the procurements. According to the locality management the system in place is not working as expected.

Procurement Process: The locality does not have a procurement plan and as stated above although the system is in place it is not functioning. Procurements are not advertised and there is no communication of tender awards. There was no any documentation to indicate whether appropriate criteria are used in evaluating tenders.

4.5 Transparency and accountability

Downward reporting/accountability: Indicative planning figures are not in place therefore there is no communication of these to the communities. There is no communication of approved budgets indicating sources of funding, funds received to implement projects, audit findings and how they are dealt with by the management, and audited accounts. We were informed that there is communication on projects approved and reasons for some of the community needs not to be implemented in a particular year through People's Committees. We were not able to confirm this flow of information due to a strike by employees on our second day at the locality.

Horizontal accountability: The locality has weekly management meetings in which they discuss various issues and share information among the departments. There is no record of these meetings since they do not keep minutes of the meetings. We were also informed that there is sharing of information between the locality and the non-state actors operating within the locality. Due to a strike that commenced on our second working day at the locality we were not able to access the relevant files.

Upward accountability: Information flows to the State are in place although there are some shortcomings in areas such as internal audit reports. The information provided to the State is not submitted on time and there is no documentary evidence indicating when the reports were submitted. Likewise there is no documentary evidence of acknowledgement of receipt of information by the State.

4.6 Functioning of political institutions

Locality Legislative Council: As explained earlier in this report the Legislative Council is not in place, therefore the sub committees of the council are not in place and there is no discussion of plans, budgets and reports at that level.

People's Committees: The People's Committees are in place but there is no evidence of plans or guidelines to mentor these committees in execution of their functions. There is no evidence that the locality has trained the committees or provided feedback on their performance.

4.7 Human resource development/capacity building

Capacity building planning process: Kadogli locality has not undertaken a capacity needs assessment and a system of staff audit and appraisal is not in place. Therefore the locality has not developed a comprehensive capacity building strategy or plan. Strategic issues relating to capacity building are managed by the State government.

Quality of the Capacity Building Plan: Since there is no capacity building plan at the level of the locality and issues related to capacity building are managed by the state, indicators relating to quality of the plan are not relevant at this stage. They will be relevant when this task is fully decentralised at the locality level.

Capacity building implementation: Implementation of capacity building is also managed by the state therefore not relevant to the locality.

Monitoring of CB: The locality does not carry out monitoring and evaluation of capacity building activities.

4.8 Project supervision and monitoring

Contracts management and technical supervision: Kadogli locality has been affected by war for a long period. Consequently, the locality has operated without projects for many years. The current plan and budget is the first after signing of the comprehensive peace agreement which includes projects. For this reason the indicators relating to contract management and technical supervision are not applicable to the locality.

Monitoring and reporting: No projects have been implemented prior to the signing of the peace agreement therefore indicators on monitoring and reporting are not relevant at this stage. They will be relevant after the current fiscal year since projects have been included in the current year's plan and budget.

5 Conclusions

5.1 Compliance with Minimum qualifying criteria

Kadogli locality has complied with only six of the 18 minimum qualifying criteria. The results 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 and/or irregularities unsettled from previous years | X | | |
| Procurement | | | |
| Tender evaluation committee has been established and | | X | |

| | | | |
|---|---|---|--|
| tender procedures are as per regulations | | | |
| 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 in place a human resources management function within its structure. The function is operational as the position of personnel officer is filled. However, the absence of a capacity building plan disqualifies the locality from accessing capacity building support funds.

5.3 Capacity building needs and functional gaps based on performance indicators

The main functional gaps and capacity building needs are in the following areas:

- Planning and budgeting: This include the introduction of participatory approaches and processes in planning, long term and medium term development planning and sustainability of projects included in development plans.
- Procurement: Particularly procurement planning, implementation and monitoring of implementation. There is a need to stress on compliance with procurement regulations and procedures, including the need for more transparency in the whole process of procurement.
- Project management: There is a need to strengthen project management skills especially project planning (including field and desk appraisal of projects), project progress monitoring and evaluation. Since the locality has operated without implementing projects we could not clearly establish the capacity level. However, we feel that there is a capacity gap in this area just as is the case with the other localities.
- Financial management and fiscal capacity: An area of emphasis in this area is cash flow planning, including revenue projections and putting in place a system of commitment control to ensure that the locality operates within the constraints of the resources available and that once there is a commitment the funds are not used for other purposes. Timeliness of posting transactions in the books and preparation of reports should also be given attention to this locality.

- **Transparency and accountability:** Guidelines are required to enable the locality to understand the need for wide circulation of information, what kind of information should be circulated, when and using what type of media.
- **Internal audit and internal control:** 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 involved in pre-audit of payments and is a member of the procurement committee. This weakens the independence and effectiveness of the internal audit function. There is a need to stress the importance of regular production of reports and timeliness of these reports.
- **External audit:** The purpose of external audit is to express an independent opinion on the financial statements of the locality in order to instil public confidence on those statements. At the moment there is no opinion on the financial statements of the locality, in addition there is no separate report for the locality. It also appears that there is no specific report (management letter/client service report) in which the auditors raise queries for management responses. With this arrangement it is difficult to identify issues relating specifically to the locality and whether they have been addressed or not. In the long term it will be useful to build the capacity of Auditor General's Chamber to reach a stage where separate reports are produced for each locality, and they are timely.
- **Records management:** there are many areas where we had difficulties accessing information on time or finding evidence to confirm timeliness of reports etc. This has mainly been a result of poor management of records and the way the information is transmitted from one place to another. There is no documentary evidence for example of showing when the final accounts were submitted to auditors for audit. There are also situations where meetings are held and key decisions are taken without taking a record of the meeting. Capacity building in records management will greatly help to sort out this problem and simplify future assessments.

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 Kadogli obtained 1 A's, 10 B's and 13 C's, which suggests that it shows "some" capacity in many functional areas examined but also that it remains weak in more functional 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 | B |
| Comprehensive/strategic medium term (3-4 years) plan in place | C |
| Budgeting capacity | B |
| Fiscal capacity | |
| Revenues | B |
| Revenue management (administration) | B |
| Expenditures | B |
| Financial management and audit capacity | |
| Budget execution and cash flow | C |
| Accounting | B |
| Internal Control | B |
| Procurement Capacity | |
| Procurement Organs | C |
| Procurement Process | C |
| Transparency and Accountability | |
| Downward reporting/accountability | C |
| Horizontal accountability | B |
| Upward accountability | A |
| Functioning of political institutions | |
| Locality Legislative Council | C |
| People's Committees | C |
| 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 | C |
| Monitoring and reporting | C |

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 areas. 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: Kadogli.
 - ❑ Size of the local government in terms of population: 487,703
 - ❑ Number of staff: 1,640 (30 staff at the locality headquarters)
 - ❑ Number of administrative units: FIVE (excluding Haiban, a new locality that will be operational in January 2007).
 - ❑ Number of people’s committees: 90.
 - ❑ Geographical location: Middle part of South Khordofan State, surrounded by the other localities in the state.
 - ❑ Special features: Headquarters of the state is located in this locality; black clay soil, mountains, warm and receive heavy rains; war affected area
 - ❑ Contact at locality: Name: Nageab Ahmed Belal
Phone number: 0631 822 132 / 0631 821 164.
Email: None
-

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

Signature:

Date: 10th 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><i>Obtain and review minutes from the Executive Committee for the previous and current financial year.</i> Not applicable</p> <p>Did the Executive Committee meet as required (at least once per month)? Not applicable</p> <p>Were meetings attended by the appropriate staff (the EC may co-opt technical resource persons)? Not applicable</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.? Not applicable</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> Was the annual plan signed as per guidelines (Council Chairman, Commissioner)? No. The plan has not been signed but has been incorporated in the 2006 annual budget which was approved by the State Council of Ministers.</p> <p>Did the annual plan include a project profile for each of the prioritized projects following the recommended format? No</p> <p>Review the minutes of council. On this basis, have the Legislative Council discussed and approved the annual plan? (Note the dates and relevant minutes) Not applicable</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> Has the annual budget been signed as per guidelines (Council Chairman, Commissioner)? Not applicable</p> <p>Has the annual budget been prepared as per guidelines? Yes. The budget followed guidelines issue by the state and was prepared with the assistance of a technical team from the State. The formats of the annual budget for year 2006 are in line with those provided for in the budget guidelines.</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.) Not applicable</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> | |

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| <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)? Yes. The annual plan 2006 consists of four projects: construction of four houses; construction of Haiban locality; construction of seven stores and construction of 25 new offices. Total cost of implementing the plan is SDD 1,602 Million. Three projects are reflected in the annual budget 2006 i.e. construction of four houses, construction of 25 new offices and construction of seven stores.</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? No. There is no clear indication of consent, no evidence of formal approval of the budget.</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)? Yes. There is a separate component in the budget for operational costs, however the costs are not clearly identifiable with the projects included in the budget i.e. the budget is not analysed to reflect separately the operational costs relating to the proposed projects.</p> | |
| | Capture of maintenance costs in the budget derived from the capital investments |
| <p><i>Review the annual plan (including project profiles).</i></p> <p>Has the locality an elaborated maintenance strategy for capital investments? No</p> <p><i>Review the budget.</i></p> <p>Has the locality made provisions to meet maintenance costs of major investments? No. Although a separate component in the budget exists for maintenance costs and the budget lists activities such as rehabilitation of 50 schools, 5 health centres, Kadogli Administrative unit and headquarters, etc there is no direct link between these estimated costs and proposed projects. The budget is not analysed such that one can see a direct link between the proposed projects and maintenance related to the projects.</p> | |

Fiscal capacity and Financial Management

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|--|---|------------------------------|----------------|------------------------------|-------------------|----------|---|
| 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. Have locality own revenues increased? Yes. Based on the draft accounts for 2005 and audited accounts for the year 2004:</p> <table> <tr> <td>Locality own revenue in 2005</td> <td>SDD 54,278,769</td> </tr> <tr> <td>Locality own revenue in 2004</td> <td><u>35,583,518</u></td> </tr> <tr> <td>Increase</td> <td><u>18,695,251</u> (52.5% increase in revenue)</td> </tr> </table> <p>By what percentage have they increased/decreased? 52.5% increase in revenue.</p> | | Locality own revenue in 2005 | SDD 54,278,769 | Locality own revenue in 2004 | <u>35,583,518</u> | Increase | <u>18,695,251</u> (52.5% increase in revenue) |
| Locality own revenue in 2005 | SDD 54,278,769 | | | | | | |
| Locality own revenue in 2004 | <u>35,583,518</u> | | | | | | |
| Increase | <u>18,695,251</u> (52.5% increase in revenue) | | | | | | |

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|---|---|
| | Co-funding requirements complied with for capital investments |
| <i>Obtain and check bank statement for the Project Account.</i> | |
| 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 | |
| Is there a record of the amounts deposited on the bank accounts (co-funded) and dates? yes/no | |
| <i>Obtain and review the budget for the current financial year.</i> | |
| Is there a provision for meeting the co-funding obligations? Not applicable | |
| <i>(In the second year, it will be important to ascertain whether co-funding obligations for the previous year were actually complied with.)</i> | |
| | Communities made their matching contributions for specific community projects |
| <i>N.A. This only applies for the second assessment.</i> | |
| Financial Management | Entire final accounts for the previous financial year produced on time and submitted for audit |
| <i>Obtain the final accounts for the previous financial year (2005).</i> | |
| Were they prepared and completed on time? Yes. We were informed that the accounts were prepared on time however we did not find any documentary evidence to support this. The accounts were signed by the Executive Director, Accountant and Director of Finance without indicating the date on which the accounts were signed. | |
| Were they submitted for audit before end of March (review submission letter and note date of submission)? Yes. However, we did not find documentary evidence to confirm whether they were submitted for audit before end of March. | |
| | All books of accounts maintained up-to-date, including bank reconciliation |
| <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> | |
| Obtain bank reconciliation statement for each bank account and note the dates the statements were prepared and approved. | |
| The locality operates one bank account, the bank book for this account was up to date (posted to 10 th September 2006) and the latest bank reconciliation statement was as at 31 st August 2006. | |
| Are the major books of accounts maintained? Yes (refer to the next question for a list of books maintained) | |
| Are they posted and up to-date (note dates of last postings)? No, as shown below: | |
| <ul style="list-style-type: none"> ▪ Control book posted to 30th June 2006 (not up to date) ▪ Analysis book – expenditure posted to 30th June 2006 (not up to date) ▪ Adjustments – latest adjustments are for the month of July (not up to date) ▪ Analysis book – revenue posted to 31st August 2006 (up to date) ▪ Accountants Register of Payments posted to 5th September 2006 (up to date) | |

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|---|---|
| <ul style="list-style-type: none"> ▪ Accountants Register of Receipts posted to 5th September 2006 (up to date) ▪ Treasury Chest book posted to 5th September 2006 (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? No. Only two reports were prepared, one for the last quarter of 2004 dated 20th February 2005 with reference number 6/B/1 and the other report for the financial year 2005 dated 15th January 2006. Since then the Internal Auditor has not produced any other report.</p> <p>Were the internal audit reports submitted to Council? Not applicable</p> <p>Were the internal audit reports submitted to the State? Yes. Reports are submitted without a covering letter therefore difficult to establish the relevant submission dates. The reports are only stamped by the State Ministry of Finance to acknowledge receipt but the stamp does not indicate the relevant date. Copies of the above two reports have been stamped by the State Ministry of Finance as evidence of receipt of the reports.</p> | |
| Audit reports | Clean audit report for the last audited year |
| <p><i>Check the audit report and review the opinion of the auditors.</i></p> <p>The report by the Auditor General is for all localities within the State and other government institutions, there is no separate report for Kadogli. In addition the report does not contain an audit opinion on the financial statements of the localities. Among the issues mentioned in the report include:</p> <ul style="list-style-type: none"> ▪ No investments in the State; ▪ Decrease in revenue collection, with collection rates ranging between 10% to 68%; ▪ All localities are not complying with financial procedures approved in 1995 (financial bylaws); ▪ Shortage of staff in ministries and localities (without giving details) <p>Due to a strike that started on our second working day of the assessment, we were not able to get access to the external audit file that would give us an indication of issues raised by auditors that are specific to the locality. However, through discussions with the Executive Director and Director of Finance we were in-</p> | |

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| <p>formed that there were no major comments and the locality has addressed all of them.</p> <p>Were the comments "minor" only? Yes (see above)</p> <p>Have all the comments already been addressed by the locality? Yes (see above)</p> <p>Which (if any) comments were not addressed? Not applicable</p> <p><i>If yes to these two questions, the locality has passed the MQC.</i></p> | |
| | <p>No major financial irregularities noticed during the year and/or irregularities unsettled from previous years</p> |
| <p><i>Review the audit reports and other documentation.</i></p> <p>Has the locality reported major financial irregularities during the finance year? No. A review of the internal and external audit reports indicates that there were no major financial irregularities.</p> <p>Has the locality not addressed financial irregularities from the previous year audits? Not applicable</p> | |

Procurement

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| <p>Procurement Organ</p> | <p>Tender evaluation committee has been established and tender procedures are as per the regulations</p> |
| <p>Is procurement being made by an Organ/Committee established as per procurement regulations? Yes The procurement committee chaired by the Administrative Officer, Secretary – Procurement Officer, other members include the Internal Auditor, Engineer, Director of Finance and one Technical staff (depending on the items to be procured). Evidence of existence of the committee includes its minutes of its 14th July 2006 meeting to evaluate the quotations for the supply of spare parts for motor vehicles.</p> | |
| <p>Adherence to Procurement Guidelines – Second year</p> | <p>Adherence to the procurement procedures</p> |
| <p>N.A. (second assessment only)</p> | |
| <p>Expenditure performance – Second year</p> | <p>Actual expenditure on pro-poor sector areas (as per project investment menu)</p> |
| <p>N.A. (second assessment only)</p> | |

Functioning of political institutions

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| | <p>Legislative Council in place and operational, e.g. regular meetings, decisions etc.</p> |
| <p><i>Review the minutes from the council meetings.</i></p> <p>Does the Council meet as stipulated in the relevant laws and regulations? Not applicable</p> | |

Does the Council discuss the relevant issues (i.e. annual plans and budgets, audit and financial reports etc)?
Not applicable

Staff functionality

| Staffing | Position of Executive Director filled with requisite qualifications |
|---|---|
| <p><i>Review the structure and the staffing position of the locality.</i> Is the position of Executive Director filled? Yes</p> <p>The Executive Director Mr. Nageab Ahmed Belal was transferred to Kadogli by letter dated 8th May 2006 with reference number 50/H/5/M12 issued by the Under-Secretary of State Ministry of Local Government and Public Service. The Executive Director was transferred from North Khordofan where he was working in the capacity of Executive Director of another locality. He is a University Graduate and has about 25 years of experience in local government</p> | |
| Staffing | Head of Administrative and Finance Affairs Section filled with requisite qualifications |
| <p>The Director of Finance Mr Hassan Mohamedzain was promoted and transferred to Kadogli by letter dated 27th February 2005 with reference 50/O/1, signed by the Executive Director of Accounts, State Ministry of Finance. He holds a Diploma in Accounts and Banking and he is currently pursuing a degree in Accounting at the Open Univeristy of Sudan. Mr Mohamedzain has 25 years experience in Accounting function in local government.</p> | |

Capacity Building Support Access Criteria (CBSAC)

Human resource development capacity

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| <p>Capacity building/training plan in place (schedule), specifying how the capacity building support funds will be spent</p> |
| <p><i>Review the plan.</i></p> <p>Has a capacity building plan/training plan been developed? No</p> <p>Does the plan specify how the capacity building support funds will be spent? Not applicable</p> |
| <p>Human resource management function in place (designated unit/person)</p> |
| <p><i>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.</i></p> <p>Based on the organisational structure - is there a human resource management function provided for? Yes Under the department of Finance and Administration of the locality.</p> <p>Is the position of a HRM filled (evidence would be files on the appointment, noting dates, etc.)? Yes. The personnel officer Zainab Ahmed Soumi was promoted and transferred to Kadogli by letter dated 11th May 2005 with reference number 50/O/1/2/M9 signed by the Executive Director – Public Service, State Ministry of Finance, Economics and Public Service. She has 23 years of experience on personnel issues in local government.</p> |

Performance Measures

Development planning and budgeting capacity

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| Existence of a participatory planning process | |
| <p>Are participatory consultations undertaken with the community members through involvement of the people's committees? Yes. Peoples committees identify their needs and communicate them to the locality for consideration in planning. We were unable to access the files to confirm the existence of such communication with the peoples committees on planning issues due to a strike on our second working day.</p> <p>Does the planning process capture the needs of special groups? Yes. A good example is the budget for 2006 and the strategic plan 2006 – 2010 which include activities focusing on special groups, particularly those who were displaced by war. For example, funds for resettlement and transportation when implementing the resettlement plan for the war displaced, provision of infrastructure to attract the displaced to resettle in their areas, compensation to those who lost their livestock in war affected areas, etc.</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</p> <p>Are technical departments involved in the desk and field appraisal of development projects? No. For a long period the area has been affected by war making it difficult to plan and implement projects.</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</p> <p>Are the Committees of Council involved in the discussion of draft annual plans? Not applicable</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? Yes. The annual plan was approved by the Council of Ministers, however there is no any documentary evidence indicating this approval.</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.? No.</p> <p>Does it describe the participatory planning process through which the annual plan was developed? No</p> <p>Does it analyse the locality-peculiar challenges and opportunities (e.g. in relation to gender, environment and poverty)? No</p> <p>Does it outline the prioritised investments to address the identified challenges? No</p> | |

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| Does it propose the strategies the locality will use to implement the annual plan? No | |
| Does it provide the strategies through which the locality will monitor and evaluate the annual plan? No | |
| Does it give the costs of each of the prioritised investments (budget allocation) and sources of funding? Yes. The annual plan has four projects with the total cost of implementation of SDD 1,602 million, to be financed by the Central Government (National). | |
| 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.)? No | |
| Comprehensive/strategic medium term (3-4 years) plan in place | |
| Is there a strategic, medium term plan in place? Yes. The strategic plan covers a period of five years from 2006 to 2010. It appears like this plan was prepared by the State government and includes a section with the plan for Kadogli locality (one page showing activities/projects and allocation of funds for each of the five years). | |
| Does it provide details of the background to the locality? No | |
| 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 detailed analysis of these issues although the plan has activities which relates to environmental issues, and issues contributing to poverty reduction such as education, health and water. | |
| 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. There is no detailed analysis of activities showing the timing of their implementation, etc. The plan has a list of projects/activities and costs related to these activities spread over a five year period. | |
| Does it give cost projects to implement the medium plan with indicative sources of funding? No. The plan indicates the costs without any indication of the sources 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. As reflected in the budget guidelines which the locality complied with when preparing the budget, including the formats which show the previous year's actual and approved estimates for comparison purposes.

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

Is budgeting based on available funds and identified sources? No. There is no evidence of consideration of available funds, for example the locality's total revenue budget for 2006 is SDD 172,800,000 whereas its expenditure budget excluding chapter 1 is SDD 373,584,000. There is therefore a very big funding gap of SDD 200,784,000 (53.7% of the expenditure budget)

What is the budget prediction capacity/execution performance (% of deviation from budget)? The budget prediction capacity/execution performance is very low. In 2005 the locality collected only 29% of the budget (variance of 71%). On the expenditure side the locality spent exactly what was budgeted for.

| | | <u>2005 budget</u> | <u>2005 actual</u> | <u>Deviation</u> | <u>%</u> |
|-------------|-----|--------------------|--------------------|------------------|----------|
| Revenue | SDD | 187,000,000 | 54,278,769 | 132,721,231 | 71% |
| Expenditure | | 80,041,563 | 80,041,563 | 0 | 0% |

Are budget deviations legally approved? Yes. When there is reallocation of funds between budget items and in cases where expenditure exceed the budgeted amount. However, during the year 2005 and 2006 to the date of the assessment the locality had not experienced reallocation or overspending.

What is the share of total budget allocated to services prioritized in the PEAP? The budget is not arranged by sectors, therefore difficult to establish the share of total budget allocated to prioritised sectors.

What is the percentage of total budget on non-chapter 1 salary items?

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| Non chapter 1 budget for the year 2006 | SDD | 373,584,00 |
| Total expenditure budget 2006 | | 1,686,501,899 |

Therefore non chapter 1 budget for the fiscal year 2006 is only 22% of the total expenditure budget.

Fiscal capacity

| Revenues | |
|---|--|
| What has been the increase in own source revenues over the past two years? The increase in own revenue over the past two years was SDD 18,695,251 (from SDD 35,583,518 in 2004 to SDD 54,278,769 in 2005). | |
| What is the percentage of revenues collected against the planned revenues (targets)? 29%. Actual collections in 2005 SDD 54,278,769 against budgeted collections of SDD 187,000,000 for the same period. | |
| Are there clear strategies to improve own-revenues and fiscal capacity? No | |
| Revenue management (administration) | |
| Does the revenue collection reach the targets set? No. In 2005 the locality collected only 29% of the collection target. | |
| Are accountability measures on revenue collection in place, such as registers, authorised collectors, banking, etc.? Yes. Various financial forms are kept by the administrative units and used for collection of revenue. Collections are remitted to the locality, received by the Treasurer who issues a receipt for the money | |

received and enter the details in the Treasury Chest book.

Is feedback given to communities on the amounts of revenue collected and how it is used? No

Expenditures

What is the level of administrative expenditure compared to own source revenues (%)?

Actual administrative expenditure in 2005 SDD 80,041,563

Actual own revenue collection in 2005 54,278,769

Administrative expenditure (chapter 2) was therefore 147.5% of own revenue collections in 2005. Locality management claims that the actual expenditure include salaries paid to chieftains and leaders of mosques (mosque imams) totalling SDD 7,974,000 (i.e. SDD 664,500). This amount is part of the transfers from the State government. If we adjust for this figure the ratio becomes 132.8%.

What is the share of the costs for the Legislative Council out of the total budget? In 2005 the approved estimates for the legislative council was SDD 6,020,000 which is 7.5% of the total budget. In 2006 the locality made a provision of SDD 4,000,000 for the legislative council (1% of the total budget).

What is the share of the local revenue spent on capital investments? None, all capital investments are funded by the State.

Financial management and audit capacity

Budget execution and cash flow

Are cash inflows and outflows managed so that the LG is able to meet current payments promptly, according to financial commitments? No

Is the Locality maintaining adequate liquidity, and not accumulating arrears or debts? No. Debtors at the end of 2005 were SDD 317,800 and cash/bank balance SDD 0.52 whereas creditors amounted to SDD 24,272,488. The excess of liabilities over current assets is therefore SDD 23,954,688 which the locality claims to be the total of unpaid statutory deductions for two months in which the State paid salaries without providing funds for these deductions. The locality has very tight liquidity position and may not be in a position to meet its obligations as they fall due.

Is there a commitment control system in place? No

If so, who orders, signs, authorises, etc? not applicable

Accounting

Are all books of accounts properly maintained and up to-date including:

- Creditor register;
- Control of debt (registers etc.).

Yes. Creditors and debtors are captured in the control book, no separate registers for these. Also, some of the books are not up to date such as the control book, revenue and expenditure analysis books, and adjustments.

Is the imprest/petty cash management, including register, functioning and up-to date? No.

Is there a functioning system of assets register and management? Yes. A list of assets is maintained and updated annually when physical count is undertaken. We did not have access to this list due to a strike by employees of the locality.

Are inspections undertaken and inventories maintained of fixed assets? Yes. As above we did not verify this.

Are financial management documents kept safe and locked away (safes)? Yes. Forms are locked away and a register is maintained to record movement of financial forms. We did not verify this for the reason stated above (strike).

Internal Control

Is the internal audit function operational? Yes. The internal auditor Mr Ali Eltom Mussar was appointed on 16th July 2003 as an internal auditor – reference 50/H/1M3 signed Under-Secretary Ministry of Health referring to a letter by the Executive Director of Civil Service dated 1st July 2003 with reference 50/B/1/M4 in which the internal auditor is being transferred from the teachers' list effective 15th July 2003. He was initially appointed as the Internal Auditor for the Ministry of Health and later on 15th March 2005 he was transferred from Kadugli Hospital to the locality by letter reference 6/B/1 signed by the Executive Director of Internal Auditing, State Ministry of Finance. The Internal Auditor prepared two reports: report for the last quarter of 2004 dated 20th February 2005 with reference 6/B/1 and year 2005 annual report dated 15th January 2006.

Is there evidence of follow up on the IA results? Yes. The following are evidences of action on the reports:

- Annual report 2005 the internal auditor raised a problem of violation of financial bylaws in salary payments where people were collecting salaries on behalf of others, resulting in a risk of leakages and misuse of funds. The Executive Director acted by circulating a directive dated 10th July 2006 with reference number 48/A/1 prohibiting the practice with immediate effect.
- In the same annual report 2005 the auditor raised the issue of payments made by administrative units from revenue collections before depositing the money with the Treasurer, and post payment reconciliations. The Executive Director acted on 19th May 2006 reference number 48/A/1 by prohibiting payments prior to depositing the money and post payment reconciliations. He further directed that the Treasury Chest should be checked periodically at least five times in a month, revenue collectors should not deposit revenues without appropriate forms and payment approval should be restricted to the Executive Director and the Commissioner only.

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. Only national policies and procedures.

Is there any evidence of locality policies and procedures in place to ensure adherence to state policies, directives, laws and regulations? No

Is there any evidence of policies and procedures in place to ensure safeguarding against mismanagement, errors, fraud, and other irregularities? No. Only national policies and procedures

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? 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.

Only national policies and procedures.

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

Procurement Capacity

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| Procurement Organs | |
| Is the technical evaluation committee constituted with appropriate membership? No | |
| Does the technical evaluation committee considers all procurement proposals before procurements are made? no | |
| Provide examples of procurement proposals evaluated by the committee. | |
| Does the procurement authority (Commissioner) adhere to the recommendations of the technical evaluation committee (or explains non-adherence)? | |
| Procurement Process | |
| Does a Procurement Plan exist (and is it derived from the approved plans and budgets)? No | |
| Are bills of quantity (for works) and terms of reference (for services) prepared? Not applicable | |
| Are all procurements advertised (as per the thresholds)? Not applicable | |
| Are proper evaluation criteria used for the bids and proposals? Not applicable | |
| Is there timely and transparent award of contracts? No | |
| Is there any communication to the locality about the tender awards? No | |

Transparency and Accountability

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| Downward reporting/accountability | |
| Is the public informed about: | |
| <ul style="list-style-type: none">• Indicative planning figures (before the start of the planning process)? No | |

| | |
|--|--|
| <ul style="list-style-type: none"> • Approved projects in the annual plan (with reasons for some of the community needs not to be implemented in a particular year)? Yes, through the peoples committees but we did not have access to documents confirming this due to a strike. • Approved budgets indicating sources of funding and clearly specifying the required community contributions (both the volume and nature of contributions)? No • Funds received to implement the projects and how they have been allocated? no • 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? Not applicable. No projects due to war. • Public <u>access</u> to financial information (plans, budgets, accounts and audit reports)? no • Feed-back and information to the people's committees. Yes. We did not have access to documentary evidence due to a strike. | |
| 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? Yes. Through weekly meetings of all heads of departments. There is no record of what is discussed in these meetings as they do not keep minutes.</p> <p>Is the regular submission of reports and provision of information to the Legislative Council? Not applicable.</p> <p>Does the locality provide information to the non-state actors of the locality (other donor programmes, NGOs, private sector) to enhance synergies? Yes. But we did not have access to documentary evidence due to a strike.</p> | |
| Upward accountability | |
| <p>Is the submission of the required reports to the State timely? No.</p> <ul style="list-style-type: none"> ▪ Internal audit reports not prepared and submitted as required, not timely. ▪ Performance reports – monthly, quarterly, semi annual and annual reports (financial and physical performance) not submitted on time. For example, report for the first quarter of 2006 whose deadline is end of April, was submitted late. The report is dated 13th May 2006. <p>Is the submission of the required reports to the project implementation committee timely? Not applicable.</p> | |

Functioning of political institutions

| | |
|---|--|
| Locality Legislative Council | |
| <p>Are discussions in the Council of a reasonable quality, i.e. do they discuss the annual plan, budget, financial and audit reports etc.? Not applicable</p> | |

| | |
|---|--|
| Are council sub-committees established in required areas? Not applicable | |
| Are council sub-committees discussing the relevant issues related to their sectors? Not applicable | |
| 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 | |
| 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 | |
| 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 institutional rather than individual needs (e.g. derived from systems for staff audit and appraisal)? No | |
| Has the locality developed a comprehensive capacity building strategy/plan (formulated as per the recommended format)? Not applicable | |
| Are the priorities in the CB plan within the project specified menu? Not applicable | |
| Quality of the Capacity Building Plan | |
| Does the capacity building plan provide the background to the locality in the context of capacity building? Not applicable | |
| Does it summarize the capacity building needs of staff, councillors, people's committees identified through the capacity needs assessment? Not applicable | |
| Does it detail the mix of strategies through which the capacity building needs should be addressed? Not applicable | |
| Does it cover both human resource development (enhancement of individual competencies) and institutional strengthening (re-tooling)? Not applicable | |
| Does it outline strategies through which CB activities will be monitored? Not applicable | |
| Capacity building implementation | |
| Are capacity building activities implemented by the providers recommended by the project? Not applicable | |
| Are capacity building activities implemented as per the capacity building plan? Not applicable | |

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|--|--|
| Monitoring of CB | |
| <p>Has the locality received reports from the training/CB activities? Not applicable</p> <p>Has the locality followed-up on the capacity building efforts, e.g. through monitoring and evaluation? Not applicable</p> <p>Has the staff and other stakeholders performance improved – are the expected outputs are in place? Not applicable</p> | |

Project Supervision and Monitoring

| | |
|---|--|
| Contracts management and technical supervision | |
| <p>Are all projects implemented with appropriate contracts (agreements)? Not applicable, no projects in previous years due to war.</p> <p>Are all payments made with the required certification (no advances, payments made against outputs)? Not applicable.</p> <p>Does the technical staff ensure that the projects are implemented on schedule and following the specifications? Not applicable.</p> | |
| Monitoring and reporting | |
| <p>Has the locality developed a clear strategy for monitoring the implementation of projects? Not applicable.</p> <p>Does the locality monitor all projects being implemented (monitoring of progress)? Not applicable.</p> <p>Is there evidence that the locality conducts technical inspections of projects? Not applicable.</p> <p>Are progress reports arising from the monitoring and technical inspections exercises compiled? Not applicable.</p> <p>Is there evidence that the Executive Committee discusses the monitoring and technical inspection reports and makes management decisions? Not applicable</p> <p>What is the percentage of projects implemented against the plan? Not applicable.</p> | |

Appendix B: People met

1. Nageab Ahmed Belal
Executive Director / Deputy Commissioner
2. Hassan Mohammed Ahmed Elgedail
Planning & Development Officer
3. Hassan Mohammedzain
4. Ali Eltom Musat
Internal Auditor
5. Mohammed
6. Nadia Makir
7. Adam Hassan Johdat
Personnel Officer
8. Mohammed Haroun Ahmed
Storekeeper
9. Salih Sarmwalla Kewa
10. Zainab Ahmed Soumi
Personnel Manager

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. Annual budget 2006
10. Final accounts – 2004 (audited) and 2005 (draft)
11. Internal audit reports 2005 and 2006
12. External audit report 2004
13. External audit file
14. Procurement file
15. Letters of appointment – Executive Director, Internal Auditor, Head of Finance and Administration Affairs, and Personnel Officer
16. Bank reconciliation statements – all bank accounts
17. Strategic plan 2006 - 2010