



**PRESENTATION OF THE REPORT OF  
THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS  
OF THE GOVERNMENT OF SOUTHERN SUDAN  
FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2008  
TO  
THE PRESIDENT  
AND  
THE SOUTH SUDAN NATIONAL LEGISLATIVE ASSEMBLY**

**JUNE...../ 2012**

## **INTRODUCTION**

The year 2008 was the fourth fiscal cycle of the Government of Southern Sudan. The Financial Statements for 2008 were issued in January 2012 and hence the late presentation.

The audit of the Financial Statements of 2008 was conducted in 2012. Government Ministries and Agencies were more responsive to audit than in previous years. I thank the President for his helpful phone calls on this matter. For the first time, audit somehow covered SPLA and Interior. During 2012, several institutions stepped forward to voluntarily ask for audit services. Several investigations were conducted on request.

The human capacity constraints of the previous years had been reduced to some extent. The adoption of the Financial Accounting Procedures Ordinance in 2007 improved the systems gap. Unfortunately, these modest improvements in capacities were not proportionately reflected in the quality of financial management. Budget execution remained a serious challenge. Spending procedures were widely ignored. Legislative oversight was weak. Revenue accounting was anything but transparent.

We in the National Audit Chamber are encouraged by the positive reaction of the people of South Sudan to the reports we have so far published.

## **LEGAL BASIS FOR AUDIT**

My audit was conducted in compliance with the requirements of the Interim Constitution of Southern Sudan 2005, Section 195 Articles (4) and (5) which state:

Article 195 (4): ‘The Southern Sudan Audit Chamber shall assume auditing of the accounts of the Southern Sudan Executive, the Southern Sudan Legislative Assembly, the Judiciary of Southern Sudan and the accounts of states, local governments, independent commissions, public institutions and corporations and any other institutions as may be determined by law.’

Article 195 (5): ‘The Southern Sudan Auditor General shall present an annual report to the President of the Government of Southern Sudan and the Southern Sudan Legislative Assembly.’

## **RESPONSIBILITY**

The Financial Statements are the responsibility of the Ministry of Finance and Economic Planning. That Ministry is primarily responsible for budget execution and efficient cash management. In addition, the ministry is responsible for ensuring that the internal control procedures relevant to the preparation and fair representation of the Financial Statements were applied. These internal controls should ensure that the Financial Statements are free from material misstatement, whether due to fraud or error. The Ministry of Finance and Economic Planning has the responsibility of selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion whether the Financial Statements present a true and fair view of the financial position of the

government on 31<sup>st</sup> December 2008 and the income and expenditure for the year then ended. I believe that my audit planning and testing provides a reasonable basis for my opinion.

The audit did not cover all the ministries, departments and agencies due to resource constraints, both financial and human, amongst other reasons. The sample of ministries, months of audit and vouchers were selected on the basis of perceived risk and financial materiality. My opinion is based on the inference derived from the analysis of the samples examined.

### **SCOPE OF AUDIT**

I conducted my audit in accordance with INTOSAI (International Organisation of Supreme Audit Institutions) Standards. These standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. My audit included:

1. Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
2. Assessing the accounting principles used and significant estimates made by management.
3. Examining to confirm whether public funds were expended according to the budget.
4. Evaluating the overall presentation of the financial statements for the year.

### **SPAN OF AUDIT**

The audit covered nine specific areas and these are:

- a) Budget Execution
- b) Oil Revenue
- c) Non-Oil Revenue
- d) Payroll Expenditure
- e) Operating Expenditure
- f) Procurement and Capital Expenditure
- g) Bank and Cash Accounts
- h) Internal Controls and
- i) Maintenance of Asset Registers

I have provided details for each of these in the reports on individual ministries. The reader is invited to examine the detailed reports for a fuller appreciation of the financial affairs of the Government of Southern Sudan in 2008.

I wish to pronounce a few highlights here as pointers to my opinion.

### **Budget Execution**

Audit found no evidence that the Ministry of Finance and Economic Planning based the release of funds to spending agencies on approved budget lines. While some institutions were cash starved, others received, on the discretion of the Ministry of Finance and Economic Planning, more funds than were legally authorized. The budget and the Appropriations Act of 2008 were ignored. Examples:

a) The Ministry of Cabinet Affairs:

- Received SDG 7,431,039 in excess.
- Savings of SDG 3,055,087 under certain budget heads were spent on others without approval of the Assembly.

b) The Ministry of Education, Science and Technology:

- Spent SDG 20,400,239 in excess.
- Under spent SDG 3.86 million on Payroll
- Spent SDG 6,045,892 on activities for which the fund was not allocated and no authorization by SSLA was made or sought for.

c) The Ministry of Health:

- Received 78 % of its appropriation for the year.
- Of this, the ministry had a cash balance of SDG 2,044,081 on 31<sup>st</sup> December 2008.

d) The Ministry of SPLA Affairs

- Overspent the budget by SDG 69,597,611

e) The Ministry of Finance and Economic Planning:

- Overspent by SDG 313 million.
- Office and General Supplies was over spent by 404%.
- Overtime was overspent by 149%.
- Training overspent by 142%.
- Hospitality & Entertainment overspent by 137%.
- Donations overspent by 115%.
- Furniture overspent by 126%.
- SDG 751,795 did not have details for the transactions.

f) Ministry of Internal Affairs:

- Over spent by 165 % on Operating Expenditure.

- Overspent by 66% (SDG 33 million) on Capital Expenditure.
- g) SSLA had original budget of SDG 83.9 million and Supplementary of SDG 96.2 million. Yet it over spent by SDG 5.1 million.
- h) President Office over spent by SDG 29.1 million and Vice President's office by SDG 4.8 million.

### **Oil Revenue**

- a) Audit did not receive adequate data on oil production, processing, storage and sales.
- b) Oil revenues received from the Government of National Unity (GoNU) during 2008 was SDG 6.67 billion.
- c) SDG 69.67 million stated to be transferred by GoNU was not recognized in the Financial Statements of GoSS. No explanation was provided.
- d) GoNU deducted SDG 24.74 million from GoSS oil revenue as direct expenditure but no supporting documents were availed to GoSS or audit.
- e) Accumulated amounts due to GoSS from GONU from 2005 to 2008 total to SDG 1.293 billion.

### **Non-Oil Revenues**

- a) GoSS collected SDG 107.07 million. Of this SDG 94.92 million was collected as Personal Income Tax`. Collections from taxes, tariffs, fees and licenses accounted for a mere SDG 12.15 million.
- b) Non-Oil revenue due to GoSS from GoNU, if any, was not reflected in the accounts of 2008. It was stated that GoNU did not collect any non oil revenue in 2008.

- c) The Ministry of Legal Affairs and Constitutional Development did not transfer SDG 805,948 collected as registration fees to the Ministry of Finance and Economic Planning.
- d) The Ministry of Commerce did not account for SDG 37,800 collected as revenue.
- e) The Judiciary retained 40% of total revenue collected in the year.

### **Pay roll Expenditure**

a) No ministry could avail complete pay rolls and related nominal rolls to audit. Illustratively:

- The Ministry of Health could not present pay sheets for SDG 4,630,055 paid to 4 individuals.
- The Ministry of SPLA Affairs could not supply pay rolls for 33 out of 40 Divisions.
- The Ministry of Internal Affairs could supply only 20% of the Pay rolls.
- The Judiciary supplied only 15% of the pay rolls.
- The Ministry of Legal Affairs spent SDG 6,120,408 between January and October 2008. Four months later in December 2008, total payroll expenditure had climbed to SDG 18,445,135. No explanation was given to auditors.

The failure to provide these records limited the scope of audit. Moreover, the reliability of the pay record received was questionable. As a result, I was unable to verify whether salaries and allowances paid were in accordance with employees' grades, and whether these payments were properly authorised.

b) The Spending agencies did not maintain Deposit Registers and could

not therefore account for unclaimed salaries. Illustratively,

- Southern Sudan Electricity Corporation could not account for SDG 8,651.
- The MoFEP did not account for SDG 27,891.
- The Judiciary did not account for SDG 40,685
- Ministry of Internal Affairs did not account for SDG 114,481

c) Cabinet Affairs paid SDG 394,264 as double pension for three months to the person who authorised the payment.

d) SPLA paid SDG 1,473,000 as upkeep allowance. No legal instrument or administrative regulation was cited.

e) Unauthorized allowances paid by

- Southern Sudan Electricity Corporation SDG 719,071.
- The Judiciary SDG 215,000 as Travel Advance to 14 Judges.
- Southern Sudan Human Rights Commission SDG 24,000 'constitutional allowance'.

f) Salaries paid to third parties without beneficiaries' letters of authorization in Internal Affairs SDG 10,806.

g) In SSLA one employee collected two salaries for four months.

h) In MoFEP 63 officials collected salary without being on the nominal roll.

i) The judiciary was remarkably generous with advances of pay without a recovery scheme. For example, out of SDG 39,050 owing from a judge only SDG 2,000 had been recovered. Total advances outstanding amounted to SDG 81,871.

## **10. Operating Expenditure**

Despite the adoption of the Finance and Accounting Procedure Ordinance (FAPO) and Interim Public Procurement and Disposal Regulations (IPPDR), ministries and agencies procured goods and services without signing contracts and paid for them without supporting documents. The contracts were single sourced, not vetted by the Ministry of Legal Affairs and Constitutional Development (MoLACD). Payments were released on the orders of the implementing agencies even before commencement of work.

a) The Ministry of Education, Science and Technology:

- Paid SDG 16,894,188 for 'student support' without recorded details of students and educational institutions. The students' assistance was delivered in cash, in foreign countries, without involving the liaison offices for verification of identity, schools and courses.
- Paid 3 individuals SDG 2,435,000 for unspecified activities. No liquidation report was filed.

b) The Ministry of Health:

- Made payments without vouchers for SDG 6,323,841.
- Made payments to unauthorised payees amounting to SDG 526,063.
- Presented photo copied vouchers instead of originals for SDG 810,774.
- Did not produce vouchers for audit holding SDG 2,538,142.
- Made payments amounting to SDG 3,545,607 under various headings without supporting documents.
- Issued cheques worth SDG 2,778,234 without supporting

documentation.

c) The Southern Sudan Legislative Assembly:

- Aailed no vouchers to audit for SDG1,856,450 of operating expenditure.

d) The Ministry of SPLA Affairs did not have supporting documents for

- Cheque payments of SDG 30,785,588
- Cash payments of SDG 9,456,159.

e) The Ministry of Internal Affairs:

- Made payments without any supporting document for SDG1,005,233
- Kept paid vouchers but not defaced was for SDG 434,106 constituting a potential risk of recycling.
- Made cash payments without vouchers for SDG 1,807,253.
- Made payments without approved payment orders for SDG 1,808,039.
- Vouchers for SDG 566,798 were discharged at a cost of SDG 1,601,233.
- Purchases without procurement processes amounted to SDG 1,219,420.

f) The Ministry of Commerce paid SDG 163,770 without pay orders.

g) The Ministry of Cabinet Affairs paid SDG 883,677 without supporting documents.

h) The Ministry of Legal Affairs had no supporting documents for payments amounting to SDG 576,120.

l) The Judiciary had no supporting documents for SDG 337,727 payments.

j) Several ministries granted medical assistance for treatments in and out of the country without recommendation from medical commission or with the recommendation of the Medical Commission but without proof of treatment. Illustratively,

- SPLA provided medical assistance of SDG 1,916,734.
- Ministry of Internal Affairs provided SDG 511,914
- Ministry of Cabinet Affairs provided SDG 71,840
- Electricity Corporation provided SDG 69,266

k) Several ministries granted advances to staff not subject to recovery

- Ministry of Health sanctioned SDG 235,000
- .Ministry of Legal Affairs and Constitutional Development paid SDG 62,850
- The Southern Sudan Legislative Assembly paid SDG 1,081,331.
- The Ministry of Commerce paid SDG 25,600
- The Judiciary paid SDG 81,871

l) House Rent Allowance paid without lease agreements and cheques made in personal names:

- The Ministry of Internal Affairs paid SDG 232,854
- The Ministry of Cabinet Affairs paid SDG 1,258,750

m) Christmas Allowance was sporadically paid in the absence of standardised rules.

- Southern Sudan Legislative Assembly had paid SDG 512,905.
- The Ministry of Wildlife paid SDG 381,505.

- The Bank of Southern Sudan paid SDG 2.5 million.

n) A company we know was given SDG 6 million loan without loan agreement.

## **11. Capital Expenditure**

Single source procurement continued in 2008.

- The value of vehicles purchased by GoSS was SDG 81.9 million.
  - The Ministry of Cabinet Affairs received SDG 3 million for procurement of motor vehicles at year end (Dec 17<sup>th</sup>). There was no evidence that a procurement process was set in motion.
  - The Ministry of Education reported a capital expenditure of SDG 26 million. No Assets Register was kept. The existence of capital assets purchased or constructed could not be verified.
- a) Against a budget of SDG 2.6 billion for Durra purchases, contract awarded amounted to SDG 7 billion. Companies not registered or not capable of delivering the ordered quantities were favoured with the purchase orders. Payments made without proof of delivery amounted to SDG 37 027,800.
- b) The construction of Juba-Rajaf Road at a cost of SDG 13,450,407 was not tendered and 30 % down payment was made.
- c) A contractor we know was contracted for SDG 3,791,025 on a single source basis for the construction of 3 warehouses for the Ministry of Health against the objection of the Director General of Procurement.
- d) 400 Land Cruisers were ordered from a dealer we know for SDG 20 million without tender procedures and due diligence.

- e) Additional vehicles were procured at a cost of SDG 4 million on single source basis.
- f) A well known company was awarded the construction of Aweil-Wau Road at a cost of SDG 121.68 million without due process for procurement.
- g) Juba Boat Yard reconstruction was awarded for SDG 22 million without due process of procurement.
- h) A contractor we have identified in the report was awarded to build a bridge on Juba-Nimule road at a cost of SDG 2.2 million. Payment was made before the contract was approved by the Ministry of Legal Affairs.
- i) The Ministry of Internal Affairs procured goods and services for SDG 1,219,420 without tenders.
- j) The GoSS Financial Statements include a payment of SDG 4,060,800 to a company (identified) for the construction of offices for the SSLA. We were unable to identify the office building.
- k) The GoSS Financial Statements include a payment of SDG 4,278,210 for the procurement of offices for the Nairobi Liaison Office on Dennis Pritt Road and Lavington. Audit questions why the Nairobi Liaison Office continued to operate from a rented property at Bishops Gate, Nairobi.

## **12. Bank and Cash Balances**

- a) Unconfirmed GoSS balances held with various banks on 31 December 2008 was SDG 1.136 billion.
- b) Year end cash balances in various ministries and agencies were not disclosed in the financial statements.

The Financial Statements show cash balance of SDG 8,195,653 on December 31<sup>st</sup> 2008. The ledger of the Ministry of Finance indicates a negative balance (overdraft) of SDG 60,812 572. Therefore, the cash position was overstated by SDG 69,008,225.

### **13. OPINION**

I audited the financial statement of the Government of Southern Sudan for the year 2008. No proper books of accounts were kept. I did not obtain all explanations pertaining to material transactions and omissions. Without the benefit of the review of oil revenue documents (97.5%) of total revenue, and without review of substantial records of SPLA pay roll expenditure for the year, and in light of the discrepancies found in the sample tests in my opinion, the financial statements of the Government of Southern Sudan for the year ended 31st December 2008 do not present a true and fair financial position and its Income and Expenditure of the Government of Southern Sudan for the year then ended.

My constitutional responsibility is to present this audit report to The President and the National Legislative Assembly. If there are matters that require further action it is the duty of the Presidency and the Legislative Assembly to do so.

This report is now a public document.

**God Bless South Sudan.**

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_

Ambassador Steven K Wöndu

AUDITOR GENERAL