



**Federal Republic of Somalia  
Office of the Auditor General**

**Annual Compliance  
Audit Report for  
the Year Ended 31<sup>st</sup>  
December 2020**

November, 2021

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# Abbreviations & Acronyms

<b>Abbreviation/Acronym</b>	<b>Meaning</b>
AFROASAI	African Organization of Supreme Audit Institutions
AFROSAI-E	African Organization of English-speaking Supreme Audit Institutions
ARABOSAI	Arab Organization of Supreme Audit Institutions
FGS	Federal Government of Somalia
FMS	Federal Member States
FPS	Federal Parliament of Somalia
FRS	Federal Republic of Somalia
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
IMF	International Monetary Fund
No.	Number
OAGS	Office of the Auditor General Somalia
PFM	Public Financial Management
PFRS	Parliament of the Federal Republic of Somalia
SAI	Supreme Audit Institution
SFMIS	Somalia Financial Management Information System
STA	Single Treasury Account
TCC	Tax Compliance Certificate
TIN	Tax Identification Number
WB	World Bank



# Message of the Auditor General



“The effective implementation of the laws, regulations and applicable best practices governing the management of public resources will not only bring about the effective and efficient use of the scarce resources but will also contribute to the realization of the Sustainable Development Goals.”

**H.E. Mohamed M. Ali “Afgoi”**  
Auditor General, FRS





The Office of the President,  
The Federal Republic of Somalia  
Villa Somalia,  
Mogadishu, Somalia

Your Excellency the President,

I am pleased to submit the Annual Compliance Audit Report on twenty-five (25) selected reporting entities of the Federal Republic of Somalia and three (3) embassies for the financial year ended 31<sup>st</sup> December 2020. This is the third year that the Office of the Auditor General of Somalia (OAGS) submits the Annual Compliance Audit Reports. More importantly, for the year ended 31<sup>st</sup> December 2020, we included audits of embassies.

I have conducted the compliance audit using the International Standards of Supreme Audit Institutions (ISSAI). The Office of the Auditor General of Somalia is a member of the International Organization of Supreme Audit Institutions (INTOSAI), African Organization of Supreme Audit Institutions in Africa AFROSAI, African Organization of English-speaking Supreme Audit Institutions (AFROSAI-E), and Arab Organization of Supreme Audit Institutions (ARABOSAI).

The delay in the submission of this Compliance Audit Report is mainly attributed to the impact of COVID-19. In particular, due to the pandemic outbreak, my office was unable to cover all government institutions of the Federal Republic of Somalia (FRS). Therefore, based on the risk assessments for audit, the OAGS prioritized the twenty-five (25) key ministries, departments and agencies (MDAs) and three (3) embassies.

The audit aims to provide a reasonable assurance that there is accountability and transparency in the management of resources through strict adherence to the laws and regulations that the government has put in place to manage these resources.

In this Report, I have highlighted the main audit findings which include: weak expenditure controls, poor controls over the management of assets, weak procurement and contract management, poor placement of mission staff in foreign embassies, use of embassy revenues at source, some donor funds & donations not channeled through the country system (i.e. national budget and SFMIS), poor accountability and the issue of licenses for weapons, arms and private security companies among others. All these are clear indicators of lapses in internal controls in the audited MDAs.



Included in this Report, there is a specific section under each MDA on audit follow-up with regards to the implementation of audit recommendations of the previous financial years, 2018 and 2019. It is of great concern that many of the recommendations have not been implemented by the time of my audit and will require urgent attention.

I am hopeful that by highlighting the areas of weaknesses in the institutions audited, those charged with the responsibility of managing these institutions would focus on the key drivers of internal controls that would enhance prudent management of public resources.

Your Excellency, I would like to thank you and the respective MDAs audited for the support given to my office in executing audit mandate. A special thanks also go to the staff of the audited entities who provided information, clarifications, and support throughout.

Yours sincerely,



Mohamed M. Ali "Afgoi"  
Auditor General, FRS

CC: The Prime Minister, FGS,  
The Speaker, House of the People, PFRS,  
The Speaker, The Upper House, FPS

# Executive Summary

**D**uring the audit process, the OAGS interacted and communicated with managements of the MDAs audited. The purpose of the interactions was to provide an opportunity for the management to clarify and take corrective actions on the audit findings. This was done through the management letters which were issued during the audit.

This Annual Compliance Audit Report covers twenty-five (25) Ministries, Departments, and Agencies (MDAs), and three (3) embassies that were audited for the Financial Year ended 31st December 2020. The audit focused on compliance with laws, regulations, and best practices in the following key subject matters:

1. Expenditure payment control;
2. Procurement and contract management;
3. Opening of bank accounts;
4. Use of country system for external support;
5. Registration and licenses of weapons, arms, and private security companies;
6. Personnel management and services provision in embassies;
7. Revenue management and accountability;
8. Asset management;
9. Management of tax exemptions; and
10. Payroll management.

The audit findings reflected in this report are for those issues that could not be resolved during the audit process, and require action by management and authorities of the MDAs, Embassies audited. The report also contains practical audit recommendations that are aimed at addressing the findings for the issues raised.

Below is a summary of the key findings contained in this Report:

## 1. Expenditure payment control & unsupported expenditure

### OBSERVATION

During the audit, it was observed that expenditure payments amounting to **US \$9,173,213.58** were not adequately supported by a number of MDAs. These expenditure payments without supporting documents were identified in 22 entities out of the 25 entities and one (1) embassy audited for the year ended 31<sup>st</sup> December 2020.

### Recommendation

All payments are to be based on adequate supporting documents, and are properly authorized by senior responsible officers under specified terms.

## 2. Procurement & contract management

### OBSERVATIONS

Firstly, it was observed during the audit that all the 25 audited entities and three (3) embassies audited did not prepare annual procurement plans based on their approved National budgets.

Secondly, the Authorizing Officers of number of audited entities did not establish procurement units to conduct procurements of the entities.

Thirdly, a number of audited MDAs did not keep all procurement documents contrary to the provisions of the Procurement Act. The documents listed in the Procurement Act could not be made available for audit in respect of goods and services procured during the year worth a total of **US \$11,042,178.76**.

Finally, procurement contracts worth **US \$31,715,921.22** were not registered with the Office of the Auditor General.

#### **RECOMMENDATIONS**

As required by the procurement law, the entities should have approved procurement plans aligned to the national budget as required by the law.

Each MDA should establish a functioning procurement unit with appropriate staffing as defined in the procurement law.

As required by the procurement law, each MDA must keep all procurement documents for each procurement undertaken.

### **3. Opening of bank accounts**

#### **OBSERVATION**

During the audit, it was noted that 11 MDAs and three (3) embassies operated bank accounts outside the Treasury Single Account (TSA) without explicit approval of either the Accountant General and authorization of the Minister of Finance, contrary the Public Financial Management Act (PFM). At the year-end, a total amount of **US \$5,076,149.82** was deposited in several bank accounts outside the Treasury Single Account.

#### **RECOMMENDATIONS**

All MDAs should obtain explicit approval from the Accountant General and authorization of the Minister of Finance before opening and operating any bank account in and outside the Treasury Single Account.

All bank accounts that are operated by the MDAs illegally should be regularized immediately in compliance with the PFM Act.

### **4. Use of country system for external support**

#### **OBSERVATIONS**

During the year under review, eight (8) of the audited MDAs and one embassy had a total of budgeted amount of **US \$17,978,413.15** as external assistance from various countries and development partners for implementation of various projects and programs. This was not on-budget. Out of the budgeted amount, the entities received **US \$12,042,096.92**.

However, the amount of **US \$12,042,096.92** received was neither included in the approved national budget nor channeled through the TSA, the country system.

#### **RECOMMENDATIONS**

All MDAs should ensure that external assistance should be on-budget, and releases of funds to the MDAs by the international community should be on-treasury, using the TSA as the country system.

National budget existing arrangements that do not use the country's system should be regularized as soon as possible by providing the information to the Accountant General and the Minister of Finance.

Revenue and payments should also be conducted through the Somali Financial Management Information System (SFMIS).

The management of the audited entities should inform the Ministry of Finance and include the unused balance in the subsequent budget and money channeled in the country's system.

## **5. Registration and licensing of weapons, arms, and private security companies**

### **OBSERVATIONS**

#### **A. Failure to establish a comprehensive law and regulations that define the procedures for issuing licenses, registering, and managing firearms and private security companies**

We observed during the audit that there is no comprehensive law and regulations to enable the Ministry of Internal Security to issue licenses, register private security firms, and for management of firearms and private security companies in the country.

#### **B. Failure to establish a database**

During the audit, it was observed that the Ministry did not establish a database (s) for storage and effective management of information related to issuance of licenses, registration of firearms, and private security companies.

#### **C. Failure to establish a vetting process for individuals and security companies given the licenses**

During the audit exercise, it was observed that there was no evidence that individuals and private security companies were vetted before the firms and companies were licensed.

Without any documented defined vetting procedures and without any evidence of vetting steps performed, there is a high risk that licenses could have been issued to firms or companies that were not eligible.

#### **D. Failure to establish a monitoring mechanism**

We observed that the Ministry did not have a well laid monitoring mechanism in place for supervision of use of firearms that are privately owned. There were no monitoring reports made available for audit.

Additionally, there were 32 private security companies whose licenses had expired and had not been renewed.

The Ministry should establish a procedure for proper monitoring of the use of licensed firearms.

### **RECOMMENDATIONS**

A law and regulations should be enacted specifically for the management and control of private security firms and companies, and for the control of firearms in private hands. .

The Ministry should also establish comprehensive database(s) for proper management of private security firms and companies, and for all firearms held private individuals, firms and companies.

The Ministry should develop and implement a comprehensive vetting mechanism for individuals and private security companies who seek licenses to hold private firearms, and for private security firms and companies to operate as such.

## **6. Personnel management and service provision in embassies**

### **OBSERVATION**

During the audit, we observed that a number of diplomat staff in embassies audited did not have the required staff profiles contrary to the requirements laid down by the Foreign Mission Act.

Furthermore, we have observed that there were three (3) diplomats in the Somalia Embassy in Turkey who were not registered with the National Civil Servant Commission (NCSC) contrary to the applicable law.

Additionally, there were six (6) diplomats in the two (2) embassies (Turkey and Uganda) who had never worked in the headquarters of the Ministry of Foreign Affairs (Mogadishu) for a minimum of two (2) years before their postings.

We have observed during the audit that all the three (3) embassies did count and register Somali nationals in respective countries of representation as required by the Foreign Mission Act.

### **RECOMMENDATIONS**

The Ministry of Foreign Affairs should ensure all diplomatic staff posted in Embassies are registered with the National Civil Service Commission.

The Ministry of Labor and Social Affairs should ensure that all diplomatic staff in Embassies have the right skills profile before they posted in foreign missions.

The Ministry of Foreign Affairs in collaboration with the Directorate of Immigration and Naturalization shall commence the registration of Somali nationals living in the concerned foreign territory within the shortest time possible.

## **7. Revenue management and accountability**

### **OBSERVATION**

During the period under review, we noted that there was no regulation for revenue collection by Somali embassies in South Africa, Turkey, and Uganda.

Revenue amounting to **US \$277,925.46** was collected and used at source by the above Embassies without any accountability to the Accountant General and the Minister of Finance.

### **RECOMMENDATIONS**

The Ministry of Finance should develop a specific regulation and guidelines and issued to all Somali Embassies on how to collect revenue, and ensure such revenues are either transferred intact to the Ministry of Finance, and accounted for periodically in a timely manner.

In exceptional cases, where such revenues are used at source, there should be clear guidelines and accountability mechanism for such revenues.

In all cases, such revenues should be on-budget and appropriated annually by parliament.

## **8. Asset management**

### **OBSERVATIONS**

It was observed that during the audit that the Ministry of Finance has not developed approved policy guidelines for management and accounting of fixed assets by MDAs and embassies.

Also, there were no centralized fixed asset registers in the Ministry of Finance which are updated periodically.

Further, there were number of MDAs and embassies that did not have a fixed asset register in place.

Additionally, the physical verification revealed that a number of assets were not tagged with unique identification numbers for control and monitoring.

It was also observed that several MDAs and one (1) embassy did not register their vehicles under their names reportedly due to security concerns. This compromised control and accountability over these assets.

Furthermore, all audited institutions did not register their assets with the Office of the Auditor General in accordance with PFM Act.

### **RECOMMENDATIONS**

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should establish a centralized fixed assets registers or decentralized ones to MDAs with clear guidelines so that all fixed assets of the FGS are recorded, and are updated periodically.

All audited entities should have a fixed asset register in place which are update periodically.

The MDAs should ensure all vehicles are registered in the names on the entities, and obtain log books for show ownership, and should be made available to auditors whenever required.

MDAs and embassies should register their assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

## **9. Management of tax exemptions**

### **OBSERVATIONS**

#### **A. Various companies that were granted tax exemptions were not made public**

During the year under review, the Ministry of Finance gave tax exemption to various firms. However, the companies that were granted exemptions were not published by the Ministry contrary to the PFM Act.

**B. Failure of the Ministry of Finance to prepare a tax exemption report and table to both Houses of Parliament**

During the audit, it was observed that the Ministry of Finance didn't prepare and submit to both Houses of Parliament a tax exemptions report as required by the law.

**C. Failure of the Ministry of Finance to keep the record of each tax exemption and publishing in the Official Bulletin**

During the audit exercise, the auditors observed that the Ministry of Finance did not properly record the tax exemptions, the reasons for which they were made, and did not publish them in the Official Bulletin in accordance with the law.

**RECOMMENDATIONS**

The Ministry of Finance should prepare Tax Exemptions Reports and submit them to both Houses of Parliament on or before 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September, and 31<sup>st</sup> December of each financial year. The Report should list the companies granted exemptions, reasons for the exemptions, and expected benefits to the Federal Republic of Somalia (FRS).

The above reports should be made public once the report has been tabled before parliament.

The Ministry should establish a recording system in which all tax exemptions are recorded, both manually and digitally, for ease of referencing and security.

The Reports should be made public in the Official Bulletin in the manner required by the law.

## **10. Payroll management**

**OBSERVATION**

**A. Discrepancies between the SFMIS and Somali Police Force databases**

During the audit, differences between salary reports in the SFMIS for the Somali Police Force (SPF) as managed by the Ministry of Finance, and the database of the SPF under the management of the Commander of the Police Force. There were discrepancies in names and codes between the databases maintained by the Ministry of Finance and that of the Special Force.

**RECOMMENDATIONS**

The differences between the two databases should be investigated and corrected promptly to minimize the risk of payroll fraud and errors and ensure eligible police personnel are paid.

The two systems should interface each other for better payroll management.

The two databases should be integrated to ensure that payments are given to the right personnel.

There should be internal control(s) function to prevent errors and fraud from taking place within the SPF salary payments.

# Introduction

**T**he responsibility of the Minister of Finance, the Accountant General, Controlling Officers, and the Auditor General as regards to public financial management (PFM) of the FRS are provided in the Public Financial Management Act. As provided in the current audit law, the Auditor General is responsible for conducting audits and report on them.

Articles 6, 7, 8, 9, 13, and 17 of the Magistrates of Accounts Act (Law No. 34) empowers the Auditor General to examine transactions, books, accounts, and other public records of every ministry, statutory office, agency, board, commission, and bureau of the Government; including public funds received by non-profit organizations and relevant international organizations. This is further stipulated in the PFM Act 2019.

This Annual Compliance Audit Report for the selected 25 institutions and 3 embassies for the year ended 31st December 2020 has been conducted using the International Standards of Supreme Audit Institutions (ISSAI) and the audits are conducted as required by the PFM Act and the current audit law.

The annual compliance audit reports on deviations from the applicable criteria, which are based on applicable laws, regulations, and recognized good practices. The Annual Compliance Audit Report includes recommendations for managements of respective MDAs to take appropriate actions to address the issues raised. The primary aim of the recommendations is to ensure compliance with relevant laws, and to strengthen the country's PFM system for better service delivery.

This audit of selected MDAs and embassies of the FRS was carried out based on risk assessments conducted using guidances from ISSAIs.





# Subject Matters

The Annual Compliance Audit was conducted based on the following subject matters, namely:

1. Expenditure payment control;
2. Procurement and contract management;
3. Opening of bank accounts;
4. Use of country system for external support;
5. Registration and licenses of weapons, arms, and private security companies;
6. Personnel management and services provision in embassies;
7. Revenue management and accountability;
8. Asset management;
9. Management of tax exemptions; and
10. Payroll management.



# Audit Objective & Scope

**T**he main objective of this audit was to obtain sufficient and appropriate audit evidence to enable the Auditor General to provide reasonable assurance on the compliance by the selected MDAs and embassies with the above subject matters during the year ended 31<sup>st</sup> December 2020.

In order to achieve this objective, sufficient audit evidence on compliance was obtained through appropriate tests of controls and substantive procedures.

The scope of the compliance audit covered activities of the institutions from 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020. The compliance audit also covered the implementation status of audit recommendations of the previous two financial years.



# Audit Criteria

The audit was carried out based on the criteria derived from the following authorities for each respective subject matter as shown in the table below:

SUBJECT MATTER	CRITERIA
<b>Expenditure payment control</b>	Articles 31 (1), 32 (4), 33 (1) (a), (b), and 45 (2) of the Public Financial Management Act of 2019
<b>Asset management</b>	Article 11 (1), (c) of the Public Financial Management Act of 2019 and best practices
<b>Procurement and contract Management</b>	Articles 14, 27 (1), (4), schedule 3 (1) 31 (1) & (9), 33 (2), (g), 61 (1), (2), and 69 (2) of National Procurement Act of 2016), and Article 14 (amendment to Article 84) of the National Procurement Act of 2020  Articles 11 (c), 12 (2), (f, g & h) and 38 (5) of the Public Financial Management Act of 2019
<b>Opening of bank accounts</b>	Articles 9 (7) and 42 (3) of the Public Financial Management Act of 2019
<b>Use of country's system for external support</b>	Articles 15 (1) and 38 (1), (2) of the Public Financial Management Act of 2019
<b>Management of tax exemptions</b>	Article 5 (2), (3), (4) and (5-a, b, c & d) of the Public Financial Management Act of 2019
<b>Registration and licensing of weapons, arms, and private security companies</b>	Best practices
<b>Revenue management and accountability</b>	Articles 4 (2), (3) (a and i), 9 (6), 27 (6), 42 (4) of the Public Financial Management Act of 2019 and 50 (f) of the Provisional Constitution of Somalia
<b>Management and accountability of revenues from flights operations permit</b>	Best practices
<b>Personnel management and service provision in embassies</b>	Articles 3 (6), (c), 4 (1), (2) and (3), 5 (I- 2 and 4), (II-1, 2, 3 and 4) of Employment Law for Ministry of Foreign Affairs Staff of 2013 and best practice (ISO 30300 and 15489)
<b>Payroll management</b>	Article 12 (2), (b, c, f, g and h) of the Public Financial Management Act of 2019 and best practices

Audit subject matters and criteria



# Internal Control

**I**n this report, specific mention is made for weak expenditure controls, weak controls over the management of assets, weak procurement management, failure to register contracts, poor placement of mission staff in foreign embassies, use of embassy revenues at source, some of the external assistance did not go through the country system (off-budget and off-treasury), lack of laws and regulations for issuance and licensing of firearms held by individuals and private security companies among others. All these are clear indicators of internal control lapses by government entities.





# Audit Findings & Recommendations

**T**his detailed audit report highlights audit findings for each MDA and embassy assessed, and offers appropriate recommendations which are critical in addressing these findings.

The Compliance Audit Report also lays out the responses received from the audited entities which have remained unresolved at the time of issuing this report. These responses are presented in italics format.





# I. ADMINISTRATIVE SECTOR



# 1. Office of the President

## 1.1 Procurement and contract management

### 1.1.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observations

#### A. Failure to prepare an annual procurement plan

It was observed during the audit that the Office of the President did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendations

The management of the Office of the President should prepare annual procurement plan based on the approved annual budget of the entity.

### Management response

*We will implement the recommendation of preparing annual procurement plan National budget starting in the year FY 2022.*

### 1.1.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts worth US \$1,080,037.04 were not registered with the Auditor General

During the audit and based on analysis of documents, eleven (11) contracts worth **US \$1,080,037.04** were not registered with the Office of the Auditor General. Consequently, the OAGS was not able to perform prior control review over these contracts before payments were made against them.

Details of the contracts are listed in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-205	Fuel and lubricant	3 months	93,495.00
2.	2020 CA-BPC-205	Fuel and lubricant	3 months	93,495.00
3.	2020 CA-BPC-205	Fuel and lubricant	3 months	93,495.00
4.	2020 CA-BPC-205	Fuel and lubricant	3 months	93,495.00
5.	2020 CA-BPC-205	Fuel and lubricant	3 months	93,495.00
6.	2020 CA-BPC-206	Food staffs	3 months	99,945.00
7.	2020 CA-BPC-206	Food staffs	3 months	99,945.00
8.	2020 CA-BPC-206	Food staffs	3 months	99,945.00
9.	2020 CA-BPC-206	Food staffs	3 months	99,945.00
10.	2020 CA-BPC-206	Food staffs	3 months	99,945.00
11.	2020 CA-BPC-207	Construction	1 month	112,837.04
<b>TOTAL</b>				<b>1,080,037.04</b>

Table 1.1 Contracts not registered at the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*The Office of the President is ready to register all contracts with the Office of the Auditor General in accordance with the laws and regulations.*

### 1.1.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Office of the President prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The management of the entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

*We will write all the local contracts and agreements in Somali.*

## 1.2 Audit follow up

### 1.2.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	1.1.1. Lack of asset management policy and procedures	Recommendations implemented
2.	1.1.2. Failure to maintain an up-to-date the asset register	Recommendations implemented
3.	1.2.1. Failure to register contracts with the OAGS	Recommendations not implemented
4.	1.2.1. failure to Write local contracts in Somali language	Recommendations not implemented
5.	1.3.1. Failure to carry out internal audit function	Recommendations partially implemented

Table 1.2 2019 audit follow up

### 1.2.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	18.3.1 There was no asset register	Recommendation partially Implemented
2.	18.3.2 There was no asset management policy guidelines & procedures	Recommendation not implemented
3.	18.4.1 Regularity of internal audit	Recommendation partially implemented

Table 1.3 2018 audit follow up





## 2. House of the People

### 2.1 Expenditure payment control

#### 2.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

#### Best practices

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, receipts, travel documents, etc.

#### Observations

##### A. Unsupported expenditure payments totaling US \$377,748.00

During the audit, it was observed that payments amounting to **US \$377,748.00** were made by the management of the House of the People to three (3) companies, and individuals, for goods and services without adequate supporting documents. Consequently, it was not possible to verify the authenticity of these payments.

Details are captured in the tables below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	Individuals	Jan 2020	29,000.00
2.	2216	2020 CA-BPC-001	Mar 2020	46,166.00
3.	2216	2020 CA-BPC-002	May 2020	85,773.00
4.	2216	2020 CA-BPC-003	Apr 2020	37,583.00
5.	2216	2020 CA-BPC-003	Jun 2020	24,891.00
6.	2216	2020 CA-BPC-001	Jun 2020	24,415.00
7.	2216	2020 CA-BPC-001	Jun 2020	34,920.00
<b>TOTAL</b>				<b>282,748.00</b>

Table 2.1 Unsupported expenditure - travel expenses

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2251	2020 CA-BPC-004	Jan - Dec 2020	95,000.00
<b>TOTAL</b>				<b>95,000.00</b>

Table 2.2 Unsupported expenditure - medical expenses

## **Recommendation**

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

## **Management response**

*The documents shared with the auditors contained all the evidence of the different companies that received the payment. It seems the auditors overlooked the evidence contained in the documents presented to them.*

*The Ministry of Finance deposits the Daily Subsistence Allowance into the personal account of the individual that has undertaken the trip.*

*The boarding pass is not brought to the concerned department of the House of the People by the Members of the Parliament when they return from the trip. We asked Members of Parliament on multiple occasions to bring the boarding passes when they return from the trip, but they have not complied, and the issue continues to be unresolved.*

*It is true that the above-mentioned payment of US \$ 95,000 does not have the required supporting documentation. This is a difficult issue that we were unable to resolve because when a Member of Parliament comes with an order to be given a certain amount of money for medical treatment from the First Deputy of the Speaker of the House, they never bring back the supporting documents highlighting how they have utilized the money given. The Speakers of the House have tried on multiple occasions to remind the Members of the Parliament to bring these documents but to no avail.*

*The US \$90,000 payment include US \$ 20,000.00 (Twenty Thousand Dollars only) provided by the Ministry of Finance to two sick Members of Parliament and was directly transferred to the two members' accounts according to the evidence contained in the file given to the auditors.*

*In 2020/21, we asked the Ministry of Finance to obtain a Takaful Insurance scheme for Members of Parliament, which is insurance used by public institutions such as the Central Bank, but the Ministry stated that there were no funds for such a thing. We have a monthly allocation of \$ 25,000 for each Member of Parliament, and we have asked the Ministry of Finance to add another US \$ 25,000 or lesser amount and that an insurance scheme for the Members of Parliament be advertised. The Ministry failed to undertake this.*

*In the year 2020, we have only got three months of payments, which means Members of Parliament who have been waiting a long time for payments have received a very small amount of money and were asked to pay the rest from their own pockets. When asked about the provision of supporting documents, the Members of Parliament argued that they treated themselves in Turkey or India and spent a sum of US \$ 20,000 and that they have only received US \$ 5,000 from the House, so how should they submit papers when they have not received the full payment entitled to them.*

## 2.2 Procurement and contract management

### 2.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

Article 61 (1) and (2) National Procurement Act of 2016 states as follows:

- 61(1) Each procuring entity shall establish a Procurement Unit under this Act.
- 61(2) The Accounting Officer (Authorizing Officer) shall determine the composition of the Procurement Unit, which shall be staffed with at least one (1) person trained and knowledgeable in procurement.

Article 31 (1) and (9) National Procurement Act of 2016 states as follows:

- 31(1) The procuring entity shall preserve all documentation relating to each procurement contract and its proceedings and maintained or kept in accordance with applicable rules for archiving of government documents, which at minimum shall be kept for a period of six (6) years following the date of completion of the procurement contract, or from the date of rejection of all bids or cancellation of the proceeding, as the case may be.
- 31(9) The procuring entity shall maintain all records and documents shall be made available for inspection by the Procurement Authority; Anti-Corruption Commission; Auditor General, the Parliamentarian Committee responsible for oversight of the implementation of national laws, and any other government office that is entrusted with such responsibility.

Article 69 (2) on choice of procurement methods states that:

- 69(2) Procurement contracts should not be divided with the intention of avoiding open competitive bidding required for all contracts estimated to cost more than the monetary thresholds established by the Procurement Regulations.

### Observations

#### A. Failure to prepare annual procurement plan

It was observed during the audit that the House of the People did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

#### B. Failure to establish a procurement unit

During the audit, it was observed that the House of the People did not establish a procurement unit responsible for conducting procurements of the entity contrary to the requirements of the National Procurement Act of 2016.

### C. Failure to maintain a complete record and documents of procurements

The management of the House of the People procured goods and services worth **US \$1,107,849.00**. However, no documents related to the procurement were available for the audit scrutiny. Details are captured in the table below:

NO.	COMPANY NAMES	TYPE OF GOODS/SERVICES	TIME FRAME	AMOUNT US \$
1.	2020 CA-BPC-005	Goods	Jan - Dec 2020	104,434.00
2.	2020 CA-BPC-006	Goods	Jan - Dec 2020	131,200.00
3.	2020 CA-BPC-006	Service	Jan - Dec 2020	110,493.00
4.	2020 CA-BPC-005	Goods	Jan - Dec 2020	104,434.00
5.	2020 CA-BPC-006	Fuel	Jan - Dec 2020	157,201.00
6.	2020 CA-BPC-007	Goods	Jan - Dec 2020	71,515.00
7.	2020 CA-BPC-008	Goods	Jan - Dec 2020	174,824.00
8.	2020 CA-BPC-001	Goods	Jan - Dec 2020	105,501.00
9.	2020 CA-BPC-002	Goods	Jan - Dec 2020	85,773.00
10.	2020 CA-BPC-003	Goods	Jan - Dec 2020	62,474.00
<b>TOTAL</b>				<b>1,107,849.00</b>

Table 2.3 Non-disclosure of records and procurement reports

#### Recommendations

As required by the procurement law, the entity shall prepare approved annual procurement plan based on the approved annual budget of the entity.

The Authorizing Officer (Accounting Officer) should establish a procurement unit as per the law.

The management should explain why goods and services valued **US \$1,107,849.00** were procured without following procurement procedures prescribed in the National Procurement Act of 2016.

The management should maintain and archive all procurement documents and information by each procurement as required by the law. These should be made readily available to those who need them for monitoring and audit.

#### Management response

*We were unable to establish a procurement plan due to the budget being too small and not being available on time. We have not even been given enough budget to buy anything in the first place and we cannot even buy a generator (the generators we use were given to us by the donors).*

*When a reliable budget that reflects on our needs is made available, we will establish a procurement plan. For example, the sub-head in the allocated budget for travel was supposed to be \$4,000,000. This would have covered all our needs. We were allocated only \$ 400,000, and even this amount was not made available to us.*

*We have informed the auditors that we are unable to produce the procurement documents as we have submitted them to the Procurement Office for control and they haven't return them to us.*

## 2.2.2 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the House of the People prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

*The local contracts we entered were used for local procurements and the standard template we have used was given to us by the Procurement Office of the Ministry. All government agencies, including the Office of the Auditor-General, use the English version. The Ministry of Finance argues that the IMF and the World Bank want the English version. If a different plan is to be introduced, the authorities who have previously brought the English version will need to bring to us the Somali template so that we can use it, even though we have written all of our local contracts in Somalia in 2020/21 and have submitted them for registration.*

## 2.3 Opening bank accounts

### 2.3.1 CRITERIA

Articles 42 (3) and 9 (7) of the Public Financial Management Act 2019 state that:

42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.

9(7) The Minister of Finance is responsible to approve the opening of bank accounts by Government agencies and the design of the signatures of such bank accounts.

### Observation

#### A. A bank account was opened without prior approval

During the audit, it was discovered that management of the House of the People opened and operated a bank account with Dahabshiil Bank International without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
1	Dahabshiil Bank International	104100764	417,625.00	83,823.00
<b>TOTAL</b>			<b>417,625.00</b>	<b>83,823.00</b>

Table 2.4 Opening and operating unauthorized bank account(s)

### Recommendation

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

### **Management response**

*We were unable to establish a procurement plan due to the budget being too small and not being available on time. We have not even been given enough budget to buy anything in the first place and we cannot even buy a generator (the generators we use were given to us by the donors).*

*When a reliable budget that reflects on our needs is made available, we will establish a procurement plan. For example, the sub-head in the allocated budget for travel was supposed to be \$4,000,000. This would have covered all our needs. We were allocated only \$ 400,000, and even this amount was not made available to us.*

*We have informed the auditors that we are unable to produce the procurement documents as we have submitted them to the Procurement Office for control and they haven't return them to us.*

## **2.4 Use of country system for external support**

### **2.4.1 CRITERIA**

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

- 38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).
- 38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

- 15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

### **Observations**

#### **A. Receipts totaling to US \$417,625.00 from donors are not included in the country system**

During the year under review, the House of the People received a donation from UNDP to support the Federal Parliament and the Federal Member State Parliaments totaling **US \$417,625.00** which will run for one year.

However, documents availed for the audit show that the House of the People has used **US \$333,802.00** for the year ended 31<sup>st</sup> December 2020. Nonetheless, none of the said amounts was included in the approved national budget and none went through the country system for the year ended 31<sup>st</sup> December 2020.

### **Recommendations**

The management should take appropriate steps with the Ministry of Finance and the UNDP and any other development partner to ensure that future support uses the country system of the Federal Government of Somalia.

The Minister of Finance should co-sign all contracts or letters of agreements or Memorandum of Understanding relating to external support and copies of which should be registered with the Office of the Auditor General accordingly.

## Management response

As we have stated previously this account was opened before Law No. 17 came into force. At the time of its opening in 2013, UNDP and other agencies did not contribute to the Government Budget because there was no reliable financial management system at that time. We will make sure to inform UNDP whose agreement with us has now expired that if they decide to sign with us a new donation agreement, then they should use the country's financial system managed by the Ministry of Finance.

## 2.5 Audit follow up

### 2.5.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO	FINDINGS	STATUS
1	2.1.1. Unsupported payments - running costs	Recommendations implemented
2.	2.1.2. Unsupported payments - Parliament committee expenses	Recommendations implemented
3.	2.1.3. Unsupported payments - medical expenses	Recommendations not implemented
4.	2.1.4. Unsupported payments - travel costs	Recommendations not implemented
5.	2.2.1. Lack of asset management policy and procedures	Recommendations implemented
6.	2.2.2. Failure to maintain an up-to-date the asset register	Recommendations implemented
7.	2.3.1. Failure to register contracts with the OAGS	Recommendations implemented
8.	2.3.2. Failure to write local contracts in Somali language	Recommendations not implemented
9.	2.4.1. Failure to carry out internal audit function	Recommendations not implemented

Table 2.5 2019 audit follow up

### 2.5.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	19.2.1 Payments under sub-heads not fully supported	Recommendation not implemented
2.	19.2.2 Unauthorized internal re-allocation of funds	Recommendation not implemented
3.	19.2.4 Travel costs lack adequate supporting documents	Recommendation not implemented
4.	19.3.1 There is no fixed asset register	Recommendation partially implemented
5.	19.3.2 There was no asset management policy guidelines & procedures	Recommendation not implemented
6.	19.4.1 Contracts were not registered with OAGS	Recommendation not implemented
7.	19.5.1 Regularity of internal audit	Recommendation not implemented

Table 2.6 2018 audit follow up





# 3. Upper House

## 3.1 Expenditure payment control

### 3.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practices

Supporting documents vary depending on the type of payment, and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$109,400.00

During the audit, it was noted that the management of the Upper House made payments amounting to **US \$109,400.00** which were spent on running and medical expenses without attaching adequate supporting documents to payment requests/vouchers contrary to the law, regulations and good practice. Details of such payments are listed in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	2211	2020 CA-BPC-010	Jan - Apr 2020	29,990.00	It didn't have a receipt voucher
<b>TOTAL</b>				<b>29,990.00</b>	

Table 3.1 Unsupported expenditure - running costs

NO.	SUB-HEAD	PAYEE-MEDICAL EXP	MONTH	AMOUNT IN US \$
1.	2251	2020 CA-BPC-010	Jan - Apr 2020	22,500.00
2.	2251	2020 CA-BPC-012	May - Oct 2020	45,000.00
<b>TOTAL</b>				<b>67,500.00</b>

Table 3.2 Unsupported expenditure - medical expenses

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

## Management response

*The documents regarding the payments for the general services we shared with you contain the complete list to support those payments such as purchase order, signed contract, invoices, delivery, and goods received notes. Instead of the payment receipt, which was not shared with you, you can see the proper procedure of the funds which were transferred from the Treasury Single Account to the bank account of the company. This could be seen from the SFMIS.*

*On the other hand, we have accepted the Auditor General's recommendation that all payment documents be stamped "Paid".*

*The medical expenses document we shared with the auditor included invoices and receipts, and it was difficult to get the medical forms reports.*

*As we have shared with the auditors, the management of the Upper House is working on a plan to ensure the health of all the Senators and we have accepted the recommendations of the Office of the Auditor-General.*

*Additionally, the management letter did not state that we shared the following documents:*

- *Invoices, and*
- *Receipts*

*Finally, we hope that the information and evidence shared with the auditors will appear in the report to avoid misrepresentation.*

## 3.2 Procurement and contract management

### 3.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

Article 61 (1) and (2) National Procurement Act of 2016 states as follows:

- 61(1) Each procuring entity shall establish a Procurement Unit under this Act.
- 61(2) The Accounting Officer (Authorizing Officer) shall determine the composition of the Procurement Unit, which shall be staffed with at least one (1) person trained and knowledgeable in procurement.

Article 31 (1) and (9) National Procurement Act of 2016 states as follows:

- 31(1) The procuring entity shall preserve all documentation relating to each procurement contract and its proceedings and maintained or kept in accordance with applicable rules for archiving of government documents, which at minimum shall be kept for a period of six (6) years following the date of completion of the procurement contract, or from the date of rejection of all bids or cancellation of the proceeding, as the case may be.

31(9) The procuring entity shall maintain all records and documents shall be made available for inspection by the Procurement Authority; Anti-Corruption Commission; Auditor General, the Parliamentarian Committee responsible for oversight of the implementation of national laws, and any other government office that is entrusted with such responsibility.

Article 69 (2) on choice of procurement methods states that:

69(2) Procurement contracts should not be divided with the intention of avoiding open competitive bidding required for all contracts estimated to cost more than the monetary thresholds established by the Procurement Regulations.

## Observations

### A. Failure to prepare an annual procurement plan

It was observed during the audit that the Upper House did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### B. Failure to establish a procurement unit

During the audit, the audit observed that the Accounting Officer (Authorizing Officer) did not establish a procurement unit responsible for conducting procurements of the entity contrary to the requirements of the National Procurement Act of 2016.

### C. Failure to maintain a complete record and documents of procurements totaling US \$232,041.00

The management of the Upper House procured goods and services worth **US \$232,041.00** However, there were no procurement files containing documents and information that could be made available for our audit scrutiny. Consequently, management did not comply with the National Procurement Act of 2016. Details of such procurement are set out in the table below.

NO.	COMPANY NAMES	TYPE OF GOODS/SERVICES	TIME FRAME	AMOUNT US \$
1	2020 CA-BPC-012	Rental	Jan - Oct 2020	104,500.00
2	2020 CA-BPC-012	Other expenses	July - Oct 2020	68,298.00
3	2020 CA-BPC-012	Office goods	Aug - Oct 2020	17,997.00
4	2020 CA-BPC-013	Fuel	Aug - Oct 2020	41,246.00
<b>TOTAL</b>				<b>232,041.00</b>

Table 3.3 Non-disclosure of records and procurement reports

## Recommendations

As required by the procurement law, the entity shall prepare approved annual procurement plan based on the approved annual budget of the entity.

The Authorizing Officer (Accounting Officer) should establish a procurement unit as per the law.

The management should maintain and archive all procurement documents and information by each procurement as required by the law. These should be made readily available to those who need them for monitoring and audit.

### **Management response**

*The Upper House Management recognized the importance of preparing an annual procurement plan based on the National budget.*

*We have informed the auditors the structure of the Upper House. Currently the Upper House doesn't have a procurement office because of the limited of human resources. However, we have number of staff who handle the procurement work.*

*We certify that we have shared with the auditors the procurement and expenditure files of the Upper House which included in the issues mentioned above.*

*Additionally, we have shared with the auditors the contracts that we have entered with the companies that were awarded. Some of these contracts have been renewed based on evaluation indicated in the documents attached to the contracts shared with the auditors.*

### **3.2.2 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observation**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Upper House prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### **Recommendation**

The entity should write local contracts and agreements in Somali language in accordance with the law and regulations so that majority of the citizens can understand the content of the contracts.

### **Management response**

*The management of the Upper House accepted the recommendation of the Office of the Auditor General to write all local agreements in Somali in accordance with the law.*

## **3.3 Asset management**

### **3.3.1 CRITERIA**

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act!

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

## Observations

### A. Lack of asset management policy and procedures

It was observed the Upper House did not have an approved policy and procedures on management and accounting for the assets.

### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

## Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

## Management response

*The Management of the Upper House recognizes the importance of asset management policy and procedures and is in the process of developing a comprehensive management policy and procedures.*

*The Management of the Upper House has prepared and shared with the auditors the complete register of assets and asset numbers, which had clear instructions and can be verified that all the assets of the agency are recorded in the register, and the auditors have checked. See Appendix II for proof.*

*It is also worth noting that the Upper House constantly updates the Assets Registry.*

*On the other hand, taking into account previous recommendations, the Ministry of Finance has registered and compiled a list of national assets in the Upper House and has given each a tag number. See Appendix 3 for proof.*

## OAGS response

The Office of the Auditor General has looked carefully at appendix 2 and has evaluated the appendix and concluded that it is not a complete fixed asset register. The Appendix 2 is a memorandum record of the assets being maintained.

### 3.4 Opening bank accounts

#### 3.4.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state that:

- 42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.
- 9(7) The Minister of Finance is responsible to approve the opening of bank accounts by Government agencies and the design of the signatures of such bank accounts.

#### Observation

##### A. A bank account was opened without prior approval

During the audit, it was discovered that management of the Upper House opened and operated a bank account with Amal Bank without prior approval and authorization of the Accountant General and the Minister of Finance..

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
1.	Amal Bank	1012346300	25,000.00	15,040.00
<b>TOTAL</b>			<b>25,000.00</b>	<b>15,040.00</b>

Table 3.4 Opening and operating unauthorized bank account(s)

#### Recommendation

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

#### Management response

*The Upper House account with Amal Bank (1012346300) is dedicated to the UNDP Parliamentary Support Project and was opened in March 2018 long before the Public Financial Management Act, (Article 42 (3)) was enacted. Therefore, this account has been opened appropriately and does not violate the law.*

*We have also shared with auditors the account activity of account number 1012346300 during the three years it was operating from 2018 to 2020 (See attachment 4 for the evidence concerning the opening date).*

*In general, the law does not operate retroactively, and the new law affects the things that happen only after it has come into force, which means that this account was opened 2 years before the law was enacted, and these two years were shared with the Office of the Auditor General's activities and reports (Yearly Reports).*

#### OAGS response

The entity should take appropriate steps to regularize the bank account by obtaining approval and authorization of both the Accountant General and the Minister of Finance for the bank account with Amal Bank.

## 3.5 Use of country system for external support

### 3.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

- 38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).
- 38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

- 15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

### Observations

#### A. Receipts totaling to US \$97,079.00 from donors are not included in the country system

During the year under review, the Upper House received a donation from UNDP for a parliamentary support and joint program on women's political empowerment totaling **US \$97,079.00** which will run for one year.

However, documents availed for the audit show that the Upper House has used **US \$25,000.00** for the year ended 31<sup>st</sup> December 2020. Nonetheless, none of the said amounts was included in the approved national budget and none went through the country system for the year ended 31<sup>st</sup> December 2020.

### Recommendations

The management should take appropriate steps with the Ministry of Finance and the UNDP and any other development partner to ensure that future support uses the country system of the Federal Government of Somalia.

The Minister of Finance should co-sign all contracts or letters of agreements or Memorandum of Understanding relating to external support and copies of which should be registered with the Office of the Auditor General accordingly.

### Management response

*The Upper House budget for 2020 has been submitted to the budget department of the Ministry of Finance on 23 September 2019, which means that it has been submitted before the law mandating this obligation came into force.*

*It is also noteworthy that the Memorandum of Understanding that we shared with the auditors was signed on March 23, 2020, at which time the national budget was valid and effective.*

*Sometimes it is difficult to predict a grant since we are not sure whether it will be received or not, and also these funds don't reflect on the country's revenue and government money.*

*It is worth noting that this agreement has been registered with the Office of the Auditor General.*



### 3.6 Audit follow up

#### 3.6.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO	FINDINGS	STATUS
1.	3.1.1. Unsupported payments – medical expenses	Recommendations not implemented
2.	3.1.2. Unsupported payments – travel costs	Recommendations not implemented
3.	3.2.1. Lack of asset management policy and procedure	Recommendations not implemented
4.	3.2.2. Failure to maintain an up-to-date the asset register	Recommendations partially implemented
5.	3.3.1. Failure to register contracts with the OAGS	Recommendations not implemented
6.	3.3.2. Failure to write local contracts in Somali language	Recommendations not implemented
7.	3.4.1. Failure to carry out internal audit function	Recommendations partially implemented

Table 3.5 2019 audit follow up

#### 3.6.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	20.2.2 The staff of the Senate were not enrolled with the National Civil Service Commission	Recommendation not implemented
2.	20.2.3 Several payments we made without adequate supporting documents	Recommendation not implemented
3.	20.2.4 Travel costs lack adequate supporting documents	Recommendation not implemented
4.	20.3.1 Lack of fixed asset register	Recommendation partially implemented
5.	20.3.2 There was no asset management policy guidelines & procedures	Recommendation not implemented
6.	20.4.1 Contracts were not registered with OAGS	Recommendation not implemented
7.	20.5.1 Regularity of internal audit	Recommendation partially implemented

Table 3.6 2018 audit follow up

# 4. Office of the Prime Minister

## 4.1 Expenditure payment control

### 4.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$735,802.15

During the year under review, the management of the Office of the Prime Minister incurred various expenditure payments which did not have adequate supporting documents. Expenditures payments amounting to a total of **US \$735,802.15** did not have adequate supporting documents attached. Included in the above amount were three (3) cash payments to unspecified individuals amounting to a total **US \$ 500,000.00** without any supporting documents.

A breakdown of expenditure payments that did not have adequate supporting documents are listed in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1	2212	2020 CA-BPC-016	12/16/2020	23,280.00	The payment is not adequately supported
<b>TOTAL</b>				<b>23,280.00</b>	

Table 4.1 Unsupported expenditure - running costs

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	Payment made in cash to an unspecified individual	Nov 2020	150,000.00
2.	2216	Payment made in cash to an unspecified individual	Nov 2020	200,000.00
3.	2216	Payment made in cash to an unspecified individual	Nov 2020	150,000.00
4.	2216	2020 CA-BPC-011	Nov 2020	39,327.68
5.	2216	2020 CA-BPC-017	Dec 2020	56,540.33
6.	2216	2020 CA-BPC-011	Aug 2020	27,969.30
7.	2216	2020 CA-BPC-011	Sep 2020	12,042.55
<b>TOTAL</b>				<b>712,522.15</b>

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
8	2216	2020 CA-BPC-011	Feb 2020	76,642.29
<b>TOTAL</b>				<b>712,522.15</b>

Table 4.2 Unsupported expenditure - travel costs

### Recommendations

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

Cash payments totaling **US \$ 500,000.00** to unspecified individuals should be investigated and any losses thereof should be recovered from responsible official(s).

### Management response

*We have attached the missing supporting documents for the expenses mentioned above. We have again attached the supporting documents for the travel expenses.*

### OAGS response

After the review of the response and the information provided, the OAGS concludes that adequate supporting documents were not provided to explain independently the nature and the purposes of the payments.

## 4.2 Procurement and contract management

### 4.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observations

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Office of the Prime Minister did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

*We have accepted and will implement the recommendations of the Office of the Auditor General.*

#### 4.2.2 CRITERIA

According to schedule 3 (1) of the National Procurement Act of 2016:

**(A) Shopping procedures shall be used when the estimated value of the procurement is as below:**

- I. In the case the procurement budget for goods is less than US \$40,000
- II. In the case the procurement budget for services is less than US \$40,000
- III. In the case the procurement budget for services is less than US \$50,000

**(B) National Competitive Bidding (NCB) procedures shall be used when the estimated value of the procurement is as below (less than):**

- I. In the case the procurement budget for goods is less than US \$ 100,000
- II. In the case the procurement budget for services is less than US \$ 40,000
- III. In the case the procurement budget for works is less than US \$ 200,000

**(C) International Competitive Bidding (ICB) procedures shall be used when the estimated value of the procurement exceeds (more than):**

- I. In the case the procurement budget for goods is more than US \$100,000
- II. In the case the procurement budget for services is more than US \$ 40,000
- III. In the case the procurement budget for works is more than US \$200,000

#### Observation

**A. Failure to adhere to the above thresholds for procurements**

It was observed that goods and services worth **US \$755,525.50** were procured without following the above thresholds for procurements. Instead of using open tendering for procurement of good and services during the year, direct shopping was used contrary to the Procurement law.

The table below gives a summary of procurements undertaken using direct shopping instead of open competitive tendering.

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	TIME FRAME	AMOUNT US \$
1.	2020 CA-BPC-020	Vehicle repair	1 year	182,250.00
2.	2020 CA-BPC-025	Vegetable and food		99,177.50
3.	2020 CA-BPC-026	Cleaning service	10 months	89,098.00
4.	2020 CA-BPC-027	Vehicle purchase		385,000.00
<b>TOTAL</b>				<b>755,525.50</b>

Table 4.3 Irregular direct procurement

#### Recommendation

The entity should use the correct threshold for all its procurements in accordance with the National Procurement Act.

#### Management response

*We have accepted and will implement the recommendations of the Office of the Auditor General.*

### 4.2.3 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$4,740,667.65 were not registered with OAGS

During the audit exercise, while analyzing the documents availed for audit scrutiny, it was observed that 31 contracts worth **US \$4,740,667.65** were not registered with the Office of the Auditor General. Consequently, the Office of the Auditor General could not exercise prior review control on these contracts in support of expenditure payments that relate to these contracts. Details are shown in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-018	Public Relations Activities	1 year	30,000.00
2.	2020 CA-BPC-018	Electronic equipment and computers	10 months	Not specified
3.	2020 CA-BPC-018	Public Relations Activities	1 month	28,000.00
4.	2020 CA-BPC-018	Food items	10 months	Not specified
5.	2020 CA-BPC-019	Food and accommodation	10 months	29,954.50
6.	2020 CA-BPC-020	Car repairs	1 year	182,250.00
7.	2020 CA-BPC-022	Vegetables and Food	6 months	5,328.00
8.	2020 CA-BPC-011	Travel service	1 year	Not specified
9.	2020 CA-BPC-036	Travel service	1 year	Not specified
10.	2020 CA-BPC-024	Repairs of a well	1 month	45,450.00
11.	2020 CA-BPC-015	Goods and services	1 year	7,500.00
12.	2020 CA-BPC-025	Food and vegetables	1 month	99,177.50
13.	2020 CA-BPC-026	Repairs of a building	1 month	50,075.00
14.	2020 CA-BPC-026	Vegetables and Food	10 months	89,098.00
15.	2020 CA-BPC-031	Food items	1 year	Not specified
16.	2020 CA-BPC-032	Travel service	10 months	Not specified
17.	2020 CA-BPC-033	Travel service	10 months	Not specified
18.	2020 CA-BPC-034	Car repairs service	1 year	Not specified
<b>TOTAL</b>				<b>4,740,667.65</b>

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
19.	2020 CA-BPC-034	Procurements of cars	1 month	385,000.00
20.	2020 CA-BPC-028	Car rental and petrol	6 months	23,500.00
21.	2020 CA-BPC-015	Internet service	1 year	7,500.00
22.	2020 CA-BPC-013	Petrol and oil	10 months	23,400.00
23.	Support to Aid Management and Coordination in Somalia	The development and implementation of international conferences as well as the implementation of training for the Federal Government and regional governments of Somalia to improve performance and knowledge	1 year	973,265.65
24.	Preventing and Countering Violent Extremism (PCVE)	Preventing extremist ideology in the fight against terrorism with the participation of the Somali Government and regional administrations	1 year	1,338,440.00
25.	Social sector road map	Strengthening and reforming the public sector to promote public accountability and development		366,650.00
26.	Cross-cutting Capacity Development (CCCD)	Strengthening the national capacity and participation in fulfilling the international environmental obligations	1 year	300,087.00
27.	Integrated Water Resource Management (IWRM)	Water management assistance project for farmers and pastoralists	10 months	55,000.00
28.	Nationally Determined Contributions (NDC)	Assistance to Somalia's Nationally Determined Contributions (NDCs) Initiative (SOM-NDCI)	10 months	167,000.00
29.	Government-UN Joint program for sustainable Charcoal reduction and Alternative livelihoods (PROSCAL)	Support for UN Security Council Resolution 2063 (2012) banning Somalia's charcoal exports and reducing domestic consumption	1 month	103,200.00
30.	Joint Security Sector reform program (JSSGP)	Promoting democracy and strengthening accountability in the security sector	11 months	390,500.00
31.	Institutional Strengthening for the implementation of the Montreal Protocol	Adherence to the Montreal Protocol		40,292.00
<b>TOTAL</b>				<b>4,740,667.65</b>

Table 4.4 Contracts not registered with the OAGS

### **Recommendation**

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### **Management response**

*We have already registered most of the contracts with the Office of the Auditor General and we will register the remaining contracts.*

#### **4.2.4 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observation**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Office of the Prime Minister prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### **Recommendation**

The entity should write their local contracts and agreements in Somali language per the laws and regulations.

### **Management response**

*We have implemented the recommendations of the Office of the Auditor General and have written the contracts in Somali.*

## **4.3 Asset management**

### **4.3.1 CRITERIA**

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act”

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observations**

#### **A. Weak management system for vehicles**

During the audit, a list of vehicles reportedly belonging to the Office of the Prime Minister was shared with us. Eight (8) of the vehicles were not registered under the name of the Office of the Prime Minister (OPM) and did not have vehicle ownership books. Also, three (3) vehicles were not availed for physical verification. Details of the vehicles are shown below:

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	TOYOTA HILUX	Capacity Injection Project	MROF22G900736863	Not availed for physical verification
2.	TOYOTA HILUX PROOF	Benadir Regional Administration	MROHX8CD2G0895367	Not availed for physical verification
3.	TOYOTA HILUX	Capacity Injection Project	MR0HX8CD9M0938256	Not availed for physical verification
4.	TOYOTA V8	OPM	7X4500-P PRE	The vehicle did not have a plate number and an ownership book registered under the name of the OPM
5	TOYOTA V8	OPM	JTMHX01L5081724	The vehicle did not have a plate number and an ownership book registered under the name of the OPM
6	TOYOTA V8	OPM	JTMHX01J3G5076248	The vehicle did not have a plate number and an ownership book registered under the name of the OPM
7	TOYOTA HILUX	Directorate of Environment	MRODP9CP50498499	The vehicle did not have a plate number and an ownership book registered under the name of the OPM
8.	TOYOTA HILUX	Directorate of Environment	95693	The vehicle did not have a plate number and an ownership book registered under the name of the OPM
9.	TOYOTA HILUX	Capacity Injection Project	MROHX8CD0L0937741	The vehicle did not have a plate number and an ownership book registered under the name of the OPM
10.	TOYOTA SURF	OPM	TRN2-15-0018880	The vehicle did not have a plate number and an ownership book registered under the name of the OPM
11.	TOYOTA SURF	OPM	TRN215-0004993	The vehicle did not have a plate number and an ownership book registered under the name of the OPM

**Table 4.5** Vehicle management

### Recommendations

All vehicles should have logbooks, vehicle ownership books registered under the name of the Office of the Prime Minister and kept safely by a senior responsible official.



The management should avail the 3 remaining vehicles for physical verification to the audit team.

Management should register all assets with the Office of the Auditor General under the PFM Act within the quickest time possible.

### Management response

All vehicles of the Office of the Prime Minister are in the official register of assets of the Office of the Prime Minister in accordance with the registration process. Furthermore, we have submitted the list of the vehicles owned by the Office to the Ministry of Transportation for the issuance of car ownership books.

## 4.4 Opening of bank accounts

### 4.4.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state that:

- 42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.
- 9(7) The Minister of Finance is responsible to approve the opening of bank accounts by Government agencies and the design of the signatures of such bank accounts.

### Observations

#### A. Bank accounts were opened without prior approval

During the audit, it was discovered that management of the Office of the Prime Minister opened and operated bank accounts with Amal Bank and Dahabshiil Bank International without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
1.	Dahabshiil Bank International	104109386	366,650.60	32,515.00
2.	Amal Bank	1012913455	165,910.00	0.00
3.	Amal Bank	1013179247	144,890.00	0.00
4.	Amal Bank	1013647995	29,000.00	38,000.00
<b>TOTAL</b>			<b>706,450.60</b>	<b>70,515.00</b>

Table 4.6 Opening and operating unauthorized bank account(s)

### Recommendations

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

### Management response

We have accepted the recommendations of the Office of the Auditor General and we will complete all the formalities for the accounts maintained by the Office.

## 4.5 Use of country system for external support

### 4.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).

38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

### Observation

#### A. Receipts totaling to US \$1,498,711.00 from donors are not included in the country system

During the audit, it was observed that the Office of the Prime Minister had implemented nine (9) projects worth **US\$3,734,434.65** from various bilateral and other institutions. These projects were neither on-budget nor on-treasury contrary to the provisions of the PFM Act and Regulations.

Out of the above amount, the management of the Office of the Prime Minister used **US \$1,498,711.00** for the year under review. These were neither in the national budget nor on-treasury because payments were processed outside Somali Financial Management Information System (SFMIS). Details of the projects and the donors are specified in the table below:

NO.	PROJECT NAME	SPONSOR/DONOR	PROJECT PURPOSE	BENEFICIARY	CONTRACT DURATION	BUDGETED AMOUNT US \$	AMOUNT USED US \$
1.	Support to Aid Management and Coordination in Somalia (ACU)	Norway, Sweden, Switzerland, the United Kingdom, USAID, the UNDP/UN Integrated Office, and the World Bank	The development and implementation of international conferences as well as the implementation of training for the Federal Government and regional governments of Somalia to improve performance and knowledge	Different groups	1 year	973,265.65	711,261.00
2.	Preventing and Countering Violent Extremism (PCVE)	Nederland, Sweden and UNDP	Preventing extremist ideology in the fight against terrorism with the participation of the Somali Government and regional administrations	Federal Government and Federal Member States security agencies	1 year	1,338,440.00	Direct Payment
<b>TOTAL</b>						<b>3,734,434.65</b>	<b>1,498,711.00</b>

NO.	PROJECT NAME	SPONSOR/ DONOR	PROJECT PURPOSE	BENEFICIARY	CONTRACT DURATION	BUDGETED AMOUNT US \$	AMOUNT USED US \$
3.	Social sector road map	UNICEF and WFP	Strengthening and reforming Government social affairs departments to promote public accountability with a focus on aspects of social issues and their development	Government agencies working on the development of social issues	1 year	366,650.00	366,650.00
4.	Cross-cutting Capacity Development (CCCD)	GEF UNDP Co-Financing	Strengthening national capacity and participation of the nation in fulfilling international environmental obligations	Different groups	1 year	300,087.00	165,910.00
5.	Integrated Water Resource Management (IWRM)	GEF UNDP Co-Financing	Water management assistance project for farmers and pastoralists	Government agencies working on the development of social issues	10 months	55,000.00	55,000.00
6.	Nationally Determined Contributions (NDC)	GEF UNDP Co-Financing	Assistance to Somalia's Nationally Determined Contributions (NDCs) Initiative (SOM-NDCI)	Different groups	10 months	167,000.00	144,890.00
7.	Government-UN Joint program for sustainable Charcoal reduction and Alternative livelihoods (PROSCAL)	Sweden, Italy, and EU	Support for UN Security Council Resolution 2063 (2012) banning Somalia's charcoal exports and reducing domestic consumption	Different groups	1 month	103,200.00	29,000.00
8.	Institutional Strengthening for the implementation of the Montreal Protocol	Compliance with the Montreal Protocol	Adherence to the Montreal Protocol	Security Sector		40,292.00	26,000.00
<b>TOTAL</b>						<b>3,734,434.65</b>	<b>1,498,711.00</b>

NO.	PROJECT NAME	SPONSOR/ DONOR	PROJECT PURPOSE	BENEFICIARY	CONTRACT DURATION	BUDGETED AMOUNT US \$	AMOUNT USED US \$
9.	Joint Security Sector reform program (JSSGP)	EU and UK	Promoting democracy and strengthening accountability in the security sector	Different groups	11 months	390,500.00	Direct Payment
<b>TOTAL</b>						<b>3,734,434.65</b>	<b>1,498,711.00</b>

Table 4.7 Donations not channeled through the public financial system

### Recommendations

All donations received by the entity should be included in the national budget and payments related to these should be conducted through the Somali Financial Management Information System.

The Minister of Finance should co-sign all contracts or letters of agreements or Memorandum of Understanding relating to external support and copies of which should be registered with the Office of the Auditor General accordingly.

The management of the Office of the Prime Minister should inform the Minister of Finance of all donations and the un-used balance of **US \$2,235,723.65**.

### Management response

*We will work with the Ministry of Finance to implement the recommendations of the Office of the Auditor General.*

## 4.6 Audit follow up

### 4.6.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	4.1.1. Unsupported payments - running Costs	Recommendations partially implemented
2.	4.2.1. Failure to maintain an up-to-date the Asset Register	Recommendations implemented
3.	4.2.2. Weak management of vehicles	Recommendations partially implemented
4.	4.3.1. Failure to register contracts with the OAGS	Recommendations not implemented

Table 4.8 2019 audit follow up

### 4.6.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1	17.3.1 There was no asset register	Recommendation patrially implemented
2	17.3.4 There were weak controls over vehicles	Recommendation partially implemented

Table 4.9 2018 audit follow up



# 5. Ministry of Foreign Affairs

## 5.1 Expenditure payment control

### 5.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

Article 33 (1), (a) and (b) of the PFM Act 2019 states as follows:

- 33(1) Without altering the total allocation of a public agency, the Minister may transfer, at the request of the Authorized Officer.
  - a. Money in the agency's fixed expenditure allocation which is transferred to the same other regular expenditure or capital expenditures; and
  - b. Capital expenditures can only be transferred to other capital expenditures.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$213,482.74

During the year under review, the management of the Ministry of Foreign Affairs processed payments for running and travel costs amounting to **US \$213,482.74** without adequate supporting documents. The particulars of these payments are set out in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-043	Jan – Apr 2020	116,432.00
2.	2216	2020 CA-BPC-044	Jan 2020	4,250.74
3.	2216	2020 CA-BPC-045	Dec 2020	40,000.00
4.	2216	2020 CA-BPC-046	Dec 2020	50,000.00
5.	2216	2020 CA-BPC-046	Dec 2020	2,800.00
<b>TOTAL</b>				<b>213,482.74</b>

Table 5.1 Unsupported expenditure

#### B. Unauthorized internal re-allocation of funds totaling US \$54,000.00

During the audit exercise, it was observed that contrary to the requirements of the above articles

of the PFM Act, funds for sub-head 2231 of the budget of the entity intended for consultant fees were used for expenditures that were not originally budgeted for.

NO.	ORIGINAL SUB-HEAD	BENEFICIARY	MONTH	AMOUNT IN US \$	WHAT WAS USED FOR
1.	2231	Directors	Nov 2020	54,000.00	It was intended to finance the services of consultants but was given to directors as an incentive.
<b>TOTAL</b>				<b>54,000.00</b>	

Table 5.2 Unauthorized internal reallocation of funds

### Recommendations

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

Obtain prior approval of the Minister of Finance before making internal re-allocation of funds.

### Management response

*Evidently, the only support document missing is the acknowledgement receipt which often comes late as the Ministry of Finance delays vendor payments. Thus, there was technical error of not attaching receipts to the payment process shared with the auditors. This is to say that receipts were not prepared at the same period with the rest of the documents.*

*We acknowledge audit recommendations and will correct identified errors relating to the transfer of funds without the legal process and from now on we will observe public budget procedures.*

## 5.2 Procurement and contract management

### 5.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

Article 61 (1) and (2) National Procurement Act of 2016 states as follows:

- 61(1) Each procuring entity shall establish a Procurement Unit under this Act.
- 61(2) The Accounting Officer (Authorizing Officer) shall determine the composition of the Procurement Unit, which shall be staffed with at least one (1) person trained and knowledgeable in procurement.

Article 31 (1) and (9) National Procurement Act of 2016 states as follows:

31(1) The procuring entity shall preserve all documentation relating to each procurement contract and its proceedings and maintained or kept in accordance with applicable rules for archiving of government documents, which at minimum shall be kept for a period of six (6) years following the date of completion of the procurement contract, or from the date of rejection of all bids or cancellation of the proceeding, as the case may be.

31(9) The procuring entity shall maintain all records and documents shall be made available for inspection by the Procurement Authority; Anti-Corruption Commission; Auditor General, the Parliamentarian Committee responsible for oversight of the implementation of national laws, and any other government office that is entrusted with such responsibility.

Article 69 (2) on choice of procurement methods states that:

69(2) Procurement contracts should not be divided with the intention of avoiding open competitive bidding required for all contracts estimated to cost more than the monetary thresholds established by the Procurement Regulations.

### Observations

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Ministry of Foreign Affairs did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

#### B. Failure to establish a procurement unit

During the audit, the audit observed that the Accounting Officer (Authorizing Officer) did not establish a procurement unit responsible for conducting procurements of the entity contrary to the requirements of the National Procurement Act of 2016.

#### C. Failure to maintain a complete record and documents of procurements

The management of the Ministry of Foreign Affairs procured goods and services worth **US \$693,280.00**. However, no documents related to the procurements, could not be produced for audit scrutiny. Only signed contracts were produced. Therefore, management did maintain procurement records and documents contrary to the National Procurement Act of 2016. Summary of procurements in question are set out in the table below:

NO.	COMPANY NAMES	TYPE OF GOODS/SERVICES	CONTRACT DURATION	AMOUNT US \$
1.	2020 CA-BPC-047	Office Suppliers	Apr – Jul 2020	32,500.00
2.	2020 CA-BPC-047	Renovation	Apr – Jul 2020	32,320.00
3.	2020 CA-BPC-048	Fuel	Jan – Apr 2020	32,000.00
4.	2020 CA-BPC-042	Rent	Jan – Apr 2020	19,000.00
5.	2020 CA-BPC-042	Renovation	Jan – Apr 2020	32,320.00
6.	2020 CA-BPC-042	Office equipment	Jan – Apr 2020	32,500.00
7.	2020 CA-BPC-042	Goods	Jan – Apr 2020	31,320.00
<b>TOTAL</b>				<b>693,280.00</b>



NO.	COMPANY NAMES	TYPE OF GOODS/SERVICES	CONTRACT DURATION	AMOUNT US \$
8.	2020 CA-BPC-075	Goods	Mar – Dec 2020	31,320.00
9.	2020 CA-BPC-049	Construction	Mar – Dec 2020	450,000.00
<b>TOTAL</b>				<b>693,280.00</b>

Table 5.3 Non-disclosure of records and procurement reports

### Recommendations

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

The Authorizing Officer (Accounting Officer) should establish a procurement unit as per the law.

The management should explain why goods and services valued **US \$693,280.00** were procured without following procurement procedures prescribed in the National Procurement Act of 2016.

The management should maintain and archive all procurement documents and information by each procurement as required by the law. These should be made readily available to those who need them for monitoring and audit.

### Management response

*We acknowledge audit recommendations and will correct identified errors; we will also prepare 2021 procurement plan.*

*The Admin and Finance Department kindly informs that we have been unable to locate the files relevant to the above procurements that were conducted during 2020.*

### 5.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$693,280.00 were not registered with OAGS

During the audit exercise, while analyzing the documents availed for audit scrutiny, it was observed that nine (9) contracts worth **US \$693,280.00** were not registered with the Office of the Auditor General. Consequently, the Office of the Auditor General could not exercise prior review control on these contracts in support of expenditure payments that relate to these contracts. Details are shown in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-047	Office equipment	4 months	32,500.00
2.	2020 CA-BPC-047	Repairs	4 months	32,320.00
3.	2020 CA-BPC-048	Petrol and Oil	4 months	32,000.00
4.	2020 CA-BPC-042	Rent	4 months	19,000.00
5.	2020 CA-BPC-042	Repairs	4 months	32,320.00
6.	2020 CA-BPC-042	Office equipment	4 months	32,500.00
7.	2020 CA-BPC-042	Food	4 months	31,320.00
8.	2020 CA-BPC-075	Food	10 months	31,320.00
9.	2020 CA-BPC-049	Construction	10 months	450,000.00
<b>TOTAL</b>				<b>693,280.00</b>

**Table 5.4** Contracts not registered with the OAGS

### Recommendations

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the law.

### Management response

*The audited entity has not responded in writing to the findings in the management letter which was shared with them.*

### 5.2.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Ministry of Foreign Affairs prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write their local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

*We acknowledge Auditor General's recommendations and will correct incurred errors; we also be writing local contracts in the Somali language.*

## 5.3 Asset management

### 5.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act".

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observation**

#### **A. Lack of asset management policies and procedures**

It was observed the Ministry of Foreign Affairs did not have an approved policy and procedures on management and accounting for the assets.

#### **B. Failure to maintain an up-to-date asset register**

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### **Recommendations**

Comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with the PFM Act within the quickest time possible.

### **Management response**

*The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.*

## **5.4 Opening of bank accounts**

### **5.4.1 CRITERIA**

Articles 42 (3) and 9 (7) of the PFM Act 2019 state that:

42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.

9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

## Observations

### A. Bank accounts were opened without prior approval

During the audit, it was discovered that management of the Ministry of Foreign Affairs opened and operated bank accounts with Premier Bank and Dahabshiil Bank without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
1.	Premier Bank	20700041001	312,633.50	99,864.50
2.	Dahabshiil Bank	0005975	4.00	4.00
<b>TOTAL</b>			<b>312,637.50</b>	<b>99,868.50</b>

Table 5.5 Opening and operating unauthorized bank account(s)

## Recommendation

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

## Management response

*The Ministry records all revenues in its quarterly or the annual report to the Ministry of Finance, and the Ministry will ensure that we act according to the audit recommendations.*

*N.B.: We sent request letter to the Ministry of Finance to allow use of private account for the Ministry of Foreign Affairs. We will act according to the audit recommendations.*

## 5.5 Use of country system for external support

### 5.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).

38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

## Observations

### A. External assistance of US \$300,000.00 did not go through the country system

During the audit scrutiny, it was observed that management of the Ministry of Foreign Affairs received external assistance during the year under review. However, the assistance was neither included in the approved national budget nor was it channeled through the country system contrary to the PFM Act and Regulations.

Additionally, the management of the Ministry of Foreign Affairs used external assistance of **US \$100,000** received from the Government of China originally intended to support government's efforts against COVID-19 pandemic for the construction of a coffee house within the Ministry. The management of the ministry therefore, diverted COVID-19 funds to the construction of a coffee house within the premises of the Ministry. Summary of external assistance is shown in the table below:

NO.	PROJECT NAME	SPONSOR/ DONOR NAME	PROJECT PURPOSE	BENEFICIARY	CONTRACT DURATION	BUDGETED AMOUNT US \$	AMOUNT USED US \$
1.	Renovation of Ministry of Foreign Affairs	Government of Turkey	Renovation works for the Ministry of Foreign Affairs	Ministry of Foreign Affairs	Not specified	200,000.00	200,000.00
2.	COVID-19	Government of China	Funds were intended for the fight against COVID-19 but used for the construction of a Coffee House within the Ministry.	Ministry of Foreign Affairs	Not specified	100,000.00	100,000.00
<b>TOTAL</b>						<b>300,000.00</b>	<b>300,000.00</b>

**Table 5.6** Donations not channeled through the public financial system

### Recommendations

All donations received by the entity should be included in the national budget and payments related to these should be conducted through the Somali Financial Management Information System (SFMIS).

The management should disclose the full length of these contracts.

The Minister of Finance should co-sign all contracts or letters of agreements or Memorandum of Understanding relating to external support and copies of which should be registered with the Office of the Auditor General accordingly.

All external assistance received should be used for their intended purposes. Officers who divert such funds without prior written approval of the development partner should be made accountable for any losses thereof.

### Management response

*As it shown in the response provided above the contracts were entered into 2021 and their documentation are available.*

### OAGS response

OAGS concludes that the entity has not provided satisfactory response.

## 5.6 Audit follow up

### 5.6.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	5.1.1. Failure to submit an Annual Financial Statement for audit	Recommendations implemented
2.	5.2.1. Unsupported payments - running costs	Recommendations implemented
3.	5.2.2. Unsupported payments - travel costs	Recommendations not implemented
4.	5.3.1. Lack of asset management policies and procedures	Recommendations not implemented
5.	5.3.2. Failure to maintain an up-to-date the Asset Register	Recommendations not implemented
6.	5.3.3. Weak management of vehicles	Recommendations implemented
7.	5.4.1. Failure to register contracts with the OAGS	Recommendations not implemented
8.	5.4.2. Failure to write local contracts in Somali language	Recommendations not implemented
9.	5.5.1. Failure to carry out internal audit functions	Recommendations not implemented

Table 5.7 2019 audit follow up

### 5.6.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	4.1.1 No annual accounts submitted for audit	Recommendation not implemented
2.	4.2.1 Several payments were made without adequate supporting documents	Recommendation implemented
3.	4.2.2 Travel costs lack adequate supporting documents	Recommendation not implemented
4.	4.3.1 There was no asset register	Recommendation partially implemented
5.	4.3.2 There was no asset management policy guidelines & procedures	Recommendation not implemented
6.	4.3.4 There were weak controls over vehicles	Recommendation not implemented
7.	4.4.1 Contracts were not registered with OAGS	Recommendation not implemented
8.	4.5.1 Regularity of internal audit function	Recommendation partially implemented

Table 5.8 2018 audit follow up



# 6. Ministry of Finance

## 6.1 Expenditure payment control

### 6.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observations

#### A. Unsupported expenditure payments totaling US \$148,963.59

During the audit, the management of the Ministry of Finance made payments amounting to US \$148,963.59 without attaching adequate supporting documents. Details are shown below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1	2211	2020 CA-BPC-188	Jul 2020	26,790.00	It didn't have a receipt voucher
2	2215	2020 CA-BPC-050	Jul 2020	9,477.00	It didn't have a receipt voucher
3	2215	2020 CA-BPC-050	Aug 2020	9,449.00	It didn't have a receipt voucher
4	2215	2020 CA-BPC-051	Sep 2020	7,315.00	It didn't have a receipt voucher
5	2314	2020 CA-BPC-047	Sep 2020	26,345.00	It didn't have a receipt voucher
<b>TOTAL</b>				<b>79,376.00</b>	

Table 6.1 Unsupported expenditure - running costs

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	Individual	Aug, Sep, and Nov	43,250.00
2.	2216	2020 CA-BPC-043	Aug and Nov	26,337.59
<b>TOTAL</b>				<b>69,587.59</b>

Table 6.2 Unsupported expenditure - travel costs

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.



Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.

## 6.2 Procurement and contract management

### 6.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

According to schedule 3 (1) of the National Procurement Act of 2016:

- (A) **Shopping procedures shall be used when the estimated value of the procurement is as below:**
  - I. In the case the procurement budget for goods is less than US \$40,000
  - II. In the case the procurement budget for services is less than US \$40,000
  - III. In the case the procurement budget for services is less than US \$50,000
- (B) **National Competitive Bidding (NCB) procedures shall be used when the estimated value of the procurement is as below (less than):**
  - I. In the case the procurement budget for goods is less than US \$ 100,000
  - II. In the case the procurement budget for services is less than US \$ 40,000
  - III. In the case the procurement budget for works is less than US \$ 200,000
- (C) **International Competitive Bidding (ICB) procedures shall be used when the estimated value of the procurement exceeds (more than):**
  - I. In the case the procurement budget for goods is more than US \$100,000
  - II. In the case the procurement budget for services is more than US \$ 40,000
  - III. In the case the procurement budget for works is more than US \$200,000

### Observations

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Ministry of Finance did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

#### B. Failure to adhere to the above thresholds for procurements totaling US \$728,642.85

During the audit, it was observed that procurement of goods and services worth **US \$728,642.85** were procured through a shopping method of procurement instead of using open tendering process. Details are shown in the table below.

NO.	COMPANY NAME	CONTRACT NATURE	GOVERNMENT INSTITUTION	AMOUNT IN US \$	COMMENT
1.	2020 CA-BPC-052	Shopping method	Ministry of Finance	109,613.00	The price of the contract is more than the procurement threshold set for shopping methods.
2.	2020 CA-BPC-022	Shopping method	Ministry of Finance	65,217.00	The price of the contract is more than the procurement threshold set for shopping methods.
3.	2020 CA-BPC-022	Local	Ministry of Finance	264,288.00	The price of the contract is beyond the threshold set for the National Competitive Bidding (NCB).
4.	2020 CA-BPC-053	Shopping method	Somali National Army	110,922.35	The price of the contract is more than the procurement threshold set for shopping methods.
5.	2020 CA-BPC-054	Shopping method	Somali National Army	178,602.50	The price of the contract is more than the procurement threshold set for shopping methods.
<b>TOTAL</b>				<b>728,642.85</b>	

Table 6.3 Irregular procurement process

### Recommendations

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

Procurement of goods and services amounting **US \$728,642.85** should be investigated, and any losses and or irregularities should be made good by responsible officers.

### Management response

*The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.*

### 6.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$3,149,011.98 were not registered with OAGS

It was observed that, contrary to the requirements of the above laws, the Ministry of Finance entered into several contracts whose total value of **US \$3,149,011.** were not registered with the Office of the Auditor General during the year.

Consequently, the Office of the Auditor General could perform prior control review of the contracts against which payments might have been made, making it impossible to quantify potential contingent liabilities and assets from these contracts. Additionally, the OAGS could not confirm independently whether these contracts were written in a manner that complies with existing laws and regulations.

Summary of the contracts is set out in the table below:

<b>NO.</b>	<b>CONTRACTOR</b>	<b>GOVERNMENT INSTITUTION</b>	<b>CONTRACT PURPOSE</b>	<b>CONTRACT DURATION</b>	<b>AMOUNT IN US \$</b>
1.	2020 CA-BPC-055	Civil Aviation Authority	Medical Insurance Cover for SCAA staff	1 year	303,849.84
2.	2020 CA-BPC-056	Ministry of Petroleum	Rehabilitation of the Ministry of Petroleum and Mineral Resource building	1 transaction	285,068.50
3.	2020 CA-BPC-057	Ministry of Finance	Purchase of office furniture for procurement office	21 days	37,800.00
4.	2020 CA-BPC-058	Ministry of Transportation and Civil Aviation	Construction of a Living House for the Civil Aviation Agency, and Ministry of Transport and Civil Aviation.	6 months	1,131,175.13
5.	2020 CA-BPC-064	Ministry of Finance	Internal Equipping of MOF Debt Coordination Office in the Somali Presidential Palace	45 days	65,217.00
6.	2020 CA-BPC-059	Ministry of Justice	Rehabilitation of the Ministry of Justice Building	120 days	163,813.36
7.	2020 CA-BPC-060	Ministry of Health	EMR-DC Ministry of Health and Human Service	13 days	350,623.00
8.	2020 CA-BPC-022	Ministry of Finance	Purchase of Furniture and Decoration of Ministry of Finance	21 days	264,288.00
9.	2020 CA-BPC-053	Somali National Army	Supply and Delivery of Non-perishable Foodstuff	2 days	110,922.35
10.	2020 CA-BPC-054	Somali National Army	Supply and Delivery of Non-perishable Foodstuff	2 days	178,602.50
<b>TOTAL</b>					<b>3,149,011.98</b>

NO.	CONTRACTOR	GOVERNMENT INSTITUTION	CONTRACT PURPOSE	CONTRACT DURATION	AMOUNT IN US \$
11.	2020 CA-BPC-061	Ministry of Fisheries and Marine Resources	Rehabilitation of the Ministry of Fisheries and Marine Resources Building	60 days	207,753.30
12.	2020 CA-BPC-062	Ministry of Finance	Engagement of implementation fiber-optic connection between MOF and CBS	30 days	49,899.00
<b>TOTAL</b>					<b>3,149,011.98</b>

**Table 6.4** Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.*

### 6.2.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Ministry of Finance prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

*The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.*

### 6.2.4 CRITERIA

Article 33 (2)(g) of the National Procurement Act of 2016 states as follows:

33(2)(g) A potential supplier, contractor, or consultant shall be debarred from participating in any procurement because of non-settlement of tax obligations after assessment by the Commissioner of Income Tax or involved in tax evasion by any means.

## Observation

### A. Contracts amounting to US \$2,238,907.93 were awarded to various companies that were not tax compliant

For the year under review, the management of the Ministry of Finance awarded contracts to various companies that did not have valid business licenses, tax compliance certificates (TCC), and tax identification numbers (TIN) contrary to the law.

Summary of companies that were not tax compliant is set out in the table below:

NO.	CONTRACTOR NAME	REFERENCE NO.	GOVERNMENT INSTITUTION/ CONTRACT PURPOSE	AMOUNT IN US \$	COMMENT
1.	2020 CA-BPC-056	FGS/MOF/ICB/2020/0056	Ministry of Petroleum and Mineral Resources	285,068.50	It didn't have a business license, a tax compliance certificate, and a tax identification number.
2.	2020 CA-BPC-058	FGS/MOF/ICB/2020/005	Ministry of Transport and Aviation	1,131,175.13	It didn't have a business license, a tax compliance certificate, and a tax identification number.
3.	2020 CA-BPC-060	FGS/MOF/EMR-DC/2020/001	Ministry of Health	350,623.00	It didn't have a business license, a tax compliance certificate, a tax identification number, and the letter from the Evaluation Committee that nominated it.
4.	2020 CA-BPC-064	FGS/MOF/NCB/2020/0053	Repairs of the doors of the buildings of the Ministry of Finance	264,288.00	It didn't have a business license, a tax compliance certificate, and a tax identification number.
5.	2020 CA-BPC-061	FGS/MOF/ICB/2020/0057	Rehabilitation of the Ministry of Fisheries	207,753.30	It didn't have a business license, a tax compliance certificate, and a tax identification number.
<b>TOTAL</b>				<b>2,238,907.93</b>	

Table 6.5 Contracts to companies that did not have valid licenses, TCC and TIN

## Recommendation

The management should follow procurement laws and award contracts to companies that are legally registered and have all necessary and required documentation such as tax compliance certificates.

## Management response

The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.

## 6.3 Asset management

### 6.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act'

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observations

#### A. Lack of asset management policies and procedures

It was observed the Ministry of Finance did not have an approved policy and procedures on management and accounting for the assets.

#### B. Weak management system for vehicles

During the audit, the Ministry shared with us the list of the vehicles reportedly belonging to the Ministry of Finance. All the vehicles were not register with the name of the Ministry of Finance and did not have vehicle ownership books. Also, two (2) vehicles have not being availed for physical verification. Details of the vehicles are shown below:

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	Toyota Land Cruiser	FGS	JTELV71J007401162	The vehicle was not registered under the name of the Ministry.
2.	Toyota Hilux Pick Up	FGS	MROHB8CD1G0471841	The vehicle was not registered under the name of the Ministry.
3.	Toyota Land Cruiser	FGS	JTMHV01J6H5038746	The vehicle was not registered under the name of the Ministry.
4	Toyota Hilux Pick Up	FGS	MROHB8CD290471444	The vehicle was not registered under the name of the Ministry.
5.	Toyota Land Cruiser	FGS		The vehicle was not physically verified.
6.	Toyota Hilux Pick Up	FGS	MROHB8CDOGO472138	The vehicle was not registered under the name of the Ministry.
7.	Toyota Hilux Pick Up	FGS	MROHX8CD2G0897703	The vehicle was not registered under the name of the Ministry.

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
8.	Toyota Hilux Pick Up	FGS	JTMH05J605033089	The vehicle was not registered under the name of the Ministry.
9.	Toyota Hilux Pick Up	FGS	MROHA3CDX00713232	The vehicle was not registered under the name of the Ministry.
10.	Toyota Hilux Pick Up	FGS	MROBB9CD8L5146850	The vehicle was not registered under the name of the Ministry.
11.	Toyota Hilux Pick Up	FGS	MROBB9CD7L5147066	The vehicle was not registered under the name of the Ministry.
12.	Toyota Hilux Pick Up	FGS	MROBB9CD3L5147047	The vehicle was not registered under the name of the Ministry.
13.	Toyota Hilux Pick Up	FGS	MROH5BGD500722143	The vehicle was not registered under the name of the Ministry.
14.	Toyota Hilux Pick Up	FGS	MROFR2291CO674931	The vehicle was not registered under the name of the Ministry.
15.	Toyota Hilux Pick Up	FGS	MROFR22GXF0739442	The vehicle was not registered under the name of the Ministry.
16.	Toyota Hilux Pick Up	FGS	MROHX8CD5H0920036	The vehicle was not registered under the name of the Ministry.
17.	Toyota Hilux Surf	FGS	K2W1850054730	The vehicle was not registered under the name of the Ministry.
18.	Toyota Prado	FGS	K7J780025731	The vehicle was not registered under the name of the Ministry.
19.	Toyota Fortuna	FGS	MRIDX8FF55G0003648	The vehicle was not registered under the name of the Ministry.
20.	Toyota Hilux Pick Up	FGS		The vehicle has not been physically verified.
21.	Toyota Hilux Pick Up	FGS	MR0DB9CD8L5147058	The vehicle was not registered under the name of the Ministry.

Table 6.6 Vehicle management

### Recommendations

Comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing these policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Finance to follow.

All vehicles should have logbooks, vehicle ownership books registered in the Ministry of Finance and stored safely by a senior responsible official.

Management of the audited entity should register all assets with the Office of the Auditor General in accordance with the PFM Act within the quickest time possible.

## Management response

The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.

## 6.4 Management of tax exemptions

### 6.4.1 CRITERIA

Article 5 (2), (3), (4), (5-a, b, c & d) tax exemption of the PFM Act of 2019, the Minister of Finance:

- 5(2) Publish, in an official government publication, a list of tax payers who have been granted tax exemptions and the reasons for the exemptions.
- 5(3) Inform the Council of Ministers and the Auditor General about tax payers who have been granted tax exemptions together with the reasons for the exemptions within a week of granting such exemptions.
- 5(4) Table Tax Exemption Reports to the House of the People by 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September, and 31<sup>st</sup> December of each financial year.
- 5(5) The information to be published in reports of Tax Exemptions, as required by Section 4, shall include:
  - (a) Tax payers who have been granted tax exemptions;
  - (b) Reasons for the tax exemptions;
  - (c) Total tax arrears arising from tax exemptions; and
  - (d) Benefits expected from granting tax exemptions.

### Observations

#### A. Failure to manage the tax exemptions properly by the Ministry of Finance

During the year under review, the Parliament has enacted PFM Act. However, the Ministry of Finance did not manage properly the taxation articles for the tax exemptions.

#### B. Failure to publish a list of taxpayers who were granted tax exemptions

During the year under review, the Ministry of Finance gave tax exemptions to various tax payers during the year under review. However, the Ministry didn't prepare and publish a list of tax payers who were granted tax exemptions and the reasons for the exemptions contrary to the requirements of the PFM Act.

#### C. Failure to inform the Council of Ministers and the Auditor General of taxpayers who were granted tax exemptions during the year

During the audit, the Ministry of Finance failed to provide evidence that the Council of Ministers and the Auditor General were notified of tax exemptions granted together with the reasons for the exemptions within a week of granting such exemptions.

#### D. Failure to prepare reports of tax exemptions granted and table them before both Houses of Parliament

During the audit, the auditors observed that the Minister didn't prepare reports on tax exemptions and table them before the two Houses of Parliament by the due dates of 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September, and 31<sup>st</sup> December of 2020.



## Recommendations

The Ministry of Finance have to properly manage the tax exemption articles and ensure as per the law.

The Ministry should establish specific clear policies guiding rules regulating tax exemptions and entities that are eligible for such exemptions.

The Ministry should prepare Tax Exemptions Reports and publish them within 10 days of granting tax exemptions as required by law.

The Ministry should prepare Tax Exemption Reports regularly and table them to both Houses of Parliament by the due dates of 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September, and 31<sup>st</sup> December of 2020 in each financial year.

## Management response

*The audited entity has not responded in writing to the findings identified in the management letter that was previously shared with them.*

## 6.5 Audit follow up

### 6.5.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented or not implemented.

NO.	FINDINGS	STATUS
1.	6.1.1. Unsupported payments - Running Costs	Recommendations not implemented
2.	6.1.2. Unsupported payments - General Services	Recommendations implemented
3.	6.1.3. Unsupported payments - Travel Costs	Recommendations not implemented
4.	6.2.1. Lack of asset management policies and procedures	Recommendations not implemented
5.	6.2.2. Failure to maintain an up-to-date the asset register	Recommendations implemented
6.	6.2.3. Weak management of vehicles	Recommendations not implemented
7.	6.3.1. Failure to develop a procurement plan	Recommendations not implemented
8.	6.2.3. The awarding of a contract to a contractor that did not have a Tax Identification Number (TIN), Tax Compliance Certificate (TCC), and Business License	Recommendations not implemented
9.	6.3.3. Failure to follow with procurement threshold	Recommendations not implemented
10.	6.4.1. Failure to develop a policy to manage debts	Recommendations not implemented
11.	6.4.2. Lack of public debts report framework	Recommendations not implemented
12.	6.4.3. Weak Debt Management Information System	Recommendations not implemented
13.	6.5.1. Failure to register contracts with the OAGS	Recommendations not implemented
14.	6.1.1. Failure to write local contracts into Somali language	Recommendations not implemented

Table 6.7 2019 audit follow up

## 6.5.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	1.2.1 Payments were made without adequate supporting documents	Recommendation not implemented
2.	1.2.2 Payments were wrongly charged to the contingency sub-head without adequate supporting documents	Recommendation not implemented
3.	1.2.4 Travel costs lack adequate supporting documents	Recommendation not implemented
4.	1.3.1 There was no fixed asset register	Recommendation partially implemented
5.	1.3.2 There was no asset management policy guidelines & procedures	Recommendation not implemented
6.	1.3.4 There were weak controls over vehicles	Recommendation not implemented
7.	1.4.1 Contracts were not registered with OAGS	Recommendation not implemented
8.	1.6.1 The Ministry did not follow procurement law	Recommendation partially implemented

Table 6.8 2018 audit follow up



# 7. Office of the Accountant General

## 7.1 Expenditure payment control

### 7.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practices

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$37,700.00

During the year under review, it was noted that some expenditure payments amounting to **US \$37,700.00** for travel costs didn't have attached adequate supporting documents, contrary to the provisions of the PFM Act.

Summary of such payments is presented in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-106	Jan - Sep 2020	37,700.00
<b>TOTAL</b>				<b>37,700.00</b>

Table 71 Unsupported expenditure

### Recommendations

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

*Usually, it is the leadership of the Office who travels, and the boarding passes are lost but the ticket used and the entry or exit of the Immigration stamp on the passport is proof that the travels have taken place. We will make sure that from now on, the boarding passes are collected and attached to relevant payment requests.*

## 7.2 Procurement and contract management

### 7.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Office of the Accountant General did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

*The Office of the Accountant General entered a procurement contract with vendors that provide to the Office the items it needs and is in line with the budget allocated to the Office and the use of the budget in each sub-head is in accordance with the procurement plan.*

## 7.3 Asset management

### 7.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act'

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observations

#### A. Lack of asset management policies and procedures

It was observed the Office of the Accountant General did not have an approved policy and procedures on management and accounting for the assets.

#### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### C. Weak management system for vehicles

During the audit, it was observed that there were 2 vehicles reportedly belonging to the Office of the Accountant General. The 2 vehicles did not have an ownership book and Government plate number that is registered under the name of the Accountant General although 1 (one) vehicle was parked for the last two years due to mechanical issues. Details of the vehicles are listed below:

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	Toyota Noah	FGS	SR50-0086663	The vehicle did not have an ownership book and a Government plate number that is registered under the name of the Accountant General
2.	Toyota Hilux Surf	FGS	R&N185-9014447	The vehicle did not have an ownership book and a Government plate number that is registered under the name of the Accountant General and was parked for two years.

Table 7.2 Vehicle management

### Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

All vehicles should have logbooks, and all vehicles for the Office of the Accountant General should registered in the name of the Office as such in accordance with applicable laws and regulations.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### Management response

*The procedure and regulation for managing the assets of the Office have been drafted and it is being evaluated by the State Auditor General.*

*All of the assets of the Office have a tag number, however, the record of all the assets of the Office will be inspected annually from now on.*

*It was stated that the vehicles of the Office of the Accountant General that you have checked are owned by the Office but due to security reasons, we opted not to give them government registration numbers (GD) during the procurement.*

## 7.4 Audit follow up

### 7.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	7.1.1. Failure to submit Annual Financial Statement for audit	Recommendations partially implemented
2.	7.2.1. Unsupported payments - running Costs	Recommendations implemented
3.	7.2.1. Unsupported payments - travel Costs	Recommendations not implemented
4.	7.3.1. Lack of Asset Management policies and procedures	Recommendations not implemented
5.	7.3.2. Failure to maintain an up-to-date the asset register	Recommendations not implemented
6.	7.3.3. Weak management of vehicles	Recommendations not implemented
7.	7.4.1. Failure to register contracts with the OAGS	Recommendations implemented
8.	7.4.2. Failure to write local contracts in Somali language	Recommendations implemented
9.	7.5.1. Failure to Carry out Internal Audit Functions	Recommendations partially implemented

Table 7.3 2019 audit follow up

### 7.4.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	2.1.1 MDAs did not submit annual financial statements	Recommendation partially implemented
2.	2.2.1 Travel costs lack adequate supporting documents	Recommendation not implemented
3.	2.3.1 There was no fixed asset register	Recommendation partially implemented
4.	2.3.2 There was no asset management policy guidelines & procedures	Recommendation not implemented
5.	2.3.4 There were weak controls over vehicles	Recommendation not implemented
6.	2.4.1 Contracts were not registered with OAGS	Recommendation not implemented
7.	2.5.1 Regularity of internal audit	Recommendation partially implemented

Table 7.4 2018 audit follow up

# 8. Financial Reporting Center

## 8.1 Expenditure payment control

### 8.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported travel costs totaling US \$9,996.00

Contrary to the requirements of the above-mentioned law, a payment of **US \$9,996.00** was disbursed for travel costs without adequate supporting documents. The particular of the payment is listed below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1	2216	2020 CA-BPC-065	Jan & Apr 2020	9,996.00
<b>TOTAL</b>				<b>9,996.00</b>

Table 8.1 Unsupported expenditure - travel costs

### Recommendation

All payments are to be based on adequate supporting documents, and are properly authorized by senior responsible officers under specified terms.

### Management response

*The audited entity has not responded in writing to the findings identified in the management letter that was shared with them.*

## 8.2 Procurement and contract management

### 8.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.



## Observation

### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Financial Reporting Center did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

## Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

## Management response

*The annual procurement plan of the Center is based on the annual budget of the Center and each item is supported by the company's invoices and the records of the National Asset Department of the Ministry of Finance which inspected the assets of the Center as shown in the attached document.*

## OAGS response

As per the National Procurement Act "All entities that need to procure shall have their procurement (s) plan in the annual budget". The annual budget allocated to the entity does not amount to a plan. As it is stated in the above criteria the entity should have developed a procurement plan intended to guide the utilization of their allocated annual budget.

## 8.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

## Observations

### A. Contracts totaling US \$98,000.00 were not registered with OAGS

It was observed that, contrary to the requirements of the above-mentioned law, contracts with a total value of **US \$98,000.00**, as shown in the table below, were not registered with the Office of the Auditor General.

Consequently, the Office of the Auditor General could perform prior review control over the contracts against which payments might have processed.

A summary of the contracts is provided in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-066	Rent	4 months	36,000.00
2.	2020 CA-BPC-067	Petrol and Lubricant	10 months	38,000.00
3.	2020 CA-BPC-068	Services	10 months	24,000.00
<b>TOTAL</b>				<b>98,000.00</b>

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
4.	2020 CA-BPC-066	Travel services	Not specified	-
<b>TOTAL</b>				<b>98,000.00</b>

**Table 8.2** Contracts not registered with the OAGS

### **Recommendation**

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### **Management response**

*All contracts entered by the Center are available at the Office of the Accountant General, at the Center, and in the SFMIS. All physical assets that are specified in the contracts are available in the Financial Reporting Center and are registered by the National Asset Department of the Ministry of Finance.*

### **OAGS response**

As per Article 11 (c) of the Public Financial Management Act, 2019 and Article 14 (3) (b) of the Public Procurement Act, 2020, the Financial Reporting Center has an obligation to ensure that all the contracts and agreements it has entered with local and international entities are registered with the Office of the Auditor General.

Additionally, as per Article 14 (3) (b) of the Public Procurement Act, 2020, contracts are to be registered with the Office of the Auditor General.

Furthermore, Article 5 of Law No. 34 of the Office of the Auditor General empowers the Office of the Auditor General to conduct prior control review over public expenditure.

### **8.2.3 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observation**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Financial Reporting Center prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### **Recommendation**

The entity should write their local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### **Management response**

*We have received English soft copies of the templates to be used for agreements, quotations, evaluation reports, committee letters, and for all other documents from the Office of the Accountant General of the Government, especially the Commitment Control section. The companies we have entered with these contracts have submitted no complaints against the form of these contracts.*

## **OAGS response**

As per Article 14 of the National Procurement Act 2016, all government institutions, including the Financial Reporting Center, have an obligation to comply with the requirements of the National Procurement Act, irrespective of whether the Office of the Accountant General has provided an English language template or not.

## **8.3 Asset management**

### **8.3.1 CRITERIA**

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act!

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observations**

#### **A. Lack of asset management policies and procedures**

It was observed the Financial Reporting Center did not have an approved policy and procedures on management and accounting for the assets.

#### **B. Failure to maintain an up-to-date asset register**

The management of the Financial Reporting Center did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### **Recommendations**

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### **Management response**

*The inspection process of the Center's assets is highly advanced as the Center has its own database to record and store all the Center's assets and this system is quick to identify all defective and safe assets.*

*The National Asset Department of the Ministry of Finance has registered all the assets of the Center in 2020 as is shown in the attachment.*

### **OAGS response**

As is required by the above-cited criteria, it is important for the entity to have a policy guideline for asset management and accountability.

## **8.4 Audit follow up**

### **8.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT**

There is no audit findings follow-up since this is the first year in which the Financial Reporting Center is subjected to Compliance Audit.



# 9. Ministry of Planning, Investment, and Economic Development

## 9.1 Expenditure payment control

### 9.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported travel costs totaling US \$246,080.00

During the year under review, the management of the Ministry of Planning, disbursed payments amounting to **US \$246,000.00** relating to travel costs without adequate supporting documents. A summary of the payments in question is set out in the table below:

NO.	SOURCE OF FUNDS	PAYEE	MONTH	AMOUNT IN US \$
1.	National Authorizing Office (NAO)	Hirshabelle	22-25/03/20	23,310.00
2.	National Authorizing Office (NAO)	Hirshabelle	2-5/8/2020	23,310.00
3.	National Authorizing Office (NAO)	Hirshabelle	21-23/11/20	10,330.00
4.	National Authorizing Office (NAO)	Southwest	14-17/03/20	23,310.00
5.	National Authorizing Office (NAO)	Southwest	6-9/7/2020	17,850.00
6.	National Authorizing Office (NAO)	Southwest	14-15/11/20	7,770.00
7.	National Authorizing Office (NAO)	Puntland		9,400.00
8.	National Authorizing Office (NAO)	Galmudug	20-24/03/20	23,310.00
9.	National Authorizing Office (NAO)	Galmudug	13-17/6/20	23,310.00
10.	National Authorizing Office (NAO)	Galmudug	28- 29/11/20	8,020.00
11.	National Authorizing Office (NAO)	Jubaland	4-5/11/2020	52,850.00
12.	National Authorizing Office (NAO)	Jubaland		23,310.00
<b>TOTAL</b>				<b>246,080.00</b>

Table 9.1 Unsupported expenditure - travel costs

## Recommendations

All payments are to be based on adequate supporting documents, and are properly authorized by senior responsible officers under specified terms.

## Management response

*We have shared with you all your inquiries dated March 11, 2021. We have also responded to all these inquiries as per the email dated March 20, 2021.*

*All the expenditures listed above were managed by the Ministry of Planning, Investment and Economic Development and the Ministries of Planning of the State Governments. The EU Project Management staff only supervised it.*

*The email dated March 20, 2021, was in response to the following questions:*

- **Boarding Pass:** *All missing boarding passes were related to internal travel related to the 9<sup>th</sup> QHQ. According to the donor agreement (no boarding pass is required for domestic travel).*
- **Receipt:** *We have shared with you the receipts that were missing during the audit in an e-mailed dated March 20, 2021.*
- **Approved accountabilities for the travels made:** *All the documents you audited included a Mission Order form and a report form.*
- **Names and signatures of the people who received a Daily Subsistence Allowance and proof of payments:** *We have shared with you the payment receipts and we have corrected the ones that were not in the proper format as it is shown in the email dated March 20, 2020.*
- **Details of the vehicles rented:** *There was no documentation related to the details of vehicles rented during the audit.*

## OAGS response

Upon evaluation of the evidence submitted by the entity, the Office of the Auditor General concluded that the above payments were not adequately supported. There were no boarding passes and accountabilities submitted and approved in respect of travel advances.

## 9.2 Procurement and contract management

### 9.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

## Observation

### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Ministry of Planning, Investment, and Economic Development did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

## Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

## Management response

*The Ministry of Planning will prepare an annual procurement plan which will be based on the national budget.*

## 9.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

## Observations

### A. Contracts totaling US \$3,835,513.50 were not registered with OAGS

During the audit, it was observed that the management of the Ministry entered into several contracts during the year with a value of **US \$3,835,513.50** but they were not registered with the Office of the Auditor General.

Consequently, the OAGS could not perform prior review control over these contracts against which payments might have been made.

A summary of these contracts is presented in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-003	Travel service	10 months	20,000.00
2.	2020 CA-BPC-070	Office equipment	10 months	20,000.00
3.	2020 CA-BPC-071	Petrol and Lubricant	10 months	20,000.00
4.	European Development Fund Agreement	Technical and Operational Support to Development Assistance to Somalia III.	3 years	3,159,183.50
5.	UNICEF	Planning, Monitoring, and Evaluation.	1 year	216,640.00
6.	UNFPA	Strengthening national capacity for production and dissemination dat.	1 year	76,700.00
7.	Danish Refugee Council (DRC)	Salary for MPIED'S Consultant.	1 year	72,000.00
8.	Danish Refugee Council (DRC)	Supporting MPIED in Strengthening their Capacity to lead the proper planning and adaptive action of COVID-19.	6 months	17,600.00
<b>TOTAL</b>				<b>3,835,513.50</b>



NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	DURATION	AMOUNT IN US \$
9.	World Food Programme (WFP)	Strengthening Somalia Interim Country Strategic Plan	6 months	129,070.00
10.	World Food Programme (WFP)	Strengthening Somalia Interim Country Strategic Plan	6 months	104,320.00
<b>TOTAL</b>				<b>3,835,513.50</b>

Table 9.2 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*The Ministry of Planning implemented the contracts in line with the procedures and the required evidence and documents were submitted to the auditors during the audit. Additionally, the Ministry of Planning has sent the 2020 contracts to the Office of Auditor General for registration.*

### OAGS response

The above contracts were submitted to the Office of the Auditor General in 2021 after they had expired.

In future, the Ministry should submit contracts to the Office immediately they are signed and before expiry, and before any payments related to the contracts are processed and disbursed.

### 9.2.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Ministry of Planning prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write their local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

*The Ministry of Planning has written local agreements and contracts in Somali based on budget allocations. Also, the Ministry has chosen to write local agreements in Somali and English as some of these contracts were required to be sent to donors.*

### OAGS response

It has been ascertained by the Office of the Auditor General that the local contracts (2020 CA-BPC-003, 2020 CA-BPC-070 and 2020 CA-BPC-071) availed for audit were not written in Somali language contrary to Article 14 of the National Procurement Act of 2016.

## 9.3 Asset management

### 9.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act."

#### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

#### Observations

##### A. Lack of asset management policies and procedures

It was observed the Ministry of Planning did not have an approved policy and procedures on management and accounting for the assets.

##### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

#### Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

#### Management response

*The Ministry has developed an asset management system that was implemented in 2020. Therefore, the Ministry has an et management and a protection system in place.*

*The implementation of the asset management policy system requires the registration of the ministry's assets. Therefore, the Ministry has prepared an asset register form and trained its staff.*

*We have also prepared the property tag, type of property, its location, and who is responsible, and we have shared it with the auditors during the audit. Furthermore, the property of the Ministry is also registered with the Ministry of Finance and has a National Asset Serial Number.*

## OAGS response

This will be reviewed at the next audit cycle.

## 9.4 Opening of bank accounts

### 9.4.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state as follows:

- 42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.
- 9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

## Observation

### A. Bank accounts were opened without prior approval

During the audit, it was discovered that management of the Ministry of Planning opened and operated bank accounts with the Central Bank of Somalia, Dahabshiil Bank International, Dahabshiil Money Transfer and Amal Bank without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE IN US \$
1.	Central Bank of Somalia	1355	3,159,183.50	705,134.98
2.	Dahabshiil Bank International	7927	231,640.00	8,550.00
3.	Dahabshiil Money Transfer	15911	76,700.00	12,430.00
4.	Central Bank of Somalia	1093	72,000.00	0.00
5.	Amal Bank	1013360862	17,600.00	0.00
6.	Central Bank of Somalia	1093	233,390.00	2,721.24
<b>TOTAL</b>			<b>3,790,513.50</b>	<b>728,836.22</b>

Table 9.3 Opening and operating unauthorized bank account(s)

## Recommendations

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

## Management response

The Ministry has the approval of the Office of the Accountant General for the accounts maintained in the Central Bank of Somalia. Those maintained by the Ministry in Private Banks are legally opened and it is between the Ministry of Planning and the concerned Banks, and these are maintained with the knowledge of the Ministry of Finance.

## OAGS response

As per Articles 42 (3) and 9 (7) of the PFM Act 2019, all Government Institutions, including the Ministry of Planning, Investment and Economic Development is required to obtain prior approval and authorization of both the Accountant General and the Minister of Finance before opening and operating such bank accounts.

Management of the Ministry failed to make available, during the audit, written letters of approval and authorization by the Accountant General and the Minister of Finance. Until these letters are provided, the observation still stands.

## 9.5 Use of country system for external support

### 9.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

- 38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).
- 38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

- 15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

### Observations

#### A. External assistance amounting to US \$3,790,513.50 were outside the country system of Somalia

During the year under review, the management of the Ministry of Planning received grants amounting to **US \$3,790,513.50** from various organizations. Out of this, the Ministry expended a total of **US \$728,836.22** by 31<sup>st</sup> December 2020.

All external assistance received were neither on-budget nor on-treasury, and were not included in the financial statements of the entity or that of the Federal Government of Somalia for the year ended 31<sup>st</sup> December 2020.

A summary of external assistance that was received by the Ministry during the year is set out in the table below:

NO.	PROJECT NAME	SPONSOR/ DONOR NAME	PROJECT PURPOSE	BENEFICIARY	CONTRACT DURATION	BUDGETED AMOUNT IN US \$	AMOUNT USED IN US \$
1.	Technical and Operational Support to Development Assistance to Somalia III	EU	Technical and Operational Support to Development Assistance to Somalia III.	The provision of technical assistance to Somalia.	3years	3,159,183.50	705,134.98
<b>TOTAL</b>						<b>3,790,513.50</b>	<b>728,836.22</b>

NO.	PROJECT NAME	SPONSOR/ DONOR NAME	PROJECT PURPOSE	BENEFICIARY	CONTRACT DURATION	BUDGETED AMOUNT IN US \$	AMOUNT USED IN US \$
2.	Planning, Monitoring, and Evaluation	UNICEF	Planning, Monitoring, and Evaluation.	Used for Planning, Monitoring, and Evaluation.	1 year	231,640.00	8,550.00
3.	Strengthening national capacity for production and data dissemination	UNFPA	Strengthening national capacity for production and data dissemination.	Used for strengthening national capacity for production and dissemination of data.	1 year	76,700.00	12,430.00
4.	Salary for MPIED'S Consultant	DRC	Salary for MPIED'S Consultant.	Salary	1 year	72,000.00	0
5.	Supporting MPIED in Strengthening their Capacity to lead the proper planning and adaptive action of COVID-19	DRC	Supporting MPIED in Strengthening their Capacity to lead the proper planning and adaptive action of COVID-19.	Used for the fight against COVID-19	6 months	17,600.00	0
6.	Strengthening Somalia Interim Country Strategic Plan	WFP	Strengthening Somalia Interim Country Strategic Plan.	Used for Strengthening Somalia Interim Country Strategic Plan.	1 year	233,390.00	2,721.24
<b>TOTAL</b>						<b>3,790,513.50</b>	<b>728,836.22</b>

**Table 9.4** Donations not channeled through the public financial system

### Recommendations

All donations received by the entity should be included in the national budget (on-budget) and payments related to these should be conducted through the Somali Financial Management Information System (on-treasury).

The Minister of Finance should co-sign all contracts or letters of agreements or Memorandum of Understanding relating to external support and copies of which should be registered with the Office of the Auditor General accordingly.

The management should notify the Ministry of Finance of all grants received so that they are included in the national budget.

### Management response

*The Ministry of Planning passes most of the international grants through the country's financial system. Some of these grants include the Biyoole project and the National Authorizing Office, and the Ministry plans to channel the remaining small projects through the financial system of the country.*

## 9.6 Audit follow up

### 9.6.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1	1.1.1. Submission for Annual Financial Statement for audit	Recommendation implemented
2	8.2.1. Unsupported Payments - running Costs	Recommendations implemented
3	8.2.2. Unsupported Payments - travel Costs	Recommendations not implemented
4.	8.3.1. Lack of asset management policies and procedures	Recommendations not implemented
5.	8.3.2. Failure to maintain an up-to-date the Asset Register	Recommendations not implemented
6.	8.4.1. Failure to register contracts with the OAGS	Recommendations not implemented
7.	8.4.2. Failure to write local contracts in Somali language	Recommendations not implemented
8.	8.5.1. Failure to carry out internal audit functions	Recommendations partially implemented

Table 9.5 2019 audit follow up

### 9.6.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	8.1.1 No annual accounts submitted for audit	Recommendation not implemented
2.	8.2.1 Payments were made without adequate supporting documents	Recommendation not implemented
3.	8.2.2 Travel costs lack adequate supporting documents	Recommendation not implemented
4.	8.3.1 There was no asset register	Recommendation partially implemented
5.	8.3.2 There was no asset management policy guidelines & procedures	Recommendation not implemented
6.	8.3.3 There were weak controls over vehicles	Recommendation not implemented
7.	8.4.1 Regularity of internal audit	Recommendation partially implemented

Table 9.6 2018 audit follow up



# 10. Somali Custodial Corps

## 10.1 Expenditure payment control

### 10.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported running costs totaling US \$70,975.00

During the audit, it was observed that, contrary to the requirements of the above-mentioned law, payments amounting to **US \$70,975.00** were made without attaching adequate supporting documents to payment requests for running costs.

A summary of expenditures that lacked adequate supporting documents is provided in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	2213	2020 CA-BPC-006	Jan - Dec	65,975.00	There was no information of the vehicles given fuel.
2.	2214	2020 CA-BPC-007	Mar - May	5,000.00	It did not have an invoice.
<b>TOTAL</b>				<b>70,975.00</b>	

Table 10.1 Unsupported expenditure - running costs

### Recommendation

All payments are to be based on adequate supporting documents, and are properly authorized by senior responsible officers under specified terms.

### Management response

*We do not record the expenditures you mentioned in the fuel chart above in log sheet or in a breakdown form but we record these expenditures as a general fuel expenditure.*

### OAG response

The management response above is not satisfactory.



## 10.2 Procurement and contract management

### 10.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Custodial Corps did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendations

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

The entity did not respond to the above finding identified during the course of the audit.

### 10.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$11,000 were not registered with OAGS

It was observed that Somali Custodial Corps did not register its contract for supply of goods (worth **US \$11,000.00**) with the Office of the Auditor General.

A summary of the contract in question is shown below:

NO.	CONTRACTOR	CONTRACT PURPOSE	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-007	Goods	10 months	11,000.00
<b>TOTAL</b>				<b>11,000.00</b>

Table 10.2 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

## **Management response**

*The contracts will be registered with the Office of the Auditor General.*

## **10.3 Asset management**

### **10.3.1 CRITERIA**

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act."

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observations**

#### **A. Lack of asset management policies and procedures**

It was observed the Custodial Corps did not have an approved policy and procedures on management and accounting for the assets.

#### **B. Failure to maintain an up-to-date asset register**

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### **Recommendations**

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

## **Management response**

*Asset policy and other policies, in general, are in the draft stage and we will finalize and submit them.*

*The assets register is draft stage, and we will complete and submit it.*

## 10.4 Audit follow up

### 10.4.1 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	16.1.1. Failure to submit Annual Financial Statement for audit	Recommendations implemented
2.	16.2.1. Failure to update the laws and regulations governing the Custodial Corps	Recommendations not implemented
3.	16.3.1. Failure to establish an Information Management System for the Custodial Corps	Recommendations implemented
4.	16.3.2. Failure to establish physical verification of the soldiers	Recommendations implemented
5.	16.4.1. Failure to comply with the existing legislation in salary payments	Recommendations implemented
6.	16.5.1. Unsupported payments - running costs	Recommendations partially implemented
7.	16.5.2. Unsupported payments - health expenses	Recommendations implemented
8.	16.5.3. Unsupported payments - travel expenses	Recommendations implemented
9.	16.6.1. Lack of asset management policies and procedures	Recommendations not implemented
10.	16.6.2. Failure to have an up-to-date Asset Register	Recommendations not implemented
11.	16.7.1. Weak management of vehicles	Recommendations not implemented
12.	16.8.1. Failure to carry out internal audit functions	Recommendations partially implemented
13.	16.9.1. Failure to register contracts with the OAGS	Recommendations not implemented

Table 10.3 2018 audit follow up



## **II. SECURITY SECTOR**



# 11. Ministry of Defense

## 11.1 Expenditure payment control

### 11.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported travel costs totaling US \$10,670.00

Contrary to the requirements of the above-mentioned law, payments totaling **US \$10,670.00** were disbursed as travel costs without adequate supporting documents . The particulars of the payment in question is set out in the below table:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-074	Feb 2020	10,670.00
<b>TOTAL</b>				<b>10,670.00</b>

Table 11.1 Unsupported expenditure - travel costs

### Recommendation

All payments are to be based on adequate supporting documents, and are properly authorized by senior responsible officers under specified terms.

### Management response

*Regarding the boarding passes, when the Senior Officer is traveling, he usually does not bring back the Ministry boarding pass because he is not accompanied by a secretary and may throw it away.*

*Authorization for travels made depends on the document the Official is traveling with and the country from which he received the invitation.*

## 11.2 Procurement and contract management

### 11.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.

27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

It was observed that the Ministry of Defense did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

*In entering a contract, we consider the budget allocated to us. We usually enter contracts with companies and in doing so, we incur debt, because we don't have the required cash, thus we prefer to enter with the companies' contracts lasting for a year. For example, in the entire year, we have only received six months' worth of budget while we were supposed to get the entire budget allocated for us throughout the year. The Ministry is currently indebted since it was not given to us what we need. The budget allocated to us by the Government has not reached us except for six months' worth of payment which we have received. In short, The Ministry of Defense doesn't get the annually allocated budget that was intended for running the Ministry.*

### 11.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$104,818.00 were not registered with OAGS

It was observed that, contrary to the requirements of the above-mentioned law, the Ministry of Defense entered into contracts worth **US \$104,818.00** (as shown in the table below) that were not registered with the Office of the Auditor General.

Consequently, the Office of the Auditor General was able to perform prior control review of the contracts against which payments might have been disbursed.

There were two contracts that were not registered with the Office of the Auditor General as set out below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-075	Rent	8 months	22,456.00
2.	2020 CA-BPC-088	Oil and Lubricants	8 months	16,037.00
<b>TOTAL</b>				<b>104,818.00</b>

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
3.	2020 CA-BPC-077	Renovation and Maintenance	8 months	66,325.00
<b>TOTAL</b>				<b>104,818.00</b>

Table 11.2 Contracts not registered at the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*This happened because of a lack of knowledge regarding the obligation to register since we have not received an Official letter from the OAGS stating the obligation on the Ministry to register contracts with the OAGS. We will ensure that all contracts entered by the Ministry from now on will be registered in 2021.*

### 11.2.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Ministry of Defense prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

The audited entity did not respond in writing to the findings identified in the management letter that was shared with them.

## 11.3 Asset management

### 11.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act!

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.



## Observations

### A. Lack of asset management policies and procedures

It was observed the Ministry of Defense did not have an approved policy and procedures on management and accounting for the assets..

### B. Failure to Maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### C. Weak management system for vehicles

During the audit, it was observed the Ministry of Defense had 24 vehicles reportedly belonging to the Ministry. However, 19 of these vehicles were neither registered under the name of the Ministry of Defense nor were there any vehicle ownership books in the name of the Ministry.

During the course of the audit, management of the Ministry failed to present these vehicles for physical verification.

A list of the vehicles in question is presented in the table below:

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	Hardtop (Bullet Proof)	Government of the USA	JTGEB73J3G9017399	No vehicle ownership book presented
2.	Hardtop (Bullet Proof)	Government of the USA	JTGEB73J5G9017396	No vehicle ownership book presented
3.	Hardtop (Bullet Proof)	Government of the USA	JTGEB73J0G9017397	No vehicle ownership book presented
4.	Hardtop (Bullet Proof)	Government of the USA	JTGEB73J5G9017398	No vehicle ownership book presented
5.	Hardtop (Bullet Proof)	Government of the USA	JTGEB73J1G9017394	No vehicle ownership book presented
6.	Pickup Hilux	Government of Turkey	040GU20B01BR156F	Not verified physically
7.	Pickup Hilux	Government of Turkey	Was not made available	Not verified physically
8.	Pickup Hilux	Government of Turkey	Was not made available	Not verified physically
9.	Hardtop (Bullet Proof)	Government of Egypt	Was not made available	Not verified physically
10.	Pickup Hilux	Government of Egypt	Was not made available	Not verified physically
11.	Toyota Noah	Government of Italy	Was not made available	Not verified physically
12.	Toyota Camry	FGS	Was not made available	Not verified physically
13.	Pickup (Bulletproof)	Government of Turkey	Was not made available	Not under the control of the Ministry
14.	Pickup (Bulletproof)	Government of Turkey	Was not made available	Not under the control of the Ministry
15.	Toyota Pickup	Government of Turkey	Was not made available	Not under the control of the Ministry
16.	Toyota Pickup	Government of Turkey	Was not made available	Not under the control of the Ministry

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
17.	Hardtop (Bullet Proof)	Government of Egypt	Was not made available	Not under the control of the Ministry
18.	Hardtop (Bullet Proof)	Government of Egypt	Was not made available	Not under the control of the Ministry
19.	Toyota Pickup	Government of Egypt	Was not made available	Not under the control of the Ministry
20.	Toyota Pickup	Government of Egypt	Was not made available	Not under the control of the Ministry
21.	Toyota Noah	Government of Italy	Was not made available	Not under the control of the Ministry
22.	Toyota Noah	Government of Italy	Was not made available	Not under the control of the Ministry
23.	Land Cruiser V8 (Bullet Proof)	Government of UAE	Was not made available	Not under the control of the Ministry
24.	Toyota Pickup	Government of UAE	Was not made available	Not under the control of the Ministry

**Table 11.3** Vehicle management

### Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Defense to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### Management response

*We use the general policy frameworks that are in use by government agencies. For example, we use the Asset Management which we have developed together with the National Assets Department of the Ministry of Finance. However, the Ministry doesn't have a specific Asset Management Policy nor Procedure. We will develop and implement Asset Management Policies and Procedures as soon as possible.*

*On the above observation, the Ministry responds as follows:*

*Generally, all the assets of the Ministry have been registered and this has been done by the Ministry of Finance, especially the National Assets Registration Department. Every item belonging to the Ministry has a tag registration number issued by the said Ministry and we have shown to auditors the documents as well as the assets.*

*Regarding the failure to register vehicles of the Ministry with the Ministry of Transportation, it is important to note that the Ministry received bulletproof vehicles which we have shown to the auditors. These vehicles were donated by the USA, and they have SNA plate numbers. Since the Ministry has not purchased them, we opted to give them the Plate Number of the SNA as there is an SNA Transport Unit that provides such plate numbers.*

## 11.4 Opening of bank accounts

### 11.4.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state as follows:

- 42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.
- 9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

### Observation

#### A. A bank account was opened without prior approval

During the audit, it was discovered that management of the Defense opened and operated a bank account with Amal Bank without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
1.	Amal Bank	1012153177- IDNO 2365492	178,706.00	300.00
<b>TOTAL</b>			<b>178,706.00</b>	<b>300.00</b>

Table 11.4 Opening and operating unauthorized bank account(s)

### Recommendation

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

### Management response

*When the Ministry was opening the bank accounts, the specific legislation dealing with the opening of such bank accounts didn't exist, and then we received a Circular informing us to register the bank accounts that belonged to the Ministry. We have submitted the details of these accounts to the Office of the Accountant General. The specific account that was maintained in the private bank was used for the fight against the recruitment of child soldiers. Since then, we have opened a bank account at the Central Bank of Somalia, and we have closed the bank accounts we maintained in the private banks, and the funds that were in that account were transferred to the Central Bank account.*

**N.B.** *The letter closing the unauthorized bank account was shown to the auditors. As of now, the Ministry does not have a bank account that is unauthorized by the relevant authorities.*

### OAGS response

The OAGS confirms that the Ministry of Defense did not disclose the bank account closing letter for audit.

## 11.5 Use of country system for external support

### 11.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

- 38(1) All grants received by a government agency from a donor or other person should be included in the national budget.
- 38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act of 2019 states as follows:

- 15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

### Observations

#### A. Receipts from donors not included in the national budget and the country system

During the audit, it was observed, contrary to the requirement of the law, that the Ministry of Defense had implemented two (2) projects using external assistance that was not included in the national budget (on-budget) and did not go through the country's financial system (on-treasury).

One of the external assistance was from the UNDP for a total amount of **US \$556,295.00**, out of which **US \$325,245.00** was disbursed for project activities by the year end.

The second external assistance was again from the UNDP for another project for an amount of **US \$178,706.00** all of which was used by the year end.

All transactions relating to this external assistance from the UNDP were neither on-budget nor on-treasury nor on-account.

### Recommendations

All donations received by the entity should be included in the national budget and payments related to these should be conducted through the Somali Financial Management Information System.

The Minister of Finance should co-sign all contracts or letters of agreements or Memorandum of Understanding relating to external support and copies of which should be registered with the Office of the Auditor General accordingly.

The management should notify the Ministry of Finance of all grants received so that they are included in the national budget.

### Management response

*We have informed you that the Ministry of Finance can't compel the donor agencies to use a specific channel for their donations and projects. The channel the donations must pass-through should be established by the Ministry of Finance and it is on the Ministry of Finance to ensure that all donor agencies that operate in the country use the SFMIS in giving their donations.*

*The two above-mentioned agencies are only implementors and the funds don't belong to these but were given by other donors. Thus, it is proper for authorities to hold into account the donors and specifically, the Ministry of Finance.*

## 11.6 Audit follow up

### 11.6.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	20.1.1. Unsupported payments – running costs	Recommendations implemented
2.	20.1.2. Unsupported payments – travel costs	Recommendations not implemented
3.	20.2.1. Lack of asset management policies and procedures	Recommendations not implemented
4.	20.2.2. Failure to have an Asset Register	Recommendations not implemented
5.	20.2.3. Weak management of vehicles	Recommendations not implemented
6.	20.3.1. Failure to register contracts with the OAGS	Recommendations not implemented
7.	20.3.2. Failure to write local contracts in Somali language	Recommendations not implemented
8.	20.4.1. Failure to carry out internal audit functions	Recommendations not implemented

Table 11.5 2019 audit follow up

### 11.6.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	2.1 No asset management policy guidelines & procedures	Recommendation not implemented
2.	2.2 Fixed asset register	Recommendation partially implemented
3.	2.3 Management of vehicles	Recommendation not implemented
4.	3.1 All payments should be fully supported	Recommendation not implemented
5.	3.2 Travel costs lack adequate supporting documents	Recommendation not implemented
6.	3.4 Regularity of internal audits	Recommendation partially implemented
7.	3.5 Registration of contracts with OAGS	Recommendation not implemented

Table 11.6 2018 audit follow up

# 12. Somali National Army

## 12.1 Expenditure payment control

### 12.2.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$907,500.60

During the audit, it was observed that, contrary to the requirements of the above-mentioned law, payments amounting to **US \$907,500.60** were made without adequate supporting documents.

A summary of these payments is presented in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	2261	Unspecified	Jan - Sept 2020	362,250.00	It did not have one or more supporting documents.
2.	2255	Unspecified	Mar 2020	100,000.00	It did not have one or more supporting documents.
3.	2253	Unspecified	Mar 2020	100,000.00	It did not have one or more supporting documents.
<b>TOTAL</b>				<b>562,250.00</b>	

Table 12.1 Unsupported expenditure - running costs

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-078	Feb, Apr, & July 2020	203,654.60
2.	2216	2020 CA-BPC-079	Aug, Nov, & Dec 2020	141,596.00
<b>TOTAL</b>				<b>345,250.60</b>

Table 12.2 Unsupported expenditure - travel costs

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

Management did not provide a response although a management letter was issued.

## 12.3 Procurement and contract management

### 12.3.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Somali National Army did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

Management did not provide a response although a management letter was issued..

### 12.3.2 CRITERIA

According to schedule 3 (1) of the National Procurement Act of 2016:

- (A) Shopping procedures shall be used when the estimated value of the procurement is as below:**
  - I. In the case the procurement budget for goods is less than US \$40,000
  - II. In the case the procurement budget for services is less than US \$40,000
  - III. In the case the procurement budget for services is less than US \$50,000
- (B) National Competitive Bidding (NCB) procedures shall be used when the estimated value of the procurement is as below (less than):**
  - I. In the case the procurement budget for goods is less than US \$ 100,000
  - II. In the case the procurement budget for services is less than US \$ 40,000
  - III. In the case the procurement budget for works is less than US \$ 200,000

**(C) International Competitive Bidding (ICB) procedures shall be used when the estimated value of the procurement exceeds (more than):**

- I. In the case the procurement budget for goods is more than US \$100,000
- II. In the case the procurement budget for services is more than US \$ 40,000
- III. In the case the procurement budget for works is more than US \$200,000

**Observations**

**A. Wrong shopping methods used for procurements conducted during the year valued at US \$1,179,955.73**

Based on procurements conducted during the year, it was observed that Somali National Army used direct shopping methods instead of using open tendering for procurement valued at **US \$1,179,955.73**.

The direct shopping method used for the four procurements listed in the table was in contravention of the National Procurement Act.

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	AMOUNT IN US \$
1	2020 CA-BPC-080	Procurement of goods	287,172.54
2	2020 CA-BPC-079	Procurement of goods	649,992.07
3	2020 CA-BPC-081	Procurement of goods	242,791.12
4	2020 CA-BPC-081	Procurement of goods	
<b>TOTAL</b>			<b>1,179,955.73</b>

Table 12.3 Irregular procurement process

**Recommendation**

The Somali National Army should use the correct shopping method (direct method or open competitive method) for all its procurements based on value of each procurement and thresholds stipulated in the procurement law and regulations.

The above procurement should be investigated, and any losses should be made good by responsible officers.

**Management response**

Management did not provide a response although a management letter was issued.

**12.3.3 CRITERIA**

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.



## Observations

### A. Contracts totaling US \$4,072,013.72 were not registered with OAGS

The Somali National Army did not register several contracts and agreements with a total value of **US \$4,072,013.72** as shown in the table below.

Consequently, the Office of the Auditor General could perform a prior control review of the contracts against which payments might have been made during the year.

A summary of these contracts is shown in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-082	Food items	1 year	918,612.00
2.	2020 CA-BPC-083	Food items	3 months	119,997.78
3.	2020 CA-BPC-084	Food items	4 months	49,400.00
4.	2020 CA-BPC-085	Food items	1 month	24,975.00
5.	2020 CA-BPC-086	Food items	1 year	1,921,237.00
6.	2020 CA-BPC-083	Food items	3 months	117,117.78
7.	2020 CA-BPC-087	Petrol and Lubricant	1 year	808,140.00
8.	2020 CA-BPC-083	Food items	4 months	29,600.00
9.	2020 CA-BPC-083	Food items	3 months	82,934.16
10.	2020 CA-BPC-080	General services		
11.	2020 CA-BPC-079	General services		
12.	2020 CA-BPC-081	Medical items	6 months	
13.	2020 CA-BPC-081	Medical items	4 months	
<b>TOTAL</b>				<b>4,072,013.72</b>

Table 12.4 Contracts not registered at the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

Management did not provide a response although a management letter was issued.

### 12.3.4 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

## **Observation**

### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Somali National Army prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

## **Recommendation**

The entity should write their local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

## **Management response**

Management did not provide a response although a management letter was issued.

## **12.4 Asset management**

### **12.4.1 CRITERIA**

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act'

## **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

## **Observations**

### **A. Lack of asset management policies and procedures**

It was observed the Somali National Army did not have an approved policy and procedures on management and accounting for the assets.

### **B. Failure to maintain an up-to-date asset register**

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### **C. Weak management system for vehicles**

The compliance audit revealed that the Somali National Army did not have procedures and policies in place for management of vehicles. The vehicles did not have vehicle ownership books registered under the name of the Somali National Army or the Ministry of Defense.

## Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Defense to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

All vehicles should have logbooks and vehicle ownership books registered in the name of the Somali National Army.

## Management response

Management did not provide a response although a management letter was issued.

## 12.5 Audit follow up

### 12.5.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	21.1.1. Failure to prepare and submit Annual Accounts	Recommendations implemented
2.	21.2.1. Lack of new legal framework	Recommendations not implemented
3.	21.3.1. Lack of approved table of organizational and equipment	Recommendations not implemented
4.	21.3.2. Failure to update-database	Recommendations implemented
5.	21.4.1. Lack of policy and procedure in management of food supplies	Recommendations partially implemented
6.	21.4.2. Lack of policy and procedure in management of fuel supplies	Recommendations partially implemented
7.	21.5.1. Unsupported payments - running costs	Recommendations not implemented
8.	21.6.1. Lack of asset management policies and procedures	Recommendations not implemented
9.	21.6.2. Failure to maintain an up-to-date the Asset Register	Recommendations not implemented
10.	21.6.3. Weak management of vehicles	Recommendations not implemented
11.	21.6.4. Weak management of non-military assets	Recommendations not implemented
12.	21.7.1. Failure to register contracts with the OAGS	Recommendations not implemented
13.	21.8.1. Failure to carry out internal audit functions	Recommendations partially implemented

Table 12.5 2019 audit follow up

## 12.5.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	4.1 No annual accounts submitted for audit for FY 2018	Recommendation not implemented
2.	5.1 Laws and regulations for the Somalia National Army	Recommendation not implemented
3.	6.1 Table of organization and equipment (TOE)	Recommendation not implemented
4.	6.2 Personnel database for the SNA	Recommendation partially implemented
5.	8.1 Adequacy of management of food supplies to the SNA	Recommendation partially implemented
6.	8.2 Management of fuel supplies	Recommendation partially implemented
7.	8.3 Management of other non-military supplies	Recommendation partially implemented
8.	9.1 Adequacy of procedures for vehicle management	Recommendation not implemented
9.	10.1 Adequacy of fixed asset registers	Recommendation partially implemented
10.	11.1 Whether procurement laws are followed by SNA	Recommendation not implemented
11.	12.1 All payments should be fully supported	Recommendation partially implemented
12.	12.2 Registration of contracts with OAGS	Recommendation not implemented
13.	12.4 Regularity of internal audits	Recommendation partially implemented

Table 12.6 2018 audit follow up



# 13. Ministry of Internal Security

## 13.1 Expenditure payment control

### 13.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$9,429.43

During the audit, it was observed that, contrary to the requirements of the above-mentioned law, there were payments amounting to **US \$9,429.43** that were processed without attaching adequate supporting documents.

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	Individual	Apr - Jun 2020	4,701.74
2.	2216	Individual	Apr - Jun 2020	4,727.69
<b>TOTAL</b>				<b>9,429.43</b>

Table 13.1 Unsupported expenditure - travel costs

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response on travel costs

There was no response by the entity though a management letter was issued to its management.

## 13.2 Procurement and contract management

### 13.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

Article 61 (1) and (2) National Procurement Act of 2016 states as follows:

- 61(1) Each procuring entity shall establish a Procurement Unit under this Act.
- 61(2) The Accounting Officer (Authorizing Officer) shall determine the composition of the Procurement Unit, which shall be staffed with at least one (1) person trained and knowledgeable in procurement.

Article 31 (1) and (9) National Procurement Act of 2016 states as follows:

- 31(1) The procuring entity shall preserve all documentation relating to each procurement contract and its proceedings and maintained or kept in accordance with applicable rules for archiving of government documents, which at minimum shall be kept for a period of six (6) years following the date of completion of the procurement contract, or from the date of rejection of all bids or cancellation of the proceeding, as the case may be.
- 31(9) The procuring entity shall maintain all records and documents shall be made available for inspection by the Procurement Authority; Anti-Corruption Commission; Auditor General, the Parliamentarian Committee responsible for oversight of the implementation of national laws, and any other government office that is entrusted with such responsibility.

Article 69 (2) on choice of procurement methods states that:

- 69(2) Procurement contracts should not be divided with the intention of avoiding open competitive bidding required for all contracts estimated to cost more than the monetary thresholds established by the Procurement Regulations..

According to schedule 3 (1) of the National Procurement Act of 2016:

- (A) Shopping procedures shall be used when the estimated value of the procurement is as below:**
  - I. In the case the procurement budget for goods is less than US \$40,000
  - II. In the case the procurement budget for services is less than US \$40,000
  - III. In the case the procurement budget for services is less than US \$50,000
- (B) National Competitive Bidding (NCB) procedures shall be used when the estimated value of the procurement is as below (less than):**
  - I. In the case the procurement budget for goods is less than US \$ 100,000
  - II. In the case the procurement budget for services is less than US \$ 40,000
  - III. In the case the procurement budget for works is less than US \$ 200,000

**(C) International Competitive Bidding (ICB) procedures shall be used when the estimated value of the procurement exceeds (more than):**

- I. In the case the procurement budget for goods is more than US \$100,000
- II. In the case the procurement budget for services is more than US \$ 40,000
- III. In the case the procurement budget for works is more than US \$200,000

**Observations**

**A. Failure to prepare an annual procurement plan**

During the audit, it was observed that the Ministry of Internal Security did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

**B. Failure to establish a procurement unit**

During the audit, the audit observed that the Accounting Officer (Authorizing Officer) did not establish a procurement unit responsible for conducting procurements of the entity contrary to the requirements of the National Procurement Act of 2016.

**C. Failure to follow procurement threshold and non-disclosure of records procurement information - US \$2,206,000.00**

It was observed that, contrary to the requirements of the above-mentioned law, the management of the Ministry of Internal Security used the shopping method instead of open competitive bidding and procured goods and services amounting to **US \$2,206,000.00**.

In addition, the management did not maintain procurement documents and failed to make these documents and records during the audit.

A summary of the procurements in question conducted during the year is set out are in the table below:

NO.	COMPANY	DESCRIPTION	AMOUNT US \$
1.	2020 CA-BPC-091	Goods-Food	480,000.00
2.	2020 CA-BPC-092	Goods	480,000.00
3.	2020 CA-BPC-093	Security service	1,246,000.00
<b>TOTAL</b>			<b>2,206,000.00</b>

Table 13.2 Non-disclosure of records and procurement reports

**Recommendations**

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

The Authorizing Officer (Accounting Officer) should establish a procurement unit as per the law.

For each procurement, main all the documents and records which should be readily available for inspections as required by the procurement law and regulations.



Management should investigate the above procurements which were not advertised for open and competitive bidding, and any officer involved should be brought to account for any losses the Ministry might have suffered as a consequence.

### Management response

*These payments were previously made directly, however, the Ministry of Finance has directed us to make these payments to the vendors. The monthly money given to the vendors was less than \$40,000.00. The procurement Act dictates that these be made to vendors. The amount spent as per the contract are as follows:*

- \$62,371.00 given to (2020 CA-BPC-092) on Feb and Mar 2020
- \$62,322.50 given to (2020 CA-BPC-091) on Feb and Mar 2020.

*The Ministry has advertised the contracts and (2020 CA-BPC-093) was awarded as per the Procurement procedures. The documents can be found at the Ministry of Finance; however, the incurred expenditure has not yet been paid to the vendor. Details concerning these processes could be obtained from the Ministry of Finance.*

### 13.2.2. CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$2,874,910.00 were not registered with OAGS

It was observed that, contrary to the requirements of the above-mentioned law, contracts amounting **US \$2,874,910.00** (as shown in the table below) were not registered with the Office of the Auditor General.

Consequently, the OAGS could not perform prior control review on these contracts against which payments might have been made.

A summary of the above contracts is presented in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-094	Petrol	11 months	33,000.00
2.	2020 CA-BPC-095	Office equipment	11 months	18,330.00
3.	2020 CA-BPC-096	Rent of a residential house	11 months	18,330.00
4.	2020 CA-BPC-097	Militarily supplies (Mattresses and tents)	1 year	480,000.00
5.	2020 CA-BPC-096	Food	1 year	480,000.00
<b>TOTAL</b>				<b>2,874,910.00</b>

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
6.	Joint Security Sector Governance Program	Agency and Staff Development	11 months	386,700.00
7.	Supporting an Inclusive and Multi-sectoral Response to Covid-19 and addressing its socio-economic impact in Somalia.	COVID-19	5 months	60,000.00
8.	Provision of Explosive detection Dog (EDD) Services in Aden Abdulle International Airport	Airport security	6 months	1,246,000.00
9.	2020 CA-BPC-189	Food	1 months	24,000.00
10..	2020 CA-BPC-097	Goods	1 months	64,300.00
11.	2020 CA-BPC-091	Food	1 months	64,250.00
<b>TOTAL</b>				<b>2,874,910.00</b>

Table 13.3 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*We have accepted your recommendation regarding the registration of contracts, and we will make sure to register all the contracts with the Office of the Auditor General starting from this financial year.*

### 13.2.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Ministry of Internal Security prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendations

The entity should write their local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

*We have accepted your recommendation regarding the registration of contracts, and we will make sure to register all the contracts with the Office of the Auditor General starting from this financial year.*

## 13.3 Asset management

### 13.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act”

#### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

#### Observations

##### A. Lack of asset management policies and procedures

It was observed the Ministry of Internal Security did not have an approved policy and procedures on management and accounting for the assets.

##### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

##### C. Weak management system for vehicles

During the audit, it was observed that there were 11 vehicles reportedly belonging to the Ministry of Internal Security either lacked vehicle registration book, or were not produced for inspection.

A list of the vehicles is presented in the table below:

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified.
2.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified
3.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified
4.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified
5.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified
6.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified
7.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified
8.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
9.	Toyota Hilux	Italy	Was not available for verification	It was not physically verified
10.	Ford Pick Up	Italy	Was not available for verification	It was not physically verified

Table 13.4 Vehicle management

### Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Internal Security to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### Management response

*The previous leadership of the Ministry took with them all the specified vehicles when they left the Ministry. However, we will make sure to establish a procedure to re-acquire the vehicles from the leaders and officers of the Ministry when they leave their positions in the Ministry.*

## 13.4 Opening of bank accounts

### 13.4.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state as follows:

- 42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.
- 9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

### Observations

#### A. A bank account was opened without prior approval

During the audit, it was discovered that management of the Ministry of Internal Security opened and operated a bank account with Amal Bank without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
1.	Amal Bank	1013753264	0.00	0.00
<b>TOTAL</b>			<b>0.00</b>	<b>0.00</b>

Table 13.5 Opening and operating unauthorized bank account(s)

## Recommendation

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

## Management response

The audited entity has not responded in writing to the findings identified in the management letter that was shared with them.

## 13.5 Use of country system for external support

### 13.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

- 38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).
- 38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

- 15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

## Observations

### A. Receipts from donors not included in the national budget and the country system

During the audit exercise, it was observed that, contrary to the requirement of the above-cited criteria, the Ministry of Internal Security had implemented two (2) projects amounting **US \$446,700.00** whose funds were not included in the approved national budget and did not go through the country's financial system.

NO.	PROJECT NAME	SPONSOR/ DONOR	PROJECT PURPOSE	BENEFICIARY	CONTRACT DURATION	BUDGETED AMOUNT US \$	AMOUNT USED US \$
1.	Joint Security Sector Governance Program	UNDP	Capacity building for the ministry and its staff	Ministry of Internal Security	7 months	386,700.00	243,700.00
2.	Supporting an Inclusive and Multi-sector Response to COVID-19 and addressing its socio-economic impact in Somalia.	UNDP	The fight against COVID-19	Ministry of Internal Security	6 months	60,000.00	0.00
<b>TOTAL</b>						<b>446,700.00</b>	<b>243,700.00</b>

Table 13.6 Donations not channeled through the public financial system

## **Recommendations**

All donations received by the entity should be included in the national budget and payments related to these should be on-treasury and processed through the Somali Financial Management Information System.

All agreements entered by the Ministry in connection with a grant or external assistance should be co-signed by the Minister of Finance in accordance with the law and be registered with the Office of the Auditor General.

## **Management response**

There was no response by the entity though a management letter was issued to its managements.

## **13.6 Management and accountability of revenue from issuing firearm permits and licenses to private security companies**

### **13.6.1 Best practice**

There should be laws, policies, and procedures in place for issuing gun permits and licenses to privately owned private companies.

The policy should have requirements that define the type of individuals who are eligible to carry weapons and private security companies that are qualified to provide security services.

There should also be an established mechanism that collects data for privately-owned weapons and monitors the manner in which these weapons are used by the holders.

## **Observations**

### **A. Failure to establish comprehensive laws and policies which defines the procedures for issuing licenses, registering, and managing weapons and private security companies**

The auditors have observed during the audit that the Ministry of Internal Security does not have comprehensive laws and policies which define the procedures for issuing licenses, registering, and managing weapons and private security companies.

### **B. Failure to establish database(s)**

During the audit, it was observed that the Ministry did not establish database(s) for managing all the information related to the issuance of licenses and registering of weapons, and private security companies.

### **C. Failure to establish a vetting process for individuals and security companies given the licenses**

During the audit exercise, it was observed that there was no vetting process carried out for individuals and security companies given the licenses. Without an effective vetting, process firearms could end up in the hands of individuals who are not eligible to have one.

### **D. Failure to establish a monitoring mechanism**

The auditors have also observed that the Ministry does not have a monitoring mechanism in place which it uses for supervising the use of the weapons that are privately owned. Additionally, the auditors have observed that there are thirty two (32) security companies whose firearms licenses have expired and did not get renewed. The Ministry of Internal Security did not take appropriate measures to halt the operations of these private security firms.

## Recommendations

The Executive and the Federal Parliament should establish comprehensive laws and regulations to regulate the use of firearms.

The Ministry should create a database for the proper management of firearms and licenses issued by the Ministry.

They should also develop and implement an effective vetting process for individuals and security companies for the issuance of licenses.

The Ministry should establish a procedure for proper monitoring of the use of licensed firearms.

## Management response

*The issue concerning the registration of firearms and security companies are based on a legal procedure established by the Cabinet. The individual and the firearm company who is licensed are also regulated by the above-mentioned legal procedure of the cabinet. There is a draft bill concerning the use of light firearms that is tabled at the House of the People.*

## 13.7 Audit follow up

### 13.7.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented or not implemented.

NO.	FINDINGS	STATUS
1.	22.1.1. Unsupported payments - running costs	Recommendations not implemented
2.	22.1.2. Unsupported payments - travel costs	Recommendations not implemented
3.	22.1.3. Unauthorized internal re-allocation of funds	Recommendations implemented
4.	22.2.1. Lack of asset management policies and procedures	Recommendations not implemented
5.	22.2.2. Failure to maintain an up-to-date the Asset Register	Recommendations not implemented
6.	22.3.1. Failure to register contracts with the OAGS	Recommendations not implemented
7.	22.3.2. Failure to write local contracts in Somali language	Recommendations not implemented
8.	22.4.1. Failure to carry out internal audit functions	Recommendations not implemented

Table 13.7 2019 audit follow up

# 14. Somali Police Force

## 14.1 Expenditure payment control

### 14.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$5,500.00

Contrary to the requirements of the above-mentioned criteria, payments amounting to **US \$5,500.00** were disbursed for travel costs without adequate supporting documents.

A summary of this is shown in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-175	Aug 2020	5,500.00
<b>TOTAL</b>				<b>5,500.00</b>

Table 14.1 Unsupported expenditure - travel expenses

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

*This travel cost was used to transport Police Commanders from Galmudug Dhuusamareeb to General Kaahiye Academy in Mogadishu and tickets were attached.*



## **OAGS response**

Other than tickets, there were no additional supporting documents attached.

## **14.2 Management of food and fuel supplies**

### **14.2.1 CRITERIA**

Article 12 (2) (f, g, & h) of the PFM, 2019 state as follows:

- 12(2) Every authorized official of a public institution or company shall be responsible for all matters relating to the management of public funds, assets, and liabilities of the public institutions for which he or she is responsible. Additional responsibilities include but not limited to;
- (f) Management of funds of the agency in an efficient, effective, and transparent manner;
  - (g) The establishment of an efficient, effective, and transparent internal controls and risk management system;
  - (h) Overseeing and ensuring the proper use of public funds given to the agency for which he is responsible.

### **Best practice**

Management of food supplies in security sector institutions, in particular for the personnel of the Somali Police Force, is crucial for peace and stability.

Personnel of the Somali Police Force require a secure, adequate, and reasonable system of food supplies to enable personnel to focus on the security of the nation and the safety of the population.

There should be an approved food quality management policies and procedures to ensure approved quantity and quality are distributed to military personnel promptly.

There should be adequate internal control procedures in the management, storage, and distribution of fuel. This should often lay down approved procedures for storage and distribution of fuel supplies by responsible officers.

Physical verification of fuel supplies should be conducted periodically and any discrepancies should be investigated and remedial taken promptly.

### **Observations**

#### **A. Failure to establish policy and procedures to manage food supplies**

During the audit, it was observed that there was no policy to effectively and efficiently manage SPF food supplies to ensure that the right quantity and quality of food is provided to the SPF.

#### **B. Failure to establish policy and procedures to manage fuel supplies**

It was observed during the audit that there were no approved policy guidelines and procedures for the management and distribution of fuel supplies for the operations of the Somali Police Force. In this regard, the auditors couldn't ascertain whether the fuel was used for intended purposes aimed at serving the citizen and the nation.

### **Recommendations**

The Ministry of Internal Security and the SPF Administration should establish policy and procedures to effectively and efficiently manage SPF food provisions.

There should be established policies and procedures to effectively and efficiently manage SPF fuel provisions.

There should be SPF internal control of fuel supplies and any misallocation of fuel should be urgently resolved.

### **Management response**

*The Somali Police Force has stated that they have developed a draft policies and procedures used for the regulations of the above-mentioned issues.*

### **OAG response**

The Somali Police Force has not availed for audit draft policies and procedures they have claimed to have developed. The policies and procedures are yet to be finalized.

## **14.3 Procurement and contract management**

### **14.3.1 CRITERIA**

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### **Observation**

#### **A. Failure to prepare an annual procurement plan**

During the audit, it was observed that the Somali Police Force did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### **Recommendation**

As required by the procurement law, the entity shall prepare approved annual procurement plan based on the approved annual budget of the entity.

### **Management response**

The Somali Police Force did not respond to the management letter shared with them.

### **14.3.2 CRITERIA**

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

## **Observation**

### **A. Contracts were not registered with OAGS**

During the audit exercise, the SPF did not make available for audit all contracts and agreements the Police Force entered into with third parties during the year. This was a limitation on the work of the Office of the Auditor General that must not be repeated.

## **Recommendation**

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

Furthermore, the Somali Police Force should provide all documents, records and information to auditors whenever required for audit purposes.

## **Management response**

There was no written response from the Somali Police Force.

### **14.3.3 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

## **Observation**

### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Somali Police Force prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

## **Recommendation**

The entity should write its local contracts and agreements in Somali language and may prepare the English version as required by the other contracting party.

## **Management response**

There was no written response from the Somali Police Force.

## **14.4 Asset management**

### **14.4.1 CRITERIA**

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power "to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act".

## **Best practice**

There are approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

## Observations

### A. Lack of asset management policies and procedures

It was observed the Somali Police Force did not have an approved policy and procedures on management and accounting for the assets..

### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### C. Weak management system for vehicles

During the annual audit exercise, SPF did not share with the audit team the required asset registration and fleet ownership books, and the vehicles were not available for physical verification.

The absence of ownership books and lack of updated asset registration books made it impossible for the OAG to ascertain whether the fleet was utilized in a manner that is in line with the mandate of the force.

## Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

All vehicles should have logbooks, vehicle ownership books registered in the name of the entity and stored safely by a senior responsible official.

## Management response

*There was no written response from the auditee.*

## 14.5 Payroll management

### 14.5.1 CRITERIA

Article 12 (2) (b) (c, f, g & h) of the PFM, 2019 state as follows:

12(2) Every authorized official of a public institution or company shall be responsible for all matters relating to the management of public funds, assets, and liabilities of the public institutions for which he or she is responsible, and should be specifically responsible but not limited to;

- (b) The monitoring and supervising the implementation of the budget of the agency for which he is responsible, in accordance with this Act, regulations, and directives of the Minister;
- (c) The maintenance of the accounts and records of the agency for which the authorized official is responsible in accordance with the regulations or guidelines proposed by the Accountant General;
- (f) Management of the funds of the agency in an efficient, effective, and transparent manner;
- (g) The establishment of an efficient, effective, and transparent internal controls and risk management system;
- (h) Overseeing and ensuring the proper use of public funds given to the agency for which he is responsible.

### **Best practice**

There is delegation of responsibilities in relation to preparing, reconciliation, internal control, authorization, and approval for final salary payments.

These responsibilities are undertaken by independent officers from one another.

The payment procedure is handled using a computerized system and every function is recorded to facilitate effective accountability.

All changes are authorized by the appropriate authority.

There are authorized documents for salary management with clear guidelines. Salary should be based on officers' rank. These are to be in the writing of the SPF regulations.

### **Observation**

#### **A. Discrepancies in the database**

During the audit, the auditors identified that there are differences between the SFMIS used to prepare SPF salary by the Ministry of Finance and the SPF database used by the Commander to control the Force. Due to discrepancies between the SPF names and codes in their database system and the names and codes in the SFMIS at the Ministry of Finance, the audit team couldn't ascertain whether salary and other payments were given to those eligible for it.

### **Recommendation**

The two databases should be integrated to ensure that payments are given to the right personnel.

There should be internal control(s) function to prevent errors and fraud from taking place within the SPF salary payments.

### **Management response**

*The database of the Somali Police Force is a uniquely established, giving prioritize to the information concerning the police force.*

*However, Ministry of Finance uses different database to the one used by the SPF. The Ministry of Finance Database attaches importance to the Name and Bank Account and it is not easy to reconcile two databases.*

Somali Police payroll is processed through the Somalia Financial Management Information System (SFMIS) thus there is differences about payroll processing.

## 14.6 Audit follow up

### 14.6.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, not implemented, or in progress.

NO.	FINDINGS	STATUS
1.	23.1.1. Failure to prepare and Submit Annual Accounts	Recommendations not implemented
2.	23.2.1. Lack of new legal framework	Recommendations not implemented
3.	23.3.1. Lack of approved Table of Organization and Equipment (TOE)	Recommendations not implemented
4.	23.3.2. Failure to maintain an up-to-date database	Recommendations implemented
5.	23.4.1. Lack of policy and procedure in the management of food supplies	Recommendations not implemented
6.	23.4.2. Lack of policy and procedure in the management of fuel supplies	Recommendations not implemented
7.	23.5.1. Unsupported payments - running costs	Recommendations implemented
8.	23.5.2. Unauthorized internal re-allocation of funds	Recommendations implemented
9.	23.6.1. Lack of asset management policies and procedures	Recommendations not implemented
10.	23.6.2. Failure to maintain an up-to-date Asset Register.	Recommendations not implemented
11.	23.6.3. Weakness in management of vehicles	Recommendations not implemented
12.	23.6.4. Weak management of other non-military supplies	Recommendations not implemented
13.	23.7.1. Failure to register contracts with the OAGS	Recommendations partially implemented
14.	23.7.2. Failure to write local contracts in Somali language	Recommendations not implemented
15.	23.8.1. Failure to carry out internal audit functions	Recommendations not implemented

Table 14.2 2019 audit follow up

### 14.5.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDING	STATUS
1.	13.1 No annual accounts submitted for audit	Recommendation not implemented
2.	14.1 Laws and regulations for the Somalia Police Force	Recommendation not implemented
3.	15.1 Table of organization and equipment (TOE)	Recommendation not implemented
4.	15.2 Personnel database for the SPF	Recommendation partially implemented

<b>NO.</b>	<b>FINDING</b>	<b>STATUS</b>
5.	15.3 Physical verification of personnel	Recommendation partially implemented
6.	17.1 Adequacy of management of food supplies to the SPF	Recommendation partially implemented
7.	17.2 Management of fuel supplies	Recommendation partially implemented
8.	17.3 Management of other non-military supplies	Recommendation partially implemented
9.	18.1 Adequacy of procedures for vehicle management	Recommendation not implemented
10.	19.1 Fixed asset management policy guidelines	Recommendation not implemented
11.	19.2 Adequacy of fixed asset registers	Recommendation partially implemented
12.	20.1 All payments should be fully supported	Recommendation not implemented
13.	20.2 Registration of contracts with OAGS	Recommendation not implemented
14.	20.3 Internal re-allocation of funds	Recommendation not implemented
15.	20.4 Regularity of internal audits	Recommendation partially implemented

**Table 14.3** 2018 audit follow up

# 15. National Intelligence and Security Agency

## 15.1 Expenditure payment control

### 15.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observations

#### A. Unsupported expenditure payments totaling US \$77,000.00

During the audit, it was observed that contrary to the requirements of the above-mentioned law, there was a payment of **US \$77,000.00** that lacked adequate supporting documents.

The particulars of the payment in question are listed in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-098	Jan, May, and Oct 2020	77,000.00
<b>TOTAL</b>				<b>77,000.00</b>

Table 15.1 Unsupported expenditure - travel costs

### Recommendations

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

The management of the National Intelligence and Security Agency did not respond in writing to the findings identified in the management letter that was shared with them.



## 15.2 Procurement and contract management

### 15.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the National Intelligence and Security Agency did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

The management of the National Intelligence and Security Agency did not respond in writing to the findings identified in the management letter that was shared with them.

### 15.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observations

#### A. Contracts totaling US \$2,805,668.00 were not registered with OAGS

It was observed that management of the National Intelligence and Security Agency didn't register contracts with a total value of **US \$2,805,668.00** (as shown in the table below) with the Office of the Auditor General during the year.

Consequently, the Office of the Auditor General could not perform a prior control review on the contracts against which payments might have been made during the course of the year.

A summary of the contracts in question is presented in the table below:

NO.	CONTRACTOR	CONTRACT PURPOSE	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-099	Office equipment	1 year	145,200.00
<b>TOTAL</b>				<b>2,805,668.00</b>

NO.	CONTRACTOR	CONTRACT PURPOSE	CONTRACT DURATION	AMOUNT IN US \$
2.	2020 CA-BPC-100	Unspecified expenditure	1 year	752,940.00
3.	2020 CA-BPC-101	Petrol	1 year	664,796.00
4.	2020 CA-BPC-102	Goods & services	1 year	685,732.00
5.	2020 CA-BPC-103	General services	1 year	279,000.00
6.	2020 CA-BPC-104	Travel services	1 year	278,000.00
<b>TOTAL</b>				<b>2,805,668.00</b>

**Table 15.2** Contracts not registered with the OAGS

### **Recommendation**

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### **Management response**

The management of the National Intelligence and Security Agency did not respond in writing to the findings identified in the management letter that was shared with them.

### **15.2.3 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observation**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the National Intelligence and Security Agency prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### **Recommendation**

The entity should write their local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### **Management response**

The management of the National Intelligence and Security Agency did not respond in writing to the findings identified in the management letter that was shared with them.

## **15.3 Asset management**

### **15.3.1 CRITERIA**

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act'

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observations

#### A. Lack of asset management policies and procedures

It was observed the National Intelligence and Security Agency did not have an approved policy and procedures on management and accounting for the assets.

#### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the National Intelligence and Security Agency to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The audited entity and or the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### Management response

The management of the National Intelligence and Security Agency did not respond in writing to the findings identified in the management letter that was shared with them.

## 15.4 Audit follow up

### 15.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented or not implemented.

NO.	FINDINGS	STATUS
1	24.1.1. Failure to submit Annual Financial Statement for audit	Recommendations implemented
2	24.2.1. Lack of new legal framework	Recommendations not implemented

NO.	FINDINGS	STATUS
3	24.3.1. Unsupported payments - running costs	Recommendations not implemented
4	24.3.2. Unsupported payments - travel costs	Recommendations not implemented
5	24.4.1. Lack of asset management policies and procedures	Recommendations not implemented
6	24.4.2. Failure to maintain an up-to-date the Asset Register	Recommendations not implemented
7	24.4.3. Weak management of vehicles	Recommendations implemented
8	24.5.1. Failure to register contracts with the OAGS	Recommendations not implemented
9	24.5.2. Failure to Write Local Contracts in Somali Language	Recommendations not implemented

Table 15.3 2019 audit follow up

#### 15.4.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1	21.1 No annual accounts submitted for audit	Recommendation not implemented
2	22.1 Laws and regulations for the National Intelligence Security Agency	Recommendation not implemented
3	23.1 Adequacy of procedures for vehicle management	Recommendation not implemented
4	24.1 Fixed asset management policy guidelines	Recommendation not implemented
5	24.2 Adequacy of fixed asset registers	Recommendation partially implemented
6	25.1 All payments should be fully supported	Recommendation not implemented

Table 15.4 2018 audit follow up



# 16. Immigration and Naturalization Directorate

## 16.1 Expenditure payment control

### 16.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best Practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported travel costs totaling US \$132,000.00

Contrary to the requirements of the above-mentioned law, payments totaling **US \$132,000.00** were disbursed for travel costs without adequate supporting documents.

A summary of these payments is presented in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-105	Feb - Apr 2020	66,000.00
2.	2216	2020 CA-BPC-106	Jun, Oct, Nov, & Dec 2020	66,000.00
<b>TOTAL</b>				<b>132,000.00</b>

Table 16.1 Unsupported expenditure - travel expenses

### Recommendation

All payments must be based on adequate supporting documents and must be properly authorized by senior responsible officers. Additionally, goods, services, and works received should be in accordance with the specified terms.

### Management response

*We will implement the recommendations contained in the Management Letter.*

## 16.2 Procurement and contract management

### 16.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.

27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### **Observations**

#### **A. Failure to prepare an annual procurement plan**

During the audit, it was observed that the Immigration and Naturalization Directorate did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### **Recommendation**

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### **Management response**

*We will implement the recommendations contained in the Management Letter.*

## **16.2.2 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observation**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Immigration and Naturalization Directorate prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### **Recommendation**

The entity should write their local contracts and agreements in Somali language in accordance with the National Procurement Act, 2016.

### **Management response**

*We will implement the recommendations contained in the Management Letter.*

## **16.3 Asset management**

### **16.3.1 CRITERIA**

Article 11 (1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power "to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act".

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

## Observations

### A. Lack of asset management policies and procedures

It was observed the Immigration and Naturalization Directorate did not have an approved policy and procedures on management and accounting for the assets.

### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### C. Weak management system for vehicles

During the audit, it was observed that there were eight (8) vehicles, one (1) LTM motor vehicle, and one (1) boat reportedly belonging to the Immigration and Naturalization Directorate. The Directorate brought two (2) vehicles and one boat for physical verification, while the other six (6) vehicles and the LTM Motor vehicle were not availed for physical verification.

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	Toyota Hardtop	IOM	877005	It has not been physically verified.
2.	Toyota Hardtop	IOM	8506556	It has not been physically verified.
3.	Toyota Hardtop	IOM	850821	It has not been physically verified.
4.	Toyota Hardtop	IOM	860086	It has not been physically verified.
5.	Toyota Hardtop	IOM	860227	It has not been physically verified.
6.	Toyota Hardtop	IOM	860083	It has not been physically verified.
7.	Motor LTM	FGS		It has not been physically verified.

Table 16.2 Vehicles management

## Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Immigration and Naturalization Directorate to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The Immigration and Naturalization Directorate and or the Ministry of Finance should conduct periodic physical verification of assets of the Directorate and update the asset register.

Management should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

All vehicles should have logbooks, vehicle ownership books registered in the name of the



Immigration and Naturalization Directorate and stored safely by a senior responsible official.

### Management response

*We will implement the recommendations contained in the Management Letter.*

## 16.4 Audit follow up

### 16.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented or not implemented.

NO.	FINDINGS	STATUS
1.	25.1.1. Unsupported payments - running costs	Recommendations implemented
2.	25.1.2. Unsupported payments - travel costs	Recommendations not implemented
3.	25.2.1. Lack of asset management policies and procedures	Recommendations not implemented
4.	25.2.2. Failure to maintain an up-to-date the Asset Register	Recommendations not implemented
5.	25.2.3. Weak management of vehicles	Recommendations not implemented
6.	25.3.1. Failure to Register Contracts with the OAGS	Recommendations implemented

Table 16.3 2019 audit follow up

### 16.4.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1	28.1. Adequacy of procedures for vehicle management	Recommendation not implemented
2	29.1. Fixed asset management policy guidelines	Recommendation not implemented
3	29.2. Adequacy of fixed asset register	Recommendation partially implemented
4	30.1. Regularity of internal audits	Recommendation partially implemented

Table 16.4 2018 audit follow up



### **III. ECONOMIC SECTOR**



# 17. Ministry of Petroleum and Mineral Resources

## 17.1 Asset management

### 17.1.1 CRITERIA

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power “to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act”.

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observations

#### A. Lack of asset management policies and procedures

It was observed the Ministry of Petroleum did not have an approved policy and procedures on management and accounting for the assets..

#### B. Failure to maintain an up-to-date asset register

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Petroleum and Mineral Resources to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The Ministry of Petroleum and Mineral Resources and or the Ministry of Finance should conduct periodic physical verification of assets of the Ministry and update the asset register.

Management of the Ministry of Petroleum and Mineral Resources should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### Management response

*The Ministry has stated in writing that it will implement corrective measures as soon as possible.*

## 17.2 Audit follow up

### 17.2.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented or not implemented.

NO.	FINDINGS	STATUS
1.	26.1.1. Failure to submit Annual Financial Statement for audit	Recommendations not implemented
2.	26.2.1. Unsupported payments - running costs	Recommendations implemented
3.	26.2.2. Unsupported payments - travel costs	Recommendations implemented
4.	26.3.1. Lack of asset management policies and procedures	Recommendations not implemented
5.	26.3.2. Failure to maintain an up-to-date Asset Register.	Recommendations not implemented
4.	26.4.1. Failure to register contracts with the OAGS	Recommendations implemented
5.	26.4.2. Failure to write local contracts in Somali language	Recommendations implemented
6	26.5.1. Failure to carry out internal audit functions	Recommendations not implemented

**Table 17.1** 2019 audit follow up

# 18. Ministry of Information, Culture and Tourism

## 18.1 Expenditure payment control

### 18.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observations

#### A. Unsupported expenditure payments totaling US \$1,924,181.90

During the audit scrutiny, it was observed that the Ministry of Information processed various expenditure payments without attaching adequate supporting documents.

A summary of the payments in question is shown in the two tables below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	2211	2020 CA-BPC-015	Jan - Oct 2020	40,000.00	It didn't have a purchase order, a receipt, and a signed contract
2.	2211	2020 CA-BPC-108	Jan - Mar 2020	20,916.68	It didn't have a purchase order and a receipt
3.	2211	2020 CA-BPC-109	Jan - Sep 2020	149,760.00	It didn't have a purchase order and a receipt
4.	2211	2020 CA-BPC-110	Jan - Oct 2020	90,000.00	It didn't have a purchase order, a receipt, and a signed contract
5.	2211	2020 CA-BPC-111	Apr - Oct 2020	18,635.00	It didn't have a purchase order, a receipt, and a signed contract
6.	2211	2020 CA-BPC-112	Apr - Oct 2020	29,865.92	It didn't have a purchase order and a receipt
7.	2212	Individual	Jan - May 2020	140,800.00	It didn't have a purchase order and invoice and a receipt
<b>TOTAL</b>				<b>1,917,841.90</b>	

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
8.	2212	2020 CA-BPC-114	Jan - Dec 2020	613,200.00	It didn't have a purchase order and a receipt
9.	2213	2020 CA-BPC-115	Jan - Oct 2020	336,760.00	It didn't have a purchase order and a receipt
10.	2214	2020 CA-BPC-116	June 2020	19,960.00	It didn't have a purchase order and a receipt
11.	2214	2020 CA-BPC-112	Jan - Aug 2020	49,720.00	It didn't have a purchase order and a receipt
12.	2215	2020 CA-BPC-118	January 2020	4,020.00	It didn't have a purchase order and a receipt
13.	2215	2020 CA-BPC-112	Feb - Apr 2020	8,102.00	It didn't have a purchase order and a receipt
14.	2215	2020 CA-BPC-118	May - Aug 2020	11,783.90	It didn't have a purchase order and a receipt
15.	2222	2020 CA-BPC-120	Jan - Feb 2020	3,030.00	It didn't have a purchase order, a receipt, and a signed contract
16.	2222	2020 CA-BPC-121	Mar - Aug 2020	7,515.00	It didn't have a purchase order, a receipt, and a signed contract
17.	2255	2020 CA-BPC-121	Jan - Aug 2020	19,800.00	It didn't have a purchase order, a receipt, and a signed contract
18.	2256	2020 CA-BPC-126	Jan - Aug 2020	166,000.00	It didn't have a purchase order and a receipt
19.	2261	2020 CA-BPC-126	Jan - Oct 2020	130,000.00	It didn't have a purchase order and a receipt
20.	2314	2020 CA-BPC-126	Jun 2020	57,973.40	It didn't have a purchase order and a receipt
<b>TOTAL</b>				<b>1,917,841.90</b>	

Table 18.1 Unsupported expenditure - running costs

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-122	Mar	6,340.00
<b>TOTAL</b>				<b>6,340.00</b>

Table 18.2 Unsupported expenditure - travel costs

### Recommendations

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them “paid” immediately after payments have been effected to prevent their use in support of further payments.

### **Management response**

*We have accepted this recommendation and will implement it before the next audit on the activities of 2021. Regarding travel expenses, we didn't follow the proper procedure, but we will take corrective measures.*

## **18.2 Procurement and contract management**

### **18.2.1 CRITERIA**

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.

27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### **Observation**

#### **A. Failure to prepare an annual procurement plan**

During the audit, it was observed that the Ministry of Information, Culture, and Tourism did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### **Recommendation**

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### **Management response**

*We have accepted this recommendation and will make an annual plan based on the National Budget.*

### **18.2.2 CRITERIA**

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### **Observation**

#### **A. Contracts totaling US \$744,742.60 were not registered with OAGS**

During the audit exercise, while analyzing the documents availed for audit scrutiny, it was observed that seven (7) contracts worth **US \$744,742.60** were not registered with the Office of the Auditor General. Consequently, the Office of the Auditor General could not exercise prior review control on these contracts in support of expenditure payments that relate to these contracts. Details are shown in the table below:



NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-108	General services	3 months	20,916.68
2.	2020 CA-BPC-111	Special Services	7 months	166,000.00
3.	2020 CA-BPC-015	Internet services	1 year	48,000.00
4.	2020 CA-BPC-101	Oil	10 months	336,760.00
5.	2020 CA-BPC-109	General services	10 months	83,200.00
6.	2020 CA-BPC-111	Other expenses	10 months	60,000.00
7.	2020 CA-BPC-112	General services	6 months	29,865.92
<b>TOTAL</b>				<b>744,742.60</b>

Table 18.3 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*We have accepted the recommendation and apart from the Satellite agreement which we have already registered with the Office of the Auditor General, we will instruct our officials working in the Department of Administration and Finance of the Ministry to register with the Office of the Auditor General the remaining unregistered contracts.*

### 18.2.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Ministry of Information prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write its local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

*We have accepted this recommendation and the Ministry will write local agreements in Somali to comply with Article 14 of the National Procurement Act, 2016 and the recommendations of the Office of the Auditor General.*

## 18.3 Asset management

### 18.3.1 CRITERIA

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power "to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act"

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observations**

#### **A. Lack of asset management policies and procedures**

It was observed the Ministry of Information did not have an approved policy and procedures on management and accounting for the assets.

#### **B. Failure to maintain an up-to-date asset register**

The management did not maintain an asset register consisting of the asset descriptions, serial/tag numbers, value at purchase and condition, etc.

Additionally, the physical verification revealed that all assets were not tagged with unique identification numbers for control and monitoring purposes.

Furthermore, assets were not registered with the Office of the Auditor General as required by the PFM Act.

### **Recommendations**

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Information to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The Ministry of Information and or the Ministry of Finance should conduct periodic physical verification of assets of the Ministry and update the asset register.

Management of the Ministry of Information should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### **Management response**

*Indeed, the Asset Register has not been updated and this was due to the renovation of the Ministry which has resulted in the relocation of various Offices into different offices.*

## **18.4 Audit follow up**

### **18.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT**

There is no follow-up concerning the correction of errors identified previously as this year is the first time of conducting a compliance audit of the Ministry of Information.



# 19. National Communications Authority

## 19.1 Procurement and contract management

### 19.1.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the National Communications Authority did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the National Procurement Act, the National Communications Authority should prepare annual procurement plan based on the approved annual budget of the entity.

### Management response

*We recognize the importance of preparing an Annual Procurement Plan in accordance with the National Procurement Act and we will implement the recommendation.*

### 19.1.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$115,330.00 were not registered with OAGS

During the audit exercise, it was observed that the National Communications Authority entered into several procurement contracts with a total value of **US \$115,330.00**.

However, none of these contracts were registered with the OAGS contrary to the above laws. Consequently, the Office of the Auditor General could not perform prior control review on these contracts against which payments might have been during the year.

A summary of these contracts in question is presented in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-127	Service provision	9 months	28,330.00
2.	2020 CA-BPC-128	Petrol and lubricant	9 months	15,000.00
3.	Individual	Rental service	1 year	48,000.00
4.	Individual	Rental service	1 year	24,000.00
<b>TOTAL</b>				<b>115,330.00</b>

Table 19.1 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

The National Communications Authority has submitted all contracts entered into with companies to the Office of the Accountant General as part of the completion of the procurement process. The Authority also requested the OAG to register the above contracts, but we have been informed by the OAG that it doesn't register expired contracts.

### 19.1.3 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the National Communications Authority prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

We are in the process of drafting all contracts and agreements in Somali language. We will implement this recommendation.

## 19.2 Asset management

### 19.2.1 CRITERIA

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power "to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act"

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observation**

#### **A. Lack of asset management policies and procedures**

It was observed the National Communications Authority did not have an approved policy and procedures on management and accounting for the assets..

### **Recommendations**

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the National Communications Authority to follow.

The entity should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The National Communications Authority and or the Ministry of Finance should conduct periodic physical verification of assets of the Authority and update the asset register.

Management of the National Communications Authority should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

### **Management response**

*The National Communications Authority has an internal policy that is used for registering all movable and immovable assets procured by the entity and each of such assets is given a specific tag number. All immovable assets procured by the Authority are registered in the*

*Asset Assignment Form in accordance with the procedure established by the Authority.*

*Furthermore, all assets of the Authority are also inspected every six (6) months and the inspection result is shared with the Ministry of Finance's Asset Registration Office.*

### **OAGS response**

The response given by the audited entity is not applicable to the finding mentioned in the Management Letter.

## **19.3 Audit follow up**

### **19.3.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT**

There is no follow-up as this year is the first time for a compliance audit of the National Communications Authority has been conducted.



# 20. Ministry of Public Works, Reconstruction and Housing

## 20.1 Expenditure payment control

### 20.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$2,780.00

During the audit scrutiny, the Ministry of Public Works made several payments without attaching adequate supporting documents.

A summary of the payments are shown in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-074	Sep 2020	1,400.00
2.	2216	2020 CA-BPC-074	Dec 2020	1,380.00
<b>TOTAL</b>				<b>2,780.00</b>

Table 20.1 Unsupported expenditure - unsupported expenditure

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

*We agree with the OAGS that boarding passes were not provided after travels made by our guests from the Federal Member States or Ministers, but we will make sure this issue is resolved in future travels.*



## 20.2 Procurement and contract management

### 20.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Ministry of Public Works did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

*There is no reliable budget that is monthly receivable as per the national budget. However, we receive only six (6) months out of the 12 months budget approved for the Ministry. As a result, there was no annual procurement plan prepared by the entity. However, we will implement an annual entity procurement plan for future audits.*

### 20.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 states all grant agreements, contracts and including MoUs relating to external assistance with state institutions, federal member state governments, and government-owned business entities are to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 empowers the Auditor General to register contracts and agreements entered by government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 states that all public entities should register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$948,925.00 were not registered with OAGS

During the year under review, the Ministry of Public Works entered into various procurement contracts amounting to a total of **US \$948,925.00** without registering them with the Office of the Auditor General..

Consequently, the Office of the Auditor General could not perform prior control review on these contracts against which payments might have made during the year under review.

A list of these contracts is presented in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-189	Service	10 months	20,000.00
2.	2020 CA-BPC-190	Goods	10 months	25,000.00
3.	2020 CA-BPC-176	Goods	10 months	10,000.00
4.	2020 CA-BPC-191	Goods	10 months	25,000.00
5.	2020 CA-BPC-192	Goods	One off	17,040.00
6.	2020 CA-BPC-191	Goods	One off	25,685.00
7.	2020 CA-BPC-193	Service (Office Rent)	1 year	61,860.00
8.	Consultant	Service	2 years	276,000.00
9.	Consultant	Service	4 months	24,460.00
10.	Consultant	Service	1 year	140,000.00
11.	Consultant	Service	1 year	142,000.00
12.	Consultant	Service	1 year	140,000.00
13.	Consultant	Service	1 year	41,880.00
<b>TOTAL</b>				<b>948,925.00</b>

**Table 20.2** Contracts not registered with the OAGS

### **Recommendation**

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### **Management response**

*As stated in the OAGS' letter ref. XHG/HG098/2021, dated 14/06/2021 which was to inform the Ministry that there is a legal requirement to register contracts/agreements with the OAGS; we concur with the OAGS that we did not register contracts during 2020. However, it is the first time we are receiving such a letter from the OAGS, and we acknowledge that we will register contracts/agreements in the future. Also attached are all the agreements for 2021, of which we would like to request you to register.*

### **OAGS response**

The Ministry is reminded to register all its contracts and agreements with the Office of the Auditor General soon after they have been by responsible parties. Late submissions are not permitted.

### **20.2.3 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observation**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Ministry of Public Works prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

## Recommendation

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

## Management response

*The Ministry of Public Works concurs to write all its local contracts in the local language..*

## 20.3 Asset management

### 20.1 CRITERIA

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power "to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act".

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observation

#### A. Lack of asset management policies and procedures

It was observed the Ministry of Public Works did not have an approved policy and procedures on management and accounting for the assets.

#### B. Vehicles not registered in the name of the entity

During the audit, it was observed that there were seven (7) vehicles reportedly belonging to the Ministry of Public Works. However, none of these vehicles were registered in the name of the Ministry, and there were no vehicle ownership books.

A list of the vehicles is provided in the table below:

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	Toyota Hilux Double Cabin	GIZ	Not availed for audit	It is not physically verified and not registered in the name of the entity.
2.	Toyota Hilux Double Cabin	GIZ	AHTKK8CO700670805	Not registered in the name of the entity.
3.	Toyota Hilux Double Cabin	GIZ	AHTKK8CD900676806	Not registered in the name of the entity.
4.	Toyota Hilux Double Cabin	GIZ	Not availed for audit	It is not physically verified and not registered in the name of the entity.
5.	Toyota Hilux Double Cabin	GIZ	Not availed for audit	It is not physically verified and not registered in the name of the entity.
6.	Toyota Hilux Double Cabin	GIZ	Not availed for audit	It is not physically verified and not registered in the name of the entity.

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
7.	Toyota Hilux Double Cabin	GIZ	Not availed for audit	It is not physically verified and not registered in the name of the entity.

**Table 20.3** Vehicle management

### Recommendations

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Public Works to follow.

The Ministry of Public Works should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The Ministry of Public Works and or the Ministry of Finance should conduct periodic physical verification of assets of the Ministry and update the asset register.

Management of the Ministry of Public Works should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

All vehicles should have logbooks, vehicle ownership books registered in the name of the Ministry of Public Works and stored safely by a senior responsible official.

### Management response

*Since the Ministry of Finance is responsible for asset registration, we have registered our assets (used or redundant) with the National Asset Registration Office of the Ministry of Finance.*

- *The Ministry has prepared:*
- *National Housing Policy*
- *National Housing Guidelines*
- *Property Registration and Mapping System*

*All these above-named documents are ready to be submitted to the Council of Ministers for approval. You may also see their attachments herein which are in both Somali and English language.*

*We shared with the OAGS all about the entity vehicles before the audit. We also shared with the OAGS entity vehicles taken away by former Ministry officials and the need to return them for the entity since these concerned vehicles are public assets. Likewise, we are aware that the OAGS had set a deadline of 14 days for the return of the vehicles to the control of the Ministry of Public Works, but we confirm there was no vehicle being returned. The Ministry will act upon the OAGS recommendation to register entity vehicles as entity owned.*

## 20.4 Use of country system for external support

### 20.4.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).

38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

### Observation

#### A. Donor funds of US \$7,863,000.00 to the Ministry during the year was neither included in the national budget nor was it on-treasury

During the audit exercise, it was observed that the Ministry of Public Works received US \$ 7,863,000.00 for two (2) major projects that it implemented during the year.

The funds for these projects were not included in the approved national budget and did not go through the country's financial system.

NO.	PROJECT NAME	SPONSOR/DONOR	DURATION	BUDGETED AMOUNT US \$	AMOUNT USED US \$
1.	Somali Strengthening Intuitions for Public Works Project (SSIPWP)	AFDB/UNOPS	2017-2020	7,800,000.00	7,800,000.00
2.	Somalia National Land/Urban Policy Project	UNHABITAT	2020-2021	63,000.00	19,197.00
<b>TOTAL</b>				<b>7,863,000.00</b>	<b>7,819,197.00</b>

Table 20.4 Donations not channeled through the public financial system

### Recommendations

All donations received by the entity should be included in the national budget and payments related to these should be conducted through the Somali Financial Management Information System (SFMIS).

All agreements entered into by the entity in connection with the grant should be co-signed by the Minister of Finance in accordance with the law and be registered with the Office of the Auditor General.

### Management response

*Project SSIPWP was directly implemented by the UNOPS and at the same time it was the executing agency, therefore, the Ministry had no role in any of the payments processed nor were they processed within the SFMIS. This project was signed in 2017 - completed in March 2021 and without the completion of the project remaining expenditures were sent back to donor AFDB and this was per the signed agreement between the AFDB and the Ministry of Finance. All responsibility of this concerned project remains with the UNOPS.*

*Somali National Land/Urban Policy Project expenditure was US \$63,000 as per the signed*

*agreement with the UN-HABITAT and only \$19,000USD was received which was spent on salaries for the expatriate staff.*

- *The development of the Somali National Land and Urban Policy, and*
- *Skill training for the Ministry staff.*

### **OAGS response**

The external assistance from both the AfDB and the UN-HABITAT ought to have been on-budget and on-treasury. Management of the Ministry should follow the requirements of the PFM Act.

## **20.5 Audit follow up**

### **20.5.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT**

There is no follow-up since this first year of conducting a compliance audit of the Ministry of Public Works.



# 21. Ministry of Transport and Civil Aviation

## 21.1 Procurement and contract management

### 21.1.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.

27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Ministry of Transport and Civil Aviation did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

### Management response

The Ministry did not respond in writing to the findings in the management letter shared with them.

### 21.1.2 CRITERIA

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### Observation

#### A. Failure to prepare local contract in Somali language

During the audit process, we discovered that management of the Ministry of Transport and Civil Aviation prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### Recommendation

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### Management response

The audited Ministry has not responded in writing to the findings in the management letter shared with them.



## 21.2 Asset management

### 21.2.1 CRITERIA

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power “to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act”.

#### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

#### Observation

##### A. Lack of asset management policies and procedures

It was observed the Ministry of Transport and Civil Aviation did not have an approved policy and procedures on management and accounting for the assets.

#### Recommendation

A comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented.

The Ministry of Finance should take the lead in developing policy guidelines and procedures for all ministries, departments, and agencies including the Ministry of Transport and Civil Aviation to follow.

The Ministry of Transport and Civil Aviation should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated periodically.

The Ministry of Transport and Civil Aviation and or the Ministry of Finance should conduct periodic physical verification of assets of the Ministry and update the asset register.

Management of the Ministry of Transport and Civil Aviation should register all assets with the Office of the Auditor General in accordance with PFM Act within the quickest time possible.

#### Management response

*We are now in the process of establishing a policy for the management of movable and immovable assets of the Ministry of Transport and Civil Aviation.*

## 21.3 Audit follow up

### 21.3.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	28.1.1. Irregularities in the collection and use of revenue	Recommendations implemented

NO.	FINDINGS	STATUS
2.	28.2.1. Unsupported payments - running costs	Recommendations implemented
3.	28.2.2. Unsupported payments - travel costs	Recommendations implemented
4.	28.3.1. Lack of asset management policies and procedures	Recommendations not implemented
5.	28.3.2. Failure to maintain an up-to-date the Asset Register	Recommendations implemented
6.	28.4.1. Failure to Register Contracts with the OAGS	Recommendations implemented
7.	28.4.2. Failure to Write Local Contracts in Somali Language	Recommendations not implemented
8.	28.5.1. Failure to Carry out Internal Audit Functions	Recommendations not implemented

Table 21.1 2019 audit follow up

### 21.3.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	6.2.1. Payments lacked adequate supporting documents	Recommendation not implemented
2.	6.2.3. Payments for overseas travels were not adequately supported	Recommendation implemented
3.	6.2.4. Revenues collected by the Ministry was used at source	Recommendation not implemented
4.	6.3.1. There is no fixed asset register	Recommendation partially implemented
5.	6.3.2. There is no fixed asset management policy guidelines & procedures	Recommendation not implemented
6.	6.4.1. Contracts were not registered with OAGS	Recommendation not implemented
7.	6.5.1. Regularity of internal audit	Recommendation partially implemented

Table 21.2 2018 audit follow up



# 22. Somali Civil Aviation Authority

## 22.1 Expenditure payment control

### 22.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observations

#### A. Unsupported expenditure payments totaling US \$35,714.09

During the audit exercise, it was noted that the Somali Civil Aviation Authority disbursed payments for travel and running costs amounting to **US \$35,714.09** without attaching relevant supporting documents.

A summary of these payments is shown in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	2313	2020 CA-BPC-130	Mar & Jun	20,083.34	It didn't have purchase orders, signed contracts, goods received notes, and receipts
<b>TOTAL</b>				<b>20,083.34</b>	

Table 22.1 Unsupported expenditure - running costs

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-131	Jan - Mar	7,000.00
2.	2216	2020 CA-BPC-132	Jan - Mar	4,454.75
3.	2216	Individuals	Jan - Mar	4,176.00
<b>TOTAL</b>				<b>15,630.75</b>

Table 22.2 Unsupported expenditure - travel costs

## Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

## Management response

Management of Somali Civil Aviation Authority did not provide a response to the management that was shared with them.

## 22.2 Procurement and contract management

### 22.2.1 CRITERIA

Article 31 (1) and (9) National Procurement Act of 2016 states as follows:

31(1) The procuring entity shall preserve all documentation relating to each procurement contract and its proceedings and maintained or kept in accordance with applicable rules for archiving of government documents, which at minimum shall be kept for a period of six (6) years following the date of completion of the procurement contract, or from the date of rejection of all bids or cancellation of the proceeding, as the case may be.

31(9) The procuring entity shall maintain all records and documents shall be made available for inspection by the Procurement Authority; Anti-Corruption Commission; Auditor General, the Parliamentarian Committee responsible for oversight of the implementation of national laws, and any other government office that is entrusted with such responsibility.

## Observation

### A. Failure to prepare, retain and provide for audit procurement documents

During the audit, it was observed that goods and services worth **US \$519,583.75** were procured by the Somali Civil Aviation Authority. However, management failed to provide procurement records and documents for audit.

A summary of procurements that were not made available for audit is shown below:

NO.	COMPANY NAME	TYPES OF GOODS/SERVICES	TIME FRAME	AMOUNT US \$
1.	2020 CA-BPC-133	Goods	1 month	4,635.00
2.	2020 CA-BPC-094	Fuel	1 year	68,121.00
3.	2020 CA-BPC-134	Office goods	once	68,121.00
4.	2020 CA-BPC-135	Travel services	5 months	15,000.00
5.	2020 CA-BPC-136	Goods	2 months	66,475.00
6.	2020 CA-BPC-138	Construction	2 months	79,417.00
<b>TOTAL</b>				<b>519,583.75</b>

NO.	COMPANY NAME	TYPES OF GOODS/SERVICES	TIME FRAME	AMOUNT US \$
7.	2020 CA-BPC-137	Construction	20 days	25,010.00
8.	2020 CA-BPC-138	Construction	Once	39,817.75
9.	2020 CA-BPC-139	Office goods	Once	9,235.00
10.	2020 CA-BPC-140	Office goods	Once	33,965.00
11.	2020 CA-BPC-141	Services	5 years	82,200.00
12.	2020 CA-BPC-142	Office goods	Once	27,587.00
<b>TOTAL</b>				<b>519,583.75</b>

Table 22.3 Non-disclosure of records and procurement reports

### Recommendations

As required by the procurement law, the Somali Civil Aviation Authority should prepare an annual audit plan based on its approved annual budget.

The Authorizing/Accounting Officer of the Authority should establish a procurement unit as per the law.

The management of the Authority should prepare and archive all procurement records and documents, and make them available for audit purposes as well.

### Management response

Management of Somali Civil Aviation Authority did not provide a response to the management that was shared with them.

### 22.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 requires all grant agreements with state institutions, federal member state governments, and government-owned business entities to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 requires the Auditor General to register contracts and agreements entered by Government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 requires all public entities to register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$519,583.75 were not registered with OAGS

During the audit exercise, it was observed that the Somali Civil Aviation Authority entered into contracts with various companies for the procurement of goods and services amounting to **US \$519,583.75**.

However, none of the contracts were registered with the Office of the Auditor General. Additionally, the OAGS could not perform prior control review of the contracts against which payments might be made during the year under review.

A summary of the contracts in question is shown in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-133	Goods	1 month	4,635.00
2.	2020 CA-BPC-094	Oil and Lubricant	1 year	68,121.00
3.	2020 CA-BPC-134	Office equipment	Single transaction	68,121.00
4.	2020 CA-BPC-135	Travel services	1 month	15,000.00
5.	2020 CA-BPC-136	Goods	2 months	66,475.00
6.	2020 CA-BPC-138	Construction	2 months	79,417.00
7.	2020 CA-BPC-137	Construction	20 days	25,010.00
8.	2020 CA-BPC-138	Construction	Single transaction	39,817.75
9.	2020 CA-BPC-139	Office equipment	Single transaction	9,235.00
10.	2020 CA-BPC-140	Office equipment	Single transaction	33,965.00
11.	2020 CA-BPC-141	Services	5 years	82,200.00
12.	2020 CA-BPC-142	Office equipment	Single transaction	27,587.00
<b>TOTAL</b>				<b>519,583.75</b>

Table 22.4 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

Management of Somali Civil Aviation Authority did not provide a response to the management that was shared with them.

## 22.3 Asset management

### 22.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act”

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

## Observation

### A. Lack of asset management policies and procedures

During the audit, it was observed that the Somali Civil Aviation Authority did not have an approved policy and procedure for asset management, storage and accounting.

## Recommendation

The management should develop and implement comprehensive policy guidelines and procedures for the management, control, and reporting of assets.

## Management response

Management of Somali Civil Aviation Authority did not provide a response to the management that was shared with them.

## 22.4 Audit follow up

### 22.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO	FINDINGS	STATUS
1.	29.1.1. Failure to submit Annual Financial Statement for audit	Recommendations not implemented
2.	29.2.1. Irregularities in the collection and use of revenue	Recommendations implemented
3.	29.3.1. Lack of asset management policies and procedures	Recommendations not implemented
4.	29.4.1. Failure to register contracts with the OAGS	Recommendations not implemented
5.	29.4.2. Failure to write local contracts in Somali language	Recommendations not implemented
6.	29.5.1. Failure to carry out internal audit functions	Recommendations implemented

Table 22.5 2019 audit follow up

### 21.3.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDINGS	STATUS
1.	12.1.1. No annual accounts submitted for audit	Recommendation not implemented
2.	12.3.2. There is no fixed asset management policy guidelines & procedures	Recommendation not implemented
3.	12.4.1. Contracts were not registered with the OAGS	Recommendation not implemented
4.	12.5.1. There is no regularity of internal audit	Recommendation partially implemented
5.	12.6.1. SCAA did not follow procurement law	Recommendation partially implemented

Table 22.6 2018 audit follow up







## **IV. SOCIAL SERVICE SECTOR**



# 23. Ministry of Education and Higher Education

## 23.1.1 Expenditure payment control

### 23.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observation

#### A. Unsupported expenditure payments totaling US \$669,555.00

During the audit, it was observed the Ministry of Education made payments amounting to **US \$669,555.00** without attaching adequate supporting documents

A summary of the payments is listed in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	2213	2020 CA-BPC-143	Mar - Apr 2020	5,500.00	Payment receipts were not available
2.	2214	2020 CA-BPC-144	Mar - May & Aug 2020	6,303.00	Payment receipts were not available
3.	2215	2020 CA-BPC-144	Mar, May & Aug 2020	6,512.00	Payment receipts were not available
4.	2211	2020 CA-BPC-015	Mar, May & Aug 2020	8,160.00	Payment receipts were not available
5.	2214	2020 CA-BPC-145	Mar, Apr & Aug 2020	4,380.00	Payment receipts were not available
6.	2221	2020 CA-BPC-146	April, May & Jun 2020	441,950.00	Payment receipts were not available
		2020 CA-BPC-147	April, June & Jul 2020	72,224.00	Payment receipts were not available
		2020 CA-BPC-148	Jun 2020	32,930.00	Payment receipts were not available
		2020 CA-BPC-149	Jun 2020	19,679.00	Payment receipts were not available
		2020 CA-BPC-150	Jun 2020	71,917.00	Payment receipts were not available
<b>TOTAL</b>				<b>669,555.00</b>	

Table 23.1 Unsupported expenditure - unsupported payments

## **Recommendation**

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

## **Management response**

*The Ministry declares that all payments have been made through the SFMIS which is then disbursed by the Central Bank. The Central Bank does not notify the Ministry that the money has been paid which means that the Ministry has difficulties in getting payments receipts from the companies, nor does the SFMIS allows us to find out if the money has been disbursed and doesn't provide a section in which we can print proof that the beneficiary has received the payment.*

*This challenge is common to all Federal Institutions and to resolve this, the Ministry met with the Central Bank on 12 June 2021 and confirmed that the Bank doesn't have a system in place to allow Government agencies to receive proof of payments made.*

*The issue of payment receipts is therefore beyond our authority and can be resolved by changing and improving the overall financial system of the country and improving the ability of Government institutions to exchange information.*

*Attached below are the points & the information of the meeting between the Ministry, the Central Bank, and Save the Children which is implementing the GPE Project with the Ministry.*

## **23.2 Procurement and contract management**

### **23.2.1 CRITERIA**

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

Article 61 (1) and (2) National Procurement Act of 2016 states as follows:

- 61(1) Each procuring entity shall establish a Procurement Unit under this Act.
- 61(2) The Accounting Officer (Authorizing Officer) shall determine the composition of the Procurement Unit, which shall be staffed with at least one (1) person trained and knowledgeable in procurement.

Article 31 (1) and (9) National Procurement Act of 2016 states as follows:

- 31(1) The procuring entity shall preserve all documentation relating to each procurement contract and its proceedings and maintained or kept in accordance with applicable rules for archiving of government documents, which at minimum shall be kept for a period of six (6) years following the date of completion of the procurement contract, or from the date of rejection of all bids or cancellation of the proceeding, as the case may be.

31(9) The procuring entity shall maintain all records and documents shall be made available for inspection by the Procurement Authority; Anti-Corruption Commission; Auditor General, the Parliamentarian Committee responsible for oversight of the implementation of national laws, and any other government office that is entrusted with such responsibility.

## Observations

### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Ministry of Education did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### B. Failure to establish a procurement unit

During the audit, the audit observed that the Accounting Officer (Authorizing Officer) did not establish a procurement unit responsible for conducting procurements of the entity contrary to the requirements of the National Procurement Act of 2016.

### C. Failure to maintain procurement records and documentation by each procurement

It was observed during the audit that the Ministry of Education procured goods and services worth **US \$290,325.00**. However, the Ministry failed to produce all the procurement related documentation for audit scrutiny.

A summary of these procurements is listed in the table below:

NO.	COMPANY NAME	TYPE OF PROCUREMENT	CONTRACT DURATION	AMOUNT US \$
1.	2020 CA-BPC-146	Goods	Apr 2020	99,000.00
2.	2020 CA-BPC-160	Services	15 Aug 2020	74,997.00
3.	2020 CA-BPC-160	Services	9 Aug 2020	81,328.00
4.	2020 CA-BPC-151	Goods	Mar - Apr 2020	35,000.00
<b>TOTAL</b>				<b>290,325.00</b>

Table 23.2 Non-disclosure of records and procurement reports

## Recommendations

As required by the procurement law, the Ministry of Education should prepare an annual procurement plan based on annual budget.

The Authorizing (Accounting Officer) should establish a procurement unit within the Ministry as per the law.

The management of the Ministry of Education should maintain, for each procurement, all records and documents as stipulated in the law.

## Management response

*The ministry has an annual procurement plan which is intended for projects managed by the Ministry and the annual procurement plan for the national budget is available in detailed form in the SFMIS.*

## OAGS response

It is the responsibility of the Ministry to prepare an annual procurement plan each year based on its approved annual budget.

### 23.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 requires all grant agreements with state institutions, federal member state governments, and government-owned business entities to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 requires the Auditor General to register contracts and agreements entered by Government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 requires all public entities to register contracts and agreements with the OAGS.

### Observation

#### A. Contracts totaling US \$845,169.00 were not registered with OAGS

It was observed that the Ministry did not register several contracts with a total value of **US \$845,169.50** with the Office of the Auditor General during the year under review.

Consequently, The Office could not perform prior control review of the contracts against which payments might have been during the course of the year.

A summary of the contracts is shown in the table below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-152	Provision of Office equipment	13 months	19,679.00
2.	2020 CA-BPC-153	Provision of Office equipment	1 month	21,060.00
3.	2020 CA-BPC-015	Provision of internet service	2 months	24,480.00
4.	2020 CA-BPC-154	Provision of technical service	2 months	35,000.00
5.	2020 CA-BPC-155	Printing of response books	1 month	33,950.00
6.	2020 CA-BPC-155	Printing of response books	1 month	99,000.00
7.	2020 CA-BPC-156	Provision of food items	9 months	99,000.00
8.	2020 CA-BPC-157	Renovation equipment	1 month	13,085.00
9.	2020 CA-BPC-158	Travel service	1 year	100,000.00
10.	2020 CA-BPC-159	Travel service	1 year	100,000.00
11.	2020 CA-BPC-160	Renovation equipment	1 month	81,328.80
12.	2020 CA-BPC-161	Renovation equipment	1 month	74,997.22
13.	2020 CA-BPC-162	Renovation equipment	1 month	41,673.98
14.	2020 CA-BPC-163	Provision of food items	1 month	29,998.00
15.	2020 CA-BPC-164	Provision of Office equipment	1 month	71,917.50
<b>TOTAL</b>				<b>845,169.50</b>

Table 23.3 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### **Management response**

*Entering of contracts where the value of the contract is less than \$ 40,000 is done through the Three Quotation Method, not the Open Tendering Process and usually through Purchase Order. We have submitted the contracts where the cost of the contract exceeded the \$ 40,000 limit to the Office of the Auditor General for registration.*

*There is a misunderstanding of the contract registration system that existed last year and the reminders on this issue have not been addressed to departments that are engaged in the work. In 2021 we have solved this problem and registered all contracts entered by the Ministry in accordance with the registration process of government contracts.*

### **OAG response**

Irrespective of the of the procurement threshold, all contracts are to be registered with OAG in accordance with the PFM and National Procurement Acts. The contracts should be registered as soon as they are signed with the parties.

### **23.2.3 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observation**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Ministry of Education prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### **Recommendation**

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### **Management response**

*In accordance with the National Procurement Act, the Ministry will write its local agreements in Somali.*

## **23.3 Asset management**

### **23.3.1 CRITERIA**

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power "to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act"

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observation**

#### **A. Lack of asset management policies and procedures**

It was observed the Ministry of Education did not have an approved policy and procedures on management and accounting for the assets.



## Recommendations

In close consultation with the Ministry of Finance, a comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets should be developed and implemented by the entity.

The Ministry of Finance should take the lead in developing these policy guidelines and procedures for all MDAs including the Ministry of Education to follow.

## Management response

*The Ministry has the procedure and policy for managing its assets according to pages 16-18 of the Ministry's financial management system.*

## OAGS response

The auditors have seen pages 16-18 of the (Annex 7 Financial Manual). The provisions in these pages do not adequately deal with the management of the Ministry's assets.

## 23.4 Audit follow up

### 23.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	32.1.1. Unsupported payments - running costs	Recommendations not implemented
2.	32.2.1. Lack of asset management policies and procedures	Recommendations implemented
3.	32.3.1. Failure to write local contracts in Somali language	Recommendations not implemented
4.	32.4.1. Failure to carry out internal audit functions	Recommendations not implemented

Table 23.4 2019 audit follow up

### 23.4.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

NO.	FINDING	STATUS
1.	10.2.1. Running costs do not have adequate supporting documents	Recommendation not implemented
2.	10.3.2. There is no fixed asset management policy guidelines & procedures	Recommendation partially implemented
3.	10.4.1. There are no formal contracts or memorandum with private individuals for management of government owned schools	Recommendation not implemented
4.	10.5.1. There was no internal audit function in the Ministry	Recommendation partially implemented

Table 23.5 2018 audit follow up

# 24. Ministry of Youth and Sports

## 24.1 Expenditure payment control

### 24.1. CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observations

#### A. Unsupported expenditure payments totaling US \$260,561.00

During the audit exercise, it was observed that the Ministry of Youth and Sports made several payments related to running and travel costs amounting to **US \$260,561.00** without adequate supporting documents.

A summary of the expenditures is shown in the table below:

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	2211	2020 CA-BPC-176	Feb - May 2020	6,316.00	It didn't have a payment receipt and a contract
2.	2211	2020 CA-BPC-177	Jan 2020	1,515.00	It didn't have a payment receipt and a contract
3.	2211	2020 CA-BPC-178	Jan - Apr 2020	4,662.00	It didn't have a payment receipt and a contract
4.	2213	2020 CA-BPC-179	Jan - May 2020	7,500.00	It didn't have a payment receipt and the details of the vehicle given the petrol
5.	2214	2020 CA-BPC-177	Jan 2020	1,000.00	It didn't have a payment receipt and a contract
6.	2214	2020 CA-BPC-176	Jan - May 2020	3,997.00	It didn't have a payment receipt and a contract
7.	2215	2020 CA-BPC-176	Jan - May 2020	45,455.00	It didn't have a payment receipt
8.	2215	2020 CA-BPC-180	Jan 2020	1,500.00	It didn't have a payment receipt
<b>TOTAL</b>				<b>71,945.00</b>	

Table 24.1 Unsupported expenditure - running costs

NO.	SUB-HEAD	MONTH	AMOUNT IN US \$	COMMENTS
1.	2020 CA-BPC-181	May, Jul & Oct 2020	44,300.00	It didn't have a purchase order, a list of the participants, and a contract.
2.	2020 CA-BPC-182	Nov 2020	7,000.00	It didn't have a purchase order, a list of the participants, and a contract.
3.	2020 CA-BPC-183	May - Dec 2020	12,550.00	It didn't have a purchase order, a list of the participants, and a contract.
4.	2020 CA-BPC-184	Oct - Dec 2020	34,100.00	It didn't have a purchase order, a list of the participants, and a contract.
5.	2020 CA-BPC-185	Feb 2020	50,000.00	It had no supporting documents.
6.	2020 CA-BPC-186	Feb 2020	25,000.00	It had no supporting documents.
7.	2020 CA-BPC-184	Feb 2020	12,000.00	It didn't have a purchase order, a list of the participants a contract.
<b>TOTAL</b>			<b>184,950.00</b>	

Table 24.2 Unsupported expenditure - travel costs

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$
1.	2216	2020 CA-BPC-187	Jan - Feb 2020	3,666.00
<b>TOTAL</b>				<b>3,666.00</b>

Table 24.3 Unsupported expenditure - grants

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

*Although some of the supporting documents have contracts and others have justification letters attached, we will attach complete supporting documents in the year 2021. As a Ministry, in the year 2021 we will stamp payments as (PAID), we will also share with the OAG Ministry signed contracts. We recommend that the OAG check whether we resolve this issue or not for 2021 audits.*

## 24.2 Procurement and contract management

### 24.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.

27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

**Observation**

**A. Failure to prepare an annual procurement plan**

During the audit, it was observed that the Ministry of Youth and Sports did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

**Recommendations**

As required by the National Procurement Act, the Ministry of Youth and Sports should prepare annual procurement plan based on the approved annual budget of the entity.

**Management response**

*The Ministry had made expenditure plans to purchase expensive equipment's excluding the running costs. The Ministry will make necessary plan in the year 2021. We recommend that the OAG check whether we resolve this issue or not for 2021 audits.*

**24.2.2 CRITERIA**

Article 38 (5) of the PFM Act 2019 requires all grant agreements with state institutions, federal member state governments, and government-owned business entities to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 requires the Auditor General to register contracts and agreements entered by Government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 requires all public entities to register contracts and agreements with the OAGS.

**Observation**

**A. Contracts totaling US \$280,458.00 were not registered with OAGS**

It was observed that that the Ministry did not register with the Office of the Auditor General contracts with a total value of **US \$280,458.00**.

Consequently, the Office of the Auditor Could not perform a prior control review of the contracts against which payments might have been made during the course of the year.

A summary of these contracts is are listed in the table below:

NO.	CONTRACTOR	CONTRACT PURPOSE	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-187	Office equipment	11 Months	16,500.00
2.	2020 CA-BPC-179	Petrol	1 year	18,000.00
3.	2020 CA-BPC-176	Furnishing of a house	1 Month	39,458.00
4.	UNFPA	Awareness and skill development Training	1 year	206,500.00
<b>TOTAL</b>				<b>280,458.00</b>

**Table 24.4** Contracts not registered with the OAGS

### **Recommendation**

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### **Management response**

*The Ministry of Youth and Sports is always ready to observe transference that is necessary to manage government accounts, and likewise, to observe financial management laws. Therefore, we plan to register all procurement contracts with the the OAG before the commitment control.*

*We will also register with the OAG, MOUs with partner organizations. In 2021, the Ministry signed agreement with UNFPA.*

### **24.2.3 CRITERIA**

Article 14 of the National Procurement Act of 2016 requires local contracts to be prepared in Somali language while international contracts are to be prepared in English or Arabic languages.

### **Observations**

#### **A. Failure to prepare local contract in Somali language**

During the audit process, we discovered that management of the Ministry of Youth and Sports prepared local contracts in English rather than in Somali language contrary to the provisions of the law.

### **Recommendation**

The entity should write local contracts and agreements in In Somali language and may prepare the English version as required by the other contracting party.

### **Management response**

*The Ministry of Youth and Sports plans to write its local contracts in the Somali Language during the year 2021, if any, we also plan to write international contracts in the English Language.*

## **24.3 Asset management**

### **24.3.1 CRITERIA**

Article 11(1) (c) of the PFM Act 2019, dealing with the power of the Auditor General states that the Auditor General has the power "to register all laws, agreements, warrants (F16), movable and immovable properties, budget transfers, grants, and any other economic event under this Act"

### **Best practice**

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### **Observations**

#### **A. Lack of asset management policies and procedures**

During the audit, it was observed that the Ministry of Youth and Sports did not have an approved policy and procedure on storage and accounting for its assets, making it impossible to assess the criteria the entity is using in managing, storing, or disposing of the assets.

## B. Failure to maintain an up-to-date asset register

During the audit exercise, it was observed that the Ministry of Youth and Sports did not maintain an up-to-date Asset Register.

Furthermore, there was no evidence that the Ministry conducted periodic physical verifications of its assets.

Based on the sample of fixed assets inspected, they were not tagged with unique identification numbers for control and monitoring.

### Recommendations

In close consultation with the Ministry of Finance, the Ministry should develop and implement comprehensive policy guidelines and procedures for the management, control, and reporting of assets.

The Ministry of Youth and Sports should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the entity are entered into the register and updated.

Management should register all assets with the Office of the Auditor General in accordance with the PFM Act within the quickest time possible.

### Management response

*To implement proper and complete management of the entity assets, the Ministry of Youth and Sports suggests that OAG and the Ministry of Finance share with the Ministry of Youth and Sports asset management policy and procedures.*

*The Ministry is always ready to undertake transparent procedure that can be understood by all Ministry clients. The Ministry shall physically count all entity's goods and equipment and shall update quarterly.*

## 24.4 Opening of bank accounts

### 24.4.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 states as follows:

42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.

9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

### Observation

#### A. A bank account was opened without prior approval

During the audit, it was discovered that management of the Ministry of Youth and Sports opened and operated three (3) bank accounts with Amal Bank without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
1.	Amal Bank	1012129128	\$206,500.00	5,160.00
<b>TOTAL</b>			<b>348,060.00</b>	<b>5,160.30</b>

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN US \$	REMAINING BALANCE US \$
2.	Amal Bank	1013703228	8,000.00	0.00
3.	Amal Bank	1012437869	\$133,560.00	0.30
<b>TOTAL</b>			<b>348,060.00</b>	<b>5,160.30</b>

Table 24.5 Opening and operating unauthorized bank account(s)

### Recommendation

The entity should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

### Management response

*The Ministry of Youth and Sports is a Government entity and its management is always ready to implement financial laws and procedures. These accounts were opened before Law Number 17 of the PFM was enacted and for the time being the Ministry management is ready to act according to the law and we shall notify about these accounts to the relevant authorities.*

## 24.5 Use of country system for external support

### 24.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

- 38(1) All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget).
- 38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the signature of the Minister of Finance.

Additionally, Article 15 (1) of the PFM Act states as follows:

- 15(1) All expenditures of government agencies and foreign-funded projects must be included in the national budget.

### Observations

#### A. Failure to include external assistance of US \$348,060.00 in the national budget

During the audit exercise, it was observed that the Ministry of Youth and Sports received external assistance of **US \$348,060** towards four (4) projects. The funds of these projects were not included in the approved national budget and nor expenditures go through the country's financial system.

NO.	PROJECT NAME	TYPE	AMOUNT USED US \$	BENEFICIARY	THE FOCAL POINT
1.	Awareness and Skill Training	Fund	206,500.00	Skill development for youth	Director General
2.	UN HABITAT	Fund	103,560.00	Conferences	Director General
3.	Youth Peer Network	Fund	30,000.00	Annual youth conference	Director General
4.	SOS Children	Fund	8,000.00	Annual youth conference	Director General
<b>TOTAL</b>			<b>348,060.00</b>		

**Table 24.6** Donations not channeled through the public financial system

### Recommendation

All donations received by the entity should be included in the national budget and payments related to these should be conducted through the Somali Financial Management Information System (SFMIS).

All agreements entered into by the entity in connection with the grant shall be co-signed by the Minister of Finance in accordance with the law and be registered with the Office of the Auditor General.

### Management response

*The Ministry of Youth and Sports is a Government entity and its management is always ready to implement financial laws and procedures.*

*The Ministry receives small activity grants from donors which is channeled through the UNFPA, and in general the Ministry has agreed with the UNFPA to implement activities when UNFPA secures funds for them. Normally, the Ministry of Planning enters National Bi-lateral contracts and the Ministry of Youth and Sports is not part of that. We suggest to the OAG and the Ministry of Planning to jointly coordinate and establish a policy to channel all grants through the Central Bank.*

## 24.5 Audit follow up

### 24.5.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

There is no follow-up as this is the first year of conducting a compliance audit of the Ministry.







## **V. BANADIR REGIONAL ADMINISTRATION**



# 25. Banadir Regional Administration

## 25.1 Expenditure payment control

### 25.1.1 CRITERIA

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure can be made from the National Budget unless there is an invoice or additional proof required as mentioned by the regulations or accounting system.
- 32(4) Any approved expenditure must be attached to all supporting documents as outlined in the Regulations issued by the Minister.

### Best practice

Supporting documents vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts, etc.

### Observations

#### A. Unsupported expenditure payments totaling US \$3,281,269.17

During the audit, it was observed that the management of Banadir Regional Administration made several payments related to running and travel costs amounting to **US \$3,281,269.17** without adequate supporting documents.

A summary of these payments is shown below.

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	132140	2020 CA-BPC-165	2/10/2020	56,000.00	No signed contract, invoice and receipt
<b>TOTAL</b>				<b>56,000.00</b>	

Table 25.1.A Unsupported expenditure - running costs

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
1.	131902	2020 CA-BPC-166	2/7/2020	45,539.00	No signed contract, invoice and receipt
2.	131903	2020 CA-BPC-166	2/7/2020	43,333.00	No signed contract, invoice and receipt
3.	131905	2020 CA-BPC-166	2/7/2020	38,287.00	No signed contract, invoice and receipt
4.	131907	2020 CA-BPC-167	2/7/2020	38,587.50	No invoice and receipt
5.	132485	2020 CA-BPC-167	10/11/2020	77,175.00	No invoice and receipt
6.	132491	2020 CA-BPC-167	10/13/2020	312,225.00	No invoice and receipt
7.	132461	2020 CA-BPC-168	6/1/2020	1,000,000.00	No invoice and receipt
<b>TOTAL</b>				<b>3,219,179.17</b>	

NO.	SUB-HEAD	PAYEE	MONTH	AMOUNT IN US \$	COMMENT
8.	132462	2020 CA-BPC-168	6/15/2020	200,000.00	No invoice and receipt
9.	132483	2020 CA-BPC-168	10/28/2020	499,206.50	No invoice and receipt
10.	132495	2020 CA-BPC-168	11/9/2020	61,179.00	No invoice and receipt
11.	132500	2020 CA-BPC-168	11/17/2020	357,000.00	No invoice and receipt
12.	132455	2020 CA-BPC-169	4/8/2020	300,000.00	No invoice and receipt
13.	132468	2020 CA-BPC-170	9/13/2020	45,000.00	No receipt
14.	132484	2020 CA-BPC-170	10/11/2020	80,000.00	No invoice and a receipt
15.	132467	2020 CA-BPC-109	9/9/2020	33,375.00	No signed contract, invoice and receipt
16.	132479	2020 CA-BPC-171	10/11/2020	88,272.17	No signed contract, invoice and receipt
<b>TOTAL</b>				<b>3,219,179.17</b>	

Table 25.1.B Unsupported expenditure - running costs

NO.	PAYEE	MONTH	AMOUNT IN US \$
1.	2020 CA-BPC-195	Feb 2020	6,090.00
<b>TOTAL</b>			<b>6,090.00</b>

Table 25.2 Unsupported expenditure - travel costs

### Recommendation

All payments are to have attached adequate supporting documents depending on the nature of the transaction. Such payments should be properly authorized by senior responsible officers for goods and services received in accordance with specified terms.

Payment requests together with their respective supporting documents should be cancelled by stamping them "paid" immediately after payments have been effected to prevent their use in support of further payments.

### Management response

The management of the Banadir Regional Administration did not respond to the management shared in writing to the findings in the management letter shared with them.

## 25.2 Procurement and contract management

### 25.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

## Observation

### A. Failure to prepare an annual procurement plan

During the audit, it was observed that the Banadir Regional Administration did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

## Recommendation

As required by the procurement law, approved annual procurement plan should be prepared based on the annual budget.

## Management response

The management of the Banadir Regional Administration did not respond to the management shared d in writing to the findings in the management letter shared with them.

### 25.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 requires all grant agreements with state institutions, federal member state governments, and government-owned business entities to be registered with the Office of the Auditor General.

Additionally, Article 11 (c) of the PFM Act 2019 requires the Auditor General to register contracts and agreements entered by Government entities.

Article 14 (amendment to Article 84) of the National Procurement Act 2020 requires all public entities to register contracts and agreements with the OAGS.

## Observation

### A. Contracts totaling US \$4,744,440.84 were not registered with OAGS

During the year, Banadir Regional Administration entered into several procurement contracts for goods and services of a total value of **US \$4,744,440.84** without registering the contracts with the Office of the Auditor General during the course of the year.

Consequently, the Office of the Auditor General could not perform prior control review of these contracts against which payments might have been made during the year under review.

A summary of these procurement contracts is shown below:

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
1.	2020 CA-BPC-168	Construction of a road	6 months	2,445,283.00
2.	2020 CA-BPC-168	Construction of a road	Not specified	1,000,000.00
3.	2020 CA-BPC-168	Construction of a road	2 months	998,413.00
4.	2020 CA-BPC-172	Rebuilding of Warta Nabadda District Headquarters	17 weeks	300,744.84
5.	2020 CA-BPC-173	Water drainage	2 years	<i>The contract price is not mentioned in the contract</i>
6.	2020 CA-BPC-170	Printing of documents	5 years	<i>The contract price is not mentioned in the contract</i>
<b>TOTAL</b>				<b>4,744,440.84</b>

NO.	CONTRACTOR	PURPOSE OF THE CONTRACT	CONTRACT DURATION	AMOUNT IN US \$
7.	2020 CA-BPC-174	Procurement of cleaning equipment	2 years	<i>The contract price is not mentioned in the contract</i>
8.	2020 CA-BPC-109	Printing of documents	2 years	<i>The contract price is not mentioned in the contract</i>
<b>TOTAL</b>				<b>4,744,440.84</b>

Table 25.3 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

The management of the Banadir Regional Administration did not respond to the management shared d in writing to the findings in the management letter shared with them.

## 25.3 Asset management

### 25.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act”

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observations

#### A. Lack of asset management policies and procedures

During the audit, it was observed that Banadir Regional Administration did not have an approved policy and procedure for asset management, storage and accounting for the assets.

#### B. Failure to maintain an up-to-date asset register

During the audit exercise, it was observed that Banadir Regional Administration did not maintain an up-to-date asset register.

Furthermore, there was no evidence that Banadir Regional Administration conducted periodic physical verification of its assets.

Based on a sample of fixed assets inspected during the course of the audit, these assets were not tagged with unique identification numbers for control and monitoring.

#### C. Non-disclosure of information of the vehicles owned

During the year under review, Banadir Regional Administration spent **US \$813,000.00** for the procurement of vehicles. However, Banadir could not produce for the audit, the vehicles procured, vehicle ownership books, or any other supporting documentation.

## Recommendations

With close consultation with the Ministry of Finance, Benadir should develop and implement a comprehensive and documented policy guidelines and procedures for management, control, and reporting of assets.

The Ministry of Finance should take the lead in developing these policy guidelines and procedures for all MDAs including the Banadir Regional Administration to follow.

The Benadir Regional Administration should establish a comprehensive register of assets with clear guidelines in order to ensure that particulars of all assets of the entity are entered into the register and updated on a periodic basis.

Benadir and the Ministry of Finance should conduct periodic physical verification of assets of the entity and update the asset register.

All vehicles should have logbooks, vehicle ownership books registered in the Banadir Regional Administration.

All vehicles should be recorded in the asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value, and responsible officer among other details.

There should be an investigation into the procurement of the vehicles worth US \$813,000.00 to ascertain the whereabouts of these vehicles and ensure that they were registered in the names of Benadir Regional Administration, Any losses arising from procurement of these vehicles should be made good by responsible officers.

The management should avail the ownership books for all the vehicles it procured for the year under review.

Management should register all assets with the Office of the Auditor General in accordance with the PFM Act within the quickest time possible.

## Management response

The management of the Banadir Regional Administration did not respond to the management shared in writing to the findings in the management letter shared with them.

## 25.4 Audit follow up

### 25.4.1 OUTSTANDING ISSUES FROM THE 2019 AUDIT REPORT

The following table is about the status of the findings identified during the last year's audit whether they were implemented, partially implemented, or not implemented.

NO.	FINDINGS	STATUS
1.	35.1.1. Failure to prepare and submit an Annual Financial Statement for audit	Recommendations not implemented
2.	35.2.1. Unsupported payments - running costs	Recommendations not implemented
3.	35.2.2. Unsupported payments - travel costs	Recommendations not implemented
4.	35.3.1. Lack of asset management policies and procedures	Recommendations not implemented
5.	35.3.2. Failure to maintain an up-to-date the Asset Register	Recommendations not implemented



<b>NO.</b>	<b>FINDINGS</b>	<b>STATUS</b>
6.	35.3.3. Weak management of vehicles	Recommendations not implemented
4.	35.4.1. Failure to register contracts with the OAGS	Recommendations not implemented
5.	35.4.2. Failure to write local contracts in Somali language	Recommendations not implemented
9.	35.5.1. Failure to carry out internal audit functions	Recommendations not implemented

Table 25.4 2019 audit follow up

### 25.4.2 OUTSTANDING ISSUES FROM THE 2018 AUDIT REPORT

<b>NO.</b>	<b>FINDINGS</b>	<b>STATUS</b>
1.	14.1.1. No annual accounts submitted for audit	Recommendation not implemented
2.	14.2.3. Travel costs lack adequate supporting documents	Recommendation not implemented
3.	14.2.4. There are weak controls over BRA vehicles	Recommendation not implemented
4.	14.3.1. Contracts were not registered with the OAGS	Recommendation not implemented
5.	14.4.1. Regularity of internal audit	Recommendation partially implemented

Table 25.5 2018 audit follow up



## **VI. DIPLOMATIC MISSIONS**



# 1. Embassy of the Federal Republic of Somalia in Pretoria, South Africa

## 1.1 Revenue management and accountability

### 1.1.1 CRITERIA

Article 50 (f) of the Provisional Constitution of the Federal Republic of Somalia states that the responsibility for the raising of revenue shall be given to the level of government where it is likely to be most effectively exercised.

Article 9 (6) of the PFM Act of 2019 states that the Minister of Finance shall "issue regulations, directives, and guidelines for the implementation of the provisions of this Act"

### Observation

#### A. Lack of regulation for revenue collection

During the period under review, it was noted that there was no regulation or guidelines issued by the Ministry of Finance for revenues collection by embassies of the Federal Government of Somalia.

### Recommendations

The Ministry of Finance in consultation with the Ministry of Foreign Affairs should develop regulations for the revenue collection by embassies subject to approval of the Council of Ministers of the Federal Government of Somalia.

### Management response

*The Embassy hereby confirms that it uses an internally developed policy to determine different taxation tariffs and the different services offered by the Embassy. This is because there was no relevant law in place when the Embassy started determining these tax collections.*

*The Embassy has been in operation since 2013 and did not receive a copy of the PFM law enacted in 2019. However, we are ready to implement the law once received.*

### OAGS response

Management of the Embassy, including the Head of Mission, is hereby recommended to closely search and consult all the relevant laws published in the Official Gazette. The above-cited law (PFM 2019) is preceded by an old law passed in 1961 regulating public financial management.

### 1.1.2 CRITERIA

Article 27 (6) of the PFM Act of 2019 states that all transactions regarding revenue collection and expenditure must be conducted through the Somali Financial Management Information System (SFMIS).

Articles 4 (2) and (3)(a) and (i) of the PFM Act 2019 state as follows:

4(2) All Government revenues shall be deposited and disbursed through the Treasury Single Account (STA) as part of the National Budget Allocation Act.

- 4(3) The revenue of the Federal Government shall include all funds held by public institutions and which are obtained from:
- (a) Any tax, including Income and Profit Tax, Goods and Services, International Trade, and other transactions.
  - (i) Other sources of income defined in the National Budget.

Furthermore, Article 42 (4) of the PFM Act 2019 requires all government revenues to be deposited intact in the Treasury Single Account of the Central Bank within a maximum of one business day upon collection.

### **Observations**

#### **A. Revenue collections not transferred to the Single Treasury Account intact**

During the audit exercise, it was observed that the Embassy collected revenues of **US \$134,183.82 (ZAR 2,196,134.60)** and was deposited in Absa bank account (40-8840-7525). However, this amount was not transferred to the Treasury Single Account.

#### **B. Collected revenue was used at source**

During the audit scrutiny, it was observed that the Embassy of Somalia in Pretoria, South Africa used at source a total amount of **US \$117,583.48 (ZAR 1,924,443.24)** out of **US \$134,183.82 (ZAR 2,196,134.60)** that was collected and deposited in Absa bank account (40-8840-7525) during the year. The balance of revenue collection was not transferred to the Treasury Single Account and no accountabilities have been provided to the Accountant General.

#### **C. Failure to provide information relating to a bank account operated with Net Bank**

It was noted during the audit that the Embassy of Somalia in Pretoria, South Africa operated two (2) bank accounts with Net Bank (1147241740) and Absa Bank (40-8840-7525). However, the management of the Embassy failed to provide accounting records related to the bank account operated with Net Bank (1147241740), which was used for passport revenue collection.

This was a deliberate limitation of scope and no audit was performed on that bank account.

### **Recommendations**

The Embassy should ensure all revenues collected are banked intact and transferred to Treasury Single Account held with the Central Bank of Somalia.

The Embassy should ensure all revenue collected is banked intact in a bank account approved and authorized by the Minister of Finance and the Accountant General and thereafter transferred promptly to the Treasury Single Account.

The management should not use at source any revenue collected at the source and the parent ministry and the Ministry of Finance should be notified on time.

The Embassy should take steps to regularize the opening of those bank accounts by obtaining written approvals and authorization of the Accountant General and the Minister of Finance.

The Embassy should provide full accountability of all revenues collected and used at source to the Accountant General and the Minister of Finance for further action.

The Ministry of Finance should take over revenue collection from embassies and make sure a proper accountability process is established.

Also, the Ministry of Finance should make sure that all embassies are receiving their approved budget on a quarterly basis.

### **Management response**

*The Embassy clarifies that there was no money deposited to the Central Bank of Somalia account because there is no system put in place by FGS to guide the Embassy revenue collections. The Embassy would also like to correct the imbalance in the currency exchange you applied on South African Rand and Dollar. The 2020 exchange rate was ZAR 16.39, which was not always the case because the exchange rate for said year was between R13 and R16. Therefore, you obtained amounts are \$133,747.54 / ZAR 2,196,134.60 = ZAR 16.39. This amount is incorrect, and you need to take an average value of 14.5.*

*The Embassy confirms that the Embassy is using its expenses as running costs for the activities of the Embassy such as renting the Embassy officials, the Ambassador's residential house, staff remunerations, the security company of the Embassy, the necessary equipment for the day-to-day operations of the Embassy, electricity, water, rent printers, car insurance, etc., as the Federal Government does not send the Embassy regular funds to meet its monthly needs.*

*The Embassy uses the money it collects because the FGS did not cover the running costs except for the first quarter of January - March 2020.*

*We concur that there are two accounts opened by the Embassy, one of which (Nedbank) has not been activated by 2020, for the following reasons:*

*When OAG staff arrived at the South African Embassy, the Ambassador was absent; upon the Ambassador's return, the Embassy staff were infected with COVID-19, which resulted in the Embassy is closed for 20 days, making it difficult to contact the bank.*

*The Embassy welcomes and is ready to implement the OAGS recommendations.*

## **1.2 Expenditure payment control**

### **1.2.1 CRITERIA**

Articles 31 (1) and 32 (4) of the PFM Act 2019 state as follows:

- 31(1) No expenditure shall be made from the national budget unless there is an invoice and other supporting as stipulated in the PFM Act and Regulations.
- 31(4) Any approved expenditure shall have attached all supporting documents as stipulated in the PFM Regulations issued by the Minister.

Specifically, supporting documents may vary depending on the type of payment and could include purchase orders, signed contracts, invoices, delivery notes, goods received notes, receipts etc.

### **Observation**

#### **A. Unsupported expenditure payments totaling US \$6,779.91**

During the audit, it was observed that payments for running costs amounting to **US \$6,779.91** were not adequately supported contrary to the provisions of the law and regulations.

A summary of these payments is shown in the table below.

NO.	SUB-HEAD	SOURCE OF FUNDS	PAYEE	MONTH	AMOUNT IN USD \$ (AS PER ESTIMATED AVERAGE)	COMMENT
1	2211, 2213 and 2215	FGS	Various	Jan - Dec	6, 799.91	The payment did not have contracts and receipt vouchers.
<b>TOTAL</b>					<b>6, 799.91</b>	

Table 1.1 Unsupported expenditure

### Recommendation

All payments should have adequate supporting documents, and are authorized by senior responsible officers for goods and services received in accordance with specified terms.

### Management response

The Embassy confirms that it has already submitted the accounts for the first half of the 2020 budget to the Ministry of Foreign Affairs and has included all attachments proving expenditure for the 2020 first quarter. The Embassy also handed over the supporting documents to the OAGS auditors in hard copy and by email.

We have also attached these supporting documents to this response as an appendix.

### OAGS response

The finding still stands and the recommendation should be implemented accordingly.

## 1.3 Procurement and contract management

### 1.3.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities that need to procure shall prepare annual procurement plans in line with the annual budget.
- 27(4) A Procurement Plan shall be prepared annually and based on the annual government budget.

### Observation

#### A. Failure to prepare an Annual Procurement Plan

It was observed that the Embassy of the Federal Republic of Somalia in Pretoria, South Africa did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

### Recommendations

The Embassy should prepare its annual procurement plan based on its approved annual budget.

### Management response

We accept OAGS' recommendations on adopting an annual procurement plan based on the national budget.

### 1.3.2 CRITERIA

Article 38 (5) of the PFM Act 2019 requires government entities to register with the Office of

the Auditor General all grant agreements with State Institutions, Federal Member State Governments, and Government-owned business entities .

Additionally, Article 11 (c) of the PFM Act 2019 requires government entities to register with the Office of the Auditor General contracts and agreements.

Furthermore, Article 14 (amendment to Article 84) of the National Procurement 2020 requires all public entities to register with the Office of the Auditor General procurement contracts and agreements.

### Observation

#### A. Contracts totaling US \$52,351.64 were not registered with OAGS

It was observed that the Embassy did not register with the Office of the Auditor General procurement contracts with a total value of **US \$52,351.64 (ZAR 856,819.00)** as shown in the table below.

Consequently, the OAGS could not perform prior control reviews of these contracts against which payments might have been made during the course of the year.

A summary of these contracts is provided in the table below:

NO.	CONTRACTOR	CONTRACT PURPOSE	CONTRACT DURATION	AMOUNT IN ZAR	AMOUNT IN USD \$ (AS PER ESTIMATED AVERAGE)
1.	Isabel Jacobs Properties	House rent	3 years (2018-2020)	595,800.00	36,403.38
2.	Isabel Jacobs Properties	Embassy House rent	1 year	259,040.00	15,827.34
3.	Storage Properties Reit LTD	House rent	N/A	1,979.00	120.92
<b>TOTAL</b>				<b>856,819.00</b>	<b>52,351.64</b>

Table 1.2 Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*The monthly rent for the Embassy premise in 2020 is not the amount listed in the table above. As you can see from the previous submission, the rent for the Embassy and electricity is ZAR 45,500 per month, which means by 2020, the rent and electricity cost of the Embassy was ZAR 45,500 × 12 = ZAR 546,000. According to the report, the annual rent is ZAR 259,040.00, which is much less than the annual rent paid by the Embassy.*

*The Embassy welcomes and accepts OAGS' recommendation and will share the agreements with the OAGS as soon as possible through the Ministry.*

*It is important to keep in mind the fluctuations between the exchange rate of the Dollar and the Rand. Therefore, you should adjust the exchange rate based on the concerned date.*



## OAGS response

The finding still stands and the recommendation should be implemented accordingly.

## 1.4 Asset management

### 1.4.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act!

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observations

#### A. Failure to maintain an up-to-date asset register

During the audit, it was observed that the management of the Embassy of the Federal Republic of Somalia in Pretoria, South Africa did not maintain an up-to-date asset register.

#### B. Vehicle ownership books not availed for audit

During the audit, the management of the embassy reportedly that the embassy had two (2) vehicles. However, they did not avail ownership book of one (1) of the vehicles to ascertain whether they it belonged to the Embassy of Somalia in Pretoria, South Africa. Details are shown below.

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENTS
1.	Toyota Fortuner	Indian businesspersons	N/A	Ownership book not availed for the audit

Table 1.3 Vehicles management

### Recommendations

The Embassy, in close consultation with the Ministry of Finance, should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the Embassy are entered into the register and updated periodically.

The vehicles of the embassy should be included in the asset list of the Ministry of Foreign Affairs and the information should be shared with the Ministry of Foreign Affairs.

Management of the audited entity should register all assets with the Office of the Auditor General in accordance with the PFM Act within the quickest time possible.

### Management response

*We want to mention that we have provided the OAGS with a complete and up-to-date list of the Embassy's assets. For this reason, please see Appendix 2.*

*The Embassy uses two vehicles. One is owned by the Embassy (Mercedes-Benz). As for the Fortuner, we could not obtain its book as we do not own it, but we only used it with the help of South African businessmen.*

We acknowledge the OAGS' recommendations for the management and registration of the Embassy assets.

### OAGS response

The finding still stands and the recommendation should be implemented accordingly.

## 1.5 Opening of bank accounts

### 1.5.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state as follows:

42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.

9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

### Observation

#### A. Bank accounts were opened without prior approval

During the audit, it was discovered that management of the Embassy of the Federal Republic of Somalia in Pretoria, South Africa opened and operated bank accounts with Absa Bank and Net Bank without prior approval and authorization of the Accountant General and the Minister of Finance.

Additionally, the financial statements of the Net Bank account (1147241740) were not availed for audit. Details are shown below.

NO.	BANK NAME	ACCOUNT NO.	AMOUNT DEPOSITED IN ZAR	AMOUNT DEPOSITED IN US \$	BALANCE IN THE BANK ACCOUNT ZAR AS OF 31/12/2020	BALANCE IN THE BANK ACCOUNT US \$ AS OF 31/12/2020
1.	Absa Bank	40-8840-7525	2,196,134.60	134,183.82	271,691.36	16,600.34
2.	Net Bank	1147241740				
<b>TOTAL</b>			<b>2,196,134.60</b>	<b>134,183.82</b>	<b>271,691.36</b>	<b>16,600.34</b>

Table 1.4 Donations not channeled through the public financial system

### Recommendation

The Embassy's management should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

All the statements of the bank accounts opened under the name of the Embassy should be availed for audit.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

### Management response

The incumbent Ambassador assumed office on 29 January 2020, while all the above accounts were open. No new accounts have been opened since he was appointed.

The Embassy assures there will not be new accounts opened without obtaining written permission.

The Embassy will share the OAGS with the missing account information once the bank responds to our inquiry.

## 1.6 Personnel management & service provision in the embassy

### 1.6.1 CRITERIA

Articles 5 I (2) and (4) of the Employment Law for Ministry of Foreign Affairs Staff Law of 2013 states that the head of delegates capable of been ambassadors, acting, or general consular shall perform his or her responsibilities in accordance with the law of the country and he/she is particularly responsible for the embassy, delegates or consular in supervising all embassy personnel.

- 5 I(2) Registrating and counting Somali community members at the concerned foreign country and acting according to their interests.
- 5 I(4) Supporting Somali students' educational wellbeing.

Moreover, it also states that: Article 5 II (1 to 4) of the Employment Law for Ministry of Foreign Affairs Staff law of 2013 states that the head of delegates capable of been ambassador, acting, or general consular shall perform his or her responsibilities in accordance with the law of the country, and he/she is particularly responsible for the embassy, delegates, or consular and supervising and collaborating all embassy personnel.

- 5 II(1) The Second secretary is responsible for counting, registering, and safekeeping all Government assets at the embassy. Taking care of all houses occupied by the embassy or consulate staff.
- 5 II(2) Managing embassy/consulate accounts/funds or delegates, expenses payments, monthly accountability, while countersigning with the ambassador or whoever is at the acting position.
- 5 II(3) Supervising and oversight of non-permanent staff (local staff); with specific concern on their hiring process, insurances, leaves, personal reports and when end their employments term; and
- 5 II(4) Safekeeping, storing, and maintaining documents, office equipment, and embassy fleet of vehicles or delegates.

### Observations

#### A. Failure to undertake the required responsibilities

The auditors have observed during the audit exercise that the embassy had failed to physically count and register the Somali community who are based in South Africa and other countries that the Embassy of Somalia in Pretoria is mandated as a non-resident mission.

Failure to provide registration services for Somali nationals living in South Africa could make it difficult for the Government to provide rescue missions, should these be needed in the future.

The embassy failed to count, register, and safely keep all Government assets at the embassy.

The auditors have also noted that there was no supervision and the oversight of non-permanent staff (local staff), with specific concern on their hiring process, insurances, leaves.

The embassy did not properly do the safekeeping, storing, and maintaining of documents, office equipment, and embassy fleet of vehicles or delegates.

### Recommendations

The Ministry of Foreign Affairs in collaboration with the Directorate of Immigration and Natu-

realization shall commence the registration of Somali nationals living in the concerned foreign territory within the shortest time possible from the issuance of this report.

The embassy should do proper supervision and oversight of non-permanent staff (local staff).

### **Management response**

*We shared with the OAGS auditors that the officials of the Somali Embassy in South Africa had discussed at various times the plans to register members of the Somali community in South Africa and the neighboring countries. Unfortunately, this action was not implemented due to logistics issues.*

*We acknowledge that this is a priority for the Somali Government and its citizens. We, therefore, ask the relevant parties to assist us in resolving this obligation.*

*We are willing to implement the OAGS' recommendations for regular staff monitoring.*

## **1.7 Personnel management & code of conduct**

### **1.7.1 BEST PRACTICE**

A code of conduct is a policy that outlines principles and standards that all employees and third parties acting on behalf of the embassy must follow. The code of conduct reviews the embassy's mission and values and ties these ideals to professional behavior standards. In many workplaces, codes of conduct become benchmarks of performance.

Having a strong, ethical code of conduct is essential to building a culture of compliance throughout an organization. A code of conduct is an excellent exercise to focus the leadership team on how employees should behave at work and the standards they should uphold.

### **Observation**

#### **A. Failure to develop a code of conduct for the embassy staff**

During the audit, the auditors have observed that there was no code of conduct in place. Specifically, the auditors noted that there were no written guidelines and standards developed by the embassy's management which is intended to review the performance of the staff, to promote a culture of integrity and a work ethic that promotes higher performance.

### **Recommendations**

The management should develop a comprehensive code of conduct for all the local staff and diplomats stationed at the Somali embassies within three months.

The Ministry of Foreign Affairs should establish a monitoring mechanism to supervise the implementation of the code of ethics and should issue an annual report concerning the implementation of the code of conduct.

### **Management response**

*We welcome and accept the OAGS' recommendations above.*

## **1.8 Record keeping**

### **1.8.1 BEST PRACTICE**

The ISO 30300 series standards apply to management systems for records (MSR). A MSR is a management system used to direct and control how records are managed within an entity at a strategic level. The standards are aimed at any entity which wants to implement and maintain a MSR to support its activities.

They set out the objectives for using a MSR and describe a process approach, specifying roles for senior management. The standards do not alter the operational records management processes defined in ISO 15489 but upgrade the approach that senior management should take to the management of records at a policy and risk assessment level by managing procedures and technology, conducting routine audits, and utilizing continual improvement processes.

### **Observations**

#### **A. Failure to establish a proper filing system**

During the audit, the auditors noted that there was no proper filing system in the embassy such as the financial management and other administrative documents were not complete and well kept.

There was no specific human resource (HR) file for each individual working at the embassy, but the embassy kept single files that did not contain personal information such as signed code of conduct, leave forms, CVs, appointment letters, etc.

### **Recommendations**

The Embassy of the Federal Republic of Somalia in Pretoria, South Africa should establish proper filing systems for the safety of the institution's valuable documents.

The management should keep HR files that contain personal information for each employee separately.

### **Management response**

*The Embassy welcomes the audit recommendations in improving the system records for personnel files.*

## **1.9 Annual financial statements**

### **1.9.1 CRITERIA**

Article 45 (2) of the PFM Act 2019 states that Government agencies and state governments shall prepare the annual financial statement and submit it to the Accountant General and the Minister in accordance with the format and timeline set by the Accountant General".

### **Observation**

#### **A. Failure to prepare Annual Financial Statements**

During the year under review, the auditors observed that the management of the Embassy of the Federal Republic of Somalia in Pretoria, South Africa did not prepare and submit its annual financial statements for the year under review to the Accountant General.

### **Recommendation**

The management of the embassy should, in compliance with the law, prepare and submit on time the financial statements to the Accountant General.

### **Management response**

*The Embassy will prepare the annual financial reports and will share them with the Accountant General.*

## 2. Embassy of the Federal Republic of Somalia in Ankara, Turkey

### 2.1 Revenue management and accountability

#### 2.1.1 CRITERIA

Article 9 (6) of the PFM Act of 2019 states that the Minister of Finance shall “issue regulations, directives, and guidelines for the implementation of the provisions of this Act”.

Article 50 (f) of the Provisional Constitution of the Federal Republic of Somalia states that the responsibility for the raising of revenue shall be given to the level of Government where it is likely to be most effectively exercised.

#### Observation

##### A. Lack of regulation for revenue collection

During the period under review, it was noted that there was no regulation or guidelines issued by the Ministry of Finance for revenue collection by embassies of the Federal Government of Somalia.

#### Recommendation

The Ministry of Finance in consultation with the Ministry of Foreign Affairs should develop regulations for the revenue collection by Embassies and it should be approved by the Council of Ministers of the Federal Government of Somalia.

#### Management response

*The Somali Embassy in Turkey is yet to receive a copy of the Somali Regulation for Tax revenue collection. Whenever we receive it, we are ready to act according to it. For the time being, we serve the essential needs of the Somali people and institutions in Turkey. Our levy of fees on offered services depends on that particular given situation or the case in hand.*

#### OAGS response

Management of the Embassy, including the Head of Mission, is hereby recommended to closely search and consult all the relevant laws published in the Official Gazette. The above-cited law (PFM 2019) is preceded by an old law passed in 19601 regulating public financial management.

#### 2.1.2 CRITERIA

Article 27 (6) of the PFM Act of 2019 states that all transactions regarding revenue collection and expenditure must be conducted through the Somali Financial Management Information System (SFMIS) and Treasury Single Account.

Articles 4 (2) and (3)(a) and (i) of the PFM Act 2019 state as follows:

- 4(2) All Government revenues shall be deposited and disbursed through the Treasury Single Account (STA) as part of the National Budget Allocation Act.
- 4(3) The revenue of the Federal Government shall include all funds held by public institutions and which are obtained from:

- (a) Any tax, including Income and Profit Tax, Goods and Services, International Trade, and other transactions.
- (i) Other sources of income defined in the National Budget.

Furthermore, Article 42 (4) of the PFM Act 2019 requires all government revenues to be deposited in the Treasury Single Account of the Central Bank within a maximum of one business day upon collection.

### **Observation**

#### **A. Revenue collections were not deposited in the Treasury Single Account**

During the year ended 31<sup>st</sup> December 2020, the management of the Embassy collected total revenue of **US \$101,229.77 (TL 703,962.21)** from consular and passport services fee. These collections were deposited at a separate bank account in Turkey, but not transferred to the Treasury Single Account with the Central Bank of Somalia. Instead, the revenue was used at source.

### **Recommendations**

The Embassy should ensure all revenues collected are banked intact and transferred to Treasury Single Account held with the Central Bank of Somalia.

The Embassy should ensure all revenue collected is banked intact in a bank account approved and authorized by the Minister of Finance and the Accountant General and thereafter transferred promptly to the Treasury Single Account.

The management should not use at source any revenue collected at the source and the parent ministry and the Ministry of Finance should be notified on time.

The Embassy should take steps to regularize the opening of those bank accounts by obtaining written approvals and authorization of the Accountant General and the Minister of Finance.

The Embassy should provide full accountability of all revenues collected and used at source to the Accountant General and the Minister of Finance for further action.

The Ministry of Finance should take over revenue collection from embassies and make sure a proper accountability process is established.

Also, the Ministry of Finance should make sure that all embassies are receiving their approved budget on a quarterly basis.

### **Management response**

*The Embassy is not aware of the SFMIS yet; however, we are ready to implement it accordingly the moment we receive the instructions.*

*Since we did not receive a copy of the PFM law and SFMIS implementation, we do not believe we have used the Embassy income illegitimately.*

*As you had already observed during the audit, we have organized and reconciled income and expenses with clear supporting documents.*

### **OAGS response**

The Embassy didn't disclose documents showing the discrepancies mentioned, while a written query was sent to the management beforehand.

## 2.2 Procurement and contract management

### 2.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities that need to procure shall prepare their annual procurement plans in line with the national budget.
- 27(4) A Procurement Plan shall be prepared annually and shall be based on the annual government budget.

Article 61 (1) and (2) National Procurement Act of 2016 states as follows:

- 61(1) Each procuring entity shall establish a Procurement Unit under this Act.
- 61(2) The Accounting Officer (Authorizing Officer) shall determine the composition of the Procurement Unit, which shall be staffed with at least one (1) person trained and knowledgeable in procurement.

Article 31 (1) and (9) National Procurement Act of 2016 states as follows:

- 31(1) The procuring entity shall preserve all documentation relating to each procurement contract and its proceedings and maintained or kept in accordance with applicable rules for archiving of government documents, which at minimum shall be kept for a period of six (6) years following the date of completion of the procurement contract, or from the date of rejection of all bids or cancellation of the proceeding, as the case may be.
- 31(9) The procuring entity shall maintain all records and documents shall be made available for inspection by the Procurement Authority; Anti-Corruption Commission; Auditor General, the Parliamentarian Committee responsible for oversight of the implementation of national laws, and any other government office that is entrusted with such responsibility.

### Observations

#### A. Failure to prepare an annual procurement plan

It was observed that the Embassy of the Federal Republic of Somalia in Ankara, Turkey did not have approved annual procurement plan in place based on its annual budget for the year ended 31<sup>st</sup> December 2020 national budget.

#### B. Failure to maintain all procurement records and documents

During the year under review, the management of the Somali Embassy in Ankara, Turkey undertook several procurements during the year but did not maintain complete procurement records and documents for each procurement. Management failed to make available procurement records and documents during the course of the audit.

### Recommendations

The management of the Embassy should prepare annual procurement plans based on approved annual budgets.

The management should ensure complete procurement records and documents are maintained for each procurement as required by law.



### Management response

Due to existing constraints, the Embassy did not prepare the Annual Procurement Plan of 2020. Nonetheless, we will prepare it from now on, and we appreciate the audit recommendations.

The procurement documents were among the expenses files the Ambassador shared with the audit team. They are also ready to be shared again should the need arise.

### OAGS response

The Embassy should ensure all records and documents are made available for audit in a timely manner.

#### 2.2.2 CRITERIA

Article 38 (5) of the PFM Act 2019 requires government entities to register with the Auditor General all grant agreements with State Institutions, Federal Member State Governments, and Government-owned business entities.

Additionally, Article 11 (c) of the PFM Act 2019 requires government entities to register with the Office of the Auditor General all contracts and agreements entered into by government entities.

Furthermore, Article 14 (amendment to Article 84) of the National Procurement 2020 requires all public entities to register with the Office of the Auditor General all contracts and agreements.

### Observation

#### A. Contracts were not registered with OAGS

During the audit, management of the embassy availed for audit seven (7) contracts entered with different parties. It was noted that none of them were registered with the Office of the Auditor General contrary to the requirements of the law.

Consequently, the Office of the Auditor General could not perform prior control reviews of these contracts against which payments might have been made during the year.

A summary of these contracts is listed in the table below:

NO.	CONTRACT PARTIES	SIGNED DATE	CONTRACT TYPE	DURATION	CONTRACT VALUE
1.	Government of Somalia and Government of Turkey	27 Jun 2013	Cooperation in the Field of Health and Medical Science	5 years	N/A
2.	Government of Somalia and Government of Turkey	23 Feb 2016	Cooperation In the Field of Electricity	5 Years	N/A
3.	Ministry of Higher Education of Somalia and ATILIM University	18 Apr 2019	Educational Cooperation Protocol		N/A
4.	Government of Somalia and Government of Turkey	22 Feb 2016	Cooperation in Fishers, Investment, and Trade		

NO.	CONTRACT PARTIES	SIGNED DATE	CONTRACT TYPE	DURATION	CONTRACT VALUE
5.	Government of Somalia and Government of Turkey	3 Jun 2016	In the Field of Energy and Mining	5 years	
6.	Government of Somalia and Government of Turkey	Mar-19	Exchange of Plots of Land for a diplomatic mission	N/A	N/A
7.	Government of Somalia and Government of Turkey		Promotion of Productive and Commercial Cooperation		

**Table 2.1** Contracts not registered with the OAGS

### Recommendation

All contracts and agreements should be registered with the Office of the Auditor General in accordance with the laws and regulations.

### Management response

*The MOUs (memorandum of understanding) entered by the Embassy and other government entities with their peers are shared with the Ministry of Foreign Affairs. It's our expectation the Ministry registered these MOUs with the OAGS. If that is not the case yet, you can seek clarifications from the Ministry.*

### OAGS response

All public entities, including the Embassies, are to register with the Office of the Auditor General all contracts.

## 2.3 Asset management

### 2.3.1 CRITERIA

Article 11 (1) (c) of the PFM Act 2019, requires registration of contracts, agreements, warrants etc with the Office of the Auditor General whether for movable and immovable properties, budget transfers, grants, and any other economic event under this Act!

### Best practice

There is an approved policy guidelines and procedure for management of fixed assets (movable and immovable) by MDAs holding government assets. The policy guidelines should include asset condition, use, performance and disposals.

There is a register or registers for all assets of the government held by the MDAs. The register should provide for tagging the assets with specific identification numbers, locations and their physical conditions among others.

### Observations

#### A. Failure to maintain an up-to-date asset register

During the audit, it was observed that the management of the Embassy of the Federal Republic of Somalia in Ankara, Turkey did not maintain an up-to-date asset register making it difficult for the OAGS to verify the asset owned by the embassy.

## B. Failure to register vehicles in the name of the parent ministry

During the audit, the Embassy failed to produce registration books for two (2) vehicles for authenticating ownership by the Embassy of the Federal Republic of Somalia in Ankara, Turkey or by the Ministry of Foreign Affairs of Somalia

However, none were registered with the parent ministry as required by the law.

Details of the vehicles are shown below:

NO.	VEHICLE TYPE	SOURCE OF FUNDS	CHASSIS NO.	COMMENT
1	Mercedes Benz	Embassy	WDD2120671B092698	Not include the asset register of the Ministry of Foreign Affairs
2	Jeep	Embassy	3C4NJDCH5JT342222	Not include the asset register of the Ministry of Foreign Affairs

Table 2.2 Vehicles management

### Recommendations

The embassy should establish a comprehensive register of assets with clear guidelines to ensure that particulars of all assets of the embassy are entered into the register and updated periodically.

The Embassy should keep registration books for all vehicles of the embassy, and these should be made available for audit scrutiny.

### Management response

*Embassy assets are always sent to the Ministry for registration. You can contact the Ministry to obtain the latest Embassy assets list.*

*We hereby attached supporting documents for the updated embassy assets and the registration documents for the vehicles mentioned above.*

### OAGS response

The Embassy should keep vehicle registration books to demonstrate ownership and should be made available for audit scrutiny.

Also, the embassy is required to share all the embassy assets with the Ministry of Foreign Affairs, Ministry of Finance and Office of the Auditor General for registration purposes.

## 2.4 Opening of bank accounts

### 2.4.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state as follows:

- 42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.
- 9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

## Observation

### A. A bank account was opened without prior approval

During the audit, it was discovered that management of the Embassy of the Federal Republic of Somalia in Ankara, Turkey opened and operated a bank account with VakıfBank without prior approval and authorization of the Accountant General and the Minister of Finance.

NO.	BANK NAME	ACCOUNT NUMBER	AMOUNT DEPOSITED IN TL	AMOUNT DEPOSITED IN US \$	BALANCE IN THE BANK ACCOUNT TL AS OF 31/12/2020	BALANCE IN THE BANK ACCOUNT US \$ AS OF 31/12/2020
1.	VakıfBank	158007301686929	1,698,376.00	199,189.00	16,649.73	1,952.72
<b>TOTAL</b>			<b>1,698,376.00</b>	<b>199,189.00</b>	<b>16,649.73</b>	<b>1,952.72</b>

Table 2.3 Opening and operating unauthorized bank account(s)

## Recommendations

The management of the Embassy should obtain prior approval and authorization of the Accountant General and the Minister of Finance before opening a local or international bank account.

The Embassy should seek retrospective approval and authorization of both the Accountant General and the Minister of Finance to regularize the opening of the above bank account.

## Management response

*We concur with the credible recommendation you shared with us. We opened the Embassy account before the PFM law came into effect on 25 Dec 2019.*

*However, we expect the Ministry of Foreign Affairs to register current Embassy Accounts from the Accountant General and approve from the Minister of the Ministry of Finance as per the law.*

## 2.5 Use of country system for external support

### 2.5.1 CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 states as follows:

- 38(1) All grants received by a government agency from a donor or other person should be included in the national budget.
- 38(2) Neither a government agency nor a state-owned company can enter into a grant agreement, including non-monetary grants from donors or private individuals without the co-signature of the Minister of Finance.

## Observation

Donations received are not included in the approved national budget and are not channeled through the country's system.

During the audit, it was observed that the Embassy of the Federal Republic of Somalia in Ankara Turkey received a donation from TIKA organization amounting **US \$246,000.00**. However, none of these funds were included in the approved national budget and channeled through the country's system.

## Recommendations

All donations received by the entity should be included in the national budget and payments related to these should be on-budget and on-treasury.

All agreements entered into by the entity in connection with the grant must be co-signed by the Minister of Finance in accordance with the law and be registered with the Office of the Auditor General.

## Management response

*We are ready to implement the OAGS audit recommendations. We are also willing to act according to the PFM law after we receive a copy of it.*

*The grants from TİKA are used to pay off the Embassy office rent, Ambassador's residential rent, some of the Embassy staff allowances, and the salaries and health insurance for the foreign staff members.*

## OAGS response

As OAGS didn't receive the initial agreement entered into by the Embassy with TİKA, the data shown in the table above is based on the documents availed during the audit.

Besides, the management of the embassy did not respond to the prior written enquiries related to this matter that OAGS shared with them.

## 2.6 Personnel management & service provision in the embassy

### 2.6.1 CRITERIA

Articles 3 (b), (c) and 4 (1) and (2) of the Employment Law for Ministry of Foreign Affairs Staff (Law No. 112 of 6th September 2013) state as follows:

- 3) A Somali national who is willing to work for the Ministry of Foreign Affairs shall fulfill the following criteria:
  - (b) He/she is registered with the National Civil Servants Commission (NCSC).
  - (c) If he/she is not a member of the NCSC, they should register.
  
- 4) A diplomat who is to be sent for foreign representation of the national interest of Somalia shall have the following criteria:
  - (1) He/she fits in the criteria for being a member of the national staff as per the Ministry staff, Article 3.
  - (2) He/she should have been an employee at the Ministry for at least two years.

Articles 5 I (2) and (4) of the Employment Law for Ministry of Foreign Affairs Staff Law of 2013 states that the head of delegates capable of been ambassador, acting or general consular shall perform his or her responsibilities in accordance with the law of the country and he/she is particularly responsible for the embassy, delegates or consular in supervising all embassy personnel.

- 5 I(2) Registering and counting Somali community members at the concerned foreign country and acting according to their interests.
- 5 I(4) Supporting Somali students' educational wellbeing.

Moreover, Article 5 II (1 to 4) of the Employment Law for Ministry of Foreign Affairs Staff law of 2013 states that the head of delegates capable of been ambassadors, acting or general consular shall perform his or her responsibilities in accordance with the law of the country and he/she is particularly responsible for the embassy, delegates or consular in supervising all embassy personnel.

5 II(1) The Second secretary is responsible for counting, registering, and safekeeping all Government assets at the embassy. Taking care of all houses occupied by the embassy or consulate staff.

5 II(2) Managing embassy/consulate accounts/funds or delegates, expenses payments, monthly accountability, while countersigning with the ambassador or whoever is at the acting position.

5 II(3) Supervising and oversight of non-permanent staff (local staff); with specific concern on their hiring process, insurances, leaves, personal reports and when end their employments term; and

5 II(4) Safekeeping, storing, and maintaining documents, office equipment, and embassy fleet of vehicles or delegates.

## Observations

### A. Non-compliance with Foreign Affairs Employment Law

During the audit, the auditors observed that the diplomats nominated for the embassy have not met the requirements laid down by the Employment Law for Ministry of Foreign Affairs Staff.

Additionally, the auditors have observed that there were 3 (three) diplomats who were working with the embassy and were not registered with the National Civil Servant Commission (NCSC).

Furthermore, there were 5 (five) diplomats posted at the embassy who have not worked at the Ministry of Foreign Affairs headquarters in Mogadishu, Somalia for a minimum of two (2) years as outlined in the law.

### B. Failure to undertake the required responsibilities

It was observed during the audit that the embassy had failed to count and register the Somali community who are based in Turkey and other countries that the Embassy of Somalia in Ankara is mandated as a non-resident mission.

Failure to provide registration services for Somali nationals living in Turkey could make it difficult for the Government to provide rescue missions, should there be a need in the future

The Embassy did not fully support the Somali students based in Turkey and other countries that the Embassy of Somalia in Ankara is mandated as a non-resident mission.

Additionally, it was noted that management of the embassy delegated financial management responsibilities to a non-Somali citizen at the embassy instead of the second secretary.

The auditors have also noted that there was no supervision and the oversight of non-permanent staff (local staff), with specific concerns on their hiring process, insurances, leaves.

The embassy did not properly do the safekeeping, storing, and maintaining of documents, office equipment, and embassy fleet of vehicles or delegates.

## Recommendations

Ministry of Foreign Affairs in cooperation with the National Civil Service Commission and the Ministry of Labor and Social Affairs should ensure that individuals appointed to foreign missions must meet the requirement laid in the law.

The management of the Somali Embassy in Turkey in close coordination with the parent Ministry should review the files of the diplomats who are not registered with the National Civil Service Commission and take appropriate action.

The management of the Somali Embassy in Turkey in close coordination with the Ministry of foreign affairs should only employ staff at foreign embassies who have worked at the Ministry for at least two years as per the law before they are assigned and deployed to foreign missions outside the country.

The Ministry of Foreign Affairs in collaboration with the Directorate of Immigration and Naturalization shall commence the registration of Somali nationals living in the concerned foreign territory within the shortest time possible from the issuance of this report.

The Ministry of Foreign Affairs, the concerned embassy, and in collaboration with the Ministry of Education should establish the appropriate support mechanisms that help the students to study and finish their education smoothly.

### **Management response**

*The issue of hiring employees is outside the Embassy mandate, and we hope that it shall be discussed at a Ministerial level.*

*The embassy is aware that some staff members are not registered from the National Civil Service Commission (NCSC). The NCSC did not respond to the applications made by the Ministry on behalf of the concerned individuals.*

*As for the plan to conduct a census on the Somali diaspora in Turkey, the embassy waits for the Ministry to share the work plan and the required facilities.*

### **OAGS response**

The finding still stands and the recommendation should be implemented accordingly.

## **2.7 Personnel management & code of conduct**

### **2.7.1 BEST PRACTICE**

A code of conduct is a policy that outlines principles and standards that all employees and third parties acting on behalf of the embassy must follow. The code of conduct reviews the embassy's mission and values and ties these ideals to professional behavior standards. In many workplaces, codes of conduct became benchmarks of performance.

Having a strong, ethical code of conduct is essential to building a culture of compliance throughout an organization. A code of conduct is an excellent exercise to focus the leadership team on how employees should behave at work and the standards they should uphold.

### **Observation**

#### **A. Failure to develop a code of conduct for the embassy staff**

During the audit, it was observed that there was no code of conduct in place. Specifically, there were no written guidelines and standards to promote high ethical standards and a culture of integrity

### **Recommendations**

The Ministry of Foreign Affairs should develop a comprehensive code of conduct and ethical standards to be used by Embassies.

### **Management response**

*We have yet to receive a copy of the Code of Ethics; once we receive it, we will act accordingly.*

### **OAGS response**

The finding still stands and the recommendation should be implemented accordingly.

## **2.8 Annual financial statements**

### **2.8.1 CRITERIA**

Article 45 (2) of the Public Financial Management Act 2019 requires government agencies and state governments to prepare annual financial statement and submit them to the Accountant General and the Minister in accordance with the format and timeline set by the Accountant General".

### **Observations**

#### **A. Failure to prepare Annual Financial Statements**

During the year under review, the auditors observed that the management of the Somali embassy in Turkey did not prepare and submit financial statements for audit.

### **Recommendations**

The management of the embassy should comply with the laws, prepare, and submit on-time financial statements annually to the Accountant General.

### **Management response**

*Although we did not receive a copy of the PFM law, the Embassy remained accountable for its expenditure allocations. Once we receive a copy of the PFM law, we will act accordingly and thereby submit our financial statements to the Accountant General.*

*During the year 2020, we received the funds to cover the running costs for three (3) months only and yet receive the remaining nine (9) months.*

### **OAGS response**

The finding still stands and the recommendation should be implemented accordingly.





# 3. Embassy of the Federal Republic of Somalia in Kampala, Uganda

## 3.1 Revenue management and accountability

### 3.1.1 CRITERIA

Article 9 (6) of the PFM Act of 2019 states that the Minister of Finance shall issue regulations, directives, and guidelines for the implementation of the provisions of this Act”

Moreover, Article 50 (f) of the Provisional Constitution of the Federal Republic of Somalia states that the responsibility for the raising of revenue shall be given to the level of Government where it is likely to be most effectively exercised.

### Observation

#### A. Lack of regulation for revenue collection

During the period under review, it was noted that there was no regulation or guidelines issued by the Ministry of Finance for collection of revenues by embassies of the Federal Government of Somalia.

### Recommendations

The Ministry of Finance in consultation with the Ministry of Foreign Affairs should develop regulations for the revenue collection by embassies which should be approved by the Council of Ministers of the Federal Government of Somalia.

### Management response

*As you have mentioned there is no regulation to guide embassies’ revenue collections which define types of revenues and tariffs. However, embassy management made relevant efforts about the revenue collection and shared it with the audit team. As recommended by the OAG and we would wait for the Ministry of Foreign Affairs to approve an embassies revenue collection regulation.*

### 3.1.2 CRITERIA

Article 27 (6) of the PFM Act of 2019 states that all transactions regarding revenue collection and expenditure must be conducted through the Somali Financial Management Information System (SFMIS) and Treasury Single Account.

Articles 4 (2) and (3)(a) and (i) of the PFM Act 2019 state as follows:

- 4(2) All Government revenues shall be deposited and disbursed through the Treasury Single Account (STA) as part of the National Budget Allocation Act.
- 4(3) The revenue of the Federal Government shall include all funds held by public institutions and which are obtained from:
  - (a) Any tax, including Income and Profit Tax, Goods and Services, International Trade, and other transactions.
  - (i) Other sources of income defined in the national budget.

Moreover, Article 42 (4) of the PFM Act 2019 states that all Government revenues must be deposited in the Treasury Single Account of the Central Bank within a maximum of one business day upon collection.

### **Observation**

#### **A. Revenue amounting US \$59,112.21 was not deposited in the Treasury Single Account**

During the audit , it was noted that Somali Embassy in Uganda collected revenue amounting **US \$59,112.21** and used it at source contrary to the provisions of the law.

### **Recommendations**

The Embassy should ensure all revenues collected are banked intact and transferred to Treasury Single Account held with the Central Bank of Somalia.

The Embassy should ensure all revenue collected is banked intact in a bank account approved and authorized by the Minister of Finance and the Accountant General and thereafter transferred promptly to the Treasury Single Account.

The management should not use at source any revenue collected at the source and the parent ministry and the Ministry of Finance should be notified on time.

The Embassy should take steps to regularize the opening of those bank accounts by obtaining written approvals and authorization of the Accountant General and the Minister of Finance.

The Embassy should provide full accountability of all revenues collected and used at source to the Accountant General and the Minister of Finance for further action.

The Ministry of Finance should take over revenue collection from embassies and make sure a proper accountability process is established.

Also, the Ministry of Finance should make sure that all embassies are receiving their approved budget on a quarterly basis.

### **Management response**

*The Somali Embassy of the FRS in Uganda was not shared with the SFMIS. The embassy has a bank account in its name.*

*The revenue collected during the year 2020 amounting to US \$144,603.06, was collected from all different Consulate activities such as issuing passports and go home.*

- *The cost/fee for issuing passports was US \$85,490.85 and its related receipts were shared with the OAG auditors.*
- *The remaining balance of US \$59,112.21 was spent as the following:*

*Revenue collected by the Embassy was used to pay salaries to the local staff, the Embassy's running costs, diplomats' allowances, passport department staff allowances, the Ambassador's residential home rent, and renovation of part of the Embassy building.*

*It is noteworthy that the Somali Embassy in Uganda did not receive its running costs for 9 months in the year 2020.*

*We also would like to clarify to the concerned that the revenue collected by the Embassy is not enough to suffice its costs.*

*Moreover, the Embassy management hereby confirm that all committed expenses had their supporting documents attached and were duly shared with the auditors from the OAGS.*

## 3.2 Procurement and contract management

### 3.2.1 CRITERIA

Article 27 (1) and (4) of the National Procurement Act of 2016 states as follows:

- 27(1) All entities who need to procure shall have their procurement plan in the annual budget. This is to ensure that procurement contracts are supported by the entity's formal annual procurement plan.
- 27(4) Procurement plan is to be prepared annually and shall be based on the annual government budget.

### Observation

#### A. Failure to prepare an annual procurement plan

It was observed that the Embassy of the Federal Republic of Somalia in Kampala, Uganda did not prepare an annual procurement plan based on the annual budget.

### Recommendation

The management should prepare each financial year, an annual procurement plan based on approved annual budget of the Embassy.

### Management response

*We concur with the OAGS audit recommendations, and we shall prepare an annual procurement plan.*

## 3.3 Opening of bank accounts

### 3.3.1 CRITERIA

Articles 42 (3) and 9 (7) of the PFM Act 2019 state as follows:

- 42(3) No bank account shall be opened by a government agency in the country or outside the country without prior written consent of the Accountant General.
- 9(7) The Minister of Finance shall also be responsible for approving opening of bank accounts by government agencies.

### Observation

#### A. Bank accounts were opened without prior approval

During the audit, it was discovered that management of the Embassy of the Federal Republic of Somalia in Kampala, Uganda opened and operated bank accounts with Tropical Bank and Absa Bank without prior approval and authorization of the Accountant General and the Minister of Finance.

A summary of the bank accounts opened is shown below:

NO.	BANK NAME	ACCOUNT NO.	AMOUNT IN UGX	AMOUNT IN US \$	BANK BALANCE
1.	Tropical Bank	00-10245362	28,720.00		UGX 28,720.00
2.	Absa Bank	001-0245397		13,135.00	US \$318.06

Table 3.1 Opening and operating unauthorized bank account(s)

## Recommendations

The embassy should get retrospective approval and authorization of the Office of the Accountant General and the Minister of Finance to regularize the above account.

Opening of bank accounts in future should only be done after obtaining prior approvals and authorizations.

## Management response

*The Embassy was not informed either by the Ministry of Foreign Affairs or the Ministry of Finance about the PFM Law No.17, issued on 25 December 2019. We concur with all the important recommendations from the OAGS.*

## 3.4 Personnel management & service provision in the embassy

### 3.4.1 CRITERIA

Article 4 (2) of the Employment Law for Ministry of Foreign Affairs Staff (Law No. 112 of 6th September 2013) states that "a diplomat who is to be sent for foreign representation of the national interest of Somalia" shall have the following criteria:

- | 4(2) He/she should have been an employee at the Ministry for at least two years.

Additionally, Articles 5-I (2) of the Employment Law for Ministry of Foreign Affairs Staff law of 2013 states that the responsibilities of the 1<sup>st</sup> secretary:

- | 5 I(2) Registering and counting Somali community members at the concerned foreign country and acting according to their interests.

Moreover, Article 5-II (2) and (3) of the Employment Law for Ministry of Foreign Affairs Staff law of 2013 states that the responsibilities of the 2<sup>nd</sup> secretary:

- | 5 II(2) Managing embassy/consulate accounts/funds or delegates, expenses payments, monthly accountability, while countersigning with the ambassador or whoever is at the acting position.
- | 5 II(3) Supervising and oversight of non-permanent staff (local staff); with specific concern on their hiring process, insurances, leaves, personal reports and when end their employments term.

## Observations

### A. Non-compliance with employment laws

During the audit, the auditors observed that a diplomat nominated for the embassy who have not met the requirements laid down by the Employment Law for Ministry of Foreign Affairs Staff.

Additionally, according to the Foreign Affairs Staff Law only specify two secretaries i.e 1st and 2nd secretaries although the auditors have observed that there was a third (3rd) secretary posted at the embassy which is not in line with the Employment Law for the Ministry of Foreign Affairs Staff which requires that there should only be a first (1st) and a second (2nd) secretary.

### B. Failure to register Somali citizens in Uganda

The auditors have observed during the audit exercise that the embassy had failed to count and register the Somali citizens in Kampala, Uganda.

Failure to provide registration services for Somali nationals living in Uganda could make it difficult for the Government to provide rescue missions, should these be needed in the future.

### **Recommendations**

The Ministry of Foreign Affairs should not appoint a diplomat whose position/title is not specified in the Foreign Mission Law.

The Ministry of Foreign Affairs in collaboration with the Directorate of Immigration and Naturalization shall commence the registration of Somali nationals living in the concerned foreign territory within the shortest time possible.

### **Management response**

*Many of the Embassy diplomats fulfil the criteria laid out in the Ministry of Foreign Affairs Law of 2013, Article 4 (2) which states diplomats shall work at least two years from the Ministry of Foreign Affairs in Mogadishu before he/she is posted to an embassy. As recommended by the OAG, we shall wait for the Ministry of Foreign Affairs to share with the Embassy procedures for counting and registration for Somali diasporas in Uganda.*

## **3.5 Personnel management & code of conduct**

### **3.5.1 BEST PRACTICE**

A code of conduct is a policy that outlines principles and standards that all employees and third parties acting on behalf of the embassy must follow. The code of conduct reviews the embassy's mission and values and ties these ideals to professional behavior standards. In many workplaces, codes of conduct become benchmarks of performance.

Having a strong, ethical code of conduct is essential to building a culture of compliance throughout an organization. A code of conduct is an excellent exercise to focus the leadership team on how employees should behave at work and the standards they should uphold.

### **Observation**

#### **A. Failure to develop a code of conduct for the embassy's staff**

During the audit, it was observed that there was no code of conduct in place. Specifically, there were no written guidelines and standards to promote high ethical standards and a culture of integrity.

### **Recommendation**

The Ministry of Foreign Affairs should develop a comprehensive code of conduct and ethical standards to be used by Embassies.

### **Management response**

*We concur with all the relevant audit recommendations from the OAG, we also expect the Ministry of Foreign Affairs to share with the Embassy, procedures for implementing code of conduct.*

## **3.6 Annual financial statement**

### **3.6.1. CRITERIA**

Article 45 (2) of the Public Financial Management Act 2019 states that "Government agencies and state governments shall prepare the annual financial statement and submit it to the Accountant General and the Minister in accordance with the format and timeline set by the Accountant General".

## **Observation**

### **A. Failure to prepare Annual Financial Statements**

During the year under review, the auditors observed that the management of the Somali Embassy in Uganda did not prepare and submit its book of accounts (annual financial statements) for audit.

## **Recommendation**

The management of the embassy should comply with the laws, prepare and submit on time the financial statements to the Accountant General.

## **Management response**

*The embassy has no one shared with them Article 45 (2) of the preparation of the annual financial statements. We have submitted to the Ministry of Foreign Affairs the financial transactions for the only 3 months we received from the Ministry of Finance to cover the day-to-day running of the Embassy (Running Cost), and we have not received any notice of another copy being forwarded to the Office of the Accountant General.*

# Overall Conclusion

**T**he Office of the Auditor General of the Federal Republic of Somalia has the discretion to conduct compliance audits according to the SAI mandate as enshrined in the Magistrate of Accounts Act, 1972 and the Public Financial Management Act, 2019. The SAI has conducted Compliance Audits for 25 MDAs and 3 embassies on the following subject matters:

1. Expenditure payment control;
2. Procurement and contract management;
3. Opening of bank accounts;
4. Use of country system for external support;
5. Registration and licenses of weapons, arms, and private security companies;
6. Personnel management and services provision in embassies;
7. Revenue management and accountability;
8. Asset management;
9. Management of tax exemptions; and
10. Payroll management.

The above subject matters were evaluated for compliance against suitable criteria as detailed in the findings in this report for each respective subject matter.

The evidence obtained in the course of the audit confirms that the overall conclusion on these subject matters is that of non-compliance with the applicable criteria by the entities audited.

Yours Sincerely,



**H.E. Mohamed M. Ali "Afgoi"**  
Auditor General, FRS

November, 2021







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