



**OFFICE OF
THE AUDITOR GENERAL**
OF THE FEDERAL GOVERNMENT OF SOMALIA



ANNUAL COMPLIANCE AUDIT REPORT OF THE FEDERAL GOVERNMENT OF SOMALIA

For the Year Ended 31st December 2022



ISSUE DATE
June 30, 2023



**Promoting Accountability,
Transparency, and Governance for a
Stronger Somalia.**

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ABBREVIATIONS

AFDB	African Development Bank
AFROASAI	African Organization of Supreme Audit Institutions
AFROSAI-E	African Organization Supreme Audit Institutions of English-speaking
AG	Auditor General
ARABOSAI	Arab Organization of Supreme Audit Institutions
BdFS	Baarlamaanka Dowladda Federaalka Soomaaliya
DG	Director General
FGS	Federal Government of Somalia
HOP	House of the People
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
MoEWR	Ministry of Energy and Water Resources
MoF	Ministry of Finance
MoH	Ministry of Health
MOIFAR	Ministry of Interior Federal Affairs and Reconciliation
MPW&R	Ministry of Public Works and Reconstruction
NISA	National Intelligent Security and Agency
OAGS	Office of the Auditor General of Somalia
OP	Office of the President
OPM	Office of the Prime Minister
PFM	Public Financial Management
SAI	Supreme Audit Institution
SCAA	Somali Civil Aviation Authority
SCC	Somali Custodial Corps
SFMIS	Somalia Financial Management Information System
SNA	Somali National Army
SPF	Somali Police Force
STA	Single Treasury Account
TCC	Tax Compliance Certificate
TIN	Tax Identification Number
UN	United Nations
UNDP	United Nations Development Programme
WB	World Bank
WFP	World Food Programme



Federal Republic of Somalia
Office of the Auditor General

Ref.: OAG/AG-229/2023

Date: 30/06/2023

TO: 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 for the financial year ended 31st December 2022. This report encompasses fifteen (15) selected entities of the Federal Republic of Somalia (FRS). To ensure effective resource allocation, the OAGS methodically prioritized the fifteen (15) Ministries, Departments, and Agencies (MDAs) based on comprehensive risk assessments.

I have performed the compliance audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). The Office of the Auditor General of Somalia (OAGS) 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 the Arab Organization of Supreme Audit Institutions (ARABOSAI).

This report focuses on significant audit findings pertaining to the procurement of goods, services, and works, asset management, as well as the utilization of the country system for external support and management of bank accounts. These findings have been emphasized to provide a comprehensive overview and offer actionable recommendations for improvement.

This report includes a section under each MDA on audit follow-up regarding implementing audit recommendations for the previous financial year, 2021. It is of great concern that some of the recommendations are yet to be implemented by the time of my audit and will require urgent attention.

I am optimistic that those entrusted with overseeing these institutions will adhere to the recommendations to enhance public financial management and accountability while delivering services with scarce resources.

Your Excellencies, I thank you and the audited MDAs for supporting my office in fulfilling our audit obligations. Additionally, I sincerely thank the staff of the audited entities for their cooperation in furnishing us with the necessary information, documents and clarifications during the audit process.

Yours sincerely,



H.E. Av. Ahmed Isse Gutale
Auditor General, FRS

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



Message from The Auditor General, FGS

"Federal Government revenue officials should adhere to the mandatory obligations of collecting, accurately accounting for, and promptly depositing public funds into the Treasury Single Account (TSA), as outlined in the Public Financial Management (PFM) and the Public Procurement Act.

Compliance with these legal dictates is expected to yield notable improvements in the efficiency of public entities and to foster an environment conducive for good governance."

EXECUTIVE SUMMARY

During the audit process, the Office of the Auditor General of Somalia (OAGS) engaged and communicated with the management of the selected audited entities (15 MDAs). These interactions aimed to provide an opportunity for the management to clarify and take corrective actions on the audit observations through issuance of management letters.

This Annual Compliance Audit Report (ACAR) relates to fifteen (15) MDAs that were audited during the fiscal year ended on December 31st, 2022. The Annual Compliance Audit primarily focused on assessing compliance with relevant laws, regulations, and best practices in the following key subject matters:

- 1) Procurement of goods, services and works;
- 2) Asset management;
- 3) Use of country system for external support and management of bank accounts;
- 4) Other Audit Matters.

The findings presented in this report pertain to unresolved matters during the audit process and necessitate action from the management and authorities of the audited MDAs. Additionally, the report includes practical recommendations based on the audit findings, aiming to address the issues raised effectively.

Outlined below is a summary of the major findings detailed in this report:

1. Procurement of goods, services and works

Observations

- During the audit, it was observed that all fifteen (15) audited entities engaged in procurement activities totaling US **\$60,111,781.26** without an approved annual procurement plan, which poses risks to transparency and effective resource allocation.
- Additionally, audited entities did not establish dedicated procurement units and evaluation committees, raising concerns about fair and transparent procurement processes.
- The management of all the audited entities conducted procurements without a prequalified vendor list, which compromises the quality and reliability of goods and services.

Recommendation

- All MDAs should take immediate action to establish approved annual procurement plans for the 2023 and subsequent years, dedicated procurement units, procurement committees and prequalification of vendors. These measures will not only ensure compliance with the relevant articles of the Public Procurement Law but also enhance transparency, fairness, and efficiency in the procurement processes.

2. Asset management

Observations

- The audit revealed that the Ministry of Finance (MoF) lacks approved policy guidelines and an effective centralized asset register for managing and accounting for FGS assets.
- Audited MDAs have outdated or incomplete asset registers, impeding accurate asset tracking and management. Various audited MDAs did not register their vehicles under their respective names, compromising asset control and accountability.
- There are also concerns regarding **436** premises and lands currently occupied by individuals and entities, which are owned by the Federal Government of Somalia (FGS). The audited Ministries, Departments, and Agencies (MDAs) do not possess ownership documents for these assets, raising doubts about their legitimacy and control.

Recommendations

- The Ministry of Finance needs to prioritize developing policy guidelines for effectively managing fixed assets owned by the Federal Government of Somalia (FGS). A centralized database system should be implemented to maintain accurate records of these assets within the fiscal year 2023.
- All the audited MDAs should register vehicles in their names and provide proper documentation for auditing.
- All MDAs should make efforts to regain control and ownership of **436** premises and lands currently not under their custody, ensuring proper ownership documentation.

3. USE OF COUNTRY SYSTEM FOR EXTERNAL SUPPORT AND MANAGEMENT OF BANK ACCOUNTS

Observations

- During the audit, it was found that seven (7) out of the fifteen (15) audited Ministries, Departments, and Agencies (MDAs) received external support totaling US **\$38,767,688.21** for project implementation. However, this amount was not included in the approved national budget and was not channeled through the Treasury Single Account.
- The grant agreements between the MDAs and development partners were not co-signed by the Minister of Finance, contrary to the provisions of the Public Financial Management Act 2019.
- During the audit, it was also noted that five (5) MDAs of the audited entities had opened and operated bank accounts outside of the Treasury Single Account (TSA) without the explicit approval of the Accountant General and authorization of the Minister of Finance. This is in violation of the Public Financial Management Act.

Recommendations

- All MDAs should prioritize the proper inclusion of external assistance in the approved national budget. Furthermore, funds received from development partners should be channeled through the designated Treasury Single Account (TSA).
- To adhere to the Public Financial Management (PFM) Act 2019, audited MDAs' Authorized Officers need to ensure that grant agreements are cosigned by the Minister of Finance.
- All MDAs should obtain retrospective approval and authorization in 2023 financial year to regularize existing bank accounts. Future bank account openings require prior approvals and authorizations from the Accountant General and authorization of the Minister of Finance.

4. Other Audit Matters

Observation

During the audit, it was observed that nine (9) out of the fifteen (15) audited MDAs did not establish an internal audit function as required by the Public Financial Management (PFM) Act for the financial year ended on December 31, 2022. This failure poses significant risks to the audited entities as it leads to a lack of proper accountability and timely internal audit reports. Without an effective internal audit function, the audited MDAs are more susceptible to financial mismanagement, fraud, and errors going unnoticed, which could potentially harm their respective managements reputation.

Recommendation

We strongly recommend that the audited entities work closely with the Ministry of Finance to establish an effective internal audit department. This collaboration is necessary for entities that either lack an Internal Auditor Unit or are not effectively utilizing their appointed Internal Auditor. The internal audit function should be equipped with the necessary resources to carry out its duties effectively and generate timely audit reports. This proactive step is crucial for upholding accountability and transparency within the government institutions.

INTRODUCTION

The Public Financial Management Act outlines the responsibilities of the Minister of Finance, the Accountant General, Controlling Officers, and the Auditor General with regard to Public Financial Management (PFM) in the Federal Republic of Somalia (FRS). In accordance with the current audit law, the Auditor General is responsible for conducting and reporting on audits.

In accordance with the Magistrates of Accounts Act (Law No. 34), the Auditor General is granted the authority, through Articles 6, 7, 8, 9, 13, and 17, to review the financial transactions, records, and accounts of all government ministries, statutory offices, agencies, boards, commissions, and bureaus. This power is also outlined in the PFM Act of 2019.

The Annual Compliance Audit Report (ACAR) presented here pertains to the selected 15 entities audited for the financial year ended on December 31, 2022, with the audits conducted in 2023. The audits were carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), the PFM Act, and other relevant laws of the country.

The ACAR serves to identify deviations from criteria based on applicable laws, regulations, and recognized good practices. It includes recommendations for the respective ministries, departments, and agencies (MDAs) of the Federal Government of Somalia (FGS) to address areas of weakness appropriately. These recommendations aim to ensure compliance with relevant laws and strengthen the country's PFM system, ultimately enhancing service delivery.

The audit of selected MDAs of the FGS was conducted based on risk assessments carried out using guidance provided in ISSAIs.

SUBJECT MATTERS

The Annual Compliance Audit was conducted on the basis of the following subject matter:

- 1) Procurement of goods, services and works;
- 2) Asset management;
- 3) Use of country system for external support and management of bank accounts;
- 4) Other Audit Matters.

AUDIT OBJECTIVE & SCOPE

The primary aim of this audit was to acquire adequate and relevant audit evidence to enable the Auditor General to offer reasonable assurance regarding the compliance of the selected Ministries, Departments and Agencies (MDAs) with the aforementioned subject matters for the fiscal year ending on December 31, 2022. To accomplish this objective, sufficient and appropriate audit evidence regarding compliance was obtained by conducting suitable tests of controls and substantive procedures.

The scope of the compliance audit encompassed the activities of the institutions from January 1, 2022, to December 31, 2022. Additionally, the compliance audit also addressed the implementation status of audit recommendations from the preceding financial year.

INTERNAL CONTROL

This report highlights specific instances of weak procurement practices for goods, services, and works, inadequate asset management, non-utilization of the country system for external support, and improper management of bank accounts. These identified issues serve as clear indicators of internal control deficiencies within government entities.



Summary of the Audited Entities 2022

15 MDAs
Representing

58%

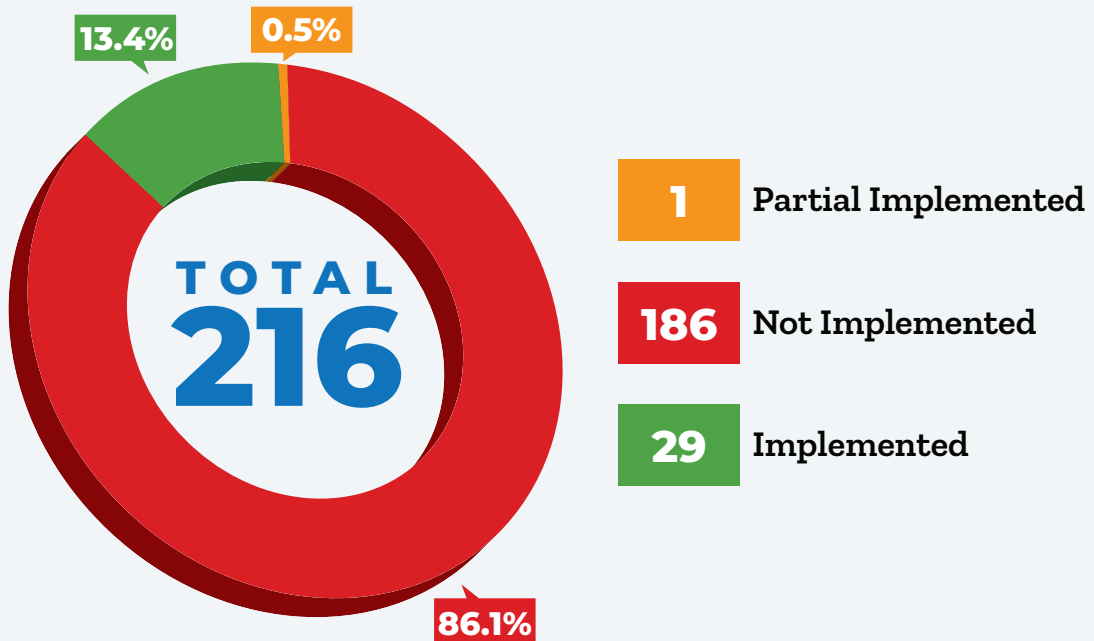
of

The approved budget 2022

944M



Audit follow ups 2021



The prompt implementation of my recommendations by MDA officials is crucial. Furthermore, the Budget & Finance Committee of Parliament should ensure the implementation process is followed up.

- Avv. Ahmed Isse Gutale
Auditor General, FRS



I. ADMINISTRATIVE SECTOR

1. OFFICE OF THE PRESIDENCY (OP)

1.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

1.1.1. CRITERIA

Article 69 (1) & (2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

69 (1) Public procurement shall be undertaken by means of advertised open competitive bidding proceedings, with equal access to all eligible and qualified bidders without discrimination. Other procurement methods shall be used as exception as provided in this Act under Part IV–C.

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

Observation

A. Splitting of procurement amounts totaling US \$1,828,236.43

During the audit, we observed that the management of the OP split procurements of goods and services totaling US **\$1,828,236.43** by splitting procurement amounts to make it under \$50,000, to avoid the open advertising required of all contracts whose value exceeds the thresholds declared in the commitment control. This action violates Article 69 (2) of the procurement law. Find the details of the split procurements below:

Vendor Name	Sub-head	Months	Description/items	Amount in USD \$
GG-001	2225	Jan - Dec	Repair and maintain ace	\$218,058.00
GG-002	2223	Jan - Dec	Oil and Gas	\$388,464.00
GG-001	2221	Jan - Dec	General Services	\$203,304.00
GG-004	2211	Feb, May, Oct, Dec	Travel	\$104,400.00
GG-005	2211	December	Travel	\$252,558.43
GG-006	2261	July - Dec	Food stuff	\$199,800.00
GG-007	2261	Jan - June	Food stuff	\$199,800.00
GG-001	2261	Jan - Dec	Office Supplies	\$261,852.00
Total				\$1,828,236.43

Recommendation

The management of OP should not split procurements with the intention of avoiding the process of open advertising for the financial year 2023 and subsequent years. The management of OP should follow the relevant articles of the Public Procurement Act and Commitment Control of the Office of The Accountant General.

Management response

The Office of the Presidency has a budget line which is based on charts of accounts. We request that the amount of \$1,828,236.43, which you computed, be separated according to head or charts of accounts.

The threshold amount of \$2001 - \$50,000, is intended for competition among three suppliers. We are adhering to this rule. OP has not provided contracts exceeding US \$50,000 per month. Consequently, each vendor has been awarded a one-month contract with the possibility of renewal, and the split head is 2261.

All budget heads of the Office of the Presidency are in line with commitment control, except 2261 and the reasons we have split it are as follows:

We have split the sub-head 2261 into food and other expenses and it has exceeded the threshold and reached the request for quotation (RFQ), therefore, we divided for the Office of the Presidency food and supplies such as cleaning equipment required for the president's residence. As a precautionary measure for security concerns, we are unable to proceed with advertising. Thanks

Do we have a contract with Light travel? Please clarify. The sub-heads we gave to Trueway had \$19,000+ each sub-head, so, no need for advertisement, hence we follow through RFQ.

OAGS response

Article 5 of Law No. 22 states:

For the purpose of Article 5 (2) (i), procurement of items such as general supplies, uniforms, stationery, office equipment, and ordinary vehicles for the military or security agencies shall not be classified as related to national defense or national security.

1.1.2. CRITERIA

Article 19 (1) & (2) of the Public Procurement Act, 2016 states that prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High value or complex contracts or groups of items being bundled together for a large contract.

Article 19 (2) states that the invitation to prequalify shall be published in at least one, widely circulated national newspaper and if feasible in the National Gazette and procurement 13 bulletin or website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines.

Moreover, the commitment control page 4, threshold of amount above \$2001 and below US \$50,000 says the procuring entity must send requests for the three quotations to at least three vendors.

Observation

A. Failure to prequalify and publish vendors for procurement of goods and services

During the audit, we noted that the management of the Office of the Presidency made procurements for goods and services during the year amounting to US **\$2,003,467.23**, which their thresholds were above \$2,001 and below or equal to \$50,000.00 without any prequalification like publishing in at least one widely used national website before inviting or sending quotations to the vendors. Hence, violating Article 19 (1 & 2) of the procurement law. Details of vendors that were awarded tenders without prequalification are shown in the table below:

Vendor name	Months	Amount in US \$	Details
GG-001	June – Dec	\$218,058.00	Lack of prequalification
GG-002	June – Dec	\$388,464.00	Lack of prequalification
GG-008	June – Dec	\$12,616.00	Lack of prequalification
GG-001	June – Dec	\$203,304.00	Lack of prequalification
GG-004	Feb, to May, Oct, to Dec	\$104,400.00	Lack of prequalification
GG-005	December	\$252,558.43	Lack of prequalification
GG-009	December	\$36,446.00	Lack of prequalification
GG-010	December	\$18,244.80	Lack of prequalification
GG-011	December	\$19,978.00	Lack of prequalification
GG-012	Jan – June	\$23,340.00	Lack of prequalification
GG-013	June – Dec	\$35,910.00	Lack of prequalification
GG-013	July – Dec	\$199,800.00	Lack of prequalification
GG-012	Jan – June	\$199,800.00	Lack of prequalification
GG-001	June – Dec	\$261,852.00	Lack of prequalification
GG-014	June – Dec	\$28,696.00	Lack of prequalification
Total		\$2,003,467.23	

Recommendation

The Office of the Presidency’s management should implement prequalification procedures for vendors whose procurement thresholds fall within the range of above \$2,001 and below \$50,000, in 2023 and subsequent years. Furthermore, it is essential to advertise procurements of goods, works, and services and create a prequalification list in compliance with Article 19(1) of the law..

Management response

The utilization of prequalification is part of the bidding process, as it ensures that the vendor selected possesses the necessary technical and financial capabilities to carry out the task given.

Prequalification is commonly used for contracts that are either large, time-consuming, or entail high costs and are technically and financially challenging to define. As a result of that, the Office of the Presidency has not awarded large-scale contracts based on price and technical criteria.

Normally the Office of the Presidency awards contracts that are for services and goods which are easily definable in terms of technical and financial, thus alleviate the need for prequalification or site visits to the President’s office. Due to security concerns, we cannot publicly advertise the services required by the Office of the Presidency, hence the Request for Quotation (RFQ) process is utilized. Thank you.

OAGS response

Article 5 of Law No. 22 states:

For the purpose of Article 5 (2) (i), procurement of items such as general supplies, uniforms, stationery, office equipment, and ordinary vehicles for the military or security agencies shall not be classified as related to national defense or national security.

1.1.3. CRITERIA

The Commitment Control page 1, principle 2, states that one vendor must not be allowed to procure more than two budget sub-heads

Observation

A. One vendor was awarded tenders for more than two budget sub-heads amounting to US \$683,214.00

During the audit, we noted that the management awarded a total of US **\$683,214.00** to a single vendor for more than two budget sub-heads which is against the Accountant General's Commitment Control, principle 2. Details are shown in the table below:

Vendor Name	Sub-head	Amount in USD \$
GG-001	2261	\$261,852.00
GG-001	2225	\$218,058.00
GG-001	2221	\$203,304.00
Total		\$683,214.00

Recommendation

The management of OP should not permit a single vendor to procure more than two budget sub-heads and they should follow the Commitment Control during vendor selection for the 2023 procurements and in the subsequent financial years.

Management response

As per the national procurement law, specific situations exist where the law cannot be enforced, such as emergencies or matters of security. Notwithstanding, we acknowledge the issue in this particular case and are undertaking corrective measures to preclude a recurrence of such an incident in the near future.

We have acknowledged the recommendation to restrict the award of a service provider or vendor to more than two subheads. We shall comply with the commitment control procedure.

1.1.4. CRITERIA

The Accountant General's commitment control guidelines page 4, states that procurement amounts above US \$50,000.00 or equal must be transferred to the Ministry of Finance procurement department for the procurement process.

Observation

A. Failure to transfer procurements above/equal to US \$50,000.00 to the MoF

During the audit, we observed that the management of the OP made procurements worth US **\$1,438,291.00** and failed to transfer to the Ministry of Finance since the amount was above the threshold set out by the Accountant General's Commitment Control. Therefore, violating the Accountant General's Commitment Control. The details are shown in the table below:

Vendor Name	Sub-head	Months	Amount in USD \$
GG-015	2225	May 2022	\$108,055.00
GG-004	2211	May 2022	\$110,000.00
GG-016	2211	July 2022	\$100,765.00
GG-016	2211	Oct.2022	\$59,000.00
GG-016	2211	Dec. 2022	\$130,000.00
GG-017	3112	Nov. 2022	\$930,471.00
Total			\$1,438,291.00

Recommendation

The management of OP should transfer the procurement thresholds above US \$50,000 to the Ministry of Finance for procurement process during the financial year 2023 and subsequent years.

Management response

As per the regulations, if the amount exceeds US \$50,000, it must be submitted to the Ministry of Finance, as you stated from the above vendors in the table:

- 1. The Presidential Travels, destinations and schedule are confidential. In such situations, we have decided to utilize the emergency method to hasten the procurement of the necessary items, instead of advertising as required.*
- 2. The National Procurement Law permits the utilization of a non-competitive approach in emergency circumstances.*
- 3. The construction of the Presidential Palace was used by the restrictive procurement approach, with only one supplier being chosen based on specific requirements that best suited the palace's needs.*
- 4. Simultaneously, the cost of maintenance and repairs amounting to \$108,055.00 was a contingency fund. We followed through procurement procedures and split into two to not surpass the commitment control.*

1.2. ASSET MANAGEMENT

1.2.1. BEST PRACTICE

To ensure transparency and accountability, it is imperative that government vehicles possess a registered ownership document in the name of the entity, capable of being verified. This prerequisite facilitates effective asset management throughout the entire life cycle, encompassing acquisition, utilization, and disposal, thereby ensuring the establishment and maintenance of appropriate procedures.

Observation

A. Weak fleet management

We noted during the audit of nine (9) vehicles that were purported to belong to OP which four (4) of them have no ownership documents under the name of the Office of the Presidency (OP), and five (5) were not available for inspection at the time of this audit. Details of the assets in question are shown below:

Vehicle type	Funded by	Chassis No.	Comments
HIACE MINI BUS	FGS	KDH205-0016690	Have no ownership documents.
LANDCRUISER PRADO	FGS	LJ150L-GKMEE5L-E	Have no ownership documents.
SUZUKI	FGS	TK521-P299	Have no ownership documents.
TOYOTA LANDCRUISER V8 BULLET PROOF	FGS	JTMHVO1J0H4232436	Have no ownership documents.
TOYOTA LANDCRUISER	FGS	UZJ100-0138144	Not availed for physical verification
TOYOTA HILUX PICK UP	FGS	4MROHX8CD6J1384214	Not availed for physical verification
LANDCRUISER V8	FGS	JTMHVO1J4261329	Not availed for physical verification
LANDCRUISER V8	FGS	JTMHVO1JXJ5040179	Not availed for physical verification
LANDCRUISER V8	FGS	JTMHV01J4H4223013	Not availed for physical verification

Recommendations

The management of Office of the Presidency should avail the vehicles mentioned above for physical verification and make ownership documents for the vehicles registered with the OP name during the financial year 2023 and subsequent years.

Management response

We have accepted the recommendation and have taken steps towards the processing of the four vehicles that lack ownership documents. Regarding the five vehicles that were not presented, they were in the possession of the former President and we have contacted him awaiting his response.

1.3. AUDIT FOLLOW UP

1.3.1. Outstanding Issues from the 2021 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:

Findings	Status
Failure to prepare annual procurement plan	Recommendations not implemented
Failure to establish procurement unit	Recommendations not implemented
Weak internal audit unit function	Recommendations implemented

2. HOUSE OF THE PEOPLE (HOP)

2.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

2.1.1. CRITERIA

Article 27 (1) and (4), Article 58 (1, a & b) and Article 61 (1) & (2) of law No. 22 of the Public 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 approved annual procurement plan

During the audit we observed that the management of the House of People (HoP) made procurements amounting to US **\$4,096,044.78** without an annual procurement plan being in place. Hence, violating Article 27 (1) and (4) of the procurement law.

Recommendation

According to the Public Procurement Act, HoP management shall have an approved annual procurement plan in place for the 2023 and other subsequent years that prioritizes the most important activities for the entity for efficient and effective service delivery.

Management response

Following the recent changes of the House of the People and its leadership, we therefore prioritize preparing the 2023 procurement plan in accordance with Article 27 (1) and (4) of the Public Procurement Act 2016.

2.1.2. CRITERIA

Article 58 (1) states that every procuring entity shall establish a procurement committee, which shall consist of at least five (5) members constituted by the Accounting Officer as follows:

- a) One senior official of the procuring entity as chairperson; and
- b) Four senior officers of the procuring entity, one of whom shall be the officer responsible for finance.

61 (1) Each procuring entity shall establish a procurement unit under this Act.

62 (1) the Secretary General may form an evaluation committee when required, depending on the value and complexity of the procurement contract as detailed in the Regulations.

Observation

A. Failure to establish procurement unit and evaluation committee

During the audit, it was observed that the HoP management did not establish a procurement unit responsible for conducting procurements of the entity contrary to the requirements of the Public Procurement Act. In particular, the management procured goods and services amounting to US **\$4,096,044.78**. Additionally, the management did not establish a procurement committee as required by Article 62 of the law No. 22 to evaluate procurement activities of the HoP.

Recommendations

The HoP management should establish a procurement unit and nominate a procurement committee to conduct their duties as per the applicable law for the financial year 2023.

Management response

The Office of Auditor General's recommendations regarding the establishment of a procurement unit and appointment of an evaluation committee will be carried out in the financial year 2023. Although we currently have a separate procurement unit, we are determined to follow the recommendations while complying with the country's laws.

2.1.3. CRITERIA

Article 69 (1 & 2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

69 (1) Public procurement shall be undertaken by means of advertised open competitive bidding proceedings, with equal access to all eligible and qualified bidders without discrimination. Other procurement methods shall be used as exceptions as provided in this Act under Part IV–C.

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

Moreover, the commitment control page 4 threshold of amount above \$2001 and below US \$50,000 says the procuring entity must send a request for the three quotations to at least three vendors.

Observation

A. Splitting of procurement amounts totaling US \$2,539,698.87

During the audit, we observed that the management of the HoP split procurements totaling US **\$2,539,698.87** by splitting procurement amounts to make it under \$50,000, to avoid the open advertising required of all contracts whose value exceeds the thresholds declared in the commitment control. This action violates Article 69 (2) of the procurement law. Find the details of the split procurements below:

Vendor Name	Sub-head	Months	Description	Amount in US \$
GG-018	2225	Jan - Dec	Repairing and Maintenance	\$162,335.00
GG-019	2225	Oct	Repairing and Maintenance	\$52,315.52

Vendor Name	Sub-head	Months	Description	Amount in US \$
GG-020	2223	Jan - Dec	Oil and Gas	\$465,532.00
GG-021	2223	Jan - Dec	Oil and Gas	\$80,000.00
GG-022	2224	Jan - Dec	Office Supplies	\$119,628.00
GG-023	2211	Jan, Feb, Sept and Oct	Travel costs	\$140,547.35
GG-024	2261	Jan - Nov	Food Stuff	\$596,160.00
GG-025	2261	Jan - Dec	Food Stuff	\$603,126.00
GG-026	2261	May, Sept, Oct, Nov and Dec	Water	\$63,960.00
GG-024	2231	Jan - June	Rent	\$121,800.00
GG-027	2231	July - Aug	Rent	\$134,295.00
Total				\$2,539,698.87

Recommendations

The management of HoP should adhere to the thresholds as required by law and should not split procurement amount for the financial year 2023 and subsequent years in order to avoid them and should transfer them to the MoF where applicable.

Management response

We have accepted the recommendations in adhering to the thresholds and we are committed to putting them into effect in the upcoming fiscal year of 2023.

2.1.4. CRITERIA

Articles 19 (1), (a & b) and (2) of the Public Procurement Act, 2016 state that:

19 (1) Prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High value or complex contracts or groups of items being bundled together for a large contract.

19 (2) The invitation to prequalify shall be published in at least one, widely circulated national newspaper and if feasible in the National Gazette and procurement 13 bulletin or website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines.

Moreover, the commitment control page 4 threshold of amount above \$2001 and below US \$50,000 says the procuring entity must send a request for the three quotations to at least three vendors..

Observation

A. Absence of prequalification process of selected vendors

During the audit, we noted that the management of the House of People made procurements for which their thresholds were above \$2,001 and below \$50,000, which enabled 11 vendors to procure amounts totaling US **\$2,539,698.87** without any prequalification like publishing in at least one widely used national website before inviting or sending quotations to the vendors. Which is contrary to the Article 19 (1) of the Public Procurement Act, 2016. Details of vendors that were awarded tenders without prequalification are shown in the table below:

Vendor name	Months	Split amounts	Details
GG-018	Jan. – Dec. 2022	\$162,335.00	Lack of prequalification
GG-019	October 2022	\$52,315.52	Lack of prequalification
GG-020	Jan. – Dec. 2022	\$465,532.00	Lack of prequalification
GG-021	Jan. – Dec. 2022	\$80,000.00	Lack of prequalification
GG-022	Jan. – Dec. 2022	\$119,628.00	Lack of prequalification
GG-023	Jan., Feb., Sept. and Oct. 2022	\$140,547.35	Lack of prequalification
GG-024	Jan. – Nov. 2022	\$596,160.00	Lack of prequalification
GG-025	Jan. – Dec. 2022	\$603,126.00	Lack of prequalification
GG-026	May, Sept., Oct., Nov. and Dec. 2022	\$63,960.00	Lack of prequalification
GG-024	Jan. – June 2022	\$121,800.00	Lack of prequalification
GG-027	July – Aug. 2022	\$134,295.00	Lack of prequalification
Total		\$2,539,698.87	

Recommendation

The management of HoP should make prequalifications for any vendors whose procurement thresholds are above \$2,001 and below US \$50,000 during the year 2023. Advertise procurement of goods, works and services and make a prequalification list in line with Article 19 (1) & (2) and publish the lists as required by the law in the subsequent financial years.

Management response

We accept the OAGS's audit recommendations and we plan to implement it during the fiscal year of 2023

2.1.5. CRITERIA

The Commitment Control page 1, principle 2, states that one vendor must not be allowed to procure more than two budget sub-heads.

Observation

A. Two vendors were awarded tenders for more than two budget sub-heads amounting to US \$2,222,856.43

During the audit, we noted that the management of HoP awarded a total of US **\$2,222,856.43** to two vendors for more than two budget sub-heads which is against the Accountant General's Commitment Control principle 2. Details are shown in the table below:

Vendor Name	Sub-head	Amount in USD
GG-019	2261	\$448,644.00
GG-019	2225	\$358,763.43
GG-019	2244	\$140,000.00
GG-019	2313	\$419,964.00
GG-024	2261	\$596,160.00
GG-024	2221	\$15,725.00
GG-024	2231	\$243,600.00
Total		\$2,222,856.43

Recommendation

The management of HoP should not permit a single vendor to procure more than two budget sub-heads, and they should follow the law and Commitment Control during vendor selection for the 2023 procurements and in the subsequent financial years.

Management response

We accept the OAGS's audit recommendations and we plan to implement it during the fiscal year of 2023

2.1.6. CRITERIA

The Accountant General's Commitment Control, page 4, states that procurement amounts above US \$50,000 or equal must be transferred to the Ministry of Finance for procurement processes.

Observation

A. Failure to transfer procurement worth above/equal to \$50,000.00 to the MoF

During the audit, we observed that the management procured goods and services worth US **\$1,451,930.91** and failed to transfer to the Ministry of Finance since the amount was above the threshold set out by the Accountant General's Commitment Control guidelines. Therefore, violating the Accountant General's Commitment Control. The individual amount in questions and vendors is shown in the table below:

Vendor Name	Sub-head	Months	Amount in USD \$
GG-019	2225	Oct. 2022	\$306,447.91
GG-028	2211	Nov. 2022	\$64,000.00
GG-019	2261	May & Oct. 2022	\$448,644.00
GG-024	2231	Oct. 2022	\$121,800.00
GG-019	2313	Dec. 2022	\$419,964.00
GG-029	2313	Nov. 2022	\$91,075.00
Total			\$1,451,930.91

Recommendation

According to the Commitment Control of the Office of the Accountant General, the management of HoP should transfer the procurement thresholds above US \$50,000 to the Ministry of Finance for commitment control.

Management response

We are in the process of implementing the recommendations you provided with the assistance of the senior management of the House of the People's Assembly.

We kindly request the Office of the Auditor General to assist us with the implementation of these recommendations and to monitor the progress of the process that commenced during the months of January, February, and March 2023, if deemed necessary.

Lastly, we would like to express our gratitude to the audit team who conducted the audit in 2022 for their commendable work and dedication.

2.2. USE OF THE COUNTRY SYSTEM FOR EXTERNAL SUPPORT AND MANAGEMENT OF BANK ACCOUNTS

2.2.1. CRITERIA

Articles 38 (1) of the Public Financial Management Act 2019 states that all grants received by a government agency from a donor, or another person should be included in the national budget (on-budget)..

Observation

A. Grant amounting US \$97,278.00 were not added to the national budget

It was noted during the audit that HoP implemented one (1) project with a budget totaling US **\$97,278.00**. The Authorized Officer of the HoP did not take appropriate steps to ensure that such grants were added to the budget and reflected on the Single Treasury Account of the Federal Government of Somalia, as required by Articles 38 of law No. 17 of 2019. Details are shown below:

Name of the project	Name of sponsor/donor	Purpose of project	Beneficiary	Duration of contract	Budgeted amount US \$	Amount used US \$
Parliamentary Support Project	UNDP	Strengthen capacities of the parliaments to continue state building process UNDP serves as implementing partner	HOP	Not clear	\$97,278.00	\$97,278.00
Total					\$97,278.00	\$97,278.00

Recommendation

The management of HoP should take the appropriate steps to ensure that such grants are added to the budget and channeled through the single treasury account as required by the PFM Act 2019.

If there are special agreements between HoP and the UN agencies, it should be added and highlighted in the FGS Budget.

Management response

To implement this recommendation, it will require discussions with the donors about how to best harmonize between the government's financial regulations and donor requirements.

2.2.2. CRITERIA

Article 38 (2) of the PFM Act 2019 states that 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.

Observation

A. Lack of Minister of Finance co-sign in grant agreements worth US \$97,278.00

During the audit, it was observed that the Minister of Finance did not co-sign the grant agreements, which is contrary to the requirement of the PFM Act 2019, Article 38(2).

Recommendation

The management of the HoP should ensure that all the agreements related to grants should be co-signed by the Minister of Finance during the financial year 2023 and subsequent years.

Management response

To implement this recommendation, it will require discussions with the donors about how to best harmonize between the government's financial regulations and donor requirements.

2.2.3. CRITERIA

Articles 9 (7) and 42 (3) of law No. 17 Public Financial Management Act of 2019 state as follows:

9 (7) The Minister of Finance shall approve the opening of bank accounts by government agencies.

42 (3) No bank account shall be opened for a Government Agency in the country or abroad without the written consent of the Accountant General.

Observation

A. Bank Accounts were opened without prior approval and authorization

During the audit, it was discovered that management of the House of The People opened and operated a bank account with the Amal Bank (014710354), without prior approval and authorization of the Accountant General and the Minister of Finance respectively. Hence, violating Articles 9 and 42 of the PFM law. Details of the Banks Account is shown below:

Bank name	Account number	Amount deposited in US \$	Outstanding balance US \$	Refund to UNDP US \$
Amal Bank	1014710354	\$80,000.00	\$49,992.00	\$49,992.00

Recommendation

The entity's management should get retrospective approval and authorization during the financial year 2023 from the Office of the Accountant General and the Minister of Finance to regularize the above bank accounts. Opening bank accounts in the future should only be done after obtaining prior approvals and authorizations.

Management response

The House of the People did not respond to this audit finding.

2.3. ASSET MANAGEMENT

2.3.1. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: land, property and environment Article 43 (2). Land shall be held, used and managed in an equitable, efficient, productive and sustainable manner.

2.3.2. Observation

A. Land and premise without title deeds and in a dilapidated state

During the audit, we observed that one land space and three premises reported belonging to the House of People have no ownership documents, one of the premises is in a dilapidated state that needs rehabilitation contrary to Article 43 cited above. Details are shown below:

Asset name	Source of funds	Asset type	Comments
Ex-parliament and Beerta Xoriyadda	FGS	Land Spaces	No ownership or land deed titles
Villa Hargeisa	FGS	Premises	No ownership or land deed titles
House of the People	FGS	Premises	No ownership and needs rehabilitation

Recommendation

The HoP management should start the process of acquiring ownership documents for all lands and premises and should take the necessary steps to renovate the dilapidated premise in order to use it in an efficient and productive manner within the fiscal year of 2023.

Management response

We, the management of the House of the People, are prepared, in collaboration with the leadership of the House of the People, to initiate the process of locating the title deeds pertaining to the land and subsequently undertake the restoration and improvement of the House of the People premises.

2.3.3. BEST PRACTICE

It is best practice to maintain a fixed asset register which is updated periodically, and contains information such as date of acquisition, type of assets, unique identification numbers, responsible officers, condition, value, and location for each asset held by the House of the People.

Observation

A. Failure to maintain an up-to-date asset register

It was noted during the audit that the management of HoP has not updated the fixed asset register to record necessary information such as date of acquisition, type of assets, condition, value, and location of the assets owned by the FGS.

Recommendation

The Authorized Officer should establish a comprehensive register of assets and ensure regular updates are made in the fiscal year 2023 and subsequent years.

Management response

We accepted the recommendations and will be implemented.

2.3.4. BEST PRACTICE

To ensure transparency and accountability, it's crucial that government vehicles have a registered ownership book in the entity's name and can be verified. This enables proper asset management until disposal procedures are established and maintained.

Observation

A. Weak Fleet Management System

During the audit, the management of the House of People (HoP) provided the auditors with a list of three (3) vehicles that were claimed to be owned by HoP. However, it was noted that these vehicles lacked ownership documents from a notary, indicating the transfer of ownership.

Furthermore, we were not granted the opportunity to visually verify the existence of the three vehicles. Details are shown in the table below:

Vehicle type	Source of funds	Chassis No.	Comments
TOYOTA LANDCRUISER	FGS	JTMHX01J9M4228504	Not verified physically and no ownership documents were shared.
TOYOTA LANDCRUISER	FGS	JTMHX01J8M4230020	Not verified physically and no ownership documents were shared.
TOYOTA LANDCRUISER	FGS	JTMHX01J2L5103059	Not verified physically and no ownership documents were shared.

Recommendation

HoP management should avail its vehicles for audit scrutiny in 2023 and the subsequent years..

Management response

The management of HoP will comply and adhere to the audit procedures of the OAGS, we will avail the vehicles for scrutiny as recommended.

2.4. OTHER AUDIT MATTERS

2.4.1. CRITERIA

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.

Furthermore 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.

Observation

A. Utilization of Collected Revenue Amounting to US \$315,200.00 at The Source

During the audit, it was observed that the management of the HoP collected an amount of US **\$315,200.20** from the HoP Speaker's candidates fee and used at source without depositing into the Treasury Single Account (TSA). Therefore, violating Articles 42 (4) and 27 (6) of the PFM Act 2019. Details is shown below:

Date	Receiver	Amount US \$
21 April, 2022	Speakers	\$200,000.00
21 April, 2022	Head section of HoP admin and Finance department	\$50,000.00
30 April, 2022	Head section of HoP admin and Finance department	\$65,200.00
Total		\$315,200.00

Recommendation

The management of HoP should ensure all revenues collected are banked intact and transferred to the Treasury Single Account held with the Central Bank of Somalia within one working day..

Management response

It should be noted that the House of the People is an administrative entity and not part of the economic sector entities. In that regard, HoP will use the government's Consolidated Treasury Account for any revenue for the fiscal year 2023.

2.4.2. CRITERIA

Article 23 (2, C) of Law No. 17, PFM of 25 December 2019 states that:

(2) The Minister shall submit to the Parliament the Supplementary Budget Appropriation Monthly when;

(C) Creating a new appropriation that does not already exist in the original National Budget Appropriation Act or changing the purpose of an appropriation already approved in the original National Budget Appropriation Act.

Observation

A. Modification of Allocation Purpose in the Original National Budget

During the HoP audit scrutiny, we identified that the HoP management used 2261 internal budget allocation totaling US **\$200,000.00** for external purposes of election related costs and drought support which were transferred to a private account. Furthermore, the management transferred without the due process an amount of US **\$500,000.00** from CBS account to a private bank account. Hence, violating Article 23 (2, C) of the PFM Act. Details are shown below:

Sub-head	Description	Accounts	Amount US \$
2261	Election Allowance	Account No. 923 of the Central Bank of Somalia (CBS) then transferred to Premier Bank account No. 05021416001	\$500,000.00
2261	Election Allowance	CBS Account No. 923	\$100,000.00
2261	Drought support	CBS Account No. 2117-1483	\$100,000.00
Total			\$700,000.00

Recommendation

The management of the House of the People (HoP) should adhere to the initial budget allocation during 2023. In the event that a reallocation of budget line(s) becomes necessary, proper consultation with the Minister of Finance is necessary to ensure appropriate and authorized reallocation.

Management response

Commencing in the fiscal year 2023, the management of the House of the People (HoP) follows the Financial Management procedures and the Public Financial Management Act.

2.4.3. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Absence of Established Internal Audit Unit

During the audit, it was observed that the management of the House of People (HoP) failed to implement robust internal controls or establish an internal audit unit, which is in violation of Article 46. The absence of effective internal controls and the omission of an internal audit unit highlight the deficiencies in the HoP's management practices.

Recommendation

The HoP management should establish an internal audit unit and put in place effective internal controls during the financial year 2023 and the subsequent years.

Management response

We accepted the recommendations and will be implement.

2.5. AUDIT FOLLOW UP

2.5.1. Outstanding Issues from the 2021 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:

Findings	Status
Failure to establish an internal control unit	Recommendations not implemented
Failure to establish internal audit unit	Recommendations not implemented
Failure to prepare annual procurement plan	Recommendations not implemented
Opening of a private bank account without approval and authorization by the Accountant General and the Minister.	Recommendations not implemented

3. OFFICE OF THE PRIME MINISTER (OPM)

3.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

3.1.1. CRITERIA

Article 27 (1) and (4) of the Public 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 approved annual procurement plan

The management of the OPM procured goods and services amounting US **\$10,220,913.70** without an approved annual procurement plan in place. Hence, violating of the Public Procurement Act of 2016. Details are shown in the table below:

Budget sub-head	Description	Amount US \$
2261	Other general expenses of goods and services	\$4,901,437.77
2225	Maintenance and repairs	\$437,190.00
2224	Materials and supplies	\$194,236.00
2231	Rent	\$74,580.00
2223	Fuel and lubricant	\$558,600.00
2211	Travel and conference expenses	\$1,865,683.00
2242	Consulting and professional expenses	\$600,000.00
2221	Utilities	\$214,692.08
3113	Another fixed asset	\$1,374,494.85
Total		\$10,220,913.70

Recommendation

OPM management shall have an approved annual procurement plan in place for the year 2023 and other subsequent years that prioritizes the most important activities for the entity in order to assure efficient and effective service delivery.

Management response

As previously discussed with the audit team, we acknowledge that the 2022 budget was delayed at the beginning of the year due to the parliamentary and presidential elections. However, we have since prepared and provided the annual procurement plan for 2022 to the audit team for review.

It is important to note that all expenses incurred outside of the procurement plan we shared with the audit team were deemed urgent and necessary, as the Office of the Prime Minister was managing the country's elections during that time.

OAGS response

There was no approved plan that was availed for the audit review. Hence the management should implement OAGS's recommendation

3.1.2. CRITERIA

According to the Accountant General's commitment control, page 1, principle 2, one vendor must not be allowed to procure more than two budget sub-heads.

Observation

A. Procurements totaling US \$2,500,722.08 were procured by two vendors with more than two sub-heads

During the audit, we observed that the two vendors were given a tender to supply goods and services for more than two budget subheads amounting US **\$2,500,722.08**. Hence, violating the Accountant General's commitment control for the fiscal period 2022. Details are shown in the table below:

Contractor	Purpose of the contract	Budget sub-head & related amounts US \$				Amount in US \$
GG-031	Office stationery and cleaning service	2261	2224	2221		
		\$764,385.00	\$194,236.00	\$14,500.00	\$973,121.00	
GG-031	Food and catering service	2261	2225	2241	2221	
			\$287,190.00	\$200,000.00	\$157,792.00	\$1,527,601.08
Total					\$2,500,722.08	

Recommendation

The OPM management should follow the applicable Accountant General's Commitment Control when choosing OPM procurement vendors in 2023 and subsequent years

Management response

The Prime Minister's Office takes the responsibility of maintaining and upholding the commitment control system. The reasons behind a company being contracted for more than two heads are as follows:

The companies that possess General Trading Service licenses are authorized to carry out a wide range of services.

Considering the sensitivity of OPM to security matters and the need for extra precautions, the companies referred to are crucial due to their prior experience in dealing with OPM and their credibility in this regard.

Therefore, OPM reiterates its commitment to enforcing control measures (Commitment Control), preventing the recurrence of similar errors in 2023.

3.1.3. CRITERIA

According to the Accountant General's commitment control page 4, thresholds of amounts above or equal to US \$50,000.00 state that the procuring entity must consult and transfer to the procurement unit of The Ministry of Finance for Commitment Control.

Observation

A. Failure to transfer procurement worth above/equal to \$50,000.00 to the MoF

During the audit, we observed that the management of OPM procured goods and services worth US **\$1,989,158.00** and failed to transfer to the Ministry of Finance since the amount was above the threshold set out by the Accountant General's Commitment Control guidelines. Therefore, violating the Accountant General's Commitment Control. The individual amount in questions and vendors is shown in the table below:

Budget sub-head	Contractors	Amount US \$
2261	GG-033	\$57,750.00
	GG-033	\$80,493.00
	GG-034	\$50,400.00
	GG-034	\$53,200.00
	GG-035	\$223,975.00
	GG-036	\$54,000.00
	GG-036	\$58,000.00
	GG-037	\$157,500.00
	GG-038	\$300,000.00
	GG-039	\$57,750.00
	GG-040	\$86,090.00
	GG-031	\$60,000.00
	Sub-total	\$1,239,158.00

Budget sub-head	Contractors	Amount US \$
2241	GG-034	\$50,000.00
	GG-034	\$50,000.00
	GG-034	\$50,000.00
	GG-034	\$50,000.00
	GG-035	\$50,000.00
	GG-035	\$50,000.00
	GG-035	\$50,000.00
	GG-035	\$50,000.00
	GG-035	\$50,000.00
	GG-035	\$50,000.00
	GG-035	\$50,000.00
	GG-035	\$50,000.00
Sub-total		\$600,000.00
2225	GG-036	\$150,000.00
Grand Total		\$1,989,158.00

Recommendation

The management of OPM should follow the Accountant General's Commitment Control for procurements with thresholds above or equal US \$50,000 and should transfer and make consultation when necessary to the Ministry of Finance as required by Commitment Control, during the financial year 2023 and subsequent years.

Management response

The office of the Prime Minister assures that all procedures followed have received approval from the Procurement Directorate of the Ministry of Finance and the Accountant General. We have adhered to proper commitment control procedures, and all agencies that performed the work met the minimum requirements and sought commitment control.

During the transitional election period, the Prime Minister issued a procedural circular to facilitate the payment of election expenses (Procurement Waiver). For expenses not paid under these circumstances, the office followed the appropriate national procurement process.

The Permanent Secretary of the Prime Minister's Office has restructured the Procurement Department and provided clear instructions to ensure that the management of the procurement department is held accountable for noncompliance with the commitment control procedure.

OAG response

The management should consider implementing OAG's recommendation.

3.1.4. CRITERIA

Article 69 (1) & (2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

69 (1) Public procurement shall be undertaken by means of advertised open competitive bidding proceedings, with equal access to all eligible and qualified bidders without discrimination. Other procurement methods shall be used as exception as provided in this Act under Part IV–C.

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

Observation

A. Splitting procurements amounting to US \$4,288,532.38

During the audit, we observed that the management of the OPM split procurements totaling US **\$4,288,532.35** by splitting procurement amounts to make it under \$50,000, to avoid the open advertising required of all contracts whose value exceed or equal the thresholds (US \$50,000) declared in the commitment control. This action violates Article 69 (2) of the procurement law. Find the details of the split procurements below:

Budget sub-head	Vendors	Split amount US \$
2261	GG-037, GG-038, GG-038, GG-040, GG-031, GG-041, GG-010, GG-042, GG-037 and GG-043	\$2,019,981.27
2225	GG-032	\$287,190.00
2224	GG-031	\$194,236.00
2211	GG-032, GG-044 and GG-031	\$939,253.00
2231	GG-045, GG-046, Shaqsi-001& Shaqsi-002	\$74,580.00
2223	GG-039 & GG-021	\$558,600.00
2221	GG-047, GG-048, GG-049, GG-050, & GG-051	\$214,692.08
Total		\$4,288,532.35

Recommendation

The management of OPM should not split procurements with thresholds above or equal US \$50,000, in order to avoid the open advertising required of all contracts whose value exceed or equal the thresholds (US \$50,000), during the financial year 2023 and subsequent years.

Management response

We confirm that the total amount mentioned in the table above has successfully passed the Commitment Control process.

Since 2022 was an election year and the Prime Minister's Office was responsible for conducting the elections, we usually request payments through warrant Form (F.16) to the Ministry of Finance and once the request is processed, we initiate Payment Voucher (F.3), which was used to pay the contracted companies according to their respective expenses. However, there was no financial breakdown of the expenses of each company.

Moving forward into 2023, we will strive to prevent such occurrences from happening. We appreciate your valuable suggestions.

3.2. USE OF THE COUNTRY SYSTEM FOR EXTERNAL SUPPORT AND MANAGEMENT OF BANK ACCOUNTS

3.2.1. CRITERIA

Articles 38 (1), (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.

Observations

A. Grants amounting to US \$2,417,531.00 were off -budget

During the audit, we observed that in the year under review the OPM management received grants totaling US **\$2,417,531.00**. However, the authorized officer of the OPM did not take appropriate steps to ensure that such grants were added to the budget and were channeled through the single treasury account. Contrary to Article 38 (1). Details of the grants are shown below:

Name of the project	Name of sponsor / donor	Duration of contract	Received Budget US \$	Used amount US \$
Security Sector Reform Initiation Plan (SSR-IP)	UNDP	Jan. - June 2022	\$102,840.00	\$102,840.00
Supporting the Political Transition in Somalia (SPTS)	UNDP	Jan. - Dec. 2022	\$1,085,840.00	\$1,085,840.00
Elections in the Federal Republic of Somalia	UNDP	Jan. - April 2022	\$929,351.00	\$929,351.00
Social Sector	UNICEF	Jan. - Dec. 2022	\$299,500.00	\$194,700.00
		Total	\$2,417,531.00	\$2,312,731.00

B. Failure to co-sign Minister of Finance in grant agreements

During the audit, it was observed that contrary to the requirement of the law, the Minister of Finance did not co-sign the above grant agreement since the OPM management did not inform the MoF, hence, violating article 38 (2) of the PFM Act 2019..

Recommendation

The authorized officer of the OPM should ensure that such grants are included in the budget and channeled through a single treasury account. Where there are special arrangements with the UN agencies for such grants, they should be disclosed in the budget documents of the FGS.

The Minister of finance should cosign all OPM grants. These recommendations should be implemented within the fiscal year 2023 and subsequent years.

Management response

All the grants from the UN agencies do not always use the country's financial system. Currently, discussions are ongoing between the Ministry of Finance and the UN to determine ways to channel all UN grants through the country's financial system. Moreover, the OPM and UN usually sign LoAs, and UN conducts Project Audit.

While the Office of the Prime Minister has proposed using the country's budget, it cannot be enforced until an agreement is reached between the two parties. This is one of the general challenges faced by the country's financial system.

3.2.2. CRITERIA

Articles 9 (7) and 42 (3) of law No. 17 Public Financial Management Act of 2019 state as follows:

9 (7) The Minister of Finance shall approve the opening of bank accounts by government agencies.

42 (3) No bank account shall be opened for a Government Agency in the country or abroad without the written consent of the Accountant General.

Observation

A. Bank Accounts were opened without prior approval and authorization

It was noted during the audit that the management of the OPM, contrary to Articles 9 & 42, opened and operated three (3) bank accounts with the International Bank of Somalia (IBS) and Dahabshiil Bank International (DBI) without the prior approval and authorization of the Accountant General and the Minister of the Ministry of Finance respectively. Details of those bank accounts in question is shown in the table below:

Bank name	Account number	Amount deposited in US \$	Outstanding balance US \$
IBS	0040015010301840025	\$10,900.00	\$0.63
IBS	0040015010301840011	\$11,319.00	\$23.00
DBI	104109386	\$194,700.00	\$30.00
Total		\$216,919.00	\$53.63

Recommendation

The Authorized Officer of the OPM should get authorization and approval from the Accountant General and the Minister of Finance in order to open or maintain bank accounts in the year 2023 and subsequent years.

Management response

As we have informed you previously, all Dahabshiil Bank Accounts have been terminated. However, it is important to note that IBS Bank accounts cannot be closed for certain circumstances, such as online purchases for the Office (including Digital Media & Online subscriptions). These transactions are reported to the Accountant General.

3.3. ASSET MANAGEMENT

3.3.1. BEST PRACTICE

To ensure transparency and accountability, it's crucial that government vehicles have a registered ownership book in the entity's name and can be verified. This enables proper asset management until disposal procedures are established and maintained..

Observation

A. Weak fleet management system

During the audit, the audit team was given a list of vehicles that were said to be owned by the Prime Minister's Office (OPM), although the vehicles did not have documents from a notary public showing the transfer of ownership between the seller and the Prime Minister's Office (the buyer).

In addition, four (4) vehicles registered under the Prime Minister's Office were not available for physical verification. Details are shown in the table below:

Vehicle type	Source of funds	Plate No.	Chassis No.	Comments
TOYOTA V8	FGS	N/A	JTMHV01JOJ4262770	The vehicles did not have a government plate numbers and ownership books registered under the name of the OPM
TOYOTA V8				
	FGS	N/A	JTMHX01JOL5103383	
TOYOTA V8				
	FGS	N/A	JTMHX01JXM4224560	
TOYOTA Hilux Proof	FGS	N/A	MROBX8CDXN2774285	
Toyota Hilux	FGS	0245 GD	MROFR22G3E0723906	These vehicles were not made available for physical verification during the audit.
Toyota Surf	FGS	AI 5644	TRN2-15-0004993	
Toyota Surf	FGS	AH5375	TRN2-15-0018880	
Toyota Hilux Proof	FGS	0248 GD	MROHX8CD2G0895367	
Toyota Hilux Proof	FGS	0244 GD	MROKX8CD8J1903981	
Toyota Hilux	FGS	0183 GD	MROHX8CD0L0937741	

Recommendation

It is strongly recommended that all vehicles be issued an ownership document and registered under the name of the Office of the Prime Minister (OPM).

Additionally, it is advised that the management of the Prime Minister's Office take prompt action to recover any vehicles that are currently unaccounted for within the 2023 fiscal year.

Management response

We are taking steps to obtain the necessary documents for the vehicles that do not have license plates and the Book of Ownership, which are registered under the Prime Minister's Office as soon as possible.

Regarding the other vehicles mentioned, it should be noted that the assigned individuals were not present during the audit, they can be readily located whenever necessary..

3.4. OTHER AUDIT MATTERS

3.4.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Weak internal audit function

An overall evaluation of the OPM internal audit unit revealed that there is no substantial evidence to show that the internal audit unit performed its functions. Hence, violating Article 46 (1) of Public Financial Management Act 2019.

Recommendation

The OPM management should enable a functional internal audit unit with 2023.

Management response

We have established an internal control system for The Office and we are planning to designate a responsible officer.

3.5. AUDIT FOLLOW UP

3.5.1. Outstanding Issues from the 2021 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;

Findings	Status
4.2.1. Failure to prepare an annual procurement plan	Not implemented
4.2.2. Failure to adhere to the above thresholds for procurements	Not implemented
4.2.3. Contracts were not registered with OAGS	Not implemented
4.3.1. Weak management system for vehicles	Not implemented
4.4.1. Bank accounts were opened without prior approval	Not implemented
4.5.1. External support budget is not included in the country system	Not implemented

4. MINISTRY OF FINANCE (MOF)

4.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

4.1.1. CRITERIA

Article 27 (1) and (4) of Law No. 22 of the Public 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 approved annual procurement plan

During the audit, we discovered that the Ministry of Finance management procured goods and services worth US **\$6,399,836.00** for the year under review without having in place an approved procurement plan as required by law. Hence, violating Article 27 (1 & 4) of the Public Procurement Act. Details are provided below:

Budget sub-head	Description	Amount US \$
2211	Travel expenses	\$1,231,056.00
2221	Other utilities	\$654,398.00
2223	Fuel and lubricants	\$272,769.00
2224	Office material and other consumables	\$998,473.00
2225	Repair and maintenance	\$298,719.00
2231	Rent	\$204,715.00
2241	Education & Training Expenses	\$1,636,713.00
2261	Other General expenses	\$1,102,993.00
Total		\$6,399,836.00

Recommendation

As required by the Public Procurement Act, the management of the Ministry of Finance should develop and an approve annual procurement plan for the fiscal year 2023 and subsequent years. The plan should prioritize the entity's most crucial activities to ensure efficient and effective service delivery.

Management response

Despite the presence of various challenging circumstances that make it difficult to obtain precise estimates for the year's procurements and comprehend the internal or external needs of the ministry, it is important to highlight that each vendor has a contract in that we have registered with the Office of the Auditor General (OAG). It is further worth noting that these contracts do not surpass the threshold of \$2001-\$50,000.

4.1.2. CRITERIA

Article 69 (1 & 2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

69 (1) Public procurement shall be undertaken by means of advertised open competitive bidding proceedings, with equal access to all eligible and qualified bidders without discrimination. Other procurement methods shall be used as exceptions as provided in this Act under Part IV–C.

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

Moreover, the commitment control page 4 threshold of amount above \$2001 and below US \$50,000 says the procuring entity must send a request for the three quotations to at least three vendors.

Observations

A. Failure to conduct procurement in a transparent manner

During the audit, we observed the management of MoF procured goods and works amounting to US **\$1,256,026.47** without advertising as required by law. Hence, violating Article 69(1) of the Public Procurement Act 2016 without proper justification. Details about the companies in question are listed below:

Received by (Name)	Explanation	Amount US \$
GG-055	Purchase of Toyota land cruiser bulletproof. (The Minister MoF)	\$180,000.00
GG-055	Purchase of Toyota land cruiser bulletproof (The Deputy Minister)	\$76,000.00
GG-055	Purchases of Toyota land cruiser bulletproof. (The Speaker and Deputy Speakers)	\$420,000.00
GG-055	Purchase of Toyota land cruiser bulletproof (Manager of Security of Aden Adde International Airport)	\$80,000.00
GG-055	Purchase of Toyota land cruiser bulletproof (Director of The Aden Adde International Airport)	\$125,000.00
GG-056	Purchases Motor vehicle for the Office of the Presidency	\$76,710.00
GG-057	Purchases for Security Equipment for the Office of the Presidency	\$72,576.47
GG-139	Rehabilitation of a house (Hooyooyinka)	\$105,740.00
GG-140	Purchase of Toyota land cruiser bulletproof (Deputy Speaker of the Senate House)	\$120,000.00
Total		\$1,256,026.47

B. Splitting procurements amounting to US \$291,191.60

During the audit, we noted that the entity's management split procurement of goods and services amounting to US **\$291,191.60** by splitting procurement amounts to make it under \$50,000, to avoid an open and competitive bidding process. Hence, violating the Commitment Control of the Accountant General. Details in the table below:

Received by (Name)	Description	Amount US \$	Comments
GG-058	Stationary	\$167,608.50	These were split into different small portions in order to avoid the thresholds and give them to the same vendor.
GG-059	Stationary	\$123,583.10	
Total		\$291,191.60	

Recommendation

The management of the Ministry of Finance should initiate the advertisement of an open local and international tender, as deemed appropriate, in order to uphold fairness and provide equal opportunities to all eligible and qualified bidders in the year 2023 and subsequent years.

The management of the Ministry of Finance should not split procurements during the fiscal year 2023 and subsequent years.

Management response

Given the current circumstances within the government, the procurement of armored vehicles for the protection of government officials is not viable to be sourced from various vendors due to the following reasons:

Confidence in vehicle safety: It's challenging for certain vendors to provide a loan due to the high cost of the vehicle. However, there are others who may be able to offer this service and require a form of guarantee from the government officials who are in need of the vehicles. A significant portion of the vehicles and other high-cost expenses are incurred at the request of other government agencies. They provide us with detailed information about the type of purchase, the recipient, and the value. This information is submitted along with the request and order.

The splitting of tender contracts is necessitated by specific circumstances involving contractors, each of whom requires a personal guarantee for the goods being procured. This guarantee ensures that the responsible party will be held accountable in the event of any loss or delay during the payment process. Furthermore, each contractor has established their own debt issuance limits to mitigate the risk of jeopardizing their business in case of potential loss.

Consequently, the Ministry has opted to engage multiple contractors and has already implemented a procurement process to ensure that the services required by various offices can proceed without interruption or delays. These services are crucial for the smooth functioning of the Ministry's operations, including revenue collection and the management of a wide range of activities at its three primary buildings in the Banadir region

4.1.3. CRITERIA

Article 19 (1) & (2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

19 (1) Prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High value or complex contracts or groups of items being bundled together for a large contract.

19 (2) The invitation to prequalify shall be published in at least one, widely circulated national newspaper and if feasible in the National Gazette and procurement bulletin or website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines.

Observation

A. Absence of prequalification process of selected vendors

During the audit, it was observed that the management of the MoF engaged in procurements exceeding \$2,001 but below \$50,000, allowing 14 vendors to collectively procure goods and services amounting to US **\$2,291,329.37**. It was found that these procurements were conducted without any prequalification process, such as publishing the requirements on at least one widely recognized national website, before inviting or soliciting quotations from the vendors. This is in violation of Article 19 (1) of the Public Procurement Act of 2016. Details are shown in the table below:

Vendor name	Months	Split amounts
GG-060	12 Months	\$392085.00
GG-061	10 Months	\$151,335.80
GG-062	1 Month	149,286.47
GG-063	9 Months	\$232,091.00
GG-064	3 Months	\$66,067.00
GG-065	7 Months	\$89,460.00
GG-066	5 Months	\$219,731.00
GG-067	4 Months	\$268032.10
GG-068	1 Months	\$9,000.00
GG-069	12 Months	\$281,164.00
GG-070	1 Months	\$52,800.00
GG-071	12 Months	\$285,840.00
GG-072	2 Months	\$73,677.00
GG-073	1 Months	\$20,760.00
Total		\$2,291,329.37

Recommendation

The management of the Ministry of Finance is required to carry out a prequalification process for each service provider whose purchase amount falls between \$2,001 and US \$50,000 for the fiscal year 2023 and subsequent years.

Management response

There is a procedure that the Ministry of Finance puts in place for contractors that provide various goods and services monthly which is called commitment control and procurement in accordance with the public procurement law which was included in the SFMIS system.

Therefore, it is necessary for all expenses paid to the contractors to go through the commitment control and if the contractor fails to go through that procedure, it will not receive any payment. Therefore, it is mandatory for payments issued to every contractor to apply procurement procedures and commitment control in order to prevent delays in the smooth running of the financial system of the country.

NOTE: we do annual agreements for each vendor registered with OAG and do not exceed the threshold of \$2,001-\$50,000.

4.2. ASSET MANAGEMENT

4.2.1. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: Land, Property and Environment, Article 43. Land (2) Land shall^{be} held, used and managed in an equitable, efficient, productive and sustainable manner.

Observation

A. Lack of ownership documents

During the audit, we observed that the Ministry of Finance had a list of fixed assets (133 premises and 7 lands) without ownership documents. This is in violation of Article 43. Details are shown in the table below:

Asset name	Quantity	Asset type	Comments
Hamar-Weyne Bazaar	1	Shopping Mall	No ownership or land title deed
Offices	17	Premises	No ownership or land title deed
Apartments/offices	78	Premises	No ownership or land title deed
Apartments	9	Premises	No ownership or land title deed
Customs	20	Premises & land spaces	No ownership or land title deed
Land spaces	7	Land spaces	No ownership or land title deed
Stadiums	7	Premises & land spaces	No ownership or land title deed
Store	1	Premises	No ownership or land title deed
Total	140		

Recommendation

The MoF management should start the process of acquiring ownership documents for all lands and premises in order to use it in an efficient and productive manner within the fiscal year of 2023.

Management response

The procurement department of the MoF has registered all details of fixed assets such as type of the asset, location, owner, and status of the asset.

Therefore, MoF plans to complete all the necessary information regarding public property such as the price and ownership.

4.2.2. BEST PRACTICE

It is best practice to maintain a comprehensive fixed asset register which is updated periodically to contain information on date of acquisition, type of asset identification number, depreciation policy, location, and responsible officer(s), among others.

Observations

A. Failure to maintain an up-to-date asset register

During the audit, it was observed that the Ministry of Finance (MoF) did not have a proper fixed asset register to document and track all the assets owned and held by the Ministry. Additionally, when a sample of the Ministry's assets was physically verified, it was noticed that certain assets did not have unique identification numbers affixed to them.

B. Lack of vehicle ownership documents

Based on the list of vehicles that was presented for the audit, it was observed that there was a lack of documentation confirming ownership of the vehicles belonging to the Ministry of Finance. Specifically, the vehicles were not registered under the Ministry's name, as evidenced by the absence of vehicle log books, and they did not bear government license plates. The list of these vehicles is provided below:

Name of the Vehicle	Chassis No.	Comments
TOYOTA Land Cruiser, (Abdi Monthe)	JTELV71J007401162	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Land Cruiser	JTGEB73J5F9016523	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MR0HB8CD2G0471444	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Land Cruiser(B/Broof)	JTMHV01J6H5038746	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Land Cruiser(B/Broof)	JTMHV09J7C4084573	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux Pick Up	MR0HB8CD0G0472138	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux Pick Up	MR0DB9CD6L5143283	No government plate number & an ownership book registered in the MoF's name.

Name of the Vehicle	Chassis No.	Comments
TOYOTA Hilux Pick Up	MROFR22G9E0718144	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux Pick Up (Bullet proof)	MR0DB9CDXM5150948	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Land Cruiser	MRODX9CD2L2638602	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Land Cruiser	JTEBX9FJXKK312838	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Noah 4wd	SR50-0093919	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MROHB8CD2C0600234	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MROBB9CD7L5147066	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MROBB9CD3L5147047	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MR0HS8CD900722143	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MROFR2291CO74931	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MROHX8C-D5H0920036	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	FR2201C067	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Fortuner	MR1DX8FS5G0003648	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Carib	AE115-0053114	No government plate number & an ownership book registered in the MoF's name.
TOYOTA PRADO	JTEBX9FJ9DK112570	No government plate number & an ownership book registered in the MoF's name.
TOYOTA PRADO	TRJ150-0001067	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MROBB9CD8L5146850	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux Pick Up (Bullet proof)	MR0HX8CD2G0897703	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Revo4	MR0HA3CDX00713232	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux Pick Up	MROFR22GXF0739442	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux (2020) Pick Up	MR0DB9CD8L5147058	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux Pick Up (Bullet Proof)	MROBX8CD4N2843391	No government plate number & an ownership book registered in the MoF's name.

Name of the Vehicle	Chassis No.	Comments
TOYOTA Landcruiser Prado	JTEJU9FJXBK033524	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Hilux	MROHB8CDXG0471014	No government plate number & an ownership book registered in the MoF's name.
TOYOTA Land Cruiser (Bullet Proof)	JTMHX01J7L5103333	No government plate number & an ownership book registered in the MoF's name.

Recommendation

The MoF management should establish a fixed assets register updated periodically in the next 12 months.

The management of the Ministry of Finance should establish ownership documents and government plate numbers for its vehicles.

Management response

The National Asset department regularly updates all current assets (vehicles and office supplies) which have corresponding tag numbers while we are improving the quality of the tag numbers.

Moreover, the department is working on completing the ownership documents of the government vehicles.

4.2.3. BEST PRACTICE

Best practice suggests that the management of the entity should establish asset management policies and procedures in order to record, account for, control, and safeguard public assets by increasing the internal control practices of the public sector entity as stated in the ISSAIs 5260.

Observation

A. Lack of asset management policies and procedures

It was noted during the audit that the Ministry of Finance does not have an approved assets management policies and procedures in place.

Recommendation

The management of the Ministry of Finance should prepare national asset management policies and procedures for all entities of the Federal Government of Somalia for the fiscal year 2023.

Management response

The finalization and approval of the asset policy are in the final stage with the hope that it will be implemented before quarter three of this year.

4.2.4. BEST PRACTICE

It is important to maintain responsibility for the condition, use, and effectiveness of all government assets, including those that are outdated or no longer in use. These assets should not be disposed of without careful consideration of the most appropriate method for recovering their value.

Observation

A. Missing assets

During the audit, we requested a list of MoF assets which management availed. However, an audit physical verification revealed that some of the assets were missing. Details are shown in table below:

Asset Description	Tag. No	ASSET SERIAL NO	Asset register	Comments
HR Department				
Computer Desktop HP	MOF/00270	MP15P7QL	2020	Missing
Computer Desktop HP	MOF/00289	V8P48AA#ABAA	2020	Missing
Computer Desktop HP	MOF/00290	8CC6441KF9	2020	Missing
Computer Desktop HP	MOF/00291	8CC6431HLO	2020	Missing
DG's Office				
Computer Desktop HP	MOF/0388	8CQ7903C1	2020	Missing
Computer Desktop Lenovo	MOF/0389	SIHO5KPS	2020	Missing
Computer desktop HP	MOF0392	6CM41725MS	2020	Missing
ICT Department				
SWITCH Optical	MOF 0387	98FAT26451/001	2020	Missing
Internal Audit				
Printer Epson	MOF 0300		2020	Missing

Recommendation

The management of the MoF should work to avail the missing assets within 2023.

Management response

There is no misplaced office equipment except obsolete ones. NOTE: Some equipment that you mentioned is in the MOF offices.

OAGS response

The management should consider implementing the OAG recommendation.

4.3. AUDIT FOLLOW UP

4.3.1. Outstanding Issues from the 2021 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

Findings	Status
6.2.1. Failure to prepare an annual procurement plan	Recommendations not implemented
6.2.1. Bid was awarded to supplier who lacked TCC, TIN and Valid License	Recommendations implemented
6.2.2. Contracts were not registered with OAGS	Recommendations implemented
6.3.1. Lack of asset management policies & procedures	Recommendations not implemented
6.3.1. Failure to maintain an up-to-date asset register	Recommendations not implemented
6.3.1. Weak fleet management	Recommendations not implemented

5. MINISTRY OF INTERIOR FEDERAL AFFAIRS AND RECONCILIATION (MOIFAR)

5.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

5.1.1. CRITERIA

Article 69 (1) & (2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

69 (1) Public procurement shall be undertaken by means of advertised open competitive bidding proceedings, with equal access to all eligible and qualified bidders without discrimination. Other procurement methods shall be used as exceptions as provided in this Act under Part IV–C.

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

Moreover, the commitment control of the Accountant General page 4 threshold of amount above \$2001 and below US \$50,000 states the procuring entity must send a request for the three quotations to at least three vendors.

Observation

A. Splitting of procurement amounts totaling \$430,305.00

We observed during the audit that the MOIFAR management had split the procurement of goods and services worth US **\$430,305.00** by splitting procurement amounts to make it under \$50,000, to avoid the mandatory open advertising for all contracts that exceed the declared thresholds in the Commitment Control of the Accountant General. This action is in violation of Article 69(2) of the procurement law and the Commitment Control. Details of split procurements are shown below::

Vendor name	Sub-head	Months	Description/items	Amount in US \$
GG-074	2211	Jan. – Dec. 2022	Travel cost	\$53,380.00
GG-075	2223	Jan. – Dec. 2022	Oil & Gas	\$65,300.00
GG-076	2261	April – June 2022	Conference & refreshment	\$79,925.00
GG-077	2261	Jan. – May 2022	Conference	\$103,840.00
GG-078	2261	April – June 2022	Lunch, refreshment and transportation	\$127,860.00
Total				\$430,305.00

Recommendation

The management of MOIFAR should strictly adhere to the procurement law and Commitment Control guidelines, specifically in regard to open advertising for contracts exceeding the declared thresholds.

Furthermore, we recommend the management to implement measures to prevent the splitting of procurement contracts as a means to bypass the mandatory open advertising process. This will uphold

transparency, fair competition, and equal opportunities for all eligible bidders, fostering a more robust and accountable procurement system

Management response

The procurement of goods, services, equipment, and activities mentioned above is not carried out in a single transaction or lump sum. It is based on the current needs and approved budget. All the procurement items you have mentioned are conducted separately, following its own procedures and thresholds as outlined in the documents previously shared with you.

5.1.2. CRITERIA

Article 19 (1) of the Public Procurement Act, 2016 states that prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High value or complex contracts or groups of items being bundled together for a large contract.

Article 19 (2) states that the invitation to prequalify shall be published in at least one, widely circulated national newspaper and if feasible in the National Gazette and procurement 13 bulletin or website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines.

Moreover, the commitment control page 4, threshold of amount above \$2001 and below US \$50,000 says the procuring entity must send requests for the three quotations to at least three vendors.

Observation

A. Absence of prequalification process of selected vendors

During the audit, it was observed that the management of the Ministry of Interior Federal Affairs, and Reconciliation procured goods and services from 12 vendors amounting US **\$574,745.00**. However, it was found that these procurements were conducted without any prequalification process, such as publishing the requirements on at least one widely recognized national website, before inviting quotations from the vendors. This is in violation of Article 19 (1) of the Public Procurement Act of 2016. Details are shown in the table below:

Vendor name	Months	Split amounts	Details
GG-075	Jan. – Dec. 2022	\$53,380.00	Lack of prequalification
GG-076	Mar. – June 2022	\$27,460.00	Lack of prequalification
GG-077	Jan. – Dec. 2022	\$18,036.00	Lack of prequalification
GG-078	Jan. – Dec. 2022	\$25,944.00	Lack of prequalification
GG-079	Jan. – Dec. 2022	\$65,300.00	Lack of prequalification
GG-080	Jan. – Dec. 2022	\$18,128.00	Lack of prequalification
GG-081	Jan. – June 2022	\$16,500.00	Lack of prequalification
GG-082	July – Dec. 2022	\$16,500.00	Lack of prequalification
GG-083	April – June 2022	\$79,925.00	Lack of prequalification

Vendor name	Months	Split amounts	Details
GG-084	Jan. – May 2022	\$103,840.00	Lack of prequalification
GG-085	April – June 2022	\$127,860.00	Lack of prequalification
GG-086	Jan. – Dec. 2022	\$21,872.00	Lack of prequalification
Total		\$574,745.00	

Recommendation

The management of MOIFAR should make prequalifications for any vendors whose procurement thresholds are above \$2,001 and below US \$50,000 not later than the end of the financial year 2023 and subsequent years.

Management response

As you have seen in the procurement documents that have been shared with you, the ministry has pre-qualification suppliers who are sent to evaluate the needs of the procurement such as materials, services, and activities. The objective is to select the supplier offering the most competitive price and highest quality service. Regarding any other shortcomings the ministry is ready to make tangible progress.

OAGS responseQ

The entity management has shared with the audit a list of company names, whereby the requirement of the relevant Article is the prequalification process.

5.1.3. CRITERIA

The Commitment Control page 1, principle 2, states that one vendor must not be allowed to procure more than two budget sub-heads.

Observation

A. One Vendor was awarded tenders for more than two budget sub-heads amounting to US \$185,896.00

During the audit, it was observed that the management of the MOIFAR violated the Accountant General's Commitment Control principle 2 by awarding tenders to a single vendor across multiple budget sub-heads, amounting US **\$185,896.00**. Details are shown in the table below:

Vendor name	Sub-head	Amount in US \$
GG-089	2261	\$127,860.00
GG-089	2225	\$18,128.00
GG-089	2224	\$21,872.00
GG-089	2221	\$18,036.00
Total		\$185,896.00

Recommendation

The management of MOIFAR should not permit a single vendor to procure more than two budget sub-heads, and they should follow Commitment Control during vendor selection.

Management response

The monthly budget allocation for certain heads is below \$2,000 and as such, we authorized the aforementioned service provider to deliver the required service. Moreover, the matter was subsequently forwarded to the Office (Commitment Control) of the Accountant General. Regarding any other shortcomings the ministry is ready to make tangible progress.

5.2. USE OF THE COUNTRY SYSTEM FOR EXTERNAL SUPPORT AND MANAGEMENT OF BANK ACCOUNTS

5.2.1. CRITERIA

Articles 38 (1) of the PFM Act 2019 states as follows: All grants received by a government agency from a donor, or another person should be included in the national budget (on-budget)..

Observation

A. Grants amounting to US \$343,480.8 were not added to the national budget

It was noted during the audit that the management of the MOIFAR implemented four (4) projects with a budget totaling US **\$343,480.80**. The authorized officer of the MOIFAR did not take appropriate steps to ensure that such grants were added to the approved national budget and the Single Treasury Account, as required by Article 38(1) of the PFM Law. Details are shown below:

Name of the project	Donated by	Budgeted amount US \$	Amount used US \$
UNICEF JPLG rolling work plan 2021-2022	UNICEF	\$94,460.00	\$108,778.00
UNICEF- Civil registration Annual work plan 2021 - 2022	UNICEF	\$142,548.00	\$115,013.00
UNHCR - Statelessness	UNHCR	\$100,000.00	\$90,000.00
UNDP	UNDP	\$6,472.80	0
Total		\$343,480.80	\$313,791.00

Recommendation

All grants received during the financial year 2023 and subsequent years, should be included in the national budget and should be managed through the Somali Financial Management Information System (SFMIS).

Management response

We are unable to include the 2022 National Budget in the Action Plan due to various constraints. Firstly, as the country did not have a legal body to approve the 2022 budget during its preparation, it was implemented in the 2021 budget.

Additionally, the time that the action plan is being prepared does not align with the preparation of the national budget. Moreover, it is required that our projects be preceded by activities thus making it difficult to align them with the national budget.

Lastly, some donors have not issued a complete budget commitment and do not respond in a timely manner.

5.2.2. CRITERIA

Article 38 (2) of the PFM Act 2019 states that 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.

Observations

A. Lack of Minister of Finance co-sign in grant agreements

During the audit, it was observed that the Minister of Finance did not co-sign the above grants' agreements, which is contrary to the requirement of the PFM Act 2019, Article 38(2).

Recommendation

The management of the MOIFAR should ensure that all the agreements related to grants should be co-signed by the Minister of Finance during the financial year 2023 and subsequent years.

Management response

The MOIFAR accept the OAGS's recommendations

5.2.3. CRITERIA

Articles 9 (7) and 42 (3) of law No. 17 Public Financial Management Act of 2019 state as follows:

9(7) The Minister of Finance shall approve the opening of bank accounts by government agencies.

42(3) No bank account shall be opened for a Government Agency in the country or abroad without the written consent of the Accountant General.

Observation

A. Bank Account opened without prior approval and authorization

During the audit, it was discovered that management of the Ministry of Interior Federal Affairs and Reconciliation opened an Amal Bank account (1013789391) without prior approval and authorization from the Accountant General and the Minister of Finance, respectively. This was in violation of Articles 9 & 42. Details of the Bank Account are shown below:

Bank name	Account number	Amount deposited in US \$	Outstanding balance US \$
Amal Bank	1013789391	\$345,988.80	\$92,498.00

Recommendation

The entity's management should get retrospective approval and authorization during the financial year 2023 from the Office of the Accountant General and the Minister of Finance to regularize the above bank accounts.

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

Management response

The bank account mentioned above was opened in 2021. We sought permission from the Accountant General's Office, but they informed us that they are only authorized to open accounts in central banks and not in private banks. If the Ministry requires an additional account, we will seek approval from the appropriate authorities. It is worth noting that the Ministry has accepted the recommendation from the OAGS.

OAGS response

Management should close the bank account opened and operated without due process.

5.3. AUDIT FOLLOW UP

5.3.1. Outstanding Issues from the 2021 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.

Findings	Status
2.2.1 Failure to prepare annual procurement plan	Recommendations implemented
2.2.1 Failure to establish procurement unit	Recommendations not implemented
2.3.1 A bank account was opened without prior approval	Recommendations not implemented
2.4.1 Receipts from donors are not included in the country system	Recommendations not implemented
2.2.2 Failure to maintain an up-to-date the asset register	Recommendations implemented
2.4.1 Failure to carry out internal audit function	Recommendations not implemented

6. MINISTRY OF PUBLIC WORKS & RECONSTRUCTION (MPW&R)

6.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

6.1.1. CRITERIA

Article 27 (1) and (4) of law no. 22 of the Public Procurement Act of 2016, states as follows:

27 (1) All Procuring Entities shall undertake annual Procurement Planning, with a view to achieving maximum value for public expenditure and the other objects of this Act. The Procurement Plan shall support the Procuring Entity's approved program and budget.

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

Observation

A. Failure to prepare an approved annual procurement plan

During the audit we observed that the Authorized Office of the MPW&R made procurements amounting to US **\$163,215.00** without an approved annual procurement plan in place. Hence, violating Article 27 (1), (4) of the procurement law. Details are shown in the table below:

Name of the company	Sub Head	Description	Amount
GG-091	2221	Other utilities	\$25,000.00
GG-092	2223	Fuel and Lubricants	\$25,000.00
GG-093	2224	Office Materials and other Consumables	\$25,000.00
GG-094	2225	Repairs and Maintenance	\$10,000.00
GG-095	2221	Other Utilities	\$12,470.00
GG-096	2223	Fuel and Lubricants	\$20,000.00
GG-097	2224	Stationary	\$9,785.00
GG-098	2225	Repairs and Maintenance	\$24,960.00
GG-099	2211	Travel cost	\$11,000.00
Total			\$163,215.00

Recommendation

The MPW&R management should have an approved annual procurement plan in place for the financial year 2023 and subsequent years that prioritizes the most important activities for the entity in order to ensure efficient and effective service delivery.

Management response

Procurement Plan of the Ministry

The Ministry currently lacks a set budget for speeding up the development and reconstruction of social and public services. As a result, office expenses and operating costs are not paid based on the approved national budget, which leads to inconsistent payments. Furthermore, some payments are delayed for several months. Due to these factors and the lack of an accurate and predictable annual budget, the Ministry has not yet developed an annual procurement plan. However, to address potential findings against the Ministry, we will prepare the annual procurement plan for 2023, which will be presented during the next annual audit.

6.1.2. CRITERIA

According to the Accountant General's Commitment Control, page 1, principle 2, one vendor must not be allowed to procure more than two budget sub-heads.

Observation

A. One Vendor was awarded tenders for more than two budget sub-heads amounting to US \$47,215.00

During the audit, we noted that the management of the MPW&R awarded a total of US **\$47,215.00** to one vendor for more than two budget sub-heads which is against the Accountant General's commitment control guideline principle 2. Details are shown in the table below:

Sub-head	Vendor name	Amount US \$
2221	GG-090	\$12,470.00
2224	GG-090	\$9,785.00
2225	GG-090	\$24,960.00
Total		\$47,215.00

Recommendation

The management of MPW&R should not permit a single vendor to procure more than two budget sub-heads, and should follow the Commitment Control during vendor selection in 2023 and subsequent years.

Management response

Three sub-heads procured from one Vendor

The management of the Somali Construction Development Agency that executed the aforementioned flawed procurement has reaffirmed to us that they are adhering to the audit advice of the Auditor General team, which is that they would take care of and prevent a repeat of this procurement issue.

6.1.3. CRITERIA

Article 19 (1) & (2) of the Public Procurement Act, 2016 states

(1) Prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High value or complex contracts or groups of items being bundled together for a large contract.

(2) states that the invitation to prequalify shall be published in at least one, widely circulated national newspaper and, if feasible, in the National Gazette and procurement 13 bulletin or website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines.

According to the Commitment Control page 4, thresholds of amounts above \$2001 and below US \$50,000 state that the procuring entity must send a request for the three quotations to at least three vendors.

Observation

A. Absence of prequalification process of selected vendors

During the audit, we noted that the management of the MPW&R made procurements for which their thresholds were above \$2,001 and below \$50,000, which enabled 6 vendors to procure goods and services totaling US **\$163,215.00** without any prequalification like publishing in at least one widely used national website before inviting or sending quotations to the vendors. Which is contrary to the Article 19 (1) of the Public Procurement Act, 2016. Details of vendors that were awarded tenders without prequalification are shown in the table below:

Vendor name	Sub-head	Description	Amount US \$
GG-100	2221	Other utilities	\$25,000.00
GG-100	2225	Repairs and maintenance	\$10,000.00
GG-101	2223	Fuel and lubricants	\$25,000.00
GG-102	2224	Office materials and other consumables	\$25,000.00
GG-103	2211	Travel cost	\$11,000.00
GG-104	2223	Fuel and lubricants	\$20,000.00
GG-090	2221	Other utilities	\$12,470.00
GG-090	2224	Stationary	\$9,785.00
GG-090	2225	Repairs and maintenance	\$24,960.00
GG-090	2225	Dayactir iyo hagaajin	\$24,960.00
Total			\$163,215.00

Recommendation

The management of MPW&R should prequalify vendors whose procurement thresholds are above \$2,001 but below US \$50,000 for the fiscal year 2023 and subsequent years.

Management response

The Management of the Ministry of Public Works hereby declares to you that we have entered into a 1-year agreement for the year 2022 with the vendors mentioned below, and we shared with you all the documents showing the procurement process we undertook in the selection and awarding of the agreements during the annual audits.

1- Arab Construction & General Service

2- Active Electronics

3- Daily Fuel

4- Royal Tour & Travel

Note: If by prequalification you mean a Request for Expression of Interest (REOI) from the beginning is a good suggestion, and we will implement it from now on, but since the cost was 2,500 and below, which will be Single Sourcing we thought Request for Expression of Interest (REOI) would not be needed.

Note: If you are referring to conducting a Request for Expression of Interest (REOI) as a form of prequalification, it's a great suggestion that we will begin implementing. However, in cases where the cost is below \$2,500 and falls under Single Sourcing, we did not believe that it would be necessary to conduct an REOI

5- Sirmaqabe General Trading Company,

The management of the Construction Agency, which is the agency that specifically uses the above-mentioned Vendor, has confirmed that they will endeavor to follow the guidelines of the Accountant General's Office fully

6.2. ASSET MANAGEMENT

6.2.1. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: Land, Property and Environment, Article 43. Land (2) Land shall be held, used and managed in an equitable, efficient, productive and sustainable manner.

Observation

A. Lack of ownership documentation and inadequate management of premises and land

During the audit, we requested the management of MPW&R to provide a list of premises and lands owned by the ministry. The Ministry's management furnished a list of six (6) plots of land and eighteen (18) premises allegedly belonging to the Ministry. However, they failed to present any proof of ownership for these properties. Further, the properties listed in the document provided to OAGS auditors exhibit a mix of partial vacancy, private control, and rental arrangements, without a clear system or procedure in place for their overall management. Further details can be found in the table below:

Asset type	Location	Controlled by	Comments
House	Xamer-weyne District	Private person	Leased out
Hotel	Abdil-asis District	Private business	Leased out
Build	Shangaani District	Private person	Leased out
House	Xamer-weyne District	Private person	Leased out
House	Xamer-weyne District	Private person	Leased out
Land space	Hodan	Vacant	Leased out
House	Abdil-asis District	Government official	Leased out
Land Space	Yaaqashid District	Private person	Lease out
Land Space	Hoden District	Private person	Lease out
House	Abdil-asis District	Private person	Lease out
House	Hodan District	Private person	Lease out
House	Hodan District	Private person	Lease out
Land Space	Hodan District	Private person	Lease out
Building	Shangaani District	Ministry	Free occupation
House	Abdil-asis District	unknown	Free occupation
House	Abdil-asis District	unknown	Free occupation
Houses	Shangaani District	Unknown	Free occupation
House	Shangaani District	Unknown	Free occupation
House	Shangaani District	Unknown	Free occupation
Houses	Shibis District	Director (MGB)	Free occupation
House	Shibis District	Mp cosoble	Free occupation
Land Space	Yaaqashid District	unknown	Implicit
Land Space	Yaaqashid District	Unknown	Implicit

Asset type	Location	Controlled by	Comments
School and house	Yaaqshiid District	Unknown	Implicit

Recommendation

MPW&R, in collaboration with the MoF, should provide reasonable properties management policy and should repossess all government properties from illegitimately held private individuals. During the fiscal year 2023, MPW&R should formulate a way forward for establishing the government's asset ownership documents.

Management response

The management system of the entities' premises and land spaces

The Ministry of Public Works has taken the advice of the Audit team to formulate an asset management policy for fixed assets such as land and premises. The ministry will appoint a committee to prepare the policy and review existing public Asset Management laws used to manage public fixed assets of the nation and, more specifically, that of the ministry for which it is the sole responsibility of the entity management.

6.2.2. BEST PRACTICE

To ensure transparency and accountability, it's crucial that government vehicles have a registered ownership book in the entity's name and can be verified. This enables proper asset management until disposal procedures are established and maintained..

Observation

A. Inadequate Fleet Management System

During the audit, it was noted that the MPW&R claimed ownership of seven (7) vehicles. However, these vehicles were not registered under the entity's name and lacked proper vehicle ownership documentation. Additionally, five (5) of the vehicles were not made available to the audit team for physical verification. Details are shown in the table below:

Vehicle type	Source of funds	Chassis No.	Comments
Toyota Hilux Double Cabin	GIZ	AHTKK8CD900676806	Used by Isxilqaan DG
Toyota Hilux Double Cabin	GIZ	AHTKK8CD900676708	Used by the Director of Admin and Finance
Toyota Hilux Double Cabin	GIZ	AHTKK8CD800676750	Used by the ex-Deputy Minister of the MPW&R Ministry
Toyota Hilux Double Cabin	GIZ	AHTKK8CD900676773	Used by the ex-state Minister of the MPW&R
Toyota Hilux Double Cabin	GIZ	AHTKK8CD200676730	Used by Ex- Ministry of Public Works
Toyota Hilux Double Cabin	GIZ	AHTKK8CD600676794	Used by Ex-Director General MPW&R
Toyota Hilux Double Cabin	GIZ	AHTKK8CD700676805	Used by Project RIP

Recommendation

All vehicles should have ownership documents that are registered in the name of the MPW&R and stored safely by a senior responsible official. They should be recorded in the asset register with details such as type of vehicle model, registration number, chassis number, location, value, and responsible officer. Additionally, during the fiscal year 2023, the management of MPW&R should conduct periodic physical verification of all its vehicles to ascertain their existence, condition, and usage. The asset register should be updated with the results of the counts.

Management response

As we shared with you during the Audit, a written request sent to the Ministry of Transport asking for registration and provision of ownership books for the Ministry Vehicles has yet to materialize. Still, following the advice of the audit team, we are registering and acquiring ownership books for the two cars currently in the custody of the Ministry. We will complete the registration of the remaining vehicles when they are returned to the custody of the MPW&R, and the people who hold them obey the directives from the office of the Auditor General.

6.3. OTHER AUDIT MATTERS

INTERNAL CONTROL

6.3.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Absence of Internal Audit Function

During the audit process, we noted that the authorized officer failed to establish an internal audit unit as mandated by the provisions of the PFM Act 2019. Consequently, there were no periodic audit reports in place, highlighting a significant lapse in the organization's internal governance and accountability measures..

Recommendation

The management of MPW&R should establish an internal audit function in compliance with the provisions of the PFM Act 2019. This will enhance its internal governance mechanisms, and strengthen accountability. Thus, contributing to the overall improvement of the ministry's operations and promote public trust in its activities.

Management response

Internal Audit

Since there was no allocated budget to hire an internal auditor, we are working towards ensuring the use of one of the existing projects under the Ministry to include and budget for an internal auditor. This will help us continuously monitor and oversee the financial procedures of the ministry. We recently realized the benefits of adhering to the Auditor General's recommendations for being effective in the smooth running of the ministry.

6.4. AUDIT FOLLOW UP

6.4.1. Outstanding Issues from the 2020 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.

Findings	Status
20.2. Failure to prepare an annual procurement plan	Reconsideration not implemented
20.1. Unsupported expenditure payments	Reconsideration implemented
20.2.2. Contracts were not registered with OAGS	Reconsideration not implemented
20.2.3. Failure to prepare the local contract in the Somali language	Reconsideration not implemented
20.3 Vehicles not registered in the name of the entity	Reconsideration not implemented
20.3 Lack of asset management policies and Procedures	Reconsideration not implemented
20.4. Bank accounts were opened without prior approval	Reconsideration implemented
20.4.1. External support budgets are not included in the country system	Reconsideration implemented



II. SECURITY SECTOR

7. NATIONAL INTELLIGENCE AND SECURITY AGENCY (NISA)

7.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

7.1.1. CRITERIA

Article 27 (1) and (4) of Law No. 22 of the Public 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 approved annual procurement plan

During the audit, we observed that the NISA management procured goods and services worth US **\$3,680,806.00** for the year under review without having in place an approved annual procurement plan. Hence, violating article 27 (1 & 4) of the Public Procurement Act. Details are provided below:

Budget sub-head	Description	Amount US \$
2211	Travel expenses	\$372,000.00
2221	Other utilities	\$209,770.00
2223	Fuel and lubricants	\$1,024,788.00
2224	Office material and other consumables	\$192,792.00
2225	Repair and maintenance	\$300,000.00
2261	Other General expenses	\$1,581,456.00
	Total	\$3,680,806.00

Recommendation

As required by the Public Procurement Act, the management of NISA should develop an approved annual procurement plan for the fiscal year 2023 and subsequent years. This plan should prioritize the entity's most crucial activities to ensure efficient and effective service delivery.

Management response

Considering the nature of the agency, which is an agency that deals with security and intelligence issues, it is often not possible to come up with a plan, because the agency is involved in war, liberation and other activities carried out by urgent presidential orders.

Making a plan for travel and supplies is also difficult because there are occasionally urgent meetings and emergency casualties who must be taken outside for medical attention. However, we will create a plan for some services like fuel, materials, goods, and maintenance

7.1.2. CRITERIA

Article 19 (1) & (2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

19 (1) Prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High value or complex contracts or groups of items being bundled together for a large contract.

19 (2) The invitation to prequalify shall be published in at least one, widely circulated national newspaper and if feasible in the National Gazette and procurement bulletin or website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines

Observation

A. Absence of prequalification process of selected vendors

During the audit, we noted that the management of the NISA made procurements for which their thresholds were above \$2,001 and below \$50,000, which enabled 4 vendors to procure amounts totaling US **\$626,255.00** without any prequalification like publishing in at least one widely used national website before inviting or sending quotations to the vendors. Which is contrary to the Article 19 (1) of the Public Procurement Act, 2016. Details of vendors that were awarded tenders without prequalification are shown in the table below:

Vendor name	Months	Per month	Total amount US \$
GG-105	7 Months	\$31,000.00	\$217,000.00
GG-106	7 Months	\$16,066.00	\$112,462.00
GG-107	7 Month	\$17,399.00	\$121,793.00
GG-108	7 Months	\$25,000.00	\$175,000.00
Total			\$626,255.00

Recommendation

The management of NISA is required to carry out a prequalification process for each service provider whose purchase amount falls between \$2,001 and US \$50,000 for the fiscal year 2023 and subsequent years.

Management response

In early 2019, the National Security and Intelligence Agency conducted prequalification and open advertising. The vendors mentioned were successfully selected. However, the agency cannot accept new vendors due to security reasons, so an annual renewal agreement was made with each selected vendor. The agency also shared information about each vendor with the assigned auditors.

7.1.3. CRITERIA

Article 58 (1) of Law No. 22 of the Public Procurement Act of 2016 states as follows

58 (1) Every Procuring Entity shall establish a Procurement Committee, which shall consist of at least five (5) members constituted by the Accounting Officer as follows:

- a) One (1) senior official of the Procuring Entity as chairperson; and
- b) Four (4) senior officers of the Procuring Entity, one of whom shall be the officer responsible for finance

Observation

A. Failure to establish procurement committee

During the period under review the management of NISA procured goods and services totaling **\$626,255.00**, without a procurement committee in place. Hence violating Article 58 (1) of the Public Procurement Act of 2016.

Recommendation

The management of NISA should nominate and establish an effective procurement committee in the fiscal year 2023 as per the applicable law.

Management response

NISA has accepted the recommendation and is prepared to implement it.

7.1.4. CRITERIA

According to the Commitment Control page 4, the procuring entity must transfer the procurement process to the Ministry of Finance if the amount exceeds or equals \$50,000.

Observation

A. Failure to transfer procurement worth above/equal to \$50,000.00 to the MoF

During the audit, we observed that the management of NISA procured goods and services worth US **\$1,520,309.00** and failed to transfer to the Ministry of Finance since the amount was above the threshold set out by the Accountant General's Commitment Control. Hence, violating the Accountant General's Commitment Control. The individual amount in questions and vendors is shown in the table below:

Vendor name	Months	Per month	Total amount
GG-109	7 Months	69,043.00	\$483,301.00
GG-110	7 Months	85,399.00	\$597,793.00
GG-111	7 Months	62,745.00	\$439,215.00
Total			\$1,520,309.00

Recommendation

The management of NISA should follow the Accountant General's commitment control guidelines and as such, should transfer procurement amounts equaling to or above US \$50,000 to the Ministry of Finance in the fiscal year 2023..

Management response

EXPRESS LOGISTICS AND CAR SALE was selected after a tender process including advertisement towards the end of the year 2022. Once again, NISA appointed an evaluation committee, and EXPRESS LOGISTICS AND CAR SALE was selected bidder again; therefore, that article was complied with during 2023.S

DEH has long been a fuel supplier to the NISA out of concern for security, which is particularly essential to the NISA. Because DEH and MOF management were in agreement that DEH would keep supplying fuel to the NISA, DEH's aMonthity to do so was not advertised.

Construction and rehabilitation are TA'MEER's specialties, and they were given a contract in 2019 after winning an open bidding. Every year, we extend its contract.

This company is responsible for sensitive buildings such as the offices of the organization, the buildings of the army, the tower buildings of the CCTV project, and other very important parts, and it is difficult to trust anyone in those buildings.

NB: It was recently that a construction company that was working on the building of the NISA and its workers became part of terrorist organizations. Therefore, every company cannot be trusted with the construction of the institution's headquarters.

OAG response

Article 5 of Law No. 22 states: For the purpose of Article 5 (2) (i), procurement of items such as general supplies, uniforms, stationery, office equipment, and ordinary vehicles for the military or security agencies shall not be classified as related to national defense or national security. However, we appreciate NISA's management's efforts to respond in detail and with commendable justifications

7.2. ASSET MANAGEMENT

7.2.1. BEST PRACTICE

It is best practice to maintain a comprehensive fixed asset register which is updated periodically to contain information on date of acquisition, type of asset identification number, depreciation policy, location, and responsible officer (s).

Observation

A. Failure to register Agency's assets with the Ministry of Finance (MoF)

During the audit, we observed that management did not have tag numbers registered with the MoF for all of its assets. During the audit, we discovered that management did not register its assets with the Ministry of Finance.

Recommendation

The management of NISA should register all its assets with MoF so as to establish tag numbers during the fiscal year 2023.

Management response

NISA has attached its own tag numbers to all of its assets and we shared this with the auditors in visual and written forms. Moreover, the list of all NISA properties has been shared with the Ministry of Finance.

Previously, the agency was unaware that the MoF provided tag numbers, but when we found out, we contacted the Ministry to register our assets and we are working on it.

7.3. AUDIT FOLLOW UP

7.3.1. Outstanding Issues from the 2021 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:

Findings	Status
20.1 Failure to prepare an annual procurement plan	Recommendations not implemented
20.1 Failure to establish procurement unit	Recommendations implemented
20.1 Failure to establish procurement committee	Recommendations not implemented
20.2 Weak fleet management system	Recommendations partially implemented

8. SOMALI POLICE FORCE (SPF)

8.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

8.1.1. CRITERIA

Article 27 (1) and (4) of law No. 22 of the Public 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 approved annual procurement plan

During the audit, we observed that the management of SPF procured goods and services worth US **\$7,834,252.00** for the year under review without having in place an approved procurement plan. Hence, violating Article 27 (1 & 4) of the Public Procurement Act. Details are provided below:

Budget sub-head	Description	Amount US \$
2261	Other General Expense of goods and service	\$6,503,448.00
2313	Other fixed assets	\$14,500.00
2224	Materials and supplies	\$429,756.00
2223	Fuel and Lubricant	\$766,548.00
2251	Police - Materials, supplies and services	\$120,000.00
	Total	\$7,834,252.00

Recommendation

The management of SPF should have an approved annual procurement plan in place for the financial year 2023 that prioritizes the most important activities for the entity in order to ensure efficient and effective service delivery.

Management response

The Somali Police force follows the Somali Procurement Act for all its procurements. We adhere to the procedures and guidelines of the Ministry of Finance, the Accountant General and the Auditor General. We also ensure our procurements are consistent with the allocated national budget

8.1.2. CRITERIA

58 (1) Every Procuring Entity shall establish a Procurement Committee, which shall consist of at least five (5) members constituted by the Accounting Officer (SPF Commander) as follows:

- a) One (1) senior official of the Procuring Entity as chairperson; and
- b) Four (4) senior officers of the Procuring Entity, one of whom shall be the officer responsible for finance.

61 (1) each procuring entity shall establish a Procurement Unit under this Act.

62 (2) the Accounting Officer may form an Evaluation Committee when required, depending on the value and complexity of the procurement contract as detailed in the Regulations.

Observation

A. Failure to establish procurement unit and evaluation committee

During the audit, it was observed that the management of SPF procured goods and services totaling **\$7,834,252.00**, during the year under review without establishing a procurement unit and procurement evaluation committee responsible for conducting procurements of the entity contrary to the requirements of Articles 58, 61 and 62 of the Public Procurement Act.

Recommendation

The management of SPF should establish a procurement unit and nominate a procurement committee for the financial year 2023 in order to perform their duties as required by the Public Procurement Act.

Management response

In addition to SPF's commitment to upholding the country's laws and systems, we are also willing to rectify any issues that may occur. We intend to amend all the existing issues in the financial year 2023.

8.1.3. CRITERIA

Article 69 (2) of National Procurement law says procurement contracts should not be divided with the intention of avoiding advertised open competitive bidding required for all contracts estimated to cost more than the monetary thresholds established in the Regulations.

Moreover, the commitment control page 4 threshold of amount above \$2001 and below US \$50,000 states the procuring entity must send a request for the three quotations to at least three vendors.

Observation

A. Splitting of procurement totaling \$4,902,954.70

During the audit, we noted that the management of the SPF split the procurement of goods and services amounting US **\$4,902,954.70** by splitting procurement amounts to make it under \$50,000. Hence, violating Article 69 (2) of Law No. 22 and Commitment Control. Details are shown in the table below:

Vendor name	Purpose	Duration	Amount US \$
GG-112	Fuel and Lubricant	Jan. – Dec. 2022	\$3,875,070.20
GG-113	Food and foodstuff	Jan. – Dec. 2022	\$ 766,547.50
GG-114	Food and Foodstuff	April – Dec. 2022	\$ 261,337.00
Total			\$4,902,954.70

Recommendation

The management of SPF should not split procurement in order to avoid the threshold and should follow the accountant’s general commitment control guidelines during the financial year 2023 and subsequent years.

Management response

The Ministry of National Security is responsible for procuring goods and services for the Somali Police Force. The contract winners are chosen by the Ministry and the Somali Police Force cooperates with them.

8.2. ASSET MANAGEMENT

8.2.1. BEST PRACTICE

To ensure transparency and accountability, it’s crucial that government vehicles have a registered ownership book in the entity’s name and can be verified. This enables proper asset management until disposal procedures are established and maintained. Also, it best practice for entities to maintain a fixed asset register which is updated periodically.

Observations

A. Inadequate Fleet Management System

During the audit, the management of the SPF provided the auditors with a list of twenty-one (21) vehicles that were claimed to be owned by SPF but are in the custody of former employees and other individuals. These vehicles were not availed for physical audit verification. Therefore, we can’t confirm their existence. Details are shown in the table below:

Vehicle type	Chassis No	Comments - Personal Use
Hilux Pickup	Not available	Former Deputy Minister interior
Hilux Pickup	Not available	Former State Ministry of Internal Security
Hilux Pickup	Not available	Former MP
Hilux Pickup	Not available	Former PM
Hilux Pickup	Not available	Former Minister of Ministry of Internal Security
Ford	Not available	Former President
Ford	Not available	Former Minister of Ministry of Internal Security
Ford Pickup	Not available	Former Immigration Chief
Bullet proof	Not available	Former Minister of Ministry of Internal Security

Vehicle type	Chassis No	Comments - Personal Use
Bullet proof	Not available	Former Minister of Ministry of Internal Security
Hilux pickup	Not available	Former Presidency Chief of Staff
Landcruiser Pickup	Not available	Former PM
Landcruiser Pickup	Not available	Former Minister
Landcruiser Pickup	Not available	Former PM
Hilux pickup	Not available	Former Immigration Chief
Landcruiser Pickup	Not available	Former Minister of Ministry of Internal Security
Landcruiser Pickup	Not available	Former Minister of Ministry of Internal Security
Landcruiser	Not available	Former Deputy Minister of Ministry of Internal Security
Landcruiser	Not available	Former State Minister of Ministry of Internal Security
Landcruiser Pickup	Not available	Former Deputy PM
Ford	Not available	Former Deputy Minister of Ministry of Internal Security

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

The management of the Somali Police Force did not maintain a proper fixed asset register consisting of the asset descriptions, values, serial numbers (tag number), location, conditions etc. Specifically, a physical verification of assets revealed that some of the assets didn't have tag numbers with unique identification number, in order to trace easily they whereabouts. Details are shown below:

Asset Description	Tag. No	Asset serial No	Asset register	Comments
Computer Desktop HP	Unknown	3CQ53937H3	Unavailable	Have no tag No.
Computer Desktop HP	Unknown	6CM4300NM7	Unavailable	Have no tag No.
Computer Desktop HP	Unknown	3CQ120BQDK	Unavailable	Have no tag No.
Computer Desktop HP	Unknown	3CQ122B178	Unavailable	Have no tag No.
3 UPSs	Unknown	E1908075058 E1805058359 E1805058690	Unavailable	Have no tag No.
Printer MFB 277	Unknown	VNB8J30FHR	Unavailable	Have no tag No.
Printer hp deskjet 2130	Unknown	F552880099	Unavailable	Have no tag No.
17 Executive chair	Unknown	Unavailable-	Unavailable	Have no tag No.

Recommendation

The management of Somali Police Forces should take the necessary steps to repossess all of their vehicles that are in the hands of former employees and other individuals.

The management of the Somali Police Force should keep a proper fixed asset register which is updated periodically.

Management response

We are prepared to follow the recommendations.

8.2.2. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: Land, Property and Environment

Article 43(2) of the Provisional Constitution of the FRS states that Land shall be held, used and managed in an equitable, efficient, productive and sustainable manner.

Observation

A. Inadequate management system of the entities' premises and land spaces

During the audit, the management of the Somali Police Forces (SPF) was requested to provide a comprehensive list of premises and lands owned by the SPF. In response, the SPF's management provided a list of eighty-two (82) centers that were purportedly under the ownership of the Somali Police Forces. However, upon conducting the audit, it was identified that out of the aforementioned eighty-two centers, twenty-three (23) are currently under the control of private entities. Consequently, these twenty-three centers are not being managed by the Somali Police Forces (SPF).

Name of the SPF Barrack	Location	Private control & unknown condition
Xarunta fardaha booliska	Hamar jajab District	Under Private Control
Xarunta debdemiska booliska	Wadajir District	Under Private Control
Xarunta hogaanka dhismaha booliska	Wadajir District	Under Private Control
Xarunta agoonta booliska ee hore	Wadajir District	Under Private Control
Xarunta shilkolaha booliska	Abdiasis District	Under Private Control
Kaambada gaadiidka 23 guri	Abdiasis District	Under Private Control
Kaambada hiliwaa 28 guri	Hiliwaa District	Under Private Control
Kaambada booliska sarendi 71 guri	Hamar jajab District	Under Private Control
Kaambada booliska sheelare 51 guri	Xamar jajab District	Under Private Control
Dhulka kaawada booliska	Karan District	Under Private Control
Dhulka ku dhagan laanta socotada	Howlwadag District	Under Private Control
Dhulka fardaha lagu ciyaari jiray	Hamar jajab District	Under Private Control
Dhulka sarandi iyo afisyoni u dhaxeeya	Hamar jajab District	Under Private Control
Dhulka buurka & badda ka xigo Ak/ jen kaahiya	Hamar jajab District	Under Private Control
Dhulka u dhaxeeyo isbitaal madiina & bangiga dhiiga	Wadajir District	Under Private Control
Guryaha generalada 38 guri	Different Location	Under Private Control
Garaashka iskaraabka booliska (Mayongale)	Warta Nabadda District	Under Private Control
Rugta booliska kaniisada taliyaaniga	shangani District	Under Private Control
Rugta qeybta N-galyada wadooyinka warsh	Warta nabadda District	Under Private Control
Baqaaradda raashika fardaha	Howlwadag	Under Private Control
Beerta darawiishta ee sayidka	Howlwadag District	Under Private Control

Name of the SPF Barrack	Location	Private control & unknown condition
Beeraha daraawishta booliska	Balad District	Under Private Control
Beerta booliska mareerey	Mareerey	Under Private Control

Recommendation

The Somali Police Forces management should strengthen their property management practices by re-gaining control over the privately-held centers and ensure compliance with relevant laws.

Management response

L6 comprises 23 houses, one of them resides by a civilian and the rest are in the hands of SPF

L7 Hiliwaa camp comprises 28 houses, all the civilians residing there were vacated.

L8 Police camp in Sarendi consists of 71 houses, all the houses are in the hands of the government except two houses which are under the control of civilians.

L9 Police camp in Sheelare has 51 houses, five of these houses live in Jen-Daud department, NISA officials.

L16 comprises 38 houses, seven of them are in the hands of government officials who do not have the permission of Somali police force.

We are conducting an investigation on the ownership of property belonging to the Police. We request your cooperation in assisting us with finding the deed or title of Somali Police properties..

OAGS response

SPF did not provide supporting documents to substantiate their suggestions in the above management response to my findings.

8.3. OTHER AUDIT MATTERS

INTERNAL CONTROL

8.3.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Absence of Internal Audit Function

During the audit process, we noted that the management of the SPF failed to establish an internal audit function as mandated by the provisions of Article 46 of the PFM Act 2019. Consequently, there were no periodic audit reports in place, highlighting a significant lapse in the organization's internal governance and accountability measures.

Recommendation

The management of SPF should establish an internal audit function in compliance with the provisions of the PFM Act 2019. This will enhance its internal governance mechanisms, and strengthen accountability. Thus, contributing to the overall improvement of the ministry's operations and promote public trust in its activities.

Management response

The Somali Police Force did not respond to this finding.

8.4. AUDIT FOLLOW UP

8.4.1. Outstanding Issues from the 2021 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.

Findings	Status
14.1.1. Unsupported expenditure payments	Recommendations implemented
14.2.1. Failure to establish policy and procedures to manage food supplies	Recommendations not implemented
14.2.1. Failure to establish policy and procedures to manage fuel supplies	Recommendations not implemented
14.3.1. Failure to prepare an annual procurement plan	Recommendations not implemented
14.3.2. Contracts were not registered with OAGS	Recommendations implemented
14.3.3. Failure to prepare local contract in Somali language	Recommendations implemented
14.4.1. Lack of asset management policies and procedures	Recommendations not implemented
14.4.1. Failure to maintain an up-to-date asset register	Recommendations not implemented
14.4.1. Weak management system for vehicles	Recommendations not implemented
14.5.1. Discrepancies in the database	Recommendations implemented

9. SOMALI NATIONAL ARMY (SNA)

9.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

9.1.1. CRITERIA

Article 27 (1) and (4) of law No. 22 of the Public 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 approved annual procurement plan

During the audit, we discovered that the Somali National Army (SNA) management procured goods and services worth US **\$15,037,797.00**, for the year under review without having in place an approved procurement plan. Hence, violating Article 27 (1 & 4) of the Public Procurement Act. Details are provided below:

Budget sub-head	Description	Amount US \$
2261	Other General Expense of Goods & Service	\$10,417,811.00
2225	Maintenance and repairs	\$1,035,992.00
2224	Materials and supplies	\$794,050.00
2223	Fuel and Lubricant	\$1,829,944.00
2211	Travel and conference Expense	\$360,000.00
2221	Utilities	\$60,000.00
2253	Military equipment and services	\$540,000.00
	Total	\$15,037,797.00

Recommendation

SNA management should have an approved annual procurement plan in the year 2023 that prioritizes the most important activities for the entity for efficient and effective service delivery that is based on the approved budget.

Management response

Due to the ongoing liberation war in Somalia in 2022, the Somali National Army (SNA) could not execute its annual procurement plan. The SNA had to deal with unexpected changes in its centers of operation. The Chief Financial Officer of the SNA is now working on preparing an annual procurement plan for 2023.

9.1.2. CRITERIA

58 (1) Every Procuring Entity shall establish a Procurement Committee, which shall consist of at least five (5) members constituted by the Accounting Officer (SNA Commander) as follows:

- a) One senior official of the Procuring Entity as chairperson; and
- b) Four senior officers of the Procuring Entity, one of whom shall be the officer responsible for finance.

61 (1) Each procuring entity shall establish a Procurement Unit under this Act.

62 (1) the Accounting Officer may form an Evaluation Committee when required, depending on the value and complexity of the procurement contract as detailed in the Regulations.

Observation

A. Failure to establish procurement unit and evaluation committee

During the audit, it was observed that the management of SNA procured goods and services totaling US **\$15,037,797.00**, during the year under review without establishing a procurement unit and procurement evaluation committee responsible for conducting procurements of the entity contrary to the requirements of Articles 58, 61 and 62 of the Public Procurement Act.

Recommendation

The management of SNA should establish a procurement unit and nominate a procurement committee for the financial year 2023 in order to perform their duties as required by the Public Procurement Act.

Management response

The financial management of SNA is prepared to establish efficient procedures and processes to assure quality procurement within the year 2023.

9.1.3. CRITERIA

Article 69 (2) of National Procurement law says procurement contracts should not be divided with the intention of avoiding advertised open competitive bidding required for all contracts estimated to cost more than the monetary thresholds established in the Regulations.

The Accountant General's commitment control guidelines, page 4, state that procurement amounts above US \$50,000 or equal must be transferred to the Ministry of Finance for its procurement processes.

Observation

A. Splitting of procurement totaling \$1,728,217.95

During the audit, we noted that the management of SNA split the procurement of goods worth US **\$1,728,217.95** by splitting procurement amounts to make it under \$50,000, to avoid the commitment control thresholds, contrary to the requirement of Article 69 (2). Details are shown in the table below:

Vendor name	Purpose	Duration	Amount US \$
GG-115	Food and foodstuff	Feb - Dec 2022	\$283,722.50
GG-116	Gas and oil	Jan - Dec 2022	\$390,765.00
GG-117	Food and foodstuff	Jan - Dec 2022	\$137,821.10
GG-118	Food and foodstuff	Jan - Dec 2022	\$ 522,519.15
GG-119	Food and foodstuff	Jan - Dec 2022	\$393,390.20
Total			\$1,728,217.95

Recommendation

The management of SNA should not split procurement in order to avoid the threshold and should follow the law and accountant's general commitment control guidelines during the financial year 2023 and subsequent years.

Management response

The Somali National Army is stationed in different parts of the country and needs sufficient food supplies to accomplish their missions effectively. The troops in remote locations of Somalia face challenges in obtaining food supplies. To support them, we had to procure limited food and essential items to sustain them until regular supplies arrived. Our leadership is committed to addressing and fulfilling the needs of the Somali armed forces while upholding the laws of the nation.

9.2. ASSET MANAGEMENT

9.2.1. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: land, property and environment

Article 43(2) of the Provisional Constitution of the FRS states that Land shall be held, used and managed in an equitable, efficient, productive and sustainable manner.

Observation

A. Inadequate management system of the entities' premises and land spaces

During the audit, the management of the Somali National Army (SNA) was requested to provide a comprehensive list of premises and lands owned by the SNA. In response, the SNA's management provided a list of two-hundred and two (202) centers that were purportedly under the ownership of the Somali National Army. However, upon conducting the audit, it was identified that out of the aforementioned two-hundred and two centers, one-hundred and thirty-seven (137) are currently under the control of private entities. Consequently, these one-hundred and thirty-seven centers are not being managed and utilized by the Somali National Army (SNA). Details are shown below:

Name of the SNA Military Barrack	Quantity	Under SNA Control	Private control & unknown condition
Ministry of Defense (Mogadishu)	61	14 Barracks	47 Barracks
Division 77 Barracks	19	6 Barracks	13 Barracks
Somali Navy Barracks	10	1 Barrack	9 Barracks
Kismayo Base	12	4 Barrack	8 Barracks
Berbera Base	8		8 Barracks
Somali Airforce Barracks	18	3 Barracks	15 Barracks
Division 21 Barracks	17	10 Barracks	7 Barracks
Division 60 Barracks	14	7 Barracks	7 Barracks
Division 43 Barracks	10	7 Barracks	3 Barracks
Division 54 Barracks	13	13 Barracks	
Division 26 Barracks	15	-	15 Barracks
Division 27 Barracks	5	-	5 Barracks
Total	202	65	137

Recommendation

The Somali National Army management should strengthen their property management practices by regaining control over the privately-held centers and ensure compliance with relevant laws.

Management response

Previously, there were no signed documents for the SNA lands. We have been preparing approved and filed documents for the SNA lands in 2022. Our goal and commitment for 2023 is to return the Camps, Houses, and lands under the custody of the SNA.

9.3. OTHER AUDIT MATTERS

9.3.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.

- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Absence of Internal Audit Function

During the audit process, we noted that the management of the SNA failed to establish an internal audit unit as mandated by the provisions of the PFM Act 2019. Consequently, there were no periodic audit reports in place, highlighting a significant lapse in the organization's internal governance and accountability measures.

Recommendation

The management of SNA should establish an internal audit function in compliance with the provisions of the PFM Act 2019. This will enhance its internal governance mechanisms, and strengthen accountability. Thus, contributing to the overall improvement of the ministry's operations and promote public trust in its activities.

Management response

The SNA army's internal auditor conducted an internal audit in 2021 and 2022, however, the OAGS's audit began before our internal audit was completed. We have halted the audit and we have prioritized supporting the auditor General's work.

Therefore, in 2023, we intend to conduct the internal audit in a timelier manner and provide the Office of the Auditor General with the report.

9.3.2. BEST PRACTICE

Best practice suggests that the Federal Government of Somalia's assets should be managed efficiently, in a dependable manner, with clearly defined responsibilities and accountability.

Observation

A. Fuel wastage

During the audit, it was observed that there is a continuous waste of fuel. This is primarily due to leakage during fuel dispensing into storage tanks and vehicle filling processes

B. Inadequate firefighting equipment at the SNA fuel station

During the audit, we also observed the Somali National Army fuel station lacks essential firefighting equipment, such as fire extinguishers, to effectively extinguish fires that may occur within the station premises.

Recommendation

The management of SNA should immediately implement permanent measures to address the oil spills to minimize fuel wastage. Also, they should acquire and install necessary firefighting equipment to enhance safety measures.

Management response

The logistics management responds professionally to your inquiry about the situation at the fuel station. The problem is caused by a lack of infrastructure and maintenance that is beyond our control and we need to get support in order to solve it.

We list some of the current challenges: -

- 1. One of the challenges we face is the possibility of inadequate fuel storage, as such we need to build underground tanks.*
 - 2. The need to operate the fuel pump efficiently in order to avoid wasting fuel.*
 - 3. Consideration for the health and safety of the fuel pump operators.*
-

9.4. AUDIT FOLLOW UP

9.4.1. Outstanding Issues from the 2021 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:

Findings	Status
12.3.1. Failure to prepare an annual procurement plan	Recommendations not implemented
12.3.3. Contracts were not registered with OAGS	Recommendations not implemented
12.4.1. Failure to maintain an up-to-date asset register	Recommendations not implemented

10. SOMALI CUSTODIAL CORPS (SCC)

10.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

10.1.1. CRITERIA

Article 27 (1) and (4) of law No. 22 of the Public 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 approved annual procurement plan

During the audit, the management of the Somali Custodial Corps did not develop an annual procurement plan for the period under review. The transactions amounting to US **\$2,596,416.00** for the period under review (31st December 2022) were not subjected to a procurement plan, as per the Article 27 (1) (4) of the Public Procurement Act:

Budget sub-head	Description	Amount US \$
2211	Travel and Conference Expenses	\$ 10,944.00
2221	Utilities	\$ 33,000.00
2223	Fuel and Lubricants	\$ 286,000.00
2224	Material and Supplies	\$ 164,996.00
2225	Maintenance and Repairs	\$ 87,996.00
2261	Other General Expenses in Goods and Services	\$ 2,013,480.00
Total		\$ 2,596,416.00

Recommendation

SCC management should have an approved annual procurement plan for the fiscal year 2023 that prioritizes the most important activities for the entity for efficient and effective service delivery that is based on the approved budget.

Management response

We have accepted the recommendations of OAGS and we will prepare with in the year 2023.

10.1.2. CRITERIA

58 (1) Every Procuring Entity shall establish a Procurement Committee, which shall consist of at least five (5) members constituted by the Accounting Officer (SCC Commander) as follows:

- a) One senior official of the Procuring Entity as chairperson; and
- b) Four senior officers of the Procuring Entity, one of whom shall be the officer responsible for finance.

61 (1) each procuring entity shall establish a Procurement Unit under this Act.

62 (2) the Accounting Officer may form an Evaluation Committee when required, depending on the value and complexity of the procurement contract as detailed in the Regulations.

Observation

A. Failure to establish procurement unit and evaluation committee

During the audit, it was observed that the management of SCC procured goods and services totaling US **\$2,596,416.00** without establishing a procurement unit and procurement evaluation committee responsible for conducting procurements of the entity contrary to the requirements of Articles 58, 61 and 62 of the Public Procurement Act.

Recommendation

The Authorized officer should establish a procurement unit for the financial year 2023 and nominate a procurement committee to conduct their duties as per the applicable law.

Management response

We have accepted the recommendations of OAGS and we will prepare with in the year 2023.

10.2. ASSET MANAGEMENT

10.2.1. BEST PRACTICE

All vehicles owned by an entity should possess an ownership document and be registered under the entity's name. This requirement is intended to establish a system of responsibility for the condition, utilization, and effectiveness of the asset, as well as to ensure that the decision regarding the disposal of the asset is made in accordance with the most suitable procedure for recovering its value.

Observation

A. Weak fleet management

During the audit, we observed that the list provided to us by SCC management included Thirty-three (33) vehicles belonging to the Somali Custodial Corps that were not registered in the name of the SCC and 12 of them not physically verified. Details are shown below:

Vehicle type	Chassis No	Comments
Toyota Landcruiser Pickup	Not registered	Physically not verified
Toyota Landcruiser Pickup	Not registered	Physically not verified
Toyota Landcruiser Pickup	Not registered	Physically not verified
Toyota Landcruiser Pickup	Not registered	Physically not verified
Toyota Landcruiser Pickup	Not registered	Physically not verified
Toyota Landcruiser Pickup	Not registered	Physically not verified
Hilux	Not registered	Physically not verified
Ford Pickup	Not registered	Physically not verified
Ford Pickup	Not registered	Physically not verified
Hardtop	Not registered	Physically not verified
Tipper Truck	Not registered	Physically not verified
Ambulance	Not registered	Physically not verified

Recommendation

The management of the SCC should develop up-to-date assets register and should have ownership documents on all vehicles owned by the entity for the fiscal year 2023.

Management response

We have accepted the recommendations of OAGS and we will prepare with in the year 2023.

10.2.2. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: Land, Property and Environment Article 43(2) of the Provisional Constitution of the FRS states that Land shall be held, used and managed in an equitable, efficient, productive and sustainable manner.

Observation

A. Inadequate management system of the entities' premises and land spaces

During the audit, the Somali Custodial Corps provided a list of fifteen (15) farms and wells that were owned by the SCC but lacked ownership documentation. Thirteen (13) of these properties are not under the custody of the SCC. Details are shown in the table below::

Name of the SCC Barrack	Location	Controlling entity
Beeraha Jahaweyn	Lanta Bure	Under Private Control
Beerta Waayo Arag	lanta Bure	SCC
Beerta Mudulka Afgooye	Afgoye District	SCC
Beerta Carbiska ilaa Itop	Afgoye District	Under Private Control
Beerta Jambaluul	Afgoye District	Under Private Control
Beerta Beled Amiin	Afgoye District	Under Private Control
Beerta Sabiib iyo Caanoole	Afgoye District	Under Private Control
Beera Janaale Marko	Buufow	Under Private Control
Beerta Canabka	Baydhabo District	Under Private Control
Ceelka Biyaha Waayo Arag	Lanta Buure	Under Private Control
Laba beerood Garaash Borogaraam	Hiiraan	Under Private Control
Beerta inbigeeti	Afgoye District	Under Private Control
Beerta Mijacaseey	Mijaciseey	Under Private Control
Beerta Alwaaxa	Laas qoray	Under Private Control
3 beerood jowhar	Jowhar District	Under Private Control

Recommendation

The management of the SCC should establish ownership documents for lands and premises and effectively manage them within the financial year 2023.

Management response

We have accepted the recommendations of OAGS and we will prepare with in the year 2023.

10.3. OTHER AUDIT MATTERS

10.3.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Absence of Internal Audit Function

During the audit process, we noted that the management of the SCC failed to establish an internal audit function as mandated by the provisions of the PFM Act 2019. Consequently, there were no periodic audit reports in place, highlighting a significant lapse in the organization's internal governance and accountability measures.

Recommendation

The management of SCC should establish an internal audit function in compliance with the provisions of the PFM Act 2019. This will enhance its internal governance mechanisms, and strengthen accountability. Thus, contributing to the overall improvement of the ministry's operations and promote public trust in its activities.

Management response

We have accepted the recommendations of OAGS and we will prepare with in the year 2023.

10.4. AUDIT FOLLOW UP

10.4.1. Outstanding Issues from the 2021 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:

Findings	Status
10.2.1. Failure to prepare an annual procurement plan	Recommendations not implemented
10.2.2. Contracts were not registered with OAGS	Recommendations implemented
10.3.1. Lack of asset management policies and procedures	Recommendations not implemented



III. ECONOMIC SECTOR

11. MINISTRY OF ENERGY AND WATER RESOURCES (ME&WR)

11.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

11.1.1. CRITERIA

Article 27 (1) and (4) of law No. 22 of the Public Procurement Act of 2016, states as follows:

27 (1) All Procuring Entities shall undertake annual Procurement Planning, with a view to achieving maximum value for public expenditure and the other objects of this Act. The Procurement Plan shall support the Procuring Entity's approved program and budget.

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

Observation

A. Failure to prepare an approved annual procurement plan

The management of the ME&WR procured goods and services amounting to US **\$32,472.00**, without having an approved annual procurement plan. Hence, violating Article 27 of the Public Procurement Act of 2016. Details are shown in the table below:

Name of the company	Sub-head	Description	Amount US \$
GG-120	2221	Other utilities	\$12,491.00
GG-121	2224	Office Supplies	\$7,491.00
GG-122	2225	Repairs and Maintenance	\$4,990.00
GG-123	2223	Fuel and Lubricants	\$7,500.00
Total			\$32,472.00

Recommendation

The ME&WR management should have an approved annual procurement plan for 2023 financial year and subsequent years. The plan should prioritize the most important activities of the entity for efficient and effective service delivery that is based on the approved budget.

Management response

We are committed to formulating an annual procurement plan in 2023 and swiftly implementing the recommendations provided by the OAGS.

11.1.2. CRITERIA

Article 19 (1) & (2) of the Public Procurement Act, 2016 states that:

19 (1) prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High-value or complex contracts or groups of items being bundled together for a large contract.

19 (2) The invitation to prequalify shall be published in at least one, widely circulated website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines.

According to the Commitment Control page 4, thresholds of amounts above \$2001 and below \$50,000, state that the procuring entity must send a request for the three quotations to at least three vendors.

Observation

A. Failure to prequalify and publish vendors for procurement of goods and services

During the audit, we observed that the Ministry of Energy and Water Resources conducted procurements within the range of \$2,001 to \$50,000, allowing four (4) vendors to procure goods totaling US **\$32,472.00** without undergoing prequalification processes, as required by Article 19 of Law No. 22. Please refer to the table below for further details:

Name of the company	Sub-head	Description	Amount US \$
GG-120	2221	Other utilities	\$12,491.00
GG-121	2224	Office Supplies	\$7,491.00
GG-122	2225	Repairs and Maintenance	\$4,990.00
GG-123	2223	Fuel and Lubricants	\$7,500.00
Total			\$32,472.00

Recommendation

The management of ME&WR should implement a prequalification process for all vendors whose procurement thresholds fall between \$2,001 and \$50,000 for the fiscal year ending December 31, 2023 and subsequent years. This measure will help ensure that vendors meet the necessary criteria and qualifications before being considered for procurement opportunities.

Management response

In accordance with the National Procurement Law, the ministry will enforce prequalification procedures for service providers whose procurement amount falls within the range of above \$2,001 and below \$50,000. This implementation is expected to be completed by December 31, 2023.

11.2. USE OF COUNTRY SYSTEM FOR EXTERNAL SUPPORT AND BANK MANAGERMENTS

11.2.1. CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 state 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.

Observations

A. Receipts totaling US \$2,218,672.16 from donors are not included in the approved national budget

It was noted during the audit that the management of ME&WR implemented four (4) projects with a budget totaling US \$2,218,672.16. However, the management did not take the appropriate steps to ensure that such grants were added to the budget and channeled through Single Treasury Account, as required by Article 38 (1) of the PFM Law. Details are shown below:

Name of the project	Name of sponsor/ donor	Duration of contract	Budgeted amount is US \$	The amount used US \$
MOEWR /UNICEF MICRO PLAN	UNICEF / FAO	Jan - Dec 2022	\$1,858,968.65	\$1,703,744.56
GIZ Sustainable Water Resource Management in Somalia	GIZ	Jan - Dec 2022	\$91,323.51	\$35,480.00
Integrated Water Resource Management Project	UNDP	Jan - Dec 2022	\$67,600.00	\$67,600.00
Integrated Water Resource Management UNDP SIDA Project	UNDP	Jan - Dec 2022	\$200,780.00	\$200,780.00
Total			\$2,218,672.16	\$2,007,604.56

B. Lack of Minister of Finance co-sign in grant agreements

During the audit, it was observed that the Minister of Finance did not co-sign the above grant agreement since the ME&WR management did not inform the MoF. Hence, in violation of Article 38 (2) of the PFM Act 2019.

Recommendation

The management of ME&WR should take the appropriate steps to ensure that such grants are added to the budget and channeled through the single treasury account as required by the PFM Act 2019.

The Minister of finance should co-sign all ME&WR grants. These recommendations should be implemented in the fiscal year 2023 and the subsequent years.

Management response

The Ministry will implement the recommendations of the OAGS.

11.2.2. CRITERIA

Article 9 (7) and 42 (3) of law No. 17 Public Financial Management Act of 2019 state as follows:

9 (7) The Minister of Finance shall approve the opening of bank accounts by government agencies and design the signatures of such bank accounts.

42 (3) No bank account can be opened for a Government Agency in the country or abroad without the written consent of the Accountant General.

Observation

A. Bank Accounts were opened without prior approval and authorization

During the audit, it was discovered the Ministry of Energy and Water Resource Management opened and operated four (4) bank accounts at Dahabshiil Bank and Amal Bank without the prior approval and authorization of the Accountant General and the Minister of Finance. Therefore, violating Articles 9 and 42. Details of those bank accounts are shown in the table below:

Bank name	Account number	Amount deposited in US \$	Outstanding balance US \$
Dahabshiil Bank	104102804	\$1,858,968.65	\$1,703,744.56
Dahabshiil Bank	104112497	\$91,323.51	\$35,480.00
Amal Bank	1013106109	\$67,600.00	\$67,600.00
Amal Bank	1014007645	\$200,780.00	\$200,780.00
Total		\$2,218,672.16	\$2,007,604.56

Recommendation

The management should get approval and authorization from the Accountant General and the Minister of Finance to regularize the above bank accounts. Additionally, opening of private bank accounts in the future should only be done after obtaining prior approvals and authorizations from the Accountant General and the Minister of Finance respectively.

Management response

The Ministry is committed to informing and seeking approval from the Office of the Accountant General and the Minister of Finance regarding established bank accounts with private banks.

11.3. ASSET MANAGEMENT

11.3.1. CRITERIA

Article 43 (2) of the Provisional Constitution of the FRS states that Land shall be held, used, and managed in an equitable, efficient, productive, and sustainable manner.

Observations

A. Lack of ownership documentation and inadequate management of properties

During the audit, we requested the management of ME&WR to provide a list of premises and lands owned by the ministry. The management furnished a list of fifteen (15) properties allegedly belonging to the ministry. However, the management don't have ownership documents of these properties. Further, most of these properties are in the custody of private entities. While, 170 sub-stations conditions are unknown. Details are shown below:

Description	Location	Details
Building of the Ministry of Water and Energy	Hodan District	No ownership documents and in the custody of private entities
Building for the water development agency of Somalia	Wadjir District	
Center of Elasha Biyaha (Afgoe)	Afgoye Road (Ceelasha Biyaha)	
Center of water wells (El Arfid balcad)	Balcad District	
Center for Water Storage (7A&7B)	Hodan District	
Center for sanca	Karan District	
Center buusaka	Warta-Nabadda District	
Water Center for El tuba weyne	Yaqshid District	
Electricity center	Howl-wadag District	
Center for the offices of the agency (Devicenza)	H/Weyne District	
Jaziira center	Wadajir District	
21-oktoober center	Howl-wadag District	
170 Sub-stations	Different locations	
The Building of Somali Water Development Agency	Wadajir District	No ownership documents but in the custody of the ministry
The Building of Hamar Water Agency	Wadajir District	

Recommendation

The management of the Ministry of Energy and Water Resources (ME&WR) should make diligent efforts to regain all properties and lands currently out of their custody and obtained ownership documents.

Management response

The management of the Ministry of Energy and Water Resources (MEWR) is undertaking efforts to restore all premises and lands that rightfully belong to the Ministry but are currently not under its custody.

11.3.2. BEST PRACTICE

To ensure transparency and accountability, it's crucial that government vehicles have a registered ownership book in the entity's name. This enables proper asset management until disposal, and procedures should be established and maintained.

Observation

A. Weak Fleet management

During the audit, the management avail a list of four (4) vehicles that are purported to belong to the ME&WR, however, neither registered in the name of the entity nor had ownership documents. Additionally, three (3) vehicles were not under the ministry's custody and were not presented for physical verification. Details are shown below:

Vehicle type	Source of funds	Chassis no.	Comments
Toyota Hilux Double Cabin	AFDB	MR0DB-8CD900172554	Used by Ex-State Ministry Of Energy and Water Resource
Toyota Hilux Double Cabin	UNDP	LAW1251-DNMXEN	Used by the Ex-Ministry of Energy and Water Resource
Toyota Hilux Double Cabin	IOM	GUN1251-DTFHLV/AO241RH	Used by the Ex-Ministry of Energy and Water Resource
Toyota Hilux Double Cabin	HORN OF AFRICA PROJECT	MR0DB8CD100172774	Used by the Deputy Minister of Energy and Water Resource

Recommendation

All vehicles should have ownership documents that are registered in the name of the ME&WR and stored safely by a senior responsible official. They should be recorded in the asset register with details such as type of vehicle model, registration number, chassis number, location, value, and responsible officer. The asset register should be updated periodically.

Management response

All vehicles owned by the Ministry will be registered under the Ministry's name. Additionally, a senior officer will be designated to oversee the monitoring and management of these vehicles.

A comprehensive record of all vehicles, including their type, registration number, location, and value, will be diligently maintained in the asset register.

Furthermore, during the year 2023, concerted efforts will be made, in collaboration with the OAGS, to recover any vehicles that are currently not in the custody of the ministry. The asset register will be regularly updated to reflect any changes or additions.

11.4. OTHER AUDIT MATTERS

11.4.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Absence of Internal Audit Function

During the audit, we noted that the management of the ME&WR did not have an effective internal audit function as mandated by the provisions of the PFM Act 2019. Consequently, there were no periodic audit reports in place, highlighting a significant lapse in the ministry's internal governance and accountability measures.

Recommendation

The management of ME&WR in close coordination and collaboration with Ministry of Finance should establish an effective internal audit function. This will enhance its internal governance mechanisms, and strengthen accountability. Thus, contributing to the overall improvement of the ministry's operations and promote public trust in its activities.

Management response

Due to budgetary constraints, the nomination of an internal auditor was not feasible. However, the Ministry's administration, in collaboration with its leaders, is committed to expeditiously implementing the position of an Internal auditor.

11.5. AUDIT FOLLOW UP

11.5.1. Outstanding Issues from the 2021 Audit report

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

Findings	Status
25.2.1. Failure to prepare an annual procurement plan	Not Implemented
25.2.1. Failure to establish procurement unit	Not Implemented
25.2.2. Contracts were not registered with OAGS	Not Implemented
25.3.1. Bank Accounts were opened without prior approval and authorization	Not Implemented
25.4.1. External receipts from donors were not on-budget	Not Implemented
25.4.1. Grant agreements were not co-signed by the Minister of Finance	Not Implemented
25.5.1. Failure to maintain an up-to-date asset register	Implemented
25.5.1. Weak fleet management system	Not Implemented

12. SOMALI CIVIL AVIATION AUTHORITY (SCAA)

12.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

12.1.1. CRITERIA

Article 58 (1), (2), and (3) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

58 (1) Every Procuring Entity shall establish a Procurement Committee, which shall consist of at least five (5) members constituted by the Accounting Officer as follows:

- a) One (1) senior official of the Procuring Entity as chairperson; and
- b) Four (4) senior officers of the Procuring Entity, one of whom shall be the officer responsible for finance.

58 (2) The Secretary to the Procurement Committee shall be the Head of the Procurement Unit.

58 (3) The Procurement Committee may engage the services of such consultants and advisers or co-opt representatives of the end-user and persons with specialized expertise as may be required for the proper and efficient discharge of functions..

Observation

A. Failure to establish a procurement committee

During the audit, we discovered that the SCAA management procured goods and services worth US **\$4,411,694.00**, for the year under review without establishing a procurement committee. Hence, violating Article 58 (1,2 & 3) of the Public Procurement Act. Details are provided below:

Budget sub-head	Description	Amount US \$
2261	Other General Expenses of goods and service	\$1,239,480.00
2225	Maintenance and repairs	\$544,520.00
2224	Materials and supplies	\$241,740.00
2223	Fuel and Lubricant	\$34,319.00
2211	Travel and conference Expenses	\$200,772.00
2221	Utilities	\$689,690.00
2312	Machinery and equipment	\$375,780.00
2313	Other fixed assets	\$1,000,176.00
2243	Financing Cost	\$2,960.00
2311	Building and structures	\$27,195.00
2241	Education and training expense	\$55,062.00
Total		\$4,411,694.00

Recommendation

SCAA management should establish a procurement committee as per the law within 2023 and subsequent years.

Management response

As detailed in the attached procurement file of the SCAA, there is a procurement committee that decides entity procurement contracts. For further details, see attachments 1 and 2.

OAGS response

SCAA management did not follow the required guidelines set by the Public Procurement Act of 2016 which states:

58 (1) Every Procuring Entity shall establish a Procurement Committee, which shall consist of at least five (5) members constituted by the Accounting Officer as follows:

- a) One (1) senior official of the Procuring Entity as chairperson; and
- b) Four (4) senior officers of the Procuring Entity, one of whom shall be the officer responsible for finance.

12.1.2. CRITERIA

Article 69 (1) and 88 (1), (2) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

69 (1) Public procurement shall be undertaken by means of advertised open competitive bidding proceedings, with equal access to all eligible and qualified bidders without discrimination. Other Procurement methods shall be used as an exception as provided in this Act under Part IV–C.

88 (1) Request for quotations procedure may be engaged when the estimated contract amount for goods, works, or technical services are lower than the value threshold specified in the Regulations.

88 (2) When the Request for quotations procedure is employed on the grounds referred to in Article 87 The Procuring Entity Shall solicit quotations from a minimum number of three Qualified Bidders selected in a non-discriminatory manner.

Observation

A. Failure to carry out a transparent procurement process

The management of the SCAA failed to conduct a competitive tender process and used a single source for the procurement of goods and services amounting to US **\$462,120.37**. Hence, violating Public Procurement Act of 2016. Details are shown in the table below:

Company Name	Description	Duration	Amount US \$
GG-132	Telephone & Internet	8 Months	\$152,756.75
GG-133	Electricity	11 Months	\$264,277.34
GG-134	Goods	1 Month	\$5,819.89

Company Name	Description	Duration	Amount US \$
GG-135	Satellite Capacity Services and UPS's	1 Month	\$39,266.39
Total			\$462,120.37

Recommendation

The SCAA management should comply with procurement law, and request three different vendors to provide quotations in order to ensure fairness in the procurement process.

Management response

1- Hormuud:

Hormuud entered into a contractual agreement with the International Civil Aviation Organization (ICAO) Flight Information Services System (FISS) project, which was temporarily overseeing the management of Somalia's airspace. Subsequently, the responsibility for this task was transferred to us following the installation of equipment and the laying of fiber cables across all relevant institutions. Taking this into consideration, the selection of Hormuud was based on the following factors:

- 1. Hormuud has consistently delivered high-quality and dependable internet services, in comparison to other internet service providers operating within the country.*
- 2. Furthermore, they are the sole providers of easily accessible telecommunication services for operators involved in the control of aircraft, towers, and airports.*
- 3. Additionally, Hormuud boasts the largest customer base in terms of telephone services, facilitating effective communication between us, airline staff, and the people they provide the service to.*

2-BECO:

BECO entered into a contractual agreement with the International Civil Aviation Organization (ICAO) Flight Information Services System (FISS) project, which was temporarily overseeing the management of Somalia's airspace. Subsequently, the responsibility for this task was transferred to us following the installation of essential equipment, such as large fire extinguishers and power distribution cables.

Considering the critical nature of the equipment that requires a consistent and dependable power supply, our examination of the power requirements for our existing system revealed a continuous increase. Consequently, we have made the decision to maintain our previous agreement with the entity, as it aligns with our need for reliable electricity to sustain the operations effectively.

3- Hirmieu International Supply:

Similar to the above companies, Hirmieu International Supply was initially granted the contract for the International Civil Aviation Organization (ICAO) Flight Information Services System (FISS) project. However, they encountered numerous challenges upon commencement due to the prevailing international sanctions imposed on Somalia. To address this issue, we opted to retain their contract and continue purchasing the papers known as stripes.

The primary factors influencing our selection of this company are as follows:

- 1. They were chosen due to the logistical convenience of their easily accessible products.*
- 2. Due to the operational challenges faced by companies supplying similar products in Somalia, we prioritized establishing a positive working relationship between Hirmieu International Supply and the Somali government.*

4-DELCOM:

DELCOM has successfully established connectivity between three vital centers, namely the headquarters of the Somali Civil Aviation Authority (SCAA) in Mogadishu, as well as other regional centers located in Boosaaso and Garoowe, utilizing satellite services.

The decision to select DELCOM was based on several key factors. Primarily, it is the sole company equipped with the comprehensive capabilities necessary to connect the institution's centers across the entire nation, ensuring a reliable and uninterrupted service. Moreover, in the event of any technical issues, they possess the expertise to promptly address and resolve them.

Furthermore, considering the prevailing financial crisis in the country, DELCOM stands out as the only company willing to extend patience and flexibility by allowing us to receive services without immediate payment. As an example, outstanding payments for services rendered in the previous year continue to be deferred until the present month. While we have settled the costs associated with equipment and installation, the remaining balance for the "satellite capacity service" fee remains outstanding.

OAGS response

The SCAA management should implement OAGS recommendation

12.2. ASSET MANAGEMENT

12.2.1. 12.2.1. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: Land, Property, and Environment

Article 43. Land (2) Land shall be held, used, and managed equitably, efficiently, productively, and in a sustainable manner.

Observation

A. Lack of ownership documents of the SCAA properties

During the audit, we discovered properties purported to belong to SCAA didn't have ownership documents (Title deeds). Details are as follows:

Name	Name of works	District	Status
SCAA Compound	Area Control Center & Administration	Wadajir	No documentation
SCAA Compound	Accommodation and Aviation School	Waberi	No documentation

Recommendation

The management of the SCAA should have ownership documents for all of its properties.

Management response

The SCAA management agrees to adhere to the recommendations of the OAGS

12.3. AUDIT FOLLOW UP

12.3.1. Outstanding Issues from the 2021 Audit report

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

Findings	Status
Contracts were not registered with OAGS	Recommendations not implemented
Local contracts are not written in Somali language	Recommendations not implemented



IV. SOCIAL SECTOR

13. SOMALI NATIONAL UNIVERSITY (SNU)

13.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

13.1.1. CRITERIA

Article 58 (1), (2) and (3) of Law No. 22 of the Public Procurement Act of 2016 states as follows:

58 (1) Every Procuring Entity shall establish a Procurement Committee, which shall consist of at least five (5) members constituted by the Accounting Officer as follows:

- a) One (1) senior official of the Procuring Entity as chairperson;
- b) Four (4) senior officers of the Procuring Entity, one of whom shall be the officer responsible for finance.

58 (2) The Secretary to the Procurement Committee shall be the Head of the Procurement Unit.

58 (3) The Procurement Committee may engage the services of such consultants and advisers or co-opt representatives of the end-user and persons with specialized expertise as may be required for the proper and efficient discharge of functions.

Observation

A. Failure to Establish a Procurement Committee

During the audit, we discovered that the SNU management procured goods and services worth US **\$48,577.00**, for the year under review without establishing a procurement committee. Hence, violating Article 58 (1,2 & 3) of the Public Procurement Act. Details are provided below:

Budget sub-head	Description	Amount US \$
2261	Other General Expense of goods and service	\$8,710.00
2225	Maintenance and repairs	\$3,573.00
2224	Materials and supplies	\$11,982.00
2223	Fuel and Lubricant	\$4,940.00
2211	Travel and conference Expense	\$10,000.00
2221	Utilities	\$9,372.00
	Total	\$48,577.00

Recommendation

SNU management should establish a procurement committee for the year 2023 and subsequent years in order to enhance transparency and effectiveness of its procurement processes, leading to improved decision-making and better utilization of resources.

Management response

The Somali National University (SNU) is a young institution - since it was recently reopened (2014). Currently, the University management is working on establishing the Procurement Committee of SNU; its establishment will be based on the procedures and laws of the country.

In the past years (2021-2022), there was little or no assigned budget for the university to render its services, so establishing a procurement committee was not a priority. Instead, we used an Evaluation Committee.

We hope to establish the committee in the shortest time possible and get back to you as soon as possible.

13.2. USE OF THE COUNTRY SYSTEM FOR EXTERNAL SUPPORT AND MANAGEMENT OF BANK ACCOUNTS

13.2.1. CRITERIA

Articles 38 (1), (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.

Observations

A. Grants amounting to US \$550,957.06 were not added to the approved national budget

During the audit, it was observed that the management of SNU implemented seven (7) projects with a combined budget of US \$550,957.06. However, it was found that the management did not take adequate measures to ensure that these grants were included in the approved national budget, as required by Article 38 (1) of the PFM Law. Details are shown below:

Name of the project	Name of sponsor/ donor	Duration of contract	Received Budget US \$	Used Amount US \$
Field Survey to Collect Data for Development of Feed Inventory and Predictive Livestock Early Warning System in Galmudug, Hirshabelle, Jubaland, South West states and Banadir region of Somalia	FAO	22 June 2021 - 31 May 2022	\$63,504.17	\$63,504.17
Post-Secondary Diploma	IMS	May - April 2022	\$38,315.00	\$38,315.00
Teacher Training	ADRA	1 April 2021 - 30 Oct 2022	\$34,157.89	\$34,157.89
Teacher Training	ALIGHT	1 June 2021 - 31 Aug 2022	\$28,800.00	\$28,800.00
Teacher Training	SAVE THE CHILDREN	1 April 2021 - 31 Dec 2022	\$13,580.00	\$13,580.00
Consultancy Service for Providing Sustainable Agricultural Capacity for Somalia with SNU & SOMREP	WORLD VISION	1 July 2022 - 31 Dec 2022	\$3,000.00	\$3,000.00

Name of the project	Name of sponsor/ donor	Duration of contract	Received Budget US \$	Used Amount US \$
Social Work	MWHRD	1 Sep 2018 - 30 Sep 2022	\$369,600.00	\$369,600.00
Total			\$550,957.06	\$550,957.06

B. Lack of Minister of Finance co-sign in grant agreements

During the audit, it was observed that the Minister of Finance did not co-sign the above grant agreement since the SNU management did not inform the MoF. Hence, in violation of Article 38 (2) of the PFM Act 2019.

Recommendation

The management of SNU should take the appropriate steps to ensure that such grants are added to the budget and channeled through the single treasury account as required by the PFM Act 2019.

The Minister of finance should co-sign all SNU grants. These recommendations should be implemented in the fiscal year 2023 and the subsequent years.

Management response

As highlighted by the letter issued by the Ministry of Finance, Department of Budget, bearing the symbol WM/XAM/11/2022 and dated 11/September/2022, its subject was "Training on the Implementation of the law on the public financial management of the government (PFM Compliance)." This law will come into force in 2023 (see attachment), and we hope to implement it accordingly. It is also worth noting that all contracts you have cited were before the time of the issuance of the decree, "Implementation of the Law on Government Financial Management (PFM Compliance)."

OAGS response

Management should follow and implement OAGS recommendations.

13.3. ASSET MANAGEMENT

13.3.1. CRITERIA

Chapter 3 of the Provisional Constitution of the FRS: Land, Property, and Environment Article 43. Land (2) Land shall be held, used, and managed equitably, efficiently, productively, and in a sustainable manner.

Observation

A. Lack of ownership documentation and inadequate management of premises and land

During the audit, we requested the management of SNU to provide a list of premises and lands owned by the university. The management furnished a list of twelve (12) premises and plots allegedly belonging to the university. However, the management don't have ownership documents of these properties. Further, seven (7) of the twelve (12) lands and premises are in the custody of private entities. Details are shown below:

Name	Name of works	District	Status
Gahayr Campus	Study Areas	Wadajir	No ownership documents but under the custody of SNU
Teacher Training Campus (KM4)	Study Area & Administration	Waberi	
Shabelle Campus	Study Area & Administration	Hamarweyne	
Galmudug Campus	Study Area & Administration	Abudwaq	
Puntland Campus	Study Area & Administration	Badhan	
Gahayr Campus	Part of the land is faculties of Veterinary and Engineering	Wadajir	No ownership documents and not under the custody of SNU
Gahayr Campus	Teachers' Hostels	Wadajir	
Gahayr Campus	Students' Hostels	Hodan	
Gahayr Campus	Rector House/Building	Hodan	
Political Science Campus	Study Area	Hodan	
Political Science Campus	Students' Hostels Etc	Hodan	
Political Science Campus	Teachers' Hostels	Hodan	
Political Science Campus	Stadium	Hodan	
Faculty of Medicine Campus	Study areas such as labs, libraries, management offices, etc.	Hodan	
Faculty of Medicine campus	Students' Hostels	Hodan	
Faculty of Education (Lafolle Campus)	Study areas such as labs, libraries, management offices, etc	Afgooye	
Faculty of Agriculture Campus	Study areas such as labs, libraries, management offices, etc.	Afgooye	
Agricultural Experiment Farm	With an area of 1000 Hectares	Balcad	

Recommendation

The management of SNU should obtain ownership documents for all its lands and premises, ensuring that these documents are registered in the name of SNU. Additionally, any lands or premises currently out of the SNU custody should be reclaimed for public service purposes.

Management response

After the collapse of the central government (1991), all of the government's public fixed assets were lost from its custody. Usually, all the government's fixed assets were published in the Official Gazette of the Government (Bolettino Ufficiale); the Office of the Attorney General was responsible for its protection. As far as we know, no one has to be given a government land document.

The university management urges the government to play a significant role in returning the fixed assets that were not in the ownership of SNU, including land and buildings.

14. SOMALI NATIONAL BUREAU OF STATISTICS (SNBS)

14.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

14.1.1. CRITERIA

Article 27 (1) and (4) of law No. 22 of the Public Procurement Act of 2016, states as follows:

(1) All Procuring Entities shall undertake annual Procurement Planning, with a view to achieving maximum value for public expenditure and the other objects of this Act. The Procurement Plan shall support the Procuring Entity's approved program and budget.

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

Observation

A. Failure to prepare an approved annual procurement plan

During the audit, we discovered that the SNBS management procured goods and services worth US **\$58,307.00**, without having in place an approved procurement plan. Hence, violating Article 27 (1 & 4) of the Public Procurement Act. Details are provided below:

Name of the company	Sub-head	Description	Amount US \$
GG-136	2221	Other utilities	\$12,500.00
GG-136	2224	Office Materials and other Consumables	\$10,000.00
GG-136	2225	Repairs and Maintenance	\$4,000.00
GG-136	2261	Additional general material and supply expenses	\$21,807.00
GG-137	2223	Fuel and Lubricants	\$10,000.00
Total			\$58,307.00

Recommendation

The management of SNBS should establish an approved annual procurement plan for the financial year 2023 in accordance with procurement law. This plan should prioritize the most essential activities efficiently and effectively, considering the approved budget.

Management response

The management of the Somali National Bureau of Statistics has implemented a procurement plan for the fiscal year 2023, based on the approved annual budget of the Somali National Bureau of Statistics.

OAGS response

The management should implement the recommendation.

14.1.2. CRITERIA

According to the Accountant General's Commitment Control page 1, principle 2, one vendor must not be allowed to procure more than two budget sub-heads.

Observations

A. Procurements totaling US \$48,307.00 were procured by one vendor from more than two sub-heads

During the audit, we observed that the one vendor was given a tender to supply goods and services for more than two budget subheads amounting US **\$48,307.00**. Hence, violating the Accountant General's commitment control. Details are shown in the table below:

Sub-head	Vendor name	Amount US \$
2221	GG-136	\$12,500.00
2224	GG-136	\$10,000.00
2225	GG-136	\$4,000.00
2261	GG-136	\$21,807.00
Total		\$48,307.00

Recommendation

The SNBS management should not allow one vendor to supply goods and services for more than two budget subheads and to adhere to the Accountant General's Commitment Control Guidelines when choosing procurement vendors.

Management response

At the beginning of January 2023, the Somali National Bureau of Statistics reviewed the Procedure for selecting contractors for the year 2023. According to the Accountant General's Commitment Control page 1, principle 2, one vendor must not be allowed to procure more than two budget sub-heads.

14.1.3. CRITERIA

Articles 19 (1) & (2) of the Public Procurement Act, 2016 states that prequalification proceedings shall be used prior to the invitations for bids with a view to identifying suppliers and contractors that are qualified for procurement in the following situations:

- a) Large or complex works in which the cost of bid preparation is high; and
- b) High value or complex contracts or groups of items being bundled together for a large contract.

Article 19 (2) states that the invitation to prequalify shall be published in at least one, widely circulated website, and in the case of International Competitive Bidding, in selected international media in accordance with the Authority's guidelines.

According to the Commitment Control page 4, thresholds of amounts above \$2001 and below \$50,000, state that the procuring entity must send a request for the three quotations to at least three vendors.

Observation

A. Failure to prequalify and publish vendors for procurement of goods and services

During the audit, it was observed that the management of SNBS conducted procurements within the range of \$2,001 to \$50,000, resulting in vendors being able to procure goods and services worth a total of US **\$58,307.00** without undergoing any prequalification process. This lack of prequalification, such as publishing on a widely used national website or issuing Request for Quotations (RFQs) to vendors, was found to be in violation of Article 19 of Law No. 22. Please refer to the table below for further details:

Name of the company	Sub-head	Description	Amount US \$
GG-136	2221	Other utilities	\$12,500.00
GG-136	2224	Repairs and Maintenance	\$10,000.00
GG-136	2225	Office Materials and other Consumables	\$4,000.00
GG-136	2261	Additional general material and supply expenses	\$21,807.00
GG-137	2223	Fuel and Lubricants	\$10,000.00
Total			\$58,307.00

Recommendation

The management of SNBS should implement a prequalification process for vendors whose procurement thresholds fall between \$2,001 and \$50,000 for the fiscal year 2023. This measure will help ensure that vendors meet the necessary criteria and qualifications before being considered for procurement opportunities within that specific range.

Management response

Procurements relating to prequalification were made at the beginning of 2023, and we made revisions to all the Somali National Bureau of Statistics contractor selection models for procurement thresholds above \$2,001 but below \$50,000.

14.2. USE OF THE COUNTRY SYSTEM FOR EXTERNAL SUPPORT AND MANAGEMENT OF BANK ACCOUNTS

14.2.1. CRITERIA

Article 38 (1) and (2) of the PFM Act 2019 state 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.

Observations

A. Grants amounting to US \$1,919,905.55 were not added to the national budget

During the audit, it was noted that the management of the SNBS implemented four (4) projects with a budget totaling US **\$1,919,905.55**. The authorized officer of the SNBS did not take appropriate steps to ensure that such grants were added to the approved national budget and channeled through the Single Treasury Account, as required by Article 38 (1) of the PFM Law. Details are shown below:

Name of the Project	Sponsor	Duration of Contract	Allocated Budget (US \$)	Amount Used (US \$)
Social sector capacity building	UNICEF	2021- 2022	\$760,000.00	\$510,000.00
Strategic Planning in Somalia	UNDP	2022	\$449,476.00	\$382,738.00
Somalia Population and housing census	UNFPA	2021-2025	\$685,469.55	\$685,469.55
African Statistics Day	FAO	2022	\$24,960.00	\$4,000.00
Total			\$1,919,905.55	\$1,582,207.55

B. Lack of Minister of Finance co-sign in grant agreements totaling US \$1,919,905.55

During the audit, it was observed that the Minister of Finance did not co-sign the above grant agreement since the SNBS management did not inform the MoF. Hence, in violation of Article 38 (2) of the PFM Act 2019.

Recommendations

The management of SNBS should undertake necessary measures to ensure that these grants are included in the budget and channeled through the single treasury account per the PFM Act 2019 requirements. In cases where there are special agreements between SNBS and UN agencies, these agreements should be incorporated into the contracts and prominently featured in the FGS Budget.

Additionally, the Minister of Finance should co-sign all SNBS grants.

Management response

According to Article 32, paragraph 2 of the Public Finance Management Act 2020, the minister has the authority to order the payment procedure's implementation, except for cases mentioned in paragraph 1.

Projects funded by UNFPA, UNDP, UNICEF, FAO, and others, are not part of the national budget. These organizations usually send internal and external auditors at the end of each year or during quarter one of the next, in accordance with international auditing standards.

We have not received any notice from the Ministry of Finance or the Accountant General prohibiting the opening of private bank accounts.

We have also not faced any objections from private banks while opening accounts for UN projects.

We confirm that accounts for UNDP, UNICEF, FAO, and UNFPA projects were opened in the past with full approval obtained through signing grant agreements with the previous minister.

It is part of the agreement to open an account that can be audited by international auditors to ensure transparency for the donors. Additionally, UNDP, UNICEF, FAO, UNFPA and others have agreed that these accounts cannot be used for unauthorized expenses, and any such expenses will be refunded to the national statistics agency. The Somali National Bureau of Statistics and the UN Donor Organizations have an agreement to manage each project's account separately, as stated in the letter of agreement.

The activities carried out by SNBS that are funded by the above agencies usually involve paying for surveys, such as community guides.

14.2.2. CRITERIA

Article 9 (7) and 42 (3) of law No. 17 Public Financial Management Act of 2019 state as follows:

9 (7) The Minister of Finance shall approve the opening of bank accounts by government agencies and design the signatures of such bank accounts.

42 (3) No bank account can be opened for a Government Agency in the country or abroad without the written consent of the Accountant General.

Observation

A. Bank Accounts were opened without prior approval and authorization

During the audit, it was discovered that management of SNBS opened and operated four (4) bank accounts with Amal Bank without prior approval and authorization from the Accountant General and the Minister of Finance respectively. Details of the Banks Account is shown below:

Bank name	Account number	Amount deposited in US \$	Outstanding balance US \$
Amal Bank	1014079230	\$4,000.00	\$0.00
Amal Bank	1013558689	\$382,214.00	\$5.00
Amal Bank	1013670963	\$685,469.55.00	\$11,947.14
Amal Bank	1014355937	\$58,369.00	0.00

Recommendation

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

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

Management response

The accounts of the Somali National Bureau of Statistics and the UN agencies cannot be used for anything that does not in-line with the annual budget.

Accounts of the Somali National Bureau of Statistics and the UN agencies are paid through their respective financial systems and cannot be used for personal use.

OAGS response

The management should implement the recommendation.

14.3. OTHER AUDIT MATTERS

INTERNAL CONTROLS

14.3.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Failure to establish an internal audit function

During the audit, we revealed that SNBS lacks an internal audit function that produces periodic audit reports. This contravenes the provisions stipulated in the PFM Act 2019, highlighting a deficiency in internal control mechanisms within the SNBS.

Recommendation

The SNBS management, in close consultation with MoF, should establish an independent internal audit function to produce high-quality periodic audit reports. Establishing such an independent internal audit unit will contribute to enhancing transparency, accountability, and overall operational efficiency within SNBS.

Management response

The Somali National Bureau of Statistics plans to create an independent internal audit department in 2023 to produce high-quality and timely audit reports in-line with international internal audit standards.

The Director General is committed to correcting the financial procedures of the government based on the financial law of the country.

15. MINISTRY OF HEALTH AND HUMAN SERVICE (MOH&HS)

15.1. PROCUREMENT OF GOODS, SERVICES, AND WORKS

15.1.1. CRITERIA

Article 27 (1) and (4), of law No. 22 of the Public 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 approved annual procurement plan

During the audit we observed that the management of the MoH & HS made procurements amounting to US **\$7,404,937.00** without an approved annual procurement plan being in place. Hence, violating Article 27 (1) and (4) of the procurement law. Details are shown in the table below:

Budget sub-head	Description	Amount US \$
2261	Other General Expense of goods and service	\$ 466,816.00
2225	Maintenance and repairs	\$67,007.00
2224	Materials and supplies	\$422,526.00
2231	Rent	\$66,728.00
2223	Fuel and Lubricant	\$131,328.00
2211	Travel and conference Expense	\$135,574.00
2241	Consulting and Professional Expense	\$520,720.00
2221	Utilities	\$308,963.00
3112	Machinery and Equipment	\$ 689,430.00
2222	Communication	\$2,400.00
2242	Consulting expense (RCRF)	\$4,593,445.00
Total		\$7,404,937.00

Recommendation

The Management of MOH should prepare an approved annual procurement plan based on its budget within the timelines stipulated in the Procurement Act. The authorized officer shall appoint a procurement committee for them to prepare the annual procurement plan.

The plan should prioritize the most important activities for the entity for efficient and effective service delivery.

Management response

The Ministry of Health has an annual Procurement Work Plan (Procurement Plan). This plan operates on a quarterly basis, aligning with the approved quarterly budget for the Ministry's implemented projects.

The Ministry of Health does not procure anything without a procurement work plan. During the audit, we shared this quarterly Procurement Work Plan with the Office of the auditor general.

Majority of the works carried out by the Ministry of Health require an Approved Warrant. Without an Approved Warrant, an Annual Procurement Plan cannot be made.

While there are many challenges, the Ministry of Health is planning on implementing an Annual Procurement Plan.

OAGS response

The MoH&HS management should implement the recommendation.

15.1.2. CRITERIA

The Accountant General's commitment control guidelines, page 4, state that procurement amounts above US \$50,000 or equal must be transferred to the Ministry of Finance for procurement processes.

Observations

A. Failure to transfer procurement worth above/equal to \$50,000 to the MoF

During the audit, we observed that the management procured goods and services worth US **\$180,000.00** and failed to transfer to the procurement unit in the Ministry of Finance since the amount was above the threshold set out by the Accountant General's commitment control guidelines. Hence, violating the Accountant General's commitment control guidelines. Details are shown in the table below::

Budget Sub-Heads	Contractors	Amount US \$
2241	Primo Place & Restaurant	\$91,600.00
2241	Primo Place & Restaurant	\$88,400.00
	Total	\$180,000.00

Recommendation

The management of MOH should follow the Accountant General's commitment control

Management response

Regarding Primo Place & Restaurant, according to the Project Operations Manual (POM) of World Bank (World Bank) amount less than or equal to \$100,000 will require 3 quotations therefore the Ministry of Health and Social Welfare has carried out that work.

15.2. USE OF COUNTRY SYSTEM FOR EXTERNAL SUPPORT

15.2.1. CRITERIA

Articles 38 (1), (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.

Observations

A. Grants amounting to US \$31,219,863.64 were off -budget

It was noted during the audit that the MoH&HS management implemented three (16) projects with a budget totaling US **\$31,219,863.64**. The authorized officer of the MoH&HS did not take appropriate steps to ensure that such grants were added to the National Budget and were channeled through the Single Treasury Account as required by the PFM Act, 2019. Details of the grants are shown below:

Name of the Project	Name of the Sponsor/ Donor	Purpose of the Project	Duration of Contract	Grant Amount US \$	Amount Received US \$
Malaria	UNICEF	Malaria	Jan.-Dec. 2021	\$584,544.00	\$473,381.20
HMIS	UNICEF	Health Management Information System	Jan.-Dec. 2021	\$735,998.00	\$408,781.05
PSM	UNICEF	Pharmaceutical and Supply Chain Management	Jan.-Dec. 2021	\$196,731.05	\$192,026.00
RSSH	UNICEF	Resilient and Sustainable Systems for Health	Jan.-Dec. 2021	\$98,263.00	\$86,382.60
HIV	UNICEF	Human Immunodeficiency Virus	Jan.-Dec. 2021	\$351,398.40	\$322,489.60
TB	WORLD Vision	Tuberculosis	Jan.-Dec. 2021	\$589,949.52	\$472,406.52
School Health	UNICEF	School Health Program	Jan.-Dec. 2021	\$28,168.00	\$24,872.00
C4D/SBC	UNICEF	Communication for Development	Jan.-Dec. 2021	\$408,192.00	\$314,370.00
EYE Health	UNICEF	EYE School Program	Jan.-Dec. 2021	\$40,000.00	\$39,134.00
Child Health	UNICEF	Child Health Program	Jan.-Dec. 2021	\$55,443.00	\$17,530.00
Nutrition	UNICEF	Nutrition Program	Jan.-Dec. 2021	\$241,444.67	\$162,352.50
WASH	UNICEF	WASH Program	Jan.-Dec. 2021	\$841,330.00	\$371,214.50
C-19 RM project	UNICEF	Covid-19	Jan.-Dec. 2021	\$26,847,625	N/A

Name of the Project	Name of the Sponsor/ Donor	Purpose of the Project	Duration of Contract	Grant Amount US \$	Amount Received US \$
EPI	UNICEF		Jan.-Dec. 2021	\$150,547.00	\$79,154.00
Health Operation	UNICEF	Health Operation Program	Jan.-Dec. 2021	\$40,000.00	\$35,936.00
Emergency	UNICEF	Public Emergency Program	Jan.-Dec. 2021	\$10,230.00	\$8,730.00
Emergency	UNICEF	Public Emergency Program	Jan.-Dec. 2021	\$10,230.00	\$8,730.00
Total				\$31,219,863.64	\$3,008,759.97

B. Lack of Minister of Finance co-sign in grant agreements

During the audit it was observed that Minister of Finance didn't co-sign the above grant agreement since MOH management did not inform the Minister of Finance, therefore this is in violation of Article 38(2) of the PFM Act 2019.

Recommendation

The Management of the MoH&HS should ensure that grants are included in the budget and channeled through a Single Treasury Account.

The management of the MoH&HS should ensure that all the agreements related to grants be co-signed by the Minister of Finance during the financial year 2023 and subsequent years.

Management response

All grants received by the Ministry of Health should be included in the National Budget and should be conducted through the SFMIS.

All agreements entered into by the ministry in connection with the receipt of a grant must be cosigned by Minister of Finance.

OAGS response

Regrettably, the provided response is deemed inappropriate.

15.3. ASSET MANAGEMENT

15.3.1. BEST PRACTICE

Best practice requires management of any entity in the public sector to maintain a fixed asset register and update it periodically. The register should contain information such as dates of acquisitions, type of assets, values of assets at the acquisition date, condition, unique identification numbers, responsible officials, and location in respect of the assets owned.

Observation

A. Weak fleet management

During the audit, it was observed that there were twelve (12) vehicles reportedly belonging to the MoH&HS, eleven (11) of which were not registered with the name of the entity and did not have vehicle ownership books. Details of the vehicles are shown below:

Vehicle Type	Source of funds	Plate No.	Chassis No.	Comments
Ambulance FIAT	FGS	No	JTMHV01JOJ4262770	The Vehicles did not have government plate numbers and ownership books registered, and were non-functioning.
Ambulance FIAT	FGS	No	JTMHX01JOL5103383	
Ambulance FIAT	FGS	No	JTMHX01JXM4224560	
Ambulance HYUNDA	FGS	No	MROBX8CDXN2774285	
Land-Cruiser Bulletproof	FGS	No	MROHX8CD0L0937741	
TAYOTA PICK UP	FGS	No	AHTKK8CD700676805	
V8 Land Cruiser	FGS	AE 3149	MROFR22G3E0723906	
TAYOTA PICK UP	FGS	No	AHTKK8CD700676805	The Vehicles did not have a government plate numbers and ownership books registered, and also non-functioning.
V8 Land Cruiser	FGS	AE 3149	MROFR22G3E0723906	
Ambulance Land-cruiser	FGS	No	TRN2-15-0018880	
Prado Ultima	FGS	AJ-0996	MROHX8CD2G0895367	
TAYOTA PICK UP	FGS	No	MROKX8CD8J1903981	
Prado Ultima	FGS	AJ4782		

Recommendation

The management of the MoH&HS should obtain ownership documents for all vehicles registered under the entity by ensuring that the logbooks and other transfer documents are in its name. Additionally, to ensure the vehicles' optimal functionality, the management should perform maintenance and repairs throughout 2023.

Management response

The Ministry of Health confirms that such vehicles are neglected. The ministry is looking for a budget to repair the vehicles.

15.4. OTHER AUDIT MATTERS

INTERNAL CONTROLS

15.4.1. CRITERIA

Article 46 (1), (a, b, c and d) of the PFM Act states that any Authorized Officer of the agency shall have an internal auditor to report on internal controls of the agency. Specifically, the article, states that the Internal Auditor is to:

- a) Review periodically the agency's performance, particularly the financial management of the agency and its departments.
- b) Assess adherence to all financial management procedures, and processes set forth in the PFM Act, the regulations, and the instructions of the Minister.
- c) Evaluate compliance with checks, balances, and controls in place and management the financial system of the agency and its departments.
- d) Advise the Authorized Officer on appropriate corrective actions where necessary and to inform the Minister of the agency accordingly.

Observation

A. Absence of an effective internal audit function

During the audit, we noted that there was no effective internal audit function that produces internal audit reports periodically contrary to the provisions of the PFM Act 2019.

Recommendation

The MoH&HS management should adequately resource its internal audit function to effectively perform its function and produce high quality periodic audit reports 2023.

Management response

The MoH&HS has an internal audit which has produced a report.

OAGS response

The management should consider implementing the OAG recommendation. There was no internal audit report shared with the OAGS.

15.5. AUDIT FOLLOW UP

15.5.1. Outstanding Issues from the 2021 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.

Findings	Status
4.2.1. Failure to prepare an annual procurement plan	Recommendation not implemented
4.3.1. Weak management system for vehicles	Recommendation not implemented
4.5.1. External support budget is not included in the country system	Recommendation not implemented
4.2.2. Lack of procurement threshold	Recommendation not implemented



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