



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



THE AUDITED ANNUAL FINANCIAL STATEMENTS OF THE FEDERAL GOVERNMENT OF SOMALIA

For the Year Ended 31st December 2022



ISSUE DATE
June 30, 2023



**Preserving Accountability for Every Somali
Shilling in the Public Sector.**

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ABBREVIATIONS

BRA	Banadir Regional Administration
FGS	Federal Government of Somalia
FMS	Federal Member States
FPS	Federal Parliament of Somalia
FRS	Federal Republic of Somalia
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
OAG	Office of the Auditor General
PFGS	Parliament of the Federal Government of Somalia
SFP	Somali Federal Parliament



Federal Republic of Somalia
Office of the Auditor General

Ref.: XHG/HG-228/2023

Date.: 06/30/2023

To: The Speaker of the House of the People, SFP
The Speaker of the Upper House, SFP
Mogadishu, Somalia

Audit Report on the Annual Financial Statements of the FGS for the Year ended 31st December 2022

Excellency,

I have conducted the audit of the annual financial statements of the Federal Government of Somalia for the year ended 31st December 2022 as required by Law 34 of Magistrates of Accounts and Article 45 (3) of the PFM Act 2019. I am delighted to submit my audit report set out on pages 1 to 9 in connection with the financial statements attached thereto set out from pages 16 to 41.

Additional Annexes A, A.1, B, C, D, and explanatory notes are also attached on pages 42 to 53 as provided by the Accountant General. These are accompanied by the Statement of the Minister of Finance, Statement of Responsibilities, and an Executive Commentary which were not audited, and I do not provide an audit opinion on them.

Scope and determination of responsibility

As an independent office of the Federal Republic of Somalia as enshrined in Article 114 of the Provisional Constitution, and in accordance with the Law 34 of Magistrates of Accounts (Articles 6, 7, 8, 9, 13, and 17), I conducted the audit using the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements.
- Assessment of the accounting principles used, and significant estimates made by management; and
- Evaluation of the overall financial statement presentation.

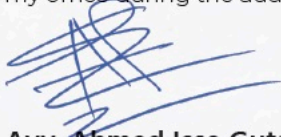
The audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matters mentioned in my audit report are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

The financial statements, maintenance of effective control measures, and compliance with laws and regulations are the responsibility of the Accountant General as the Accounting Officer of the Federal Government of Somalia. My responsibility is to express my opinion on these financial statements.

Acknowledgments;

I would like to thank various officials of the Federal Government of Somalia who worked with my office during the audit for the year ended 31st December 2022.



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

Og: The Accountant General, FGS
The Minister of Finance, FGS
H.E. The Prime Minister, FGS
H.E. the President, FRS

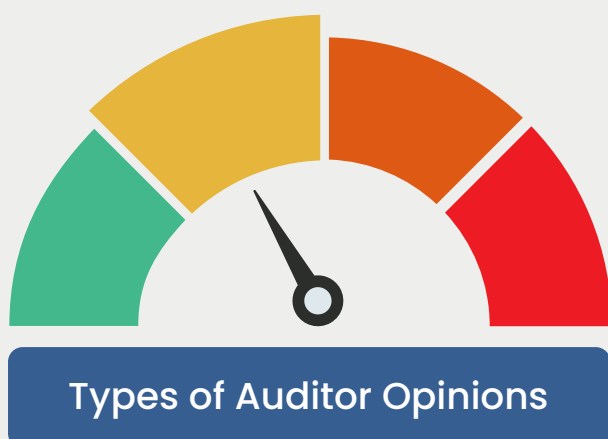
REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE FEDERAL GOVERNMENT OF SOMALIA FOR THE YEAR ENDED 31ST DECEMBER 2022

1. QUALIFIED OPINION

I have audited the accompanying financial statements of the Federal Government of Somalia set out on pages 16 to 41, which comprise the statement of cash receipts and payments, statement of cash flows, statement of comparison of budget and actual amount, and a summary of significant accounting policies and other explanatory information as prepared by the Accountant General according to the provisions of Article 45 of the PFM Act 2019. The financial statements have been prepared using the Cash Basis International Public Sector Accounting Standards (Cash Basis IPSAS).

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the statement of cash receipts and payments, cash flows, the statement of the comparison of budget and actual amounts for the year ended 31st December 2022 using the Cash Basis IPSAS and PFM Act 2019.



UNQUALIFIED OPINION
FINANCIAL STATEMENTS ARE CORRECT

QUALIFIED OPINION
FINANCIAL STATEMENTS ARE FAIRLY PRESENTED

ADVERSE OPINION
FINANCIAL STATEMENTS ARE MISREPRESENTED

DISCLAIMER OPINION
FINANCIAL STATEMENTS HAVE INSUFFICIENT EVIDENCE

2. THE BASIS FOR QUALIFIED OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in the Federal Republic of Somalia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

2.1. Grants amounting to US \$19,321,004 were paid to three institutions (note 9, pages 34-35)

I performed examinations on grants paid to the Federal Member States (FMS) as well as three other institutions, as disclosed in Note 9 on pages 34-35 of the financial statements. As per the mentioned note, a sum of US **\$111,242,917.00** was the total grant paid, which included payments made by the Central Bank of Somalia on behalf of the Ministry of Finance to Banadir Regional Administration (US **\$18,209,372.00**), the Chamber of Commerce (US **\$555,816.00**), and Somali Development Bank (US **\$555,816.00**), totaling US **\$19,321,004.00**. These payments were made directly by the Central Bank of Somalia using funds collected from Mogadishu Harbor Port fees during the year.

However, the supporting documents related to these direct payments were not availed to me. This prevented me from independently verifying whether the amounts were accurately computed and correctly paid. As a result, I was unable to determine if the total transfer payments of US **\$19,321,004.00** were accurately calculated and whether the resulting Statement of Cash Receipts and Payments and the Statement of Cash Flows are fairly represented in the financial statement.

2.2. Revenues from concession agreements amounting US \$32,442,286.00 (note 2, page 30)

The Federal Government of Somalia has entered into two concession agreements with two international companies: Favori LLC for the management of Aden Abdulle International Airport (AAIA) and Albayrak for the management of the Mogadishu Harbor Port on behalf of the Federal Government of Somalia.

Under the terms of the first concession agreement with Favori, the Federal Government is entitled to receive **25%** of the fees collected by the company. Similarly, in the second concession agreement with Albayrak, the Government of Somalia was also entitled to **62.17%** of the fees collected. In either case, the amount of fees payable to the Federal Government of Somalia was to be based on audited financial statements of the respective concessionaires, prepared as of December 31st of each financial year.

Under note 2, non-tax cash receipts in the statements of cash receipts and payments as of 31st December 2022 reflect an amount of US **\$80,977,903.00**. Included in this balance is a combined total of US **\$32,442,286.00** in revenue generated from concession contracts (**Abayrak: US \$29,332,006.00 & Favori: US \$3,110,280.00**). During the audit, I requested audited financial statements from each concessionaire as required in both agreements. However, the management did not provide the audited books of accounts to substantiate the amount due to the FGS. Consequently, I was unable to independently ascertain whether the concession fees amounting to US **\$32,442,286.00** is fairly stated, in terms of amounts due and collected in these financial statements.

3. UNDERSTATEMENT OF THE FINANCIAL STATEMENTS BY AMOUNTS FROM EXTRA-BUDGETARY ACTIVITIES

Authoritative Requirements of the Cash Basis IPSAS

It is an authoritative requirement of paragraphs 1.3.4 (a), 1.3.12, and paragraph 1.3.13 of the Cash Basis IPSAS for a reporting entity, whether a budget or a non-budget entity, to include in the Statement of Cash Receipts and Payments, Statement of Cash Flows, and resultant cash balances of total cash receipts and cash payments received and expended during a reporting period or year.

Furthermore, the authoritative paragraph 1.4.9 of the Cash Basis IPSAS requires disclosure of cash balances held by an entity at reporting date that are not available for use by the entity or are subject to external restrictions.

In addition, Article 42 (4) of the PFM Act requires all government revenues to be deposited in the consolidated treasury account held with the Central Bank of Somalia.

3.1. Cash receipts, cash payments, and resultant cash balances of the extra-budgetary funds amounting to US \$38,767,688.21 were not included in the primary financial statements.

During the Annual Compliance Audit I conducted, I observed that seven (7) entities (as outlined in Table 1 below) received donations from international institutions amounting to US \$38,767,688.21. However, I noted that cash receipts arising from the extra-budgetary funds were understated by US \$9,873,329.14. Additionally, cash payments made by the entities were also understated by the same amount of US \$9,873,329.14 and the resultant cash balances amounting to US \$28,894,359.10 were not disclosed in the financial statements contrary to the requirements stated in paragraph 1.4.9 of the IPSAS cash basis of accounting.

Table 1: Public institutions that received extra-budgetary funds -31 December 2022

Name of the entity	Amount of donations US \$	Amount received during the year US \$
House of the People	97,278.00	97,278.00
Office of the Prime Minister	2,417,531.00	2,312,731.00
Ministry of Interior, Federal Affairs and Reconciliation	343,480.80	313,791.00
Somali National University	550,957.06	550,957.06
Ministry of Health	31,219,863.64	3,008,759.97
National Bureau of Statistics	1,919,905.55	1,582,207.55
Ministry of Water & Energy	2,218,672.16	2,007,604.56
Total	\$38,767,688.21	\$9,873,329.14

3.2.External assistance received and expended by budget entities - annex B (page 45)

Furthermore, it is important to note that the financial statements for the year ending December 31, 2022, revealed an additional disclosure in Annex B (page 45). This disclosure highlighted certain ministries and agencies which had total cash receipts of US **\$7,007,014.00** and total cash payments of US **\$3,120,980.00**. These amounts were not included in the Statement of Cash Receipts and Payments, the Statement of Cash Flows, or the resulting cash balances for the year ended December 31, 2022. This omission goes against the requirement stated in authoritative paragraph 1.3.12 of the IPSAS cash basis of accounting. As a result, I have concluded that these financial statements were understated by the above amounts.

3.3.Cash receipts collected and used at source not included in the primary financial statements - US \$2,228,473.47

During the compliance audits I conducted this year, I noted three (3) Somali embassies & House of the People had collected a combined revenue amounting to US **\$2,228,473.47** and used the collections at the source without accountabilities as shown in the table below:

Table 2: FRS institutions that collected revenues and used them at the source without accountabilities.

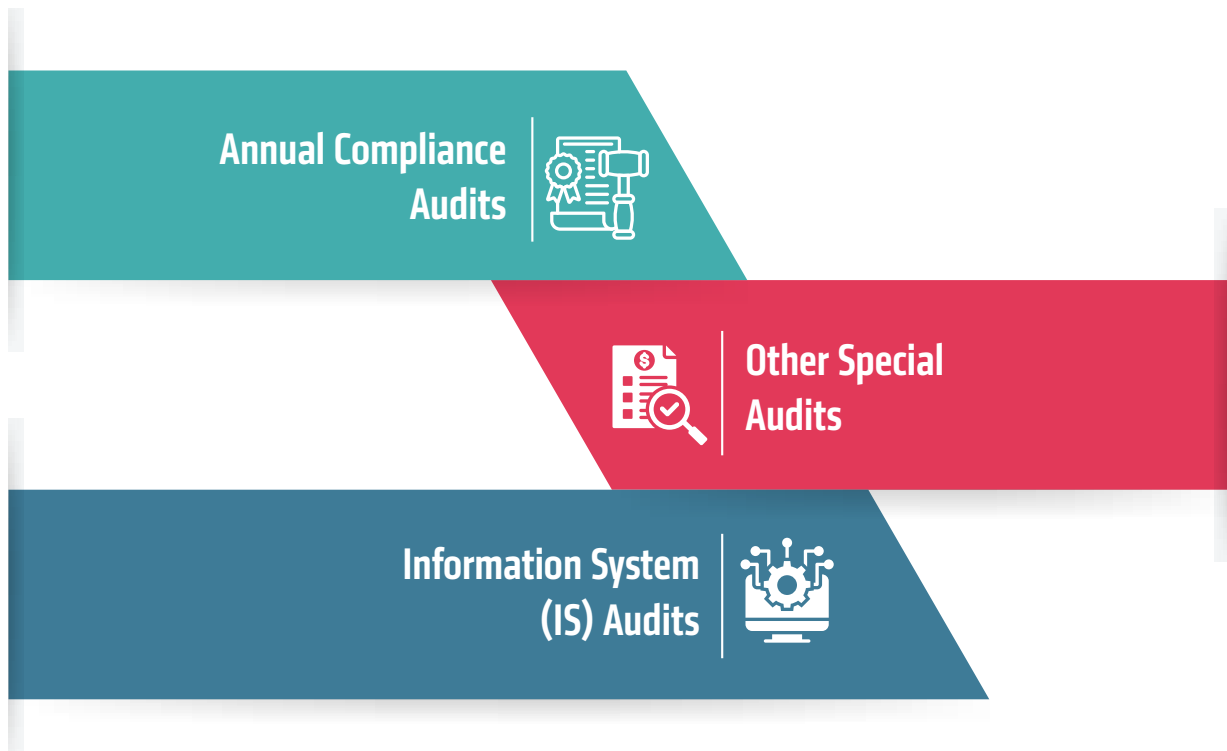
Institutions	Amount collected during the year (US \$)	Amount disbursed during the year (US \$)
Somali Embassy in Nairobi Kenya	911,460.86	911,460.86
Somali Embassy in Ankara, Turkey	299,050.61	299,050.61
Somali Embassy in Berlin, Germany	702,762.00	702,762.00
House of the People	315,200.00	315,200.00
Total Amount	2,228,473.47	2,258,733.34

As a result, the Statement of Cash Receipts and Payments, and Statement of Cash Flows were understated by US **\$2,228,473.47** in respect of the above institutions

4. KEY AUDIT MATTERS

Key audit matters are matters that, in our professional judgment, are the most significant in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

5. OTHER MATTERS



5.1. Compliance Audit Report

I conducted a compliance audit of fifteen (15) Ministries, Departments, and Agencies (MDAs) of the Federal Republic of Somalia for the financial year that ended on 31st December 2022. The selection of these MDAs was based on risk assessments to prioritize areas that required closer examination.

The audit covered various subject matters, including the procurement of goods, services, and works, management of non-financial assets, and the utilization of country systems for external support and management of bank accounts. These areas were chosen due to their significance in ensuring effective public financial management for enhanced service delivery.

Throughout the audit, I identified significant weaknesses in the public financial management practices within the audited MDAs. These weaknesses have the potential to hinder the efficient utilization of resources and impact the delivery of public services. To address these shortcomings, I have provided recommendations in the Annual Compliance Audit Report, which has been issued separately.

5.2.Information System (IS) Audit

I conducted an Information Systems (IS) audit on two systems (the Government employee's management system & security sector personnel management system). I noted several high-risk weaknesses in the following areas: (a) general IT controls; (b) application controls; (c) information security controls; and (d) business continuity arrangements. As a result, I made several recommendations for the audited government entities to address. I issued this IS audit report of the two systems separately.

5.3.Other Special Audits Conducted

In respect of the financial year ended, and based on risk assessments, I conducted one special audit. The special audit was on three foreign missions (Somali embassies). This audit focused on the accountability and management of revenues, expenditures, assets (lands, vehicles & buildings), personnel management, and liabilities. This report will also be issued separately.

6. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Federal Minister of Finance, the Accountant General, and their respective management are responsible for the preparation and fair presentation of these financial statements in accordance with the Cash Basis IPSAS, and the PFM Act 2019 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing going concern considerations, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting unless management either intends to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process of the Accountant General's Office.

7. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit is conducted in accordance with the Financial Audit Manual, which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions (ISSAI), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with the Financial Audit Manual, which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, I exercise professional skepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- b. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control.

- c. Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- d. Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report.
- e. Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor’s report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

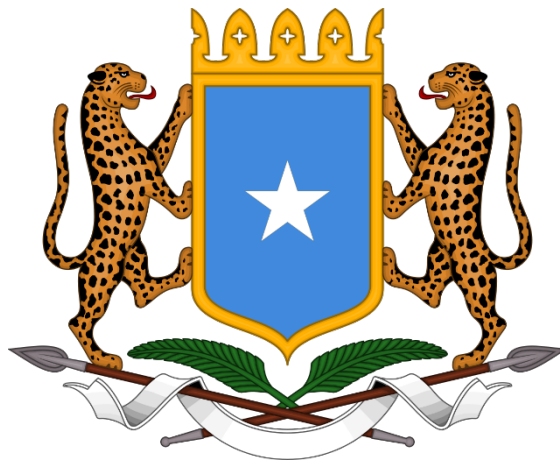
H.E. Avv. Ahmed Isse Gutale
Auditor General, FRS

Federal Republic of Somalia
June 2023

Mogadishu, Somalia

THE FEDERAL GOVERNMENT OF SOMALIA

Financial Statements of the Federal Government
of Somalia
for the Year ended 31st December 2022



PREPARED BY THE OFFICE OF THE ACCOUNTANT
GENERAL

THE FEDERAL GOVERNMENT OF SOMALIA
Reports and Financial Statements
For the year ended 31 December 2022

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MOF/OM/039/2023

April 30th, 2023

Statement of the Minister of Finance

In the recent years, Somalia has made commendable progress on many fronts. Macroeconomic stability has been maintained, high levels of indebtedness are being addressed through the Heavily Indebted Poor Countries (HIPC) initiative, several sector laws and institutions have been established, and a poverty reduction strategy paper has been developed – the ninth National Development Plan (NDP9).

To increase fiscal transparency, since 2018 the Federal Government of Somalia has been consistently publishing Consolidated audited annual and quarterly financial reports across the country including Federal Member States and the external assistance provided by the International Development Partners which are in full compliance with the internationally recognized cash basis Public Sector Accounting and Reporting Standards which are better known as the Cash basis IPSAS2017. To increase public and the International Development Partner's trust on the country system, Somalia has also enacted the Public Finance Management Act since 2019 followed by the implementation of the Public Financial Management Regulation in 2022.

From the government's revenue reform effort, total revenue collected during this financial year has increased significantly from USD\$472.9m in the previous year of 2021 to USD\$769.2m in 2022 about 63% increase. This is mainly due to the increase in the domestic economic activities after the presidential election successfully concluded and the release of number of new externally funded projects which was originally halted as a consequence of the delay in the elections in the previous year. On the expenditure side, a similar change has been observed from USD\$495.8m to USD\$731.4m about 48% increase due to the increase in the government funding's on the ongoing various development projects in the Federal Member States.

During the financial year of 2022, new domestic revenue enhancement efforts has been made including the modernization of the customs tax collection methods. Ad-valorem tariff schedule is to be developed and the customs regulations on valuations and declarations were issued. A spectrum fee schedule for telecom operators was approved by the NCA in agreement with the Ministry of Finance. Revenue collection from the spectrum fee schedule is expected to be US\$6 million per year for the next 10 years. To expand the tax net and promote a culture of tax compliance, the Ministry will introduce turnover taxes with at least 2000 newly registered taxpayers who commence paying taxes by the next year.

On the other hand, number of expenditure controls have also been introduced. To strengthen control and transparency of tax exemptions, the Ministry complied with the requirements of the 2019 Public

Financial Management Law. Bringing all compensation of permanent and temporary workers into the payroll will ensure greater control over the number of employees and their salary levels and increases. The Ministry obtained Cabinet approval of the pay and grade policy and the roadmap to implement an integrated payroll that controls all compensation of employees of the FGS.

A circular on emergency procurement guidelines will be issued in early 2023 to better define emergency situations, set out permissible procurement methods for a given situation, and require use of standardized specifications and framework contracts that would facilitate the procurement process while creating safeguards against wastage. A new PPP Law is under development to provide a framework that attracts private investment while adequately managing fiscal risks and controlling costs.

Efforts are ongoing to strengthen management of public assets. The National Asset Management Department ensures to take the lead in the asset registration process with close collaboration with the Office of the Accountant General with respect of the valuation of the assets and uploading in the SFMIS.

Finally, I wish to extend heartfelt thanks to the Accountant General and her staff, who continue to work tirelessly to ensure that the government financial statements are consistently prepared in with internationally recognized standards and are submitted for audit within the statutory timelines



Dr. Elmi M. Nur
The Minister



THE FEDERAL GOVERNMENT OF SOMALIA
Reports and Financial Statements
For the year ended 31 December 2022

II. STATEMENT OF RESPONSIBILITIES



The financial statements set out from page 21 to page 40 have been prepared in line with the provisions of the Public Financial Management Act (2019) (PFM Act) and prepared in accordance with the International Public Sector Accounting Standards, 2017 (IPSAS 2017).

Article 45(3) of the PFM Act requires the Auditor General to audit the financial statements of the Federal Government of Somalia and submit an independent audit report along with the audited financial statements, to the Federal Parliament no later than two months upon receipt of the unaudited financial statements. Further, and in line with Article 43 of the PFM Act, the Accountant General shall advise the Public Bodies, Sub-National Governments and State-Owned Enterprises on the accounting and classification systems to be adopted and applied accordingly throughout Government. In line with this article, the Accountant General adopts and continues to apply internationally accepted accounting standards in the preparation of the accounts of the government and has adopted the IPSAS, Cash Basis of Accounting (2017) in the preparation of these financial statements.

Accordingly, and in reference to Article 45(1) of the PFM Act (2019), I am pleased to submit the annual financial statements of the Federal Government of Somalia for the financial year ended 31st December 2022.

I have provided and will continue to provide all the information and explanations as may be required in connection with these financial statements. To the best of my knowledge and belief, these financial statements agree with the books of accounts of the Government, which have been properly kept.

To the best of my knowledge these financial statements of the Federal Government of Somalia for the year ended 31 December 2022 have been prepared in accordance with the Public Financial Management Act (2019) and using Cash Basis IPSAS financial reporting under the cash basis of accounting (2017).

.....
Fatuma Osman Farah,
Accountant General



THE FEDERAL GOVERNMENT OF SOMALIA
Reports and Financial Statements
For the year ended 31 December 2022

III. EXECUTIVE COMMENTARY

1) Overview of the Financial Statements

The Financial Statements of the Federal Government of Somalia (FGS) provide a record of the Government's financial performance over the financial year, 2022 as shown in the Statement of Cash Receipts and Payments, Statement of Comparison of Budget and Actual Amounts, and the Statement of Cash Flows. The Financial Statements further summarize all financial transactions for the year ended 31st December 2022 and the FGS's financial cash position as at the 31st December 2022. These statements have been prepared by the Accountant General of the Federal Government of Somalia at the federal level and include financial information related to all Federal Government Ministries, Departments and Agencies (MDAs).

The 2022 financial statements focus on reporting, primarily budgeted activities of the FGS for which an Annual Budget Statement was prepared for and authorized by the Federal Parliament of Somalia for the 2022 fiscal year. **Accordingly, and in line with paragraph 1.4.8 of the Cash Basis IPSAS, the financial statements have been prepared for the budget sector and do not include extra-budgetary receipts and payments during the same period.** The budget and annual financial statements are produced to support FGS's strategic business and financial decisions critical to the fiscal and economic wellbeing of the nation. The annual reports include the financial and budget activities of MDAs which directly and indirectly receive budget allocations from the Federal Government of Somalia. These MDA entities are listed in Note 1.2 (c) of this report.

However, disclosures have been made on the extrabudgetary receipts and payments by consolidating the financial information that MDAs have provided in respect of their extrabudgetary transactions.

2) Format of the Financial Statements and additional disclosures

Financial statements of the Federal Government of Somalia have been prepared on a cash basis with activities and related transactions recognized when cash is received, and payments are made. The financial statements for the financial year have been compiled and presented in order to make a fair presentation of the FGS's financial information and have been prepared in accordance with Part 1 of the IPSAS Cash Basis of Accounting which requires the following mandatory information to be disclosed:

a) Statement of Cash Receipts and Payments

According to Cash Basis IPSAS, paragraph 1.3.12 and 2.3.13, the statement of cash receipts and payments is to show total or all cash receipts and payments of the Federal Government of Somalia. This statement reports on the net surplus or deficit (the difference between total receipts and total payments) for the year. The statement provides information on the FGS's sources of revenue and the cost of its activities.

b) Statement of Comparison of Budget and Actual Amounts by Economic Nature

The statement of comparison of budget and actual amounts presents a comparison of the approved budget amounts (appropriations) and the actual amounts for the year based on the GFS economic classification. Where the budget has been revised, the revised and final budget is also included. The statements are prepared to provide information on the extent to which resources were appropriated by parliament and used in accordance with the budget approved by the Federal Parliament of Somalia.

c) Statement of Payments by Functions of Government

This statement is an optional requirement under IPSAS Part 1 and provides further details of the amounts disclosed in the Statement of Cash Receipts and Payments by comparing the budget and government spending during the financial year by government functions. The statement is based on the Division Classification of Government outlays by functions of Government (COFOG) and identifies the purpose of spending by the Government.

d) Accounting Policies

These are the specific principles, bases, conventions, rules, and practices adopted by the Federal Government of Somalia in preparing and presenting the financial statements.

e) Explanatory Notes to the Financial Statements

The explanatory notes to the financial statements assist in understanding the information reported in the principal statements to provide full disclosure and are considered an integral part of the financial statements.

3) Additional Disclosures

In order to provide further information to the financial statements reported under IPSAS Cash Basis, the following additional disclosures have been made so as to provide more information necessary for accountability and decision-making purposes.

a) Statement of Cash flow

The statement of cash flow presents the movements of cash during the year resulting from operating, investing and financing activities. This statement provides information on how cash has been raised and used during the year, including borrowing and repayment of borrowing, and the acquisition and disposal of non-financial assets.

b) Balance Sheet

The Balance Sheet (previously the Statement of Assets and Liabilities) provides details of the assets and liabilities of the Government reporting the net assets (the difference between total assets and total liabilities) of the Government. Currently the Balance Sheet provides information on the financial assets and some liabilities.

c) Statement of Expenditure Arrears

This statement provides information on the outstanding payments that have built-up over the years for the supply of goods and services including employee costs. Expenditure arrears is recorded on the balance sheet under current liabilities.

d) *Statement of Public Debt*

This statement provides information on the outstanding external debt of the Federal Government of Somalia at the end of the year and makes a distinction between multilateral and bilateral creditors. Bilateral are further broken down into Paris and Non-Paris club creditors.

e) *Statement of Extrabudgetary Transactions of all Public Bodies*

The statement of extrabudgetary funds is a summary of the extrabudgetary transactions prepared and submitted by the MDAs to the Accountant General in respect of funds operated outside the national budget.

4) Summary of Financial Results

Financial Statement Highlights and Analysis

Table 1 – Summary of Financial Performance

Financial Performance	2022	2021	2020
	USD\$	USD\$	USD\$
Revenue	769,237,846	472,901,997	496,826,962
Expenditure	731,434,866	495,842,745	485,287,246
Surplus	37,802,980	(22,940,748)	11,539,716
% Change	5%	-5%*	2%
Original Budget	929,924,528	666,484,657	476,150,905
Revised Budget (Mid-year Revision)	929,924,528	666,484,657	685,270,734
Actual Expenditure	731,434,866	495,842,745	485,287,246
Under Spending (Budget Saving)	(198,489,632)	(170,641,912)	199,983,488)
% Change	21%	26%	29%
Revised Budget Revenue & External Assistance	944,859,564	666,484,657	685,270,734
Actual Revenue	769,237,846	472,901,997	496,826,962
Short Fall in budget Revenue and External Assistance	(175,621,718)	(193,582,660)	(188,443,772)
% Change	-19%	-29%	-27%

**The financial year 2021 shows a deficit of 5% of the revenue that was collected during the financial year compared to the actual expenditure incurred during the year. The deficit was financed from the cash/bank balances accumulated and carried forward from the previous financial year 2020.*

5) Revenue

Revenue Analysis

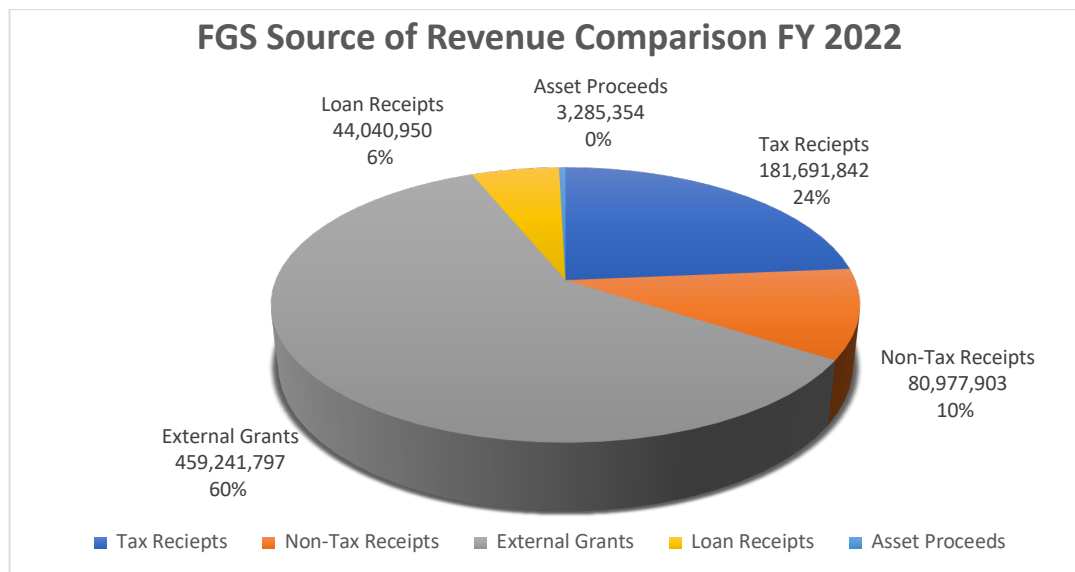
The Federal Government of Somalia's total revenue increased by USD \$296.3 million (63%) from USD\$472.9 million in 2021 to USD \$769.2 million in 2022. The main sources of the FGS's revenue are internally generated income; (taxes and domestic fees and charges) as well as external assistance from Multilateral and Bilateral organizations. Internal revenue (taxes and fees) of USD \$262.6 million was 34% of total revenues of USD \$769.2 million for the year.

Table Summary of Receipts

Revenue	2022	2021	2020
Tax Receipts	181,691,842	162,766,994	139,529,217
Non-Tax Receipts	80,977,903	66,794,410	71,704,628
External Grants	459,241,797	146,975,019	285,593,117
Asset Proceeds (Asset Recovery)	3,285,354		
Loan Receipts (SDR)	44,040,950	96,365,574	-
Total	769,237,846	472,901,997	496,826,962

The following chart further highlights, the breakdown of revenue collections for the year which shows that external grants were 60% of the total receipts, while the domestic revenue and Loan receipts was 40% of the total receipts for the year.

Chart 1 – Comparison of FGSs’ Sources of Revenue



Non-Tax Receipts

The financial year 2022 saw non-tax receipts increased by USD \$14.2 million when compared to the previous year. As detailed in Table 2, the current year’s non-tax revenue (domestic receipts) stands at USD \$80.9 million up from USD \$66.7 million last year, in the same period. This upward movement of USD \$14.2 million has mainly come from visa and overflight fees collection as a result of the elections and more citizens and other stakeholders entered the country to participate the elections. Also, this year saw increase in the passport issuance fees as many citizens applied the passport.

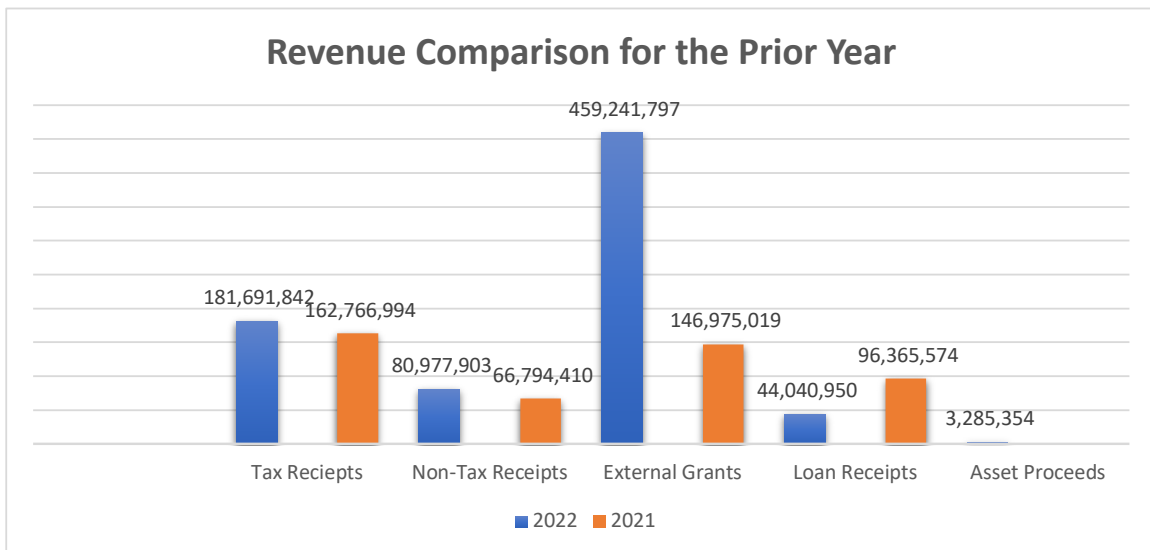
Tax Receipts

The financial year 2022 saw revenue from taxes increased from USD \$162.7 million last year to USD \$181.6 million. This increase of USD \$18.9 million has been mainly attributed to rise in taxes payable by individuals as the government extended taxable income base to include more private sector employees. Also, revenue from the customs and other imported goods has significantly increased as the country lifted the Covid-19 lockdown restrictions.

As depicted in Chart 1 above, revenue from taxes collected was 24% of the total revenue for the year.

Further illustration and comparisons between the current year and previous year is highlighted in Chart 2.

Chart 2 – Revenue Comparison to Prior Year



External Assistance

External assistance and grants from bilateral and multilateral agencies were significant sources of funds accounting for USD \$459.2 million (60%) of total revenue compared to USD \$147 million in the previous year, representing an increase of USD \$312.3 million, (212%). This substantial increase was mainly due to the introduction of new donor funded projects and the restore of donor confidence as the elections held peacefully that resulted to release grants postponed during the election process.

Loan Receipts

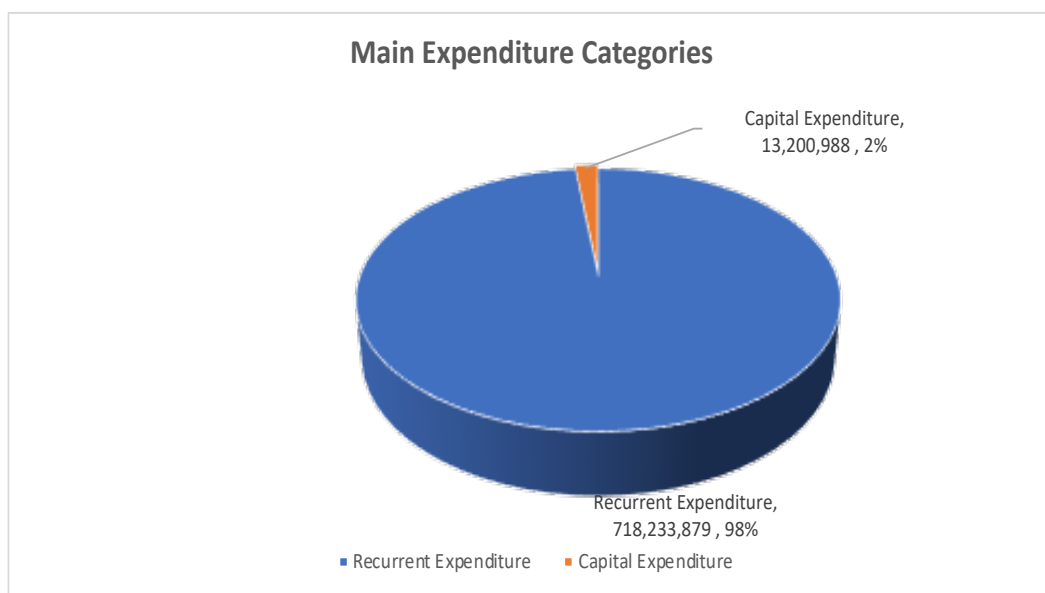
The financial year 2022 saw revenue from loans received during the year amounting USD \$44 million received from the International Monetary Fund (IMF) in the form of Special Drawing Rights (SDR). This is categorized as a long-term loan and was 6% of the total receipts for the year.

6) Expenditure

Expenditure Analysis

The FGS's payments fall into four distinct categories; recurrent expenditure, capital expenditure, loan repayments and grants paid to sub-national governments, in particular the Federal Member States. The recurrent expenditure were primarily manpower related expenses, and cost on use of goods and services for Government operations. The recurrent expenses also include interest and other charges. Chart 3 summarizes the major areas of expenditure incurred by FGS during the year.

Chart 3 – Main Expenditure Categories



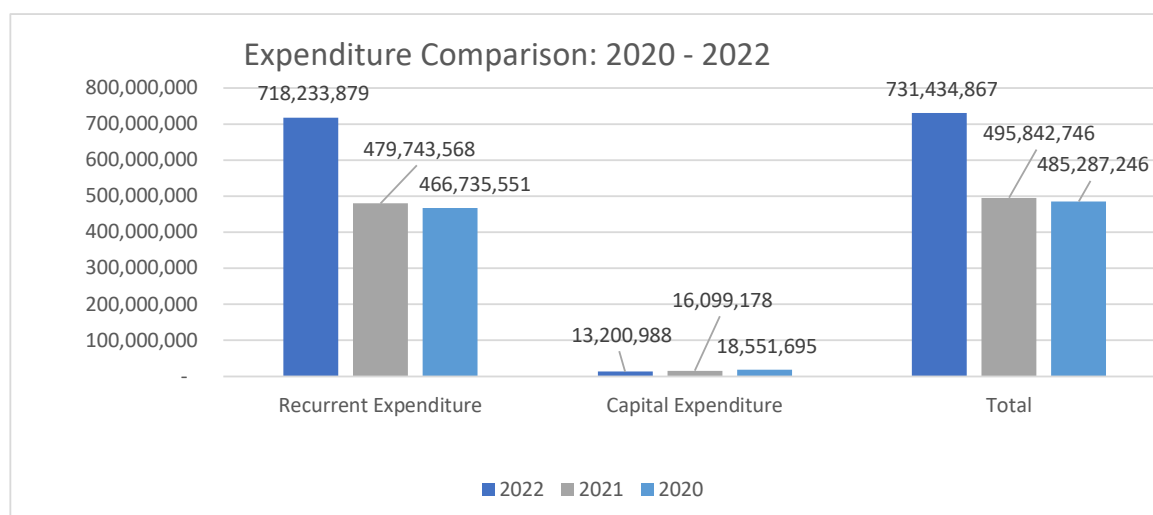
The total payments made during the year amounted to USD \$731.4 million in comparison to USD \$495.8 million for the previous year. Overall, the FGS has increased its expenditure by USD \$235.6 million, (48%), with the highest increases in social benefits USD \$188.9 million and subsidy also increased an amount of USD \$3.8 million this year while the decreases in spending in relation to the prior fiscal year were fixed Asset Consumption down USD \$13.2 million from 16 million last year.

The largest expenditure category was the employee cost which amounted to USD \$259.6 million, which was 35% of the total expenditure, up 9.5% from USD \$250 million in 2021. The second highest cost is the social benefit, which was 26% of total expenditure for the year.

Table 3 below shows expenditure categories for the 2022 financial year in comparison to the 2021 and 2020 financial years.

Table 3 – Summary of Expenditure, 2020 - 2022

Composition of Expenditure Categories			
	2022	2021	2020
Expenditure			
Employee Consumption	259,578,811	250,099,404	227,014,247
Use of Goods and Service	140,670,112	106,059,789	80,696,011
Grants Paid	111,242,917	45,850,523	80,283,381
Capital Expenditure	13,200,988	16,099,178	18,551,695
Interest Paid	693,045	1,440,881	14,444,846
Subsidy	5,115,305	1,271,695	2,161,914
Social benefits	188,936,115	39,864,848	62,135,152
Loan Repayments	11,997,573	35,156,428	-
Total	731,434,866	495,842,746	485,287,246



7) Capital Expenditure Analysis

Capital expenditure (non-financial assets) for the year was USD \$13.2 million compared to USD \$16 million for the previous year, a decrease of USD \$2.9 million (18%). The major areas of expenditure were other fixed asset followed by machinery and other equipment expenses. In accordance with reporting on a cash-basis, capital expenditure is expensed in the year of acquisition.

Table 4 – Summary of Capital Expenditure

Capital Expenditure	2022 USD\$	2021 USD\$
Residential buildings	835,695	1,968,456
Other Structures	95,296	-
Non – residential buildings	-	151,633
Transport Equipment	195,650	41,390

Machinery and other equipment	1,861,453	4,052,767
Furniture and fixtures	474,634	208,635
ICT infrastructure, hardware, networks, facilities	1,777,201	2,610,755
Software application	618,114	122,443.00
Other fixed assets	7,342,944	6,087,760
Intangible assets	-	855,340
Total Capital expenditure	13,200,988	16,099,179

8) Budget and Expenditure Analysis

The annual budget of the FGS is the principal document by which the Government sets out its financial plan for the year. The original budget or financial plan approved by the Federal Parliament for the budgeted expenditure for the year was USD \$929.9 million. No supplementary Budget was approved by Parliament during this year.

The table below depicts the allocations and actual payments of each category of the expenditure.

Table 5 – Expenditure, Budget, and Actual comparison

Budget and Actual Comparison			
Expenditure Category	Budget USDS	2022	
		Actual USDS	Variance (Underspend) USDS
Compensation of Employees	266,016,979	259,578,811	-2%
Use of Goods & Services	232,247,363	140,670,112	-39%
Grants Paid	132,355,418	111,242,917	-16%
Capital Expenditure	33,503,237	13,200,988	-61%
Interest and Principal	12,935,782	12,690,618	-2%
Subsidy	5,546,710	5,115,305	-8%
Social benefit	247,314,243	188,936,115	-24%
Other Expenditure (Contingency Fund)	4,796	-	-100.0%
Total Expenditure	929,924,528	731,434,866	-21 %

9) Functions of Government

Developed by the OECD, the Classification of the Functions of Government (COFOG) classifies government expenditure data for the purpose for which the funds are used by Ministries, Departments and Agencies. All expenditure relating to a particular function is aggregated into one category regardless of the economic nature of the expenditure. The classification of “Environmental Protection” and “Housing & Community amenities” are COFOG functions that the Government does not currently report on. However, it is anticipated that these functions will be reported on in the future. The functions of the Federal Government of Somalia are:

Table 6 – Summary of Expenditure by Functions of Government

	2022	2021
--	-------------	-------------

Classification of Functions of Government (COFOG)	USDS	USDS
General Public Service	279,181,923	168,556,230
Defense	99,777,410	92,210,200
Public Order and Safety	100,399,256	95,985,216
Economic Affairs	215,891,465	75,316,864
Health	11,375,284	21,163,991
Education	20,176,767	17,300,745
Social Security and Welfare	1,852,530	1,430,732
Recreation, Culture, and religion:	2,780,260	1,886,576
Total Expenditure by Functions of Government	731,434,866	473,850,554

10) Balance Sheet (Statement of Financial Assets & Liabilities)

As the government reports on a cash basis accounting, the balance sheet does not include all assets and liabilities of the Government in the Balance Sheet but will initially include financial assets and liabilities and will progressively include all the assets and liabilities over time.

The following is a summary of the Balance Sheet (Statement of Assets and liabilities)

Table 7 – Balance Sheet

	2022	2021	%
Description	USDS	USDS	Change
Cash & Cash Equivalents	81,001,443	43,198,462	88%
Receivables			
Total Assets	81,001,443	43,198,462	-
Payables			
Expenditure Arrears	52,795,274	52,795,274	-
Total Liabilities	52,795,274	52,795,274	
Net Financial Worth	28,206,168	(9,596,812)	88%

- a) *Net financial worth equals total financial assets minus total liabilities excluding external debt.*
b) *Expenditure arrears are liabilities that have so far been verified as outstanding. So far these relate to payroll arrears.*

11) Public Debt

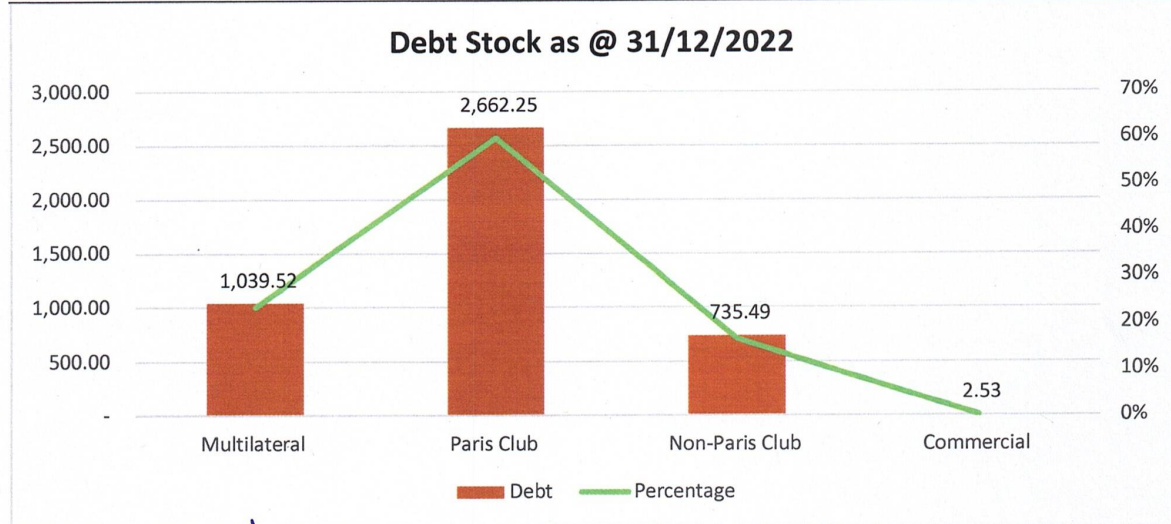
Public debt also referred to as government debt, represents the total outstanding debt (bonds and other securities) of the Government. The Government public debt includes multilateral, Paris Club and non-Paris Club debt. Multilateral debt is that portion of a country's external debt burden owed to international financial institutions (IFIs) such as the International Monetary Fund (IMF) and the World Bank. The Paris Club (Club de Paris) is a group of official borrowings from major creditor countries whose role is to find co-ordinated and sustainable solutions to the payment difficulties experienced by debtor countries.

The total stock of debt as at the 31st of December, 2022 stood at USD \$4.4 billion, of which multilaterals represented 23% (USD \$1.0 billion). The largest creditors are the IMF, AFESD and IDA respectively. Debt to bilateral creditors reached USD \$3.4 billion with Paris Club creditors representing to 77% of the bilateral debt. The main creditors are Russia1, USA, Italy, and France. The main non-Paris club creditors are mainly Arab creditors and include Abu Dhabi Fund, Iraq, and the Saudi and Kuwait Funds. The commercial loan with Serbian company amounted to USD \$ 2.53 million.

The external debt composition of the Federal Government of Somalia is shown in the table below:

Table 8 – Summary of Public Debt

Debt	12/31/22	12/31/21	%
	USDS	USDS	Change
Public Debt			
Multilateral Debt	1,040	1,081	-0.04
Paris Club Debt	2,662	2,678	-0.01
Non-Paris Club Debt	735	725	0.01
Commercial-Serbia	3	2	-
Total Public Debt	4,440	4,486	-0.03



Fatuma Osman Farah
Accountant General



IV. Statement of Cash Receipts and Payments

Federal Government of Somalia
Statement of Cash Receipts and Payments
For the Year ended 31 December 2022.
 Budget Approval on Cash basis
 [Classification of Receipt and Payments by Economic Classification]

	Note	2022 USDS	2021 USDS
RECEIPTS			
Tax Receipts	1	181,691,842	162,766,994
Non-Tax Cash Receipts	2	80,977,903	66,794,410
External Assistance Grants	3	459,241,797	146,975,019
Loan Receipt (SDR)	5	44,040,950	96,365,574
Proceeds from asset recovery	4	3,285,354	-
TOTAL RECEIPTS		769,237,846	472,901,997
PAYMENTS			
Compensation of Employees	6	259,578,811	250,099,404
Use of goods and services	7	140,670,112	106,059,789
Consumption of Fixed Assets	8	13,200,988	16,099,178
Grants Paid/Transferred	9	111,242,917	45,850,523
Interest Paid	11	693,045	1,440,881
Subsidy	12	5,115,305	1,271,695
Social benefit	10	188,936,115	39,864,848
Loan Repayments	13	11,997,573	35,156,428
TOTAL PAYMENTS		731,434,866	495,842,745
Increase/(Decrease) in Cash		37,802,980	- 22,940,748
Cash at the beginning of the Year	14	43,198,463	66,139,211
Increase/(Decrease) in Cash		37,802,980	-22,940,748
Cash at the end of the Year	14	81,001,443	43,198,463

* As indicated under note 13 included in the total amount of US 81,001,443 FY 2022: US 43,198,463) relating to externally financed projects and the Fiscal Buffer Account. The accounting policies and explanatory notes from pages 20 to 40 to these financial statements form an integral part of the financial statements.

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Fatuma Osman Farah
 Accountant General



V. Statement of Comparison of Budget and Actual Amount

Federal Government of Somalia

Statement of Comparison of Budget and Actual Amount for the Year ended 31 December 2022.

Budget Approved on a cash basis.

[Classification of Receipt and Payments by Economic Classification]
2022

Receipt/Expense Item	Notes	Original Budget USDS	Budget Adjustments USDS	Final Budget USDS	Actual Outturn USDS	Variance between Budget and Actual USDS	% Varia nce
Receipts (Inflows)							
Tax Receipts	1	173,699,181	-	173,699,181	181,691,842	7,992,661	5%
Non-Tax Cash Receipts	2	76,399,293	-	76,399,293	80,977,903	4,578,610	6%
Bilateral Sources-Grants	3	39,600,000	-	39,600,000	37,100,000	(2,500,000)	-6%
Multilateral Sources-Grants	3	655,161,090	-	655,161,090	422,141,797	(233,019,293)	-36%
Loan Receipts	4	-	-	-	44,040,950	44,040,950	0%
Asset Proceeds	5	-	-	-	3,285,354	3,285,354	0%
Total Cash Receipts		944,859,564	-	944,859,564	769,237,846	(222,948,022)	-24%
Expenses (Outflows)							
Compensation of Employees	6	263,238,341	2,778,638	266,016,979	259,578,811	6,438,168	2%
Use of goods and services	7	216,833,090	15,414,273	232,247,363	140,670,112	1,577,222	39%
Subsidies	12	7,546,700	(1,999,990)	5,546,710	5,115,305	431,405	8%
Grants Paid	9	119,504,205	12,851,213	132,355,418	111,242,917	21,112,501	16%
Interest and Principal	11	2,500,000	10,435,782	12,935,782	12,690,618	245,164	2%
Social Security Benefits	10	274,965,000	(27,650,757)	247,314,243	188,936,115	58,378,128	24%
Other Expenses-Contingencies		2,500,000	(2,495,204)	4,796	-	4,796	100%
Total Expenses		887,087,336	9,333,955	896,421,291	718,233,879	178,187,412	191%
Capital Expenditure							
Capital Expenditure	8	42,837,192	(9,333,955)	33,503,237	13,200,988	20,302,249	61%
Total Capital Expenditure		42,837,192	(9,333,955)	33,503,237	13,200,988	20,302,249	61%
Total Cash Expenditure		929,924,528	-	929,924,528	731,434,867	198,489,661	21%
NET CASH FLOWS		14,935,036	-	14,935,036	37,802,980	(421,437,683)	-45%

The accounting policies and explanatory notes from pages 20 to 40 to these financial statements form an integral part of the financial statements.

Fatuma Osman Farah
Accountant General

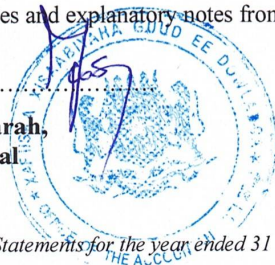
Consistent with the requirements of the Cash Basis IPSAS, 2017 the variances have been explained in detail budget performance reports published online: <https://mof.gov.so/publications/end-year-budget-fiscal-performance-report-fiscal-year-2022>

VI. Statement of Payments by Functions of Government
Federal Government of Somalia
Statement of Payments by Functions of Government
For the Year Ended 31st December 2022

<i>Functions of Government based on GFS 2014 classification</i>	Budgeted Expenditure for the Federal Government Sector Entities		<i>Actual Payments</i>
	2022	2022	2021
	US \$	US \$	US \$
Payments-Recurrent			
General Public Service	295,659,800	271,661,500	160,261,061
Defense	100,192,477	99,777,410	92,210,200
Public order and safety	115,683,314	100,269,024	94,475,575
Economic Affairs	291,834,086	211,586,230	74,204,443
Health	56,851,844	10,685,854	16,773,930
Education	29,126,954	19,621,069	16,508,859
Social Security and Welfare	3,890,354	1,852,530	1,430,732
Recreation, Culture and Religion	3,177,666	2,780,260	1,886,576
Total Payments-Operating	896,416,494	718,233,879	457,751,376
Payments-Capital			
General Public Service	18,766,211	7,520,393	8,295,169
Defense	-	-	-
Public order and safety	1,956,940	130,232	1,509,641
Economic Affairs	9,283,050	4,305,235	1,112,421
Health	1,731,501	689,430	4,390,061
Education	1,765,536	555,698	791,886
Social Security and Welfare	-	-	-
Recreation, Culture and Religion	-	-	-
Total Payments-Capital	33,503,237	13,200,988	16,099,178
Total Payments	929,919,732	731,434,866	473,850,554

The accounting policies and explanatory notes from pages 20 to 40 to these financial statements form an integral part of the financial statements.

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Fatuma Osman Farah,
Accountant General



VII. Statement of Cash Flows

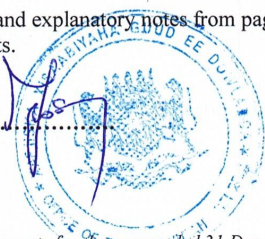
Federal Government of Somalia Statement of Cash Flows For the Year Ended 31st December 2022

	Notes	2022	2021
Cash flow from Operating Activities			
Receipts from Operating Activities			
Tax Receipts	1	181,691,842	162,766,994
Non-tax Receipts	2	80,977,903	66,794,410
External Grants	3	459,241,797	146,975,019
Total Receipts from Operating Activities		721,911,542	376,536,424
Payment for operating Activities			
Compensation of Employees	6	259,578,811	250,099,404
Use of goods and services	7	140,670,141	106,059,789
Grants paid	9	111,242,917	45,850,523
Subsidy	12	5,115,304	1,271,695
Social benefit	10	188,936,115	39,864,848
Interest Charges	11	693,045	1,440,881
Total Payments from Operating Activities		706,236,305	444,587,139
Net Cash flow from Operating Activities		15,675,237	(68,050,715)
Cash Flow from Investing Activities			
Acquisition of Fixed Assets	8	(13,200,988)	16,099,178
Net Cash flow from Investing Activities		(13,200,988)	(16,099,178)
Cash Flow from Financing Activities			
Proceeds from loans	4	44,040,950	96,365,574
Proceed from disposal of financial asset	5	3,285,354	
Loan Repayment	13	(11,997,573)	(35,156,428)
Net Cash flow from Financing Activities		35,328,731	61,209,146
Net Increase/Decrease In Cash and Cash Equivalents		37,802,980	(22,940,747)
Cash & Cash Equivalent at the Beginning 1, January	14	43,198,463	66,139,210
Cash & Cash Equivalent at the End 31, December	14	81,001,443	43,198,463

* As indicated under note 13 included in the total amount of US\$ 81,001,443 is restricted funds \$79,603,744 of US\$ 43,198,463 (FY 2021: US\$ 41,137,461) relating to externally financed projects and the Fiscal Buffer Account.

The accounting policies and explanatory notes from pages 20 to 40 to these financial statements form an integral part of the financial statements.

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Fatuma Osman Farah,
Accountant General



ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

I. Accounting Policies

1.1. General Information

The Federal Government of Somalia has its seat in Mogadishu, the capital of the Federal Republic of Somalia. The principal address of the reporting entity is:

The Office of the Accountant General
Building of the Ministry of Finance
Shangani District
Mogadishu
Somalia

The principal activities of the Government and its controlled entities aim at creating value for its people include but not limited to the provision of health, education, defence, security, economic, social, administration and other general public services.

The main laws and regulations for public expenditure management and accountability and reporting on the public finances of the Federal Government of Somalia include the following:

- a) The Appropriation Act for the period under review.
- b) The Public Financial Management Act (2019);
- c) The Procurement Act and related legal framework.

In December 2019 the Public Financial Management Act 2019 (PFMA) was enacted and this is the four years of implementing the law. The PFMA replaced the Financial and Accounting Procedures Regulations of 1961 of the State as amended 1971.

1.2. Significant Accounting Policies

These are the specific principles, bases, conventions, rules and practices adopted by the Federal Government of the Republic of Somalia in preparing and presenting the financial statements. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all transactions unless otherwise stated. The following specific policies have been used:

a) *Basis of Preparation*

The financial statements have been prepared in accordance with the:

- Public Financial Management Act (2019) and related legal framework, and
- International Public Sector Accounting Standards (IPSAS), Cash Basis of Accounting (2017)

Pursuant to Paragraph (1) and in accordance with article (43) (2) of the PFM Act, the financial statements have been prepared using the International Public Sector Accounting Standards (IPSAS), Financial Reporting under the Cash Basis of Accounting (2017), issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Using the Cash Basis IPSAS, the primary financial statements include the following:

- The Statement of Cash Receipts and Payments.
- The Statement of Comparison of Budget and Actual Amounts.
- Accounting Policies and Explanatory Notes

These primary financial statements have been supplemented with additional disclosures and include the following: -

- The Statement of Cash Flows.
- Statement of Payments by Functions of Government.
- The Balance Sheet (Statement of Financial Assets and Liabilities);
- Statement of Extrabudgetary Receipts and payments.
- Statement of Expenditure Arrears.
- Statement of External Debt; and
- Statement of Non-current assets.

b) Going Concern

The financial statements have been prepared on a going concern basis and accounting policies have been applied consistently throughout the period.

c) Reporting Entity

The reporting entity is the Federal Government of Somalia (FGS). The Financial Statements for the FGS have been prepared by the Office of the Accountant General pursuant to Articles 45 (1) of the PFM Act (2019) that empowers the Accountant General to prepare the Annual Financial Statements of the Federal Government of Somalia.

In line with paragraph 1.4.8 of the Cash Basis IPSAS, these financial statements for the Federal Government of Somalia include transactions with Federal Government entities, Federal Member States, Development Partners, etc. as specified in the Appropriation Act, 2022, the budget sector entities for that year.

Budget Entities (MDA) during the FY 2022

A budget entity of the FGS is any ministry, department and agency that received an appropriation, based on its budget submission, during the year. Accordingly, based on the Appropriation Act for the financial year ended 31 December 2022, the budget entities were as follows: -

	ADMINISTRATION AFFAIRS SECTOR
1	Office of the Presidency
2	Office of the Parliament - Peoples' House
3	Members of Parliament Senate
4	Office of the Prime Minister
5	Ministry of Foreign Affairs
6	Embassies
7	Ministry of Finance
8	Accountant General
9	General Activities for the Government
10	Directorate of Financial Reporting Center
11	Public Procurement Authority
12	Ministry of Planning
13	National Statistics Agency
14	Ministry of Interior and Federal Affairs
15	Somali Refugee and IDPs Commission
16	National ID Authority DADSOM
17	Ministry of Religious Affairs and Endowment
18	Ministry of Justice
19	Custodian Corps
20	Supreme Court
21	Benadir Regional Court
22	Appeal Court
23	Judiciary Service Committee
24	Attorney General
25	Solicitor General
26	Auditor General
27	Ministry of Humanitarian Affairs and Disaster Management
28	Ministry of Constitution
29	Boundaries and Federation Commission
30	National Reconciliation Commission
31	National Independent Electoral Commission
32	Human Rights Commission

33	Independence Constitution Review and Imp. Commission
34	National Civil Service Commission
35	The Independent Commission for Combating Corruption
36	SECURITY AND DEFENSE AFFAIRS SECTOR
37	Ministry of Defense
38	Armed Forces
39	Military Court
40	Disabled and Orphans Organization
41	Ministry of Internal Security
42	Police Force
43	National Security Force
44	Immigration Department
45	ECONOMIC AFFAIRS SECTOR
46	Ministry of Water and Energy
47	Ministry of Mineral
48	Somalia Patrol Authority
49	Ministry of Agriculture
50	Ministry of Livestock and Forestry
51	Ministry of Fishery and Marine Resource
52	Somali Marine Research
53	Offshore and Fisheries Development Project
54	Ministry of Information
55	Ministry of Communications and Technology
56	National Communication Agency
57	Ministry of Public Work & Reconstruction
58	Ministry of Transportation and Aviation
59	Civil Aviation and Metro-Authority
60	Ministry of Transport and Ports
61	Hamar Port Authority
62	Ministry of Industry & Commerce
63	Somali Quality Assurance Agency
64	SOCIAL AFFAIRS SECTOR
65	Ministry of Health
66	Ministry of Education and Higher Education
67	Somali National University
68	Somali Academy of Sciences and Arts
69	Intergovernmental Academy of Somali Language
70	Ministry of Labor and Social Affairs
71	Ministry of Youth and Sport
72	Ministry of Women and Human Rights Development

73	Somali Disable Agency

d) Reporting Currency

The functional currency of the Federal Government of Somalia is the United States Dollar (USD\$) because: (a) government revenues and expenditures are transacted in that currency; (b) the majority of financing is provided in that currency; and (c) bank transactions and balances are principally in the USD \$ (United States Dollar). The reporting currency is the United States Dollar (USD\$), rounded to the nearest dollar (\$).

e) Reporting Period

The Federal Government of Somalia fiscal and financial year covers the period from 1st January to 31st December, the calendar year. These financial statements are for the period of 1st January 2022 to 31st December 2022. The comparative figures reflect the 12-month period ended 31st December 2021.

f) Revenue Recognition

Receipts represent cash received by the FGS during the financial year and comprise tax revenue, non-tax revenue, grants, and external assistance. These receipts are recognized and included in the financial statements only when received as cash or cash equivalent by the FGS or on behalf of the FGS. It does not include other receipts by ministries, departments, and agencies of the Federal Government of Somalia outside the Treasury Single Account.

- (i)* Tax Revenues is recognized when cash and cash equivalents are received. Cash is considered as received when notification of tax remittance is received.
- (ii)* Non-Tax Revenues represents other domestic revenues collected by the FGS other than from taxes and these are recognized in the financial statements at the time associated cash and cash equivalents are received.
- (iii)* External Assistance is received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purposes for which the assistance is to be utilized. This represents grants received from the donor community that are not repayable in the future. The amounts in the statement of cash receipts and payments are only recognized when received by and are under the control of the FGS.
- (iv)* Borrowings on cash basis these include Special Drawing Rights (SDR) and are recognized in the financial statements at the time associated cash and cash equivalents are received.

g) Recognition of Expenditure

Payments represent outlays of cash and cash equivalents are made by the FGS or other agencies for and on behalf of the FGS. All payments are recognized and included in the financial statements when cash or cash equivalent is paid out.

- (i) Compensation of Employees* include employee benefits such as salaries, allowances, and other related-employment costs and these have been recognized in the financial statements only when cash payments have been made.
- (ii) Use of Goods and Services* are recognized as cash payments are made in the period for the goods/services consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be included in the statement of financial assets and liabilities (Balance sheet) as financial liabilities with supporting schedules (detailed notes).
- (iii) Property, Plant and Equipment & other non-current assets (Capital items)* principally comprise of land, buildings, plant, vehicles, equipment, and any other capital assets controlled by the Federal Government of Somalia. Under the cash basis of accounting, acquisition of property, plant, equipment, and other non-current assets have been expensed fully in the year of purchase. However, these assets are recorded in the Governments Asset Register at historical cost as a memorandum record.

h) Social Benefits

Under financing agreements with IDA – World Bank, social benefits were paid during the financial year with the following objectives.

- (i) to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.
- (ii) to respond to the threat posed by the locust outbreak and strengthen systems for preparedness.
- (iii) to support immediate crisis recovery and longer-term resilience building against natural and manmade shocks in Somalia.

All social benefits are recognized and included in the financial statements when cash or cash equivalent is paid out.

i) Subsidies

Under a financing agreement with with IDA – World Bank, subsidies were paid under the the Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP) to support progress toward increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women.

All subsidies are recognized and included in the financial statements when cash or cash equivalent is paid out.

j) Cash and Cash Equivalents

Cash and cash equivalents are reported in the financial statements at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

This is comprised of the cash and bank balances of all bank accounts operated by the Treasury of the Federal Government of Somalia with the Central Bank of Somalia under the Treasury Single Account (TSA) framework. This includes balances on the main Treasury Single Account, MDA TSA sub-accounts and the project designated accounts also as TSA sub-accounts. It also includes deposit accounts, revenue collection bank accounts with commercial banks and petty cash balances held by the ministries, departments, and agencies at the end of the financial year.

k) Fiscal Buffer Account

A Fiscal Buffer Account was established by the Government following guidance provided by the IMF under the SMP IV program for purposes of sustaining critical expenditures in the face of volatile revenues. In accordance with the Fiscal Buffer Account Guidelines, the fiscal buffer account shall be built from any surplus revenue realised during a financial year from taxes, non-tax revenues, grants or from any other fund sources with these funds deposited (via the Treasury Single Account) into the fiscal buffer account to be utilized for the sole purpose of financing the FGS annual budget either in the current year or in the future financial year(s) to meet periods of revenue shortfalls and depending on the needs of critical expenditures, amounts are transferred from the Fiscal Buffer Account to general budget support (TSA main account) to finance appropriated expenditure.

l) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period.

Funds held in the Fiscal Buffer Account may only be used for funding any financing gaps where revenue shortfalls are experienced in the FGS annual budget during the year. Funds utilized are not to exceed the current year budget amount as authorized by Parliament in the Appropriation Act or Supplementary Budget. The withdrawal of money from the fiscal buffer account shall only be made for the purposes of financing the FGS budget.

Funds held in other TSA sub-bank accounts are to be spent in accordance with the project they relate to and as outlined in the financing agreement and or memorandum of understanding between the donor and the Federal Government of Somalia.

m) Original and final approved budget and comparison of budget and actual amounts

The approved national budget of the FGS was prepared on the same accounting cash basis, consistent with the accounting basis of these financial statements. The budget used the same classification basis using the Government Financial Statistics, 2014 (GFSM2014) economic classification for the same period (1st January 2022 to 31st December 2022) as the financial statements. It encompasses the same budget sector entities of the Federal Government of Somalia as identified under accounting policy 1.2(c) and section III providing additional closure on the externally financed projects that use country systems i.e “on-Budget”, “on-Treasury” and “on-Account”.

The original budget of USD \$929.9 million was approved by Parliament on 31st December 2021 under an Act of Parliament cited as "**The 2022 fiscal year Budget Act No.00020/2022**". and no supplementary appropriation to increase the budget for the year.

The original budget’s objectives and policies, and the material differences between the budget and actual amounts are explained in the executive commentary provided as part of these financial statements and also with further details in other budget performance reports published online:

<https://mof.gov.so/publications/end-year-budget-fiscal-performance-report-fiscal-year-2022>

n) Foreign Currency Transactions and Foreign Operations

Foreign currency transactions denominated in foreign currencies are recorded in the United States Dollars (USD\$) at the exchange rate ruling on the date of the transaction. Balances of cash, other assets and liabilities denominated in other foreign currencies at the year-end are translated into US Dollars (USD\$) at the closing rate of exchange with the resulting exchange gains/(losses), if any, are dealt with as a reconciling item through changes in net assets or deficits. There were no balances of cash, assets and liabilities held in other foreign currencies during the reporting period.

o) Exchange Rates

All monetary amounts in the financial statements are expressed in United States Dollars (USD\$), the transaction and reporting currency. The USD \$ closing rates (the Central Bank of Somalia middle rate) were:

	2022	2021
	USD\$	USD\$
Euros (Euro €)	0.885	0.885
Somali Shilling (SOS \$)	22,500	22,500

p) Functions of Government

For presentation of certain information in the financial statements by functions of government, the Government Finance Statistics [GFS] as developed by the Organization for Economic Cooperation and Development [the OECD], and as published by the International Monetary Fund [IMF], 2014 has been used.

q) Contingencies

A contingent liability is either a possible obligation arising from past events and depending on future events not under an entity's control, or a present obligation not recognized because either the entity cannot measure the obligation or settlement is not probable. Some examples of contingent liabilities include: bank or any other guarantee issued, pending legal proceedings, court awards appealed by government, and contingent liabilities arising out Public Private Partnerships (PPPs). Contingent liabilities are recorded and disclosed when the contingency becomes evident. Contingent assets are neither recognized nor disclosed. Contingent liabilities are aggregated when reported by the individual public bodies and disclosed. No contingent liabilities were reported at the end of the year.

r) Commitments

In accordance with the PFM Act 2019, commitments mean a legally enforceable obligation to make payments to another party. During the financial year, all commitments that were due for payment were recorded and settled.

s) Extrabudgetary Funds

Extra-budgetary funds are receipts, payments and account balances outside the National Budget i.e., not appropriated. These are not included in the primary financial statements but are disclosed separately in a statement of extra-budgetary funds as a summary of transactions reported by the individual entities. The list of reporting entities included in the financial statements is provided under Annex B.

t) Expenditure Arrears and other payables

An expenditure arrear is a sub-set of accounts payable that is past its due date. Expenditure arrears are included in the Balance Sheet as a separate account payable when duly verified and certified.

Other payables relate to outstanding bills not due for payment. There were no outstanding bills at the closure of the financial year.

u) Payments by Third Parties

The Federal Government of Somalia may also benefit from goods and services purchased on its behalf as

a result of cash payments made to third parties during the period. Requests for third party payments are processed through the use of country systems, and at the request of the government, the donor makes payment directly to a third party (e.g., supplier, contractor, and consultant) for eligible expenditures. An example is the direct payments processed by the World Bank/African Development Bank upon requests from the FGS which are formally advised and verified by the Government and are included in the financial statements.

On the other hand, and through direct execution, third parties including donors may make payments to external suppliers outside the country systems and provide goods and services including in-kind donations e.g., food aid, big contract of works, vehicles, equipment, technical assistance or personnel services. The payments made by the third parties outside the country systems do not constitute cash receipts or payments managed by the government even though it does benefit from such payments. Such payments are therefore not included in the statement of cash receipts and payments but are reported and disclosed where the financial value of the goods and services received can be reliably verified and determined by government. No direct execution transactions have been reported during the financial year.

v) *Authorization Date*

The financial statements were authorized and submitted for audit on 30th April 2022 by Dr. Elmi Mohamoud Nor the Minister of Finance and Ms. Fatuma Osman Farah, the Accountant General of the Federal Government of Somalia.

II. Explanatory Notes to the Financial Statements

1. Tax Receipts

Tax revenues arise from both direct and indirect taxes levied and collected by the FGS and consists of the following:

	2022 USDS	2021 USD
	<hr/>	<hr/>
Payable Individual	16,124,660	14,289,950
Payable Corporation & Other Enterprises	1,906,302	919,548
Recurrent Taxes on immovable property	631,278	579,865
General Taxes on goods and Services	25,778,726	23,429,410
Taxes on use of goods on permission to use goods or perform activity	6,999,940	-
Customs and other Import Duty	116,169,148	97,365,062
Other Taxes payable by other business or unidentifiable	11,815,390	11,609,929
Taxes Payable solely by businesses	2,266,398	14,573,148
Total Tax Receipts	<u>181,691,842</u>	<u>162,766,911</u>

A total of USD \$173.7 million was estimated to be collected in the 2022 financial year, with an actual collection of USD \$181.7 million was achieved which is USD \$7.9 million more than estimated. The amount collected represented 24% of the total tax revenue for the 2022 financial year.

2. Non-Tax Cash Receipts [NTR]

Non-Tax revenue represents other domestic revenues collected by the FGS other than from taxes. These comprise of the following:

	2022	2021
	USDS	USD
Property Rent	169,600	-
Administrative Charges	4,544,490	5,551,269
Visa Charges	7,523,279	3,857,105
Passports Fees	8,075,195	7,307,126
License fees-Commerce and Industry	1,344,581	1,254,388
Work permits and other fees	434,520	679,740
Harbor fees-Albayrak	29,332,006	25,589,133
Airport fees-Favori	3,110,280	2,790,898
Fisheries license fees	8,100	2,611,146
Telecommunication Spectrum fees	4,095,242	1,151,338
Overflight fees (IATA)	15,112,995	11,262,186
Customs Harbor fees	4,892,516	4,740,083
Election Registration fees	2,335,100	-
Total Non-Tax Receipts	80,977,903	66,794,412

A total of USD \$76.4million was estimated to be received in the 2022 financial year, with an actual collection of USD \$80.9 million achieved which is USD \$4.6 million (6%) more than estimated. The amount collected represents 11 % of the total tax revenue for the year.

3. External Assistance (Grants)

External assistance was received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purposes for which the assistance will be utilized. This represents grants received from the donor community that are not repayable in future. The amounts in the statement of cash receipts and payments are only recognized when received by and are under the control of the FGS. The amount of external assistance received in 2022 consists of the following:

Name of the Donor	2022	2021
Grants Received from Bilateral Donors (Foreign Governments)	USDS	USD
Government of Turkey	27,500,000	2,500,000
Government of UAE	9,600,000	-

Total	37,100,000	2,500,000
Grants Received from Multilateral Donors (International Organizations)		
World Bank	401,115,730	138,208,302
EU	13,873,469	-
AFDB	4,937,177	4,283,285
Global Education Partnership	2,215,422	1,983,433
Total	422,141,798	144,475,019
Total External Assistance	459,241,798	146,975,019

Non – compliance with significant terms and conditions:

There have been no known instances of non-compliance with terms and conditions with regards to the external assistance agreements or guarantees which have resulted in cancellation of the assistance or has given rise to an obligation to return the assistance previously given.

A total of USD \$459.2 million was received during 2022 which was 34% less than the annual estimate, however 212% higher than the grants received in the last fiscal year including both budget and project support. Budget support was received from only three sources namely Turkey (USD \$27.5 million, 92% of target United Arab Emirates USD\$ 9.6 million 100% of target. World Bank (USD \$401.1 million, 68% of target). The European Budget Support brought in USD \$13.7 million (39% of target). The underperformance observed in budget support was partly due to suspension of budget support by bilateral donors due to delays in concluding elections. On part of the budget support from the World Bank, the underperformance was due to the government’s inability to meet all the 2022 disbursement linked indicators (DLIs) under the RCRF Project.

4. Loan/Advance receipts

	2022	2021
	USD\$	USD
loans from CBS	-	21,992,191
Special Drowning Rights	44,040,950	74,373,383
Total Other Receipts	44,040,950	96,365,574

SDR Account

The movement in the SDR during the financial year can be analyzed as follows.

SDR Account	2022	2021
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	USDS	USDS
Balance - Beginning of the Period	8,082,410.10	-
Receipts		
SDR Receipt	44,040,949.95	74,373,382.61
Total Receipts/deposits during the year	44,040,949.95	74,373,382.61
Withdrawals/Transfers		
Withdrawals/Transfers	43,000,000.00	65,683,366.65
Bank Commission	660,614.25	607,605.86
Transfers	8,179,095.52	-
Total withdrawals/Transfers	51,839,709.77	66,290,972.51
Net Movement of the SDR Account	(7,798,759.82)	8,082,410.10
Balance - Ending of the Period	\$283,650.28	\$ 8,082,410.10

5. Asset Proceeds

	2022 USDS	2021 USD
Proceeds from Asset Recovery	3,285,354	-
Total Asset Proceeds	3,285,354	-

Asset recovery amount related to an asset belong to the former central government of Somalia which was at corresponding bank named JP Morgan and has now been recovered and disposed at sale.

6. Compensation of employees

2022	2021
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	<u>USDS</u>	<u>USD</u>
Wages and Salaries in Cash	154,445,010	150,268,709
Allowances in Cash	89,665,201	83,953,941
Other employee costs	15,468,601	15,876,754
Total	<u>259,578,811</u>	<u>250,099,404</u>

Compensation of employees comprised of salaries for eligibly recruited employees, associated employee allowances and other employee costs which relate to salaries for the staff hired under the Capacity Injection Program.

A total of USD \$266.02 million was budgeted to be paid in the 2022 financial year, with payments of USD \$259.6 million made which is USD \$6.4 million (2%) less than budgeted for the year.

7. Use of Goods and Services

These comprise the following:

	<u>2022 USDS</u>	<u>2021 USD</u>
Utilities	5,712,650	4,044,820
Communications	315,589	-
Rent expenses	2,704,079	2,143,555
Repairs and maintenance	5,419,303	2,601,534
Office Materials and other consumables	6,789,250	3,856,839
Travel & Conference expenses	10,888,143	5,601,262
Education expense	4,339,806	1,148,835
Training expense		2,768,335
Consulting and Professional fees	43,568,487	26,518,983
Finance Cost and Bank commission	8,095,412	5,237,793
Advertisement and Subscriptions	172,073	
Fuel & Lubricants	7,987,866	5,843,470
Audit fees	-	782,446
Health and hygiene	-	4,917,993
Insurance Charges /premium	34,601	2,428
Military material supplies and service	540,000	274,518
Police Material supplies and service	120,000	300,000
National Security-Materials, Supplies and Services	3,593,752	
Other specialized material and service	-	1,938,395
Special Operational Service	-	7,459,348
Other General Expenses	40,389,100	30,619,238
Total	<u>140,670,112</u>	<u>106,059,789</u>

A total of USD \$232.2 million was budgeted to be paid in the 2022 financial year, with payments of USD \$140.7 million made which is USD \$91.6 million (39%) less than budgeted for the year.

8. Acquisition of Fixed Assets (Capital Expenditure)

All fixed assets acquired during the year are expensed in the year of purchase. The value of capital expenditure acquired during the financial year comprise of the following:

	2022 USDS	2021 USD
Residential Buildings	835,695	1,968,456
Other Structures	95,296	
Non-Residential Buildings	-	151,633
Transport equipment	195,650	41,390
Machinery and other equipment	1,861,453	4,052,767
Furniture and Fixtures	474,634	208,635
ICT infrastructure, hardware, networks, facilities	1,777,201	2,610,755
Software Applications	618,114	122,443
Other fixed assets	7,342,944	6,087,760
Intangible assets		855,340
Total	13,200,988	16,099,178

A total of USD \$33.5 million was budgeted to be paid in the 2022 financial year, with payments of USD \$13.2 million made which is USD \$20.3 million (61%) less than budgeted for the year.

9. Grants Paid

The Government paid Grants to sub-national governments as support grants to Federal Member States within the appropriated amounts by Parliament.

Grants paid during the year relate to the following:

	2022 USDS	2021 USD
To Foreign Governments	-	-
To international Organizations as membership contributions	1,342,666	1,197,901
To other general government units & sub-national Governments		
Donated to Zoobe Explosion Victims	1,300,000	-
Somaliland	12,763,000	18,000
Puntland Sate of Somalia	20,588,798	7,822,910
Jubbaland State of Somalia	13,859,217	6,014,444
South West State of Somalia	18,027,674	6,325,581
Galmudug State of Somalia	13,656,929	4,329,093
Hirshabelle State of Somalia	10,383,632	3,232,734
Benadir-Mogadishu City	18,209,372	15,852,993

Chamber of Commerce	555,816	528,434
Somali Development Bank	555,816	528,434
Total	111,242,917	45,850,523

A total of USD \$132.4 million was budgeted to be paid in the 2022 financial year, with payments of USD \$111.2 million which is USD \$21.1 million (16%) less than budgeted for the year.

10. Social Benefits

These comprises of the following.

	2022	2021
	USDS	USDS
Social Security Benefits in Cash	96,941,343	6,149,166
Social Security Benefits in Kind	24,241,281	
Social Assistance Benefits in Cash	61,753,491	33,715,682
Social Assistance Benefits in kind	6,000,000	
Total Social Benefits	188,936,115	39,864,848

A total of USD \$247.3 million was budgeted to be paid in the 2022 financial year, with payments of USD \$188.9 million made which is USD \$58.4 million (24%) less than budgeted for the year. The underperformance is largely attributed to difficulties in enrolling the poor and vulnerable households across Somalia due to security related problems. A total of 186,487 poor and vulnerable households across Somalia have so far benefited from the social benefits as at end of the FY 2022.

11. Interest Paid

Interest paid are comprised of the following:

	2022	2021
	USDS	USDS
Loan Interest - Interest payable to non-residents	693,045	1,440,881
Total Interest and Charges	693,045	1,440,881

A total of USD \$12.94 million was budgeted to be paid in the 2022 financial year, with payments of USD \$12.7 million made which is USD \$0.25million (2%) less than budgeted for the year.

12. Subsidies

These comprises of the following.

	2022 USDS	2021 USDS
To non-financial private enterprises	5,115,305	1,271,695
Total Subsidies	5,115,305	1,271,695

A total of USD \$5.5 million was budgeted to be paid in the 2022 financial year, with payments of USD \$5.1 million made, which is USD \$0.43million (8%) less than budgeted for the year.

13. Loan/Advance Repayment

	2022 USDS	2021 USDS
Loan Repayment	11,997,573	35,156,428
Total Loan/Advance Repayments	11,997,573	35,156,428

Total loan repayment was made during the fiscal year to 11,997,573.

14. Cash and Cash equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise of cash and bank balances of all bank accounts operated by the Treasury of the Federal Government of Somalia with the Central Bank of Somalia under the Treasury Single Account (TSA) framework. This includes balances on the main Treasury Single Account, MDA TSA sub-accounts and the project designated accounts which are TSA sub-accounts. It also includes deposit accounts, revenue collection bank accounts with commercial banks and petty cash balances held by the ministries, departments, and agencies at the end of the financial year. Details of the cash balances are provided as follows: -

Name of Bank Account

	2022 USDS	2021 USDS
Treasury Main Account	1,397,670	2,061,002
African Development Bank Phase II	318	391,291
Capacity Injection Project	-	304,575
PFM Phase 2 Scaled up	126,913	187,083

RCRF Phase 2 FGS Bank	-	133,639
RCRF Surge Support	107,957	461,308
SFF-LD Project UN	211,505	267,128
SFF-LD World Bank	104	104
SURP Project		201
SCALED – UP	1,304,576	382,985
Gargaara co. LTD	962,051	1,985,810
Education Sector Program Implementation Grant	200,487	212,941
SEAP Project	63,403	304,210
SIEPMID Project	52,847	69,404
Somalia Petroleum Technical Assistance Project	5	5
SUIPP -AF Project	-	22,183
Road infrastructure Program (ADF Grant)	14,372	716
Road infrastructure Program (TSF Grant)	16,420	68,920
Shock Responsive Safety Net for Human Capital	134,294	1,824
SCAA	1,978,452	92,152
Water for Agro Pastoral Productivity and Resilience (Biyoole A)	265,733	242,333
DPO	29,675,186	11,295
Buffer Account	13,484,390	-
Somali Crisis Recovery Project	11,160,686	9,044,738
SISEPCB	478,136	578,643
Somali Urban Resilience project Phase II	72,803	261,198
TSF-Crisis Response Programme for National and Regional of mitigation of COVID-19 Impact	4,505	4,505
ADF Crisis Response Programme for National and Regional mitigation of COVID-19 Impact	18,298	18,298
SURP Project Phase II FMS	194,576	-
Fishing Revenue	1,827,469	1,507,946
Water for Agro Pastoral Productivity and Resilience (Biyoole B)	2,919,131	1,622,121
Somali shock Responsive Safety Net for Locust Responsive Project (SLNRP)	246,200	233,370
RCRF Phase III- DA-A	1,879,944	1,747,316
RCRF Phase III- DA-B	1,021,224	1,321
Coping COVID-19	-	900,000
TA Regulatory Authority Energy Sector	147,671	23
SDR	113,909	8,082,410
Development Policy Operations-DPO Internal	-	11,700,000
Special Emergency Assistance Fund for D & F	6,016	295,466
GOV. INTERNAL USD-SDR TEMPORARY	169,742	
UAE Grant	4,358,500	

Road Infrastructure Programme (EU-PAGoDA)	401,063	
Performance Based Fund	2,942,746	
Somalia Electricity Sector Reco Pro	5,519	
Resilience for Food & Nutr Secu HOA - ADF	37,398	
Resilience for Food & Nutr Secu HOA - TSF	39,188	
Strengthening Public Management & DMP	356,576	
Somalia Edu for Hum Capi Dev SEHCD	153,932	
Damal Cafimaad FGS-DA-A	115,223	
Statistics Deve Support Project Som	381,839	
Sagal Project	43,837	
Drive Project	891,157	
Somalia Edu for Hum Capi Dev B	315,185	
Ground Water for Resilience-A	406,800	
Damal Caafimaad FMS-DA-B	295,485	
Total	81,001,442	43,198,461

Included in the above balances, are restricted cash balances at the year-end amounting USD \$79,603,772. for 2022 in comparison of USD \$41,137,459 for 2021.

15. Reconciliation and Movements in the Fiscal Buffer Account

During the financial year 2022, the buffer fund received USD \$ 13.5 million from both domestic revenue and external grants, the movement and the balance of the buffer fund for the year under reporting was as follows:

Fiscal Buffer Account	2022	2021
	USDS	USDS
Balance - Beginning of the Period	-	13,500,000.00
Transfers	12,312,500.00	
Receipts		
<i>From domestic revenues</i>		
Receipts - Domestic Revenue	930,471.86	-
<i>From Grants</i>		-
Receipts - EU account	111,757.13	-
Receipts - Turkey	-	-
Surge Support - World Bank		3,000,000.00
DPO - World Bank	129,661.00	-
		-

Total Receipts/deposits during the year	13,484,389.99	3,000,000.00
Withdrawals/Transfers		
Kingdom of Saudi Arabia	-	-
The European Union	-	-
The Government of Qatar	-	-
Buffer Account	-	16,500,000.00
Total withdrawals/Transfers	-	16,500,000.00
Net Movement of the Fiscal Buffer Account	13,484,389.99	(13,500,000.00)
Balance - Ending of the Period	13,484,389.99	-

III. Additional Disclosures

I. Projects

Ministry/ Department	Project Name
Office of the Prime Minister	Capacity Injection and Institutional Strengthening Project
Ministry of Finance	Somalia Recurrent Cost and Reform Financing Project - Phase III Special Financing Facility (SFF) Domestic Revenue Mobilization and PFM Capacity Strengthening Project-AF Economic and Financial Governance (EFGP) Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP) Somalia Strengthening Inst. for Economic Policy Mgmt. and Infrastructure Development (SIEPMID) Road Infrastructure Programme (RIP) Deepening Dialogue, Technical Assistance and Capacity Building in Somalia Project Somalia Crisis Recovery Project (SCRP) De-Risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa Project Somalia Strengthening Accountability and Debt Management Project (SADMS)
Ministry of Planning and Economic Development	Water for Agro-pastoral Productivity and Resilience or The “Biyoole” Project Somali Integrated Statistics and Economic Planning Capacity Building (SISEPCB Project)
Ministry of Interior and Federal Affairs	Support to Stabilization (S2S) Project Somalia Urban Resilience Project (SURP) Somali Urban Investment Planning Project Additional Financing Somalia Urban Resilience Project II
Ministry of Water and Energy	Somali Electricity Access Project (SEAP) Somali Electricity Sector Recovery Project (SES RP) Ground Water for Resilience Project (GW4R)
Ministry of Livestock and Forestry	Program to Build Resilience for Food and Nutrition Security in the Horn of Africa
Ministry of Public Work & Reconstruction	Road Infrastructure Programme (RIP) Somalia Urban Resilience Project II Somalia - Horn of Africa Infrastructure Integration Project (SHIP)

Ministry of Health	
	Damal Caafimad Project Somalia COVID-19 Emergency Vaccination Project
Ministry of Education and Higher Education	
	Education Sector Program Implementation Grant (ESPIG) Maximum County Allocation Project (MCA) Somalia Education for Human Capital Development Project Somalia Empowering Women through Education and Skills Project - "Rajo Kaaba"
Ministry of Labor and Social Affairs	
	Shock Responsive Safety Net for Human Capital Project Somalia Emergency Locust Response Project (SELRP) SAGAL Project

ANNEX A- BALANCE SHEET (STATEMENT OF FINANCIAL ASSETS AND LIABILITIES)

Federal Government of Somalia Balance Sheet (Statement of Financial Assets & Liabilities) As At 31 December 2022

	Note	2022 USDS	2021 USDS
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Bank Balances	14	81,001,414	43,198,463
Petty Cash	15	-	-
Total Cash and Cash Equivalents		81,001,414	43,198,463
Non-Current Assets			
Fixed Assets			
Property, Plant & Equipment		-	-
Total Non-current Assets		-	-
Total Assets		81,001,443	43,198,463
LIABILITIES			
Current Liabilities			
Payables		-	-
Expenditure Arrears	16	52,795,274	52,795,274
Total Current Liabilities		52,795,274	52,795,274
Non-current Liabilities			
Public Debt			
Total Non-current Liabilities		-	-
Total Liabilities		52,795,274	52,795,274
NET ASSETS		28,206,169	(9,596,811)
REPRESENTED BY			
NET ASSETS / EQUITY			
Fund balance b/fwd.	17	(9,596,811)	13,343,937
Surplus/Deficit for the year	17	37,802,980	(22,940,748)
TOTAL NET ASSETS / EQUITY		28,206,169	(9,596,811)

ANNEX A.1 EXPLANATORY NOTES TO THE BALANCE SHEET

I. Payables

These comprise of:

	2022 USDS	2021 USDS
Domestic Payables	-	-
Payroll arrears	52,795,274	52,795,274

II. Expenditure Arrears

Payroll arrears of USD \$52,795,274 were confirmed at the end of the financial year ended 31 December 2022 with no arrears settled during the year. However, verification to determine eligible expenditure arrears relating to goods and services is still ongoing.

Accumulated Funds

The accumulated surplus (deficit) as at the year-end was as follows:

	2022 USDS	2021 USDS
Surplus/Deficit for the year	(9,596,813)	13,343,935
Payroll arrears	37,802,980	(22,940,748)
Adjustments-Bank Balances	-	-
Balance at the end of the year	28,206,169	(9,596,813)

III. Property, Plant and Equipment

As part of the PFM reforms aimed at improving the management of the non-current assets, the Government enhanced its SFMIS asset module to meet the precise needs for better management of the Government assets and this was accompanied by the verification and migration of government assets to the SFMIS. Consequently, and in a bid to complement the disclosure notes provided under the Cash Basis IPSAS followed by the FGS in the preparation of its financial statements.

It is expected that completeness of the statement will be reasonably achieved in the FY 2023 to start including the Government Non-current assets in the FGS balance sheet together with the stock of public debt.

IV. Public Debt

The total stock of debt at the end of December 31, 2022, stood at USD 4,439.79 billion, of which multilaterals represented 23 percent of the total with USD 1,039.52 billion. The largest creditors, in this category, are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 3,397.74 billion with Paris Club creditors representing close to 77 percent of the bilateral debt. The main creditors, within this category, are the USA, Russia¹, Italy and France, in that order. The main Non-Paris Club creditors included mainly Arab creditors, such as Abu Dhabi Fund, Iraq, and the Kuwait and Saudi Funds. The commercial loan with a Serbian company amounted to USD 2.53 million.

Because of the matching principle, public debt has been disclosed separately and it will be included in the Balance Sheet at the same time with the fixed assets considering that much of public debt was towards capital expenditure in the past.

ANNEX B – STATEMENT OF EXTRABUDGETARY FUNDS FOR PUBLIC BODIES FOR THE YEAR ENDED 31 DECEMBER 2022

Federal Government of Somalia Statement of Receipt and Payment of the Extra budgetary Funds For the year ended 31 December 2022

[Classification of Receipt and Payments by Economic Classification]

	Note	2022 USDS	2021 USDS
Revenue			
Somali National University	1.1	1,565,853	1,447,566
Ministry of Water and Energy	1.2	1,714,417	1,389,842
Office of the Parliament	1.3	30,008	-
Ministry of Interior Security	1.4	-	160,695
National Statistics Bureau	1.5	-	421,905
Ministry of Livestock and Forestry	1.6	51,760	103,520
Ministry of Agriculture	1.7	-	598,383
Ministry of Health	1.8	3,156,762	2,234,004
Mogadishu Port	1.9	488,214	
Total Revenue		7,007,014	6,355,915
Payments			
Compensation of Employees	2.1	333,222	594,081
Use of goods and Service	2.2	2,028,793	3,298,642
Capital Expenditure	2.3	758,965	773,515
Total Expenditure		3,120,980	4,666,238
Surplus/Deficit		3,886,034	1,689,677
Balance at the beginning of year		1,891,725	202,048
Cash End of Year		5,777,759	1,891,725

Notes to the Statement of Extrabudgetary Receipts and Payments

I. Extrabudgetary Revenue

Total off-budget funds received by the MDA's during the fiscal year of 2022 was US\$7,007,014 compared to US\$6,355,915 for the previous year of 2021. Sources of the fund are detailed in the following notes.

1.1 Somali National University.

	2022	2021
	USD	USD
Source of fund		
Student service	1,552,529.5	1,170,381
Fees for social work	-	252,000
Income from private activities	10,401	3,500
Other income	2,923	692
Grants	-	513,508.38
Total	1,565,853	1,940,081

1.2 Ministry of Energy & Water resources

	2022	2021
	USD	USD
UNICEF	1,518,402	1,386,091
Save the Children International	2,500	3,750
FOA	183,010	
ADRA	10,505	
Total	1,714,417	1,389,841

2022

2021

1.4	Ministry of Internal Security	USDS	USDS
			136,155
	UNDP		24,540
	UNICEF		
	Total		160,695
1.5	National Statistics Bureau	2022	2021
		USDS	USDS
	SHDS		256,706
	UNICEF		165,199
	Total		421,905
1.6	Ministry of Livestock	2022	2021
		USDS	USDS
	Vaccination project	51,760	51,760
	Total	51,760	51,760
1.7	Ministry of Agriculture	2022	2021
		USDS	USDS
	FOA		73,860
	BRIMS		119,553
	FOA outreach		31,320
	FOA data		57,880
	FOA sida		30,000
	SSG		47,110
	Save/admin		8,000
	Save framers		9,700
	FOA WFD		96,635
	WFP		8,850
	WFP?WFD		48,964
	WFP/TR/EXP		7,230
	FOA Dharoor		1,200
	FOA Ticket		58,080
	FOA/Strategic		
	Total		598,383

II. Recurrent Expenditure		
2.1 Compensation of Employees		
	2022	2021
	USD\$	USD\$
Somali National University		
Allowance	232,628	256,471
Total	232,628	245,471
	2022	2021
	USD\$	USD\$
Ministry of Interior Security		
Compensation of employees		5,300
Total		5,300
	2022	2021
	USD\$	USD\$
Ministry of Livestock		
Compensation of employees	14,880.00	29,760
Total	14,880.00	29,760
	2022	2021
	USD\$	USD\$
Ministry of Energy & Water		
Compensation of employees	85,714	54,150
Total	85,714	54,150
National Bureau of Statistics		
Compensation of Employees	-	248,400
Total	-	248,400

2.2 Use of Goods and Services

Somali National University	2022	2021
	USDS	USDS
Training expenses		
Rent	37,632	33,150
General operational costs	257,218.0	252,433
	6	
Oil & Gas	45,371.50	37,135
Maintenance	71,266.25	136,555
Office Equipment	58,102.90	88,804
Travel expenses	39,259.80	46,925
ceremony expenses		
Social benefits		
Student expenses		
Other project costs		
Special operational costs		
	9,543	
operational costs-Galmudug state		
Other operational costs	60	379,872.95
Total Use of Goods and Services	518,454	974,875
Ministry of Water &Energy	2022	2021
	USDS	USDS
Use of Goods and Service	1,473,459	1,322,724
Total	1,473,459	1,322,724
National Statistics Bureau	2022	2021
Use of goods and service		173,505
Total		173,505
Ministry of Interior Security	2022	2021
Use of goods and service		155,395
Total		155,395
Ministry of Agriculture	2022	2021
Use of goods and service		598,383

Total		598,383
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Ministry of Livestock	2022	2021
Use of goods and service	36,880.00	73,760
Total	36,880.00	73,760

V. Capital Expenditure

Somali National University	2022	2021
Capital expenditure	721,675	736,225
Total	721,675	736,225

Ministry of Health	2022	2021
Capital expenditure	37,290	37,290
Total	37,290	37,290

VI. Cash and Bank Balances

Bank Balances	2022	2021
	USD	USD
Petty cash balance	605	4,745
Salam bank	33,446.24	333.52
salam bank (Puntland)	38.50	216
Dahabshil bank	23,810.72	3,695
premier bank	35,768.60	74,523
dahabshil International	5,007	5,922
Amal bank	41,757.20	33,716
Salaam XDX	14,187.10	12,910
CBS	500	500
IBS	51,328.60	31,352
Premier Bank PGD Master in Law	7,896	0.0
Premier Bank Master In law	1,190	0.0

Premier Bank Master In SSC	4,110	0.0
Premier Bank Master In Public Health	11,320	0.0
Premier Bank Master In Education	1,580	0.0
Premier Bank English Diploma		
IDB-Dryland		
CBS_Dryland		4,190
Water and energy		15,425
Total	232,544.96	375,054

ANNEX C – STATEMENT OF EXPENDITURE ARREARS AS AT 31ST DECEMBER 2022

Salary and Allowances 2013														
No	Name of entity	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Civil Servant Employee												904,301.70	904,301.70
Total		-	-	-	-	-	-	-	-	-	-	-	904,301.70	904,301.70
Salary and Allowances 2015														
No	Name of Entity	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Military Forces									1,779,100.00	1,779,100.00	1,779,100.00	1,779,100.00	7,116,400.00
2	Custodian Corps									216,500.00	216,500.00	216,500.00		866,000.00
3	National Intelligence Security Agency												457,333.33	457,333.33
4	Civil Servant Employee											2,117,678.00		4,235,356.00
5	Temporary Staff											1,031,067.00		2,062,134.00
Total		-	-	-	-	-	-	-	-	1,995,600.00	1,995,600.00	5,144,345.00	5,601,678.33	14,737,223.33
Salary and Allowances 2016														
No	Name of entity	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Military Forces				1,042,900.00	1,770,700.00	1,770,700.00	1,770,700.00	1,770,700.00	1,895,700.00	1,895,700.00	1,895,700.00	1,895,700.00	15,708,500.00
2	Police Forces							466,350.00	466,350.00	466,350.00	466,350.00	466,350.00		2,798,100.00
3	Custodian Corps									216,500.00	216,500.00	216,500.00		1,082,500.00
4	National Intelligence Security Agency											457,333.33		914,666.66
5	Civil Servant Employee									2,573,322.00	2,573,322.00	2,573,322.00		10,293,288.00
6	Temporary Staff								897,869.00	1,005,805.20	1,005,805.20			3,915,284.60
7	Members of the Parliament								918,600.00	918,602.00	918,602.00			4,593,000.00
Total		-	-	-	1,042,900.00	1,770,700.00	1,770,700.00	2,237,050.00	2,453,550.00	6,968,342.00	7,076,279.20	7,533,613.53	7,533,614.53	39,305,339.26
Summary														
Total Expenditure Areas verified														
Total paid in 2019														
opening Balance 2020														
Total in paid 2020														
opening Balance 2021														
Total paid in 2021														
Total paid in 2022														
Closing Balance 2022														

ANNEX D – STATEMENT OF EXTERNAL DEBT AS AT 31ST DECEMBER 2022

Somalia Stock of debt at the end of 2021 and 2022.

Creditor Category / Creditor Name	2021				2022			
	Face Value	Interest Arrears	Other Fee Arrears	Total Stock	Face Value	Interest Arrears	Other Fee Arrears	Total Stock
GRAND TOTAL	3,307.65	1,023.86	159.06	4,490.57	3,286.33	1,002.29	151.17	4,439.79
Commercial	1.51	0.93	-	2.44	1.51	1.02	-	2.53
Government of Serbia	1.51	0.93	-	2.44	1.51	1.02	-	2.53
Multilateral	724.26	350.40	6.02	1,080.68	681.74	351.76	6.02	1,039.52
African Development Fund	23.80	-	-	23.80	21.08	-	-	21.08
Arab Fund for Economic and Social Dev.	75.79	113.94	0.05	189.78	75.02	115.79	0.05	190.86
Arab Monetary Fund	76.92	227.68	-	304.60	73.33	227.17	-	300.50
Int. Fund for Agricultural Development	24.72	7.53	0.03	32.28	23.57	7.42	0.03	31.02
International Development Association	121.83	-	-	121.83	104.86	-	-	104.86
International Monetary Fund	359.36	-	-	359.36	342.60	-	-	342.60
Islamic Development Bank	11.97	1.14	-	13.11	11.41	1.09	-	12.50
OPEC Fund for Int. Dev.	29.87	0.11	5.94	35.92	29.87	0.29	5.94	36.10
Non-Paris Club	287.56	338.68	98.53	724.77	330.09	306.87	98.53	735.49
Abu Dhabi Fund for Development	94.10	153.43	0.02	247.55	94.22	157.40	0.02	251.64
Government of Algeria	0.90	0.66	-	1.56	0.90	0.66	-	1.56
Government of Bulgaria	5.53	5.30	-	10.83	5.53	5.46	-	10.99
Government Of Iraq	31.22	62.42	98.51	192.15	31.22	62.51	98.51	192.24
Government of Libya	11.75	23.16	-	34.91	11.75	24.45	-	36.20
Government of Romania	2.27	0.25	-	2.52	2.27	0.25	-	2.52
Kuwait Fund for Econ. Dev	82.99	38.95	-	121.94	125.32	-	-	125.32
Saudi Fund for Development	58.80	54.51	-	113.31	58.88	56.14	-	115.02
Paris Club	2,294.32	333.85	54.51	2,682.68	2,272.99	342.64	46.62	2,662.25
European Economic Community (EEC)	0.35	-	-	0.35	0.33	-	-	0.33
Government of Denmark	2.97	-	-	2.97	2.89	-	-	2.89
Government of France	154.21	-	-	154.21	145.30	-	-	145.30
Government of Italy	624.11	-	-	624.11	620.31	-	-	620.31
Government of Japan	57.02	14.72	54.51	126.25	48.76	15.38	46.62	110.76
Government of Netherlands	2.23	-	-	2.23	2.10	-	-	2.10
Government of Norway	0.66	-	-	0.66	0.61	-	-	0.61
Government of Russia	389.68	319.13	-	708.81	389.68	327.26	-	716.94
Government of Spain	40.90	-	-	40.90	40.90	-	-	40.90
Government of UK	30.38	-	-	30.38	30.30	-	-	30.30
United States of America	991.81	-	-	991.81	991.81	-	-	991.81

Filters: Participant Name = Government of SerbiaPortfolio: All InstrumentsComments:

Source: DMU, Ministry of Finance



OFFICE OF THE AUDITOR GENERAL

OF FEDERAL REPUBLIC OF SOMALIA

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