



THE FEDERAL REPUBLIC OF SOMALIA

OFFICE OF THE AUDITOR GENERAL



Consolidated Compliance Audit Report on Security Sector Entities for the Year Ended 31 December, 2018

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 Villa Somalia
Mogadishu, Somalia



**The Federal Government of Somalia
Office of the Auditor General**

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

Consolidated Compliance Audit Report on Security Sector Entities- 31 December 2018

Your Excellency the President,

I am pleased to submit consolidated Compliance Audit Report for the Security Sector Entities of the Federal Government of Somalia for the year ended 31 December 2018.

Non-submission of accounts for financial audit

As provided in law no. 2 of 29 December 1961 "Financial & Accounting Procedure of the State", and as required by Article 37 of the same law, every officer or agent managing public finances of the State are to render accounts.

The Accountant General is required by Article 40 (1) of the same law to transmit the accounts to the Auditor General for audit as stipulated in Article 40 (2). Regrettably, the agencies of the Federal Government of Somalia managing public funds have not submitted accounts for the year ended 31 December 2018 for audit to the Accountant General. Consequently, I have therefore advised the Accountant General to prepare Government Accounts in accordance with the international regulations and the laws of this Country, and submit them for audit.

Compliance Audit Report

This report is based on risk assessments conducted by security sector and twenty (20) other entities, which we duly communicated with their individual findings.

Auditing Standards

As an independent Office of the FGS as enshrined in Article 114 of the Provisional Constitution of the Federal Republic of Somalia, and in accordance with the Law 34 of Magistrates of Accounts (in particular sections 6, 7, 8, 9, 13 and 17), I conducted the audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI). The Office of the Auditor General (OAG) is a member of the International Organization of Supreme Audit Institutions (INTOSAI), AFROSAI, AFROSAI-E and ARABOSAI.

Consolidated Compliance Audit Report – Security Sector for the Year ended 31 December 2018

Acknowledgements

Your Excellency, I would like to thank you and the various Ministries, Department and Agencies audited. A special thanks goes to the various staff of the entities who have shared information with us and support during the course of audit.

Yours sincerely,

Mr. Mohamed M. Ali

**Auditor General
Federal Republic of Somalia**

**Cc: The Office of the Prime Minister, the Federal Government of Somalia
The Speaker, House of the People, of the Federal Republic of Somalia
The Speaker, the Senate of the Federal Republic of Somalia**

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MINISTRY OF DEFENSE

1 MoD- FINANCIAL REPORTING

1.1 No annual accounts submitted for audit for Financial Year (FY) 2018

1.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (c) and (d) of the “Regulation for the Accounts of the State”.

Article 41 (1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

1.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Ministry of Defence, as required by the law to submit accounts for the year ended 31 December 2018, considering the relevance of Parliament, To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

1.1.3 Risks

The Ministry of Defence has not complied with the law. Without audited accounts of the Ministry within the statutory timelines, parliament may not be able to exercise its financial oversight of the Ministry in a timely manner.

Furthermore, the Ministry may fail in its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

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1.1.4 Recommendations

The Ministry of Defence should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Ministry, and submit for audit as required by Article 41 of the law.

2 MoD- ASSET MANAGEMENT

2.1 Fixed Asset Management Policy Guidelines & Procedures

2.1.1 Best practice

There are documented policy guidelines and procedures for procurement and acquisition; deployment; use and disposal of fixed assets of the MoD.

There also policy guidelines and procedures on storage and accounting for these assets.

2.1.2 Observations

There is currently no approved document on policies and procedures for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current law is silent on these matters, internal controls over the management assets are weak.

2.1.3 Risks

Internal controls over management of fixed assets are weak because of lack of approved policy guidelines and procedures that would assign specific responsibilities over the assets.

Consequently, losses of fixed assets of the MoD may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

2.1.4 Recommendations

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

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

2.2 Fixed Asset Register

2.2.1 Best practice

There are proper and complete records for all fixed assets maintained and kept updated at all times.

Preferably, a computerized fixed asset register is in place at the MoD level or at a centralized level, in the Ministry of Finance.

Each fixed asset is assigned a unique identification number and asset records indicate responsible officers where they have been issued out.

Regular physical counts of fixed assets are conducted and such results of the counts are used to update the fixed asset register.

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The results of physical counts are documented, reviewed and approved by a senior responsible officer before updating the register.

2.2.2 Observations

There is no fixed asset register at MoD.

Also, the Ministry of Finance has not established a comprehensive fixed asset register, preferably a computerized one and made available to ministries, departments and agencies for asset management.

There is no evidence that fixed assets of MoD were recently verified physically to ascertain their existence, condition, value and location among other matters.

2.2.3 Risks

Existence, location, condition, accountability and movement of fixed assets of MoD cannot be independently confirmed.

Losses of fixed assets of MoD may take long to be detected and recovered.

The assets of MoD could be diverted for private use.

2.2.4 Recommendations

The Ministry of Finance should establish a comprehensive register of fixed assets with clear guidelines, and share with the MoD to ensure particulars of all fixed assets of the Ministry are entered into the register and updated on a periodic basis.

The MoD and Ministry of Finance to conduct periodic physical verification of fixed assets of the MoD and update the fixed asset register.

2.3 Management of vehicles

2.3.1 Best practice

All vehicles of the Ministry of Defense have log books, and vehicles are registered in the name of the ministry or department or agency.

An approved policy for management of ministry vehicles is in place and adhered to.

All ministry vehicles are recorded in the in the fixed asset register as above.

2.3.2 Observations

During the course of our audit there were several vehicles allegedly for the Ministry of Defense that were not registered under the Ministry.

The management of the Ministry provided a list of 25 vehicles of the Ministry to the audit team. Reportedly, 12 cars out of the 25 were taken away by former officials of the Ministry.

Of the remaining 13 vehicles, which the Ministry claimed were in their possession, only 7 vehicles were physically verified during the audit, and the other 6 vehicles were never presented for physical verification.

None of these vehicles were registered in the name of the Ministry for ownership.

The table below is a list of ministry vehicles some of which could not be identified with the ministry or could not be verified physically during the audit: -

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| No | Vehicle type | Source of vehicle | Chassis No | Under the control of the Ministry | Comments |
|----|--------------------------------|---------------------|-------------------|-----------------------------------|-------------------------------------|
| 1 | Hardtop (Bullet Proof) | USA Government | JTGEB73J3G9017399 | Yes | Physically verified by the auditors |
| 2 | Hardtop (Bullet Proof) | USA Government | JTGEB73J9G9027696 | Yes | Physically verified by the auditors |
| 3 | Hardtop (Bullet Proof) | USA Government | JTGEB73J0G9017397 | Yes | Physically verified by the auditors |
| 4 | Hardtop (Bullet Proof) | USA Government | JTGEB73J7G9017395 | Yes | Physically verified by the auditors |
| 5 | Hardtop (Bullet Proof) | USA Government | JTGEB73J5G9017398 | Yes | Physically verified by the auditors |
| 6 | Hardtop (Bullet Proof) | USA Government | JTGEB73J1G9017394 | Yes | Physically verified by the auditors |
| 7 | Pickup Hilux | Turkish Government | MR05R296901035899 | Yes | Physically verified by the auditors |
| 8 | Pickup Hilux | Turkish Government | | No | Not physically verified |
| 9 | Pickup Hilux | Turkish Government | | No | Not physically verified |
| 10 | Hardtop (Bullet Proof) | Government of Egypt | | No | Not physically verified |
| 11 | Pickup Hilux | Government of Egypt | | No | Not physically verified |
| 12 | Toyota Noah | Government of Italy | | No | Not physically verified |
| 13 | Toyota Camary | Bought by MoD | | No | Not physically verified |
| 14 | Pickup (Bullet proof) | Turkish Government | | No | It is not in the Ministry's control |
| 15 | Pickup (Bullet proof) | Turkish Government | | No | It is not in the Ministry's control |
| 16 | Toyota Pickup | Turkish Government | | No | It is not in the Ministry's control |
| 17 | Toyota Pickup | Turkish Government | | No | It is not in the Ministry's control |
| 18 | Hardtop (Bullet Proof) | Egypt Government | | No | It is not in the Ministry's control |
| 19 | Hardtop (Bullet Proof) | Egypt Government | | No | It is not in the Ministry's control |
| 20 | Toyota Pickup | Egypt Government | | No | It is not in the Ministry's control |
| 21 | Toyota Pickup | Egypt Government | | No | It is not in the Ministry's control |
| 22 | Toyota Noah | Italian Government | | No | It is not in the Ministry's control |
| 23 | Toyota Noah | Italian Government | | No | It is not in the Ministry's control |
| 24 | Land cruiser V8 (Bullet Proof) | Emirate Government | | No | It is not in the Ministry's control |

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| No | Vehicle type | Source of vehicle | Chassis No | Under the control of the Ministry | Comments |
|----|---------------|--------------------|------------|-----------------------------------|-------------------------------------|
| 25 | Toyota Pickup | Emirate Government | | No | It is not in the Ministry's control |

2.3.3 Risks

Internal controls over the management of and movement of the Ministry vehicles are very weak. Not all movements of ministry vehicles could be accounted for.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Ministry vehicles may be diverted for private use.

2.3.4 Recommendations

All MoD vehicles should have log books in the name of the Ministry and stored safely in the MoD by a senior responsible official.

All vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all ministry vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

Develop and implement policy guidelines and procedures specifically for management of vehicles.

2.4 Management of Office equipment

2.4.1 The Law and best practice

Law no. 318 for Stores of 18 December 1962 Article 134 subsection 2 suggests maintaining up-to-date recordings of the Government Offices' equipment as well as the goods in the stores.

All office equipment of the ministry is recorded in the fixed asset register.

Such a register has such details as to type of asset, date of acquisition, cost of acquisition, responsible officer for the asset, and unique identification number among other details.

Each asset of MoD is assigned a unique identification number (tagged) for easy identification.

2.4.2 Observations

There is no register of fixed assets in MoD for recording office equipment and stores of government.

Office equipment of MoD are not tagged with unique identification numbers for easy identification.

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There was no evidence that MoD carried out a comprehensive count and verification of all office equipment in the recent past to determine their existence, location and condition.

2.4.3 Risks

In the absence of a register of fixed assets in MoD or elsewhere within the FGS, controls over the movement of office equipment are weakened which could result into losses of these assets.

It may be difficult to identify independently office equipment that belongs to MoD.

2.4.4 Recommendations

The MoD should establish a fixed asset register to record all its assets including office equipment and enter details of its assets into the register.

All assets, including office equipment, of the Ministry should be tagged with unique identification numbers.

Conduct a physical count and verification of all equipment and other assets to determine their existence, condition, location, and value and update the fixed asset register accordingly.

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3 MoD - GENERAL FINANCIAL MANAGEMENT

3.1 All payments should be fully supported

3.1.1 The Law

Law no. 2 of the Financial Management and Government Accounts of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

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

3.1.2 Observations

There were some payments that were made during the year that were not fully supported. They include the following: -

- a) There was an expenditure of US \$ 3,666.00 in March 2018 charged to sub-head of utilities (2211) but without supporting documents for that expenditure.
- b) There were several payments made to Ha'idhaafin General Service during the months of January to October 2018 amounting to US \$ 123,190.00 for delivery of goods and services to the MoD during 2018 without adequate supporting documents.
- c) Some payments did not have purchase orders, authorization order or contracts, approved supplier invoices, good received notes, acknowledgement receipts from the supplier.

| No. | Voucher number / Sub-head | Recipient of Payments | Month | Total amount US \$ |
|--------------|----------------------------------|-----------------------------|---------|--------------------|
| 1 | 2211 | Unknown | March | 3,666.00 |
| 2 | 2211,2212,2213, 2214, 2215, 2261 | Ha'idhaafin General Service | Jan-Oct | 123,190.00 |
| Total | | | | 126,856.00 |

3.1.3 Risks

Some payments might have not been authorized by senior responsible officers, or

Some payments were made for goods and services not received in accordance with specified terms or

Some payments have been made by error, omission, or commissions resulting into a financial loss to the FGS.

3.1.4 Recommendations

All payments must have adequate supporting documents, are properly authorized by senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped as “PAID” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

Consolidated Compliance Audit Report – Security Sector for the Year ended 31 December 2018

3.2 Travel costs lack adequate supporting documents

3.2.1 The Law

Law no. 2 of the Financial Management and Government Accounts of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

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

3.2.2 Observations

Under the budget line for travel costs, a total amount of US \$ 45,174.81 was spent as travel costs without adequate supporting documents.

These payments were made to various recipients, a travel agent and a hotel.

The payments did not have one or more of the following supporting documents such as:

- ✓ purchase orders and or boarding passes for the travel;
- ✓ evidence of authorization for travels made;
- ✓ supplier invoices or receipts:
- ✓ approved accountabilities for the travels made; or
- ✓ names and signatures of those who received travel advances.

Below is a summary of travel costs that lacked adequate supporting documents: -

| No | Voucher number / subhead | Recipients | Period | Amount US \$ |
|--------------|--------------------------|--------------------|------------|------------------|
| 1 | 2216 | Various recipients | Jan – Sep | 35,600.00 |
| 2 | 2216 | Daruura Air Travel | June – Aug | 7,483.34 |
| 3 | 2216 | Doorbin Hotel | Aug – Sep | 2,091.47 |
| Total | | | | 45,174.81 |

3.2.3 Risks

Some payments were not authorized by senior responsible officers, or

Some payments were made for travels that never made, or

Some payments have been made by error, omission, or commissions resulting into a financial loss to the FGS.

3.2.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by a senior responsible officers for goods and services received in accordance specified terms.

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All payment documents should be stamped as “**PAID**” as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

3.3 Adequacy of Commitment Controls

3.3.1 Best practice

There are strong commitment controls to prevent expenditure payment arrears.

All commitments of funds are based on available funds, and where SFMIS is in use, no commitments are made outside the SFMIS.

Where commitment controls are weak or non-existent, expenditure payment arrears are likely to arise because of limited resources.

If there are expenditure arrears, periodic surveys are undertaken, arrears are collated periodically (preferably on a quarterly basis), monitored and reported periodically.

3.3.2 Observations

The FGS uses Somali Financial Management Information System (SFMIS) as its computerized public financial management system.

Some commitments of funds in the MoD are made outside SFMIS by way of issuing orders for supply of goods and services.

The MoD could not provide a list of outstanding commitments and a list of unpaid invoices by the year end.

There was no evidence that MoD conducts surveys of outstanding commitments and arrears on a periodic basis.

3.3.3 Risks

There is a risk that the MoD has a stock of arrears and or outstanding commitments that are not being closely monitored and disclosed in the financial statements or reported.

The financial statements of the MoD may not show a true and fair position and results when prepared.

3.3.4 Recommendations

No commitment of funds should be made outside the SFMIS.

Establish strong commitments controls in the SFMIS and ensure all commitments are entered into SFMIS promptly.

Ensure all commitment of funds should be made against available funds in the SFMIS, and no commitments should be made without available funds.

Conduct regular stock take of outstanding commitments (preferably on a quarterly basis), monitor them to ensure no further build up, and develop a plan to clear them by the end of each financial year.

3.4 Regularity of internal audits

3.4.1 Best practice

There are regular internal audits conducted and reports produced.

There is a regular follow-up on all internal audits reports to ensure recommendations are implemented.

3.4.2 Observations

It was noted that the Ministry neither has an internal audit unit nor function.

There were no periodic internal audits conducted in the MoD.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

3.4.3 Risks

Without regular internal audits conducted in the Ministry, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the Ministry, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized or eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

3.4.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the Ministry of Defense.

In the meantime, take necessary steps to ensure periodic internal audits of the Ministry are conducted.

Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and Ministry policies.

3.5 Registration of contracts with the Office of the Auditor General

3.5.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State issued on 29 December 1971 makes it mandatory for registration of all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General.

Consolidated Compliance Audit Report – Security Sector for the Year ended 31 December 2018

3.5.2 Observations

The table below shows that 3 contracts signed by the Ministry of Defense with other parties during the year ended 31 December 2018 that were not registered with the Office of the Auditor General.

The first contract with the Government of Turkey is for 10 years as from 2018, with no direct cost implication on the FGS.

The second contract is with the British Government for 2 years under which the British Government is to provide financial support to Somali National Army at a total cost UK £ 10 million.

The third contract, is an open one, is with the United States of America for the FGS to provide land space.

The summary of the contracts is presented in the table below: -

| No | Contract | Purpose of the Contract | Contract duration | Amount US \$ |
|----|-------------------------------------|--|--|----------------------------------|
| 1 | MoD and Turkish Government | For managing Turksom military training camp | 10 years, from July 2018 | No cost involved in the contract |
| 2 | MoD and the British Government | Supporting Somali National Army | 2 years, from Nov 2018 | UK £ 10 million |
| 3 | MoD & United States Africom Command | Providing land space to United States Africom Command from area near Bosaaso Somalia | Open ended with 6-month notice of termination by either party. | No cost involved in the contract |

3.5.3 Risks

Although there may be no direct financial cost to the FGS from some of these contracts, there might arise contingent liabilities that could crystallize and result into a financial outflow in the future should the FGS not meet certain conditions.

The Office of the Auditor General, during the course of annual audits, may not be able to quantify potential contingent liabilities and assets from these contracts because they have not been registered accordingly.

3.5.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, so that the Auditor General may conduct audits and report on the contracts.

SOMALIA NATIONAL ARMY - SNA

4 SNA- FINANCIAL REPORTING

4.1 No annual accounts submitted for audit for FY 2018

4.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State 317” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

4.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Somali National Army, as required by the law to submit accounts for the year ended 31 December 2018, considering the relevance of Parliament, to-date the annual accounts for the FY of 2018 has not yet submitted to the Auditor General for audit.

4.1.3 Risks

The Somali National Army has not complied with the law. Without audited accounts of the National Army within the statutory timelines, parliament may not be able to exercise its financial oversight of SNA in a timely manner.

Furthermore, the Somali National Army may fail in its responsibility of being accountable and transparent in the management of public finances. Thus any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

4.1.4 Recommendations

The Somali National Army should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the SNA, and submit for audit as required by Article 41 of the law.

5 SNA-LEGAL AND REGULATORY ASPECTS

5.1 Laws and Regulations for the Somalia National Army

5.1.1 Best practice

There is a specific law and regulations for the Somalia National Army (SNA) of the Federal Government of Somalia.

The law and regulations specify the mandate and responsibilities of the army, the command structure of the army among other matters.

There are written policies and regulations for management of personnel of SNA, defining personnel management of the SNA, salaries, allowances and entitlements, discipline among others.

5.1.2 The Provisional Constitution

Article 126 (1) of the Provisional Constitution states that ***“The Federal Government shall guarantee the peace, sovereignty and national security of the Federal Republic of Somalia and the safety of its people through its security services”*** including:

- (a) The armed forces;
- (b) The intelligence services;
- (c) The police force; and
- (d) The prison forces.

Article 126 (2) of the Provisional Constitution states further that: ***“The deployment of the security forces shall be determined by law”***.

Article 130 of the Constitution on Security Agencies Laws states that: ***“The two Houses of the Parliament shall enact a law governing the structure, functions and levels of the security agencies of the Federal Republic of Somalia”***.

Further, **Schedule one (D)** of the Provisional Constitution identified priority laws to be enacted in the first term of the federal parliament as:-

- **(15) A law in terms of Article 130, concerning the security forces;**
- (17) A law in terms of Article 130, regulating the structure and functions of the federal police;
- (18) A law in terms of Article 130, regulating the relationships between the federal police service and the police services of the Federal Member States;

5.1.3 Observation

The SNA operates under the old outdated law (**Law No. 6 of 12 April, 1960**) before the Provisional Constitution was promulgated. However, a new law for the SNA as required by Articles 126 and 130 is yet to be enacted.

5.1.4 Risks

Recruitment, deployment and management of personnel of the SNA is governed by an outdated law (**Law No. 6 of 12 April, 1960**), which was enacted when Somalia was a unitary state.

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The outdated law and regulations may be inappropriate for the management and deployment of SNA personnel at a time Somalia is a Federal Republican State.

5.1.5 Recommendation

The Federal Parliament of Somalia should take appropriate steps to enact a new law and regulation for Somalia National Army since Somalia is now a Federal Republic.

6 SNA- HUMAN RESOURCES MANAGEMENT

6.1 Table of Organization and Equipment (TOE)

6.1.1 Best practice

There shall be an approved Table of Organization and Equipment (TOE) as an important tool in the military for managing and controlling recruitment, deployment, promotion and disengagement of military personnel.

This is to ensure that there is an appropriate, affordable, acceptable military force is in place.

It also ensures acquisitions of military and non-military hardware are acquired that reflect national security policy or strategy.

The TOE provides details about personnel and equipment requirements at levels of military units from the lowest to the highest organizational level.

It is the budget for military personnel and equipment linked a country's military strategy.

6.1.2 Observation

We were not provided with any evidence to suggest that there is an approved TOE for the SNA to guide recruitment, deployment and management of personnel.

6.1.3 Risks

Without an approved TOE, recruitment, deployment and removal of soldiers may not be managed in a planned manner to achieve an appropriate, affordable and acceptable military force for Somalia.

Without an approved TOE, the risk of “ghost employees” being included in personnel database increases and subsequently resulting into a bloated force and high payroll costs.

6.1.4 Recommendations

Steps should be taken to develop an appropriate TOE which takes into account security threats, security policy and strategy for Somalia.

The TOE should be reviewed and approved by the highest military authorities of the SNA preferably by the Head of State, His Excellency the President FRS.

Like the national budget, the TOE should be reviewed and updated periodically to take into account national security threats.

6.2 Personnel database for the SNA

6.2.1 Best practice

There is in place a system for maintaining personnel details of all personnel of the Somalia National Army.

The personnel database contain all necessary identification details of each personnel as to date of birth, education attained, duty station, rank, salary

grade/level, allowances and entitlements, gender, blood group, date of engagement, ID number, next kin, parents, etc.

A computerized personnel database enhances credibility and security of personnel data and for easy linkage to the payroll processing. It also enables the use of biometric system and enhances payroll controls.

The computerized database of personnel is linked to the payroll processing system so that those who are paid monthly salaries and allowances are actually in active service with the army.

6.2.2 Observations

There is no computerized database of SNA personnel. Only lists containing names of SNA personnel are kept in spreadsheets. These are vulnerable to risks of errors and manipulations.

SNA personnel have ID numbers but these do not identify active and non-active personnel.

Physical count and registration of personnel is on-going since November 2017 without clear oversight and direction of the MoD.

The exact number of personnel is yet to be determined, data currently being captured is not with the MoD, and reconciliation process will have challenges in absence of a comprehensive database.

6.2.3 Risks

The lack of a computerized database increases the risk of “ghost personnel” being included in the payroll, and increases the risk of errors, omissions and commissions in the payroll preparation.

The exact number of personnel of the SNA currently cannot be confirmed independently for effective payroll management.

6.2.4 Recommendations

The MoD with support of the SNA and relevant institutions should establish a computerized database for all military personnel.

The database should have personnel details such as: name, date of birth, education attained, duty station, rank, salary grade/level, allowances and entitlements, gender, blood group, date of engagement, ID number etc.

Use a biometric system when developing the database. Thereafter, conduct a comprehensive physical count of the personnel to re-validate the database.

7 SNA- PAYROLL PREPARATION AND MANAGEMENT

7.1 Adequacy of segregation of responsibilities in the payroll process

7.1.1 Best practice

There is adequate segregation of responsibilities for payroll initiation, processing, checking, approval and final authorization of payroll sheets.

These responsibilities are performed by independent and responsible officers of the SNA.

The payroll system is computerized, all processes are documented with adequate audit trails for future follow up and review.

All changes in the payroll are approved by a senior responsible officer in a timely manner.

There is an approved documented payroll management and procedures manual or guidance for the payroll.

7.1.2 Observations

The payroll system for SNA personnel is largely manual. The payroll sheets are printed, signed and submitted to SNA, MoD and then to Ministry of Finance for salary disbursements.

There was no evidence that payroll sheets are reviewed and whether computations are checked for arithmetical accuracy before they are authorized by senior responsible officers for payment.

There is no documented and approved payroll management procedure with detailed procedures for initiating payroll process, ensuring only active personnel are paid, ensuring correct payroll computation, and assigning responsibilities for various stages in the payroll process up to the point of effecting salary disbursements.

7.1.3 Risks

Errors and other payroll irregularities in payroll sheets make take long to be detected and result into financial losses to the FGS.

Without an approved detailed payroll management procedure, internal controls over preparation and approval of payroll sheets and documents may be compromised.

7.1.4 Recommendations

All payroll sheets/documents should be reviewed, checked for arithmetical accuracy and approved for payment of salaries.

Develop an approved detailed payroll management procedure to guide payroll preparation and ensure adequate internal controls are in-built to prevent payroll losses through errors, omissions and commissions.

Digitize the entire payroll process right from initiation.

7.2 Automation of payroll processes

7.2.1 Best practice

There is a computerized payroll system using well established and recognized software to provide reasonable assurance on the integrity of data processing.

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The entire payroll system is fully digitized and linked to a computerized personnel database to ensure only active personnel are paid salaries and allowances.

The payroll sheets should be formally authorized by a senior responsible officer either in the computerized system or manually and retained for future reference.

7.2.2 Observations

The FGS uses the SFMIS for processing payroll. However, there are still manual payroll procedures that are performed outside SFMIS for the SNA. Thus, the payroll system is not fully automated as there are still some manual procedures performed outside SFMIS.

Preparation of payrolls is not directly linked to a personnel database as none currently exists. The payroll of the previous month is rolled forward, and updated with new changes using spreadsheets.

7.2.3 Risks

Errors, omissions and commissions are likely to occur where payroll processing is not fully automated.

In the absence of regular payroll audits, payroll irregularities may take longer to be detected and corrected.

7.2.4 Recommendation

Preparation of the payroll should be fully automated and linked to a computerized personnel database.

7.3 Means by which salaries are paid to SNA

7.3.1 Best practice

All salaries and allowances are paid directly to bank accounts of SNA personnel.

Payment of salaries and allowances by cash is done on exceptional circumstances after following defined and approved procedures.

7.3.2 Observations

There are 2 means by which personnel of the SNA are paid salaries- (a) directly to their bank accounts, and (b) by cash.

For most senior officers, salaries are paid directly to their bank accounts. For the rest of other personnel, about 99 % of SNA personnel are paid by cash.

There are no clearly defined and approved procedures for payments by cash. Such payments are not independently verified to ensure payments are made to eligible personnel of the SNA for such payments.

7.3.3 Risks

Salary payments by cash have higher risk of errors, commissions, frauds, waste and abuse.

Furthermore, salaries and allowances may be paid to those who are not entitled, or diverted to private use

7.3.4 Recommendations

All salary payments to be made directly to bank accounts of the personnel.

For cash payments, develop detailed and approved procedures to be followed and monitored closely.

For all cash payments, establish procedures for independent verifications to ensure that only eligible personnel are only paid.

8 SNA- MANAGEMENT OF FOOD SUPPLIES, FUELS & OTHERS

8.1 Adequacy of management of food supplies to the SNA

8.1.1 Best practice

Management of food supplies in security sector institutions, in particular for the personnel of the Somali National Army, is crucial for peace and stability.

Personnel of the Somalia National Army require secure, adequate and reasonable system of food supplies to enable personnel to focus on security of the nation and safety of the population.

There are provisions either in the law or regulations for food entitlements which provides basis for budget purposes, food management and control purposes.

There is an approved food quality management policies and procedures to ensure approved quantity and quality is distributed to military personnel in a timely manner.

8.1.2 Observations

Every SNA personnel is entitled to a monthly allowance of US \$60 for dry and wet food rations, and this was paid separately to a contractor to supply food.

There are no documented quality control policies and procedures for ensuring distribution of the right quantity and quality of food to personnel.

During the course of the audit, we inspected the stores and found expired food that was to be distributed to the SNA personnel.

8.1.3 Risks

The recommended quantities and quality of food may not be delivered to personnel.

Expired food may be delivered to the personnel of SNA thus endangering their health condition.

8.1.4 Recommendation

The MoD and SNA should develop and implement approved food quality policies and procedures for food rations and ensure adequate measures are implemented.

8.2 Management of Fuel supplies

8.2.1 Best practice

Fuel management is one area of abuse in the security sector. Fuel is often diverted and sold in markets for personal gain.

There are adequate internal control procedures in the management, storage and distribution of fuel.

This is often in laid down approved procedures for storage and distribution of fuel supplies by responsible officers.

Physical verifications of fuel supplies are conducted periodically, and any discrepancies are investigated and remedial taken promptly.

8.2.2 Observation

There is no documented and approved policy guidelines and procedure for management, distribution and issue of fuel supplies for the operations of Somali National Army.

Internal controls over the distribution and issuance of fuel supplies are weak.

8.2.3 Risks

There is a risk that fuel storage, distribution and issues are not properly managed.

Fuel losses and diversion of fuel for personal use may take long to be detected for remedial action.

The budget for fuel supplies is not under control.

8.2.4 Recommendations

Develop and implement detailed policy guidelines and procedures for the management of fuel supplies with the approval of the Ministry of Defense.

Conduct periodic verification of fuel supplies, and any discrepancies investigated for prompt remedial action.

8.3 Management of other non-military supplies

8.3.1 Best practice

Non-military supplies include boots, uniforms, medicines etc. These could often be diverted, or sold in markets for personal gain, or used for causing insecurity.

There are adequate internal control procedures for management, storage and distribution of these non-military supplies.

Such procedures include maintenance of adequate stock records or inventories which are updated periodically.

There are regular physical verification of these items and reconciled with stock records.

8.3.2 Observations

There are no documented and approved policy guidelines and procedures for management, distribution and issue of non-military supplies for the Somali National Army.

There are no updated stock records (or inventory system) maintained for such items.

There was no evidence provided to indicate that there were periodic verifications of the items and reconciled with inventory records.

8.3.3 Risks

There is a risk that storage, distribution and issues of non-military supplies are not properly managed.

Losses and diversion of the items may take long to be detected for prompt remedial action.

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Such supplies may be diverted for personal gain and for causing threats to the national security.

8.3.4 Recommendations

Develop detailed policy guidelines and procedures for the management of non-military supplies, and approved by the Ministry of Defense for implementation.

Establish an effective inventory system for recording and accounting for all movements of other non-military items.

Conduct periodic verification of other non-military supplies, update inventory records, and discrepancies investigated for prompt remedial action.

9 SNA - VEHICLE MANAGEMENT

9.1 Adequacy of procedures for vehicle management

9.1.1 Best practice

All vehicles of the SNA have log books and the vehicles are registered in the name of the SNA or Ministry of Defense.

There is a comprehensive and approved vehicle management policy and procedures.

All military vehicles are recorded in the fixed asset register, either at the Ministry or with the Ministry of Finance if a centralized register has been established

9.1.2 Observations

During the course of our audit we noted that there were several vehicles used by the Somali National Army but we were not provided with their logbooks to confirm ownership.

Many of the vehicles were held by different groups without adequate documentation.

The vehicles were neither in the fixed asset register nor were an inventory of them kept. Due to sensitivity of the matter, we did not conduct a comprehensive review of all military vehicles used by the SNA.

9.1.3 Risks

Internal controls over the management of and movement of military vehicles are weak.

Not all movements of military vehicles could be accounted for with reasonable certainty.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered. Some of the military vehicles could be diverted for private use.

9.1.4 Recommendations

All military vehicles should have log books in the name of the Somalia National Army and stored safely by a senior responsible official.

There should be detailed procedures developed and approved by responsible authorities for the management of all military vehicles wherever held.

All military vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all military vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

10 SNA - ASSET MANAGEMENT

10.1 Adequacy of fixed asset registers

10.1.1 Best practice

The main assets of the SNA comprise military and non-military items.

The military items include but not limited to the following: - Military vehicles; gunship helicopters, gunship boats etc; Rifles and bullets; Military communication gadgets; and other ammunitions by whatever descriptions.

The non-military assets include the following: - civilian vehicles; furniture and other equipment, computers; etc.

There are proper records (fixed asset register) for all assets maintained and kept up to-date at all times.

The fixed asset register is preferably computerized and kept updated. If fixed asset registers or stock cards are maintained manually for all assets should be comprehensive and adequate.

Each asset is assigned a unique identification number and asset records indicate responsible officer in case it has been issued out.

Regular physical counts of assets, wherever located or held, are conducted and results of which are documented, reviewed and approved by a senior responsible officer.

10.1.2 Observations

There is currently no fixed asset register for SNA. There is no evidence that fixed assets of the SNA were recently verified physically to ascertain their existence, condition, value and location among other matters.

During the audit, we were not provided with titles for land properties occupied by the SNA.

Also, we were also not given titles for land claimed to have been given to the SNA which are in private use. Some of the land spaces belonging to the SNA were being used by private individuals without authority.

10.1.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the SNA cannot be independently confirmed.

Losses of fixed assets of the SNA may take long to be detected and recovered. The assets of SNA could be diverted for private use.

10.1.4 Recommendations

The authorities of the SNA should establish two fixed asset registers of fixed assets, one for military items, and the other for non-military items. The registers should clearly be distinguishable – one for military, and the other for non-military assets. Ensure particulars of all fixed assets are entered into the registers and updated on a periodic basis.

Conduct periodic physical verification of fixed assets, in particular the military and non-military assets and update respective fixed asset registers.

11 SNA - PROCUREMENT MANAGEMENT

11.1 Whether procurement laws are followed by SNA

11.1.1 The Law and Best practice

There is a national procurement law of 2016 (law no. 22) and regulations to be followed by all ministries, departments and agencies including Somali National Army.

11.1.2 Observations

SNA did not follow national procurement law of 2016 (law no. 22) for goods and services purchased in 2018.

11.1.3 Risks

The SNA is not compliant with procurement law and regulations and such procurements may not be in the best interest of the country.

Procurement of goods and services which have not followed procurement law and regulations may not be to the desired quality and standards.

Financial losses arising from non-compliance with procurement law may result into wasteful expenditure of public funds.

11.1.4 Recommendations

The SNA must comply with the procurement law and regulations without exception.

The MoD should ensure that all SNA contracts above the minimum threshold for procurements are reviewed, approved and submitted to Ministry of Finance by the MoD. Such contracts are to be registered with the Office of the Auditor General.

The Ministry of Finance should enforce procurements for SNA that are above the minimum threshold are handled through the Ministry without exception.

12 SNA - GENERAL FINANCIAL MANAGEMENT

12.1 All payments should be fully supported

12.1.1 The Law and best practice

Law no. 2 of the Financial Management and Government Accounts of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

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

12.1.2 Observation

There were some payments that were made during the year that were not fully supported. They include the following: -

| Voucher number/ sub-head | Recipients | Months | Total amount US \$ |
|---------------------------------|-------------------|---------------|---------------------------|
| 2213,2214,2215, 2216,2251,2253 | Not identified | Jan-Nov | 172,439.00 |

12.1.3 Risk

There is a risk that some of the payments were not authorized by senior responsible officers.

Some of the payments were made for goods and services not received in accordance with specified terms

Some of the payments might have been made by error, omission, or commissions resulting into a financial loss to the FGS.

12.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped "PAID" immediately after payments have been affected to prevent their use in support of further payments.

12.2 Registration of contracts with the Office of the Auditor General

12.2.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State issued on 29 December 1971 makes it a mandatory responsibility for registering all contracts with the Magistrate of Accounts (the Office of the Auditor General).

Article 33 states that *"contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General"*.

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The Law also requires that such contracts are reviewed and cleared by the Solicitor General before they are signed.

12.2.2 Observations

The table below show that there 2 contracts during the year ended 31 December 2018 by the Somali National Army with **Kasram Company** for food deliveries for 2 years from 2017 and the other with **Daljir Company** for fuel supply for 4 years from 2018.

The total contract value for food supply for 2 years is **US \$ 10,370, 880.00** whilst the one for fuel supply is for 4 years is **US \$ 5,863,680.00**.

The total value of the 2 contracts is therefore **US \$ 16,234,560.00** that was not registered with the Office of the Auditor General. Details as shown below: -

Contracts that were not registered with the OAGeneral

| No. | Contracting parties | Purpose | Contract duration | Monthly amount in US \$ | Total contractual amount in US \$ |
|-----------------------------|------------------------|------------------|--------------------|-------------------------|-----------------------------------|
| 1 | SNA and Kasram Company | Food procurement | 2 years, from 2017 | 432,120 | 10,370,880.00 |
| 2 | SNA and Daljir Company | Fuel procurement | 4 years, from 2018 | 122,160 | 5,863,680.00 |
| Total contract value | | | | 554,280 | 16,234,560.00 |

We reviewed payments to contractor Daljir, and found that only US \$ 95,800.00 out of US \$ 122,160.00 per month was paid directly to the contractor and the balance of US \$ 26,360.00 was deposited into an SNA account with the central bank on a monthly basis. However, we were not provided with details on how SNA used and accounted for the amounts transferred to the central bank.

12.2.3 Risks

These contracts could escape attention during the audits of the SNA since the contracts were not registered with the OAG.

Funds for supply of fuel amounting US \$ 26,360.00 per month might have been diverted for private use.

12.2.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law to enable the Auditor General to conduct audits of and report on them.

12.3 Unauthorized Internal re-allocation of funds – US \$ 2,783,561.00

12.3.1 The Law

Law no. 2 of the Financial Management and Government Accounts of 29 December 1961 Article 16 states during the financial year if it becomes necessary to use budget provided for sub-head to be used for another purpose, that change shall be processed in accordance with the law no. 317 of 17 December 1962 article 6 (a)

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which requires that if government agency needs to transfer funds to one head to another, the re-allocation of funds shall go through the legal process by officially writing to the Ministry of Finance and if the minister of finance approves, then the changes be effected.

12.3.2 Observations

During the audit we noted that funds in other codes meant for other purposes were used to pay allowances to SNA personnel and for other travel costs. The total amount involved was US \$ 2,783,561.00.

The procedure described above for internal re-allocation of funds was not followed since there was no evidence that the approval of the minister of finance was granted.

Disbursements to SNA personnel and for other travels were affected and charged directly to the codes without formal re-allocation of funds.

For some of the disbursements, there were no adequate supporting documents. This was illegal both in law, and procedures were not followed.

Funds of sub-heads wrongly used for other purposes

| No. | Original sub-head | Used for | Months | Total amount US \$ | Comments |
|--------------|---------------------------------|-------------------------------|---------|-----------------------|--|
| 1 | 2213, 2214, 2215, 2251, 2253 | Allowance to SNA personnel | Jan-Nov | 2, 620,551.00 | No adequate supporting documents |
| 2 | 2213, 2214, 2215, 2251, 2253 | Travel cost | Jan-Nov | 163,010.00 | No adequate supporting documents |
| Total | | | | 2,783,561.00 | |

12.3.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

12.3.4 Recommendations

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized.

12.4 **Regularity of internal audits**

12.4.1 Best practice

There are regular internal audits conducted and reports produced.

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There are regular follow-up to ensure recommendations are implemented.

12.4.2 Observations

During the annual audit of the SNA, it was noted that the SNA neither has an internal audit unit or function nor were periodic internal audits conducted during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

12.4.3 Risks

Without regular internal audits conducted in the SNA, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted in the SNA, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized and eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the Ministry may take long to be detected for prompt remedial action.

12.4.4 Recommendation

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the SNA.

In the meantime, take necessary steps to ensure periodic internal audits of the SNA are conducted. Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and SNA policies.

12.5 Adequacy of Commitment Controls

12.5.1 Best practice

There are strong commitment controls to prevent expenditure payment arrears.

All commitments of funds are based on available funds, and where SFMIS is in use, no commitments are made outside the SFMIS.

Where commitment controls are weak or non-existent, expenditure payment arrears are likely to arise because of limited resources.

If there are expenditure arrears, periodic surveys are undertaken, arrears are collated periodically (preferably on a quarterly basis), monitored and reported periodically.

12.5.2 Observations

The FGS uses Somali Financial Management Information System (SFMIS) as its computerized public financial management system.

Some commitments of funds in the SNA are made outside SFMIS by way of issuing contracts and orders for supply of goods and services.

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The SNA could not provide a list of outstanding commitments and a list of unpaid invoices by the year end.

There was no evidence that SNA conducts surveys of outstanding commitments and arrears on a periodic basis.

12.5.3 Risks

There is a risk that the SNA has a stock of arrears and or outstanding commitments that are not being closely monitored and disclosed in the financial statements or reported.

The financial statements of the SNA may not show a true and fair position and results when prepared.

12.5.4 Recommendations

No commitment of funds should be made outside the SFMIS.

Establish strong commitments controls in the SFMIS and ensure all commitments are entered into SFMIS promptly.

Ensure all commitment of funds should be made against available funds in the SFMIS, and no commitments should be made without available funds.

Conduct regular stock take of outstanding commitments (preferably on a quarterly basis), monitor them to ensure no further build up, and develop a plan to clear them by the end of each financial year.

SOMALIA POLICE FORCE - SPF

13 SPF - FINANCIAL REPORTING

13.1 No annual accounts submitted for audit for FY 2018

13.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State 317” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

13.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Somali Police Force, as a reporting entity, is required by law to submit annual accounts for audit. To-date annual accounts for the FY 2018 is yet to be submitted to the Office of the Auditor General for audit.

13.1.3 Risks

The Somali Police Force has not complied with the law. Without audited accounts of the Somali Police within the statutory timelines, parliament may not be able to exercise its financial oversight of the SPF in a timely manner.

Furthermore, the Somali Police Force may fail in its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

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13.1.4 Recommendations

The Somali Police Force should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Police Force, and submit for audit as required by Article 41 of the law.

14 SPF - LEGAL AND REGULATORY ASPECTS

14.1 Laws and regulations for the Somalia Police Force

14.1.1 The Constitution & Best practice

There is a specific law and regulations that establish formally the Somalia Police Force (SPF) for the Federal Government of Somalia.

The law and regulations should specify the mandate and responsibilities of the Police Force, the command structure of the Police Force among other matters.

There should also be written policies and regulations for management of personnel of SPF. It is important to define personnel management of the SPF, salaries, allowances and entitlements, discipline etc

Article 126 (1) of the Provisional Constitution states that **“The Federal Government shall guarantee the peace, sovereignty and national security of the Federal Republic of Somalia and the safety of its people through its security services”** including:

- (d) The armed forces;
- (e) The intelligence services;
- (f) **The police force;** and
- (g) The prison forces.

Article 126 (2) of the Provisional Constitution states further that: **“The deployment of the security forces shall be determined by law”**.

Article 130 of the Constitution on Security Agencies Laws states that: **“The two Houses of the Parliament shall enact a law governing the structure, functions and levels of the security agencies of the Federal Republic of Somalia”**.

Schedule one (D) identified priority laws to be enacted in the first term of the federal parliament as: -

- (15) A law in terms of Article 130, concerning the security forces;
- **(17) A law in terms of Article 130, regulating the structure and functions of the federal police;**
- **(18) A law in terms of Article 130, regulating the relationships between the federal police service and the police services of the Federal Member States;**

14.1.2 Observations

The SPF operates under the old law before the Provisional Constitution was promulgated. The law was enacted at the time Somalia was a unitary state; now it is a federal state.

There is no law and regulations defining formally the structure and functions of the Federal Police.

There is lack of clarity on the mandates and formal relationships between the federal police service, the police services of the Federal Member States and Banadir Regional Administration (BRA).

14.1.3 Risks

Recruitment, deployment and management of personnel of the SPF are being performed without any laws and regulations specifically for the Police Force.

The outdated law and regulations may be inappropriate for the management and deployment of SPF personnel at a time Somalia is a Federal Republican State.

There may be lack of clarity on the mandates and formal relationships between the federal police service and the police services of the Federal Member States and Banadir Regional Administration (BRA).

14.1.4 Recommendations

Parliament should take appropriate steps to enact laws and regulation for formally establishing the Somalia Police Force in accordance with Article 130 of the Provisional Constitution.

Parliament should take appropriate steps to enact laws and regulations for regulating the relationships between the federal police service, the police services of the Federal Member States and Banadir Regional Administration in accordance with Article 130 of the Provisional Constitution.

15 SPF - HUMAN RESOURCES MANAGEMENT

15.1 Table of Organization and Equipment (TOE)

15.1.1 Best practice

The Table of Organization and Equipment (TOE) is a very important tool in the police for managing and controlling recruitment, deployment, promotion and disengagement of police personnel to ensure that an appropriate, affordable, acceptable force is in place.

For the police forces, there is place an approved TOE. This is to ensure that there is an appropriate, affordable, acceptable police force is in place.

It also ensures acquisitions of military and non-military hardware are acquired that reflect national security policy or strategy.

The TOE provides for the establishment of the required personnel and equipment for police units from the lowest to the highest organizational level.

It is the budget for police personnel and equipment linked a country's police strategy.

15.1.2 Observation

There is no TOE for the SPF to guide recruitment, deployment and management of police personnel.

15.1.3 Risks

Without an approved TOE, it created that recruitment, deployment and removal of police will not be managed as planned to achieve an appropriate, affordable and acceptable.

Without an approved TOE, the risk of “ghost employees” being included in personnel database increases and subsequently resulting into a bloated force and high payroll costs.

15.1.4 Recommendations

Steps should be taken to develop an appropriate TOE which takes into account security threats, security policy and strategy for Somalia.

The TOE should be reviewed and approved by the highest military authorities of the SPF preferably by the Head of State, His Excellency the President.

Like the national budget, the TOE should be reviewed and updated periodically to take into account national security threats.

15.2 Personnel database for the SPF

15.2.1 Best practice

There is a system for maintaining personnel details of all personnel of the Somalia Police Force.

It contains all necessary identification details such as date of birth, education attained, duty station, rank, salary grade/level, allowances and entitlements, gender, blood group, date of engagement, ID number, parents, next of kin, etc.

A computerized personnel database enhances credibility and security of personnel data and for easy linkage to the payroll processing. It also enables the use of biometric system and enhances payroll controls.

These steps make it easier to link the payroll to the database of SPF personnel so that those who are paid monthly salaries and allowances are actually in active service with the Police Force.

15.2.2 Observations

There is no (computerized) database of SPF personnel.

Only lists containing names of SPF personnel are kept in spreadsheets. These are vulnerable to risks of errors and manipulations.

SPF personnel have ID numbers but these do not identify active and non-active personnel.

The exact number of personnel is yet to be determined, data currently being captured is not with the Ministry of Internal Security..

15.2.3 Risks

The lack of a computerized database increases the risk of “ghost personnel” being included in the payroll, and increases the risk of errors, omissions and commissions in the payroll preparation.

The exact number of personnel of the SPF currently cannot be confirmed independently for effective payroll management.

15.2.4 Recommendations

The SPF should establish a computerized database for all its personnel.

The database should have personnel details such as: name, date of birth, education attained, duty station, rank, salary grade/level, allowances and entitlements, gender, blood group, date of engagement, ID number, names of parents, next of kin, etc.

Use a biometric system when developing the database. Thereafter, conduct a comprehensive physical count of the personnel to validate the database.

15.3 Physical Verification of personnel

15.3.1 Best practice

Periodic verification of personnel are carried out, recorded in and reconciled with the computerized personnel database.

Any discrepancies between the database and physical counts are investigated and resolved promptly.

The updated and reconciled computerized database is used as the basis for preparing payrolls.

15.3.2 Observations

Although there have been periodic physical counts of SPF personnel in the past, the results of the counts have not been validated with a computerized personnel database.

The personnel date of the police force is neither under the supervision of nor under the control of the Ministry of Internal Security.

15.3.3 Risks

If there is neither a computerized database nor periodic verification/registration of personnel, then internal controls to ensure eligible personnel of Somalia Police Force are paid are highly compromised.

There is a risk that ‘ghost police’ are paid salaries and allowances.

15.3.4 Recommendation

Establish a computerized personnel database, and update it with periodic physical counts of personnel to remove “ghost personnel”.

The payroll process should then be linked to the database to ensure that only SPF personnel in the database are paid salaries and allowances.

16 SPF - PAYROLL PREPARATION AND MANAGEMENT

16.1 Adequacy of segregation of responsibilities in the payroll process

16.1.1 Best practice

There is adequate segregation of responsibilities for payroll initiation, processing, checking, approval and final authorization of payroll sheets.

These responsibilities are performed by independent and responsible officers of the SPF.

The payroll system is computerized, all processes are documented with adequate audit trails for future follow up and review.

All changes in the payroll are approved by a senior responsible officer in a timely manner.

There is an approved documented payroll management and procedures manual or guidance for the payroll.

Salaries should be based on approved staff grades specifically for the Somalia Police Force. This is documented in laws, regulations for the SPF.

16.1.2 Observations

The FGS uses the SFMIS for processing payroll. However, there are still manual payroll procedures that are performed outside SFMIS for the SPF. Thus, the payroll system is not fully automated as there are still some manual procedures performed outside SFMIS.

Preparation of payrolls is not directly linked to a personnel database as none currently exists. The payroll of the previous month is rolled forward, and updated with new changes using spreadsheets.

There was no evidence that payroll sheets are reviewed and whether computations are checked for arithmetical accuracy before they are authorized by a senior responsible officer for payment.

There is no documented and approved payroll management procedures with detailed procedures for initiating payroll process, ensuring employees are paid for days worked, ensuring correct payroll computation, and assigning responsibilities for various stages in the payroll process up to the point of effecting salary disbursements.

16.1.3 Risks

Errors and other payroll irregularities in payroll sheets make take long to be detected and result into financial losses to the FGS.

Without an approved detailed payroll management procedure, internal controls over preparation and approval of payroll sheets may be compromised.

It is important that payroll initiation, processing, checking, approval and final authorization of payroll sheets are performed by independent and responsible officers. If there are no adequate segregation of duties, payroll controls can be easily compromised resulting into financial losses.

16.1.4 Recommendations

All payroll sheets should be reviewed, checked for arithmetical accuracy and stamped before they approved for payment of salaries.

Develop an approved detailed payroll management procedure to guide payroll preparation and ensure adequate internal controls are in-built to prevent payroll losses through errors, omissions and commissions.

16.2 Automation of payroll processes

16.2.1 Best practice

There is a computerized payroll system using well established and recognized software to provide reasonable assurance on the integrity of data processing.

The entire payroll system is fully digitized and linked to a computerized personnel database to ensure only active personnel are paid salaries and allowances.

The payroll sheets should be formally authorized by a senior responsible officer either in the computerized system or manually and retained for future reference.

All changes in the payroll approved by a senior responsible officer with a written authorization to that effect.

16.2.2 Observations

The FGS uses the SFMIS for processing payroll. However, there are still manual payroll procedures that are performed outside SFMIS for the SPF. Thus, the payroll system is not fully automated as there are still some manual procedures performed outside SFMIS.

Preparation of payrolls is not directly linked to a computerized personnel database as none currently exists.

The payroll of the previous month is rolled forward, and updated with new changes using spreadsheets.

16.2.3 Risks

Errors, omissions and commissions are likely to occur where payroll processing is fully automated.

In the absence of regular payroll audits, payroll irregularities may take longer to be detected and corrected.

16.2.4 Recommendation

Preparation of the payroll should be fully automated and linked to a computerized personnel database.

16.3 Means by which salaries are paid to SPF personnel

16.3.1 Best practice

All salaries and allowances are paid directly to bank accounts of SPF personnel.

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Payment of salaries and allowances by cash is done on exceptional circumstances after following defined and approved procedures.

16.3.2 Observations

For cash payments, developed detailed and approved procedures to be followed and monitored closely.

For all cash payments, establish procedures for independent verifications to ensure that only eligible personnel are only paid.

16.3.3 Risks

Salary payments by cash have higher risk of errors, commissions, frauds, waste and abuse.

Furthermore, salaries and allowances may be paid to those who are not entitled, or diverted to private use

16.3.4 Recommendations

All salary payments to be made directly to bank accounts of personnel.

For cash payments, developed detailed and approved procedures to be followed and monitored closely.

For all cash payments, establish procedures for independent verifications to ensure that only eligible personnel are only paid.

17 SPF - MANAGEMENT OF FOOD SUPPLIES, FUELS & OTHERS

17.1 Adequacy of management of food supplies to the SPF

17.1.1 Best practice

Management of food supplies in security sector institutions, in particular for the personnel of the Somali Police Force, is crucial for peace and stability.

Personnel of the Somalia Police Force require secure, adequate and reasonable system of food supplies to enable personnel to focus on security of the nation and safety of the population.

There are provisions either in the law or regulations for food entitlements which provides basis for budget purposes, food management and control purposes.

Food entitlements are often provided for in the law, regulations or some directives from much higher authorities.

There is an approved food quality management policy and procedures to ensure approved quantity and quality is distributed to military personnel in a timely manner.

17.1.2 Observation – Monthly deduction of - US \$ 6.00

During the audit, we noted that monthly deductions of US \$6.00 are made from each SPF personnel for supporting orphans of ex-SPF personnel and for supporting new graduates of the SPF.

The above deductions are made through the SFMIS managed by the Ministry of Finance. We did not see any law or regulation authorizing these deductions.

Further, there were insufficient documentation provided to confirm payments relating to these deductions to the orphans and new SPF graduates.

17.1.3 Observation – Monthly allowance deductions – US \$ 53,613.00

During the audit, we noted additional monthly deductions of US \$ 53,613.00 based on rank of each SPF personnel for supporting orphans of ex-SPF personnel and for supporting new graduates of the SPF. This is limited to personnel falling between ranks of “one star to general”.

The above deductions are made through the SFMIS managed by the Ministry of Finance. We did not see any law or regulation authorizing these deductions.

Further, there were insufficient documentation provided to confirm payments relating to these deductions to the orphans and new SPF graduates.

17.1.4 Risks

The monthly deductions from each SPF personnel may be illegal and irregular.

The deductions are not accounted for, and the orphans and the SPF graduates may not be getting the support.

17.1.5 Recommendations

The Ministry of Finance should stop these deductions unless there is a law and or regulation authorizing them.

The SPF should plan and ensure that there is an adequate budget for providing support to the orphans and SPF graduates.

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All payments to the orphans and SPF graduates should be fully supported and authorized.

17.2 Management of Fuel supplies

17.2.1 Best practice

Fuel management is one area of abuse in the security sector. Fuel is often diverted and sold in markets for personal gain.

There are adequate internal control procedures in the management, storage and distribution of fuel.

This is often in laid down approved procedures for storage and distribution of fuel supplies by responsible officers.

Physical verification of fuel supplies are conducted periodically, and any discrepancies are investigated and remedial taken promptly.

17.2.2 Observations

There is no documented and approved policy guidelines and procedure for management, distribution and issue of fuel supplies for the operations of Somalia Police Force.

Internal controls over the distribution and issuance of fuel supplies are weak.

17.2.3 Risks

There is a risk that fuel storage, distribution and issues are not properly managed.

Fuel losses and diversion of fuel for personal use may take long to be detected for remedial action.

The budget for fuel supplies is not under control.

17.2.4 Recommendations

Develop and implement detailed policy guidelines and procedures for the management of fuel supplies with the approval of the Ministry of Internal Security.

Conduct periodic verification of fuel supplies, and any discrepancies investigated for prompt remedial action.

17.3 Management of other non-military supplies

17.3.1 Best practice/standard

Non-military supplies include boots, uniforms, medicines etc. These could often be diverted, or sold in markets for personal gain, or used for causing insecurity.

There are adequate internal control procedures for management, storage and distribution of these non-military supplies.

Such procedures include maintenance of adequate stock records or inventories which are updated periodically.

There are regular physical verification of these items and reconciled with stock records.

17.3.2 Observations

There are no documented and approved policy guidelines and procedures for management, distribution and issue of non-military supplies for the Somalia Police Force.

There are no updated stock records (or inventory system) maintained for such items.

There was no evidence provided to indicate that there were periodic verifications of the items and reconciled with inventory records.

17.3.3 Risks

There is a risk that storage, distribution and issues of non-military supplies are not properly managed.

Losses and diversion of the items may take long to be detected for prompt remedial action.

Such supplies may be diverted for personal gain and for causing threats to the national security.

17.3.4 Recommendations

Develop detailed policy guidelines and procedures for the management of non-military supplies, and approved by the Ministry of Internal Security for implementation.

Establish an effective inventory system for recording and accounting for all movements of other non-military items.

Conduct periodic verification of other non-military supplies, update inventory records, and discrepancies investigated for prompt remedial action.

18 SPF - VEHICLE MANAGEMENT

18.1 Adequacy of procedures for vehicle management

18.1.1 Best practice

All vehicles of the SPF have log books and the vehicles are registered in the name of the SPF or Ministry of Internal Security.

There is a comprehensive and approved vehicle management policies and procedures.

All Police vehicles are recorded in the fixed asset register, either at the Ministry of Internal Security or with the Ministry of Finance if a centralized register has been established

18.1.2 Observations

During the course of our audit we noted that there were several vehicles used by the Somali Police Force but we were not provided with their logbooks to confirm ownership.

Many of the vehicles were held by different groups without adequate documentation.

The vehicles were neither in the fixed asset register nor were an inventory of them kept. Due to sensitivity of the matter, we did not conduct a comprehensive review of all police vehicles used by the SPF.

18.1.3 Risks

Internal controls over the management of and movement of military vehicles are weak.

Not all movements of military vehicles could be accounted for with reasonable certainty. Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Some of the vehicles could be diverted for private use.

18.1.4 Recommendations

There should be detailed procedures developed and approved by responsible authorities for the management of all police vehicles wherever held.

There should be a separate register of all police vehicles, preferably in a computerized system.

All police vehicles should have log books in the name of the Somalia Police Force and stored safely by a senior responsible official.

All police vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all police vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

19 SPF - ASSET MANAGEMENT

19.1 Fixed Asset Management Policy Guidelines

19.1.1 Best practice

All vehicles of the SPF have log books and the vehicles are registered in the name of the SPF or Ministry of Internal Security.

There is a comprehensive and approved vehicle management policies and procedures.

All Police vehicles are recorded in the fixed asset register, either at the Ministry of Internal Security or centralized with the Ministry of Finance.

There should be documented policy guidelines for procurement and acquisition; deployment, use and disposal of fixed assets of the Somalia Police Force.

There should be policy guidelines on how these assets are to be stored and used and their subsequent disposal.

19.1.2 Observations

There is currently no approved policy document for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current laws are silent on these matters, it is not clear who is ultimately responsible for these fixed assets of the FGS. Similarly, there is no law and regulations for the Somalia Police Force.

19.1.3 Risk

Internal controls over management of fixed assets are weakened as responsibilities are not specifically defined.

Consequently, losses of fixed assets of the SPF may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

19.1.4 Recommendations

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

The Ministry of Internal Security should take a lead in developing the policy guidelines for the management of all police assets including police vehicles for implementation.

19.2 Adequacy of fixed asset registers

19.2.1 Best practice

The main assets of the SPF comprise military and non-military items.

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The police items include but not limited to the following: - police vehicles; gunship helicopters, gunship boats etc; rifles and bullets; police communication gadgets; and other ammunitions by whatever descriptions

The non-military assets include the following: - civilian vehicles; furniture and other equipment, computers; etc.

There is in place policy guidelines for procurement and acquisition; deployment or use of these assets; their storage; and their subsequent disposal.

All police items issued to police personnel are documented and approved by a senior responsible officer.

Computerized fixed asset register are maintained and kept updated at all times.

If fixed asset registers or stock cards are maintained manually, they are comprehensive and adequate.

Each asset is assigned a unique identification number and asset records indicate responsible officer in case it has been issued out.

There are regular physical counts of assets wherever they are situated and such results of the counts are documented, reviewed and approved by a senior responsible officer.

19.2.2 Observations

There is currently no fixed asset register for SPF.

There is no evidence that fixed assets of the SPF were recently verified physically to ascertain their existence, condition, value and location among other matters.

During the audit, we were not provided with land titles for land properties occupied by the SPF.

19.2.3 Risks

Existence, location, condition, accountability and movement of fixed assets of the SPF cannot be independently confirmed.

Losses of fixed assets of the SPF may take long to be detected and recovered.

The assets of SPF could be diverted for private use.

19.2.4 Recommendations

The authorities of the SPF should establish two fixed asset registers of fixed assets, one for military items, and the other for non-military items.

The registers should clearly be distinguishable – one for military, and the other for non-military assets. Ensure particulars of all fixed assets are entered into the registers and updated on a periodic basis.

Conduct periodic physical verification of fixed assets, in particular the military and non-military assets and update respective fixed asset registers.

There is currently no fixed asset register for SPF. There is no evidence that fixed assets of the SPF were recently verified physically to ascertain their existence, condition, value and location among other matters.

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20 SPF - GENERAL FINANCIAL MANAGEMENT

20.1 All payments should be fully supported

20.1.1 The Law

Law no. 2 of the Financial Management and Government Accounts of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

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

20.1.2 Observation

There were some payments that were made during the year that were not fully supported. During the audit, based on our sampling tests, we noted that the following payments did not have adequate supporting documents: -

| No | Voucher Number/ Sub-head | Receiver | Date | Amount US \$ | Comments |
|--------------|-----------------------------|----------|------------------------------|------------------|----------------------------------|
| 1 | 2256 | Various | Jan, March, May, Sep and Oct | 60,962.50 | No adequate supporting documents |
| 2 | 2251 | Various | Jan, March, May, Sep and Oct | 9,384.00 | No adequate supporting documents |
| Total | | | | 70,346.50 | |

20.1.3 Risks

Some of the payments might have not been authorized by senior responsible officers.

Some of the payments were made for goods and services not received in accordance with specified terms.

Some of the payments might have been made by error or by commissions resulting into a financial loss to the FGS.

20.1.4 Recommendation

All payments must have adequate supporting documents, properly authorized by senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be stamped "PAID" as soon as payments have been affected to prevent their use in support of further payments.

20.2 Registration of contracts with the Office of the Auditor General

20.2.1 The Law

Law No. 2 of the Financial and Accounting Procedure of the State issued on 29 December 1971 makes it a mandatory responsibility for registering all contracts with the Magistrate of Accounts (the Office of the Auditor General).

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Article 33 states that contracts entered into on behalf of the Government and of other organs of the public administration shall require prior registration by the Office of the Auditor General.

20.2.2 Observation

A contract was awarded to Costalina Oil Terminals (COT), effective from April 2018 for fuel supply costing **US \$41,250** per month. The total contract value is **US \$495,000**. There was another contract with ICRC for **US \$905,340** that was not registered.

The total value of the 2 contracts is therefore **US \$ 1,400,340** that was not registered with the Office of the Auditor General. Details are in the report below: -

| No | Contracting parties | Duration | Amount US \$ | Comments |
|----|--|--------------------------|---------------------|-----------------------------------|
| 1 | Somali Police Force and Costalina Oil Terminals (COT), | 1 year from May 2018 | 495,000.00 | Contract not registered with OAGS |
| 2 | ICRC and Madina Hospital (Community Board) | 1 year from January 2018 | 905,340.00 | Contract not registered with OAGS |
| | Total | | 1,400,340.00 | |

20.2.3 Risk

These contracts could escape the attention of the Auditor General when conducting his audits of the SPF since the contracts were not registered with the OAG.

20.2.4 Recommendation

All contracts are to be registered with the Office of the Auditor General in accordance with the law, and to enable the Auditor General to conduct audits of and report on them.

20.3 Internal re-allocation of funds – US \$ 276,682.00

20.3.1 The Law

Law no. 2 of the Financial Management and Government Accounts of 29 December 1961 Article 16 states during the financial year if it becomes necessary to use budget provided for sub-head to be used for another that change shall be processed in accordance with the law no. 317 of 17 December 1962.

Article 6 (a) requires that if a government agency needs to transfer funds to one head to another, he/she shall go through the legal process by officially writing to the Ministry of Finance and if the minister of finance approves, then funds must be re-allocated before payments are affected.

20.3.2 Observations

Disbursements to SPF personnel and for other travels were affected and charged directly to the codes without formal re-allocation of funds.

For some disbursements, there were no adequate supporting documents. This was illegal as both in law and in procedures followed.

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During the audit we noted that such expenses were paid inconsistent with the law.

| No. | Original sub-head | Used for | Date | Amount US \$ | Comments |
|-----|-------------------|--|----------------------------|-------------------|---|
| 1 | 2251 and 2256 | Allowances, general services, rent, repair, office equipment and travel expense. | Jan, Mar, May, Sep and Oct | 276,682.00 | There are no enough supporting documents and was used illegally for another purpose |

20.3.3 Risks

Internal re-allocation of funds without following appropriate procedures and obtaining necessary approvals is a violation of the law, and could be abused and result into losses of public funds.

Some expenditure codes are misstated as reported actual expenditures are incorrectly stated. This affects future budgeting process as reported actual expenditures of the previous periods are not properly stated.

Payments without adequate supporting documents could result into loss of public funds.

20.3.4 Recommendations

All internal re-allocation of funds without following laid down procedures and obtaining necessary approvals should stop.

Strong budgetary procedures should be put in SFMIS to prevent internal re-allocation of funds which have not been authorized.

20.4 Regularity of internal audits

20.4.1 Best practice

There are regular internal audits conducted and reports produced.

There are regular follow-up to ensure recommendations are implemented.

20.4.2 Observations

During the annual audit of the SPF in 2018, it was noted that the SPF neither has an internal audit unit or function nor were periodic internal audits conducted during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

20.4.3 Risks

Without regular internal audits conducted in the SPF, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

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Without periodic internal audits conducted in the SPF, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized and eliminated.

Therefore, financial losses arising from errors, omissions, commissions in the SPF may take long to be detected for prompt remedial action.

20.4.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the SPF.

In the meantime, take necessary steps to ensure periodic internal audits of the SPF are conducted. Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and SPF policies.

There should be regular internal audits conducted and reports produced. There should be regular follow-up to ensure recommendations are implemented.

20.5 Adequacy of Commitment Controls

20.5.1 Best practice

There are strong commitment controls to prevent expenditure payment arrears.

All commitments of funds are based on available funds, and where SFMIS is in use, no commitments are made outside the SFMIS.

Where commitment controls are weak or non-existent, expenditure payment arrears are likely to arise because of limited resources.

If there are expenditure arrears, periodic surveys are undertaken, arrears are collated periodically (preferably on a quarterly basis), monitored and reported periodically.

20.5.2 Observations

The FGS uses Somali Financial Management Information System (SFMIS) as its computerized public financial management system.

Some commitments of funds in the SPF are made outside SFMIS by way of issuing contracts and orders for supply of goods and services.

The SPF could not provide a list of outstanding commitments and a list of unpaid invoices by the year end.

There was no evidence that SPF conducts surveys of outstanding commitments and arrears on a periodic basis.

20.5.3 Risks

There is a risk that the SPF has a stock of arrears and or outstanding commitments that are not being closely monitored and disclosed in the financial statements or reported.

The financial statements of the SPF may not show a true and fair position and results when prepared.

20.5.4 Recommendations

No commitment of funds should be made outside the SFMIS.

Establish strong commitments controls in the SFMIS and ensure all commitments are entered into SFMIS promptly.

Ensure all commitment of funds should be made against available funds in the SFMIS, and no commitments should be made without available funds.

Conduct regular stock take of outstanding commitments (preferably on a quarterly basis), monitor them to ensure no further build up, and develop a plan to clear them by the end of each financial year.

20.6 Payments to ex-SPF Personnel

20.6.1 Best practice

Ex-employees without valid contracts for employment or for supply of goods of services should not be paid.

20.6.2 Observations

We noted that there were several ex-SPF personnel who were paid regularly for no work performed after they ceased employment. The ex-employees neither had any valid contracts for employment nor contract to supply goods and services to the SPF.

The payments were made from sub-heads for special operational services, health and hygiene. Such payments were charged directly to the sub-heads from which funds were obtained.

The monthly payments ranged from US \$ 1,000 to US \$ 1,500 per recipient.

20.6.3 Risks

This is wasteful expenditure, and misuse of public funds, and violation of laws and regulations for public finance.

Funds allocated for health of the SPF personnel; national security and public safety have been diverted to private use.

Actual expenditures under the sub-heads for special operational services, health and hygiene may be overstated by the amounts diverted for paying ex-employees.

20.6.4 Recommendations

Immediately cease payment to all ex-employees who have no valid contracts with the SPF.

Strengthen internal audits in the SPF in order to strengthen internal controls and prevent misuse of public funds.

20.7 Revenue Collections by Criminal Investigation Directorate

20.7.1 The Law

Law No. 317 of the Regulation for the Accounts of the State issued on 27 December 1962 Article 34 states that between the time of receipt and the time of payment to the cashier no public money shall be made use of whatsoever, nor shall any officer, advance or lend any sum for which he/she is answerable to the State and Article 46 states that ordering and issue of all receipt books shall be under the control of the Accountant General.

20.7.2 Observations

The Criminal Investigations Directorate was observed to have collected revenues amounting to **US \$ 577,014.00** in 2018 without using official receipts. It was reported that revenue collections were used at source without remitting to the Ministry of Finance. No accountability of this revenue was provided for our audit.

The Directorate reported it has not been receiving annual budgetary allocations from the SPF for its operations, and have been relying on revenues collected.

20.7.3 Risks

The Directorate collected revenues without proper legal and regulatory authority; this was illegal and irregular.

Without adequate internal controls and transparent accountability for use of these funds, revenues might be diverted for private use and may take long to be detected.

20.7.4 Recommendations

Regularize revenue collections through a law and or regulation and transfer the responsibility to the Ministry of Finance.

Provide adequate operational budget for the Directorate, create a specific sub-head for the Directorate under the SPF budget head, and ensure adequate funds are made available on a timely basis.

NATIONAL INTELLIGENCE SECURITY AGENCY - NISA

21 NISA - FINANCIAL REPORTING

21.1 No annual accounts submitted for audit for FY 2018

21.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) “Regulation for the Accounts of the State 317” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

21.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Security Agency, as required by the law to submit accounts for the year ended 31 December 2018, considering the relevance of Parliament, to-date the annual accounts for the FY of 2018 has not yet submitted to the Auditor General for audit.

21.1.3 Risks

NISA has not complied with the law. Without audited accounts of NISA within the statutory timelines, parliament may not be able to exercise its financial oversight of the Agency in a timely manner.

Furthermore, NISA may fail in its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

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21.1.4 Recommendations

The Agency should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Agency, and submit for audit as required by Article 41 of the law.

22 NISA - LEGAL AND REGULATORY ASPECTS

22.1 Laws and regulations for the National Intelligence Security Agency

22.1.1 Best practice

There is a specific law and regulations for the National Intelligence Security Agency (NISA) of the Federal Government of Somalia.

The law and regulations specify the mandate and responsibilities of the army, the command structure of the army among other matters.

There are written policies and regulations for management of personnel of NISA, defining personnel management of the Agency, salaries, allowances and entitlements and discipline among others.

22.1.2 The Provisional Constitution

Article 126 (1) of the Provisional Constitution states that ***“The Federal Government shall guarantee the peace, sovereignty and national security of the Federal Republic of Somalia and the safety of its people through its security services,”*** including:

- (a) The armed forces;
- (b) The intelligence services;**
- (c) The police force; and
- (d) The prison forces.

Article 126 (2) of the Provisional Constitution states further that: ***“The deployment of the security forces shall be determined by law”***.

Article 130 of the Constitution on Security Agencies Laws states that: ***“The two Houses of the Parliament shall enact a law governing the structure, functions and levels of the security agencies of the Federal Republic of Somalia”***.

Further, **Schedule one (D)** of the Provisional Constitution identified priority laws to be enacted in the first term of the federal parliament as: -

- **(15) A law in terms of Article 130, concerning the security forces;**
- (17) A law in terms of Article 130, regulating the structure and functions of the federal police;
- (18) A law in terms of Article 130, regulating the relationships between the federal police service and the police services of the Federal Member States;

22.1.3 Observations

There is an outdated law under which the National Intelligence Security Agency. The law was enacted when Somalia was a unitary state.

According to the Provisional Constitution, NISA is required to operate under a new law for intelligence services.

There is no law and regulations defining formally the structure and functions of NISA.

22.1.4 Risks

Recruitment, deployment and management of personnel of the NISA are being performed without any laws and regulations specifically for the intelligence agency.

NISA might be operating unconstitutionally.

22.1.5 Recommendations

Parliament should take appropriate steps to enact laws and regulation for formally establishing the National Intelligence Security Agency in accordance with Article 130 of the Provisional Constitution.

The law should regulate the mandate, structure and functions of the National Intelligence Security Agency in accordance with Article 130 of the Provisional Constitution.

23 NISA - VEHICLE MANAGEMENT

23.1 Adequacy of procedures for vehicle management

23.1.1 Best practice

All vehicles of the NISA have log books and vehicles are in the names of NISA.

There are documented and approved policies and procedures for management of vehicles.

All vehicles are recorded in the in the fixed asset register, either at the line-ministry or with the Ministry of Finance if a centralized register has been established

23.1.2 Observations

During the course of our audit we noted that there are several vehicles used by the National Intelligence Security Agency but there were no log books made available to inspect to confirm ownership to the vehicles.

Due to sensitivity of the matter, we did not conduct a comprehensive review of all vehicles used by the NISA.

23.1.3 Risks

Internal controls over the management of and movement of NISA vehicles are weak. Not all vehicle movements could be accounted for with reasonable certainty.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Some of the vehicles could be diverted for private use..

23.1.4 Recommendations

Develop detailed procedures for the management of all NISA vehicles wherever held.

All NISA vehicles should have log books in the name of the Security Agency and stored safely by a senior responsible official.

All NISA vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all NISA vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

24 NISA - ASSET MANAGEMENT

24.1 Fixed Asset Management Policy Guidelines

24.1.1 Best practice

There are documented policy guidelines and procedures for procurement acquisition; deployment, use and disposal of fixed assets of the National Intelligence Security Agency.

24.1.2 Observations

There is currently no record for asset in NISAo.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current laws are silent on these matters, it is not clear who is ultimately responsible for these fixed assets of the FGS.

24.1.3 Risks

Internal controls over management of fixed assets are weakened as responsibilities are not specifically defined.

Consequently, losses of fixed assets of NISA may take long to be detected for prompt remedial action.

Assets of NISA may be diverted for private use.

24.1.4 Recommendations

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

Ministry of Internal Security should take a lead in developing the policy guidelines for the management of all NISA assets including vehicles.

24.2 Adequacy of fixed asset registers

24.2.1 Best practice

The assets of the NISA comprise military and non-military items.

These items include but not limited to the following: - vehicles; gunship helicopters, gunship boats etc; rifles and bullets; communication gadgets; and other ammunitions by whatever descriptions.

The non-military assets include the following: - civilian vehicles; furniture and other equipment, computers; etc.

Policy guidelines and procedures are in place for acquisition; deployment or use of these assets; storage; and their subsequent disposal.

All items issued to NISA personnel are documented and approved by a senior responsible officer.

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There is a computerized fixed asset register in place and updated on time. If fixed asset registers or stock cards are maintained manually, they are comprehensive and adequate.

All fixed assets are assigned unique identification numbers and asset records indicate responsible officers where they have been issued out.

There are regular physical counts of assets conducted wherever they are situated and such results of the counts are documented, reviewed and approved by a senior responsible officer.

24.2.2 Observations

There is currently no fixed asset register of the Agency.

There is no evidence that fixed assets were recently verified physically to ascertain their existence, condition, value and location among other matters.

24.2.3 Risks

Existence, location, condition, accountability and movement of fixed assets assigned to NISA cannot be independently confirmed.

Losses of fixed assets may take long to be detected and recovered.

24.2.4 Recommendations

The authorities of the NISA should establish a fixed asset register. Ensure particulars of all fixed assets are entered into the fixed asset register and updated on a periodic basis.

Conduct periodic physical verification of fixed assets and update the fixed asset register.

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25 NISA - GENERAL FINANCIAL MANAGEMENT

25.1 All payments should be fully supported

25.1.1 The Law

Law no. 2 of the Financial Management and Government Accounts of 29 December 1961 Article 24 obligate that every payment shall have supporting documents attached to payment request to justify the payment.

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

25.1.2 Observation

There were some payments that were made during the year that were not fully supported amounting to **US \$ 3,473,247.00**. They include the following: -

| TNo | Voucher/ Sub-head | Recipients | Months | Total amount US \$ | Comments |
|--------------|----------------------|---------------|---------|---------------------|---------------------------------|
| 1 | 2211 | Not indicated | Jan-Nov | 19,327.00 | Inadequate supporting documents |
| 2 | 2213 | Not indicated | Jan-Nov | 20,163.00 | Inadequate supporting documents |
| 3 | 2215 | Not indicated | Jan-Nov | 76,802.00 | Inadequate supporting documents |
| 4 | 2256 | Not indicated | Jan-Nov | 3,356,955.00 | Inadequate supporting documents |
| Total | | | | 3,473,247.00 | |

25.1.3 Risks

There is a risk that some of the payments were not authorized by senior responsible officers, or that payments were made for goods and services not received in accordance with specified terms or that some of the payments have been made by error, omission, or commissions resulting into a financial loss to the FGS.

Payments without adequate supporting documents could result into loss of public funds.

25.1.4 Recommendations

All payments must be based on adequate supporting documents, are properly authorized by senior responsible officers for goods and services received in accordance specified terms.

All payment documents should be cancelled as soon as payments have been affected to prevent their use in support of further payments.

25.2 Regularity of internal audits

25.2.1 Best practice

There are regular internal audits conducted and reports produced.

There are regular follow-up of audits to ensure recommendations are implemented.

25.2.2 Observations

During the annual audit of the NISA, it was noted that the NISA neither has an internal audit unit or function nor were periodic internal audits conducted during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

25.2.3 Risks

Without regular internal audits conducted in the NISA, there is a risk that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized and eliminated.

Therefore, financial losses arising from errors, omissions, commissions may take long to be detected for prompt remedial action.

25.2.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the NISA.

In the meantime, take necessary steps to ensure periodic internal audits of the NISA are conducted. Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and NISA policies.

25.3 Adequacy of Commitment Controls

25.3.1 Best practice

There are strong commitment controls to prevent expenditure payment arrears.

All commitments of funds are only made against available funds, and where SFMIS is in use, no commitments are made outside the SFMIS.

If commitment controls are weak or non-existent, expenditure payment arrears are likely to arise because of limited resources.

If there are expenditure arrears, these are collated periodically (preferably on a quarterly basis) after surveys have been conducted, monitored and reported periodically.

25.3.2 Observations

Some commitments of funds are made outside SFMIS by way of issuing contracts and purchase orders for supply of goods and services.

NISA did not provide a list of outstanding commitments and a list of unpaid invoices by the year end.

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There was no evidence that NISA conducts surveys of outstanding commitments and arrears on a periodic basis.

25.3.3 Risks

There is a risk that the NISA has a stock of arrears and or outstanding commitments that are not being closely monitored and disclosed in the financial statements or reported.

The financial statements of the Agency may not show a true and fair position and results when prepared.

25.3.4 Recommendations

Establish strong commitments controls in the SFMIS. Ensure no commitments are made outside the SFMIS.

Ensure all commitments of funds are made only against available funds in the SFMIS.

Conduct regular surveys of outstanding commitments (preferably on a quarterly basis), monitor them to ensure no further build up, and develop a plan to clear them by the end of each financial year.

IMMIGRATION & NATURALIZATION DIRECTORATE - IND

26 IND - FINANCIAL REPORTING

26.1 No annual accounts submitted for audit for FY 2018

26.1.1 The Law

The current law is no. 2 of 29 December 1961 “Financial & Accounting Procedure of the State”. Annual accounts of the State are described in Article 25 of the law.

Article 26 requires the accounts of the State to be submitted for audit by 30 April of the year following that to which the annual accounts relate.

Article 30 of the law mandates the Accountant General to manage the accounts of the State. Article 37 of the law requires every officer or agent managing public finances of the State to render accounts and submit to the Accountant General as stipulated in Article 39.

The Accountant General is then required by Article 40 to submit the accounts, with or without comments, to the Auditor General for audit. This is further strengthened by Article 7 (a) and (b) of the “Regulation for the Accounts of the State 317” which was amended in 1971.

Article 41(1) of the law requires the Accountant General, where an account has not been prepared and submitted, to prepare the accounts in an **ex-officio** position, and submit to the Auditor General for audit.

26.1.2 Observations

The minimum annual accounts, based on cash-basis of accounting, comprise the following: -

- i. Statement of Receipts and Payments
- ii. Statement of Comparison of Budget and Actual Amounts;
- iii. Reconciliation of opening and closing bank and cash balances,
- iv. Statement of Cash Flows
- v. Comprehensive accounting policies and detailed explanatory and disclosure notes.

The Immigration and Naturalization Directorate, as as required by the law to submit accounts for the year ended 31 December 2018, considering the relevance of Parliament, to-date the annual accounts for the FY of 2018 is yet to be submitted to the Office of the Auditor General for audit.

26.1.3 Risks

IND has not complied with the law. Without audited accounts of the Directorate within the statutory timelines, parliament may not be able to exercise its financial oversight of the Directorate in a timely manner.

Furthermore, IND may fail in its responsibility of being accountable and transparent in the management of public finances. Thus, any weaknesses in the management of public finances, including any financial losses may not be detected for timely and appropriate action.

26.1.4 Recommendations

The Directorate should prepare a complete set of accounts for the FY 2018, fully reconciled and submit for audit.

Alternatively, the Accountant General should prepare the accounts of the Directorate, and submit for audit as required by Article 41 of the law.

27 IND - LEGAL AND REGULATORY ASPECTS

27.1 Laws and regulations for the Immigration & Naturalization Directorate

27.1.1 The Provisional Constitution

There is a specific law and regulations for the Immigration & Naturalization Directorate (IND) for the Federal Government of Somalia.

The law and regulations specify the mandate and responsibilities of the IND, organization structure, management, oversight and staffing requirements among other matters.

There are written policies and regulations for management of personnel of the Directorate, and it includes personnel management of the Directorate, salaries, allowances and entitlements, discipline etc

27.1.2 Observations

There is no law for the Immigration & Naturalization Directorate following the promulgation of the Provisional Constitution.

The IND operates under an old law for immigration services before the Provisional Constitution was promulgated.

There is no law and regulations defining formally management structure and functions of the Directorate.

27.1.3 Risks

Recruitment, deployment and management of personnel of the Directorate are being performed with old law.

27.1.4 Recommendations

Parliament should take appropriate steps to enact a new law and regulation for the Immigration & Naturalization Directorate.

28 IND- VEHICLE MANAGEMENT

28.1 Adequacy of procedures for vehicle management

28.1.1 Best practice

All vehicles of the IND have log books and vehicles are in the names of IND.

There are documented and approved policies and procedures for management of vehicles.

All vehicles are recorded in the in the fixed asset register, either at the line with the Agency or with the Ministry of Finance if a centralized register.

28.1.2 Observation

During the course of our audit we noted that there are several vehicles used by the Immigration & Naturalization Directorate but there were no log books made available to inspect to confirm ownership to the vehicles.

28.1.3 Risks

Internal controls over the management of and movement of IND vehicles are weak. Not all vehicle movements could be accounted for with reasonable certainty.

Losses of vehicles through omissions and commissions, resulting into financial losses, may take long to be detected and recovered.

Some of the vehicles could be diverted for private use.

28.1.4 Recommendations

Develop detailed procedures for the management of all IND vehicles wherever held.

All IND vehicles should have log books in the name of the IND and stored safely by a senior responsible official.

All IND vehicles should be recorded in a fixed asset register with details such as type of the vehicle, vehicle model, registration number, chassis number, location, value and responsible officer among other details.

Conduct periodic physical verification of all IND vehicles to ascertain existence, condition, and usage among others. The fixed asset register should be updated with the results of the counts.

29 IND - ASSET MANAGEMENT

29.1 Fixed Asset Management Policy Guidelines

29.1.1 Best practice

There are documented policy guidelines and procedures for acquisition; storage, use and disposal of fixed assets of the Immigration & Naturalization Directorate.

All fixed assets are recorded in a fixed asset register, preferably in a computerized system.

29.1.2 Observation

There is currently no approved policy document for asset management for the Directorate.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current laws are silent on these matters, it is not clear who is ultimately responsible for these fixed assets of the FGS.

29.1.3 Risks

Internal controls over management of fixed assets are weakened as responsibilities are not specifically defined.

Consequently, losses of fixed assets of the Directorate may take long to be detected for prompt remedial action.

Assets may be diverted for private and personal use.

29.1.4 Recommendation

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

The Ministry of Internal Security should take a lead in developing the policy guidelines for the management of all assets of the Directorate.

29.2 Adequacy of fixed asset register

29.2.1 Best practice

The fixed assets of the Directorate include but not limited to the following: - vehicles, buildings, office furniture, and computers among others.

Proper records for all assets of the Directorate should be maintained and kept up to-date at all times.

It is preferable that there is a computerized fixed asset register put in place. If fixed asset registers or stock cards are maintained manually for all assets should be comprehensive and adequate.

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Each asset should be assigned a unique identification number and asset records should indicate responsible officer in case it has been issued out.

There should be regular physical count of assets wherever they are situated and such results of the counts should be documented, reviewed and approved by a senior responsible officer.

29.2.2 Observations

There is currently no approved policy document for asset management in the FGS.

A fixed asset management policy would assign management responsibility over the assets, require establishment of a fixed asset registers, define how the assets are to be recorded and reported on, how the assets are to be monitored, and how they might be disposed among other matters.

As the current laws are silent on these matters, it is not clear who is ultimately responsible for these fixed assets of the FGS.

29.2.3 Risks

Existence, location, condition, accountability and movement of fixed assets assigned to staff of the Directorate cannot be independently confirmed.

Losses of fixed assets may take long to be detected and recovered. The assets of the Directorate could be diverted for private use.

29.2.4 Recommendations

The authorities of the Directorate should take appropriate steps to establish a fixed asset register. Ensure particulars of all fixed assets are entered into the fixed asset register and updated on a periodic basis.

Conduct periodic physical verification of fixed assets and update the fixed asset register.

30 IND - GENERAL FINANCIAL MANAGEMENT

30.1 Regularity of internal audits

30.1.1 Best practice

There are regular internal audits conducted and reports produced.

There are regular follow-up on audits to ensure recommendations are implemented.

30.1.2 Observations

During the annual audit of the Directorate, it was noted that the Directorate neither has an internal audit unit or function nor were periodic internal audits conducted during the year.

There is no law for formal establishment of internal audit units in the FGS although there are proposals in the Public Finance Management Bill for establishing internal audit functions.

30.1.3 Risks

Without regular internal audits conducted, there is a risk of that non-compliance with laws, regulations, procedures and policies may take long to be detected and remedial action taken in a timely manner.

Without periodic internal audits conducted, there is no assurance that internal controls for financial management and accountability are strong and effective to ensure that financial losses are minimized and eliminated.

Therefore, financial losses arising from errors, omissions, commissions may take long to be detected for prompt remedial action.

30.1.4 Recommendations

The Executive and Legislative should take immediate steps to ensure that the draft Public Finance Management Bill is enacted into law with adequate provisions for the establishment of effective internal audit functions across the FGS including in the IND.

In the meantime, take necessary steps to ensure periodic internal audits of the Directorate are conducted. Such audits should aim at strengthening internal controls, and to ensure compliance with laws, regulations and policies of the Directorate.