Transmittal letter

OFFICE OF THE AUDITOR GENERAL JUBBALAND STATE OF SOMALIA

12th January 2022.

Speaker of State Parliament

Jubbaland State of Somalia Kismayu, Somalia

Honourable Speaker of Parliament,

In accordance with Section 32(3) of the PFM Act 2017 and Sections 30, 32 and 33 of the Audit Act 2016 of Jubbaland State of Somalia (JSS), I have the pleasure to submit my report on the accounts of Jubbaland State of Somalia for the financial year ended 31th December 2019 for tabling in the State Parliament.

Yours Sincerely,

Bashir Mohamed Bahale
Auditor General
Jubbaland State of Somalia

Table of Contents

1. Acronyms

Acronym	Full Description
CPO	Commitment Payment Order
CSC	Civil Service Commission
DG	Director General
FCDO	(UK) Foreign Commonwealth and Development Office
FMIS	Financial Management Information System
FY	Financial Year
ICT	Information and Communications Technology
ID	Identity
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
JSS	Jubbaland State of Somalia
MOF	Ministry of Finance
NGO	Non-governmental Organisation
OAG	Office of the Auditor General
PFM	Public Financial Management
PREMIS	Public Resource Management in Somalia
RMS	Revenue Management System
SAI	Supreme Audit Institution
TD	Treasury Director
TSA	Treasury Single Account
UNDP	United Nations Development Program
USD	United States Dollar

2. Foreword

Over the years, under the stewardship of the late Auditor General, with the help of private sector audit firms and donor partners, the Office of the Auditor General (OAG) of Jubbaland State of Somalia (JSS) has conducted financial and compliance audits on the JSS public accounts. Areas requiring improvement continue to be identified and practical recommendations have been made based on our audit findings. Recommendations are a critical part of our audit reports. Their implementation is important to drive positive improvements in the cost-effective delivery of programmes and services for the people living in JSS.

As part of our work, we ensure that we follow up on recommendations made in past audit so that those responsible take action to put our recommendations into practice.

The OAG remains firmly committed to making positive contributions in overcoming the obstacles to prudent financial management and control. We will continue to make ourselves available and provide proactive insights into the root causes of weak internal control systems.

We would also want to acknowledge development partners, especially the PREMIS team, who have continued to show interest in the solidification of the operational competence within the Somali FMS' OAGs.

Our sincere thanks and appreciation go to all JSS -OAG staff for the continued devotion to their duties and responsibilities against all odds.

3. Executive Summary

This executive summary provides an overview of the main findings contained in this report.

3.1 The Role of OAG

Being the Supreme Audit Institution (SAI) of JSS, our constitutional mandate is to ensure that public funds are utilised lawfully and effectively towards service delivery. That is to say, we are the independent guardian institution of Jubbaland State's public purse and economic security as mentioned in Article 88 and 89 of Jubbaland Constitution and Section 7 of Audit Act 2016.

We audit and report on the stewardship provided by the Government over monies received, whether from taxpayers, donors or others, and related expenditure from these funds in a professional, ethical and transparent manner. Also, we substantiate to a reasonable level of assurance that public monies are used by the Government, in the manner approved by Parliament, through independent professional audits. We assess how and whether these funds are being clearly and accurately reported by the Government and how they are used in terms of economy, efficiency and effectiveness. We publish the audit report in the Official Gazette and make it available to Parliament in the first instance, and to the citizenry of Jubbaland State and other stakeholders within one month of the completion of audit report as required by section 32(3 and 4) of the PFM Act 2017. All of our reports are made publicly available on the OAG website.

Specifically, Section 30(6) of the Audit Act 2016 requires the AG to include in his report:

- his opinion on the truth and fairness of the consolidated and separate public accounts;
- significant findings and recommendations;
- deficiencies identified in the internal control system;
- details of essential records that have not been maintained; and
- any money that has been expended without due regard to economy or efficiency.

3.2 Opinion of The Auditor General

I have audited the consolidated financial statements of Jubbaland State of Somalia for the year ended 31 December 2019. These Financial Statements comprise the Statement of Receipts and Payments, Statement of Comparison of Budget and Actual Amounts, and notes to the financial statements including a summary of significant accounting policies and other explanatory information. This year, I have issued a qualified audit opinion. The Financial Statements were deemed to be mostly in conformity with the provisions of the PFM Act 2017 and International Public-Sector Accounting Standards (IPSAS) - Financial Reporting Under the Cash Basis of Accounting. The full Audit Opinion (with the Financial Statements) is presented in Annex 1.

It is possible that the 2019 Financial Statements, as presented, do not fairly represent the financial activities of government in three, important, areas;

(a) we noted weaknesses in payroll processes due to insufficient support documents totalling US$ 872,500; representing 7% of the total payroll payments in 2019;
(b) our audit identified expenditures totalling US$ 1,362, 330, representing 38% of total expenditure excluding payroll, reported in the Consolidated Fund Statement of Receipts and Payments which lacked adequate evidence to prove these transactions actually took place; and
(c) receipts amounting to US$ 5,185,936 representing 33% of total receipts recorded in the Consolidated Fund Statement of Receipts and Payments were not supported by appropriate supporting documents. We, therefore, could not ensure that all these receipts have been classified in the correct account heading as presented in the Financial Statements.

3.3 Summary of Audit Findings

Cash and bank

A Bank Account Procedure Manual is in place. However, it is not followed and there is a risk that bank reconciliations are not prepared properly with details such as the preparer, reviewer and approver missing on the bank reconciliation statements for all state bank accounts from the month of January 2019 to October 2019. Evidence of preparation, review and approval of bank reconciliations should be maintained by management.

It was also noted that there are 46 dormant bank accounts held with Dahabshil and Salaam Bank with zero balances that have been inactive for a sustained period of time and have not been operational. Dormant bank accounts are susceptible to fraud and misuse and these old accounts should be closed.

Receipts

Basic gaps in the collection and recording of revenues were identified. These fundamental gaps are generally as a result of weak internal control systems that affect the completeness, classification and accuracy of revenues collected and reported in the Financial Statements.

To enhance the reliability of the information presented in the financial statement with regards to amounts received from various revenue sources, a robust and a strong internal control system should be instituted and implemented. These controls would also help to ensure that the state collects all money due and that all monies collected are used for the public good.

Payments

When making payments, no matter how small or large, it is important to follow the appropriate process as set down in the relevant laws and regulations. When making payments, it is very important to retain evidence i.e., supporting documents such as: invoices, bank transfer advices, delivery notes, and contracts. Unfortunately, many of the state payments continue to be made without such (or any) supporting documentation. As highlighted in the basis of the audit opinion paragraph, 38% of non-payroll expenses were either not supported or were deemed partially supported. JSS should retain supporting documents for all financial transactions and no payments should be made without proper review of evidence to support the amount and nature of the underlying transaction.

Procurement

Over recent audits there has been no significant improvement in the state procurement process. Specifically, there is a general failure to follow procurement guidelines. Instances of breaches include but are not limited to;

- lack of competitive selection for suppliers of goods and services; and
- over-reliance on single sourcing without adequate justification.

JSS should follow the procurement guidelines in order to avoid non-compliance with the PFM Act 2017 and reduce the significant risks of fraud and theft while ensuring maximum value for money is achieved with limited state resources.

Assets

It's extremely important to maintain the assets of the state and follow the asset policy and procedures. However, most state assets are not recorded on the asset management system; and, as a result of this incomplete record, there were variances between the fixed asset register (FAR) and the capital expenditure additions as disclosed in the financial statements. This also makes it impossible to conduct a regular physical verification exercise. Without such basic controls around management of state assets, there is a critical risk that state assets are misused or misappropriated.

Recruitment

During our review, we identified that payroll costs in relation to security forces remunerations were not properly supported. We also noted that there was lack of procedures to monitor and manage employees leave days. In a number of recruitments there was no evidence that employee background checks were done.

Proper supporting documents for all payroll costs and following all guidelines in the recruitment, selection, placement and human resource management will ensure a healthy human resource function.

Budget

The budget is the backbone for all state activities. The state budget should be prepared in a more realistic manner. Where revenue targets are not achievable a supplementary budget should be prepared. The 5% provision on contingency should be actualised.

Information technology

Weaknesses were found in general computer controls, segregation of duties, access revocation, password configuration, inadequate review of administrator activities, physical security of MoF, generic user accounts among other IT related weaknesses. The state should ensure that the IT infrastructure is well managed and protected for it to serve the intended purpose.

Follow up of Prior year Audit Recommendations

During the audit we followed up all audit recommendations made in previous years. A summary of the current status of these recommendations is shown in the table below:

Status	Number of Recommendations
Implemented	0
Partly Implemented	3
Not Implemented	17
TOTAL	20

As in previous years, progress in implementing audit recommendations has been minimal. It is important that this improves going forward. To this end, MoF should implement a formal mechanism for taking appropriate corrective actions.

3.4 Conclusion

Controls in place at JSS have not improved considerably over recent years. The major areas of concern are completeness of revenue, misuse of funds, large cash payments and an incomplete asset register. In many of these areas the state has a clear and detailed legal framework; however, often these legal requirements are simply not followed. There is a need to regularly monitor compliance with these basic control procedures with consequences for repeated breaches. Internal controls over collection and recording of revenue are not implemented, payments and receipts are not fully supported and at the same time misclassified and grants from donors not reconciled. These issues create significant doubt over the disclosures made in the draft financial statements. As a result, the OAG has issued a qualified audit opinion.

4. Introduction

Citizens' confidence in public institutions can be restored through the use of scarce resources in ways that maximise value-for-money and delivering of quality results. To effectively fulfil this role, citizens also need reliable evidence on which policy instruments and programmes work, and which do not. The OAG as a public sector external auditor, performs an important function in supporting the roles of those charged with governance in public sector organisations and other stakeholders in respect of oversight, insight and foresight.

4.1 Our Mandate and Independence

Section 28(1) of the Audit Act 2016 outlines the responsibility of the OAG to audit the accounts of all public bodies of JSS. In line with the provisions of Section 32(3) of the PFM Act 2017 and Section 30(4) of the Audit Act 2016, the AG should submit the Annual Audit report to Parliament within four months after the receipt of the Financial Statements from the Minister for Finance. The Speaker shall then table all audit reports in the State Assembly within five working days after receipt as per Section 33(1) of the Audit Act 2016.

The independence of the AG is a fundamental characteristic of a well-functioning SAI that operates in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Sections 88 and 89 of the Jubbaland Constitution state that the OAG is an independent institution, the main function of which is to be the external auditor for the State. In addition, Section 7(1) of the 2016 Audit Act of Jubbaland State of Somalia deals exclusively with the independence of the Auditor-General in the discharge of his responsibilities.

4.2 Progress So Far

JSS AOG staff do not yet have the requisite experience to conduct a full financial statement audit on their own. This has necessitated the office to enlist the support of private sector audit firms over the recent years. However, JSS OAG staff have been taking on more responsibilities during the audits as they gain more experience towards technical independence.

4.3 Challenges

JSS OAG seeks to have a highly skilled professional audit staff who can deliver the legal mandate of the office with minimal support. To meet this requirement, appropriate resources should be provided to meet the operational and training needs of the office. The outbreak of COVID-19 has had a negative impact on all activities across the country. It has created consequences such as: lockdowns, social-distancing, closure of borders, disruptive changes to private businesses and fear which have affected households and economic activities. The COVID-19 pandemic has not only negatively impacted businesses, but has also considerably impeded the work of the OAG. In this 2020 financial year, a considerable number of our planned audit workshops and activities were delayed.

We believe that identifying audit issues and providing government with recommendations is only the first step. The real work begins when those responsible, take action to put our recommendations into practice. It is for this reason that a key part of our work is to follow up on recommendations made in past audits, in order to assess the progress made on our previously recommended actions. It is then for the Parliament, and other stakeholders, to help ensure that government is taking sufficient action to address audit issues identified.

4.4 Appreciation

The OAG takes this opportunity to acknowledge the dedication of our employees, partners and staff of Risk bridge, our external audit advisors from PREMIS who, through their contributions, have enabled the OAG to continue maintaining its professionalism.

Finally, a note of gratitude goes to the Parliament, Ministry of Finance and Civil Service Commission, who in one way or the other have contributed to the work of the OAG. It is with considerable pride that we present the Auditor-General's Annual Report 2019.

5. Detailed Findings – FY 2019 Audit

Further detail on all findings can be found at Annex 2 of this report

5.1 Revenue

Among other things the following weaknesses were noted with regards to revenue; incomplete information on the tax documents in relation to both the tax payers and the taxes, misclassification of taxes, single sourcing of private companies to collect some taxes on behalf of the government, conflicting information of tax collected between government records and the private companies, unexplained variations and fluctuations of taxes collected from month to month, variances between the revenue management system and the Financial Management information system, lack of proper documentation for revenues collected from the port, recording of net revenues specially for income from the port and variances between grants recorded and confirmation received from donors.

All relevant details of tax payers and tax bases should be reflected in the tax collection documents, taxes should be charged to the correct general ledger account, private tax agents should be competitively sourced to enhance value for money, proper reconciliation should be done with regards to donor money, between systems and with private entities collecting money on behalf of government.

5.2 Payments

Out of a total of $ 3,588,984 expenses tested, an amount of $1,185, 290 equivalent to 33% were deemed to be either partially or entirely unsupported. $208,809 of this amount lacked basic supporting documents such as invoices, approved vouchers and were majorly supported only with an internal letter from the Director General in MoF. These expenses lacked evidence of goods delivery or rendering of services documentation such as delivery notes, motor vehicle log sheets, timesheets or certificates of work completion.

To enhance compliance with PFM and treasury regulations, appropriate support documents be maintained for all payments. No payment should be made without adequate supporting documentation.

5.3 Procurement

Under the review of procurement, we noted the following weaknesses.

- Instances where suppliers for goods and services were engaged without being subjected to a competitive procurement process in contravention of the existing laws and regulations and with no regard to value for money.
- Instances where there were no justifications for single source procurement as required under Section 4.25.4 of the Procurement Manual for expenditure amounting to $131,220.

Ensure that competitive procurement process is fully adopted so that value for money is maximised for government expenditure. Single sourcing justification be minimal and only triggered under one-off emergency purchases.

5.4 Misclassification of expenditure

From our review of the general ledger, we noted instances where expenditure amounting to $45,820 was misclassified including instances where travel expenses was posted under fees for service providers/consultancy, communication bill posted under television and newspapers, furniture posted under information and computers, cash payments booked under local conferences.

Allocation and recording of expenses should follow the chart of accounts and the purpose and description of the expenditure being incurred. Unrelated expenditures should not be booked into incorrect account codes.

5.5 Payroll

From the review of the personnel files from the Civil Service Commission (CSC) and the payroll expenditures, we noted some weaknesses in human resource and payroll process.

- Instances of unsupported payroll expenditure relating to Security Forces Police, Intelligence & Prisons Forces as well as regular meals expenses amounting to $872,500. The payment schedule had not been signed off.
- Neither the CSC nor the respective Ministry's HR departments maintain and monitor a record of employee leave days.
- From the review of personnel files; there was no evidence of background checks on some employees before they were recruited into the different Ministries

A leave monitoring system should be set up using the newly acquired Human Resource Management Information System at the Civil Service Commission.

Background checks must always be completed prior to the offer letter being issued.

5.6 Non-current assets

We found the following deficiencies in the management of state assets:

- The fixed asset register did not report the list of additions for the year. There is a variance of $325,494 between the register and the capital expenditure additions disclosed in the Financial Statements.
- The fixed asset register did not disclose some of the State-owned assets such as land, buildings and motor vehicles; e.g. Municipality, Airport and Sea Port buildings, Roads, Infrastructure.
- In addition, we noted that some assets were not tagged at the Ministry of Finance Deputy Minister Office, Ministry of Education and the Civil Service Commission.

The asset register should be updated to include all government property both movable and immovable.

5.7 Bank and Cash

We noted that the details of the preparer, reviewer and approver are missing on the bank reconciliation statements for all state bank accounts from the month of January 2019 to October 2019. It was noted that MoF started implementation of previous audit recommendations around proper preparation of bank reconciliations from November 2019 onwards.

We have also noted that there were 46 bank accounts held with Dahabshil and Salaam Bank with zero balances that have been inactive for a sustained period of time and have not been operational.

Evidence of preparation, review and approval of bank reconciliations should be maintained by management.

All dormant bank accounts should be reviewed and closed if no longer in use.

5.8 Budget

In contravention of sections 10 and 12 of the PFM Act, FY 2019 budget estimates for both revenue and expenditure have been missed by 48%. This puts doubts on the both the reliability and the reasonableness of the parameters used in budget preparation process.

In addition, we noted the 5% contingency fund as specified under Section 14 of the PFM was not actualized and set in the budget forecast.

The annual budget should be subject to review and any over or under forecast of the financial performance adjusted in the July supplementary review.

The 5% of the budget be set as contingency and any contingency activities funded from this reserve. Contingencies should not to be paid from other approved parts of the budget.

5.9 IT General and Application Controls

The following IT related weaknesses were identified:

- from the review of the payment process and payment sample documents, we noted payments worth US$60,425which were processed on duplicate FMIS cheques, contrary to the process controls of using a unique cheque for each payment;
- lack of interphase between budget, revenue and reporting system;
- some users created in the system could not be traced to the official employee records provided by HR;
- the names of some employees created in the system did not exactly match with the names listed in the official HR records;
- there was a duplicated user ID in the Asset Management System;

- weak segregation of duties in FMIS; we observed a data entry user who managed to pass a transaction and approve it using an approver's username as he had login credentials for both user profiles;
- gaps in the FMIS access revocation of staff leaving Jubbaland State of Somalia; We noted a specific user, whose last day was 14 February 2019 was still active in FMIS for 10 days up to 24 February 2019. The user was able to pass 307 transactions valued at USD 911,266;
- weak password configuration controls for FMIS, RMS, AMS and BPM;
- inadequate review of administrator activities in FMIS;
- weaknesses in physical security at MoF premises;
- generic user accounts e.g. Admin (RMS, BPM, FMIS and AMS), Premis, Crystal, mamba and root (AMS);
- inadequately documented Information Security Policies;
- lack of IT Security awareness training;
- lack of formal change management policy;
- lack of adoption of system development and acquisition policy;
- lack of an IT Disaster Recovery and Business Continuity Plan; and
- lack of implementation of a formalised backup strategy.

The state should ensure that the IT infrastructure is well managed and protected for it to serve it's intended purpose.

5.10 Follow Up of FY 2018 Audit Recommendations

During the audit, we followed up all audit recommendations made in previous years and noted that, out of 20 recommendations provided by OAG. only 3 recommendations were partially implemented.

A formal system should be put in place to ensure that there is a proper plan to ensure that these recommendations are implemented as planned and that progress is monitored by Senior Management at MoF.

Annex 1 – Jubbaland State of Somalia (JSS) Audited Consolidated Financial Statements for the Period Ended 31 December 2019 and the accompanying auditor's report

riskbridge
Audit - Tax - Consulting

DOWLAD GOBOLEEDKA
JUBBALAND EE SOOMAALIYEED
Xafiiska Hanti-dhowrka Guud

JUBALAND STATE OF SOMALIA
Office of the Auditor General

دولة أقليم جوبالاند الصومالية
مكتب المراجع العام

JUBBALAND STATE OF SOMALIA (JSS)

INDEPENDENT AUDITORS' REPORT ON THE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

GLOSSARY OF TERMS

FGS	Federal Government of Somalia
FY	Financial Year
IPSAS	International Public Sector Accounting Standards (IPSAS)
ISSAI	International Standards of Supreme Audit Institutions
JSS	Jubbaland State of Somalia
MoF	Ministry of Finance
US$	United States Dollar

TABLE OF CONTENTS

1.0 STATEMENT OF RESPONSIBILITY OF THE MINISTRY OF FINANCE

The Public Financial Management (PFM) Act 2017 of Jubbaland State of Somalia requires Ministry of Finance (The Ministry) to prepare Consolidated Fund Statement of Receipts and Payments for each financial year that recognises all cash receipts and payments and cash balances controlled by the State. The State is required to maintain proper accounting records that are sufficient to show and explain the transactions of the State and disclose, with reasonable accuracy, the financial position of the State. The State is also responsible for safeguarding the assets of the State and for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The Ministry accepts responsibility for the preparation and presentation of these Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS) - Financial Reporting Under the Cash Basis of Accounting 2017 and in the manner required by the Public Financial Management Act, 2017 of Jubbaland State of Somalia. The Ministry also accepts responsibility for:

i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Consolidated Financial Statements;
ii) Selecting and applying appropriate accounting policies; and
iii) Making accounting estimates and judgments that are reasonable in the circumstances.

Having assessed the State's ability to continue as a going concern, the Management is not aware of any material uncertainties related to events or conditions that may cast doubt upon the State's ability to continue as going concern.

The Management acknowledges that the independent audit of the Consolidated Financial Statements does not relieve them of their responsibilities.

.

Approved by Jubbaland State of Somalia (JSS) on 2021 and signed on their behalf by;

....

Minister for Finance Signature

Certified Public Accountants of Kenya (CPAK)
13th Floor, Landmark Plaza, Arwings Kodhek Road
Upper Hill, Nairobi
P.O Box 856-006006, Nairobi, Kenya.
Tel: +254723608079
Email: info@riskbridgcpa.com
www.riskbridgeglobal.com

2.0 INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.1 Independent Auditors' Opinion

Modified Opinion

We have audited the financial statements of the Jubbaland State of Somalia which comprise the Consolidated Fund Statement of Receipts and Payments, the Consolidated Fund Statement of Comparison of Budget and Actual amounts, and Government Financial Statistic (GFS) Statement of Operation for the year ended 31 December 2019 and Notes to the Financial Statements including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Modified Opinion section of our report the financial statements presents fairly, in all material respects, the financial position of the Jubbaland State of Somalia as at 31 December 2019 and its financial performance for the period then ended in accordance with the Public Financial Management Act, 2017 and the International Public-Sector Accounting Standards (IPSAS) - Financial Reporting Under the Cash Basis of Accounting, 2017.

Basis for Modified Opinion

We identified the following material misstatements in the course of the audit conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI):

- We noted weaknesses in payroll processes due to insufficient support documents totaling US$ 872,500; representing 7% of the total payroll payments in 2019;
- Our audit identified expenditures totaling US$ 1,362, 330 representing 38% of total expenditure, excluding payroll, reported in the Consolidated Fund Statement of Receipts and Payments which lacked adequate evidence of occurrence of transactions; and
- Revenue/receipts amounting to US$ 5,185,936 representing 33% of total receipts recorded in the Consolidated Fund Statement of Receipts and Payments were not supported by appropriate support documents such as port traffic, gross revenue report, total expenditure net off against the declared revenue, as well as fluctuations/deep curves of

the local tax collection on a month by month basis. We, therefore, could not ascertain the completeness of the recorded revenue by JSS in the financial year, 2019.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial report* section of our report.

We are independent of Jubbaland State of Somalia in accordance with the ethical requirements that are relevant to our audit of the financial report and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion.

Going concern

The consolidated financial statements have been prepared using the going concern basis of accounting. Based on the audit evidence we have obtained, there have been no material uncertainty exists related to events or conditions that may cast significant doubt on the JSS's ability to continue as a going concern.

Other information

The Ministry of Finance is responsible for the other information. Other information comprises the information included in the Annual Report but does not include the Consolidated Fund Statement of Receipt and Payments and our auditor's report thereon.
Our opinion on the Consolidated Fund Statement of Receipt and Payments does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Fund Statement of Receipt and Payments, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Fund Statement of Receipt and Payments or our knowledge obtained in the audit, or otherwise appears to be materially misstated . If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information: we are required to report that fact. We have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in our opinion, our professional judgment, were of most significance in our audit of the Financial Statements of the period. These matters. Were addressed in the context of our Audit of Financial Statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Modified Opinion section, we've determined the matters described below to be the key audit matters to be communicated in our report:-

Weaknesses in revenue collection and recording

The revenue collection procedures undertaken by Jubbaland State of Somalia are not adequate to prevent material risk of misstatements resulting from the manual nature of the revenue collection which is susceptible to loss and misappropriation. These are attributable to the following revenue processes:-

- The Revenue Clerks collects the tax receipt books in the morning and return in the evening to the Revenue Collection Centre (RCC) for the handover of the local taxes collected for the day.Taxes collected by the different Revenue Clerks is collected via electronic voucher cash (EVC) model or in cash. This is susceptible to loss given that the process is not automated and completeness of revenue collected is based on the declaration of the Revenue Collection Officers
- The road stickers provided by Smart Technology, a private company associated with collection of revenue from provision of car stickers on behalf of MoF, do not show the duration/validity and vehicle registration number. This may lead to the same sticker being used on different vehicles or for longer periods than prescribed depriving the State the relevant taxes from car stickers.
- From the review of land income, it was noted that Jubbaland Land Authority (JLA) do not collect revenues on their own due to the absence of legislation governing land rates collection in Jubbaland. To this effect, a private company named Milestone Company was single sourced to collect revenue on behalf of JLA. The company was single sourced and there was lack of competitive market survey done during procurement to ensure Jubbaland State get value for money in procuring the company. In addtion, we noted a variance amounting to US$ 295,204 between the land income recorded under taxes from goods and services and the land income under Jubbaland Land Authority report which shows misstatement of revenue.
- The foreign exchange rate used for conversion from Somalia Shilling to US$ by both the MoF is not clearly documented and inconsistencies in how these amounts are reported which may lead to misstatement in translation of revenue from taxes.
- Under taxes from sale of goods and services, significant fluctiations were noted for taxes collected in different months. For the months of May (US$ 222,393), June (US$ 202,398), September (US$ 131,298), October (US$ 196,046) and November (US$ 114,605) reported lower tax collections which was below 50% off the mean average for the entire year.
- We noted the lack of integration and interface between the Revenue Management System (RMS) and Financial Management Information System(FMIS), which resulted to a variance between revenue recorded under both the systems amounting to US$ 7,386,051. The variance of recorded amounts between the two systems may be an indication of inaccuracy and errors in the recording of revenue collected.
- The recorded revenue by the MoF from Kismayu Port amounting to US$ 2,788,600 is not supported by the relevant supporting documents including port traffic report, number of vessels/ships docked, tonnage, number of small-sized boat arrivals. This is due to weakness in the internal controls of Kismayu Sea Port. In addition, the custom operations expenditure including administrative costs and personnel expenses has been netted off against the revenue collected. However, Kismayu Sea Port Authority does not maintain the vouchers receipts and the cashbook to support the expenditure that has been netted off. The personnel cost deducted from source by the Authority from the revenue collected relates to 11 staff working at the Custom Department.
- We noted a variance totaling to US$ 128,282: between revenue recorded by MoF for Kismayu International Airport and revenue transferred to Jubbaland State by Safari Aviation, a private company contracted to collect revenue from the Airport, as per their internal records depicting misstatement in revenue.

Weaknesses in expenditures

- Expenditure under the State are not sufficiently supported to prevent ineligible expenditure and misstatements of the financial statements. The expenditure lack proper supporting documents including evidence of goods delivered or services rendered documentation such as Delivery Note (DN), Goods Received Note (GRN), motor vehicle log sheets, timesheets and certificate of work completion.

- Expenditures such as conflict resolution and contingency expenditures are not appropriately supported; they lack user department requests and break down, liqidation plan and subsequent report back to the Ministry of Finance. These kind of expenditures are supported by the a letter from the Ministry of Finance, Director General. However, as the custodian of the government finances, the Ministry of Finance (MoF) should not have done an internal requistion instead of the user department submitting it with the required budget and subsequent liquidation return to MoF.

Responsibilities of Management and Those Charged with Governance for the financial statements

The Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the Public Financial Management Act 2017 and the International Public Sector Accounting Standard (IPSAS) - Financial Reporting under the Cash Basis of Accounting and for such internal control as the Management Committee is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Management is responsible for assessing the JSS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management intends to liquidate JSS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the government's financial reporting process.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2.0 Independent Auditors' Report (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the government's internal control.

- Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the JSS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause JSS to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

Certified Public Accountants (Kenya)

riskbridge
AUDIT • TAX • CONSULTING

Nairobi 2 June 2021

CPA Bulle Ahmed - Practising certificate No. 2055
Signing partner responsible for the independent audit.

The Office of the Auditor General (Jubbaland State of Somalia)

Kismayu **2021**

Somalia

The Office of the Auditor General (Jubbaland State of Somalia)

Kismayu 2021

Somalia

Adam Ali Mohamed. Audit Manager – Acting AG

Signature...

09-06-2021

Annex 1: Consolidated and Ministerial Financial Statements of Jubbaland State of Somalia for the year ended 31 December 2019

CONSOLIDATED & MINISTERIAL FINANCIAL STATEMENTS OF THE JUBBALAND STATE OF SOMALIA

For the Year Ended 31 December 2019

Prepared in accordance with the International Public Sector Accounting Standard (IPSAS) - Financial Reporting Under the Cash Basis of Accounting 2017

Prepared by the Ministry of Finance

Jubbaland State of Somalia

Statement of Certification – 2019 Finanical Statements

The 2019 financial statements, together with the accompanying notes, have been prepared in accordance with the International Public Sector Accounting Standard, Financial Reporting under the Cash Basis of Accounting (2017) and in the manner required by the Public Financial Management Act (PFM) 2017.

In the opinion of the Minister for Finance, the financial statements of the Jubbaland State of Somalia (JSS) as submitted for Audit in accordance with Section 32 of the Public Finance Management Act 2017, are materially accurate and provide a true and fair view of the JSS's financial activities for the year ended 31 December 2019. The Minister further confirms the completeness of the accounting records maintained for the Jubbaland State of Somalia, which have been relied upon in the preparation of the Jubbaland's financial statements as well as the adequacy of the system of the internal financial control.

For and on behalf of the Jubbaland State of Somalia

Minister for Finance

APR. 27-2020
Date

Page | 2

Jubbaland State of Somalia
Consolidated Fund Statement of Cash Receipts and Payments
Treasury Single Accounts
For the Year Ended 31 December 2019

	Note	2019 Controlled by TSA USD	2018 Controlled by TSA USD
Receipts / Inflows			
Taxes			
Taxes on income, profits, and capital gains	2	186,338	174,721
Taxes on payroll and workforce	3	453,339	426,428
Taxes on goods and services	4	3,758,135	3,571,648
Taxes on international trade and transaction:	5	3,903,962	6,077,527
Other taxes	6	32,994	264,244
Taxes		**8,334,768**	**10,514,568**
Grants			
From international organizations	7	4,880,811	5,598,949
From other general government units	8	2,404,985	870,000
Grants		**7,285,796**	**6,468,949**
Other Revenue			
Sale of goods and services	9	146,697	522,188
Other Revenue		**146,697**	**522,188**
Receipts / Inflows		**15,767,262**	**17,505,705**
Payments / Outflows			
Compensation of Employees			
Wages and Salaries	10	12,394,511	12,066,277
Compensation of Employees		**12,394,511**	**12,066,277**
Use of Goods and Services			
Travel & Conferences	11	1,000,663	1,025,247
Operating Expenses	12	1,466,620	1,709,317
Rent	13	52,936	95,315
Other Operating Expenses	14	515,141	701,156
Use of Goods and Services		**3,035,360**	**3,531,035**
Grants			
Grants To Other General Government Unit:	15	58,206	74,970
Grants		**58,206**	**74,970**
Social Benefits			
Employment-related social benefits	16	165,971	236,804
Social Benefits		**165,971**	**236,804**
Other Expenses			
Transfers not elsewhere classified	17	2,033	746,490
Other Expenses		**2,033**	**746,490**
Nonfinancial assets			
Fixed Assets	18	327,414	431,265
Nonfinancial assets		**327,414**	**431,265**
Payments / Outflows		**15,983,494**	**17,086,842**
Increase Decrease in Cash		**(216,233)**	**418,863**
Cash at Beginning of Year		**474,117**	**55,254**
Cash at End of Year	1.4	**257,884**	**474,117**

Jubbaland State of Somalia
Consolidated Fund statements of Comparison of Budget and Actual Amounts
For the Year Ended 31 December, 2019
Appropriation Budget Approved on Cash Basis
Classfication of Payments by Economic Class

	Note	2019 Original Estimate Appropriation A USD	2019 Final Estimate Appropriation B USD	2019 Controlled by TSA C USD	2019 Difference Between Final Budget and Actual C-B USD	2018 Controlled by TSA USD
Receipts / Inflows						
Taxes						
Taxes on income, profits, and capital gains		250,000	250,000	186,338	(63,662)	174,721
Taxes on payroll and workforce		287,025	287,025	453,339	166,313	426,428
Taxes on goods and services		5,499,048	5,499,048	3,758,135	(1,740,913)	3,571,648
Taxes on international trade and transactions		9,500,000	9,500,000	3,903,962	(5,596,038)	6,077,527
Other taxes		372,901	372,901	32,994	(339,907)	264,244
Taxes	**19**	**15,908,974**	**15,908,974**	**8,334,768**	**(7,574,206)**	**10,514,568**
Grants						
From international organizations		7,246,849	7,246,849	4,880,811	(2,366,038)	5,598,949
From other general government units		5,699,503	5,699,503	2,404,985	(3,294,517)	870,000
Grants	**20**	**12,946,352**	**12,946,352**	**7,285,796**	**(5,660,555)**	**6,468,949**
Other Revenue						
Property income		280,000	280,000		(280,000)	
Sale of goods and services		853,371	853,371	146,697	(706,674)	522,188
Fines, penalties and forfeits		200,000	200,000		(200,000)	
Other Revenue	**21**	**1,333,371**	**1,333,371**	**146,697**	**(1,186,674)**	**522,188**
Receipts / Inflows		**30,188,697**	**30,188,697**	**15,767,262**	**(14,421,435)**	**17,505,705**

Jubbaland State of Somalia
Consolidated Fund Statements of Comparison of Budget and Actual Amounts
For the Year Ended 31 December, 2019
Appropriation Budget Approved on Cash Basis
Classfication of Payments by Economic Class

	Note	2019				2018
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		A	B	C	C-B	
		USD	USD	USD	USD	USD
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		17,287,779	17,287,779	12,394,511	(4,893,268)	12,066,277
Compensation of Employees	**22**	**17,287,779**	**17,287,779**	**12,394,511**	**(4,893,268)**	**12,066,277**
Use of Goods and Services						
Travel & Conferences		2,182,794	2,182,794	1,000,663	(1,182,131)	1,025,247
Operating Expenses		4,248,010	4,248,010	1,466,620	(2,781,390)	1,709,317
Rent		181,951	181,951	52,936	(129,015)	95,315
Other Operating Expenses		1,561,918	1,561,918	515,141	(1,046,777)	701,156
Conflict Resolution Expenses						
RCRF Non-Salary Recurrent Cost		118,872	118,872		(118,872)	
Contingency		573,017	573,017		(573,017)	
Use of Goods and Services	**23**	**8,866,562**	**8,866,562**	**3,035,360**	**(5,831,202)**	**3,531,035**
Grants						
Grants To Other General Government Units		202,824	202,824	58,206	(144,618)	74,970
Grants	**24**	**202,824**	**202,824**	**58,206**	**(144,618)**	**74,970**
Social Benefits						
Employment-related social benefits		738,948	738,948	165,971	(572,977)	236,804
Social Benefits	**25**	**738,948**	**738,948**	**165,971**	**(572,977)**	**236,804**
Other Expenses						
Transfers not elsewhere classified		152,073	152,073	2,033	(150,040)	746,490
Other Expenses	**26**	**152,073**	**152,073**	**2,033**	**(150,040)**	**746,490**
Nonfinancial assets						
Fixed Assets		2,886,301	2,886,301	327,414	(2,558,887)	431,265
Inventories		54,210	54,210		(54,210)	
Nonfinancial assets	**27**	**2,940,511**	**2,940,511**	**327,414**	**(2,613,097)**	**431,265**
Payments / Outflows		**30,188,697**	**30,188,697**	**15,983,494**	**(14,205,202)**	**17,086,842**

Jubbaland State of Somalia
Statement of Government Operations
For the Year Ended 31 December, 2019

		2019 USD	2018 USD
	Transactions Affecting Net Worth		
Revenue		**15,767,262**	**17,505,705**
	Taxes	**8,334,768**	**10,514,568**
	Taxes on income, profits, and capital gains	186,338	174,721
	Taxes on payroll and workforce	453,339	426,428
	Taxes on goods and services	3,758,135	3,571,648
	Taxes on international trade and transactions	3,903,962	6,077,527
	Other taxes	32,994	264,244
Grants	**Grants**	**7,285,796**	**6,468,949**
	From international organizations	4,880,811	5,598,949
	From other general government units	2,404,985	870,000
Other Revenue		**146,697**	**522,188**
	Sale of goods and services	146,697	522,188
Expense		**15,656,080**	**16,655,576**
Compensation of Employees		**12,394,511**	**12,066,277**
	Wages and Salaries	12,394,511	12,066,277
Use of Goods and Services		**3,035,360**	**3,531,035**
	Travel & Conferences	1,000,663	1,025,247
	Operating Expenses	1,466,620	1,709,317
	Rent	52,936	95,315
	Other Operating Expenses	515,141	701,156
	Conflict Resolution Expenses	-	-
	Contingency	-	-
Grants		**58,206**	**74,970**
	Grants To Other General Government Units	58,206	74,970
Social Benefits		**165,971**	**236,804**
	Employment-related social benefits	165,971	236,804
Other Expenses		**2,033**	**746,490**
	Transfers not elsewhere classified	2,033	746,490
Gross Operating Balance		**111,181**	**850,128**
	Transactions In Non Financial Assets		
	Net worth and its changes	327,414	431,265
Nonfinancial assets		**327,414**	**431,265**
	Fixed Assets	327,414	431,265
	Inventories	-	-
Transactions in Financial Assets & Liabilities			
Change In Net Worth. Transactions (Assets)		**(216,233)**	**418,863**
Financial assets		**(216,233)**	**418,863**
Domestic		**(216,233)**	**418,863**
Liabilties		**-**	**-**
Liabilties		**-**	**-**
Liabilties		**-**	**-**
Overall Statistical Discrepancy		**-**	**-**

Notes to the Financial Statements
Note 1 Accounting Policies

1.1 Basis of Preparation

The Jubbaland State of Somalia's (JSS) consolidated financial statements have been prepared in accordance with the *Public Financial Management Act 2017 (PFM)* and the International Public Sector Accounting Standard (IPSAS) - *Financial Reporting Under the Cash Basis of Accounting 2017*. The notes to the financial statements form an integral part to understanding the statements and must be read in conjunction with the statements.

The accounting policies have been applied consistently throughout the period.

The Financial statements are for the Jubbaland State of Somalia. The financial statements encompass the reporting entities as specified in the *JSS Appropriation Act No. 1 2019* and are comprised of:

1. Ministry of Agriculture
2. Ministry of Education and Tertiary
3. Ministry of Water, Mines and Energy
4. Ministry of Finance
5. Ministry of Health
6. Ministry of Information and Telecommunication
7. Ministry of Security
8. Ministry of Justice and Religion Affairs
9. Ministry of Planning and International Cooperation
10. Ministry of Trade and Industry
11. Ministry of Women Affairs
12. State Ministry for Presidency
13. Kismayo Airport Authority
14. Kismayo Ports Authority
15. Auditor General's Office
16. The Civil Service Commission
17. The Jubbaland Parliament
18. Ministry of Interior
19. Ministry of Livestock
20. Ministry of Fisheries and Marine
21. Ministry of Youth & Sports
22. Ministry of Transport
23. Ministry of Environment and Tourism
24. Ministry of Public Works & Housing
25. Judiciary Service Commission.
26. Ministry of Constitution and Federal Affairs
27. Ministry of Labour

Ministries were created by a preceding ***Presidential Decree XM/J/772014*** entitled *A Decree Establishing Ministries of Jubbaland State of Somalia and Defining Roles and Functions of Ministries* dated 25 December 2014. As a result of Ministerial restructuring, four (4) new Ministries were created by a

Presidential Decree XM/DGS/112/2018 on November 27th, 2018 The Ministry of Finance and Revenue Collection Authority Establishment Act 2017 of the Jubbaland State of Somalia was created for the purposes of establishing the Ministry of Finance and Revenue Collection Authority to ensure that the Jubbaland State of Somalia has a Ministry of Finance that is responsible for the overall financial management of the Jubbaland State of Somalia and to also ensure that within the Ministry of Finance there is a Revenue Collection Authority that is fully staffed, organized, administered and empowered to collect & deposit into the Treasury Single Account (TSA) all legally established taxes and other revenues of the Jubbaland State of Somalia. The Auditor General's Office was created via the Audit Act 2016; however, the Office was only formally established during the 2018 financial year. The Kismayo Airport and Port Authorities are legalized separately.

A subsequent decree on establishing the Civil Service Commission (CSC) and its purpose entitled *Act for establishing the Civil Service Commission of the Jubbaland State of Somalia dated 23 April 2018* established the office of the Civil Service Commission. A companion Act also established the Civil Service and the Civil Service Salary structure. The inauguration of the JSS constitution automatically established the Jubbaland Parliament. The respective statements of all the listed entities form part of the consolidated Financial statements as these entities were included as part of the *JSS Appropriation Act No. 1 2019*.

The consolidated financial statements include all entities controlled during the year. None of the entities own another entity however the Kismayo Municipality which is the local government of the Kismayo city, is controlled by the Ministry of Interior

1.2 External Assistance

1.2.1 Payments by Third Parties

The JSS also benefits from goods and services purchased on its behalf as a result of cash payments made by third parties during the period. Presentation of 3rd party assistance is reported under note 28

1.2.2 External Assistance

External assistance was received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purpose for which the assistance will be utilized. Other assistance was provided for specified purposes by NGOs and other donors and is reported undernote 28.2

1.3 Treasury Single Account & Project Accounts

Jubbaland State of Somalia operates bank accounts at both the Dahabshiil and Salaam banks.

1.3.1 Dahabshiil Bank Accounts

In the 2019 financial year, one new account was opened under a written authorization of the Minister of Finance, in accordance with Section 29, paragraph 2 of the PFM Act 2017. The account relate to a Ministry of Ministry of Water, Mines and Energy, support project funded by Federal Government of Somalia. The sub-account relates to donor project and was opened to comply with the donor's requirements. As of the end of FY2019, balances of both the TSA and project accounts were as follows:

Dahabshil Bank Accounts Name	2019 USD	2018 USD
JSS Treasury Single Account	1	1
Ministry of Women Affairs Support Account	-	8,430
Ministry of Planning and Int Cooperation Supp Acc	-	858
Jria & Idps Affairs GIZ Account	-	1
JRIA & IDPS Affairs Emergency Fund GIZ Account	0	18,987
Jria Support UNHCR Account	13,967	1
Ministry Of Agriculture Supp Account	-	4
Governor's Office Lower Jubba Account	-	13,758
Ministry Of LiveStock Support Account	835	-
Ministry Of Health Support Project Account	0	0
	14,803	**42,039**

1.3.2 Salaam Somali Bank Accounts

In 2018, JSS started operations with the Salaam Bank. Seven accounts were opened 2019FY under a written authorization of the Minister for Finance, in accordance with Section 29, paragraph 2 of the PFM Act 2017. Notably, all the sub-accounts relate to donor projects and were opened to comply with the donor requirements. As of the end of FY2019, balances at both the TSA and project accounts were as follows:

Salaam Somali Bank Accounts Name	2019 USD	2018 USD
Jubbaland Treasury Single Account	5,516	60,911
Ministry of Woman & Human Rights Support Account	40	53,622
Ministry of Agriculture Support Account	15	-
Ministry of Planning and International Cooperation	5,276	-
WB Project RCFR II	134,250	32,460
Ministry of Water, Mines and Energy	28,983	-
Ministry of Fisheries & Marine Support By FAO	202	4,289
MOE and Higher Learning Support Project Account	17,252	2,788
MoI Jubbaland Dialogue Account	10	2,043
MOPW Somali ReIntegration Program	1	20,853
MOH HMIS Strengthening Bardere and Elwak Districts	70	25,130
Jubbaland AssemblyGoleKaab Project	0	-
SUPP_AF Kismayo Municipality	35,097	-
MOT - Support Investment Attraction	1	
Ministry of Justice & Religion Affairs Support A	-	30
JRIA Reintegration Project SubAccount	-	23,408
MOH JSSNew Kismayo Mobile Clinic	-	96,930
MOCFA Constitution Review Support Project(CRSP II)	-	40
MoH Mental Health Component in Kismayo District	-	22,750
MOH Community Health Awareness in Kismayo	-	24,000
MoH Jubbaland Health Professional Act Establishmen	-	14,750
MoH Capacity Development Awareness Sun Initiative	-	22,900
MoH Strengthening Afmadow and Badhadhe District	-	25,175
MOPWH JSS JPLG SUPPORT ACCOUNT	16,370	
	243,081	**432,078**

1.4 Cash & Cash Equivalents

Cash and Cash Equivalents means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognized at its nominal amount. Somali banks do not pay interest.

Cash included in the statement of cash receipts and payment comprises the following amounts:

	2019 USD	2018 USD
Cash on hand and balances with banks	**257,884**	**474,117**

Included in the $257,884 is $5,516 held in the TSA, with the balance of cash on hand of $252,367 held in the TSA sub-accounts are restricted to specific project purposes

1.5 Reporting Currency

The reporting currency is the United States Dollar (USD), rounded to the nearest dollar.

1.6 Original and Final Approved Budget and Comparison of Actual and Budget Amount

The approved budget is developed on the same accounting basis (Cash basis), same classification basis and for the same period (From 1st January 2019 to 31st December 2019) as for the financial statements. It encompasses the same entities as the consolidated financial statement (These are identified in Note 1.1)

The original budget was approved by the Jubbaland Parliament on the 23rd January 2019. Subsequently, no supplemental budget was approved by the Jubbaland Parliament.

1.7 Authorization Date

The financial statements were authorized for issue on **27 April 2020 by Mr Abdirashid Jire Khalinle, Minister of Finance.**

Note 2 Taxes on Income, Profits, and Capital Gains

During the 2019 financial year, JSS collected Taxes on income, profits, and capital gains of $186,338 ($174,721 in the 2018). The tax is paid by the Civil servants and other business employees on total remuneration (Salary) paid by the Jubbaland State of Somalia at a standard rate of 5%.

Note 3 Taxes on Payroll and Workforce

The tax is paid by the employers based on the total remuneration (salary/wage bill) paid to all the employees at a standard rate of 5%. In 2019 financial year $453,339 ($426,428 in 2018) was received from international organizations and business entities in Jubbaland State of Somalia.

Note 4 Taxes on Goods and Services

These are combined taxes charged for the use of services offered by JSS. The following outlines the breakdown, and the sources of the taxes on goods and services collected within the jurisdiction of JSS.

	2019	Ministry of Youth	Ministry of Finance	Ministry of Livestock	Ministry of Planning and International Cooperation	Ministry of Trade and Industry	Kismayo Airport Authority	Kismayo Ports Authority	Ministry of Fisheries & Marine	Ministry of Transport	Ministry of Public Work and Housing	**2018**
Turnover Tax	745,422		745,422									743,489
Property Tax	1,801,699		1,801,699									88,323
Vehicle & Drivers Licences	600									600		140,977
Business & Professional Licenses	21,790					21,790						49,780
Radio & Television Licenses	-											570
State Road User Tax	551,483		551,483									-
Fishing Fees	71,000								71,000			1,000
Port docking Fees	10,000							10,000				530,930
Landing Fees	381,794						381,794					344,577
International Departure Tax	-											200,161
Urban Road User Tax	110,930									110,930		1,374,024
international NGOs registration	20,000				20,000							22,200
Local NGO's Registration	12,400				12,400							22,000
Local Companies Registration	1,400										1,400	11,100
Parking Fees	6,600						6,600					40,943
Livestock Fees	3,360			3,360								1,575
Nonstate Youth Organization	600	600										
Local passenger fees.	19,057						19,057					
Grand Total	**3,758,135**	**600**	**3,098,604**	**3,360**	**32,400**	**21,790**	**407,451**	**10,000**	**71,000**	**111,530**	**1,400**	**3,571,648**

The applicable rates on services vary and mostly depend on the business sector and service type and are authorized via the Revenue Act 2017.

Note 5 Taxes on International Trade and Transactions

Taxes on International Trade incorporate all taxes that are imposed on goods and services exported out of and imported into Jubbaland State of Somalia. During this financial year, Custom duties levied on imports are the only tax collected under this class. The Kismayo Ports Authority and Kismayo Airports Authority are the main source of taxes on international trade.

During the year, $962,626 on Customs Duties - Khat (1,693,248 in 2018) and custom duties on imported goods of $2,941,336 ($4,384,279 in 2018). The shortfall in collection of customs duty to the previous year was due to the election in 2019. Following is a detailed breakdown of customs duties raised and their respective source of entry.

	2019				2018
	Total	Ministry of Finance	Kismayo Ports Authority	Kismayo Airport Authority	
	USD	USD	USD	USD	USD
Customs duties - Imported goods	2,941,336		22,736	2,918,600	4,384,279
Customs duties - KHAT	962,626	962,626			1,693,248
	3,903,962	**962,626**	**22,736**	**2,918,600**	**6,077,527**

Note 6 Other taxes

Other taxes encompass revenue collections from the local governments. During the year the Ministry of Finance collected revenue on behalf of the Kismayo Municipality totalling $32,994 ($264,244 in 2018). Kismayo Municipality is the only local government entity established in the region that raises revenue from sources such as taxing mobile shops and local public transport. Through an agreement drafted between the MoF and Kismayo Local Government, all collections by the Kismayo Municipality must be deposited with the TSA and subsequent payments made following the set standard procedures laid down by the MoF.

Note 7 Grants from International Organizations

In the 2019 financial year, grants were received from international organizations of $4,880,881 ($5,598,949 in 2018). The amount received from international organisations is detailed in the breakdown below.

Donor	2019 USD	2018 USD
Danish Refugee Committee (DRC)	-	668,738
GIZ	1,081,512	1,320,508
ADRA	25,190	6,760
Norwegian Church Aid	44,955	24,993
Norwegian Refugee Council	13,440	18,640
Save The Children	11,497	12,752
CARE INTERNATIONAL IN SOMALIA	68,484	33,831
American Refugee Committee (ARC)	-	3,782
Food and Agricuture Organization	180,974	198,620
United Nation Developmental Programme	106,370	66,696
UNHCR	591,560	994,412
UNHABITAT	16,370	31,410
UN-WOMEN	50,660	16,960
International Organization for Migration	424,916	195,830
RCRF11	2,089,844	1,864,151
Adam Smith International	45,099	140,866
UNICEF	51,987	-
Lutheran World Federation (LWF) Education	2,513	-
Mercy Corps	1,330	-
Somali Stability Fund	74,110	-
	4,880,811	**5,598,949**

Note 8 Grants from Other Government Units

In 2019 the Federal Government of Somalia granted a total of $2,404,985 ($870,000 in FY2018) to the Jubbaland State. The funding, which was received throughout year included $35,547 which was used for registration and examination of Ministry of Education (although it was earmarked general budget support), $1,000,000 EU budget support was received from Federal Government of Somalia by the Ministry of Finance. An unconditional grant of $635,200 was received and also $500,000 for the construction of Ministry of Finance and Ministry of Water buildings from the SURGE support programme, with the remaining being $5,167 for the World water day project under the Ministry of Water, $20,000 for support to parliament, $37,000 for stabilization and $172,071 for Somali urban investment planning project. (Refer also to Note 20)

	2019 USD	2018 USD
Ministry of Education and Tertiary	35,547	-
Ministry of Water, Mines and Energy	169,124	-
Ministry of Finance	1,971,243	400,000
Ministry of Security	-	400,000
Jubbaland Parliament	20,000	40,000
Ministry of Interior	209,071	30,000
	2,404,985	**870,000**

Note 9 Sale of Goods and Services

Sale of goods and services consist of income generated from JSS providing necessary legal documents to its citizens. In 2019 financial year, the Ministries and Agencies collected a total of $146,697 ($522,188 in 2018) as sale of goods and service. Under collection of the visa fees from the airport is due to policy implementation whereby the Federal Government of Somalia is rightly responsible for issuing visas and collecting all related fees. Under collection for number plate and logbook registration was attributed to the slow of the business and importation of vehicles at the port due to the election period. The following provides a detailed breakdown of the revenue items:

	2019 USD	2018 USD
Visa Fees	32,392	3,400
Number Plate Registration	69,708	327,381
Logbook Registration	44,597	191,407
	146,697	**522,188**

Note 10 Wages and Salaries

Treasury Single Account

Wages and salaries are a combination of all salaries, allowances, and in-kind payments to staff. The staff includes both the civil servants and political positions. A comprehensive breakdown of wages and salaries is provided below:

	2019 USD	2018 USD
Permanent employees/Regular staff	2,019,016	1,828,755
Contract employees	1,206,251	822,840
Wage workers	277,134	407,776
Stipend	2,850	95,800
Security Forces (Police, Intel Forces and Prison)	4,845,895	4,061,451
Remuneration to Ministers and Statutory Appointm	58,312	173,202
Remuneration to Politicians	537,684	701,500
Accommodation Allowance	1,307,598	1,548,029
Professional allowance	103,169	41,670
Transportation allowance	48,030	12,400
Other allowances	6,096	20,450
Security Operational Allowances	134,961	144,457
Regular Food Provision	1,240,752	1,244,934
Daily meals	606,763	963,013
	12,394,511	**12,066,277**

Remuneration to Politicians relates to salaries paid to Parliamentarians. Remuneration to Ministers and statutory appointments encompasses salaries made to Ministers and Commissioners heading statutory bodies such as the Civil service commission.

Accommodation allowance relates to allowances such as house allowance and hotel accommodation allowances paid to Ministers, Parliamentarians, Commissioners, and the civil servants of JSS. Regular food provisions are in-kind payments to the Military forces of Jubbaland that is made in the form of food and other related food supplies, whereas the daily meals relate to meals prepared for the staff at the State Ministry and the different sectors of Security forces whose duties are providing security to Government Institutions.

Note 11 Travel, Conferences & Conflict Resolution

Travel and conferences amounting to $1,000,663 is comprised of travel costs, conferences costs within and outside the country and conflict resolution expenses.. The following provides a breakdown of the total costs

	2019 USD	2018 USD
Internal Travel	352,706	249,203
External Travel	228,389	319,722
Local conferences	108,848	40,758
Overseas Conferences	10,000	
Conflict Resolution Expenses	300,720	415,564
	1,000,663	**1,025,247**

Note 12 Operating Expenses

Operating Costs are a combination of costs that are geared towards facilitating the running of the Ministry offices. Following is a detailed breakdown of the operating costs incurred by JSS during the year

	2019 USD	2018 USD
Water	32,008	131,422
Electricity	104,113	115,833
Generator Fuel	14,872	15,500
Telephone fees	6,681	20,109
Mobile Phone Expenses	6,324	8,114
Internet	137,165	137,531
Gasoline	49,516	42,844
Diesel	102,072	112,698
Oil (machines)	1,925	3,955
Stationary	104,390	94,730
Books	450	2,220
Published fees	1,092	1,999
Meeting Supplies	306,385	210,831
Office Refreshments	62,901	101,936
Publications	79,773	53,166
Cleaning Supplies	41,930	10,130
Computer Consumables	11,027	2,400
Maintenance of equipment	9,735	8,550
Maintenance of furniture & fittings	19,526	16,116
Maintenance of Vehicles	22,370	26,877
Maintenance of heavy machinery	2,375	-
Maintenance of buildings and repairs	56,796	251,506
Spare parts and supplies	8,583	12,842
Cleaning Services	15,085	3,430
Security Services	42,350	53,752
Vehicle Hire/car rental	227,177	270,828
	1,466,620	**1,709,317**

Note 13 Rent

Office rental expenses amounting to $52,936 was incurred in 2019 ($95,315, 2018). The expense relates $19,200 to office rent in Luuq, Dhobley, Beledhawa and Afmadow to the Ministry of Interior for the *Jubbaland Refugee and Internally Displaced Person's Agency* (JRIA) and $13,500 for the project Rule of law and correction for the Ministry of Justice and Religious Affairs by UNDP.

Other rent relates to hotel and hall hire amounting to $20,236.

	2019 USD	2018 USD
Office Rent	32,700	24,640
Other Rent	20,236	70,675
	52,936	**95,315**

Note 14 Other Operating Expenses

Consultation fees, Staff training and Development, Fees for Services provided and Television and Newspaper costs are the key component of other operating expenses. Consultancy fees are comprised of consultancy services enlisted for managing the RCRFII project, Somalia urban investment planning project through Federal Government of Somalia, GIZ project for Health and Fishery program for Ministry of Health, staff training costs relates to specialized technical trainings provided by GIZ, Norwegian Refugee Council (NRC) and Save the Children implemented projects.

Fees for services provided are payments made to SEMLEX, a company contracted by JSS for providing logbook, number plate registration services and house numbering; this is primarily achieved through JSS paying the cost incurred by SEMLEX when providing these services. While television & Newspaper Advertisements relates to costs for television and magazine subscriptions procured by JSS. Bank charges relate to JSS TSA accounts operations, decrease of Bank charges relates to the low bank charges rate by Salaam bank; unlike in 2018 JSS was using both Dahabshil and Salama Bank. Following is the breakdown of other operating costs.

	2019 USD	**2018 USD**
Consultation Fees	287,149	147,037
Staff Training and Development	116,579	64,210
Fee for service provided(Non-consultancy service)	46,959	331,995
Bank charges	27,524	57,017
Television and Newspaper Advertisements	36,030	-
Newspapers and Magazine Subscriptions	900	35,898
Marketing and Promotion	-	65,000
	515,141	**701,156**

Note 15 Grants to other General Government units

Grants to other general Government units relate to transfers made to lower level Government of JSS. In the FY2019 a sum of $58,206 ($74,970 in 2018) was transferred to the Kismayo Municipality in order to facilitate their operations as well as provide key service to Kismayo town. The offices of the local government operate their own standard procedures in managing this fund as stipulated in an agreement with the MoF.

Note 16 Social Benefits

Social benefits costs comprise of Medical treatment totalling $165,971 ($236,804 in 2018) paid to treat staff of JSS both locally and outside the county. Medical treatment is usually provided to the security personnel who are injured during national duties and also Government politicians.

Note 17 Transfers not elsewhere classified

JSS obligations refer to previous debts and arrears owned to JSS since inception while the Community Driven Development Project is funded by SSF/DRC and to be implemented in all accessible districts of Gedo Region of Jubbaland state of Somalia. The Community Driven Development project's aim is to build trust between communities in Gedo region and government authorities through resource mobilization. The project, undertaken by DRC, funded a scheme that supported community and public projects initiated by government authorities at district level and/or community groups. Matching grants of $2,033 ($639,900 in 2018) were channelled through the Treasury Single Account of Jubbaland, which was forwarded to recipients in the Gedo regions.

	2019 USD	**2018 USD**
JSS Obligation	-	106,590
Community Driven Development Projects	2,033	639,900
	2,033	**746,490**

In 2013 JSS received interest free loans totalling $1,262,769 from local businesses. The funds were utilized in establishing the JSS administration. Also in 2019 during the election period and Federal Government of Somalia travel restrictions JSS received interest free loan totalling to $4,500,000 due to the budget constraints it has been agreed that JSS repay the obligations in instalments depending on the availability of funds. The table below provides a movement schedule of the obligation.

Amount Received - 2013		1,262,769
Amount Received - 2019		5,140,621
Total Received		**6,403,390**
Repayments		
FY2014	70,000	
FY2015	483,108	
FY2016	353,141	
FY2017	152,521	
FY2018	106,590	
FY2019	-	
Total Repayments		**1,165,360**
Remaining balance		**5,238,030**

JSS did not pay any loan during FY2019 and has zero owing in respect of banks, and other commercial institutions.

Note 18 Non-Financial Assets

Total Non-Financial Asset of $327,414 consist of costs that were incurred in rehabilitation of Buildings, purchasing ICT equipment, Furniture, Machinery, furniture & Fixtures and tools for Government.

A comprehensive breakdown of Non-Financial asset costs is detailed as follows.

	2019 USD	**2018 USD**
Buildings Other than dwellings	63,315	191,715
Road Construction	-	62,597
Cars	21,150	13,170
Information, computer and telecomm (ICT) equipment	35,600	44,512
Machinery and Equipment not elsewhere classified	178,483	75,230
Furniture & fixtures	26,616	43,801
Tools & specialized professional services	-	150
Computer software and databases	2,250	90
	327,414	**431,265**

Note 19 Taxes

A total of $15,908,974 tax collections was estimated to be raised in the 2019 financial year, however an actual collection of $8,334,768 was achieved. The amount collected represents 52% of the total tax revenue estimate for the year

The under collection of tax revenue directly relates to the rainy session in 2019. Also, the low revenue collection from Kismayo Port Authority due to a noticeable general decline of imported goods, both in volume and value during the election period in 2019.

	2019			2018
	Final Estimate	Actual Collections	Difference between Final Estimate and Actual	Actual Collections
Personal Income Tax	250,000	186,338	(63,662)	174,721.00
Payroll Tax - Non-Government	287,025	453,339	166,313	426,427.99
Turnover Tax	1,135,941	745,422	(390,519)	743,489
Property Tax	600,000	1,801,699	1,201,699	88,323
Vehicle & Drivers Licences	20,000	600	(19,400)	140,977
Business & Professional Licenses	80,000	21,790	(58,210)	49,780
Radio & Television Licenses	1,140	-	(1,140)	570
Fishing Fees	150,000	71,000	(79,000)	1,000
Port docking Fees	1,047,880	10,000	(1,037,880)	530,930
Landing Fees	254,984	381,794	126,810	344,577
International Departure Tax	141,784	19,057	(122,727)	200,161
State Road User Tax	1,643,299	551,483	(1,091,816)	1,374,024
Urban Road User Tax		110,930	110,930	
International NGOs registration	30,000	20,000	(10,000)	22,200
Local NGO's Registration	22,000	12,400	(9,600)	22,000
Local Companies Registration	14,200	1,400	(12,800)	11,100
International Companies Registration	200,000			
Parking Fees	60,020	6,600	(53,420)	40,943
Agricultural Fees	750	-	(750)	1,575
International departure fee	97,050			
Livestock Fees	-	3,360	3,360	
Non-state Youth Organization	-	600	600	
Customs duties - Imported goods	7,500,000	2,941,336	(4,558,664)	4,384,279
Customs duties - KHAT	2,000,000	962,626	(1,037,374)	1,693,248
Revenue Collections from local Government	372,901	32,994	(339,907)	264,244
	15,908,974	**8,334,768**	**(7,277,156)**	**10,514,568**

Note 20 Grants

Total grants of $7,285,796 were received against a annual estimate of $12,946,352 Grants from Foreign government and International organizations were not received as estimated The difference is mainly due to an over optimistic estimate of RCRF II and FGS funding. The following table presents a detailed breakdown of the grant variances.

	2019			**2018**
	Final Estimate	**Actual Collections**	**Difference between Final Estimate and Actual**	**Actual Collections**
Tax Type				
Grants From International Organizations	7,246,849	4,880,811	2,366,038	5,598,949
Grants from Federal Government of Somalia	5,699,503	2,404,985	3,294,517	870,000
Total	**12,946,352**	**7,285,796**	**5,660,555**	**6,468,949**

RCRF II majorly funds civil servant salaries that have been recruited following a very rigorous process, JSS did not recruit at the pace that was originally planned leading to unutilized access to funds of $450,000. During the year there was unutilised school supervision activity funding of $50,000 which has been carried forward to 2020. Own source revenues in 2019 were tight and therefore any additional cash resources were prioritized for other expenditures.

Grants from International Organizations

Grants	Budgeted	Paid	Balance
Danish Refugee Committee (DRC)	2,033		2,033
GIZ	1,641,072	1,081,512	559,560
ADRA	69,490	25,190	44,300
Norwegian Church Aid	53,430	44,955	8,475
Norwegian Refugee Council	13,440	13,440	-
Save The Children	12,750	11,497	1,253
CARE INTERNATIONAL IN SOMALIA	91,172	68,484	22,688
Lutheran World Federation (LWF) Education	3,600	2,513	1,087
Mercy Corps	1,330	1,330	-
Food and Agricuture organization	491,580	180,974	310,606
United Nation Developmental Programme	126,870	106,370	20,500
UNICEF	52,030	51,987	43
UNHCR	631,060	591,560	39,500
UNHABITAT	6,790	16,370	(9,580)
UN-WOMEN	50,660	50,660	-
International Organization for Migration	650,375	424,916	225,459
Somalia Stability Fund	496,076	74,110	421,966
RCRF11	2,598,432	2,089,844	508,588
PREMIS	254,658	45,099	209,560
	7,246,849	**4,880,811**	**2,366,038**

Grants from Federal Government of Somalia

A total grant of $5,699,503 from the Federal Government of Somalia was estimated; however, the actual grant received was $2,404,985. The variance was mainly attributed to the a strained relationship between the Federal Government of Somalia Jubbaland State of Somalia with FGS imposing travel restrictions and economic sanctions during the JSS elections.

Note 21 Other Revenue

Other revenue collections consist of sale of goods and services of $146,697 against a target of $1,333,371. The under collection against the target was caused due to an over optimistic estimate during the year. Under collection of the rental income from the airport is largely because businesses had closed. Under-collection of visa and individual identification fees was due to a change in policy implementation. Under collection for number plate and logbook registration was attributed to the slowdown of the business and importation of vehicles at the port due to the election period. Collections for the year were:

	2019			2018
	Final Estimate	Actual Collections	Difference between Final Estimate and Actual	Actual Collections
Tax Type				
Rental income from the airport	280,000	-	280,000	-
Visa Fees	102,500	32,392	70,108	3,400
Number Plate Registration	481,761	69,708	412,053	327,381
Logbook Registration	269,110	44,597	224,513	191,407
Fines/Penalties	150,000	-	150,000	-
Court Filing Fees	50,000	-	50,000	-
Total	**1,333,371**	**146,697**	**1,186,674**	**522,188**

Note 22 Employee Compensation

A total of $12,394,511 was spent on employee compensation against a final budget of $17,287,779. The underspend related to Security forces, Accommodation allowance and Remuneration to Ministers, Remuneration to Politicians and wages and was as a result of the delay in funds transfer from FGS for the security sector and also due to the election period 2019 JSS own source revenue was less and funds were not available to fully pay accommodation and remuneration costs for politicians. The under spending of permanent employees was as a result of delay in recruiting civil servants

	Final Budget	**Actual**	**Variance between Budget and Actual**	**Actual**
Permanent employees/Regular staf	2,596,460	2,019,016	577,444	1,828,755
Contract employees	1,698,909	1,206,251	492,658	822,840
Wage workers	903,520	277,134	626,386	407,776
Stipend	16,350	2,850	13,500	95,800
Security Forces (Police, Intel Forces a	5,252,400	4,845,895	406,505	4,061,451
Remuneration to Ministers and Stat	535,676	58,312	477,364	173,202
Remuneration to Politicians	1,431,910	537,684	894,226	701,500
Accommodation Allowance	2,256,720	1,307,598	949,123	1,548,029
Professional allowance	105,512	103,169	2,343	41,670
Transportation allowance	56,400	48,030	8,370	12,400
Other allowances	25,600	6,096	19,504	20,450
Security Operational Allowances	187,916	134,961	52,955	144,457
Regular Food Provision	1,342,876	1,240,752	102,125	1,244,934
Daily meals	877,530	606,763	270,767	963,013
Total Compensation of Employees	**17,287,779**	**12,394,511**	**4,893,268**	**12,066,277**

Note 23 Use of Good and Services

The ability to expense in the Jubbaland State of Somalia is limited to the revenue collections over a specified period of time. In the case of goods and services, JSS spent a total of $3,035,360 which represents 34 percent of the final estimated budget. The variance distributed across the entities is mainly attributed to constraints in the actual available income.

	2019			2018
	Final Budget	Actual	Variance between Budget and Actual	Actual
Internal Travel	792,591	352,706	439,885	249,203
External Travel	708,608	228,389	480,219	319,722
Local conferences	243,472	108,848	134,624	40,758
Overseas Conferences	53,400	10,000	43,400	
Conflict Resolution Expenses	384,723	300,720	84,003	415,564
Water	150,290	32,008	118,282	131,422
Electricity	354,062	104,113	249,948	115,833
Generator Fuel	103,180	14,872	88,308	15,500
Telephone fees	25,948	6,681	19,267	20,109
Mobile Phone Expenses	49,170	6,324	42,846	8,114
Internet	369,508	137,165	232,344	137,531
Gasoline	115,500	49,516	65,984	42,844
Diesel	238,434	102,072	136,362	112,698
Oil (machines)	24,270	1,925	22,345	3,955
Stationary	275,529	104,390	171,139	94,730
Books	10,950	450	10,500	2,220
Published fees	16,890	1,092	15,798	1,999
Meeting Supplies	400,784	306,385	94,399	210,831
Office Refreshments	300,490	62,901	237,590	101,936
Publications	139,380	79,773	59,607	53,166
Cleaning Supplies	68,580	41,930	26,650	10,130
Computer Consumables	11,900	11,027	873	2,400
Maintenance of equipment	78,358	9,735	68,623	8,550
Maintenance of furniture & fittings	123,180	19,526	103,654	16,116
Maintenance of Vehicles	93,687	22,370	71,317	26,877
Maintenance of heavy machinery	21,000	2,375	18,625	
Maintenance of buildings and repai	669,262	56,796	612,466	251,506
Spare parts and supplies	110,209	8,583	101,626	12,842
Maintenance contracts	17,000		17,000	
Others	27,600		27,600	
Cleaning Services	44,975	15,085	29,890	3,430
Security Services	74,586	42,350	32,236	53,752
Vehicle Hire/car rental	333,288	227,177	106,111	270,828
Office Rent	102,000	32,700	69,300	24,640
Other Rent	79,951	20,236	59,715	70,675
Consultation Fees	621,489	287,149	334,340	147,037
Audit Fees	4,000		4,000	
Staff Training and Development	367,278	116,579	250,699	64,210
Fee for service provided(Non-consu	369,650	46,959	322,691	331,995
Bank charges	69,000	27,523	41,477	57,017
Television and Newspaper Advertise	99,601	36,030	63,571	35,898
Newspapers and Magazine Subscrip	13,900	900	13,000	
Marketing and Promotion	5,000		5,000	65,000
Conflict Resolution Expenses			-	
Vehicle Insurance	3,000		3,000	
Building Insurance	4,000		4,000	
Other Insurance	5,000		5,000	
RCRF Non-Salary Recurrent Cost	118,872		118,872	
Contingency	573,017		573,017	
Total Use of Goods & Services	**8,866,562**	**3,035,360**	**5,831,202**	**3,531,035**

Note 24 Grants to Other Governments

Through an agreement between the MoF and the Kismayo Municipality dated 2014, the municipality shall deposit their revenue collections into the TSA and subsequently request their operational costs through the standard laid down procedures of the Ministry.

Release of funds to the Kismayo municipality is on an as-needed basis.

	2019			2018
	Final Budget	Actual	Variance between Budget and Actual	Actual
Transfers to Lower Level Government	202,824	58,206	144,618	74,970
Total Transfers to Lower level Government	**202,824**	**58,206**	**144,618**	**74,970**

Note 25 Employment Related Social Benefits

Medical treatment both within and outside the country is the primary social benefit that is currently provided to the JSS staff. The Jubbaland Security Force personnel are the major beneficiary of this benefit mainly due to the security risks they are exposed to. The actual expenditure was 22 percent of the total budget estimate. Nonetheless, benefits of such medical treatment naturally depend on demand, availability of resources and the number of incidents during a year.

	2019			2018
	Final Budget	Actual	Variance between Budget and Actual	Actual
Medical Treatment	738,948	165,971	572,977	236,804
Total Employment Related Social Benefits	**738,948**	**165,971**	**572,977**	**236,804**

Note 26 Other Transfers not elsewhere classified

Transfers not elsewhere classified consist of JSS obligation and the community driven development. There were undrawn balances of project $2,033 funding previous year 2018.Community Driven Development Project is funded by SSF/DRC which was used in 2019 financial year and to be implemented in all accessible districts of Gedo Region of Jubbaland State of Somalia.

Following is a breakdown of the variances.

	2019			2018
	Final Budget	Actual	Variance between Budget and Actual	Actual
JSS Obligation	150,040	-	150,040	106,590
Bank charges			-	
Community Driven Development Projects	2,033	2,033	-	639,900
Total Other Transfers Not elsewhere Classified	**152,073**	**2,033**	**150,040**	**746,490**

Note 27 Non-Financial Assets

During the year 11% of the non-financial assets budget was spent on assets budgeted for during the year. The variance was a result of some newly created entities that were unable to utilize the budget allocation due to lack of available cash resources.

	2019			2018
	Final Budget	Actual	Variance between Budget and Actual	Actual
Buildings Other than dwellings	2,070,278	63,315	2,006,963	191,715
Road Construction				62,597
Cars	286,665	21,150	265,515	13,170
Information, computer and telecomm (ICT) equip	109,043	35,600	73,443	44,512
Machinery and Equipment not elsewhere classifi	264,523	178,483	86,040	75,230
Furniture & fixtures	149,043	26,616	122,427	43,801
Tools & specialized professional services	2,000		2,000	150
Computer software and databases	3,500	2,250	1,250	90
Entertainment, literary, and artistic originals	1,250		1,250	
Office equipment	54,210		54,210	
Total Non-Financial Assets	**2,940,511**	**327,414**	**2,613,097**	**431,265**

Note 28 Payments by Third Parties, External, Other & Undrawn Assistance

28.1 Payments by Third Parties

The JSS benefits from third parties who purchase goods and services on its behalf. These payments do not constitute cash receipts or payments by the JSS, but these payments do benefit the government. They include payments made by multilateral and bilateral aid agencies and non-governmental organizations. They form part of the support for government programs provided by way of external and other assistance. The government has been formally advised that the following payments have been made by third parties to purchase goods and services during the 2019 financial year for the benefit of JSS. The amount disclosed as payments by third parties does not necessarily indicate that this is a complete listing of all third-party contributions, only the amounts that JSS has been formally advised.

Third party payments totaling $3,328,016 was paid by PREMIS and the Somalia Stability Fund (SSF) on behalf of JSS. These costs consist of $609,605 technical assistance, training and ICT support paid by PREMIS plus $2,718,411 provided by SSF for construction related costs, economic development, project to support the establishing of Jubbaland lands commission and a Project to support Somali Women networking consultative forums to lobby for inclusion of women and marginalized groups in leadership in Kismayo.

Below is a summary breakdown of grants received in 2019 and the entities that benefitted.

	Ministry of Finance		**Civil Service Commission**		**Office of the Auditor General**		**Total**
	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	
Technical Assistace	236,608		50,488.62		9,485		296,582
Training	131,521		79946		7,587		219,054
ICT Support		93,969					93,969
	368,130	**93,969**	**130,435**	**-**	**17,072**		**609,605**

During 2019, SSF provided specific 3rd party support with respect to the construction of buildings for various ministries and directly helped alleviate the impact of domestic rights of women, For the Ministry of Sports and Youth and the Ministries of Livestock, Agriculture and Fisheries, SSF constructed a Ministry office complex & youth centre in Kismayo. In addition, three district police stations at Gedo region (Garbaharey, Elwak and Bardhere) are under construction. Various economic development projects undertaken focusing on, Enhancing Youth Employment (EYE) Project in Afmadow and Bardhere –Districts, Youth and women inclusive economic empowerment project in Kismayo, Raskiyamboni and Garbaharey Districts and Beekeeping Livelihood Project for Marginalized Communities in Luuq District, Gedo Region.

Also project to support the establishing of Jubbaland lands commission and a Project to support strengthening of an online platform for targeted youth in civic education on women democratic rights, Consultative forums with clan elders, Somali Women networking consultative forums to lobby for inclusion of women and marginalized groups in leadership in Kismayo.

	Ministry of Livestock		**Ministry of Youth and Sports**		**Ministry of Fisheries**		**State Presidency**		**Ministry of Agriculture**		**Ministry of Trade**		**Ministry of Security**		**Ministry of Women**		**Total**
	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital	
Building & Construction Cost		#		279,794		279,794				279,794	181,480			121,438			**1,422,096**
Economic Development				352,003	426,328												**778,331**
Establishing JSS land commission							17,151										**17,151**
Empowering women															500,833		**500,833**
	-		**-**	**631,798**	**426,328**	**279,794**	**17,151**			**279,794**	**181,480**	**-**	**-**	**121,438**	**500,833**	**-**	**2,718,411**

28.2 External and Other Assistance

External assistance was received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purpose for which the assistance will be utilized. Other assistance was provided for specified purposes by NGOs and other donors. The following amounts were received in FY2019

	2019 USD	2018 USD
External Assistance		
Total cash receipts	7,285,796	6,468,949
Total third party payments	-	4,779,208
Total Extenal Assistance	**7,285,796**	**11,248,157**
Multilateral Aid Agencies		
Total cash receipts	-	
Total third party payments	-	
Total multilateral aid agencies	**-**	
Bilateral Aid Agencies		
Total cash receipts	2,404,985	870,000
Total third party payments	-	
Total bilateral aid agencies	**2,404,985**	**870,000**
Non-Governmental Organizations		
Total cash receipts	4,880,811	5,598,949
Total third party payments	-	4,779,208
Total NGOs	**4,880,811**	**10,378,157**

28.3 Undrawn External Assistance

During the 2015 financial year, a new project called the Recurrent Cost and Reform Financing (RCRF II) was introduced. This project runs for a period of five years, up to 30 June 2022 and is reviewable on an annual basis. The RCRF II project is a multi-partner fund administered by the International Development Association (IDA), with funds flowing through the Federal Government of Somalia and onto JSS. The objective of the project is to support the recipient to provide a credible and sustainable payroll, and to establish the foundation for efficient budget execution and payment systems for the non-security sectors in the Federal Government, eligible Federal Member states.

As specified in a binding agreement *Number TFOA0534 Dated 29 June 2015* between the Federal Government of Somalia (FGS), acting on behalf of all other existing & emerging states, and the International Development Association (IDA), the Jubbaland State of Somalia by virtue of a sub-agreement with FGS has a running project with IDA which will last to 30 June 2022.

Undrawn External assistance in respect to the RCRF II project is contingent upon JSS meeting the threshold conditional requirements of the project; however, the grant identifies the budgeted breakdown for JSS over the term as follows. The grant amount is subject to annual review and approval by the IDA. However, the project is anticipated to continue to completion.

Year	2015	2016	2017	2018	2019	2020	2021	2022
Budgeted Amount (USD)	1,780,000	2,980,000	2,580,000	3,430,000	2,598,432	2,962,832	2,598,432	170,000

The allocation on the above is an indicative allocation subject to review from year 2020 to 2022 (financing core government function $1,880,769, financing education service delivery $637,663, financing Health Service delivery $ 274,400 and project management and coordination $170,000).

For the year ended 31 December 2019, JSS had accessed a total of 1,988,054 ($1,832,807 in 2018) of the RCRF II project funds. As at the 31 December 2019, there were undrawn balances of project funding for projects currently under development. It is expected that conditions will continue to be satisfied and the projects are anticipated to continue under the terms of agreement between the donor and JSS.

There have been no instances of non-compliance with terms and conditions which have resulted in cancelation of external assistance grants.

Note 29 Statements of Operations

The Statement of Operations report is in accordance with the Government Finance Statistics Manual 2014 (GFSM 2014). Government Finance Statistics (GFS) is an accounting framework developed by the International Monetary Fund (IMF) to provide guidelines for the compilation of fiscal accounts. The GFS framework is designed to provide statistics that enable policymakers and analysts to study developments in the financial operations and financial position of government.
It is also used to analyse the operations of a specific level of government, transactions between levels of government, and the public sector

The Statement of Operations produces summary information on the overall performance and financial position of the general government. This Statement is divided into three sections that present: revenue and expense transactions; transactions in non-financial assets; and transactions in financial assets and liabilities. This Statement is a voluntary disclosure and not a reporting requirement under the International Public Sector Accounting Standards, Financial Reporting under the Cash Basis of Accounting (2017), which is the standard adopted in preparing these financial statements.

Annex 2 – Final Management Letter. Independent Auditor's Report on The Audit of Jubbaland State of Somalia (JSS) For the Year Ended 31 December 2019.

riskbridge
Audit - Tax - Consulting

DOWLAD GOBOLEEDKA
JUBBALAND EE SOOMAALIYEED
Xafiiska Hanti-dhowrka Guud

JUBALAND STATE OF SOMALIA
Office of the Auditor General

دولة أقليم جوبالاند الصومالية
مكتب المراجع العام

Jubbaland State of Somalia

Report to Ministry of Finance

For the year ended
31 December 2019

DOWLAD GOBOLEEDKA
JUBBALAND EE SOOMAALIYEED
Xafiiska Hanti-dhowrka Guud

JUBALAND STATE OF SOMALIA
Office of the Auditor General

دولة أقليم جوبالاند الصومالية
مكتب المراجع العام

riskbridge
Audit - Tax - Consulting

2 June 2021

Minister,
Ministry of Finance,
Kismayu, Jubbaland,
Somalia.

Dear Sir,

Report to the Minister for the year ended 31 December 2019

We have recently completed our audit of the Consolidated & Ministerial Financial Statements of the Jubbaland State of Somalia for the year ended 31 December 2019 which we conducted in accordance with International Standards of Supreme Audit Institutions ("ISSAI"). Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatements but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit is conducted to enable us to form and express an opinion on the financial statements that have been prepared by management with the oversight of the Minister of Finance. The audit of the financial statements does not relieve the Ministries of their responsibilities. However, in accordance with our normal practice, we write to draw your attention to certain matters which we identified during our audit. Those issues are set out in the attached report.

Management responses have been provided through the co-ordination of the Ministry of Finance. We would like to thank the management and staff for their assistance and co-operation during the audit.

We would be pleased to provide any clarification that you may require on the issues raised in this report.

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full commercial impact before they are implemented. This report has been prepared solely for your use as the Ministries of the Jubbaland State Somalia and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

Yours faithfully,

Adam Ali Mohamed   Audit Manager – Acting AG
08-06-2021

Riskbridge (Certified Public Accountants of Kenya)
13th Floor, Landmark Plaza
Arwings Kodhek Road,
Upper Hill, Nairobi

CPA Bulle Ahmed, Practicing Number 2055

riskbridge AUDIT · TAX · CONSULTING

Date: 2 June 2021

Table of contents

1 Summary performance ratings on areas reviewed

The table below presents a summary of the audit findings. In the table, we have provided summaries of each finding and a visual indicator of the significance of each, as assessed by Riskbridge Consulting.

Current Year findings:

Control area	Risk key	Control weakness noted	Amount in USD
2. Revenue	High	2.1 Weaknesses in revenue collection and recording process	1,615,309
	High	2.2Huge gaps in revenue collected during the period under review	618,279
	High	2.3Variance between revenue recorded under RMS and FMIS	
	High	2.4Weaknesses and unsupported revenue from Kismayu Sea Port and Kismayu International Airport	2,916,882
	High	2.5Variance between Grants recorded and Confirmation received from donors	35,466
	High	**Total value of weaknesses identified in revenue**	**5,185,936**
		Weaknesses identified in revenue expressed as a % of total revenue	**33%**
3. Expenditure excluding. payroll costs	High	3.1 Lack of proper support documents	1,185,290
	High	3.2 Weaknesses in procurement	131,220
	Medium	3.3 Payment documents not stamped as "PAID"	
	Medium	3.4 Misclassification of expenditure	45,820
	High	**Total value of weaknesses identified in expenditure (Excluding payroll)**	**1,362,330**
		Weaknesses identified in expenditure Excluding payroll expressed as %	**38%**
4. Payroll	Medium	4.1 Weaknesses in human resource and payroll processes (Weaknesses noted amounts to 7% of the total payroll cost)	872,500
5. Fixed assets	Medium	5.1 Lack of maintaining an updated fixed assets register	325,494
6. Bank and Cash	Medium	6.1 Weaknesses in preparation of bank reconciliations	
	High	6.2 Dormant bank accounts	
7. Journal vouchers	Medium	7.1Numbering and support for Journal Vouchers	
8. Budgeting and Financial Reporting	Medium	8.1Weaknesses in the budgeting and financial reporting process	

Application and General Computer Controls

Control Area	Risk Key	Issues Noted
Application Controls		
Payments	High	**Duplicate FMIS Cheques:** From the review of the payment process and payment sample documents, we noted payments worth USD **60,425.00**that were processed on duplicate FMIS cheques, contrary to the process controls of using a unique cheque per payment.
Revenue	Medium	**Manual RMS - FMIS Interface** We noted that payments are collected at the Revenue Collection Centre and recorded into the Revenue Management System (RMS), however, the system is not interfaced with the FMIS, used for financial reporting.
	Medium	**Collection and Receipting** We noted the receipt numbers used for revenue collection are not keyed into RMS, creating a gap in the tracking process of supporting documents.
	Medium	**Revenue Collection: Kismayo Port** For the Kismayu port, there is no automated system for revenue collection from the docking of ships and the custom duty.
	High	**Revenue Collection: Smart Technologies** • There is no visibility for JSS to view or track revenue collected by Smart Technologies, a services partner contracted by JSS government to print Jubbaland IDs, Lisences, passports, house numbers, road licences, etc. • Smart technologies servers are running on Windows Server 8 which is no longer being supported by the vendor, Microsoft, posing a security risk
Payroll	Medium	For the period under review, a HR Management system was acquired for the Civil Service Commission, however, we noted the following gaps: • It is not interfaced with the Payroll system to minimize data entry when enrolling new employees, managing changes/transfers or exits. • Not all employees have been enrolled into the system i.e. only 300 out of over 700 employee have been enrolled into the system.
General Computer Controls		
Access Controls	High	Some users on FMIS, RMS, BPM and AMS could not be identified in the official HR records.
	High	Weak segregation of Duties Controls over transaction processing on FMIS
	High	User access revocation on FMIS not done for exited staff
	Medium	Weak Password Configuration Controls
	High	Administrator and Privileged user activities in FMIS are not independently monitored and reviewed.
	Medium	Weak Physical security controls of MoF premises that host key systems and data.

Control Area	Risk Key	Issues Noted
IT Operations	Medium	Information Security Policies
	Low	IT Security Awareness Training
Systems Change Control	Medium	Lack of a formal change management policy
	Low	No formal system development and acquisition policy
IT Disaster Recovery and Business Continuity	High	Lack of an IT Disaster Recovery and Business Continuity Plan to facilitate recovery of critical business operations and IT systems in the event of failure or disater that could render the operations and systems unavailable for an extended period of time.
	Medium	Lack of a formalised strategy for backup of relevant data and programs.

For ease of follow up and to enable your management to focus effectively in addressing the issues in our report, we have classified the issues arising from our audit in order of significance: “High”, “Medium” and “Low”. In ranking the issues between “High”, “Medium” and “Low” ISSAIs require us to consider the relative importance of a matter, taken in context.

Key to Summary

High	The recommended measures should be implemented quickly because they cover significant weaknesses
Medium	The improvements should be taken into account in the medium-term.
Low	The recommendations correspond to the best practices and can be implemented in the longer-term.

2 Revenue

2.1 Weaknesses in revenue collection and recording process

Observation

Condition

The Revenue Clerks collects the tax receipt booksin the morning and return in the evening to the Revenue Collection Centre (RCC) for the handover of the local taxes collected for the day.Taxes collected by the different Revenue Clerks is collected via electronic voucher cash (EVC) model or cash.

From the review of the revenue process and the support documents, we noted the following gaps affecting accuracy, completeness and classification of the revenue collected from different form of taxes:

1. The different Revenue Vouchers providedas support document for Turnover tax, Property tax and Income tax did not show the Taxpayer Identification Number (TIN) of the taxpayer paying the taxes making it impossible to know who paid the taxes and for what purpose. It was also noted that the support documents did not have the tax base documented as well as the total income being taxed to counter check with what has been paid making it impossible to verify the completeness and accuracy of the taxes being paid by the taxpayers to MoF.

2. The road stickers provided by Smart Technology, a private company associated with collection of revenue from provision of car stickers on behalf of MoFdo not show the duration/validity and vehicle registration number. This may lead to the same sticker being used on different vehicles or for longer periods than prescribed deprivingthe MoF the relevant taxes from car stickers.

3. The revenue from Smart Technology has been reported in two different accounts as the company provides different tax collections services to the MoF including taxes from car stickers, vehicle numberplate registrationand logbook registration.

   Revenue have been recorded under (i)Tax on goods and services which amounts to US$111,530 and (ii) Sale of goods and services which amounts to US$ 114,305 all amounting to US$225,835. From comparison of the revenue from Smart Technology as per the company's reports, shows net revenue amounting toUS$375,379 to the State of JubbalandforFY'2019. The figure is derived from a gross collection of US$ 834,755, less Smart Technology expensesand an amount due to Smart Technology by Jubbaland State amounting toUS$118,051 This indicates tax revenue from goods and servcies was materially mistated.

4. We noted the missclasifiction of Property tax where it has been wrongly classified under both taxes on Goods and Services account line as well as on the taxes from International Trade account line. This leads to the inability to confirm the completeness and accuracy of the Property tax recorded in the period as below:

Description	Recorded under taxes from Goods and Services (US$) <GL 115103>	Recorded under taxes from International Trade(US$) <GL 114203>	Recorded under taxes on income, profits, and capital gains (US$) <GL 111101>	Total amount (US$)

Property tax	10,699	51,656	72	62,427

5. From the review of land income, it was noted that Jubbaland Land Authority (JLA) do not collect revenues on their own due to the absence of legislation governing land rates collection in Jubbaland. To this effect, a private company named Milestone Company was single sourced to collect revenue on behalf of JLA. The company was single sourced and there was lack of competitive market survey done during procurement to ensure Jubbaland State get value for money by procuring the company.

   In addtion, we noteda variance amounting to US$ 295,204 between the land income recorded under taxesfromgoods and services and the land income under Jubbaland Land Authority report which shows misstatement of revenue as below:

Description	Recorded under taxes from Goods and Services (US$) by MoF	Recorded under JLA reports (US$)	Total variance (US$)
Land income	1,393,643	1,688,847	(295,204)

6. From a visit of the Revenue Collection Centre (RCC) by the audit team, we noted that the filing, archival and storage of the revenue support documents needs improvement as the process is not undertaken properly.

7. In addition, we noted that the foreign exchange rate used for conversion from Somalia Shilling to US$by both the MoF is not clearly documented and inconsistencies in how these amounts are reported which may lead to misstatement in translation of revenue from taxes.

Criteria

The Taxation Act of 2017 provides for the clear authorisation, collection of taxes, levies and charges and standards to be followed in the assessment and collection of taxes and other revenue as well as the roles, righs and obigations of the taxpayers and collecting authority. Section 9 of the act provides that an official receipt to be provided by tax officials containing the date of payment, name and number of the official receiving the payments, place at which payment is made, name and identifying number of taxpayer, amount paid and liability in respect of which payment is made. The records of all taxes collected must be kept in the form according to procedures prescribed by regulations issued by Minister of Finance. Receipt payment are to be audited by MoF to ensure there was no irregularities and fraud and make correction in case of any improper payment.

Cause

The process of collection of taxes by the Revenue Clerks and final accountability to the Revenue Collection Centre (RCC) is manual and is susceptible to error. In addition, missclasification of revenue accounts leads to the inability to confirm the accuracy and completeness of revenue.

Effect

The gaps in the revenue collection and recording process may lead to the misstatement of revenue. Themanual process leads to revenue be susceptible to fraud and errors.

Recommendation

We recommend:

- The different support vouchers to include TIN, the tax base and total income being taxed.

- Car stickers to show validity and the registration of vehicles.
- Proper classsificatio of revenue accounts.
- Ministry of Land to advocate the push for the enactment of the land rates and regulations
- Revenue Collection Authority to work closely with JLA in tracking of monthly land income.
- At the point of contract renewal, JSS to establish a competitive bench marking exercise to ensure the State obtain value for money from its procurement.

Significance

High

Responsible directorate

Revenue Collection Authority (RCA)

Management response

1. Idividual tax payers do not have PIN/TIN number, however the MoF FMIS has payroll employee form tha shows tax base, tax rate and the individual identity. For the property tax and turn over tax each tax payer has TIN number provided by the RMS hence the auditors did overlooked the RMS receipt.
2. The urban road tax sticker has specific duration and validity; as well as online App that provides the details of the vehicle that paid the tax. MoF incorperation with Ministry of transport and traffic police monitors the urban road user tax throught the year.
3. MoF can not validate the accuracy of the statement as the auditors went to Smart technology as there were no physical receipt from Smart technology to agree with the amount reported and the observation was not shared with the MoF to ensure the correct observation is made.
4. There is no Misclassification as reported by the auditors. Please share annex of the observation.
5. MoF could not validate the auditors observation since the MoF was not involved in audit desk review. No Physical receipt ot evidence of work done shared with the MoF. Hence the variance observice from the third party was not communicated with the MoF staff and the management.
6. Training will be conducted for RCC team to improve filling system and document management.
7. Exchange rate used is per the market rate and it variance across the year, RCC will ensure to document the rate used for future reference. Thus the Jubbaland does not have neither state bank nor a branch of central bank of somalia which determines the exchange rate,

MoF will ensure to implement the recommendation, however the auditors observation and review for the revenue agent should be clearly communicated during the field work to ensure correct information is recorded. The management team does not trust the accounting system for the thirdparty therefore the information provided can not be relid for the purpose.

Additional Auditor's Comments

We maintain the finding.

- The different Revenue Vouchers provided as support document for Turnover tax, Property tax and Income tax did not show the Taxpayer Identification Number (TIN). Management should provide support document supporting evidence of TIN number including under the GL.

- The road stickers do not show the duration/validity and vehicle registration number. Management should provide evidence supporting this including the functionality of the App.
- Management should obtain the record by Smart technology and undertake their verificatio to ascertain the variance and extent of the misstatement.
- The missclassification under Property tax is in place. We have now included the GL coded under the table for management to ascertain the missclassification and correct it.
- MoF to undertake their own reconcilition to ascertain the variance between JLA reports and their own internal reports.

2.2 Huge gaps in revenue collected during the period under review

Observation

Condition

From analytical review done for revenue, we noted fluctuations and gaps under below revenue accounts:

a) Taxes from sale of goods and services, we noted significant fluctiations of taxes collected in different months where certain months such as May (US$ 222,393), June (US$ 202,398), September (US$ 131,298), October (US($ 196,046) and November (US $ 114,605) reported lower tax collections which was below 50% off the mean average for the entire year. For a month like September, the low collection was attributed to the elections, however, no plausible explanation available for the drop and peak of revenue for the other months as below.

b) We noted gaps in revenue recorded under taxes from goods and services for the below Jubbaland Ministries whom are part of tax agents for the Jubbaland State Government where some months did not have any taxes recorded. The significant gaps may be a representation of lack of capacity of the Ministries or the need for capacity building of the Ministries staff.

Ministry Name	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Grand Total
Ministry of Fishery and Marine Resources	-	-	-	-	-	51,000	-	-	-	-	20,000	-	**71,000**
Ministry of Livestock	-	-	-	-	-	-	-	-	-	-	-	3,360	**3,360**
Ministry of Public Work	600	800	-	-	-	-	-	-	-	-	-	-	**1,400**

and Housing													
Ministry of Trade and Industries	9,510	3,920	6,850	1,510	-	-	-	-	-	-	-	-	**21,790**
Ministry of youth & sports	-	-	200	400	-	-	-	-	-	-	-	-	**600**

Criteria

The Taxation Act of 2017 provides for the clear authorisation, collection of taxes, levies and charges and standards to be followed in the assessment and collection of taxes and other revenue as well as the roles, righs and obigations of the taxpayers and collecting authority.

Cause

Fluctuation of revenue in the period under review that cannot be explained.

Effect

The revenue fluctuations in the period may be an indication of the revenue collected not being accurately and completely accounted for and recorded in JSS books.

Recommendation

Management should ensure they undertake periodic analytical review of the revenue accounts to check on completeness and accuracy of revenue collected and recorded. Where major fluctuations are noted, management should undertake audits and investigations to know the reason for the same and this process should be documented for future reference.

Significance

High

Responsible directorate

Revenue Collection Authority (RCA)

Management response

a) The factors that resulted flactuations are as follows:
   I. Pre and post Election period for Jubbaland parliamenterian and presidential election during 2019 resulted decline of revenue;
   II. Security situation during the terror attack in Kismayo has resulted decline in business and trading activities hence low revenue collections
   III. Floads part of Jubbaland resulted minimized vehicle movement in and out of Jubbaland region.

b) The gaps in revenue collection is due to periodic tax and fees collection during the year, the above analysis relates to Revenue fees collection by the Ministries mention above. Fishing licences fee, livestock fee, NGO registration fees, companies registration fees, notary registration fee, driving licence and annual business registration fee.

All this revenue are collected once a year or periodic thus we do not expect monthly trend collections/analysis.

2.3 Variance between revenue recorded under RMS and FMIS

Observation

Condition

We noted that there was variance between revenue recorded under the Revenue Management System (RMS) and Financial Management Information System(FMIS) amounting to US$7,386,051indicating inaccuracy and errors in the recording and completeness of the recorded revenue. This is attributed to lack of integration and interface between the two systems to enable the provision of reconciled reports when needed as below:

Description	Revenue recorded under FMIS (US$)	Revenue recorded under RMS (US$)	Total variance (US$)
Property Tax	311,886	62,427	249,459
License	25	-	25
Payroll/ Personal Income Tax	185,145	187,921	(2,776)
Turnover Tax	600,358	751,224	(150,866)
Other Tax	-	7,481,894	(7,481,894)
Total	**1,097,414**	**8,483,465**	**(7,386,051)**

Criteria

To achieve end to end consistency, an integration between RMS and FMIS is needed to support the revenue collection process

Cause

Lack of integration and reconciliation between FMIS and RMS.

Effect

Lack of integration between the two systems leads to the inability to confirm the accuracy and completeness of revenue collected and recorded.

Recommendation

We recommend for the real time interface between RMS and FMIS to enable MoF counter check the completeness and accuracy of revenue ollected and recorded in real time.

Significance

High

Responsible directorate

Revenue Collection Authority (RCA)

Management response
The data shown above on FMIS and RMS does not agree with the fmis and RMS data for the year 2019. Example; in 2019 Other revenue in FMIS indicates $ 146,697 while auditors observation is Zero $ 0. Thus the analysis between the two system figures is contradicting with the auditors observation. Also the figures in the above table across all fees and tax are not correct for both FMIS and RMS. Therefore auditors needs to justify who they arrived the figures above.
Additional Auditor's Comments
We identified the variances between FMIS and RMS and this observation is based on the factual analysis of the extracted system reports. The finding and the recommendation have been maintained. MoF needs to provide their own reconciliations for the variances.

2.4 Weaknesses in Kismayu Sea Port and Kismayu International Airport

Observation

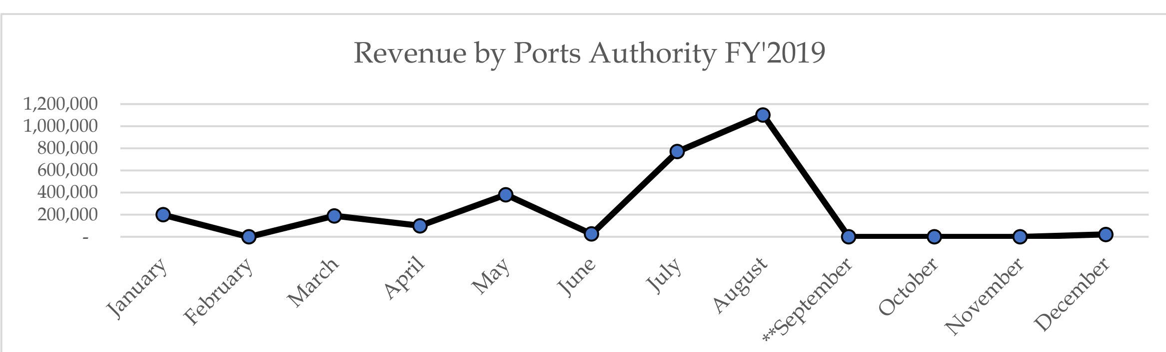
Condition

We noted the following control gaps at:

a) **Kismayu Sea Port:**

i. The recorded revenue from Kismayu Portamounting to US$2,788,600 by the MoF is not supported by the relevant supporting documentsincludingport traffic report, number of vessels/ships docked, tonnage, number of small-sized boat arrivals which is due to weakness in the internal controls of Kismayu Sea Port. We also noted that the cost of custom operations and personnel at the Sea Port has been netted off against the revenue collected.However, Kismayu Sea Port Authority does not maintain the vouchers receipts and the cashbook to support the expenditure that has been netted off. In addition, we noted that the personnel cost deducted from source by the Authority from the revenue collected relates to 11 staff working at the Custom Department and office administrative expenses.

ii. From analytics done for the revenue collected by Kismayu Sea Port, we noted significant fluctuation of revenue recorded under the Port Authority GL line, where in the months of February June, **September, October and November 2019, there was no revenue recorded for the months as below:



**September zero net revenue was attributed to elections. However, no plausible explanation given by the Sea Port Custom department for zero revenue in February, June, October and November.

iii. From the field visit by the Audit Team, it was noted that there was no CCTV surveillance around the Kismayu Sea Port exposing the Port to major security breaches.

iv. There was also lack of clear segregation of duties, roles and responsibilities for the 11 Port staff where there are only 4 computers to be utilised by all the staff.

v. Inadequate record keeping by the Port Authority. During the field visit, the Audit Team requested to verify the Port traffic statistics such as number of ships docked in 2019, the number of small boats, incidences in the period under review, records of the operational expenses net off against the monthly revenue. However, this was not provided for review as the Port does not maintain the mentioned records.

b) Kismayu International Airport

Kismayu International Airport has outsourced airport revenue collection services to Safari Aviation, a private company. The following gaps were noted in the airport custom and tax revenue collection and recording process

i. We noted a variance totalling to US$128,282: between revenue recorded by MoF for Kismayu International Airport and revenue transferred to Jubbaland State by Safari Aviation as per their internal records depicting misstatement of revenue as below:

Description	Recorded under MoF books (US$)	Transferredby Safari Aviation to JSS (US$)	Total variance (US$)
Airport Authority	1,104,663	976,381	128,282

ii. We also noted that Safari Aviation did not maintain a cashbook disclosing the amount of expenses set off against the total revenue they have collected from the Airport.

iii. In addition, we noed that Safari Aviation company was singled sourced and there was no competitive market survey done for the company when the contract for the company was being renewed in April 2018 to ensure that Jubbaland State receives value for money by contracting the company again.

Criteria

Section 9 of the Taxation Act provides that an official receipt to be provided by tax officials containing the date of payment, name and number of the official receiving the payments, place at which payment is made, name and identifying number of taxpayer, amount paid and liability in respect of which payment is made. The records of all taxes collected must be kept in the form according to procedures prescribed by regulations issued by Minister of Finance. Receipt payment are to be audited by MoF to ensure there was no irregularities and fraud and make correction in case of any improper payment.

Cause

Lack of proper documentation by the different Authorities, significant fluctuations in revenue recorded in the period under review, lack of proper security system including CCTV surveilance.

Effect

Revenue from the Port and Airport Authorities may be misstated and susceptible to error and fraud.

Recommendation

We recommend:

- Monthly complete reports including tonnage and number of ships docked to be sent to MoF for validation.
- Establish a performance monitoring mechanism which will disclose traffic and other revenue reports on a monthly.
- Audit of support documents by MoF to ensure there is no irregularities and fraud.
- Training or capacity building for the customs team.
- CCTV installation and management at the seaport vicinity.
- Supply sufficient tools i.e. computers and office furniture to match the number of staff.
- Both Airport and Sea Port to establishmonthly statement of receipts and expenditure
- Automation of seaport activities such as volume of trade, traffic in terms of number of ships, small boats and consignment tonnage to enhance revenue collection consistency in posting customs tax.

Significance

High

Responsible directorate

Revenue Collection Authority (RCA)

Management response

A. **Kismayu Sea Port:**

I. The Custom department does not have custom automation system that enables to record for the international trade statistics. The ministry of finance have also noted the same observation and currently the taxpayers are paying tax due directly to the TSA open at Salam Bank stationed at the sea port.

II. During the month of February there was a mansoon winds that hindered international trade and movement of vessel has been restricted; for the month of September and October it was election period and Federal government of Somalia hard imposed travel restrictions that intrupted bussines hence decline of revenue collection.

III. The observation is taken and Ministry of finance will engage the sea port authority to install CCTV. With the regard to security both AMISOM and SNA are stationed inside the sea port.

IV. There was clear segregation of duties across all the custom official in the sea port, however the auditors observation is contratry to the record available.

V. The observation is well noted and currently custom automation system will be installed and proper record keeping will be maintained.

B. **Kismayu International Airport**

I. MoF have recorded all custom revenue from the airport; while Safari aviation account books records only sellected revenue source/streems (Passengers fees, handling fee, service charge fees). Government collects and records (Landing fee, aviation fee, parking fee, international persenger fees,visa fee).

II. Safari avaiation does not have proper accounting system, instead they use excel spreedsheet for accounting.

III. The observation is well noted and considering the security situation the Safari aviation was single source.

Additional Auditor's Comments

As per our inquiry, JSS confirmed that $130,000 has been collected by the Sea Port in November 2019, however general ledger from FMIS reports zero. The finding and the recommendation for this observation have been maintained.

2.5 Variance between Grants recorded and Confirmation received from donors

Observation

Condition

From the review of grants from donors, we noted variances between the recorded amount under FMIS and the confirmations from donors as bellow:

Donor	Amount Recorded (US$)	Amount Confirmed (US$)	Variance ($)
ADRA	25,190	46,690	**21,200**
**UNHCR	591,560	577,593	****13,967**
Total variance			**35,466**

**The variance under UNHCR relates to a refund that was made to the donor but was not recorded in MoF General Ledger.

In addition, we noted the following weaknesses in accounting for revenue from grants by the MoF:

i. There was lack of regular donor fund reconciliation by MoF between FMIS and actual receipts as per bank statements.

ii. Inadequate filing system and lack of contract management focal point.

iii. The below contract documents were not availed to the audit team for their review:
   - Norwegian Refugee Council (US$ 13,440)
   - Save the Children (US$ 11,497)
   - UNICEF (US$ 51,987)
   - Lutheran World Federation (US$ 2,513)
   - Mercy Corps (US$ 1,330)

- Somalia Stability Fund (US$ 74,110)

Criteria

Grants from donors should correspond to amount recorded by MoF under FMIS.

Cause

Lack of reconciliation of funds between amountrecived from donors as per bank statement and amount as per FMIS records. In addition, lack of proper contract management and inadequate contract management.

Effect

There is a risk of grant revenue being misstated and the non compliance of contractual terms as per donor agreements.

Recommendation

We recommend:

- All donor grants to be centralized within a section of the EAFS that monitors the contracts for expiration and compliance.
- Improval of the filing system to ease the retreaval and archival of donor agreements and other support documents.
- Periodic reconciliation betweenFMIS and actual receipts as per bank statement.

Significance

High

Responsible directorate

Budget Directorate and EAFS

Management response

- The variance of UNHCR was closing balance from 2018 which was refunded to the donor at the beginning of 2019. Thus MoF revenue team could not record the revenue twice into the system.
- For the ADRA the Ministry of finance has reported all the donor funding receipt in the system to the financial statement, however during the year ended 31 December 2019 JSS sent out donor confirmation, however no response was received. Hence MoF would like to see the confirmation letter the auditors received and response can give based on the information.

I. Donor fund reconciliation is done monthly and also quarterly donor report is published into the Ministry of finance website for accountability and transparency purpose.

II. EAFS department is responsible for all the donor funded projects for record keeping and filling system.

III. All donor contract/agreement are available, however the auditors did not managed to obtain.

Additional Auditor's Comments

ARDA confirmation variance of $46,690 has been confirmed as a 3rd party cost, this should have been reconciled in FMIS. We maintain the finding and the related recommendation.

JSS confirmed that the UNHCR confirmation variance was relating to 2018, however our confirmation letter sent to UNHCR indicated fund disbursements from 1 January 2019 to 31 December 2019, and client confirmed the same. We maintain the finding and the related recommendation.

3 Non Payroll Expenditure

3.1 Lack of proper supporting documents

Observation

Expenditure testing analytics:

	Amount- $	
Total non-payroll expenditure	3,588,984	
Total unsupported expenditures (Annex i to Annex iv)	1,185,290	
% of unsupported expenditure	33%	

Condition

We have tested 60% of the non payroll expenditure by subjecting to Monetary Unit Sampling (MUS) system selection. The result was that 39% of the expendituresare not supported fully or partially supported as detailed in the table below:

Categories of weaknesses	Amount: $
Expenditure- partially supported- Annex 1	976,481
Expenditure not supported- Annex 2	43,050
Conflict resolution expenses not supported- Annex 3	104,00
Contingency expenses not supported- Annex 4	61,759
Total	**1,185,290**

i. Annex 1 Procurement and cash expenditures: partial support- instances of lack of vidence of goods delivered or services rendered documentation such as delivery notes, GRN,motor vehicle log sheets, timesheets and certificate of work completion.

ii. Annex 2: Seven items amounting to $43,050that were not supported at all with invoices, approved vouchers.

iii. Annex 3: Conflict resolution funding from MoF to the concerned persons amounting to $104,000 is not supported with requests from the user agencies and departments, but rather an internal letter from MoF's Director General. In prudent public financial management and fund controls, MoF cannot write a letter to itself to release cash funding to persons involved in conflict resolution. The conflict resolution cash payments are not accompanied by activity and budget terms of reference such as approved itemized costing expenditure and approval of the signatory of the user department

iv. Annex 4: Contingency expenses amounting to $61,759 funding to MoF to the concerned persons is not supported by a request from the user department, instead supported with an internal letter from MoF Director General. There is lack of documentation of activity and budget terms of reference such as approved itemized costing expenditure and approval of the signatory of the user agency or department.

Criteria

Section 30, subsection 7 (30.7) of the Public Financial Management Act of 2017 requires maintenance and safekeeping of all documents relating to public finance transactions in a manner and for the length of time prescribed in accounting regulations under this Act. Section 4.1.2.10 of the budget execution regulation issued on 1 January 2018 requires that all transaction documents relating to the purchase of goods and services will be presented to the certifying officer prior to payment processing.

Cause

Lack of adequate expenditure verification prior to the payment process. Also, requests made by some agencies using telephone conversation or inquiry through a walk in by the messangers.

Effect

Weaknesses at one stage of the expenditure control cycle can undermine the integrity and credibility of the system as a whole and valuable resources could be wasted. Expenditure with no costs that do not have supporting documentation;

can be deemeded ineligible by the Parliament or the donors.

Recommendation

To enhance compliance with PFM and treasury regulations, appropriate support documents be maintained for all payments.

In addition, the Conflict resolution expenses should have adequate support documentation such as activity TOR, background document.

Significance

High

Responsible directorate

Treasury- Directorate

Management response

Total sample provided to the Ministry of finance was USD 947,410 for the non-payroll expenditure and not the amount USD 3,588,984 stated by the auditors. Therefore the 39% of unsupported expenditure stated is not true.

I. The observation is taken and fully support documentation will be availed to the external verification.
II. Email provided by the auditors on 5th December no oustading voucher within the sample selected was reported to the Ministry of Finance and email correspondence stated.
III. The auditor used the ledger provided rather than the sample they have selected. In simple term the total amount of the ledger was USD 300,720 and the sample selected amount to USD 104,000. This resulted to contradicting figures interms of sample selected and the prior ledger given
IV. Same case of the above.

Additional Auditor's Comments

The amount totalling US$ 3,588,984 is the total non-payroll expenditure (expenditure less payroll amount) and not the sampled amount, this is for reconciliation purposes to show how the expenditures have been segmented for analysis.

The total amount sampled and audited was US$ 1,185,290 as per Annexes 1 – 4.

For the conflict resolution expenses, where samples are obtained for a GL line or class of transaction, and given the insufficient support documents with only the Ministry's internal memo without the user departments submitting the budget and the subsequent to MoF, then the whole amount is questioned since the sampled amount represents an entire population. Agreed with your submissions above and the amount questioned has been identified as $104,000.

3.2 Weaknesses in procurement

Observation

Condition

a. Lack of competitive bidding.

We noted lack of competitive procurement process in the prequalification and engagement of suppliers/service providers.

b. Misuse of single sourcing regulation 4.25.4 of the procurement manual.

   We noted instances where there were no justifications for single sourced procurement as required under section 4.25.4 of the procurement manual for expenditure amounting to US$ 131,220.

Criteria

Section 4.8.1 of the procurement procedures manual of Jubbaland State states that all eligible prospective bidders with timely and adequate notification of the JSS's requirements and an equal opportunity to bid for the required goods, works, and non-consultant services. Section 4.2.3 states that open competition is the basis for efficient public procurement. In most cases therefore, the JSS requires that where possible goods, works, and non-consultant services be obtained through a competitive bidding process ("Competitive Bidding") open to eligible suppliers and contractors.

Section 4.25.4 states that sole and single sourcing is contracting without competition and may be an appropriate method under exceptional circumstances. Therefore, single souricng should be eceptional rather than the norm.

Cause

Non compliance with the law or inadvantent use of the a single condition in the procurement regulation.

Effect

Loss of value for money and competitive pricing of goods and services.

Recommendation

1. Minimize the use of single sourcing justification based on Setion 4.25.4 of the procurement regulation.
2. Single sourcing justification be minimal and only triggered under one off emergency purchases.

Significance

High

Responsible directorate

Procurement and Treasury Departments
Management response
a) Procurement procedures will be followed as per the policy and guideline to achieve fairness, value for money and comepetitive process when procuring goods and services. MoF Procurement deparment has approved list of prequalified suppliers. b) Article 4.24.17 of the procurement policy states that "Lack of competition shall not be determined sorely on the basis of the number of bidders. Even when only one bid is submitted, the bidding process may be considered valid if the bid was satisfactorily advertised and prices are reasonable in comparison to market values." Thus IFQ was submitted by one bidder hence no single source justification required.

3.3 Expenditure documents not stamped as "PAID"

Observation
Condition Failure to invalidate support documents by stamping 'PAID" to prevent resubmission of these documents to another donor **Criteria** Instruction D-of the Public Financial Management Regulations (2017), section 4.1.2.1.3, transaction documents will be presented for certification. The Certifying Officer signature on the Commitment Payment Order (CPO) signifies his/her approval after ascertaining that the documents have not been paid previously. To confirm that documents have not been paid, all support supports from invoices to receipts should be stamped "PAID" to prevent resubmission or re-use of invoices. . **Cause** It is not considered as a critical financial control element within processing. The risk of payment documents being recycled is not considered a potential risk is not likely because of the other complementary controls. **Effect** Risk of resubmission/reuse of invoices and bills in a different donor or budget line.Failure to indicate documentation as "PAID" increases the likelihood of multiple payments based on the same set of documentation.
Recommendation
1.Invalidate paid documents by cancelling through PAID mark, including budget code, donor and project references 2. For own source use of funds at the treasury, all invoices, receipts, attendance sheets , request letters, tickets and boarding passes bear government stamp-MoF PAID.
Significance
Medium
Responsible directorate

Treasury
Management response
The observation is taken and Treasury department will ensure all payment supporting documents to stamp PAID and filed for audit.

3.4 Misclassification of expenditure

Observation
Condition From our review of the general ledger, we noted instances where expenditure amounting to US$ 45,820 was misclassified including instances where travel expenses was posted under fees for service providers/ consultancy, communication bill posted under television and newspapers, furniture posted under information and computers, cash payments booked under local conferences. **Criteria** In guiding resource allocation and accounting, section 8 of the public finance management regulations, all public financial transactions, both revenues and expenditures, are to be structured and classified using the same classifications for both budgeting and accounting. Recording of expenditure be guided by the corresponding general ledger within which budget allocation and usage were planned. **Cause** Similarity and close promixity of certain kind of expenditures. **Effect** Misslasification of expenditure may lead to errors in budget estimations and budget comparisson with actual amounts, inaccurate management accounts and mistatement of specific expenditure lines .
Recommendation
We recommend that allocation and recording should follow chart of accounts and the purpose and description of the expenditure being incurred. Unrelated expenditures should not be booked into one general ledger.
Significance
Medium
Responsible directorate
Treasury
Management response
The observation is taken and the Treasury department will record transaction into the correct expense code that relates to, the Ministry will ensure all payments are recorded correctly before payment is approved.

4 Payroll

4.1 Weaknesses in human resource process

Observation

Condition

From the review of the personnel files from the Civil Service Commission and the payroll expenditures, we noted the below weaknesses in human resource and payroll process:

i. Instances of unsupported payroll expenditure relating to Security Forces Police,Intelligence & Prisons Forces as well as regular meals expenses amounting to US$ 872,500. The payment schedule have not been signed off. Refer to annex V for details.

ii. Neither the Civil Service Commission (CSC) nor the respective Ministry's HR departments maintain and monitor a record of employee leave days.

iii. From the review of personnel files; there was no evidence of background checks on some employees before they were onboarded into the different Ministries.

iv. We also noted that there was no documentation relating to Performance Management and Performance Appraisals under the employee personnel files.

Criteria

a) Payroll processing- section 5.1.3.2 of Instruction D- Budget Execution regulations, payroll and salary payment should be support by detailed documentation

b) The Civil Service Commission regulations, law number 11 requires staff to undertake annual appraisal and performance review. It also requires all civil servants to take 2 days of annual leave for each month of completed service

c) The Civil Service Commission regulations using law number 11, requires background checks to be carried out on all new staff joining the government.

Cause

No justification was given for this.

Effect

Weaknesses in the human resource process may lead to the misstatement of payroll for the State.

Recommendation

We recommend the State:

- Automate and base the payroll expenses on biometric identity of recepients
- MoF to obtain monthly personnel head count and status prior to release of lumpsum required amounts
- A leave monitoring system be set up using the newly acquired HRMIS at the Civil Service Commission.
- Background checks be completed prior to the offer letter.
- Performance management and appraisal be incorporated in the newly acquired HRMIS.’
- Deduction of taxes for all employees be done consistently.

Significance

High

Responsible directorate

Treasury and CSC

Management response

I. Payroll for the Security forces – The information for the security personnel is sensitive and can not be trusted for the private banks. Thus Jubbaland state of Somalia has no State bank.
II. Employees leave days are monitored by the respective HR departments
III. According to the CSC act, employees background check is mandatory and a series of 12 requirements and steps are undertaken when recruitment is done for one to be eligible for RCRFII payroll.
IV. Performace form is mandatory for all employees and supervised and confirmed by the senior management of the respective ministries/MDA`s.
V. Employee form is signed off by the MoF HR manager before payment is released by the bank through individual employees bank account.

Additional Auditor's Comments

The Civil Service Commission did not provide the necessary support documents to validate that they undertake review of leave days and the reconciliation, employee background checks, annual appraisal and performance assessment. We maintain the finding and the recommendation.

5 Fixed assets

5.1 Weaknesses under Fixed assets

Observation

Condition

1. The fixed asset register does not report the list of additions for the year. There is a variance of $325,494 between the fixed asset register (FAR) and the capital expenditure additions in the financial statements.

			Amount- USD
Total fixed asset cost in 2019			327,414
Additions in 2019 as per the FAR			
Ministry	Department	Office	Original Cost
Ministry of Finance	Revenue Department	Revenue Office	350
State Judiciary	State Judiciary	Judiciary commissioner	450
Ministry of Finance	ICT Department	ICT Office	300
Ministry of Finance	HRM Department MOF	HRM Office	410
Ministry of Finance	HRM Department MOF	HRM Office	410
Total value of additions in FAR			1,920
Variance between FAR and the list of additions			**325,494**

2. The Fixed Asset Register did not disclose some of the State-owned assets such as land, buildings and motor vehicles; e.g Municipality, Airport and Sea Port buildings, Roads, Infrastructure.

3. In addition, we noted that some assets were not tagged at the Ministry of Finance Deputy Minister Office, Ministry of Education and the Civil Service Commission.

Criteria

Fixed assets are critical wealth of the government. Fixed assets should be controlledthrough tracking and maintaining an organization's physical assets and equipment. Asset types include vehicles, computers, furniture and machinery.

Cause

As per our inquiry, the Assets Officer was new to the role and in the process of settling down at the Ministry to fully takeover updating the fixed asset register and as well as annual verification plan.

Effect

Lack of an updated fixed assets register could lead to the difficulty in accounting of the assets as well as the supcessibiity of the assets to theft or misplacement.

Recommendation

The assets register should be updated to include all government property both movable and immovable.

JSS should ensure that all assets are tagged with a unique identification code. An asset maintenance schedule be maintained and followed and all broken but useful pieces of assets be regularly repaired and put into good use.
Significance
High
Responsible directorate
Fixed Assets Officer/Treasury and Procurement
Management response
Asset management system will be strengthen to capture correct asset items, review of the system and approval of asset item to be done timely and consistently; Processes will be strengthened between Treasury department and Procurement department to ensure monthly review and update of the Asset management system with the FMIS data. Asset management system to be monitored and updated.

6 Bank and Cash

6.1 Weaknesses identified in the bank reconciliation statements

Observation
Condition We noted that the details of the preparer, reviewer and approver are missing on the bank reconciliation statements for all bank accounts from the month of January 2019 to October 2019. It was noted that MoF started implementation of prior period auditor's recommendation of preparation of bank reconciliations from November 2019. **Criteria** PFM Act section 5, states that the Treasury Single Account and any other bank accounts of the State are to be reconciledpreferably daily or at a minimum weekly within 2 days after end of the week by the TreasuryDepartment, Ministry of Finance using the financial management information system (FMIS).Each reconciliation must be checked and approved by one of the authorized signatories of the bankaccount or designated senior officer. Bank reconciliations and supportingdocuments must be retained for management control and auditpurposes, filed both in soft copy andhard copy format. **Cause** Late implementation of prior period audit recommendations. **Effect** Errors and omissions in the cash book general ledger and bank statements may go undetected for long periods of time leading to misstatements of cash balances.
Recommendation
Evidence of preparation, review and approved of bank statement should be maintained by management.
Significance
High
Responsible directorate
Treasury
Management response
All Bank reconciliations was prepared and provided to auditors including soft copy, however the Ministry will ensure Evidence of preparer, reviewer and approver should have been demonstrated on the face of the bank reconciliations form. This includes stating the date and designations of the preparer, reviewers and approvers.

6.2 Dormant bank accounts

Observation
Condition We noted that there are 46 dormant bank accounts under both Dahabshil and Salaam Bank with zero balances that have been inactive for a sustained period of time and have not been operational. Details of all the 47 bank accounts have been included under Annex VI of this report.

Criteria

Section 29 of PFM Act of 2017 provides for the procedures for opening, closing, operating and the signatory arrangements for Jubbaland State of Somalia bank accounts.

Cause

Lack of closure of non-operational bank accounts by the different Ministries under JSS.

Effect

The lack of transaction activities make dormant accounts more susceptible to fraud and misuse.

Recommendation

All dormant bank accounts should be reviewed and approval for closure to be given by the MoF.

Significance

High

Responsible directorate

Treasury

Management response

Majority of the Bank accounts are project base and cannot be closed immediately, However Ministry of Finance will ensure to review all bank accounts and close any inactive accounts.
Financial Year 2019 Banks accounts detailed under annex VI has been active and transactions was made throughout the year.

Additional Auditor's Comments

For efficiency and effectiveness in utilising the bank accounts, management should ensure that they limit the number of bank accounts in operation. Where a project comes to an end, and the final close-out of the project is done, the project account should be immediately closed. In some cases, management may decide to transfer an old account to a new project instead of opening one. This can be communicated to the donors earlier in advance limiting the instances of opening of new accounts.

7 Journal Voucher

7.1 Numbering and support for Journal Vouchers

Observation

Condition

We noted that journals are not sufficiently supported by the relevant supporting documents.In addition, we noted thatthe journal voucher numbers/codes does not correspond to the entry being corrected as well as the the journal voucher description does not give a clear description of what is being corrected. The JVs have their own unique numbering and this makes it hard to know exactly the transaction being reversed or corrected as examples below:

Ledger No	Funder Client Name	Amount (US$)	Date	Voucher	Ministry Agency	Status
115101	Airport Authority	(459)	22/Oct/19	19/00000348 JOURNAL	40400	Posted
115101	Airport Authority	459	22/Oct/19	19/00002392 RV	130000	Posted
115101	Airport Authority	459	22/Oct/19	19/00002299 RV	40400	Posted
115101	Airport Authority	(758)	01/Oct/19	19/00000347 JOURNAL	40400	Posted
115101	Airport Authority	758	01/Oct/19	19/00002394 RV	130000	Posted
115101	Airport Authority	758	01/Oct/19	19/00002300 RV	40400	Posted
115101	Ports Authority	(387,800)	27/Aug/19	19/00000272 JOURNAL	40400	Posted
115101	Ports Authority	387,800	27/Aug/19	19/00001828 RV	140000	Posted
115101	Ports Authority	387,800	27/Aug/19	19/00001789 RV	40400	Posted

Criteria

Journal vouchers should be properly supported to show the preparer and approver of the journals. They should also be well numbered or coded to accurately show the transaction being recorded.

Cause

Lack of maintaining of support documents for the journal vouchers.

Effect

Risk of invalid journal adjustments in the system without relevant authorization ans proper supporting documents.

Recommendation

All journals passed should be accompanied by relevant support documents. The coding or numbering of the journals should be done in a way that it facilitates the transaction being corrected.

Significance

High

Responsible directorate

Treasury

Management response

The Ministry of Finance will improve the controls around the journal voucher by providing description and comment justification why the journal was necessitated.

8 Budgeting and Financial Reporting

8.1 Weaknesses in the budgeting and financial reporting process

Observation

Condition

We noted avariance amounting to US$ 14,421,435 (48%) between the budget revenue for the period and the actual financial performance indicating non compliance with Section 10 and Section 12 of the PFM.

Details	Budget Amount (US$)	Actual Amount	Variance (US$)	Variance %
Revenue	30,188,697	15,767,262	14,421,435	48%
Expenditure	30,188,697	15,983,494	14,205,202	47%

In addition, we noted the 5% contigency fund regulation under section 14 of the PFM was not actualized and set in the budget forecast. Section 14 of the PFM states that in the Consolidated Budget, Parliament shall approve an amount of public funds not exceeding 5 per cent of total annual Jubbaland State of Somalia revenues, as estimated in the Proposed Budget to be used as a Contingency Fund.

Criteria

JSS PFM section 10 states that the Consolidated Budget shall show any proposed budget surplus or deficit, being the difference between the total revenues excluding new borrowings and total expenditures. The consolidated Budget should stipulate the purpose to which the budget surplus will be applied, and, in the case of budget deficit the means of financing it, and shall be subject to legislative approval.

Cause

Non compliance with Section 10, 12 and 14 of the PFM Act, 2017.

Effect

Risk of non compliance with the PFM regulations

Recommendation

The annual budget be subject to review and any over or under forecast of the financial performance adjusted in the July supplementary review.

The 5% of the budget be set as contigency and any contigency activities funded from this fund.Contigencies should not to be paid from recurrent budget.

Significance

High

Responsible directorate

Budget Directorate

Management response

Ministry of Finance will conduct a mid-year review to determine if a Supplementary budget is required to ensure the revenue estimates are achievable. Revenue department will review the variance in revenue collection against estimate budget.

9 IT General and Application Controls

9.1 Application Controls

9.1.1 Duplicate cheques under FMIS

Observation
Condition For any payment, there should be a corresponding unique FMIS cheque approved and attached to the physical cheque.However, from the review of the payment process and payment sample documents, we noted payments worth US$60,425which were processed on duplicate FMIS cheques, contrary to the process controls of using a unique cheque per payment as detailed under Annex Vof this report. **Criteria** To uniquely identify payments made, all FMIS cheque numbers should be uniquely numbered for better tracking **Cause** The system allows for editing of FMIS cheque numbers once approved. **Effect** There is a risk that the reported expenditure balance in the books could be mistated as a result of possible unsupported expenses.
Recommendation
Re-configure FMIS to disable the approver role from being able to edit the amounts after decision to print has been made.
Significance
High
Responsible directorate
ICT Function
Management response
Not in agreement with the auditor's observation, BISAN system does not duplicate cheque reference number with the same bank account number. However, the system recognizes new project accounts for new cheque reference number.
Additional Auditor's Comments
We maintain the finding. Even though the bank accounts are different, management should find a unique numbering way of the cheques to ensure there is no similarities in cheque referencing.

9.1.2 Gaps in revenue collection and reporting by third parties

Observation

Condition

We noted the following gaps in the collection and reporting of revenue:

1. For the Kismayu port, there is no automated system for revenue collection from the docking of ships and the custom duty.
2. There is no visibility for JSS to view or track revenue collected by Smart Technologies, a services partner contracted by JSS government to print Jubbaland IDs, Lisences, passports, house numbers, road licences et al.
3. Smart technologies servers are running on Windows Server 8 which is no longer being supported by the vendor, Microsoft, posing a security risk.

Criteria

For effective recording and tracking, the Ministry of Financeshould have a view of the of revenue collected by third parties.

Cause

Revenue collection is manual.

Effect

There is a risk that the revenue posted could be misstated given there is no visibility and independent reconciliation or validation of the revenue collected by Smart Technologies, a third party.

There is also a risk of that revenue transactions could be irrecoverable due to a possible cyber compromise of the servers. This is because the current Operating System version supporting the servers is no longer supported and remains unpatched. Furthermore, There is a risk that a successful attack which may lead to programs and data unaivalibility, data theft and integrity issues given the inherent security vulnerability of the current Operating System software that supports the revenue collection system.

Recommendation

1. Automation of the revenue collection process at the Kismayo Port to increase efficiency in reporting and ease of getting revenue assurance.
2. Requesting for an interface to track business activities at smart technologies for better tracking of revenue collection from the services provided.
3. The vendor be advised to update the server operating system for improved sucurity of the critical applications used for daily operations.
4. Independent validation and reconcilliation of all revenue collection transactions by the third party.
5. Upgrade the servers to a version that is supported by the vendor.

Significance

High

Responsible directorate

ICT Function

Management response

I. Currently customs automation system (CAS) under procurement, however custom declaration process is done through electronic system (Somali single administrative document-SOMSAD).
II. There is no visibility that is necessary since Smart technology provides the service mentioned above while the cash/revenue is received by RCA at the revenue collection centre.

III. The ministry will enforce the service providers to upgrade windows and software.

9.1.3 Variance in the interface between BPM and FMIS

Observation

Condition

We revied the budget amounts of expenses and revenue for the period under the Budget Preparation Module(BPM) and FMIS and noted a variance of 4,479,988 as below:

Category	BPM (US$)	FMIS (US$)	Variance (US$)
Expenses	26,187,509	30,667,497	(4,479,988)
Revenue	26,187,509	30,667,497	(4,479,988)

Criteria

Amounts between BPM and FMIS should be interfaced to present a clear reflection between the two systems.

Cause

The system is not configured to automatically update budget values between BPM and IFMIS. Any budget changes against the actual revenue and expenditure are therefore not update in IFMIS.

Effect

There is a risk that the Expenses and revenue budget values posted could be mistated as a result of variances between BPM and IFMIS.

Recommendation

Implement an automated interface to ensure changes to the budget are accurately and completely reflected in FMIS. Any official changes to the budget should also be updated and the approval be documented to address the variances noted.

Significance

High

Responsible directorate

ICT, Revenue Collection Authority, EAFS and Treasury

Management response

The auditor was given system walkthrough on how BPM functions – BPM is only used during the annual budget preparation stage until the parliament approval of the annual budget. However, the FMIS is used on execution of the budget and any anticipated grant comes after the budget was approved by the parliament hence the two systems can only balance before anticipated grant received.

Additional Auditor's Comments

We maintain the finding.
There should be clear interface between the two systems to show the accurate position of the budget.

9.2 General Computer Controls

9.2.1 Access Controls

9.2.1.1 Weaknesses in the identification of users under FMIS, RMS, BPM and AMS

Observation

Condition

We inspected the list of users inFinancial Management Information System (FMIS), Revenue Management Sysyem (RMS), Budget Preparation Module(BPM) and Asset Management System (AMS)systems and noted the following:

1. Some users created in the system could not be traced to the official employee records provided by HR.
2. The names of some employees created in the system were not accurately matching with the names listed in the official HR records.
3. There was a duplicated user ID in the Asset Management System.

See table below for further details:

Description	FMIS	RMS	BPM	AMS
User IDs with no matching Employee details in the HR records	14	8	7	11
User ID_names not accurately matching the official HR records	13	5	2	2
Duplicate User IDs	0	0	0	1

Criteria

All users created in the system are to be attributed to the authorized employees for accountability of all transactions passed in the ssytem.

Cause

Inadequate process for the creation of users in various financial systems.

Effect

- There is a risk that the payrol balance could be misstated owing toinaccurate or misaligned employee records.
- It is also difficult to determine whether user access rights are commensurate with assigned job responsibilities where staff records in the various systems and HR records do not match.
- There is a risk of undetected fraudulent transactions or erroneous postings affecting FMIS, RMS, BPM and AMS given possible unauthorized users in these systems.

Recommendation

- All users in FMIS, RMS, BPM and AMSshould be matched with official HR records. Users whose records are not in the official HR records should be removed.
- Review the existing system user creation process and ensure approval by HR and system owners.
- Consider a quarterly review of user activities. This should be documented and circulated to department heads with action items for implementation to remediate any gaps noted.

Significance

High

Responsible directorate

ICT Department

Management response

I. All employees' details are provided before user access right is given (user maintenance and access form).
II. Abbreviation's words has been used to create user access
III. The observation is well noted and the duplicate will be removed from the system after the review of the ICT department.

9.2.1.2 Weak Segregation of Duties (SOD) Controls in FMIS

Observation

Condition

During our review, we observed a data entry user who managed to pass a transaction and approve it using an approver's username as he had login credentials for both user profiles.

In addition, the documented User Access Controls policy which provides guidance on the access of FMIS does not provide detailed groups in the system into which users are allocated

Criteria

A Segregation of duties Matrix is implemented and enforced to prevent unauthorized/ invalid transactions beiong posted or invalid activities being implemented in the financial systems.

Cause

Inadequately documented and implemented segregation of duties controls.

Effect

There is a risk of undetected fraudulent transactions going unnoticed.There is also risk that reported balances could be misstated as a result of poor segregation of duties controls in the IFMIS system.

Recommendation

Review all user roles in IFMIS and implement strong Segregation Of Duties (SoD)controls that are documented to ensure all areas of conflict which may lead to invalid, unauthorized or fraudul;ent transactions are prevented.

Significance

High

Responsible directorate

ICT and Treasury Departments

Management response

There is clear segregation of duties in the system as provided by the PFM policy and available guidance.

9.2.1.3 Gaps in the FMIS access revocation of staff leaving Jubbaland State of Somalia.

Observation
Condition We noted a specificuser, ARAGE, whose last day was 14 February 2019 was still active in FMIS for 10 days up to 24 February 2019. The user was able to pass 307 transactions valued at USD 911,266. **Criteria** Best practise dictates that all users who have left the organisation are to be deactivated from the system to prevent any unathorised transactions that may be passed using their accounts **Cause** Inadequate process of deactivating staff who have left JSS **Effect** Unauthorised/fraudulent transactions may be passed using the leaver's access.There is also the risk that all transactions posted by the affected user ID may not be valid leading to a misstatement of the reported balance
Recommendation
Implement a process to ensure all users leaving are deactivated immediately from all financial systems and any exceptions be documented with a valid justification with approval from the Director General.
Significance
High
Responsible directorate
ICT deparment/function
Management response
The Ministry will ensure all user account will be revoked when the employees quite the job immediately.

9.2.1.4 Weak password configuration controls for FMIS, RMS, AMS and BPM

Observation
Condition 1. The documented information systems policies establish standards/guidelines for passwords composition, management, and syntax with respect toChange of password at first sign-on, Minimum password length, Password change intervals and Password complexity. Guidance on Maximum number of allowable unsuccessful attempts; andPassword lockout duration have not been defined. 2. We further inspected the password configurations on FMIS, RMS, BPM AMS and the Operating System and noted the following: • Change of password at first sign-on not set for the AMS and the RMS; • Minimum password length not set for windows servers supported AMS and RMS systems; • Password change intervals not set for windows and unknown for AMS

- Password complexity (e.g., alpha-numeric) ; Inadequate for all systems as I managed to use thesepasswords for the test accounts: Bisan(FMIS), dadi12345(RMS),dadimasesa12(BPM), dadimasesa123(AMS)

3. Password are shared among users - during our review we observed a data entry passing a transaction and approve it using an approver's username as he had passwords for both user accounts.

Criteria

Password policies require that a maximum number of allowable unsuccessful attempts and password lockout duration be set and implemented. There is also a requirement for users not to share their passwords with other users which should be strictly observed.

Cause

Inadequately documented and implemented password security policies and controls

Effect

Compromise of critical business systems as a result of successful password security attacks such as dictionary attack and brute force.

Recommendation

- The password policies and procedures be improved to include: Maximum number of allowable unsuccessful attempts; and Password lockout duration
- Password policies and configuration settings be improved for windows and all critical business systems.
- A strict policy be set and implemented to discourage the sharing of passwords.
- A review process be set up whereby EAFS and IT will be involved to identify and report users sharing their passwords to the Director General for agreed and approved disciplinary action.

Significance

High

Responsible directorate

ICT, Treasury and EAFS

Management response

Improved password policy will be developed, approved and circulated for implementation and enforcement.

9.2.1.5 Inadequate review of administrator activities in FMIS

Observation

Condition

We noted that system administrator profiles has privileged access across all transaction and backend modules in FMIS. We further reviewed the Admin user and noted that he/she had passed some transactions for the period under review. This is contrary to the segregation of duties controls that requires separation of duties between system administration and transaction processing.

Criteria

Business owners/heads should regularly review activities in the core business systems to establish whether administrators are operating within their mandate in relation to the business operations.

Cause

The activities of the administrative user in the system are not independently tracked, monitored and reviewed. **Effect** There is a risk of posting of unauthorised or invalid transactions.
Recommendation
Consider revoking transaction processing privileges for the IT administrator. Where this is necessary, consider a regular and independentreview of administrator activities be done and documented to verify that no unauthorised entries were passed.
Significance
High
Responsible directorate
ICT
Management response
This was system error correction. The entry was done by the Treasury department and the payment could not be posted, hence, IT admins supported treasury to post and correct the error.

9.2.1.6 Weaknesses in physical security of MoF premises

Observation
Condition We noted inadequate physical restriction controls to protect IT systems from theft considering JSS MOF is a public office which is visited by many people, who may easily walk in and out movable electronics such as laptops. **Criteria** Physical security is important in order to secure ICT assets of the organisation. **Cause** Weaknesses in physical security in MoF premises. **Effect** There is a risk of unauthorised access to key IT infrastructure that support processing of transactions and reported financial balances at JSS.
Recommendation
A register be availed for the recording of laptop serial numbers for all laptops being brought into and taken out of JSS offices. A gate pass system be set up to record and approve any electronics being taken out for service or being transferred from their original locations.
Significance

High
Responsible directorate
Director, Administration and Finance
Management response
Ministry of Finance Security team search every person entering the premises and verifies all the individuals leaving the premises. Also all departmental office is looked when working hour's ends.
Additional Auditor's Comments
We maintain the finding.

9.2.1.7 Generic user accounts

Observation
Condition We noted use of generic user IDs in Revenue Management System(RMS), Budget Preparation Module (BPM), Asset Management System (AMS) and Financial Management Information System (FMIS). Below are the generic user IDs we identified in use for transaction processing: • Admin (RMS, BPM, FMIS and AMS) • Premis, Crystal, mamba and root (AMS) These generic users cannot be attributed to MoF employees for the purpose of accountability. **Criteria** For the purpose of accountability, all users created in the system require to be attributable to specific users. **Cause** Inadequaet processes for system user creation and access controls. **Effect** Use of generic IDs to pass fraudulent transactions since it is difficult to prove accountability.
Recommendation
All generic IDs be deactivated if not in use or be documented and assigned to specific employees after approval by the relevant management for accountability.
Significance
High
Responsible directorate
ICT
Management response

Generic user IDs shall be deactivated or assigned to known persons. Efforts shall be made to ensure user IDs are named users and or attributable to known individuals.

9.2.2 IT Operations

9.2.2.1 Inadequately documented Information Security Policies

Observation

Condition

The Information Security policies have not been documented to incorporate the following areas:

- statement of the importance of security to the organization;
- communication and acknowledgement of the policy;
- physical access to computing resources;
- bring your own device policy;
- employee and contractor responsibilities;
- access administration, re-certification, and termination;
- access to applications, databases, and operating systems;
- password parameters/ password security;
- network monitoring;
- remote access;
- virus protection; and
- review of security related events.

Criteria

To effectively manage the confidentiality, integrity and availability of system programs and data, there is need to document information security policies and procedures.

Cause

Undocumented information policies and procedures.

Effect

Exposure of IT assets to compromise on Confidentiality, Integrity and Availability of critical programs and data.

Recommendation

A documented, approved and implementable policy and procedures document be prepared incoprorating the mentioned policies and circulated to users and IT administrators for compliance.

Significance

High

Responsible directorate

ICT

Management response

The development of a comprehensive ICT policy document is in progress. ICT policy development to be concluded approved and circulated for implementation and enforcement. Periodic reviews shall be conducted

to ensure that ICT policy statements remain relevant to the needs and operating environment of the Jubbaland MoF.

9.2.2.2 IT Security awareness training

Observation
Condition We noted that for the year under review, there was no IT security awareness training for both end users and administrators of the critical business systems. **Criteria** To effectively protect Information Technology assets, security awareness training is important for both administrators and end users. **Cause** Inadeqaute process to train end users and system administrators. **Effect** Financial losses or breach of confidentiality and system availability by adversaries due to successful attacks.
Recommendation
Regular/Annual training sessions be organized to train users on the latest attacks and measures to protect the IT assets from compromise.
Significance
High
Responsible directorate
ICT
Management response
Ministry of finance will consider IT Training on cyber security as a critical segment and regular reviews and training programmes specific to IT and information systems shall also be designed and implemented

9.2.2.3 Logging of IT support and helpdesk incidents

Observation
Condition We noted that Jubbaland State of Somalia incidents are reported to Superusers as the first line of support on email, phone or verbally, the second line of support is the Premis Advisors and the third line of support is the Vendor for the relevant system. The incidents reported are not logged to include the following: • name of logger; • format used to record incidents, e.g. incident tracking system, remedy, etc; and

- name/title of person who investigates and resolves them.

Criteria

All issues raised by users for resolution require to be logged and effectively tracked in order to establish a root cause and formulation of a permanent solution or a repeatable solution in order to create efficiency.

Cause

Inadequate processes and technology to record and track reported issues.

Effect

Failure to deliver services due to unaddressed incidents which may lead to loss of system availability or compromise to system integrity and/or confidentiality.

Recommendation

A comprehensive incident reporting and logging system be formalized to include the following:

- name of logger;
- format used to record incidents, e.g. incident tracking system, remedy, etc; and
- • name/title of person who investigates and resolves them.

Significance

High

Responsible directorate

ICT

Management response

Help desk email was established recently and all staff would address their request formally through email

9.2.2.4 Antivirus software

Observation

Condition

We inspected 9 machines and noted that 3 of them had their antivirus software turned off or their licenses had expired.

Machines Name	Antivirus	Antivirus Status
WINDOWS-T82HFJT	Kaspersky	License Expired
DESKTOP-6TL6L4C	Kaspersky	License Expired
DESKTOP-DHUM7J1	Windows Defender	Turned off

Criteria

To protect data and programs against viruses, active antivirus software needs to be installed and adequately updated.

Cause

Inadequate process and technology to centrally manage antivirus software.

Effect

System unavailability, compromise to integrity and/confidentiality due to successful virus attacks.

Recommendation

All machines be installed with antivirus and the automatic updates be set for effectiveness.

Significance

High

Responsible directorate

ICT

Management response

Enterprise anti-virus software for both workstations and file servers shall be acquired. This shall come with a multi-year license with centralized deployment and management

9.2.3 Systems Change Control

9.2.3.1 Lack of formal change management policy

Observation

Condition

We noted that the Jubbaland State of Somalia has not adopted a change management policy which includes the following guidelines/ procedures:

- initiation of the change;
- classification of the change
- authorization for the change;
- unit and system testing in a test environment;
- business user testing and signoff; and
- migration to production.

For the period under review, there were not changes initiated at JSS.

Criteria

To effectively make program changes, a formal documentation and authorization process is necessary.

Cause

Inadequate program changes process.

Effect

Compromise of data and program availability and integrity due to implementation of unauthorised and untested changes into product.

Recommendation

A change management policy be developed, documented and approved to include:

- initiation of the change;
- classification of the change;

- authorization for the change;
- unit and system testing in a test environment;
- business user testing and signoff; and
- migration to production.

Significance

High

Responsible directorate

ICT

Management response

The observation is noted and MoF will develop system change management policy and take into effect.

9.2.3.2 Lack of adoption of system development and acquisition policy

Observation

Condition

We noted that Jubbaland State of Somalia has not adopted a development and acquisition policy which is communicated to all relevant employees (and contractors) and incorporates the following:

- Initiating and authorizing system projects;
- Assigning priorities to projects;
- Developing requirements and specifications;
- Testing applications;
- Business user testing and formal signoff;
- Migration from the test environment to the production environment; and
- Reconciliation of data migrated to new or significantly modified applications.

For the period under review, a HR Management system was acquired for the Civil Service Commission, however, we noted the following gaps:

- It is not interfaced with the Payroll system to minimize data entry when enrolling new employees, managing changes/transfers or exits.
- Not all employees have been enrolled into the system i.e. only 300 out of over 700 employee have been enrolled into the system.

Criteria

To effectively address any business challenges, there is need for a formalized system development and acquisition policy.

Cause

Inaduately formalized process for system development and acquisition.

Effect

Wastage of resources or lack of synergy by running parallel or uninterfaced systems.

Recommendation

A collective/combined policy and procedures be documented and implemented to include:

- Initiating and authorizing system projects;
- Assigning priorities to projects;
- Developing requirements and specifications;
- Testing applications;
- Business user testing and formal signoff;
- Migration from the test environment to the production environment; and
- • Reconciliation of data migrated to new or significantly modified applications.

Significance

High

Responsible directorate

ICT

Management response

The development of a comprehensive ICT policy document is in progress. ICT policy development to be concluded approved and circulated for implementation and enforcement. Periodic reviews shall be conducted to ensure that ICT policy statements remain relevant to the needs and operating environment of the Jubbaland MoF.
MoF will consider configuration and the gaps in the system will be amended.

9.2.4 IT Disaster Recovery and Business Continuity

9.2.4.1 Lack of an IT Disaster Recovery and Business Continuity Plan

Observation

Condition

Lack of an IT Disaster Recovery and Business Continuity Plan to facilitate any critical business operations to include the following areas:

- an introduction, with distribution list, executive summary, objectives and glossary;
- a risk management plan with business impact analysis;
- an incident response plan, with plan activation, incident response team, communications and contact list;
- a recovery plan;
- a test, evaluate and update schedule.

Criteria

Any business environment requires a plan to counter any unknown or unpredictable events that may disrupt service delivery.

Cause

Weakness in formalization of the IT Disaster Recovery and Business Continuity Plan.

Effect

Lack of an IT Disaster Recovery Plan may lead to the State not being able to resume operations efficiently if disaster were to happen.
Recommendation
A business continuity plan be documented, approved, implemented, tested and annually updated to cover new risks.
Significance
High
Responsible directorate
ICT
Management response
Ministry of Finance with coordinate with PREMIS IT Advisor and ICT guidelines and policy will be developed that helps in implementation of ICT procedures and Business continuity plan.

9.2.4.2 Lack of implementation of a formalised backup strategy

Observation
Condition We noted that Jubbaland State of Somalia has not implemented a formalised strategy for backup of relevant data and programs to include: • responsibility for performing backups; • format of backup tool, e.g. Veritas, Galaxy, etc; • the operational process to be followed to successfully perform the backup of financial data and applications has been outlined; • corrective action to be taken in the event of failed backups has been outlined; and • the backup schedule is commensurate with the risk of data loss based on the criticality of the system (Daily, weekly, monthly etc). **Criteria** To support availability of data and programs, a formal backup strategy is needed. **Cause** Dependence on the system vendors. **Effect** Failure to resume service delivery in due time.
Recommendation

A comprehensive strategy for backup of relevant data and programs to include: • responsibility for performing backups; • format of backup tool, e.g. Veritas, Galaxy, etc; • the operational process to be followed to successfully perform the backup of financial data and applications has been outlined; • corrective action to be taken in the event of failed backups has been outlined; and • • the backup schedule is commensurate with the risk of data loss based on the criticality of the system (Daily, weekly, monthly etc).
Significance
High
Responsible directorate
ICT
Management response
The observation is taken and the Ministry of finance will formulate back up policy and strategy that will enable information to be back up weekly and monthly. However MoF systems are cloud base system.