OFFICE OF
THE AUDITOR GENERAL

OF THE JUBALAND STATE OF SOMALIA

JUBALAND OFFICE OF THE AUDITOR GENERAL ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2023

ISSUE DATE
September 25th 2024

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Date 25 /September/2024

To: The Speaker of the
State Parliament
Government of Jubaland of 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 Jubaland State of Somalia (JSS), I have the pleasure to submit my annual report on the state's activities for the financial year ended 31st December 2023 for tabling in the State Parliament.

Attached to this summary report are;

1. The auditors report on the JSS FY 2023 Financial statement and the 2023 financial statement
2. The detailed management letter resulting from our audit.

Yours Sincerely,
H.E. Bashir Mohamed Bahale
Auditor General

CC. THE ACCOUNTANT GENERAL JSS
CC. THE MINISTER OF FINANCE JSS
CC. THE PRESIDENT JSS

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1. Acronyms

Acronym	Full Description
CPO	Commitment Payment Order
CSC	Civil Service Commission
DG	Director General
EU	European Union
FMIS	Financial Management Information System
FY	Financial Year
ICT	Information and Communications Technology
ID	Identity Card
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
JSS	Jubaland State of Somalia
MOF	Ministry of Finance
NGO	Non-governmental Organization
OAG	Office of the Auditor General
PFM	Public Financial Management
SFAS	Strengthening Financial Accountability in Somalia
RMS	Revenue Management System
SAI	Supreme Audit Institution
TSA	Treasury Single Account
USD	United States Dollar
SFAS	Strengthening Financial Accountability in Somalia

1. Foreword

Over the years, the Office of the Auditor General (OAG) of Jubaland State of Somalia (JSS) has carried out regulatory audits on the public accounts of JSS, with support from donor partners, including current technical assistance from the EU's SFAS project. These audits have highlighted areas needing improvement and have resulted in practical recommendations. Such recommendations are essential components of our audit reports and are crucial for fostering improvements in the efficient and effective delivery of programs and services to the residents of JSS

As part of our responsibilities, we make sure to follow up on recommendations from previous audits to ensure that those accountable take the necessary steps to implement the recommendations that have been put in place

The OAG is dedicated to addressing challenges in effective financial management and control. We will persist in offering our support and providing proactive insights to identify and address the root causes of weak internal control systems

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

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

2. Executive Summary

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

3.1 The Role of OAG

As the Supreme Audit Institution (SAI) of JSS, our constitutional responsibility is to ensure that public funds are used legally and effectively for service delivery. In other words, we serve as the independent guardian of Jubaland State's public finances and economic security, as outlined in Article 88 and 89 of the Jubaland Constitution and Section 7 of the JSS Audit Act 2016.

We conduct audits and report on the management of funds received by the Government, whether from taxpayers, donors, or other sources, ensuring that expenditures are handled 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 initially provide it to Parliament. Within one month of completing the report, it is also made accessible to the citizens of Jubaland State and other stakeholders, in accordance with Section 32(3 and 4) of the PFM Act 2017. Additionally, all our reports are available to the public 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

Qualified audit 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 2023 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 2023 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 Qualified 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):

a) We identified Various payments relating to state activities with regards to wages regular food supplies, travels and conferences, settling of state obligations, acquisition of assets, conflict resolution etc. amounting to $ **$7,158,608** representing **15%** of total expenditure which lacked adequate evidence of occurrence.

b) Similarly, Revenue/receipts amounting to **$ 4,848,333** representing **10%** of total receipts recorded in the Consolidated Fund Statement of Receipts and Payments were not sufficiently supported with original collection documents showing the tax base, rate of tax, amount of tax making it difficult to assess completeness, accuracy and whether taxes were recorded under the correct tax codes.

c) Additionally, we identified various expenses amounting to **$1,229,715** that were reported, charged and classified under incorrect budget lines.

3.3 Summary of Audit Findings

Budget control and performance

During the review period, the approved supplementary budget for Jubaland State was **$57,882,968,** whereas the actual expenditure totalled **$46,532,876.80**, leading to a variance of **$11,350,100.** This reflects a budget under-realization of **19.6%,** indicating potential issues with forecasting and the development of realistic budgets.

Weaknesses in revenue collections and recordings

1. **Local revenue;** we have noted various weaknesses in the collection, management and recording of local revenues as follows;

a) we noted that some of the state's own source revenue totaling **$4,848,333** had inadequate supporting documentation, we were unable to verify the occurrence of the said transactions. Similarly, we could not confirm whether the amounts have been recorded under the correct tax codes. The revenues were booked in different tax codes including and not limited to visa fees, property tax, khat, landing fees etc.

b) collection receipts were written manually that lacks assurance on the collection and recording of certain revenues.

c) Lack of automated interphase between RMS and FMIS that may lead to variances between the two systems

d) We noted instances where some collection agents did not pay leasehold rentals contrary to agreements signed with the government as shown below;

Name of agent	No. of months	Rate	Amount
Midnimo	54	500	**27,000**
Eagle Risk management	16	600	**9,600**
Total			**36,600**

e) We also noted instances where skewed open ended government outsourcing contracts that were not sourced competitively have been awarded to some service providers e.g. **Jubbaland quality** control services. Details of issues found with contract with JQCS Jubaland Quality control are as follows;

a. Company shares of revenues is **88%** while government share is **12%**
b. Collected revenues are not remitted to a government treasury single account but rather banked in the company's private accounts.
c. We also noted that JQCS has been depositing all revenue collected into its own bank account and only transferred **$13,214.06** to the Government for the entire financial year 2023. In addition, the revenue department lacks records of JQCS's total revenue collected, preventing the audit from verifying if JQCS is paying the agreed **12%** to the state

Weaknesses in expenditures

State Obligations

The review of the Jubaland state debts revealed the following weaknesses:

1. Expenditures are not sufficiently supported to prevent ineligible expenditure and misstatements of the financial statements.
2. Expenditure lacks proper supporting documents including evidence of goods delivered or services rendered documentation
3. Expenditures such as conflict resolution and contingency expenditures are not appropriately supported.
4. We have noted that the state operates multiple manual payrolls for temporary staff, legislature, political appointees, security sector etc.

Other unsupported expenses

We identified Various payments relating to state activities with regards to wages regular food supplies, travels and conferences, settling of state obligations, acquisition of assets, conflict resolution etc. amounting to $ **$7,158,608** representing **15%** of total expenditure with inadequate evidence of occurrence. The expenditures lacked third-party documentation. Such as evidence of procurement process documentations/Recruitment process, contracts/LPO, invoices, TORs, delivery notes, good received notes, inspection reports, certificates of work done, distribution lists, participant list, attendance registers, invitations, conference/meeting agenda/program of activities, activity reports, tickets, boarding passes, lease agreements, motor vehicle log sheets, fuel registers, Bill of quantities, stores ledgers, requisitions, travel authorization forms etc. whichever that is applicable

Human Resource payments

The review of human resource records for Jubaland State as of December 31, 2023, revealed the use of multiple payroll systems, including separate payrolls for the legislature, wage workers, contract employees, security forces, teachers, health workers, political appointees, civil servants etc. No written explanation was provided to justify the operation of these different payroll systems and why a unified payroll system cannot be established.

Weaknesses in procurement process

From the review of the procure -to -pay process, we noted the following gaps that should be improved by the Ministry:

1. Single sourcing of some suppliers without adequate justification
2. Lack of quotations, bid documents and bid analysis for some procurements
3. Inadequate listing to verify prequalification process for vendors and service providers.
4. No evidence of preparations and review of bid evaluations, recommendations of awards, award nofifications, notifications of losing bidders and contracting process documentations

Weaknesses in the management of fixed assets

Following issues were noted in relation to the entities fixed assets register

a) The fixed asset register did not include a list of additions for the year

b) The register also fails to record disposals made during the year
c) the register does not list certain state-owned assets, including land, buildings, and motor vehicles.
d) It was also observed that some assets at the Ministry of Planning, Ministry of Education, and the Civil Service Commission were not tagged
e) There are no procedures for periodic assets verifications.

Lack of Key Controls and management policies

The Jubaland State of Somalia's working controls and policy frameworks slightly fall short of the required standard essential for effective public financial management and governance. Specifically, the internal audit department is dysfunctional and there is no audit committee to supports its functions. Key policies such as Debt Management Policy, Risk Management Policy and Public Safety Policy are not in place.

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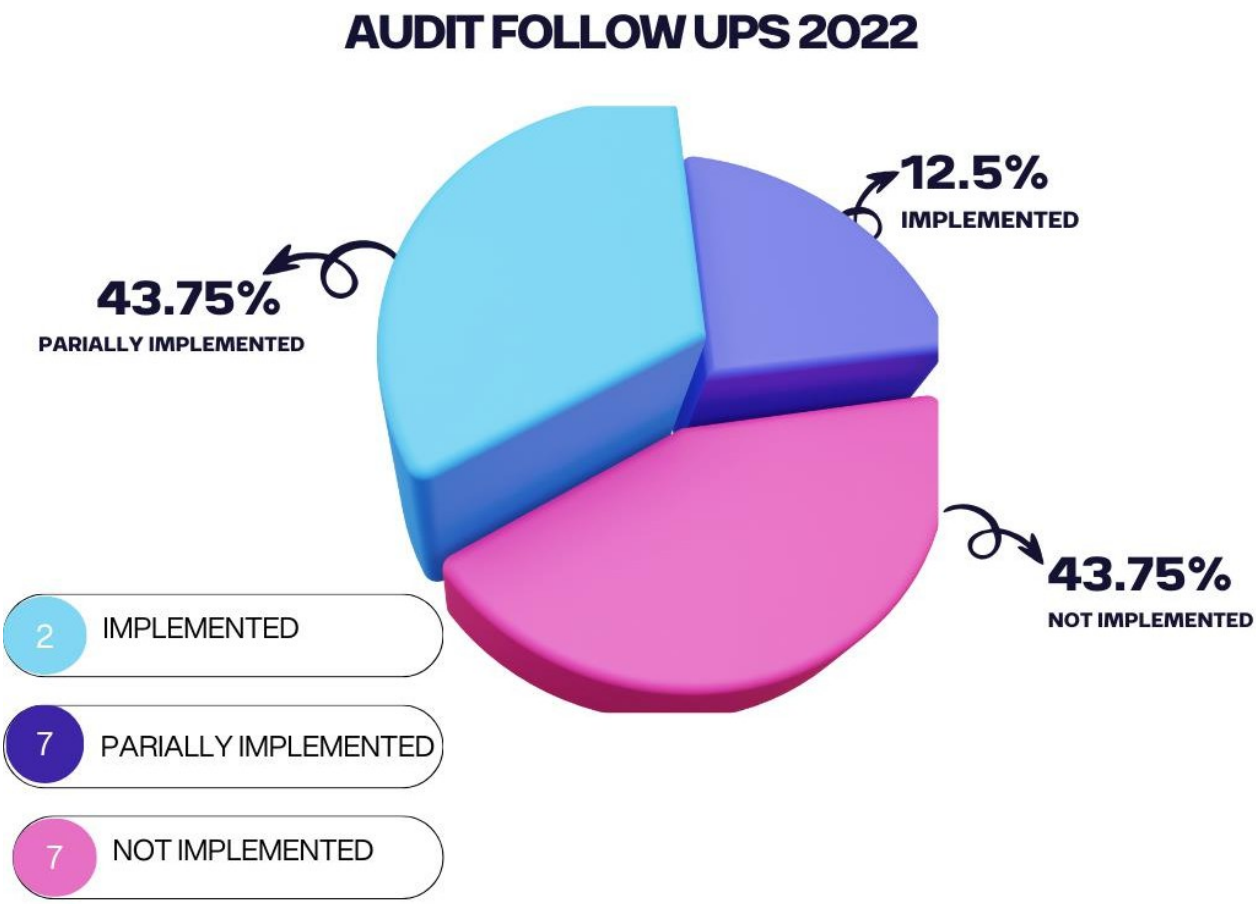
Follow up of Prior year Audit Recommendations

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:



As in previous years, there has been minimal progress in implementing audit recommendations. It is crucial that this situation improves moving forward.

To address this, the Ministry of Finance should establish a formal mechanism to ensure appropriate corrective actions are taken.

3.4 Conclusion

Controls at JSS have shown limited improvement in recent years. Major concerns include the completeness of revenue, poor funds management, substantial cash payments, and inadequate details of a fixed assets register. Despite having a clear and detailed legal framework in many of these areas, compliance with these requirements is often lacking. It is essential to regularly monitor adherence to basic control procedures and enforce consequences for repeated violations. Internal controls for revenue collection and recording are inadequately implemented, and payments and receipts lack full support. These issues cast significant doubt on the accuracy of the disclosures in the financial statements. As a result, the OAG has issued a qualified audit opinion.

4.2 Progress So Far

Progress has been made in building the capacity of JSS OAG staff in 2020 and 2021. The speed with which capacity injection was happening has been slowed down as a result of the gap in donor support in 2022 and 2023. Despite these setbacks the office was able to produce the 2022 & 2023 OAG annual report with support from the EU SPFAS advisor.

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 gap in donor support has had a negative impact on all activities of the office. Skills uptake among OAG staff scaled down and many planned activities for the office stalled.

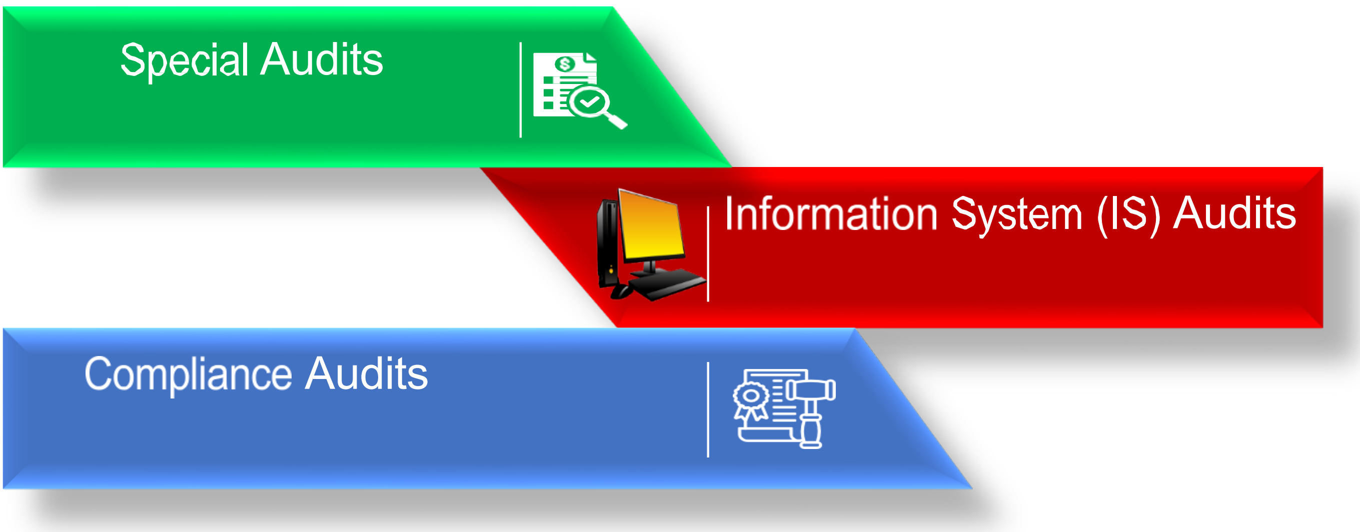
We believe that identifying audit issues and offering recommendations is just the initial phase. The real progress occurs when those responsible act on these recommendations. Therefore, a crucial aspect of our role involves following up on recommendations from previous audits to evaluate the implementation of our suggested actions. It is then the responsibility of Parliament and other stakeholders to ensure that the government takes adequate steps to address the audit issues identified

4.4 Appreciation

The OAG takes this opportunity to acknowledge the dedication of our employees, partners and staff including our TA advisors 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 2023.

4. OTHER MATTERS



4.1 Special Audits

In respect of the financial year ended, and based on risk assessments, I conducted two special audits for the First time for two ministries', This audit focused on the accountability and management of revenues, expenditures, assets (lands, vehicles & buildings), personnel management, and liabilities.

4.2 Information System (IS) Audits

I conducted an Information Systems (IS) audit on bissan. I noted several high- risk weaknesses in the following areas: (a) Information Technology Environment; (b) Systems Change Control. As a result, I made several recommendations for the Ministry of finance to address.

4.3 Compliance Audits

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

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

Annex 1- Auditor report on the financial statement and the accompanying financial statement

Annex 2- Detailed management letter

Office Of the Auditor General
Jubaland State of Somalia,

JUBALAND STATE OF SOMALIA (JSS)

INDEPENDENT AUDITORS'

REPORT ON THECONSOLIDATED

FINANCIAL STATEMENTS FOR

THE YEAR ENDED 31 DECEMBER

2023

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	Jubaland State of Somalia
MoF	Ministry of Finance
US$	United States Dollar

Jubbaland State of Somalia (JSS) Auditors report on the states Consolidated Financial Statements for the period ended 31December 2023

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1.0 STATEMENT OF RESPONSIBILITY OF THE MINISTRY OF FINANCE

The Public Financial Management (PFM) Act 2017 of Jubaland State of Somalia requires Ministry of Finance (The Ministry) to prepare Consolidated Fund Statement of Receipts and Payments for each financial year that recognizes 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 Jubaland 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 Minister of Finance JSS

H.E Ahmed Abdirizak Mohamed

Ahmad

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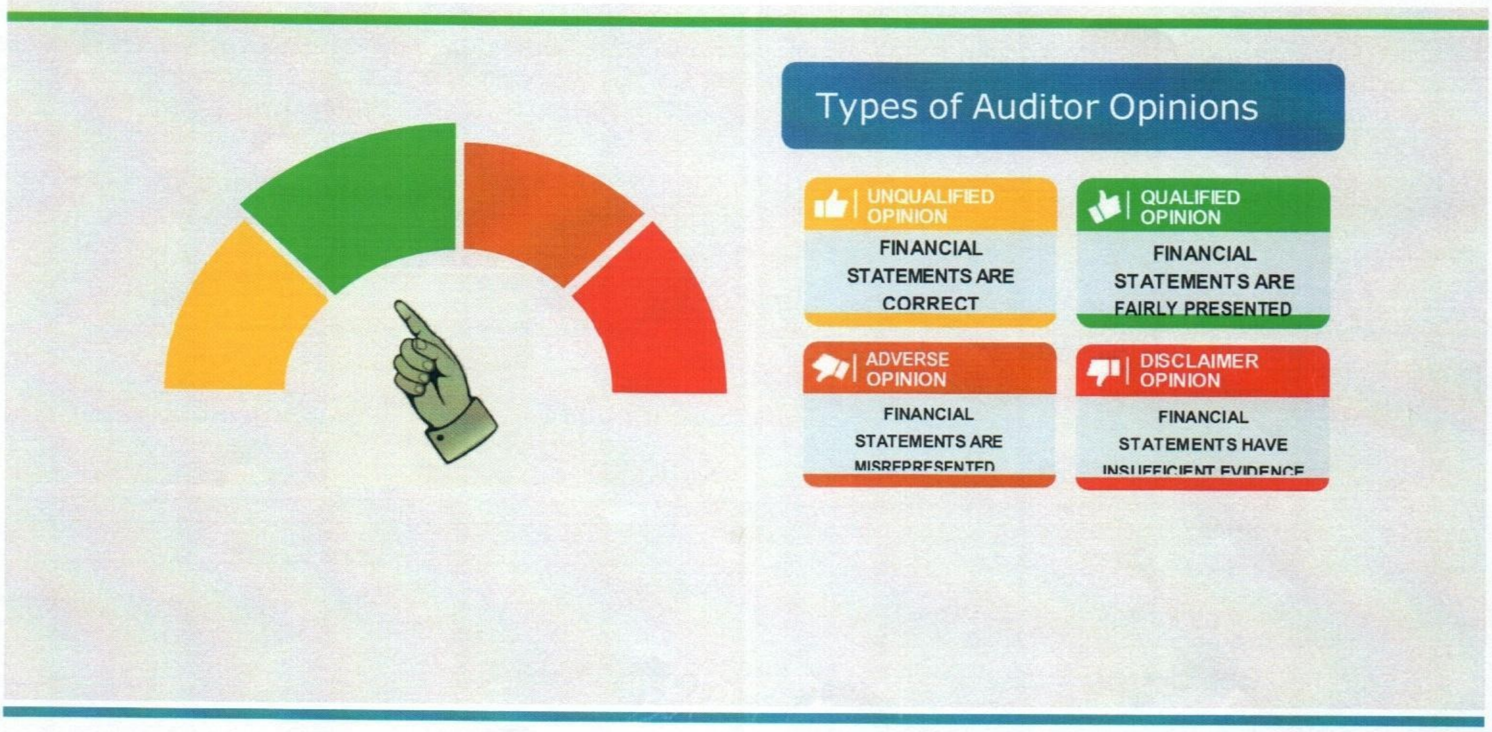
Dated: 26/09/2024

2.0 INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2.1 QUALIFIED OPINION

We have audited the financial statements of the Jubaland 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 2023 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 Jubaland State of Somalia as at 31 December 2023 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 qualified 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 identified Various payments relating to state activities with regards to wages regular food supplies, travels and conferences, settling of obligations, acquisition of assets, conflict resolution etc. amounting to **$ $7,158,608** representing **15%** of total expenditure which lacked adequate evidence of occurrence.
- Similarly, Revenue/receipts amounting to **$ 4,848,333** representing **10%** of total receipts recorded in the Consolidated Fund Statement of Receipts and Payments were not supported with original collection documents showing the tax base, rate of tax, amount of tax making it difficult to assess completeness, accuracy and whether taxes were recorded under the correct tax codes.
- Additionally, we identified various expenses amounting to **$1,229,715** that were reported, charged and classified under incorrect budget lines.

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 Jubaland 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.

3.0 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

We have noted various weaknesses in the collection, management and recording of local revenues as follows;

a) A manual collection process that lacks assurance on the collection and recording of certain revenues.
b) Lack of automated interphase between RMS and FMIS

Weaknesses in expenditures

- Expenditures are not sufficiently supported to prevent ineligible expenditure and misstatements of the financial statements.
- Expenditure lacks proper supporting documents including evidence of goods delivered or services rendered documentation
- Expenditures such as conflict resolution and contingency expenditures are not appropriately supported.
- We have noted that the state operates multiple manual payrolls for

temporary staff, legislature, political appointees, security sector etc.

Weaknesses in the management of fixed assets

Following issues were noted in relation to the entities fixed assets register
• The fixed asset register did not include a list of additions for the year
• The register also fails to record disposals made during the year
• the register does not list certain state-owned assets, including land, buildings, and motor vehicles.
• It was also observed that some assets at the Ministry of Planning, Ministry of Education, and the Civil Service Commission were not tagged
• There are no procedures for periodic assets verifications.

Other control weaknesses identified

During audit review we have identified shortfalls as follows;

- The internal audit function is operational but requires intensive capacity building. Additionally, it is important to create an internal audit charter and approve a work plan to enhance the effectiveness of internal audit reports
- No audit committee in place
- No Debt Management Policy
- No Risk Management Policy
- No Public Safety Policy
- We noted instances where some collection agents did not pay taxes and leasehold rentals contrary to agreements signed with the government.
- We also noted instances where skewed open ended government outsourcing contracts that were not sourced competitively have been awarded to some service providers e.g. **Jubaland quality control service**.

4.0 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.

5.0 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 all material misstatement when they occur.

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 skepticism 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.
- 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 represent 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.

H.E Bashir Mohamed Bahale
Auditor General JSS

Annex 1: Consolidated and Ministerial Financial Statements of Jubaland State of Somalia for the year ended 31 December 2023

CONSOLIDATED & MINISTERIAL FINANCIAL STATEMENTS OF THE JUBBALAND STATE OF SOMALIA

For the Year Ended 31 December 2023

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 and Economic Development

JUBBALAND STATE OF SOMALIA

Statement of Certification – 2023 Finanical Statements

The 2023 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 & Economic Development , the financial statements of the Jubaland 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 2023. The Minister further confirms the completeness of the accounting records maintained for the Jubaland State of Somalia, which have been relied upon in the preparation of the Jubaland 's financial statements as well as the adequacy of the system of the internal financial control.

For and on behalf of the Jubaland State of Somalia

Mr. Ahmed Abdirizak Mohamed – Handal	**23th April 2024**	
Minister for Finance and Economic Development **Jubaland State of Somalia**	**Date**	**Signature**

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Executive Summary

Overview of the Financial Statements

The Financial Statements of the Jubaland State of Somalia provide a record of the Government's financial performance over the financial year, 2023 as outlined in the Statement of Receipts and Payments and the Statement of Comparison of Budget and Actual Amounts. The Financial Statements further summarize all financial transactions for the year ended 31st December 2023 and the JSS financial cash position as of the 31st of December 2023. These statements have been prepared by the Treasury Directors of the Jubaland State of Somalia and include financial information related to all Jubaland State Ministries, Departments and Agencies (MDAs).

The 2023 financial statements focus on reporting, primarily budgeted activities of the JSS for which an Annual Budget Statement was prepared for and authorized by the Jubaland State's parliament for the 2023 fiscal year. The budget and annual financial statements are produced to support JSS strategic business and financial decisions critical to the fiscal and economic wellbeing of the state. The annual reports include the financial and budget activities of MDAs which directly and indirectly receive budget allocations from the Federal Member State.

Disclosure has also been made on the extrabudgetary funds consolidating the financial information that MDAs have provided in respect of their extrabudgetary transactions.

Format of the Financial Statements and additional disclosures

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

Statement of Cash Receipts and Payments

This is a statement of financial performance and measures the net surplus or deficit (the difference between total receipts and total payments) for the year. The statement provides information on the JSS sources of revenue and the cost of its activities.

Statement of Comparison of Budget and Actual Amounts by Economic Nature

The statement of comparison of budget and actual amounts presents a comparison of the budget amounts and the actual amounts for the year based on the GFS economic classification. The statements are prepared to provide information on the extent to which resources were obtained

Accounting Policies

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

Explanatory Notes to the Financial Statements

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

Additional Disclosures

In order to meet the requirements under Article 49 of the PFM Act (2017) and also to provide further information to the financial statements reported under IPSAS, Cash Basis of Accounting, the following additional disclosures have been provided so as to provide more information necessary for accountability and decision-making purposes.

Statement of Domestic Borrowing

This statement provides information on the outstanding national debt of the JSS at the end of the year and makes a distinction of the nature of the debt (capital and operational)

Table 1: Domestic Borrowing

Amount Received - 2013		1,262,769
Amount Received - 2019		5,140,621
Amount Received - 2021		7,368,585
Amount Received - 2022		7,274,675
Amount Received - 2023		5,534,117
Total Received		**26,580,767**
Repayments		
FY2014	70,000	
FY2015	483,108	
FY2016	353,141	
FY2017	152,521	
FY2018	106,590	
FY2019	-	
FY2020	1,436,670	
FY2021	3,363,419	
FY2022	6,631,814	
FY2023	4,543,790	
Total Repayments		**17,141,053**
Remaining balance		**9,439,714**

Summary of Financial Results

Financial Statement Highlights and Analysis

Table 2: Summary of Financial Performance

Financial Performance	2023 USD	2022 USD
Revenue	47,771,225	38,419,688
Expenditure	46,532,868	37,522,997
Surplus	**1,238,357**	**896,692**
% Change	**97%**	**98%**

	2023 USD	2022 USD
Original Budget	51,214,893	44,303,363
Revised Budget (Mid-year Revision)	57,882,968	53,255,245
Actual Expenditure	46,532,868	37,522,997
Under Spending (Budget Saving)	**(11,350,100)**	**(15,732,248)**
% Change	**80%**	**70%**

Revenue Analysis

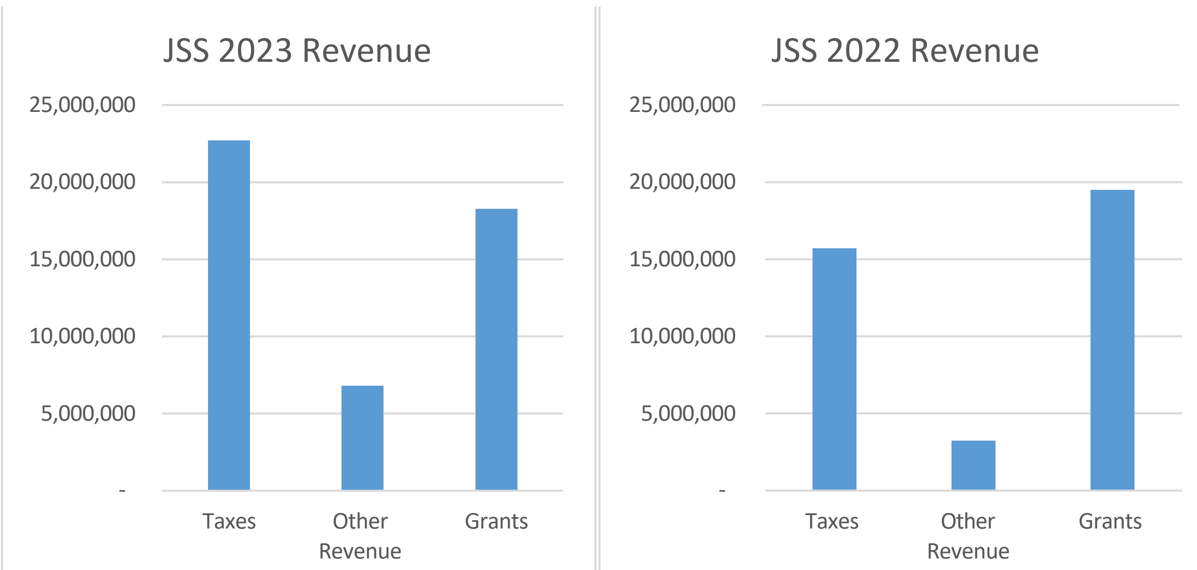
The total revenue of the Jubaland State of Somalia experienced a significant increase from $38,419,688 in 2022 to $47,771,225 in the 2023 fiscal year, marking a growth of $9,351,537 or 24%. The primary sources of revenue for JSS include own-source revenue generated from taxes paid by JSS taxpayers, as well as taxes and other revenues derived from the sale of goods and services, fees, and fines. Additionally, grants from international organizations and the Federal Government of Somalia constitute a notable portion, contributing 38% of the total revenue. In 2023, taxes and other revenue amounted to $22,703,786, representing 48% of the total revenue, compared to $15,705,925 (41% of total revenue) in the previous year. Similarly, revenue from taxes and other sources increased to $6,797,847 (14% of total revenue) in 2023 from $3,221,669 (8% of total revenue) in 2022.

Table 3: Summary of Revenue

Revenue Analysis **Revenue Type**	**2023** **USD**	**2022** **USD**
Taxes	22,703,786	15,705,925
Other Revenue	6,797,847	3,221,669
Grants	18,269,592	19,492,095
Total	**47,771,225**	**38,419,688**

The following chart further highlights, the breakdown of revenue collections for the year which shows that external grants were 38% of the total receipts.

Chart 1: Revenue Breakdown



Tax Receipts

The financial year 2023 saw revenue from taxes increase from $ 15,705,925 in 2022 to $22,703,786. This increase of $6,997,861 has been tax - mainly attributed to turnover tax and road user taxes as government push to increase domestic revenue. As depicted in Chart 1 above, revenue from taxes collected was 48% of the total revenue for the year.

Other revenue

The financial year 2023 saw non-tax receipts increasing by $3,576,178 when compared to the previous year. As detailed in Table 2, the current year's non-tax revenue (domestic receipts) stands at $6.797.847

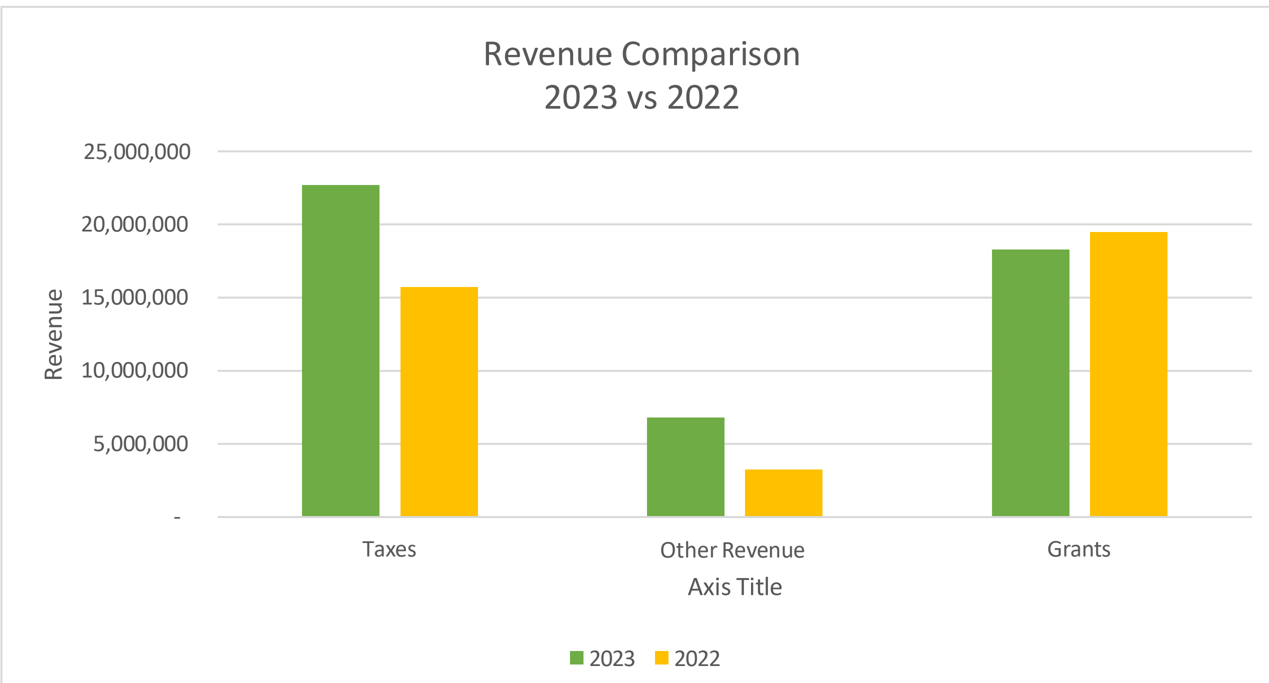
up from $3,221,699 last year, in the same period. This upward movement in this category of the revenue has mainly come from land certificate fee which the government has activated last year and Land modification fees. As depicted in Chart 1 non-tax receipts was 14% of the total revenue for the year.

Grants

External assistance and grants from international partners and transfers from the Federal Government of Somalia were significant sources of funds accounting for $18,269,592 (38%) of total revenue compared to $19,492,095 in the previous year, and a Decrease of $ (1,222,502) (7%). This shortfall is mainly due to a result of Federal Government of Somalia delayed a disbursement of project funded.

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

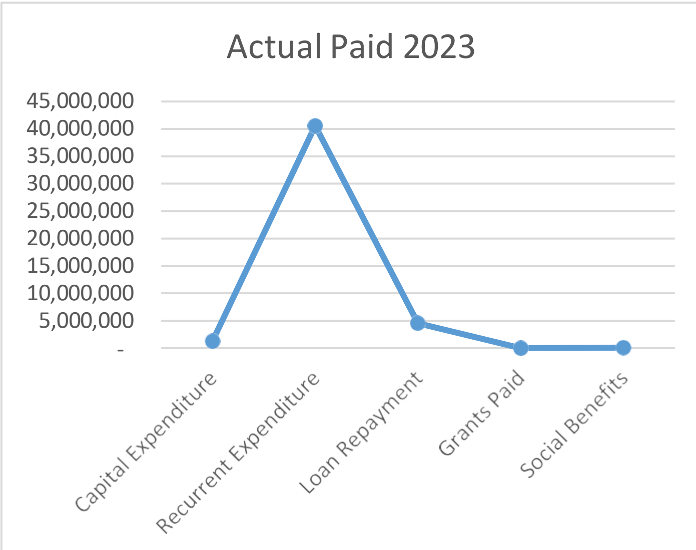
Chart 2: Revenue comparison 2023 and 2022.



Expenditure Analysis

The JSS payments fall into four distinct categories; Recurrent Expenditure, Social benefits, loan repayments, capital expenditure, and Grants paid to sub-national governments. The recurrent expenses are primarily manpower related expenses and cost on goods and services for operations. Chart 3 summarizes the major areas of expenditure incurred by the Jubaland State of Somalia.

Chart 3: Main Expenditure Categories



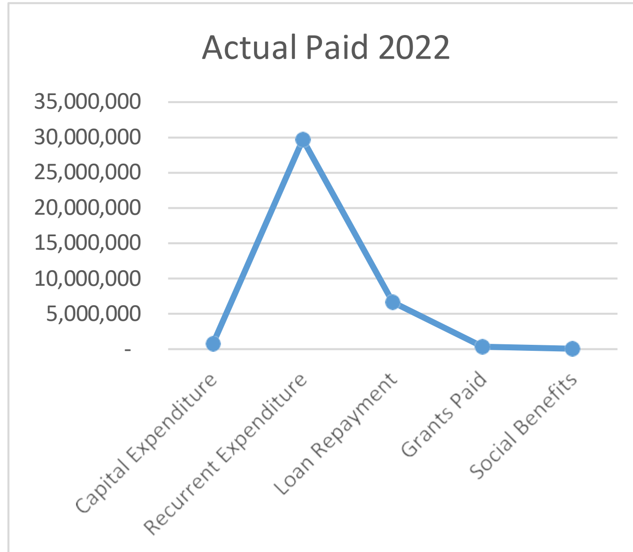


Table 4: Budget v Actual of the Expenditure

	2023 USD			2022 USD		
Main Expenditure Categories	**Final Estimate**	**Actual Paid**	**Variance**	**Final Estimate**	**Actual Paid**	**Variance**
Capital Expenditure	5,677,852	1,304,742	23%	7,143,675	797,666	11%
Recurrent Expenditure	47,544,833	40,591,939	85%	38,657,956	29,701,346	77%
Loan Repayment	4,545,384	4,543,790	100%	6,642,550	6,631,814	100%
Grants Paid	-	-	0%	644,500	331,421	51%
Social Benefits	114,900	92,397	80%	166,564	63,245	38%
Total	**57,882,968**	**46,532,868**		**53,255,245**	**37,525,492**	

	2023			2022		
Recurrent Expenditure	**Final Estimate**	**Actual Paid**	**Variance**	**Final Estimate**	**Actual Paid**	**Change %**
Compensation of Employees	27,417,677	24,368,721	89%	24,087,966	18,140,859	75%
Use of Goods and Services	20,127,156	16,223,218	81%	14,569,990	11,560,487	79%
Total	**47,544,833**	**40,591,939**		**38,657,956**	**29,701,346**	

The total payments made during the year amounted to $46,532,868 in comparison to $37,525,492 million in 2022. Overall, the JSS has increased its expenditure by $9,007,376 (24%), with the highest increases compared with previous year coming from compensation of employees which was $24,368,721 of the total expenditure, up 34% from $18,140,859 in the year 2022, and use of goods and services of $16,223,218 up (40%) from the year 2022, and loan repayment or other expenses incurred this year of $4,543,790.

Table 3 below shows expenditure categories for the 2023 financial year in comparison to the 2022 financial year.

Table 5: Summary of 2023 and 2022 Expenditure composition

Summary of Expenditure	2023 USD	Percentage of Total %	2022 USD	Percentage of Total %
Employee Consumption	24,368,721	52%	18,140,859	48%
Use of Goods and Service	16,223,218	35%	11,557,992	31%
Grants Paid	-	0%	331,421	1%
Capital Expenditure	1,304,742	3%	797,666	2%
Interest	-	0%	-	0%
Repayments	4,543,790	10%	6,631,814	18%
Subsidy	-	0%	-	0%
Social benefits	92,397	0%	63,245	0%
Other Payments	-	0%	-	0%
Total	**46,532,868**	**100%**	**37,522,997**	**100%**

Capital Expenditure Analysis

Capital expenditure (non-financial assets) for the year was $1,304,742 compared to $797,666 for the previous year, an increase of $507,077 (64%). The major areas of expenditure were other fixed assets followed by car, furniture and fixture and Tools & specialized professional services. In accordance with reporting on a cash-basis and complying with IPSAS, cash basis of accounting, capital expenditure is expensed in the year of acquisition.

Table 6: Summary of Capital Expenditure for 2023 and 2022

Capital Expenditure	2023 USD	2022 USD
Buildings Other than dwellings	41,082	339,677
Road Construction	-	233,023
Cars	364,763	-
Information, computer and telecomm (ICT) equipment	47,782	27,361
Machinery and Equipment not elsewhere classified	13,926	130,970
Furniture & fixtures	531,228	9,024
Tools & specialized professional services	293,472	57,610
Tree, crop , and plant resources yielding repeat products	12,490	-
Total Capital expenditure	**1,304,742**	**797,666**

Budget and Expenditure Analysis

The annual budget of the Jubaland State of Somalia is the principal document by which the Government sets out its financial plan for the year. The original budget or financial plan approved by the Federal Parliament for the budgeted expenditure for the year was $51,214,893. A Supplementary Budget was approved by Parliament on the 16th of June 2023 which revised the budge to $57,882,968 an increase of (12%). The budgets were increased for compensation of employees, other expenses and use of goods and services with a budget decrease relating to nonfinancial assets.

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

Table 7: Underspend budgets

Expenditure Category	2023 Budget	Actual	Variance (Underspend)	%
Compensation of Employees	27,417,677	24,368,721	3,048,956	89
Use of Goods & Services	20,127,156	16,223,218	3,903,937	81
Grants Paid	-	-	-	-
Capital Expenditure	5,677,852	1,304,742	4,373,109	23
Loan repayments	4,545,384	4,543,790	1,594	100
Subsidy	-	-	-	-
Social benefit	114,900	92,397	22,503	80
Other Expenditure (Contingency Fund)	-	-	-	-
Total Expenditure	**57,882,968**	**46,532,868**	**11,350,100**	

Jubbaland State of Somalia
Consolidated Fund Statement of Cash Receipts and Payments
Treasury Single Accounts
For the Year Ended 31 December 2023

	Note	2023 Controlled by TSA USD	2022 Controlled by TSA USD
Receipts / Inflows			
Taxes			
Taxes on income, profits, and capital gains	2	811,380	253,203
Taxes on payroll and workforce	3	1,004,394	708,305
Taxes on goods and services	4	5,809,152	4,481,039
Taxes on international trade and transactions	5	14,955,818	10,108,700
Other taxes	6	123,043	-
Taxes		**22,703,786**	**15,551,247**
Grants			
From international organizations	7	7,116,991	8,091,909
From other general government units	8	11,152,601	11,554,863
Grants		**18,269,592**	**19,646,772**
Other Revenue			
Sale of goods and services	9	6,797,847	3,169,280
Fines, penalties and forfeits		-	52,389
Other Revenue		**6,797,847**	**3,221,669**
Receipts / Inflows		**47,771,225**	**38,419,688**
Payments / Outflows			
Compensation of Employees			
Wages and Salaries	10	24,368,721	18,140,859
Compensation of Employees		**24,368,721**	**18,140,859**
Use of Goods and Services			
Travel & Conferences	11	2,259,478	1,827,200
Operating Expenses	12	7,378,363	6,255,429
Rent	13	886,564	59,269
Other Operating Expenses	14	4,193,891	3,082,572
Conflict Resolution Expenses	15	1,065,143	-
Contingency	16	439,780	333,522
Use of Goods and Services		**16,223,218**	**11,557,992**
Grants			
Grants To Other General Government Units		-	331,421
Grants		**-**	**331,421**
Social Benefits			
Employment-related social benefits	17	92,397	63,245
Social Benefits		**92,397**	**63,245**
Other Expenses			
Miscellaneous other expense	18	4,543,790	6,631,814
Other Expenses		**4,543,790**	**6,631,814**
Nonfinancial assets			
Fixed Assets	19	1,304,742	797,666
Nonfinancial assets		**1,304,742**	**797,666**
Payments / Outflows		**46,532,868**	**37,522,997**
Increase Decrease in Cash		**1,238,357**	**896,692**
Cash at Beginning of Year		1,720,124	870,512
Cash at End of Year	1.5	**2,958,481**	**1,720,124**

Jubbaland State of Somalia
Consolidated Fund Statements of Comparison of Budget and Actual Amounts
For the Year Ended 31 December, 2023
Appropriation Budget Approved on Cash Basis
Classfication of Payments by Economic Class

	Note	2023				2022
		Original Estimate Appropriation A USD	Final Estimate Appropriation B USD	Controlled by TSA C USD	Difference Between Final Budget and Actual C-B USD	Controlled by TSA USD
Receipts / Inflows						
Taxes						
Taxes on income, profits, and capital gains		1,479,909	1,069,909	811,380	(258,529)	253,203
Taxes on payroll and workforce		742,714	1,242,714	1,004,394	(238,320)	708,305
Taxes on goods and services		7,341,953	4,801,953	5,809,152	1,007,199	4,481,039
Taxes on international trade and transactions		15,268,493	19,218,493	14,955,818	(4,262,675)	10,108,700
Other taxes		600,000	150,000	123,043	(26,957)	-
Taxes	**20**	**25,433,069**	**26,483,069**	**22,703,786**	**(3,779,283)**	**15,551,247**
Grants						
From international organizations		4,693,748	7,510,010	7,116,991	(393,020)	8,091,909
From other general government units		13,557,282	17,409,094	11,152,601	(6,256,493)	11,554,863
Grants	**21**	**18,251,030**	**24,919,105**	**18,269,592**	**(6,649,513)**	**19,646,772**
Other Revenue						
Property income		50,000	50,000.00	-	(50,000.00)	-
Sale of goods and services		7,470,794	6,420,794	6,797,847	(1,053,831)	3,169,280
Fines, penalties and forfeits		10,000	10,000	-	12,509	52,389
Other Revenue	**22**	**7,530,794**	**6,480,794**	**6,797,847**	**(1,091,322)**	**3,221,669**
Receipts / Inflows		**51,214,893**	**57,882,968**	**47,771,225**	**(11,520,118)**	**38,419,688**

Jubbaland State of Somalia
Consolidated Fund Statements of Comparison of Budget and Actual Amounts
For the Year Ended 31 December, 2023
Appropriation Budget Approved on Cash Basis
Classfication of Payments by Economic Class

		2023				2022
	Note	Original Estimate Appropriation A USD	Final Estimate Appropriation B USD	Controlled by TSA C USD	Difference Between Final Budget and Actual C-B USD	Controlled by TSA USD
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		22,107,806	27,417,677	24,368,721	(3,048,956)	18,140,859
Compensation of Employees	**23**	**22,107,806**	**27,417,677**	**24,368,721**	**(3,048,956)**	**18,140,859**
Use of Goods and Services						
Travel & Conferences		3,458,069	3,264,969	2,259,478	(1,005,491)	1,827,200
Operating Expenses		6,157,289	8,887,676	7,378,363	(1,509,313)	6,255,429
Rent		827,098	1,106,748	886,564	(220,183)	59,269
Other Operating Expenses		3,825,321	5,058,743	4,193,891	(864,852)	3,082,572
Conflict Resolution Expenses		3,673,129	1,097,158	1,065,143	(32,015)	-
Contingency		883,422	711,862	439,780	(272,083)	333,522
Use of Goods and Services	**24**	**18,824,327**	**20,127,156**	**16,223,218**	**(3,903,937)**	**11,557,992**
Grants						
Grants To Other General Government Units		107,500	-	-	-	331,421
Grants	**25**	**107,500**	**-**	**-**	**-**	**331,421**
Social Benefits						
Social security Benefits		10,000	5,000	-	(5,000)	-
Employer social benefits		114,000	109,900	92,397	(17,503)	63,245
Social Benefits	**26**	**124,000**	**114,900**	**92,397**	**(22,503)**	**63,245**
Other Expenses						
Miscellaneous other expense		3,544,207	4,545,384	4,543,790	(1,594)	6,631,814
Other Expenses	**27**	**3,544,207**	**4,545,384**	**4,543,790**	**(1,594)**	**6,631,814**
Nonfinancial assets						
Fixed Assets		6,507,053	5,677,852	1,304,742	(4,373,109)	797,666
Nonfinancial assets	**28**	**6,507,053**	**5,677,852**	**1,304,742**	**(4,373,109)**	**797,666**
Payments / Outflows		**51,214,893**	**57,882,968**	**46,532,868**	**(11,350,100)**	**37,522,997**
Increase Decrease in Cash				**1,238,357**	**1,238,357**	**896,692**

Jubbaland State of Somalia
Statement of Government Operations
For the Year Ended 31 December, 2023

	2023 USD	2022 USD
Transactions Affecting Net Worth		
Revenue	**47,771,225**	**38,367,299**
Taxes	**22,703,786**	**15,551,247**
Taxes on income, profits, and capital gains	811,380	253,203
Taxes on payroll and workforce	1,004,394	708,305
Taxes on goods and services	5,809,152	4,481,039
Taxes on international trade and transactions	14,955,818	10,108,700
Other taxes	123,043	-
Grants	**18,269,592**	**19,646,772**
From international organizations	7,116,991	8,091,909
From other general government units	11,152,601	11,554,863
Other Revenue	**6,797,847**	**3,169,280**
Sale of goods and services	6,797,847	3,169,280
Fines, penalties and forfeits	-	52,389
Expense	**45,135,729**	**25,880,104**
Compensation of Employees	**24,368,721**	**18,140,859**
Wages and Salaries	24,368,721	18,140,859
Use of Goods and Services	**16,223,218**	**11,557,992**
Travel & Conferences	2,259,478	1,827,200
Operating Expenses	7,378,363	6,255,429
Rent	886,564	59,269
Other Operating Expenses	4,193,891	3,082,572
Conflict Resolution Expenses	1,065,143	-
Contingency	439,780	333,522
Grants	**331,421**	**331,421**
Grants To Other General Government Units	331,421	331,421
Social Benefits	**92,397**	**63,245**
Employment-related social benefits	92,397	63,245
Other Expenses	**4,543,790**	**6,631,814**
Miscellaneous other expense	4,543,790	6,631,814
Net worth and its changes	**1,304,742**	**671,719**
Nonfinancial assets	1,304,742	671,719
Fixed Assets	1,304,742	797,666
Inventories	-	-
Transactions in Financial Assets & Liabilities	**1,238,357**	**849,612**
Change In Net Worth. Transactions (Assets)	**1,238,357**	**849,612**
Financial assets	1,238,357	849,612
Domestic	-	-
Liabilties	**-**	**-**
Liabilties	-	-
Liabilties	-	-
Overall Statistical Discrepancy	-	-

Notes to the Financial Statements
Note 1 Accounting Policies

1.1 Basis of Preparation
The Jubaland 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.

1.2 Reporting Entity
The Financial statements are for the Jubaland State of Somalia. The Designed capital of Jubaland State is Buale, located in the Middle Jubba of Somalia, situated in the southern Jubba River. However, Jubaland State of Somalia is located as an interim in Kismayo currently. The principal address is:

Ministry of Finance and Economic Development Building,
Airport road,
Fanole Village, Opposite Agan hotel.

The principal activities of the Government and its controlled entities include the provision of health, education, security, and general public services. The financial statements are for the Jubaland State of Somalia (JSS) and covers the period 1 January to 31 December 2023.

The financial statements encompass the reporting entities as specified in the *JSS Appropriation Act No. 2, 2023* and are comprised of:

1. Ministry of Agriculture and Irrigation
2. Ministry of Education Culture and Higher Learning
3. Ministry of Water and Energy
4. Ministry of Finance and Economic Development
5. Ministry of Health and Social Welfare
6. Ministry of Communications, Posts, and Technology
7. Ministry of Internal Security
8. Ministry of Endowments and Religious Affairs
9. Ministry of Planning, Investment, and International Cooperation
10. Ministry of Trade and Industry
11. Ministry of Women and Human Rights
12. State Presidency
13. Auditor General's Office
14. Civil Service Commission
15. Jubbaland Parliament
16. Ministry of Livestock

17 Ministry of Fisheries and Blue Economy
18 Ministry of Youth and Sports
19 Ministry of Transport and Aviation
20 Ministry of Interior, Federal and Reconciliation
21 Ministry of Environment and Climate Change
22 Ministry of Public Works, Housing, and Reconstruction
23 Judiciary Service Commission
24 Ministry of Labor and Social Affairs
25 Jubaland Election Commission & Boundaries
26 Attorney General Office
27 Ministry of Information, Public Orientation and Tourism
28 Ministry of Ports and Maritime Transport
29 Ministry of Petroleum and Minerals
30 Ministry of Humanitarian Affairs and Disaster Management
31 Ministry of Justice and Constitution Affairs

Ministries were created by a preceding *Presidential Decree XM/J/772014* entitled *A Decree Establishing Ministries of Jubaland 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 Jubaland State of Somalia was created for the purposes of establishing the Ministry of Finance and Revenue Collection Authority to ensure that the Jubaland State of Somalia has a Ministry of Finance that is responsible for the overall financial management of the Jubaland 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 Jubaland 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 Jubaland 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 Jubaland 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. 2 2023.*

During FY2021 Kismayo Airport Authority and Kismayo Seaport Authority were brought under the Ministry of Transport and Ministry of Transport and Ports respectively.

The Auditor General's Office, Judiciary Service Commission, Ministry of Labour and Ministry of Constitution and Federal Affairs were established during the 2018 financial year and Jubaland Election Commission Boundaries in 2019.

During FY2021 additional Ministries were introduced namely, Ministry of Humanitarian Affairs and Disaster Management while Ministry of Water, Mines and Energy was renamed as Ministry of Water and Energy and Ministry of Petroleum and Minerals respectively, also the Ministry of information and Telecommunication was made into two entities as ministry of Information and Ministry of Telecommunication. In 2023 new ministry was introduced namely Ministry of Justice and Constitution Affairs.

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 and Federal Affairs

1.3 Unified chart of account (UCoA)

In FY 2023, JSS successfully implemented the unified chart of accounts (UCoA), which represents a significant transition from the previous version of the chart of accounts. This implementation aims to reflect the changes and updates in financial reporting. As a result, JSS will present the FY 2023 data in both the old version of the chart of accounts and the newly implemented unified chart of accounts.

1.4 External Assistance

1.4.1 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. Third party assistance is reported under Note 30

1.4.2 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 under Note 30.2

1.5 Treasury Single Account & Project Accounts

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

1.5.1 Dahabshiil Bank Accounts

In the 2023 financial year, Five (5) new accounts were opened under a written authorization of the Minister of Finance, in accordance with Section 29, paragraph 2 of the PFM Act 2017. The sub-account relates to the donor project and was opened to comply with the donor’s requirements. As of the end of FY2023, balances of these accounts were as follows:

Dahabshil Bank Accounts Name	2023 USD	2022 USD
Ministry of Women Affairs - Support Account	63	63
Ministry of Planning and Int Cooperation -Supp Acc	3,176	5,155
Jria & Idps Affairs - GIZ Account	1	1
Jria Support - UNHCR Account	0	0
Ministry Of Agriculture - Supp Account	147,995	26,330
Governor's Office Lower Jubba Account	1	1
Ministry Of LiveStock - Support Account	2,687	51,521
Ministry Of Health - Support Project Account	18,723	70,072
Ministry of Minirals , Energy & Water Resources	15,758	241
JUBBALAND TEACHERS TRAINING COLLEGE (JTTC)	94	7,734
MoET-GIZ Support Account	55,132	4,129
Ministry of Minerals Energy & Water-GIZ Project	557	684
MoEHL JSS-UNICEF Project	6	5
JSS MoH MH PSS (Covid19)	-	1
JSS Min Of Women & Human Right	-	26,238
Ministry of Agriculture Jubbaland	-	18,579
MoPWH Support Project Account	-	80
MoET-GIZ Gobwen Support Account	1	1
Ministry of Minerals Energy Water JSS	6	
Support Project Account MoH JSS	1	1
JRIA UFSP SUP-ACCOUNT-GIZ	1	1
JSS MOMEWR	64,372	-
MOET-PROSCAL ACCOUNT	-	10
MINISTRY OF AGRICULTURE JSS GIZ PROJECT	57,556	-
TECHNICAL VOCATIONAL EDUCATION AND TRANING GIZ	25,600	15,050
UNHCR-JUCRI SUPPORT ACCOUNT	3,126	227
MOHADM-Jss	4	15,740
Ministry of justice and relgion affairs	20	-
MOEHL JSS-ADRA	1	-
MOPWR-JSS SUPPORT ACCOUNT	77,765	-
MOH BMGF PROJECT	1	12,400
MOH JUBBALAND HEALTH PROFESSIONAL ACT	-	18,875
JUBBALAND SUN MOVEMENT SECRETARIAT	-	52
JUCRI SUPORTING FOR THE DISPLACED	-	55,569
JUCRI-SUPPORT OF IMPACTFULL UPGRADING GIZ	-	57,741
Promoting Local Artisan Through Pottery	1	53,554
MINISTRY OF LIVESTOCK,FORESTRY AND RANGE SUB ACCOUNT	86,126	-
GURMADKA FATAHAADAHA JUBBALAND	301	-
ACCESSING DURABLE SOLUTION	76,922	-
Jubbaland Water Agency	24,100	-
MINISTRY of ENERGY AND WATER RESOURCES	195	-
	660,289	440,054

1.5.2 Salaam Somali Bank Accounts

During the 2023 financial year, Seven (7) new accounts were opened under a written authorization of the Minister for Finance and Economic Development , 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 FY2023, balances of these accounts were as follows:

Salaam Somali Bank Accounts Name	2023 USD	2022 USD
Jubbaland Treasury Single Account	691	87,718
Ministry of Health - Support Account	0	-
Ministry of Woman & Human Rights - Support Account	60	60
Ministry of Agriculture - Support Account	3	3
WB Project RCFR II	0	-
Ministry of Fisheries & Marine - Support By FAO	46,365	93
MOE and Higher Learning Support Project Account	251	5,197
MoI Jubbaland Dialogue Account	10	10
MOH HMIS Strengthening Bardere and Elwak Districts	70	70
Jubbaland Assembly-Gole-Kaab Project	0	-
SUPP_AF Kismayo Municipality	0	-
Ministry of Minerals,Energy and Water Resources	252,351	20,064
MOPWH JSS JPLG SUPPORT ACCOUNT	-	1,499
Mole Baxnaano Project Account	3	3
Support Account JL-GPE Account	-	2,569
SURP-Kismayo Municipality	767,804	905,286
MOILG-JSS	4	3
GAROONKA DIYAARADAHA SAYID MOHAMED ABDULLE XASSAN	834	15,657
WB Project Account-2103-34177359	459,257	180,055
RCRF III-PERFORMANCE BASED CONDITION/PBC'S	262,368	21
MOHADN-JSS	15,000	-
MOHADM-JLSS	150	-
Degmada Dhoobley	11,727	53,828
Mole-Sagal Project	-	7,934
DAMAL CAAFIMAAD JSS	12,260	-
SWRR-JUBBALAND STATE	185,870	-
Ministry Of Livestock Support Project Account	5	-
Ground Water Resilience Project	39,491	-
Ministry of MOHDM- Flood Assistant Fund	12,269	-
MOHADM-JL PROJECT	70,327	-
SOMALIA EDUCATION FOR HUMAN CAPITAL	161,022	-
	2,298,192	**1,280,069**

1.5 *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:

	2023 USD	2022 USD
Cash on hand and balances with banks	2,958,481	1,720,123

Included in the $2,958,481 is $691 held in the main TSA, with the balance of cash on hand of $2,957,790 held in the TSA sub-accounts which is restricted cash for specific project purposes.

1.6 Reporting Currency

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

1.7 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 2023 to 31st December 2023) as for the financial statements. It encompasses the same entities as the consolidated financial statement (These are identified in Note 1.2)

The Jubaland Parliament approved the original budget on the 3rd of December 2022. Subsequently, a supplemental budget was approved by the Jubaland Parliament on 19th June 2023.

1.8 Authorization Date

The financial statements were authorized for issue on **23, April 2024 by Mr Ahmed Abdirisak Mohamed (Handal), Minister of Finance and Economic Development.**

Note 2 Taxes on Income, Profits, and Capital Gains

During the 2023 financial year, JSS collected taxes on income, profits, and capital gains of $811,380 ($253,203 in the 2022). The tax is paid by the Civil servants and other business employees on total remuneration (Salary) paid by the Jubaland State of Somalia at a progressive tax.

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 progressive tax. In 2023 financial year, $1,004,394 ($708,305 in 2022) were received from international organizations and business entities in Jubaland 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.

	2023	Ministry of Finance and Economic Development	Ministry of Endowments and Religious Affairs	Ministry of Fisheries and Blue Economy	Ministry of Transport and Aviation	Ministry of Ports and Maritime Transport	2022
Turnover tax	2,419,864	2,419,864	-	-	-	-	-
Mineral water	35,000	35,000	-	-	-	-	-
Electricity and electronic materials	70,000	70,000	-	-	-	-	-
Fuel	25,250	25,250	-	-	-	-	-
Banking and money transfer	182,000	182,000	-	-	-	-	-
Fishing fees	6,000	-	-	6,000	-	-	-
Local passenger charge	382,392	-	-	-	382,392	-	-
Urban road users taxes (tremistrale)	452,750	-	-	-	452,750	-	-
Road user taxes	2,147,410	2,117,410	-	-		30,000	-
International departure Charge	88,326		-	-	88,326		-
Notary collection taxes.	160		160	-			-
Turnover Tax	-	-	-	-	-	-	851,110
Property Tax	-	-	-	-	-	-	389,556
Vehicle & Drivers Licences	-	-	-	-	-	-	41,400
Business & Professional Licenses	-	-	-	-	-	-	103,100
Ground Handling Fee	-	-	-	-	-	-	368,861
State Road User Tax	-	-	-	-	-	-	1,296,521
Landing Fees	-	-	-	-	-	-	313,863
Local Passenger Fee	-	-	-	-	-	-	405,217
Parking Fees	-	-	-	-	-	-	1,236
International departure fee	-	-	-	-	-	-	72,134
Navigation Fee	-	-	-	-	-	-	126,517
Urban Road User Tax	-	-	-	-	-	-	453,310
International NGOs registration	-	-	-	-	-	-	12,000
Local NGO's Registration	-	-	-	-	-	-	5,000
Local Companies Registration	-	-	-	-	-	-	600
Port docking Fees	-	-	-	-	-	-	39,625
Other taxes on use of goods and on permission to u	-	-	-	-	-	-	990
Grand Total	**5,809,152**	**4,849,524**	**160**	**6,000**	**923,468**	**30,000**	**4,481,039**

The applicable rates on services vary and mostly depend on the business sector and service type and are authorized in accordance with 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 Jubaland State of Somalia. During this financial year, Custom duties levied on imports are the only tax collected under this class. The Ministry of Transport and Aviation and Ministry of Ports and Maritime Transport are the main source of taxes on international trade.

During the year, $14,955,818 was collected 4,851,571 with $relating to Customs Duties - Khat ($3,310,865 in 2022) and custom duties on imported goods of $10,083,711 ($6,734,607 in 2022). The increase in collection of customs duty to the previous year relates the effective SOMCAS and increase point of imported goods. Following is a detailed breakdown of customs duties raised and their respective source of entry.

	2023				2022
	Total USD	Ministry of Finance and Economic Development	Ministry of Ports and Maritime Transport	Ministry of Transport and Aviation	USD
Consumption goods	**10,083,711**	-	10,042,701	41,010	6,734,607
Livestock products	**20,536**	-	20,536	-	-
Khat	**4,851,571**	4,851,571	-	-	3,310,865
Other Export duty	**-**	-	-	-	63,228
	14,955,818	**4,851,571**	**10,063,237**	**41,010**	**10,108,700**

Note 6 Other taxes.

During the financial year 2023 JSS collected other tax collections from local government of $123,043.

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 MoFED.

Note 7 Grants from International Organizations

During the 2023 financial year, grants were received from international organizations of $ 7,166,991 ($8,091,909 in 2022). The amount received from international organisations is detailed in the breakdown below.

Donor	2023 USD	2022 USD
Danish Refugee Committee (DRC)	900	18,100
GIZ	888,328	1,190,145
ADRA	30,550	62,820
Norwegian Refugee Council	175,530	154,294
Save The Children	212,250	187,542
TROCAIRE	-	10,000
CARE INTERNATIONAL IN SOMALIA	45,290	192,347
ALIGHT American Refugee Committee (ARC)	37,230	-
Food and Agricuture Organization	771,860	437,046
International Labour Organisation	60,140	94,420
United Nation Developmental Programme	65,800	148,200
UNICEF	3,457,599	4,727,185
UNHCR	650,376	404,419
UNHABITAT	45,272	82,538
World Food Program	551,709	8,941
United Nations Capital Development Fund	34,103	327,017
Gruppo Per Relazioni Transculturali	-	17,500
COOPERAZIONE INTERNAZIONALE	-	7,022
ANPPCAN (African Network for the Prevention and Pr	-	22,373
United Nations Population Fund (UNFPA)	23,750	-
International Organization for Migration	66,305	-
	7,116,991	**8,091,909**

Note 8 Grants from Other Government Units

During 2023 financial year, the Federal Government of Somalia granted a total of $11,152,601 ($11,554,863 in FY2022) to the Jubaland State. The funding, which was received throughout year included $82,694 which was used for Global Partnership for Education (GPE), $4,271,186 ($3,619,5 in 2022) was received from RCRF III project administered by the World Bank, $4,854,996 for budget support from federal government of Somalia, and $497,442 for Somalia Urban Resilience Project. The amount received from projects is detailed in the breakdown below. (Refer also to Note 21).

Projects	2023								2022
		Ministry of Culture and Higher Education	Ministry of Humanitarian Affairs and Disaster Management	Ministry of Water and Energy	Ministry of Interior, Federal and Reconciliation	Ministry of Health and Social Welfare	Ministry of Planning, Investment and International Cooperation	Ministry of Finance and Economic Development	
Global Partnership for Education (GPE)	82,694	82,694	-	-	-	-	-	-	37,866
Global Partner for Education GPE MCA	-	-	-	-	-	-	-	-	100,772
Somalia Education For Human Capital Development	161,022	161,022	-	-	-	-	-	-	-
SURP II -TF-B1409(KFW)	497,442	-	-		497,442	-			951,124
SURP II -TF-B1519(EU)	-	-	-	-	-	-	-	-	169,855
SURP II - IDA-D5310(IDA)	-	-	-	-	-	-	-	-	186,034
World Water Day 2019 Events	-	-	-	-	-	-	-	-	6,540
GPE-Jubaland Teacher Training College	-	-	-	-	-	-	-	-	37,000
M&E Moe Emergency Drought Response Program	20,145	20,145	-	-	-	-	-	-	9,930
Somali Fishing Fund	-	-	-	-	-	-	-	-	154,677
GROUND WATER RESILIENCE PROJECT	100,000	-		100,000		-	-		-
RCRF III Project	4,271,186	-	-	-	-	-	-	4,271,186	3,619,572
EU Budget Support	1,354,996	-	-	-	-	-	-	1,354,996	1,080,000
FGS BUDGET SUPPORT	-	-	-	-	-	-	-	-	982,000
Jubbaland Contribution	79,725	-	78,700	-	1,024.54	-	-	-	9,493
Drougtht Assistant Fund	-	-	-	-	-	-	-	-	460,000
World Bank Budget Support	3,500,000	-	-	-	-	-	-	3,500,000	3,750,000
SOMALIA WATER FOR RURAL RESILIENCE PROJECT(BARWAAQO PROJECT)	806,344	-	-	-	-	-	-	806,344	-
DAMAL CAFIMAAD PROJECT	129,048	-	-	-	-	129,048	-	-	-
Jubbaland Strategic Plan Review	15,000	-	-	-	-	-	15,000	-	-
Flood Assistant Fund	135,000	-	135,000	-	-	-	-	-	-
	11,152,601	**263,861**	**213,700**	**100,000**	**498,467**	**129,048**	**15,000**	**9,932,526**	**11,554,863**

	2023 USD	2022 USD
Ministry of Culture and Higher Education	263,861	185,568
Ministry of Water and Energy	100,000	6,540
Ministry of Finance and Economic Development	9,932,526	9,831,572
Ministry of Health and Social Welfare	129,048	-
Ministry of Planning, Investment and International Coopera	15,000	-
Ministry of Fisheries and Marine Resources	-	154,677
Ministry of Interior, Federal and Reconciliation	498,467	1,316,505
Judiciary Service Commission.	-	44,000
Ministry of Humanitarian Affairs and Disaster Management	213,700	60,000
	11,152,601	**11,598,863**

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 2023 financial year, the Ministries and Agencies collected a total of $6,797,847 ($3,221,669 in 2022) as sale of goods and service. The following provides a detailed breakdown of the revenue items:

	2023 USD	2022 USD
Building rental income	6,773	-
Vehicle rental income	5,981	-
Visa fees	261,330	-
Passport fees	76,174	-
Business and profession licenses	89,589	-
Port docking fees	200,000	-
Landing fees	353,841	-
International NGO's registrations	10,500	-
Local NGO's registrations.	1,500	-
Parking fees	732	-
Agriculture fees.	10,320	-
Navigation fees	109,630	-
Handling fees.	554,067	-
Driving licenses fee	44,710	-
Logbook fees	214,760	-
Number plate registration fees	287,360	-
Individual ID fees	65,810	-
Birth certificate fees	65,760	-
Land certificate fees	1,108,038	-
Land modification fees	3,301,177	-
Advertisement fees	3,040	-
Contract registration fees	2,000	-
Court filing fees	24,755	-
Fines	-	-
Rental Income From Government Property	-	157,523
Visa Fees	-	77,594
Individual Identification Fee	-	35,875
Birth certificate Fee	-	1,323,361
Land Certificate Fee	-	262,880
Number Plate Registration	-	157,523
Logbook Registration	-	1,013,394
Land Allocation	-	1,200
Public Notary Fees	-	2,900
Bidding fees	-	44,980
Passport Fee	-	92,050
Fines/Penalties	-	52,389
	6,797,847	**3,221,669**

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:

	2023 USD	2022 USD
Basic salaries for general Civil Service	3,709,654	-
Teachers salary	846,269	-
Health workers salary	243,148	-
Temporary staff salary	1,588,624	-
Legislature salary	115,000	-
Political appointees salary	1,014,443	-
Security sector salaries	6,960,972	-
Contract Employees	16,500	-
Regular food and supplies	4,160,169	-
Daily meals	2,107,259	-
Basic allowances for general Civil Service	826,248	-
Health workers allowances	57,520	-
Temporary staff allowances	161,133	-
Political appointees allowances	75,234	-
Security sector allowances	100,000	-
Incentive allowances	2,386,549	-
Permanent employees/Regular staff	-	2,713,520
Contract employees	-	1,483,435
Wage workers	-	1,093,101
Stipend	-	200
Security Forces (Police, Intel Forces and Prison)	-	3,942,250
Remuneration to Ministers and Statutory Appointm	-	127,323
Remuneration to Politicians	-	810,610
Accommodation Allowance	-	2,417,599
Professional allowance	-	1,199,553
Transportation allowance	-	183,853
Security Operational Allowances	-	440,724
Regular Food Provision	-	2,405,429
Daily meals	-	1,323,263
	24,368,721	**18,140,859**

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 Jubaland that are 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 $2,259,478 ($1,827,200 in 2022) 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.

	2023 USD	2022 USD
Internal Travel	1,014,050	-
External Travel	538,976	-
Local conference	687,272	-
Overseas conference	17,680	-
Accommodation	1,500	-
Internal Travel	-	329,849
External Travel	-	188,705
Local conferences	-	330,005
Overseas Conferences	-	31,767
Conflict Resolution Expenses	-	946,874
	2,259,478	**1,827,200**

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.

	2023 USD	2022 USD
Electricity	188,772	-
Water	901,630	-
Refuse collection	5,070	-
Other utilities	6,752	-
Telephone fees	34,376	-
Internet fees	162,490	-
Satellite fees	84,594	-
Diesel and oil	1,351,863	-
Stationary	277,334	-
Publications fees	125,579	-
Refreshment	172,011	-
Cleaning supplies	86,385	-
Computer consumables	38,040	-
Medical supplies	1,460,820	-
Construction materials	2,045,881	-
Maintenance and repair of equipment and heavy machineries	162,465	-
Maintenance and repairs of furniture and fittings	39,083	-
Maintenance and repairs of vehicles, boats and vessels	18,710	-
Maintenance and repairs of building	167,393	-
Maintenance contracts	24,605	-
Spare parts and supplies	24,510	-
Water	-	1,966,606
Electricity	-	140,388
Telephone fees	-	14,200
Mobile Phone Expenses	-	10,601
Internet	-	210,374
Satellite Fees	-	95,100
G-suite fees	-	6,144
Gasoline	-	15,556
Diesel	-	751,252
Oil (machines)	-	6,885
Stationary	-	209,480
Published fees	-	15,086
Meeting Supplies	-	1,009,686
Office Refreshments	-	58,747
Publications	-	107,055
Cleaning Supplies	-	113,296
Computer Consumables	-	27,859
Maintenance of equipment	-	154,992
Maintenance of furniture & fittings	-	60,485
Maintenance of Vehicles	-	25,256
Maintenance of heavy machinery	-	1,750
Maintenance of buildings and repairs	-	699,617
Spare parts and supplies	-	9,010
Maintenance contracts	-	4,948
Others	-	10,375
Vehicle Hire/car rental	-	522,279
Vessel Hire/ rental	-	8,400
	7,378,363	6,255,429

Note 13 Rent

Rental expenses amounting to $886,564 was incurred in 2023 ($59,269 in 2022. The Office rental expense relates $60,398 to the Ministry of Interior, Federal and Reconciliation for the *Jubaland Refugee and Internally Displaced Person's Agency* (JRIA), $18,000 relates to Auditor general office rent supported by RCRF III through Non salary recurrent cost, $28,380 for UNICEF project supported Ministry of Women and Human Rights, $401,421 Nutrition team project Ministry of Health and Social Welfare $35,035 for the project SAGAL Social Transfer to Vulnerable for the Ministry of Labour by Norwegian Refugee Council

Other rent relates to hotel and hall hire amounting to $15,675.

	2023 USD	2022 USD
Office rent	64,035	43,594
Vehicle rent	820,729	-
Venue rent	1,400	-
Other rents	400	15,675
	886,564	**59,269**

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, CARE, Norwegian Refugee Council (NRC) and Food and agriculture Organization implanted projects. Staff training costs relates to specialized technical trainings provided by GIZ, ADRA, Norwegian Refugee Council (NRC), UNHABITAT, International Labour Organization (ILO) and United Nations Capital Development Fund implemented projects.

Fees for services provided are payments made to SEMLEX and MILESTONE, SEMLEX is a company contracted by JSS for providing logbook, numberplate registration services and house numbering; these is primarily achieved through JSS paying the cost incurred by SEMLEX when providing these services. MILESTONE provided land registration for Jubaland. 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. Following is the breakdown of other operating costs.

	2023 USD	2022 USD
Training Tuition fee	859,287	-
Educational Materials and Supplies	33,100	-
Facilitators Fees For Workshops, Conferences	1,850	-
Consulting and professional fees	718,774	-
Fees for service provided (non-consultant service)	2,477,477	-
Bank charges	45,830	-
Printing, bidding	8,641	-
TV and Newspaper advertisement	46,621	-
Newspaper and magazine subscriptions	810	-
Membership cost and examinations fees	1,500	-
Consultation Fees	-	592,140
Staff Training and Development	-	514,820
Fee for service provided(Non-consultancy service)	-	1,848,267
Bank charges	-	41,336
Monitoring And Evaluation	-	12,100
Recruitment and Selection Cost.	-	16,200
Television and Newspaper Advertisements	-	52,610
Newspapers and Magazine Subscriptions	-	5,100
	4,193,891	**3,082,572**

Note 15 Conflict Resolution Expenses

During financial year 2023 the conflict resolution expenses was 1,504,922. These expenses refer to costs that were incurred in solving conflicts and underpinning peaceful resolutions in Jubaland. The conflict resolution expenses were predominantly incurred by the Ministry of State Presidency, Jubaland Parliament and Ministry of Security in solving impromptu conflicts within the Jubaland region.

	2023 USD	2022 USD
Materials and supplies for army	289,950	-
Intellegency services for army	10,000	-
Special operational services for army	10,000	-
Conflict resolution expenses	755,193	-
	439,780	946,874
	1,504,922	**946,874**

Note 16 Contingency

During the year, the Ministry of Finance and Economic Development incurred a cost of $439,780 of contingency cost.

	2023 USD	2022 USD
Ministry of Finance and Economic Development	439,780	333,522
	439,780	**333,522**

Note 17 Employment-related social benefits.

Social benefits costs comprise of medical treatment totalling $92,397 ($63,245 in 2022) 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 Government politicians.

Note 18 Miscellaneous other expense.

Miscellaneous other expense relates to JSS obligations (refer to previous debts and arrears owned to JSS since inception to date) $4,543,790 was paid in FY2023 as detailed below.

	2023 USD	2022 USD
Obligations	4,543,790	-
JSS Obligation	-	6,631,814
	4,543,790	**6,631,814**

In 2013, JSS received interest free loans totalling $1,262,769 from local businesses. The funds were utilized in establishing the JSS administration. In 2019 during the election period and Federal Government of Somalia travel restriction JSS received interest free loan totalling to $5,140,621. In addition, FY 2021/2022/2023 JSS received interest free loan totalling 7,368,585, 7,274,675, 5,534,117 respectively due to the budget constraints, and 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
Amount Received - 2021		7,368,585
Amount Received - 2022		7,274,675
Amount Received - 2023		5,534,117
Total Received		**26,580,767**
Repayments		
FY2014	70,000	
FY2015	483,108	
FY2016	353,141	
FY2017	152,521	
FY2018	106,590	
FY2019	-	
FY2020	1,436,670	
FY2021	3,363,419	
FY2022	6,631,814	
FY2023	4,543,790	
Total Repayments		**17,141,053**
Remaining balance		**9,439,714**

Note 19 Non-Financial Assets

Total non-financial assets of $1,304,742 ($797,666 in 2022) were acquired and consist of costs that were incurred in rehabilitation of Buildings, purchasing ICT equipment, Furniture, Machinery, furniture & Fixtures, and tools for Government.

Comprehensive breakdown of non-financial asset acquisitions is detailed as follows.

	2023 USD	2022 USD
Buildings other than dwellings	41,082	-
Cars	364,763	-
Information, computer, and telecommunication (ICT) equipment	47,782	-
Machinery and equipment not elsewhere classified	13,926	-
Furniture and fixture	531,228	-
Tools and specialized professional services	293,472	-
Tree, crop , and plant resources yielding repeat products	12,490	-
Buildings Other than dwellings	-	339,677
Road Construction	-	233,023
Information, computer and telecomm (ICT) equipment	-	27,361
Machinery and Equipment not elsewhere classified	-	130,970
Furniture & fixtures	-	9,024
Tools & specialized professional services	-	57,610
	1,304,742	**797,666**

Note 20 Taxes

A total of $26,483,069 tax collections was estimated to be raised in the 2023 financial year; however, an actual collection of $22,703.786 was achieved. The amount collected represents 86% of the total tax revenue estimate for the year.

Office Of the Auditor General

Jubaland State of Somalia,

Management Letter

2023

Date. 26/8/2024

Minister of Finance
Jubaland State of Somalia
Kismayo, Somalia

Dear Sir,

Report to the Minister for the year ended 31 December 2023

We have recently completed our audit of the Consolidated & Ministerial Financial Statements of the Jubbaland State of Somalia for the year ended 31 December 2023 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 Treasury, the Ministry of Finance with the oversight of the Jubbaland Federal Member State Cabinet. The audit of the financial statements does not relieve the Ministry of its 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 provided through the coordination of the Ministry of Finance will be incorporated in the final report. We would like to thank the management and staff for their assistance and cooperation during the audit.

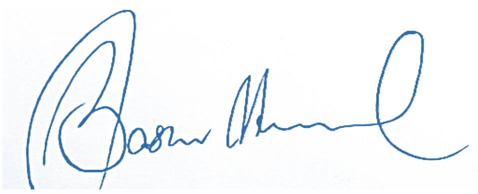
We would be pleased to provide any clarification that you may require on the issues raised in this report.

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.

Yours faithfully,

Mr. Bashir Mohamed Bahaale.

The Office of the Auditor General, Jubbaland State of Somalia.



1. Background

Set out below are issues identified during the course of our normal audit work and we have not attempted to indicate all possible improvements that a special review might develop.

1.1 Ranking

The issue has been ranked as high, medium, or low using the criteria described below:

H This indicates an issue OAG considers high risk and is critical. Management should pay particular attention to this area to ensure that the issue is given high priority to be addressed and resolved.

M This indicates a medium level of risk, where OAG felt there is some scope of a material misstatement in this area and therefore the responsible manager should review it carefully.

L Any issues in this area are regarded as having a low level of risk. Whilst not critical, the responsible manager should be aware of this issue and monitor it to ensure it does not become medium or high risk.

1.2 Colour Code of Findings

Needs to be addressed urgently.

Needs to be addressed in the medium term

Needs to be addressed in the long-term

Contents

ABBREVIATIONS

Acronyms	Full Description
JSS	Jubbaland State of Somalia
OAG	Office of Auditor General
DSA	Daily subsistence allowance
FMIS	Financial Management Information System
FMS	Federal Member State
FS	Financial Statements
FY	Financial Year
ICT	Information Communication Technology
ISSAI	International Standards of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
MDA	Ministries, Departments and Agencies
MOFED – JSS	Ministry of Finance of Jubbaland State of Somalia
MPs	Members of Parliament
PFM	Public Finance Management
PV	Payment Voucher
RCC	Revenue Collection Centre
REG	Regulation
RMS	Revenue Management System
RV	Revenue Voucher
SAS	Safari Aviation Service Limited
TSA	Treasury Single Account
JQCS	Jubaland Quality Control Service
USD	United States Dollar

2. Summary Of Points Arising from Current Year's Audit

ref	summary of issues identified	ranking
3.	**Presentation and disclosure of information in the Draft financial statement**	
3.1	*Improper description of payroll taxes and disclosure of conflict resolution expenses in more than one note*	medium
3.2	*Amounts disclosed in the financial statement with regard to receipts and payments combined are not supported by the appropriation bill*	Medium
4	**Budgetary control and performance**	
4.1	*Unrealistic Budget Estimates*	Medium
5	**Obligations**	
5.1	Management and Disclosure of information relating to state obligations	Medium
6	**Misclassification of Expenditure**	
6.1	*Charging of expenditure to unrelated budget lines*	High
7	**Internal/own source Revenue**	
7.1	*Weaknesses in Revenue Management*	Medium
7.2	*Lack of supporting documents for own source revenues recorded and misclassification of revenues*	High
7.3	*Weaknesses at the Seaport and Airport*	medium
7.4	*Loss of revenue as a result of non-payment of lease rentals by private entities occupying government properties and failure to meet the contractual terms arising from the lease agreements.*	High
	Regular food supplies, and allowance for General Service	
8.1	*Unsupported allowances for general services, unsupported regular food supplies,*	High
	Human Resource Management	
9.1	*Lack of Approved Staff Establishment*	Medium
9.2	*Operating multiple and manual payrolls*	High
	Nonpayroll Expenditure	
10.1	*Unsupported expenditures*	High
	Fixed Asset	
11.1	*Unsupported acquisitions of motor vehicles and furniture*	High
11.2	*Weaknesses in the Fixed Assets Register*	High
	ICT Issues	
12.1	*Information Technology Environment*	High
12.2	*Systems Change Control*	High
	Inactive internal audit function, lack of key management policies, and weakness in the payment vouchers	
13.1	*Inactive Internal Audit Function*	High
13.2	*Lack of key management policies*	Medium
13.3	*Payment Vouchers not adequately filled and no payment description in the Bisan FMIS system*	Medium
14	**Status Of Implementation of Prior Year Recommendation**	

3. Presentation and disclosure of information in the Draft financial statement.

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
3.1 Improper description of payroll taxes and disclosure of conflict resolution expenses in more than one note					
3.1	**Observation** We have noted the following discrepancies in the draft financial statement provided for audit. I. Note 2 of the 2023 financial statements specifies that income tax, profit, and capital gains tax were related tax to civil servants and other business employees. However, note 3 of the financial statements shows that taxes on payroll were deducted from international organizations and business entities. This creates issues for classification in the financial statement on taxes related to business employees which were classified into two separate sections or notes. I. Note 11 of the financial statement has been classified as travel, conferences, and conflict resolution-related expenses, nevertheless, note 15 of the financial statement lists the expenses related to conflict resolution expenses. This suggests that there may be a misclassification of expenses in the financial statement, particularly the conflict resolution expenses which have been grouped with travel, conference, and conflict resolution expenses as per Note 11, rather than being reported separately as per Note 15. Therefore, the expenditure listed in Note 15 Conflict resolution expenses with the amount of $1,504,922 and the amount of $	There is a risk of misclassification of expenses: The fact that conflict resolution expenses are being grouped with travel and conference expenses in Note 11, despite a separate Note 15 indicating "exclusively conflict resolution expenses", indicates a potential misclassification of these costs. There is also a risk of inconsistent reporting: The inconsistent reporting of conflict resolution expenses across different notes in the financial statements raises questions about the accuracy and completeness of the information presented These issues identified indicate a serious risk of misrepresentation and misstatement concerning the ministry's financial statements. This could have significant implications for the reliability, transparency, and regulatory compliance of the ministry's financial reporting.	Medium	We recommend the ministry conduct a thorough review of the financial statements of Note 11 and Note 15 to ensure that the conflict resolution expenses are properly disclosed and reported. We also recommend the ministry evaluate the existing financial reporting processes and internal controls to identify any weaknesses or gaps that may have contributed to the misclassification and inconsistent reporting of expenses. The ministry to implement stronger internal controls, review procedures, and quality assurance measures to prevent similar issues from occurring in the future	Response: 3.1 According to International Public Sector Accounting Standard (IPSAS) - Financial Reporting under the Cash Basis of Accounting 2017, the reporting digits are three 3, note 2 is 111 Taxes on Income, Profits, and Capital Gains, while 112 is Taxes on Payroll and Workforce these are separate taxes on income (civil servant and non-civil servant) In FY 2023 JSS adopted a unified chart of accounts, for that the FS is a two-year comparison in FY 2022 Conflict Resolution Expenses was under note 11 Travel, Conferences & Conflict Resolution while this FY 2023 separately given a note 15, please refer 1.3 The notes 11 and 15 clearly classified the respective expense relating conflict resolution expense 946,874 and 1,065,143. Appearing twice is related to the new UCoAs in FY 2023

	946,874 on Notes 11 for the financial year 2023 has not been classified correctly.				. **Responsible Officer: Treasury Director** Implementation Date: JSS Financial Statement 2023 - Fina
3.2 Amounts disclosed in the financial statement with regards to receipts and payments combined not supported by appropriation bill					
3.2	The approved supplementary budget reflected an amount of USD 52,254,341 for the year ended 31st December 2023 while the statement of appropriation (Receipts and payments combined) reflects an amount of USD 57,882,968 as the final budget resulting in an unexplained variance of USD 5,628,627. Further, the approved supplementary budget does not have a revenue section.	The accuracy of the budgeted figures presented in the statement of appropriation and by extension on the financial statement could not be confirmed.	Medium	Amend the financial statement to correct the misstatements.	Response: **DISAGREE** Supplementary budget As per the Appropriation Act, section 2.3, it is stipulated that funds received from the federal government or other donors for specific purposes, which are received during the current financial year, are to be considered **unanticipated grants**. These funds are automatically recorded in the current financial year, with a new budget line created to allow for their expenditure. It is important to note that the approved budget amount does not change; rather, the new budget line is created specifically to account for and manage these unanticipated grants **Responsible Officer: Treasury Director** **Implementation Date:**

4. Budgetary Control and Performance

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
4.1 Unrealistic Budget estimates					
4.1	**Observation** In the year under review, the approved supplementary budget for Jubaland State was $57,882,968, while the actual expenditure was $46,532,876.8, resulting to a variance of $11,350,100. This means that there was budget under-realization of 19.6%. This is indication of poor forecasting and failure to draw and develop realistic budgets. Similarly, this suggests that some of the state's planned activities and projects in the annual work plan were not implemented. This is likely to have a negative impact on the delivery of services to the local citizenry.	Unrealistic budgeting process may lead to unmet citizen expectations and failure to achieve government planned infrastructure improvements and service delivery.	Medium	The budget preparation process should be led by realistic estimates and data driven forecasts to ensure that budget estimates reflect the realities on the ground.	**DISAGREE** **Response:** The budget was prepared based on a realistic revenue forecast, taking into account the available data and projected financial trends. The state budget is for own source and donor grants, the own source budget was **33,041,563.45** and the actual is **29,720,170.68** which is more realistic **90%.** While donor grants are affecting other external factors. This percentage is more realistic for actual percentage of **80.39%** **Responsible Officer: Budget director** **Implementation Date:**

5. State Obligations

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
5.1 Management and Disclosure of information relating to state obligations					
5.1	**Observation** The following weaknesses were noted during the review of the debts; a) There is no formal, regularly updated, and published debt management strategy in place. Because normally a debt strategy would typically detail the terms and conditions of any new borrowings. b) We also identified that there was no comprehensive financial system in place to track and manage the government's debt obligations c) The Ministry of Finance did not prepare or submit a report on new borrowings, debt repayments, rescheduling, or write-offs to either the executive branch (President) or Parliament.	• Inefficiencies and weaknesses in debt management procedures can compromise the assurance that the government's debt portfolio is being managed in a prudent and effective manner • As a result, the authenticity of the outstanding bills disclosed in Note 18 of the financial statements could not be verified. This lack of verification may lead to undetected errors and potentially result in incorrect payments. • There is a lack of compliance with the Public Financial Management (PFM) Act.	Medium	We recommend that the Minister should compile and present a report to the executive branch and Parliament that outlines new borrowings and guarantees, as well as details on debt repayments, rescheduling, and write-offs. Furthermore, the Minister should prepare and make public a report detailing the outstanding public debt and projected debt service over the medium term. Additionally, we recommend that the Jubaland State of Somalia should implement appropriate systems and procedures for managing its borrowings. This would enhance record-keeping and ensure regular reconciliation of debt. The details of the debt transactions and movement should be tracked in a dedicated schedule, however, the budgeting for debt-related expenditures should be done within the existing chart of accounts. Specifically, payments charged to the budget should be coded to the appropriate expense category corresponding to the purpose for which the loan proceeds were utilized - for example, salaries for security personnel or procurement of assets. This approach would ensure	**Response:** JSS did not receive any borrowing from international or local, the amount mentioned in Note 18 represents an obligation to the state, which is not a cash amount but rather goods received by the state. JSS manages and tracks all credits through a fully functional system that provides detailed traceability. The ledger of credits is recorded in the FMIS system as an obligation account and is also reflected in the financial statements, though not in Note 18. The auditors did not request the file, and the variance between the two years is related to the specific needs. The amount paid for obligations, totalling 4,543,790, is recorded in the FMIS system, which

				proper recording and reporting of debt-related activities in the financial statements.	includes payment vouchers. The team has confirmed that all requested documents were provided to the auditors. All obligation contracts are single-sourced due to the sensitive nature of the information JSS handles. The Treasury Director prepares a monthly debt report, which is shared with management and the executive branch, including the President. JSS allocates funds to repay obligations using either its own sources or budget support. . **Responsible Officer: Treasury Director** **Implementation Date:**

6.0 Misclassification of Expenditure

<table>
<tr><th>Ref</th><th>Finding</th><th>Risk</th><th>Ranking</th><th>Recommendation</th><th>Management Response & Proposed Action</th></tr>
<tr><td colspan="6">6.1 Charging of expenditure to unrelated budget lines</td></tr>
<tr><td>6.1</td><td>Observation
The Statement of Receipts and Payments has reported total payments amounting to USD 46,532,876. However, an examination of the associated transactions and supporting documents revealed that expenditures totalling USD 1,229,715 were recorded under incorrect expenditure codes and line items. Consequently, these expenditures were not accounted for in accordance with Section 22 of the Public Finance Management Act 2017. Additionally, there was no evidence provided to demonstrate that the reallocation of funds between budget lines received the necessary approvals
See the attached appendix 2 for more information
<table>
<tr><th>Nature of expenditure</th><th>Amount</th><th>Account Charged to as per Bisan System</th></tr>
<tr><td>Conflict resolution</td><td>10,000</td><td>Cars</td></tr>
<tr><td>Payment to other suppliers who are not those contracted to provide revenue services to Jubbaland</td><td>473,361</td><td>fees for service provided (non consultancy)</td></tr>
<tr><td>Payment for supply of goods and services and conflict resolutions</td><td>106,987</td><td>Basic salaries</td></tr>
<tr><td>supply of food for floods and conflict resolution (non staff)</td><td>560,967</td><td>Regular food supplies</td></tr>
<tr><td>Payment to of goods and services to various suppliers</td><td>60,000</td><td>Incentive allowance</td></tr>
<tr><td>Allowance</td><td>18,400</td><td>Vehicle rent</td></tr>
<tr><td>Totals</td><td>1,229,715</td><td></td></tr>
</table>
</td><td>There may have been an irregular reallocation of funds that occurred without the necessary approvals. This suggests that funds were moved between budget lines or categories without adhering to the established procedures for authorization and oversight. Such actions could lead to non-compliance with financial regulations and lack of accountability, potentially resulting in mismanagement or misuse of public resources. Proper approval processes are essential to ensure that reallocations are justified, documented, and aligned with budgetary constraints and objectives.</td><td>High</td><td>Expenditure should consistently be limited to the amounts allocated in the approved budget. In order to ensure adherence and maintain financial stability, as well as to achieve the budgetary goals, and efficient management of public funds.</td><td>Response:
Due to the nature of expenses, each budget line is generally used correctly and wisely. However, towards the end of the year, some budget lines may lack sufficient funds. The allowable reallocation percentage is 10%, and this can be done only once.
Such reallocations are necessary when there are no alternative funds available to cover these amounts, and there is no intention to use incorrect expense lines.
In the future, we will ensure that every expense matches its designated budget line.

Responsible Officer: Treasury Director

Implementation Date:</td></tr>
</table>

7.0 Internal Revenue

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
7.1 Weaknesses in Revenue Management					
7.1	**Observation** During our review of the own source revenues, we noted the following weaknesses. a) The foreign exchange rate utilized for converting from Somali Shillings to US Dollars by the Ministry of Finance is not clearly documented. Additionally, there appear to be inconsistencies in how these currency conversion amounts are reported, which could potentially result in inaccuracies when transmitting tax revenue figure b) that the filing, archiving, and storage practices of the Revenue Collection Centre (RCC) are sporadic and lack proper organization. The storage area appears to be poorly maintained, indicating issues with the overall record-keeping and document management systems within the RCC	Non collection of revenues, non-recording of collected revenues, revenue leakages, inefficiency in the management and collection of revenues, unaccountability etc. Regular reconciliations between RMS and FMS and between original collection receipt books and banking slips should be implemented.	Medium	The management should implement a seamless automated revenue collection system where electronic money transfer is utilized. The RMS should be exploited to its maximum capacity and a proper procedure for managing exchange rates should be established.	**Response:** Revenue collection is fully automated, with no manual processes involved, ensuring streamlined and efficient handling of all revenue streams **Responsible Officer: Revenue Director** **Implementation Date:**  Regulation #9.pdf
7.2 Lack of supporting documents for own source revenues recorded and misclassification of revenues					
7.2	Our review of own source revenue revealed that **$4,448,333** Had inadequate supporting documentation. information and original receipt books Without access to this documentation, the audit was unable to verify the occurrence of the said transactions, reconcile them to bank records, or determine the specific type of tax	Amounts recorded mighty be inaccurate, amounts mighty be recorded in incorrect account codes etc.	high	All transactions should be backed up by original source documents.	**Response:** In Appendix 3, there is a total amount of 3,816,513 that does not align with the audit

	collected. Further we could not confirm whether amounts have been recorded under the correct tax codes Further we found out that amounts totalling to **$149,986** in relation to visa fees lacked supporting documentation.				sample size. This discrepancy suggests that the audit team may have requested information beyond the scope of their initial request or beyond the allocated audit duration. Additionally, the amount for khat listed in the appendix exceeds both the sample size and the FS 2023 figures. During the audit, the team did not provide the missing files in a timely manner. This lack of access impacted our ability know what is missing, but now all files are ready and available for review. **Responsible Officer: Revenue Director** **Implementation Date:** 9.3%20APPENEX%20 3%20vs%20Audit%20

7.3 Weaknesses at the Seaport and Airport					
7.3	a). **Kismayu Sea Port:** As with other own source revenue collections, Kismayu sea port revenue collection is not yet degitilized and this exposes the process to revenue collection nefficiency . In the absence of this information, data on revenue collection from the seaport to the financial system could not be ascertained.	These affects both government revenue collection process and the accuracy of the financial information provided in the draft financial statements.	Medium	All revenues must be accompanied by relevant supporting documents and the state should automate its revenue collection process across all revenue lines in the long run.	**Response:** Revenue income is primarily captured through an automated system, particularly at Kismayo Seaport where all customs income is collected electronically. To facilitate easy access for taxpayers, the Ministry of Finance instructed Salaam Somalia Bank to open a branch at the seaport. Before the arrival of ships or vessels, the customs team is provided with all necessary information through the manifest. This ensures that they are well-prepared for the processing of incoming goods. During the audit visit, it was confirmed that all CCTV cameras and monitoring equipment were operational and functional. **Responsible Officer: Revenue Director** **Implementation Date:**

7.4 Loss of revenue as a result of non-payment of lease rentals by private entities occupying government properties and failure to meet the contractual terms arising from the lease agreements.					
7.4.1	**Observation:** **Jubaland Quality Control Service** has been contracted to provide citizen services, quality inspections, and Quality compliance certificates, and set quality standards and at the same time raise revenue on the same. The following major issues have been identified. a) The current contract is open-ended b) Company shares of revenues is 88% while government share is 12% c) Collected revenues are not remitted to a government treasury single account but rather banked in the company's private accounts. d) We also noted that JQCS has been depositing all revenue collected into its own bank account and only transferred $13,214.06 to the Government for the entire financial year 2023. In addition, the revenue department lacks records of JQCS's total revenue collected, preventing the audit from verifying if JQCS is paying the agreed 12% to the state Levies and tariffs are set by the company instead of the government	The misapplication of rules and regulations can have detrimental consequences. Our assessment of non-compliance with regulations may result in the loss of monitary value and a lack of consumer/citizen satisfaction, as well as the failure to receive the expected services	**High**	JCQS should adhere to the agreement and coordinate with the ministry to ensure public services are utilized within a defined framework and timeframe to avoid resource wastage. Precise percentages and contract details should be documented in official records. Additionally, we recommend depositing all funds into the Treasury Single Account (TSA) for accurate accounting and oversight	**Response:** During the audit, the audit team did not inquire about specific details related to Jubaland Quality Control Service, Midnimo Group, and Eagle Risk Management, as outlined in sections 8.5.2 and 8.6. It is unclear where the audit team obtained this information, given that it was not disclosed in the FS 2023. The amount mentioned by the audit team, 13,214.06, does not appear in the FS 2023. This raises a question about the source of this information and how it was identified by the auditors. **Responsible Officer: Revenue Direct** **Implementation Date:**
7.4.2	**Observation**	Loss of revenue, no	High	The state should ensure	

<table>
<tr>
<td></td>
<td>Midnimo company manages a youth centre on land leased from the government, in the review of the lease agreement, Midnimo was supposed to pay a monthly lease rentals to the state of $500 per month. The unpaid lease rentals which translates to lost revenue by the state is as follows.

<table>
<tr><th>Description</th><th>Amount in ($)</th></tr>
<tr><td>No. of months list not paid cumulatively</td><td>54</td></tr>
<tr><td>payable lease rate per contract</td><td>500</td></tr>
<tr><td>Expected lease rentals/unpaid revenues</td><td>27,000</td></tr>
</table>

Eagle Risk management was contracted to oversee security operations at the Kismayu airport. During our review we have noted the following issues;
a) Lease amounts not paid
<table>
<tr><th>Description</th><th>Amount in ($)</th></tr>
<tr><td>No. of months list not paid cumulatively</td><td>16</td></tr>
<tr><td>payable lease rate per contract</td><td>600</td></tr>
<tr><td>Expected lease rentals/unpaid revenues</td><td>9,600</td></tr>
</table>

a) No security equipment has been purchased in contravention of the agreement
b) No capacity building or training has been provided for the security staff in contravention of the agreement.</td>
<td>value for money for government premises, poor services to citizens</td>
<td></td>
<td>that all monies due to the government are collected and paid. Contractual arrangements arising from government lease agreements should be implemented fully so that there is value for money for the state and its people arising from states operations.</td>
<td>Response:
Refer 8.5.2
.

Responsible Officer:
Revenue Director

Implementation Date:</td>
</tr>
</table>

8.0 Regular food supplies, and allowance for General Service

<table>
<tr><th>Ref</th><th>Finding</th><th>Risk</th><th>Ranking</th><th>Recommendation</th><th>Management Response & Proposed Action</th></tr>
<tr><td colspan="6">8.1 Unsupported allowances for general services, unsupported regular food supplies.</td></tr>
<tr>
<td>8.1</td>
<td>Observation
Basic allowances for general service
The amount $826,248 spent on allowance for general service was not substantiated by payroll records and no clear explanation was provided regarding the nature of the allowances or the basis for payment without supporting payroll documentation</td>
<td>Possibility of fictitious payments, unauthorized payments, inaccurate recording of transactions etc.</td>
<td>High</td>
<td>The management should ensure that moneys and resources are spent and applied in complete compliance with the law and for the purposes the monies have been approved for by</td>
<td>Response:
The temporary account is used to pay expenses for casual labour, specifically for non-skilled work, not</td>
</tr>
</table>

	Regular food supplies An amount $4,160,169 was spent on regular food supplies and we have noted the following main issues expenditures totaling $946,891 lacked essential documentation, including delivery notes, receipt notes, and distribution lists No documentation to demonstrate that the suppliers were sourced competitively in accordance with the Procurement Act Consequently, the amount paid of **$946,891** is deemed unsupported.			parliament. All payments should be supported by relevant and appropriate documentations.	for civil servants. This means it covers casual wages, which do not involve formal contracts. The amount listed under basic allowances for general services is not part of the regular payroll but rather a stipend provided to staff on an as-needed basis, depending on cash availability to support them. Food supplies for JSS security are paid through the regular food supplies account. These supplies are contracted through single sourcing due to security reasons. **Responsible Officer: Treasury Director** **Implementation Date:**

9.0 Human Resource Management

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
9.1 Lack of approved staff establishment					
9.1	**Observation** The state did not maintain a comprehensive approved staff establishment that indicates the optimal number of staff for each category, the number in post and the variance. In the absence of an approved establishment, it was not possible to confirm whether the state was operating within optimal level of staff establishment.	Operating at inappropriate staffing level	Medium	The management should ensure that an approved staff establishment is in place so that the state will be able to establish whether its operating in an optimal staffing level or not. This will guide recruitment and other Human Resource Decisions of the state.	**Response:** **Responsible Officer:** The state has regulations such as the CSC Act and HR manual policy, which require that a budget must be allocated before recruiting staff for a specific position. Currently, some staff are funded by donor support from the World Bank. To achieve an optimal staffing and sustainable level, it is important to work towards economic self-sufficiency and reduce reliance on donor funding. **Responsible Officer:** **HR Director** **Implementation**

<table>
<tr><td></td><td></td><td></td><td></td><td></td><td>Date:

HR Policies and procedures.pdf</td></tr>
<tr><td colspan="6">9.2. Operating multiple and manual payrolls</td></tr>
<tr><td>9.2</td><td>Observation
The examination of human resource records for the Jubaland state as of December 31, 2023, revealed that the state was maintaining multiple payroll systems e.g. Bisan Payroll System, Manual payroll for security staff, legislature, and political appointees
No written explanation was provided to justify why the state was operating different payroll systems and paying employee wages totaling $ 1,955,691.00 without a unified payroll system as shown in the table below;

<table>
<tr><th>Wages</th><th>Amount</th></tr>
<tr><td>Legislative salary</td><td>115,000.00</td></tr>
<tr><td>Political appointee salary</td><td>1,014,443.00</td></tr>
<tr><td>Basic allowances for general services</td><td>826,248.00</td></tr>
<tr><td>TOTAL</td><td>1,955,691.00</td></tr>
</table>
</td><td>Unautomated payroll system</td><td>High</td><td>Implement a Unified Payroll System-Consolidate and ensure that all employee payroll data are available in a single, centralized payroll system conduct a comprehensive review of employee records to identify any instances of employees receiving salaries from multiple payroll sources</td><td>AGREE
Response:
Currently, the state uses the FMIS system for civil servant payroll, while also maintaining a manual payroll system. To address this, we are working towards establishing a single, centralized payroll system as recommended by the audit.

Responsible Officer:
Treasury Director

Implementation Date:</td></tr>
<tr><td colspan="6"></td></tr>
</table>

10.0 Nonpayroll Expenditure

<table>
<tr><th>Ref</th><th>Finding</th><th>Risk</th><th>Ranking</th><th>Recommendation</th><th>Management Response & Proposed Action</th></tr>
<tr><td colspan="6">10.1 Unsupported expenditures</td></tr>
<tr><td>10.1</td><td>Observation
The JSS state has spent different resources in different budget lines. During our review of the supporting documents for the sampled expenses in the different budget lines we found out that payments lacked key documents and were therefore deemed unsupported. A list of the sampled expenses is as below.
<table><tr><th>Account Name</th><th>Amount</th></tr><tr><td>External travel</td><td>309,755.00</td></tr><tr><td>Internal Travel</td><td>616,871.00</td></tr><tr><td>Repairs for Building</td><td>439,743.00</td></tr><tr><td>Purchase of construction materials</td><td>1,794,212.00</td></tr><tr><td>Medical supplies</td><td>1,428,750.00</td></tr><tr><td>Total</td><td>4,589,331.00</td></tr></table></td><td>Unauthorized payments, lack of value for money, inaccurate reporting, loss of funds</td><td>High</td><td>The management should ensure that all payments are supported with adequate documentation that depicts the nature of the expense and provides full proof that value for money has been achieved as envisaged in the provision of the PFM act and other subsidiary legislations.</td><td>Response:
No transactions are made without supporting documents. The ministry fully adheres to all essential Public Financial Management (PFM) requirements and is continuously improving its processes.
We understand the importance of maintaining transparency and accountability in all financial</td></tr>
</table>

	Internal travels, external travels, and conference costs were not supported with travel documents, attendance registers, invitation letters, training programs, training certificates, travel initiation or a approval documents, as well as return to work/event reports. Additionally, we noted that there are no standardized procedures for meals, night out allowance as well as accommodation for officers who travel outside of their duty stations on official visits. Requisitions, Motor vehicle log sheets, distribution lists, procurement documentations such as valid business licenses, advertisements, quotations etc, prequalification process, Bill of quantities, inspection and acceptance reports, certificates of work done, LPOs, delivery notes, invoices, evidence of receipt and issues of good and items from stores, work plans, agreements, reports, fuel registers, fuel utilization reports, fuel consumption limits etc. were not supported with the payments as appropriate. One of the awarded suppliers for medical supplies had also been contracted for construction and general supplies during the period under review. It was unclear how a construction company could also be engaged in the business of supplying medical items, and whether the company had the technical capacity to operate or had the valid license to supply medical items There is no evidence indicating that the Minister has sought the Council of Ministers' approval for the utilization of the contingency fund.				transactions. To further enhance our practices, we are implementing additional checks and balances and investing in staff training to ensure compliance with best practices. **Responsible Officer: Treasury Director** **Implementation Date:**

11.0 Fixed Assets

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
11.1 Unsupported acquisitions of motor vehicles and furniture					
11.1	**Observation** Acquisition of Toyota Surf from Magar Construction Supply and Logistic Company for a total contract amount of **$15,718** was not supported with motor vehicle logbook. The motor vehicle could not be verified and there was no evidence to show delivery and inspections. Additionally, the acquisition of five new vehicles including this Toyota surf was not recorded in the fixed assets register. An acquisition of furniture and fixtures including school desks and chairs supplied by Union Group of Companie at a cost of **$290,000** was not supported with user requisitions, delivery notes, inspection and acceptance reports, stores ledgers, distribution lists, the items could not be verified and at the same time were not included in the fixed assets register. Additionally unsuccessful bidders were not notified. In the circumstances the cost of the motor vehicle **($15,718)** and that of the furniture **($290,000)** totalling to **$305,718** were deemed unsupported.	Loss of money, payment for undelivered goods and unauthorized payments	High	The state should ensure that only goods that have been delivered and that are properly supported are paid for. All serialized supporting documentations should be obtained and retained for all payments in line with the requirements of the PFM act 2017	**Response:** No transactions are made without supporting documents. The ministry fully adheres to all essential Public Financial Management (PFM) requirements and is continuously improving its processes. We understand the importance of maintaining transparency and accountability in all financial transactions. To further enhance our practices, we are implementing additional checks and balances and investing in staff training to ensure compliance with best

					practices **Responsible Officer: Treasury Director** **Implementation Date:**
11.2 Weaknesses in the Fixed Assets Register					
11.2	**Observation** Following issues were noted in relation to the entities fixed assets register • The fixed asset register did not include a list of additions for the year • The register also fails to record disposals made during the year • the register does not list certain state-owned assets, including land, buildings, and motor vehicles. • It was also observed that some assets at the Ministry of Planning, Ministry of Education, and the Civil Service Commission were not tagged • There are no procedures for periodic assets verifications.	Loss of assets, misuse of assets	High	The state should ensure that the fixed assets register is immediately updated with new acquisitions, all assets should be tagged and procedures for periodic assets verifications to be instituted.	**Response:** The asset register is maintained in a separate system from BISAN FMIS. In late 2023, the asset register was reactivated after being offline for more than a year, during which time we lost some data. To address this issue and prevent future data loss, we are implementing a comprehensive data recovery and backup strategy. **Responsible Officer: Procurement Director** **Implementation Date:**

12.0 ICT issues

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
12.1 Information Technology Environment					
12.1	**Observation** • The state lacks an IT strategic plan that aligns with its operational needs, • no formally documented and approved procedures for managing system upgrades and changes. • backups are currently stored in the ICT office rather than in a secure offsite location, increasing the risk of data loss due to potential fire or theft • there is no register tracking access to the server room, indicating a lack of control over who enters and for what purpose. • The room also lacks air conditioning, which is essential for regulating temperatures, as servers can overheat during prolonged use • no service level agreement between the ICT ministry and its vendors, and the server room is missing crucial safety equipment such as smoke detectors and fire extinguishers • No disaster recovery plan	Data Loss and Security Risk, Operational Disruption Risk, Safety and Compliance Risk	High	Establish a Strategic Committee to develop and implement a Disaster Recovery Plan, an IT Strategic plan in addition we recommend the ministry to establish and formalize documented processes for managing system upgrades and changes.	**Response:** I have confirmed that our FMIS incorporates robust data protection measures, including regular backups, encryption protocols, and stringent access controls. Our system undergoes regular security assessments and has not experienced any incidents of data loss. We adhere to best practices in data security and compliance with relevant standards. Our system's operational performance and have not identified any substantial risks of disruption. Our FMIS is designed with high availability and redundancy features to minimize downtime and ensure continuous operation. We

					conduct routine maintenance and have a comprehensive incident management process in place to address any potential issues swiftly. The audit may have overlooked these operational safeguards or encountered isolated instances that do not represent the overall system's reliability Our FMIS is regularly updated to comply with legal and regulatory requirements, and we conduct periodic audits to ensure adherence to safety protocols. We have not observed any safety or compliance issues that would indicate a systemic risk. **Responsible Officer: ICT Director** **Implementation Date:**

12.2 Systems *Change Control*					
12.2	**Observation** No documented and approved processes meant to manage upgrades made to user password change or deactivations which include 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	Unauthorized changes to the system	High	All processes aimed at managing upgrades and changes to information systems be developed, documented, and approved. A change management policy be developed should 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...	**Response:** The audit identified concerns regarding unauthorized changes to the FMIS, but I proved that our FMIS system has: • Access Control and Permissions • Change Management Documentation • Audit Trails and Monitoring Logs • Security and Compliance Reviews • Incident Reports and Resolutions **Responsible Officer:** **ICT Director** **Implementation Date:**

13. Inactive internal audit function, lack of key management policies, and weakness in the payment vouchers

Ref	Finding	Risk	Ranking	Recommendation	Management Response & Proposed Action
13.1 Inactive Internal Audit Function					
13.1	**Observation** • No internal audit committee to support work of the internal audit function • No approved internal audit charter • No approved internal audit work plan • No internal audit reports in the whole year • The unit is also understaffed and may not have the necessary competencies and capacity to carry out the internal audit function.	Management can easily override controls as a result, instances of fraud or errors may not be identified and addressed in a timely manner	High	The Internal audit function should be independent, and it should functionally report to the highest authority which is the minister as per the PFM ACT.	**Response:** The Internal Audit Department has an approved Internal Audit Charter in place. This charter defines the purpose, authority, and responsibility of the internal audit function and is aligned with best practices and organizational requirements. The charter is reviewed periodically to ensure it remains relevant and effective. Likewise, the department has an approved Internal Audit Work Plan. This plan outlines the scope and schedule of internal audit activities, ensuring that the audit function is focused on key risk areas and organizational objectives. I acknowledged that the department is staffed with well-trained and competent professionals who are

					equipped to handle the internal audit function effectively. The Internal Audit Department remains active and diligently manages its duties based on the approved Internal Audit Charter and Work Plan. Continuous efforts are being made to enhance the function's effectiveness and align with best practices. **Responsible Officer: Internal Audit Director** **Implementation Date:**
13.2 Lack of key management policies					
13.2	**Observation** There is lack of several key policy frameworks that are essential for robust public financial management and governance. Specifically, the state MDAs do not have in place: • Debt Management Policy • Risk Management Policy • Public Safety Policy	The absence of these foundational policies and plans may introduce vulnerabilities in the state's ability to effectively manage its public finances and resources in a transparent, accountable, and sustainable manner	Medium	To ensure effective governance and the well-being of its citizens, the Ministries, Departments, and Agencies (MDAs) should prioritize the development and implementation of key policies and operational manuals. While delivering on the government's objectives, the MDAs are required to have a comprehensive set of policies to manage critical areas such as the economy, education, healthcare, environment, social	**Response:** The state and the Ministry have established essential policies to guide operations. We are committed to developing and refining these policies and manuals to ensure they meet the highest standards of transparency and accountability for public review. **Responsible Officer: Treasury Director/**

				welfare, public safety, infrastructure, labour and employment, housing, immigration, technology and innovation, culture, transportation, energy, and taxation	**Internal Audit Director** **Implementation Date:**
13.3 Payment ***Vouchers not adequately filled and no payment description in Bisan FMIS system***					
13.3	**Observation** During our reviews we noted that the payment vouchers were not filled out completely, lacking key details such as the description of the payment, budget line item charged, the payment amount, and the payee information. In some cases, the payment vouchers and commitments only included the payment amount without any additional details. Nevertheless, In the Bisan Financial Management Information System (FMIS), there is an absence of detailed expenditure descriptions. For example, payments for staff salaries should be described to indicate the specific month of salary being paid and other relevant bio data details.	The incomplete and insufficient information recorded on the payment vouchers and within the FMIS system hinders the ability to fully account for and track expenditures, which can impact overall financial management and governance.	Medium	MDAs should ensure that all payments vouchers have the required description to ensure transparency and accountability. Strengthening the requirements around detailed payment documentation, and considering it as a core financial control, could help enhance the robustness of the overall financial management system and governance processes	**Response:** The Internal Audit Unit asserts that the information recorded on payment vouchers and within the FMIS system is both complete and sufficiently detailed. The FMIS system is designed to ensure comprehensive tracking of expenditures, and all payment vouchers are meticulously filled out with the necessary information to support accurate financial accounting and reporting **Responsible Officer: Internal Audit Director** **Implementation Date:**

14. Status Of Implementation of Prior Year Recommendation

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1	Unrealistic budgets		Budget Director	Not Implemented	Dec 2022
2	Weakness in revenue management and recording process		Revenue Director	Partially Implemented	Dec 2022
3	Underutilization of Revenue Management System		Revenue Director	Not Implemented	Dec 2022
4	Weaknesses in Kismayo Sea Port and Airport		Revenue Director	Partially Implemented	Dec 2022
5	Gaps at the Revenue Collection Centre		Revenue Director	Partially Implemented	Dec 2022
6	Improvements for bank reconciliations		Treasury Director	Implemented	Dec 2022
7	Failure to stamp support documents "PAID"		Treasury Director	Implemented	Dec 2022
8	Poor record keeping and archiving		Treasury Director	Partially Implemented	Dec 2022
9	Lack of supporting documents for payments		Treasury Director	Partially Implemented	Dec 2022
10	Payments without adequate supporting documents		Treasury Director	Not Implemented	Dec 2022
11	Incorrect classification of receipts and expenses		Treasury Director	Not Implemented	Dec 2022
12	Weakness in debt management and procedures		Treasury Director	Not Implemented`	Dec 2022
13	Non- compliance with Public Procurement Regulation		Procurement Director	Partially Implemented	Dec 2022
14	Weaknesses in assets management and the Assets Management System		Procurement Director	Not Implemented	Dec 2022
15	Gaps in Internal Audit		Internal audit director	Not Implemented	Dec 2022

	Function				
16	Delayed implementation of the prior year audit recommendations		Director General	partially Implemented	Dec 2022

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