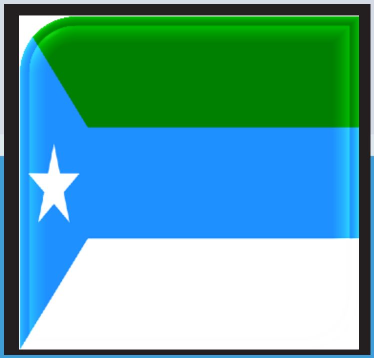
OFFICE OF THE AUDITOR GENERAL

JUBALAND STATE OF SOMALIA



SPECIAL AUDIT REPORT ON SELECTED PROJECTS FOR THE MINISTRY OF LIVESTOCK, FORESTRY AND RANGE OF THE GOVERNMENT OF JUBALAND, SOMALIA.

ISSUE DATE
February, 2024

"Upholding fiscal integrity and accountability within the public sector of Jubaland State remains a foundational commitment of the JSS Auditor General's mandate."

DOWLAD GOBOLEEDKA JUBALAND
EE SOOMAALIYA

XAFIISKA HANTIDHOWRKA GUUD

دولة إقليم جوبالاند الصومالية

مكتب المراجع العام

JUBALAND STATE OF SOMALIA

OFFICE OF THE AUDITOR GENERAL

25TH March, 2024

Speaker of State Parliament

Jubaland State of Somalia Kismayo, Somalia

Honourable Speaker of Parliament,

In accordance Sections 29, 31, 32 and 33 of the Audit Act 2016 of Jubaland State of Somalia (JSS), I have the pleasure to submit my report on the accounts of Jubaland State of Somalia for special audit report on selected projects for the ministry of livestock forestry and range for tabling in the State Parliament.

Yours Sincerely,

Mr. Bashir Mohamed Bahale

Auditor General
Jubbaland State of Somalia

CC: Minister for livestock, Forestry and range Jubalanad State of Somalia

CC: Minister for Finance and economic development Jubalanad State of Somalia

CC: Present of Jubaland State of Somalia

Contents

1 ABBREVIATIONS 4

2 INTRODUCTION 5

3 OUR MANDATE AND INDEPENDENCE 5

4 THE ROLE OF OAG 6

5 MANAGEMENT LETTER FOR ESPECIAL AUDIT- PERIOD 2023 7

6 MINISTER FOR LIVESTOCK, FORESTRY AND RANGE, JUBBALAND STATE OF SOMALIA (JSS) KISMAYO. 1

7 RANKING 2

8 DETAILED MANAGEMENT LETTER 2

8.1 SUMMARY OF FINDINGS 2

9 DETAILED FINDINGS AND RECOMMENDATIONS 3

FINDIFINDING N°: 2 4

TITLE: **TITLE: NON PREPARATIONS OF BANK RECONCILIATIONS** 4

1 ABBREVIATIONS

Acronyms	Full Description
FMIS	Financial Management Information System
ISSAI	International Standards of Supreme Audit Institutions
JSS	Jubbaland State of Somalia
OAG	Office of Auditor General
PFM	Public Finance Management
PV	Payment Voucher
RMS	Revenue Management System
MOLFR	Ministry of livestock, forestry and range
ISAI	International supreme audit institution
TSA	Treasury Single Account
USD	United States Dollar
FAO	Food and Agriculture organization
NRC	Norwegian refugee council

2 Introduction

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

3 Our Mandate and Independence

Section 28(1) of the Audit Act 2016 outlines the responsibility of the OAG to audit the accounts of all public bodies of JSS. In line with the provisions of Sections 29 and 31 of the Audit Act 2016, The Auditor General may choose to conduct special audits and at his/her discretion prepare special reports. The Speaker shall then table all audit reports in the State Assembly within five working days after receipt as per Section 33(1) of the Audit Act 2016.

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

4 The Role of OAG

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

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

DOWLAD GOBOLEEDKA JUBALAND
EE SOOMAALIYA

XAFIISKA HANTIDHOWRKA GUUD

دولة إقليم جوبالاند
الصومالية

JUBALAND STATE OF SOMALIA

OFFICE OF THE AUDITOR GENERAL

JUBBALAND STATE OF SOMALIA (JSS)
5 MANAGEMENT LETTER FOR ESPECIAL AUDIT- PERIOD 2023

7th JANUARY 2024

6 Minister for livestock, forestry and range, Jubbaland State of Somalia (JSS) Kismayo.

Dear Sir,

MATTERS ARISING DURING THE ESPECIAL AUDIT FOR THE PERIOD ENDED 31 DECEMBE 2023

We have recently completed our especial audit of the following projects implemented by the ministry of livestock, forestry and range;

1. SCRP funded by NRC,
2. SCRP funded by Save the children,
3. RAAISE project funded by FAO and
4. recover project funded by FAO

we conducted our audits in accordance with International Standards of Supreme Audit Institutions ("ISSAI").

In accordance with our normal practice, we write to draw your attention to matters which we identified during our especial audit. Those issues are set out in the attached report.

The matters raised in this report are only those which came to our attention during the course of our especial audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented.

Management responses should be provided through the co-ordination by the Ministry of livestock. We would like to thank the management and staff for their assistance and co-operation during the especial audit and would be pleased to provide any clarification that you may require on the issues raised in this report.

Yours faithfully,

Bashir Mohamed Bahale

XAFIISKA HANTIDHOWRKA GUUD
OFFICE OF THE AUDITOR GENERAL
JUBBALAND STATE OF SOMALIA
DOWLAD GOBOLEEDKA JUBALAND

Auditor General
Jubbaland State of Somalia (JSS)

7 Ranking

For ease of follow up and to enable your management to focus effectively in addressing the issues in our report, we have classified the issues arising from our especial audit in order of significance: “High”, “Medium” and “Low”.

In ranking the issues between “High”, “Medium” and “Low” ISSAIs require us to consider the relative importance of a matter, taken in context.

We have assigned priority ratings to the especial audit findings as follows:

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

8 DETAILED MANAGEMENT LETTER

8.1 SUMMARY OF FINDINGS

Ref	Summary of findings	Priority	Financial impact in US$*
1.	Grants received by the ministry has not been recorded in the states revenue management system	Medium	-
2.	Non preparation of bank reconciliations	High	-
3	Lack of supporting documents for payments and payments with insufficient documentations	High	3,694.80 and 64,966 respectively
4	Misapplication of budget lines	Medium	-
5	Failure to stamp support documents “PAID”	Medium	-
6	Non- compliance with Public Procurement Regulation	High	-
7.	Poor record keeping and archiving	Medium	-
Total Financial Impact			**68,660.80**

Financial impact (USD) - This is only the measured financial impact and the actual impact is likely to be much larger*

9 DETAILED FINDINGS AND RECOMMENDATIONS

Finding n°: 1	**Title:** Grants received by the ministry has not been recorded in the states revenue management system

Criteria:
The state has a revenue management system which it uses to record all revenues before the same is recorded in the Financial Management Information System(FMIS).

Description of the finding:
We have noted that the grants received by the ministry of livestock, forestry and range was not captured in the revenue management system(RMS). Grants were received from Save the Children, Food and Agricultural organization(FAO) and Norwegian Refugee Council(NRC). The breakdown of the amounts received from these organizations are as follows;

Name of Project	Donor	Amount
SCRO	NRC	**$105,224.6**
RAAISE	FOA	**$51,035**
SCRP	Save the Children	**$6000**

Implication
The two systems are normally reconciled to ensure completeness of revenue. As clearly evidenced the non-recording of the amounts received by the ministry of livestock, forestry and rage from donors contributes to the huge variances noted between the two systems. This makes the control in effective.

Significant
Moderate

Recommendations:
All revenues received from donors should be recorded in RMS in the first instance and then to FMIS. This will ensure that the two systems are comparable and reconciling

Agreed/Disagreed: **Agreed**

Comments from MOLFR -JSS:

The unrecorded grant will be properly documented and recorded in the state revenue management system without delay. We will also implement enhanced oversight measures to ensure that all grants received by the ministry are promptly recorded and accurately reflected in both RMS & FMIS.

Responsible person and date:
Mohamed Khlaid- Director General **4th -Feb-2024**

Finding n°: 2	Title: Non preparations of bank reconciliations

Criteria:

According to the PFM Act and precisely Regulation 5_Cash and Banking agreements, 3.1.1 it States "The Treasury Single Account and any other bank accounts of the [FMS] are to be reconciled preferably daily or at a minimum weekly within 2 days after end of the week by the Treasury Department, Ministry of Finance using the financial management information system (FMIS). '3.1.2. Each reconciliation must be checked and approved by one of the authorized signatories of the bank account or designated senior officer and lastly' "3.1.3. Bank reconciliations and supporting documents must be retained for management control and audit purposes, filed both in soft copy and hard copy format."

Article 8.1. of the Operation of Bank Accounts Procedures Manual, States: "In December each year, the Cash Management Unit will conduct a review of the bank register and all government bank accounts. The review will cover the following key issues:

Best accounting practice requires that an accurate and complete set of financial control procedures are maintained in an organization. One such control is performing bank reconciliations between bank Statements and organization cash books in order to highlight any errors.

Description of the finding:

We have noted the two accounts maintained by the ministry at Dahabshiil and Salaam bank have not been reconciled for the whole period the audit covered. Monthly bank reconciliations were not done.

Implications:

The absence of bank reconciliations increases the risk that errors and irregularities that may occur and remain undetected for a long period of time.

Significant

High

Recommendations:

We recommend that monthly bank reconciliations are performed, and the bank reconciliations be reviewed for accuracy and completeness on a timely basis by responsible officers in the ministry. The review should be documented and approval shown with the reviewer's signature and date of review to comply with Regulation 5 of the JSS PFM Act.

Agreed/Disagreed: Agreed

Comments from MOLFR - JSS:

We will strengthen our internal controls surrounding the bank reconciliation process to prevent similar issues from recurring in the future. This includes establishing robust policies and procedures, segregation of duties, and regular monitoring of compliance. As such we will make sure that monthly bank reconciliations are performed regularly and within the required timeframe.

Responsible person and date:

Mohamed Khalif -Director General **07/02/2024**

Finding n°: 3	**Title:** Lack of supporting documents for payments and payments without adequate supporting documents

Criteria:

Section 30(7) of the JSS PFM act states that each minister or head of a budgetary institution or agency is responsible for the filing, maintenance and safekeeping of all documents related to public finance transactions. Expenses are required to be supported with invoices, receipts, agreements, tickets, boarding pass, delivery notes, receiving notes, etc.

Description of the finding:

We have found out that payments totaling to USD 3,694.80 lacked any form of documentations. There were neither payment vouchers or any internally generated support nor any external document supporting the payments.

We have also found out that payment totaling to USD 64,966 were supported only with internally generated documents. There were no third party documents showing that items were delivered, works completed or services rendered.

Implication:

The expenditures may be deemed misappropriated as there no trace as to what it was spent on

Significant
High

Recommendation:

All payments should be supported with necessary documentations as required by the pfm act. The management should take steps to recover all unsupported payments.

Agreed/Disagreed: Agreed

Comments from MOLFR - JSS: We will promptly initiate efforts to retrieve the missing supporting documents for the identified transactions and upon retrieval, we will thoroughly review the supporting documents to ensure they accurately reflect the nature and purpose of the transactions in question. Any discrepancies or inconsistencies will be addressed promptly and appropriately.

Responsible person and date: Mohamed khalif Director General 08/02/2024

Finding n°:4	**Title:** Misallocation of budget lines

Criteria:

Section 8. 2 (a & d) of the Public Financial Management Act 2017 States: All public financial transactions, both revenues, and expenditures, are to be structured and classified using the same classifications for both budgeting and accounting. The following rules will apply:

Where relevant, these classifications shall be designed to meet generally accepted international standards as defined in regulations issued pursuant to this Act. In the consolidated budget or supplementary appropriations, budgetary classifications may be made for expenditures of a confidential nature.

Expenditures and other payments will be classified by administrative/institutional unit responsible for spending, appropriated at the spending agency level, and will be further classified according to economic classification and other classifications as shall be defined in regulations under this Act.

Description of the finding:

We have found out misapplication of monies for wrong activities and budget lines as follow;

Pvno.	Description	Amount
23/00001948 PV	Per diem	1,900.00
23/00001949 PV	Per diem	100.00

Monies ment for per diem and ministry has been used for a salary

Implication:

There is a risk that the financial statements are misstated.

Significant

Medium

Recommendation:

Management must guarantee accurate classification of transactions in accordance with the chart of accounts and their inherent nature. It's imperative to thoroughly investigate all incorrectly classified transactions and execute correction journals promptly.

Agreed/Disagreed: Agreed

Comments from MOFEDED - JSS: We will conduct a comprehensive review of our transaction classification processes to ensure alignment with the chart of accounts and the inherent nature of each transaction. We will also establish a protocol for thoroughly investigating all incorrectly classified transactions. This protocol will outline the steps to be taken, including the identification of root causes, corrective actions, and the execution of correction journals.

Responsible person: Mohamed Khalif Director General
Estimated Completion date: September 2024

Finding n°:5	**Title:** Failure to stamp support documents "PAID"
Criteria: Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is to cancel all supporting documents on which payment had been settled by stamping "PAID" to distinguish them from the unpaid expenses and reduce the likelihood of multiple payments being made based on the same set of documentation. **Description of the finding:** We observed that the expenditure payment vouchers and associated documents were not stamped with "Paid" following the completion of payments.	
Implications The existing practice facilitates misappropriation of public resources.	
Significant **Medium**	
Recommendations: Introduce a protocol mandating the stamping of "Paid" on expenditure payment vouchers and associated documents immediately after payments are made. This practice will serve as a visual indicator of completed transactions, ensuring clarity and reducing the risk of duplicate or erroneous payments.	
Agreed/Disagreed: Agreed	
Comments from MOLFR - JSS: we will promptly implement the suggested protocol across our expenditure payment processes. This will involve the issuance of clear guidelines to all relevant staff members outlining the requirement for stamping "Paid" on payment vouchers and associated documents upon completion of payments.	
Responsible person and date: Mohamed Khalif -Director General 12-02-2024	

Finding n°: 6	**Title:** Non- compliance with Public Procurement Regulation

Criteria:

Section 4 of the procurement policy provides guidelines on the procurement of goods, works, and non-consultant services awarded and/or funded by the Jubbaland State Somalia (JSS) including with funds provided by any international Donor that are processed through the JSS Treasury Single Account.

It provides the following procurement methods;

Competitive bidding – requiring open international advertisement. No threshold provided.

Other methods; to be used where competitive bidding may not be the most economical and efficient method of procurement, and where other methods are deemed more appropriate as illustrated below;

Limited bidding; direct invitation without open advertisement. No threshold provided.

Shopping method for goods and services amounting to USD 10,000 or less - requires a minimum of 3 quotations.

Sole and Single Sourcing for goods or services amounting to USD 1,000 or less.

Description of the finding:

We noted the following weaknesses in the procurement process:

- Failure to provide purchase request, delivery and received notes and local purchase order documents for audit review
- Irregular procurements and use of non-competitive procurement practices
- Abuse of low-value procurement method
- The ministry lacks a prequalified list of suppliers

PV NO.	Name of pen.	Amount
22/00014466 PV	TAWAKAL TRAVEL AGENCY	$ 4,480.00
22/00008359 PV	Kismayo Transport Company	$ 20,952.00
23/00000310 PV	Star Procurement,Logistic & Transport Company	$ 18,624.00
23/00001004 PV	Kismayo Transport Company	$ 6,984.00
22/00006931 PV	Tawakal Logistic Company	$ 6,208.00
22/00014266 PV	NASIIB RESTAURANT AND COFETERIA	$ 2,800.00
23/00000966 PV	TAWAKAL TRAVEL SOLUTIONS	$ 1,600.00
22/00003119 PV	Tawakal Logistic Company	$ 1,978.80

Finding n°: 6	**Title:** Non- compliance with Public Procurement Regulation

Implication:
The absence of competitive procurement procedures poses a risk where JSS might not realize the maximum value for donors' money. This oversight diminishes the potential for obtaining the most advantageous outcomes in terms of value and cost-effectiveness.

Significant
High

Recommendations:
To secure optimal value in contract awards, JSS ministry of livestock Management must enforce competitive procurement practices for goods and services. They should diligently retain supporting documentation showcasing these procedures and the subsequent procurement decisions. This ensures transparency and accountability in the procurement process.
Addressing these weaknesses is crucial to ensure transparency, compliance with regulations, ethical practices in procurement, and the efficient utilization of public funds. Implementing robust procurement procedures, documentation, and supplier vetting mechanisms can mitigate these risks and enhance accountability.

Agreed/Disagreed: Agreed

Comments from MOFEDED- JSS: We will conduct a comprehensive review of our procurement policies and procedures to ensure alignment with best practices and regulatory requirements. This review will include an assessment of competitive procurement mechanisms and their integration into our procurement framework. We will also diligently enforce competitive procurement practices for the acquisition of goods and services. This includes soliciting bids from multiple vendors, evaluating them based on predetermined criteria, and selecting the most responsive offer in terms of quality, price, and other relevant factors. Finally, we will make sure the diligent retention of supporting documentation showcasing our competitive procurement procedures and subsequent procurement decisions. This documentation will serve as evidence of our adherence to transparent and accountable procurement practices.

Responsible person and date:

Mohamed Khalif -Director General 15-02-2024

Finding n°: 7	**Title:** Poor record keeping and filing

Criteria

The spending agency is required to file documents in a logical manner for ease of retrieving for audit and other managerial reviews.

Finding

We found it difficult to retrieve documents and file for purposes of this audit. We had difficult time in tracing documents for the programs implemented by the ministry.

Implication:

These may result into rendering justifiable payments to be illegible since documents might have been misplaced.

Significant:

Medium

Recommendation:

MOLFR should arrange for an archive for proper storage of files and documents. Archival code should regulate maintenance of files with years of preservation and regulations for ingress and digress of files from the documentation room. Appointment of Archival officer in each ministry with job responsibilities is overdue.

Agreed/Disagreed: Agreed

Comments from MOLFR - JSS:. We will allocate space within our facilities for the establishment of the archive and equip it with the necessary infrastructure, such as shelving, filing cabinets, and archival-quality storage materials. We will also develop an archival code that regulates the maintenance of files, including guidelines for the preservation period and procedures for the ingress and egress of files from the archive. In addition, we will provide training to relevant staff members, on proper archival practices, document handling procedures, and compliance with archival regulations. As the ministry of Livestock Forestry and range -JSS we aim to improve the organization, accessibility, and preservation of our records, thereby enhancing transparency, accountability, and efficiency within the ministry.

Thank you for your valuable recommendation, and please be assured of our commitment to its timely implementation.

Responsible person and date:

Mohamed Khalif Director General **16-02-2024**

OFFICE OF THE AUDITOR GENERAL

JUBALAND STATE OF SOMALIA

Kismayo, Somalia

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