



**SOMALIA UN MPTF**

**PROGRAMME QUARTERLY PROGRESS REPORT**  
**Period (Bi Annual-Year): Jan- June 2016**

<b>Project Name</b>	Support to the Federal Government of Somalia in Stabilization in Newly Recovered Areas (UNDP SOM10 Project ID 00087998)
Gateway ID	00095366 (Gateway ID)
Start date	08-06-2015
Planned end date (as per last approval)	December 31, 2016
Focal Person	Name: Phillip Cooper
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PSG	<b>PSG (s): 1:</b> Inclusive politics: Achieve a stable and peaceful Somalia through inclusive political processes
Priority	
Milestone	
Location	Federal level: South West, Jubbaland, Galmudug, Hiiraan/Middle-Shabelle
Gender Marker	<b>2</b>

Total Budget as per ProDoc	\$ 4,123,420
MPTF:	
Non MPTF sources:	PBF: \$ 4,123,420
	Trac: 268,720.41
	Other:

Total MPTF Funds Received			Total non-MPTF Funds Received	
PUNO	Current quarter	Cumulative	Current quarter	Cumulative
<b>UNDP</b>	0	US\$4,123,420.00	US\$268,720	US\$268,720

JP Expenditure of MPTF Funds <sup>1</sup>			JP Expenditure of non-MPTF Funds	
PUNO	Current quarter	Cumulative	Current quarter	Cumulative
<b>UNDP</b>	US\$705,525.00	US\$1,653,995.00	US\$268,720	US\$268,720

<sup>1</sup> **Uncertified expenditures.** Certified annual expenditures can be found in the Annual Financial Report of MPTF Office (<http://mptf.undp.org/factsheet/fund/4SO00> )



## SOMALIA UN MPTF

### SITUATION UPDATE

During this reporting period certain policy and conceptual frameworks have taken place. After extensive consultations with national counterparts and relevant institutions the Wadajir Framework was approved in March 2016. Similarly, the Government Stabilization Strategy is currently being updated. The revised policy will reflect the principles of engagement around community recovery and extension of state authority / accountability and move away from a military geared strategy. In doing so, it will address the establishment of State authorities and launch of the Wadajir Framework, progress on the use of the national window, revised policies and lessons learnt in relevant areas e.g. deployment / training of police. Given the fact that the Wadajir Framework does not include programmes related to policing/rule of law and limited socio-economic interventions, it does not represent the approach of the Government wholly hence the need of re-aligning the formal strategy is to provide a capstone document to support coordination with other line ministries and stakeholders including through the current PSGs setup and future NDP.

At the UN level, the integrated office of the RC/DSRSG has up-scaled its approach and capacity in terms of stabilization. The new Community Recovery and Extension of State Authority / Accountability (CRESTA/A) approach/unit looks at linking top down state-building with bottom up community led recovery through focus on 3 areas: (i) Coordination, (ii) Analytical, and (iii) Catalytic. Area 2 includes the development of a Fragility Index / Maturity Model (FIMM) which will focus on collating a basic operational picture on the progress of programme initiatives at the district level based on a scorecard

The original project logframe including the outcomes, indicators and targets was not completely up to standards (for instance, some of the targets relate incompetently to the corresponding indicators, or outcomes read more as outputs). Therefore, the new logframe has been adjusted. Subsequently, the project team had an extensive consultation with national counterpart in the development of an annual work plan 2016 where by priorities are based on, both revised logframe and AWP were approved during the Project Board meetings that took place March 2016. At the same time the institutional, conceptual and situational context of Southern Somalia has evolved tremendously since the design and launch of the Government Strategy for Stabilization in the years 2013/2014 and the subsequent inception of this project in the first half of 2014.

In the first instance, the federalization process has moved forward with the emergence of new Federal Member States (FMS), namely Jubbaland State, South West State and Galmudug State. The formation of a Federal Member State of Hiiraan Region and Middle Shabelle Regions is ongoing. With this new level of governance, closer to citizens living in the concerned areas, the relationship between the Government and the population is changing, offering new space for coordination and prioritization of governance interventions at district levels

In terms of territorial control and access, the offensives by the Somalia National Army (SNA) forces and the African Union Mission in Somalia (AMISOM) against Al-Shabaab (AS) have delivered mixed results. From the 25 districts targeted under the 2014 offensives, 15 are considered liberated while one that had been liberated has fallen back in the hands of AS. However, even in liberated areas, access and security remain challenging with some districts circled and blockaded by AS and/or under direct threat. This situation complicates access, with air travel often the only option to reach certain districts for government and project staff on the ground. Furthermore, police deployment to the target areas has been problematic due to lack of equipment and facilities, which were expected to be provided from sources other than this project

The local context has also evolved since the inception of the project with district-level administrations and District Peace and Stability Committees (DPSCs) in one form or the other already deployed or existing on an ad hoc basis in most areas ahead of project start. Naturally, with time passing, these structures have evolved and consolidated to a certain extent. This has rendered the distinction between caretaker and interim administrations in the context of this project irrelevant.

Programming experience in the area has also evolved with new or established projects planning and starting to reach the



**SOMALIA UN MPTF**

targeted liberated areas. This is the case for example of the UN Joint Programme on Local Governance (JPLG), the UN Joint Programme on Rule of Law or the UN Joint Programme on Youth Employment. Important national and international actors increasingly target these areas with projects directly related to the support to stabilization. This is the case of USAID with the TIS+ programme, Somalia Stability Fund or the European Union funding peace dividend projects, reconciliation initiatives and district council formation activities in the newly liberated areas. At the same time, despite and planning on the ground: S2S use of National Window modality, now almost fully-fledged; JPLG's planned intervention in the states and districts; other programmes using the NW; other actors (USAID, SSF, EU) with increased activities in the area.

**QUARTERLY PROGRESS REPORT RESULTS MATRIX**

**OUTCOME STATEMENT**

**Outcome 1: Federal, State and District-level administrations have capacity to oversee, coordinate and implement stabilization activities**

**SUB-OUTCOME 1 STATEMENT**

**Output 1.1: Output 1.1: A coordinated and functional Stabilization team is in place at Federal and district levels.**

INDICATOR	TARGET	PROGRESS ON OUTPUT INDICATOR <sup>2</sup>	
		THIS QUARTER((Q1&Q2)	CUMULATIVE 2016
# of Staff at district and federal level recruited and in place to support stabilization	2 staff per district and 5 at Federal level	2 staff per district level at 11 districts 22 Staff = (M:19; F: 3) and 1 staff for 2 district each: 2 (M: 2) *  5 staff (F:1; M:4) at MoIFA (FGS) level were recruited and are operational	Total: 29 (W: 4; M:25) 2 staff per district level at 11 districts 22 Staff = (M:19; W: 3) and 1 staff for 2 district each: 2 (M: 2) *  5 staff (W:1; M:4) at MoIFA (FGS) level were recruited and are operational
Frequency of activity reports	Monthly	87.5% District level staff submitted their reports  100% FL reports received	87.5% District level staff submitted their reports  100% FL reports received
Supervisors satisfied with % of new recruits	Targets: 50%	87%**	87%**

*Source of Evidence:* 1) Reports submitted by the MOIFA stabilization advisors: financial and narrative progress reports (with supporting documents); 2) UNOPS progress reports; 3) CLO/LGA reports and updates; 4) Regular technical meetings between UNDP and MoIFA S2S team (inc participants list); 6) CLOs/LGs evaluation notes from MoIFA S2S

<sup>2</sup> Fill in only the numbers or yes/no; no explanations to be given here.



**SOMALIA UN MPTF**

Project Manager

Note \*: Wajid and Qoryloy have only one staff per each

Note \*\*: This percentage is based on the number of the reports received from the CLOs/ LGAs, i.e. on average 21 out of 24 monthly reports were received based on CLOs/LGs evaluation notes from MoIFA S2S Project Manager with satisfactory

**Output 1.2: Financial procedures for the flow of funds between the various levels of governments are implemented and allow for financial support to caretaker district administrations**

INDICATOR	TARGET	PROGRESS ON OUTPUT INDICATOR <sup>3</sup>	
		THIS QUARTER	CUMULATIVE 2016
# of financial procedures adopted and implemented	4 sets of financial procedures as per attachment 5 of PRODOC	3 sets of financial producers as per attachment 5 of PRODOC have been partially applied: *	3 sets of financial producers as per attachment 5 of PRODOC have been partially applied *
Value (in \$) of resources expended by district administrations	\$10,000	12 districts expended a total of \$95,500 in course of this reporting period **	12 districts expended a total of \$95,500 course of this reporting period **

*Source of Evidence:* 1; Third Party Monitor/Fiduciary monitoring report; 2) Financial reports

**Note \***: Financial management guidelines for Salaries & Expenses (section 3.5 of attachment 5); Payment system for Salaries (section 3.2); and, Payment system for District Administrations Expenses (section 3.3). However, spot checks by the Fiduciary Monitoring Agent showed that some adjustments need to be made for full compliance with these procedures.

**Note \*\***: A total of 12 district expended financial support \$99,500 namely: Namely Barawe (\$3500), War sheikh (\$12500), Jalalaqsi, (\$8000) Mahas (\$5000); Buloburte, (\$10,000), Hudur, \$8500 Wajid, \$8500 Rabdhuure, \$13,000 Tiyeglow, \$8000, Dinsoor \$8500, Mahaday, (\$5000) and Adale district (\$5000).

**Output 1.3: Coordination mechanisms for stabilization efforts are established with relevant stakeholders at national, state and district level**

INDICATOR	TARGET	PROGRESS ON OUTPUT INDICATOR <sup>4</sup>	
		THIS QUARTER	CUMULATIVE 2016
# of stakeholders participating in monthly coordination meetings	At least 10 organizations / institutions representing FGS, FMS, international organizations,	22 (on 29 February), 14 (on 28 March), 19 (on 21 April) 24 (on 30 May)	Total: 79 22 organization /institution (on 29 February), 14 organizations /institution (on 28 March), 19

<sup>3</sup> Fill in only the numbers or yes/no; no explanations to be given here.

<sup>4</sup> Fill in only the numbers or yes/no; no explanations to be given here.



**SOMALIA UN MPTF**

	NGOs and donors		organizations /institution (on 21 April) 24 organization /institution (on 30 May)
Existence of ToRs defining the role of State authorities in government stabilization efforts (Y/N)	Y/N	YES*	YES*
<p><i>Source of Evidence:</i> Attendance list; Agenda of the Monthly Stabilization Meeting; Reports shared by the stakeholders Minutes of the coordination meeting and approved TOR</p> <p><i>Note*:</i> TOR that defines the role of the state authorizes in government stabilization efforts have been approved and agreed. Also focal points for stabilization in each Federal Member states (FMS) have been nominated based on clear ToRs</p>			
<b>SUB-OUTCOME 2 STATEMENT</b>			
<b>Outcome 2: An enabling environment conducive to social cohesion, trust, civic participation and development led by the community is established in accessible districts</b>			
<b>Output 2.1: Community representative District Peace and Stability Committees (DPSCs) are established and strengthened</b>			
		<b>PROGRESS ON OUTPUT INDICATOR<sup>5</sup></b>	
<b>INDICATOR</b>	<b>TARGET</b>	<b>THIS QUARTER</b>	<b>CUMULATIVE 2016</b>
# of gender-fair DPSC established with approved ToRs	1 per district	1 per district for 11 District (out of 15 district project targeting) With total of 244 DPSCs Members (M: 213; F: 31)	Total: 11 1 per district for 11 District (out of 15 district project targeting) With total of 244 DPSCs Members (M: 213; F: 31)
# of coordination meetings between DPSCs and peace dividend providers	Minimum 1 per district	1 (Barawe)*	1 (Barawe)*
<p>Source of Evidence: Field verification visit; Assessment reports conducted by the the NGOs meeting minutes; list of District data matrix report provided by MOIFA- CLOs/LGs; Fact sheet Somalia TIS +, TIS + report: member of the project oversight committee is also member of DPSCs.</p> <p><b>Note*:</b> DPSC attended community planning session organized by TIS + in Barawe. MoIFA urges from all implementer partners to utilize the DPSCs and to be an essential part of local community projects prioritization and identification process. Additionally, the DPSCs should constitute defector oversight body for all projects at the district.</p>			
<b>Output 2.2 Civic dialogue and consultations are held to ensure community participation in the formation of new</b>			

<sup>5</sup> Fill in only the numbers or yes/no; no explanations to be given here.



SOMALIA UN MPTF

<b>district governing structures</b>			
<b>INDICATOR</b>	<b>TARGET</b>	<b>PROGRESS ON OUTPUT INDICATOR<sup>6</sup></b>	
		<b>THIS QUARTER</b>	<b>CUMULATIVE 2016</b>
# of conferences and consultations held	10 conferences	0	0
# of people participating (M: W)	100 people participating (50:50)	0	0
<i>Source of Evidence: Not Applicable</i>			
<b>Output 2.3: Interim district administration capable of addressing the community needs and enhancing citizen engagement through social contract by delivering reconciliation for all are established</b>			
<b>INDICATOR</b>	<b>TARGET</b>	<b>PROGRESS ON OUTPUT INDICATOR<sup>7</sup></b>	
		<b>THIS QUARTER</b>	<b>CUMULATIVE 2016</b>
# of consultations undertaken on interim district administration endorsement process with the DPSC	15 (1per district)	0	0
# of reconciliation initiatives undertaken per target district	3	0	0
<i>Source of Evidence: Not Applicable</i>			
<b>Output 3 Output 3: Project effectively managed</b>			
<b>INDICATOR</b>	<b>TARGET</b>	<b>PROGRESS ON OUTPUT INDICATOR<sup>8</sup></b>	
		<b>THIS QUARTER</b>	<b>CUMULATIVE 2016</b>
Project Board meetings held regularly	Four Project Boards held in 2016	2	2
<i>Source of Evidence: Project Board Meetings Minutes</i>			

**NARRATIVE**

**Output 1.1 –A coordinated and functional stabilization team is in place at federal and district levels.**

As in the previous year, the project continued to support several technical staff and advisors that were recruited between 2014 and 2015 specifically the Stabilization Project Manager, Reconciliation Advisor, Stabilization Advisor and Project Monitoring and Verification Advisor as well as admin/finance officer. The staff and advisors are to coordinate and support the FGS MoIFA in the stabilization activities including the implementation of monthly stabilization meetings, and bringing together government agencies and international partners with civil society for technical and policy on the coordination of stabilization and programming activities

At local level, the project continued to support 24 local consultants - Local Governance Advisors (LGAs) and

<sup>6</sup> Fill in only the numbers or yes/no; no explanations to be given here.

<sup>7</sup> Fill in only the numbers or yes/no; no explanations to be given here.

<sup>8</sup> Fill in only the numbers or yes/no; no explanations to be given here.



## SOMALIA UN MPTF

Community Liaison Officers (CLO) (F: 3; M: 21) since the inception of the project to support the implementation of activities in each of the targeted newly recovered districts. While these posts help to create direct linkages between the Federal and district levels, they are also used to support and guide local administrations in the process of establishing interim administrations. In several cases, LGAs and CLOs contributed to the identification and implementation of related though separate projects, such as the Community Driven Projects initiative, by helping organize the community to identify their needs. They also play a reporting role by providing the central MoIFA team (and their partners) with regular situational updates and analysis. Due to security reasons (high risk areas and visibility of the position), the recruitment of women for these positions were reserved by a low level of applications.

At the FGS level, two technical advisors were recruited through UNOPS to support the FGS Ministry of Public Works (MoPW) to initiate capacity development in developing conflict sensitive infrastructure projects at district level in newly recovered areas. They have provided during the reporting period the following advisory services:

- Advice to the Minister on the engagement of different government stakeholders relating to the projects and programmes of the MoPW.
- Advice to the Minister and the MoPW on the different roles and responsibilities of the Ministry in relation to other ministries. This entails the MoPW taking up its mandated role within the FGS.
- Chairing of the Inter-Ministerial Post Conflict Taskforce. The role of this Taskforce is to work on the immediate infrastructure needs of the newly liberated areas in support of stabilisation.
- Support to the MoPW and its department directors on initiating the development of the strategic plan for 2016. Development of work and implementation plan will follow thereafter

These various strategic actions are contributing to strengthening the capacity and position of MoPW as lead and coordinating entity for the development of public infrastructure, focusing on newly recovered areas.

On June 5, 2016 UNDP in collaboration with the United Nations Resident Coordination Office (RCO) has conducted training for members of the Ministry of Interior and Federal Affairs, a representative from the budget unit of the Ministry of Finance, and Project implementation Unit- PIU at Ministry of Finance on the UN National Funding Stream, 5 participants (F:1; M:4). The purpose of the workshop was to look at the practice of financial procedures and funds flow management under the “UN National Window” by the Support to Stabilization and SFF-National Window projects and to harmonize practices under both projects in order to strengthen the institutionalization of the National Window as a funding mechanism and increase its viability, which will have direct consequences on the confidence of donors and prospects of additional funding. Also during the day, the access to funds and disbursements, public procurement; audit, accountability and risk management and reporting MPTF – national funding stream were also reviewed. The participants brought with them the experience and the lessons learned.

Finally, it was agreed to work with the MoIFA and MOF in order to explore ways to better use, in an efficient way, the country systems at the Federal and district levels; to overcome obstacles; amend the project document as necessary to reflect more effective means of conducting business and enable full implementation under the national window / funding stream in a harmonized manner with other projects falling within the same national window without causing a gap in the project implementation. In this context, discussions have initiated on the transfer of the remaining national window balance from UNDP to MPTF office to allow transfer from MPTF to the FGS account directly as agreed under the original National Window funds management modality. Additional detailed training is to be organized in the coming months in order to address any capacity gap related to the implementation of the project.

Additionally, there are other trainings/workshops facilitated by the other agencies working in the stabilization programme, thus this was an opportunity for collaboration and capacity engagement to MoIFA stabilization advisors (*See more details in Annex 3*)

Field visits / missions were undertaken by MOIFA team to six newly recovered districts namely: Adale, Warsheikh, Buloburte Bardhere, Dinsor and Mahaday. The objective of these visits were to monitor district commissioners, staff and



## SOMALIA UN MPTF

overall stabilization operations in these districts, verify project activities and increase oversight on implementation aspects as well as to strengthen working relations with the district administrations, civil society groups, local and international non-governmental organizations (if there is any), and in particular Caretaker Administration and District Peace and Stability Committee (DPSC) the findings highlighted during these mission (see annex 2 monitoring and oversight activities)

### **Output 1.2 – Financial procedures for the flow of funds between the various levels of governments are implemented and allow for financial support to caretaker district administrations**

In order to complete a process for identification and nomination of the members of caretaker administration. Where pre-existing legitimate administration or incomplete existed (for example Adale district) where new administration has been reestablished and deployed. MoIFA effort to complete the Adale district administration has been hindered by a long-standing political issues that mired the progress of the district for more than a year. On May 2016 the member of caretaker administration was successfully completed, this development has paved the way for the Ministry to process payment of the running cost as well as provide necessary guidance for stabilizing the district

Following the implementation of the financial management procedures developed by the Ministry of Finance, running costs for 12 districts have been disbursed, supporting operations and the restoration of public services at the local level through coverage of costs such as district administration, utilities, stationary and fuel. The 12 districts that have received support to date were explained in above.

With the designation of UNDP as managing agent for the S2S project funds allocated by PBSO/PBF to the National Window under the Support to Stabilization (S2S) project, and for the purpose of meeting fiduciary accountability requirements, UNDP Somalia contracted the firm Moore Stephens LLP as Third Party Monitor / Fiduciary Monitoring Agent in January 2016. The Third Party Monitor is to assess whether and to what extent project funds have been administered according to the criteria agreed to by the donor and the recipient in line with the UN Peacebuilding Fund Support Office (PBSO).

Moreover, the TPM has to identify possible gaps and offer recommendations for improvement to address the weaknesses through spot checks and document review of the Federal Government and four districts over a six months' period which includes monitoring of flow of funds and FGS payment processing; verification of payments to consultants and experts; and verification in the field: site visits to four districts, namely, Warsheikh, Hudur, Jalalaqsi, and Barawe. Moore Stephens produced reports following their spot checks and verification in February, March, April and May 2016 of the FGS management of the flow-of-funds and FGS Payment processing and use of funds in the Districts of Warsheikh, Hudur, and Buloburte Districts. (*see attached reports*)

These reports identified some key areas and made valuable recommendations to strengthen fiduciary processes under the project's national component and in support of the national window. Since this was the first review of these procedures, UNDP was expecting a significant level of critical review by the Agent, reflecting the fact that this project is piloting some new procedures and interventions. It also reflects the anticipated need for continued Third Party Fiduciary Monitoring to assess actual functioning.

Based on the reports, the project team developed a checklist with steps to be taken to implement the recommendations and address the issues identified by TPM as further follow-up to ensure that TPM remarks and recommendations are properly observed and implemented. The Ministry of Interior and Federal Affairs is keen to implement all agreed recommendations that would further improve the financial system. The actions taken based on the recommendations will be reported to Q3 (2016).

### **Output 1.3 – Coordination mechanisms for stabilization efforts are established with relevant stakeholders at**





## SOMALIA UN MPTF

### **national, state and district level**

With the goal of enhancing stabilization and coordination mechanisms between different federal levels, UN, international agencies, Ministry of Interior and Federal affairs (MoIFA) organized four stabilization coordination meetings from February to May 2016 – (one meeting per month). The objective is to foster the information sharing and activity coordination machine on key areas of governance and district stabilization. The Ministry considers this platform an important tool to prevent duplications activities. During each coordination meeting, members from the FGS, UN and International Agencies provide briefing updates of overall stabilization efforts in newly recovered areas. Turnout was excellent; on average 18 including institution from FGS and UN/INGOs /Donors participated these coordination meetings – see the below table

Stabilization Coordination Meetings			
Date	FGS	UN/INGO/ Donor Agencies	Total
29-Feb-16	6	16	22
28-Mar-16	6	8	14
25-Apr-16	7	12	19
30-May 16	9	15	24

In order to enhance the coordination, MOIFA offering new space for coordination and prioritization of governance interventions at regional levels, has started coordination forums to increase the relationship between the FGS and the FMS including:

- On 13 March the first consultative gathering was organized by MOIFA with the participation of federal member states: Jubaland, Puntland, Southwest, Galmudug, and representatives from Hiiraan and Middle Shabelle Region along with Banaadir. The meeting aimed to strengthen the relationship between MOIFA and its counterparts in many fronts including stabilization efforts. Also Wadajir Framework was introduced to the participants as a pathway for local governance. The Ministers agreed to have a regular meetings rotated among state capitals and Mogadishu and further discuss to set up coordination mechanism. Also discussed in the meeting were the humanitarian need to provide timely and quality lifesaving assistance to the Somali people. Further recovery and development interventions were discussed. The participants agreed to deliberate on technical inputs regarding proposed Wadajir Framework in the upcoming 2nd meeting to be convened at Kismayo after a month.
- On April 16-17 The MOIFA held the second consultative meeting in Kismayo and was hosted by the Ministry of Interior and Security of Jubaland with the participation of the MOIFA and Federal Member States, representatives from Hiiraan and Middle Shabelle and Banaadir region and other stakeholders. During the meeting many issues were discussed including roles and responsibilities, Wadajir Framework implementation, finance and oversight. The result was a 9-point communique released on April that paves the way for strengthening the working relationship between MoIFA and its counterparts in the states and regions.
- On March 15-17, the project team has also participated in a community planning session held at Kismaayo to enhance coordination with FMS for the stabilization activities and provide guidance on the common stabilization goals The team met with the Deputy Minister of Interior at Jubaland to share with the Federal plans underway in existing districts under the authority of the Jubaland administration.
- On May 17-20, The FGS Ministry of interior and Federal Affairs organized the third consultative meeting in



## SOMALIA UN MPTF

Adaado with representatives from regional states- Puntland, Jubaland, South West and Galmudug and representatives from Banaadir, Hiiraan and Middle Shabelle. This forum intended to strengthen relations between FGS and FMS and to improve overall coordination as part of the larger strategy of the Government to stabilize the country. At the end of the four-days meeting, Wadajir framework was finalized and agreed to be a guiding and unified document for local governance. Coordination body was established between MOIFA and States to coordinate matters regarding Wadajir and other concerned areas. The forum is also responsible for the implementation of WF; terms of reference (TOR) with operational guidelines to overcome issues of stabilization and coordination were produced. It was agreed that the next consultative forum would be held at Baidoa in the coming months.

- In addition, the Ministry, represented by the Stabilization Unit, participated in a workshop organized by the Norwegian Embassy in Nairobi. The project team highlighted the achievements as well as the challenges regarding the project activities. An important take-away from the workshop was the need for coordination between military and civilian actors. As result, the regular stabilization meeting chaired by the Ministry has reported substantial improvements, according to the participants, with regard to the coordination of activities on the ground. The participants considered the coordination mechanisms in place as relevant and effective tool in tackling the challenges ahead.

### **Output 2.1– Community representative district peace and stability committees (DPSCs) are established and strengthened**

The project enables the government to engage with local communities in newly recovered areas and support the outreach and dialogue process that will bring the community together and establish a system allowing disputes to be resolved through a recognized mechanism (DPSCs) and resources to be shared equitably. In the previous year the project conducted a mapping exercise to identify the number of districts with a minimal DPSC structure in place (but not necessarily complete) and those district where no DPSC structure exist and thus need to be established. It was found that there are 11 districts with some form of a DPSC. The project is contracting a national CSO partner, with a long standing experience in the training of District Peace Security Committee (DPSCs), to carry out the initial work of training of the DPSCs in selected priority districts (Hudur, Barawe in ISWA; Jalalaqsi in Hiraan; and, Warsheikh in Middle Shabelle). These activities are expected to take place in the next quarter - Q3 (2016).

Apart from DPSCs role in stabilizing districts through reconciliation and building structures at the district level, DPSCs played an active role in their respective districts as they act as the district's advocates in terms of presenting the districts needs to government officials, humanitarian and developmental agencies. For example, during this reporting period, the DPSCs in Wajid district met with delegations from the FGS, such as parliamentarians from the FGS and other officials as a representative face of their communities. This is coupled by the execution of decisions on behalf of the districts with respect to peace dividends projects. Additionally, DPSCs have organized meetings, maintained peace and addressed issues faced by the district where they repeatedly proven as partners for peace-building

### **Output 2.2 – Civic dialogue and consultations are held to ensure community participation in the formation of new district governing structures**

With the aim to increase public awareness of local communities about efforts for stabilization and the building of inclusive and responsive local authorities while also encouraging public participation in stabilization activities and newly established governance structures, the project has contracted Dalsan Radio to broadcast the message developed by the technical team of the Ministry of Interior and Federal Affairs three (3) times a day at the prime time hours for a period of three (3) months starting from April 21- July 20, 2016. These messages call for the communities to support and participate in stabilization efforts such as DPSCs formation, transition of Interim Administrations to permanent district councils, the importance of strengthening peace and security in the districts, urging citizens to participate in the districts developmental projects as well as supporting the reconciliation efforts and drafting of social contracts. The project has



## SOMALIA UN MPTF

conducted a monitoring mission to collect information and feedback regarding the extent of the media coverage and audience responses. To ensure the message was aired in accordance to Dalsan Radio distribution plan and if there has been any feedback for future radio programs. In the preliminary feedback 60% of the people whom we asked said they had listened to the message. The project the report the feedback in place in the next quarter - Q3 (2016). Specifically, the messages are being aired for audiences in Middle Shabelle and Hiiran regions with high priority in Warsheikh, Mahaday, Cadale, Jalaqsi, Bulo-Burte, Mahaas and Ceel Buur districts. Also the project is anticipating to contract other radios to cover other districts for the next quarter.

### Other Key Achievements

- 12 district administrations received financial support for their running costs, based on the criteria that the districts have a caretaker administration in place with commissioners and deputy commissioners as well as an account set up for the district with authorizations from at least two individuals (usually commissioner and deputy commissioner or district finance officer).
- Supported Jalalaqsi district with transportation of medical supplies (2831KG) from Federal Ministry of Health, WARDO organization and NRC. The intervention has resulted the containment of the cholera outbreak in the district as well as the surrounding villages
- Third Party Monitor/ Monitor / Fiduciary Monitoring Agent have been contracted to provide fiduciary monitoring services on the implementation of the National Window S2S project funds.
- Supported 15 newly recovered areas with establishment of caretaker/ interim administrations and 11 newly recovered areas with establishment of District Peace and Stability Committees
- A new members of caretaker administration were appointed and deployed in Adale district
- FMS (Jubaland, Puntland, Southwest, Galmudug, and representatives from Hiiraan and Middle Shabelle Region along with Banaadir ) were included in the discussion on stabilization efforts and creating lines of communication between 3 levels of governance (FGS, FMS and district levels), effectively contributing to federal state-building in Somalia
- Radio messages (developed by the Ministry of Interior and Federal Affairs of Somalia) has been rolled out to increase awareness of local communities about efforts for stabilization and the building of inclusive and responsive local authorities. Monitoring mechanisms show that 60% of the respondent confirmed listening to the message
- The project has identified a CSO partner with a long standing experience in the training of DPSC to carry out the initial work of DPSC assessment and training in selected priority districts (Hudur, Barawe in ISWA; Jalalaqsi in Hiraan; and, Warsheikh in Middle Shabelle).

### Challenges (incl: Delays or Deviations) and Lessons Learnt:

There have been several key challenges to project delivery and the achievement of project outputs since the project started, including security and accessing to the target areas, political challenges

#### Security of access

As in the previous year, in the newly recovered areas, access remained one of the key challenges to project delivery due to the limited safe access routes. Air transport is usually the response to this challenge. The project maintained



## SOMALIA UN MPTF

negotiations with competent UN authorities in the provision of UN/AMISOM facilitated air transport to areas where no public transport is available. However, it is apparent that organizing UN air transport to certain remote areas might be equally difficult as it requires security clearance from the UN security team based on continuous ground assessment. This reality impacted the project team's capacity to deploy. Security issues also blocked efforts to oversee the project activities and can have a negative impact on the project's planned activities. For example, due to fragile security situation in Jalalaqsi in March our TPM was rescheduled. To deal with this situation, the team and its partners have prioritized areas with more secure access, namely Barawe, while coordination with UN air transport team continues to arrange air travel whenever possible and allowed to other areas. Likewise, Kurtinwarey and Qoryooley are both a litmus test for the project in terms of implementing the project activities while Shabaab pose direct threat to both districts.

Limitations due to security did not only concern the district level with incidents and threats but also affected operational capacity in Mogadishu. UNDP security team restricted the movement of the national staff between UN Compound at the protected Mogadishu International Airport (MIA) offices and at the United Nations Common Compound (UNCC), impacting the operations and coordination of staff activities and program implementation

### **Political challenges**

The project specifies the criteria of selection of the target district based on the priorities of the most recent military offensive, however, districts recovered from Al Shabaab tend to expect an equal treatment in terms of support from the Ministry. As in the previous year-2015, the most significant political challenges in Q1 and Q2 period revolved around the complaints from both Parliamentarians and Government Ministries from those non-beneficiary districts, - challenging explanations from MoIFA on the reasons why certain districts are being supported but not others while all were recovered from Al Shabaab.

At district level, changes of district commissioners by state governments without proper coordination with the Federal government is another issue that threatens the process of stabilization at the district levels. Political disputes between local actors has delayed in certain cases the establishment of the caretaking administrations remained an issue, with resulting impossibility for the project to provide the planned support to these districts.

In such cases, the project team at MoIFA has referred the issue to higher political levels of the Ministry. Upon successful resolution of the matter with the help of MoIFA, such as in the case of the district of Bulo Burte, project support can be initiated. The Addalle district officials were cleared by the Ministry but minor differences still persist between local leaders and Middle Shabelle regional officials. However, efforts to address those issues are underway so that districts can be stabilized and supported with running costs. This issue returns in the districts during the formation process of interim or caretaker district administration. It is also one of the key issues that prevent districts from focusing their core priorities, including achieving stabilization and development objectives to improve local communities.

### **Lessons Learnt**

Key lessons drawn from the Support to Stabilization Project thus far are as follows:

#### **Area prioritization**

The issue of access to and security in the targeted areas remain to be a challenge and seriously affects the capacity of the project team to implement specific activities requiring presence directly on the ground. For example, plans to visit Jalalaqsi District seemed possible at first but had to be changed due to the worsening security situation. Hence far, these obstacles have been addressed by prioritizing areas with easier and safer access. Strong coordination between all the partners in the project is therefore, necessary to the project implementation and to ensure that project area prioritization is best strategy at the moment which will have positive potential impact on the states and regions reached.

#### **District Running Costs**



## SOMALIA UN MPTF

It was noted that the district running costs was an issue on the basis of experience to date, reports and the findings from our Third Party Monitor / Fiduciary Agent have pointed out that the use of \$ 5,000 per month for district running expenses in interim district administrations has a high risk. The Project Board stressed that it is necessary to separate the equipment costs (which is a one-time cost) from recurrent running costs and reduce the running costs for the basic needs of the district and hence lower the risk of fraud or misuse. The goal for this process is to achieve two objectives: (a) limit the running costs to the essential needs of the districts, and (b) prevent excessive cash and risk of misuse to areas beyond the needs of the districts.

### **Need for increased coordination with FMS for stabilization activities**

The Ministry of interior and Federal Affairs has organized monthly stabilization meetings at the federal level. Low involvement of new Federal Member States (FMS) was noted. Placing stabilizing clusters was the effort to ensure that the stabilization activities are related to FMS and improved coordination for maximum impact. This particular strategy has been adopted to align the activities of key stakeholders at regional level. It also brought all partners and representatives of the donor community that welcomed the initiative.

### **Peacebuilding impact**

A key factor in contributing to stabilization of newly recovered communities is to build confidence and trust in public institutions through broad-based and inclusive consultative processes; that promote re-building citizen-state relations. The FGS developed its stabilization strategy which is interrelated to state-building and the reestablishment of a social contract; responding to the immediate need to deliver tangible and visible peace dividends to all Somali citizens. Though the Government Stabilization Strategy is currently being updated it has four critical strands covering security, reconciliation, basic service delivery and the establishment of government authority by setting up interim administrations at district and state level. These strands are closely aligned with priorities under the Compact's five Peace and State-building Goals (PSGs).

The project contributed to access for the governments to immediately engage with the local communities in the newly recovered areas and support the outreach and dialogue process that will bring the community together to establish a system to enable disputes to be resolved through a recognized mechanism and resources to be shared equitably. In doing so, it envisaged to establish tools and procedures that contribute in practice to the shaping and legitimization of a functioning federal Somali state, ultimately laying the ground for peace through state-building.

The project also continues to contribute to deployment of caretaking / interim administration to build their presence. For example, during this period the project supported on May 2016 the deployment of new additional members (three deputy district commissioner and secretary) of the Interim Administration of Adalle District, which will make the 12th district administrations receiving the running costs. Additionally, the project continues support of Community-liaison Officers and Local Governance Advisors from the area in support of the caretaking administrations further contributes to building the operational and technical capacity of the local administrations

The District Peace and Stability Committee (DPSCs), serves as a framework for stabilizing districts through reconciliation and building structures at the district level, with supporting the evolution to interim status, while also acting as early warning and dispute resolution mechanisms in that their members can detect and take step to diffuse conflicts within the community. Whereas thorough review of the DPSC structure and activity across all target areas is ongoing by the project team with the necessary training to be provided to their members. To that the project supported to the local capacities for dispute resolution, representation and for inclusive governance. The project has paved to the local capacities for dispute resolution and for inclusive governance. In a specific example, DPSC members in Adale District took part in the compilation and deployment of interim Administration and long of a long-standing between 2 local sub-



## SOMALIA UN MPTF

clans

As was the case in previous year, the project continues to support to stabilization efforts in framework of the National Window funding stream through bank to bank transfer by Central Bank of Somalia. As result of the that this milestone achievement made it easier to continue payments between various levels of governance in Somalia under this project and other projects as well as direct budget support, and it effectively contributing to peace and state-building by establishing the groundwork for a financially functional federal system

The Wadajir Framework (WF) was launched in March 2016, the Framework incorporates the various aspects of the government's stabilization strategy, like community social healing reconciliation and support of peace committee nevertheless it goes further by providing a sequence and additional steps for the establishment of functioning permanent local government councils and administrations. Re-aligning the interventions of the PBF-funded S2S project, as a lead of governance and stability efforts, and it will increase additional sustainability to the project's contribution to peace and state-building.

### **Catalytic effects**

The Support to Stabilization project is the first to directly support stabilization efforts by the Government of Somalia. It is also the first to make use of the National Window and its financial procedures, providing evidence for its use by other projects and donors. During the reported period, The Ministry of Finance in collaboration with the UN RCO have developed national Window financial procedures manual; hence the UNDP S2S project team and MOIFA Counterparts have also reviewed the manual and compared the PBSO financial procedures stipulated in the project documents. Finally, the UN RCO team conducted a one-day training for the MOIFA, Ministry of finance, the Project Implementation Unit under the MOF, UNDP S2S Team to brainstorm on the newly developed and share experiences from MOIFA on the current PBSO financial procedures. The RCO in collaboration with government institutions has committed to strengthen and develop the capacity of financial procedures through National window funding steam. Moreover, UNDP Somalia contracted the firm Moore Stephens LLP as Third Party Monitor / Fiduciary Monitoring Agent in January 2016 to assess whether and to what extent project funds have been administered according to the criteria agreed to by the donor and the recipient in line with the UN Peacebuilding Fund Support Office (PBSO) and Peace building Fund Financial Procedures. The third party has also been tasked to identify possible gaps and to offer recommendations for improvement to address the gaps and weaknesses through spot checks and document review of the Federal Government and four districts over a six months' period which includes monitoring of flow of funds and FGS payment processing; verification of payments to consultants and experts; and verification in the field: site visits to four districts namely Warsheikh, Hudur, Bulo-Burte, Barawe and FGS level. FGS has developed a new National Framework for Local Governance (Wadajir Framework), which incorporates and expands the elements of the stabilization strategy. Donors such as USAID, the UK and SSF already support or expressed interest in supporting the components of the Wadajir Framework, including those related to stabilization. One new approved project by the UN RCO is to make use of the National Window, taking into account S2S operational experience. Another multi-agency project led by RCO, that incorporates S2S practice, is to enhance peace-building capacity of government, UN and other partners through support to the Peace-building Priority Plan. These efforts by the UN are to be considered in parallel with the ongoing reflection by the RCO and UNSOM on ways to streamline and harness the potential of all UN actors in support of stabilization efforts in Somalia. Such reflection and expected new UN-wide strategy came about as a result of internal discussions on ways to expand and sustain the stabilization efforts initiated by S2S.

### **Communications & Visibility**

Visibility tools used by the project in the in first and second quarter of 2016 include:

- *Radio:* 21-April – 30 of June the public awareness message has been launched and broadcasted through Dalsan Radio this messages call for the communities to support and participate in stabilization efforts such as DPSCs



## SOMALIA UN MPTF

formation, transition of Interim Administrations to permanent district councils, the importance of strengthening peace and security in the districts, urging citizens to participate in the districts developmental projects as well as supporting the

- *Events:* High level Partnership forum: MOIFA Minister highlighted stabilization progress that was made for the last years in the newly recovered districts in the context of peace and state building. <http://new-deal.so/wp-content/uploads/2015/07/H.E-Minster-Abdirahman-M.-Hussein.pdf>; <http://hlpfistanbul.mfa.gov.tr/default.en.mfa>
- *Video:* The 11 June deployment of new administrator in Addale district was shown on TV. [https://www.youtube.com/watch?v=O\\_oDG8jQWnM](https://www.youtube.com/watch?v=O_oDG8jQWnM)
- The 9 Jan The monitoring visit was undertaken by MOIFA to Warsheikh to attend the evaluation of last year's achievement and the introduction of the new year's District plan for 2016 was shown on Somali National TV <https://www.youtube.com/watch?v=ARmnXGtj3yM>
- *News:* The 24 May third Inter- ministerial consultative meetings took place Adaado was posted to Kismayo website in May <http://www.kismaayo24.com/shirkii-wasaaradaha-arimaha-gudaha-oo-cadaado-kuso-dhamaday/>

### Looking ahead

In the next bi-annual the stabilization project is expected to support the following the outputs listed below:

Output 1.2: Financial procedures for the flow of funds between the various levels of governments are implemented and allow for financial support to caretaker district administrations

The project will continue to transfer of financial support to CA/IA at District Level: Provision of Running Costs for CA/IA (16 district)

Output 1.3: Coordination mechanisms for stabilization efforts are established with relevant stakeholders at national, state and district level

The project will have continued to support and organize monthly stabilization coordination meetings and other relevant meeting towards stabilization efforts with other stockholder

Output 2.1 Community representative District Peace and Stability Committees (DPSCs) are established and strengthened

Next bi-annual, the project is expected to contract identified CSOs partner to conduct DPSC formation and training in selected priority districts (Hudur, Barawe in ISWA; Jalalaqsi in Hiraan; and, Warsheikh in Middle Shabelle) and continued to identify potential IPs to reach other targeting areas.

Output 2.2 Civic dialogue and consultations are held to ensure community participation in the formation of new district governing structures

As part of the broader public awareness the project will continue to broadcast radio messages with aim to increase public awareness on the activities of the interim administration in the districts while also encouraging public participation in stabilization activities and newly established governance structures.

Output 2.3: Interim district administration capable of addressing the community needs and enhancing citizen engagement through social contract by delivering reconciliation for all are established

The project will support reconciliation and ongoing public awareness, support the implementation of the Trauma Healing sessions (with specific sessions targeting women: minimum 20 women / district) Conduct civic dialogue (with



**SOMALIA UN MPTF**

specific sessions for women: minimum 30 women / district) Traditional story-telling (with specific sessions for women: minimum 30 women / district)





**SOMALIA UN MPTF**

**ANNEX 1. RISK MANAGEMENT**

This section can be used to update or use the risk logs developed during the project development stage and provide any mitigation measures being undertaken by the project.

Type of Risk <sup>9</sup>	Description of Risk	Mitigating Measures
Security/logistics	<p>Security of access to targeted areas remains an issue with certain districts circled and blockaded by Al-Shabaab and/or under direct threat. For example, a planned visit for our TMP to Jalalaqsi on April had to be cancelled due to unstable security condition</p> <p>Terrorist attack/ threats force UN / UNDP to significantly reduce its staff movement</p>	<p>The project remained with negotiation with competent UN authorities the provision of UN/AMISOM facilitated air transport to areas where no public transport is available but minimum security conditions exist to allow for such transport. The project closely coordinates with UN Department of Safety and Security (UNDSS) and its counterparts and partners, where possible, in teams to implement and monitor activities.</p> <p>To deal with challenges of access to target areas due to poor security and logistic, the project has prioritized areas with known secure access and existing public air transport.</p> <p>UNDP security team restricted the travelling to the project targeting areas as well as the movement of national staff between MIA and UNCC which hampering the operation of the project generally whole also limiting capacity of the UNDP staff to regularly meet with Federal Government counterparts</p>
Access for getting reporting for	<p>Access to field report and field mission for the targeting district remain challenge due to high security risks associated with AS. Security issues have delayed efforts to get report in timely manner.</p>	<p>The project has/ will liaise with UNDSS and its counterparts and partners, where possible, in teams to implement and monitor activities. The project also will set a means to get report on time on time</p>
Political	<p>With the recent creation of Federal Member States, coordination between FGS and this new level might be problematic</p>	<p>The project will closely coordinate with the FGS (MOIFA) and FM States (MOIs) on their agreed joint meeting on quarterly basis to ensure the management of stabilization efforts. A meeting of delegations from FGS MOIFA and FMS MOI on 17-20 May 5 was a third engagement from all parties to regularly meet and coordinate</p>

<sup>9</sup> Environmental; Financial; Operational; Organizational; Political; Regulatory; Security; Strategic; Other.



**SOMALIA UN MPTF**

their joined on quarterly. Next quarterly joint meeting to be held at Baidoa

**ANNEX 2. MONITORING AND OVERSIGHT ACTIVITIES**

Monitoring Activity	Date	Description & Comments	Key Findings / Recommendations
MOIFA project team field monitoring visit	Jan 9, 2016	The monitoring visit was undertaken by MOIFA to Warsheikh to attend the evaluation of last year's achievement and the introduction of the new year's District plan for 2016.	<ul style="list-style-type: none"> <li>• The resolution of long -standing dispute between 2 local sub-clans was reached</li> <li>• A new District administration building in Warsheikh was build and completed</li> <li>• Outreach assessment conducted by district administration to assess living standard of the district residents, hear their concerns and introduction of the new administration.</li> </ul>
Third-Party Monitoring/ Fiduciary Agent	February 21	Verification in the Field: Federal Government Financial Management	<p><u>Federal Government Financial Management</u></p> <ul style="list-style-type: none"> <li>• PBF should have a “unique expenditure head” in the FGS budget.</li> <li>• Fund requests should clearly note the FGS budget line(s).</li> <li>• A Designated Account should be created in the Government Single Treasury Account, as articulated in the project agreement, to avoid the risk of project funds being mixed with other government revenues.</li> <li>• The MoF’s involvement in the various steps of payment processing does not fully comply with the details of the procedures provided in the PBF National Window financial procedures.</li> <li>• Payment vouchers for this project should be supported by an expenditure warrant and to make this possible the PBF project should have unique expenditure heads in the government budget</li> </ul>
Third-Party Monitoring/ Fiduciary Agent	February 21-24	Verification in the Field: Site Visits to Warsheikh Districts	Observations and recommendations regarding financial procedural management by the local authority: The areas of expenditure must more accurately reflect the expenditure types included in the PBF National Window Financial Procedures document.



**SOMALIA UN MPTF**

			<ul style="list-style-type: none"> <li>• Adequate supporting documents should be maintained to support all costs declared in the expenditure list.</li> <li>• Better segregation of duties is needed by district authorities in preparing, reviewing and approving payments.</li> <li>• District management should ensure that the fixed assets register is properly prepared and maintained.</li> <li>• Other recommended improvements to financial management by district authorities include the use of a cashbook together with regular bank reconciliation, purchase of a safe box for petty cash and the submission of detailed monthly expenditure reports against planned project budget.</li> </ul>
MOIFA project team field monitoring visit	February 28, 2016	The monitoring visit was undertaken by MOIFA team to Warsheikh to participate the inauguration of the new district police stations and overall stabilization operations in the district, verify project activities and increase oversight on implementation aspects	<ul style="list-style-type: none"> <li>• Security: Warsheikh District was recovered from Al-Shabaab in March 2014 during the joint Operation Eagle by Somali National Army (SNA) and AMISOM forces. Currently, AMISOM troops and National Intelligence and Security Agency have presence in the district while SNA Contingents are stationed in the outskirts of the town</li> <li>• A New police station was built in Warsheikh handed over to the District Commissioner. This is part of Danish Refugee Council Program in the newly recovered districts.</li> <li>• A police station facility was handed over to the District Commissioner. This is part of AMISOM QIPs programme in the newly recovered districts</li> <li>• DPSC functional and number has increased from 21 to 26 members.</li> <li>• 10 police officers from Somali Police Forces (SPF) were deployed to the district to strengthen security device and waiting for the training, as a part of the strategy to maintain law and order, the regional police commander promised training of the police to the district to move the process forward</li> </ul>
Third-Party Monitoring/ Fiduciary Agent	March 2016	Verification in the Field: Site Visits to Hudur Districts	<p>The following finding was raised:</p> <ul style="list-style-type: none"> <li>• Casting error</li> <li>• Inadequate supporting documentation should be maintained to</li> </ul>



**SOMALIA UN MPTF**

			<ul style="list-style-type: none"> <li>support all costs declared in the expenditure list.</li> <li>• Better of segregation of duties is needed by district authorities in preparing, reviewing and approving payments</li> <li>• Lack of cashbook and bank reconciliation</li> <li>• Weaknesses noted in asset management</li> <li>• Weaknesses noted in petty cash management</li> <li>• Submit monthly expenditure reporting on time</li> <li>• Failure to stamp support documents with “PAID</li> </ul>
Project Board Meeting	27 March 2016	Eight Board Meeting attended by the representatives of FGS/MoIFA, UNSOM and UNDP	<ul style="list-style-type: none"> <li>• Project Board members suggested project direction fundamentally should be reevaluated based on the new context</li> <li>• The board members noted the need for strategic thinking be done on the following: <ul style="list-style-type: none"> <li>○ Consolidate where project has access.</li> <li>○ More flexible for new areas to move in quickly</li> <li>○ Wadajir Framework exists as well as UN CRESTA with additional PBF funding expected to support this new approach. The project must make the links with these.</li> </ul> </li> <li>• An updated project logframe including the outcomes, indicators and targets has been approved</li> <li>• 2016 annual work plan was endorsed by the project board.</li> </ul>
MOIFA project team field monitoring visit	March 2016	MOIFA project Team and delegation from the Ministry visited Mahaday to assess district status.	<ul style="list-style-type: none"> <li>• DPSC does not exist in the District</li> <li>• It has been observed that public buildings of the district were completely destroyed including district administration and need for restoration</li> <li>• It was observed that are 1 MCH in the district supported by INTERSOS, 1 small schools in the district where around 250 pupils go for education supported by local community.</li> <li>• Security situation of Mahaday district is very fragile. AMISOM &amp; SNA operation against Al Shabab started recently where number of surrounding to the district were recovered from Al Shabab.</li> </ul>
Third-Party Monitoring/	April 2016	Verification in the Field: following	<ul style="list-style-type: none"> <li>• Ensure Inadequate supporting documentation are maintained to</li> </ul>



**SOMALIA UN MPTF**

Fiduciary Agent		their field visit to Bule Burte District.	<p>support all the cost declared in the expenditure list</p> <ul style="list-style-type: none"> <li>• Ensure appropriate segregation of duties are in place</li> <li>• Ensure separate cashbooks be prepared for each bank account and monthly bank reconciliations are carried out by reconciling the bank account balances to the cashbooks and investigating the reconciling items.</li> <li>• District management should ensure that the fixed assets register is properly prepared and managed.</li> <li>• Excessive use of cash Payments</li> <li>• Lack of monthly expenditure reporting</li> <li>• Weaknesses noted in budget Utilization/Prioritization</li> <li>• Lack of monthly expenditure reporting</li> </ul>
MOIFA project team field monitoring visit	April 22-25, 2016	The monitoring visit was undertaken by MOIFA team to Rubdhuudhe to oversee the implementation of project activities; monitor district commissioners, staff and overall stabilization operations in district. The visit also was the occasion to see the peace dividend projects carried out in the district.	<ul style="list-style-type: none"> <li>• Security: Buloburte District was recovered from Al-Shabaab in March 2014 Currently by the AMISOM troops and National Intelligence and Security Agency</li> <li>• Since the DPSC does not exist in the District, Traditional elders of the District work as Alternative Dispute Resolution by using Xeer system which is widely used in the country.</li> <li>• 35 police volunteers are deployed and waiting for training</li> <li>• Humanitarian organizations are currently operating in the district</li> <li>• It was observed that there are 2 MCH in the district supported by Mercy Crops &amp; Wardi, 4 small private schools in the district where more than 2000 pupils go for education.</li> <li>• It was noted that district needs urgent attention towards humanitarian aid such as feeding poor people,</li> <li>• 120 small rooms and latrines for the IDPs in the district have been built by SYPD a local organization.</li> <li>• There is urgent need for restoring the district court house, police station, prison facility and hospital district administration offices and water wells.</li> </ul> <p>The Ministry will also coordinate with other line ministries to complete the remaining stabilization components that are essential to the functioning of the district. This includes training of the police volunteers</p>



**SOMALIA UN MPTF**

			to move the process forward
MOIFA project team field monitoring visit	May 1-5, 2016	MOIFA visit to Bardhere to conduct monitoring and to take part of community consensus planning sessions on community projects	<ul style="list-style-type: none"> <li>• Bardhere District was recovered from Al-Shabaab in July 2015</li> <li>• There is urgent need for restoring the district police station court house, district administration offices, hospital, schools and women's hall</li> <li>• DPSC does not exist in the District.</li> <li>• The only way to access the district through.</li> <li>• Due to the blockage of Al Shabab the price of the food and other essentials went up very seriously. the population of the district whom are mainly crop farmers and livestock herders and are facing very hardship live.</li> <li>• Humanitarian organizations are not currently operating in the district</li> </ul>
Project Board Meeting	8 May 2016	Eight Board Meeting	<ul style="list-style-type: none"> <li>• Board had approved the need for revising the project; and new re-allocation of \$287,500 budget from UNDP to National Window for the support to districts.</li> <li>• Board had approved in principal the need to separate the district running cost (5000/month) in two categories: The equipment costs (which is a one-off cost) and running costs (recurrent running costs)</li> <li>• reduce the running costs for the basic needs of the districts</li> <li>• Board suggested there should be clear strategy on supporting the districts beyond the months left for the running cost. Existing Federal States should be active on how districts be supported maybe through collecting taxes</li> </ul>
Third-Party Monitoring/ Fiduciary Agent	23 May 2016	Verification in the Field: following their field visit to Barawe District.	<p>The following finding/recommendation was raised:</p> <ul style="list-style-type: none"> <li>• The District Administration should improve the quality of its record keeping</li> <li>• District Unable to verify fixed assets</li> <li>• District management should ensure that the fixed assets register is properly prepared and maintained and assets should be should be used only for the project purposes, should be documented in Fixed Asset register and should be available for physical verification upon request</li> </ul>



**SOMALIA UN MPTF**

			<ul style="list-style-type: none"> <li>• Adequate supporting documents should be maintained to support all costs declared in the expenditure list.</li> <li>• Lack of segregation of duties, better segregation of duties is need by district authorities in preparing, reviewing and approving the payments</li> <li>• The District Management should ensure separate cashbooks are prepared for each bank account and monthly bank reconciliations are carried out by reconciling the bank account balances to the cashbooks. All reconciling items should be thoroughly investigated</li> <li>• Proper ledger should be maintained to record petty cash transactions. Monthly petty cash reconciliations should be carried out to reconcile the physical cash counts and the petty cash ledger balances</li> <li>• Submission of detailed monthly expenditure reports against planned project budget</li> <li>• District Administration ensures that all documents on which payment has been made are stamped “PAID” to distinguish them from unpaid expenses</li> </ul>
MOIFA project team field monitoring visit	May 23, 2016	The monitoring visit was undertaken by MOIFA team to Adale to oversight the implementation of project activities; and deploy new members of the district administration.	<ul style="list-style-type: none"> <li>• A new additional members of the Interim Administration of Adalle District. were deployed</li> <li>• Security: Adalle District was recovered from Al-Shabaab in October 2014. There is a massive military operation going on in the district to liberate the remaining villages of the district from Al Shabab hands.</li> <li>• District police station was completed through AMISOM QIPs programme modality and handed over to the district commissioner, and District Police Commissioner and 10 police officers have been deployed</li> <li>• A new small police station facility was built as part of AMISOM QIPs programme in the newly recovered districts</li> <li>• It was observed that 27 street- solar lights have been installed by TIS/IOM in some part of the district and community impresses the project.</li> <li>• Provision of 20 sewing Machines for the local women by TIS/IOM</li> </ul>



**SOMALIA UN MPTF**

MOIFA project team field monitoring visit	June 5-9 2016	The monitoring visit was undertaken by MOIFA team to Dinsoor to oversight the implementation of project activities; to take part of community consensus planning sessions on community projects	<ul style="list-style-type: none"><li>• Provision of sport kits for 4 football teams with balls and nets</li><li>• Security: Dinsoor District was recovered from Al-Shabaab in July 2015. Police Commissioner and his deputy are working in the district and district Judge is in place</li><li>• Humanitarian organizations are currently operating in the district.</li><li>• It was reported that food &amp; medicine shortage due to road blockages and district only accessible by air.</li><li>• DPSC does not exist in the District however traditional elders of the District resolves disputes among the local community by using Xeer System which is widely used in the country. The Interim Administration of Dinsor is currently engaging the community to form DPSC.</li><li>• Humanitarian organizations are currently operating in the district</li><li>• Like TIS+</li></ul>
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**SOMALIA UN MPTF**

**ANNEX 3. TRAINING DATA**

#	Target Group		Dates	# of participants		Title of the training	Location of training	Training provider
	Ministry. District or UN staff	Others		M	F			
1.	Ministries (MoIFA and MOF)		June 5, 2016	5	1	National Window training	UNDP conference room at MIA	UNDP S2S project in collaboration with RCO
2.	Ministries (MoIFA)		12-15 May - 2016	1		Stabilization efforts in Somalia.	, Nairobi, Kenya	Norwegian Embassy
3.	Ministries (MOIFA)		13-18 March 2016	1		Intergovernmental Relation	Nairobi, Kenya	Forum of federation
4.	Ministries (MOIFA)		15-19 April 2016	1		MOIFA and States Coordination Meeting	Kismayo, Somalia	CDI
5.	Ministries (MOIFA)		12-15 June 2016	1		AMISOM CONPS	Nairobi- Kenya	AMISOM
6.	Ministries (MOIFA)		15-18 June 2016	1		Peacebuilding Fund	Nairobi- Kenya	UNSOM
	Total			10	1			



**SOMALIA UN MPTE**

**Annex 4: Fact sheet- Somalia TIS+**

# TRANSITION INITIATIVES FOR STABILIZATION + (TIS+)

Said Mohamed Hassan, TIS-DAI



A local community in Somalia celebrate the completion of a 25 km road with a traditional dance called Dhanto

## Transition Initiatives for Stabilization+

### Funding Level

66.9 million

### Duration:

May 2015 – May 2020

### Activity Goals:

- Increase confidence in governance at multiple levels based on equitable participation in decision making and management of community assets
- Empower community and government representatives to collaborate with private sector partners for community growth
- Increase community leadership of and participation in social reconciliation, peacebuilding, and peace messaging activities
- Increase women’s leadership in peacebuilding and governance efforts

### Implementing Partner:

AECOM

### Key Partners:

Federal Ministry of Interior and Federal Affairs; Ministry of Information, Culture and Tourism; and Ministry of Gender and Human Rights Development  
Emerging state Ministries of Interior, Information, and Gender

## OVERVIEW

The TIS+ activity aims to increase Somalia’s stability through participatory processes that promote good governance and community cohesion. Given the fragile nature of the political and security gains made over the last few years in Somalia, TIS+ will maintain a continued focus on quick impact stabilization activities at the district and community levels, with a focus on targeted areas in the newly emerging states. At the same time, TIS+ will support Somalia’s goal of moving from crisis response and stabilization to medium and longer-term development by facilitating joint planning between community, government and private sector actors on shared goals.

The TIS+ activities will be implemented alongside multiple levels of government, and support inclusive participation of a range of stakeholder groups in decision-making. This approach intends to encourage effective shared asset management and demonstrate the government’s interest and emerging capacity to contribute positively to citizens’ daily lives. Tangible stabilization and development outcomes achieved through this approach will increase stability by improving service delivery and demonstrating good governance processes, thereby improving citizen confidence in government and reducing the appeal of violent extremism.

## ACTIVITY AREAS

TIS+ will continue to blend technical assistance and infrastructure development in communities throughout Somalia to address their short-term priorities and needs. In coordination with government counterparts, TIS+ staff and facilitators will work collectively with all stakeholder groups in a selected area to assess community stabilization needs, collectively select and prioritize stability projects, and collectively implement, monitor and evaluate those activities. The stakeholder group, which includes local administration representatives, will take ultimate ownership of activity outputs and intended outcomes.

TIS+ will also begin to work with government and communities on planning for longer-term development initiatives. In areas that have achieved a higher level of stability and have a stronger semblance of district government, TIS+ will assist government actors and communities to develop “bridging plans” and projects. In addition to providing capital investments in these plans, TIS+ will also support stakeholders in capacity building to manage different phases and resource mobilization among other interested investors, including both public and private sector actors. These activities aim to incentivize cooperation around shared assets to increase social cohesion and

**Activity Locations:**

Somalia countrywide, with a focus initially on Jubbaland State of Somalia, Southwest State of Somalia, Benadir Regional Authority, and Sool and Sanaag regions

**For more information contact:**

usaidsonalia-info@usaid.gov

regional stabilization.

In targeted areas, TIS+ will also undertake activities intended to build an enabling environment for stabilization, to overcome local challenges to implementation, and to foster increased, broad-based participation in these community-centric activities. Activities may take a variety of forms, and will be developed with a sound understanding of the present conflict drivers, resiliencies, and important unresolved grievances in a community, as understood prior to and through the assessment phase. Additionally, TIS+ will integrate into its engagement with communities the promotion of Somali arts and culture activities to contribute to their revival, which is seen as an effective mechanism for advancing peacebuilding and improving social cohesion.

For TIS+, integrating gender across the program in a holistic manner is not only about adding a woman's component into an existing activity, and goes beyond increasing women's participation. Rather, integrating gender and addressing gender equality means bringing the experience, knowledge, and interests of women and men to bear on programmatic objectives and anticipated results. The TIS+ team will support the empowerment of women and girls through gender-specific targeted interventions; while at the same time addressing gender equality concerns in the development, planning, and implementation of all project activities.

**ACTIVITY IMPACT**

TIS+ prioritizes engagement with government and communities within the Jubbaland State of Somalia, Southwest State of Somalia, Benadir Regional Authority, and the Sool and Sanaag regions. Thus far, TIS+ accomplishments include:

- Supported the Jubbaland State of Somalia and Southwest State of Somalia to carry out district-based stability assessments;
- Carried out community consensus planning sessions in the newly recovered areas of Afmadow and Barawe;
- Supported the Benadir Regional Authority in holding a stakeholders forum to launch the development of "bridging plans" for targeted districts in Mogadishu;
- Supported the Jubbaland State of Somalia in organizing a consultative forum with over 50 women from the state; and
- Contributed to the Ministry of Interior and Federal Affairs' consultations and launch of the national Wadajir Framework.



**SOMALIA UN MPTF**

**Annex 5: Third party Fiduciary Monitoring Reports – Inception report and Fiduciary Monitoring Reports for First, Second and Third rounds.**

# UNDP Somalia

Provision of Fiduciary Monitoring Agent Services for  
Government Executed UN Peace Building Funds  
Supporting Activities related to Stabilization in Somalia

Contract No: 2016.001,CON.GROL/S2S

Inception Report

18 January – 18 July 2016

Issue Date: 16 February 2016

**16 FEBRUARY 2016**

**Provision of Fiduciary Monitoring Agent Services for  
Government Executed UN Peace Building Funds Supporting  
Activities related to Stabilization in Somalia  
Inception Report for the Period 18 January – 18 July 2016  
Contract No: 2016.001.CON.GROL/S2S**

## Contents

**Inception Report - Monitoring Agent Services for Government Executed UN Peace Building Funds Supporting Activities related to Stabilization in Somalia for the Period 18 January – 18 July 2016**

		Page
<b>1</b>	<b>Introduction</b>	<b>3</b>
<b>1.1</b>	<b>Background</b>	<b>3</b>
<b>1.2</b>	<b>Objectives of the assignment</b>	<b>3</b>
<b>1.3</b>	<b>Scope of Work</b>	<b>3</b>
<b>1.4</b>	<b>Deliverables/output</b>	<b>4</b>
<b>1.5</b>	<b>Locations of work</b>	<b>4</b>
<b>1.6</b>	<b>Our Approach</b>	<b>4</b>
<b>1.7</b>	<b>Our Proposed Work plan</b>	<b>9</b>
<b>1.8</b>	<b>Adding value to UNDP through the Monitoring Agent Process</b>	<b>10</b>
<b>1.9</b>	<b>Communication</b>	<b>10</b>
<b>2.</b>	<b>Annexes</b>	
	<b>Annex 1: Attendance list for the opening meeting</b>	<b>12</b>
	<b>Annex 2: Attendance list for the introduction meeting</b>	<b>13</b>
	<b>Annex 3: Detailed Fieldwork Testing Sheets</b>	<b>14</b>



# 1 Introduction

The United Nations Development Programme (UNDP) has appointed Moore Stephens as Fiduciary Monitoring Agent (MA) for Government Executed UN Peace Building Funds Supporting Activities related to Stabilization in Somalia. This is the inception report detailing our understanding of the engagement, our approach and the proposed work plan.

## 1.1 Background

The Peace Building Fund of the United Nations (PBF) is supporting activities related to stabilisation in Somalia for a total of USD 4,191,295. A portion of these funds are to be channelled through the Somalia Treasury, for a total of USD 1,887,500, over 18 months (of which approximately \$928,000 is to be spent over the first 6 months' time frame of this scope of work.

The challenge in Somalia is not only weak national systems, but also lack of a banking system. Through the Somalia Financing Facility (SFF) work, systems are being developed that allow money flows on the short term and build the basis for the future.

For now, the Central Bank is acting as a bank, receiving and distributing money flows. The budget control (budget check and approval of expenditure) is centralized in the Ministry of Finance. Other ministries ask for expenditure through vouchers, to Ministry of Finance, who approves and sends to the Central Bank for disbursement. The Central Bank then issues checks or pays vendors directly, for salaries payment is done directly by the Central Bank, with use of biometrics controls.

## 1.2 Objective of the assignment

The objective of the assignment is to assess whether and to what extent project funds have been administered according to the criteria agreed to by the donor and the recipient in line with the UN Peacebuilding Fund Support Office (PBSO) Peace building Fund Financial Procedures, identify any gaps and review with relevant government officials and UNDP, and make recommendations for improvement.

## 1.3 Scope of Work

The scope of work is defined across the following work streams:

- a) Monitoring of Flow of Funds and FGS Payment Processing
  - i) Carry out review of all funds received from the donor to the FGS and to the ultimate recipients
  - ii) Carry out review of controls related to the flow of funds.
  - iii) Carry out review of documentation providing evidence of funds received by authorized representative of District Administration.
  - iv) Review and provide recommendation on the adequacy of the existing financial procedures and financial systems (workflow and document flow) with a comparison to the best practices.
- b) Verification of Payments to Consultants and Experts
  - i) Examine contracts for four consultants and experts to determine if payments made are consistent with the contract with respect to period of time, payee, and amount.
  - ii) Perform enquiries and procedures to assess whether payments were made to individuals contracted.

- c) Verification in the Field: Site Visits to Districts
- i) Carry out six site visits to selected districts over six months
  - ii) Perform enquiries and procedures to assess whether cumulative expenditures made against running costs are consistent with the appropriate budget for each line item;
  - iii) Perform enquiries and procedures to assess how expenditures are documented and authorized;
  - iv) Perform procedures for verification of expenditure incurred and existence of assets
  - v) Examine supporting documentation for payments to MoIF Liaison and Community Liaison's as well as procedures to determine if payments made are consistent with the contract with respect to period of time, payee, and amount.
  - vi) Additional deliverable will be intended to allow the fiduciary agent to review the application of the financial management guidelines for salaries and expenses to be conducted in month 1 and month 6

#### 1.4 Deliverables/output

Six reports, each to be submitted within two weeks of each verification visit on a standard agreed-upon procedures report in accordance with the applicable standards.

#### 1.5 Locations of Work

The monitoring will be conducted in four districts (instead of 6) with the following sequence, 4 different districts over the first 4 months of the assignment, and District no 1 and No 2 revisited on month 5 and month 6 respectively to measure progress.

The following districts are agreed to be monitored in this order:

- i. Warsheikh (reachable by car)
- ii. Hudur (reachable by commercial flight)
- iii. Jalalaqsi (reachable by UN/AMISOM flights)
- iv. Barawe (reachable by UN/AMISOM flights)

We plan to visit at least 2 districts with staff from UNDP and MOIFD

#### 1.6 Our Approach

##### 1.6.1 Key highlights of our approach

We set out the main features:

- We will carry out funds flow, expenditure and physical verification in 4 locations over a period of 6 months
- We will focus our efforts on carrying out more detailed testing in each month rather than expanding resources in travelling between location
- Our approach will be positive and aimed at improving the financial management systems at the district level and also centrally in Mogadishu

- We will seek to verify 100% of the consultants at each of the district offices visited in each month
- We will attend a sample of ‘payment days’ in those districts where such a mode of payments is in operation

Our detailed testing and monitoring approach is attached at Annex 3 with the following sheets:

- HQ checklist for compliance with PBF Financial Procedures
- Fund Flow Checklist
- Salaries Payment Checklist
- Expenditure Verification Checklist
- Asset Verification Checklist

Our detailed methodology is included therein.

### 1.6.2 We plan to utilise a range of techniques

Our approach to the Peace Building Fund of the United Nations (PBF) Monitoring Agent assignment is to offer a range of possible techniques such as expenditure verification, physical verification, announced on site visits, data interrogation and analytical review. This allows us to develop an approach which focuses on addressing specific risks that we perceive as being present in the Peace Building Fund of the United Nations (PBF). Our approach will be positive and constructive aimed at building capacity in Somalia and cognisant of the aim to assist the government to raise its financial process system

### 1.6.3 Our perception of the key PBF risk factors

As part of our planning, we have held meetings with UNDP Somalia from these meetings and the Terms of Reference; we have identified several areas of risk to UNDP PBF .

Risk factor	Monitoring Agent response
Weakness of controls in the transfer of funds from the donors to the FGS and down to the districts	We will attempt to verify the flow of funds to the Designated Account (DA) of the Government’s Treasury Single Account (TSA) at the Central Bank of Somalia (CBS) to the time the funds are disbursed to the authorized representative of the Ministry of Interior and Federalism (MoIF) or to beneficial recipients.
Weakness in budget monitoring management in place	We will verify the effects of late monthly reports and compliance to the approved budgetary limits.
Weakness in approval of expenditure by the District administrator	We will review the Authorized list of signatories at the district level with the aim of identifying any loopholes during fund flows. We shall obtain Specimen records maintained by MoIF.

Compliance to the Peace building support Office (PBSO) and PBF Financial Policies and Procedures	During our District visits, we will verify compliance to the Financial policies used in the management of project funds, by using our test sheets.
Existence of engagement contracts for the consultants	We will carry out 100% verification for the 4 Consultants and experts
Missing documentation (attendance books etc.)	Our work will include (for the sample selected): <ul style="list-style-type: none"> <li>▪ Reporting of all instances of missing supporting documentation</li> </ul>
Salary paid for more days than recorded in attendance book/HR records	Our work will include (for the sample selected): <ul style="list-style-type: none"> <li>▪ Checking the number of days pay (ie. 30 days) agreed to the attendance record for the concerned</li> </ul>
Money Distribution are poorly controlled and insufficiently evidenced	Our work will include (for the sample selected): <ul style="list-style-type: none"> <li>▪ Attending a selection of payment days and combining these visits with physical verification work</li> </ul>

During the course of the 6 month assignment we fully expect to identify other risk factors and /or weaknesses and we will adapt our methodology accordingly in consultation with UNDP Somalia.

**1.6.2 Outline of our general approach**

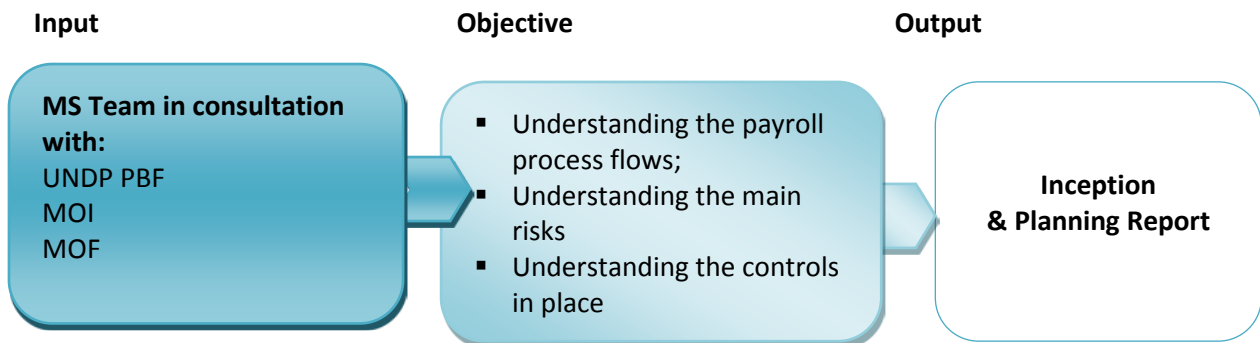
Our Monitoring Agent approach can be split into a series of three phases:



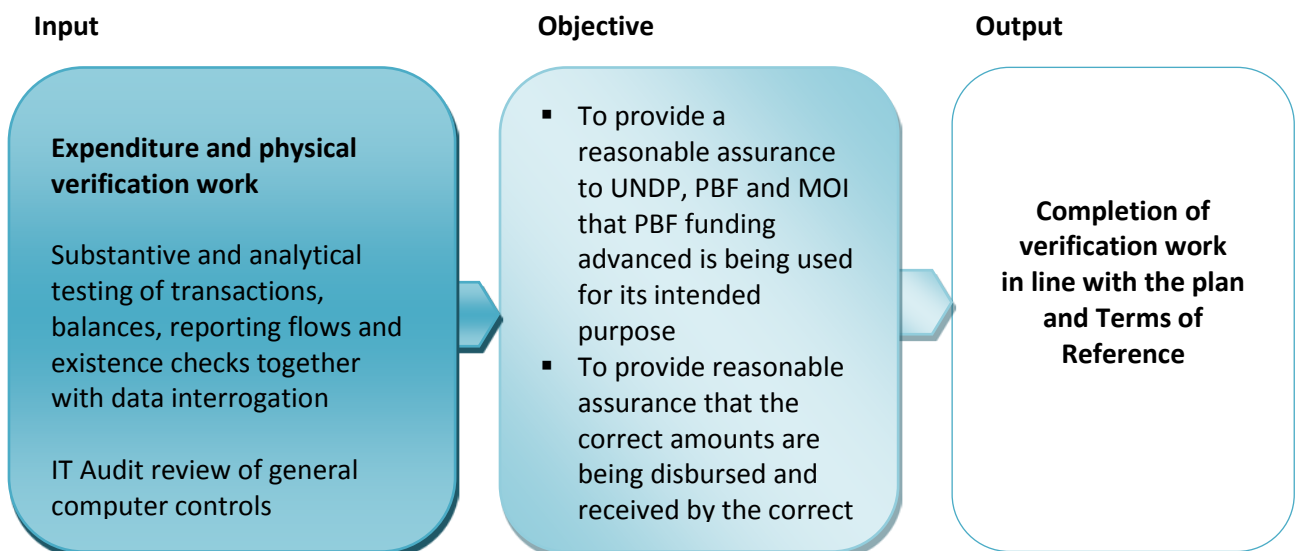
An overview of the inputs into each of the monthly approach phases, the work we undertake and our planned outputs is provided below.

**1.6.2.1 The three phases of the MA assignment**

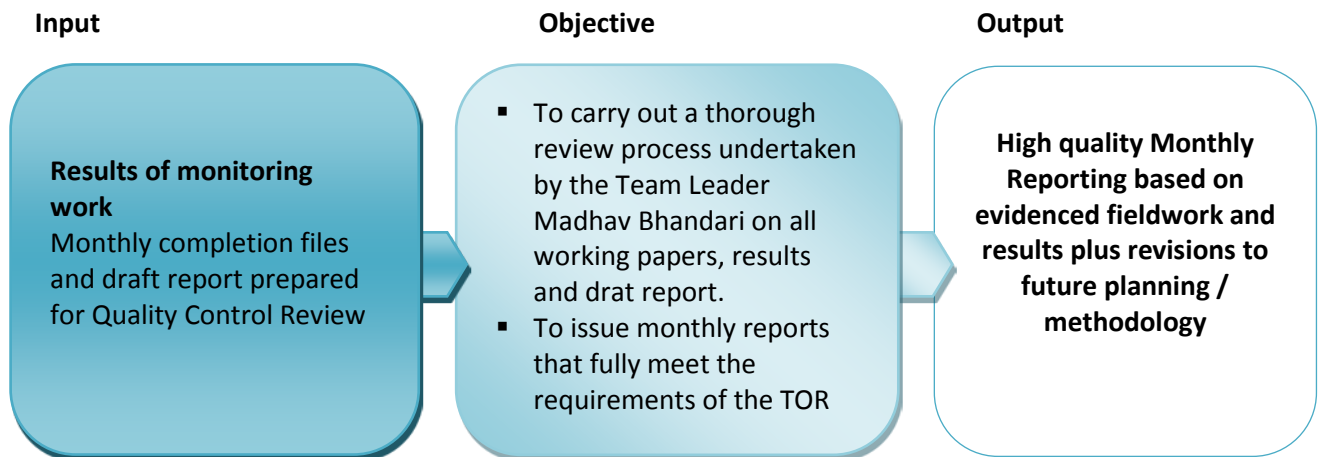
**1.6.2.1.1 Developing the plan**



**1.6.2.1.2 Monthly Verification work**



### 1.6.3 Quality Control and Reporting



### 1.6.4 Issue reporting threshold

For reporting purposes, we will include all errors, findings and irregularities identified within our monthly reports regardless of their value. Instances of each type of error will be grouped together and separately explained within our reports so that any systematic weaknesses may be picked up.

## 1.7 Our proposed work plan

ACTIVITIES	MONTH	Jan		Feb		March			April		May		June		July		
	DATE	14	21	7-8	21-23	1	6-10	24	10-13	27	8-10	22	12-14	26	3-4	10-12	24
Opening meeting at UNDP Nairobi office		■															
Introductory meeting at MOIFA			■														
Review of the Financial management procedures at HQ level				■													
District Visit 1 – Warsheikh					■												
Issue of the first Monthly Report						■											
District Visit 2 – Hudur							■										
Issue of the second Monthly Report								■									
District Visit 3 – Jalaqsi									■								
Issue of the third Monthly Report										■							
District visit 4 – Barawe											■						
Issue of the fourth Monthly Report												■					
District Re- visit 5 - Warsheikh													■				
Issue of the fifth Monthly Report														■			
Follow up Review of the Financial management procedures at HQ level															■		
District Re- visit 6 – Hudur																■	
Issue of the sixth Monthly Report																	■

We continue to monitor the security situation on a daily basis and are aware of the recent activities by Al-Shabab in various parts of Somalia. Our security providers continue to monitor the threat to our staff and our missions will be planned in joint consultation with them.

**1.8 Adding value to UNDP through the Monitoring Agent Process**

All of our clients quite rightly demand from us a positive contribution to meeting their ever-changing needs.

We hope that our Monitoring Agent work will add value to this Programme by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the Programme promote improved standards of governance, better management and decision making and ever more effective use of donor money. To this end we will regularly engage with UNDP and other stakeholders to understand how we can work more effectively to improve our Monitoring Agent service during the 6 months duration of our contract

Any comments you may have on this service we provide would be greatly appreciated

**1.9 Communication**

The main contact person between Moore Stephens and UNDP Somalia will be the Team Leaders, Ian Murphy in London; Madhav Bhandari in Nairobi and Abdirahman Daud in Mogadishu.

Attached in Annex I and II are details of initial meetings carried out

Key communication steps that will be followed are as follows

Communication Step		Person Responsible
1	Prepare documentation and monitoring test sheets	Team Leader - Nairobi
2	Contact UNDP and agree dates for visits	Team Leader - Mogadishu
3	Attend opening meetings	Team Leader - Mogadishu
4	Provide technical support to monitoring field team	Team Leader - London
5	Hold closing meeting	Team Leader - Mogadishu
6	Submit draft reports and receive comments	Team Leader – Nairobi and London
7	Submit signed reports	Team Leader - London



On behalf of Moore Stephens LLP and our local partner firm Baker Tilly Meralis CPA I wish to express my personal thanks for the assistance and information provided to us by all persons with whom we have engaged during the first days of our appointment.



**Ian Murphy**

**Partner**

[ian.murphy@moorestephens.com](mailto:ian.murphy@moorestephens.com)

**Moore Stephens LLP**

**Tel. 00 44 207 651 1704 (Direct)**

**Mob. 00 44 79 841 73 205**

Attached: Monitoring Checklist

**Annex 1: Attendance list for the opening meeting held in Nairobi on 14th January 2016 at 10.00am**

No.	Name	Organization	Designation
1	Madhav Bhandari	Baker Tilly Merali's	Managing Partner & Regional Team Manager
2	Getrude Mirenja	Baker Tilly Merali's	Assistant Manager
3	Abdirahman Daud	Baker Tilly Merali's	Manager, Somalia

**Annex 2: Attendance list for the introduction meeting held in Mogadishu on 21<sup>st</sup> January 2016 at 9.00 am**

No.	Name	Organization	Designation
1	Abdirahman Daud	Baker Tilly Merali's	Manager, Somalia
2	Ali Mohamed Nur	Baker Tilly Merali's	Auditor
3	Phillip Cooper	UNDP	Project Manager
4	Ivan Dielens	UNDP	Project Coordination Specialist
5	Ifrah Barre	UNDP	Support to Stabilization (S2S) staff
6	Mohamed Salat	UNDP	Support to Stabilization (S2S) staff
7	Sagal Mumin	MOIFA S2S	Project Manager
8	Jamal Yusuf	MOIFA S2S	Finance officer
9	Ibrahim Iman	MOIFA S2S	M&E Advisor

**Annex 3: Detailed Fieldwork Testing Sheets**

**Client:** UNDP  
**Project:** Support to Stabilization (S2S)  
**Auditee:**  
**Subject:** Financial Management Procedures at HQ level Test  
**Period:**

**Prepared by:**  
**Date:**

**Reviewed by:**  
**Date:**

**Objective:** To ensure the effectiveness and application of Financial Management Procedures at HQ level

Work Done **Refer to Section 3.1 Annex VI Peace building Fund (PBF) Financial Procedures of the TOR**

- 1 Evidence of the MoLF submits proposed payroll and expenses to the Director of Budget seen
- 2 Evidence of the Director of Budget cross-checks to budget before authorizing the payment seen
- 3 The expenditure warrant submitted to the Accountant General, requesting payment against the authorized pay list seen
- 4 Approval of the Expenditure Warrant by the auditor General Seen
- 5 The Payment Voucher signed by Director General and director of Admin and Finance of MoLF seen

S.no	Month	Amount USD	Tests					Remarks
			1	2	3	4	5	

- Keys**
- ✓ Passed the test
  - ✗ Failed the test
  - ⊘ Not applicable

**Conclusion**

**Client:** UNDP  
**Project:** Support to Stabilization (S2S)  
**Auditee:**  
**Subject:** Fund flow Checklist  
**Period:**

**Prepared by:**  
**Date:**  
**Reviewed by:**  
**Date:**

**1 . Fund Flow from Donor to FGS Check list**

Work Done **Refer to section 1a and 2.1 a of TOR**

- 1 Approved fund transfer request, which will clearly note the national budget line(s) against which this support is being directed seen
- 2 Proof of Funds received deposited to dedicated bank account at Central Bank of Somalia (CBS) Seen
- 3 Amount Received agrees with the Fund Request sent

Date	Description	Amount USD	Test			Remarks
			1	2	3	

**2. Fund Flow from Dedicated Account (DA) to the MoIF and to the Recipient (Districts or Consultants)**

Work Done **Refer to section 2.1 b & c of TOR**

- 1 Check whether the amounts within the approved budgets of FGS
- 2 Transfer is Properly authorized by MoIF and co-signed by MoF
- 3 Payment Voucher Approved MoIF and Accountant General
- 4 Payment Traced to bank statement
- 5 Review of documentation providing evidence of funds received by authorized representative of District Administration
- 6 Ensure the name and signature on the evidence of receipt of funds by the district administration is same to the specimen signature records maintained by the MoIF

Date	Description	Amount USD	Tests					Remarks
			1	2	3	4	5	

- Keys**
- ✓ Passed the test
  - ✗ Failed the test
  - ⊘ Not applicable

**Conclusion**

**Client:** UNDP  
**Project:** Support to Stabilization (S2S)  
**Auditee:**  
**Subject:** Consultants salary Payment test  
**Period:**

**Prepared by:**  
**Date:**  
**Reviewed by:**  
**Date:**

**Objective:** To assess that personnel costs are bona fide project expenditure and that they are paid to individual contracted

**Work Done** Refer to section to 2.2 of TOR

- 1 Reviewed the consultant's Contract
- 2 Amount as per contract agrees with amount in the authorized Pays list sent the CBS
- 3 Amount paid by CBS agrees with the contract amount
- 4 Review the proof of receipt of funds by consultant either Cash Received or Deposit to the consultant's Bank Account
- 5 Compare the signatures in the contracts and other supporting documents to assess whether payments were made to individuals contracted.

S.no	Name of the Consultant	District Supported	Amount USD	Tests					Remarks
				1	2	3	4	5	

- Keys**
- ✓ Passed the test
  - ✗ Failed the test
  - ⌘ Not applicable

**Conclusion**

**Client:** UNDP **Prepared by:**  
**Project:** Support to Stabilization (S25) **Date:**  
**Auditee:** **Reviewed by:**  
**Subject:** Expenditure Verification **Date:**  
**Period:**

**Objective** To ensure that expenses reported are as per the approved budget

**Basis of sample**  
The audit sample will be selected randomly

- Work Done**
- 1 Compared actual Monthly expenditure with budgeted expenditure
  - 2 Check the financial Reports are linked to Expenditure Ledger
  - 3 Checked whether expenses are properly authorized by the mandated personnel
  - 4 Procurement procedures to be followed will be single source selection as the budget is limited to \$5000 is below the threshold of 'shopping goods'
  - 5 Check whether the payments are adequately supported with the necessary supporting documentations such as Invoice, Receipts etc.
  - 6 Ensure the amounts in the payment vouchers agrees with the amount in the supporting documentation.
  - 7 Check whether expenses are for the period under review
  - 8 Check whether the Expense incurred related to types of costs set out in the PBSP Annex IV of the TOR
  - 9 Check whether the payment vouchers and supporting documents are cancelled with PAID stamp after the payment.
  - 10 Ensure the expenditure are properly recorded and posted to the correct budget line.
  - 11 Trace the payment to the bank statement

Date	Ref	Details and Budget name	Budget line	Amount in USD	Requisitions & approvals		Payment			Processing			Finding		
					PAID signed by program manager / system approving	Amount per invoice(s) / Receipt(s)/ support doc	Payment adequately supported	Date of invoice(s) / Receipts	Docx cancelled with PAID stamp	Incurred in period	Expense related to the TOR as set out in the PBSP Annex IV	Posted to correct budget line		Payment traced to bank statement	Ineligible amount

- Keys**
- ✓ Passed the test
  - ✗ Failed the test
  - ⌘ Not applicable

**Conclusion**



**Client:** UNDP  
**Project:** Support to Stabilization (S2S)  
**Auditee:**  
**Subject:** Asset Verification  
**Period:**

**Prepared by:**  
**Date:**  
**Review by:**  
**Date:**

**Objective** To Check the existence, proper usage, possession and ownership of the Assets procured using the project funds

**Work done**

- 1 Obtain fixed assets registers
- 2 Conduct physical verification to confirm the existence of the asset.
- 3 Check whether the assets are permanently tagged
- 4 Trace the asset recorded in the fixed asset register to the Expenditure ledger and Vice versa.
- 5 Check the operating condition of the assets

S.No	Asset Tag Number	Description	Date Purchase	Cost of Purchase - USD	Donor	Assigned To	Tests			Observations
							Physically Verified	Permanently Tagged	Traced to the Expenditure ledger	

**Keys**  
✓ Passed the test  
✗ Failed the test  
✕ Not applicable

**Conclusion**



**MOORE STEPHENS**

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**MONITORING AGENT REPORT ON  
GOVERNMENT EXECUTED UN PEACE BUILDING  
FUNDS SUPPORTING  
ACTIVITIES RELATED TO STABILIZATION IN SOMALIA  
FOR THE PERIOD 18 JANUARY – 18 JULY 2016**

**FINAL REPORT**

**FEBURARY 2016**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
REPORT OF FACTUAL FINDINGS .....	3
1.0 SCOPE OF WORK .....	5
1.1 Our Approach .....	5
2.0 DETAILED FINDINGS .....	7
2.1 Federal Government Financial Management Procedure Observations .....	7
2.1.1 Observations on Fund flow.....	7
2.1.1.1 Project budget does not indicate the national budget lines.....	7
2.1.1.2 Lack of use of Designated Account in the Single Treasury .....	8
2.1.2 Observation on Payment Process.....	9
2.1.2.1 Ministry of Finance not involved in the payment process.....	9
2.1.2.2 Expenditure warranting process not verified .....	9
2.2 Warsheikh District Expenditure Verification Observations .....	10
2.2.1 Expenditures not in the activities budgeted for the project.....	10
2.2.2 Inadequate supporting documentation.....	11
2.2.3 Lack of segregation of duties.....	12
2.2.4 Lack of Cashbooks and Bank Reconciliations .....	13
2.2.5 Weaknesses noted in asset management:.....	14
2.2.6 Excessive use of cash payments .....	15
2.2.7 Weaknesses noted in petty cash management .....	16
2.2.8 Lack of monthly expenditure reporting .....	17
ANNEXES .....	18
Annex1: List of people met during the visit to the Federal Government Ministries .....	19
Annex 2: List of People met in Warsheikh District Expenditure Verification Visit.....	20

## Report of Factual Findings

21 April 2016

UNDP Somalia  
United Nations Office at Nairobi (UNON) Complex  
UN Avenue  
Gigiri  
Prefab Block D5  
PO Box 28832  
00200 Nairobi  
Kenya

Dear Sir / Madam

Following our inception report dated 16 February 2016, we provide our first report. In accordance with the terms of reference that you agreed with us, we provide our Report of Factual Findings, with respect to the effectiveness of Financial Management procedures at Federal Government level and expenditure verification of Warsheikh District.

Summary of findings:

This summary table is arranged according to findings based on:

- i. Fund flow
- ii. Payment procedures
- iii. Expenditure verification procedures

No.	Description	Reference no.
<b>Summary of Federal Government Visit Observations</b>		<b>2.1</b>
<b>Observations on Fund flow</b>		2.1.1
1	Project budgets does not indicate national budget lines	2.1.1.1
2	Lack of Designated Account in the Single Treasury	2.1.1.2
<b>Observations on Payment procedures</b>		2.1.2
3	Ministry of Finance is not involved in the payment process	2.1.2.1
4	Process of Expenditure warranting not verified	2.1.2.2
<b>Summary of Warsheikh District Expenditure Verification observations</b>		<b>2.2</b>
5	Expenditure not in the activities budgeted for the project	2.2.1
6	Inadequate supporting documentation	2.2.2
7	Lack of segregation of duties	2.2.3
8	Lack of cashbook and bank reconciliation	2.2.4
9	Weaknesses noted in asset management	2.2.5
10	Excessive use of cash	2.2.6
11	Weaknesses noted in petty cash management	2.2.7
12	Lack of monthly expenditure reporting	2.2.8

A handwritten signature in black ink, appearing to read "I. Murphy". The signature is written in a cursive style with a horizontal line above the first few letters.

**Ian Murphy**  
**Partner**

## 1.0 Scope of Work

The scope of work is defined across the following work streams:

- a) Monitoring of Flow of Funds and FGS Payment Processing
  - i) Carry out review of all funds received from the donor to the FGS and to the ultimate recipients
  - ii) Carry out review of controls related to the flow of funds.
  - iii) Carry out review of documentation providing evidence of funds received by authorized representative of District Administration.
  - iv) Review and provide recommendation on the adequacy of the existing financial procedures and financial systems (workflow and document flow) with a comparison to the best practices.
- b) Verification of Payments to Consultants and Experts
  - i) Examine contracts for four consultants and experts to determine if payments made are consistent with the contract with respect to period of time, payee, and amount.
  - ii) Perform enquiries and procedures to assess whether payments were made to individuals contracted.
- c) Verification in the Field: Site Visits to Districts
  - i) Carry out six site visits to selected districts over six months
  - ii) Perform enquiries and procedures to assess whether cumulative expenditures made against running costs are consistent with the appropriate budget for each line item;
  - iii) Perform enquiries and procedures to assess how expenditures are documented and authorized;
  - iv) Perform procedures for verification of expenditure incurred and existence of assets
  - v) Examine supporting documentation for payments to MoIF Liaison and Community Liaison's as well as procedures to determine if payments made are consistent with the contract with respect to period of time, payee, and amount.
  - vi) Additional deliverable will be intended to allow the fiduciary agent to review the application of the financial management guidelines for salaries and expenses to be conducted in month 1 and month 6

## 1.1 Our Approach

Our approach to the Peace Building Fund of the United Nations (PBF) Monitoring Agent assignment offered a range of techniques such as review of control systems in place, expenditure verification, physical verification, announced on site visits, data interrogation and analytical review. This allowed us to develop an approach which focuses on addressing specific risks that we perceive as being present in the Peace Building Fund of the United Nations (PBF).

Our approach was positive and constructive aimed at building capacity in Somalia and cognisant of the aim to assist the government to raise its financial process system. The main features are:

- We have visited the Government Ministries involved in the project and reviewed the funds received from UNDP to the FGS.
- We have reviewed the funds requested sent to UNDP and analysed the bank statements to assess the fund flow procedures in place. We checked procedures in place for fund requests, requisite levels of authorisation and compliance to the contractual documents and conditions therein between UNDP and MoIFA.
- We have reviewed the control procedures and oversight mechanism of Ministry of Finance, Accountant General and Auditor General in relation to the project funds.
- We have reviewed the payments made to District Administration by following the paper trail from MoIFA till the funds reach the District Administration either through bank accounts or

review of cash systems and transactions.

- We visited the first District and met the District Commissioner and all staff involved as highlighted in the Annexes. We documented system notes and the authorisation procedures in place at MoF, MoIFA and CBS.
- During our District visits, we verified expenditures and checked compliance to the financial policies used in the management of project funds. We carried out substantive audit tests on expenditure sampled on the requisition stage, payment stage and during the actual accounting and recording of the entries. We checked approval procedures in place, segregation of duties, eligibility testing to support documents and project purposes.
- We have carried out physical verification of assets procured from the project funds. We checked the existence and accuracy of fixed asset registers, condition of the assets and whether the assets were tagged or not.
- We have verified 100% of the payments made to the consultants by reviewing the contracts, proof of payments and also had face to face meetings to ensure that payments were made to individuals contracted.
- We had a closing meeting at the end of the visit to share the observations noted and recommendations.



## 2.0 Detailed Findings

### 2.1 Federal Government Financial Management Procedure Observations

We have visited the Ministry of Interior and Federal Affairs (MoIFA), the Accountant General Office and the Budget Department of the Ministry of Finance (MoF)

Here is the summary of the financial management procedures in place:

- Fund Requests are done through the amendment of the letter of agreement between the Ministry of Interior and Federal Affairs (MoIFA) and UNDP. Budgets attached do not indicate the national budget lines
- Funds from UNDP are sent directly to single treasury account. There is no designated account in the single treasury for the PBF project. It is received in a pooled account used for Government revenues.
- Accountant General ensures that the funds for PBF are not used for other purpose by checking the balance available and amount held for PBF project before issuing cheques.
- The MoIFA sends a request letter to the Ministry of Finance (MoF) to transfer the entire amount received to MoIFA Bank account in the Central Bank of Somalia (CBS).
- Director General of the MoF includes the amount requested in a General Warrant Expenditure (F16) used for Government Services budget head. The PBF project does not include the expenditure budget of FGS; there is no specific expenditure budget heads and specific expenditure warrant for PBF.
- Director General of MoF, issues Payment voucher (F3) for the amount request and sends to Accountant General office.
- The Accountant General approves the payment voucher (F3) and prepare payment instructions and sends to the Central Bank
- Central Bank of Somalia deposits the funds to MoIFA Bank Account in the Central Bank
- MoIFA prepares a payment voucher and a pay list for consultants' salaries and district expenses including the bank account numbers and send to the Central Bank for processing without involvement of MoF and the Accountant General or the Auditor General.
- CBS Deposits the Salaries of the consultants and District expenditures to their bank accounts held at Dahabshiiil Bank (Hawala Branches) and submits the proof of deposits to MoIFA.
- MOIFA keeps the copy of proof of payment.
- MOIFA submit a financial report and the copy of the supporting documents to Accountant General for review before requesting the transfer of next funds.

The observations noted are as follows:

#### 2.1.1 Observations on Fund flow

##### 2.1.1.1 Project budget does not indicate the national budget lines

The ToR states "Based on the Somalia UN MPTF operational arrangement for the fast track window, the MPTF Office, as Administrative Agent (AA) of the UN MPTF, will transfer the funds to the Central Bank, upon receipt of:

- a) Approved fund transfer request, which will clearly note the national budget line(s) against which this support is being directed".

However, we have noted that the budgets attached in the fund requests sent to UNDP do not indicate the national budget lines. We have been informed that the PBF project expenditure lines are not incorporated in the national budget, but only the income has been included in FGS budget.

#### Recommendation

We recommend the PBF should have a unique expenditure head in the FGS budget and the entire fund request should clearly note the FGS budget lines.

### **2.1.1.2 Lack of use of Designated Account in the Single Treasury**

In Article 2.1a of the ToR it states that we are required to “carry out review of all funds received from the donor to the FGS, from the time the funds reach the specified Designated Account (DA) of the Government’s Treasury Single Account (TSA) at the Central Bank of Somalia (CBS) to the time the funds are disbursed to the authorized representative of the Ministry of Interior and Federalism (MoIF) or to beneficial recipients, as is expected to the case with individuals remunerated under activity 3.3”

However, we have noted that the PBF Project does not have a Designated Account in the Government Single Treasury Account. Funds are received in the pooled account that the government uses for the revenue collections. We have been informed that the Accountant General ensures that funds received for this project are not used for any other purpose by checking the balance available before issuing cheques and funds held for PBF project.

#### **Recommendation**

We recommend a Designated Account (DA) has to be created in the single treasury account to comply with the requirement of project agreement and to avoid the risk of project funds being mixed the other government revenues.

## **2.1.2 Observation on Payment Process**

Section 3 of Peace Building Fund (PBF) Financial Procedures states:

### 3.1 Financial management guidelines for Salaries & Expenses

The budget and payment process for salaries and expenses will be based on the established system in the Ministry of Finance and aligned to the SFF procedures, which is as follows:

- Step 1: Ministry/Agency submits proposed payroll and expenses to the Director of Budget;
- Step 2: The Director of Budget cross-checks to budget before authorizing the payment;
- Step 3: Ministry/Agency submits an expenditure warrant to the Accountant General, requesting payment against the authorized pay list;
- Step 4: The Accountant General submits the expenditure warrant to Auditor General for verification before approving the warrant;
- Step 5: Ministry/Agency submits a payment voucher to the Accountant General against the approved warrant and pay list. There are two signatories to the payment voucher at the Ministry/Agency level: the Director General and the Director of Administration & Finance;
- Step 6: Accountant General signs against the payment voucher, authorizes payment.

### 3.2 & 3.3 Payment system for Salaries and district administration expense (\$5,000)

- Step 1: Ministry of Finance submits approved payment voucher to CBS for processing;
- Step 2: CBS Director of Accounting reviews payment voucher and authorizes funds to be transferred from the Single Treasury Account to the Ministry of Interior account.

We have noted the following observations in the payment procedures

#### **2.1.2.1 Ministry of Finance not involved in the payment process.**

Once funds are received the whole amount is transferred to the MoIFA Bank account in the Central Bank and all payments are made through payment vouchers prepared by MoIFA and submitted to the Central Bank directly without involvement of Ministry of Finance. Therefore, the steps in the above articles are not in practice.

The project manager has informed us it is practically impossible for the Ministry of Finance to get involved in each payment process and the project board of management are aware, however no written justification were provided.

#### **Recommendation**

We recommend the financial procedures should be applied. If there is practical difficulty in the application of these procedures there should be written justifications or the procedures to be revised.

#### **2.1.2.2 Expenditure warranting process not verified**

As required in step 3 and 4 above, every payment in the government system is required to be approved by the Auditor General and Accountant General through Expenditure warrants (F16). However we were not able to verify the warranting process because PBF project expenditures are not included in the FGS expenditure budget, (the expenditure related to this project are recorded in the General Government Services budget head) and we have been informed that a general warrant is used for authorizing the transfer of PBF funds from Single treasury account to MOIFA bank account. The amounts related to PBF cannot be traced in the warrants approved by the Accountant General and Auditor General and was not attached in the payment voucher availed for verification.

#### **Recommendation**

We recommend every payment voucher for this project has to be supported by an expenditure warrant and to make this possible the PBF project should have unique expenditure heads in the budget as with other projects in the government budget.

## 2.2 Warsheikh District Expenditure Verification Observations

### 2.2.1 Expenditures not in the activities budgeted for the project

#### Description

The project guideline contains the categories of activities that can be used for incurring expenditure

However, we noted that a number of items of expenditure claimed are not in the activities list as detailed in the table below:

Date	Ref	Description	Amount USD
23/12/2015	6016	Mettle sheets for covering the stage of the District Playground	385
23/12/2015	6016	Wood	54
23/12/2015	6016	Wood	63
23/12/2015	6016	Plastic tubes for covering the stage of the District Playground	51
N/A	N/A	Musician team(Mogadishu Band)	600
15/01/2016	002	Media (SNTV)	250

#### Recommendations

We recommend that only expenditure types included in the annex IV of Peace Building Fund (PBF) Financial Procedures are charged to the project.

## 2.2.2 Inadequate supporting documentation

### Description

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is ensuring all payments are supported by adequate documents such as invoice, receipts, agreements, delivery notes etc.

Article 3.4.4 states that delivery notes and purchase orders are to be filed against procurements conducted.

However, we noted that none of the assets purchased in this project have delivery notes and purchase orders.

Date	Ref	Description	Amount USD	Budget Line	Missing Documents
7/10/2015	377	Hp printers	96	Office Equipment	Delivery note and purchase order
7/10/2015	377	Big printer(All in one)	110	Office Equipment	Delivery note and purchase order
7/10/2015	377	Samsung mobile	300	Office Equipment	Delivery note and purchase order
20/11/2015	086	Office table	150	Office Equipment	Delivery note and purchase order
20/11/2015	086	Office chairs	204	Office Equipment	Delivery note and purchase order
20/11/2015	086	Small meeting tables	150	Office Equipment	Delivery note and purchase order
	385	White board	130	Office Equipment	Delivery note and purchase order

### Recommendations

The management should ensure that adequate supporting documents are maintained to support all costs declared in the expenditure list. Supporting documentation should be properly filed and securely kept. The documentation should form the basis for effecting payments and recording costs in the accounting system. It would be useful to develop mechanisms to assist officers obtain all necessary supporting documentation required for various transactions.

### **2.2.3 Lack of segregation of duties**

#### **Description**

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is effective segregation of duties to ensure that individuals responsible for authorizing or approving expenditure are not also directly involved in payments.

Article 3.4.1 of the Project Guideline requires that the level of authorities and signatories approving the expenditure and issuing checks to vendors have been identified.

We were not able to verify the individual and the level of authority of those approving the payments because no payment vouchers were used initially. However, after the start of using a payment voucher in January 2016, the payment voucher lacks the preparer, reviewer and approver section that is supposed to document the segregation of duties.

#### **Recommendations**

In order to ensure that adequate control is exercised over expenditures, the District management should segregate duties in preparing, reviewing and approving payments. It could do this by the use of a payment process which the secretariat prepares and submits to the Deputy District Commissioner for review and then submits to the District Commissioner for approval. Payment vouchers should be signed by each staff involved in the process as evidence of segregation of duties applied. The payment vouchers should be serialized for ease of identification.

#### **2.2.4 Lack of Cashbooks and Bank Reconciliations**

##### **Description**

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is carrying out regular reconciliations between bank statements and cashbooks to highlight any errors or discrepancies as well as reducing the risk of fraud. However, we have identified that there is no cashbook and no bank reconciliations prepared on a monthly basis.

##### **Recommendations:**

In order to ensure that adequate control is exercised over expenditures, the District management should ensure separate cashbooks are prepared for each bank account and monthly bank reconciliations are carried out by reconciling the bank account balances to the cashbooks.

### **2.2.5 Weaknesses noted in asset management:**

#### **Description**

An important control procedure in the custody and maintenance of fixed assets is to ensure that the identification numbers on the assets are accurately recorded in the fixed asset register. This makes it easier to track the assets from the physical location to the assets register and vice versa.

However, we noted that the assets are not tagged and the asset register lacks important information such as tag number, location of the assets, supplier/invoice details.

#### **Recommendations:**

The District management should ensure that the fixed assets register is properly prepared and maintained. At minimum, the details in such a register would include, among other details, the asset category and description, location, identification number, date of acquisition/disposal, supplier/invoice details and serial number.

We also recommend that assets should be clearly tagged with donor and fixed assets registers regularly updated and an annual physical verification should be carried out.



### **2.2.6 Excessive use of cash payments**

#### **Description**

An effective measure in achieving an accurate set of financial files is reducing the reliance on cash payments wherever possible. This is because cash is associated with a higher degree of risk and error compared to other payment methods. These risks include fraudulent activities and the potential for individuals to misappropriate funds.

Article 3.4.2(d) of the project guideline states that payments will be made by cheques to reduce the reliance on cash transactions. During our monitoring visit we noted that all transactions are made in the form of cash.

#### **Recommendation**

We recommend that the district starts to issue payments through cheques, at least, for the larger amounts to mitigate the risk of using cash

### **2.2.7 Weaknesses noted in petty cash management**

#### **Description**

Article 3.4.4 of the project guideline states that a fixed amount of \$500 is to be used for the monthly petty cash and a ledger is to be maintained to track the petty cash spending. It also further states that a safe box is to be in place to have the petty cash in a secure place.

We noted that neither a safe box for petty cash nor a ledger to track the movement of the petty cash, is maintained.

#### **Recommendation**

We recommend that a safe box is urgently put in place to mitigate the risk of theft and loss. A ledger should also be maintained to record petty cash movement.

### **2.2.8 Lack of monthly expenditure reporting**

#### **Description**

Article 3.4.2(g) of the project guideline states that a monthly expenditure report, in line with the budget, is to be submitted.

However, we have noted that only the original supporting documents and a list of the expenditure are submitted to the Ministry of Interior and Federal Affairs at the end of every month. A report in line with the budget is not submitted

#### **Recommendations:**

We recommend that detailed monthly expenditure reports are submitted to the Ministry to ensure that the District implemented the activities as per the budget.

**ANNEXES**

**Annex1: List of people met during the visit to the Federal Government Ministries**

No.	Name	Designation	Ministry/Organization
1	Sagal Mumin	Project Manager	MoIFA
2	Jamal Yusuf	Finance Offier	MoIFA
3	Ahmed Mumin	Accountant General	Accountant General Office
4	Mohamed Hussein	Director of Treasury Department	Accountant General Office
5	Ahmed Adan	Director of Budget	MoF
6	Abdikarim M Hussein	Deputy Director of Budget	MoF

**Annex 2: List of People met in Warsheikh District Expenditure Verification Visit**

<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Organization</b>
1	Ahmed Hussein	District Commissioner	Warsheikh District
2	Abukar Abdirahman	Deputy District Commissioner/Admin and Finance	Warsheikh District
3	Mohamed Ali	Secretariat	Warsheikh District
4	Fatima Abdullahi	Consultant	Warsheikh District
5	Abdullahi Omar	Consultant	Warsheikh District

**MONITORING AGENT REPORT ON  
GOVERNMENT EXECUTED UN PEACE BUILDING  
FUNDS SUPPORTING  
ACTIVITIES RELATED TO STABILIZATION IN SOMALIA  
FOR THE PERIOD 18 JANUARY – 18 JULY 2016**

**FINAL REPORT  
(MONTH 3)**

**APRIL 2016**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
REPORT OF FACTUAL FINDINGS .....	3
1.0 SCOPE OF WORK .....	5
1.1 OUR APPROACH.....	5
2.0 BACKGROUND OF BULE-BURTE DISTRICT.....	7
2.1 Security situation .....	7
2.2 Good practices .....	7
2.3 Challenges .....	7
3.0 BULE-BURTE DISTRICT EXPENDITURE VERIFICATION OBSERVATIONS .....	9
3.1 Inadequate supporting documentation.....	9
3.2 Lack of segregation of duties .....	10
3.3 Lack of cashbooks, bank statement and bank reconciliations .....	11
3.4 Weakness in asset management:.....	12
3.5 Excessive use of cash payments .....	13
3.6 Weaknesses noted in petty cash management .....	14
3.7 Lack of monthly expenditure reporting.....	15
3.8 Weaknesses noted in budget utilization/prioritization.....	16
3.9 Failure to stamp support documents with “paid” .....	17
4.0 VERIFICATION OF PAYMENTS TO CONSULTANTS OBSERVATION.....	18
5.0 THE FEEDBACK FROM DISTRICT ADMINISTRATION ON WEAKNESS NOTED.....	18
ANNEXES .....	19
Annex 1: List of people met in Bule-Burte District expenditure verification visit.....	20
Annex 2: Expenditure list for November 2015 .....	21
Annex 3: Expenditure list for December 2015 .....	22
Annex 4: Expenditure list for January 2016.....	23



## Report of Factual Findings

6 June 2016

UNDP Somalia  
United Nations Office at Nairobi (UNON) Complex  
UN Avenue  
Gigiri  
Prefab Block D5  
PO Box 28832  
00200 Nairobi, Kenya

Dear Sir / Madam,

Following our inception report and monthly reports for February and March, we present our third report. In accordance with the terms of reference agreed upon, our report is based on factual findings, with respect to the expenditure verification of Bule-Burte District.

### Summary of findings

No.	Description	Reference no.
1	Inadequate supporting documentation	3.1
2	Lack of segregation of duties	3.2
3	Lack of Cashbook, Bank statements and Bank reconciliation	3.3
4	Weaknesses in asset management	3.4
5	Excessive use of cash Payments	3.5
6	Weaknesses noted in petty cash management	3.6
7	Lack of monthly expenditure reporting	3.7
8	Weaknesses noted in budget Utilization/Prioritization	3.8
9	Failure to Stamp Support Documents with "PAID"	3.9

### Funds Received:

Date	Description	Amount USD
Nov-2015	First running cost covering Nov – Dec 2015	5,000
Dec-2015	Second running cost covering Dec 2015 – Jan 2016	5,000
Jan-2016	Third running cost covering Jan – Feb 2016	5,000
March-2016	Fourth Running cost covering March – April 2016	5,000
<b>Total</b>		<b>20,000</b>

Bule-Burte District has received 4 months of running costs during the period. However, we were unable to verify if the District had received these funds in their bank account as we were not provided with the bank statements despite various requests during our fieldwork. Therefore, we were not able to ascertain if the Central Bank deposits the money to the District's bank account and how the District withdraws

these funds for use in their activities. We have verified the first three (3) running costs given. The fourth running cost had not been liquidated and reported to MOIFA during our visit.

We note that the Districts have a similar Financial Management, Monitoring and Controls system which has led to similar weaknesses arising given that the source of their Financial guidance is coming from the MoIFA. We also believe that the Ministry needs to understand the weaknesses we have highlighted in this report so that they can provide additional guidance and support to the Districts going forward.

## 1.0 Scope of Work

The scope of work is defined across the following work streams:

- a) Monitoring of Flow of Funds and FGS Payment Processing
  - i) Carry out a review of all funds received from the Donor by the FGS and ultimately to the final recipients.
  - ii) Carry out review of controls related to the flow of funds.
  - iii) Carry out review of documentation providing evidence of funds received by authorized representative of District Administration.
  - iv) Review and provide recommendations on the adequacy of the existing Financial Systems and Procedures (workflow and document flow) and compare to best practice.
- b) Verification of Payments to Consultants and Experts
  - i) Examine contracts for four consultants and experts to determine if payments made are consistent with the contract with respect to period of time, payee and amount.
  - ii) Perform enquiries and procedures to assess whether payments were made to individuals contracted.
- c) Verification in the Field: Site Visits to Districts
  - i) Carry out six site visits to selected Districts over a six month period.
  - ii) Perform enquiries and procedures to assess whether cumulative expenditures made against running costs are consistent with the appropriate budget for each line item.
  - iii) Perform enquiries and procedures to assess how expenditures are documented and authorized.
  - iv) Perform procedures for verification of expenditure incurred and existence of assets.
  - v) Examine supporting documentation for payments to MoIFA and Community Liaison's as well as procedures to determine if payments made are consistent with the contract with respect to period of time, payee and amount.
  - vi) Additional deliverables will be intended to allow the fiduciary agent to review the application of the Financial Management guidelines for salaries and expenses to be conducted in month 1 and month 6

## 1.1 Our Approach

Our approach to the Peace Building Fund of the United Nations (PBF) Monitoring Agent assignment offers a range of techniques such as review of control systems in place, expenditure and physical verifications, announced on site visits, data interrogation and analytical review. This allows us to develop an approach which focuses on addressing specific risks that we perceive as being present in the Peace Building Fund of the United Nations (PBF).

Our approach has been positive and constructive aimed at building capacity in Somalia and cognisant of the aim to assist the government to raise its financial process system. The main features are:

- We visited the third District namely Bule-Burte and met the District Commissioner and all staff involved as highlighted in the Annexes. We documented system notes and the authorization procedures in place at MoF, MoIFA and CBS.
- During our visit to Bule-Burte District, we verified expenditures and checked compliance to the financial policies used in the management of project funds. We carried out substantive audit tests on expenditure sampled on the requisition stage, payment stage and during the actual accounting and recording of the entries. We checked approval procedures in place, segregation of duties, eligibility testing to support documents and project purposes.
- We have carried out physical verification of assets procured from the project funds. We checked the existence and accuracy of fixed asset registers, condition of the assets and whether the assets were tagged or not.
- We have verified 100% of the payments made to the consultants by reviewing the contracts

and proof of payments during our visit to MoIFA. We also had a face-to-face meeting with one consultant during the visit to the District. This was to ensure that payments were made to the individual contracted. Further details can be found in section 4.

- We held a closing meeting at the end of the visit to share our observations noted and recommendations with the District Administration. Further details can be found in section 5.

## **2.0 Background of Bule-Burte District**

Bule-Burte is a District in the Hiran Region of Somalia. The region is made up of five Districts: Beletweyne, Bule Burte, Jalalaqsi, Mahas and Mataban.

Bule-Burte has been nominated as the capital city of the expected Hiran and Lower Shebelle Federal State by the President of Somalia. The District lies approximately 220 km North of Mogadishu. It is bordered in the East by Mahas District of Hiran, in the North by Beletweyne the capital of Hiran region, in the West by Tiyyiglow District of Bakol region, and on the South by Jalalaqsi District of Hiran region.

Bule-Burte District has an estimated population of 14,000 according to unofficial counts conducted. Most of its residents have migrated to Mogadishu and Beletweyne. The District is surrounded by a number of villages where people come to the District for work and shopping.

Bule-Burte District has two air airstrips of which one is functional at present. There are commercial flights at least five days a week and army cargo planes for AMISOM and Somali Army Forces as well.

## **2.1 Security Situation**

The District is under the full control of Somali National Army with the help of Djiboutian Army which is part of AMISOM. The District is divided into five sections namely: Bag Abeeso, Indhaceel, Hantiwadaag, October and Wadajir.

Al Shabab militants were liberated from the District in March 2014 and ever since then; the District is fairly stable and recovering from the Al-Shabab rule.

## **2.2 Good practices**

- The District authority meets every Tuesday with the heads of the sections and has a brief about the security of the entire District.
- There are intermittent meetings with youth, women and sport groups.
- There is information sharing between community groups and the District Administration on regular basis and this has enhanced the security of the District. There was an instance where Al-Shabab had hidden explosives on the main road to the airport. However, the nearby community group shared this information with the relevant authorities who safely removed the threat before any harm was caused.
- The expenditure claimed, as shown in Annex's 2 to 4 of this report, was in accordance with the budget and supported by invoices, except for the findings noted in section 3 of the report.

## **2.3 Challenges**

- The District is under blockade from Al-Shabab and therefore does not have road access to other Districts in the Hiran region. Al-Shabab controls areas which are within 15 km from the District therefore, the District can only be accessed safely by air travel.
- There is a lack of proper social services including healthcare, education and sanitation. There is only one hospital which is not performing adequately to serve the District. However, there is several number of schools open however, the majority of the Districts' youth chose move to other regions / cities in Somalia in order to improve their life chances.
- Before the Al-Shabab blockade, the District used to be a business hub as it lies next to the Shabelle River. However, given the current situation, the business sector has suffered.
- We noted a lack of appropriate training in administration and financial management of key District staff.

- District Administration staff do not get their salaries from the Government and the District does not impose taxes and other fees on the population given that the District is under blockade and businesses are unable to generate sufficient income as a result.
- There is scarce financial resources available to development in the region as there is no other donor funding supporting the Districts except for UNDP S2S project.

### 3.0 Bule-Burte District Expenditure Verification Observations

Set out below are the weaknesses noted through the substantive procedures undertaken during our fieldwork. It is important to highlight the main cause of the weaknesses observed were due to a lack of appropriate Financial Management training to District Administration staff.

#### 3.1 Inadequate supporting documentation

##### Description

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 ensure that all payments are supported by adequate documents such as invoice, receipts, contracts, delivery notes etc.

Article 3.4.4 states that purchase orders and delivery notes are to be filed with all other procurement documentation. However, we noted that for all purchases related to this project, no delivery notes or purchase orders had been attached to the relevant supporting documentation.

The table below details the purchases related to this finding.

Date	Ref	Description	Amount USD	Budget Line
8/11/2015	13702	2 HP laptops	600	Office Equipment
8/11/2015	18534	Camera: Sony	82	Office Equipment
14/12/2015	1461	HP laptop	300	Office Equipment
26/12/2016	3	File cabinet(5pc*\$60)	300	Office Equipment
26/12/2015	3	Office Salon(DC office)	350	Office Equipment
26/12/2015	3	Office Chair	100	Office Equipment
23/01/2016	40	HP laptop(2pc*\$400)	800	Office Equipment
23/01/2016	40	Mobile (Samsung)	100	Office Equipment
9/11/2015	401	2mobiles(Samsung)	240	Office Equipment

##### Recommendation

Management should ensure that all adequate supporting documents are maintained to support all costs declared in the expenditure list. Supporting documentation should be properly filed and securely kept. The documentation should form the basis for effecting payments and recording of costs in the accounting system. It would be useful to develop mechanisms to assist officers in order to obtain all necessary supporting documentation required for various transactions.

### **3.2 Lack of segregation of duties**

#### **Description**

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is effective segregation of duties to ensure that individuals responsible for authorizing / approving expenditure are not also directly involved in payments.

Article 3.4.1 of the project Guideline requires that the level of authorities and signatories approving the expenditure and issuing checks to vendors have been identified.

We were unable to verify the individual and the level of authority of those approving payments because no form of payment vouchers was used by the project staff to register expenditure.

#### **Recommendation**

In order to ensure adequate controls are in place over expenditures, District Management should ensure that appropriate segregation of duties are in place. This would include dividing responsibilities for the preparing, reviewing and approving of all payments. It could do this by using a payment voucher which would record the signature(s) of the District Secretary (Preparer) who would submit the voucher for approval to the Deputy District Commissioner (Reviewer) and then finally to the the District Commissioner (Approver) for final approval.

Payment vouchers should be signed by each staff member involved in the process as evidence that appropriate segregation of duties has been applied. The payment vouchers should be serialized for ease of identification.



### **3.3 Lack of Cashbooks, Bank Statements and Bank Reconciliations**

#### **Description**

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is carrying out regular reconciliations between bank statements and cashbooks to highlight any errors or discrepancies as well as reducing the risk of fraud.

However, we have identified that no cashbook is maintained, copies of bank statements are not kept and (monthly) bank reconciliation are not prepared as a result.

We requested copies of the bank statements however this was not provided to us during the course of our fieldwork. We were therefore unable to verify the cash balance in the bank account.

#### **Recommendations**

In order to ensure adequate control is exercised over expenditures, District Management should ensure separate cashbooks are prepared for each bank account and monthly bank reconciliations are carried out by reconciling the bank account balances to the cashbooks and investigating the reconciling items.

Also, monthly bank statements should be requested from the local bank and filled with bank reconciliations to ensure that cash balances can be verified.

### **3.4 Weakness in asset management:**

#### **Description**

An important control procedure in the custody and maintenance of fixed assets is to ensure that the identification numbers on the assets are accurately recorded in the fixed asset register. This makes it easier to track the assets from the physical location to the assets register and vice versa.

A Fixed Asset Register is maintained by the District, however, we noted that the register is not updated regularly as some of the recent asset purchases were not included. We also noted that these assets were not permanently tagged with a unique identification number.

However, we physically verified the assets procured from the project funds although lack of asset tag and no identification code of which project the asset is procured from, will cast doubt on whether the assets we verified are actually procured from the project fund or not.

#### **Recommendation**

The District Management should ensure that the Fixed Asset Register is maintained and updated on a regular basis i.e. monthly. At minimum, the Fixed Asset Register would include the following key information: asset type/category, a description of the asset, its location in the District, a unique identification number, dates of acquisition / disposal, supplier / invoice details, depreciation policy and other relevant information.

We further recommend that all assets should be permanently tagged (with the unique identification number referenced in the Fixed Asset Register) and that an annual physical verification should be carried out.

### **3.5 Excessive use of cash payments**

#### **Description**

An effective measure in achieving an accurate set of financial files is reducing the reliance on cash payments wherever possible. Excessive cash payments exposes the District to greater level of fraud risk and human error compared to other payment methods. These risks include fraudulent activities and the potential for individuals to misappropriate funds.

Article 3.4.2(d) of the project Guidelines states that wherever possible, payments should be made by cheque in order to reduce the reliance on cash transactions.

During our monitoring visit, we noted that all payments are made in cash. Given that we have not been provided with any evidence of current cash balance in the bank account (as we have not seen any bank statements), we were unable to establish what the current cash balance was and whether all Project funds could be accounted for.

#### **Recommendation**

Where possible, we recommend that the District should pay for all large expenditure items by cheque. An appropriate threshold would be threshold of \$ 100 - \$ 500. A copy of the cheque should be kept and attached with all other relevant supporting documentation associated with the expenditure item.

### **3.6 Weaknesses noted in petty cash management**

#### **Description**

Article 3.4.4 of the project Guideline states that a fixed amount of \$500 is to be used for the monthly petty cash and a ledger is to be maintained to track the petty cash spending. It further states that the petty cash should be kept in a locked safe box in a secure part of the District offices.

We noted that no ledger is maintained in order to track the petty cash transactions. However, we did note that the petty cash is kept in a locked safe box.

#### **Recommendation**

We recommend that a ledger is maintained to record all petty cash transactions. A monthly petty cash reconciliation should be carried out which would reconcile the physical cash counted and the petty cash ledger balance. These reconciliations should be clearly documented and signed by both the preparer of the reconciliation and an appropriate review/approver.

### **3.7 Lack of monthly expenditure reporting**

#### **Description**

Article 3.4.2(g) of the project Guideline states that a monthly expenditure report, in line with budget, is to be submitted.

However, we noted that only the original supporting documents and a list of the expenditure items are submitted to the Ministry of Interior and Federal Affairs (MoIFA) on a monthly basis. A report in line with the budget is not submitted.

#### **Recommendation**

We recommend that the District submit a monthly expenditure report to the MoIFA in order to ensure compliance with PBF financial procedures. We also recommend that the MoIFA provide/develop a monthly expenditure report template in line with the budget which each District is required to complete and submit to the MoIFA on a monthly basis.

### 3.8 Weaknesses noted in budget Utilization/Prioritization

We noted a lack of budgetary prioritization in regards to the best use of the resources received. We noted significant procurement of assets such as computers and other office stationary which, even though were in the budget, may have not been necessary to the implementation of the Project. The reasons provided by the District for these computer purchases were that they were in the budget and not because they were necessarily required/needed.

For the three month period we noted that five laptops and six printers were purchased as shown in the below table.

Date	Ref	Description	Budget line	Amount in USD
8/11/2015	13702	2 HP laptops	Office Equipment	600
14/12/2015	1461	HP laptop	Office Equipment	300
23/01/2016	40	HP laptop(2pc*\$400)	Office Equipment	800
9/11/2015	401	2Hp printers	Office Equipment	78
14/12/2015	1461	2HP Printer*\$50	Office Equipment	100
23/01/2016	40	2Printers(2pc*\$50)	Office Equipment	100
			<b>Total</b>	<b>1,978</b>

Therefore, we noted there is lack of understanding of making best use of the budget given that a small District office in the three months one or two laptops would have been sufficient, rather than the five bought.

### Recommendation

We recommend that MoIFA should develop specific Guidelines for budget monitoring and the level of authorization required for transfers between the budget lines. For instance, any transfers below 10% would not require the approval of the MoIFA while any transfers above 10%, the District administration should obtain prior approval. This ensures proper utilization of funds received by the Districts.

### **3.9 Failure to Stamp Support Documents with “PAID”**

#### **Description**

We noted instances wherein the District Administration had not distinguished invoices as being “paid” by marking all paid documents with an appropriate stamp. Failure to indicate documentation as “PAID” increases the likelihood of multiple payments being made on the same cost item.

#### **Recommendation**

We recommend that the District Administration ensures that all documents for which payment has been made are stamped “PAID” to distinguish them from unpaid expenses.

#### **4.0 Verification of Payments to Consultants Observation**

We carried out a verification of payments made to consultants during our visit to MoIFA on 5<sup>th</sup> May. No issues were noted.

#### **5.0 The Feedback from District Administration on weaknesses noted**

A closing meeting was held with the District Administration where we discussed the weakness noted during our fieldwork. Below, we list the responses received from the District Administration:

- Lack of training in Financial Management is the main cause of the weaknesses noted.
- When we raised that issue of them having procured unnecessary items like five computers when there was no need, the DC commented that they were following the budget 100%.
- They are not getting enough funding to hire competent staff and currently District administration staff are not being paid.
- They are operating in a fragile environment which is under the Al-Shabab blockade and hence, cannot or should not be compared with international best practices.
- Despite all these challenges, they are ready to implement the recommendations if they are given proper training and resources.



**ANNEXES**

**Annex 1: List of key staff met during Bule-Burte District Expenditure Verification**

<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Organization</b>
1	Abdi Aziz Durow Abdi	District Commissioner	Bule-Burte
2	Liban Abdi Burusow	Deputy District Commissioner/Admin and Finance	Bule-Burte
3	Ali Adan Mumin	Community Liaison Officer	Bule-Burte

**Annex 2: Expenditure list for November 2015**

Date: 28/11/2015

**Xisaab cilinta lacagta xasilinta Dugmada B/BURTE  
bisha november 2015**

Gaahantuurarka	Cadadka	Amount
Computer	2	800\$
Printer	2	78\$
Antivirus	1	34\$
Camera video	1	12\$
Mobile	2	340\$
Internet		300\$
Aalaha	Cadadka	Price
A4		30\$
Files		40\$
Register books		100\$
Bashqad		30\$
Fent		50\$
Stapler		80\$
Duqaalka		40\$
Blockers		80\$
Office		30\$
Correction		30\$
Flash 8GB		20\$
Darsoodka xafiiska		500\$
Tagaariyaha		
Saifir DDC	1	200\$
Cargo	1	70\$
Kulamacyigaha ah	2	700\$
Saar		1000\$
Dhyotube		140\$
Konerte		230\$
Total		4854\$ hadd
Geld		3000\$-4854\$=1854\$rest

B/xiswanta maaliyada

Umar Cabdi bursoow



Buqaayaha Dugmada B/BURTE

Cabdicaas Duunow Cabdi



Annex 3: Expenditure list for December 2015

2

Xisaab cilinta lacagta xasilinta degmada B/burte eebisha  
December 2015

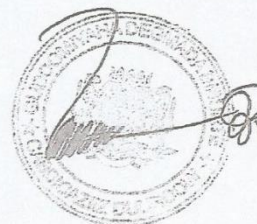
<u>Qalabka</u>	<u>lacagta</u>
biyaha	220
korontada	200
internetka	500
5 foostoooshidal ah	1000
Computer iyo printer iyo,marwaxaddo	500
Shah,café,cabitan	500
Taageeridamaamulka	776
Qalabentaxafiska	1000
Stationarg axafiska	450
Total	5146
Lacgta so gashay	5000
Resto hore	146
Lacgatbaxday	5146
Lacagtahartay	00 00

G/xigeenka maaliyada  
Lijhaan Cabdi Burusow



Gudoomiyaha Degmada B/Burte

Cabdicasiis Duurow Cabdi



**Annex 4: Expenditure list for January 2016**

Xisaab cilinta lacagta xasilinta Dagmada B/BURTE bisha  
janayo 2016

<u>Qalabka</u>	<u>Amount</u>
Safar muqdisho	200S
Korantada	275S
Internet	500S
5 Foosto oo shidaal ah	1000S
Computers iyo printer iyo mobeyl	1000S
Qalab xafisedka yaryar	490S
Shaah,cafe iyo Cabitaan	500S
Taageeridda maamulka	1000S
Total bixid	4965S resto 35S

G/Xigeenka maaliyad

Liibaan Cabdi Buroosow



Gudoomiyaha Dagmada B/BURTE

Cabdicasiiis Duurow Cabdi



**MOORE STEPHENS**

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**MONITORING AGENT REPORT ON  
GOVERNMENT EXECUTED UN PEACE BUILDING  
FUNDS SUPPORTING  
ACTIVITIES RELATED TO STABILISATION IN SOMALIA  
FOR THE PERIOD 18 JANUARY – 18 JULY 2016**

**FINAL REPORT  
(MONTH 2)**

**MARCH 2016**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
REPORT OF FACTUAL FINDINGS .....	3
1.0 SCOPE OF WORK .....	5
1.1 Our Approach .....	6
2.0 BACKGROUND OF HUDUR DISTRICT.....	7
2.1 Security Situation.....	7
2.2 Good practices.....	7
2.3 Challenges.....	7
3.0 HUDUR DISTRICT EXPENDITURE VERIFICATION OBSERVATIONS.....	8
3.1 Casting error.....	8
3.2 Inadequate Supporting Documentation.....	9
3.3 Lack of Segregation of Duties.....	10
3.4 Lack of Cashbooks and Bank Reconciliations.....	11
3.5 Weakness in Asset Management.....	12
3.6 Weaknesses Noted in Petty Cash Management.....	13
3.7 Lack of Monthly Expenditure Reporting.....	14
3.8 Failure to Stamp Support Documents with "PAID".....	15
4.0 VERIFICATION OF PAYMENTS TO CONSULTANTS OBSERVATION.....	16
5.0 THE FEEDBACK FROM DISTRICT ADMINISTRATION ON WEAKNESS NOTED.....	16
ANNEXES .....	17
Annex 1 : List of People met in Hudur District Expenditure Verification Visit.....	18
Annex 2: List of Expenditure from 22 October to 25 November.....	19
Annex 3: List of Expenditure from 1 to 31 December 2015.....	20

## Report of Factual Findings

25 May 2016

UNDP Somalia  
United Nations Office at Nairobi (UNON) Complex  
UN Avenue  
Gigiri  
Prefab Block D5  
PO Box 28832  
00200 Nairobi  
Kenya

Dear Sir / Madam

Following our inception report and first monthly report dated 16 February 2016 and 22 March 2016 respectively, we provide our second report. In accordance with the terms of reference that you agreed with us, we provide our report of factual findings, with respect to the expenditure verification of Hudur District.

Summary of findings:

No.	Description	Reference no.
1	Casting error	3.1
2	Inadequate supporting documentation	3.2
3	Lack of segregation of duties	3.3
4	Lack of cashbook and bank reconciliation	3.4
5	Weaknesses noted in asset management	3.5
6	Weaknesses noted in petty cash management	3.6
7	Lack of monthly expenditure reporting	3.7
8	Failure to stamp support documents with "PAID"	3.8

Funds Received:

Date	Description	Amount USD
22/10/2015	First running cost covering Oct – Nov 2015	5,000
21/12/2015	Second running cost covering Dec 2015 – Jan 2016	5,000
10/2/2016	Third running cost covering Feb – March 2016	5,000
<b>Total</b>		<b>15,000</b>

Hudur District has received all the funds through their Dahabshiil Bank Account BAYD0010223, deposited by the Central Bank of Somalia (CBS); we have verified the first and second running costs given. The third running cost had not been liquidated and reported to MOIFA during our visit.



A handwritten signature in black ink, appearing to read "I. Murphy". The signature is written in a cursive style with a horizontal line above the first few letters.

**Ian Murphy**

**Partner**

**Moore Stephens LLP**

## 1.0 Scope of Work

The scope of work is defined across the following work streams:

- a) Monitoring of Flow of Funds and FGS Payment Processing:
  - i) Carry out review of all funds received from the donor to the FGS and to the ultimate recipients.
  - ii) Carry out review of controls related to the flow of funds.
  - iii) Carry out review of documentation providing evidence of funds received by authorized representative of District Administration.
  - iv) Review and provide recommendation on the adequacy of the existing financial procedures and financial systems (workflow and document flow) with a comparison to the best practices.
- b) Verification of Payments to Consultants and Experts:
  - i) Examine contracts for four consultants and experts to determine if payments made are consistent with the contract with respect to period of time, payee, and amount.
  - ii) Perform enquiries and procedures to assess whether payments were made to individuals contracted.
- c) Verification in the Field: Site Visits to Districts:
  - i) Carry out six site visits to selected districts over six months.
  - ii) Perform enquiries and procedures to assess whether cumulative expenditures made against running costs are consistent with the appropriate budget for each line item.
  - iii) Perform enquiries and procedures to assess how expenditures are documented and authorized.
  - iv) Perform procedures for verification of expenditure incurred and existence of assets.
  - v) Examine supporting documentation for payments to MoIF Liaison and Community Liaison's as well as procedures to determine if payments made are consistent with the contract with respect to period of time, payee, and amount.
  - vi) Additional deliverable will be intended to allow the fiduciary agent to review the application of the financial management guidelines for salaries and expenses to be conducted in month 1 and month 6.

## 1.1 Our Approach

Our approach to the Peace Building Fund of the United Nations (PBF) Monitoring Agent assignment offered a range of techniques such as review of control systems in place, expenditure verification and physical verification, announced on site visits, data interrogation and analytical review. This allowed us to develop an approach which focuses on addressing specific risks that we perceive as being present in the PBF. The approach was similar to that conducted in the first mission.

Our approach was positive and constructive, aimed at building capacity in Somalia and cognisant of the aim to assist the government to raise its financial process system. The main features are:

- We visited the second district namely Hudur and met the District Commissioner and all staff involved as highlighted in the annexes. We documented system notes and the authorisation procedures in place at MoF, MoIFA and CBS.
- During our visit to Hudur District, we verified expenditures and checked compliance to the financial policies used in the management of project funds. We carried out substantive audit tests on expenditure sampled on the requisition stage, payment stage and during the actual accounting and recording of the entries. We checked approval procedures in place, segregation of duties, eligibility testing to support documents and project purposes.
- We have carried out physical verification of assets procured from the project funds and have checked the existence and accuracy of fixed asset registers, condition of the assets and whether the assets were tagged or not.
- We have verified 100% of the payments made to the consultants by reviewing the contracts and proof of payments during our visit to MoIFA. We also had a face-to-face meeting with one consultant during the visit to the district. This was to ensure that payments were made to the individual contracted. Further details can be found in section 4.

We held a closing meeting at the end of the visit to share our observations noted and recommendations with the District Administration. Further details can be found in section 5.

## **2.0 Background of Hudur District**

Hudur is the capital city of Bakool Region, which lies approximately 420 km from Mogadishu. Bakool is bordered in the East by Hiran Region, in the North by Ethiopia, in the West by Gedo Region and in the South by Bay Region. Bakool Region is made up of five districts: Hudur, Wajit, Tieglo, El Barde and Rabdhurre.

Hudur District has an estimated population of 13,000 families. Each consists of an average of 7 members according to unofficial counts conducted by a local organisation in 2015. The district lies in a strategic location, where it connects to the rest of Bakool in terms of road networks.

The main economic activities in Hudur are livestock keeping, agriculture and trading although the district suffers from the economic blockade imposed by Al-Shabaab. This has decreased economic activities and led to price hikes on essential commodities.

The district has a small functioning airstrip and has one commercial flight weekly. The UN aid mission and army cargo flights also use this airstrip.

The healthcare sector remains in an abysmal state across the district. The main hospital in Hudur has been out of service since early 2009 which was formerly operated by MSF-Belgium. However, there are efforts underway to restore the main medical facility in the district to provide essential medical services to the population.

## **2.1 Security Situation**

The district is under full control of the Somali National Army with the help of the Ethiopian Army, who are not part of the African Union Mission (AMISOM). The district was recovered from Al-Shabaab in March 2014 and the District Administration was deployed in January 2015.

There is strong community policing where the district is divided into four sections and each section has the responsibility to defend the district from Al-Shabaab. This is done by guarding and controlling the movement of people coming in and going out. Hence, the district is fairly stable although the Al-Shabaab control the surrounding villages which are only around 12 km away from the city and impose blockades.

## **2.2 Good practices**

- The District Administration conducts a weekly meeting every Thursday with participants drawn from the local community such as youths, elders, women and religious leaders. Here they discuss the successes and failures of the past week and any expectations for the coming one. Mostly, these meetings look into securing the city from Al-Shabaab. We witnessed one such meeting during our visit.
- Strong collaboration between the community and District Administration on the control of movement to enhance the security (community policing).
- Functioning police station, District Administration Offices and Community Centre.
- The expenditure claimed, as shown in Annex's 1 and 3 to the report, was in accordance with the budget and supported by invoices, except for the weaknesses noted in section 3 of the report.

## **2.3 Challenges**

- The district is under blockage from Al-Shabaab and there is no road access to other districts in Bakool Region. Due to these logistical challenges, the district can only be accessed safely by plane.
- Lack of proper facilities/amenities such as electricity, internet access and availability good hotels. The District Administration uses solar panels for the provision of electricity, which are not enough.
- Lack of adequate training in administration and financial management of the district staff.
- District Administration staff do not receive any salary. Military staff receive food on a constant basis.
- Scarce financial resources, as there are no other donors supporting the districts except the UNDP project.

### 3.0 Hudur District Expenditure Verification Observations

Details of the weaknesses noted through our testing are found below. We note that the main cause of the weaknesses observed was due to a lack of adequate training in financial management of the District Administration staff.

#### 3.1 Casting error

**Amount** USD 30

##### **Description**

In order to ensure accurate reporting of project expenditure, reported expenditure should be arithmetically accurate and free from casting errors.

However, we noted that casting errors caused amounts recorded in the district's transaction list and claimed in excess of the actual costs incurred.

<b>Description</b>	<b>Amount in the Transaction list USD</b>	<b>Casted amount USD</b>	<b>Excess amount USD</b>
Second running cost	5,000	4,970	30

##### **Recommendation**

We recommend that where the recording of transactions is based on the casting of a number of invoices or other supporting documents, a reconciliation should be carried out after in order to reduce the likelihood of an error being made in the recording of the transaction.

### 3.2 Inadequate Supporting Documentation

#### Description

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is ensuring all payments are supported by adequate documents such as invoices, receipts, agreements, delivery notes etc.

Article 3.4.4 states that delivery notes and purchase orders are to be filed against procurements conducted.

However, we noted that none of the assets purchased for the project had delivery notes or purchase orders attached to them.

Date	Ref	Description	Amount USD	Budget Line
25/10/2015	0078	Toshiba Laptop	325	Office Equipment
1/11/2015	1692	HP-Laptop	375	Office Equipment
1/11/2015	1692	Printer	100	Office Equipment
1/11/2015	250	Two office chairs@ 100\$ each	200	Office Equipment
1/11/2015	250	One office table @200\$	200	Office Equipment
25/12/2015	768	2 office chairs@ 125\$ each	250	Office Equipment
25/12/2015	768	2 Office Tables@ 100\$ each	200	Office Equipment
25/12/2015	768	File Cabinet	200	Office Equipment
20/12/2015	61002	Safe box	200	Office Equipment
20/12/2015	61002	Video camera for the district	150	Office Equipment
20/12/2015	61002	Refrigerator for the office	250	Office Equipment

#### Recommendations

We recommend that management should ensure that adequate supporting documents are maintained to support all costs declared in the expenditure list. Supporting documentation should be adequately filed and kept securely. The documentation should form the basis for effecting payments and recording costs in the accounting system. It would be useful to develop mechanisms to assist officers obtain all necessary supporting documentation required for various transactions.

### **3.3 Lack of Segregation of Duties**

#### **Description**

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is effective segregation of duties to ensure that individuals responsible for authorising or approving expenditure are not also directly involved in payments.

Article 3.4.1 of the project guideline requires that the level of authorities and signatories approving the expenditure and issuing checks to vendors have been identified.

We note that payment vouchers were not used in order to process payments. This meant that we were not able to verify the individual and the level of authority of those approving them.

#### **Recommendations**

In order to ensure adequate controls are exercised over project expenditure, the district management should segregate duties in respect of preparing, reviewing and approving payments. It could do this by using a payment voucher which the District Secretary prepares and submits to the Deputy District Commissioner for review and then submits to the District Commissioner for final approval.

Payment vouchers should be signed by each staff member involved in the process as evidence of the segregation of duties being applied. The payment vouchers should be sequentially referenced for ease of identification.

### **3.4 Lack of Cashbooks and Bank Reconciliations**

#### **Description**

Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. An important financial control is carrying out regular reconciliations between bank statements and the cashbook in order to highlight any errors or discrepancies as well as reducing the risk of fraud.

However, we identified that there no cashbook is maintained and bank reconciliations are therefore not prepared on a regular basis (typically monthly).

#### **Recommendations:**

In order to ensure adequate control is exercised over expenditures, the district management should ensure separate cashbooks are prepared for each bank account and monthly bank reconciliations are carried out between the bank account balances and the cashbook.



### **3.5 Weakness in Asset Management:**

#### **Description**

An important control procedure in the custody and maintenance of fixed assets is to ensure that the identification numbers on the assets are accurately recorded in the fixed asset register. This makes it easier to track the assets from the physical location to the assets register and vice versa.

However, we noted that the district does not maintain an fixed asset register and assets are not permanently tagged with a unique identification number.

Even though we physically verified the assets purchased, we were unable to establish if those verified assets were actually procured with project funds.

#### **Recommendations:**

The District Management should ensure that a fixed assets register is prepared and maintained. At minimum, the details in such a register should include, among other details, the asset category and description, location, identification number, date of acquisition/disposal, supplier/invoice details and serial number.

We also recommend that assets should be permanently tagged a unique identification number and that the fixed assets register is updated regularly.

An annual physical verification of fixed assets should also be carried out.

### **3.6 Weaknesses Noted in Petty Cash Management**

#### **Description**

Article 3.4.4 of the project guideline states:

- a) Petty cash will be capped at \$500 dollars. Rules of petty cash are established in each district;
- b) Petty cash will be issued to Secretariat District Local Government. If such position is not available, then issued to District Deputy Commissioner by the District Commissioner;
- c) Petty cash will be kept in safe deposit box. A ledger will be maintained to track petty cash spending;
- d) A reconciliation of the petty cash is to be documented monthly by each district, and last day of the calendar month. This is to reconcile the total amount of petty cash issued to the amount of cash on hand;

However, we noted that there is no ledger to track the movement of petty cash maintained by the Hudur District and petty cash reconciliations are not carried out.

#### **Recommendation**

We recommend that a ledger is maintained to record petty cash transactions and monthly reconciliations for petty cash be carried out.

### **3.7 Lack of Monthly Expenditure Reporting**

#### **Description**

Article 3.4.2(g) of the project guideline states that a monthly expenditure report, in line with the budget, is to be submitted.

However, we have noted that only the original supporting documents and a list of expenditures are submitted to the Ministry of Interior and Federal Affairs (MoIFA) at the end of every month. A report in line with the budget, is not submitted.

#### **Recommendations:**

We recommend that Hudur District submit a monthly expenditure report to the Ministry to ensure compliance with PBF financial procedures. We also recommend that the MoIFA should draft a standardised monthly expenditure report in line with the agreed budget, wherein each district is therefore required to submit to the Ministry instead of expenditure lists.

### **3.8 Failure to Stamp Support Documents with “PAID”**

#### **Description**

We noted instances wherein the District Administration had not distinguished invoices as either “paid” or “unpaid” by marking all paid documents with an appropriate stamp i.e. stamping all documents as paid with “PAID”. Failure to indicate documentation as “PAID” increases the likelihood of multiple payments being made on the same set of documentation.

#### **Recommendations**

We recommend that the District Administration ensures that all documents on which payment has been made be stamped “PAID” to distinguish them from unpaid expenses.

#### **4.0 Verification of Payments to Consultants Observation**

We have carried out the verification of payments made to the consultants during our visit to MoIFA and we did not note any issues.

#### **5.0 The feedback from District Administration on weaknesses noted**

We had a closing meeting with the staff from the District Administration where we shared the weaknesses noted and collated their feedback as follows:

- Lack of training in financial management is the main cause of the weaknesses noted.
- The District Administration management team claim they are not getting sufficient funding to hire competent staff. They also stated that currently the District Administration staff are not being paid.
- The District Administration are operating in a fragile region which is currently under Al-Shabab blockade hence they are not able to be compared with international best practices.
- Despite all these challenges, the District Administration are ready to implement the recommendations if they are provided with the appropriate training and resources.

**ANNEXES**

**Annex 1 : List of People met in Hudur District Expenditure Verification Visit**

<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Organisation</b>
1	Mohamed Moallim Ahmed	District Commissioner	Hudur District
2	Adan Abdi Abarey	Deputy District Commissioner/Admin and Finance	Hudur District
3	Hassan lak Mohamed	Secretariat	Hudur District
4	Ahmed Mohamed Hussein	Consultant/LGA	Hudur District

**Annex 2: List of Expenditure from 22 October to 25 November**

**XAFIISKA MAAMULKA DEGMADDA XUDDUR**

**Warbixinta Xisaab Celinta Guud ee Bilaha Oct 22-Nov 25/2015**

Qalabka xafiiska Qoondada guud: \$5000

Date	Item	Quantity	Price	Total
	Kompiyutar	1	325	325
	Printer	1	100	100
	Laptop	1	375	375
	Kuraas	2*100	200	200
	Miis	1	200	200
<b>Grand total</b>				<b>2000</b>

**Alaabta xafiiska** **\$1200**

	Buuga weyn ee oobiga	2	10	10
	Warqad dalooliso&birqabad	3	10	10
	Galka feylasha	10	40	40
	Warqado	2box	10	10
	Qalimaan	3box	10	10
	Karaka hadalka	2	150	150
<b>Grand total</b>				<b>230</b>

**Gaas/Shidaalka gaadiidka** **\$230**

	Baabuur	3	350	\$1050
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**Biilasha**

	Koronto	3 office	300	300
	Biyo	2	200	250
	Internet	1	250	220
<b>Grand total</b>				<b>\$770</b>

**Taageeradda Maamulka**

	Saadka		500	500
	Kiradda gaadiidka	2	600	600
<b>Grand Total</b>				<b>\$1100</b>

**Qarashka tasiilaadka ( petty cash)**


	Kulan ama meeting	2	250	250
<b>Grand Total</b>				<b>\$250</b>

**Transportation of LG secretary**

	Baidoa to moga	1	100	100
	Moga-Baidoa	1	100	100
<b>Isku darka guud</b>				<b>\$4800</b>



**Annex 3: List of Expenditure from 1 to 31 December 2015**



Maamulka Degmadda Xudur Huddur District Authority  
**Warbixinta Xisaab Celinta Degmadda Xudur Dec 2015**

Nov 30 2015	Haraagii hore		\$200+5000= \$5200
Item	Quantity	Price	Total
Kuraas	2	\$125	\$250
Miis	2	\$100	\$200
Kamera Video	1	\$150	\$150
Qasnada Lacagta	1	\$200	\$200
Qaboojiye	1	\$250	\$250
Kaarka hadalka	3	\$100	\$300
Warqado A4	4 box	\$20	\$80
Galka Feylasha	10	\$6	\$60
Qaliman	5 box	\$5	\$25
Buuga weyn ee oobiga	2	10	\$20
Antivirus/internet security	2	25	\$50
Khad Printer/ink	2	30	\$60
White board	2	40	\$80
Extension/ qeybiso	5	10	\$50
Mark pen	10 box	7	\$70
Stapler	4	5	\$20
Staples	10 box	2	\$20
Envelop	3 Rem	7	\$20
Shidaalka Gaadiidka	350ltr	\$2.57	\$900
Armaajo/ shelves metal	1	\$200	\$200
Koronto	60KW	\$2	\$120
Biyo	50Mc	\$1.5	\$75
Internet	3 Offices	\$100	\$300
Kirada Gaadidka	2	\$500	\$1000
Petty cash( tasiilaadka howlaha shaqada)	200 sanbuus iyo bur 15 kartoona oo cabitaan ah	200*0.5+200*0.5+10*15	\$470
<b>Total</b>			<b>\$5000</b>