

World Bank Summary of Financial Diagnostic Assessment of “Audit Investigative Financial Report 2009-10”

30 May 2012

Contents

Main Messages.....	2
1. Overview.....	3
2. Contextual Background	4
3. Data and Methodology.....	5
4. Assessment of Domestic Revenue	6
5. Assessment of External Revenue.....	10
6. Assessment of Expenditure.....	10
7. Assessment of Missing Elements.....	15
8. Consolidated Assessment.....	16

Abbreviations

AIFR	Audit Investigative Financial Report 2009-10
OAG	Office of the Accountant and Auditor General
OPM	Office of the Prime Minister
FDA	Financial Diagnostic Assessment of AIFR
PFM	Public Financial Management
PFMU	Public Financial Management Unit
PWC	Price Waterhouse Coopers
SCAA	Somali Civil Aviation Authority
SCF	Parliament Standing Committee of Finance, Money & Protection of National Assets
SKOPE	World Bank Somalia Knowledge for Operations & Political Economy Program
TFG	Transitional Federal Government
TFI	Transitional Federal Institutions

The figures in this summary are provisional and subject to revision as more information is received from the TFIs.

Main Messages

A lack of reliable information impedes the ability to form a complete and accurate picture of TFG finances. There is a lack of available documentation, and reluctance by the Ministry of Finance and other TFIs to provide financial documentation for transparency and accountability purposes. Accordingly, despite the field collection efforts, the primary data used in the FDA consisted in AIFR figures (OAG and PFMU) with cross-verification efforts undertaken, and SCF investigation reports.

Preliminary estimates are that the TFG collected about \$94 million in revenues in 2009 and \$70 million in 2010. The FDA estimates for actual revenue collected by the TFG - \$94 million in 2009 and \$70 million in 2010 - is considerably more than the OAG estimates of \$11 million in 2009 and \$22 million in 2010 but also considerably less than the PFMU estimates of \$155 million and \$156 million respectively. The discrepancy between the FDA and PFMU estimates results largely from the FDA leaving out the PFMU potential revenue figures for telecommunications (\$49 million) and khat levy (\$38 million).

If the FDA is correct, TFG revenue exceeded official TFG expenditures by \$72 million in 2009 and \$39 million in 2010 – which was enough to pay all civil servants, parliamentarians and security forces in those two years. Both the AIFR and SCF allege that the TFG executive branch spent a major part of public revenue and direct bilateral donations in 2009 and 2010 for their own benefit.

The main external revenue is believed to consist of direct foreign donations, primarily from various Middle-Eastern contacts. Most foreign development and humanitarian aid is channeled to Somalia through NGOs and UN agencies, and not through the TFG. In 2009, random deposit slip evidence and alternate credible sources support the SCF calculation that the TFG collected \$59 million in direct foreign donations. This contradicts the OAG estimate (\$3 million) and supports the PFMU estimate (\$43 million). Furthermore, in addition to customs duties, operational charges and fees – worth approximately \$11 million – were unaccounted for. The Customs Department figures largely match the FDA estimate of \$12.5 million for 2009 and \$14.6 million for 2010, with most customs duties coming from Mogadishu Port (rather than the airport). Operational charges and fees are not included in the customs duties, and total approximately \$11 million per year. If operational charges and fees are added to the OAG and PFMU figures, the OAG figures remain gross underestimations whereas the PFMU figures - \$24 million (2009) and \$30 million (2010) – appear to be roughly correct.

The TFG could have collected revenue from tax on khat, telecommunications and remittance companies if it had made an effort to do so. It appears that no substantial revenue was collected on telecommunications, khat or from remittance companies in 2009 and 2010. The TFG may be challenged as to why it has not formulated a policy of taxation on these sectors, processed it for legislation, and had an annual financial budget passed through the TFP. On these specific sectors, the PFMU figures are purely potential revenue estimates that the TFG did not collect. As a result, those PFMU figures have been excluded when calculating actual collected revenue not accounted for by the TFG.

1. Overview

On 21 May, 2011 Abdirazak Fartaag, the former Head of the Public Finance Management Unit (PFMU) of the Office of the Prime Minister (OPM) in Somalia's Transitional Federal Government (TFG), issued an "Audit Investigative Financial Report 2009-2010" (AIFR). This report contains comparisons between the PFM Unit, Office of the Auditor and Accountant General (OAG) and TFG budgets, indicating significant discrepancies that suggest financial mismanagement, misappropriation, concealment and/or professional negligence. The reports were not endorsed by the TFG or any other Transitional Federal Institution (TFI).

In 2011, the World Bank¹ commissioned a Financial Diagnostic Assessment (FDA) of the AIFR, and Katuni Consult was contracted for the assignment. The objective was to verify and assess the data and the basis of the figures provided by the AIFR, including identifying possible missing aspects of the report and assessing the scope and scale of its allegations, including context and involved actors. The FDA was neither intended as a forensic audit nor an exhaustive investigation. It was only meant to establish to the extent possible the credibility of the figures cited in the AIFR, as well as to provide information about the context behind those figures. The FDA was limited by the lack of official data available from the TFIs. **The significance of the FDA is less about the exactness of figures than about the absence of a functioning public financial management (PFM) system that provides essential financial data.** As a result of this general lack of data, the financial statements and related findings presented in this summary of the Katuni Consult report must be considered as provisional and subject to correction as further information becomes available.

The international community regards PFM in South-Central Somalia as a critical area in need of catalytic intervention and improved transparency and accountability. In September 2011, the Horn of Africa summit declared an intention to form a TFG-donor joint financial management board (JFMB) to manage government revenue and expenditure. In addition, in February 2012, the UK Prime Minister hosted a London Conference on Somalia which covered, amongst other things, financial management, corruption and aid effectiveness, and outlined the basic principles for the JFMB.

¹ The World Bank's Somalia Knowledge for Operations and Political Economy (SKOPE) programme is designed to leverage development interventions in Somalia by (i) providing (collecting or compiling) key data to inform policies and interventions, (ii) carrying-out targeted political economy analysis in areas of cross-cutting or investment-specific interest, and (iii) supporting renewed strategic planning efforts at national and regional levels.

2. Contextual Background

In Somalia, the role of ministries relating to finance in 2009 and 2010 were, at least in theory, as follows:

Ministry	Responsibility
Ministry of Finance	To collect and account for all revenue for the TFG, and its disbursement to the other line ministries.
Central Bank	To receive deposits of all revenue (whether from airports, ports, district councils, or external aid donations) and function as the main bookkeeper for both the Central Government and local governments.
Accountant General	To keep copies of all financial transactions.
Office of the Auditor General	To control all expenses and income of the TFG by controlling deposits and withdrawals from the Central Bank in accordance with the annual budget for the TFG approved by the Parliament.

In practice, it appears that certain officials in specific offices and authorities were vested with the power to collect and distribute revenue. During 2009-10 the following positions were some of those held:

- Shariff Hassan, Minister of Finance & Deputy Prime Minister (now Speaker of the TFP)
- Shariff Ahmed (now President of the TFG)
- Abdirazak Osman Hassan, Minister for Post and Telecommunication
- Abdirahman Haji Adan Ibrahim, Minister for Fisheries and Marine Resources
- Abdirashid Mohamed Hashi, Minister for Commerce
- Muhammad Ibrahim, Minister of Ports and Marine Transport

The public financial management institutions in 2009-10 were apparently extremely weak. The Ministry of Finance would have had sufficient funds if collected revenue was spent properly and accounted for. However, the Ministry of Finance in practice had insufficient funds, and submitted no financial reports to the parliamentary financial committees. There was little evidence that the Ministry of Finance performed adequately in terms of financial control, accountability, or in any other public financial management role. The only budget presented and approved by parliament until now, was for the fiscal year of 2011.

Although a Central Bank was in existence, with a main building in Mogadishu and a branch in the Port of Mogadishu, it apparently was (and continues to be) largely circumvented by the TFG executive branch and their key staff. The Central Bank appears not to function autonomously from the executive part of government.

The Accountant General's Office was (and continues to be) embedded in the Ministry of Finance, responsible for accounting all public financial revenue and expenses. However, neither the Accountant General nor the Ministry of Finance published annual financial reports or made the TFG financial accounts available for audit. The OAG was side-lined as the key tools for its work – the Central Bank accounts and annual budget – were not sufficiently applied by the TFG in practice.

3. Data and Methodology

3.1 AIFR

The AIFR sets out a (a) 2009 audit, (b) 2010 audit, and (c) draws conclusions about each audit, and aggregates the conclusions for the two years as a whole. The AIFR is based upon the following data:

- Source material where available, including figures provided by OAG, documents found by the PFMU and documents from, and discussions with, the Ministry of Finance
- ‘Spot check investigations’ i.e. random access to and (formal and informal) data collection at the various points of revenue collection and expenditure

There are data collection shortcomings primarily due to the inherent difficulty in collecting data for an unauthorized audit. For most line items, there is an explanation of how the OAG and PFMU figures in the AIFR are reached and what point is being made. However, the AIFR methodology falls short for a number of reasons.

- Unclear language and inconsistent structure
- Lack of clarity of applied concepts
- Ambiguity in how ‘potential’ figures have been calculated

3.2 FDA

The FDA is based upon fieldwork conducted in Mogadishu and information collected from the Ministry of Finance, Ministry of Ports and Transport, Central Bank, OAG, OPM, Office of the President, SCF, Port of Mogadishu (Customs Department) and Airport of Mogadishu (Customs Department). Interviews were held with (current or former) officials² including the Port Manager, Governor of the Central Bank, members of the SCF, members of the newly appointed Anti-Corruption Commission, ministry officials and members of the business community. Lack of cooperation from the Ministry of Finance impeded FDA data collection approximately half way through the data collection exercise.

The methodology aimed to assess the audit line items qualitatively (i.e. to explain the story) and quantitatively through source comparisons. Abdirizak Fartaag could only provide Katuni Consult with limited explanations for the majority of the sources in the AIFR and his position was that the AIFR was intended for a Somali audience and not the international community. UNPOS could not share their financial data for 2009 and 2010, as their report to the Secretary General had not been published. Partial access to account books, receipts, and documentation of the relevant institutions was obtained through fieldwork and observations. Finally, a pragmatic approach was taken to obtain and use as much documentation as possible, and to complement with additional verification efforts.

The FDA is neither a forensic audit nor an exhaustive investigation due to limitations imposed by the informal nature of document collection and storage, and potential documentation destruction, in Somali institutions. All findings are provisional and subject to correction as further information becomes available. The following sections of this note summarize the findings of the Katuni report, and do not necessarily reflect the official views of the World Bank.

² The list of people consulted will not be fully publicized due to the sensitivity surrounding the FDA.

4. Assessment of Domestic Revenue

4.1 Overview

AIFR	2009	2010
OAG	\$8,208,950	\$15,460,374
PFMU	\$112,260,000	\$124,077,428
Difference	\$104,051,050	\$108,617,054
Source	Comment	
Ministry of Finance	The Ministry of Finance would not provide a domestic revenue figure, nor has it published financial statements for 2009 and 2010.	
Accountant General / Central Bank	If the 2009 OAG figure is combined with the external revenue figure (\$2,875,000) it reflects statements made in letters to the SCF from the Accountant General (\$11,083,950) and the Central Bank (\$11,444,360). This shows a discrepancy as the former figure is claimed to be domestic revenue only.	
Ministry of Treasury	The Ministry of Treasury states domestic revenue as \$11,881,485 in 2009 (with similar inconsistency regarding external aid).	
Auditor General	For 2009, in addition to \$11,083,883 deposited in the Central Bank, an additional \$3,677,791 was deposited in Dahabshiil, and another \$1,779,240 in Qaran Express adding up to a total revenue of \$16,540,914. The source of these amounts is not stated, and could be from external donations.	
Customs Department	For 2010, there is one statement showing \$13,247,582 collected. This is less than both the OAG and PFMU figures.	

Conclusion: There is a clear inconsistency in that the Accountant General, Central Bank and Ministry of Treasury record domestic revenue as approximately \$11 million, whereas OAG records it as approximately \$8 million with the difference being external revenue. The sources do not explain how the figures are reached nor break down the figures into various sources of revenue. The significantly different PFMU figure appears to be based on a mix of alleged actual collected revenue not accounted for by the TFG and potential revenue that could have been collected if the effort had been made.

4.2 Customs (Mogadishu Port)

There are 2 revenue streams at Mogadishu Port:

- Customs duty on imported and exported goods – collected by the Customs Department of the Ministry of Finance, and which should be transferred to the Central Bank.
- Operational handling fees or charges that mainly cover running costs, salaries, power and maintenance of the facilities – collected and retained by the Port Manager.

The AIFR only refers to customs duty (and not operational handling fees)³ – possibly due to aggregated port management reporting.

³ This may reflect confusion in the port management of revenue in 2009 and 2010 where customs and operational fees were often conflated.

AIFR	2009	2010
OAG	\$6,242,682	\$12,600,000
PFMU	\$24,000,000	\$30,000,000
Difference	\$17,757,318	\$17,400,000
Source	Comment	
Ministry of Treasury	A reply from the then Ministry of Treasury to an investigative request from the SCF dated April 6, 2010, supports the PFMU figure for 2009.	
Customs Department	A letter dated March 4, 2012 from the head of the Customs Department supports the PFMU figure of \$11,529,563 for 2009.	
Central Bank	A letter dated March 30, 2010 claims that out of overall revenue of \$11,444,360 for 2009, only \$9,572,668 was collected by the Ministry of Finance while \$1,871,692 was collected by 'other revenue collecting bodies'.	
Auditor General's Office	A letter from the Auditor General's Office dated April 3, 2010 – that is four days after the Central Bank letter – contradicts the Central Bank letter stating that the Central Bank received \$11,083,883 for 2009.	
Customs Department	For 2010, the Customs Department declares that \$12,774,363 was collected which corresponds with the OAG figure.	
Shipping Lists	The tariff and shipping lists show less than the OAG figure (these lists may be incomplete).	
Business estimate	Business sources estimate the figures are close to the OAG figure.	
FDA Analysis	According to alleged versions of the informal system within the port – and a letter dated March 2, 2010 from the Deputy Prime Minister of Marine Resource and Fisheries who appointed a committee to monitor the import and export of goods in the port –customs duties are shared between the Central Bank, Port Manager, Minister of Finance, President, Prime Minister and the businessmen who own the goods. If this is correct, it implies that the potential revenue that should have been accounted for might have been higher than the \$24 million for 2009 suggested by the PFMU, and could have been as much as \$46 million per year.	

Conclusion: The PFMU figures according to FDA estimates may be correct when combining Customs and Operational fees. Conflation of the two in practice confuses the picture. FDA estimates both operational fee income and expenditure which should be accounted for as port authority is supposed to be a public agency.

4.3 Customs and Departure Tax (Aden Adde Airport)

AIFR	2009	2010
OAG	\$351,920	\$430,165
PFMU	\$1,200,000	\$1,800,000
Difference	\$848,080	\$1,369,835
Source	Comment	
Operational fees and departure tax collected by SCAA	A committee investigating the port and airport in March 2009 reported that the landing fees for that month amounted to \$41,217 and the navigation fees \$20,608. If representative, such fees would amount to approximately \$720,000 for the entire year. None of this revenue was deposited in the Central Bank and hence likely not recorded and included in the OAG figures.	
Visa fees collected by the Immigration Authority	There was no financial system tracking this revenue or expenditure. However, similar to the SCAA, they kept a 'petty cash' book. For March 2009, there was \$28,400 collected in entry fees. If representative, this figure can be extrapolated to \$360,000 annually. This money was also not registered with the Accountant General or deposited in the Central Bank.	
Customs Department / Ministry of Treasury	A letter from the Customs Department, as well as in a letter from the Ministry of Treasury to the SCF, stated that \$351,920 was collected in 2009. Hence, the OAG figure in the AIFR refers to customs and not departure tax. We can therefore assume that the \$430,165 OAG figure for 2010 also refers to customs revenue and not departure tax.	

Conclusion: Inconsistent sources suggest that the OAG figure may refer to customs revenue and not departure tax, whereas the PFMU figure may refer to departure tax.

4.4 KM50⁴ and Khat Levy

AIFR	2009	2010
OAG	\$114,348	\$149,428
PFMU	\$38,460,000	\$40,758,000
Difference	\$38,345,652	\$40,608,572
Source	Comment	
FDA Analysis	Although the TFG in 2009 and 2010 had no access to or control over KM50, it is included because Haaf (the owner) was paying a monthly fee (approximately \$60,000 per month 2006-2009) to the TFG for khat levies.	
PFMU inquiries	The arrangement between Haaf and the TFG has been estimated at \$80,000 per month for 2009 and a little more in 2010.	

Conclusion: The PFMU figures for khat levy revenue from KM50 appear valid in contrast to the OAG figures that appear gross underestimates. However, the PFMU figures of \$38 million in 2009 and \$40 million in 2010 include khat taxation which depends upon khat trade and taxation which cannot be verified, and appear overestimations (as the most expected is approximately \$22 million per year).

⁴ KM50 is a private airstrip owned by Ahmed Dualeh 'Haaf'. The revenue from KM50 can best be understood as part of the levy on the Khat budget line and so the two have been combined for our purposes.

4.5 Telecommunications Tax

AIFR	2009	2010
OAG	\$0	\$0
PFMU	\$48,600,000	\$51,030,000
Difference	\$48,600,000	\$51,030,000
Source	Comment	
FDA analysis	The AIFR estimate that the telecommunication industry could possibly generate around \$540 million per year (given there are 1.5 million mobile users and the average monthly usage is \$30 per user) appears to be in line with estimates made by other sources.	
Somali telecommunications company source	The AIFR allegation that the telecommunication companies transfer a minimum of \$100,000 per month to the Minister of Telecommunication appears valid.	

Conclusion: No substantial collections were made. A significant amount could have been collected by the TFG if it had formulated a policy of taxation for the telecommunication sector, processed it for legislation, and had an annual financial budget passed through the TFP.

4.6 Other Revenue

AIFR	2009	2010
OAG	\$0	\$446,122
PFMU	\$0	\$489,428
Difference	\$0	\$43,306
Source	Comment	
Central Bank	A letter from the Central Bank states that there was \$1,871,692 from 'other revenue collection bodies' in 2009.	
Accountant General	A letter from the Accountant General states that except from the Ministry of Finance there were no other ministries reporting any revenue in 2009.	

Conclusion: There are no figures mentioned for 2009 and the figures for 2010 were not explained and so are not verifiable.

5. Assessment of External Revenue

5.1 Bilateral Assistance

AIFR	2009	2010
OAG	\$2,875,000	\$6,515,900
PFMU	\$42,875,000	\$32,725,000
Difference	\$40,000,000	\$26,209,100
Source	Comment	
PWC	For 2009, \$2,875,000 was deposited in the PWC account for transferring foreign assistance to the TFG.	
Customs Department	For 2009, the Customs Department figures on the total customs revenues in 2009-10 are inconsistent with the OAG figure of \$2,875,000 as the latter corresponds solely to external revenue.	
FDA Analysis	The SFC investigated direct bilateral donations to the TFG for 2009 and 2010, stating that the Ministry of Finance upon their request did not provide any documentation on foreign donations. However, the SCF did its own rudimentary investigations and found a number of countries that donated a total of \$59 million to the TFG in 2009 (being \$19 million more than the PFMU figure). The SCF was blocked from doing the same for 2010.	

Conclusion: The notion of direct bilateral donations does not include ODA and humanitarian aid. There is a record of \$82 million for the TFIs in 2010 and in addition the United States provided over \$85 million in direct assistance to the TFG security forces. The OAG figures appear extremely low and omit \$59 million identified by the SCF investigation.

6. Assessment of Expenditure

6.1 Overview

AIFR	2009	2010
OAG	\$11,070,309	\$20,089,882
PFMU	\$155,150,000	\$170,665,000
Difference	\$144,079,691	\$150,575,118
Source	Comment	
Auditor and Accountant General	For 2009, provides a similar estimate to OAG figure being \$11,070,308	
Central Bank	For 2009, provides a similar estimate to OAG figure being \$11,430,718	
Ministry of Finance	States expenditures reached \$18,334,476	
Working Budget	States expenditures reached \$18,308,160	

SFC	For 2009, identified inconsistencies in the four responses they received on their enquiries into the expenditure of the TFG: The Ministry of Treasury gave no information on expenditure. The Central Bank reported \$11,430,718. The Office of the Auditor General (OAG) reported \$11,070,308. The Accountant General (AG) reported \$11,070,308.
-----	---

Conclusion: The SCF found that for 2009 and 2010 only 3 months' worth of the government budget was reported. With the absence of any further documentation, and that the outgoing Ministers of Finance since 2009 apparently removed their files and supporting documentations when leaving offices, it is difficult to obtain further information. No sources are available to confirm or deny PFMU figures.

6.2 Office of the President

AIFR	2009	2010
OAG	\$285,000	\$1,381,327
PFMU	\$3,600,000	\$3,960,000
Difference	\$3,315,000	\$2,578,673
Source	Comment	
TFG	The OAG figure in 2009 corresponds to actual recurrent expenditure given in the TFG Expenditure Trends 2008-2011.	
FDA Analysis	The PFMU claim that the operational expenditure bill was \$95,000 per month (annually \$1,140,000), implying that if the OAG expenditure figure is correct then staff only received three months pay leaving a gap of \$855,000 unaccounted for.	
SCF	The monthly expenditure for the President's Office was \$90,000 translating into \$2,160,000 in total for 2009 and 2010. The SCF state in their report that in general, the government only reported 3 months' worth of the budget, and that the Ministry of Finance failed to provide any supporting documents for any expenditure by any TFG institution.	

Conclusion: While a TFG budget worksheet signed by the then Minister of Finance, Shariff Hassan, states the monthly bill at \$92,000 it could not be verified that staff were only paid 3 months salaries in 2009. The AIFR did not detail and comment on the figures for 2010.

6.3 Office of the Prime Minister

AIFR	2009	2010
OAG	\$216,000	\$825,551
PFMU	\$6,000,000	\$6,600,000
Difference	\$5,784,000	\$5,774,449
Source	Comment	
TFG	The OAG figure of \$216,000 is the same as in the TFG Expenditure Trends spread sheet.	
OAG	According to OAG records the operational budget was \$72,000 per month (annual: \$864,000), leaving a gap of \$648,000. The \$72,000 figure is confirmed by the TFG budget worksheet signed by the then Minister of Finance, Shariff Hassan.	
SCF	For 2009 and 2010, the SCF calculate the monthly expenditure of the PM's office at \$75,000 per month (annual: \$900,000).	

Conclusion: It appears that the OAG figures are supported which means either that staff were only paid for 3 months or the OAG figures are underestimates. It is not clear how the PFMU came up with their budget estimates of approximately \$6 million.

6.4 Office of the Speaker of Parliament

AIFR	2009	2010
OAG	\$300,000	\$380,000
PFMU	\$2,400,000	\$2,640,000
Difference	\$2,100,000	\$2,260,000
Source	Comment	
TFG	The TFG Budget Worksheet signed by Shariff Hassan states \$75,000 as the monthly budget for this office (annual: \$900,000).	
SCF	Confirms \$75,000 monthly budget for both 2009 and 2010.	

Conclusion: Both sources imply that the OAG figures are underestimates, and although the PFMU figures are closer to what's expected, the specific figures are not sufficiently explained.

6.5 Parliament—Stipends for 550 MPs

AIFR	2009	2010
OAG	\$2,640,000	\$2,399,042
PFMU	\$16,500,000	\$18,150,000
Difference	\$13,860,000	\$15,750,958
Source	Comment	
SCF / Expenditure Estimate Trends	The SCF and Expenditure Estimate Trends (EET) confirm that the MPs were only paid the equivalent of 4 months, hence the expenditure of parliamentary stipends totaled \$2,640,000 (550 MPs x \$1200 x 4) and was accounted for by the OAG.	

Conclusion: Documentation cannot verify or deny the PFMU figures (which might be dependent upon direct foreign assistance donations) but provides support for the OAG figures.

6.6 Line Ministries

AIFR	2009	2010
OAG	\$1,404,000	\$212,030
PFMU	\$46,800,000	\$51,480,000
Difference	\$45,396,000	\$51,267,970
Source	Comment	
PFMU	The PFMU figures are calculations based upon a monthly budget allocation to each ministry of \$100,000 (2009) and \$110,000 (2010).	

Conclusion: The OAG figures are clearly implausible suggesting that a single line ministry can function on \$144,000 or less annually. If the PFMU figures are true, the expenditures of such amounts remain unknown.

6.7 National Security

AIFR	2009	2010
OAG	\$6,143,309	\$13,882,788
PFMU	\$62,400,000	\$68,640,000
Difference	\$56,256,691	\$54,757,212
Source	Comment	
OAG	The Expenditure Estimation Trends show the overall expenditure on security forces in 2009 as \$6,143,309, which is the same as the referenced OAG figure. The EET preliminary figure for 2010 was \$13,183,665, which is close to OAG figure of \$13,882,788.	

Conclusion: The OAG figure is supported by the expenditure estimation trend, and there is no documentation to support the large PFMU figures. However, as mentioned, the US provided \$85 million in direct assistance to the TFG security forces and the EU and Italy provided direct assistance as well during 2009 and 2010 which brings into question the OAG levels.

6.8 Auditor & Accountant General, and the Central Bank

AIFR	2009	2010
OAG	\$40,000	\$20,000
PFMU	\$6,000,000	\$6,600,000
Difference	\$5,960,000	\$6,580,000
Source	Comment	
TFG	The offices of the Auditor & Accountant General were allocated \$14,000 each in 2009 and \$8,810 each in 2010. These figures are similar to the OAG figures of \$7,000 per office in 2010.	
Central Bank	The Central Bank was allocated \$12,000 in 2009, and \$6,000 in 2010 (\$9,820 according to EET).	

Conclusion: Large difference unaccounted for and no explanation for PFMU figures.

6.9 Constitutional Commission and Bodies

AIFR	2009	2010
OAG	\$42,000	\$109,000
PFMU	\$4,800,000	\$5,280,000
Difference	\$4,758,000	\$5,171,000
Source	Comment	
FDA Analysis	If funds were available in the TFG treasury, they should have been allocated, and if not the question remains for what they were used.	

Conclusion: The OAG figures are underestimates while the PFMU figures are right that the allocated budgets should have been much higher to enable these bodies to function.

6.10 Repayment of Loans (Dahabshiil)

AIFR	2009	2010
OAG	n/a	\$132,640
PFMU	n/a	\$0
Difference	n/a	\$132,640
Source	Comment	
Ministry of Finance	A letter from the Permanent Secretary of the Ministry of Finance 'Yaqshid' pertaining to pay Dahabshiil \$410,000 in loan repayments.	

Conclusion: No further information on size of loans with the TFG, and how loans are managed or why the PFMU does not provide an alternative figure.

6.11 Local Government

AIFR	2009	2010
OAG	\$0	\$682,504
PFMU	\$3,600,000	\$3,960,000
Difference	\$3,600,000	\$3,277,496
Source	Comment	
FDA Analysis	There is an agreement that 15 per cent of TFG domestic revenue should be transferred to the local government.	

Conclusion: The local government is in practice only the Banadir Administration. No documentation to support or deny OAG or PFMU figures.

6.12 Contingencies

AIFR	2009	2010
OAG	\$0	\$65,000
PFMU	\$3,050,000	\$3,355,000
Difference	\$3,050,000	\$3,290,000
Source	Comment	
FDA Analysis	The PFMU given figures appear to be budget potentials only and not actual expenditure for the two years.	

Conclusion: The OAG figures cannot be verified and PFMU figures are potential (not actual) revenue.

7. Assessment of Missing Elements

The following elements were missing from the AIFR or not addressed by the FDA.

Multilateral Assistance

- A full investigation of multilateral aid remains outstanding. Only funds channelled directly through TFI's require accounting by the TFG. The PWC account for support to the TFG should be accounted for comprehensively.

'Privatization' Schemes

- The AIFR did not look at major schemes of privatization of Somali assets, such as the marine resources concessions and the tendency to outsource security operations. The AIFR also does not look at the interface between TFG officials and private companies (such as SKA Logistics with regards to the airport, Saracen, Bancroft and other private security companies) in terms of financial flows relating to national assets, bribes for contracts, and resulting diversion.

Other Revenue Streams

- Other revenue streams of relevance for 2009 and 2010 could be passport issuance, fishing concessions and remittance taxation.

Somali Shillings Revenue and Expenditure

- An important revenue stream not addressed in the AIFR, and which should be is the Somali Shillings revenue and expenditure. Identified flows are:
 - Revenue:
 - Central Bank, 2009: Sh.So 4,983,052,000
 - Ex-Control Afgooye Checkpoint: Sh.So 2,131,200,000 (September to December 2009) (Ministry of Treasury Letter).
 - Accountant General and Central Bank letter: Revenue from ‘other’ revenue collection bodies, 2009: Sh.So 4,983,147,210
 - Expenditure:
 - Central Bank and Accountant General, 2009: Sh.So 4,560,640,200

8. Consolidated Assessment

The overall assessment of the AIFR report is consolidated in Figure 1 (2009) and Figure 2 (2010). The consolidation compares the data found in the various sources encountered, the PFMU potential estimate and the FDA calculations (based on perceived actual revenue, and not potential revenue that could have been collected).

On the expenditure side, since the FDA couldn’t obtain any data on expenditures other than the OAG figures, the OAG figures are used⁵. On the revenue side, the FDA calculations for the port and airport are largely close to the OAG figures and below the PFMU potential estimates. The reason for this is that both PFMU and the OAG left out the port charges. Furthermore, the FDA suspects that the PFMU potential on Port Customs of \$24 million (2009) and \$30 million (2010) is conflated with port fees. There is no estimate for telecommunications revenue or khat levies as those represent potential and not actual collected revenue. Finally the SCF estimate on bilateral foreign donations (which indeed exceeds that of the PFMU) appears credible based on alternate sources and so is included.

⁵ Only exception is an added \$10,700,000 in estimated operational expenses in the Port and Airport for each year. This is because such expenses are not included in the AIFR and OAG data. The operational port charges play an important role in the management of the port.

Figure 1: Consolidated assessment 2009

Annual Budget 2009 by source, USD	Auditor General	Ministry of Treasury	Customs Department	Accountant General	Central Bank	MoFBudget Trends	Financial Committee	OAG (AIFP)	PFMU Potential	Assesment Calculations	Variations
Domestic Revenue											
Customs Receipts		11,529,565	11,529,563					6,242,682	24,000,000	12,000,000	-12,000,000
Airport Departure		351,920	351,920					351,920	1,200,000	500,000	-700,000
Customs Port + Airport	11,083,883	11,881,485	11,881,483	11,083,950	9,572,668	0	0	6,594,602	25,200,000	12,500,000	-12,700,000
Port Charges										19,440,000	19,440,000
Airport Other revenue										1,080,000	1,080,000
KM.50 Airstrip								114,348	960,000	960,000	0
Levy on Khat									37,500,000	0	-37,500,000
Telecom Revenue									48,600,000	1,000,000	-47,600,000
Other Revenue					1,871,692						0
Hawala (Domestic Loans)								1,500,000		110,000	110,000
Sub-Total Dom. Revenue	11,083,883	11,881,485	11,881,483	11,083,950	11,444,360	0	0	8,208,950	112,260,000	35,090,000	-77,170,000
External Assistance											
Bilateral	5,457,031						59,000,000	2,875,000	42,875,000	59,000,000	161,250,000
Multilateral											
Sub-Total External Asst.	5,457,031	0	0	0	0	0	59,000,000	2,875,000	42,875,000	59,000,000	161,250,000
TOTAL REVENUE	16,540,914	11,881,485	11,881,483	11,083,950	11,444,360	0	59,000,000	11,083,950	155,135,000	94,090,000	-61,045,000
Recur'nt. Expenditure											
							TFGBudget				
Office of the President						285,000	2,160,000	285,000	3,600,000	285,000	-3,315,000
Office of Prime Minister						216,000	864,000	216,000	6,000,000	216,000	-5,784,000
Office of the Speaker						300,000	900,000	300,000	2,400,000	300,000	-2,100,000
Parliament						2,640,000	7,920,000	2,640,000	16,500,000	2,640,000	-13,860,000
Line Ministries (39)						1,404,000		1,404,000	46,800,000	1,404,000	-45,396,000
National Security						600,000		6,143,309	62,400,000	6,143,309	-56,256,691
Military and Police						5,543,309					
Auditor/Accountant Gen'l.						28,000		28,000	3,600,000	28,000	-3,572,000
Central Bank						12,000		12,000	2,400,000	12,000	-2,388,000
Constitutional Com/Bodies						42,000		42,000	4,800,000	42,000	-4,758,000
Loan Repay't (Dahabshil)											
Local Government									3,600,000	0	-3,600,000
Contingencies									3,050,000	10,720,000	7,670,000
TOTAL EXPENDITURE	11,070,308	0	0	11,070,308	11,430,718	11,070,309	11,844,000	11,070,309	155,150,000	21,790,309	-133,359,691
Surplus/Loss	5,470,606	11,881,485	11,881,483	13,642	13,642	-11,070,309	47,156,000	13,641	-15,000	72,299,691	72,314,691

⁶ Note: Customs and airport (line 3) is a summation of customs receipts (line 1) and airport departure fees (line 2) – same for 2010

Figure 2: Consolidated Assessment 2010

Annual Budget 2010 by source, USD	Auditor General	Ministry of Treasury	Customs Department	Accountant General	Central Bank	MoFBudget Trends	Financial Committee	OAG (AIFR)	PFMU Potential	Assesment Calculations	Variations
Domestic Revenue											
Customs Receipts			12,774,363					12,635,341	30,000,000	14,128,000	-15,872,000
Airport Departure			473,219					430,165	1,800,000	500,000	-1,300,000
Customs Port + Airport	0	0	13,247,582	0	0	0	0	13,065,506	31,800,000	14,628,000	-17,172,000
Port Charges										19,440,000	19,440,000
Airport Other revenue										1,080,000	1,080,000
KM.50 Airstrip								149,428	1,008,000	960,000	-48,000
Levy on Khat									39,750,000	0	-39,750,000
Telecom Revenue									51,030,000	1,000,000	-50,030,000
Other Revenue								446,122	489,428		0
Hawala (Domestic Loans)								179,938		110,000	110,000
Sub-Total Dom. Revenue	0	0	13,247,582	0	0	0	0	15,460,374	124,077,428	37,218,000	-86,370,000
External Assistance											
Bilateral								6,515,900	32,725,000	32,725,000	0
Multilateral											
Sub-Total External Asst.	0	0	0	0	0	0	0	6,515,900	32,725,000	32,725,000	0
TOTAL REVENUE	0	0	13,247,582	0	0	0	0	21,976,274	156,802,428	69,943,000	-86,370,000
Recur'nt. Expenditure											
							TFG Budget				
Office of the President						1,116,264	2,472,000	1,381,327	3,960,000	1,381,327	-2,578,673
Office of Prime Minister						767,230	2,748,000	825,551	6,600,000	825,551	-5,774,449
Office of the Speaker						180,000	900,000	380,000	2,640,000	380,000	-2,260,000
Parliament						2,797,004	7,920,000	2,399,042	18,150,000	2,797,004	-15,352,996
Line Ministries (39)						139,933	31,602,000	212,030	51,480,000	212,030	-51,267,970
National Security						13,183,665		13,882,788	68,640,000	13,882,788	-54,757,212
Auditor/Accountant Gen'l.						17,620		14,000	3,960,000	17,620	-3,942,380
Central Bank						9,820		6,000	2,640,000	9,820	-2,630,180
Constitutional Com/Bodies						122,940		109,000	5,280,000	122,940	-5,157,060
Loan Repay't (Dahabshil)								132,640	0	410,000	410,000
Local Government								682,504	3,960,000	682,504	-3,277,496
Contingencies								65,000	3,355,000	10,720,000	7,365,000
TOTAL EXPENDITURE	0	0	0	0	0	18,334,476	45,642,000	20,089,882	170,665,000	31,441,584	-139,223,416
Surplus/ Loss	0	0	13,247,582	0	0	-18,334,476	-45,642,000	1,886,392	-13,862,572	38,501,416	52,363,988