

AUDIT INVESTIGATIVE REPORT - 2011

Transitional Federal Government, Somalia

Abdirazak Fartaag

2/20/2012

TABLE OF CONTENTS

I.	Consolidated Budget Characteristic	4
Mohamed Abdullahi Farmaajo Administration		
II.	First half year budget review 2011	6
	a. Revenue review	6
	b. Revenue Analysis	7
	c. Summary Revenue surplus/deficit	12
III.	Expenditure review	13
	a. Expenditure analysis	14
	b. Recurrent expenditure	14
IV.	Balance of payment	23
V.	Investigative remarks	25
Dr. Abdiweli Ali Administration		
VI.	Second half budget review 2011	26
	a. Revenue review	26
	b. Revenue analysis	27
	c. Summary revenue surplus/ deficit	29
VII.	Expenditure review	30
	a. Expenditure analysis	31
	b. Recurrent expenditure	32
VIII.	Balance of payment	36
IX.	Investigative remarks	38
X.	Potential Revenue budget 2011	39
	a. Potential domestic revenue justification	43
	b. Domestic corporate tax revenue	48
	c. Scenario I	56
	d. Scenario II	57
XI.	Conclusive remarks	57

ABBREVIATIONS

MoF	-	Ministry of Finance
CBS	-	Central Bank of Somalia
AGO	-	Accountant General Office
OAG	-	Office of Auditor General
MoPIC	-	Ministry of Planning and International Corporation

Consolidated Budget Characteristics

A synoptic financial performance review

1. The first half year administration (Mohamed Abdullahi Farmaajo) appears to have performed lower in domestic revenue collection than the second one. The yearly sources of both domestic and donor support amounted to US \$28,060,704. However, as would be noted in the subsequent budgetary review submissions, the total amount realized was US \$31,760,704. The deficit arising therefrom is about US \$3,700,000 and whose source was confiscated piracy money. During the same fiscal period the administration generated more donor support of US \$19,133,760, and which is higher than the second half. Details of the same are analyzed in the first half year report. It should also be noted that the revenue generated by the civil aviation authority was still under the custody of the UN.

Domestic and Bilateral Performance Revenue Review

	Domestic Revenue					Donor Support (Arabian)	Grand-Total
Administrations	Mogadishu Port	Aden Adde Airport	Civil Aviation	Appropriation in Aide	Sub-Total	Sub-Total	
Farmaajo Administration	\$8,059,457	\$524,870	-	\$342,617	\$8,926,944	\$19,133,760	\$28,060,704
Dr. Abdiweli Administration	\$9,006,561	\$1,283,962	\$92,585	\$484,904	\$10,868,012	\$15,767,104	\$26,635,116
Grand -Total	\$17,066,018	\$1,808,832	\$92,585	\$827,521	\$19,794,956	\$34,900,864	\$54,695,820

Source: MoF/CBS

2. The second half year administration (Dr. Abdiweli Mohamed Ali Gas Administration) generated more domestic revenue and of US \$10,868,012 than the first half. Characteristic to note is the revenue generated from the airport and which rose from US \$524,870 into US \$1,283,962. The realized revenue is within the recommended potential budget. As regards revenue from the civil aviation the administration was handed over the facility by the UN and within the last two month they were able to generate US \$92,585. The bilateral support declined in the second half year administration, from US \$19,133,760 to US \$15,767,104.

Summarized Budget Comparison

	Farmaajo Administration			Dr. Abdiweli Administration		
	Estimates	Actual	%	Estimates	Actual	%
Revenue	\$49,284,450	\$28,060,704	57%	\$49,284,450	\$26,635,116	54%
Expenditure	\$49,284,450	\$28,033,113	57%	\$49,284,450	\$26,595,262	54%

Source: MoF/CBS

3. The above is a summarized budget comparison fashion of the first and second half year total revenues and expenditures. The Farmaajo administration reflects enhanced total revenues of about 57% of the total estimates. The percentage variation is as a result of increased donor

support but decrease domestic revenue generation. As regards the expenditure the percentage variation is 57% against the estimates. However, the administration was characterized by some financial irregularities and which are detailed in the subsequent pages.

4. The Dr. Abdiweli Administration realized total revenue of 54% which was against the estimates. The revenue variation was characterized by increased domestic revenue but decreased donor support. The expenditure against the estimates was 54%. This was slightly lower than what was incurred during the first half year.
5. In spite of the above financial performances both administrations managed the budgetary provision through individualized cash withdrawals and neither of them were in compliant with the budgetary codes of accounting itemization. *Both administrations were the authors of the 2011 budget and its subsequent compliant subscription was not adhered to.*
6. Notwithstanding the above more details are to be found on the actual budget performance and recommended potentials and which are captured in subsequent pages. A conclusive performance determination would be made after perusing this budgetary investigation report. The detailed half and second year revenue and expenditure report is as analyzed below.

First Half Year Budget Review 2011

Mohamed Abdullahi (Farmaajo) Administration (January – June 2011)

Table-1: Budget for the Months of January 2011 to June 2011

REVENUE		
Domestic Revenue		
	Tax Revenue	\$13,489,450
	Non-Tax Revenue	1,465,000
	Total Domestic Revenue	\$14,954,450
Donor Fund		
	Bilateral Assistance	\$25,000,000
	Multilateral Assistance	9,330,000
	Total Donor Fund	\$34,330,000
	Total Revenue	\$49,284,450
EXPENDITURE		
Recurrent Expenditure		
	Administration & General Services	\$28,097,500
	Economic Services	2,031,500
	Social Services	1,315,000
	Contingency	1,840,450
	Total Recurrent Expenditure	\$33,284,450
Capital Expenditure		
	Administration & General Services	\$2,882,750
	Economic Services	6,894,040
	Social Services	6,223,210
	Total Capital Expenditure	\$16,000,000
	Total Expenditure	\$49,284,450
Surplus/Deficit		-

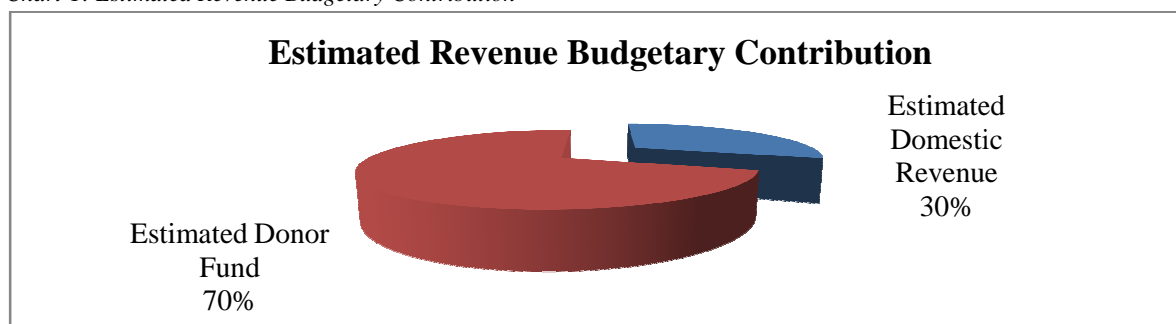
Source: MoF/CBS

Revenue Review

Mohamed Abdullahi Farmaajo Administration (January 2011 – June 2011)

7. The half year budget review is for both the revenue collection and the corresponding expenditure for the fiscal year of 2011. The review is intended to give a critical government budget evaluation performance. In spite of the critical discrepancy evaluations on the two previous budgetary reports, the Farmaajo Administration just like his predecessor, failed to improve the domestic revenue collections. The country has some potential domains of revenue collection and which are detailed in the subsequent pages. As also would be noted the administration was not transparent with the donor support receipts nor did it improve the external support amounts. This is better illustrated by chart-1.

Chart-1: Estimated Revenue Budgetary Contribution



Source: MoF

Revenue Analysis

Domestic Revenue

8. According to extracts from the TFG's estimate budgetary records, we were able to ascertain the following financial statistics as shown in figure-1.

Figure – 1: Streams of Revenue Generation

Tax Type	Estimates	Actual	Variance	%
1. Domestic Revenue				
▪ Tax Revenue	\$13,489,450	-	\$13,489,450	(100%)
▪ Non-Tax Revenue	1,465,000	12,284,327	(10,819,327)	(738%)
Total Domestic Revenue	\$14,954,450	\$12,284,327	\$2,670,123	18%
2. Donor Funded				
▪ Bilateral Assistance	\$25,000,000	\$19,133,760	\$5,866,240	23%
▪ Multilateral Assistance	9,330,000	-	\$9,330,000	100%
Total Donor Funded	\$34,330,000	\$19,133,760	\$15,196,240	44%
Grand Total Receipts	\$49,284,450	\$31,418,087	\$17,866,363	36%

Source: MoF/CBS

9. The domestic estimates were factored on two accounts of revenues and which are, tax-revenue (US \$13,489,450) and non-tax revenue of (US \$1,465,000). The total half year domestic revenue estimates are US \$14,954,450. However, the actual domestic revenue realized for the period was US \$12,284,327, and which leaves a deficit of 18% (US \$2,670,123). The deficit was a result of the government's inability to collect any of the tax revenues [estimates] it had factored into the budget. The composition of the tax-revenue clusters are:

- i. *Tax on Income, Profit, and Capital Gain;*
- ii. *Excise Tax;*
- iii. *Sales Tax, Profit Tax from Business (non-corporate);*
- iv. *Stamp Sales and Duty; and*
- v. *Foreign Trade Taxes and Duties.*

10. The tax revenue clusters did not generate any income despite the budget over-estimation by the ministry of finance. The ministry had factored budgetary revenue of US \$13,489,450 and whose realization amounted to nil. To the contrary non-tax revenue and whose budgetary provision was relatively lower (US \$1,465,000) than that of the foregoing (US \$13,489,450)

realized receipts of US \$12,284,327.

The over revenue collection from the cluster is US \$10,819,327 (US \$1,465,000 – US \$12,284,327). The

Month	Mogadishu Port	Aden Adde Airport	Civil Aviation Authority	Other Revenue (Appropriation in Aide)	Total
January	\$1,405,083	\$74,227	-	\$10,229	\$1,489,539
February	1,006,589	61,540	-	8,152	1,076,281
March	1,318,450	98,589	-	81,495	1,498,534
April	1,565,176	97,726	-	133,880	1,796,782
May	1,425,423	3,691,519	-	56,868	5,173,810
June	1,338,736	201,269	-	51,993	1,591,998
Total	\$8,059,457	\$4,224,870	-	\$342,617	\$12,626,944

figure inside shows

the various sources of revenue generation, amount per month, and amount which was not budgeted but collected (appropriation in aide). The sources of US \$12,284,327 are from Mogadishu Port, the Aden Adde International Airport (US \$8,059,457 and US \$4,224,870) respectively. It is inconceivable how the ministry failed to consider the substantial revenues realizable from the sources. The under-estimation raises a financial red flag. Was the under factoring deliberate or not, and whichever way the ministry of finance must clarify. Part of the US \$4,224,870 and amounting to US \$3,600,000 was confiscated money belonging to the piracy that deposited into the CBS, and further penalty fees of US \$100,000 (US \$3,700,000). The actual amount the Aden Adde International Airport collected is therefore, US \$524,870. The piracy money was supported by the banking slip evidence however contradicted by its non omission in the Central Bank's monthly financial reconciliation. Evidence as to how the money was spent is unknown. The President, Prime Minister, Minister of Finance, Governor of Central Bank and the Police Commissioner should be interrogated on the cash transaction against the available hard copy receipt (24/5/2011 - Qaab1 X/S 7197).

11. There were no statistical receipt records to account for the non-tax revenue generated from the Airport taxes, landing fees, parking fees, over flight fees, port fees and charges including wharfage charges and fees. The lump sum over collection of US \$12,284,327 was therefore not all supported by documentary evidence. For example, airport fees should have been

quantified with the number of flights landing and taking off, port fees by the statistical data of docking and off docking ships rates and chargeable rates.

12. In spite of the non-tax revenue over collection, an appropriation in aide of US \$247,554 as shown in figure-2 was collected by some ministries and its corresponding expenditure was not accounted for. *For more details see the Potential Appropriation in Aide.*
13. Additional sum of US \$95,063 was registered by the CBS but with scanty details of their sources and expenditures. For example, US \$75,000 was a lump sum credit entry on 9/3/2011 but no details were shown as to its source of income. On 26/2/2011, 6/4/2011 and 10/4/2011, three entries of \$2,716, \$8,429, and \$8,300 were credited into the CBS account and were subsequently withdrawn and the reversal entry does not contain any details (contra entries). On the 11/4/2011, 11/5/2011, and 8/6/2011 the CBS recovered from their employees tax pay as you earn (PAYE) of \$205.5, \$208, and \$204 respectively. However, details of the other three months (January, February and March) are not reflected. The total revenues (other revenues) which the MoF/CBS did not factor into the actual revenue receipts are therefore US \$342,617. The rest of the government institutions and the private sector did not recover any payroll employees' tax for the entire six month of Farmaajo Administration.
14. The total revenue generated for the half year and which is inclusive of the appropriation in aide is US \$12,626,944.
15. The estimates factored for the tax revenue were somehow within the potential realization however, nothing was collected. The Ministry of Finance should give a full accounting disclosure of all the revenues collected and with the relevant documentary proof. In the absence of this more or lower revenue could have been generated and thereby affecting the economic planning of the Transitional Federal Government.
16. The actual revenue collection performance was 82% and which occasions a deficit of 18%. The performance was however, distorted in terms of revenue source of receipts and the respective amount. Indeed, the performance was accidental when compared with the ministry's factored estimates. For example, the piracy money amount of US \$3,700,000 was not factored into the budget estimates nor was the surplus of US \$10,819,327 expected. Was the revenue budget factoring intended to over-conceal or under-conceal the provisions and thereby masking the financial reality from the public and donor community?
17. The above budgetary irregularities unearthed by the investigative team have further confirmed by the independent routine inspection report of the police force. It is inconceivable how the police routine financial inspections would capture revenues and which are totally omitted from the budgetary provisions by the Ministry of Finance and the Central Bank. The figure below reflects the independent routine inspections amounts by the police force.

Figure-2: Routine Police Investigation

Institutions	January	February	March	April	May	June	Total
Mogadishu Port	\$1,554,303	\$963,728	\$1,277,302	\$1,545,553	\$1,440,699	\$1,326,506	\$8,108,091
Aden Adde Airport	\$44,260	\$40,252	\$52,015	\$51,363	\$56,230	\$58,683	302,803
Civil Aviation	-	-	-	-	-	-	-
Km.50 Airstrip	\$3,586	\$3,529	\$5,301	\$9,633	\$3,591	\$4,845	\$30,485
Other Revenues	-	-	-	-	-	-	-
Total	\$1,602,149	\$1,007,509	\$1,334,618	\$1,606,549	\$1,500,520	\$1,390,034	\$8,441,379

Figure-3: MoF/CBS Actual Revenue Receipt

Institutions	January	February	March	April	May	June	Total
Mogadishu Port	\$1,405,083	\$1,006,589	\$1,318,450	\$1,565,176	\$1,425,423	\$1,338,736	\$8,059,457
Aden Adde Airport	\$74,227	\$61,540	\$98,589	\$97,726	\$3,691,519	\$201,269	\$4,224,870
Civil Aviation	-	-	-	-	-	-	-
Km.50 Airstrip	-	-	-	-	-	-	-
Other Revenues	\$10,229	\$8,152	\$81,495	\$133,880	\$56,868	\$51,993	\$342,617
Total	\$1,489,539	\$1,076,281	\$1,498,534	\$1,796,782	\$5,173,810	\$1,591,998	\$12,626,944

18. The sources for the revenue provisions are from two sources of the TFG. The sources are from the *routine police investigation and actual revenue receipts registered by both the Ministry of Finance and Central Bank*. Conventional standards demands harmonized budgetary balancing from the two sources, and if not, with minimum deviations. From the onset, it appears the TFG records of financial management are far from being perfect, and as such resulting into unbalanced annual budgets. The scenario trend requires an urgent reconciliation and reversion into credible budget preparation. The discrepancy amount involved in the first half year is of material attention.
19. However, significant to highlight is the police reconciled a revenue provision of US \$30,485 from KM.50 Airstrip while the Ministry of Finance and Central Bank registered none. The total revenue for the first half year registered from the police investigation amounts to US \$8,441,379 while that of the Ministry of Finance and the Central Bank was US \$12,626,944. The revenue omissions and under collection between the two sources should be placed before the MoF for further reconciliation and thereby determining who would be held accountable for the deficit.
20. Notwithstanding the a foregoing, the country has some adequate revenue generating capacity. The Farmaajo administration has been getting constant advice by the Head of Public Finance Management Unit on the potential revenue generating areas; however, the administration appeared reluctant in implementing the advice given. *It also is financially fascinating that revenue releases were all on individualized cash withdrawals*. More details of the domestic revenue generation discrepancies are to be found on the potential revenue budget contrast.

Donor Support (Bilateral and Multilateral Assistance)

21. Donor contribution registered by the Ministry of Finance was US \$19,133,760 and whose source was from bilateral assistance (UAE). In spite of the bilateral assistance realized being less than what was provided in the estimates (US \$25,000,000), there were no any revenue receipts from the multilateral assistance (US \$9,330,000). The latter is co-managed by the UNDP and its non remittance is questionable in view of their public standing integrity.
22. The bilateral support is in deficit of 23% (US \$5,866,240). The total actual donor disbursements deficit from the estimates provisions is about 44%. The donor funding deficit for the half year (January – June) estimate budget provision is therefore (US \$30,150,690) (US \$19,133,760 – US \$49,284,450) which translates into (61%). Consequently, the actual receipts registered for the period is about 39% from the total budget. More details on the donor contribution support are to be found on the potential revenue budget review.

Capital Revenue

23. The estimated capital expenditure budget is US \$16,000,000 has been not factored into the budgetary investigative report due to its anomaly treatment. The ministry of finance factored it as a capital expenditure and whose source of funding was external receipts but the same was not reflected in the revenue receipt. The anomaly has forced the budgetary investigators to isolate the same from the budget review but treat it as an independent case. However, there are no records available on the disbursements of the donor support nor is there documentary evidence on the expenditures. The budgeted amount was capital intensive in view of purchasing a wide range of Asset inventories. For example, Office of Parliament was allocated US \$2,882,750, Ministry of Health and Public Care US \$3,060,350, Ministry of Public Works US \$3,821,600 etc. The figure below details all the expenditure allocations. In view of the amount involved (US \$16,000,000) and its subsequent mysterious treatment in the budget as well as its non expenditure, it would be of necessity if the Financial Standing Committee subjected it to further documentary investigation. Note: The below figure-4 indicates the status of the capital revenue expenditures. The status of the capital revenue expenditure is also replicated in the second half year review.

Figure – 4: Clusters of Capital Expenditure

1. Office of the Parliament		\$2,882,750
a. Goods & Services	53,000	
b. Purchase of Vehicles & Other Transport	380,000	
c. Purchase of Plant, Machinery & Equipment	59,750	
d. Construction of Buildings (non-residential)	2,390,000	
2. Ministry of Water, Mineral, Energy & Petroleum		\$681,600
a. Purchase of Plant, Machinery & Equipment	281,600	
b. Capacity Building	400,000	
3. Ministry of Posts & Information		\$350,000
a. Purchase of Plant, Machinery & Equipment	200,000	
b. Capacity Building	150,000	
4. Ministry of Agriculture & Livestock		\$1,375,840
a. Purchase of Vehicles & Other Transport	330,940	
b. Purchase of Aircraft Boats	570,000	
c. Construction of Buildings (non-residential)	334,900	
d. Capacity Building	140,000	
5. Ministry of Air, Land, Posts & Marine Transport		\$215,000
a. Purchase of Plant, Machinery & Equipment	100,000	
b. Capacity Building	115,000	
6. Ministry of Public Works and Reconstruction		\$3,821,600
a. Purchase of Vehicles & Transport	683,100	
b. Construction of Buildings (non-residential)	3,135,000	
7. Ministry of Fishery & Environment		\$450,000
a. Purchase of Plant, Machinery & Equipment	250,000	
b. Capacity Building	200,000	
8. Ministry of Education & Higher Education		\$1,742,000
a. Purchase of Vehicles & Other Transport	117,000	
b. Construction of Buildings (non-residential)	1,000,000	
c. Capacity Building	625,000	
9. Ministry of Health & Public Care		\$3,060,350
a. Purchase of Plant, Machinery & Equipment	535,920	
b. Construction of Buildings (non-residential)	2,000,000	
c. Capacity Building	524,430	
10. Ministry of Social Affairs, Labour & Sport		\$1,420,860
a. Construction of Buildings (non-residential)	1,000,000	
b. Capacity Building	420,860	
Total		\$16,000,000

Source: MoF

Summary Revenue Surplus/Deficit (Domestic and Donor)

24. According to the figure-1 the TFG under collected the estimated revenue budget by US \$17,866,363 (US \$31,418,087 – US \$49,284,450). This translates into budgetary revenue funding receipts of about 64% performance and a deficit of 36%.
25. The above interpretation was reviewed within the context of the TFG's budget. However, the budgetary review discrepancy analysis is to be found in the potential revenue budget review.

Expenditure Review

Mohamed Abdullahi Farmaajo Administration (January 2011 – June 2011)

26. The TFG's expenditure budget is inclusive of:

- a. Government recurrent expenditures (personnel, goods and services);*
- b. Capital expenditure (fixed assets, capacity building, and construction).*

27. The above respective allocations were however, not in conformity with the budgetary revenue expenditure disbursements for the period under review. Records available reflect expenditure allocation and which are outside the budgetary estimates provision. For example, all the expenditures are lumped up in spite of their respective budgetary items of accounting codes. In view of this it was difficult to ascertain the actual expenditure incurred (US \$28,033,113) on personnel (salary/ allowance), goods and services (utilities, office supplies, foods, rent and traveling), fixed assets (purchase of vehicles, plant, machinery equipment and buildings), constructions (construction of buildings, roads), capacity building (training), other payments (transfer payments, contribution to local agencies), and contingency.
28. The overall expenditure appears not to be commensurate with the prevailing government structural capacities. Most of the government institutions do not have all the departmental working structures in place, save for a few technical, clerical and auxiliaries staffs. There is a need to harmonize the ministries number of civil servants with the records held by the National Civil Service Commission. The same would assist in establishing the monthly and yearly payroll amount. The fact remains that all government institutions have no permanent records of the Assets inventory, the respective payrolls are not consistent with approved structures and numbers by the National Civil Service Commission and nor are the operational workplan available as to determining the costs involved.
29. The TFG has not instituted nor does it enforce the integrity institutions (AGO, OAG) in undertaking comprehensive and transparent financial management systems. As a result, there has been an irregular mode of payment within the government structures. A case in point is the withdrawal of US \$20,810,775 by known individuals and whose expenditure is questionable. Records available indicates the names of the individuals however, their expenditure accountability could only be verified through interrogation. This requires an investigation towards establishing the actual beneficiaries of the withdrawal.

Expenditure Analysis

30. The expenditure for the half-year is US \$28,033,113. This is against the estimates expenditure provision of US \$49,284,450. The difference between the two is an under expenditure of US \$21,251,337. However, there are some offices which overspend their estimates provision by over hundred percent such as Office of the President, Office of the Prime Minister, Ministry of Defense and Ministry of Finance. The financial discrepancies arising from the half year expenditure are as reflected in figure – 5 below.

Figure – 5: Expenditure

Expenditure	Estimates	Actual	Variance	%
1. Recurrent Expenditure				
<i>Administration & General Services</i>	\$28,097,500	\$23,646,838	(4,450,662)	16%
<i>Economic Services</i>	2,031,500	1,295,673	(735,827)	36%
<i>Social Services</i>	1,315,000	479,914	(835,086)	64%
<i>Contingency</i>	1,840,450	-	(1,840,450)	100%
Total Recurrent Expenditure	\$33,284,450	\$25,422,425	(\$7,862,025)	24%
2. Capital Expenditure				
<i>Administration & General Services</i>	\$2,882,750	-	\$2,882,750	100%
<i>Economic Services</i>	6,894,040	-	6,894,040	100%
<i>Social Services</i>	6,223,210	-	6,223,210	100%
Total Capital Expenditure	\$16,000,000	-	\$16,000,000	100%
3. Other Expenditures				
<i>Local Government Expenditure</i>	-	1,203,311	1,203,311	100%
<i>Private Companies Expenditure</i>	-	653,291	653,291	100%
<i>Central Bank</i>	-	\$754,087	\$754,087	100%
Total Other Expenditure	-	\$2,610,689	\$2,610,689	100%
Half-Year Grand Total Budget Expenditure	\$49,284,450	\$28,033,113	(\$21,251,337)	43%

Source: MoF/CBS

Recurrent Expenditure

Administration, Economic, Social Services Clusters and Mode of Disbursements

31. *The Administration and General Cluster* covers accounting code 100-125 and whose expenditure for the period under review is US \$23,646,838. The difference between the latter and the budgeted estimates is under expenditure of US \$4,450,662 (US \$23,646,838 – US \$28,097,500) and which translates into 16% deficit. The mode of disbursements is as reflected below figure - 6, 7, 8, and 9.

Figure -6: Administration and General Services and Mode of Disbursement

	Administration and General Services Cluster			
			Mode of Transaction	
Months	Estimates	Total Actual Expenditure	Individual Cash Withdrawals	Purported Official Cash Payments
January		\$1,873,955	\$1,267,155	\$606,800
February		2,122,557	1,719,485	403,072
March		4,575,927	3,341,617	1,234,310
April		4,524,442	3,887,017	637,425
May		5,078,865	4,441,704	637,161
June		5,471,092	4,378,210	1,092,882
Grand-total	\$28,097,500	\$23,646,838	\$19,035,188	\$4,611,650

Source: MoF/CBS

32. The expenditure spread was between two items, *individual cash withdrawals* and some *purported official cash (stipend) payment*. The individual withdrawals amounted to US \$19,035,188 while the purported official cash payments were only US \$4,611,650. As regards individual withdrawals, their respective expenditure documentary evidence analysis was not availed for further scrutiny. However, the scanty available documents reflected some substantial amounts of cash individual withdraws and on regularized repeats (daily, weekly, monthly) and without any breakdown. The purported official cash payment of US \$4,611,650 was also through individual withdrawals; however, the scanty available documents supported it as stipends payments. The payroll should be availed for its confirmation.
33. *The Economic Service Cluster* estimates budget is US \$2,031,500, and which is against an actual expenditure of US \$1,295,673. The deficit arising therefrom is US \$735,827 and which translates into 36%.

Figure – 7: Economic Services and Mode of Disbursement

	Economic Services Cluster			
			Mode of Transaction	
Months	Estimates	Total Actual Expenditure	Individual Cash Withdrawals	Purported Official Cash Payments
January		\$44,423	\$44,423	-
February		176,427	176,427	-
March		185,162	185,162	-
April		290,996	290,996	-
May		380,729	380,729	-
June		217,936	217,936	-
Total	\$2,031,500	\$1,295,673	\$1,295,673	-

Source: MoF/CBS

34. *The Social Service Cluster estimates budget is US \$1,315,000 and which is against an actual expenditure of US \$479,914. The deficit arising therefrom is 64%.*

Figure – 8: Social Service and Mode of Disbursement

Social Services Cluster				
Months	Estimates	Total Actual Expenditure	Individual Cash Withdrawals	Purported Official Cash Payments
January		\$5,000	\$5,000	-
February		45,481	45,481	-
March		127,250	127,250	-
April		86,298	86,298	-
May		102,590	102,590	-
June		113,295	113,295	-
Total	\$1,315,000	\$479,914	\$479,914	-

Source: MoF/CBS

35. The mode of disbursements for the above economic and social clusters on figure – 7 and 8 were also characterized by individual cash withdrawals and the respective expenditures are yet to be confirmed. The documents available did not contain the actual expenditure analysis. The two clusters contain ministries that are charged with the development programs of the country, and whose nature of budgetary provision is capital intensive. The expenditure requires a long process of scrutiny and the payments which are in substantial in nature are normally through check payments. Consequently, this does not require the mode of cash payments but third party check payments.
36. The overall the individual cash withdrawals is about 82%, while the purported official cash payment was 18%. The expenditures of economic and social clusters were all a hundred percent cash payment (100%). *This is not conventional with the standards of managing government budgets as a result requires Parliament and Donors attention for change.*
37. Figure - 9 below reflects cash withdrawals amounting to US \$28,033,113 and whose source of Authorization was not identified, but the individual names are on records.

Figure – 9: Summarized Clusters and Mode of Disbursements

Clusters	Actual Amount	Mode of Withdrawal	Individual Withdrawal	Authority Source
Administration & General Services	\$23,646,838	Cash	Known	Unknown
Economic Service	\$1,295,673	Cash	Known	Unknown
Social Services	\$479,914	Cash	Known	Unknown
Contingency	-	-	-	-
Benadir Administration	\$1,203,311	Cash	Known	Unknown
Central Bank	\$754,087	Cash	Known	Unknown
Private Companies	\$653,291	Cash	Known	Unknown
Total	\$28,033,113	\$28,033,113		

Source: MoF/CBS

38. The detailed individual and purported cash withdrawals are as reflected in table – 2, and in respect of each line ministries and institutions.

Other Expenditure

39. Other expenditures and which were not factored into the estimates budget amounts to US \$2,610,689. In spite of their non-factoring the investigation team has regularized their expenditure into the budget. They consist of local government (US \$1,203,311), Central bank (US \$754,087), and private companies (US \$653,291). The expenditure provision for the local government was 15% commission from the Port of Mogadishu. The breakdown expenditure was not available to ascertain the amount. As regard to Central Bank US \$754,087 was the 2% chargeable commission from all the government banking deposits and its breakdown was not available.
40. The private companies involved were air telecommunication, motor vehicle, hotel accommodation, and air travel but details of invoices were not available to quantify their respective amounts. Figure-10 below details their monthly analysis.


Figure – 10: Private Sector

Companies	January	February	March	April	May	June	Total
Air Africa – Airline	\$47,171	\$35,819	\$70,097	\$26,205	-	-	\$179,292
Juba Air - Airline	24,761	5,451	7,769	21,439	-	-	59,420
Hormud - Telecom	4,783	1,496	2,371	-	-	-	8,650
Nation Link – Telecom	3,841	5,775	3,322	-	-	-	12,938
Nasahablod - 2 Hotel	1,500	1,940	1,008	-	-	-	4,448
Sahafi Hotel	-	11,446	75,660	9,894	-	75,587	172,587
Benadir Company	-	1,120	-	-	-	-	1,120
Nur Ali Bupal – Motor Vehicle Company	-	34,532	20,855	84,196	-	-	139,583
Galwayn Company	-	75,253	-	-	-	-	75,253
Total	\$82,056	\$172,832	\$181,082	\$141,734	-	\$75,587	\$653,291

Source: MoF/CBS

41. The below figure-11 is a summarized fashion between the estimates and the respective cluster expenditures. The net effect is an under expenditure of US \$5,251,337 and which translates into 16% under funding for the period under review.

Figure -11: Summarized over/under-expenditures

Clusters	Estimates	Actual Expenditure	Variation	
			Over-Expenditure	Under-Expenditure
Administration & General Services	\$28,097,500	\$23,646,838		
Economic Services	\$2,031,500	\$1,295,673		
Social Services	\$1,315,000	\$479,914		
Contingency	\$1,840,450	-		
Local Government	-	\$1,203,311		
Central Bank	-	\$754,087		
Private Companies	-	\$653,291		
Total	\$33,284,450	\$28,033,113		\$5,251,337

Source: MoF/CBS

42. The expenditure percentage variations on the individual cash withdrawals, purported official cash against the estimates clusters are summarized in the below figure-12. From the figure - 12 the individual cash payments against the estimates is 70% while the purported official payment is 14%. This is a financial breach of management and which the Parliament and the donors should readdress with urgency.

Figure-12: Budget Estimates and Disbursements Percentages

Clusters	Estimates	Individuals	Purported Official Cash Payments	Total	%	
					Individuals	Official
Administration & General Services	\$28,097,500	\$19,035,188	\$4,611,650	\$23,646,838	68%	16%
Economic Services	2,031,500	1,295,673	-	1,295,673	64%	-
Social Services	1,315,000	479,914	-	479,914	36%	-
Contingency	1,840,450	-	-	-	100%	-
Other Expenditures	-	\$2,610,688	-	2,610,688	100%	-
Total	\$33,284,450	\$23,421,463	\$4,611,650	\$28,033,113	70%	14%

Source: MoF/CBS

43. In spite of the overall under spending, more contradictions of over and under expenditure are to be found against each ministry/institutions as shown on table -3.

Table – 2: Individuals and Purported Cash Withdrawal

Administration and General Service Cluster	January			February			March			April			May			June			Total
	Total	Individual	Official	Total	Individual	Official	Total	Individual	Official	Total	Individual	Official	Total	Individual	Official	Total	Individual	Official	
Office of the President	\$ 383,167	\$ 383,167	-	\$ 234,276	\$ 234,276	-	\$ 562,564	\$ 562,564	-	\$ 175,421	\$ 175,421	-	\$ 777,802	\$ 777,802	-	\$ 672,041	\$ 672,041	-	\$ 2,805,271
Office of the Speaker	\$ -	-	-	\$ 67,675	-	67,675	\$ 24,850	-	24,850	\$ 61,225	24,850	36,375	\$ 61,849	61,849	-	\$ 61,188	61,188	-	\$ 276,787
Members of Parliament	\$ 484,350	32,550	451,800	\$ 107,947	104,347	3,600	\$ 1,069,008	156,894	912,114	\$ 159,641	159,641	-	\$ 601,905	140,514	461,391	\$ 1,100,727	177,945	922,782	\$ 3,523,578
Office of the Prime Minister	\$ 26,570	26,570	-	\$ 140,141	15,474	124,667	\$ 176,531	39,455	137,076	\$ 267,250	267,250	-	\$ 135,800	135,800	-	\$ 234,250	234,250	-	\$ 980,542
Ministry of Foreign Affairs	\$ -	-	-	\$ 10,847	10,847	-	\$ 43,096	43,096	-	\$ 23,636	23,636	-	\$ 20,636	20,636	-	\$ 27,936	27,936	-	\$ 126,151
Embassies	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -
Ministry of Defense	\$ 120,825	120,825	-	\$ 133,472	133,472	-	\$ 191,107	191,107	-	\$ 299,878	299,878	-	\$ 387,862	387,862	-	\$ 273,391	273,391	-	\$ 1,406,535
Armed Forces	\$ -	-	-	\$ 57,200	-	57,200	\$ -	-	-	\$ 430,950	-	430,950	\$ -	-	-	\$ -	-	-	\$ 488,150
Ministry of Interior and National Security	\$ -	-	-	\$ 26,520	26,520	-	\$ 91,366	91,366	-	\$ 152,626	152,626	-	\$ 21,672	21,672	-	\$ 61,416	61,416	-	\$ 353,600
Police Force	\$ 155,000	-	155,000	\$ 163,630	13,700	149,930	\$ 160,270	160,270	\$ 170,100	-	170,100	\$ 175,770	-	175,770	\$ 170,100	-	170,100	\$ 994,870	
Custodian Corps	\$ -	-	-	\$ 26,700	26,700	-	\$ 43,140	43,140	-	\$ 43,140	43,140	-	\$ 43,688	43,688	-	\$ 44,640	44,640	-	\$ 201,308
National Security Force	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -
Immigration Department	\$ -	-	-	\$ -	-	-	\$ 10,752	10,752	-	\$ 29,622	29,622	-	\$ 14,820	14,820	-	\$ 14,820	14,820	-	\$ 70,014
Ministry of Finance and Treasury	\$ 697,643	697,643	-	\$ 994,506	994,506	-	\$ 2,074,253	2,074,253	-	\$ 2,571,083	2,571,083	-	\$ 2,710,039	2,710,039	-	\$ 2,677,815	2,677,815	-	\$ 11,725,339
Ministry of Planning and International Co-operation	\$ 2,800	2,800	-	\$ 13,740	13,740	-	\$ 15,660	15,660	-	\$ 15,660	15,660	-	\$ 15,660	15,660	-	\$ 15,660	15,660	-	\$ 79,180
Ministry of Justice, Endowment & Religious Affairs	\$ -	-	-	\$ 20,657	20,657	-	\$ 17,657	17,657	-	\$ 21,533	21,533	-	\$ 17,653	17,653	-	\$ 24,333	24,333	-	\$ 101,833
Benadir Court	\$ 600	600	-	\$ 9,679	9,679	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ 9,820	9,820	-	\$ 20,099
Judiciary Service Committee	\$ -	-	-	\$ 9,660	9,660	-	\$ 9,619	9,619	-	\$ 9,619	9,619	-	\$ 9,619	9,619	-	\$ 5,942	5,942	-	\$ 44,459
High Court	\$ -	-	-	\$ 39,619	39,619	-	\$ 19,238	19,238	-	\$ 19,238	19,238	-	\$ 19,238	19,238	-	\$ 7,950	7,950	-	\$ 105,283
Attorney General	\$ -	-	-	\$ 9,831	9,831	-	\$ 9,831	9,831	-	\$ 5,950	5,950	-	\$ 9,836	9,836	-	\$ 5,950	5,950	-	\$ 41,398
Solicitor General	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -
Ministry of Constitution & Reconciliation	\$ 3,000	3,000	-	\$ 15,724	15,724	-	\$ 15,721	15,721	-	\$ 30,417	30,417	-	\$ 19,566	19,566	-	\$ 22,663	22,663	-	\$ 107,091
National Constitution & Federal Affairs	\$ -	-	-	\$ 9,820	9,820	-	\$ 9,820	9,820	-	\$ 7,913	7,913	-	\$ -	-	-	\$ -	-	-	\$ 27,553
National Reconciliation Commission	\$ -	-	-	\$ 9,822	9,822	-	\$ 11,793	11,793	-	\$ 3,880	3,880	-	\$ 11,793	11,793	-	\$ 11,793	11,793	-	\$ 49,081
Accountant General	\$ -	-	-	\$ 9,821	9,821	-	\$ 9,821	9,821	-	\$ 15,830	15,830	-	\$ 11,830	11,830	-	\$ 16,830	16,830	-	\$ 64,132
Auditor General	\$ -	-	-	\$ 11,270	11,270	-	\$ 9,830	9,830	-	\$ 9,830	9,830	-	\$ 11,827	11,827	-	\$ 11,827	11,827	-	\$ 54,584
Central Bank	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -	-	-	\$ -
Sub-Total	\$ 1,873,955	\$ 1,267,155	\$ 606,800	\$ 2,122,557	\$ 1,719,485	\$ 403,072	\$ 4,575,927	\$ 3,341,617	\$ 1,234,310	\$ 4,524,442	\$ 3,887,017	\$ 637,425	\$ 5,078,865	\$ 4,441,704	\$ 637,161	\$ 5,471,092	\$ 4,378,210	\$ 1,092,882	\$ 23,646,833

Economic Service																				
Ministry of Water, Mineral, Energy & Petroleum	-	-	-	15,734	15,734	-	15,734	15,734	-	17,697	17,697	-	17,697	17,697	-	21,172	21,172	-	\$ 88,034	
Ministry of Posts & Information	40,343	40,343	-	70,286	70,286	-	63,261	63,261	-	178,082	178,082	-	62,680	62,680	-	101,067	101,067	-	\$ 515,719	
Ministry of Agriculture & Livestock	1,080	1,080	-	15,665	15,665	-	15,665	15,665	-	15,665	15,665	-	19,600	19,600	-	19,600	19,600	-	\$ 87,275	
Ministry of Air, Land, Ports & Marine Transport	-	-	-	32,635	32,635	-	19,690	19,690	-	21,670	21,670	-	21,670	21,670	-	24,206	24,206	-	\$ 119,871	
Civil Aviation Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ -	
Port Agency	-	-	-	-	-	-	17,000	17,000	-	-	-	-	200,000	200,000	-	-	-	-	\$ 217,000	
Shipping Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ -	
Ministry of Public Work & Reconstruction	3,000	3,000	-	18,662	18,662	-	15,662	15,662	-	28,462	28,462	-	24,812	24,812	-	17,621	17,621	-	\$ 108,219	
Ministry of Fishery & Environment	-	-	-	18,595	18,595	-	18,596	18,596	-	13,746	13,746	-	18,596	18,596	-	18,596	18,596	-	\$ 88,129	
Ministry of Industry & Commerce	-	-	-	4,850	4,850	-	19,554	19,554	-	15,674	15,674	-	15,674	15,674	-	15,674	15,674	-	\$ 71,426	
Sub-Total	\$ 44,423	\$ 44,423	\$ -	\$ 176,427	\$ 176,427	\$ -	\$ 185,162	\$ 185,162	\$ -	\$ 290,996	\$ 290,996	\$ -	\$ 380,729	\$ 380,729	\$ -	\$ 217,936	\$ 217,936	\$ -	\$ 1,295,677	
Social Services																				
Ministry of Education & Higher Education	2,000	2,000	-	4,850	4,850	-	35,348	35,348	-	17,644	17,644	-	27,904	27,904	-	27,645	27,645	-	\$ 115,391	
Ministry of Health & Public Care	-	-	-	4,850	4,850	-	26,402	26,402	-	18,895	18,895	-	18,895	18,895	-	18,895	18,895	-	\$ 87,937	
Ministry of Social Affairs, Labour & Sport	-	-	-	21,109	21,109	-	21,109	21,109	-	23,053	23,053	-	29,485	29,485	-	29,490	29,490	-	\$ 124,246	
National Civil Service Commission	-	-	-	9,822	9,822	-	9,821	9,821	-	9,822	9,822	-	9,822	9,822	-	3,880	3,880	-	\$ 43,167	
Ministry of Women & Family Affairs	3,000	3,000	-	4,850	4,850	-	34,570	34,570	-	16,884	16,884	-	16,484	16,484	-	33,385	33,385	-	\$ 109,173	
Sub-Total	\$ 5,000	\$ 5,000	\$ -	\$ 45,481	\$ 45,481	\$ -	\$ 127,250	\$ 127,250	\$ -	\$ 86,298	\$ 86,298	\$ -	\$ 102,590	\$ 102,590	\$ -	\$ 113,295	\$ 113,295	\$ -	\$ 479,913	
Contingency																				
Grand Total	\$ 1,923,378	\$ 1,316,578	\$ 606,800	\$ 2,344,465	\$ 1,941,393	\$ 403,072	\$4,888,339	\$3,654,029	\$ 1,234,310	\$ 4,901,736	\$ 4,264,311	\$ 637,425	\$ 5,562,184	\$ 4,925,023	\$ 637,161	\$ 5,802,323	\$ 4,709,441	\$ 1,092,882	\$ 25,422,427	

Table - 3: Summary of Budget Allocation and Expenditure

Revenue	2011													
	Code	Recurrent Budget		Capital Budget			Expenditure					Revenue Receipts		
	100	Domestic Revenue	External Assistance	Domestic Revenue	External Assistance	Total	Personnel Services	Goods & Services	Fixed Assets	Capacity Building	Construction	Allocation	Expenditure	Variation
Administrative & General		\$ 14,954,450	\$ 18,330,000		\$ 16,000,000		-							
Office of the Presidency	111	678,000	-	-		678,000	160,000	518,000	-	-	-	678,000	2,805,271	(2,127,271)
Office of the Parliament	112-01	450,000	-	-	2,882,750	3,332,750	150,000	300,000	-	-	-	3,332,750	276,787	3,055,963
Members of Parliament (Allowance)	112-02	1,980,000	1,980,000	-	-	3,960,000	1,980,000	-	-	-	-	3,960,000	3,523,577	436,423
Office the Prime Minister	113	420,000	-	-	-	420,000	130,000	290,000	-	-	-	420,000	980,542	(560,542)
Ministry of Foreign Affairs	114-01	138,000	-	-	-	138,000	72,000	66,000	-	-	-	138,000	126,151	11,849
Embassies	114-02	900,000	-	-	-	900,000	540,000	360,000	-	-	-	900,000	-	900,000
Ministry of Defense	115-01	126,000	-	-	-	126,000	72,000	54,000	-	-	-	126,000	1,406,536	(1,280,536)
Armed Forces	115-02	1,680,000	12,432,000	-	-	14,112,000	12,432,000	1,680,000	-	-	-	14,112,000	488,150	13,623,850
Ministry of Finance & Treasury	116	438,000	-	-	-	438,000	259,000	179,000	-	-	-	438,000	11,725,340	(11,287,340)
Ministry of Interior & National Security	117-01	198,000	-	-	-	198,000	108,000	90,000	-	-	-	198,000	353,601	(155,601)
Police Force	117-02	990,000	3,300,000	-	-	4,290,000	3,300,000	990,000	-	-	-	4,290,000	994,870	3,295,130
National Security Force	117-03	90,000	480,000	-	-	570,000	480,000	90,000	-	-	-	570,000	-	570,000
Immigration Department	117-04	66,000	-	-	-	66,000	66,000	36,000	-	-	-	66,000	70,014	(4,014)
Ministry of Planning & International Cooperation	118	114,000	-	-	-	114,000	60,000	54,000	-	-	-	114,000	79,180	34,820
Ministry of Justice, Endowment & Religious	119-01	226,000	-	-	-	226,000	111,000	115,000	-	-	-	226,000	101,832	124,168
Custodian Corps	119-02	109,500	138,000	-	-	247,500	138,000	109,500	247,500	-	-	247,500	201,308	46,192
Benadir Court	119-03	84,000	-	-	-	84,000	36,000	48,000	-	-	-	84,000	20,099	63,901
Judiciary Service Committee	119-04	84,000	-	-	-	84,000	36,000	48,000	-	-	-	84,000	44,459	39,541
High Court	120	84,000	-	-	-	84,000	36,000	48,000	-	-	-	84,000	105,283	21,283
Attorney General	121	84,000	-	-	-	84,000	36,000	48,000	-	-	-	84,000	41,398	42,602
Solicitor General	122	84,000	-	-	-	84,000	36,000	48,000	-	-	-	84,000	-	84,000
Ministry of Constitution & Reconciliation	123-01	186,000	-	-	-	186,000	96,000	90,000	-	-	-	186,000	107,091	78,909
National Constitution & Fed. Affairs	123-02	192,000	-	-	-	192,000	144,000	48,000	-	-	-	192,000	27,553	164,447
National Reconciliation Commission	123-03	192,000	-	-	-	192,000	144,000	48,000	-	-	-	192,000	49,081	142,919
Accountant General	124	90,000	-	-	-	90,000	42,000	48,000	-	-	-	90,000	64,132	25,868
Auditor General	125	84,000	-	-	-	84,000	36,000	48,000	-	-	-	\$ 84,000	54,584	29,416
Sub-total		\$ 9,767,500	\$ 18,330,000	-	\$ 2,882,750	\$ 30,980,250	\$ 20,700,000	\$ 5,453,500	\$ 247,500	-	-	\$ 30,980,250	\$23,646,838	\$7,333,412

Revenue	2011													
	Code	Recurrent Budget		Capital Budget		Total	Expenditure					Revenue Receipts		
		Domestic Revenue	External Assistance	Domestic Revenue	External Assistance		Personnel Services	Goods & Services	Fixed Assets	Capacity Building	Construction	Allocation	Expenditure	Variation
Economic Services	200													
Ministry of Water, Mineral, Energy & Petroleum	211	186,000	-	-	681,600	867,600	96,000	90,000	281,600	400,000	-	867,600	88,034	779,566
Ministry of Posts & Information	212	319,000	-	-	350,000	669,000	187,500	131,500	200,000	150,000	-	669,000	515,719	153,281
Ministry of Agriculture & Livestock	213	222,000	-	-	1,375,840	1,597,840	120,000	102,000	900,940	140,000	334,900	1,597,840	87,275	1,510,565
Ministry of Air, Land, Ports & Marine Trans.	214-01	234,000	-	-	215,000	449,000	132,000	102,000	100,000	115,000	-	449,000	119,870	329,130
Civil Aviation Authority	214-02	102,500	-	-	-	102,500	54,500	48,000	-	-	-	102,500	-	102,500
Port Agency	214-03	278,000	-	-	-	278,000	203,000	75,000	-	-	-	278,000	217,000	61,000
Shipping Agency	214-04	84,000	-	-	-	84,000	36,000	48,000	-	-	-	84,000	-	84,000
Ministry of Public Work & Reconstruction	215	204,000	-	-	3,821,600	4,025,600	108,000	96,000	683,100	-	3,135,000	4,025,600	108,222	3,917,378
Ministry of Fishery & Environment	216	216,000	-	-	450,000	666,000	120,000	96,000	250,000	200,000	-	666,000	88,129	577,871
Ministry of Industry & Commerce	217-03	186,000	-	-	-	186,000	96,000	90,000	-	-	-	186,000	71,424	114,576
Sub-total		\$ 2,031,500	\$ 3,821,600	-	\$ 4,438,640	\$ 10,291,740	\$ 1,153,000	\$ 878,500	\$ 2,415,640	\$ 1,005,000	\$ 3,469,900	\$ 8,925,540	\$ 1,295,673	\$ 7,629,867
Social Services	300			-		-					-			
Ministry of Education & Higher Education	311	307,000	-	-	1,742,000	2,049,000	160,000	147,000	117,000	625,000	1,000,000	2,049,000	115,391	1,933,609
Ministry of Health & Public Care	312	301,000	-	-	3,060,350	3,361,350	160,000	141,000	535,920	524,430	2,000,000	3,361,350	87,937	3,273,413
Ministry of Social Affairs, Labour & Sports	313-01	398,000	-	-	1,420,860	1,818,860	207,000	191,000	-	420,860	1,000,000	1,818,860	124,247	1,694,613
Civil Service Commission	313-02	155,000	-	-	-	155,000	107,000	48,000	-	-	-	155,000	43,168	111,832
Ministry of Women and Family Affairs	314	154,000	-	-	-	154,000	75,000	79,000	-	-	-	154,000	109,172	44,828
Sub-total		\$ 1,315,000	\$ -	\$ -	\$ 6,223,210	\$ 7,538,210	\$ 709,000	\$ 606,000	\$ 652,920	\$ 1,570,290	\$ 4,000,000	\$ 7,538,210	479,914	7,058,296
Other Contingency	400	1,840,450	-	-	-	1,840,450	-	-	-	-	-	1,840,450	-	1,840,450
Sub-total		\$ 1,840,450	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL		\$ 14,954,450	\$ 22,151,600	-	\$ 13,544,600	\$ 48,810,200	\$ 22,562,000	\$ 6,938,000	\$ 3,316,060	\$ 2,575,290	\$ 7,469,900	\$ 49,284,450	\$25,422,425	\$ 23,862,025

Balance of Payments

44. The economic necessity of keeping balance of payments records is inescapable. It is the financial barometer that assists in ascertaining the economic solvency of a country, as it involves all total exports and import receipts, commercial borrowings (in domestic and external), donor support (bilateral and multilateral), all other indirect revenue receipts. Their reconciliation of the balance of payments is the mandate of the Ministry of Finance, Central Bank, Office of the Accountant and Auditor General. This assists the government and Parliament towards formulating economic development programs.
45. The TFG balance of payments consists of the governments' *domestic revenue generations and donor support (external receipts)*. The total receipts of all the revenues and the expenditures must tally with the records maintained by the central bank and the respective government's ministries and institutions. The country is not re-servicing any external commercial loans or domestic borrowings. The balance of payments for the period under review is as captured in figure – 13.
46. Figure – 13 reflects the investigated actual domestic and donor revenue receipts received by the TFG. The budgetary provisions maintained by the MoF, must tally with the records maintained by the CBS and whose details are reflected in figure - 13. The total receipts amounts to US \$31,760,704 and the same figure does not include the opening balances. The difference between the estimates and gross revenue is a deficit of US \$17,523,746 (US \$49,284,450 – US \$31,760,704). However, further reconciliations on the country's balance of payments reflect a rift of financial diversity. The CBS revenue receipts for the period under review and from both the domestic and donor front amounts to US \$26,361,270. The difference between the investigated reconciliation and the CBS is occasioning a deficit of US \$5,399,433 (US \$26,361,270 – US \$31,760,704). This confirms that the TFG lacks transparent and effective financial management and thereby being not able to maintain correct records for the balance of payments. The investigated reconciliation is financially factual as opposed to the CBS records. The difference between the two and amounting to US \$5,399,433 is reflected in the below figure 13, and which is self explanatory.

Figure – 13: Balance of Payments of Revenue Discrepancies

Date	Investigated Reconciliation	CBS Released Receipts	Difference	Remarks
January	\$2,991,239	\$2,991,239	-	Reconciled
February	3,116,281	2,313,564	802,717	Omission by CBS but recorded
March	7,459,034	6,562,318	896,717	Wrong opening balance by CBS – February
April	2,596,782	2,596,782	-	Reconciled
May	10,135,588	6,535,588	3,600,000	Receipted but omitted in CBS financial records
June	5,461,780	5,361,780	100,000	Penalty on piracy money receipted and recorded by CBS
Total	\$31,760,704	\$26,361,270	\$5,399,433	Total unaccounted receipts by CBS

Source: MoF/CBS

47. Further discrepancies on the country's balance of payments would be confirmed after the donor audit circularization report.
48. As regard the total expenditure for the period under review in respect of the country balance of payments reflects further financial discrepancies. The investigated expenditure amounts to US \$28,033,112 while the CBS records reflect a sum of US \$27,238,825. The difference arising therefrom is a sum of US \$794,287 and which the CBS did not register in their accounting books. The omission was in the month of February 2011 and which the bank did not register for the corresponding revenue receipts of US \$802,716 (see above revenue figure – 13). The details of the balance of payments expenditure discrepancies are also captured in figure – 14 below.

Figure – 14: Balance of Payment Expenditure Discrepancies

Date	Investigated Reconciliation	CBS Released Receipts	Difference
January	\$2,490,995	\$2,490,995	-
February	2,726,405	1,932,118	794,287
March	5,411,547	5,411,547	-
April	5,323,510	5,323,510	-
May	5,902,270	5,902,270	-
June	6,178,385	6,178,385	-
Total	\$28,033,112	\$27,238,825	\$794,287

Source: MoF/CBS

49. In view of the above, the country's conclusive balance of payments is not only irregular but is contradicting. This is in relationship with the investigated gross revenue receipts, expenditures and the CBS recorded accounts. The figure – 15 below reflects the banks closing balance for the month of June US \$877,555, while the records available from the same capture a sum of US \$34,185. However the investigation report closes the month of June with a balance of US \$3,727,591.

Figure – 15: CBS Closing Balance

	Revenue	Expenditure	Variations
Investigated	\$31,760,704	\$28,033,112	\$3,727,591
CBS	\$26,361,270	\$27,238,825	(\$877,555)

Investigative Remark

50. The first half year revenue investigative remarks are:

- I. The domestic revenue budget was characterize by under-collection of receipts;*
- II. The domestic revenue sources were not aligned with the actual potential amounts;*
- III. There was no documentary evidence on donor support;*
- IV. The multilateral support (co-managed by UNDP) requires further investigation;*
- V. Donor circularization confirmation was never undertaken;*
- VI. The Financial Standing Committee was never involved in the budget scrutiny management;*
- VII. The revenue withdrawals were cash individualized.*

The first half-year expenditure investigative remarks are:

- I. The overall expenditure was not within the budget itemization provisions;*
- II. Expenditure net effect was under funding;*
- III. In spite of the above some ministries over spend while others under spend;*
- IV. There was no Parliamentary approval to regularize the over and under spending;*
- V. There was no documentary evidence to confirm the expenditures;*
- VI. The expenditures were cash managed.*

51. The incurred expenditure was also lumped up by the ministry of finance and thereby making it difficult for audit vouching and in respect of the original budgetary provisions (personnel, goods/services, fixed assets, constructions and capacity building). These were the provisions (reflected in the budget estimates) and within which the expenditure was approved [rubber stamped] by the Parliament. The deviation from the budgetary provision requires and explanation from the Ministry of Finance, Office of the Accountant and the Auditor General. Was the Parliament ever consulted in the budget management?

Second Half Year Budget Review 2011

Dr. Abdiweli Mohamed Ali Administration (July – December 2011)

Table-1: Budget for the Months of July and December

REVENUE	
Domestic Revenue	
Tax Revenue	\$13,489,450
Non-Tax Revenue	1,465,000
Total Domestic Revenue	\$14,954,450
Donor Fund	
Bilateral Assistance	\$25,000,000
Multilateral Assistance	9,330,000
Total Donor Fund	\$34,330,000
Total Revenue	\$49,284,450
EXPENDITURE	
Recurrent Expenditure	
Administration & General Services	\$28,097,500
Economic Services	2,031,500
Social Services	1,315,000
Contingency	1,840,450
Total Recurrent Expenditure	\$33,284,450
Capital Expenditure	
Administration & General Services	\$2,882,750
Economic Services	6,894,040
Social Services	6,223,210
Total Capital Expenditure	\$16,000,000
Total Expenditure	\$49,284,450
Surplus/Deficit	-

Source: MoF/CBS

Revenue Review

1. The second half year budgetary provision is as reflected in table-1. This was the budget presented by the ministry of finance to the parliament for approval. The investigation report would however, not extensively cover the background introduction as that was captured in the preceding half year presentation. On the contrary, it will be with comparative budgetary performance between the two the administration (first and the second half year administration respectively - Farmaajo and Dr. Abdiweli).
2. The benchmark comparison is between the budgetary estimates provision and the actual realization performance. The statistical financial performance and the technical remarks are reflected in figure - 1.

Revenue Analysis

Dr. Abdiweli Mohamed Ali Administration (July 2011 – December 2011)

3. The revenue estimates for the second half year was US \$ 49,284,450 while the actual realization was US \$26,635,116. The occasioning deficit therefrom US \$22,649,334 (US \$26,635,116 – US \$49,284,450). The sources of the revenue

Month	Mogadishu Port	Aden Adde Airport	Civil Aviation Authority	Appropriation in Aide	Total
July	\$945,695	\$121,114	-	\$19,681	\$1,086,490
August	\$930,864	\$220,960	-	\$74,011	\$1,225,835
September	\$1,354,884	\$110,297	-	\$9,721	\$1,474,902
October	\$2,091,281	\$445,682	-	\$156,379	\$2,693,342
November	\$1,630,180	\$308,619	\$41,542	\$135,381	\$2,115,722
December	\$2,053,657	\$77,290	\$51,043	\$89,731	\$2,271,721
Total	\$9,006,561	\$1,283,962	\$92,585	\$484,904	\$10,868,012

generation were from both the domestic and the donor support. The breakdown for the domestic revenue is from the Port of Mogadishu US \$9,006,561, Aden Adde Airport US \$1,283,962, civil aviation US \$92,585, and other revenues (line ministries appropriation in aide collection) US \$484,904 and whose total amount to US \$10,868,012. The donor support was US \$15,767,104 and whose bilateral assistance provider was assumed to be the United Arab Emirates (UAE). The figure - 1 provides the summarized fashion of the revenues and percentage variations.

Figure – 1: Percentage Variation

Tax Type	Estimates	Actual	Variance	%
1. Domestic Revenue				
▪ Tax Revenue	\$13,489,450	-	\$13,489,450	100%
▪ Non-Tax Revenue	1,465,000	10,383,108	8,918,108	609%
▪ Other Revenues (Appropriation in Aid)	-	484,904	484,904	100%
Total Domestic Revenue	\$14,954,450	\$10,868,012	4,086,438	27%
2. Donor Funded				
▪ Bilateral Assistance	\$25,000,000	\$15,767,104	9,232,896	37%
▪ Multilateral Assistance	9,330,000	-	9,330,000	100%
Total Donor Funded	\$34,330,000	\$15,767,104	18,562,896	54%
Grand Total Receipts	\$49,284,450	\$26,635,116	\$22,649,334	46%

Source: MoF/CBS

4. The estimates provision from the tax revenue was not at all realized. The non tax revenue clusters realized a performance of 609% over collection. The ministry did not factor *appropriation in aid* realizable by the line ministries and whose actual performance was US \$484,904 and which translates into a 100%. However, this is within the non factoring provision. The overall domestic revenue deficit for the second half year and against the estimates provision, translates into 27 percent and 73 percent realization.

5. The revenue collection disparities are far yet to be harmonized by the ministry of finance and the central bank. The financial recurrent error stretches as far back as 2009 and as late as this second half year of 2011. This is in spite of the continuous advisory services from the public financial management unit.
6. A classic example, of the financial disparities is well captured by the police routine investigation reports and the MoF/CBS. The police investigation reports the revenue generated from KM.50 (US \$20,121) yet the ministry of finance maintains non revenue collection. It is unbelievable how the ministry maintains non revenue collection from the airstrip for this fiscal year and the yet they posted revenues in the previous years. The figure -2 and 3 reflects the comparative sources of revenue.

Figure-2: Routine Police Investigation

Institutions	July	August	September	October	November	December	Total
Mogadishu Port	\$1,079,404	\$780,956	\$1,306,371	\$2,219,230	\$1,516,826	\$1,795,327	\$8,698,114
Aden Adde Airport	59,657	59,774	68,410	191,908	60,359	62,207	502,315
Civil Aviation	-	-	-	-	-	-	-
Km.50 Airstrip	2,052	1,254	1,938	7,524	4,845	2,508	20,121
Other Revenues	-	-	-	-	-	-	-
Total	\$1,141,113	\$841,984	\$1,376,719	\$2,418,662	\$1,582,030	\$1,860,042	\$9,220,550

Source: MoF/CBS/Police Record

Figure-3: MoF/CBS Actual Revenue Receipt

Institutions	July	August	September	October	November	December	Total
Mogadishu Port	\$945,695	\$930,864	\$1,354,884	\$2,091,281	\$1,630,180	\$2,053,657	\$9,006,561
Aden Adde Airport	121,114	220,960	110,297	445,682	308,619	77,290	1,283,962
Civil Aviation	-	-	-	-	41,542	51,043	92,585
Km.50 Airstrip	-	-	-	-	-	-	-
Other Revenues	19,681	74,011	9,721	156,379	135,381	89,731	484,904
Total	\$1,086,490	\$1,225,835	\$1,474,902	\$2,693,342	\$2,115,722	\$2,271,721	\$10,868,012

Source: MoF/CBS/Police Record

7. The total revenue for the second half year registered from the police investigation amounts to US \$9,220,550 while that of the ministry of finance and the CBS was US \$10,868,012. The revenue omissions and under collection between the two sources should be placed before the MoF for further reconciliation and thereby determining who would be accountable for the deficit.

Donor Support

Bilateral and Multilateral

8. The donor support and as reflected the figure -1 above was characterized by budgetary under performance. The estimates provision for the bilateral assistance was US \$25,000,000 but the actual realized receipts were US \$15,767,104. This is occasioning a donor budgetary deficit of about 37%. The factored multilateral assistance provision was US \$9,330,000 and whose actual receipts of disbursements were not realized. The non multilateral receipt realization translates into a revenue deficit of about 100%. This is in spite of the UNDP donor assistance program and whose integrity of commitment is beyond reproach. Consequently, the Ministry of Finance should explain the underlying circumstances of the non fund recipient; otherwise donor circularization confirmation would be of necessity. The overall donor support is a revenue deficit of about 54%.

Capital revenue

9. The status of the capital revenue expenditure is a replica of the first half year review.

Summary revenue Surplus/deficit (Domestic and donor)

52. According to the figure-1 the TFG under collected the estimated revenue budget by US \$22,649,334 (US \$26,635,116 – US \$49,284,450). This translates into budgetary revenue funding receipts of about 54% performance and a deficit of 46%.
53. The above interpretation was reviewed within the context of the TFG's budget. However, the budgetary review discrepancy analysis is to be found in the potential budget review.

Expenditure Review

Abdiweli Mohamed Ali Administration (July 2011 – December 2011)

10. The TFG expenditures are not in conformity with the estimates budget allocations. This trend was also characteristic of the first half year review. It cuts across all the line ministries, integrity institutions and constitutional commission bodies. The trend affects the reconciliation interrelationship of the budgeted and incurred expenditures. It would be difficult to isolate the expenditures in terms of their clusters of provision. For example, it would be difficult to know how much was spent on personnel, goods and services, capacity building, and Assets inventory from the consolidated expenditures. Consequently the second half year expenditure and of US \$26,595,261 was also not in compliance with the estimates accounting codes of budget allocations.

Expenditure Analysis

11. The expenditure for the second half-year is US \$26,595,262. The expenditure is against the estimates provision of US \$49,284,450. The difference between the two is an under expenditure of US \$22,689,188. The breakdown of the expenditure analysis is as shown in figure - 4.

Figure – 4: Monthly Breakdown Analysis

Period	Administration & General Services	Economic Services	Social Services	Local Administration	Private Sector	CBS Commission	Disaster Preparedness	Total
July	\$5,266,724	\$218,265	\$109,537	\$141,512	\$97,633	\$120,507	\$105,000	\$6,059,178
August	3,744,558	198,377	94,415	142,908	61,566	80,884	-	4,322,707
September	4,731,291	206,690	104,780	202,942	244,035	111,764	60,000	5,661,502
October	2,492,534	118,705	62,356	312,564	65,216	50,226	-	3,101,601
November	1,471,311	111,302	38,938	243,800	49,056	37,486	-	1,951,893
December	4,571,585	341,887	180,955	240,270	61,190	102,494	-	5,498,380
Total	\$22,278,003	\$1,195,227	\$590,981	\$1,283,996	\$578,695	\$503,361	\$165,000	\$26,595,262

Source: MoF/CBS

12. The financial discrepancies arising from the second half year expenditure are as reflected in figure – 5. The overall, expenditure against the estimate provision is US \$26,595,262. This is an under expenditure and whose breakdown is constituted by three main clusters, and which are recurrent, capital and others.

Administration and General Services, Economic and Social Clusters

13. The total recurrent expenditure cluster for the period under review is US \$24,064,210 and whose estimate provision was US \$33,284,450. The recurrent expenditure was 72% performance of the estimate provision and a deficit of 28%. However, there exist variations amongst the respective cluster items. For example, the correlation between the expenditure

of administration and general and the estimates is 79%, economic services was 59%, social services was 45% and contingency a 100%. At face value the investigation concluded that the expenditures within a foregoing were relatively representative of the budget. However, documentary proof of the expenditures and various stages of development programs would be the final conclusive opinion. Meaning, payroll vouching, travel expenses, fuelling costs, construction progress, capacity building, purchase of fixed assets, work plans etc.

14. The overall recurrent expenditure investigation report translates into total receipts of US \$24,064,210 against an estimates provision of US \$33,284,450 and whose effect is a deficit of US \$9,220,240. This translates into an under expenditure of 28% and with a performance realization of 72%.

Figure – 5: Summarized Version of Expenditure

Expenditure	Estimates	Actual	Difference	Variation
1. Recurrent Expenditure				
<i>Administration & General Services</i>	\$28,097,500	\$22,278,003	\$5,819,497	21%
<i>Economic Services</i>	2,031,500	1,195,226	\$836,274	41%
<i>Social Services</i>	1,315,000	590,981	\$724,019	55%
<i>Contingency</i>	1,840,450	-	\$1,840,450	100%
Total Recurrent Expenditure	\$33,284,450	\$24,064,210	\$9,220,240	28%
2. Capital Expenditure				
<i>Administration & General Services</i>	\$2,882,750	-	\$2,882,750	100%
<i>Economic Services</i>	6,894,040	-	6,894,040	100%
<i>Social Services</i>	6,223,210	-	6,223,210	100%
Total Capital Expenditure	\$16,000,000	-	\$16,000,000	100%
4. Other Expenditures				
<i>Local Government Expenditure</i>	-	1,283,996	1,283,996	100%
<i>Private Companies Expenditure</i>	-	578,695	578,695	100%
<i>Central Bank</i>	-	503,361	503,361	100%
<i>Disaster Preparedness Committee</i>	-	165,000	165,000	100%
Total Other Expenditure	-	\$2,531,052	\$2,531,052	100%
Half-Year Grand Total Budget Expenditure	\$49,284,450	\$26,595,262	\$22,689,188	46%

Source: MoF/CBS

Recurrent Expenditure

Administrative, Economic, Social Services Clusters and Mode of Disbursement

15. It appears the TFG is on sustainable perfection of wrong modes of payments. This is in view of the fact that all the half first year payment were transacted on cash payments and on an individual basis and so is the second half year. It is inconceivable how third party companies could be paid a sum of US \$578,695 in cash form instead of the conventional standard of a third party cheque payment. Notwithstanding the above the TFG should be compelled to avail all the hard copy documentary evidence of the expenditures.

Figure – 6: Administration and General Service Cluster and Mode of Disbursement

Administration and General Services Cluster				
Months	Estimated	Total Amount	Individual Cash Withdrawals	Purported Official Cash Payments
July		\$5,266,724	\$4,627,785	\$638,939
August		\$3,744,558	\$3,068,954	\$675,604
September		\$4,731,291	\$4,056,912	\$674,379
October		\$2,492,534	\$2,266,764	\$225,770
November		\$1,471,311	\$1,391,311	\$80,000
December		\$4,571,585	\$3,331,155	\$1,240,430
Grand-total	\$28,097,500	\$22,278,003	\$18,742,881	\$3,535,122

Source: MoF/CBS

16. The individual cash withdraws under the Administration and General Service cluster was US \$18,742,881 while the purported official payments were US \$3,535,122. The total expenditure amounts to US \$22,278,003. As would be observed from the investigation conclusive remarks it is unbelievable how the ministry of finance and the integrity offices (OAG, AGO) allowed the mode of payment transactions to persist for the entire budget year.

Figure – 7: Economic Services and Mode of Disbursement

Economic Services Cluster				
Months	Estimated	Total Amount	Individual Cash Withdrawals	Purported Official Cash Payments
July		\$218,265	\$218,265	-
August		\$198,377	\$198,377	-
September		\$206,690	\$206,690	-
October		\$118,705	\$118,705	-
November		\$111,302	\$111,302	-
December		\$341,887	\$341,887	-
Total	\$2,031,500	\$1,195,226	\$1,195,226	-

Source: MoF/CBS

Figure – 8: Social Service and Mode of Disbursement

Months	Social Services Cluster			
	Estimated	Amount	Individual Cash Withdrawals	Purported Official Cash Payments
July		\$109,537	\$109,537	-
August		\$94,415	\$94,415	-
September		\$104,780	\$104,780	-
October		\$62,356	\$62,356	-
November		\$38,938	\$38,938	-
December		\$180,955	\$180,955	-
Total	\$1,315,000	\$590,981	\$590,981	

Source: MoF/CBS

17. The above two clusters of economic and social on figure – 7 and 8, reflects individualized cash transactions amounting to US \$1,786,207. There were no purported official payments but singular individual cash withdrawals. The withdrawals were on a regular basis and through individual repeats. The names of the individuals are on record but what are unknown were their principal Authorizing officers. The detailed breakdown expenditure analysis and for each ministries and institutions is reflected on table-2.

Other Expenditure

Figure- 9: Other Expenditures and Mode of Disbursement

Months	Private Companies	CBS	Benadir Administration	Disaster Preparedness Committee	Individual Cash Withdrawals	Purported Official Cash Payments
July	\$97,633	\$120,507	\$141,512	\$105,000	-	-
August	61,566	80,884	142,908		-	-
September	244,035	111,764	202,942	60,000	-	-
October	65,216	50,226	312,564	-	-	-
November	49,056	37,486	243,800	-	-	-
December	61,190	102,494	240,270	-	-	-
Total	\$578,695	\$503,361	\$1,283,996	\$165,000	\$2,531,052	-

Source: MoF/CBS

18. The breakdown details reflected on figure 9 are individual cash withdrawals for the period under review, and whose total amount is US \$2,531,052. It is not financially prudent to pay third party companies with cash withdraws save through cheque payments. However, this happened under the watchdog of the ministry of finance and integrity institutions. The payments were in respect of private companies and which amounted to US \$578,695. The figure - 10 below is self explanatory in respect of the payment recipients.

Figure – 10: Private Sector Payment

Companies	July	August	September	October	November	December	Total
Air Africa – Airline	-	\$55,541	\$20,627	\$36,632	\$22,280	-	\$135,080
Juba Air - Airline	19,063	6,025	22,858	28,584	15,176	41,950	133,656
Global Travelling	-	-	-	-	-	10,000	10,000
Hormud - Telecom	-	-	-	-	-	-	-
NationLink – Telecom	-	-	-	-	-	-	-
Nasahablod - 2 Hotel	-	-	10,800	-	11,600	9,240	31,640
Sahafi Hotel	68,870	-	50,000	-	-	-	118,870
Hotel Bekin	-	-	18,500	-	-	-	18,500
Benadir Company	-	-	-	-	-	-	-
Nur Ali Bubal – Motor Vehicle Company	9,700	-	121,250	-	-	-	130,950
Galwayn Company	-	-	-	-	-	-	-
Total	\$97,633	\$61,566	\$244,035	\$65,216	\$49,056	\$61,190	\$578,695

Source: MoF/CBS


Figure-11: Summarized Mode of Expenditure review

Clusters	Estimated Expenditure	Individuals	Purported Official Cash Payments	Total	% Individual Official	
Administration & General Services	\$28,097,500	\$18,742,881	\$3,535,122	\$22,278,003	67%	13%
Economic Services	\$2,031,500	\$1,195,226	-	\$1,195,226	59%	-
Social Services	\$1,315,000	\$590,981	-	\$590,981	45%	-
Contingency	\$1,840,450	-	-	-	-	-
Other Expenditures	-	\$2,531,052	-	\$2,531,052	-	-
Total	\$33,284,450	\$23,060,140	\$3,535,122	\$26,595,262	69%	11%

Source: MoF/CBS

19. The cash individual withdraws of US \$23,060,140 and the purported official payments of US \$3,535,122 amounts to US \$26,595,262. The percentage performance of the expenditure and against the budget estimates translates into 80% while the occasioning deficit is 20%. However, this should not be misconstrued as being a credible performance. On the contrary the same translates into being individualized cash withdrawals and whose expenditure demands full disclosure of accountability.
20. The full disclosure accountability is on US \$23,060,140 and which was cash withdrawn by known individuals however, with unknown Authorizing officers, and above all whose expenditure vouchers analysis were unavailable. A sum of US \$3,535,122 was purported to being official payments but the voucher analysis details were equally unavailable. Consequently, the entire expenditure should be urgently investigated.
21. The figure 12 below is a summarized fashion between the estimates and the respective cluster expenditures. The net effect is an under expenditure of US \$6,689,188 and which translates into 20% under-funding for the period under review. However, the contradictions of over and under-spending for each ministry/institutions are contained on table-3.

Figure – 12: Summarized over/under expenditures

Clusters	Estimates	Actual Expenditure	Variation	
			Over-Expenditure	Under-Expenditure
Administration & General Services	\$28,097,500	\$22,278,003		
Economic Services	\$2,031,500	\$1,195,226		
Social Services	\$1,315,000	\$590,981		
Contingency	\$1,840,450	-		
Local Government	-	\$1,283,996		
Central Bank	-	\$503,361		
Private Companies	-	\$578,695		
Disaster Preparedness Committee	-	\$165,000		
Total	\$33,284,450	\$26,595,262		\$6,689,188

Source: MoF/CBS

Balance of Payments

22. As stated in the first half year report, the intention of balancing the domestic revenue, donor support and expenditures is to strike a balanced mode of transactions and thereby ascertaining the country's financial status. The total investigated revenue of US \$26,635,116 is in agreement with the total credit registered by the CBS and of US \$26,635,116. This in effect translates into balanced revenue and for the entire half year. This is reflected in figure 13 below.

Figure - 13: Second Half Year Revenue

Date	Investigated Reconciliation	CBS Released Receipts	Variation
July	\$6,166,490	\$6,166,490	-
August	4,371,835	4,371,835	-
September	5,790,902	5,790,902	-
October	2,823,387	2,823,387	-
November	2,117,722	2,117,722	-
December	5,364,780	5,364,780	-
Total	\$26,635,116	\$26,635,116	-

Source: MoF/CBS

23. As regard the total expenditure for the second half year under review, the budgetary effect is as shown in figure 14.

Figure – 14: Second Half Year Expenditure

Date	Investigated Reconciliation	CBS Released Receipts	Variation
July	\$6,059,178	\$6,059,178	-
August	4,322,707	4,322,707	-
September	5,661,502	5,661,502	-
October	3,101,601	3,101,601	-
November	1,951,893	1,951,893	-
December	5,498,380	5,498,380	-
Total	\$26,595,262	\$26,595,262	-

Source: MoF/CBS

24. In view of the above, the country's expenditure payment is in agreement. The investigated reconciliation amounts to an expenditure of US \$26,595,262 and which is in agreement with the CBS registered amounts (US \$26,595,262).

Figure – 15: Summarized Balance of Payments

	Revenue	Expenditure	Difference
Investigated	\$26,635,116	\$26,595,262	\$39,854
CBS	\$26,635,116	\$26,595,262	\$39,854

25. Both the investigation reconciliation and the CBS are further in agreement in terms of total revenue and expenditure for the second half year. The closing balances from both (investigation and CBS) are also in tally with the closing balance of US \$39,854 (US \$26,635,116 – US \$26,595,262 – US \$34,185).

Figure – 16: Closing Balance

Closing Balance 31 st December 2011	\$74,039	
Less:		
Opening Balance 1 st July 2011	\$34,185	
Reconciliation Amount		\$39,854
2 nd half revenue	\$26,635,116	
Less: 2 nd half year expenditure	\$26,595,262	
Reconciliation Amount		\$39,854

Source: MoF/CBS

Investigative Remarks

26. The second half year is characterized by the same remarks of the first half report. However, it is now time for effective discussions and implementations of the systems recommended. The counter financial investigations should be regularized with the first months of year 2012 and be sustained throughout the year. This would be preventive financial investigation and which shall attempts to avoid non recurrences of the previous reported budgetary discrepancies. The parliament and the donor community should be very instrumental towards formalizing the preventive structures and thereby accommodating transparent and accountable management of the country's budgetary controls.

Potential Revenue Budget

Domestic Revenue

54. Notwithstanding, the budgetary inconsistencies by the Ministry of Finance, an investigation undertaken reflects a totally different financial scenario. The financial investigation reveals gross public financial mismanagement, and whose analytical review is found in the following potential revenue budgets in figure – 1, 2, 3, 4, 5 and 6.
55. Figure - 1 captures potential revenues realized from different ministries (appropriation in aid) and which the Ministry of Finance had not factored into the budget. The total appropriation in aid realized for the year is US \$827,521. This consist of first half and second half year collection of US \$342,617 and US \$484,904 respectively. The ministries have however, a larger revenue capacity if only effective and efficient infrastructures of tax collection were instituted. This unfolds in the subsequent budgetary investigation review.
56. Figure – 2 reflects line ministries and institutions which are potentially feasible with the revenue realization. Indeed, had the TFG put up efficient structures for exploitation of the revenues and either under the respective line ministries/institution or created a tax Authority regulator the amount realizable would be relatively adequate for a medium size development.

Figure - 2: Appropriation in Aide and Dividend Potential Earners

Line Ministries	Institutions	Dividend	Appropriation in Aid	Collected
	Central Bank	✓		
	High Court		✓	✓
	Local Government		✓	✓
	Attorney General		✓	
	Civil Aviation Authority		✓	✓
	District of Hamarweyne		✓	✓
Ministry of Finance	Office of the Auditor General		✓	
Ministry of Water, Mineral, Energy & Petroleum			✓	
Ministry of Posts & Information			✓	
Ministry of Agriculture & Livestock			✓	
Ministry of Public Works & Reconstruction			✓	
Ministry of Fishery & Environment			✓	
Ministry of Industry & Commerce			✓	
Ministry of Health & Public Care			✓	

Source: MoF/CBS

57. A classic budgetary example is figure -3 below. The CBS is mandated to charge 2% tax from all government banking deposits. The CBS was able to realize actual receipts of US \$1,024,448. However, the potential chargeable amount would have been US \$1,088,469. Had the MoF instituted effective an efficient structures of the banks' capacity to collect the revenue, more would have been realized and the surplus be declared to the government as dividend revenue. It's unfortunate that the CBS has never declared any dividend to the government.

Figure – 3: CBS 2% Commission Charges

Months	Total Amount Banked	2% Chargeable Commission by CBS	CBS Recorded Commission Receipt	Variation
January	\$3,006,265	\$60,125	\$41,798	\$18,328
February	\$2,828,834	\$56,577	\$59,282	(\$2,705)
March	\$7,459,034	\$149,181	\$145,246	\$3,934
April	\$2,596,781	\$51,936	\$47,112	\$4,823
May	\$6,535,588	\$130,712	\$126,427	\$4,285
June	\$5,361,780	\$107,236	\$101,221	\$6,015
Sub - Total	\$27,788,282	\$555,766	\$521,087	\$34,679
July	\$6,166,490	\$123,330	\$120,507	2,823
August	\$4,371,835	87,437	80,884	6,553
September	\$5,790,902	115,818	111,764	4,054
October	\$2,823,387	56,468	50,226	6,242
November	\$2,117,722	42,354	37,486	4,868
December	\$5,364,780	107,296	102,494	4,802
Sub -Total	\$26,635,116	\$532,703	\$503,361	\$29,342
Grand – Total	\$54,423,398	\$1,088,469	\$1,024,448	\$64,021

Source: MoF/CBS

58. A further example is on figure – 4 where the Benadir Administration is mandated to collect 15% from all revenue collected from the port and banked into the CBS account. The administration collected US \$2,487,307 against a realizable potential of US \$2,559,903. This is a further justification of abundance domestic potential revenue from the country. The ministry of finance has to rise up to her mandated responsibility of restructuring the TFG’s budget otherwise the Parliamentary Committee should urgently intervene.

Figure – 4: Benadir Administration 15% Port of Mogadishu Commission Charges

Months	Total Amount Banked (Mogadishu Port)	15% Chargeable Commission to Benadir Administration	Benadir Administration Recorded Commission Receipt	Variation
January	\$1,405,083	\$210,762	\$210,762	-
February	\$1,006,589	\$150,988	\$149,826	\$1,163
March	\$1,318,450	\$197,768	\$196,881	\$887
April	\$1,565,176	\$234,776	\$232,929	\$1,848
May	\$1,425,423	\$213,813	\$213,660	\$154
June	\$1,338,736	\$200,810	\$199,254	\$1,556
Sub - Total	\$8,059,457	\$1,208,919	\$1,203,311	\$5,607
July	945,695	141,854	\$141,512	342
August	930,864	139,630	142,908	(3,278)
September	1,354,884	203,233	202,942	291
October	2,091,281	313,692	312,564	1,128
November	1,630,180	244,527	243,800	727
December	2,053,657	308,049	240,270	67,779
Sub - Total	\$9,006,561	\$1,350,984	\$1,283,996	\$66,988
Grand – Total	\$17,066,018	\$2,559,903	\$2,487,307	\$72,595

Source: MoF/CBS

59. Further investigation on the revenue generation inconsistencies are reflected in figure – 5. The ministry of finance had factored budgetary revenue estimates of US 2,930,000 while the actual receipts realized were US \$23,197,435. The budgetary revenue deficit US \$20,267,435.

TFG Budget - 2011		Farmaajo Administration January – June	Dr. Abdiweli Administration July – December
Figure - 5: Omitted Non-tax items	Budget Estimates	Actual Receipts	Actual Receipts
Source: MoF/CBS			
Administrative Charges	\$120,000	-	-
Fees and Penalties	-	-	-
Airport and Harbor Fees	2,520,000	12,284,327	10,383,108
Sales of Public Goods and Services	-	-	-
Visa Charges and Passports	140,000	190,000	340,000
Airport Departure Charge	150,000	-	-
Total Half-Year Non-Tax Revenue	\$2,930,000	\$12,474,327	\$10,723,108

60. The above cited actual revenues are not inclusive of all the sources of generation. Figure-6 below reflects two cluster capacities of potential revenue generation. The clusters are *tier-1* (high potential revenue) and *tier-2* (modest potential revenue) and whose total amount is about US \$205,520,204. The third source of revenue is from *external receipts* and whose total amount is US \$122,660,000. Consequently, the total potential revenue budget is US \$269,784,384.

Figure-6: Comparative Actual and Potential Budget Revenue

	Actual Collection	Potential		Total
Potential Investigation Budget	January – December	Tier-1	Tier-2	
Actual Domestic & Donor Revenue Realized for the Year	\$57,568,299			
Domestic Appropriation In Aid Collected	827,521			
Sub-Total Actual Domestic & Donor Collection	\$58,395,820			
Domestic Revenue Tier-1				
Telecommunication Revenue		\$48,600,000		
Diaspora Remittances		45,000,000		
Min. Air, Land, Ports, Civil Aviation & Marine Transport		37,800,000		
Khat Levy		37,500,000		
Offshore Fishing Rights		10,000,000		
Fees & Penalties		40,000		
Sales of Public Goods & Services		160,000		
Sub-Total Domestic Revenue Tier-1		\$179,100,000		\$179,100,000
Domestic Revenue Tier-2				
Appropriation in Aid Potential Revenues (Line Ministries/Institutions)			\$28,290,204	
Sub-Total Domestic Revenue Tier-2			\$28,290,204	\$28,290,204
External Assistance				
Bilateral Assistance (UAE)		\$60,000,000		
Bilateral Assistance (Sudan)		12,000,000		
Multilateral Assistance (UNDP)		18,660,000		
Capital Development		32,000,000		
Sub-Total External Assistance		\$122,660,000		\$122,660,000
Grand - Total				\$330,050,204
Less: Total Actual Domestic & Donor Collection				(\$58,395,820)
Net Revenue Surplus/Deficit	\$58,395,820			\$271,654,384

Source: MoF/CBS

Potential Domestic Revenue Justification

Tier-1

61. There are three major *telecommunication providers* (Nation Link, Hormud and Telecom) and whose annual turnover is estimated \$540,000,000. The telecommunication industry does not produce financial statements, though annual turnover is estimated to be at least twice as large. The increasing competition between Somalia's three mobile-phone service providers has helped to reduce the costs of SIM cards and mobile-phone calls. Assuming that the TFG factored a tax revenue charge of about 3 percent spread between the three, the yearly realizable budgetary support receipts are \$48,600,000.
62. The *Somali residents in overseas remits* estimated amounts of \$1,500,000,000 through money transfer operators (Hawala). Remittances now constitute the second largest domestic revenues. There are about four major Hawala and yet the Ministry of Finance and the Central Bank has not factored any revenue tax from them. Remittances represent an important inflow of resources to Somalia yet their development potential remains largely untapped. The estimated remittances, and if taxed would generate the country a revenue receipts of about \$1,500,000,000 @3% (\$45,000,000). First and for most the Hawala must be registered by the CBS and be subjected to continuous financial monitoring. This would ensure financial management discipline to the country. Besides the Hawala payment of annual corporate tax (35%) net profit, the monthly value added tax, employers monthly PAYE tax, they should also charge a percentage tax revenue from the Diaspora remittances. The percentage rate should be agreed among the CBS, the Hawala, MoF and the Financial Standing Committee of the Parliament.
63. As regards revenue generation from the *Ministry of Air, Land, Ports and Marine Transport* is rank third most potential revenue clusters and which are under the category of tier-1. It consists of three major revenue sources and which are Port, Airport and Civil Aviation. The *Civil Aviation* had been under the management of UN but as of today it has reverted to the government. During the months of November and December it collected US \$41,542 and US \$51,043 respectively. According to the financial statistics potentials but yet to be confirmed the authority has a potential capacity to generate about US \$80,000 and in each calendar month of the fiscal year. Consequently, the revenue accruable to year 2011 is US \$960,000. However, these would be vouched against the operational research statistics like number of aircrafts, landing and taking off, other chargeable facilities etc. The improvement made to the authority by the UN guarantees the revenue capacity of the stated amount if not higher. The *Mogadishu Port* is currently generating monthly average revenue of US \$1,343,243 and has the capacity of graduating into US \$2,970,000. The growth rate difference is about US \$1,626,757. The total potential revenue for one year period would therefore be about US \$35,640,000 (US \$2,970,000 * 12). Statistical research reports shall confirm the potential revenue estimate (ships docking in, docking off, charge rates and other charges – this requires operational statistical research analysis report). This is again factored conservatively

otherwise higher revenues are feasible. The *Aden Adde Airport* is currently generating monthly average revenue of US \$87,478 and can comfortably accommodate a sum of US \$100,000. The growth rate difference is about US \$12,522 and which is 14%. The total potential revenue amount accruable from the airport is US \$1,200,000.

64. It should be noted that there are a number of revenues which are not adequately reported, the most important being the *levy on Khat*. This sector should be the fourth largest income generating source of revenue.

A UN Monitoring Group Report states: "Kenya alone earns more than \$250,000,000 a year from the export of Khat in Somalia. That would suggest another \$250,000,000 profit is generated insider Somalia at the various stages of distribution." NGO Security Programme

65. In retrospect, the Minister of Finance with the knowledge of the TFG Executive Branch made an agreement in March 2009 with Kenyan government to tax exported Khat going to Somalia on Kenyan soil. Although the specifics of the deal are ambiguous, the public is aware that the MoF approved the collection of a Somali-based tax on foreign land. MoF claimed a 10 percent tax cut but a source from the Ministry of Finance confided in me that the tax cut was 15 percent if not more. This claim can be validated through the records of the Kenyan MoF. The amount collected on Kenyan soil however, was roughly \$25,000,000 (10 percent out of the \$250,000,000). Internally the tax cut was 5 percent out of the \$250,000,000. Therefore, there was \$12,500,000 collected with a grand total of \$37,500,000 in 2009 which was purposely kept in the dark. The Somali's Executive Branch and the MoF deliberately failed to leave any traces of this information on paper.
66. The *Ministry of Fishery and Environment* could develop the infrastructures and logistics of licensing international fishery companies to explore the resources in one of the longest and busiest coastline in the continent. The licenses fees could even realize more than the provision of US \$10,000,000. For example, if the TFG went for international tender bidding, least estimates of applicants cannot be less than 20 companies. Assuming each pays annual license fees of about US \$500,000 and which translates into US \$42,000 monthly the government would be able to realize the factored potential revenue. The estimated budget was US \$680,000 and short fall arising therefrom of US \$9,320,000. This shall however, be confirmed through operational research statistics surveys.
67. The two *non-tax revenues* amounts and of US \$200,000 are potential feasible from administrative charges of sale public goods/services and fees/penalties. The non-tax revenue items have the financial capacity to generate budgetary receipts in excess of \$200,000.
68. The justification for tier-1 revenue provision generation of US \$179,100,000 is therefore realistically feasible. The potential budget factoring has taken into account the TFG's limited technical and administrative capacities of not having restructured all the ministries into fully operational departments. However, the factored amount is within of ease realization.

Tier-2

69. Tier -2 consist of ministries and institutions but whose potential capacities for revenue generation are lower than those of tier-1. The total potential revenue realizable from the tier-2 is about US \$26,420,204. However, with efficient infrastructures of management the cluster tier-2 could raise more than what has been provided. The potential revenue provisions for tier-1 and 2 are to be found on figure – 6.
70. The potential revenue comparison budget is captured in figure - 9 and in respect of each line ministries and institutions. The investigative potential budget does not capture some of the revenues factored into the estimated budget, but has rationalized the provisions based on envisaged realization. The revenue justification provisions are explained below.
71. *Ministry of Finance*: The ministry of finance has been considered for tax collection from the two tiers. The items included in tier-1 are of more potential revenue sources while in those of tier-2 are of modest amount. The budget revenue rationalization by the Ministry of Finance, though subject to further harmonization, appeared to capture the above clusters of domestic revenue realization and whose comparison with the potential budget is captured in figure - 9. MoF alone was to generate a revenue estimate provision of US \$1,418,400 from the *cluster of Tax on Income, Profit and Capital Gains, Excise Tax, Sales Tax, Profit Tax from Business, Stamp sales duty, Foreign import tax duties, and non-tax revenues* and whose account itemization is as reflected in table-1. The ministry's factored items of revenue generation are not in aggregate compliance with the potential budget amount. Neither does the potential budget include all the factored revenue estimated items. The ministry's tax provision from the informal sector and none factoring from the potential corporate companies is questionable. Stamp sales and duties are clusters of potential revenue generation and yet the ministry did not factor any provisions. The potential budget captures all revenue generating accounts; however, the tax payable from salaries (employees) is not reflected. This however, is realistically realizable but the potential budget does not capture it. This is due to unavailability of the monthly payroll statistical data from the ministry of finance. There is need to vouch the public and the private sector payroll. The ministry also did not factor revenues from the potential budget and whose capacity is not only feasible but is also of substantial income. These are Remittances from the Diaspora, Khat levy, and communication taxes. The revenue provision omissions demand a full disclosure from the ministry of finance. Was it deliberate or accidental in view of colossal sums of revenue?
72. *Ministry of Foreign Affairs*: the ministry can realize the revenue reflected in the potential budget through overseas documentation processing. The allocated budget should at least have some corresponding revenue hence, the provision of US \$20,000.
73. *Ministry of Education*: the ministry can also realize the potential budget allocation through private schools, colleges and universities registration.
74. *Ministry of Water, Mineral, Energy and Petroleum*: the ministry has a higher potential capacity of revenue generation, if all the sectors under her umbrella were fully exploited e.g.

mineral exploration, water exploration etc. However, petroleum and allied products has the potential capacity to generate the revenue provided in the budget. The MoF is yet to present the actual amount realized from the sector.

75. *Ministry of Agriculture and Livestock*: The ministry of agriculture has the potential to generate budget revenues and more so with agricultural food tax imports and exports. Most of the agricultural products consumed in Kenya like sugar but originating from Brazil pass through Somalia hence, attracting cross border tax. However, the country is yet to actualize full agricultural commercial farming hence the reduction of the estimates from US \$6,582,500 to US \$6,262,500 and which translates into 5% drop.
76. *Ministry of Public Works and Reconstruction*: The Ministry of Public Works realizes this through contractor's registration construction.
77. *Ministry of Industry and Commerce*: The Ministry of Commerce and Industry has larger items of revenue generating capacity in view of her involvement with local trade and import taxation fees.
78. *Ministry of Health and Public Care*: The ministry can generate the allocated revenue from registration of practicing doctors, registration and medical clinics, subsidies charges from the public hospitals but at full commercial rate to institutions like AMISOM and private companies.
79. *Motor Vehicle Department*: The department collected revenue from issuance of driver's license, motor vehicle registrations and many other transport related fees. The department reported a total collection of US \$5,006 an entire year of 2011 as appropriation in aid as shown in figure – 1. There is no register maintained by the clerks who kept and issued out number plates to show the quantity received, quantity issued and balance in stock. In the absence of these, it is difficult to determine those vehicles that did and did not do the annual registration. It is against this background that the amount realized was insignificant to the factored estimates (US \$1,860,000); however, the potential is remains feasible in realizing both the estimates and potential revenue.
80. *Local government (Benadir Administration)*: The budget revenue for *Benadir administration* is accruable from the port of Mogadishu charges and is factored at 15% of the total collections. The port as over the years generated above the 15%. However, the Benadir administration could also generate more revenue if at all it charges the services it renders to the city. For example, issuing annual trading license, water charges, electricity charges etc. This should be independent from the port revenue.
81. *Attorney General*: The *Office of the Attorney General* should also levy legal administration charges to the public. For example, birth certificate registrations, registration of companies, company's compliance charges (annual updating fees). Figure-10 (first and second half - year) reflects some of the companies which must have been perfected on registration and the annual compliance charges. Are the companies on figure-19 officially registered, and if so there is no revenue reflected in the budget.

82. *Immigration Department*: The provision for the *immigration department* is conservative in view of the increased demand for passport, issuance, renewal, replacement, visa etc. As regards visas the budget factored revenue is realizable from the visiting expatriates as well as representative from the civil society into the country. The basic charge rates are as shown against this figure-10 and 11.

Figure -10: Basic charges

Levy Items	Number of Service Provisions	Costs	Per Year	Amount
Issuance	1,200	\$100	12	\$1,440,000
Renewal	450	\$50	12	\$270,000
Replacement	200	\$100	12	\$240,000
Visas	450	\$50	12	\$270,000
Identification Registration	6,000	\$2	12	\$144,000
Miscellaneous charges (Other Levies – 4.2% round up				\$103,305
Total				\$2,467,304

Source: MoF/CBS

Figure-11: Basic Charges

Institutions	Service Provisions	Revenue per Month	Yearly	
Judiciary	Court Fees, Fines etc	\$10,000	12	\$120,000
Benadir Administration	City Services	\$10,000	12	\$120,000
Attorney General	Registration	\$10,000	12	\$120,000
Auditor General (18 Ministries each at \$93 per month)	Auditing Services	\$1,667	12	\$20,000
Total				\$190,000

Source: MoF/CBS

83. As at 2011 the *judiciary* fined the confiscated piracy money a sum of US \$100,000 but the factored amount are within the administration's affordability.
84. *Benadir Court*: Benadir court could dispense charges from administrative and legal services.
85. The *Auditor General* is supposed to be charging professional fees from the ministries and the institutions. The auditing fees charges shall also be subject to the volumes of works. The average monthly fees of \$93 shall have different rates for example; line ministries could be of uniform charge (\$93) while CBS and others could have higher rates. This is intended to generate adequate funds for the departments and thereby making it independent from the ministry of finance reliance. This effectively translates into making the institution autonomous and strengthening her auditing performance.

86. The above figure provides the sources of revenue which each of the corresponding ministries/integrity institutions can generate in a month. The provisions are not beyond collection in view of the existing potential. The budgetary justification for the above estimates and potential budget analysis is to subject each ministry to a target revenue generation and within spread of accounting codes of itemization. The codes can however, can be inter exchanged amongst the ministries but *without missing the revenue target collection*. Consequently each ministry should be subjected to create a designated department for collecting their respective appropriation in aide. Monthly statistical report would be necessary to gauge the progress and thereby deliberating the best optimum realization. The Ministry of Finance and with the approval from the Parliament should develop the manual for the revenue collection, fixing the chargeable rates and subjecting the Integrity Institutions amongst being Central Bank towards declaring annual dividends to the government. The potential budget provisions are not stone cast as they could fluctuate between a 30% growth and drop. In either of the circumstances the performance would be higher than the estimates.
87. Where the potential provisions have not been revised from the estimated budget the consistence is assumed to be within realizable comfort. For example, ministry of public works, ministry of industry, judiciary and department of motor vehicles etc. The potential revenue justification remains the same in the year report.
88. In addition, all the budgeted donor funds must be pre-evaluated as well as post evaluation by the Parliament. This is intended to capture all potential donor support as opposed to concealment. *A case in point is the Sudanese budgetary aid support which the Ministry of Finance does not register the total amount received monthly.*

Domestic Corporate Tax Revenue

89. The tier-1 cluster consists of highly revenue generating potentials and with a comfortable ease of collection. The *telecommunication subsector* could be taxed from the monthly service provisions (VAT, goods, equipment imports sources and on behalf of the end market consumers as well as from their net end year profits). The *Diaspora remittance* could be instantaneously collected from the transmissions. This is a responsibility of the CBS and who are the mandated regulators of the Hawala. The Hawala would be collecting the fees on behalf of the CBS. *Khat* is collectable from the export and import transactions and at the respective of the airport and the border entry points. However, other monthly taxes are payable as they accrue and have got no relationship with the end year corporate tax. The potential revenue factored on *telecommunication, khat, and remittance* are not end year corporate taxes but monthly accruable. The factored potential revenue budget is based on operational taxes which either in the form of exports, imports, monthly taxes but not on end year corporate taxes. The corporate tax is paid at the end of each accounting year and from net profit. *The companies which traded the TFG were paid US \$653,291 and US \$578,695 in respect of the first and second half year. There is no evidence of the corporate tax amount*

they paid to the government. However, this has not been factored into the potential budget as it is based on actual financial performance. The TFG should either empower the Auditor General or create an independent authority for tax monitoring and collection. The TFG appears not to be exercising the monthly PAYE tax from both the public and private sectors. As stated earlier it is only the CBS which attempted to enforce the recovery of their employees but on scanty months. This is another potential source of generating domestic revenues and which appears to be totally neglected.

Potential Donor Revenue Support

Donation from Arabia

Arab League

90. The Arab League pledged a budgetary support of about US \$10,000,000 for each of the monthly Calendar fiscal year. There is no evidence of the support having been made to the country. An urgent investigative Parliamentary Committee should undertake to shed light on the status of the otherwise, dormant donor support.

Sudan

91. The government of Sudan provides a monthly budgetary support to the TFG of about US \$1,000,000. However, there are no official document availed to indicate the agreed financial support and the intended period. The document if available should be tabled to Financial Standing Committee of the Parliament. These would confirm the basis on which a sum of US \$800,000 was made to the country. According to senior Statehouse officials, the amount goes directly to the Office of the President and there is no documentary evidence of the said money being transmitted into the Central Bank of Somalia (government custodian). The only transmission made to the bank was US \$800,000 and as at 9/4/2011. The investigations indicate a support of US \$12,000,000. The missing financial support is about US \$11,200,000. This is a breach of transparent accountability, and which necessitates urgent financial investigation by Donors and the Financial Standing Committee of the Parliament.

United Arab Emirates (UAE)

92. During the month of January to June 2011 the TFG government (President, Prime Minister, and the Minister of Finance) made extensive diplomatic engagement to the UAE. The diplomatic tours were ostensibly made for government budgetary support and which was generally accepted, however, the pledge quantification [secret] was kept between the government representatives and the donor country (UAE). This is in view of the fact that, the

MoF did not advise the Parliament on the details of the donor support and thereby being factored into the annual budget.

93. The donor (UAE) support disbursement registered by the Ministry of Finance is only about US \$34,100,864 while investigations indicate a support of US \$60,000,000. The missing financial support is about US \$25,899,136. The US \$60,000,000 is however, subject to further confirmation by the Financial Standing Committee of the Parliament and so is the donor actual amount recorded by the Ministry of Finance amounting to US \$34,100,864.

Total Donor Support

94. The sum of US \$122,660,000 is from *external donor support*, and some of which was through confirmed contract agreement, however, masked with irregularities of accountability. There were no proofs of amount received, no receipt clear strategies of monitoring the disbursements. The high potential revenue provision can only be realized through donor circularization confirmation. The donor received for the year was only US \$34,900,864 (US \$34,100,864 + US \$800,000) but against a potential provision of US \$122,660,000. The deficit arising therefrom is US \$87,759,136 and which is material for forensic auditing. The provision of US \$122,660,000 was from the sources shown in figure-7.

Figure-7: External Donor Support

Bilateral	
UAE	\$60,000,000
Sudan	12,000,000
Multilateral	
UNDP	18,660,000
Donor Support	
Capital Revenue Expenditure	32,000,000
Total	\$122,660,000

95. Figure – 8 below shows the donor amount disbursements for the entire fiscal year. However, the monthly gaps of non disbursements and the amount inconsistencies accounts for the above mentioned deficit of US \$87,759,136. The general consensuses by the public and from some quarters of the government are in agreement with the monthly donor disbursements having been within the investigated external receipts. However, as stated in the first and second half years the external receipts of US \$32,000,000 was as a result of wrong budget reconciliation. It was factored as a capital expenditure from external receipts but the corresponding revenue inflow was not put into the budget.
96. Figure – 9 is a summary of the estimates budget, actual receipts and the prospective potential revenues. The revenue budgetary provision estimates was US \$98,568,900 but the actual amount realized was US \$58,395,820. This translates into a revenue shortfall of US \$40,173,080. The estimates provision against the prospective potential revenue is an increase

of US \$173,085,484 (US \$271,654,384 – US \$98,568,900). The latter is realizable and a shortfall of not less than 50 percent would translate to increased budgetary revenues.

Figure – 1: Potential Revenue Realized From Line Ministries

Organization	Farmaajo Administration							Dr. Abdiweli Administration							Grand-Total
	January	February	March	April	May	June	Sub-Total	July	August	September	October	November	December	Sub-Total	
Ministry of Foreign Affairs	-	-	\$240	\$630	\$660	\$850	\$2,380	-	\$3,930	-	-	-	-	\$3,930	6,310
Immigration	-	-	-	\$100,000	\$50,000	\$40,000	\$190,000	\$10,000	\$60,000	-	\$150,000	\$60,000	\$60,000	\$340,000	530,000
Ministry of Education	-	-	\$500	\$480	\$920	\$1,200	\$3,100	2,440	5,400	2,500	-	-	-	10,340	13,440
Ministry of Air, Land, Ports and Marine, Transport	\$6,229	\$5,291	\$5,122	\$10,829	\$5,080	\$9,739	\$42,290	7,019	4,472	7,006	6,167	74,911	28,820	128,395	170,685
Benadir Court	\$4,000	\$144.50	\$633	-	-	-	\$4,778	-	-	-	-	-	-	-	4,778
High Court	-	-	-	-	-	-	-	-	-	-	-	260	360	620	620
District Hamarweyne	-	-	-	-	-	-	-	-	-	-	-	-	130	130	130
Department of Motor Vehicle	-	-	-	\$5,006	-	-	\$5,006	-	-	-	-	-	-	-	5,006
CBS/Employee tax							\$95,063	-	-	-	-	-	-	\$1,489	96,552
Total	\$10,229	\$5,436	\$6,495	\$116,945	\$56,660	\$51,789	\$342,617	\$19,459	\$73,802	\$9,506	\$156,167	\$135,171	\$89,310	\$484,904	\$872,521

Source: MoF/CBS

Figure - 9: Detailed Half Year Potential Budget

Revenue	Farmaajo Administration January – June 2011				Dr. Abdiweli Administration July – December 2011						
	Collected but not Factored into the Budget Estimates	Actual Revenue Receipts Realized from the Budget Estimates		Total Revenue Budget	Collected but not Factored into the Budget Estimates	Actual Revenue Receipts Realized from the Budget Estimates		Total Revenue Budget	Grand - Total	Estimated Domestic Budget Cluster Provisions (MoF)	Potential Revenue Estimates Provisions
		Donor	Domestic			Donor	Domestic				
Line Ministries											
Ministry of Finance	-	-	-	-						\$1,418,400	\$84,182,400
Ministry of Foreign Affairs	\$2,380	-	-	\$2,380	\$3,930	-	-	\$3,930	\$6,310	-	20,000
Ministry of Education	3,100	-	-	3,100	10,340	-	-	10,340	13,440	-	20,000
Ministry of Air, land, Ports, Civil Aviation and Marine, Transport	42,290	-	-	42,290	128,395	-	-	128,395	170,685	2,670,000	37,800,000
Ministry of Water, Mineral, Energy, & Petroleum	-	-	-	-	-	-	-	-	-	5,460,000	5,460,000
Ministry of Posts & Information	-	-	-	-	-	-	-	-	-	-	48,600,000
Ministry of Agriculture & Livestock	-	-	-	-	-	-	-	-	-	6,582,500	6,262,500
Ministry of Public Works & Reconstruction	-	-	-	-	-	-	-	-	-	1,800,000	1,800,000
Ministry of Fishery & Environment	-	-	-	-	-	-	-	-	-	1,360,000	10,000,000
Ministry of Industry & Commerce	-	-	-	-	-	-	-	-	-	8,498,000	8,498,000
Ministry of Health & Public Care	-	-	-	-	-	-	-	-	-	-	30,000
Institutions											
Immigration	190,000	-	-	190,000	340,000	-	-	340,000	530,000	140,000	2,467,304
Judiciary Service Committee	-	-	-	-	620	-	-	620	620		120,000
Local Government (Benadir Administration)	-	-	-	-	-	-	-	-	-	-	120,000
Hamarweyne District	-	-	-	-	130	-	-	130	130		
Benadir Court	4,778	-	-	4,778	-	-	-	-	4,778	-	10,000
Department of Motor Vehicle	5,006			5,006	-	-	-	-	5,006	1,860,000	1,860,000
Attorney General	-	-	-	-	-	-	-	-	-	120,000	120,000
Office of the Auditor General	-	-	-	-	-	-	-	-	-	-	20,000
CBS/Other Revenues	95,063			95,063	1,489	-	-	1,489	96,552	-	-
Domestic Revenue	-	-	\$12,284,327	\$12,284,327		-	\$10,383,108	\$10,383,108	\$22,667,435	\$29,908,900	\$207,390,204
Bilateral Assistance	-	\$19,133,760	-	\$19,133,760		\$15,767,104		\$15,767,104	\$34,900,864	\$50,000,000	\$72,000,000
Multilateral (Co-managed UNDP)										\$18,660,000	\$18,660,000
Capital Donor Revenue	-	-	-	-	-	-	-	-	-	-	\$32,000,000
Total Revenue Budget	\$342,617	\$19,133,760	\$12,284,327	\$31,760,704	\$484,904	\$15,767,104	\$10,383,108	\$26,635,116	\$58,395,820	\$98,568,900	\$330,050,204

Figure-8	MoF/CBS														
Farmaajo Administration				Dr. Abdiweli Administration											
Recorded Donor Receipts				Recorded Donor Receipts				Potential Investigated Donor Support							
									1 st Half Year		2 nd Half Year		Grand Total	Variations	Remarks
Date	UAE	Sudan	Sub-Total	Date	UAE	Sudan	Sub-Total	Grand-Total	UAE	Sudan	UAE	Sudan			
12/1/2011	\$610,000			3/7/2011	\$3,600,000	-									
29/1/2011	891,700			12/7/2011	300,000	-									
				27/7/2011	1,000,000	-									
				28/7/2011	110,000	-									
				30/7/2011	60,000	-									
				30/7/2011	10,000	-									
Sub-total	\$1,501,700	-	\$1,501,700	Sub-Total	\$5,080,000	-	\$5,080,000	\$6,581,700	\$5,000,000	\$1,000,000	5,000,000	\$1,000,000	\$12,000,000	(\$5,418,300)	Unaccounted
7/2/2011	\$540,000			1/8/2011	\$236,000										
8/2/2011	800,000			10/8/2011	800,000										
27/2/2011	700,000			16/8/2011	110,000										
	-			22/8/2011	400,000										
	-			24/8/2011	540,000										
	-			27/8/2011	400,000										
	-			27/8/2011	200,000										
	-			29/8/2011	460,000										
Sub-total	\$2,040,000	-	\$2,040,000	Sub-total	\$3,146,000	-	\$3,146,000	\$5,186,000	\$5,000,000	\$1,000,000	5000,000	\$1,000,000	12,000,000	(\$6,814,000)	Unaccounted
6/3/2011	960,500			1/9/2011	\$100,000										
22/3/2011	\$5,000,000			4/9/2011	500,000										
	-			5/9/2011	500,000										
	-			6/9/2011	200,000										
	-			6/9/2011	100,000										
	-			7/9/2011	100,000										
	-			7/9/2011	50,000										
	-			10/9/2011	100,000										
	-			12/9/2011	36,000										
	-			14/9/2011	310,000										
	-			15/9/2011	40,000										
	-			19/9/2011	110,000										
	-			25/9/2011	420,000										
	-			26/9/2011	560,000										
	-			28/9/2011	170,000										
	-			29/9/2011	120,000										
Sub-total	\$5,960,500	-	\$5,960,500	Sub-Total	\$4,316,000		\$4,316,000	\$10,276,500	\$5,000,000	\$1,000,000	5,000,000	\$1,000,000	12,000,000	(\$1,723,500)	Unaccounted
9/4/2011	-	\$800,000		1/10/2011	\$130,045										
Sub-total	-	\$800,000	\$800,000	Sub-Total	\$130,045		\$130,045	\$930,045	\$5,000,000	\$1,000,000	5,000,000	\$1,000,000	12,000,000	(\$11,069,955)	Unaccounted
7/5/2011	\$1,075,000														
7/5/2011	1,000,000														
8/5/2011	410,000														
16/5/2011	1,000,000														
21/5/2011	300,000														
24/5/2011	700,000														
26/5/2011	475,000														
30/5/2011	1,778			20/11/2011	\$2,000										
Sub-total	\$4,961,778	-	\$4,961,778	Sub-total	\$2,000		\$2,000	\$4,963,778	\$5,000,000	\$1,000,000	5,000,000	\$1,000,000	12,000,000	(\$7,036,222)	Unaccounted

Farmaajo Administration				Dr. Abdiweli Administration											
Record Donor Receipts				Record Donor Receipt					Potential Investigated Donor Support						
Date	UAE	Sudan	Sub-Total	Date	UAE	Sudan	Sub-Total	Grand-Total	1 st Half-Year		2 nd Half Year		Grand - Total	Variation	Remarks
									UAE	Sudan	UAE	Sudan			
1/6/2011	\$1,000,000			7/12/2011	\$96,059	-									
5/6/2011	480,000			7/12/2011	40,000	-									
5/6/2011	1,782			21/12/2011	1,970,000	-									
5/6/2011	100,000			31/12/2011	987,000	-									
8/6/2011	200,000					-									
11/6/2011	100,000				-	-									
12/6/2011	150,000				-	-									
16/6/2011	530,000				-	-									
21/6/2011	200,000				-	-									
23/6/2011	8,000				-	-									
23/6/2011	400,000				-	-									
27/6/2011	400,000				-										
28/6/2011	200,000				-										
28/6/2011	100,000				-										
Sub-total	\$3,869,782	-	\$3,869,782	Sub-total	\$3,093,059		\$3,093,059	\$6,962,841	\$5,000,000	\$1,000,000	5,000,000	\$1,000,000	12,000,000	(\$5,037,159)	Unaccounted
Grand MoF	\$18,333,760	\$800,000	\$19,133,760		\$15,767,104		\$15,767,104	\$34,900,864	\$30,000,000	\$6,000,000	\$30,000,000	\$6,000,000	\$72,000,000	(\$37,099,136)	
UNDP	-	-	-	-	-	-	-						\$18,660,000	\$18,660,000	
Capital Expenditure	-	-	-	-	-	-	-						\$32,000,000	\$32,000,000	
Net Effect Variations								\$34,900,864					\$122,660,000	(\$87,759,136)	Unaccounted

The chief characteristic of the figure – 8 are:

Scenario - 1

- I. TFG's estimated budgetary provision for bilateral assistance was US \$50,000,000, but the actual amount received was only US \$34,900,864. The deficit arising therefrom is US \$15,099,136 and which translates into 70% performance and 30% deficit;
- II. There were no recorded receipts from the multilateral support (UNDP);
- III. TFG's total estimates budgetary donor support provision should have been US \$100,660,000. (US \$50,000,000 + US \$18,660,000 + US \$32,000,000);
- IV. US \$32,000,000 was wrongly factored as an external donor support but without the corresponding inflow of receipts;
- V. The overall donor receipts performance for the year was a deficit US \$65,759,136 (US \$100,660,000 – US \$34,900,864);
- VI. The above translates into a revenue donor performance of 35% and 65% deficit (US \$34,900,864/US \$100,660,000).

The above is in respect of the budgetary records maintained by the TFG.

Scenario - 2

The investigated total donor support is

- I. US \$122,660,000;
- II. UAE pledged an annual contribution of US \$60,000,000
- III. Sudan pledged an annual contribution of US \$12,000,000
- IV. Multilateral support an annual contribution of US \$18,660,000
- V. Unknown donor pledged capital revenue of US \$32,000,000
- VI. The overall deviation from the potential budget and the actual receipts is US \$87,759,136 (US \$122,660,000 – US \$34,900,864);
- VII. The above translates into 28% performance and 72% deficit.

The investigation considered the multilateral provisions as provided by the TFG budget, adjusted the capital expenditure with a corresponding inflow of receipts and the bilateral assistance support was factored on public/government consensus thoughts. The TFG should in the event of doubt counter challenge the investigations with documentary proofs of evidence.

Conclusive Remarks

97. It appears that the Ministry of Finance, Accountant General, Auditor General and the Central Bank are lacking the financial capacity to contain the irregularities and the willing drive to outsource for external assistance. In view of this, all the financial irregularities and budgetary discrepancies should be brought to the attention of the Financial Standing Committee of the Parliament, Donors and thereby legislating and formulating their non repeat occurrences. This should be effective from the subsequent budget of January 2012.
98. This is a gross public financial mismanagement and which is characterized by fraud misappropriation. To state otherwise is for the Ministry of Finance to avail the following:
1. *Payment voucher;*
 2. *Receipts inventory of assets acquired;*
 3. *Progress report on constructions of buildings (non-residential);*
 4. *Progress report on capacity buildings, and*
 5. *Monthly payroll for the civil servants*
 6. *If the Ministry of Finance drew checks in favor of each ministry and for the total allocated budget;*
 7. *Accountability of the funds by each ministry and as reflected in the budget;*
 8. *Both budgetary over/under funding should be verified against the Ministries and Ministry of Finance;*
 9. *The current status of the Accountant General and Auditor General on a financial reporting (Jan – December 2011);*
 10. *To question all the senior civil servants who were withdrawing the cash payment and the sources of authorization.*
 11. *The donor disbursements register.*
99. Besides the above, an investigative Parliamentary Committee and a guidance of a financial analyst should be urgently constituted for the evaluating the correct current financial status of all the expenditures and to the tune of US 54,628,375 as at 31th December 2011. It appears the Ministry of Finance which is solely responsible for formulating financial management guidelines to all the ministry has not lived up to the required technical standards of management. The Office of the Accountant General and the Auditor General the mandated government watchdogs on public financial accountability also wanting as to having been compromised in the malpractices. Indeed, the Ministry of Finance overspent her budget allocation of US \$876,000 by US \$22,602,494. It is inconceivable how the watchdogs did not question the over expenditure and which possibly had not being approved by the Parliament. In the absence of any credible counter-challenge, the *Donor Community and Financial Standing Committee of the Parliament* should subject all of them into forensic financial investigations.