



An independent member of Baker Tilly International

**UNDP SOMALIA
ADJUSTED MICRO ASSESSMENT (DESK REVIEW) REPORT
COMMISSIONED BY UNDP
IMPLEMENTING PARTNER: AID COORDINATION UNIT OFFICE OF
THE PRIME MINISTER**

Date: 6 August 2018



STRICTLY PRIVATE AND CONFIDENTIAL

This report has been prepared solely for the use of the authorized management of the United Nations Development Programme (UNDP), Somalia in accordance with the Terms of Reference between UNDP and Baker Tilly Merali's CPA. We do not accept or assume any liability or duty of care for any other purpose or to any other person or organization to whom this report is shown or in whose hands it may come, save where it has been expressly agreed upon by our written consent

TABLE OF CONTENTS

GLOSSARY OF ABBREVIATIONS.....	3
1. EXECUTIVE SUMMARY	5
2. RISK RATING DEFINITIONS	6
3. SUMMARY OF FINDINGS OF THE ADJUSTED MICRO ASSESSMENT	11
4. DETAILS OF CURRENT FINDINGS AND RECOMMENDATIONS FOR ADJUSTED MICRO ASSESSMENT	20
ANNEXES.....	29
ANNEX 1: IMPLEMENTING PARTNER AND PROGRAMME INFORMATION	30
ANNEX 2: IMPLEMENTING PARTNER ORGANISATION CHART.....	31
ANNEX 3: LIST OF PERSONNEL MET.....	32
ANNEX 4: MICRO ASSESSMENT QUESTIONNAIRE	33
ANNEX 5: EXIT MEETING MINUTES	34

GLOSSARY OF ABBREVIATIONS

ACU	Aid Coordination Unit
AG	Accountant General
BTM	Baker Tilly Merali's
DSA	Daily Subsistence Allowance
FMIS	Financial Management Information System
PS	Permanent Secretary
HACT	Harmonised Approach to Cash Transfer
ICT	Information and Communication Technology
IP	Implementing Partner
MOF	Ministry of Finance
NCA	National Constituency Assembly
NGO	Non-Governmental Organisation
OAG	Office of Auditor General
PCA	Project Cooperation Agreement
TFG	Transitional Federal Government
UN	United Nations
UNDP	United Nations Development programme
US\$	United States Dollar

6 August 2018

George Conway,
Country Director,
UNDP Somalia,
United Nations Office at Nairobi (UNON) Complex
P.O. Box 28832,00200
Nairobi - Kenya

Dear Sir,

REPORT ON ADJUSTED MICRO ASSESSMENT OF AID COORDINATION UNIT (ACU)-OFFICE OF THE PRIME MINISTER.

Baker Tilly Merali's has concluded the Adjusted Micro Assessment of ACU, in accordance with the Terms of Reference.

This report provides our findings, recommendations and conclusions in the respective sections of the report.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Baker Tilly Merali's', with a long horizontal stroke extending to the right.

Baker Tilly Merali's

1. Executive Summary

1.1 Background

The micro-assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non-governmental implementing partners.

The micro assessment assesses the IP's control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per the agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

1.2 The Implementing Partner

The Aid Coordination Unit was transferred from the Ministry of Planning and International Cooperation to the office of the Prime Minister in August, 2015. It provides strategic advice, information, technical support to the offices of the President and of the Prime Minister, different ministries of the Government, including the ministry of planning and international cooperation, the Parliament, Regions and the Somali public cabinet to promote the effective utilization of aid resources to attain the results planned as per the needs and the priorities outlined in the Somali Compact.

The Compact was jointly developed by the government and the international community. It's a Somali-led commitment to strengthen capacities, ownership and mutual accountability, supported by the international community.

The Compact sets out priorities for 2014 – 2016 for Somalia. In it, the Somalis and the international community agree the most important priorities in five areas – the Peacebuilding and State building Goals (PSGs):

- PSG 1: Inclusive politics
- PSG 2: Security
- PSG 3: Justice
- PSG 4: Economic foundations
- PSG 5: Revenue and services

1.4 Assessment Methodology

1.4.1 Composition of the assessment team

The Adjusted Micro Assessment team of this Implementing Partner comprised of the Consultants with no representation from UNDP Somalia.

1.4.2. Respondents from ACU.

The respondents from ACU comprised Abdirahman Farah (Deputy ACU Director), Mohamed Ali Mohamed (Admin and Finance officer), Abdunasir Mukhatar (Admin and Finance Assistant). After discussion with the team on the Adjusted Micro Assessment areas, we were provided access to the responsible officers for data collection and interviews.

1.4.3. Approaches used in administering the Adjusted Micro Assessment

The Adjusted Micro Assessment was conducted in 2 working days from 30th April to 2nd May 2018 at ACU offices in Mogadishu.

Interviews were performed with the officers at ACU to obtain responses and clarifications for the assessment tools. ACU provided documentation to support and demonstrate policies, procedures and tools applied to enable the Adjusted Micro Assessment.

From the documentation and information provided by ACU assurance tests were conducted to confirm the design and operating effectiveness of the procedures stated by ACU.

Upon conclusion of fieldwork, a closing meeting was held on 2nd May 2018 with the Deputy Director, Admin and Finance Officer, Admin and Finance Assistant and IT Officer where the initial results of the Adjusted Micro Assessment were discussed including areas of strength and weaknesses. The assessment tools and supporting documentation were reviewed in line with BTM quality control policies and the draft report prepared.

2. Risk rating definitions

2.1 Micro assessment risk rating

The results of the Adjusted Micro Assessment informed the risk rating assigned to each assessment area. The risk rating criteria provided by UNDP Somalia was as follows:

Risk Rating		Definition
H	High	Response to questions indicates a risk to the effective functioning of the IP's control framework that has a high likelihood of a potential negative impact on the ability to execute the programme in accordance with the work plan and stated objectives
S	Significant	Response to question indicates a risk to the effective functioning of the IP's control framework that has a significant likelihood of a potential negative impact on the ability to execute the programme in accordance with the work plan and stated objectives
M	Moderate	Response to question indicates a risk to the effective functioning of the IP's control framework that has a moderate likelihood of a potential negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives
L	Low	Response to question indicate a low risk to the effective functioning of the IP's control framework and a low likelihood of a potential negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives
N/A	N/A	The specific question is not applicable for the IP and therefore, no risk rating is assigned

2.2 Overall conclusions

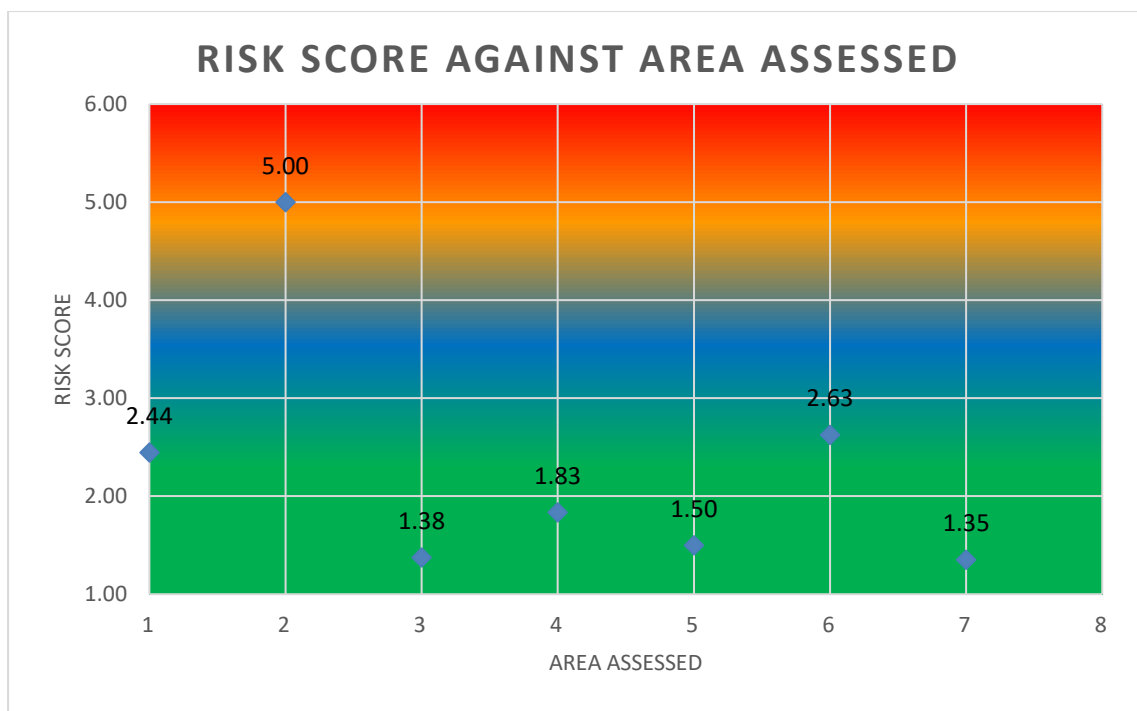
2.2.1 Rating per functional area

The risk rating per functional area for ACU is as illustrated below:

Nature of Assessment	Functional Area	Rating	Comments
Adjusted Micro Assessment	Financial and Programme Management Capacity	M	Moderate-ACU financial and programme management system risks have a Moderate likelihood of occurring and a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives.

2.1.1 Summary risk area and risk score

Assessed Area	Area	Total number of questions in subject area:	Total number of applicable questions in subject area:	Total number of applicable key questions in subject area:	Total number of risk points:	Risk score	Area risk rating
1	Implementing Partner	11	9	3	22	2.44	Moderate
2	Programme Management	8	8	2	40	5.00	High
3	Organizational Structure and Staffing	8	8	3	11	1.38	Low
4	Accounting Policies and Procedures	32	24	18	44	1.83	Low
5	Fixed Assets and Inventory	9	2	0	3	1.50	Low
6	Financial Reporting and Monitoring	8	8	3	21	2.63	Moderate
7	Procurement and Contract Administration	20	20	5	27	1.35	Low
	Total	96	79	34	168	2.27	Moderate



2.2.2 Overall rating

We have carried out our work based on our terms of reference and we conclude that ACU has an overall **Moderate risk**. A summary of the risk assessment is provided in section 1.7 of this report and further details provided in the assessment tools in Annex 1.

There exists opportunity for capacity building in the areas of governance and control processes to enhance existing control systems.

2.2.3 Challenges faced during the Adjusted Micro Assessment

There were no significant challenges faced during our assessment in relation to planning and/or auditee assistance. We were provided with appropriate cooperation and assistance by the management of ACU during the assessment.

2.2.4 Recommendations for Capacity Building

We provide below a summary of the specific recommendations arising from our assessment.

- **Accounting system:**

We recommend that ACU should start using double entry accounting system to avoid the risk associated with Ms. Excel.

- **Assets and Inventory management:**

The organisation should consider maintaining a robust asset and inventory management where asset registers are developed and verifications conducted on quarterly basis and inventory control sheets are updated. We also recommend that assets are tagged and marked with the donor name.

- **Risk Management**

We recommend that, ACU should develop a risk management system which should assist them to identify the potential risks for programme delivery and mechanisms to mitigate them. There should a risk register for recording the risks, their impacts and the likelihood of occurrence. The risk register should be regularly updated.

- **Procurement of goods and services**

We recommend that ACU should ensure when procuring goods and services there should pre-defined criteria of the requirements that should be included in the request for quotations and when analysis quotations from different suppliers the criteria for selections should not only be a price comparison instead

the technical, financial and experience of suppliers should be considered, the different scores for each area should be documented in the bid analysis.

Also, the procurement committee should sign the declaration of conflict of interest whenever they carry out the procurement process.

- **Staff Records.**

We recommend that the ACU should improve the personnel files for all its employees. The files should contain induction trainings, leave forms and disciplinary letters.

- **Asset Management**

We recommend that ACU should ensure that all assets are tagged and the asset register is properly updated with supplier name, invoice numbers, the location of the asset should not only be Mogadishu but instead where the asset is located in the office.

- **Program Management**

In order to ensure that ACU is able to realise project goals and resources are optimally used, the unit should come up with a programme policy.

- **Monitoring and Evaluation**

We recommend that ACU should come up with an M & E policy and prepare regular monitoring and evaluation reports, in order to implement that recommendation, ACU should have monitoring tools in place, and then recruit enough staff to handle or carry out that function.

- **Information and Communication Technologies (ICT)**

We recommend that ACU should ensure that the necessary ICT policies and procedures are formulated, and also data back-ups conducted on a regular basis and stored offsite.

2.2.5 Comparison with previous Micro Assessment

The unit was assessed and received a significant rating. We have performed a reassessment and highlighted the findings in section 4 of this report.

We wish to note the following differences between the previous and the current assessment tools;

The previous assessment questionnaire looked at the following key assessment areas;

1. Implementing Partner
2. Funds flow
3. Organizational structure and staffing
4. Accounting policies and procedures
5. Internal audit
6. Financial audit
7. Reporting and monitoring
8. Information systems
9. Procurement

The current assessment questionnaire looked at the following key assessment areas;

1. Implementing Partner
2. Organisation structure and staffing
3. Program Management
4. Accounting policies and procedures
5. Fixed Assets and Inventory
6. Financial reporting and monitoring
7. Procurement and Contract Administration

The current tool is also designed to self-calculate and assigns the risk scores on each individual question, assessment area and computes the overall risk rating while in the previous one, the individual question risk scores and overall risk rating were manually computed.

3. Summary of Findings of the Adjusted Micro Assessment

Assessment Area	Risk Rating	Key Strengths	Key Weaknesses
Implementing Partner	M	<p>Aid coordination Unit (ACU) is a unit under the office of prime minister which acts as liaison between the Federal Government of Somalia and international donors.</p> <p>ACU has in the past, successfully implemented projects funded by UN Agencies with no reportable drawbacks in implementation. No significant issues noted during project implementation.</p> <p>ACU has not had any legal suits in the past.</p> <p>ACU can easily receive funds since donor funds are received through a designated separate bank account.</p>	<ul style="list-style-type: none"> • Lacks approved Anti-Corruption policy and procedures. In addition, it has not advised its beneficiaries or stakeholders on where to report especially when cases of fraud or corruption are noted.
Programme Management	H	<p>ACU has project work plans which specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities.</p>	<ul style="list-style-type: none"> • Lacks of programme management policies • Lack of documented risk management policy. Mechanisms for identifying project risks and mitigating those risks are not documented. A risk register is also not maintained at the organisation. • Lack M&E Policy • Lack of staffing in the Monitoring & Evaluation department • Inadequate monitoring tools and failure to carry out monitoring activities.

Assessment Area	Risk Rating	Key Strengths	Key Weaknesses
Organisation Structure and staffing	M	<p>The Organisation has HR manual</p> <p>ACU has an organogram showing the various positions at ACU.</p> <p>There are clear reporting lines.</p> <p>Time sheets are recorded for the staff of the Unit.</p>	<ul style="list-style-type: none"> Weaknesses in personnel files. Weaknesses noted in staff trainings.
Accounting policies and procedures	L	<p>ACU has Accounting policy which require proper segregation of duties.</p> <p>ACU has a bank account from where funds can be easily received and disbursed. There are dual signatories to the bank accounts.</p> <p>Monthly bank reconciliations are prepared and substantial payments are made by cheque. There is a time management system for tracking staff costs.</p>	<ul style="list-style-type: none"> Lack of Double entry accounting system Lack of cost allocation Methodology Donor funds are not managed through the federal Government system.
Fixed Assets and Inventory	L	<p>ACU has an Asset and Inventory management policy included in Accounting Policy sufficient for the management and Control of assets.</p> <p>Quarterly physical verification of assets is carried out.</p> <p>There is an asset register for tracking assets.</p>	<p>Weaknesses noted in Asset Management:</p> <ul style="list-style-type: none"> Assets are not tagged. Asset register not updated with Supplier name, invoice, exact location of assets etc. There lacks an ICT policy.
Financial reporting and monitoring	M	<p>The partner has and uses a Finance Manual that can be used as a tool to monitor the financial reports required and the timing of preparation. The project financial reports are prepared according to the requirement and format for the specific donor.</p>	<ul style="list-style-type: none"> ACU does not prepare financial statements. Regular back - up of data is not conducted.
Procurement and Contract Administration	L	<p>ACU and other government institutions have adopted the Procurement law (libka Qaranka) approved by Parliament in December 2015.</p>	<ul style="list-style-type: none"> Procurement committee members do not sign conflict of interest declarations.

Assessment Area	Risk Rating	Key Strengths	Key Weaknesses
		<p>The institution applies competitive procurement procedures with thresholds and there is a review committee in place.</p> <p>There are rules and guidelines to conduct tenders. These are sufficiently detailed.</p> <p>The Policy has guidelines for procurement ethics and requires procurement committee members to sign declaration conflict of interest.</p> <p>Conflict of interest guidelines are included in the law which also refer to ethical principles.</p>	<ul style="list-style-type: none"> Lack of a database for active suppliers and requirements for conducting regular market surveys to assess shifts in prices and variety of products available on offer in the market.

3.1 Status of Corrective Action of Previous Micro Assessment Results Overall conclusions

Status of implementation of findings from previous UNDP Capacity Assessment conducted in December 2014 by Abrimo.

We found that the status of the implementation of the findings of previous Micro assesment was as below:

Assesment Observation	Recommendation	Status Of Implementation	Partner Responses
The Organizational Structure may therefore be considered inappropriate the financial volume IP; since there are individuals who are assigned more than one responsibility and there is poor segregation of duties. However, there are clear lines of reporting.	The IP should properly resource the finance and accounting department as facilitate has proper segregation of duties within the department.	Implemented.	N/A
The level of Competencies and experience of staff is appropriate for the level financial volume in the Accounting/Finance department. However, none of the. of the staff is a qualified Accountant.	The IP should properly resource the finance and accounting department so as to address the issue of segregation of duties. A training needs assessment exercise should be conducted for the department to help identify potential training needs for the staffs within the department and plan/ schedule the necessary Training.	Partially implemented. We noted that there lacks evidence of staff records having been conducted.	See responses under detailed findings under section 4.
From our interviews with the Finance Officer, the finance staffs are not aware of the existence of the HACT framework. A copy of the HACT Guidelines is also not maintained by the IP.	The IP should obtain a copy of the HACT framework and train the Finance staff on the HACT guidelines.	Implemented	N/A
The IP does not have a training policy. However, the IP has a training plan. Finance staffs have not been trained in the past year one.	The IP should develop a training policy that would be used to guide training needs as well as training exercises within the IP. Annual training plans should also be developed based on the outcome of the annual staff appraisals culminating in staff development plans.	Implemented	N/A
The IP asserted that employee reference checks are done. However, no documentary was provided to support the assertion.	Background checks should be conducted for all new hires. The process and the outcome should be documented and the relevant background verification documents filed in the respective personnel files	Similar issue noted	See responses under detailed findings under section 4.

Assesment Observation	Recommendation	Status Of Implementation	Partner Responses
The IP does not have a defined or documented internal frame work and the IP has not conducted risk to identify that may affect the achievement of the IPs objectives.	Management should facilitate the documentation of the internal control framework for the IP. This may consist of conducting a risk assessment exercise and developing a risk register where each identified risk would be mapped to the relevant control to mitigate it. In addition, responsibilities would be established for all the documented controls.	Similar issue noted No risk management system in place.	See responses under detailed findings under section 4.
<p>The entity doesn't have automated accounting system. Financial records are maintained in Excel spreadsheets that are used for recording the amounts received, amounts spent, the description and the budget code.</p> <p>Allocation of expenditure are done manually and based on the approved budgets. The IP is in acquiring QuickBooks accounting software.</p> <p>We were informed that software would be by June 2015.</p>	The IP should fast track the purchase of the new software to help them effectively manage financial information. The new system should be capable of tracking and reporting in a multi-donor environment.	Similar issue noted	See responses under detailed findings under section 4.
Weakness in the ordering, receiving, accounting for and paying for goods and services are appropriately segregated.	<p>The functions of ordering, receiving and accounting for the goods should be segregated. . To enhance accountability in the procurement process.</p> <p>Orders should be made using pre-printed, pre-numbered LPOs. In addition, goods received notes should be raised so as to establish accountability for receipt of goods. Records of goods received should also, be maintained</p>	Implemented	N/A
Most of the IP's Invoices not stamped 'paid' when payment is the of review, approval and budget codes the payment vouchers.	All invoices used for payments should be marked with a PAID stamp to avoid re-use of the same documents to make duplicate payments.	Implemented.	N/A
There is a budgetary allocation to cater for all expenses of the IP. Some controls around approvals	Controls for expense categories that do not originate from invoice payments, such as DSA, should be established.	Implemented.	N/A

Assesment Observation	Recommendation	Status Of Implementation	Partner Responses
<p>exist for DSA.travel and consultancies. There is no documented policy in place for such expense categories.</p> <p>The system for recording advances and liquidating/surrendering and having them approved on does not exist.</p> <p>Consultancy goes through the same controls as other payments.</p>	<p>These may include having an advance and surrender system to ensure that these are appropriately accounted for before being expensed.</p>		
<p>There are no policies and procedures that clearly provide guidance and proper accountability.</p> <p>However, the IP has basic Finance and Procurement procedures. We were informed that the IP is in process of developing comprehensive that would ultimately be tracking donor funds.</p> <p>However, the draft policies have not been approved and are therefore not binding on the staff.</p>	<p>The IP should document an accounting and finance manual to be used as a guideline within the IP for all financial management related procedures e.g. roles and responsibilities, processes around receipts and payments, safeguarding and accounting for fixed assets etc.</p>	Implemented	N/A
<p>There are no policies and procedures that clearly define matters relating to conflict of interest, integrity and transparency and related party transactions.</p>	<p>The IP should develop and document its procurement policies and procedures. The policies and procedures should address key procurement issues including conflict of interest, related party transactions and staff code of ethics.</p>	Implemented	N/A
<p>The IP does not conduct monthly reconciliation between the cashbook balances and the balances indicated on the bank statement.</p>	<p>Bank statements should be obtained from the bank on a monthly basis and the balances reflected reconciled against the cashbook balances.</p> <p>Someone other than the person recording the transactions should prepare bank reconciliation statements.</p>	Implemented.	N/A
<p>The IP neither maintains a fixed asset register nor</p>	<p>The IP should maintain fixed asset register detailing for each asset: Asset description, unique</p>	Partially implemented.	See responses under

Assesment Observation	Recommendation	Status Of Implementation	Partner Responses
subsidiary ledgers.	identification number, location, original cost, Depreciation, NBV and the user. In addition, the IP should conduct a physical inventory of fixed assets at least once every year. The details of individuals conducting the inventory exercise as well as the date of the exercise was conducted should be properly documented and filed.	Asset management needs improvement.	detailed findings under section 4.
No evidence was brought to attention our to indicate that the IP conducts periodic physical inventory of fixed assets.	The IP should conduct a physical inventory of fixed assets at least once every year. The details of individuals conducting the inventory exercise as well as the date of the exercise was conducted should be properly documented and filed.	Implemented.	N/A
No evidence was brought to our attention to indicate that the IP had advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property.	The IP should develop, document and circulate a fraud risk management policy. The fraud risk management policy would comprehensively address among other things designing fraud & corruption response plans, establishing investigation protocols, remediation policies and uniform disciplinary processes.	Similar issue noted.	See responses under detailed findings under section 4.
The IP does not have an Internal Audit function.	To enhance monitoring of the effectiveness of internal controls, the IP should consider establishing Internal audit function.	Similar issue noted the level of ACU activities do not justify establishment of an internal audit function.	See responses under detailed findings under section 4.
The IP does not prepare financial statements. The IP maintains excel worksheets that keep track on income and expenditure.	Financial statements should be prepared for the IP on an-going basis. These should detail, the income, expenditure, assets, liabilities as well as the statement of financial position of the IP. Appropriate standards (IFRS) should be used to guide the process of preparation of these statements.	Similar issue noted	See responses under detailed findings under section 4.
The Financial Management System is not computerized/automated. The IP maintains some financial records manually on registers and/or in MS Excel based spread sheets.	The IP should roll out a proper accounting system to help them effectively manage financial information.	Similar issue noted	See responses under detailed findings under section 4.

Assesment Observation	Recommendation	Status Of Implementation	Partner Responses
<p>We have noted room for improvement was noted in the following areas:</p> <p>The IP has no documented procurement policies and procedures.</p> <p>The IP does not have a procurement unit does not fraud risk policy, which would among other things assist the IP in designing fraud.</p>	The IP should develop and document procurement policies and procedures that would guide procurement practices within the IP.	Implemented	N/A
The IP has no specific code of conflict of interest, (Such as policy on conflict of interest, corruption and fair competition, etc.	The IP should incorporate issues around the procurement code of ethics in the Procurement Manual to be developed.	Implemented	N/A
The IP has no specific anti-fraud and corruption policy	The IP should document an anti-fraud policy, which would among other things assist the IP in designing fraud, & corruption response plans, establishing investigation protocols, remediation policies and uniform disciplinary processes.	Similar issue noted	See responses under detailed findings under section 4.
The IP has not documented and approved a mechanism to ensure procurement protests are dealt with fairly.	The IP should develop and document its procurement practices. The procurement policy and procedures should contemplate a fair and impartial mechanism for revision of procurement protests	Implemented (Article 89 of the Procurement law.)	N/A
The IP does not have an established Procurement Committee.	The IP should establish Procurement Committee. The role of the Procurement Committee should be defined and included in the procurement policies and procedures to be developed by the IP. Minutes of each of the meetings should also be taken and filed for future reference.	Similar issue noted	See responses under detailed findings under section 4.
The IP does not have established authorization limits for different levels of purchases	Management should establish procurement authorization levels so as to provide clear guidance to staff.	Similar issue noted. All Purchases are authorized by ACU director.	See responses under detailed findings under section 4.

Assesment Observation	Recommendation	Status Of Implementation	Partner Responses
The IP does not have defined and documented process for sourcing/prequalification of suppliers.	The IP should develop procurement policies and procedures that should cover among other things pre-qualification of suppliers.	Implemented.	N/A
The does not undertake regular market surveys.	The IP should undertake regular market surveys in order to familiarize with market trends.	Implemented.	N/A
The IP does not have an established database of active suppliers.	Management should establish and maintain a database of active suppliers.	Implemented.	N/A
The IP does not keep track of past performance of suppliers	Suppliers' past performance should be tracked in order to identify suppliers who perform well as well as suppliers who do not deliver.	Similar Issue noted	See responses under detailed findings under section 4.

4. Details of Current Findings and Recommendations for Adjusted Micro Assessment

Finding n°: 4.1	Title: Weaknesses in accounting systems
<p>Description of the Finding:</p> <p>Best practice would require the unit to maintain proper books of accounting. It's also expected that there should be a double entry accounting system due its nature and size.</p> <p>Although the unit uses excel spread sheets to record the list of transactions, there is need to develop a double entry bookkeeping system which can generate reports about the office's financial position and income statements.</p>	
<p>Implication:</p> <p>Failure to use a double entry accounting system could lead to errors which may be transferred to the final reports</p>	
<p>Recommendation:</p> <p>We recommend that a double entry accounting system is installed and put into use for both the normal unit's operations and donor funded programs.</p>	
<p>Recommendation rating: High</p>	
<p>ACU Comment:</p> <p>Agreed with the described finding, however the recommendation is rejected. ACU is a government agency and needs to comply with government regulations. The government is in the process of implementing financial management information systems (FMIS) across government institutions. ACU does not have authority to procure and install advanced software systems independently. Also, fiscal officer runs monthly general ledgers, transactions registers, trial balance and financial statement for purpose of review and monitoring.</p>	
<p>ACU actions: ACU to request for the installation of financial management information systems (FMIS).</p>	
<p>Responsible person and date: Admin & Finance Officer, 31 December 2018</p>	

Finding n°: 4.2	Title: Lack of Anti-Fraud & Corruption Policy
Description of the Finding: <p>Anti- Fraud Policy is designed to eradicate or prevent dishonest or fraudulent conduct, especially in the forms of Conflicts of interest, Abuse of power and extortion, Fraud and Embezzlement, Bribery, Nepotism and favouritism and Gifts in all contexts of the Organization.</p> <p>We however noted ACU lacks such an important Policy and lacks mechanisms to mitigate against Fraud. In addition to that ACU has not formerly advised its staff or beneficiaries where to report cases of fraud or corruption.</p>	
Implication: <p>The absence of Anti- Fraud and corruption Policy implies there is a risk of not being able to detect fraudulent activities in time and not also having procedures to deal with Corruption after occurring. Failure to put clear guidelines and procedures to report instances of fraud or corruption by either the staff or beneficiaries leads to perpetrators of such unethical act unnoticed.</p>	
Recommendation: <p>We recommend the IP to formulate anti- Fraud and corruption policy urgently to make sure the IP has the necessary measures to mitigate risk of fraud and corruption. Furthermore, the unit should put in place guidelines to report fraud or corruption by whistle blowers (staff or beneficiaries)</p>	
Recommendation rating: Moderate	
Comments from ACU: <p>It should be noted that the ACU is part and parcel of the Office of the Prime Minister and follows the operational procedures of the OPM and the Federal Government. The ACU is not in the position to develop and implement independently government policies.</p>	
ACU actions: Follow up with Ministry of Finance and General Auditor on the availability of anti-fraud & corruption policy and proper training of ACU staff. ACU will also review possibility of undertaking unit risk mapping ensuring relevant mitigation measures are introduced and institutionalized.	
Responsible person and date: ACU Director, 30 September 2018	

Finding n°: 4.3	Title: Donor funds are not implemented in the country system
Description of the Finding: ACU is a Unit under the office of prime minister. It receives some support budget from UNDP. We however noted that the support budget from UNDP is not incorporated in to the national budget prepared by the Ministry of finance for office of prime minister. Although the Ministry Finance co-signs cheque payments.	
Implication: The project fund is out of the controls of the Federal Government as it is not subjected to the same controls and regulations as Government funds.	
Recommendation: We recommend that donor funds are included as part of the national budget to make it easy for the government to plan properly the national priorities and to get maximum possible benefits from the donor funds.	
Recommendation rating: Significant	
Comments from ACU: ACU's budget support from donors is not predictable, this creates challenges in recording these funds on government budget and use the country systems. ACU however advocated for the use of the country systems by all institutions to help strengthen the government systems and institutions.	
ACU actions: ACU to follow up with donors on a more predictable financing of the unit's operations and get these funds incorporated into the national budget and country system. ACU will also advocate for government allocated funds that'll be channelled from the country system.	
Responsible person and date: ACU Director, 31 December 2018	

Finding n°: 4.4	Title: Weaknesses on Programme management
Description of the Finding: <p>Programme policy is plan of action aimed at accomplishing a clear project objective, with details on how work is to be done, by whom, when, and what means or resources will be used. The policy ensure that project objectives are undertaken in a manner which will produce the best possible results, and which makes optimal use of resources to contribute to the realization of project goals.</p> <p>However, we noted that the unit does not clear policy and procedures for the program development.</p>	
Implication: <p>There is risk that project implementation may have not actually realised its goals and resources are not used to optimal.</p>	
Recommendation: <p>In order to ensure that ACU is able to realise project goals and resources are optimally used, the unit should come up with a programme policy.</p>	
Recommendation rating: Moderate	
ACU Comment: The mandate of the unit is set and it has clear objectives, outputs and payments which are related to the individual performance indicators. This ensures proper project implementation.	
ACU actions: ACU will prioritize the full utilization of all the programmatic policies for effective programme management. Existing policies will be reviewed to ensure effectiveness and relevance to the different programmatic context. Refine existing procedures and incorporate into one policy.	
Responsible person and date: ACU Director, 31 December 2018	

Finding n°: 4.5	Title: Weaknesses noted in Procurement practices.
<p>Description of the Finding:</p> <p>Public procurement, Concessions and Disposal Act passed by the federal parliament on December 2015. The Act states that “The objective of the law is to lay down the principles and practices of public procurement as it is a requirement from our counterparts, besides also the need to minimize corruption and to make sure the public funds are used for the purposes for which they are intended to. The law through the legislation, full transparency in public procurement, clear procedures and contracts, will ensure benefiting the public of this country”.</p> <p>The IP is doing well in terms of documentation of the procurement transactions that has been incurred. However, a review of the procurement practices of the Unit reveals the following weaknesses:</p> <ul style="list-style-type: none"> a) The procurement committee decides the winning vendor in the bid analysis, on based on mainly financial grounds, and ignores other aspects like quality, reliability of the supplier and so on. b) Procurement committee members did not sign declaration conflict of interest, nor does it have the policy mandating such a requirement. c) ACU does not keep track of past performance of suppliers. 	
<p>Implication:</p> <p>Procurement matters may not be handled properly given the inadequate procurement procedures. This may result in reduced efficiency, transparency and value for money.</p>	
<p>Recommendation:</p> <p>We recommend that the ACU should write a policy that requires the procurement committee to sign declaration of conflict of interest and apply it accordingly.</p> <p>We also recommend that the procurement committee should set-up systematic and objective approach that compares the quality of the competing vendors</p>	
<p>Recommendation rating: Moderate</p>	
<p>ACU Comment: procurement is handled professionally with utilization of the existing procedures, the additional recommendations of fortifying the transparency and accountability the procurement processes are welcomed for review and possible consideration.</p>	
<p>ACU actions: Jointly review the overall procurement procedures and the aforementioned recommendation to ensure continuous improvement of the efficiency of our procurement and service sourcing.</p>	
<p>Responsible person and date: Admin & Finance Officer, 30 September 2018</p>	

Finding n°: 4.6	Title: weaknesses in Monitoring and Evaluation
<p>Description of the Finding:</p> <p>M&E is a continuing function that aims primarily to provide the management and the main Stakeholders of the project, with a regular information, that gives an early indication of progress, or lack thereof, in the achievement of the program results.</p> <p>However, we noted that ACU suffers the following weaknesses in M&E:</p> <ul style="list-style-type: none"> a) Lack of policy and procedure guidelines on Monitoring and Evaluation b) Lack of staffing in the Monitoring & Evaluation department c) Inadequate monitoring tools and failure to carry out monitoring activities <p>Which are all important for conducting successful monitoring and evaluation</p>	
<p>Implication:</p> <p>Failure to develop M&E policy and prepare regular monitoring report on the project makes it difficult to ascertain the progress of the project.</p>	
<p>Recommendation:</p> <p>We recommend that the IP should come up with an M & E policy and prepare regular monitoring and evaluation reports, in order to implement that recommendation, the IP should have monitoring tools in place, and then recruit enough staff to handle or carry out that function</p>	
<p>Recommendation rating: Moderate</p>	
<p>ACU Comment: The National Monitoring and Evaluation framework has been passed recently for adoption by all the government institutions chiefly utilized for the monitoring of the National development plan achievement at the PWGs run by ACU. ACU has been the lead in ensure updating and validation of the mutual accountability framework (MAF) that has been key monitoring and evaluation tool for the implementation of the mutual indicators agreed at the Somali partnership forum. Funding constraint has hindered the hiring of M&E Officer, however the PWG Coordinators following close with the Pillar core groups on the continuous monitoring of the achievement of the expected results.</p>	
<p>ACU actions: Follow-up with internally and with the aid architecture stakeholders on the adoption and implementation of the national M&E framework.</p>	
<p>Responsible person and date: ACU Director, 30 September 2018</p>	

Finding n°: 4.7	Title: Weakness in Asset management
Description of the Finding: <p>According to the best practice, the unit should record the assets in the asset register, and tag it with the donor name, and periodically verified their existence, completeness, and operational effectiveness of the assets</p> <p>However, we noted the following weaknesses in the management of assets;</p> <ul style="list-style-type: none"> i. Assets verified are not tagged and marked with donor name/ project or any other unique identification for ease reference of the donor. ii. Asset register is not updated with Donor names, supplier name, invoice number and location the assets states Mogadishu instead of stating exact location of the asset in the office. 	
Implication: <p>It would be difficult to track movement of assets and key decisions on asset management may not be made.</p>	
Recommendation: <p>We recommend the unit should ensure that asset register is fully updated and assets are tagged and marked with donor name, and project ID.</p>	
Recommendation rating: Moderate	
ACU Comment: <p>All asset procured with the donor monies is fully accounted for, however the unique tagging of asset is an area that requires improvement and resource allocation.</p>	
ACU actions: ACU will source for funding to procurement proper tagging materials for all the asset and comply with the above recommendation.	
Responsible person and date: Admin & Finance Officer, 30 September 2018	

Finding n°: 4.8	Title: Weaknesses in Human Resource Management
<p>Description of the Finding:</p> <p>Best practice requires the staff files are properly updated.</p> <p>We noted the following weaknesses with regards to human resource management:</p> <ul style="list-style-type: none"> I. ACU maintains staff file but it Lacks the following documents Leave details, leavers clearance procedures, and induction training among others. II. There lacks evidence that proper handover and clearance has been conducted with the leavers III. There is no proper mechanism for approval and control of those staff who take their annual leave IV. Lack of staff training records. V. Lack of staff background checks 	
<p>Implication:</p> <ul style="list-style-type: none"> i. This implies inadequate controls over human resources, due to un-organized HR-file. ii. Some necessary staff may leave the job while they have fully access with their office domains and their specialized for job emails and they may also leave with office laptops which are full of the units' data iii. Some staff may not take their annual leave leading to inefficient staff, while others may take longer than their annual leave, leading to an under staffed office. 	
<p>Recommendation:</p> <ul style="list-style-type: none"> i. We recommend that ACU should maintain complete personnel files with leave details, leavers clearance procures and induction training among others. ii. New staff should be inducted with the job requirements and office policy, as soon as they are placed in their jobs. iii. Human resource department should make sure and monitor that there is a proper mechanism to authorize and control the staff annual leave, and other leave policies, such as maternity. 	
Recommendation rating: Moderate	
<p>ACU Comment:</p> <p>It should be noted that the ACU is part and parcel of the Office of the Prime Minister and follows the operational procedures of the OPM and the Federal Government. Maintenance of personnel information is predominantly the mandate and responsibility of the National Civil Service Commission. The ACU is not in the position to develop and implement independently government procedural matters. However, as the national system for file maintenance on public sector workers is not yet fully complete and not yet fully rolled out, in the interim, the ACU will start maintaining a temporary system answering to the key concerns indicated in the finding.</p>	
ACU actions: ACU will start maintaining a temporary system answering to the key concerns indicated in the finding.	
Responsible person and date: Admin & Finance Officer, 30 September 2018	

Finding n°: 4.9	Title: Inadequacies noted under Information Communication and Technology (ICT).
Description of the Finding: <p>The ICT systems policies are designed to achieve best value and to reduce risk, they enable the organisation to put controls over ICT aspects such as access control, assigned security responsibility, support of local systems, work station use, ICT integrity and data redundancy.</p> <p>After reviewing the ICT department of the unit, we noted that the unit does not have ICT policy and procedures, and it also does not backup the Data periodically</p>	
Implication: <p>Data security and related controls may not be assured leading to loss of useful data.</p>	
Recommendation: <p>We recommend that ACU should ensure that the necessary ICT policies and procedures formulated, and also data back-ups conducted on a regular basis and stored offsite.</p>	
Recommendation rating: Moderate	
ACU Comment: <p>It should be noted that the ACU is part and parcel of the Office of the Prime Minister and follows the operational procedures of the OPM and the Federal Government. The formulation of ICT policy is predominantly the mandate and responsibility of the Ministry of Posts and Telecommunications. The ACU is not in the position to develop and implement independently policies.</p>	
ACU actions: ACU to follow up with the Ministry of Posts and Telecommunications on formulation of the ICT policy and training of ACU staff. In the interim, data back-ups conducted regularly.	
Responsible person and date: Admin & Finance Officer, 30 September 2018	

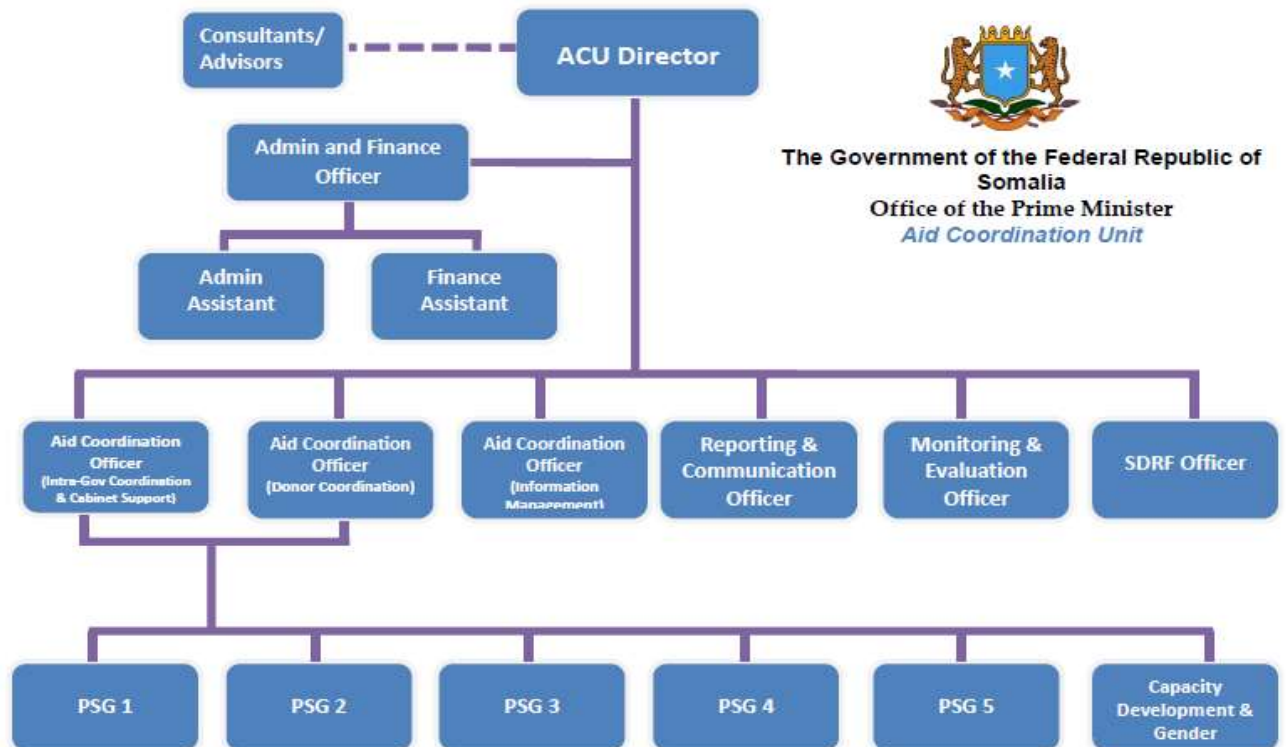
Annexes

Annex 1: Implementing Partner and programme Information

Implementing partner name:	Ministry of Planning Investment and Economic Development (ACU)
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	
Implementing partner contact details (contact name, email address and telephone number):	Aid Coordination Unit Office Office of the Prime Minister Villa Somalia, Warta Nabada District, Mogadishu – Somalia
Main programmes implemented with the applicable UN Agency/ies:	Strengthening Institutional Performance project with UNDP.
Key Official in charge of the UN Agency/ies' programme(s):	George Conway, Country Director, UNDP Somalia, United Nations Office at Nairobi (UNON) Complex P.O. Box 28832,00200 Nairobi – Kenya.
Programme location(s):	Mogadishu, Somalia
Location of records related to the UN Agency/ies' programme(s):	Mogadishu, Somalia
Currency of records maintained:	US\$
Latest expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable). Indicate the amount (in US\$) and the financial reporting period	103,576
Current or latest cash transfer modality/ies used by the UN agency/ies to the IP	
Intended start date of Capacity Adjusted Micro Assessment:	30 April 2018
Number of days to be spent for visit to IP:	2 days
Any special requests to be considered during the Capacity Adjusted Micro Assessment:	None

Annex 2: Implementing Partner Organisation Chart

ACU Organization Structure



Annex 3: List of Personnel met

Name	Unit/organization	Position
Abdirahman Farah	ACU	Deputy Director
Mohamed Ali Mohamed	ACU	Admin and Finance officer
Abdulnasir Mukhatar	ACU	Admin and Finance assistant

Annex 4: Micro Assessment Questionnaire

Attached Separately

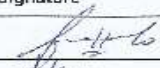

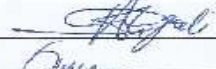

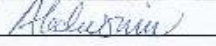
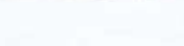
Annex 5: Exit Meeting Minutes

1

ANNEX -5 -Signed Exit Meeting Minutes

List of documents which were not provided has been shared via email.

5. Any other business.

SIGNATURES OF THE AUDITOR AND THE ENTITY OFFICIALS				
S.no	Name	Title	Organization	Signature
1	Abdrehman Daud	Partner	BTM	
2	Abdrehman Aboullathi	Auditor	BTM	
3	Mohamed Ali	Admin & Finance	ACU/OPM	
4	Omar A / Software	IT	ACU/OPM	
5	Abdrehman Fawzi	Deputy Director	ACU/OPM	
6	Abdulnasser Mukher	Assistant	ACU/OPM	

¹ Some of the findings discussed during the closing meeting were either subsequently resolved or new findings were added after the field visit therefore, section 4 does not agree to annex 5.