



REF: XXG/008/2022

Date: 24/01/2022

**Re: Financial reporting by Public Bodies and year end closing procedures circular for the financial year ending 2021.**

**1. Introduction**

The financial year 2021 ended on 31<sup>st</sup> December 2021 and the purpose of this circular is therefore to provide guidance to all Ministries, Departments, Agencies (MDAs) of the Federal Government of Somalia on the financial reporting arrangements and procedures to be followed to ensure that appropriate end of year 2021 FY activities are undertaken to enable timely preparation of the Government annual financial statements for the FY 2021 and a transition to the FY 2022.

The circular is pursuant to Public Financial Management Act of 2019 (PFMA) under Articles 43 (4) and 45 (2) which requires every officer or agent managing public finances of the state to render accounts. Under the same law, the Accountant General is required by Article 44(1) to transmit the accounts of the state to the Auditor General for audit no later than four months after the end of the financial year.

Accordingly, the Accountant General has issued this accounting and reporting circular which instructs the Ministries, Departments and Agencies of the Federal Government of Somalia to prepare their annual financial statements and submit them as per the specified timelines in the below schedule. This circular provides reporting deadlines that should be observed by all the MDAs including the projects. It also highlights the key issues that were noted during the compliance audit exercise that was carried out by the Auditor General for the financial year 2020.

Further, the circular highlights some internal quality review guidelines that will assist the MDAs in the preparation of credible financial statements before submission to the Office of the Accountant General and Office of the Auditor General.



## 2. Critical reporting deadlines, reporting template and accounting policies

The following are the reporting timelines that should be observed in the preparation and submission of financial reports relating to the financial year ending 2021.

Ref no.	Description	Date	Applicable provision in the FAPS/ COPM	Responsibility
1.	Monthly reports - Budget utilization report	7th day the following month	Article 44(1) (PFMA 2019)	MDA Authorizing Officer
2.	Preparation and submission of quarterly financial statements which are Cash Basis IPSAS compliant to the Accountant General	30 days following end of quarter	Article 44(2) (PFMA 2019)	MDA Authorizing Officer
3.	First submission of annual financial statements for the FY2021 to the Accountant General for review	31 <sup>st</sup> March 2022		MDA Authorizing Officer
4.	Final submission of annual financial statements for the FY2021 to the Accountant General and Auditor General	30 April 2022	Article 45 (2) (PFMA 2019)	MDA Authorizing Officer
5.	Submission of consolidated financial statements for the FY2021 to Auditor General	30 <sup>th</sup> April 2020	Article 45(1) (PFMA 2019)	Accountant General

Failure to comply with the timelines indicated above, may lead to remedial action taken against the MDA that may include the Treasury putting on hold the processing of any commitments or payment requests originating from the concerned MDA.

## 3. Submission of reports to the Accountant General

While submitting the financial reports mentioned above by the MDAs, an Authorizing Officer shall ensure that the following are observed:



- i) The reports should cover the appropriate period, in this case the period should be annual.
- ii) The reports should be submitted in the formats advised by the Accountant General.
- iii) The reports should be signed by the relevant authority and submitted by email to the Accountant General and in hard copy to the Auditor General.

#### **4. Basis of preparation of financial statements for MDA's and the new financial reporting templates (FRTs)**

Pursuant to Article 43(1) of the PFMA of 2019 that requires the Accountant General to specify the accounting system to be followed by the MDAs, the financial statements of every MDA shall be prepared in accordance with Cash-basis International Public Sector Accounting Standards 2017, (IPSAS) (as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants). In accordance with section 11.3.3 of the COPM, a standard financial reporting template (FRT) compliant with the Cash Basis IPSAS, 2017 requirements have been developed for use by all MDAs in the preparation of their quarterly and annual financial statements. The Financial Reporting Template comprises the following statements;

- i) Discussion and Analysis section
- ii) Statement of responsibilities
- iii) Statement of cash receipts and payments
- iv) Statement of financial assets and liabilities;
- v) Statement of cash flows;
- vi) Statement of budget comparison with actuals;
- vii) Statement of accounting policies applied in preparing and presenting the financial statements;
- viii) Disclosure/Explanatory notes and schedules relevant to enhancing fair presentation and understandability of the statements;
- ix) Detailed schedules of third party payments, imprest/travel advances and other receivables, payables & expenditure arrears, off budget accounts/transactions, and the summary of physical assets extracted and reconciled to the asset register.

The new Financial Reporting Templates are available on the Ministry of Finance website (<http://www.mof.gov.so/>) and an Annual PFM Reinforcement training was provided by the Office of the Accountant General on the Financial Reporting Templates and the Cash Basis IPSAS requirements.



**5. Key issues to note relating to closure of the current financial year and preparation of the annual financial statements for the year ending 2021.**

The Auditor General carried out compliance audits for all individual MDAs for the FY2020 and a number of audit issues were raised which will need to be addressed accordingly. Any failure to resolve these issues may lead to the qualification of the financial statements of the MDA as well as the consolidated financial statements of the Federal Government of Somalia. Consequently, as your entity prepares the annual financial statements for the year ending December 2021, the following guidelines should be followed to ensure that these issues are resolved accordingly:

**a) Financial reporting by individual MDAs**

One of the key issues raised by the Auditor General is the need for the individual MDAs to prepare and submit accounts for audit and ensure compliance with the law and also promote more accountability and transparency in the management of public finances entrusted with each individual entity. As part of the accounting reforms that the Office of the Accountant General has embarked on (including the issuance of this year end circular,) technical support arrangements are available to enable all MDAs to prepare and submit their accounts accordingly.

**b) Lack of adequate supporting documentation for payment transactions including travel costs**

For a number of entities, the compliance audits revealed that some payments were made without adequate documentation and the following action should therefore be taken by the concerned entities;

- All payments involved should be reviewed and regularized, ensuring that the necessary supporting documentation is in place.
- In case any financial losses are established, the MDA authorizing Officer should ensure that the losses are made good by the responsible officers.
- For all payments made in 2021, the Authorizing Officer should ensure that they are based on adequate supporting documents which are properly authorized by a senior responsible officer(s) for goods and services received in accordance with the specified terms and
- All payment documents should be stamped as "PAID" as soon as payments have been affected (or cancelled as paid) to prevent their use in support of further payments.

For the avoidance of doubt the FGS Comprehensive Operating Procedures Manual (COPM) provides for a detailed checklist for the supporting documents required for each category of expenditure under **appendix 10** and this should be referred to accordingly.



### **C) Asset management**

The compliance audits showed that during the FY 2020, there was no approved document on policies and procedures in the FGS leading to weak internal controls over the management of government assets. However, the National Asset Department (NAD) has developed National Assets Policy and Procedures which is current in the final stage of promulgation pending the review by the Governments' Attorney General. Also, the department will organize a workshop for the MDAs and projects to sensitize them on the new developments in the SFMIS fixed assets register module and the need for the MDAs to keep an updated fixed asset register to facilitate the data migration process from the memorandum registers to the SFMIS. As part of the Annual Financial Statements, MDAs and Projects should ensure that a summary statement of Non-current assets is included in the format provided in appendix (a).

#### **c) Tracking of progress on implementation of audit recommendations arising out of the compliance audits for the financial year ending 2020.**

Before signing off the quarterly/annual financial statements, MDAs shall ensure that all the audit issues and recommendations by the Office of the Auditor General have been duly addressed. To facilitate this process, the financial reporting templates have included a section that requires the MDAs to disclose the progress made in resolving the audit issues/recommendations.

#### **d) Cash receipts collected and used at source (Embassies)**

During the compliance audits, the audit conducted in the FY2020 noted that audited embassies had collected revenue and used at the source without depositing into the Treasury Single Account (TSA). This is not in accordance with IPSAS cash basis of accounting which requires all revenue and expenditure to be reported on a gross basis (Para 1.3.13). Therefore, MDAs authorizing officers should ensure that there are no funds received and used at source but rather deposited in the treasury single account or a bank account that is authorized and approved by the Accountant General. All the revenues collected by the Somali embassies should be included in the approved budget.



## 6. Preparation and quality review of the MDA financial reports

The MDA Authorizing Officer is responsible for the preparation of the financial reports of the MDA that he/she is in charge. It is therefore the duty of the Authorizing Officer to ensure that the financial reports are prepared and are of high quality before submission to both the Accountant General and Auditor General. To achieve this, the following quality review guidelines will assist the MDAs to prepare and also carry out an internal quality review of their financial statements;

Ref no.	Quality review areas - Ensure the following:	How does this help you?
1	<b>Trial Balance:</b> If not yet available from the SFMIS, the MDA accountant should prepare a Trial Balance from the SFMIS General ledger (account details) collaborated with the SFMIS Treasury payments listing, cash advances schedule and the SFMIS MDA budget utilization report.	Ensures that the financial statements are adequately supported by the trial balance, general ledger and other underlying records.  An excel SFMIS General Ledger should be downloaded and filed accordingly to support the Trial Balance and the financial statements: <b>Note that the current SFMIS Ledger is out of balance by the amount of Direct Payments &amp; cash transfers from the Treasury which should be added so that the ledger can balance.</b>
2	<b>MDA Bank Accounts:</b> The Trial Balance includes any bank accounts maintained by the MDA.	Ensures the financial statements are complete and all bank accounts maintained by the entity are included in the report.
3	<b>Bank reconciliations:</b> All cashbooks are supported by a bank reconciliation statement which has no errors. This is more relevant to MDAs that operate bank accounts into which cash advances are paid.	Ensures the cashbooks are accurate, bank reconciliation provided. No reconciling items should appear in the reconciliation without reasonable explanation. Where there is an unreconciled difference in the bank reconciliation, an explanation of the exact nature of the difference should be provided in writing.  <b>Note: In light of the current accounting treatment for cash</b>



		advances, the cash book shall be represented by the Cash Advances SFMIS ledger – account 315103. The balance on this ledger shall be equal to the Bank statement balance.
4	<b>Petty Cash:</b> The petty cash balance is supported by a petty cash reconciliation certificate and attached to the financial statements.	Ensure that petty cash balance is accurate and ties to physical cash available and doesn't exceed the limit of US\$ 2,000 (Section 7.3.17 of the COPM).
5	Requirement for <b>COMPARATIVES</b> as indicated in the financial reporting template will apply for the financial year 2021.	The Cash Basis IPSAS requires that the MDAs preparing their financial statements, provide comparative figures of the 2020FY.
6	<b>Cash advances and direct payments</b> from Treasury are properly ascertained from the SFMIS reports.	Ensures that cash advances and direct payments from Treasury are properly identified and reflected in statement of cash receipts and payments/statement of budget comparison with actuals.
7	<b>Accounts payables (including expenditure arrears) and receivables</b> are explained in a note to the Financial Statements and a complete list containing the details of the accounts payables and receivables is included in the financial statements.	Ensures accuracy and completeness of payables and receivables by providing itemized schedules/breakdown.
8	Financial statements are <b>prepared in accordance with the FRTs issued by the Accountant General</b> and notes to the financial statements are accurate and correspond to the main financial statement. <i>Please liaise with the Office of Accountant General for the necessary technical support to prepare the financial statements.</i>	Ensures the financial statements are prepared in line with the Cash IPSAS and in accordance with instructions issued by the Accountant General. This will also ensure that the figures are well supported and explained and the notes tie in with the amounts appearing in the primary financial statements.
9	<b>Budget utilization report:</b> should be accurate.	The Statement of Budget Comparison and Actual Amounts reflects a complete record of all expenditure relating to the financial



		transactions of the MDA as well as all allocated funds.
10	<b>Fixed asset management:</b> Need to ensure that the MDA fixed asset register is fully updated with all the relevant details of the assets including the asset tag numbers.	<p>Ensures accurate records of the MDA assets are maintained to facilitate proper management and control; MDAs to ensure the following are done:</p> <ul style="list-style-type: none"> <li>• Reconcile the asset register with the General Ledger for acquisition during the year.</li> <li>• Asset tags assigned to assets cannot be easily removed and are located in such a way that they cannot be easily seen to protect them from being removed or destroyed.</li> <li>• Physical verification done at least once year.</li> <li>• Confirmation that the assets are owned by the MDA by ensuring that the entity has satisfactory titles to the assets.</li> <li>• Condition of the assets is properly updated.</li> </ul>
11	The financial report is prepared on time for review by the Director General of the MDA to allow for timely submission to the Office of the Accountant General and the Office of the Auditor General.	This ensures legislative compliance.



## 7. Other important disclosures

In line with the Financial Reporting Templates, appropriate records should be maintained to provide and disclose the following information as part of the financial statements;

- Payments by third parties made directly to suppliers;
- Goods and services received during the year;
- Extrabudgetary transactions under an MDA and not related to a self-accounting project;

## 8. Financial reporting by externally financed projects

All externally financed projects whether included in the national budget or “off-budget” are self-accounting and reporting entities and therefore required to prepare and submit their quarterly and annual financial statements to the Accountant General accordingly. A project financial reporting template has also been developed (can be downloaded from <http://www.mof.gov.so/>) to enable projects under MDAs to provide separate financial reports which should be approved by both the MDA Authorizing Officer and the Project Coordinator.

MDA Authorizing Officers should ensure that all off-budget projects under their control prepare and submit accounts to the Accountant General for consolidation into the Federal Government of Somalia Accounts.

## 9. MDA financial reporting and year end circular for the FY 2021

The Office of the Accountant General has put in place the necessary arrangements to provide the technical support that will be required by the MDAs in the preparation of their financial reports and also follow up on the audit recommendations from the previous financial year compliance audits. In case of any queries or need for technical support, the following can be contacted and will be glad to provide any assistance that is required;

Ref.	Name	Contact – Email	Telephone/WhatsApp
1.	Abdirisak Mohamed (Deputy Accountant General)	<a href="mailto:axsan08@gmail.com">axsan08@gmail.com</a>	
2.	Abdirahman Mohamed Hassan (Director Public Sector Accounts & Reporting)	<a href="mailto:mohashanle@gmail.com">mohashanle@gmail.com</a>	<a href="tel:0615917698">0615917698</a>



3.	Adam Abdulkadir Adam (Director SFMIS)	<a href="mailto:aadancade15@gmail.com">aadancade15@gmail.com</a>	<a href="tel:0615861070">0615861070</a>
4.	Accounting and Reporting Help Desk	<a href="mailto:reporting.oag@gmail.com">reporting.oag@gmail.com</a>	<a href="tel:0618156666/0615681394/0615934310/">0618156666/0615681394/0615934310/</a> <a href="tel:0617443103/0614841554/0615577533/0612484639">0617443103/0614841554/0615577533/0612484639</a>

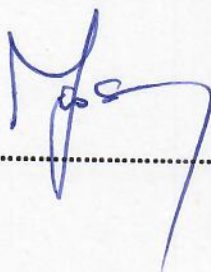
I look forward to your continued support and collaboration as together we strive to advance the PFM reform process embarked on by the Federal Government of Somalia.

Yours sincerely,

**Fatuma Osman Farah**

**Accountant General**

**Federal Government of Somalia**




Cc:

Abdirahman Beileh  
Hon Minister of Finance  
Ministry of Finance  
Federal Government of Somalia

Mohamud Hayir Ibrahim  
State Minister of Finance  
Ministry of Finance  
Federal Government of Somalia



Abdullahi Sheikh Ali  
Deputy Minister of Finance  
Ministry of Finance  
Federal Government of Somalia

Saleiman Umar  
Director General  
Ministry of Finance  
Federal Government of Somalia

Mohamed Mohamud Ali  
Auditor General  
Federal Government of Somalia



## Appendix – SUMMARY OF MDA ASSET (Non – Current Assets) REGISTER

[illegible]