



**ANNUAL REPORT OF THE AUDITOR GENERAL OF HSS STATE FINANCES
FOR THE YEAR ENDED 31 DECEMBER 2024**

Office of the Auditor General
Hirshabelle State of Somalia

Annual Audit Report for the

Financial Year 2024

Presented to Parliament on 28th August 2025



**ANNUAL REPORT OF THE AUDITOR GENERAL OF HSS STATE FINANCES
FOR THE YEAR ENDED 31 DECEMBER 2024**

Transmittal letter

28th August 2025

**Speaker of the Parliament
Hirshabelle State of Somalia
Jowhar, Hirshabelle**

Dear Speaker,

I am honored to submit the Annual Report of the Auditor General on the Accounts of the Hirshabelle State of Somalia for the financial year ended 31 DECEMBER 2024. This submission is made in accordance with Section 32(3) of the PFM Act 2018 and Sections 30, 32, and 33 of the Audit Act 2019 of Hirshabelle State of Somalia (HSS).

The primary function of my Office is to audit the accounts of Ministries, Departments, Agencies (MDAs), and other institutions financed from public funds. This report covers those MDAs whose transactions appeared in the consolidated financial statement of HSS for the financial year that ended 31 DECEMBER 2024.

The audits were conducted to examine whether the funds appropriated by Parliament or raised by the Government and disbursed had been accounted for properly. The audit adhered to the International Standards of Supreme Audit Institutions (ISSAIs), which are the standards relevant for auditing public sector entities. The findings presented in this report pertain to issues that were unresolved during the audit process.

I would like to take this opportunity to express my gratitude to the employees of the Office of the Auditor General (OAG) and the MOF staff for their support and cooperation during the audits.

Yours sincerely,

Hirshabelle State of Somalia

CC:

- 1. The President of Hirshabelle State Government**
- 2. Minister for Finance of Hirshabelle State of Somalia**

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1. Acronyms

Acronym	Full Description
AG	Auditor General
ASI	Adam Smith International
CSC	Civil Service Commission
DG	Director General
FMIS	Financial Management Information System
FY	Financial Year
HSS	Hirshabelle State of Somalia
ID	Identity
ICT	Information and Communications Technology
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MOF	Ministry of Finance
NGO	Non-governmental Organisation
OAG	Office of the Auditor General
PFM	Public Financial Management
EU	European Union
SFAS	Strengthening Financial Accountability in Somalia
RMS	Revenue Management System
SAI	Supreme Audit Institution
TSA	Treasury Single Account
TD	Treasury Director
UNDP	United Nations Development Program
USD	United States Dollar

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2. Executive Summary

The executive summary gives a snapshot of the results of the 2024 annual audit conducted by the HSS Office of the Auditor General. The total expenditure of the state for the FY 2024 was USD 19,447,196. Major expenses for the year included; wages and salaries (USD 6,877,278), travels and conferences (USD 2,378,126), operating expenses (USD 3,546,227), other operating expenses (USD 2,275,068), grants to other government units (USD 2,440,000), rent (USD 693,872), conflict resolution expenses (USD 832,000), fixed assets (USD 278,309) as well as miscellaneous expenses (USD 126,315). The result of the audit is as follows;

Based on the audit procedures performed in lines we ISSAIs, the audit evidenced reviewed as well as our overall understanding of the state operations, we issued a qualified audit opinion on the following basis;

- 22% of non-payroll costs incurred on sourcing of goods and services lacked important supporting documentations showing whether the procurement process has been followed, goods have been delivered with the correct specifications and at correct quantities, services have been rendered or works have been performed to the expected standards and that payments reached to final intended beneficiaries.
- Payments made to security forces, temporary employees, and contract employees lacked adequate supporting evidence. The audit did not find payroll records or contractual agreements to confirm the existence of the individuals receiving these payments.

except for the effects of the matters described above the financial statements presents fairly, in all material respects, the financial position of the Hirshabelle State of Somalia as at 31 December 2024 and its financial performance for the period then ended in accordance with the Public Financial Management Act, 2018 and the International Public Sector Accounting Standards (IPSAS) Financial Reporting Under the Cash Basis of Accounting, 2017.

Other key findings and recommendations are as follows;

1. **Weaknesses in the budget process;** missing required budget annexes and process documents such as budget ceiling letters issued to spending agencies, revenue estimates, recurrent expenditure details, staffing estimates, capital expenditure schedules, donor funding annexes, as well as annual revenue and spending plans within the required period. Additionally, the Budget Framework Paper lacked key required disclosures such as two-year performance Comparatives, and Revenue Policy Impacts.

Budget over utilization in key ministries and disregard of the 10% virement rule was noted. Differences between parliamentary approved budgets and budget uploaded to the state financial system as well as zero spending in some ministries such as Ministry of Ports and Maritime Transport, Youth and Sports, Public Works and Reconstruction, Transport, Air and Land, Labor and Employment, Constitution & Federal Affairs etc. were noted.

Recommendations

- ✓ All required budgetary documents should be utilized to give the budgetary process credibility and to provide parliament with information that will enable them to make informed decisions as they approve the state's budget.
 - ✓ Budget allocations should be respected and necessary parliamentary approvals obtained where necessary through supplementary budgets.
 - ✓ Proper clarifications should be provided as to why key ministries could not utilize allocated budgets
2. **Weaknesses in revenue management;** lack of revenue reconciliations was noted. Original collections receipts as well as bankings and system recordings were not

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reconciled. Revenue recording system (RMS) and the state's financial system (FMIS) were not reconciled. Additionally monthly donor income reconciliations were not done. These poses risks of errors, loss of revenues as well as in accurate recording of revenues.

Recommendations

Management was recommended to institute a strong internal control system over collection and recording of revenues. Reconciliations should be done to ensure detection of errors and sealing of revenue loopholes.

3. **Other weaknesses related to payment of expenses;** instances where different expense transactions have been applied to incorrect expenditure codes and line items, instances of payments made outside the approved appropriations and were not supported by evidence of lawful budget revisions through supplementary approval by the relevant authority, persistent violations of the delegation of authority and signature roles as established in Instruction A – Delegation of Authorities, part of the Public Financial Management Law 2018. Specifically, CPOs not signed at all, signed by only one signatory or signed by unauthorized person.

Recommendations

Management was recommended to ensure adherence to established controls. Expenses should be paid from only authorized vote heads; no payments should be made outside the approved budget and controls around CPO approval should be applied consistently.

4. **Weaknesses in procurement process;** Non-compliance with procurement guidelines was noted, with payments processed without competitive bidding there was no evidence of the procurement department involvement in initiation and management of the procurement process.

Recommendations

Adhere to established procurement guidelines. The procurement department should be fully operationalized.

5. **Operation of various payrolls;** the state should consolidate its payroll into one computerized payroll system to avoid errors associated with different manual payroll systems.

Recommendation

The state should consolidate payrolls into a single computerized system to minimize errors and improve control.

6. **Improvements in the presentation of information in the financial statement;** the state should ensure that components of tax revenue are disclosed by type. The lumpsum presentation of payroll tax from government staff and that from private sector as well as taxes on goods and services does not clearly show the different tax types.

Recommendation

Tax revenues should be disclosed by type to ensure transparency and clarity in financial reporting

7. **Lack of bank reconciliations.** No bank reconciliation was provided for audit.; preparation of formal and standard bank reconciliations should be adopted. Year-end banking procedures should be performed as stipulated by the banking regulations and procedures manual.

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Recommendation

Standardized and timely bank reconciliations should be prepared, with year-end banking procedures carried out in line with regulations.

- 8. Weaknesses in fixed assets management;** Lack of asset management system, establishment of a centralized fixed assets register, lack of assets tagging as well the non-existence of procedures for periodic assets verifications undermine effective asset tracking and management

Recommendations

The states should Develop and implement a centralized asset management system and establish a strong internal control system over assets.

- 9. Follow-up on Prior Recommendations:** The current issues reported have recurred over the years which points to non-implementation of auditor recommendations.

Recommendations

Address outstanding issues and ensure compliance with previously made recommendations.

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10. Summary of Status of Prior year Audit recommendations

No. of findings	Implemented	Partially Implemented	Not Implemented
12	2	2	8

Finding No.	Area	Prior Year Audit Observation	Status in Current Audit
1	Financial Statement	Weaknesses noted in the financial statements.	Implemented – Adjustments made and disclosures improved.
2	Cash and Bank	Weaknesses in management of cash and bank balances; lack of reconciliations.	Not Implemented – Reconciliation issues still persist.
3	Fluctuations in Reported Local Revenue Collections	Significant unexplained fluctuations were noted in the monthly local revenue collections.	Implemented – The variances noted in 2023 were subsequently clarified, with management attributing them to normal fluctuations in local tax revenue collections
4	Revenue – Documentation	Weaknesses on local revenue management (missing supporting schedules).	Partially Implemented – Documentation still incomplete.
5	Revenue – RMS vs FMIS	Variances between RMS and FMIS revenue data	Not Implemented – Reconciliation issues still persist.
6	Revenue – Donor & FGS Funds	Weaknesses in managing and recording donor and FGS grants.	Not Implemented – Donor reconciliations and filing remain weak.
7	Non-Payroll Expenditure	Unsupported and partially supported payments.	Partially Implemented – Significant unsupported payments persist.
8	Non-Payroll Expenditure	Misclassification of expenses and weaknesses in recording payments.	Not Implemented – Misclassifications still noted.
9	Procurement	Weaknesses in procurement process (use of single source, poor documentation).	Not Implemented – Control lapses and single sourcing continue.
10	Payroll	Weaknesses in payroll (parallel payrolls, lack of monthly reconciliation).	Not Implemented – Payroll still fragmented; no unified reconciliation.
11	Payroll – Security Payments	Weaknesses in security payrolls, contract staff, and temporary staff payments.	Not Implemented – Documentation and verification remain inadequate.
12	Fixed Assets Management	Weaknesses in fixed asset management (no complete asset register).	Not Implemented – Same finding repeated due to lack of system.

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The chart above presents the status of implementation of audit recommendations issued in prior years. It shows the proportion of recommendations that were fully implemented, partially implemented, and not implemented as at 31 December 2024.

3. Introduction

This report, produced in accordance with Sections 30, 32(3), and 33 of the Public Financial Management (PFM) Act 2018, reflects the outcomes of the audit conducted for the Hirshabelle State of Somalia for the financial year ended December 31, 2024. It presents our observations and insights gained during the audit whose aim was to provide reasonable assurance regarding the reliability of the state's financial statements and their compliance with applicable rules, policies, and legislation. This report highlights key audit findings, sheds light on issues impacting service delivery to the people of Hirshabelle State, and includes recommendations for governance bodies, oversight authorities, and other stakeholders. These recommendations are designed to enhance financial and performance management across Ministries, Departments, and Agencies (MDAs).

4. Mandate

Section 28(1) of the Audit Act 2019 mandates the Office of the Auditor General (OAG) to audit the accounts of all public bodies within HSS. According to Section 32(3) of the PFM Act 2018 and Section 30(4) of the Audit Act 2019, the Auditor General (AG) is required to submit the Annual Audit Report to Parliament within four months of receiving the Financial Statements from the Minister for Finance. The Speaker of Parliament must then table all audit reports in the State Assembly within five working days of receipt, as stipulated in Section 33(1) of the Audit Act 2019.

The independence of the Auditor General is a cornerstone of a well-functioning Supreme Audit Institution (SAI) operating in line with International Standards of Supreme Audit Institutions (ISSAIs). Article 67 of the Hirshabelle Constitution establishes the OAG as an independent institution with the primary function of serving as the external auditor for the State. Furthermore, Section 7(1) of the 2018 Audit Act underscores the Auditor General's independence in executing his/her responsibilities

5. Appreciation

The OAG extends its appreciation to our dedicated employees whose contributions have been instrumental in maintaining our professionalism and upholding our mandate. The contribution of the technical Assistance (TA) from the European Union (EU) Funded Strengthening Financial Accountability in Somalia (SFAS) project implemented by our partners Adam Smith International (ASI) cannot be over emphasized. We also express our gratitude to Parliament, Ministry of Finance, and the Civil Service Commission for their support and cooperation, which have significantly contributed to the work of the OAG. We take pride in presenting the Auditor-General's Annual Report for 2024.

6. Challenges

The Office of the Auditor General of Hirshabelle State continues to face significant institutional and resource constraints that limit its ability to fully deliver on its legal mandate. The Office requires adequate financial autonomy and resources to independently manage its operations, including investment in IT systems, recruitment and retention of qualified staff, and provision of continuous professional training. Currently, limited funding and dependence on the Ministry of Finance for budgetary control undermine both the independence and effectiveness of the audit function. Capacity gaps, particularly in specialized audit skills and technology, have negatively affected audit coverage, quality, and timely reporting. Without strengthened resourcing and institutional independence, the Office's ability to promote transparency and accountability in public financial management remains severely constrained.

7. Conclusion

The audit of the Hirshabelle State of Somalia's financial statements for the year ended 31 December 2024 revealed significant recurring weaknesses in public financial management. These include unsupported payments, unauthorized expenditures, procurement irregularities, weak payroll controls, poor revenue and donor fund reconciliations, and persistent failures in asset management. The recurrence of these issues demonstrates limited implementation of prior audit recommendations and highlights the urgent need for stronger financial controls, staff training, and enforcement of the PFM Act.

8. Other Matters

In addition to the matters set out in the Basis for Qualified Opinion, the audit identified several weaknesses in internal controls, compliance with the Public Financial Management (PFM) Act, and financial reporting practices. While these issues did not individually alter the form of the audit opinion, they are significant for strengthening financial accountability and governance.

The Auditor's Report on the Financial Statements and the Final Financial Statements are presented in Annex 1, and the Detailed Management Letter is presented in Annex 2. The Management Letter contains audit observations, management responses, auditor conclusions, and recommendations for corrective action. It forms part of this report and is intended to assist management and oversight bodies in addressing the underlying causes of recurring weaknesses and implementing sustainable improvements in public financial management.

9. Annex 1- Auditor report on the financial statement and the final financial statement

ANNUAL REPORT OF THE AUDITOR GENERAL OF HSS STATE FINANCES

Jamhuuriyadda Federaalka Soomaliya
Dowlad Goboleedka Hirshabelle
Xafiiska Hantidhowrka



جمهورية الصومال الفيدرالية
ولاية هيرشبيلي
مكتب المرجع العام

Federal Republic of Somalia
Hirshabele State
OFFICE AUDITOR GENERAL

**Office Of the Auditor General
Hirshabelle State of Somalia,**

HIRSHABELLE STATE OF SOMALIA (HSS)

INDEPENDENT AUDITORS' REPORT ON THE
CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024

GLOSSARY OF TERMS

FGS	Federal Government of Somalia
FY	Financial Year
IPSAS	International Public Sector Accounting Standards (IPSAS)
ISSAI	International Standards of Supreme Audit Institutions
HSS	Hirshabelle State of Somalia
MOF	Ministry of Finance
USD	United States Dollar



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FOR THE YEAR ENDED 31 DECEMBER 2024**

STATEMENT OF RESPONSIBILITY OF THE MINISTRY OF FINANCE

The Public Financial Management (PFM) Act 2018 of Hirshabelle State of Somalia requires Ministry of Finance (The Ministry) to prepare Consolidated Fund Statement of Receipts and Payments for each financial year that recognizes all cash receipts and payments and cash balances controlled by the State. The State is required to maintain proper accounting records that are sufficient to show and explain the transactions of the State and disclose, with reasonable accuracy, the financial position of the State. The State is also responsible for safeguarding the assets of the State and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Ministry accepts responsibility for the preparation and presentation of these Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS) - Financial Reporting Under the Cash Basis of Accounting 2017 and in the manner required by the Public Financial Management Act, 2018 of Hirshabelle State of Somalia. The Ministry also accepts responsibility for:

- Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Consolidated Financial Statements;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates and judgments that are reasonable in the circumstances.

Having assessed the State's ability to continue as a going concern, the Management is not aware of any material uncertainties related to events or conditions that may cast doubt upon the State's ability to continue as going concern.

The Management acknowledges that the independent audit of the Consolidated Financial Statements does not relieve them of their responsibilities.

Approved by Minister of Finance Hirshabelle State of Somalia





Dated: _____

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FOR THE YEAR ENDED 31 DECEMBER 2024**

REPORT ON THE FINANCIAL STATEMENT

Qualified Opinion

I have audited the financial statements of Hirshabelle State of Somalia for the year ended 31st December 2024. This financial statement comprises the Consolidated Fund Statement of Receipts and Payments, the Consolidated Fund Statement of Comparison of Budget and Actual amounts, and Government Financial Statistic (GFS) Statement of Operation for the year ended 31 December 2024, Notes and other explanatory information.

In my opinion, except for the effects of the matter(s) described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects the results of operations of the Entity as at 31st December 2024 and (of) its financial performance and its cash flows for the year then ended in accordance with the Public Financial Management Act, 2018 and the International Public Sector Accounting Standards (IPSAS) Financial Reporting Under the Cash Basis of Accounting, 2017.

Basis for Qualified Opinion

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

We identified the following material misstatements during the audit conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs):

- 22% of non-payroll costs incurred for sourcing goods and services lacked adequate supporting documentation. There was no evidence to confirm whether procurement procedures were followed, goods were delivered in the correct specifications and quantities, services were rendered, or works were performed to the required standards. In addition, it could not be established whether the payments reached the intended beneficiaries.
- Payments made to security forces, temporary employees, and contract staff lacked sufficient evidence of occurrence. Payroll records were unavailable to demonstrate that the individuals existed or had contractual agreements with the state.

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Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matters are those matters that, in our opinion, our professional judgment, were of most significance in our audit of the Financial Statements of the period. These matters. Were addressed in the context of our Audit of Financial Statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Modified Opinion section, we've determined the matters described below to be the key audit matters to be communicated in our report: -

1. Weaknesses in budget process

The following weaknesses have been noted in relation to the budgeting process.

- Missing budget ceiling letters issued to spending agencies, revenue estimates, recurrent expenditure details, staffing estimates, capital expenditure schedules, and donor funding annexes, as well as annual revenue and spending plans within the required period in contravention of the provisions of the budget circular
- Although a Budget Framework Paper (BFP) was prepared, it lacked comparatives and revenue policy impacts. As a result, legislators were not provided with the required macroeconomic outlook and two-year performance review at the time of budget consideration, which is a mandatory disclosure under Regulation 7.1. This weakens transparency and reduces the quality of information available to Parliament for effective oversight
- Several ministries' actual expenditures (accumulated payments) exceeded their approved budgets by more than 10%, violating the virement limit as per PFM regulations
- Several entities show FMIS budget figures that significantly differ from the approved budget, undermining budget credibility and transparency
- Some ministries show no recorded payment in the FMIS system, which may reflect either non-execution of budgeted activities or gaps in financial reporting

2. Weaknesses related to Revenue management

We have noted the following weaknesses in relation management and recording of revenues;

- a) Lack of documented revenue reconciliation procedures between original receipts, banking slips and recorded revenues in both RMS and FMIS. Monthly donor income reconciliations are also not done.
- b) Lack of automated interphase between RMS and FMIS leading to variances between the two systems

3. Weaknesses in expenditures

- instances where different expense transactions have been applied to incorrect expenditure codes and line items, instances of payments made outside the approved appropriations and were not supported by evidence of lawful budget revisions through supplementary approval by the relevant authority, persistent violations of the delegation of authority and signature roles as established in Instruction A – Delegation of Authorities, part of the Public Financial Management Law 2018. Specifically, CPOs not signed at all, signed by only one signatory or signed by unauthorized person.
- We have noted that the state operates multiple manual payrolls for temporary staff, legislature, political appointees, security sector etc. This may cause controls failure which may lead to double payments, payment of ghost workers etc.
- expenditures were incurred during the year 2024 without any corresponding allocation in the approved budget

4. Weaknesses in procurement process

From the review of the procure to pay process, we noted the below weaknesses and gaps that should be improved by the Ministry:

- Single sourcing of suppliers without documented justification
- Lack of quotations, bid documents and bid analysis.
- Lack of listing to verify prequalification process for vendors and service providers.
- Non establishment of procurement committee as required by HSS Procurement Policy & Procedures.
- No evidence of preparations and review of bid evaluations, recommendations of awards, award notifications, notifications of losing bidders and contracting process documentations

5. Weaknesses in the management of fixed assets

Following issues were noted in relation to the entities fixed assets register

- The fixed asset register did not include a list of additions for the year.
- The register also fails to record disposals made during the year.
- the register does not list certain state-owned assets, including land, buildings, and motor vehicles.
- Assets are not tagged.
- There are no procedures for periodic assets verifications.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cash Basis IPSAs and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial

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FOR THE YEAR ENDED 31 DECEMBER 2024**

statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Name: ahmed sheikh nuor idle

Signature _____



Date 30/aug/2025

OAG Hirshabele State of Somalia
Jowhar, Somalia



CONSOLIDATED &
MINISTERIAL
FINANCIAL
STATEMENTS OF
THE HIRSHABELLE
STATE
OF SOMALIA

For the Year Ended 31 December 2024

*Prepared in accordance with the International
Public Sector Accounting Standard (IPSAS) -
Financial Reporting Under the Cash Basis of
Accounting (2017)*

**Prepared by the Ministry of Finance & Economic
Development
Hirshabelle State of Somalia**

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Consolidated Notes to Budget Entity Financial Statements – HSS 2024

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Xafiiska Wasiirka

Federal Republic of Somalia
Hirshabelle State of Somalia
Ministry of Finance & Economic Development
Office of the Minister

مكتب الوزير

Ref: W/MMHD/DHS/0120/2025

Jowhar

Date: 15- March- 2025

To: Office of Auditor General


Statement of Certification - 2024 Financial Statements

I hereby certify that the financial statements of the Hirshabelle Ministry of Finance and Economic Development for the fiscal year ended December 31, 2024, have been prepared in accordance with the applicable financial reporting framework, accounting standards, and regulatory requirements.

We confirm that these financial statements present a true and fair view of the financial position, performance, and cash flows of the Ministry for the stated period.

The preparation of these statements has been conducted with diligence, ensuring that all relevant financial transactions have been properly recorded and that internal controls have been maintained to safeguard the integrity and accuracy of financial reporting.

This certification is made in good faith and with full accountability, in accordance with our roles and responsibilities in financial management and oversight.


Abdirahim Isse Addow
Minister of Finance and Economic Development,
Hirshabelle State
Jowhar -Somalia



Xafiiska Wasiirka Wasaradda Maliyadda iyo Horumarinta Dhaqaalaha Dowladda
Hirshabelle Tell: +252615595929– Email: Minister@hirshabellemof.so
Jowhar, Hirshabelle State of Somalia

Executive Summary

Overview of the Financial Statements

The Financial Statements of the Hirshabelle State of Somalia provides a record of the Government's financial performance over the financial year, 2024 as outlined in the Statement of Receipts and Payments and the Statement of Comparison of Budget and Actual Amounts. The Financial Statements further summarize all financial transactions for the year ended 31st December 2024 and the HSS financial cash position as of the 31st of December 2024. These statements have been prepared by the Treasury Department of the Ministry of Finance of Hirshabelle State of Somalia and includes financial information related to all Hirshabelle State Ministries, Departments and Agencies (MDAs).

The 2024 financial statements focus on reporting, primarily budgeted activities of the HSS for which an Annual Budget Statement was prepared for and authorized by the Hirshabelle State's parliament for the 2024 fiscal year. The budget and annual financial statements are produced to support HSS strategic business and financial decisions critical to the fiscal and economic wellbeing of the state. The annual reports include the financial and budget activities of MDAs which directly and indirectly receive budget allocations from the State.

Disclosure has also been made on the extrabudgetary funds consolidating the financial information that MDAs have provided in respect of their extrabudgetary transactions.

Format of the Financial Statements and additional disclosures

Financial statements of the Hirshabelle State of Somalia have been prepared on a cash basis with activities and related transactions recognized when cash is received, and payments are made. The financial statements for the financial year have been compiled and presented to make a fair presentation of HSS State financial information and have been prepared in compliance with Part 1 of the IPSAS Cash Basis of Accounting which requires the following mandatory information to be disclosed:

Statement of Cash Receipts and Payments

This is a statement of financial performance and measures the net surplus or deficit (the difference between total receipts and total payments) for the year. The statement provides information on the HSS sources of revenue and the cost of its activities.

Statement of Comparison of Budget and Actual Amounts by Economic Nature

The statement of comparison of budget and actual amounts presents a comparison of the budget amounts and the actual amounts for the year based on the GFS economic classification. The statements are prepared to provide information on the extent to which resources were obtained.

Accounting Policies

These are the specific principles, bases, conventions, rules, and practices adopted by the Hirshabelle State of Somalia in preparing and presenting the financial statements.

Explanatory Notes to the Financial Statements

The explanatory notes to the financial statements assist in understanding the information reported in the principal statements to provide full disclosure and are considered an integral part of the financial statements.

Additional Disclosures

In order to meet the requirements under Article 49 of the PFM Act (2018) and also to provide further information to the financial statements reported under IPSAS, Cash Basis of Accounting, the following additional disclosures have been provided so as to provide more information necessary for accountability and decision-making purposes.

Statement of Cash flow

The statement of cash flow presents the movements of cash during the year resulting from operating, investing, and financing activities. This statement provides information on how cash has been raised and used during the year, including borrowing and repayment of borrowing, and the acquisition and disposal of fixed assets.

Summary of Financial Results

Financial Statement Highlights and Analysis

Table 1: Summary of Financial Performance

	2024 USD	2023 USD
Revenue	19,477,199	15,383,408
Expenditure	19,447,196	14,584,208
Surplus	30,003	799,200
% Change in Revenue	27%	
Original Budget	20,013,663	24,957,854
Revised Budget	32,324,522	34,221,000
Actual Expenditure	19,447,196	14,584,208
Under spending/Budget saving	566,467	
% Change in Expenditure	33%	

Revenue Analysis

The revenue data for 2024 shows a significant growth compared to 2023. Taxes experienced the largest increase, rising by 60%, which indicates improved tax collection. Other revenue saw a remarkable surge of 142%, highlighting a sharp rise in non-tax income, possibly due to new or unexpected income sources. Grants grew steadily by 14%, suggesting stable support from external funding but with a more modest rate of growth compared to the other categories. Overall, total revenue increased by 27%, driven primarily by the large rise in taxes and the explosive growth in other revenue. This growth reflects a healthier financial position in 2024, though the dramatic rise in other revenue warrants further attention to assess its sustainability.

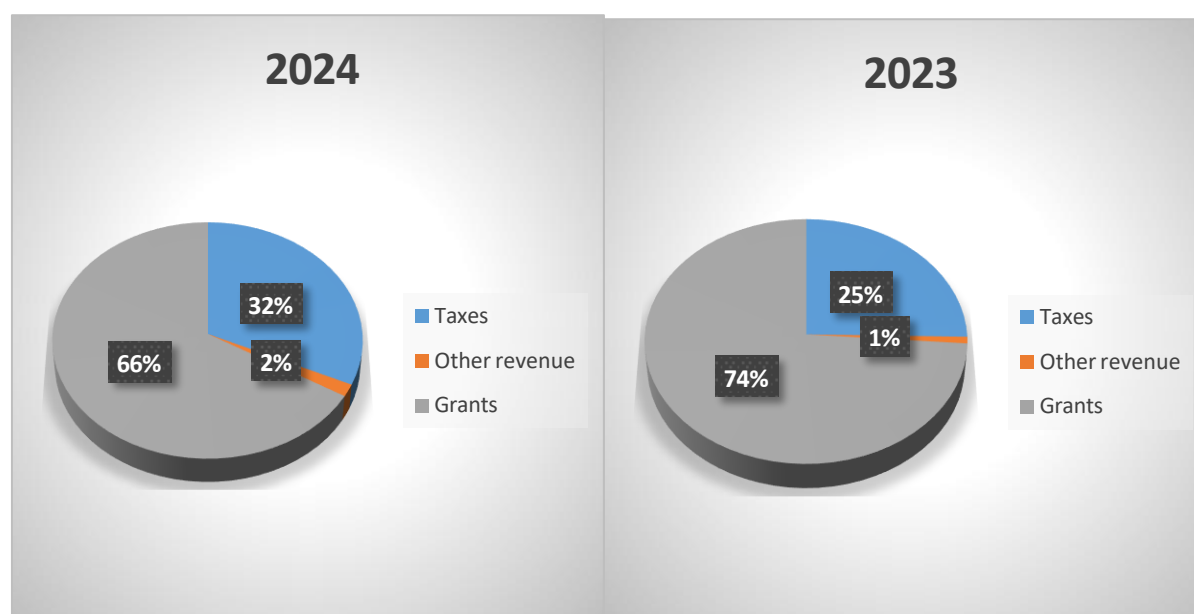
Table 2: Summary of Receipts

Revenue Type	2024 USD	2023 USD	Difference USD
Taxes	6,218,025	3,893,782	2,318,110
Other revenue	271,851	133,264	188,866
Grants	12,987,323	11,356,363	
Total	19,477,1	15,385,4	4,093,79

The following chart further highlights the breakdown of revenue collections for the fiscal year 2024 the external grants accounted for 66% of the total receipts where in 2023 grants represented 74% of the total revenue.

Chart 2: Sources of revenue 2024

Chart 1: Sources of revenue 2022



Tax Receipts

The fiscal year 2024 saw revenue from taxes increase from \$3,893,782 last year to \$6,218,025 million. This increase has been mainly attributed to the taxes on payroll and workforce, taxes on international trade and transactions and other revenue.

Other revenue

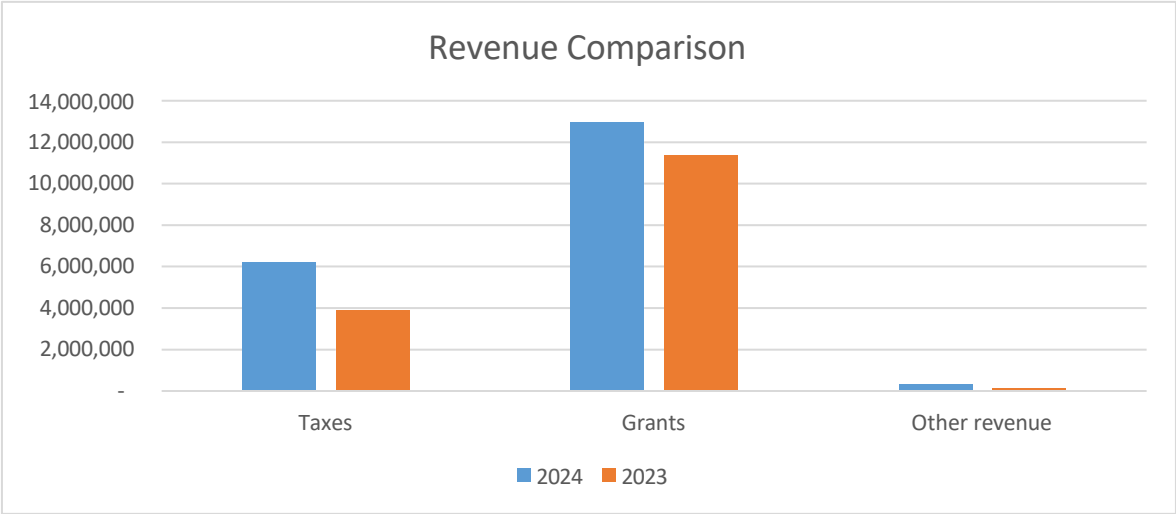
Financial year 2024 other revenue accounted for just 2% of the total revenue for the year. Main sources from this revenue came from the Sale of goods and services.

Grants

External assistance and grants from international partners and transfers from the Federal Government of Somalia were still significant sources of funds accounting for (66%) of total revenue compared to (74%) in the previous year.

Further illustration and comparisons between current year and previous year is highlighted in Chart 3

Chart 3: Revenue comparison 2024 v 2023



Expenditure Analysis

In 2024, the total expenditure amounted to USD 19,322,905, while in 2023, it was lower at USD 14,076,131, reflecting a difference of USD 5,246,774. The most significant changes were seen in the categories of "Use of Goods and Services" and "Grants." In 2024, the expenditure for "Use of Goods and Services" was significantly higher at USD 9,725,294 compared to USD 5,232,920 in 2023, indicating an increase of USD 4,492,374. Grants also increased from USD 1,829,979 in 2023 to USD 2,440,000 in 2024, a rise of USD 610,021. The "Compensation of Employees" category saw a slight increase from USD 6,563,160 in 2023 to USD 6,877,278 in 2024, marking an increase of USD 314,118. However, the "Nonfinancial assets" category declined in 2024, with spending dropping to USD 278,309 compared to USD 448,049 in 2023, a decrease of USD 169,740.

Overall, while total expenditure increased in 2024 compared to 2023, the largest increase was seen in recurrent costs such as "Use of Goods and Services," while capital-related spending, reflected in "Nonfinancial assets," decreased.

Table 3 below shows expenditure categories for the 2024 financial year in comparison to the 2023 financial year.

Table 3: Summary of expenditure for 2 years

	2024	2023
Main Expenditure categories		
Compensation of Employees	6,877,278	6,563,160
Use of Goods and Services	9,725,294	5,232,920
Grants	2,440,000	1,829,979
Other expenses	126,315	510,100
Nonfinancial assets	278,309	448,049
Total	19,447,196	14,584,208

Chart 4: Summary of expenditure for 2 years

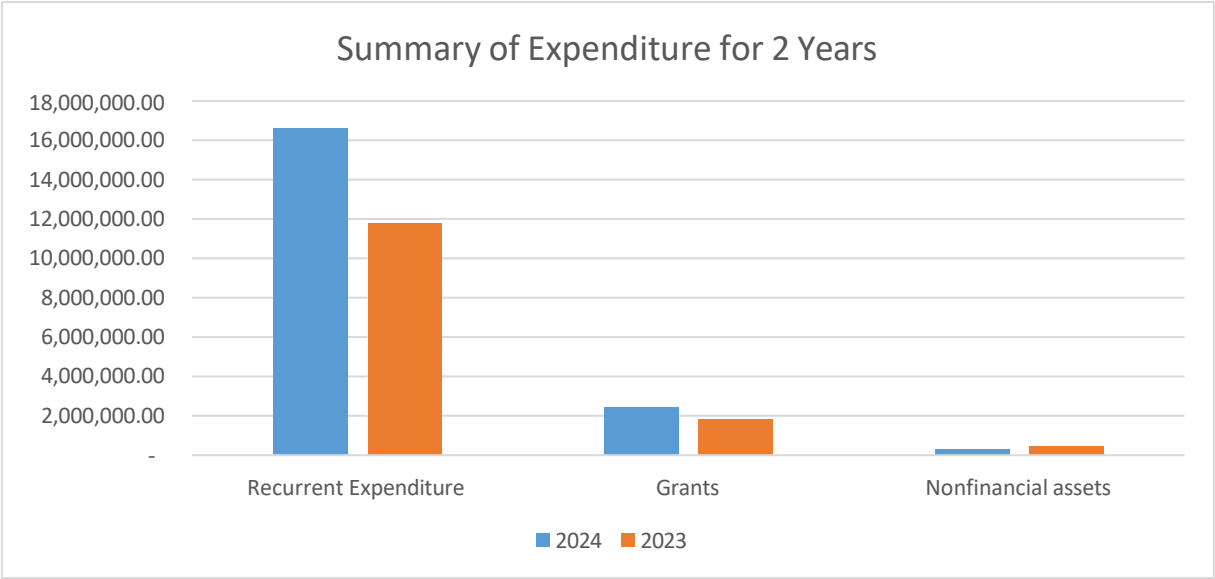


Chart 5: Expenditure paid in FY 2024

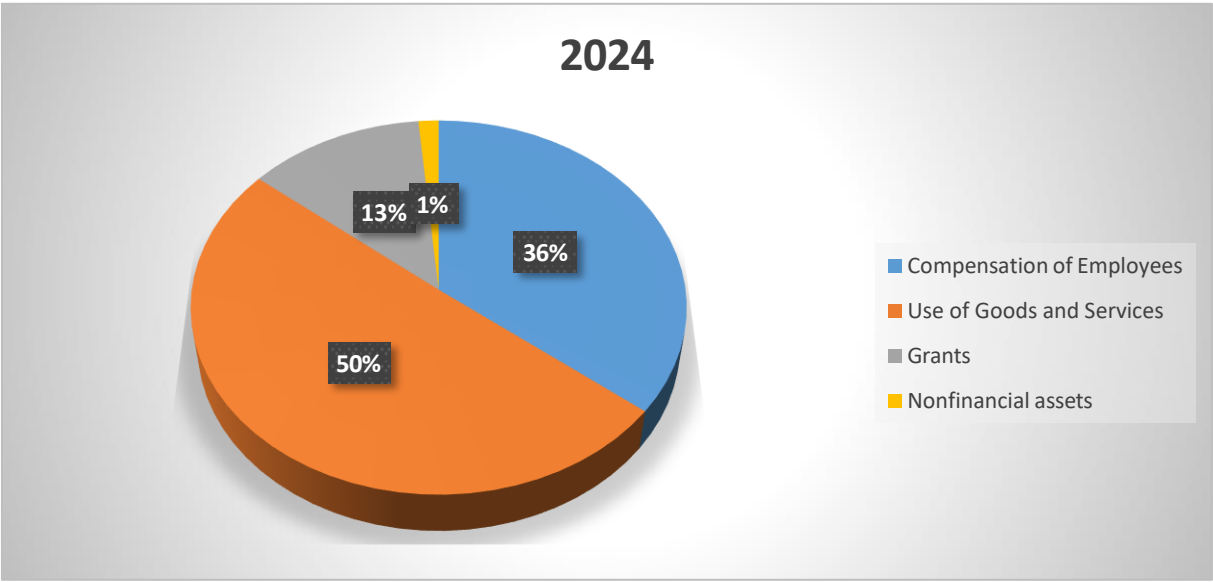
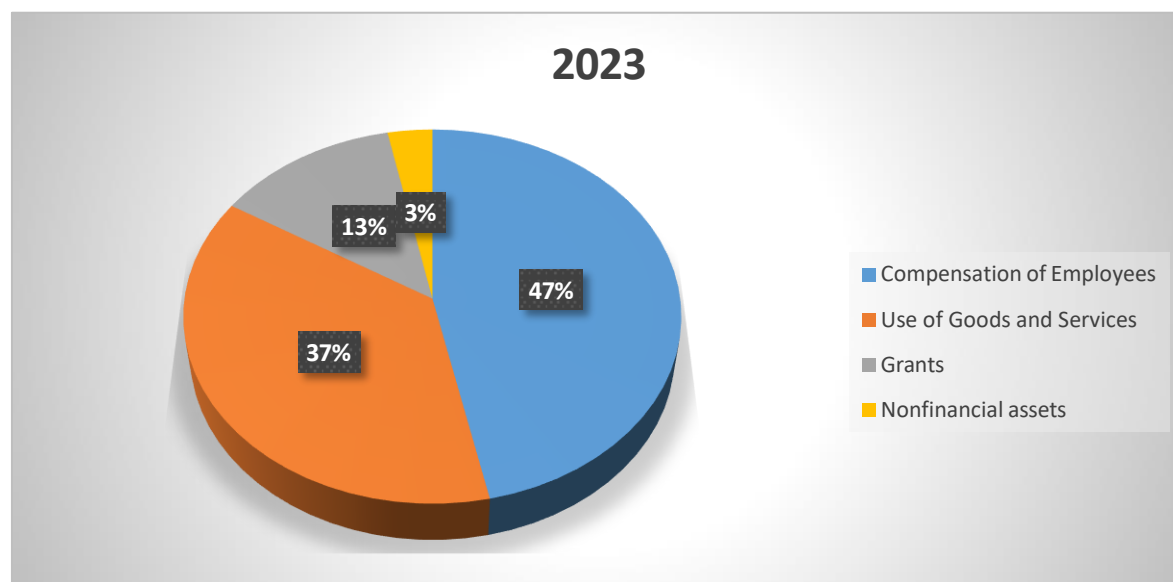


Chart 6: Actual expenditure 2023



Capital Expenditure Analysis (Non-Financial Assets)

In 2024, total spending on nonfinancial assets amounted to USD 278,309, which is a decrease from USD 448,049 in 2023, reflecting a reduction of USD 169,739.99. Notable changes within the specific asset categories include no spending on building and cars in 2024.

"Information, computer, and telecommunication (CIT) equipment" expenditures grew substantially from USD 2,800 in 2023 to USD 74,542 in 2024, marking a sharp rise. On the other hand, "Machinery and equipment not elsewhere classified" was only recorded in 2024 with a spending of USD 100,000. Meanwhile, "Furniture and fixture" saw a recorded expenditure of USD 103,767 in 2024.

Overall, the total expenditure in 2024 was lower, driven by a notable reduction in some categories.

Table 4: Summary of Capital Expenditure for 2024 and 2023

	2024	2023
	Actual	Actual
Information, computer, & telecom. (ICT) equipment	74,542	2,800
Machinery and Equipment not elsewhere classified	100,000	-
Buildings other than dwellings		100,204
Cars		345,045
Furniture & Fixture	103,767	-
Wells and water holes		-
Total	278,309	448,049

Budget and Expenditure Analysis

The annual budget of the Hirshabelle State of Somalia is the principal document by which the Government sets out its financial plan for the year. The original budget or financial plan approved by the State Parliament for the budgeted. Expenditure for the year was \$19,320,881 million.

Budget execution rate for 2024 financial year was 68% while the budget execution rate was 43% in FY 2023.

The table below depicts the allocations and actual payments of each category of the expenditure.

Table 5: Expenditure - Budget v Actual

	Budget	Actual 2024	Budget underspending	% Budget not executed
Main expenditure categories	USD	USD	USD	USD
Recurrent expenditure	24,703,061	16,602,572	8,100,489	33%
Grants	2,497,640	2,440,000	57,640	2%
Social benefits			-	
Capital expenditure	1,074,209	278,309	795,900	74%
Total Expenditure	28,274,910	19,320,881	8,954,029	32%

Recurrent expenditure				
Compensation of	9,488,641	6,877,278	2,611,363	28%
employees Use of	15,214,420	9,725,294	5,489,126	36%
Goods and Services				
Total recurrent expenditure	24,703,061	16,602,572	8,100,489	33%

	2023			
	Budget	Actual	Budget underspend executed	% Budget not
Main expenditure categories	USD	USD	USD	USD
Recurrent expenditure	27,372,864	11,796,080	15,576,784	57%
Grants	4,000,420	1,829,979	2,170,441	54%
Social benefits		-	-	
Capital expenditure	1,723,766	448,056	1,275,710	74%
Total Expenditure	33,097,050	14,074,115	19,022,935	57%

Recurrent expenditure				
Compensation of employees	15,438,604	6,563,160	8,875,443	57%
Use of Goods and Services	11,934,261	5,232,920	6,701,340	56%
Total recurrent expenditure	27,372,864	11,796,080	5,576,784	57%

Net financial worth

The Hirshabelle State of Somalia net financial worth decreased to \$278,309 in 2024 from a net worth of \$448,056 at the end of 2023 a net decline of 169,740.

Consolidated Fund Statement of Cash Receipts and Payments

Hirshabelle State of Somalia
Consolidated Fund Statement of Cash Receipts and Payments
Treasury Single Account
for the Year Ended 31 December 2024

Account		2024	2023
		Controlled by TSA	Controlled by TSA
		USD	USD
Receipts / Inflows			
Taxes	Notes		
Taxes on payroll and workforce	2	971,916	464,550
Taxes on goods and services	3	4,096,883	2,706,183
Taxes on international trade and transactions	4	630,875	399,175
Other taxes	5	518,350	323,875
Taxes		6,218,025	3,893,782
Grants			
From international organizations	6	1,990,004	2,377,053
From other general government units	7	10,997,319	8,979,310
Grants		12,987,323	11,356,363
Other Revenue			
Sale of goods and services	8	271,851	133,264
Other Revenue		271,851	133,264
Receipts / Inflows		19,477,199	15,383,408
Payments / Outflows			
Compensation of Employees			
Wages and Salaries	9	6,877,278	6,563,160
Compensation of Employees		6,877,278	6,563,160
Use of Goods and Services			
Travel & Conferences	10	2,378,126	1,175,016
Operating Expenses	11	3,546,227	2,167,325
Rent	12	693,872	328,163
Other Operating Expenses	13	2,275,068	1,127,421
Conflict Resolution Expenses	14	832,000	434,996
Use of Goods and Services		9,725,294	5,232,920
Grants			
Grants To Other General Government Units	15	2,440,000	1,829,979
Grants		2,440,000	1,829,979
Other Expenses			
Miscellaneous other expense	16	126,315	510,100
Other Expenses		126,315	510,100
Nonfinancial assets			
Fixed Assets	17	278,309	448,049
Nonfinancial assets		278,309	448,049
Payments / Outflows		19,447,196	14,584,208
Increase Decrease in Cash		30,003	799,200
Cash at Beginning of Year		1,071,925	272,725
Cash at End of Year	1.4	1,101,927	1,071,925

Consolidated Fund Statement of Comparison of Budget and Actual Amounts

Hirshabelle State of Somalia					
Consolidated Fund Statement of Comparison of Budget and Actual Amounts					
Treasury Single Account					
for the Year Ended 31 December 2024					
Appropriation Budget Approved on Cash Basis					
Classification of Payments By Economic Class					
Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Controlled by TSA
		A	B	C	C
Receipts / Inflows		USD	USD	USD	USD
Taxes					
Taxes on payroll and workforce		515,792	515,792	971,916	456,125
Taxes on goods and services		3,829,057	3,829,057	4,096,883	2,706,183
Taxes on international trade and transactions		900,000	900,000	630,875	399,175
Other taxes		1,158,371	1,158,371	518,350	323,875
Taxes	18	6,403,220	6,403,220	6,218,025	3,893,782
Grants					
From international organizations		2,572,368	2,590,368	1,990,004	2,377,053
From other general government units		22,661,735	22,661,735	10,997,319	8,979,310
Grants	19	25,234,102	25,252,102	12,987,323	11,356,363
Other Revenue					
Sale of goods and services		669,200	669,200	315,196	133,264
Other Revenue	20	669,200	669,200	315,196	133,264
Receipts / Inflows		32,306,522	32,324,522	19,477,199	15,383,408
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		9,488,641	9,488,641	6,877,278	6,563,160
Compensation of Employees	21	9,488,641	9,488,641	6,877,278	6,563,160
Use of Goods and Services					
Travel & Conferences		3,032,011	3,050,011	2,378,126	1,175,016
Operating Expenses		5,091,173	5,091,173	3,546,227	2,167,325
Rent		814,826	814,826	693,872	328,163
Other Operating Expenses		4,709,791	4,709,791	2,275,068	1,127,421
Conflict Resolution Expenses		944,000	944,000	832,000	434,996
RCRF Non-Salary Recurrent Cost		589,619	589,619		
Contingency		15,000	15,000		
Use of Goods and Services	22	15,196,420	15,214,420	9,725,294	5,232,920
Grants					
Grants To Other General Government Units	23	2,497,640	2,497,640	2,440,000	1,829,979
Grants		2,497,640	2,497,640	2,440,000	1,829,979
Other Expenses					
Miscellaneous other expense		126,315	126,315	126,315	510,100
Other Expenses		126,315	129,815	126,315	510,100
Nonfinancial assets					
Fixed Assets		4,897,986	4,897,986	278,309	448,049
Nonfinancial assets	24	4,897,986	4,897,986	278,309	448,049
Payments / Outflows		32,207,002	32,228,502	19,447,196	14,584,208
Increase Decrease in Cash		99,520	96,020	30,003	799,200

Hirshabelle State of Somalia
Statement of Government Operations
For the Year Ended 31 Decembe 2024

Name	2024	2023
Revenue	19,477,199	15,383,408
Taxes	6,218,025	3,893,782
Taxes on income, profits, and capital gains	0	0
Taxes on payroll and workforce	971,916	464,550
Taxes on goods and services	4,096,883	2,706,183
Taxes on international trade and transactions	630,875	399,175
Other taxes	518,350	323,875
Grants	12,987,323	11,356,363
From foreign governments	0	0
From international organizations	1,990,004	2,377,053
From other general government units	10,997,319	8,979,310
Other Revenue	271,851	133,264
Sale of goods and services	271,851	133,264
Expense	19,168,888	14,136,159
Compensation of Employees	6,877,278	6,563,160
Wages and Salaries	6,877,278	6,563,160
Use of Goods and Services	9,725,294	5,232,920
Travel & Conferences	2,378,126	1,175,016
Operating Expenses	3,546,227	2,167,325
Rent	693,872	328,163
Other Operating Expenses	2,275,068	1,127,421
Conflict Resolution Expenses	832,000	434,996
Grants	2,440,000	1,829,979
Grants To Other General Government Units	2,440,000	1,829,979
Other Expenses	126,315	510,100
Miscellaneous other expense	126,315	510,100
Gross Operating Balance	308,311	1,247,248
Transactions In Non Financial Assets		
Change In Net Worth. Transactions (Assets)	278,309	448,049
Nonfinancial assets	278,309	448,049
Fixed Assets	278,309	448,049
Transactions in Financial Assets & Liabilities		
Change In Net Worth. Transactions (Assets)	-112,700	585,575
Financial assets	-112,700	585,575
Liabilities	0	0
Liabilities	0	0
Liabilities	0	0

Notes to the Financial Statements

1 Accounting Policies

1.1. Basis of Preparation

The Hirshabelle State of Somalia's (HSS) consolidated financial statements have been prepared in accordance with the *Public Financial Management Act 2018* and the International Public Sector Accounting Standard (IPSAS) - *Financial Reporting under the Cash Basis of Accounting (2017)*. The notes to the financial statements form an integral part to understanding the statements and must be read in conjunction with the statements.

The accounting policies have been applied consistently throughout the period.

1.2. Reporting Entity

The Financial statements are for the Hirshabelle State of Somalia. The Hirshabelle Government operates in Jowhar which is the capital city of State. The principal address of the Government is: Jowhar Middle Shabelle region

The principal activities of the Government and its controlled entities include the provision of health, education, defense, security, and public services.

The financial statements encompass the reporting entities as specified in the *Appropriation Act No. 1 2024* and are comprised of:

- 1 Ministry of Justice & Religious Affairs
- 2 Ministry of Livestock, Forestry and Vegetation
- 3 Ministry of Ports and Maritime Transport
- 4 Ministry of Youth and Sports
- 5 Ministry of Postal, Communication and Modern Technology
- 6 Ministry of Education and Tertiary
- 7 Ministry of Environmental and Sea Protection
- 8 Ministry of Agriculture and Irrigation
- 9 Ministry of Health and Social Care
- 10 Ministry of Fishery & Marine Resources
- 11 Ministry of Public Works and Reconstruction
- 12 Ministry of Information and Culture
- 13 Ministry of Interior and Local Government
- 14 Ministry of Planning, Investment, and International Cooperation
- 15 Ministry of Transport, Air and Land
- 16 Ministry of Security and Rehabilitation
- 17 Ministry of Labor and Employment
- 18 Ministry of Finance and Economic Development

- 19 Ministry of Constitution & Federal Affairs
- 20 Ministry of Commerce & Industry
- 21 Ministry of Women & Human Rights
- 22 Ministry of Water, Energy and Minerals
- 23 Ministry of Humanitarian and Disaster Management
- 24 Civil Service Commission
- 25 Hirshabelle Parliament
- 26 Auditor General's Office
- 27 Ministry of State Presidency
- 28 Ministry of Rehabilitation and Disbarment
- 29 Ministry of Religious and Endowments
- 30 Ministry of Petroleum and mining
- 31 Ministry of Reconciliation and Resettlement
- 33 Ministry of Rural Development

Ministries were created by a preceding Presidential Decree on 20th February 2017 entitled *A Decree Establishing Ministries of Hirshabelle State of Somalia and Defining Roles and Functions of Ministries*. Number of Ministries/Agencies were increased to 31 by a preceding Presidential Decree on 22nd January 2019. The Ministry of Finance & Economic Development and Revenue Collection Authority was Established by a Presidential Decree in March 2017. The purposes of establishing the Ministry of Finance & Economic Development and Revenue Collection Authority was to ensure that the Hirshabelle State of Somalia has a Ministry of Finance & Economic Development that is responsible for the overall financial management of the Hirshabelle State of Somalia and to also ensure that within the Ministry of Finance & Economic Development there is a Revenue Collection Authority that is fully staffed, organized, administered and empowered to collect & deposit into the Treasury Single Account (TSA) all legally established taxes and other revenues of the Hirshabelle State of Somalia and Other Related Matters.

The Decree Establishing the Ministry of Finance & Economic Development was changed into an Act of Parliament on 06th February 2018. The Auditor General's Office was also created via Presidential Decree in 2018 and changed to an Audit Act 18th March 2019 and became operational during the 2019 financial year.

A subsequent decree on establishing the Civil Service Commission (CSC) and its purpose entitled *A Decree for establishing the Civil Service Commission of the Hirshabelle State of Somalia dated December, 2017* established the office of the Civil Service Commission. Companion Decrees also established the Civil Service and the Civil Service Salary structure. The inauguration of the HSS constitution automatically established the Hirshabelle Parliament. The Civil Service Commission (CSC) was changed into an Act in October 2018. The respective statements of all the listed entities form part of the consolidated financial statements as these entities were included as part of the *HSS Appropriation Act No. 1, 2020*.

The consolidated financial statements include all entities controlled during the year. None of the entities own another entity. However, HSS Municipalities is controlled by the Ministry of Interior and Local Government.

1.3. Treasury Single Account & Project Accounts

Twenty Five bank accounts were operational during the 2024 financial year, the Treasury Single Account (TSA), and sub-accounts of the TSA: a Project account that relates to the RCRF III project account, the HSS GPE Project Account, Ministry of Interior and Local Governance RCRFIII Project Account, HSS WB RCRF PBCS Budget Support, HSS SURPII Project Account Ministry of Public Work & Reconstruction HSS Local Development Fund (LDF) and Ministry of Education and Higher Education As of the end of the 2024 financial year, the balances of these accounts were as follows:

	<u>2024</u>	<u>2023</u>
	<u>USD</u>	<u>USD</u>
Treasury Single Account -	1	1
Main HSS GPE Project	-	-
Account	17	17
Wasaaradda Arimaha Gudaha Hirshabelle		
Project Account - RCRF III	100,346	27,166
HSS WB RCRF PBCS BUDGET SUPPORT PROJECT ACCOUNT	304,142	395,904
HSS SURPII PROJECT ACCOUNT	189,065	9,506
MINISTRY OF PUBLIC WORK AND RECONSTRUCTION	14	14
HSS LOCAL DEVELOPMENT FUND(LDF)	1,034	1,034
Ministry of Education and Higher Education	3,432	0
HSS DAMAL CAFIMAD PROJECT ACCOUNT	3,956	30,732
Hirshabelle Treasury Single Account - DHSB	669	1,856
SWRR HIRSHABELLE STATE OF SOMALIA	76,808	172,728
Ministry of Agriculture and Irrigation of Hirshabelle	3,076	104,476
Ministry of Health & Social Care of Hirshabelle	63,039	114,866
MINISTRY OF WATER AND ENERGY HIRSHABELLE	7,603	-
MOHADM HIRSHABELLE	6,721	31,896
Ministry of Humanit Affairs and Disaster Management Hirshabelle	728	5,000
Ministry of Women and Human Rights of Hirshabelle State	6,765	75
GWR PROJECT ACCOUNT HIRSHABELLE STATE OF SOMALIA	48,332	31,911
HSS SEHCD PROJECT	164,141	144,743
HIRSHABELLE TREASURY SINGLE ACCOUNT-Amal Bank	1	-
Hirshabelle Somali Food System Resilience Project Account (SFSR)	73,285	-
SERP HSS Project Account	45,522	-
MINISTRY OF ENVIRONMENT C CHANGE & R D HIRSHABELLE	565	-
MINISTRY OF AGRICULTURE DHS	2,665	-
TOTAL	1,101,927	1,071,925

1.4. Cash & Cash Equivalents

Cash and Cash Equivalents means notes and coins held, and any deposits held at call with a bank or financial institution. Cash is recognized at its nominal amount. Somali banks do not pay interest.

Cash included in the statement of cash receipts and payment comprises the following amounts:

	<u>2024</u>	<u>2023</u>
	<u>USD</u>	<u>USD</u>
Cash on Hand		
Balances held with Banks	1,101,927	1,071,925
Total cash on Hand and bank balances	<u>1,101,927</u>	<u>1,071,925</u>

1.5. *Reporting Currency*

The reporting currency is the United States Dollar (\$) and rounded to the nearest dollar.

1.6. *Borrowings*

HSS did not receive any loans during the 2024 financial year and has no balances owing in respect of banks, and other commercial institutions.

1.7. *Original and Final Approved Budget and Comparison of Actual and Budget Amount*

The approved budget is developed on the same accounting basis (Cash basis), same classification basis and for the same period (From 1st January 2024 to 31st December 2024) as the financial statements. It encompasses the same entities as the consolidated financial statement (these are identified in Note 1.2)

The original budget was approved by the Hirshabelle Parliament on 21nd December 2024. No Supplementary Budget was passed in FY 2024.

1.8. *Authorization Date*

The financial statements were authorized to be issued on 23 March 2025 by HE Abdirahim Isse Adow, Minister of Finance and Economic Development.

2 **Taxes on Payroll and Workforce**

In 2024, taxes on payroll reached 971,916 USD, almost double the 464,550 USD recorded in 2023. This rise reflects the role of the newly adopted progressive income tax regime. Under such a system, tax rates increase as income levels rise, meaning higher-income employees are now subject to greater taxation.

Description	<u>2024</u>	<u>2023</u>
	<u>USD</u>	<u>USD</u>
Taxes on payroll and workforces	971,916	464,550
TOTAL	<u>971,916</u>	<u>464,550</u>

3 Taxes on Goods and Services

The comparative analysis of taxes on goods and services between 2024 and 2023 shows a significant increase. In 2024, taxes amounted to 4,096,883 USD, which is a considerable rise from 2,706,183 USD in 2023. This increase may suggest a progress in the tax administration.

Description	2024	2023
	USD	USD
Taxes on goods and services	4,096,883	2,706,183
TOTAL	4,096,883	2,706,183

4 Taxes on international trade and transactions

Taxes on International Trade incorporate all taxes that are imposed on goods and services exported out of and imported into Hirshabelle State of Somalia. During this financial year, Custom duties levied on imports are the only tax collected under this class. During this Fiscal Year 2024, \$630,875 was received from Khat imports compared to \$399,175 in 2023.

Description	2024	2023
	USD	USD
Khat	630,875	399,175
TOTAL	630,875	399,175

5 Other taxes

The comparative analysis of other tax collections from local government between 2024 and 2023 shows a significant increase. In 2024, the total amount reached 518,350 USD, compared to 323,875 USD in 2023. This rise shows the expansion in local government tax revenues driven by changes in local tax policy and administration. Municipalities like Jowhar, Beledwayne and Balcad raise revenue from sources such as taxing mobile shops and local public transport. Through an agreement drafted between the MoF and Local Governments, all collections by these Municipalities must be deposited with the TSA and subsequent payments made following the set standard procedures laid down by the MoF.

Description	2024	2023
	USD	USD
Other tax collections from local government	518,350	323,875
TOTAL	518,350	323,875

6 Grants from International Organizations

In the 2024 financial year, total amount of grants received from international organizations decreased to \$1,990,004 compared to \$2,377,053 in 2024. Major contributors to the 2024 funding were FAO Projects, UNICEF, and GIZ. In comparison to 2023, there was a notable drop in funding for UNDP, WFP, and UNICEF, while FAO and GIZ saw significant increases.

	2024	2023
	USD	USD
UNDP	103,885	177,168
WFP	116,286	155,405
GIZ	226,223	127,976
United Nations for Gender Equality and the Women	100,955	53,189
United Nations International Children's Emergency Fund	642,388	1,628,472
SAVE THE CHILDREN	-	-
FAO Projects	780,312	174,843
SEED SYSTEMS GROUP	-	60,000
PREMIS	19,955	-
TOTAL	1,990,004	2,377,053

7 Grants from Other Government Units

During 2024 financial year the Federal Government of Somalia granted a total of \$10,997,319 compared to \$8,979,310 in 2024 to the Hirshabelle State of Somalia. Funds include budget support, RCRFIII project administered by the World, SURP Project, SEHCD project and other projects.

	2024	2023
	USD	USD
Unconditional Budget Support	143,276	-
Budget Support	5,636,280	4,854,996
MOE GPE Project	148,025	74,392
Examination fees	44,145	-
SURPII PROJECT	578,635	180,263
Health service deliver PBCS Project	461,115	618,955
RCRF11I	2,166,443	1,972,650
DAMAL CAFIMAAD PROJECT	262,670	266,054
Barwaaqo Project	304,392	646,191
SEHCD PROJECT	570,683	265,809
GWR PROJECT	155,455	100,000
SERP PROJECT HSS	200,000	-
SFS	326,200	
TOTAL	10,997,319	8,979,310

8 Sale of Goods and Services

In 2024, the other revenue from sale of goods and services increased to \$271,851 compared to \$133,264 in 2023. A major contributor to this rise was the significant increase in education services fees, which jumped from \$47,018 in 2023 to \$112,143 in 2024. Court filing fees also saw a substantial rise from \$4,401 in 2023 to \$133,509 in 2024. Other categories, such as business licenses and local NGO registration, experienced a reduction in costs, while there were new expenses in local company registrations. Overall, the increase in education and court filing fees was the main factor behind the total rise in expenses.

	<u>2024</u>	<u>2023</u>
	<u>USD</u>	<u>USD</u>
Visa fees		1,645
Work permit taxes		10,600
Business and professional licenses	17,800	50,000
Local NGO's registration	7,000	12,600
Local company registrations	1,400	
Education services fees	112,143	47,018
Election Registration Fee		7,000
Court filing fees	133,509	4,401
TOTAL	<u>271,851</u>	<u>133,264</u>

9 Wages and Salaries

In 2024, total expenditures increased to \$6,877,278 from \$6,563,160 in 2023. Major contributors to this rise included higher costs for contract employees, which grew from \$352,612 to \$613,175, and temporary staff salaries, which saw an increase from \$27,740 to \$165,732. There was also a notable increase in security forces expenditures, rising from \$1,819,585 to \$1,911,549. Additionally, new expenses for political appointees' salaries and daily meals were recorded in 2024. However, costs for teacher salaries, legislature allowances, and regular food provision saw decreases. Overall, the increase in contract and temporary staff salaries, alongside new expenses in certain areas, contributed to the overall rise in total expenditures.

	2024	2023
	USD	USD
Basic salaries for general Civil Service	932,564	886,323
Contract employees	613,175	352,612
Temporary staff salary	165,732	27,740
Temporary staff allowances	245,926	399,416
Security forces (Police, intel forces and prison)	1,911,549	1,819,585
Security sector allowances	99,996	
Legislature allowances	981,310	1,257,000
Political appointees salary	55,310	-
Teacher salary	370,800	494,400
Health workers salary	336,596	245,440
Regular Food Provision	550,000	1,080,644
Daily Meals	614,320	-
TOTAL	6,877,278	6,563,160

10 Travel and Conferences

In 2024, total travel and conference-related expenses increased significantly to \$2,378,126 from \$1,175,016 in 2023. The major contributors to this rise were local conferences, which saw a substantial increase from \$667,820 in 2023 to \$1,668,493 in 2024. External travel expenses also grew, rising from \$97,812 to \$219,793. Internal travel costs increased slightly from \$406,383 to \$478,821. Accommodation expenses saw a modest rise from \$3,000 to \$11,020. Overall, the primary driver of the increase was the large jump in spending on local conferences. The following provides a breakdown of the total costs:

	2024	2023
	USD	USD
Internal Travel	478,821	406,383
External Travel	219,793	97,812
Local conferences	1,668,493	667,820
Accommodation	11,020	3,000
TOTAL	2,378,126	1,175,01

11 Operating Expenses

In 2024, total operational expenses rose to \$3,546,227 from \$2,167,325 in 2023. A major contributor to this increase was the substantial rise in diesel and oil costs, which jumped from \$107,200 in 2023 to \$649,949 in 2024. Additionally, Stationery costs also saw an increase, rising from \$266,220 to \$457,699. Other notable increases included internet fees (\$109,805 from \$51,805) and maintenance and repairs of furniture (\$300,000). On the other hand, water expenses dramatically decreased from \$342,966 to \$400. Overall, higher maintenance and fuel-related expenses were the main drivers of the total increase in 2024.

	2024	2023
	USD	USD
Water	400	342,966
Electricity	75,846	109,153
Refuse collection	-	3,450
Satellite fees	15,000	55,000
Telephone fees	400	
Internet	109,805	51,805
Diesel and oil	649,949	107,200
Refreshment	203,387	189,962
Stationary	457,699	266,220
Publications	-	500
Cleaning Supplies	16,160	4,243
Agricultural materials, supplies and		
Small Equipment	41,266	
Fungicides, Insecticides and Sprays	10,666	
Medical Supply	550,000	600,000
Maintenance and repair of		
equipment and heavy machineries	32,419	423,830
Maintenance and repairs of furniture and	300,000	-
a Maintenance and repairs of		
vehicles, boats and vessels	324,920	4,800
Maintenance and repairs of building	750,000	
Maintenance contracts	8,310	8,198
	3,546,227	2,167,325

12 Rent

In 2024, rent expenses amounted \$693,872 compared to \$328,163 in 2024 and funded through a grant from to RCRFIII project account with the purpose of paying the Office Rent for the Civil Service Commission and the Auditor General's Office.

	<u>2024</u> <u>USD</u>	<u>2023</u> <u>USD</u>
Office Rent	212,566	214,490
Vehicle rent	472,707	98,023
Venue rent	8,600	7,750
Other rents	-	7,900
TOTAL	<u>693,872</u>	<u>328,163</u>

13 Other Operating Expenses

In 2024, total expenses increased to \$2,275,068 from \$1,127,421 in 2023. The primary contributors to this rise were consultation fees, which grew from \$766,645 in 2023 to \$1,004,082 in 2024, and fees for non-consultancy services, which surged from \$319,207 to \$1,241,718. Training tuition fees, however, decreased from \$34,416 to \$22,770. Bank charges saw a slight increase, while television and newspaper advertisements remained relatively stable. The overall rise was primarily driven by significant increases in consultation and non-consultancy service fees.

	<u>2024</u> <u>USD</u>	<u>2023</u> <u>USD</u>
Training Tuition fee	22,770	34,416
Consultation Fees	1,004,082	766,645
Fees for Service Provided (non Consultancy Service)	1,241,718	319,207
Bank Charges	228	134
Television and Newspaper Advertisement	6,270	7,020
TOTAL	<u>2,275,068</u>	<u>1,127,421</u>

14 Conflict Resolution Expenses

In FY 2024, a sum of \$832,000 was spent on conflict resolution compared to \$434,996 in 2024. Conflict resolution expenses refer to costs that were incurred in solving conflicts and underpinning peaceful resolutions in Hirshabelle. The spending on conflict resolution increased in 2024 due to the recurrent conflict resolution conferences in many parts of the state.

	<u>2024</u> <u>USD</u>	<u>2023</u> <u>USD</u>
Conflict Resolution Expenses	832,000	434,996
TOTAL	<u>832,000</u>	<u>434,996</u>

The Conflict resolution expenses were predominantly incurred by the Ministry of Reconciliation and Resettlement in solving recurrent conflicts within the Hirshabelle State of Somalia.

15 Grants to other General Government units

In 2024, the budget for grants to other general units was \$2,497,640, with actual spending amounting to \$2,440,000, resulting in a variance of \$57,640. While in 2023 the budget was \$4,000,420, but the actual spending was only \$1,829,979, leading to a variance of \$2,170,441. The variance in 2024 reflects a much smaller discrepancy between the budget and actual figures, in contrast to the larger gap seen in 2023. The overall trend shows a reduction in the budgeted amount and increase in the actual expenditure from 2023 to 2024.

			2024		2023	
			USD		USD	
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Grants To Other General G Unit	2,497,640	2,440,000	57,640	4,000,420	1,829,979	2,170,441
TOTAL	2,497,640	2,440,000	57,640	4,000,420	1,829,979	2,170,441

16 Miscellaneous Other Expenses

	2024			2023		
	USD			USD		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Scholarships and other educational benefits payable for household:	129,815	126,315	(3,500)	30,000	510,100	480,100
Obligations			-	510,200		(510,200)
Vehicle insurance	3,500		(3,500)	3,500		(3,500)
TOTAL	133,315	126,315	(7,000)	543,700	510,100	(33,600)

17 Fixed Assets

Non-Financial Assets consist of costs that were incurred for building other than dwellings, machinery and equipment not elsewhere classified, and Information, computer, and telecom (ICT) equipment. In 2024 total amount of \$278,309 spent on non-financial assets in comparison to \$448,049 in the previous year. Following are the details:

	2024	2023
	USD	USD
Buildings other than dwellings	-	100,204
Machinery and Equipment not elsewhere classified	100,000	345,045
Information, Computer and telecom (ICT) equipment	74,542	2,800
Furniture & fixtures	103,767	-
	278,309	448,049

18 Taxes

In 2024, total tax collections were \$6,218,025, slightly lower than the budgeted amount of \$6,403,220, with a variance of -\$185,195. The most notable difference came from public taxes on payroll and workforces, where actual collections exceeded the budget by \$54,184. Similarly, private payroll taxes on non-civil servants had a significant variance, with actual collections of \$737,732, surpassing the budget by \$401,941. Road user taxes also saw a positive variance, increasing by \$587,222. On the other hand, turnover tax, local passenger charges, and khat taxes experienced negative variances, with collections falling short of the budget. In comparison to 2023, where total tax collections amounted to \$3,893,782, significantly below the budget of \$12,618,336, 2024 saw a notable improvement in tax revenue, despite some shortfalls in specific categories. The large discrepancies in 2023, especially in road user taxes and private payroll taxes, were a major factor in the lower actual collections for that year.

	2024			2023		
	Budget	Actual	Variance	Budget	Actual	Variance
Public Taxes on payroll and workforces	180,000	234,184	54,184	300,000	114,596	(185,404)
Private Payroll taxes on non-civil servants	335,792	737,732.03	401,941	1,220,000	349,954	(870,046)
Turnover tax	1,178,489	902,960	(275,529)	803,890	952,069	148,179
Local passenger charge	50,000	6,133	(43,867)	145,509	770	(144,739)
Road user taxes	2,600,568	3,187,791	587,222	8,068,937	1,753,343	(6,315,594)
Khat	900,000	630,875.00	(269,125)	1,080,000	399,175.00	(680,825)
Stamp duties on invoices and contracts		16,738	16,738	-	-	-
Other tax collections from local government	1,158,371	501,612	(656,759)	1,000,000	323,875	(676,125)
	6,403,220	6,218,025	-185,195	12,618,336	3,893,782	-8,724,554

19 Grants

In 2024, total grants of \$ 12,987,323 were received against an annual estimate of \$25,234,102. These grants comprised grants from the Federal Government and grants from the international organization. Grants from Federal Government and International organizations were not received as estimated with the difference mainly due to an over optimistic estimate. Below is details of grants:

	2024			2023		
	USD			USD		
	Estimate	Actual	Variance	Estimate	Actual	Variance
From international organizations	2,572,368	1,990,004	(582,364)	901,590	2,377,053	1,475,463
From other general government	22,661,735	10,997,319	(11,664,415)	9,287,051	8,979,310	(307,741)
From foreign governments				84,182	-	(84,182)
TOTAL	25,234,102	12,987,323	(12,246,779)	10,272,823	11,356,363	1,083,540

19.1 Grants from Federal Government

In 2024, total funding increased to \$10,997,319 from \$8,979,310 in 2023. Several projects saw increases, including Budget Support, MOE GPE, SURPII, and SEHCD Projects. However, the Health Service Delivery PBCS and Barwaaqo Projects experienced reductions. Overall, most projects received higher funding, contributing to the overall growth in the budget.

	2024	2023
	USD	USD
Unconditional Budget Support	143,276	-
Budget Support	5,636,280	4,854,996
MOE GPE Project	148,025	74,392
Examination fees	44,145	-
SURPII PROJECT	578,635	180,263
Health service deliver PBCS Project	461,115	618,955
RCRF11I	2,166,443	1,972,650
DAMAL CAFIMAAD PROJECT	262,670	266,054
Barwaaqo Project	304,392	646,191
SEHCD PROJECT	570,683	265,809
GWR PROJECT	155,455	100,000
SERP PROJECT HSS	200,000	-
SFS	326,200	
TOTAL	10,997,319	8,979,310

20 Other Revenue

In 2024, the total budget for fees and licenses significantly increased to USD 669,200 compared to USD 19,306 in 2023. However, actual spending in 2024 reached only USD 271,852, resulting in a substantial negative variance of USD 397,349, indicating considerable underutilization of the allocated budget.

	2024			2023		
	USD			USD		
	Budget	Actual	Variance	Budget	Actual	Variance
Visa fees	5,000		(5,000)		1,645	1,645
Work permit taxes	40,000		(40,000)	9,856	10,600	744
Business and profession licenses	150,000	17,800	(132,200)		50,000	50,000
Local NGO's registrations.	40,000	7,000	(33,000)	9,450	12,600	3,150
Local company registrations	40,000	1,400	(38,600)		-	-
Fishing licenses fees	348,000		(348,000)		-	-
Education services fees	46,200	112,143	65,943		47,018	47,018
Election Registration Fee					7,000	7,000
Court filing fees		133,509	133,509		4,401	4,401
TOTAL	669,200	271,852	(397,349)	19,306	133,264	113,958

21 Employee Compensation

In 2024 a total of \$6,877,278 was spent on employee compensation against a budget of \$9,488,641. There was underspending of \$2,611,363 (-28% variance). A total amount of \$6,563,160 was spent on employee compensation in 2023 which was lower the current year's spending on employees. Key differences include a significant increase in health workers' salaries (from \$245,440 in 2023 to \$336,596 in 2024). Temporary staff salaries rose sharply in 2024 (\$165,732) compared to 2023 (\$27,740). Political appointees had no expenditure in 2023, while 2024 saw \$55,310 spent. The security sector, contract employee expenses, and legislature allowances were also lower in 2024 compared to 2023. Overall, 2024 showed more controlled spending across most categories.

	2024			2023		
	USD			USD		
	Budget	Actual	Variance	Budget	Actual	Variance
Basic salaries for general Civil Service	1,862,725	932,564	(930,161)	1,507,555	886,323	(621,232)
Teachers salary	499,170	370,800	(128,370)	514,800	494,400	(20,400)
Health workers salary	404,000	336,596	(67,404)	369,600	245,440	(124,160)
Temporary staff salary	196,242	165,732	(30,510)	47,834	27,740	(20,094)
Political appointees salary	556,000	55,310	(500,690)	1,842,300		(1,842,300)
Security sector	1,919,000	1,911,549	(7,451)	4,062,293	1,819,585	(2,242,708)
Contract Employees	919,210	613,175	(306,035)	424,670	352,612	(72,058)
Regular food and supplies	550,000	550,000	-	1,713,642	1,080,644	(632,998)
Daily meals	650,000	614,320	(35,680)	638,683		(638,683)
Health workers allowances	51,364		(51,364)	10,000		(10,000)
Temporary staff allowances	363,200	245,926	(117,274)	955,226	399,416	(555,810)
Legislature allowances	1,367,730	981,310	(386,420)	2,818,800	1,257,000	(1,561,800)
Security sector allowances	150,000	99,996	(50,004)	273,200		(273,200)
Total	9,488,641	6,877,278	(2,611,363)	15,178,604	6,563,160	(8,615,443)

22 Use of Good Services

In the case of goods and services, in 2024 a total of \$9,725,294 spent on different goods and services against a budget of \$15,214, 420. Last year total spending on goods and services was \$\$5,232,921. There is an increase of \$ 4,492,373 (86% increase). In 2024, overall expenditures increased compared to 2023, with notable changes in several categories.

	2024			2023		
	USD			USD		
	Budget		Actual	Variance		Budget
	Actual	Variance				
Internal Travel	639,184	478,821	160,363	946,310	406,383	539,927
External Travel	343,871	219,793	124,078	403,141	97,812	305,329
Local conferences	2,047,899	1,668,493	379,406	983,202	667,820	315,382
Overseas Conferences	5,000	-	5,000	27,900	-	27,900
Accommodation	14,058	11,020	3,038	3,000	3,000	-
Water	3,800	400	3,400	402,976	342,966	60,010
Electricity	138,000	75,846	62,154	198,971	109,153	89,818
Refuse collection	-	-	-	3,450	3,450	-
Telephone fees	1,400	400	1,000	11,450	-	11,450
Internet	191,660	109,805	81,855	142,015	51,805	90,210
Satellite fees	60,000	15,000	-	60,000	55,000	-
other communication expense	32,000	-	-	-	-	-
Diesel and oil	783,500	649,949	133,551	459,300	107,200	352,100
Stationary	658,243	457,699	200,543	378,803	266,220	112,583
Publications	500	-	500	11,406	500	10,906
Refreshment	290,444	203,387	-	694,506	189,962	-
Cleaning Supplies	39,000	16,160	22,840	70,119	4,243	65,876
Computer consumables	1,000	-	-	-	-	-
Medical Supply	550,000	550,000	-	616,350	600,000	16,350
Agricultural materials, supplies and Small Equipment	41,266	41,266	-	-	-	-
Fungicides, Insecticides and Sprays	10,666	10,666	-	-	-	-
Maintenance and repair of equipment and heavy machi	32,470	32,419	51	547,388	423,830	123,558
Maintenance and repairs of furniture and fittings	404,800	300,000	104,800	10,360	-	10,360
Maintenance and repairs of vehicles, boats and vessels	371,653	324,920	46,733	453,200	4,800	448,400
Maintenance and repairs of building	848,500	750,000	98,500	80,000	-	80,000
Maintenance contracts	8,324	8,310	14	8,324	8,198	126
Wales, canals and dwellings maintenance	623,948	-	-	-	-	-
Office Rent	273,080	212,566	60,515	328,480	214,490	113,990
Vehicle Rental	528,046	472,707	-	139,740	98,023	-
Venue Rent	13,700	8,600	-	10,050	7,750	-

Other Rent	-	-	-	300,000	7,900	292,100
Education Tuition Fee	85,000					
Training Tuition fee	388,000	22,770		131,034	34,416	
Study tour	20,000					
Consulting and professional fees	1,812,100	1,004,082	808,018	1,062,894	766,645	296,249
Audit Fees	-	-	-	20,000	-	20,000
Fee for Service Provided (non Consultancy Service)	2,363,146	1,241,718	1,121,428	1,419,530	319,207	1,100,324
Bank commissions	21,695	-	21,695			
Bank charges	7,380	228	7,152	18,020	134	17,886
Television and Newspaper Advertisements	12,470	6,270	6,200	26,550	7,020	19,530
Conflict Resolution Expenses	944,000	832,000	112,000	840,416	434,996	405,420
Contingency	15,000	-	15,000	388,809	-	388,809
Holding account	589,619			736,567		
TOTAL	<u>15,214,420</u>	<u>9,725,294</u>	<u>3,579,832</u>	<u>11,934,261</u>	<u>5,232,921</u>	<u>5,314,592</u>

23 Grants to Other General Government Units

In 2024, the actual grants to lower levels of government totaled \$2,440,000, which was slightly under the budget of \$2,497,640, resulting in a modest variance of \$57,640. This marked a significant improvement compared to 2023, when actual grants amounted to \$1,829,979, far below the budgeted

\$4,000,420, leading to a much larger variance of \$2,170,441. The lower-level municipalities of the Middle Shabelle and Hiran Regions operating under an informal agreement between the MoF and HSS Municipalities operate their own standard procedures in managing funds as stipulated in the informal agreement with the MoF.

	2024			2023		
	USD			USD		
	Budget	Actual	Variance	Budget	Actual	Variance
Grants to Low Level of Government	2,497,640	2,440,000	57,640	4,000,420	1,829,979	2,170,441
TOTAL	2,497,640	2,440,000	57,640	4,000,420	1,829,979	2,170,441

24 Non-Financial Assets

In 2024, actual capital expenditures were significantly lower than the budget across various categories, with notable shortfalls in buildings, wells, and water holes, all of which had no actual spending. CIT equipment and machinery also saw large under-expenditures. In comparison, 2023 also experienced substantial under-spending, but the variance was smaller than in 2024. Overall, 2024 had a larger total shortfall, reflecting tighter spending compared to 2023.

	2024			2023		
	USD			USD		
	Budget	Actual	Variance	Budget	Actual	Variance
Buildings other than dwellings	528,116		(528,116)	1,099,626	100,204	(999,422)
Wells and water holes	693,616		(693,616)	398,000		(398,000)
Cars	458,000		(458,000)	470,000	345,045	(124,955)
Information, computer, and telecommunication (CIT) equipment	419,279	74,542	(344,737)	154,140	2,800	(151,340)
Machinery and equipment not elsewhere classified	485,250	100,000	(385,250)	57,550		(57,550)
Furniture and fixture	169,680	103,767	(65,913)	124,700		(124,700)
Total	2,753,942	278,309	(2,475,633)	2,304,016	448,049	(1,855,967)

26 Statements of Operations.

The Statement of Operations report is in accordance with the Government Finance Statistics Manual 2014 (GFSM 2014). Government Finance Statistics (GFS) is an accounting framework developed by the International Monetary Fund (IMF) to provide guidelines for the compilation of fiscal accounts. The GFS framework is designed to provide statistics that enable policymakers and analysts to study developments in the financial operations and financial position of government. It is also used to analyze the operations of a specific level of government, transactions between levels of government, and the public sector

The Statement of Operations produces summary information on the overall performance and financial position of the general government. This statement is divided into three sections that present: revenue and expense transactions; transactions in non-financial assets; and transactions in financial assets and liabilities. This statement is a voluntary disclosure and not a reporting requirement under the International Public Sector Accounting Standards, Financial Reporting under the Cash Basis of Accounting standard, which is the standard adopted in preparing these financial statements.

HIRSHABELLE STATE OF SOMALIA INDIVIDUAL BUDGET ENTITY
STATEMENT OF CASH RECEIPTS & PAYMENTS & COMPARISON TO BUDGET

For the Year Ended 31 December 2024
Prepared in accordance with the
International Public Sector Accounting Standard (IPSAS) - Financial Reporting Under the Cash Basis of
Accounting (2017)

Ministry of Justice & Religious Affairs

**Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024**

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlle d by TSA	Controlle d by TSA
				Difference Between Final Budget and Actual	
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations		112,040	112,040	55,310	(56,730)
Grants					
From other general government units		15,420	15,420		(15,420)
Grants	3	15,420	15,420		(15,420)
Other Revenue					
Sale of goods and services				133,509	133,509
Other Revenue	5			133,509	133,509
Receipts / Inflows		127,460	127,460	188,819	61,359
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		109,640	109,640	55,310	(54,330)
Compensation of Employees	6	109,640	109,640	55,310	(54,330)
Use of Goods and Services					
Operating Expenses		2,400	2,400		(2,400)
Use of Goods and Services	8	2,400	2,400		(2,400)
Payments / Outflows		112,040	112,040	55,310	(56,730)
Increase Decrease in Cash		15,420	15,420	133,509	118,089

Ministry of Livestock, Forestry and Vegetation
Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Note	2024			2023	
		Original Estimate Appropriation	Final Estimate Controlled Appropriation by TSA		Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		1,994,194	1,994,194	154,145	(1,840,049)	64,850
Grants						
From other general government units		1,959,574	1,959,574		(1,959,574)	
Grants	2	1,959,574	1,959,574		(1,959,574)	
Receipts / Inflows		3,953,769	3,953,769	154,145	(3,799,624)	64,850
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		271,464	271,464	19,260	(252,204)	6,050
Compensation of Employees	3	271,464	271,464	19,260	(252,204)	6,050
Use of Goods and Services						
Travel & Conferences		93,078	93,078	22,758	(70,320)	
Operating Expenses		312,100	312,100	43,106	(268,994)	7,200
Rent		60,000	60,000	31,890	(28,110)	
Other Operating Expenses		421,656	421,656	37,131	(384,525)	2,400
Use of Goods and Services	5	886,834	886,834	134,885	(751,949)	9,600
Nonfinancial assets						
Fixed Assets		835,896	835,896		(835,896)	49,200

Nonfinancial assets	6	835,896	835,896		(835,896)	49,200
Payments / Outflows		1,994,194	1,994,194	154,145	(1,840,049)	64,850
Increase Decrease in Cash		1,959,574	1,959,574		(1,959,574)	

Ministry of Ports and Maritime Transport

**Combined Statement of Cash receipts and Payment & comparison to Budget For
the year Ended 31 December, 2024**

Government Uses a Treasury Single Account System to Manage Funds

Account	Note	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations		50,040	50,040	(50,040)	
Grants					
From other general government units		15,420	15,420	(15,420)	
Grants	5	15,420	15,420	(15,420)	
Receipts / Inflows		65,460	65,460	(65,460)	
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		47,640	47,640	(47,640)	
Compensation of Employees	6	47,640	47,640	(47,640)	
Use of Goods and Services					
Operating Expenses		2,400	2,400	(2,400)	
Use of Goods and Services	8	2,400	2,400	(2,400)	
Payments / Outflows		50,040	50,040	(50,040)	
Increase Decrease in Cash		15,420	15,420	(15,420)	

Ministry of Youth and Sports

Combined Statement of Cash receipts and Payment & comparison to Budget For
the year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Controlled by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations		50,040	50,040		
Grants					
From other general government units		15,420	15,420		
Grants	3	15,420	15,420	(15,420)	
Receipts / Inflows Payments / Outflows		65,460	65,460	(65,460)	
Compensation of Employees					
Wages and Salaries		47,640	47,640		
Compensation of Employees	5	47,640	47,640	(47,640)	
Use of Goods and Services					
Operating Expenses		2,400	2,400		
Use of Goods and Services	6	2,400	2,400	(2,400)	
Payments / Outflows		50,040	50,040	(50,040)	
Increase Decrease in Cash		15,420	15,420	(15,420)	

Ministry of Postal, Communication and Modern Technology Combined
Statement of Cash receipts and Payment & comparison to Budget
For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	2024				2023
	Original Estimate Appropriation	Final Estimate Appropriation	Controlle d by TSA	Difference Between Final Budget and Actual	Controlled by TSA
	Notes				
	USD	USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	50,040	50,040		(50,040)	
Grants					
From other general government units	15,420	15,420		(15,420)	
Grants	3 15,420	15,420		(15,420)	
Receipts / Inflows Payments / Outflows	65,460	65,460		(65,460)	
Compensation of Employees					
Wages and Salaries	47,640	47,640		(47,640)	
Compensation of Employees	5 47,640	47,640		(47,640)	
Use of Goods and Services					
Operating Expenses	2,400	2,400		(2,400)	
Use of Goods and Services	6 2,400	2,400		(2,400)	
Payments / Outflows	50,040	50,040		(50,040)	
Increase Decrease in Cash	15,420	15,420		(15,420)	

Ministry of Education and Tertiary
Combined Statement of Cash receipts and Payment &
comparison to Budget For the year Ended 31 December,
2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024				2023
		Original Estimate	Final Appropriation	Controll ed by TSA	Difference Between Final Budget and Actual	Controll ed by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		4,560,458	4,560,458	2,562,505	(1,997,953)	1,293,552
Grants						
From international organizations		172,100	172,100	128,386	(43,714)	82,809
From other general government units		3,677,538	3,677,538	718,708	(2,958,831)	495,722
Grants	3	3,849,638	3,849,638	847,094	(3,002,544)	578,531
Other Revenue						
Sale of goods and services		46,200	46,200	156,288	110,088	47,018
Other Revenue		46,200	46,200	156,288	110,088	47,018
Receipts / Inflows	4	8,456,297	8,456,297	3,565,887	(4,890,410)	1,919,102
Payments / Outflows						
Compensation of Employees Wages and Salaries		1,215,460	1,215,460	982,060	(233,400)	856,972
Compensation of Employees	5	1,215,460	1,215,460	982,060	(233,400)	856,972
Use of Goods and Services						
Travel & Conferences		771,521	771,521	717,759	(53,763)	160,403
Operating Expenses		272,217	272,217	189,361	(82,856)	131,532
Rent		35,571	35,571	30,392	(5,179)	

Other Operating Expenses		734,190	734,190	516,619	(217,571)	144,645
Use of Goods and Services	6	1,813,498	1,813,498	1,454,130	(359,368)	436,580
Other Expenses						
Miscellaneous other expense		126,315	126,315	126,315		
Other Expenses	7	126,315	126,315	126,315		
Nonfinancial assets						
Fixed Assets		1,405,185	1,405,185		(1,405,185)	
Nonfinancial assets	8	1,405,185	1,405,185		(1,405,185)	
Payments / Outflows		4,560,458	4,560,458	2,562,505	(1,997,953)	1,293,552

Ministry of Environmental and Sea Protection

**Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds**

Account	Notes	2024				2023
		Original Estimate Appropriation	Final Estimate Controlled Appropriation by TSA		Difference Between Final Budget and Actual	Controlle d by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		541,733	541,733	131,711	(410,022)	66,557
Grants						
From international organizations		95,872	95,872	86,285	(9,587)	
From other general government units		411,241	411,241		(411,241)	
Grants	3	507,113	507,113	86,285	(420,828)	
Receipts / Inflows		1,048,845	1,048,845	217,996	(830,850)	66,557
Payments / Outflows						
Compensation of Employees		70,040	70,040	17,500	(52,540)	4,000
Wages and Salaries						
Compensation of Employees	5	70,040	70,040	17,500	(52,540)	4,000
Use of Goods and Services						
Travel & Conferences		63,600	63,600	38,285	(25,315)	
Operating Expenses		27,072	27,072	9,509	(17,563)	7,200
Rent		8,000	8,000	6,703	(1,297)	
Other Operating Expenses		196,771	196,771	41,514	(155,257)	6,157
Use of Goods and Services	6	295,443	295,443	96,011	(199,432)	13,357
Nonfinancial assets						
Fixed Assets		176,250	176,250	18,200	(158,050)	49,200
Nonfinancial assets	8	176,250	176,250	18,200	(158,050)	49,200

Payments / Outflows	541,733	541,733	131,711	(410,022)	66,557
Increase Decrease in Cash	507,113	507,113	86,285	(420,828)	

Ministry of Agriculture and Irrigation
Combined Statement of Cash receipts and Payment
& comparison to Budget For the year Ended 31
December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Controlled by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	2	2,637,057	2,655,057	1,062,700	(1,592,357) 190,164
Taxes					
Taxes on income, profits, and capital gains					
Taxes					
Grants					
From foreign governments					
From international organizations		972,144	990,144	741,912	(248,232) 225,843
From other general government units		1,630,303	1,630,303	326,200	(1,304,103)
Grants	3	2,602,447	2,620,447	1,068,112	(1,552,335) 225,843
Receipts / Inflows		5,239,503	5,275,503	2,130,812	(3,144,692) 416,007
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		177,960	177,960	88,210	(89,750) 4,000
Compensation of Employees	5	177,960	177,960	88,210	(89,750) 4,000
Use of Goods and Services					

Travel & Conferences		292,630	310,630	197,943	(112,687)	6,447
Operating Expenses		407,337	407,337	285,642	(121,695)	52,174
Rent		395,235	395,235	365,901	(29,334)	72,843
Other Operating Expenses		602,047	602,047	52,976	(549,071)	5,500
Contingency		15,000	15,000		(15,000)	
Use of Goods and Services	6	1,712,249	1,730,249	902,462	(827,787)	136,964
Social Benefits						
Social Assistance Benefits		90,000	90,000		(90,000)	
Social Benefits	7	90,000	90,000		(90,000)	
Nonfinancial assets						
Fixed Assets		656,848	656,848	72,028	(584,820)	49,200
Nonfinancial assets	8	656,848	656,848	72,028	(584,820)	49,200
Payments / Outflows		2,637,057	2,655,057	1,062,700	(1,592,357)	190,164
Increase Decrease in Cash		2,602,447	2,620,447	1,068,112	(1,552,335)	225,843

Ministry of Health and Social Care
Combined Statement of Cash receipts and Payment &
comparison to Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024				2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controll ed by TSA	Difference Between Final Budget and Actual	Controll ed by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations	3	3,858,254	3,858,254	2,830,895	(1,027,359)	2,880,330
Grants						
From foreign governments						
From international organizations		696,266	696,266	585,408	(110,858)	1,403,422
From other general government units		1,997,368	1,997,368	262,670	(1,734,698)	729,487
Grants	5	2,693,634	2,693,634	848,078	(1,845,556)	2,132,910
Receipts / Inflows		6,551,888	6,551,888	3,678,973	(2,872,915)	5,013,240
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		818,538	818,538	668,296	(150,242)	804,549
Compensation of Employees	6	818,538	818,538	668,296	(150,242)	804,549
Use of Goods and Services						
Travel & Conferences		585,882	585,882	529,690	(56,192)	523,841
Operating Expenses		708,675	708,675	654,712	(53,963)	1,092,067
Rent						9,050
Other Operating Expenses		1,248,908	1,248,908	978,197	(270,711)	450,824
RCRF Non-Salary Recurrent Cost		439,619	439,619		(439,619)	
Use of Goods and Services	7	2,983,084	2,983,084	2,162,599	(820,485)	2,075,781

Nonfinancial assets						
Fixed Assets		50,632	50,632		(50,632)	
Inventories	8	6,000	6,000		(6,000)	
Nonfinancial assets		56,632	56,632		(56,632)	
Payments / Outflows		3,858,254	3,858,254	2,830,895	(1,027,359)	2,880,330

Ministry of Fishery & Marine Resources

**Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024**

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate appropriation	Final Estimate appropriation	Controlled by TSA	Controlled by TSA
				Difference Between Final Budget and Actual	
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	2	59,676	59,676	9,636	(50,040)
Grants					
From other general government units		25,056	25,056	143,276	118,220
Grants	3	25,056	25,056	143,276	118,220
Other Revenue					
Sale of goods and services		348,000	348,000		(348,000)
Other Revenue		348,000	348,000		(348,000)
Receipts / Inflows		432,732	432,732	152,912	(279,820)
Payments / Outflows	5				
Compensation of Employees					
Wages and Salaries		57,276	57,276	9,636	(47,640)
Compensation of Employees		57,276	57,276	9,636	(47,640)
Use of Goods and Services	6				
Operating Expenses		2,400	2,400		(2,400)
Use of Goods and Services		2,400	2,400		(2,400)
Payments / Outflows	8	59,676	59,676	9,636	(50,040)
Increase Decrease in Cash		373,056	373,056	143,276	(229,780)

Ministry of Public Works and Reconstruction
Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Note	2024			2023 Controlle d by TSA
		Original Estimate	Final Estimate	Difference Between Final Budget and	
		Appropriation	Appropriation	Actual	
		USD	USD	USD	
Receipts / Inflows					
Consolidated Fund Appropriations	3	81,940	81,940	(81,940)	51,970
Grants					
From international organizations		31,900	31,900	(31,900)	51,970
From other general government units		15,420	15,420	(15,420)	
Grants	5	47,320	47,320	(47,320)	51,970
Receipts / Inflows		129,260	129,260	(129,260)	103,940
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		68,440	68,440	(68,440)	
Compensation of Employees	6	68,440	68,440	(68,440)	
Use of Goods and Services					
Travel & Conferences		1,200	1,200	(1,200)	14,950
Operating Expenses		7,200	7,200	(7,200)	15,180
Rent		5,100	5,100	(5,100)	1,000
Other Operating Expenses					20,840

Use of Goods and Services Payments / Outflows	8	13,500	13,500	(13,500)	51,970
		81,940	81,940	(81,940)	51,970

Ministry of Information and Culture

Combined Statement of Cash receipts and Payment & comparison to Budget For
the year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			Difference Between Final Budget and Actual	2023 Controlled by TSA
		Original Estimate	Final Estimate	Controlled by TSA		
		Appropriation	Appropriation			
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations	3	272,440	272,440	169,100	(103,340)	103,425
Grants						
From other general government units		15,420	15,420		(15,420)	
Grants	5	15,420	15,420		(15,420)	
Receipts / Inflows Payments / Outflows		287,860	287,860	169,100	(118,760)	103,425
Compensation of Employees						
Wages and Salaries		115,090	115,090	59,150	(55,940)	48,425
Compensation of Employees	6	115,090	115,090	59,150	(55,940)	48,425
Use of Goods and Services						
Travel & Conferences		94,950	94,950	94,950		
Operating Expenses		62,400	62,400	15,000	(47,400)	55,000
Use of Goods and Services	8	157,350	157,350	109,950	(47,400)	55,000
Payments / Outflows		272,440	272,440	169,100	(103,340)	103,425
Increase Decrease in Cash		15,420	15,420		(15,420)	

Ministry of Interior and Local Government
Combined Statement of Cash receipts and
Payment & comparison to Budget For the year
Ended 31 December, 2024
Government Uses a Treasury Single Account System to
Manage Funds

Account	Note	2024			2023
		Original Estimate	Final Estimate	Contr olled	
		Appropri ation	Appropri ation	by TSA	Contr olled by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations		3,747,018	3,747,018	2,860,898	(886,120)
Taxes					2,304,394
Taxes on international trade and transactions		1,158,371	1,158,371	501,612	(656,759)
Other taxes					322,880
Taxes	2	1,158,371	1,158,371	501,612	(656,759)
Grants					
From foreign governments					111,198
From international organizations					
From other general government units		1,264,758	1,264,758	578,635	(686,123)
Grants	3	1,264,758	1,264,758	578,635	(686,123)
Other Revenue					
Sale of goods and services		230,000	230,000	22,000	(208,000)
Other Revenue	4	230,000	230,000	22,000	(208,000)

Receipts /		6,400,	6,400,14	3,963,145	(2,437	2,985,934
Inflows		147	7		,003)	
Payments /				33,336		5,000
Outflows		70,2	70,226		(36,	
Compensation of		26			890)	
Employees						
Wages and Salaries						
Compensation of	5	70,226	70,226	33,336	(36,890)	5,000
Employees						
Use of Goods and						
Services		78,172	78,172	49,775	(28,397)	10,494
Travel &						
Conferences						
Operating Expenses		25,300	25,300		(25,300)	15,820
Rent		17,000	17,000	16,979	(22)	
Other Operating Expenses		657,930	657,930	308,960	(348,971)	293,052
Use of Goods and	6	778,402	778,402	375,713	(402,689)	319,366
Services						
Grants						
Grants To Other General		2,497,640	2,497,640	2,440,000	(57,640)	1,829,979
Government Units						
Grants	7	2,497,640	2,497,640	2,440,000	(57,640)	1,829,979
Other Expenses						
Premiums, fees, claims		3,500	3,500		(3,500)	
related to non-life						
insurance						
Other Expenses		3,500	3,500		(3,500)	
Nonfinancial assets						
Fixed Assets		397,250	397,250	11,849	(385,401)	150,049
Nonfinancial assets	8	397,250	397,250	11,849	(385,401)	150,049
Payments / Outflows		3,747,018	3,747,018	2,860,898	(886,120)	2,304,394

Ministry of Planning, Investment and International Cooperation
Combined Statement of Cash receipts and Payment & comparison to
Budget
For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023 Controlled by TSA
		Original Estimate	Final Estimate	Controlled by TSA	
		Appropriation	Appropriation	Difference Between Final Budget and Actual	
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations		484,500	484,500	173,794	211,335
Grants					
From other general government units		449,880	449,880	304,392	646,191
Grants	3	449,880	449,880	304,392	646,191
Receipts / Inflows		934,380	934,380	478,186	857,525
Payments / Outflows					
Compensation of Employees		68,040	68,040	5,900	8,000
Wages and Salaries					
Compensation of Employees	5	68,040	68,040	5,900	8,000
Use of Goods and Services					
Travel & Conferences		81,430	81,430	44,705	17,889
Operating Expenses		21,300	21,300	6,820	7,200
Other Operating Expenses		285,260	285,260	116,369	79,846
Use of Goods and Services	6	387,990	387,990	167,894	104,935

Nonfinancial assets					
Fixed Assets		28,470	28,470	(28,470)	98,400
Nonfinancial assets	8	28,470	28,470	(28,470)	98,400
Payments / Outflows		484,500	484,500	173,794	(310,706)
Increase Decrease in Cash		449,880	449,880	304,392	(145,488)
					646,191

Ministry of Transport, Air and Land

Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Controlled Appropriation	Difference Between Final Budget and Actual	Controlled by TSA
		by TSA			
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	3	50,040	50,040	(50,040)	
Taxes					
Taxes on goods and services		50,000	50,000	6,133	770
Taxes	5	50,000	50,000	6,133	770
Grants					
From other general government units		15,420	15,420	(15,420)	
Grants	6	15,420	15,420	(15,420)	
Receipts / Inflows		115,460	115,460	6,133	770
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		47,640	47,640	(47,640)	
Compensation of		47,640	47,640	(47,640)	
Employees Use of Goods					
and Services		2,400	2,400	(2,400)	
Operating Expenses					
Use of Goods and Services	8	2,400	2,400	(2,400)	
Payments / Outflows		50,040	50,040	(50,040)	
Increase Decrease in Cash		65,420	65,420	6,133	770

Ministry of Security and Rehabilitation

Combined Statement of Cash receipts and Payment & comparison to Budget

For the year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Not	2024				2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		2,919,040	2,919,040	2,861,498	(57,542)	2,900,229
Grants						
From other general government units		15,420	15,420		(15,420)	
Grants	3	15,420	15,420		(15,420)	
Receipts / Inflows		2,934,460	2,934,460	2,861,498	(72,962)	2,900,229
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		2,716,640	2,716,640	2,661,498	(55,142)	2,900,229
Compensation of Employees	5	2,716,640	2,716,640	2,661,498	(55,142)	2,900,229
Use of Goods and Services						
Operating Expenses		102,400	102,400	100,000	(2,400)	
Use of Goods and Services	6	102,400	102,400	100,000	(2,400)	
Nonfinancial assets						
Fixed Assets		100,000	100,000	100,000		
Nonfinancial assets	8	100,000	100,000	100,000		
Payments / Outflows		2,919,040	2,919,040	2,861,498	(57,542)	2,900,229

Increase Decrease in Cash

15,420

15,420

(15,420)

Ministry of Labor and Employment

Combined Statement of Cash receipts and Payment & comparison to Budget

For the year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate	Final Estimate	Controlle d by	
		Appropriatio n	Appropriatio n	TSA	
				Difference Between Final Budget and Actual	
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations		50,040	50,040	(50,040)	
Grants					
From other general government units		15,420	15,420	(15,420)	
Grants		15,420	15,420	(15,420)	
Other Revenue					
Sale of goods and services		45,000	45,000	(45,000)	12,245
Other Revenue		45,000	45,000	(45,000)	12,245
Receipts / Inflows		110,460	110,460	(110,460)	12,245
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		47,640	47,640	(47,640)	
Compensation of Employees		47,640	47,640	(47,640)	
Use of Goods and Services					
Operating Expenses		2,400	2,400	(2,400)	
Use of Goods and Services		2,400	2,400	(2,400)	
Payments / Outflows		50,040	50,040	(50,040)	

Increase Decrease in Cash	60,420	60,420	(60,420)	12,245
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Ministry of Finance and Economic Development
Combined Statement of Cash receipts and Payment &
comparison to Budget For the year Ended 31 December,
2024

Government Uses a Treasury Single Account System to Manage Funds

Account	2024				2023
	Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
Receipts / Inflows					
Consolidated Fund Appropriations	1,385,815	1,385,815	760,445	(625,369)	710,526
Taxes					
Taxes on income, profits, and capital gains					
Taxes on payroll and workforce	515,792	515,792	971,916	456,125	464,550
Taxes on goods and services	3,779,057	3,779,057	4,090,750	311,693	2,705,413
Taxes on international trade and transactions	900,000	900,000	630,875	(269,125)	399,175
Other taxes			16,738	16,738	995
Taxes	5,194,849	5,194,849	5,710,280	515,431	3,570,132
Grants					
From international organizations	100,132	100,132		(100,132)	
From other general government units	8,757,453	8,757,453	8,463,838	(293,615)	6,827,646
Grants	8,857,585	8,857,585	8,463,838	(393,747)	6,827,646
Other Revenue					
Sale of goods and services			4,200	4,200	6,801
Other Revenue			4,200	4,200	6,801
Receipts / Inflows	15,438,248	15,438,248	14,938,763	(499,485)	11,115,105
Payments / Outflows					

Compensation of Employees					
Wages and Salaries	455,409	455,409	304,454	(150,955)	299,703
Compensation of Employees	455,409	455,409	304,454	(150,955)	299,703
Use of Goods and Services					
Travel & Conferences	131,320	131,320	90,848	(40,472)	132,062
Operating Expenses	221,924	221,924	189,396	(32,528)	212,127
Rent	12,000	12,000	12,000		
Other Operating Expenses	300,760	300,760	163,747	(137,013)	63,834
RCRF Non-Salary Recurrent Cost	150,000	150,000		(150,000)	
Use of Goods and Services	816,004	816,004	455,991	(360,012)	408,023
Nonfinancial assets					
Fixed Assets	114,402	114,402		(114,402)	2,800
Nonfinancial assets	114,402	114,402		(114,402)	2,800
Payments / Outflows	1,385,815	1,385,815	760,445	(625,369)	710,526

Ministry of Constitution & Federal Affairs

Combined Statement of Cash receipts and Payment & comparison to Budget For the
year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023	
		Original Estimate Appropriation	Final Estimate	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		Appropriation				
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations	3	50,040	50,040	(50,040)		
Grants						
From other general government units		15,420	15,420	(15,420)		
Grants	5	15,420	15,420	(15,420)		
Receipts / Inflows		65,460	65,460	(65,460)		
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		47,640	47,640	(47,640)		
Compensation of Employees	6	47,640	47,640	(47,640)		
Use of Goods and Services						
Operating Expenses		2,400	2,400	(2,400)		
Use of Goods and Services	8	2,400	2,400	(2,400)		
Payments / Outflows		50,040	50,040	(50,040)		
Increase Decrease in Cash		15,420	15,420	(15,420)		

Ministry of Commerce & Industry

**Combined Statement of Cash receipts and Payment & comparison to Budget For the
year Ended 31 December, 2024**

Government Uses a Treasury Single Account System to Manage Funds

Account	Note	2024			2023	
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations	3	50,040	50,040	(50,040)		
Grants						
From other general government units		15,420	15,420	(15,420)		
Grants	5	15,420	15,420	(15,420)		
Receipts / Inflows Payments / Outflows		65,460	65,460	(65,460)		
Compensation of Employees						
Wages and Salaries		47,640	47,640	(47,640)		
Compensation of Employees	6	47,640	47,640	(47,640)		
Use of Goods and Services						
Operating Expenses		2,400	2,400	(2,400)		
Use of Goods and Services	8	2,400	2,400	(2,400)		
Payments / Outflows		50,040	50,040	(50,040)		
Increase Decrease in Cash		15,420	15,420	(15,420)		

Ministry of Women & Human Rights

**Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds**

Account	Notes	2024				2023
		Original Estimate Appropriating	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		144,285	144,285	94,245	(50,040)	53,104
Grants						
From foreign governments						
From international organizations		94,255	94,255	100,955	6,700	53,189
From other general government units		15,420	15,420		(15,420)	
Grants		109,675	109,675	100,955	(8,720)	53,189
Receipts / Inflows		253,960	253,960	195,200	(58,760)	106,293
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		47,640	47,640		(47,640)	
Compensation of Employees		47,640	47,640		(47,640)	
Use of Goods and Services						
Travel & Conferences		31,345	31,345	31,345		
Operating Expenses		52,700	52,700	50,300	(2,400)	43,850
Rent		6,850	6,850	6,850		4,050
Other Operating Expenses		5,750	5,750	5,750		5,204
Use of Goods and Services		96,645	96,645	94,245	(2,400)	53,104
Payments / Outflows		144,285	144,285	94,245	(50,040)	53,104
Increase Decrease in Cash		109,675	109,675	100,955	(8,720)	53,189

Ministry of Water, Energy and Minerals
Combined Statement of Cash receipts and Payment &
comparison to Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024				2023
		Original Estimate	Final Estimate	Controlled	Difference Between	Controlled
		Appropriating	Appropriation	by TSA	Final Budget and Actual	by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		2,114,354	2,114,354	333,511	(1,780,843)	452,990
Grants						
From foreign governments						
From international organizations		200,279	200,279	139,938	(60,341)	322,976
From other general government units		1,879,456	1,879,456	155,455	(1,724,000)	100,000
Grants	3	2,079,734	2,079,734	295,393	(1,784,341)	422,976
Receipts / Inflows		4,194,089	4,194,089	628,904	(3,565,185)	875,966
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		233,660	233,660	87,789	(145,871)	2,525
Compensation of Employees	5	233,660	233,660	87,789	(145,871)	2,525
Use of Goods and Services						
Travel & Conferences		228,188	228,188	122,903	(105,284)	15,750
Operating Expenses		553,189	553,189	50,878	(502,311)	333,716
Rent		16,940	16,940	7,560	(9,380)	
Other Operating Expenses		179,280	179,280	37,016	(142,264)	51,799
Use of Goods and Services	6	977,597	977,597	218,357	(759,240)	401,265
Nonfinancial assets						
Fixed Assets		903,098	903,098	27,365	(875,733)	49,200
Nonfinancial assets	8	903,098	903,098	27,365	(875,733)	49,200

Payments / Outflows	2,114,354	2,114,354	333,511	(1,780,843)	452,990
Increase Decrease in Cash	2,079,734	2,079,734	295,393	(1,784,341)	422,976

Ministry of Humanitarian and Disaster Management
Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024				2023
		Original Estimate Appropriating	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		258,735	258,735	207,122	(51,613)	88,760
Grants						
From foreign governments						
From international organizations		208,695	208,695	187,165	(21,530)	125,646
From other general government units		15,420	15,420		(15,420)	
Grants	3	224,115	224,115	187,165	(36,950)	125,646
Receipts / Inflows		482,850	482,850	394,287	(88,563)	214,406
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		118,840	118,840	71,200	(47,640)	26,500
Compensation of Employees	5	118,840	118,840	71,200	(47,640)	26,500
Use of Goods and Services						
Travel & Conferences		41,645	41,645	40,115	(1,530)	13,440
Operating Expenses		60,760	60,760	58,357	(2,403)	24,260
Rent		37,050	37,050	37,010	(40)	21,240
Other Operating Expenses		440	440	440		3,320

Use of Goods and Services	6	139,895	139,895	135,922	(3,973)	62,260
Payments / Outflows		258,735	258,735	207,122	(51,613)	88,760
Increase Decrease in Cash		224,115	224,115	187,165	(36,950)	125,646

Civil Service Commission

**Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds**

Account	Notes	2024				2023
		Original Estimate Appropriating	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations		401,219	401,219	143,781	(257,438)	78,564
Grants						
From international organizations		725	725	19,955	19,230	
From other general government units		78,564	78,564		(78,564)	
Grants	3	79,289	79,289	19,955	(59,334)	
Receipts / Inflows		480,508	480,508	163,736	(316,772)	78,564
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		74,364	74,364	59,964	(14,400)	59,964
Compensation of Employees	5	74,364	74,364	59,964	(14,400)	59,964
Use of Goods and Services						
Operating Expenses		1,500	1,500		(1,500)	
Rent		18,600	18,600	18,600		18,600
Other Operating Expenses		76,800	76,800	16,350	(60,450)	
Use of Goods and Services	6	96,900	96,900	34,950	(61,950)	18,600
Nonfinancial assets						
Fixed Assets		229,955	229,955	48,867	(181,088)	
Nonfinancial assets	8	229,955	229,955	48,867	(181,088)	

Payments / Outflows	401,219	401,219	143,781	(257,438)	78,564
Increase Decrease in Cash	79,289	79,289	19,955	(59,334)	

Hirshabelle Parliament

**Combined Statement of Cash receipts and Payment & comparison to Budget For the
year Ended 31 December, 2024**

Government Uses a Treasury Single Account System to Manage Funds

Account		2024				2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
	Notes					
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations	3	1,665,730	1,665,730	1,208,965	(456,765)	1,432,000
Receipts / Inflows						
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		1,351,730	1,351,730	969,110	(382,620)	1,257,000
Compensation of Employees	5	1,351,730	1,351,730	969,110	(382,620)	1,257,000
Use of Goods and Services						
Travel & Conferences		30,000	30,000		(30,000)	
Operating Expenses		100,000	100,000	98,348	(1,652)	
Rent		184,000	184,000	141,507	(42,493)	175,000
Use of Goods and Services	6	314,000	314,000	239,855	(74,145)	175,000
Payments / Outflows		1,665,730	1,665,730	1,208,965	(456,765)	1,432,000
Increase Decrease in Cash		-1,665,730	-1,665,730	-1,208,965	456,765	-1,432,000

Ministry of State Presidency
Combined Statement of Cash receipts and Payment & comparison to
Budget For the year Ended 31 December, 2024
Government Uses a Treasury Single Account System to Manage Funds

Account	Original Estimate	2024			2023	
		Final Estimate	Controlle d by TSA	Difference Between Final Budget and	Controlled by TSA	
		Appropriatio n	Actual			
NoAppropriation						
USD		USD	USD	USD	USD	
Receipts / Inflows						
Consolidated Fund Appropriations		3,397,874	3,397,874	2,852,037	(545,837)	1,056,662
Grants						
From other general government units		226,824	226,824		(226,824)	
Grants	3	226,824	226,824		(226,824)	
Receipts / Inflows		3,624,698	3,624,698	2,852,037	(772,661)	1,056,662
Payments / Outflows						
Compensation of Employees						
Wages and Salaries		850,824	850,824	740,187	(110,637)	238,922
Compensation of Employees	5	850,824	850,824	740,187	(110,637)	238,922
Use of Goods and Services						
Travel & Conferences		457,050	457,050	347,050	(110,000)	179,740
Operating Expenses		2,090,000	2,090,000	1,764,800	(325,200)	120,000
Rent						7,900
Use of Goods and Services	6	2,547,050	2,547,050	2,111,850	(435,200)	307,640
Other Expenses						
Miscellaneous other expense						510,100
Other Expenses						510,100

Payments / Outflows	3,397,874	3,397,874	2,852,037	(545,837)	1,056,662
Increase Decrease in Cash	226,824	226,824		(226,824)	

Auditor General's Office

Combined Statement of Cash receipts and Payment & comparison to Budget

For the year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	3	91,920	91,920	62,898	(29,022)
Grants					
From other general government units		72,420	72,420		(72,420)
Grants		72,420	72,420		(72,420)
Receipts / Inflows	5	164,340	164,340	62,898	(101,442)
Payments / Outflows					
Compensation of Employees					
Wages and Salaries		71,940	71,940	44,418	(27,522)
Compensation of Employees	6	71,940	71,940	44,418	(27,522)
Use of Goods and Services					
Operating Expenses		1,500	1,500		(1,500)
Rent		18,480	18,480	18,480	
Use of Goods and Services	8	19,980	19,980	18,480	(1,500)
Payments / Outflows		91,920	91,920	62,898	(29,022)
Increase Decrease in Cash		72,420	72,420		(72,420)

Ministry of Rehabilitation and Disarmament

Combined Statement of Cash receipts and Payment & comparison to Budget For the year

Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023	
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations	5	34,620	34,620	(34,620)		
Receipts / Inflows Payments / Outflows						
Compensation of Employees						
Wages and Salaries		32,220	32,220	(32,220)		
Compensation of Employees	6	32,220	32,220	(32,220)		
Use of Goods and Services						
Operating Expenses		2,400	2,400	(2,400)		
Use of Goods and Services	8	2,400	2,400	(2,400)		
Payments / Outflows		34,620	34,620	(34,620)		
Increase Decrease in Cash		-34,620	-34,620	34,620		

Ministry of Religious and Endowments

Combined Statement of Cash receipts and Payment & comparison to Budget For the
year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlle d by TSA Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	3	50,040	50,040	(50,040)	
Grants					
From other general government units		15,420	15,420	(15,420)	
Grants		15,420	15,420	(15,420)	
Receipts / Inflows	5	65,460	65,460	(65,460)	
Payments / Outflows Compensation of Employees					
Wages and Salaries		47,640	47,640	(47,640)	
Compensation of Employees	6	47,640	47,640	(47,640)	
Use of Goods and Services					
Operating Expenses		2,400	2,400	(2,400)	
Use of Goods and Services	8	2,400	2,400	(2,400)	
Payments / Outflows		50,040	50,040	(50,040)	
Increase Decrease in Cash		15,420	15,420	(15,420)	

Ministry of Petroleum and mining

Combined Statement of Cash receipts and Payment & comparison to Budget For
the year Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Controlled by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	3	50,040	50,040	(50,040)	
Grants					
From other general government units		15,420	15,420	(15,420)	
Grants	5	15,420	15,420	(15,420)	
Receipts / Inflows Payments / Outflows		65,460	65,460	(65,460)	
Compensation of Employees					
Wages and Salaries		47,640	47,640	(47,640)	
Compensation of Employees	6	47,640	47,640	(47,640)	
Use of Goods and Services					
Operating Expenses		2,400	2,400	(2,400)	
Use of Goods and Services	8	2,400	2,400	(2,400)	
Payments / Outflows		50,040	50,040	(50,040)	
Increase Decrease in Cash		15,420	15,420	(15,420)	

Ministry of Reconciliation and Resettlement

**Combined Statement of Cash receipts and Payment & comparison to Budget For the
year Ended 31 December, 2024**

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023	
		Original Estimate Appropriation	Final Estimate Appropriation	Controlled by TSA	Difference Between Final Budget and Actual	Controlled by TSA
		USD	USD	USD	USD	USD
Receipts / Inflows						
Consolidated Fund Appropriations	3	1,058,620	1,058,620	912,000	(146,620)	584,996
Receipts / Inflows Payments / Outflows						
Compensation of Employees						
Wages and Salaries		32,220	32,220		(32,220)	
Compensation of Employees	5	32,220	32,220		(32,220)	
Use of Goods and Services						
Travel & Conferences		50,000	50,000	50,000		100,000
Operating Expenses		32,400	32,400	30,000	(2,400)	50,000
Conflict Resolution Expenses		944,000	944,000	832,000	(112,000)	434,996
Use of Goods and Services	6	1,026,400	1,026,400	912,000	(114,400)	584,996
Payments / Outflows		1,058,620	1,058,620	912,000	(146,620)	584,996
Increase Decrease in Cash		-1,058,620	-1,058,620	-912,000	146,620	-584,996

Ministry of Rural Development

Combined Statement of Cash receipts and Payment & comparison to Budget For the year
Ended 31 December, 2024

Government Uses a Treasury Single Account System to Manage Funds

Account	Notes	2024			2023
		Original Estimate Appropriation	Final Estimate Controlled Appropriation by TSA	Difference Between Final Budget and Actual	Controlle d by TSA
		USD	USD	USD	USD
Receipts / Inflows					
Consolidated Fund Appropriations	3	34,620.00	34,620.00	(34,620)	
Receipts / Inflows Payments / Outflows					
Compensation of Employees					
Wages and Salaries		32,220.00	32,220.00	(32,220)	
Compensation of Employees	5	32,220.00	32,220.00	(32,220)	
Use of Goods and Services					
Operating Expenses		2,400.00	2,400.00	(2,400)	
Use of Goods and Services	6	2,400.00	2,400.00	(2,400)	
Payments / Outflows		34,620.00	34,620.00	(34,620)	
Increase Decrease in Cash		-34,620.00	-34,620.00	34,620	

Notes to the Financial Statements of All Budget Entities

1 Accounting Policies for All Budget Entities

1.1 Financial Statement

Unlike the two single purpose consolidated financial statements for the HSS Consolidated Fund, HSS has chosen to issue a financial statement for each budget entity that combines the *Statement of Receipts and Payments* and the *Statement of Comparison of Budget and Actual Amounts*, in accordance with the International Public Sector Accounting Standard (IPSAS) - *Financial Reporting Under the Cash Basis of Accounting (2017)*

1.2 Basis of Preparation

The individual budget entity financial statement for each ministry/authority of the Hirshabelle State of Somalia (HSS) has been prepared in accordance with the *Public Financial Management Act 2018* and the International Public Sector Accounting Standard (IPSAS) - *Financial Reporting under the Cash Basis of Accounting (2017)*. These notes to the financial statements form an integral part of understanding the budget entity statements and must be read in conjunction with the statements.

The accounting policies have been applied consistently throughout the period.

1.3 Consolidated Notes

The following notes serve as notes for all budget entities. There will not be separate distinct notes given for each budget entity immediately following the respective budget entity financial statement. Where clarification is required for a particular budget entity, it will be clearly given in these combined notes.

1.4 Reporting Entities

The financial statement for each entity encompasses the reporting entity as specified in the *HSS Appropriation Act No. 1 of 2024*. All budget entities listed below are controlled by the HSS. All activities of budget entities are funded by the HSS Consolidated Budget or through 3rd Party external assistance.

The preceding financial statements are for the following public sector entities which were created by a preceding Presidential Decree on 20th

February 2017 entitled *A Decree Establishing Ministries of Hirshabelle State of Somalia and Defining Roles and Functions of Ministries*. The Ministry of Finance & Economic Development and Revenue Collection Authority was Established by a Presidential Decree in March 2017. The Decree Establishing the Ministry of Finance & Economic Development (MoFED) was changed into an Act of Parliament on 06 Feb. 2018. The Auditor General's Office was created via Presidential Decree in 2018 and changed into Audit Act on 18 March 2019, however, the Office was not established during the 2018 financial year the Office of the Auditor General come on board in 2019 and now functioning progressively.

A subsequent decree on establishing the Civil Service Commission (CSC) and its purpose entitled *A Decree for establishing the Civil Service Commission of the Hirshabelle State of Somalia dated December 2017* established the office of the Civil Service Commission. Companion Decrees also established the Civil Service and the Civil Service Salary structure. The inauguration of the HSS constitution automatically established the Hirshabelle Parliament. The Civil Service Commission (CSC) was changed to act in October 2018. The respective statements of all the listed entities form part of the consolidated financial statements as these entities were included as part of the *HSS Appropriation Act No. 1, 2024*.

NO	Budget Entities
1	Ministry of Justice & Religious Affairs
2	Ministry of Livestock, Forestry and Vegetation
3	Ministry of Ports and Maritime Transport
4	Ministry of Youth and Sports
5	Ministry of Postal, Communication and Modern Technology
6	Ministry of Education and Tertiary
7	Ministry of Environmental and Sea Protection
8	Ministry of Agriculture and Irrigation
9	Ministry of Health and Social Care
10	Ministry of Fishery & Marine Resources
11	Ministry of Public Works and Reconstruction
12	Ministry of Information and Culture
13	Ministry of Interior and Local Government
14	Ministry of Planning, Investment, and International Cooperation
15	Ministry of Transport, Air and Land
16	Ministry of Security and Rehabilitation
17	Ministry of Labor and Employment
18	Ministry of Finance and Economic Development
19	Ministry of Constitution & Federal Affairs

20	Ministry of Commerce & Industry
21	Ministry of Women & Human Rights
22	Ministry of Water, Energy and Minerals
23	Ministry of Humanitarian and Disaster Management
24	Civil Service Commission
25	Hirshabelle Parliament
26	Auditor General's Office
27	Ministry of State Presidency
28	Ministry of Rehabilitation and Disbarment
29	Ministry of Religious and Endowments
30	Ministry of Petroleum and mining
31	Ministry of Reconciliation and Resettlement
33	Ministry of Rural Development

1.5 Treasury Single Account

Budget entities do not operate their own bank account. The Government operates a centralized treasury function which administers cash expenditures incurred and cash receipts collected by all budget entities during the financial year. Payments made on this account in respect of the budget entities are disclosed in the Treasury Single Account (TSA) column in the *Individual Entity Combined Statement of Cash Receipts and Payments and Comparison to Budget*.

1.6 Reporting Currency

The reporting currency is the United States Dollar (\$) rounded to the nearest dollar (\$)

2 Receipts/ Inflows

Receipts / Inflows other than Consolidated Fund Appropriations relate to revenue the Budget entity collects on behalf of the Government through its collections activities and are deposited into the Treasury Single Account administered by the Treasury Department. The revenue collected cannot be used to support the operations of the Ministry / Department without specific appropriation by Parliament. Therefore, cash collected is not controlled by the Ministry / Department. Funds allocated for use by the Ministry / Department to fund expenditure are through funds appropriations as outlined in Note 3.

3 Consolidated Fund Appropriations

This represents the cumulative amount of expenditure that was funded from the consolidated fund (Treasury Single Account).

Amounts appropriated by the Hirshabelle Parliament to the budget entities are managed through a single account administered by the Treasury Department. These amounts are not controlled by the individual budget entities but are deployed on their behalf by the single account administrator (Treasury department) on completion of appropriate documentation and authorization through the Financial Management Information System (FMIS). The amount reported as Consolidated Fund Appropriations in the *Individual Entity Combined Statement of Cash Receipts and Payments & Comparison to Budget* is the amount Treasury has released through the Treasury Single Account for the benefit of the budget entities (the amount of “draw down” on the appropriation).

The amount does not reflect actual cash receipts from Treasury because the budget entities do not control their own bank account. The amount reflects the “source” of funds used to make payments.

The following are supporting not in relation to the nature of source of income and the expenses financed through general fund appropriations.

4 Taxes

Taxes refer to revenue arising from taxes on goods and services, local government tax collections (Other taxes). For 2024, a sum of \$ 6,218,025 taxes was collected by the Ministry of Finance while the fiscal year target was \$ 6,403,220, this is impressive improvement in collecting the budgeted revenue.

5 Grants

Grants from international organizations and the Federal Government of Somalia were remitted through the TSA and therefore recorded under the MoF and other MDAs directed to the grants while the MoF manages all grants received by the HSS. In certain cases, donors may fund Ministerial projects unequivocally designed for and implemented by a selected entity. Such project will fall under that particular entity even

though the funds are deposited into the TSA or sub accounts under the TSA. Grant income of \$ 25,234,102 was budgeted during the reporting period of FY2024 however \$12,987,323 was received.

6 Other Revenue

Sales of goods and services consist of income and other taxes on fines, penalties and forfeits generated from HSS providing necessary legal documents to its citizens. In 2024 financial year, the Ministries and Agencies collected a total of \$271,851. HSS provides certain services to the residents at a fee.

7 Employee Compensation

Employee Compensation entails all salaries and wages including in-kind payments. Salaries to civil servants and the security forces make up the prime part of employee compensation. The Recurrent Cost and Reform Financing (RCRF III) provides funding for the payments of salaries of permanent employees of HSS who have been recruited competitively by the Civil Service Commission. During the reporting period, the RCRF III project has paid salaries to the following Entities.

A total amount of \$ 573,108 were paid by RCRF III for all. The total number of teachers is 274 teachers across the State. A competitive recruitment process is a fundamental condition to the project. Adhering to Prudent recruitment, inability of the Civil service commission in scaling-up the recruitment process and political dynamics restricted the uptake of the RCRFII/III Project to meet budgeted expectations.

Budget Entity	2023		2023	
	RCRFIII	# of Staff paid	RCRFIII	# of Staff paid
Ministry of Finance and Economic Development	189,533	29	186,480	30
Civil Service Commission	59,964	10	59,964	10
Office of the Auditor General	41,321	7	48,636	8
State Presidency	238,922	65	217,573	65
Ministry of Helthy	43,368	6	18,794	6
Ministry of Education	43,260	43	15,000	32
Total	573,108	160	512,653	151

8 Use of Goods and Services

HSS's ability to pay for its operating costs, goods and services and other miscellaneous expenses are determined by the ability to raise or receive sufficient revenue for its budget execution.

Budget Entity	2023	
	Final Budget	Execution %
Ministry of Education and Tertiary	94,580	14,200
Ministry of Information and Culture	216,980	103,425
Ministry of Interior and Local Government	4,110,400	1,840,099
Ministry of Security and Rehabilitation	4,885,481	1,116,229
Ministry of Finance and Economic Development	1,239,257	34,410
Hirshabelle Parliament	3,209,790	916,000
Ministry of State Presidency	1,541,645	17,740
	15,298,133	4,042,103
		1.63

9 Grants to Other Government Units

Other government units refer to lower-level governments such as Jowhar, Beledweyne, and Balcad Municipalities. These are the only active local governments in HSS that operates a revenue collection center and incurs expenditure. The Municipalities collect revenue from the public transport system and other mobile businesses within HSS. In the agreement between the Ministry of Finance and the municipalities, all revenue collections of the lower-level government shall be deposited into the TSA and request for incurring expenditures is made by the local government entity using the standard authorizing procedures of the Ministry. The municipality maintains its own set of documentation and standard business procedures in its operation, which is separate from the Ministry.

10 Non-Financial Assets

Non-financial assets consist of assets acquired by entities in running their business operations and include assets such as computers, office equipment, furniture and fixtures, tools and specialized professional services, and construction of ministerial offices. During the reporting period, a total of \$ 278,309 was disbursed on non-financial assets which represented 10% of the estimated budget. The variance was a result of cash availability for entities not being unable to utilize the budget allocation. The non-financial asset purchases were distributed as follows:

	2024			2023		
	USD			USD		
	Budget	Actual	Variance	Budget	Actual	Variance
Buildings other than dwellings	528,116		(528,116)	1,099,626	100,204	(999,422)
Wells and water holes	693,616		(693,616)	398,000		(398,000)
Cars	458,000		(458,000)	470,000	345,045	(124,955)
Information, computer, and telecommunication (CIT) equipment	419,279	74,542	(344,737)	154,140	2,800	(151,340)
Machinery and equipment not elsewhere classified	485,250	100,000	(385,250)	57,550		(57,550)
Furniture and fixture	169,680	103,767	(65,913)	124,700		(124,700)
Total	2,753,942	278,309	(2,475,633)	2,304,016	448,049	(1,855,967)

1. Annex 2- final financial statement Letter



Hirshabelle State of Somalia

Report to Ministry of Finance

For the year ended
31 December 2024

07 August, 2024

Minister,
Ministry of Finance,
Jowhar, Hirshabelle,
Somalia.

Dear Sir,

Report to the Minister for the year ended 31 December 2024

We have recently completed our audit of the Consolidated & Ministerial Financial Statements of the Hirshabelle State of Somalia for the year ended 31 December 2024 which we conducted in accordance with International Standards of Supreme Audit Institutions ("ISSAI"). Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatements but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit is conducted to enable us to form and express an opinion on the financial statements that have been prepared by Treasury, the Ministry of Finance with the oversight of the Hirshabelle Federal Member State Cabinet. The audit of the financial statements does not relieve the Ministry of its responsibilities. However, in accordance with our normal practice, we write to draw your attention to certain matters which we identified during our audit. Those issues are set out in the attached report.

Management responses have been incorporated through the co-ordination of the Ministry of Finance. We would like to thank the management and staff for their assistance and co-operation during the audit.

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Yours faithfully,

The Office of the Auditor General, Hirshabelle State of Somalia.

Glossary of terms

AMS	Asset Management System
BPM	Budget Preparation Module
CPA	Certified Public Accountants
CPO	Commitment Payment Order
CSC	Civil Service Commission
CV	Commitment Voucher
DN	Delivery Note
ERS	Enterprise Risk Services
FMIS	Financial Management Information System
FY	Financial Year
GRN	Goods Received Note
HR	Human Resource
HSS	Hirshabelle State of Somalia
ICT	Information, Communication and Technology
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standard
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
JV	Journal Voucher
LPO	Local Purchase Order
MDA	Ministry, Departments & Agencies
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
Mol	Ministry of Interior

OAG	Office of the Auditor General
PO	Purchase Order
POSA	Payment Order for Salaries and Allowances
PV	Payment Voucher
RCC	Revenue Collection Voucher
RMS	Revenue Management System
RV	Revenue Voucher
SAI	Supreme Audit Institution
SoD	Segregation of Duty
TOR	Terms of Reference
USD	United States Dollar

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 Bookmark not defined.

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1. Summary Performance Ratings on Areas Reviewed

The table below presents a summary of the audit findings. In the table, we have provided summaries of each finding and a visual indicator of the assessed significance of each.

Control area	Risk key	Control weakness noted
2. Budget	Medium	2.1 Required budget annexes and process documents are missing
	Medium	2.2 Key disclosures are missing: BFP, comparatives, and revenue policy impacts
	High	2.3 Breach of Budget Discipline: Violations of 10% Virement Rule, FMIS Discrepancies, and Unequal Allocation
3. Revenue	Medium	3.1 weaknesses in local revenue management
	Medium	3.2 Variances between revenues recorded under RMS and FMIS
	Medium	3.3 Weakness related to the management of Grants from Donors and Federal Government of Somalia
4. Non-payroll expenditure	High	4.1 Unsupported payments and partially supported payments
	Medium	4.2 Misclassification of expenses and other weaknesses in recording of payments
	Medium	4.3 Expenditures Incurred Without Budgetary Provision
5. Procurement	High	5.1 Weaknesses in procurement process
6. Payroll	High	6.1 Operation of different payrolls and the non-preparation of monthly payroll reconciliations
	High	6.2 non-Adherence to Delegated Authorities and Signature Matrix in Processing Commitment and Payment Orders (CPOs)
	High	6.3 Weaknesses on security payments, contract employees and temporary staff salary
7. Financial statements	Low	7.1 Weak disclosure notes: taxes presented as lump sums
8. Cash and Bank	Medium	8.1 Bank reconciliations not performed in line with PFM rules
9. Fixed Assets	High	9.1 Persistent Weaknesses in Fixed Assets Management

For ease of follow up and to enable your management to focus effectively on addressing the issues in our report, we have classified the issues arising from our audit in order of significance: "High", "Medium" and "Low". In ranking the issues between "High", "Medium" and "Low" ISSAIs require us to consider the relative importance of a matter, taken in context.

Key to Summary

High	The recommended measures should be implemented quickly because they cover significant weaknesses
Medium	The improvements should be taken into account in the medium-term.
Low	The recommendations correspond to the best practices and can be implemented in the longer term.

2. Budget

2.1 Missing Budget Annexes and Process Documents

Observation

Condition

During the review of the approved 2024 budget file, we noted that several required budget annexes and process documents were not included. The file lacked budget ceiling letters issued to spending agencies, certain mandatory budget forms prescribed by the Budget Circular such as revenue estimates, recurrent expenditure details, staffing estimates, capital expenditure schedules, and donor funding annexes, as well as annual revenue and spending plans within the required period.

Criteria

PFM Regulation 3.4

In accordance with Section 11 (2) of the PFM Act, the Minister shall issue a Budget Circular to all Spending Agencies and State-Owned Enterprises of the Government no later than the first week in July of the proceeding year. The Circular shall outline the budget process and include: (a) The fiscal year the budget preparation period relates to, and an annual calendar; (b) Dates for the Budget Process, outlined in the Budget Circular; (c) Instructions as to how the budget submissions will be received; (d) Forms required to be used for submitting budget estimates to the Ministry; (e) List of Spending Agencies of the Government required to submit their budget estimates; (f) Each Spending Agencies budget ceiling; and (g) Any other information that the Minister may determine from time to time.

PFM Regulation 3.5

Forms issued to Spending Agencies for collation of the budget estimates may be in softcopy or hard copy and shall be in the layout and content as per the Budget Circular and shall include: (a) Estimates of Revenue; (b) Estimates of Recurrent Expenditure showing totals for wages and salary and other operating expenses; (c) Staffing estimates. Details of current and proposed Ministry staff by position and grade showing the estimated budget for each position; (d) Capital expenditure; and (e) Proposed Development Project Expenditure. Details of specific capital projects each Ministry has identified; (f) Donor funding outside of the Treasury Single Account, cash or in-kind; and (g) Any other forms that the Minister may issue.

Cause

Weak compliance monitoring by the Ministry of Finance and insufficient enforcement of budget preparation requirements outlined in the Budget Circular and PFM Regulations.

Effect

- Incomplete budget documentation reduces transparency and accountability in the budget process.
- Limits Parliament's and stakeholders' ability to fully assess and approve the budget.
- May lead to misallocation or mismanagement of resources due to missing supporting data.

Recommendation

The Ministry of Finance should ensure that all required budget annexes and process documents, as stipulated in the Budget Circular and PFM Regulations 3.4 and 3.5, are prepared, compiled, and retained in the official budget file before and after submission to Parliament.

Significance

Medium

Responsible directorate

Ministry of Finance – **Budget Department** (lead), with **Treasury** (cash/TSA) and **Planning/Donor Coordination** (donor annex).

Management response

We confirm that standard budget preparation forms are in place, covering revenue, recurrent details, staffing (by grade/position/months/cost), capital items, project sheets, and new spending requests.

For FY2024, most forms were applied.

We acknowledge that a consolidated annex for donor financing (covering on-TSA cash, off-TSA cash, and in-kind contributions with banking and control arrangements) was not prepared for FY2024.

Going forward, a single donor annex will be developed to provide clarity, transparency, and cross-referencing in the main budget tables. On-TSA donor cash will also be explicitly presented in the main tables with appropriate cross-references.

We have evidence of budget process compliance, including:

Budget ceiling letters issued to ministries.

Sector consultation notes.

Proof of timely publication of the Budget Circular.

These documents demonstrate adherence to proper budget preparation and consultation processes.

For FY2024, budget and commitment controls were applied at the aggregate annual level.

From FY2025 onwards, we will introduce a monthly revenue and expenditure plan to guide Treasury cash releases and enhance commitment control on a month-by-month basis. This will improve predictability, liquidity management, and fiscal discipline.

Auditor's Conclusion

We acknowledge management's evidence of compliance with several budget preparation requirements; however, the absence of a consolidated donor annex and the lack of monthly revenue and expenditure plans in FY2024 remain significant gaps. While the planned corrective actions for FY2025 are noted, the finding stands for FY2024 and will be followed up in future audits

2.2 Omission of Key required Disclosures such as Budget Framework Paper, Comparatives, and Revenue Policy Impacts

Observation

Condition

Although a Budget Framework Paper (BFP) was prepared, it lacked comparatives and revenue policy impacts. As a result, legislators were not provided with the required macroeconomic outlook and two-year performance review at the time of budget consideration, which is a mandatory disclosure under Regulation 7.1. This weakens transparency and reduces the quality of information available to Parliament for effective oversight

Criteria

PFM Regulation 7.1 (*Documents and Content of Proposed Budget*) requires that the annual budget submitted to Parliament be accompanied by supporting documents, including a Budget Framework Paper, comparative tables, revenue policy change note, donor financing annex, and a monthly annual spending plan.

Cause

The budget submission template focused only on annual proposals and did not consolidate the other disclosures required by Regulation 7.1..

Effect

- Parliament cannot assess fiscal trends or test whether figures are realistic.
- Revenue risks and policy implications remain unclear.
- Weaker link between spending allocations and expected results.

Recommendation

The annual budget process should be strengthened by ensuring that the Budget Framework paper includes comparatives as well as revenue impact analysis. This framework should set out the macroeconomic assumptions and a two-year performance review. In addition, the budget should present comparative figures for each budget code or account, covering original, revised, actual, projected, and proposed amounts. A Revenue Policy Change Note quantifying fiscal impacts with clear implementation timelines should also be attached, together with a program/output view that links economic lines under each budget code with a few key performance indicators to enhance performance-based budgeting and accountability.

Significance

Medium

Responsible directorate

Director of Budget Department

Management response

A Budget Framework Paper (BFP) is in place and was prepared as part of the FY2024 budget process. The BFP includes the macroeconomic outlook and a review of performance over the previous two fiscal years. The BFP was published on the Ministry's official website in line with transparency and accountability requirements. Therefore, while the BFP may not have been cross-referenced in the budget file provided to the audit team, it does exist and remains accessible publicly. For future budgets, we will ensure that the BFP is formally attached or cross-referenced in the submitted budget documentation for completeness.

Auditor's Conclusion

We acknowledge that we reviewed the budget framework paper but we disagree on the content and we still hold that the comparatives and revenue impact analysis do not form part of the FY 2024 budget framework paper.

2.3 Breach of Budget Discipline: Violations of 10% Virement Rule, FMIS Discrepancies, and Unequal Allocation

Observation

Condition

Audit review of the 2024 budget execution data reveals:

1. Virement Rule Violations (10% Limit):

Several ministries' actual expenditures (accumulated payments) exceeded their approved budgets by more than 10%, violating the virement limit as per PFM regulations as shown below;

Fund	No	Ministry/Agency	approved budget	Cumulated Payments	Utilization
1100000	08	Ministry of Agriculture and Irrigation	334,186.43	1,062,700.00	318%
1209900	09	Ministry of Health and Social Care	1,670,428.00	2,830,895.00	169%
1100000	16	Ministry of Security and Rehabilitation	1,250,040.00	2,861,498.00	229%
1100000	21	Ministry of Women & Human Rights	50,040.00	94,245.00	188%
1293200	23	Ministry of Humanitarian and Disaster Management	50,040.00	207,122.00	414%
1209900	24	Civil Service Commission	94,464.00	143,781.00	152%
1100000	26	Ministry of State Presidency	1,650,824.00	2,852,037.00	173%
1100000	31	Ministry of Reconciliation and Resettlement	334,620.00	912,000.00	273%

As shown in the table above these reallocations suggest virements far beyond the allowed 10% without evidence of legislative approval

2. Mismatch Between Approved Budget and FMIS Budget Mapping:

Several entities show **FMIS budget figures** that significantly differ from the **approved budget**, undermining budget credibility and transparency. The below indicate instances of mismatch:

Fund		Ministry/Agency	approved budget(a)	FMIS Budgeted(b)	Variance(b-a)
110000 0	1	Ministry of Justice & Judicial Affairs	74,040.00	112,040.00	38,000.00
110000 0	2	Ministry of Livestock, Forestry and Vegetation	348,529.29	1,994,194.00	1,645,664.71
120990 0	6	Ministry of Education and Tertiary	3,598,828.00	4,560,458.00	961,630.00
120990 0	7	Ministry of Environmental and Sea Protection	445,860.71	541,732.70	95,871.99
120990 0	9	Ministry of Health and Social Care	1,670,428.00	3,858,254.00	2,187,826.00
110000 0	12	Ministry of Information and Culture	172,440.00	272,440.00	100,000.00
110000 0	13	Ministry of Interior and Local Government	3,977,018.10	3,747,018.00	-230,000.10
110000 0	18	Ministry of Finance and Economic Development	1,124,492.70	1,385,815.00	261,322.30
129320 0	22	Ministry of Water, Energy and Minerals	1,914,075.76	2,114,354.00	200,278.24
110000 0	25	Hirshabelle Parliament	1,718,000.00	1,665,730.00	-52,270.00

As shown in the table above several entities show FMIS budget figures that significantly differ from the approved budget, undermining budget credibility and transparency.

3. Unallocated or Under-Allocated Ministries and Budget Underutilization in Key Sectors;

- Some ministries show no recorded payment in the FMIS system, which may reflect either non-execution of budgeted activities or gaps in financial reporting—both of which compromise transparency and effective service delivery. Despite having substantial budgets, some ministries underutilized their allocations.

Fund		Ministry/Agency	approved budget	FMIS Budgeted	Cumulated Payments	Utilization
110000 0	03	Ministry of Ports and Maritime Transport	50,040.00	50,040.00	-	0%
110000 0	04	Ministry of Youth and Sports	50,040.00	50,040.00	-	0%
110000 0	05	Ministry of Postal, Communication and Modern Technology	50,040.00	50,040.00	-	0%

120990 0	07	Ministry of Environmental and Sea Protection	445,860.71	541,732.70	131,711.0 0	30%
110000 0	10	ministry of Fishery & Marine Resources	59,676.00	59,676.00	9,636.00	16%
110000 0	11	Ministry of Public Works and Reconstruction	50,040.00	81,940.00	-	0%
110000 0	14	Ministry of Planning, Investment and International Cooperation	484,500.00	484,500.00	173,794.0 0	36%
110000 0	15	Ministry of Transport, Air and Land	50,040.00	50,040.00	-	0%
110000 0	17	Ministry of Labor and Employment	50,040.00	50,040.00	-	0%
110000 0	19	Ministry of Constitution & Federal Affairs	50,040.00	50,040.00	-	0%
110000 0	20	Ministry of Commerce & Industry	50,040.00	50,040.00	-	0%
129320 0	22	Ministry of Water, Energy and Minerals	1,914,075.7 6	2,114,354.0 0	333,510.9 0	17%
110000 0	28	Ministry of Rehabilitation and Disarmament	34,620.00	34,620.00	-	0%
110000 0	29	Ministry of Religious and Endowments	50,040.00	50,040.00	-	0%
110000 0	30	Ministry of Petroleum and mining	50,040.00	50,040.00	-	0%
110000 0	33	Ministry of Rural Development	34,620.00	34,620.00	-	0%

This suggests either underfunding, non-prioritization, or bottlenecks in fund flow mechanisms. This indicates delays in project implementation, procurement inefficiencies, or weak capacity.

Criteria

- PFM Act – Appropriation Act, Section 6 states:

“The Budget Director may transfer authorized amounts between appropriations for any individual budget line within each Ministry or Agency in Schedule 1 to this Act,

provided that the reallocation does not exceed, in total, 10% of the line being reduced. Transfers between Ministries are not authorized without amendment to the Schedule through Supplementary Appropriation measures.”

This rule is designed to ensure transparency, budget discipline, and parliamentary oversight over reallocations.

- **ISSAI 100 (Fundamental Principles of Public-Sector Auditing):** requires that public funds be managed with transparency and accountability, ensuring reliability of budgetary information.
- **PEFA PI-2 and PI-21:** Emphasize that budget reallocations must be controlled to safeguard credibility, discipline, and transparency in in-year resource allocation.

Cause

- The Ministry of Finance did not enforce the 10% ceiling on reallocations as prescribed in Section 6 of the Appropriation Act.
- Weak monitoring of virements in the FMIS, where system controls were either bypassed or not configured effectively.
- Lack of timely legislative oversight, as reallocations across ministries were implemented without supplementary appropriation approval.
- Limited awareness and compliance among budget officers regarding the legal restrictions on reallocations.

Effect

- Breach of Section 6 of the Appropriation Act, resulting in non-compliance with the legal limit on virements.
- Parliament's budgetary authority undermined, since reallocations across ministries were made without legislative approval.
- Budget credibility reduced, as reallocations altered approved priorities and allocations beyond the permissible threshold.
- Transparency weakened, because in-year reallocations were not disclosed to Parliament or the public.
- Risk of misallocation of resources, affecting service delivery and accountability.

Recommendation

The Ministry of Finance should strictly enforce Section 6 of the Appropriation Act by ensuring that virements between budget lines do not exceed 10% of the line being reduced. To strengthen compliance, the FMIS should be configured to block any reallocations above the 10% ceiling and prevent transfers across ministries unless duly approved through a supplementary appropriation. In line with the law, any reallocations exceeding this threshold or involving inter-ministerial transfers should be submitted to Parliament for approval through a supplementary appropriation. Where feasible, the Budget Department should maintain a compliance register of virements within the FMIS and provide periodic summaries to the appropriate oversight body to enhance transparency. Furthermore, the Ministry of Finance should provide training to budget officers on virement rules to improve adherence to legal restrictions.

Significance

Medium

Responsible directorate

Ministry of Finance – **Budget Department** (lead),

Management response

We acknowledge the audit observation that several ministries' actual expenditures (accumulated payments) exceeded their approved budgets by more than 10%, thereby violating the established virement limit. The noted variances primarily relate to the supplementary budget allocations received late in the fiscal year. Most of these additional funds were received in November 2024, at a time when Parliament was in recess and formal approval processes could not be completed before year-end. The apparent budget overruns were not due to non-compliance but rather the late disbursement of supplementary and donor funds, which could not be formally appropriated within the fiscal year due to timing constraints.

Auditor's Conclusion

We acknowledge management's explanation that breaches of the 10% virement rule arose from late supplementary and donor disbursements while Parliament was in recess. Nonetheless, the PFM Act requires that all reallocations and supplementary appropriations receive prior legislative approval. Timing constraints do not override this legal obligation. Expenditures made without such approval remain unauthorized and weaken budget credibility, oversight, and accountability.

3. Revenue

3.1 Weaknesses in Local Revenue Management

Observation

Condition

During the audit of internally generated revenue, it was observed that supporting documents were only partially provided. Receipt books and merchant statements were made available to support collections; however, the corresponding revenue reconciliation reports, which are essential for determining the basis and completeness of amounts collected, were not provided. Consequently, the audit could not independently verify whether all collectible revenues were properly assessed, billed, and collected in full.

Criteria

Section 30(7) of the PFM act 2018 states that each minister or head of a budgetary institution or agency is responsible for the filing, maintenance and safekeeping of all documents related to public finance transactions, in a manner and for the length of time prescribed in accounting regulations under this Act.

Additionally the PFM act 2018 requires financial transactions to be audited by MoF to ensure there was no irregularities and fraud and make correction in case of any improper transactions.

Cause

Management override of controls. Poor Records Management Practice.

Effect

This may lead to inaccurate recording and reporting of revenues, loss and misappropriation of revenues etc...

Recommendation

All revenues should be supported with source documents, reconciliations between the various revenue documents should be done.

Significance

Medium

Responsible directorate

Revenue Director

Management response

We acknowledge the audit observations and affirm that the Revenue Department operates in full compliance with the Revenue Act and PFM Act. All collections are supported by official receipt books and merchant statements, and assessments are prepared internally in line with legal requirements.

While assessment reports were not attached to the audit submission, they are maintained within our records. Internal checks and reconciliations are conducted regularly, and we remain committed to further strengthening documentation and reconciliation processes to enhance transparency and accountability.

Auditor's Conclusion

We acknowledge management's assertion that revenue collections are supported by receipts, merchant statements, and assessment reports, and that reconciliations are conducted internally. However, these documents were not provided for audit verification, limiting assurance over compliance with the Revenue Act and PFM Act. The finding therefore remains valid, and management should ensure that assessment reports and reconciliation records are consistently submitted for external audit to strengthen transparency and accountability.

3.2 Variances between revenues recorded under RMS and FMIS

Observation

Condition

For local tax revenue in the period under audit, the Revenue Management System (RMS) shows USD 6,491,508.05 while the Financial Management Information System (FMIS) shows USD 6,218,025.00, leaving an unexplained difference of USD 273,483.05. Month-end reconciliations were not available to explain the items causing the gap, and several receipts from field collections were not posted to FMIS on the date of collection. This points to incomplete recording in the government books and a risk that some cash was not promptly banked or was misclassified.

Criteria

The PFM Instructions (Instruction C – The Use of Bisan FMIS, BPM & RMS Systems, 2018) clearly establish RMS as a complementary tool for capturing detailed revenue assessments, billing, and receipts at source, thereby strengthening transparency and audit trails.

Cause

RMS and FMIS are not integrated, so there is no automated interface to generate reconciled reports. Routine three-way reconciliations (RMS receipts to bank statements to FMIS postings) are not consistently prepared and signed off at month-end. Front-end receipting controls are weak, with instances of cash collections without immediate FMIS posting and coding differences that leave items in suspense or in the wrong revenue heads.

Effect

The variance indicates a high risk of understatement of local tax revenue in FMIS, potential leakage where cash is collected but not banked or not recorded, unreliable monthly results, and weaker cash forecasting and budget credibility.

Recommendation

Management should complete an immediate three-way reconciliation of local tax revenue for the period, listing each RMS receipt against the corresponding bank deposit and FMIS document, and resolve the USD 273,483.05 difference by recovering any unbanked amounts, posting missing entries, and reclassifying miscoded items. Going forward, implement an RMS-to-FMIS interface or a daily import file with unique receipt IDs; enforce daily banking and same-day FMIS posting with supervisory sign-off; establish a standard month-end reconciliation pack (RMS list, bank statement extracts, FMIS ledger, and set a variance threshold. For example, ± 5 percent of monthly local-revenue plan that triggers written explanations and Internal Audit review.

Significance

Medium

Responsible directorate

Revenue Director

Management response

The variance of USD 273,483.05 is due to the RMS not being fully operational or integrated with FMIS. FMIS is the official system for recording revenue, and its figures are accurate and complete. RMS discrepancies arise from timing differences and manual entry errors. Measures are being implemented to improve reconciliations, ensure prompt FMIS posting, and align RMS data with FMIS records.

Auditor's Conclusion

We acknowledge management's explanation that the USD 273,483.05 variance arose from timing differences and incomplete RMS–FMIS integration. However, under PFM Instruction C (2018), RMS should function as a complementary tool to FMIS, with regular reconciliations to ensure accuracy. The absence of such reconciliations undermines the completeness and reliability of reported revenues. The finding remains valid, and improvements in reconciliation and system integration are required.

3.3 Weakness related to the management of Grants from Donors and Federal Government of Somalia

Observation

Condition

The review of grants from donors and the Federal Government of Somalia (FGS) revealed several gaps. Donor agreements for all projects were not made available, and donor circularisation could not be fully undertaken due to the lack of contact information for donors, which, despite repeated requests, was never provided. In addition, the filing system was inadequate, with no designated contract management focal point in place. Furthermore, donor reconciliations were not prepared, which is a critical control for ensuring that funds reported by donors as disbursed are consistent with amounts recorded in government books. The absence of such reconciliations creates a risk of understatement, overstatement, or misappropriation of grant revenues and expenditures, thereby limiting assurance over the accuracy and completeness of reported balances.

Criteria

- PFM Act 2018, Section 33(1): "...all spending entities must report to the Minister of Finance all financial information relating to donor grants, whether included in the budget or not, in the format prescribed by the Minister to ensure proper recording, consolidation, and reporting."
- PFM Act 2018, Section 33(2): "...all spending entities and donor agencies providing funds not channeled through the budget shall, within seven (7) days of signing agreements, report such agreements and related information to the Minister of Finance."

Cause

- Ministries and agencies did not comply with donor reporting requirements, failing to submit signed agreements or Form 5.
- The Ministry of Finance did not enforce compliance or verify receipt of these documents prior to or during budget finalization.

- A possible lack of internal coordination and tracking mechanisms contributed to the omission.

Effect

There is a risk of grant revenue being misstated and the non-compliance of contractual terms as per donor agreements.

Recommendation

- We recommend that;
- The Ministry of Finance should immediately enforce submission of all donor agreements and related financial data through Form 5.
- Establish a tracking and reminder mechanism to ensure donor funding is reported within the seven-day statutory window.
- Validate all submissions before finalizing the annual budget and ensure inclusion of donor funding in both the approved budget and published financial statements.
- Consider issuing internal circulars or compliance notices to hold non-compliant ministries accountable.
- There should be Improvement of the filing system to ease the retrieval and archival of donor agreements and other support documents.
- Donor funds should be regularly be reconciled to ensure that correct amounts are recorded and accounted for.

Significance

Medium

Responsible directorate

Revenue Director

Management response

We respectfully note the audit observation regarding weaknesses in the management of grants from donors and the Federal Government of Somalia. We would like to clarify that the necessary controls and documentation are in place to ensure proper grant management. Donor agreements were received for all donor-funded projects under implementation. Each agreement contains the agreed budget as well as detailed contract conditions on eligible expenditures. We have a complete list of donor email contacts on record. All confirmation requests sent to donors were responded to, ensuring proper communication and verification. The budgets provided in the agreements are broken down into allowable budget lines, which enables systematic monitoring and compliance with donor requirements. An adequate filing system has been established to securely store donor agreements and related documentation. A designated Contract Management Focal Point is in place to oversee grant implementation, communication, and compliance. Regular donor reconciliations are conducted to align financial records with donor reports, and variances are addressed promptly. The Ministry has established strong systems for the management of grants, including proper agreements, budget monitoring, and communication with donors, reconciliations, and contract management oversight. These measures ensure transparency, accountability, and compliance in the use of donor and federal government grants.

Auditor's Conclusion

We note management's assertion that donor agreements, contact records, reconciliations, and a contract management focal point are in place. However, these documents and reconciliations were not made available for audit verification. In line with

PFM Act 2018, Section 33(1)– (2), the finding remains valid for FY2024, and stronger evidence of compliance should be provided in future audits.

4. Non-payroll expenditure

4.1 Unsupported payments and partially supported payments

Observation

Expenditure testing analytics:

Details	Amount- \$
Total non-payroll expenses population	12,668,333.55
Results:	
Total expenditure that is deemed unsupported	65,757.50
Total expenditure that is deemed partially supported	4,263,766.02
Total expenses with deficiencies	4,329,523.52
% of expenditures with deficiencies	34%
Overall expenditure	19,447,196.32
% age of overall expenditure that is unsupported	0.3%
% age of overall expenditure that is partially supported	22.0 %
% age of expenses with deficiencies compared to overall expenses	22.3%

Condition

We have reviewed expenditure and noted that 0.3% (USD 65,757.50) of reviewed expenses were only supported with internally generated documentation. We could not ascertain occurrence of said transactions. , Details of these expenses are found under **annex 1**

Additionally, we have noted that 22% (USD 4,329,523.52) of reviewed expenses were only supported with invoices and other FMIS generated documents such as Payment vouchers, commitment vouchers and Bisan Cheques. There were no documentations to show whether the procurement process has been followed, no documentation to show whether goods have been delivered with the correct specifications and at correct quantities, services have been rendered or works have been performed to the expected standards. Similarly, we could not confirm whether items have reached the intended and correct beneficiaries. Details of these expenses are found under **annex 2**

The auditors have assessed these deficiencies as inherent and control risks attributed to weak capacity, fragile operational environment and lack of training.

Criteria

PFM Regulation 10: Section 3.2 financial record filing must be well organized, systematic, logical, consistent and scalable to enable accurate, complete retention and easy retrieval, with robust security and access control for both physical and electronic files. This Section 3.2 is to ensure every payment, receipt, contract and supporting evidence can be readily located, verified, and protected, enabling transparent audit trails, safeguarding public records, and reducing the risk of loss, alteration, or selective omission

Cause

As per our inquiry performance on the entity and its environment, interviews with the management team, insufficient documentation is due to:-

- Weak internal capacity; absence of clear understanding of the financial documentation
- Fragile internal control environment.

Effect

Weaknesses at one stage of the expenditure control cycle can undermine the integrity and credibility of the system as a whole and valuable resources could be wasted. In addition, expenditure that is not adequately supported may lead to the misstatement of the financial statements.

Our opinion has been modified on this account.

Recommendation

To enhance compliance with PFM and treasury regulations, appropriate support documents should be maintained for all payments. No payments should be made by the Treasury Director unless adequate supporting documentation is presented.

Significance

High

Responsible directorate

Treasury- Directorate

Management response

We have reviewed the audit observation regarding missing or incomplete supporting documentation for certain expenditures. We would like to clarify the following:

We acknowledge that some transactions were noted as lacking specific supporting documents such as contracts, invoices, delivery notes, completion certificates, activity reports, or attendance registers.

However, we would like to emphasize that procurement and recruitment processes were followed, and documentation exists for the majority of transactions.

In isolated cases, certain completion documents (e.g., completion letters, inspection reports, or distribution lists) may not have been attached to the specific payment file at the time of audit review. This should not be interpreted as an absence of the procurement process. We would like to clarify that procurement process documentation and FMIS records do exist and were already provided to the audit team during the review. The Ministry affirms that procurement steps were followed, and the required supporting documents are maintained. Some gaps may relate to filing inconsistencies or incomplete attachment of certain documents within payment files, rather than an absence of the process itself. The Ministry affirms that procurement and financial management procedures were adhered to, and the audit's conclusion that there was "no procurement process" is not accurate. The procurement documentation is in place and has been reviewed by the audit team. The Ministry reaffirms that procurement and financial processes were followed, and documentation exists to support expenditures. While some individual files may have lacked certain completion documents, there was no absence of procurement process. Corrective steps are being taken to strengthen filing,

documentation completeness, and capacity to ensure smoother audit verification in the future.

Auditor's Conclusion

We acknowledge management's clarification that procurement and financial processes were followed and that documentation exists for most transactions. However, several payment files presented for audit lacked key supporting documents such as contracts, invoices, delivery notes, completion reports, as well as justification letters and market research in cases of single source procurement. These gaps limited our ability to verify the occurrence and completeness of expenditures. Filing inconsistencies do not remove the requirement that all payment files contain full documentation at the time of audit. Accordingly, the finding remains valid for FY2024, and we encourage management to strengthen filing and documentation practices to facilitate effective audit verification.

4.2 Misclassification of expenses and other weaknesses in recording of payments

Observation

Condition

We have noted various instances where different expense transactions have been applied to incorrect expenditure codes and line items as shown in the table below;

Ref#PV	Expense description	Amount	Account charged to
24/0000005 5 PV	Training Arrangement with Venue lunch and refreshment, Printing Materials, Stationary costs Transportation costs for the Training on Gender Policy in Education, operation costs with MOE Offices	5,000	Stationary
24/0000012 4 PV	Hotel, meeting, lunch and refreshment and transportation services	3,300	Stationary
24/0000042 8 PV	Car Hire rent cost for SSG project in Jowhar	3,400	Maintenance and repairs of vehicles, boats and vessels
24/0000052 4 PV	Refreshments, Stationery and Cleaning supply	600	Stationary
24/0000054 6 PV	Refreshment for training CLIMB	5,000	Stationary
24/0000071 5 PV	Electric and internet for MoAI Office of Beletweyne and Jowhar	10,000	Internet fees
24/0000089 4 PV	REFRESHMENT AND LUNCH	2,400	Stationary
24/0000091 2 PV	Venue rent	100	Internet fees
24/0000092 1 PV	Office Furniture for Ministry of Environmental and Sea Protection	6,000	Information, computer, and telecommunication (CIT) equipment
24/0000098 4 PV	Refreshments, Stationery and Cleaning supply	600	Stationary
24/0000122 2 PV	Refreshments, Stationery and Cleaning supply	500	Stationary
24/0000127 4 PV	Lacag Warejiin Dowlada Hose	8,388	Diesel and oil
24/0000140 2 PV	Information, computer, and telecommunication (CIT) equipment & Furniture and fixture	16,432	Information, computer, and telecommunication (CIT) equipment
24/0000158 5 PV	Payment For Office Equipment for Hirshabelle PIU and Specialists	12,320	Information, computer, and telecommunication (CIT) equipment
24/0000158 5 PV	Payment For Office Equipment for Hirshabelle PIU and Specialists	6,250	Information, computer, and telecommunication

			(CIT) equipment
24/0000158 5 PV	Payment For Office Equipment for Hirshabelle PIU and Specialists	5,000	Information, computer, and telecommunication (CIT) equipment
24/0000159 4 PV	Office Rent and Vehicle Rent	10,116	Maintenance and repairs of vehicles, boats and vessels
24/0000160 1 PV	Lunch and Refreshment	2,000	Stationary
24/0000160 1 PV	Lunch and Refreshment	1,063	Internet fees
24/0000161 1 PV	CSC Office Furniture	19,955	Information, computer, and telecommunication (CIT) equipment

Despite being budgeted and available in FMIS, accounts such as Holding Account, Motor Vehicles – Car, Other Water Infrastructure, Wells and Water Holes, and Buildings Other Than Dwellings had no transactions recorded; however, related expenditures were posted under different account codes, indicating misclassification and non-compliance with the approved chart of accounts.

Kindly note that this is not an exhaustive list of all misclassifications

This means that the monnies appropriated and allocated by parliament for specific purposes may not have been applied for the intended usage.

Consequently, these expenditures were not accounted for in accordance with Section 22 of the Public Finance Management Act 2018. Additionally, there was no evidence provided to demonstrate that the reallocation of funds between budget lines received the necessary approvals.

Criteria

Section 4.1 of regulation 2 to the PFM act states ; the Chart of Accounts, one segment of the BCS which provides the economic coding structure to be used by the government, is hereby deemed to be the accounts which are in full compliance with the Government Finance Statistics Manual 2014 (GFSM 2014), as promulgated by the International Monetary Fund (IMF), as amended by IMF from time to time. The Account Segment codes are used to identify expenditure or revenue transactions according to the type of expenditure undertaken or revenue received. It also records assets and liabilities.

Cause

Inconsistent use of the Chart of Accounts during voucher preparation; limited review of codes at commitment/payment stages; and inadequate linkage between donor project setups and daily voucher entry. Staff turnover and limited refresher training also contributed.

Effect

Misclassification distorts budget performance, hides overspending in true lines, weakens cash planning, and reduces the credibility and usefulness of in-year and year-end reports. It also hampers comparison with the approved budget and complicates audits and donor reporting

Recommendation

We recommend that the Ministry of Finance configure the FMIS to enforce code validation and make project and fund fields mandatory. A maker–checker control should be applied with particular focus on verifying the economic line and funding source before posting. In addition, the Ministry should conduct a quarterly review of mispostings and pass correcting journals to reclassify any incorrect expenditure entries. To strengthen compliance, short refresher training sessions should be delivered to users, supported by a one-page Chart of Accounts quick guide highlighting common areas of misclassification, such as capital vehicles versus operating costs.

Significance

Medium

Responsible directorate

Treasury- Directorate

Management response

We acknowledge the audit observation regarding instances where certain expense transactions were recorded under expenditure codes and line items that appear inconsistent. It is important to clarify that in some cases, transactions may legitimately fall under a single code, depending on the nature of the payment and the accounting procedures applied. Therefore, not all of the cited cases represent misclassification but rather reflect normal payment practices within the existing chart of accounts.

Auditor's Conclusion

We acknowledge management's explanation that some payments may legitimately fall under a single expenditure code in line with accounting procedures. However, several transactions reviewed were inconsistent with the approved chart of accounts and lacked adequate justification, resulting in misclassification. The finding remains valid, and we recommend stricter adherence to the chart of accounts and improved review controls to ensure accurate coding.

4.3 Expenditures Incurred Without Budgetary Provision

Observation

Condition

Audit examination of the financial records revealed that several expenditures were incurred during the year 2024 without any corresponding allocation in the approved budget. These payments were made outside the approved appropriations and were not supported by evidence of lawful budget virement or supplementary approval by the relevant authority. The table below highlights some of the key unbudgeted expenditures noted during the audit.

Expenditure Item	Amount (USD)
Regular Food	550,000
Maintenance and Repairs of Building	750,000
Agricultural Materials, Supplies and Small Equipment	41,266
Fungicides, Insecticides and Sprays	10,666
Medical Supply	550,000
Maintenance and Repair of Equipment and Heavy Machineries	32,419
Total	1,934,351

No justification, reallocation decision, or approved virement was provided to explain the basis of these expenditures without budget approval.

Criteria

PFM Act 2018 – Section 27: Appropriations Expire at Year-End

1. All appropriations lapse at the end of the fiscal year, and no payment shall be made against an expired appropriation.
2. No unspent funds or commitments may be carried forward to the next fiscal year without re-appropriation. Any such balances must be disclosed and reported in the government's accounts in accordance with Sections 30, 31, and 32 of this Act.

Cause

- Weak enforcement of budgetary controls.
- Expenditure commitments made outside the formal budgeting and appropriation process.
- Potential use of budgetary reallocations without proper authorization or documentation.
- A possible lack of internal coordination and tracking mechanisms contributed to the omission.

Effect

- Violation of the legal budget framework, increasing risk of unauthorized and potentially wasteful expenditure.
- Undermines the credibility of the budget process and financial discipline.

- Creates challenges in financial reporting, oversight, and audit trail tracking.

Recommendation

We recommend that the Ministry of Finance conduct a thorough review of all off-budget expenditures and provide justification for each transaction with complete supporting documentation, including details of the funding source and approval authority. The execution of expenditures not included in the approved budget should be immediately ceased unless supported by a formal virement or supplementary appropriation duly approved in accordance with the law. Furthermore, internal controls should be strengthened to enforce strict adherence to budget allocations, ensuring that all spending is pre-authorized and fully documented.

Significance

Medium

Responsible directorate

Director General

Management response

After analyzing the audit observation that certain expenditures lacked justification, reallocation decisions, or approved virement to explain spending without formal budget approval. A portion of these expenditures relates to the supplementary budget, which was not applied to FY2024 and therefore not reflected in the original budget framework. In other cases, particularly those linked to donor-funded activities, we do have reasonable justifications for the relocation decision, supported by documentation from the respective funding sources. These records will be compiled and submitted for verification.

Auditor's Conclusion

We acknowledge management's explanation that part of the unapproved expenditures relate to donor-funded activities and supplementary allocations. However, these justifications and reallocations were not formally reflected in the FY2024 budget framework, nor were supplementary appropriations approved in accordance with Section 27 of the PFM Act and Section 6 of the Appropriation Act. The finding therefore remains valid until supporting documentation and formal approvals are submitted.

4.4 Non-Adherence to Delegated Authorities and Signature Matrix in Processing Commitment and Payment Orders (CPOs)

Observation

Condition

A review of sampled Commitment and Payment Orders (CPOs) revealed persistent violations of the delegation of authority and signature roles as established in Instruction A – Delegation of Authorities, part of the Public Financial Management Law 2018. Specifically.

1. Unauthorized CPO:

PV#24/0000038 amounting to \$182,659 was processed without the required signature of the Treasury Director, despite the role being clearly designated in the signature matrix.

2. Same Officer Dual Signing:

PV#24/00001369 (\$29,164) and PV#24/00001103 (\$33,849.20) were both signed by the same officer as both Requesting and Authorizing Officer, violating the maker-checker principle and undermining segregation of duties.

3. Completely Unsigned CPOs:

PV#24/00000483 (\$77,431.80) and PV#24/00001628 (\$12,320) were submitted without any signatures, rendering them non-compliant and unauthorized.

4. CPO Signed Only by Director General:

In PV#25/00000057 (\$50,120.50), the CPO was signed only by the Director General, with no co-signatories or verifying officers as required under the Delegation Matrix.

5. Unverifiable Signature:

PV#24/00000055 (\$20,700) included a vague or illegible signature, making it impossible to verify if it was properly authorized.

A review of Instruction A – Delegation of Authorities confirms the structure and specific signatories required for:

Requesting, Authorizing, Approving, Certifying, and Paying Officers

Especially for CPOs and POSAs under Ministry of Finance mandate

(see Expenditure Approval and Signature Matrix, p. 5 of Instruction A)

Criteria

PFM Law 2018, Section 20, and Instruction A – Delegation of Authorities require clear segregation of duties, use of designated officials, and adherence to the signature matrix for financial commitments and payments. The Treasury Director, Authorizing Officer, and Approving Officer must each sign in their defined roles.

Cause

- Weak oversight on delegated authority enforcement.
- Lack of enforcement mechanisms to validate role separation before processing payments.

Effect

- High risk of unauthorized or fraudulent transactions.
- Weak accountability and audit trail over the use of public funds.
- Breach of PFM controls and poor compliance with established approval protocols.

Recommendation

We recommend that the Ministry of Finance immediately enforce compliance with Instruction A – Delegation of Authorities, ensuring that no Commitment or Payment Order

(CPO) or related payment is processed without the proper signatures from the designated roles. Automated role-validation controls should be introduced within the FMIS to block processing where required signatories are missing or duplicated. In addition, refresher training should be provided to all finance personnel on segregation of duties and commitment procedures to strengthen compliance and reduce the risk of unauthorized transactions.

Significance

High

Responsible directorate

Director General-MOF

Management response

After Reviewed the audit observation regarding violations of the delegation of authority and signature roles in the processing of Commitment and Payment Orders (CPOs), as established in Instruction A – Delegation of Authorities. In most cases, CPOs were duly signed by the designated delegation officers in accordance with Instruction of PFM act. However, some of the transactions can occur in a few isolated transactions, proper controls were not fully observed, resulting in omissions in the application of the delegated authority. While the noted lapses were limited, we recognize the importance of strict compliance with delegation of authority instructions. These omissions will be correct in the next fiscal year, and additional measures are being put in place to prevent recurrence.

Auditor's Conclusion

We acknowledge management's confirmation that most CPOs were signed in line with Instruction A – Delegation of Authorities, and note the commitment to corrective measures. However, the isolated lapses observed still represent non-compliance with the delegation matrix and weaken internal controls. The finding remains valid for FY2024 and will be followed up in the next audit to confirm implementation of corrective actions

5 Procurement

5.1 Weaknesses in procurement process

Observation

Condition

Although an approved 2024 Procurement Plan was provided, the audit noted instances where purchases were awarded through single sourcing, including items valued above USD 2,500. In contravention of the procurement regulation, certain procurement files lacked evidence of competitive selection of suppliers of goods and services. There were no requests for quotations, bid submissions, evaluation minutes, or award approvals in the files reviewed. In addition, no prior written justification or approval was provided to support the use of single source procurement. The review also found that Procurement Committee involvement and a complete, standardized procurement file covering the process from requisition to delivery were not evident.

Criteria

Regulation #8, Section 3.5.1 – “No procurement shall proceed unless it has been procured in accordance with the agreed provisions as detailed in this Procurement

Procedures Manual, and where applicable, the approved Procurement Plans. In such cases, the Procurement Committee will declare a Misprocurement and insist upon satisfactory corrective measures to be taken.”

Cause

The plan and method of procurement were not enforced at requisition, commitment, and payment stages; exceptions were not documented or approved; and pre-payment checks focused on invoices rather than full procurement and delivery evidence.

Effect

Legal non-compliance, higher risk of overpricing and favoritism, weaker value for money, and incomplete audit trails that hinder assurance and post-review.

Recommendation

We recommend that the Ministry of Finance strictly enforce the approved Procurement Plan and method thresholds by requiring at least three written quotations or an open tender process for all purchases above USD 2,500. Single source procurement should only be permitted where the conditions for single sourcing has been met. Payments should be withheld unless the procurement file demonstrates compliance with the approved method or contains a duly approved exception together with evidence of delivery. A standard procurement file should be maintained for each transaction, and Internal Audit should conduct monthly post-reviews until sustained compliance is achieved.

Significance

High

Responsible directorate

Procurement and Treasury Departments

Management response

We acknowledge the observation made by the external audit team regarding the procurement practices and related control weaknesses within the Procurement and Treasury Departments. We recognize that while a 2024 Procurement Plan was in place, implementation gaps occurred, particularly in enforcing competitive procurement methods, maintaining comprehensive documentation, and ensuring Procurement Committee involvement.

We fully accept the recommendations provided and commit to addressing the identified weaknesses. Specifically, the procurement department will take the following corrective actions:

Enforcement of Procurement Methods – Going forward, all procurements above USD 2,500 will strictly follow competitive bidding procedures, requiring at least three written quotations or open tender, in compliance with PFM Regulation 8. Any single-source procurement will only be permitted with prior written justification and Procurement department approval.

Strengthening Documentation and Filing – The Procurement Department will introduce a standardized procurement filing system to ensure complete records from requisition to delivery. This will include requests for quotations, evaluation reports, award approvals, and delivery evidence, in line with PFM Regulation 10.

Auditor's Conclusion

We acknowledge management's acceptance of the finding and commitment to corrective measures, including stricter enforcement of procurement methods and improved documentation. However, the gaps identified in FY2024 procurement practices—such as use of single-source without justification, weak documentation, and limited Procurement Committee involvement—remain material. The finding therefore stands for FY2024, and follow-up will be conducted in the next audit to verify the effectiveness of the proposed actions.

6 Payroll

6.1 Operation of different payrolls and the non-preparation of monthly payroll reconciliations

Observation

Condition

As at 31 December 2024, review of HR and payroll records showed multiple parallel payroll streams (civil service, teachers, health workers, contract/temporary staff, security forces, legislature, etc.). There was no documented policy or approval explaining why separate payrolls are used or how they are reconciled. During 2024, the State disbursed salaries totaling USD 6,877,278.31 without a single unified payroll system. Further we have noted that the state does not reconcile its payrolls on monthly basis so as to track errors as and when they occur.

Criteria

PFM Regulation #6 – Establishing Accounting & Reporting Standards (governs how accounting, payroll, and reporting must comply with unified systems).

Internal Control Overview (3.1–3.3) – requires government entities to operate efficiently, accurately, and with fraud-prevention controls.

Cause

Fragmented payroll streams, no mandated monthly reconciliation, weak controls over roster changes and off-cycle payments.

Effect

Higher risk of ghost workers, duplicate/unauthorized payments, pay after exit, and misstated personnel costs; weaker cash planning.

Recommendation

We recommend that the State consolidate all payrolls into a single FMIS-based system. Before processing salary payments, a three-way validation should be conducted between the payroll register, HR staff roster, and available bank funding, with sign-off from the responsible officers. After payment, a full three-way reconciliation should be prepared and signed, matching the payroll register, HR records, and bank statements to confirm accuracy. Maker–checker controls should be enforced for all roster changes, and salaries should be paid exclusively through electronic funds transfer (EFT). Off-cycle payments should only be made with prior written approval and incorporated into the subsequent month's payroll cycle. A complete monthly payroll pack, including validations,

reconciliations, approvals, and supporting documentation, should be maintained to enhance transparency, accountability, and audit readiness.

Significance

High

Responsible directorate

Director General-MOF

Management response

The Treasury Department acknowledges the observation regarding the existence of multiple payroll streams and the lack of monthly reconciliations. Management concurs with the recommendation and has already initiated steps to migrate all payrolls into the FMIS under a unified, Treasury-controlled system.

Starting from January 2025, monthly three-way reconciliations between HR, FMIS, and bank statements will be undertaken before salary disbursement. Maker-checker controls on roster changes will be enforced, and off-cycle payments will require written approval and be incorporated into the following month's payroll.

A complete monthly payroll pack will be prepared and filed to strengthen audit trail and accountability. The process of consolidation is expected to be fully implemented by June 2025.

6.2 Weaknesses on security payments, contract employees and temporary staff salary

Observation

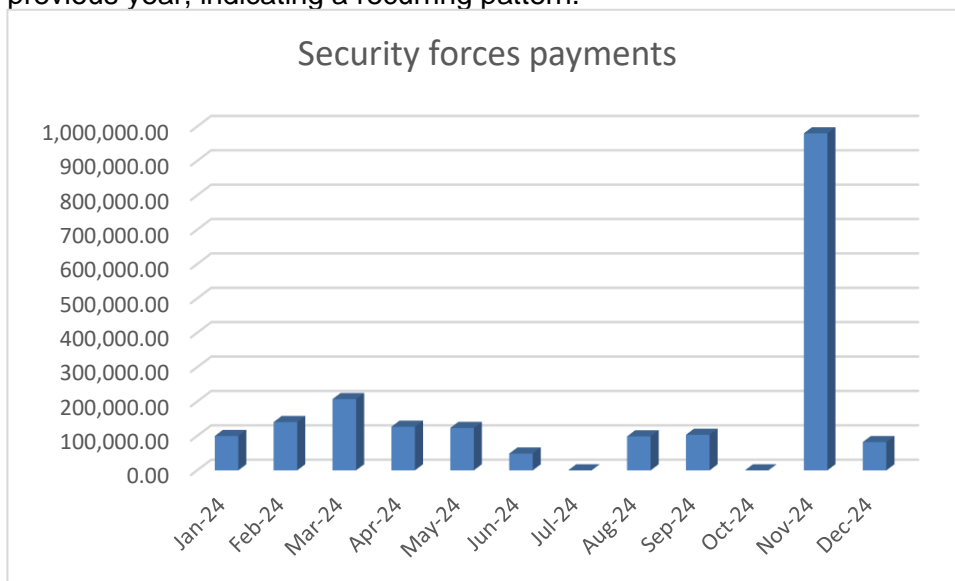
Details	Amount- \$
Security forces payments	2,011,545.00
Contract employees	613,174.91
Temporary staff salary	165,732.00
Results:	
Total security payments, contract employees, and temporary staff salary are unsupported	2,790,451.91

Condition

Security forces

Audit review of security forces expenditure revealed that a total of \$2,011,545 was spent on security personnel salaries in 2024. These payments were primarily processed through a private entity, Salama Security Company, making it difficult to trace the final beneficiaries. Human Resource documentation supporting the existence and deployment of these personnel was largely unavailable.

Further analysis of payment trends revealed irregular disbursement patterns, with a significant spike in November 2024. Throughout the year, monthly payments remained relatively low but surged sharply at year-end without supporting documentation or justification. Notably, a similar unexplained spike was also observed in October of the previous year, indicating a recurring pattern.



On the same note, payments made to contract employees and temporary staff totaling \$778,906.91 equally lack any supporting documentation to justify the expenditure or verify the intended beneficiaries.

These unsupported payments raise concerns over accountability and financial integrity.

Criteria

Payroll processing- section 5.1.3.2 of Instruction D- Budget Execution regulations, payroll and salary payment should be supported by detailed documentation also best practice requires that salaries and wages should be traceable to beneficiary in the first instance

Cause

- Weak internal controls over payroll processing and third-party disbursements
- Absence of centralized and documented Human Resource management system for security personnel

Effect

- High risk of payroll fraud and ghost employees
- Lack of transparency and accountability in public funds management
- Inflated and possibly fictitious expenditure at year-end

Recommendation

We recommend that the Ministry immediately suspend all unverified salary payments and initiate an independent verification exercise of personnel currently receiving salaries through third parties. A centralized HR registry for all security personnel should be established, incorporating deployment details and biometric data to ensure completeness and accuracy of records. Regular payroll reconciliations should be enforced, and all salary disbursements must be supported with valid documentation and proper approval to strengthen accountability and minimize the risk of ghost workers and irregular payments.

Significance

High

Responsible directorate

Director General-MOF

Management response

We acknowledge the audit finding regarding the expenditure of USD 2,011,545 on security personnel salaries in 2024, which was primarily processed through Salama Security Company. We would like to provide clarification as follows:

Payments were processed through Salama Security Company due to operational and security considerations. This arrangement ensured that resources reached security personnel deployed in highly insecure areas where direct government payroll mechanisms are not feasible.

A portion of the security expenditure relates to community-based security forces.

For security reasons and to protect the identity of individuals involved, these personnel are not always included in the formal HR/payroll system. Their details are handled with confidentiality to safeguard both the personnel and the communities they serve.

For the regular employees other than security forces, HR documentation is available and maintained at the Ministry's Human Resource Office.

Documentation gaps identified are being addressed to ensure that records are properly consolidated while respecting operational security requirements

Maintaining confidential but verifiable personnel lists in coordination with the HR Office and security institutions.

Enhancing coordination with the Ministry of Security to establish a secure record-keeping mechanism that balances transparency with operational confidentiality.

Auditor's Conclusion

We acknowledge management's clarification that payments to security personnel were processed through Salama Security Company due to operational and security considerations, and note the commitment to improve coordination with HR and the Ministry of Security. However, the absence of verifiable personnel records and reliance on third-party payment arrangements limited audit assurance over the occurrence and completeness of the USD 2,011,545 expenditure. The finding therefore remains valid for FY2024, and stronger controls are required to ensure accountability while balancing security confidentiality.

7 Financial statements

7.1 Weak disclosure notes: taxes presented as lump sums

Observation
<p>Condition In the 2024 statements, taxes on payroll/workforce, taxes on goods & services, and other taxes are shown as single totals with no note breakdown by tax type.</p> <p>Criteria Cash-basis reporting should disclose major classes of cash receipts and provide note schedules that explain each component and reconcile to the statement total</p> <p>Cause Notes template focuses on totals; no standard schedule to split tax receipts by type</p> <p>Effect Users cannot see which tax types drive collections, test trends, or reconcile figures to RMS/FMIS; transparency is reduced.</p>
Recommendation
Disclose the components of tax revenue by type (payroll/workforce, goods & services, and other taxes) in the notes, with totals reconciling to the Statement of Cash Receipts and Payments.
Significance
Low
Responsible directorate
Director General-MOF
Management response
<p>The Treasury Department acknowledges the audit observation on weak disclosure of tax revenue. Management agrees that in the 2024 financial statements, payroll/workforce taxes, goods & services taxes, and other taxes were presented as lump sums without detailed breakdown.</p> <p>It is important to note that the Ministry collects different types of taxes as highlighted in the observation. For customs revenue, collections are first deposited into a MERCHANT account operated by the Ministry, and then transferred in bulk to the Ministry's Treasury Single Account (TSA). Similarly, payroll taxes are collected in two main categories: public staff and private staff. These payroll deductions are not made individually on a worker-by-worker basis but rather deducted in bulk at the institutional level by each ministry or government agency, and subsequently deposited into the TSA.</p> <p>This administrative process has contributed to the presentation of aggregated amounts in the financial statements.</p> <p>Nonetheless, management recognizes the need for greater transparency. Starting with the 2025 financial statements, the Ministry will adopt a standard disclosure format whereby tax revenues will be disaggregated by type (payroll/workforce, goods & services,</p>

and other taxes) in the notes, with totals fully reconciling to the Statement of Cash Receipts and Payments.

This measure will improve clarity for users, strengthen compliance with reporting requirements, and align financial statements with good public financial management practices.

8 Cash and Bank

8.1 Bank reconciliations not performed in line with PFM rules

Observation

Condition

For the audit period, Treasury did not prepare and approve periodic bank reconciliations for the Treasury Single Account (TSA) and other government accounts, and no signed reconciliation files were provided.

Criteria

PFM Regulation #5 – Managing Cash Resources & Bank Accounts requires:

3.1.1: “The Treasury Single Account and any other bank accounts of the Hirshabelle State of Somalia are to be reconciled preferably daily or at a minimum weekly within 2 days after end of the week by the Treasury Department, Ministry of Finance using the Hirshabelle State of Somalia’s financial management information system (FMIS).”

3.1.2: “Each reconciliation must be checked and approved by the Treasurer or designated senior officer.”

3.1.3: “Bank reconciliations and supporting documents must be retained for management control and audit purposes, filed both in soft copy and hard copy format.”

Cause

Weak compliance monitoring and unclear assignment of responsibility and timelines for preparing and approving reconciliations.

Effect

Heightened risk of undetected errors or fraud, misstatement of cash balances, duplicate/unauthorised payments, and delayed clearing of long-outstanding items.

Recommendation

We recommend that the Ministry of Finance institute a reconciliation calendar for all bank accounts, with reconciliations performed **weekly, in line with PFM Regulation #5, Section 3.1.1**, and completed within two working days with mandatory Treasurer sign-off. Where capacity constraints exist, monthly reconciliations may be used as an interim measure, but the ultimate objective should remain full compliance with the weekly standard. A standard reconciliation template should be adopted, comparing bank statements to FMIS ledger balances, identifying and resolving differences, and filed together with supporting bank statements, journal entries, and approvals. Each account should be assigned to a named officer with compliance tracked, and any unreconciled differences outstanding for more than 30 days should be escalated for resolution. Dormant accounts should be closed, and the bank register updated to ensure consistency with FMIS records.

Significance

Medium

Responsible directorate

Treasury Director -MOF

Management response

The Treasury Department acknowledges the observation. Management confirms that starting in 2025, monthly bank reconciliations will be conducted in line with the PFM Act and in accordance with the audit recommendations.

9 Fixed Assets**9.1 Persistent Weaknesses in Fixed Assets Management****Observation****Condition**

Despite being raised in the previous year, the audit review revealed that Hirshabelle State has not addressed key deficiencies in fixed asset management. Specifically:

1. No fixed asset inventory register was provided to show the assets owned by the State, their value, condition, or the entities to which they are allocated.
2. Capital assets are not tagged or labeled with permanent identification numbers, as required for traceability.
3. There is no evidence of periodic asset verification or physical counts to confirm the existence and condition of State-owned assets.
4. The State does not utilize the Centralized Asset Management System (AMS) as mandated by the PFM Law 2018.

This lack of compliance undermines the accountability, safeguarding, and visibility of government assets.

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Criteria

The Public Financial Management (PFM) Law 2018, Regulation 9 (Capital Asset Policy) stipulates that:

- Section 4.1.1 & 4.1.2: All new assets must be registered in the Centralized Capital Asset Register using a standardized Capital Asset Maintenance Form.
- Section 4.2.1: Assets must be tagged with a permanent label and issued a unique identifying number.
- Section 5.3.1–5.3.2: Annual physical inventory counts are required to ensure asset records remain accurate.
- Section 3.3: The Ministry of Finance must maintain a centralized and electronic Capital Asset Register that serves as the official register of government-owned assets.

Cause

- Absence of implementation of the Capital Asset Policy and weak institutional enforcement mechanisms.
- Lack of coordination between user entities and the Ministry of Finance for centralized registration and tagging.

Effect

- Increased risk of asset loss, theft, and misappropriation.
- Impaired decision-making regarding asset replacement, maintenance, and disposal.
- Inaccurate financial reporting and possible understatement or overstatement of government wealth.
- Ongoing non-compliance with PFM Law 2018 and weak internal control environment.

Recommendation

We recommend that the Ministry of Finance prioritize the full operationalization of the Capital Asset Register and Asset Management System (AMS) in line with PFM Regulation #9, to ensure assets are properly recorded, tagged, and regularly verified.

Significance

High

Responsible directorate

Fixed Assets Officer/Treasury and Procurement

Management response

The Procurement Department acknowledges the audit observation on weaknesses in fixed asset management. Management confirms that while historical asset data has been maintained in Excel, the full implementation of the Asset Management System (AMS) is currently in progress and will be completed in this year.

Once operational, all assets will be registered, tagged with unique identification numbers, and updated regularly to ensure compliance with the PFM Law 2018 and strengthen accountability, safeguarding, and visibility of State-owned assets.