FEDERAL REPUBLIC OF SOMALIA

PUBLIC FINANCIAL MANAGEMENT REGULATION 2022

Federal Republic of Somalia
Ministry of Finance
Office of the Minister

جمهورية الصومال الفيدرالية
وزارة المالية
مكتب الوزير

Jamhuuriyadda Federaalka Soomaaliya
Wasaaradda Maaliyadda
Xafiiska Wasiirka

MOF/OM/639/2022 **May 19, 2022**

Ku: Dhammaan Hay'adaha Dowladda
Og: Ra'iisul Wasaaraha Xukuumadda Federaalka Soomaaliya
Og: Madaxweynaha Jamhuuriyadda Federaalka Soomaaliya

Ujeeddo: Wareegtada Faafinta Xeer-Nidaamiyaha Maaraynta Maaliyadda Guud, 2022 kaas oo ay ansixiyeen Golaha Wasiirada 19/05/2022.

Aniga oo raacaya Qodobka 62-aad ee Sharciga Maaraynta Maaliyadda Guud, 2019, waxa aan soo saaray Xeer-Nidaamiyaha Maaraynta Maaliyadda Guud, 2022, kaas oo aan u gudbiyey Golaha Wasiirada si ay u ansixiyaan manta oo taariikhdu tahay 19/05/2022.

Golaha Wasiirada fadhigoodii dhacay manta 19/05/2022 ayey ku ansixiyeen Xeer-Nidaamiyaha Maaraynta Maaliyadda Guud, 2022, iyaga oona ansixiyay nuqulka Af-ka Soomaliga ah iyo midka Afka-Ingiriiska ah, kuwaa oo is taageeri doona.

Haddaba, waxaa la'idin ogeysiinayaa in Xeer-Nidaamiyaha Maaraynta Maaliyadda Guud, 2022, uu sidaas dhaqangal kuyahay laga bilaabo 19/05/2022, waxaana la idinka doonayaa in aad u hogaansantaan.

Ujeeddada Xeer-Nidaamiyahaan ayaa ah in la balaariyo oo la sharaxo Nidaamyada iyo Qodobada guud ee uu dejiyey Sharciga Maaraynta Maaliyadda Guud (Sharci Lr. 17), isticmaalkiisuna wuxuu sahlayaa in uu si sax ah
ushaqeeyo Sharciga Maaraynta Maaliyadda Guud (Sharci Lr. 17), wuxuuna sidoo kale hubin doonaa in Maaliyadda Guud loo maamulo habka ugu waxtarka badan uguna hufan.

Sida Xeer-Nidaamiyuhu dhigayo, nuqullada Af-Ingiriisiga ah iyo midka Afka-Soomaaliga ayaad ka heli kartaan mareegta (website) Wasaaradda Maaliyadda, halkaas oo Hay'ad kasta ay kala soo degi karto si'ay u isticmaasho.

Mahadsanid,

Dr. Cabdiraxmaan Ducaale Beyle
Wasiirka Wasaaradda Maaliyadda

Ministry of Finance, Shangaani District
Mogadishu, Somalia
P.O. Box 106

FEDERAL GOVERNMENT OF SOMALIA
PUBLIC FINANCIAL MANAGEMENT REGULATION 2022

Arrangement of Regulation

Part V. Banking Arrangements and Cash Management

Subpart I. Banking Arrangements

Subpart II. Cash Management

Part VI. Debt and Grants Management

Part VII. Management of Intergovernmental Transfers

Part VIII. Accounting and Reporting

Part XIII. Sanctions and Miscellaneous

PUBLIC FINANCIAL MANAGEMENT REGULATION 2020
(Under Article 62 of the Public Finance Management Act, 2019)

In exercise of the powers conferred upon the Minister by Article 62 of the Public Finance Management Act, 2019, this Regulation are made this 19th day of March, 2020.

Part I. General Provisions

1. Citation and application

(1) This Regulation may be cited as the Public Financial Management Regulation, 2020.

(2) This Regulation apply to all public bodies, donor funded projects and state-owned enterprises.

(3) This Regulation apply to all sub-national governments affiliated to the Federal Government.

(4) This Regulation apply to Federal Member States only when the Regulation specifically refers to them.

2. Interpretation

In this Regulation, unless the contest otherwise requires, –

"*Act*" means the Public Financial Management Act, 2019;

"*Aid Management*" means a process by which the federal government plans and implements aid funded programmes, monitors and evaluates projects and programmes, and provides accountability to stakeholders and development partners. Aid management is a collaborative and participatory process involving many stakeholders with operations taking place at many levels and operatives performing distinct but closely related functions tied to the aid cycle. These functions cover aid programming, aid sourcing, implementation management, aid accountability, and monitoring and evaluation;

"*Cash*" means the cash on hand, cash at bank, demand deposits and cash equivalents where cash equivalents is defined as short term, highly liquid investments (with maturities of less than three months from the date of purchase) that are readily convertible to known amounts of cash and which are not subject to a significant risk of change in value;

"*Cash basis of accounting*" means a basis of accounting where revenues are recognized and recorded when cash is received and expenditure is recognized and recorded when cash is paid;

"*Comprehensive Operating Procedures Manual*" means Public Financial Management issued by the Minister specifying the general policies, procedures, processes and rules to be followed by Authorizing Officers and public officers in the efficient and effective management of public resources and funds;

“Confidential expenditure” means the expenses and commitments incurred by an authorized agency for the collection and dissemination of information related to national security interests and includes the cost of procurement and maintenance of the related assets;

“*Contingent liability*” means:

(a) possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) present obligation that arises from past events but is not recognized because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

“*Debt*” means financial claims that require payment of interest or principal or both by a debtor to a creditor at a date or dates in the future, including, without limitation, debt securities, loans, and other payables;

“*Debt service*” includes interest and repayment of principal on debt;

“*Employee*” means any individual who serves as a public official in Government including civil servants, and appointed or elected officials.

“*Expenditure arrears*” means the total stock of accounts payables arising from contractual or other binding arrangement that remains unpaid over a period 3 months for the supply of goods and services and 1 month in cases salary and wages;

“*Extrabudgetary funds*” has the meaning assigned to it by internationally accepted statistical standards;

“*Federal government Authorizing Officer*” refers to the Director General of the Federal Ministry of Finance; and

“*Federal member state Authorizing Officer*” refers to a Director General of the Ministry of Finance of a Federal Member State.

“*Federal Government Entity*” includes a public body, fund, donor funded project, state-owned enterprise, and sub-national government affiliated to the federal government;

“*Financial liabilities*” means any liability that is a contractual obligation;

(a) to deliver cash or another financial asset to another entity; or

(b) to exchange financial instruments with another entity under conditions that are potentially unfavorable.

"*Financial assets*" consist of financial claims, and the typical types of such assets are cash, bank balances, deposits at bank, loans, bonds, financial derivatives, imprest advances, revenue arrears and other accounts receivable;

"Fruitless payments" means losses of public money involving payments that are unavoidable and there is no benefit to the Government, such as a payment of a retainer for professional services where these services are not in fact used, a payment for accommodation rented but not used or a payment for goods wrongly ordered or accepted through irregularity or negligence other than an error of judgment;

"*General government*" has the meaning assigned to it by internationally accepted statistical standards;

"*Grants in kind*" means non-reciprocal transfers from other governments or International Organizations (Supranational authorities) and grants, contributions or donations from Non-Government Organizations and the private sector;

"*Internal audit*" shall mean an independent, objective assurance and consulting activity designed to add value and improve an organization's processes;

"*Internal control*" shall mean a process or system designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

(a) Effective and efficient operations.

(b) Reliable financial reporting.

(c) Compliance with applicable laws and Regulations.

(d) Safeguarding assets.

"Inventories" has the meaning assigned to it by the International Public Sector Accounting Standards or any other internationally accepted accounting standards

"*Line minister*" means a minister assigned for oversight of a public body by the Prime Minister;

"*Local government*" has the meaning assigned to it by internationally accepted statistical standards;

"*Minister*" means the Minister of finance of the Federal Government of Somalia;

"*Ministry*" means the Ministry of Finance of the Federal Government of Somalia;

"*Non-current assets*" has the meaning assigned to it by the International Public Sector Accounting Standards or any other internationally accepted accounting standards as accepted by the Accountant General;

"*Outputs*" means good produced or service provided;

"Public money" means money received by a government entity or collected for a purpose of Government and includes revenue from taxes and government charges, proceeds of loans raised on behalf of the Government, grants received by the Government, recoveries of loan principals, redemption and

maturity of investments, sale or conversion of securities, sale proceeds on Government property, other recoveries, or other funds for the purposes of Government and any other money that the Minister or Accountant General may direct to be paid into a public or official bank account;

"Public officer" means any person in the employment of the State or whose salary is paid from a fund required to be audited by the Auditor General;

"*Public Private Partnership*" or "*PPP*" means a long-term contract between two entities, –

(a) one of which is a Public Body; and

(b) whereby one entity acquires or builds an asset or set of asserts, operates it for a specific period, and hands the asset over the other entity after the period;

"*Risk*" shall mean the possibility of an event occurring that will have an impact on the achievement an entity objective. Risk shall be measured in terms of impact and likelihood;

"*Risk management*" shall mean the process to identify, assess, manage and control potential risks to provide reasonable assurance regarding the achievement of an entity's objectives;

"*SFMIS*" means the Somalia Financial Management Information System, an official automated system of the Federal Government used for financial management in planning, budgeting, budget execution, accounting and financial reporting;

"*Treasury*" refers to a department under the Office of the Accountant General in charge of Treasury Operations;

Part II. Delegation of Roles, Responsibilities and Powers

3. Delegation by the Minister

(1) The Minister may delegate, in writing, any of the functions or powers assigned to the Minister in terms of the Act that may be appropriately delegated to another Minister and that delegation shall be subject to any limitations or conditions that the Minister may impose.

(2) A delegation by the Minister under this Section shall not absolve the Minister of responsibility for the exercise of the delegated function or power.

(3) The Minister may, in writing, revoke the delegation of any function or power or any part of it and shall put that revocation in writing as soon as practicable.

(4) The Minister may confirm, vary or revoke any decision taken by a delegated Minister, subject to any legal rights related to the exercise of the delegated responsibilities or powers by the delegated Minister, and shall put any variation or revocation of a decision in writing as soon as is reasonably practicable.

(5) A delegation made under this Act shall not prevent the exercise of that function or power by the Minister.

(6) A delegation made under this Act shall continue in force and effect notwithstanding that the Minister who made the delegation has ceased to hold office, until revoked by the successor in office of that Minister.

4. Delegation by the Accountant General

(1) The Accountant General may delegate in writing, where necessary, any of the functions or powers assigned to the Accountant General in terms of the Act that may be appropriately delegated to a public officer in the Office of the Accountant General and that delegation shall be subject to any limitations or conditions that the Accountant General may impose.

(2) The Accountant General shall ensure that the delegation of power to a public officer in the Office of the Accountant General specifies the nature of the power delegated, the position and name of the public officer to whom power is delegated, the start and end dates of the delegation, and the financial limit of the delegation.

(3) A delegation by the Accountant General under this Section shall not absolve the Accountant General of responsibility for the exercise of the delegated function or power.

5. Delegation by Authorizing Officers

(1) An Authorizing Officer of a public body to which this Act applies may, in writing, delegate any of the responsibilities or powers assigned to that Authorizing Officer under the Act to a public officer in that public body, subject to such limitations and conditions the Authorizing Officer may impose.

(2) A delegation by the Authorizing Officer under this Section shall not absolve that Authorizing Officer of the responsibility for the exercise of the delegated responsibilities or powers.

(3) The Authorizing Officer may confirm, vary or revoke any decision taken in the exercise of delegated responsibility or power, subject to any legal rights related to the exercise of the delegated responsibility or power by the public officer to whom the responsibility or power is delegated, and shall put any variation or revocation of a decision in writing as soon as practicable.

(4) The Authorizing Officer shall inform the Minister with a copy to the Accountant General of any delegation under this Act.

(5) A delegation made under this Act shall not prevent the exercise of any power by an Authorizing Officer.

(6) A delegation made under this Act shall continue in force and effect notwithstanding that the Authorizing Officer who made the delegation ceases to hold office, until revoked by the successor in office of that Authorizing Officer.

(7) Each Authorizing Officer shall ensure that each delegation of power is exercised only by the public officer with the lawful delegation.

(8) Each Authorizing Officer shall ensure that power delegated to a public officer shall not be delegated further by the public officer unless written approval for the delegation is obtained from the original authority.

6. Enforcement and Revocation of the Delegation of Authorities

(1) Delegations made under the Act and this Regulation shall continue in force until revoked notwithstanding that the Minister or Accountant General or Authorizing Officer or subordinate public officer who made the delegations has ceased to hold office and shall continue in effect as if made by the successor in office of that Minister or Accountant General or Authorizing Officer or subordinate public officer.

(2) Every delegation under the Act and this Regulation shall be revocable at will and shall be put in writing as soon as practicable by the delegator and no such delegation shall prevent the exercise of any power by a Minister or Accountant General or Authorizing Officer.

7. Ministerial directives to authorizing officers

(1) Any directive by the Minister or a line Minister having financial implications, to an Authorizing Officer of a public body to which this Act applies, shall be in writing.

(2) Where the implementation of the directive is likely to result in unauthorized expenditure, the Authorizing Officer shall inform the Minister and the line Minister, in writing, of the likelihood of that unauthorized expenditure and postpone the implementation of the directive.

(3) Upon receipt of information referred to in paragraph (2), the Minister shall consult with the line Minister and may give written notice to the Authorizing Officer to proceed with the implementation of the directive and in that case—

   (a) the Minister shall inform, in writing, the decision of the Minister to Cabinet and the Auditor-General and shall include information on the authority for the decision and the reasons for the decision; and

   (b) the Auditor-General shall provide a report, within two weeks of receiving the information from the Minister, to Cabinet and shall, by the same date table the report in Parliament, giving the opinion on whether the directive is in compliance with the law.

(4) Where the decision referred to in paragraph 3(a) is found to be unlawful, the Authorizing Officer shall not be held accountable for the decision of the Minister or liable for any disciplinary action or penalty in respect of the decision of the Minister.

Part III. Budget Preparation

8. Fiscal Policy Framework Paper

(1) For the purpose of Article 13 of the Act, the Minister shall submit the Fiscal Policy

Framework Paper to the Cabinet for approval in accordance with the approved budget calendar.

(2) The Fiscal Policy Framework Paper shall include –

(a) the contents specified by the Act;

(b) an assessment of the baseline estimates for revenue, expenditures and fiscal space for the budget and outer years;

(c) expenditure ceilings;

(d) government priorities that guide the budget preparation; and

(e) any other contents as may be deemed appropriate by the Minister.

(3) On the approval by the Cabinet, the Minister shall publish the Fiscal Policy Framework Paper in its website.

(4) The Minister shall seek the views of the relevant committee of Parliament on the content of the fiscal policy framework paper.

(5) Expenditure ceilings for existing policies mentioned in paragraph (2) shall be binding for the budget submissions and may include indicative ceilings for the outer years.

9. Budget Call Circular

(1) For the purpose of Article 17(6)(b) of the Act, the Minister shall issue a Budget Call Circular and publish it in its website.

(2) The Budget Call Circular shall be issued in accordance with the approved budget calendar, not later than six months before the start of the fiscal year.

(3) A Budget Call Circular shall include –

(a) a budget calendar which sets out the timeframe in respect of preparation and approval of the National Budget;

(b) existing policy expenditure ceilings approved in the Fiscal Policy Framework Paper;

(c) instructions to be complied with by public bodies in the course of preparation of budget submissions including guidance for new policy proposals;

(d) guidelines on baseline projections to be made by public bodies in budget submissions; and

(e) any other matters as may be deemed appropriate by the Minister.

10. Budget submissions and hearings

(1) For the purpose of Article 17 of the Act, an Authorizing Officer of each public body shall submit to the Minister budget submissions in such format and by such date as specified in the Budget Call Circular.

(2) Budget submissions of a public body mentioned in paragraph (1) shall include

explanatory notes that include the objectives and functions of the public body and the activities and performance characteristics for the past and budget years.

(3) Explanatory notes mentioned in paragraph (2) shall be prepared in accordance with the instructions of the Minister.

(4) Expenditures for existing policies included in budget submissions shall not exceed the ceilings prescribed by the Fiscal Policy Framework Paper and the Budget Call Circular.

(5) Proposals for new policies included in budget submissions shall be prepared in such form specified in the Budget Call Circular and instructions of the Minister.

(6) If the total expenditure for existing policy proposed by a public body in its budget submissions exceeds the ceiling prescribed by the Fiscal Policy Framework Paper and the Budget Call Circular for that public body, the Cabinet shall –

   (a) reject and return such budget submissions to the Authorizing Officer; or

   (b) modify the budget submissions in consultation with the public body, in order to make the submission consistent with the expenditure ceilings.

(7) Prior to requesting the Cabinet to exercise the powers under paragraph (6), the Minister shall consult with the public body in question during the budget hearings to be held in accordance with the budget calendar mentioned in the Budget Call Circular.

(8) The primary purpose of the budget hearings shall be to review strategic plans and estimates of the public bodies in order to ensure that the plans and estimates included in budget submissions of the public bodies are in accordance with the Government's macro-economic and fiscal policy framework.

(9) The Cabinet shall make decisions on new policies included in budget submissions, which the Minister shall incorporate in the draft National Budget and adjust estimates for outer years as appropriate.

(10) When all decisions of the Cabinet on the National Budget are completed, the Minister shall update the Fiscal Policy Framework Paper based on the latest macroeconomic forecasts, and submit to Cabinet the draft National Budget in accordance with the approved budget calendar.

11. Program classification

(1) For the purpose of Article 14(1) of the Act, when the National Budget uses program classifications of expenditures, the following requirements shall be met:

   (a) the objectives, outputs to be delivered and activities of each program are specified and evaluated in the budget preparation process;

   (b) the program classification is reflected in the chart of accounts and the SFMIS; and

   (c) such other requirements as prescribed by the Minister are complied with.

(2) The Minister shall issue the guidelines necessary for the implementation of this Regulation.

12. Gross Basis and Coverage of the Budget

In accordance with Article 15 of the Act, all revenues and expenditures of the Federal Government shall be included in the National Budget on gross basis. That is, cost of collection, if any, shall not be deducted from the revenue and if any portion is to be retained, that shall also not be deducted.

13. Classification of Confidential Expenditures

(1) Where in the national budget or supplementary appropriations, budgetary classifications are made for expenditures of a confidential nature; the details of such classification shall be presented and agreed with the leadership of the Parliament.

(2) After agreeing with Leadership of the Parliament, then the summary, subtotal or total shall be shown in the National Budget or added to another figure in the National Budget or the Supplementary Budget.

14. National Budget documentation

(1) For purpose of Article 18 of the Act, the proposed National Budget shall include–

- (a) the contents specified by the Act;
- (b) information on externally-financed expenditure of public bodies, that is not included in the National Budget;
- (c) information on fiscal operations and budgets of the Federal Member States;
- (d) explanatory notes of public bodies mentioned in Article 5(1) of this Regulation;
- (e) a list of outstanding multiannual commitments;
- (f) a report from the Ministry specifying the measures taken by Government to implement the audit recommendations from the previous year, and
- (g) any other contents as may be deemed appropriate by the Minister.

(2) On the submission to Parliament, the Minister shall publish on the Ministry website the proposed National Budget, including all contents mentioned in Article 18 of the Act and this Regulation.

(3) On the approval of Parliament and the assent of the President of the Federal Government of Somalia, the Minister shall publish on the Ministry website the approved National Budget, including all contents mentioned in Article 18 of the Act and this Regulation.

15. Public Access to the Budget

(1) Subject to national security considerations, the public shall be provided with full access to all appropriate information concerning the financial affairs of the Federal Government. This will include, but not limited to, information about the

development of annual and supplementary budget estimates, the quarterly budget performance reports issued by the Ministry, and the Federal Government's annual audited accounts.

(2) In addition to publishing the budget on the Ministry website, the Minister shall publish a citizens' budget to explain and summarize the approved budget in simple non-technical terms.

(3) Public bodies shall make all appropriate financial information available to the Minister, who shall present the information to the mass media.

Part IV. Budget Execution & Expenditure Management

Subpart I. Expenditure Control

16. Payments subject to commitment controls

(1) For the purpose of Article 27(6) and Article 30(1) of the Act, all commitments for the following expenditure and payments of any public bodies shall be made through the SFMIS and subject to commitment controls under this Regulation:

   (a) all expenditure appropriated by the National Budget;

   (b) all repayment of debt and arrears under the National Budget;

   (c) payments of all advances under the National Budget;

   (d) payments of refunds of revenue under the National Budget; and

   (e) any other transactions that cause cash outflows under the National Budget.

(2) The Minister may, by order, apply commitment controls under this Regulation to any expenditure and payments of public bodies in addition to those listed in paragraph (1), from such date as the Minister may determine.

17. Preparation and submission of spending plans

(1) In accordance with Article 28(1) of the Act and after the submission of the Appropriation Bill to the Parliament, the Minister shall require Authorizing Officers to prepare and submit to the Ministry on the basis of the proposed National Budget, provisional annual spending plans broken down by month and consistent with the Public Body's annual work plans, procurement plans and recruitment plans.

(2) Upon the approval of the National Budget by Parliament, the Minister shall notify the Authorizing Officers of Public Bodies their approved budgets and request for detailed final annual spending plans based on the approved budgets.

(3) Every Public Body shall prepare and submit its final annual spending plan through the SFMIS.

(4) The annual spending plans processed through the SFMIS shall be broken down by month and linked to the underlying annual work plans, procurement plans and recruitment plans.

(5) The Accountant General shall prepare, with the prior approval of the Minister,a consolidated spending plan based on the submissions by the Authorizing Officers and present to the Minister for approval as part of the annual cash flow plan and forecast.

(6) Consistent with Article 28(2) of the Act, a Public Body may for purposes of ensuring that the annual spending plan submitted remains current or upon request of the Minister, submit revised spending plans to the Minister and Accountant General within one month of such revision being made

18. Budget allotments

(1) For the purpose of Article 27(1) of the Act, budget allotments under the National Budget shall set ceilings on the amount of expenditure warrants to be requested during the period covered by the budget allotments.

(2) The Minister or an Officer within the Ministry so duly authorized by the Minister shall issue through the SFMIS, specifying to the Accounting Officers of each Public Body a budget allotment that apportions an amount of an appropriation to a specific period of time within a fiscal year based on spending plans submitted under Article 27 (1) of the Act. The budget allotments may be issued on a monthly or quarterly basis or upon special requests.

(3) Notwithstanding paragraph **Error! Reference source not found.**, budget allotments to externally financed projects shall be issued at least quarterly.

(4) The total amount of budget allotments shall not exceed the amount of available funds for the period covered by the budget allotments, that are predicted in the latest cash forecasts approved by the Minister on the recommendation of the Treasury Management Committee.

(5) The Budget allotments shall be issued to each Public Body at the 3-digit object level of the economic classification of the chart of accounts or any other level as may be determined by the Minister

(6) The budget allotments issued under paragraph (5) shall be entered into the SFMIS by the Budget Director and confirmed by the Accountant-General upon which they will automatically be communicated to public bodies through the SFMIS, before the beginning of the period covered by the budget allotments.

(7) During the period covered by budget allotments, the Minister may increase or decrease any budget allotment, through the SFMIS to the Accounting Officers of each Public Body, when it is necessary to meet the urgent needs, so long as paragraph (4) is satisfied.

19. Expenditure warrants

(1) Pursuant to Article 30(5) of the Act, expenditure warrants shall be issued to set ceilings on commitments for all expenditure and payments listed in Article 16(1)

of this Regulation to be made during the period covered by the expenditure warrants.

(2) Based on availability of cash resources, expenditure warrants shall be issued on a monthly or quarterly basis or upon special requests.

(3) Notwithstanding paragraph (2), expenditure warrants to externally financed projects shall be issued at least quarterly.

(4) The total amount of expenditure warrants issued for items of expenditure and payments shall not exceed the amount of a budget allotment that covers the items of expenditure and payments for the period of the expenditure warrants.

(5) An Authorizing Officer of a public body shall request an expenditure warrant through the SFMIS at full budget lines upon the allocation of the balances available under the budget allotment to the individual budget lines.

(6) The Minister, or an Officer within the Ministry duly authorized by the Minister to carry out this function, shall review before the final approval of a request for an expenditure warrant in the SFMIS by the Accountant General.

(7) The SFMIS shall reject a request for an expenditure warrant if the request contravenes paragraph (4).

(8) For the purpose of Article 3(m) and Article 11(c) of the Act, the expenditure warrant approved by the Accountant General shall automatically be notified to the Auditor General through the SFMIS for registration. This notification is for purposes of post-audit to register the expenditure warrant, and does not grant any approval power to the Auditor General.

(9) The expenditure warrants notified under paragraph (8) shall be registered by the Auditor General in the SFMIS by being marked as such and enable the Auditor General to obtain any report on registered expenditure warrants from the SFMIS.

(10) For the avoidance of doubt and notwithstanding paragraph (8), the SFMIS shall give effect to an expenditure warrant upon the approval by the Accountant General under paragraph (6).

(11) Requests, approval and registration of expenditure warrants under paragraphs (5), (6), (7), (8) and (9) shall be made solely through the SFMIS without any paper form. Any supporting documentation to the expenditure warrants shall be uploaded into the SFMIS.

20. Commitment requisition and approval

(1) For the purpose of Article 30(1) of the Act, an Authorizing Officer of a Public Body shall approve a commitment requisition in the SFMIS –

(a) before placing an order or awarding a call-off, in case of procurement under the framework agreements;

(b) before awarding a contract, in case of procurement using a public contract;

(c) before the approval by the Accountant General of price variations, in case of increases in prices or occurrence of additional payments under existing procurement contracts;

(d) immediately after an invoice is received, in case of utilities, rents, other recurring or standing commitments, and repayment of debt;

(e) before making decisions that result in payment obligations, in case of grants, subsidies, or transfers; and

(f) before approving a payment voucher, in case of advances, refunds, and repayment of arrears.

(2) An Authorizing Officer may approve a commitment requisition only when the requested commitment is within an available balance of an expenditure warrant.

(3) The SFMIS shall reduce an available balance of an expenditure warrant on the approval of a commitment requisition by the amount of the commitment.

(4) A commitment requisition shall be made and approved solely through the SFMIS without any paper form. Any supporting documents shall be uploaded into the SFMIS.

(5) A commitment requisition for compensation of employees shall be made in accordance with sub-part III of this Part III of the Regulation.

21. Purchase Order

(1) When a commitment requisition for procurement is approved under Article 20 of this Regulation, the procurement process may be initiated in accordance with the Public Procurement, Concessions and Disposal Act, 2016 (as amended) .

(2) When a supplier is selected under paragraph (1), an Authorizing Officer shall generate a Purchase Order from the SFMIS and submit it through the SFMIS to the Accountant General, together with supporting documents.

(3) A unique commitment control number shall be given by the SFMIS to each Purchase Order.

(4) The Accountant General shall approve a Purchase Order when the amount of the commitment does not exceed the amount of cash available or likely to be available at the time payment is due.

(5) Notwithstanding paragraph (4), approval of SFMIS purchase orders for commitments to be paid from cash advances made into a bank account maintained by a Public Body as authorized under Article 70(1)(b)(v) of this Regulation, shall be by the Authorizing Officer of the Public Body.

(6) Approved purchase orders in paragraphs (4) and (5) shall be printed and duly certified by signing and stamping before issuance to the suppliers.

(7) The submission and approval of a Purchase Order and supporting documents shall be made solely through the SFMIS without any paper form or printed documents.

(8) This Regulation shall apply to all externally financed projects included in the National Budget without any exception.

22. Commitment that requires multiple payments

In case of a commitment that requires multiple payments in different months –

(a) an Authorizing Officer may approve the commitment requisition only when the total amount of all those payments is within an available balance of an expenditure warrant that covers the current month; and

(b) the total amount of all those payments shall be committed against an expenditure warrant that covers the current month and the available balance shall be reduced by that amount in the SFMIS.

23. Procurement in violation of commitment controls

(1) An agreement, contract, order or call-off for procurement by a Public Body under the National Budget shall be null and void, unless the supplier or service provider has received a Purchase Order that is generated and approved in the SFMIS and shows the commitment control number given by the SFMIS.

(2) An agreement, contract, order or call-off that creates a commitment requiring multiple payments shall be null and void, unless the supplier or service provider has received a single Purchase Order that is generated and approved by the SFMIS for the total amount of all those payments and shows the commitment control number given by the SFMIS.

24. Commitment requisition and approval by the Minister

(1) For the purpose of Article 30(3) of the Act, a Public Body shall not enter into any commitments for the procurement of goods and services without the prior approval of the Minister, when arrears from previous years remain on the books of the Public Body.

(2) Any Authorizing Officer that may wish to incur expenditure under paragraph (1) shall seek the authority of the Minister in writing providing adequate justification for the expenditure arrears.

(3) The Minister shall provide a written reply accepting or rejecting the request within 7 working days of receipt of the request; where a request is rejected, the Minister shall provide reasons for the rejection with appropriate guidance given to the Authorizing Officer to ensure that any issues raised by the Minister are adequately addressed.

25. Requisition of multiannual commitments

(1) For the purpose of Article 30(4) of the Act, an Authorizing Officer of a public body shall not approve a commitment requisition for the current year portion of multiannual commitments under Article 20 of this Regulation, unless a requisition for multiannual commitments has been approved by the Minister under this Regulation.

(2) As a general rule and in line with Article 27(1) of the Act, no multiannual expenditure commitments shall be entered into by a Public Body without an appropriation under the National Budget.

(3) Multiannual commitments shall take the first call on the annual national budget process and new multiannual commitments shall only be accommodated to the extent that existing financial commitments have been duly catered for.

(4) In the case of projects or undertakings funded by development partners, appropriation shall be made at the time the appropriate signatories sign relevant funding agreements for development assistance.

(5) A requisition for multiannual commitments shall be submitted to the Minister for approval in such manner as shall be prescribed in the Budget Execution Circular issued by the Minister in accordance with Article 27(7) of the Act.

(6) When a requisition for multiannual commitments is approved under paragraph (5), the amount of the future years' portion of the multiannual commitments shall be recorded in the SFMIS or any other system as may be prescribed by the Minister.

(7) The National Budget shall present a list of outstanding multiannual commitments as required under Article 14(1)(e) of this Regulation.

26. Unused balance of an expenditure warrant

(1) A balance of an expenditure warrant that remains uncommitted and unspent at the end of a period covered by the expenditure warrant shall be carried over to the following period, but shall lapse at the end of the fiscal year.

(2) In accordance with Article 34(3) of the Act, no new commitment requisitions for expenditure shall be incurred on or after 10th December of the fiscal year. Payments in respect of committed funds shall be available for the settlement of those commitments within 30 days from the end of the preceding fiscal year.

(3) The Minister shall specify, in the budget execution circulars the details for the recording, accounting and reporting of undisbursed balances and the commitments that remain unpaid at the end of the fiscal year.

27. Changes in budget appropriations

(1) When a budget appropriation is created or changed because of the following reasons, the Minister or an Officer within the Ministry so duly authorized by the Minister shall, through the SFMIS, revise budget allotments to permit necessary changes in existing expenditure warrants that are made under the revised budget appropriation:

(a) the approval of a supplementary budget under Article 23(1) of the Act;

(b) the approval for transfer from a contingency appropriation under Article 19(2) of the Act;

(c) the approval of transfer of an appropriation under Article 33 of the Act;

28. Provision in a procurement contract

(1) Any framework agreement that is made under the Public Procurement, Concessions and Disposal Act, 2016 (as amended) and requires expenditure from the National Budget shall be deemed to include the following provision:

  (a) an order or call-off made under the framework agreement is valid only when it is made by a Purchase Order generated from the SFMIS with a unique commitment control number; and

  (b) the contractor shall not be entitled to compensation for any performance provided in response to an order or call-off that was not made by a Purchase Order with a unique commitment control number.

(2) Any contract, other than a framework agreement, that is made under the Public Procurement, Concessions and Disposal Act, 2016 (as amended) and requires expenditure from the National Budget shall be deemed to include the following provision:

  (a) the contract shall be suspended automatically, if the contractor receives no Purchase Order generated form the SFMIS with a unique commitment control number when they enter into the contract; and

  (b) the contractor shall not be entitled to compensation for any performance provided during the suspension of the contract until the contractor receives a Purchase Order with a unique commitment control number.

29. Increase in amount of an approved commitment

(1) When an amount of an approved commitment is increased, the increase shall be treated as a new commitment.

(2) An increase in amount of an approved commitment shall be null and void, unless it is approved and recorded in accordance with this Regulations as a new commitment.

30. Cancellation or reduction in price of an approved commitment

When an approved commitment is no longer needed because of cancellation of procurement, contract, or competent authorities' decisions, the records of the commitment shall be modified or cancelled by the Authorizing Officer.

31. Reporting of commitments

(1) The Minister shall, in the Budget Execution Circulars or a Comprehensive Operating Procedures Manual, prescribe –

  (a) the contents of commitment reports to be generated from the SFMIS; and

  (b) the reporting requirements of commitments and arrears from each public body.

(2) The commitment reports from the SFMIS mentioned under paragraph (1)(a) shall include the closing balances of outstanding commitments, unpaid payables, and arrears at the end of the reporting period, broken down by their ages.

Subpart II. Payment Process

32. Payments from the National Budget

(1) For the purpose of Article 31(1) of the Act, the following payments of any Public Bodies shall be made through the SFMIS and subject to the requirements under this Regulation:

(a) all expenditure appropriated by the National Budget;

(b) all repayment of debt and arrears under the National Budget;

(c) payments of all advances under the National Budget;

(d) all expenditure financed by advances under the National Budget;

(e) payments of refunds of revenue under the National Budget; and

(f) any other transactions that cause cash outflows under the National Budget.

(2) The Minister may, by order, apply the payment process under this Regulation to any expenditure and payments of public bodies other than those listed in paragraph (1), from such date as the Minister determines.

(3) Payments of compensation of employees and advances shall be made in accordance with Subparts III and IV of this part III of this Regulation.

33. Responsibilities for payments

(1) For the purpose of Article 32(1) of the Act, the Accountant-General shall be responsible for making all payments from the National Consolidated Fund as listed in paragraph (1) and shall be the sole authority for any payment made under the National Budget.

(2) Notwithstanding paragraph (1) and where a Public Body is authorized under Article 70(1)(b)(v) of this Regulation to operate a Bank Account into which cash advances may be paid, the Authorizing Officer shall be responsible for making payments from the Public Body's account.

(3) For the purpose of Article 31(1) of the Act, an Authorizing Officer of a public body shall be responsible for the compliance check of payments from the National Budget by:

(a) assuring the validity, accuracy and legality of the claim, including the completion of work and the delivery of goods and services, and the accuracy of the charge codes;

(b) recording a complete set of supporting documents;

(c) ensuring that the commitment has been approved in accordance with this Regulation and the amount of payments does not exceed the approved commitment.

(4) An Authorizing Officer shall be personally liable for repaying a payment from the National Budget that fails to meet the requirements under paragraph (2).

34. Certification of completion

(1) When works or supply of goods or services have been completed, the Authorizing Officer of a Public Body or its authorized officer shall prepare a goods received note or certification statement in the SFMIS that includes the quantity and particulars of the works and supply, the method and results of the inspection, and any evidences or documents supporting the results.

(2) If the Authorizing Officer or an authorized officer identifies that works, goods, or services rendered or their prices are inconsistent with the contracts or specifications, he or she shall reject the delivery or specify necessary remedial actions in a written statement and submit it to the Authorizing Officer.

(3) When certification of works, goods, or services under paragraph (1) requires specific expertise, the Authorizing Officer may appoint an independent person or firm as an inspector.

35. Certification of completion of works and large-scale supplies of goods

(1) When certifying completion of works and large-scale supplies of goods, the Authorizing Officer or an authorized or designated officer(s) shall inspect the physical output of the works and supplies in the field.

(2) Inspection of completion of works and large-scale supplies shall be carried out –

(a) when works and supplies are fully completed; and

(b) before a progress/advance payment required under a contract is made, in order to certify progress in works and supplies required for the progress payment.

(3) The Authorizing Officer or authorized officer(s) shall not certify completion of works, unless –

(a) the contractor has complied with all provisions in the contracts; and

(b) the size, quality, and performance of the physical output is consistent with the agreed design and specifications of the works.

(4) An officer authorized by the Authorizing Officer to carry out inspection under paragraph (1) shall have adequate expertise in construction, engineering or other relevant technical fields.

(5) The Minister shall, in the Budget Execution Circulars, prescribe a threshold of works and supplies that are subject to this Regulation.

36. Recording and submission of invoices

(1) For the purpose of Article 32(4) of the Act, an Authorizing Officer of a Public Body shall ensure that all invoices received by the Public Body to be paid from the National Budget are acknowledged and recorded in the SFMIS with all the details as soon as they are received and that all requests for direct payment are

submitted to the Accountant General before the due date indicated on such invoices.

(2) Where a due date is not indicated in the contract document or agreement, then payment shall be made within 30 days from the date of receipt of the claim.

(3) The SFMIS shall maintain a track record of whether the compliance check and payment have been completed in respect to each invoice.

(4) If an Authorizing Officer fails to ensure to record invoice details in the SFMIS as mentioned in paragraph (1),

  (a) the SFMIS shall automatically reject payments of the invoice from the National Budget; and

  (b) the Authorizing Officer shall be personally liable for paying the invoice.

37. Approval of payment vouchers in the SFMIS

(1) For the purpose of Article 31(1) of the Act, any payment of a Public Body under the National Budget shall require a payment voucher approved by:

  (a) the Authorizing Officer or an authorized officer of the public body; or

  (b) the Authorizing Officer of the Ministry of Finance or an authorized officer, in case of –

    (i) repayments of debt and arrears;

    (ii) payments of refunds;

(2) Any payment voucher required under paragraph (1) shall be made and approved in the SFMIS, without generating any paper form.

(3) The SFMIS shall automatically reject a payment voucher if –

  (a) the associated invoice is not recorded in the SFMIS as prescribed under Article 36(1) of this Regulation;

  (b) in case of payments for procurement, delivery documents and/or certification statements have not been uploaded into the SFMIS:

  (c) there is no SFMIS commitment requisition and SFMIS purchase order when applicable for the payment that has been approved in the SFMIS before recording of an invoice and is given a unique commitment control number;

  (d) the amount of the payment exceeds the amount of the approved commitment requisition; or

  (e) in case of a payment of part of a commitment that requires multiple payments, there is no commitment requisition approved in the SFMIS that covers the total amount of all those multiple payments required under a single agreement or contract.

  (f) paragraph (e) shall not apply to consultancy services where a commitment requisition may be approved in the SFMIS for the actual amount of the individual progress payments that are to be made under a single agreement or contract.

38. Recording of supporting documents in the SFMIS

(1) Before approving a payment voucher, the Authorizing Officer shall upload all supporting documents to the SFMIS.

(2) Pursuant to Article 32(4) of the Act, a Comprehensive Operating Procedures Manual issued by the Minister shall specify the details of required supporting documents.

39. Payments by electronic fund transfers

(1) Pursuant to Article 56 of the Act and except for payments from petty-cash imprest, all payments from the National Budget shall be made by an electronic fund transfer.

(2) When a payment voucher is approved under Article 37 of this Regulation, the approved payment voucher and supporting documents shall be automatically transmitted to the Accountant-General through the SFMIS, without any paper form or printed documents.

(3) The Accountant-General or an authorized officer shall approve an instruction for electronic fund transfer for an approved payment voucher in the SFMIS, when he or she confirms the availability of cash.

(4) The SFMIS shall be fully interfaced with the banking system of the Central Bank of Somalia, which shall attain straight through processing.

(5) An instruction for electronic fund transfer approved under paragraph (3) shall be transmitted by the SFMIS to the banking system of the Central Bank of Somalia without any paper form or printed documents.

(6) The banking system of the Central Bank of Somalia shall execute an instruction of electronic fund transfer under paragraph (5) without any manual checks or entries.

(7) Notwithstanding paragraphs (4) to (6), an instruction for electronic fund transfer shall be transmitted and executed in such manner as agreed between the Ministry and the Central Bank of Somalia, which shall return the instruction only when there is an error in the bank account detail and shall not perform any other check.

(8) A Comprehensive Operating Procedures Manual shall prescribe the procedures and controls for the electronic funds transfer and the treatment of the unapplied electronic funds transfer instructions.

40. Payments by cheque

No payment from the National Budget shall be made by cheques.

41. Payments by cash

Except for payments from petty cash imprest, a public body shall not make payments under the National Budget in cash.

42. Control and management of confidential expenditure

The Minister shall, by order, specify arrangements for the control and management of confidential expenditure appropriated as prescribed under Article 13 of this Regulation.

Subpart III. Payroll Payments

43. Responsibilities for payroll payments

An Authorizing Officer of a Public Body shall be personally responsible for ensuring that –

(a) appointments, promotion, salary increases, allowances, performance bonuses, and other costs of compensation of employees are within the appropriations under the National Budget;

(b) all employees on a payroll of the Public Body –

  (i) have been registered on the list maintained by the National Civil Service Commission and allocated to the public body; and

  (ii) have been actively employed and engaged by the public body during the payroll period; and

(c) a payroll of the public body is valid, legal, and accurate.

44. Payroll and human resource management systems

(1) The SFMIS shall be the sole payroll system for employees of Public Bodies under the National Budget.

(2) When the computerized human resource management system is developed for public bodies, the SFMIS shall be fully interfaced with the computerized human resource management system.

(3) The relevant public bodies and the National Civil Service Commission shall cooperate with the Minister to implement paragraph (2) in developing the computerized human resource management system.

(4) Until paragraph (2) is implemented, the Minister may require any public body to provide the Minister with any database associated with human resource management that the public body is maintaining, by such time as determined by the Minister.

45. Payroll date

Salaries of all employees of public bodies to be paid under the National Budget shall be paid directly into their bank accounts on or before the last day of each month.

46. Payment by electronic fund transfer

All compensation of employees of public bodies shall be paid by electronic fund transfer.

47. Payroll amendments

(1) When the SFMIS is fully interfaced with the computerized human resource management system, an authorized officer of a Public Body shall amend the personnel information recorded in the computerized human resource management system, which shall automatically change payroll records in the SFMIS subject to any approval that may be required from the National Civil Service Commission, without any paper forms or printed documents or manual entries.

(2) The National Civil Service Commission shall specify –

(a) the timeframe to amend the personnel information recorded in the computerized human resource management system; and

(b) a list of authorized officers responsible for amending the personnel information.

(3) Until the computerized human resource management system is developed, the National Civil Service Commission shall be responsible for amending payroll records in the SFMIS, on the request of an Authorizing Officer of a public body.

(4) A request for payroll amendments or changes under paragraph (3) shall be submitted in such manner as determined by the National Civil Service Commission.

(5) Payroll changes for new staff appointments shall only be considered for payment of a full salary for the payroll period, only if a new employee has been actively employed and engaged by the public body before the 15^{th} day of the payroll period.

48. Payroll validation before the final payroll run

(1) When the SFMIS is fully interfaced with the computerized human resource management system, the authorized officer under Article 47 of this Regulation shall validate accuracy of payroll data before the final payroll run, in such manner as specified in a Comprehensive Operating Procedures Manual.

(2) The payroll validation under paragraph (1) shall be made through the computerized human resource management system without any paper forms or printed documents.

(3) Until the computerized human resource management system is developed, the Accountant General may require an Authorizing Officer of a public body to validate accuracy of payroll data before the final payroll run, in such manner as specified by the Accountant General.

49. Payroll payment vouchers and commitments

(1) By such time as specified by the Accountant-General, the Authorizing Officer of each public body shall approve a payment voucher for payroll payments in the

SFMIS, which shall automatically transmit the payment voucher and the payroll to the Accountant-General at least not later than the 25th day of the month.

(2) The SFMIS shall automatically record commitments to the total amount of payroll payments, on the approval of a payment voucher for the payroll payments, without any manual entries.

(3) The approval of payment vouchers for payroll payments and transmission of the payment vouchers and payrolls shall be made without any paper forms or printed documents.

50. Payroll payments

(1) At least one day before the payroll date under Article 45 of this Regulation, the Accountant General shall send, through the SFMIS, a bank instruction to the Central Bank of Somalia to make electronic fund transfers for payroll payments.

(2) The banking system of the Central Bank of Somalia shall automatically execute electronic fund transfers for payroll payments and transmit payroll data to commercial banks, without any manual check or entries.

51. Recording and payments of deductions

(1) When a payment voucher for payroll payments is approved, the SFMIS shall automatically record as revenue the amount of taxes and other revenues to the National Budget deducted from salaries of employees of public bodies.

(2) Deductions from salaries that require payments to third parties shall be paid to the third parties by electronic funds transfer, concurrently with the net payments to the employees.

(3) The SFMIS shall include the details of deductions that require payments to third parties in –

- (a) each payroll;
- (b) payment vouchers for payroll payments; and
- (c) bank instructions for payroll payments.

52. Stoppage of payroll payments

(1) Unless otherwise prescribed in any other enactment, payroll payment to the following employees of public bodies shall be stopped on the date specified below:

- (a) a deceased employee: [the first day of the month following the month when the employee died];
- (b) an employee convicted of an offence involving theft or fraud or sentenced to imprisonment: the date of the conviction;
- (c) an employee on leave without pay: the first day of the leave;
- (d) an employee absent from duty without leave: the first day of the absence;

(e) an employee suspended from duty: the first day of the suspension; and

(f) a resigned or retired employee: [the first day of the month following the month when the employee resigned or retired].

(2) When an Authorizing Officer or the officer of a public body authorized under Article 47 of this Regulation identifies that the occurrence of events mentioned in paragraph (1) had not been recorded in the SFMIS by the date of the stoppage, the Authorizing Officer or the authorized officer shall immediately notify the National Civil Service Commission and the Accountant General of the details of the fact.

(3) If a payroll payment has been made to a person mentioned in paragraph (1) after the date of the stoppage, the Accountant General shall take actions necessary for refund of the payroll payment.

(4) The amount refunded under paragraph (3) shall be paid back to the Treasury Single Account and credited to the relevant expenditure item or an appropriate revenue item in case of refunds made in the subsequent fiscal year(s).

(5) The procedures and actions necessary for obtaining refund under paragraph (3) shall be prescribed in a Comprehensive Operating Procedures Manual issued by the Minister.

53. Payroll deductions

(1) Deductions from salaries of employees of public bodies shall be limited to the following:

(a) a deduction of taxes and social contributions;

(b) a benefit deduction to facilitate a payment of amount owed to the Government arising from employee's benefits;

(c) a deduction of fines, losses, and damages determined through the disciplinary process;

(d) a deduction for staff advances or loans where this applicable;

(e) a deduction that is required or permitted under the law or court order; and

(f) any deduction to which the employee in writing agrees and which is approved by the Accountant General.

(2) An Authorizing Officer or any designated officer of a public body shall not make any discretionary deduction, which is a deduction not listed in paragraph (1).

(3) When validating payroll data, an Authorizing Officer or a designated officer of a public body shall verify that amount of payroll deductions is actually due and no portion of the payroll deductions is a discretionary deduction.

Subpart IV. Cash Advances to Public Bodies

54. Limit to cash advances to public bodies

(1) Cash advances may be provided to public bodies only for –

(a) replenishment of a petty cash imprest;

(b) administrative expenses of embassies and offices abroad; and

(c) Exceptional cases authorized by the Minister on the recommendation of the Accountant-General.

(2) No cash advance shall be provided to a public body under paragraph (1)(c), unless all cash advances previously provided to the public body under the same paragraph have been acquitted.

(3) The amount of each payment of cash advance to public bodies under paragraph (1)(c) shall be determined by the Minister on the recommendation of the Accountant General.

55. Commitment and payment of cash advance to public bodies

(1) A commitment requisition and payment voucher for any cash advance to public bodies shall be approved by the Accountant General.

(2) In order to request cash advance to a public body, the Authorizing Officer of the public body shall submit, through the SFMIS, a commitment requisition to the Accountant-General together with any supporting documents.

(3) The Accountant-General may approve a commitment requisition for cash advance only when –

(a) all cash advances previously provided to the public body under Article 54(1)(c) of this Regulation have been acquitted; and

(b) the requested commitment is within an available balance of an expenditure warrant that covers an item of expenditure for which the cash advance is intended to be used.

(4) The SFMIS shall reduce an available balance of an expenditure warrant on the approval of a commitment requisition for cash advance by the amount of the commitment.

(5) On the approval of a commitment requisition for cash advance to a public body, the Accountant-General shall, through the SFMIS, –

(a) approve a payment voucher for cash advance, that shall be automatically generated by the SFMIS; and

(b) after confirming the availability of funds, send a bank instruction to the Central Bank of Somalia for electronic fund transfer to a bank account opened for a public body.

(6) No cash advance to a public body shall be paid in cash.

(7) The request and approval of a commitment requisition and payment voucher for cash advance to a public body shall be made without any paper forms or printed documents.

56. Accounting of cash advance as assets

For the purpose of Article 31(4) of the Act, when cash advance is paid to a public body, the SFMIS shall automatically record the amount into an account of a receivable owed by the public body.

57. Expenditure and payments from cash advances

(1) In general, the provisions in this Regulation shall apply to the expenditure to be incurred and paid from the cash advances made to a Public Body.

(2) In line with Article 20(1) of this Regulation a commitment requisition shall be raised and approved solely through the SFMIS by the Authorizing Officer of a Public Body.

(3) The Authorizing Officer may approve a commitment requisition only when the requested commitment is within an available cash balance that covers the expenditure item for which the cash advance was granted.

(4) The SFMIS shall reduce the available cash balance upon the approval of the commitment requisition by the amount of the commitment.

(5) Subject to the provisions of Article 21(1) of this Regulation and upon the selection of a supplier, a purchase order shall be generated and approved in the SFMIS by the Authorizing Officer of a Public Body. For the avoidance of doubt, such purchase orders shall not require the prior approval of the Accountant General.

(6) Approval of payment vouchers for expenditure to be made from cash advances shall be in accordance with Article 37 of this Regulation, as may be necessary.

(7) When a payment voucher is approved under paragraph (6), the Authorizing Officer shall approve an instruction for electronic fund transfer for an approved payment voucher in the SFMIS, when he or she confirms the availability of cash in the operational bank account opened for the Public Body as prescribed under Article 70(1)(b)(v) of this Regulation .

(8) An instruction for electronic funds transfer approved under paragraph (7) shall be transmitted automatically upon approval by the SFMIS to the banking system of the Central Bank of Somalia without any paper form of printed documents.

(9) Expenditure and payment transactions under this Regulation shall be processed solely through the SFMIS by the Public Body, without any paper forms or printed documents.

58. Acquittal of cash advance to public bodies

(1) Within such timeframe as specified by the Accountant-General, an Authorizing Officer of a public body shall submit, through the SFMIS, to the Accountant-General a request for acquittal of cash advance that has been spent.

(2) Before submitting a request for acquittal of cash advance, the Authorizing Officer shall upload to the SFMIS all supporting documents related to spending from the cash advance including a bank reconciliation statement between the cash advance ledger and the bank statement.

(3) The Accountant General may approve in the SFMIS a request for acquittal of cash advance and the expenditure to stand against the charge accounts, only when –

(a) all required supporting documents have been uploaded to the SFMIS and/or available in the SFMIS, as the case may be;

(b) the validity, accuracy, and legality of spending from the cash advance is evidenced by the supporting documents; and

(c) it has been proven by the supporting documents that cash advance was used for the purpose that was indicated in the commitment requisition for the cash advance, in case of cash advance under Article 54(1)(c) of this Regulation.

(4) If a request for acquittal of cash advance is rejected by the Accountant General, the Authorizing Officer of the public body shall ensure that the officer responsible is held personally liable for repaying the amount of the cash advance.

(5) A request for acquittal of cash advance and transmission of supporting documents related to spending from cash advance shall be made without any paper forms or printed documents.

59. Accounting of acquittal of cash advance

(1) For the purpose of Article 31(4) of the Act, when a request for acquittal of cash advance to a Public Body is approved by the Accountant-General, the SFMIS shall automatically –

(a) reduce the amount of receivable owed by the public body by the amount of the acquitted cash advance; and

(b) record the amount of the acquitted cash advance into an account of expenditure for which the cash advance was used.

(2) If a request for acquittal of cash advance to a public body is rejected by the Accountant-General, the SFMIS shall automatically change the debtor of the receivable from the public body to the Authorizing Officer.

60. Retirement of cash advance to public bodies

(1) For the purpose of Article 31(3) of the Act, all cash advances to a public body shall be fully retired by being acquitted or repaid to the Treasury Main Account by the end of a financial year.

(2) Within 30 days after the end of a financial year, an Authorizing Officer of a public body shall –

(a) make an electronic fund transfer to the Treasury Main Account the amount of all cash advances to the public body that has not been spent; and

(b) record the amount of the electronic fund transfer into the SFMIS.

(3) When the amount of cash advance is repaid into the Treasury Main Account, the SFMIS shall automatically reduce the amount of receivable owed by the public body by the amount of the repayment.

(4) If there is an amount of cash advance to a public body that has remained as receivable owned by the public body and has not been acquitted or repaid within 30 days after the end of a financial year, the Accountant-General shall deduct the amount of the outstanding cash advance from the salary of the responsible Officer of the public body.

61. Petty cash imprest

(1) The amount of outstanding petty cash imprest of a public body shall not exceed such amount as prescribed by the Minister in a Comprehensive Operating Procedures Manual.

(2) The amount of each payment from petty cash imprest of a public body shall not exceed such amount as prescribed by the Comprehensive Operating Procedures Manual.

(3) A petty cash custodian designated by the Authorizing Officer of the public body shall be responsible for –

   (a) safeguarding cash in hands;

   (b) keeping the cash book and records; and

   (c) daily reconciling cash in hands with the cash book.

(4) The Minister shall, in the Comprehensive Operating Procedures Manual, prescribe the detailed rules on the management of petty cash imprest of a public body.

Subpart VI. Cash Advance to Employees of Public Bodies

62. Limit to cash advances to employees of public bodies

(1) Cash advances may be provided to employees of public bodies only for –

   (a) travel advance to cover expense that cannot be paid directly to vendors; and

   (b) other purpose authorized by the Minister on the recommendation of the Accountant-General.

(2) No cash advances shall be provided to an employee of a public body, unless all cash advances previously provided to the employee have been acquitted.

(3) For the avoidance of doubt, an “Employee” means any individual who serves as a public official in Government including civil servants, and appointed or elected officials.

63. Commitment and payment of cash advance to employees of public bodies

(1) A commitment requisition and payment voucher for any cash advance to an employee of a public body shall be approved by the Authorizing Officer of the public body.

(2) In order to request cash advance to a employee of a public body, the Authorizing Officer of the public body shall, in the SFMIS, approve a commitment requisition only when –

  (a) all cash advances previously provided to the employee have been acquitted; and

  (b) the requested commitment is within an available balance of an expenditure warrant that covers an item of expenditure for which the cash advance is intended to be used.

(3) The SFMIS shall reduce an available balance of an expenditure warrant on the approval of a commitment requisition for cash advance by the amount of the commitment.

(4) On the approval of a commitment requisition for cash advance to an employee of a public body, the Authorizing Officer of the public body shall, in the SFMIS, approve a payment voucher for the cash advance and transmit it to the Accountant-General.

(5) On the approval of a payment voucher under paragraph (4), after confirming the availability of funds, the Accountant-General shall send a bank instruction to the Central Bank of Somalia for electronic fund transfer to a bank account opened for the employee.

(6) The request and approval of a commitment requisition and payment voucher for cash advance to an employee of a public body shall be made without any paper forms or printed documents.

64. Accounting of cash advance as assets

For the purpose of Article 31(4) of the Act, when cash advance is paid to a bank account opened for an employee of a public body, the SFMIS shall automatically record the amount into an account of a receivable owed by the employee.

65. Acquittal of cash advance to employees of public bodies

(1) Within such timeframe as specified by a Comprehensive Operating Procedures Manual, an Authorizing Officer of a public body shall create and approve, in the SFMIS, a request for acquittal of cash advance to an employee of the public body, only when –

  (a) all required supporting documents have been submitted to the Authorizing Officer;

  (b) the validity, accuracy, and legality of spending from the cash advance is evidenced by the supporting documents; and

  (c) the employee has proved that he or she has repaid the remaining amount in case that actual spending was less than the amount of the cash advance.

(2) On the approval of a request for acquittal of cash advance under paragraph (1), the Authorizing Officer shall upload to the SFMIS all supporting documents related to spending from the cash advance.

(3) If a request for acquittal of cash advance is rejected by the Authorizing Officer, the employee of the public body who received the cash advance shall be personally liable for repaying the amount of the cash advance.

(4) Notwithstanding paragraphs (1), (2), and (3), cash advance to an employee a public body may be acquitted by deducting the amount from the salary of the employee and acquitting the repaid amount of the advance through the SFMIS.

(5) A request for acquittal of cash advance and of supporting documents related to spending from cash advance under this Regulation shall be made without any paper forms or printed documents.

66. Accounting of acquittal of cash advance

For the purpose of Article 31(4) of the Act, when cash advance to an employee of a public body is acquitted, the SFMIS shall automatically –

(a) reduce the amount of receivable owed by the employee by the amount of the acquitted cash advance; and

(b) record the amount of the acquitted cash advance into an account of expenditure for which the cash advance was used.

67. Retirement of cash advance to employees of public bodies

(1) For the purpose of Article 31(3) of the Act, all cash advances to an employee of a public body shall be fully retired by being acquitted or repaid at the end of a financial year, within such timeframe as prescribed in the Comprehensive Operating Procedures Manual.

(2) If there is the amount of cash advance to an employee of a public body that has remained as receivable owed by the employee and has not been acquitted or repaid within 30 days after the end of a financial year, the Accountant-General shall deduct the amount of the outstanding cash advance from salaries of the employee.

Part V. Banking Arrangements and Cash Management

Subpart I. Banking Arrangements

68. Interface with the banking system of the Central Bank of Somalia

(1) For the purpose of Article 27(6) of the Act –

(a) the SFMIS shall be fully interfaced with the banking system of the Central Bank of Somalia;

(b) the bank statements and balances of the Treasury Single Account and all other accounts opened with the Central Bank of Somalia for public bodies shall be automatically uploaded to the SFMIS on a real time basis; and

(c) bank reconciliation of the Treasury Single Account and other accounts opened with the Central Bank of Somalia for public bodies, shall be performed automatically by the SFMIS every business day.

(2) The Central Bank of Somalia shall cooperate with the Accountant General to implement paragraph (1) and ensure the effective and efficient operation of the interface of the SFMIS with the banking system of the Central Bank of Somalia.

69. Fees to be paid to the Central Bank of Somalia

For the purpose of Article 68 of this Regulation, fees to be paid to the Central Bank of Somalia for the management of government bank accounts shall be cost-based and linked to the actual costs of services provided by the Central Bank of Somalia.

70. Treasury Single Account

(1) For the purpose of Article 42(1) of the Act, the Minister shall establish a Treasury Single Account, which shall satisfy at least the following requirements:

(a) The Treasury Single Account includes one main account opened with the Central Bank of Somalia (hereinafter called "Treasury Main Account") and revenue transit accounts opened with commercial banks];

(b) Sub-accounts linked to the Treasury Single Account may also be opened to include;

(i) bank accounts opened for external assistance funds;

(ii) a bank account for a fiscal buffer established under Article 71 of this Regulation.

(iii) bank accounts opened for embassies and offices abroad;

(iv) bank account opened for the Natural Resource Revenue Fund as prescribed under Article 120(2) of this Regulation; and

(v) in exceptional cases, bank accounts opened for Public Bodies.

(c) All tax and non-tax revenue and other receipts, including deposits, of public bodies, except for donor grants other than budget supports, shall be deposited into the Treasury Main Account or revenue transit accounts into which revenue and receipts are deposited before being deposited into the Treasury Main Account, but which shall not include a bank account for a fiscal buffer mentioned in Article 71(1) of this Regulation;

(d) In line with Article 42(4) of the Act, all credit balances of revenue transit accounts shall be swept automatically into the Treasury Main Account at the end of every working day;

(e) All expenditure and other payments of public bodies shall be paid out of the Treasury Main Account, except that the following expenditure may be paid from a bank account outside the Treasury Single Account framework—

(i) expenditure financed by donor grants not included in the National Budget;

(ii) expenditure from a petty cash imprest;

(iii) expenditure for embassies and offices abroad; and

(f) there shall be sub-ledger accounts which shall be virtual accounts opened in the SFMIS and where debt and credit balances of each sub-ledger account shall be separately recorded in the SFMIS;

(g) the SFMIS shall be fully interfaced with the banking systems of the Central Bank of Somalia and commercial banks, with which bank accounts included in the Treasury Single Account are opened;

(h) bank statements and balances of all bank accounts included in the Treasury Single Account shall be automatically uploaded to the SFMIS on a real time basis;

(i) bank reconciliation of all bank accounts included in the Treasury Single Account shall be automatically performed by the SFMIS every business day.

(2) For the avoidance of doubt and through the interface of the SFMIS with the banking system of the Central Bank of Somalia, the bank balances and statements of all donor funded projects that are included in the National Budget shall be automatically uploaded to the SFMIS on a real time basis.

(3) The Minister shall, in the Comprehensive Operating Procedures Manual, prescribe the detailed rules for the operation of the Treasury Single Account Framework.

71. Fiscal Buffer Account

(1) Upon the authorization of the Minister, the Accountant General may open a bank account with the Central Bank of Somalia into which revenue of the National Budget is deposited for the purpose of creating a fiscal buffer.

(2) A bank account for fiscal buffer mentioned in paragraph (1) may receive and transfer the amount only from and to the Treasury Main Account.

(3) Revenue of the National Budget shall not be deposited into a bank account for a fiscal buffer mentioned in paragraph (1), unless the revenue has been first deposited into the Treasury Main Account.

(4) The Minister shall, by order, prescribe the rules and procedures for the use and management of a bank account for a fiscal buffer mentioned in paragraph (1).

72. Expansion of the Treasury Single Account

For the purpose of Article 42(1) of the Act, the Minister may expand the scope of the Treasury Single Account to include such bank accounts opened for external assistance funds by such date as determined by the Minister.

73. Service level agreements

(1) The Minister and the Governor of the Central Bank of Somalia shall have in place a service level agreement that specifies –

(a) the responsibilities of the Central Bank of Somalia for the operation of the Treasury Single Account;

(b) remuneration on a credit balance of the Treasury Single Account;

(c) cost-based fees to be paid to the Central Bank of Somalia; and

(d) any other matters necessary for the operation of the Treasury Single Account.

(2) The Accountant General shall conclude with commercial banks service level agreements for revenue transit accounts or any bank account of a public body opened with the commercial banks.

(3) The Authorizing Officer of each public body shall, with the approval of the Accountant General, conclude with commercial banks service level agreements for all bank accounts opened for the public body.

(4) Copies of the service level agreements mentioned in paragraphs (1) and (3) shall be provided to the Accountant General.

(5) Service level agreements mentioned in paragraphs (2) and (3) shall specify a level of remuneration on credit balances of the bank accounts and cost-based fees to be paid to the commercial banks.

74. Access to bank accounts and their register

(1) For the purpose of Article 41(2) of the Act, the Accountant General shall have the power to require a commercial bank to submit a bank statement and any other information of any account opened for a public body, whether or not included in the Treasury Single Account, in such manner and by such time as determined by the Accountant General.

(2) The Accountant General may authorize opening of a bank account under Article 42(3) of the Act, only when the commercial bank has agreed to provide information to the Accountant-General in accordance with paragraph (1).

(3) If a commercial bank fails to provide information on a bank account to the Accountant-General in accordance with paragraph (1), the Accountant-General shall close the bank account.

(4) The Accountant General shall maintain a register in the SFMIS of all bank accounts opened with commercial banks and the Central Bank of Somalia for all public bodies, whether or not included in the Treasury Single Account.

75. Bank reconciliation

(1) In respect of bank accounts outside the Treasury Single Account, the Authorizing Officer of each public body shall conduct a bank reconciliation and submit a bank

reconciliation statement to the Accountant General within 7 days after the end of each month.

(2) The Minister shall, in the Comprehensive Operating Procedures Manual, prescribe the detailed requirements for bank reconciliation under paragraph (1).

Subpart II. Cash Management

76. Cash Management System

(1) In accordance with Article 41(1) of the Act, the Minister shall have overall responsibility of ensuring adequate institutional and administrative arrangements are in place for an effective Cash Management System for the Federal Government.

(2) For the purpose of Article 41(1) of the Act, a Cash Management Unit shall be established under the Office of the Accountant General responsible for producing cash forecasts of the Treasury Single Account and performing other responsibilities as may be required by the Minister or the Accountant General.

(3) The Accountant General shall constitute, subject to approval of the Minister, a Treasury Management Committee.

(4) The Treasury Management Committee is to ensure that cash is available in a timely manner to settle all payments authorized for payment during execution of the National Budget and shall be responsible for reviewing and recommending to the Minister cash forecasts of the Treasury Single Account and performing other responsibilities as may be required by the Minister.

(5) In line with Article 10(f) of the Act, the Treasury Management Committee shall be chaired by the Accountant General and membership shall comprise of the following;

- (i) Accountant General (Chairperson);
- (ii) Representation from Office of the Director General, Ministry of Finance;
- (iii) Director, National Budget;
- (iv) Director, Economic Policy and Planning;
- (v) Head, Debt Management Unit;
- (vi) Director General, Revenue;
- (vii) Head, Cash Management Unit (Secretariat);
- (viii) Representative of the Central Bank of Somalia (ex-officio); and
- (ix) Any other public officer as the Minister may determine.

(6) The Treasury Management Committee shall perform the following duties;

- (a) Reviewing the annual budget to asses likely monthly revenue patterns;
- (b) Reviewing the annual budget to identify the discretionary spending and monthly spending patterns;
- (c) Analyze quarterly spending plans submitted by the Public Bodies;

(d) Determine resources available for operating expenditures and set a monthly cash ceiling for each spending agency to be implemented by the Budget Department in the SFMIS.

(e) Reviewing the rolling monthly cash balances and forecast reports of the Cash Management Unit and make recommendations to the Minister to address the forecast cash shortages, including financing strategies and/or the need for budget revision.

(f) Approve and enforce reporting requirements of daily bank balances and weekly bank statements from the Central Bank of Somalia to the Cash Management Unit.

(g) Examine the budget execution rates of the Public Bodies and identify instances of concern which the Minister may raise with the line Minister and Authorizing Officer.

(h) Review quarterly briefing reports prepared by the Cash Management Unit.

(i) Provide oversight and direction to the Cash Management Unit and the implementation of the cash management action plan;

(j) Monitoring relevant public financial management cash reforms that impact on cash management; and

(k) Advise on any matters as they may pertain to the operation of an efficient cash management system for the Federal Government.

(7) For purpose of paragraph (6), the Minister shall have the power to require from all users of the budget, all information deemed necessary for the effective operation of the cash management system;

(8) The Minister shall, in the Comprehensive Operating Procedures Manual, specify the detailed terms of reference and procedures of the Treasury Management Committee and the Cash Management Unit.

77. Data collection for cash forecasting

(1) For the purpose of Article 41(1) and Article 28(1) of the Act and notwithstanding Article 17 of this Regulation, an Authorizing Officer of a public body shall submit to the Ministry cash and spending plans of the public body in such form and manner and at such frequency as the Minister may consider necessary.

(2) In addition to paragraph (1), the Cash Management Unit shall have the power to require the Budget and Revenue Departments, the Debt Management Unit, any other departments and units of the Ministry, and any other public bodies to submit to the Cash Management Unit any data and forecasts of cash inflows and outflows, in such form and manner and at such frequency as determined by the Cash Management Unit.

Part VI. Debt and Grants Management

78. Purposes of borrowing

For the purpose of Article 36 of the Act, the Minister shall include in a draft Appropriation Act for a year the purposes for which the Minister may borrow during the year.

79. Debt management strategies and government borrowing programme

(1) For the purposes of Articles 35 and 36 of the Act, the Debt Management Unit shall, in collaboration with the Budget Director, Accountant General, and the Authorizing Officer of the Ministry of Finance, prepare and submit to the Minister for approval, –

(a) a medium-term debt management strategy, which shall provide guidance in relation to terms and conditions of, and management of risks in debt; and

(b) an annual government borrowing programme.

(2) The medium-term debt management strategy shall be prepared in consultation with the Central Bank of Somalia and published on the Ministry's website.

(3) The annual government borrowing programme shall form part of the documents in Article 14 of this Regulation.

80. Treatment of debt service in the budget

(1) To avoid doubt, –

(a) payments of interest forms expenditure and requires an appropriation under an Appropriation Act; but

(b) repayment of principal is not expenditure and does not require an appropriation under an Appropriation Act.

(2) The National Budget shall present estimate of proceeds from borrowing and repayment of principal, separately from estimate of revenue and appropriations for expenditure.

(3) Notwithstanding paragraph (1), payments of interest and repayment of principal shall require allotments and warrants mentioned in Articles 18 and 19 of this Regulation and be subject to approval of a commitment under Article 20 of this Regulation.

(4) The Debt Management Unit shall request through the SFMIS allotments and warrants necessary for debt service sufficiently in advance of the due date.

81. Payments of debt service

(1) The Debt Management Unit shall, at least fifteen days before debt service becomes due, obtain an invoice of the debt service from the creditor and record it in the SFMIS in accordance with Article 36 of this Regulation.

(2) The Accountant General's Office shall, at least six days before the due date, through the SFMIS, authorize and send to the Central Bank of Somalia, an instruction for the payment of debt service.

(3) The Central Bank of Somalia shall, at least two days before the due date, electronically transfer the amount of debt service to the creditor or the correspondent bank of the creditor, where applicable, to execute an instruction sent under paragraph (2).

82. Computerized debt management system

(1) The Debt Management Unit shall maintain the computerized debt management system in which data on stock and flow of all debt of the Federal Government and their debt service schedules shall be recorded.

(2) There shall be automated interfaces between the SFMIS and the computerized debt management system, through which data shall be automatically sent and received to and from each other.

(3) All invoices, payment vouchers, and bank instructions for payments of debt service for all borrowing of the Federal Government shall be registered and approved in, and issued through, the SFMIS.

83. Conditions on Guarantees and On-lending

(1) The Minister may issue a guarantee under Article 37 of the Act only when all the following conditions are met;

(a) The beneficiary is a Federal Member State Government or a State Owned Enterprise;

(b) The guarantee is provided for a concessional loan from an international public financial institution; and

(c) The guarantee is given for a fixed period and a specific amount.

(2) The Minister shall have the sole authority to provide a loan from public money.

(3) In accordance with Article 36(2), the Minister may provide a loan from public money only when all the following conditions are met;

(a) The borrower is a Federal Member State Government or a Public Body; and

(b) The loan is made from the Minister's borrowing through a concessional loan from an international public financial institution with the same terms and conditions.

84. Approval of Guarantees and On-lending

For purposes of Articles 35 and 36 of the Act, the Minister shall seek for the approval by Parliament of a guarantee and on-lending as part of the national budget, by submitting –

(a) A copy of a draft guarantee and on-lending agreement;

(b) A loan agreement of the underlying concessional loan; and

(c) The risk assessment of the guarantee and on-lending.

85. Record of guarantees and on-lending

(1) For purposes of Article 37(7) of the Act, the Debt Management Unit shall, through the computerized debt management system, record the following data and information in respect of each government guarantee and on-lending from public money:

   (a) A copy of a guarantee and loan agreement;

   (b) A copy of the approval by Parliament;

   (c) Data on terms and conditions of a guarantee and loan;

   (d) Data on the financial position of the borrower;

   (e) In the case of a loan supported by a guarantee, data on performance of the loan supported by the guarantee; and

   (f) Data on repayments of the on-lending.

(2) The Debt Management Unit shall, within [ten] days after end of every quarter obtain from an international public financial institution, data on the performance of underlying loans in respect of each government guarantee and record the data in the debt management system.

(3) The Debt Management Unit shall, within [ten] days after end of every quarter obtain the financial statements of each beneficiary of a government guarantee and on-lending.

86. Guarantee fees

(1) When a guarantee is issued under Article 37 of the Act, the Minister shall charge a guarantee fee necessary to cover the relevant risks.

(2) A beneficiary of a government guarantee shall deposit a guarantee fee into the Treasury Single Account.

87. Recovery and calling procedures

(1) Where a borrower of a government guarantee or on-lending has been or is likely to default in payment, the Debt Management Unit shall, on the instruction of the Accountant General and in consultation with the [Attorney/Solicitor General], recommend to the Minister, actions required to be taken for the debt collection and recovery.

(2) The Accountant General may use a debt collection service provided by a financial institution for the recovery and collection of a government guarantee that is called and non performing on-lending.

(3) A commitment and payment in respect of the repayment of a government guarantee that is called, shall be made by the same process as that for the debt service and repayment.

88. Approval of grants to public bodies

(1) For the purpose of Article 38(2) of the Act, any grant to a public body and state-owned enterprise, the amount of which is below an equivalent of 100,000 dollars, shall obtain the priori written consent of the Minister.

89. Budgeting of grants to public bodies

(1) For the purpose of Article 38(1) of the Act, estimates of all grants received by any public bodies and all expenditure financed by those grants shall be presented in the National Budget.

(2) The Minister may, by budget call circular, require any public bodies to provide estimates of grant receipts and expenditure financed by grants in the format prescribed by the Minister.

90. Grants to non-governmental organizations

(1) For the purpose of Article 38(4) of the Act, when a grant to finance a non-governmental organization is received by and channeled through the public bodies, the grant shall obtain the prior written consent of the Minister.

(2) A non-governmental organization that receives a grant channeled through the public bodies under paragraph (1) shall –

   (a) be registered by the responsible authority in the country where it is established; and

   (b) annually provide the Minister with the updated constitutional document, the audited financial statements, and such other information by such time and in such manner as determined by the Minister.

91. Grants to Federal Member States

For the purpose of Article 38(3) of the Act, each Federal Member State shall provide the Minister with a copy of a written grant agreement within one week after the grant agreement is concluded and report on the disbursement of said grants.

92. Grants in kind

For the purpose of Articles 38(2) and (3) of the Act, when a public body, Federal Member State, and state-owned enterprise receives a grant in kind, the Authorizing Officer shall provide the Minister with a copy of the grant letter within one week after the receipt of the grant letter.

93. Computerized aid management system

(1) For the purpose of Article 38 of the Act, the Minister shall ensure that a computerized aid management system is maintained, which shall include comprehensive information and data on all grants, including grants in kind, received by all public bodies, Federal Member States, and state-owned enterprises.

(2) The computerized aid management system shall be interfaced with the SFMIS.

Part VII. Management of Intergovernmental Transfers

94. Grants to Federal Member States

Pursuant to the provisions of Article 6(2) of the Act—

(a) The Minister shall make provisions in the budget estimates for grants to each Federal Member State.

(b) The budgetary allocation for grants shall be determined on the basis of a grant allocation policy approved by Cabinet enforced at the time.

(c) All grants to Federal Member States shall be appropriated by Parliament before commencement of disbursements.

95. Requisition and transfer of conditional and unconditional grants

(1) The Federal Member State Minister of Finance shall request the Minister to transfer the allocated grants on a monthly or quarterly basis in accordance with the Appropriation Act of the Federal Parliament.

(2) A federal government authorizing officer transferring a conditional or unconditional allocation to a federal member state in accordance with an Act of Parliament shall be responsible for—

(a) ensuring that transfers to a federal member state—

(i) are made in accordance with the frameworks governing the conditional and unconditional transfers to federal member states;

(ii) are deposited only into a designated account of a Federal Member State.

(b) ensuring that the transfer of funds is done only after information required in terms of the frameworks governing intergovernmental transfers has been secured and all relevant information has been provided to the Minister.

96. Monitoring compliance and utilization of grants

(1) The federal government authorizing officer shall—

(a) monitor and evaluate the execution of allocation to a Federal Member State and submit to the Minister with a copy to the Accountant General —

(i) a quarterly report within 30 days after the end of each quarter;

(ii) an annual report within three months after the end of the financial year.

(b) The reports referred to in paragraph (a) shall be prepared in accordance with a format prescribed by the Minister.

(2) A federal member state authorizing officer—

(a) shall be responsible for ensuring compliance with requirements of the relevant law and frameworks governing the management of transfers from the federal government;

(b) shall ensure all transfers from the federal government are included distinctively in the Federal Member State financial statements;

(c) shall monitor and evaluate the financial and non-financial performance of activities funded by any transfer from the federal government and prepare and submit to the Minister with a copy to the Accountant General—

(i) a quarterly report within 15 days after the end of each quarter in a format prescribed by the Minister;

(ii) an annual report within one month after the end of each financial year in a format prescribed by the Minister.

(d) the reports submitted in paragraph (c) under this Regulation shall specify—

(i) actual transfers received by the federal Member State from the Federal Government;

(ii) actual expenditure incurred in respect of the transfer;

(iii) the extent to which the objectives and outputs of the transfer were achieved;

(iv) any other information as may be specified in the relevant framework for that transfer and any other information the Minister or the Federal State Authorizing Officer may determine.

(e) The Accountant General may provide additional guidelines on how the reports in paragraph (c) shall be prepared, to facilitate the audit of transfers to Federal Member States.

(3) Where it is determined that the transfer of funds to a Federal Member State was done in error, such a transfer shall be regarded as not legally due to that Federal Member State.

(4) Any erroneous transfer in respect of paragraph (3), may be recovered immediately or set off against future transfers to that Federal Member State, which would otherwise become due to the Federal Member State.

Part VIII. Accounting and Reporting

97. Accounting Standards and Issue of Accounting Instructions

(1) For the purpose of Article 43(1) of the Act, the Accountant General shall prescribe accounting standards for the financial statements of the following entities:

(a) the Federal Government;

(b) the Treasury as a reporting entity;

(c) the public bodies including donor funded projects and extrabudgetary funds;

(d) Special funds established in accordance with the Constitution;

(e) the Federal Member States and local governments subject to the provisions of Article 1(4) of the Act; and

(f) the state-owned enterprises.

(2) Pursuant to paragraph (1) and in accordance with Article 43(2) of the Act, entities under paragraphs (1)(a) – (e) shall follow the Cash Basis International Public Sector Accounting Standards (IPSAS).

(3) State-owned enterprises shall follow the International Financial Reporting Standards (IFRS).

(4) In line with Article 43(4) of the Act, the Accountant General shall make and publish Accounting Instructions to prescribe the procedures and requirements for recording, accounting, and reporting of financial transactions by the entities mentioned under paragraph (1).

(5) The Accountant General shall keep the Accounting Instructions updated as may be necessary and in accordance with the applicable standards.

98. Retention and destruction of accounting documents and financial records

(1) For the purpose of Article 43(5) of the Act and subject to the provisions of any other law that may be in place, the entities mentioned under Article 97(1) of this Regulation shall , in manual or electronic form, maintain their accounting and financial records with all their supporting documents safely for a period of at least ten (10) years from the beginning of the first financial year in which the transaction was completed.

(2) Financial records whose retention period is over may be destroyed if it is impracticable to store for longer period and provided that they have been audited.

(3) No financial documents shall be destroyed if they are subject to litigation, outstanding audit queries, disputes or investigations. Destruction of records shall be witnessed by a team of at least three officers including the Chief Internal Auditor of the Federal Government or his/her representative.

(4) Authorizing Officers shall ensure that all documents destroyed are properly recorded.

99. Chart of accounts

(1) For the purpose of Article 43(5) of the Act, the Accountant General shall, in collaboration with the Budget Director, determine a chart of accounts of the National Budget.

(2) The same chart of accounts shall be used for the preparation of the National Budget and the budget execution reports of the National Budget.

(3) The chart of accounts of the National Budget shall be fully uploaded into the SFMIS by the Accountant General.

(4) For the purpose of Article 43(5) of the Act, the Accountant General shall, in coordination with the Budget Director, determine a standard chart of accounts that shall be used by all public bodies, donor funded projects, Federal Member States, and local governments.

(5) The classifications used by the chart of accounts of the National Budget and the standard chart of accounts mentioned in paragraph (4) shall be in accordance with internationally accepted standards to the extent applicable.

(6) At a minimum, the Standard Chart of Accounts shall have following key segments to enable generation of financial information on the financial transactions of the Government as follows: -

(a) Administrative – describing administrative units and departments responsible for management of Federal Government finances and property;

(b) Source of funding – describing the sources of funding and corresponding expenditures financed;

(c) Programmes and functions – describing the government programmes and sub-programmes reflecting government policies, goals and objectives;

(d) Economic classification – describing the objects or the natural accounting nature of financial transactions including revenues, expenditures, assets, liabilities and reserves; and

(e) Geographic location – describing the geographical location of the beneficiaries of public spending.

(7) The Accountant General shall issue a standard chart of accounts manual to guide the application of the chart of accounts including the modalities for effecting changes to the chart of accounts.

(8) No revisions shall be made to the Standard Chart of Accounts without the prior approval of the Accountant-General.

100. Responsibilities for establishment and maintenance of the SFMIS

(1) In accordance with Article 9(8) of the Act, the Minister has overall responsibility for the development and maintenance of the SFMIS to be used across the Federal Government.

(2) The Accountant General shall oversee the day to day operation of the SFMIS;

(3) The Accountant General shall ensure the reliability and availability of the system to users and the effective maintenance of the system ensuring that all the necessary security protocols are in place and adequate.

(4) It shall be the responsibility of the Accountant General to ensure that there are adequate and fully functioning back-up and recovery arrangements for the system.

(5) The Accountant General shall develop and disseminate standard operating procedures for the operation and maintenance of the SFMIS to ensure efficient and effective use of the system in processing financial data.

(6) The standard operating procedures shall describe the processes and controls for recording, authorization, approval, deletion or alteration of any transaction or data by the authorized users.

(7) Every Authorizing Officer and authorized users of the SFMIS shall ensure compliance with the standard operating procedures of the SFMIS issued by the Accountant General.

101. Monthly financial and non-financial reporting from public bodies

(1) For the purpose of Article 44(1) of the Act, within seven days after the end of each month, an Authorizing Officer of every public body shall submit to the Accountant-General a monthly financial report of the public body, including:

   (a) the revenue and expenditure on the receipts and payments under the National Budget, in comparison with the budget;

   (b) the revenue from, and expenditure financed by, grants that are not included in the National Budget;

   (c) any other revenue and expenditure that is not included in the National Budget;

   (d) the bank reconciliation statements; and

   (e) any other statements as may be required by the Accountant-General.

(2) In addition to the monthly financial report in paragraph (1), an Authorizing Officer shall not later than the 7th day of each month submit to the Minister a monthly non-financial budgetary report relating to the activities of the public body for the preceding month in a format to be issued by the Minister, with copies to the Authorizing Officer of the Ministry of Finance, the Budget Director, and Accountant General.

(3) The contents of the report under paragraph (2) shall include—

   (a) an explanation of any material variances, as defined by the Accountant General, between the monthly budgeted and actual revenue and expenditure for the public body;

   (b) any pending payments (arrears) with an age of over ninety days;

   (c) a projection of expected revenue and expenditure for the remainder of the financial year;

   (d) a summary of the steps that are to be taken to ensure that the projected expenditure and income remain within budget;

   (e) key activities and outputs delivered during the month;

   (f) an update of key performance indicators for the public body; and

   (g) any other information as may be required by the Minister.

(4) The Minister shall consolidate all the reports received under paragraph (2), and submit a report to Cabinet and publish it on the Ministry website within seven (7) days after submitting it to Cabinet.

(5) An Authorizing officer shall put in place efficient and effective systems to monitor and report on non-financial performance for the public body's individual programs and projects based on the prescribed format under paragraphs (2).

(6) The Minister shall also set up a centralized system to facilitate the efficient and effective data collection, storage and exchange of information in paragraph (3) to monitor and report on non-financial performance of the individual programs and projects implemented by public bodies.

(7) A monthly financial report of a public body referred to in paragraph (1) shall be prepared in the formats prescribed by the Accountant-General and accompanied by the statement of responsibilities by the Authorizing Officer.

(8) For the avoidance of doubt, paragraph (1) shall apply to the Treasury, Donor Funded Projects, Special Funds, Sub-National Governments and Extrabudgetary funds.

102. Quarterly financial reporting from public bodies

(1) For the purpose of Article 44(2) of the Act, within a month after the end of each quarter, an Authorizing Officer of every public body shall submit to the Accountant-General a quarterly financial report of the public body, including:

(a) the statement of cash receipts and payments;

(b) the statement of comparison between the budgets and actuals;

(c) the cash flow statement;

(d) the balance sheet - which may initially include financial assets and liabilities and progressively cover all the entity assets and liabilities;

(e) Statement of extrabudgetary transactions that may include a comparison of the budget and actuals;

(f) the commitment statements on the performance of contracts including information on outstanding purchase orders.;

(g) Summary statement of the asset register prescribed under Article117(1)(a) of this Regulation;

(h) the notes to these statements;

(i) the details of receivables and payables;

(j) the bank reconciliation statements;

(k) the reconciliation statements of petty cash imprest;

(l) Status report in addressing audit recommendations issued by the Auditor General from the previous audits; and

(m) Any other statements as may be required by the Accountant-General.

(2) A quarterly financial report of a public body shall be prepared in the formats prescribed by the Accountant-General and accompanied by the statement of responsibilities by the Authorizing Officer.

(3) For the avoidance of doubt, this Regulation shall apply to Public Parties, State-Owned Enterprises, Federal Member State Governments, Donor Funded

Projects, all Extrabudgetary Funds not included in the National Budget, and any other Funds deemed to Public Funds.

103. Annual financial statements of public bodies

(1) For the purpose of Article 45(2) of the Act, within two months after the end of a financial year, an Authorizing Officer of every public body shall submit to the Accountant General the annual financial statements of the public body, which shall include the same contents as those of the quarterly financial report mentioned in Article 99 (1) of this Regulation.

(2) Notwithstanding paragraph (1), the annual financial statements of a public body shall be prepared in such formats as prescribed by the Accountant-General and accompanied by the statement of responsibilities by the Authorizing Officer.

(3) This Regulation shall also apply to the Treasury, Donor Funded Projects, Special Funds, Sub-National Governments and Extrabudgetary funds.

104. Annual reports of public bodies

(1) For the purpose of Article 45(2) of the Act, within six months after the end of every year, an Authorizing Officer of every public body shall submit to the Minister and the Accountant-General and publish in the website of the public body:

   (a) the annual report including information on the public body's efficiency, economy, and effectiveness in achieving its objectives and outcomes against performance indicators; and

   (b) the annual financial statements.

(2) An annual report of a public body mentioned in paragraph (1)(a) shall be prepared in the format prescribed by the Accountant General.

105. Monthly budget execution report

For the purpose of Article 44(3) of the Act, within one month after the end of each month, the Accountant-General shall prepare and publish in the website of the Ministry the monthly budget execution report of the National Budget. The Budget Execution Report shall include the following;

(a) detailed revenue and expenditure of the National Budget by an appropriation and the summary table;

(b) outstanding commitments of the National Budget in comparison with appropriations and allotments;

(c) a list of new and outstanding domestic and external public debt and guarantees of the Federal Government; and

(d) stock of expenditure arrears of the National Budget.

106. Annual financial statements of the Federal Government

(1) For the purpose of Article 45(5) of the Act, within six months after the end of each financial year, the Accountant-General shall prepare and publish in the website of the Ministry –

   (a) the annual financial statements for the National Consolidated Fund of the Federal Government, which includes the contents required by the Cash Basis International Public Sector Accounting Standards; and

   (b) the audit opinion on the annual financial statements of the Federal Government by the Auditor General.

(2) The annual financial statements of the Federal Government shall include appropriate disclosures that cover –

   (a) the cash flow statement;

   (b) the balance sheet - which may initially include financial assets and liabilities and progressively cover all the entity assets and liabilities;

   (c) the details of receivables and payables;

   (d) Summary of the consolidated asset register of the Federal Government;

   (e) Stock of expenditure arrears and public debt;

   (f) List of commitments;

   (g) all extrabudgetary transactions of public bodies; and

   (h) all state-owned enterprises controlled by the Federal Government.

107. Month and year-end account closure

(1) The Accountant General shall close general ledgers of the National Budget on a monthly basis.

(2) An Authorizing Officer of each public body shall close general ledgers of the public body on a monthly basis.

(3) The Accountant General shall issue instructions that prescribe the procedures and timeframe for the month - end account closure of the National Budget and public bodies.

(4) Before the end of the fiscal year, the Accountant General shall issue year-end procedures for closure of books of accounts by Public Bodies and the preparation of the annual financial statements of the Federal Government.

108. Reporting from Federal Member States and local governments

(1) For the purpose of Article 6 of the Act and without prejudice to the provisions under Articles 97,101,102,and 103 of this Regulation,each Federal Member State shall provide the Ministry with the following data and statements at least at the respective frequency and within the timeframe agreed between the Ministry and Federal Member State.

   (a) data on operations of the Federal Member State on a quarterly basis in the formats agreed between the Ministry and Federal Member State;

(b) the approved budgets of the Federal Member State on an annual basis;

(c) the unaudited and audited annual financial statements of the Federal Member State on an annual basis; and

(d) any other data and statements as agreed between the Ministry and Federal Member State.

(2) For the purpose of Article 6 of the Act, each local government shall provide the Ministry with the following data and statements at least at the respective frequency and within the timeframe prescribed by the Ministry.

(a) data on operations of the local government on a quarterly basis in the formats prescribed by the Ministry;

(b) the approved budgets of the local government on an annual basis;

(c) the unaudited and audited annual financial statements of the local government on an annual basis; and

(d) any other data and statements as prescribed by the Ministry.

109. Government finance data

(1) The Accountant General and on behalf of the Minister shall be responsible for compiling and disseminating government finance data, which shall be prepared in accordance with internationally accepted statistical methods.

(2) The Minister shall disseminate to the public the following government finance data at least at the respective frequency and within the respective timeframe:

(a) data on general government operations on an annual basis within three quarters after the end of the financial year;

(b) data on central government operations on a quarterly basis within one quarter after the end of each quarter

(3) The central and general governments mentioned in paragraph (2) shall have the same meanings assigned to them by internationally accepted statistical standards.

(4) The Ministry shall publish in its website the updated inventories of the methods, procedures and sources used for the compilation of government data required under paragraph (2).

(5) The Ministry and the Somalia Statistics Office shall establish an arrangement to coordinate the compilation and dissemination of government finance data.

110. Reporting from state-owned enterprises and recipients of public money

(1) For the purpose of Article 3 of the Act, state-owned enterprises shall carry the same meaning assigned to public corporations by Internationally accepted statistical standards.

(2) For the purpose of Articles 47, 48 and 49 of the Act, each state-owned enterprise shall provide the Minister and the Accountant General with the following data and

statements at least at the respective frequency and within the respective timeframe:

(a) quarterly financial reports in the formats prescribed by the Accountant General within two weeks after the end of each quarter;

(b) the approved financial plans and budgets on an annual basis within one week after the approval by the governing body of the state-owned enterprise;

(c) the unaudited annual financial statements within two months after the end of each financial year;

(d) the audited annual financial statements and the audit opinion within five months after the end of each financial year;

(e) the updated articles of association and other constitutional documents on an annual basis within two months after the end of each financial year; and

(f) any other data and statements as prescribed by the Minister.

(3) For the purpose of Article 9 of the Act, the Minister may require any recipient of public money from the National Budget to submit the following data and statements to the Minister and Accountant General at such frequency and within such timeframe as prescribed by the Minister:

(a) in-year financial reports in the formats prescribed by the Minister on the recommendation of Accountant General;

(b) the approved financial plans and budgets;

(c) the unaudited annual financial statements;

(d) the audited annual financial statements and the audit opinion;

(e) the updated articles of association and other constitutional documents; and

(f) any other data and statements as may be required by the Minister.

Part IX. Internal Audit and Audit Committee

111. Designation of a Chief Internal Auditor

(1) For purposes of Article 46(1) of the Act, the Minister shall designate a public officer under the Ministry as Chief Internal Auditor to oversee and coordinate the Internal Audit function throughout the Federal Government.

(2) The Chief Internal Auditor shall report functionally to the Audit Committee established under Article 113 of this Regulation and administratively to the Director General of the Ministry and shall be responsible for providing strategic direction and policy formulation for the internal audit function of the Federal Government, overseeing the audit process, and advising on the adoption of appropriate Internal Auditing Standards in all the federal government entities.

(3) The Chief Internal Auditor shall also report to the respective Authorizing Officers on any matter pertaining to their organizations.

(4) The responsibilities of the Chief Internal Auditor shall include:

- (a) ensure that internal audit is conducted throughout the Federal Government in accordance with International Standards for Professional Practice of Internal Auditing;
- (b) develop and update an Annual Audit Plan based on an appropriate risk-based methodology to be approved by the Audit Committee;
- (c) implementation of the approved Annual Audit Plan including any special tasks or projects as may be requested by the Audit Committee;
- (d) maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications or outsource the needed skills and capabilities to effectively execute the duties of the internal audit unit.
- (e) issue internal audit reports to Authorizing Officers for every engagement undertaken and completed with copies to the Audit Committee, the Director General of the Ministry and the Accountant General;
- (f) issue follow-up audit reports to the Audit Committee on a semi-annual basis on outstanding management action plans;
- (g) develop key performance indicators for the internal audit function and provide a quarterly report to the Audit Committee on the progress of the indicators;
- (h) keep the Audit Committee informed of emerging trends and best practices in internal auditing;
- (i) assist in the investigation of significant suspected fraudulent activities within Federal Government entities and notify management and the Audit Committee accordingly;
- (j) Liaise with the Auditor General as may be necessary in the execution of audit assignments;
- (k) develop and maintain a quality assurance and improvement program;
- (l) provide technical support to the Internal auditors in conducting internal audit assignments at the Federal Government entities; and
- (m) prepare and submit to the Audit Committee and Minister with copies to the Director General of the Ministry and Accountant General, consolidated quarterly and annual internal audit reports of all the entities.

(5) For the purpose of discharging his or her duties and responsibilities under paragraph (4), the Chief Internal Auditor shall have unlimited access to information, property and human resource to carry out any audits in a Federal Government Entity and shall be provided with all the required explanations.

112. Establishment and scope of work of an internal Audit Unit under the Ministry

(1) For the purpose of Article 46(1) of the Act and to provide the required internal audit services to Authorizing Officers, the Minister shall establish a centralised internal audit unit under the Ministry.

(2) The Chief Internal Auditor shall be the head of the Internal Audit Unit.

(3) In accordance with Article 46(1) of the Act, every Authorizing Officer shall be assisted by an Internal Auditor of the Internal Audit Unit established under paragraph (1).

(4) The Internal Auditor assigned to an Authorizing Officer as prescribed under paragraph (3) shall administratively report to the Authorizing Officer and functionally to the Chief internal Auditor.

(5) Without prejudice to the provisions of Article 46(1) of the Act, the scope of work for the internal audit unit shall be to determine whether the Authorizing Officers systems of risk management, internal controls, and governance processes, as designed and represented by management, are adequate and functioning in a manner so as to ensure;

   (a) Risks are appropriately identified and managed;

   (b) Significant financial, managerial, and operating information is accurate, reliable, and timely;

   (c) Employees' actions are in compliance with policies, standards, procedures, code of ethics and applicable laws and regulations; and

   (d) Resources are acquired economically, used efficiently, and adequately protected

(6) Pursuant to paragraph (5), the staff of the Internal Audit Unit shall;

   (a) have unrestricted access to all functions, records, property, and personnel;

   (b) have full and free access to the Audit Committee;

   (c) allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques as may be necessary to accomplish audit objectives; and

   (d) obtain the necessary assistance from the Ministry personnel where they perform audits, as well as other specialized services from within or outside the Ministry in line with the approved budget.

(7) The staff of the Internal Audit Unit shall not;

   (a) perform any operational duties of an organization;

   (b) initiate or approve accounting transactions external to the Internal Audit Unit;

   (c) Direct the activities of any entity employee not employed by the Internal Audit Unit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

(8) The purpose, authority and detailed responsibilities of the Internal Audit Unit and staff shall be defined in an internal audit charter issued by the Minister on the recommendation of the Audit Committee.

(9) The Internal Auditor assigned to an Authorizing Officer shall prepare and submit a report for every engagement undertaken and completed to the Chief Internal Auditor for review and to be issued as mentioned in Article 111 (4)(e) of this

Regulation. The report shall be submitted to the Chief Internal Auditor after discussion with the Authorizing Officer.

(10) At the end of every three months, the Internal Auditor shall prepare and submit a quarterly consolidated report on all engagements and activities undertaken on the execution of the audit plan to the Authorizing Officer and Chief Internal Auditor. The report shall be issued within 30 days after the end of the quarter and after discussion with the Authorizing Officer.

113. Establishment of Audit Committee of the Federal Government

(1) To ensure the effectiveness of the Internal audit function, the Minister shall establish a centralized Audit Committee to assist authorizing Officers in fulfilling their stewardship and oversight responsibilities;

(2) The Audit Committee shall be composed of at least three (3) but not more than five (5) members appointed by the Minister.

(3) The Chief Internal Auditor shall act as the secretariat for the Audit Committee but without a right to vote.

(4) Members to the committee shall be selected from different areas of expertise to enhance the Audit Committee's knowledge. The appointed members shall collectively possess the following skills and experience:

  (a) broad business, corporate governance and/or financial management experience;

  (b) public sector experience;

  (c) an understanding of accounting and internal controls practices;

  (d) an understanding of public financial management practices;

  (e) an understanding of the roles of internal and external audits; and

  (f) high moral behavior and financial integrity.

(5) At least one Audit Committee member shall have significant and recent experience in accounting and financial management.

(6) The persons appointed to the Audit Committee shall, as a minimum, be independent of the operational management of the entities served by the committee.

(7) Members of the Audit Committee may resign from their duties on their free will or upon request by the Minister before the end of their term of office. The resignation from duties on the free will of a member of the Audit Committee shall be done in writing addressed to the Minister.

(8) The Audit Committee shall meet at least four times a year, with authority to convene additional meetings, as circumstances require. In case of such extraordinary meetings, the Audit Committee shall consider only items on the agenda except if there are proposed modifications to the agenda at the start of the meeting.

(9) Any Authorizing Officer or staff of the Internal Audit unit may be invited to attend meetings of the Audit Committee, as may be necessary.

(10) Where appropriate, the Audit Committee may invite the external auditors or any other resource-person in an advisory capacity.

(11) Invited persons to attend the Audit Committee's meetings shall not have the right to vote.

114. Duties and responsibilities of the Audit Committee

(1) Duties and responsibilities of the Audit Committee shall include.

(a) Review the annual financial statements and consider whether they are complete, consistent with information known to Committee members, and comply with appropriate accounting principles and standards;

(b) Consider the effectiveness of internal control systems, including information technology security and control;

(c) Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations together with management's responses;

(d) Ensuring the existence of an adequate framework that could be reasonably expected to prevent and detect material fraud;

(e) Review with management and the Chief Internal Auditor the internal audit charter, plans, activities, staffing, and organizational structure of the Internal Audit Unit;

(f) Review the designation and replacement of the Chief Internal Auditor and approve the annual internal audit work plan;

(g) Review the status of compliance with applicable legal and regulatory framework laws, regulations, policies, instructions, agreements and procedures; and

(h) Review and approve the annual budget of the Internal Audit Unit and ensure the unit has sufficient resources to perform its duties as prescribed in the internal audit charter.

(2) The Audit Committee shall maintain free and open communication between the Committee, the Ministry, Accountant General, Auditor General, internal auditors and Authorizing Officers.

(3) The Audit Committee shall have the authority to retain independent legal, accounting or other advisors. The Ministry shall provide appropriate funding as determined by the Committee for payment of compensation to any advisors engaged by the Committee.

(4) Before the end of the following quarter, the Audit Committee shall submit to the Minister with copy to the Director General of the Ministry and Accountant General, quarterly reports indicating key issues that need special attention and/or monitoring.

(5) Within six months following the end of the financial year, the Audit Committee shall prepare and submit an Annual Report to the Minister summarizing the results of its work, its conclusion and recommendations with copies provided to

the Director General of the Ministry, the Accountant General and the Chief Internal Auditor.

(6) The Auditor General shall have access to reports mentioned in paragraphs (4) and (5) whenever requested.

(7) The Minister shall, by order, specify the specific roles, responsibilities and arrangements of the Audit Committee upon the recommendation of the Chief internal Auditor.

115. Establishment of Internal Control Systems

(1) An Authorizing Officer shall establish and implement effective internal control systems to address all forms of risks to the efficient, effective and ethical operations of the entity and to prevent or detect fraud and any other irregularities and ensure compliance with laws and regulations.

(2) For the purpose of Article 10(1)(c), (d), and (i) of the Act, the Accountant General shall put in place the necessary institutional, procedural and administrative arrangements to ensure that the internal financial control system of every Authorizing Officer is adequate and effective.

(3) The internal financial and control systems established shall be based on an Internal Control Framework consistent with best practice and internationally recognized standards.

(4) The Internal Auditor shall evaluate the internal control systems as established and provide reasonable assurance regarding reliability and provide advice on findings of audits.

Part X. Management of Public Property and Inventories of the Federal Government

116. Responsibility for the management of Public Property

(1) In accordance with Articles 50 and 51 of the Act, public property includes moveable and immovable assets of the Federal Government. For the purpose of this Regulation, these shall cover all non-current assets of the Federal Government.

(2) “Non-current assets” has the same meaning assigned by the International Public Sector Accounting Standards or any other internationally acceptable accounting standards.

(3) The Minister shall issue an asset management framework and policies to ensure all public property is properly safeguarded, recorded, accounted for and reported on.

(4) Every Authorizing Officer of a Public Body, Sub-National Government or State-owned enterprise shall have full responsibility for the acquisition, use, maintenance and disposal of public property under his/her control in accordance with the Act, this Regulation and other relevant laws and regulations.

(5) For the purpose of Article 50(1)(c) of the Act and with delegated Authority, the Director General of the Ministry of Finance shall be responsible for the management and administration of all immovable property not under the direct control of any Authorizing Officer.

117. Administration and recording of non-current assets

(1) An Authorizing Officer shall ensure the following in the custody of assets under his or her control;

   (a) ensure that items of public property are properly recorded in an asset register in the SFMIS in a format prescribed in the asset management framework and policies and at a minimum, containing the following: date of acquisition, description, code, quantity, location, and cost for acquisition and disposals;

   (b) ensure that every officer is personally and pecuniary responsible for the property and his or her custody and that there is a central record of the names of the custodians and the locations of the assets assigned to them;

   (c) ensure adequate maintenance of the assets by including in annual budget submissions all estimated maintenance and running costs of such public property;

   (d) conduct periodic physical verification of public property against asset registers at least annually and included in the financial statements;

   (e) ensure other items acquired but not required for immediate use or consumption shall form part of inventories or stores for which proper records shall be maintained;

   (f) retain information and records on all public property in accordance with Article 98 of this Regulation;

   (g) comply with ministerial orders and instructions regarding management of such assets.

(2) The responsibilities under paragraph (1) shall apply to the property administered by the Director General of the Ministry of Finance under Article 116(5) of this Regulation.

118. Management of Government inventories

(1) “Inventories” has the meaning assigned by the International Public Sector Accounting Standards or any other internationally acceptable accounting standards and these are;

   (a) in the form of materials and supplies to be consumed in the production process;

   (b) in the form of materials to be consumed in the rendering of services;

   (c) held for sale or distribution in the ordinary course of operations; and

   (d) in the process of production for sale or distribution.

(2) The Minister shall, in a Comprehensive Operating Procedures Manual, specify the procedures for receiving, issuing, recording, and disposing of inventories and for the elimination of potential misuse or theft;

Part XI: Natural Resource Revenue Management

119. Establishment of a natural resource revenue fund

(1) Pursuant to provisions of Article 61 of the Act, the Minister shall establish a natural resource revenue fund.

(2) The Fund shall-

(a) receive resources defined in Article 61 of the Act accruing to Government;

(b) invest that revenue for the benefit of current and future generations;

(3) The revenues of the Fund shall consist of-

(a) revenues accruing to the Government as defined in Article 61 of the Act; and

(b) earnings from the financial investments of the Fund.

120. Collection and deposit of Resources revenues into the Fund

(1) The resources revenues due to Government shall be assessed and collected by the entity responsible for revenue collection at the Federal Government level and deposited in the Fund in a timely manner.

(2) For the purpose of Article 58 the Act and paragraph (1), the Accountant General shall open a bank account with the Central Bank of Somalia under the Treasury Single Account into which the natural resource revenues mentioned in Article 70(1) (b)(iv) of this Regulation shall be deposited.

(3) All natural resources revenues shall be paid into the Treasury Main Account on collection and transferred to the Natural Resources Revenue Bank Account by the Central Bank of Somalia on a weekly basis upon instruction for electronic funds transfer from the Accountant General.

(4) The Accountant General shall prepare and upload into the SFMIS, appropriate reconciliation documents to support the instruction for the electronic funds transfer in paragraph (3).

(5) All revenues deposited into the Natural Resources Revenue Bank Account shall constitute part of the Fund.

(6) Where resources revenues are owed but not transferred to the Treasury Main Account by the due date, the entity or person responsible for holding the revenues shall pay an additional amount as determined by the Minister but not exceeding two percent of the amount in default for each day of default.

121. Retention of investment earnings within the Fund

The revenues, income, dividend, proceeds, gains, earnings or other moneys or assets received from the investment of the assets of the Fund shall be retained within and constitute part of the Fund.

122. Investments of the Fund

(1) The Minister shall appoint an Investment Advisory Committee which shall operate in accordance with the requirements of this Regulation.

(2) The Investment Advisory Committee shall invest the monies of the Fund in accordance with the investment policy approved by the Minister.

(3) For the avoidance of doubt, the Investment Advisory Committee shall not invest the resources of the Fund in any instrument issued by a bank, corporation, or individual resident in Somalia or owned or controlled by a Somali national or company registered in Somalia.

(4) The Minister shall enter into a formal written agreement with the Central Bank of Somalia for the operational management of the Fund.

(5) The Central Bank of Somalia shall manage the investments of the Fund in a manner consistent with the investment policy approved by the Minister.

123. Operating cost of the Fund

(1) The costs of administering the Fund shall be met out of money appropriated by Parliament for the purpose and paid out of the Treasury Single Account of the Federal Government.

(2) Money shall not be withdrawn from the Fund for the purpose of meeting any of the operating costs of the Fund.

124. Withdrawals or drawdowns from the Fund

(1) The withdrawal of money from the Fund to be used to contribute to financing the national budget shall not exceed the budget funding amount authorized by Parliament in the Appropriation Act or Supplementary Appropriation Act as the case may be, for that fiscal year.

(2) The withdrawal of money from the accounts of the Fund shall only be made for purposes of financing the national budget.

(3) Other withdrawals from the Fund shall be treated as a loss of public money.

(4) Monies withdrawn from the Fund shall be governed by rules and procedures concerning the management of the Treasury Single Account as required in the Act.

125. Prohibition on encumbrance of the Fund

(1) The assets of the Fund including all types of assets whether present or future shall not be earmarked, pledged, committed, loaned out, or otherwise

encumbered by any person or entity and such prohibition shall include but not be limited to prohibitions on-

(a) providing credit to the government, public enterprises, private sector entities or any other person or entity;

(b) using the assets of the Fund as collateral for debts, guarantees, commitments or other liabilities of any person or entity; and

(c) borrowing from reserves of the Fund.

(2) Any contract, agreement or arrangement, to the extent that it purports to encumber the assets of the Fund, whether by way of guarantee, security, mortgage or any other form of encumbrance shall be null and void.

126. The Investment Advisory Committee

(1) The Minister shall appoint and terminate the appointments of members of the Investment Advisory Committee after consultation with the Governor of the Central Bank of Somalia; and

(2) The functions of the Investment Advisory Committee shall be to advise the Minister on-

(a) the investment policy of the Fund

(b) the performance of the Fund;

(c) the agreement with the Central Bank of Somalia for managing the Fund;

(d) changes recommended to the investment fund policy; and

(e) other matters that the Minister may request advice on.

(3) The Investment Advisory Committee shall consist of no more than five (5) members appointed by the Minister.

(4) The Minister shall recommend for appointment a person who has substantial experience, training, and expertise in financial investment as a member of the Investment Advisory Committee.

(5) A person shall not be appointed as a member or continue as a member of the committee if the person -

(a) is declared bankrupt or insolvent;

(b) is convicted of a criminal offence; or

(c) is unfit for office.

(6) A member of a committee shall be appointed for a term of not more than one year and may be reappointed at the discretion of the Minister.

(7) The terms of appointment and requirements of the Investment Advisory Committee members shall be determined by the Minister and provided in written form to committee members with a copy submitted to the Parliament.

(8) The Minister shall publish on the Ministry website the members of the Investment Advisory Committee.

127. Reports by the Central Bank of Somalia

(1) The Central Bank of Somalia shall present to the Minister and the Investment Advisory Committee and provide a copy to the Accountant General, monthly reports on the performance and activities of the line being managed on behalf of the Fund not later than fifteen days after the end of the month.

(2) The Central Bank of Somalia shall publish semi-annual reports on the items managed on behalf of the Fund not later than the 15th of January and the 15th of July of each year and shall make the report publicly available on its website within one week of publication.

128. Accounting and Reporting for the Natural Resource Revenue Fund

(1) Pursuant to Article 60(1) (a) of the Act, the Accountant General shall maintain proper books of accounts and records for the Natural Resource Revenue Fund in the SFMIS and in accordance with the provisions of this Regulation.

(2) For the purpose of Article 58(2) of the Act, the Accountant General shall adopt an accounts classification that will ensure the separate recording of the receipt of natural resource revenues arising from each type of natural resource from the licensing, taxation or any other exploitation of fisheries, minerals and petroleum resources.

(3) In general, Articles 97,101,102,and 103 of this Regulation shall apply in the preparation of the financial reports of the Fund and specifically the Accountant General shall prepare and submit quarterly and annual financial statements to the Minister and the Auditor General within a month after the end of each quarter and two months following the end of the fiscal year respectively.

(4) The provisions of Articles 101,102,and 103 of this Regulation notwithstanding, the following information shall be provided in the financial reports prepared for the fund.

   (a) A schedule or disclosure of the amount of natural resource revenues collected and not yet remitted to the Natural Resource Revenue Fund bank account.

   (b) A schedule or disclosure of amounts collected and transferred to the Natural Resource Revenue Fund bank account from the Treasury Main Account; This shall be supported by a Revenue Accountability statement clearly reconciling the amounts collected and the actual amount transferred to the credit of the Natural Resource Revenue Fund bank account.

   (c) Income earned from any investments of balances in the fund

   (d) Schedule or disclosure of investments from the fund.

   (e) A schedule or disclosure of withdrawals from the fund categorized between transfers made to finance the budget and those made towards investments; and

   (f) Any other information as may be required by the Minister or determined by the Accountant General.

(5) For the purpose of Article 60(1)(b) of the Act, the Accountant General shall prepare the annual report of the fund and submit it to the Minister in accordance with Article 104 of this Regulation.

(6) The Minister shall submit the annual report of the fund to Parliament within 1 month upon receipt from the Accountant General and provide a copy to the Federal member States for the purpose of Article 60(3) of the Act.

(7) The format of the annual report shall be prescribed by the Minister.

129. Audit of the Fund

(1) The Auditor-General shall be the auditor of the Fund.

(2) Subject to the provisions of the Audit Law, the Auditor General may engage a reputable international audit firm to act on his behalf to determine if-

  (a) the annual accounts have been properly kept;

  (b) all payments due to the Fund have been received;

  (c) whether the Fund has been managed in accordance with the provisions of this Regulation; and

  (d) other requirements have been met that the Auditor General considers necessary to audit.

(3) The Auditor-General shall issue an audit opinion on the annual financial statements within 2 months of receipt of the annual financial statements and shall provide a copy of the audit report to the Minister and Accountant General.

(4) The Auditor General shall table the audited accounts in Parliament.

Part XII. Public Investment Management

130. Application of this part

(1) Articles 130 to 135 of this Regulation shall apply to a project that meets the following conditions;

(a) the total costs are primarily comprised of capital expenditure; and

(b) the total costs exceed 5 million dollars.

(2) Notwithstanding paragraph (1), Articles 127 to 132 of this Regulation shall apply to all public-private partnerships.

131. Principle of budget unity

(1) For the purpose of Article 15 of the Act, –

(a) all projects of Public Bodies shall be included in the National Budget; and

(b) all PPPs of Public Bodies shall be included in an annual concessions plan approved by the Council of Ministers under Article 125(1) of the Public Procurement, Concession and Disposal Act of 2016.

(2) The Minister shall submit the annual concessions plan approved by the Council of Ministers to Parliament as part of the proposed National Budget for its information.

(3) When exercising his or her responsibilities under Article 8 of the Act, the Minister may include a project and PPP of a Public Body in the proposed National Budget and annual concessions plan, as the case may be, only when all the following conditions are met;

(a) the Minister has verified affordability of the project and PPP; and

(b) the project and PPP has been appraised and selected in accordance with applicable legislation in force from time to time;

(4) When a project or PPP of a Public Body is not included in the National Budget or annual concessions plan, as the case may be, the Minister shall refuse –

(a) signing of the relevant borrowing agreement under Article 36 of the Act;

(b) approval of the relevant multi-annual commitment under Article 30 of the Act; and

(c) co-signing of the PPP agreement under Article 131 of this Regulation.

132. Verification of affordability

(1) When a Public Body intends to propose a project and PPP, the Public Body shall obtain verification of affordability by the Minister at each stage of the project planning as set out in applicable legislation in force from time to time.

(2) The Minister shall reject verification of affordability of a project and PPP, if the verification at any preceding stage of the project planning has not been obtained yet.

(3) When there is no other applicable legislation in force, the Minister shall require verification of affordability of a project and PPP at such time and in such manner as determined by the Minister.

133. Budget documentation

(1) For the purpose of Article 18(1) of the Act, the proposed National Budget shall include an annex on public investments which present the following information for all new and ongoing projects and PPPs that are included in the National Budget:

(a) the original and updated total costs or in case of a PPP the original and updated total investments committed by the private partner;

(b) the original and updated project completion dates;

(c) when there are significant deviations between the original and updated total costs and investments and completion dates, explanation of the causes;

(d) the source of financing;

(e) updated amount of the relevant multiannual commitments entered in by the Public Bodies;

(f) cumulative amount of the expenditure or investment that has been already made since the beginning of the project or PPP;

(g) amount of the relevant outstanding invoices owed by the Public Bodies;

(h) estimate of the annual expenditure for the next five years or in case of a PPP the annual investments for the next five years; and

(i) any other information as may be deemed appropriate by the Minister.

(2) The Public Body shall submit to the Minister such information on any project or PPP in such manner and by such time as specified by the Minister.

134. PPP agreements

(1) For the purpose of Articles 30(4) and 37(1) of the Act, a PPP agreement that has a nature similar to multiannual commitments or government guarantees shall be co-signed by the Minister in addition to the Authorizing Officer of the relevant Public Body.

(2) A PPP agreement shall be deemed to have a nature similar to multiannual commitments or government guarantees when one or more of the following conditions are met;

(a) The PPP agreement includes obligations for payments from the National Budget anytime in the future; or

(b) The PPP agreement creates obligations for payments from the National Budget contingent on the occurrence of an event, regardless of however remote it is.

(3) Any change in a PPP agreement that requires co-signing of the Minister under paragraph (1) shall be co-signed by the Minister, in addition to the Authorizing Officer of the relevant Public Body.

(3) A PPP agreement or any change therein that is made in violation of paragraph (1) or (3) shall be null and void and have no legal effect.

135. Project changes

(1) When a Public Body intends to make a project change that increases the total costs by 10 percent or more from the original costs, the project change shall be treated as a new project and subject to the verification of affordability by the Minister.

(2) When total costs of a project are increased by 10 percent or more from the original costs due to the reasons other than a project change, the Minister may require re-verification of affordability of the project.

(3) When a Public Body intends to make any change in a PPP agreement that requires co-signature of the Minister, the Public Body shall obtain from the Minister verification of affordability for the change.

(4) If a project change or a change in a PPP agreement is made in violation of paragraph (1) or (3), the Minister shall refuse –

(a) inclusion of the project change or the change in the PPP agreement in the National Budget;

(b) signing of the additional borrowing agreement made in relation to the project change;

(c) approval of the multi-annual commitment made in relation to the project change; and

(c) co-signing of the change in the PPP agreement.

Part XIII. Sanctions and Miscellaneous

136. Sanctions

(1) When a public body fails to comply with any requirements under the Act or this Regulation, the Minister may take one or more of the following measures:

- (a) require submission of corrective action plans and additional reporting;
- (b) publish the fact of the violation and the name of the Authorizing Officer in such media as the Minister deems appropriate;
- (c) undertake special investigation through an officer appointed by the Minister;
- (d) suspend or annul transactions made without the required approval;
- (e) place a special advisor in an office of the covered entity; and
- (f) take over through an officer appointed by the Minister such powers for the financial management of the public body as determined by the Minister.

(2) When a public body fails to submit the monthly financial and non-financial reports or annual financial statements by the deadline, the Minister may take one or more of the following measures:

- (a) suspend allotments and warrants for the budget expenditure until the monthly financial and non-financial reports or annual financial statements are submitted; and
- (b) publish the fact of the failure and the name of the Authorizing Officer in such media as the Minister deems appropriate.

137. Losses Abandonment of claims and write off of public money and assets

(1) Losses may take the form of cash, inventories, public property, claims waived or abandoned, fruitless payments, illegal expenditure and loss of accountable documents.

(2) The Authorizing Officer shall ensure:

- (a) that there is a mechanism in place for prompt detection and reporting of losses;

(b) that losses detected are investigated and for the purpose of Article 54(1) of the Act are recorded through the SFMIS in appropriate registers and reported in the accounts immediately;

(c) that amounts recoverable from the officer held responsible for the loss, are recovered without delay;

(d) that irrecoverable losses are written-off in accordance with procedures specified in the Comprehensive Operating Procedures Manual;

(e) that within two months after the end of each financial year, he or she submits to the Accountant-General an explanation of what disciplinary and other sanction has been taken in respect of each loss recorded in the SFMIS under paragraph 2(b).

(f) that an Annual Statement of Losses is compiled and included in the annual financial statements of the Public Body for submission to the Accountant General who shall prepare a consolidated annual statement of losses as part of the annual financial statements of the federal government submitted for audit.

(3) The Accountant General may establish a committee of enquiry to investigate the circumstances of any large or unusual losses referred to it by the Accountant General, Director General of the Ministry, Chief Internal Auditor or Auditor General.

(4) The Minister shall, in a Comprehensive Operating Procedures Manual, specify detailed arrangements for the management of losses under paragraph (1).

138. Entry into force and implementation of the Regulation

(1) This Regulation shall come into force on the date of its publication on the Ministry of Finance's Website, after the approval of Council of Ministers required under Article 62 (1) of the Public Finance Management Act.

(2) This regulation is issued in Somali and in English. In the event of a conflict, the Somali text shall prevail.

(3) The Minister may, by order, defer or suspend the implementation of any part(s) or sections of this Regulations to allow for the smooth implementation of the Regulation.

(4) For the better implementation of this Regulation and pursuant to Article 9 of the Act, the Minister shall make and publish operating financial management procedures specifying the general policies, procedures, processes and rules to be followed by the Authorizing Officers in the efficient and effective management of public resources and funds.

(5) In accordance with Article 9(6) of the Act and for the effective implementation of the Act and this Regulation, the Accountant General shall be responsible for conducting and managing programmes for the professional development of public officers with public financial management responsibilities.