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SECTION 1 – ABOUT THE MANUAL

OVERVIEW

Introduction

The United Nations in Somalia is committed to supporting national ownership of the Compact and its implementation. Through the establishment of a National Funding Stream (NFS) as part of the United Nations Multi-Partner Trust Fund (the 'UN MPTF'), the Federal Government of Somalia (the ‘FGS’) and the UN seek in particular to strengthen the use of country systems, in line with the New Deal principles, and to align international assistance behind national planning, budgeting and monitoring processes.

Contents

The following table outlines the contents of this manual:

- About The Manual
- Context & Expected Results
- Governance & Structure
- Training
- Budget
- Eligibility
- Financial Management
- Communications
- Monitoring & Evaluation
- Audit
- Reporting

Other Key Documents

Readers are to refer to this manual in conjunction with the following key documents:

- Public Financial Management Manual
- External Assistance Financial Procedures Manual
- MPTF – Terms of Reference (TOR)
- MPTF – Memorandum of Agreement (MoA)
- MPTF – Standard Administrative Arrangement for National Stream

PURPOSE

Purpose

The purpose of the NFS Manual [the ‘Manual’] is to establish the procedures and regulations for use of, and accounting for, donor financial assistance through the NFS of the UN MPTF

Country Systems

This manual reflects the use the country systems in full and avoids using additional procedures to the extent possible. As such, the manual provides for the procedures and regulations that are additional to the ones established in the PMF manual and the EFAS manual.
## AUTHORITY

### Issuing
This manual is issued under the joint authority of the Minister of Finance and the United Nations in Somalia.

### Application
This manual applies to all donor financed assistance to the Federal Government of Somalia thru the NFS.

### Donor financing agreements
Donor financing agreements may refer to this manual, and/or have additional requirements, and/or refer to the use of government systems in full.

## CHANGES TO THE MANUAL

### Authority
Only the Ministry of Finance or the United Nations have the authority to make changes to this manual.

### External Partners
The Ministry of Finance and the United Nations will seek to consult with external partners of the NFS prior to making any changes.

### Notification
External partner of the NFS will be notified of any change to the manual.

A notification of change to the manual must be given at least four weeks prior to the change coming into effect.

### Disagreements
External partners of the NFS have the right to opt out of all or parts of the manual in case agreement on the change is not established.

### Enquiries & Recommendations
Enquiries about the manual (including recommendations for improvement) should be directed to the Ministry of Finance and to the Resident Coordinator Office of the United Nations in Somalia.
**GUIDANCE FOR USERS**

<table>
<thead>
<tr>
<th>Reading – Beginning to End</th>
</tr>
</thead>
<tbody>
<tr>
<td>By reading from beginning to end, it is possible to get a complete and up-to-date understanding of the NFS, how it is organized and managed, and the policies and procedures that are applied to ensure its successful operation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Referencing – Specific Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the same time, it is expected that The Manual will more normally be referenced to check on specific aspects of the NFS. Each section therefore functions on a stand-alone basis, with cross-referencing guiding the user to other relevant information.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each section has been created so that the operational details most likely to be subject to regular review and revision are separated from the general text. The organization of the manual is intended to minimize disruption caused by necessary updates.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correct Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>This Manual will be revised throughout the lifetime of the NFS. Inevitably previous versions and other related materials will not necessarily have been updated, and inconsistencies may arise between the content of The Manual and such related documents. In such cases the contents of the current authorized version of The Manual should be considered to provide the correct information.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Range of Readers</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is expected that this Manual will be referenced by a variety of interested parties, with diverse involvement in and understanding of the NFS. As far as possible it has been written in a way that should be clear to the anticipated range of readers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unfamiliar Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where it has been impossible to eliminate the use of potentially unfamiliar terminology, clarifying information has been included in the glossary of terms and/or the specification of abbreviations and acronyms.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual Sections</th>
</tr>
</thead>
</table>
| Each section contains all information directly relevant to it.  
The detailed contents are summarized at the beginning of each section.  
To simplify the process of updating, detailed information (for example, lists of criteria, sample forms, contact details, and so forth) have been separated at the end of the section.  
In order to access specific information the user should therefore:  
- First review the table in the Overview, to identify the section containing the required information; and  
- Subsequently refer to the table at the start of that section, to determine the specific location of the information required. |
## DEFINITIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Except when the context of a specific provision of law otherwise requires, the following terms when used in this manual shall, for the purposes of the manual, have the meanings respectively ascribed to them in this Section.</td>
</tr>
<tr>
<td>Accountant General</td>
<td>Means the Head of a department (“Office of the Accountant General”) that performs duties as defined by the Financial Procedures Manual and whose authority is defined by the Ministry of Finance.</td>
</tr>
<tr>
<td>Auditor General</td>
<td>Means the Auditor General who heads the Auditor General Office established under Article 114 of the Provisional Constitution of Somalia.</td>
</tr>
<tr>
<td>Audit</td>
<td>Means conducting a systematic financial, process examination, verification, physical inspection of all financial records of all entities using funds from the National Funding Stream.</td>
</tr>
<tr>
<td>Commitment Control</td>
<td>Means the Identification and reserving of funds for future payment obligations.</td>
</tr>
<tr>
<td>Financial Governance Committee</td>
<td>The FGC is a body in the Federal Government of Somalia responsible for driving improvements in financial governance by providing considered advice to the government, international partners and others. It is supposed to give regular updates on financial governance to the SDRF Executive Steering Committee.</td>
</tr>
<tr>
<td>Monitoring Agent</td>
<td>Means a person or company that assess whether and to what extent NFS funds have been administered efficiently based on criteria agreed to beforehand between the donor and the recipient.</td>
</tr>
<tr>
<td>National Funding Stream</td>
<td>Means financing provided directly to National Entities that are included as Government Implementing Partners in the programmatic documents approved by the Steering Committee.</td>
</tr>
<tr>
<td>New Deal Compact</td>
<td>It is a strategic document that frames the political, security and developmental architecture of the relationship between Somalia, its people and the International Community.</td>
</tr>
<tr>
<td>Peace and State Building Goals</td>
<td>These are the specific priorities drawn from the Six Pillar Programme of the FGS, they include: inclusive politics, security, justice, economic foundations service &amp; revenue and cross cutting issues (gender, capacity development, external relations and the rebuilding of citizen-state relations).</td>
</tr>
<tr>
<td>Public Financial Management</td>
<td>Means the legal and administrative systems and processes which will ensure the effective, economic and productive utilization of public resources in accordance with the predefined standards.</td>
</tr>
<tr>
<td><strong>Risk Management Strategy</strong></td>
<td>Means a considered portfolio level support for efficient use funds and provision of a plan to deliver on the objectives of the MPTF within the risk context in which the fund operates.</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Somali Development and Reconstruction Facility</strong></td>
<td>It is a financing architecture of the Compact. It brings together several multi-partner trust funds (referred to as “windows” in the context of the SDRF) under common governance arrangements. Its key objective are, to align resources behind the critical priorities set out and agreed in the Somali Compact, develop sustainable institutional capacity by placing Somali institutions in the lead and facilitate a transition towards increased use of country PFM systems</td>
</tr>
<tr>
<td><strong>UN Funding Stream</strong></td>
<td>It is a platform for coordinated financing of eligible UN agencies through the UN “Window” of the MPTF</td>
</tr>
<tr>
<td><strong>UN Multi Partner Trust Fund</strong></td>
<td>The UN Multi-Partner Trust Fund (UN MPTF) is a structured collective process of directing and guiding funds in support of the implementation of the Somali Compact.</td>
</tr>
</tbody>
</table>
## ABBREVIATIONS & ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>Administrative Agent</td>
</tr>
<tr>
<td>ACU</td>
<td>Aid Coordination Unit</td>
</tr>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>AG</td>
<td>Accountant General</td>
</tr>
<tr>
<td>AIMS</td>
<td>Aid Information Management System</td>
</tr>
<tr>
<td>EAFS</td>
<td>External Assistance Financial System</td>
</tr>
<tr>
<td>EOI</td>
<td>Expression of Interest</td>
</tr>
<tr>
<td>FGCA</td>
<td>Financial Governance Committee</td>
</tr>
<tr>
<td>FGS</td>
<td>Federal Government of Somalia</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>ISF</td>
<td>Integrated Strategic Framework</td>
</tr>
<tr>
<td>ISSAI</td>
<td>International Standard of Supreme Audit Institutions</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>ITB</td>
<td>Invitation to Bid</td>
</tr>
<tr>
<td>JPLG</td>
<td>Joint Programme on Local Governance</td>
</tr>
<tr>
<td>M&amp;EE</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MA</td>
<td>Monitoring Agent</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries Departments &amp; Agencies</td>
</tr>
<tr>
<td>MPTF</td>
<td>Multi Partner Trust Fund</td>
</tr>
<tr>
<td>MPF</td>
<td>Multi Partner Fund</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MoPIC</td>
<td>Ministry of Planning &amp; International Cooperation</td>
</tr>
<tr>
<td>NFS</td>
<td>National Funding Stream</td>
</tr>
<tr>
<td>NFS FP</td>
<td>National Funding Stream Focal Point</td>
</tr>
<tr>
<td>OAG</td>
<td>Office of the Auditor General</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>PO</td>
<td>Purchase Order</td>
</tr>
<tr>
<td>PSG</td>
<td>Peace and State Building Goals</td>
</tr>
<tr>
<td>RBM</td>
<td>Results Based Management</td>
</tr>
<tr>
<td>RFI</td>
<td>Request for Information</td>
</tr>
<tr>
<td>RFP</td>
<td>Request for Proposal</td>
</tr>
<tr>
<td>RFQ</td>
<td>Request for Quotation</td>
</tr>
<tr>
<td>SDRF</td>
<td>Somali Development &amp; Reconstruction Facility</td>
</tr>
<tr>
<td>SFMIS</td>
<td>Somali Financial Management Information System</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
</tr>
<tr>
<td>VFM</td>
<td>Value for Money</td>
</tr>
<tr>
<td>VRF</td>
<td>Vendor Registration Form</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
</tbody>
</table>
SECTION 2 – CONTEXT & GOVERNANCE

BACKGROUND

New Deal & Compact
On 16 September 2013, the Federal Government of Somalia and international community endorsed a Compact as part of a New Deal for Somalia that will guide the country’s transition out of fragility.

Agreement
As part of the New Deal, partners agreed to:
• Use Peacebuilding and Statebuilding Goals to guide the work in fragile and conflict-affected settings;
• Support inclusive country-led and country-owned transitions out of fragility; and
• Provide aid and manage resources more effectively by enhancing transparency, managing risks, strengthening capacities and timeliness of aid.

Significant Challenges
Somalia’s long history of conflict, insecurity and constraints on access have presented significant challenges for the international community in delivering aid, working with partners, and monitoring and evaluating results in the past.

NEW DEAL AID ARCHITECTURE

New Beginning
The Somali Compact is a new beginning in the partnership between the Somali people and the international community. It is the overarching framework for all international engagement in the country under the leadership of the Somali Government.

Peace & State Building Goals
The overarching framework includes five key Peacebuilding and Statebuilding Goals: Inclusive politics, Security, Justice, Economic foundations, Revenues and services.

Innovative Architecture
The Somali Compact also outlines an innovative financing and coordination architecture, the Somali Development and Reconstruction Facility (SDRF).

Common Governance Framework
Governed by the SDRF Steering Committee, the SDRF brings together several funds (“windows”) under a common governance framework. This will ensure that:
• Coordination across activities,
• Balanced coverage of the PSGs, and a
• Combination of instruments to deliver on urgent needs and lay the foundations for longer-term institutional development.
Currently, there are four funds under the SDRF:
- UN MPTF
- World Bank Fund
- African Development Bank Fund, and
- IMF’s Trust Fund for Capacity Development in Macroeconomic Policies and Statistics.

**SOMALIA UN MPTF**

**Core Activities**
The UN MPTF cover activities across all five PSGs

**Integrated Strategic Framework**
The UN’s contribution to the New Deal Compact is articulated in its Integrated Strategic Framework (ISF) for 2014-2016. As such, the ISF represents the funding framework for the UN MPTF.

**UN Funding Streams**
The UN MPTF has been designed with two funding streams:
- The UN stream, and
- The national funding stream (NFS).

Both streams operate as a pass-through mechanism by which specific entities may directly receive funds.
Commitment to Use National Funding Stream

The NFS allows international assistance to flow directly to national entities; its objective is to strengthen country systems, and it has been designed to embed international assistance within the national planning, budgeting and monitoring process.

The establishment and use of the NFS constitutes a concrete application of the interim road map on the use of country systems, drafted under the supervision of the Financial Governance Committee (FGC). The interim road map:

- reiterates the rationale for using country systems, including increasing accountability;
- notes that whilst FGS is ultimately responsible for developing financial management systems, development partners should provide support for these efforts;
- begins to set-out the sort of benchmarks that could allow greater use of country systems, detailing some achievable steps for development partners and FGS; and
- attempts to establish some concrete short/medium term actions, whilst looking forward to a more detailed longer-term roadmap.

At the global level, the increase use of national systems is one of the core commitments of international assistance, and it is recognized as a key driver of state legitimacy, capacity building, and sustainable development.

Governance Architecture

The NFS falls under the same governance structure as the UN funding stream, under the UN MPTF and the SDRF architecture. The manual does not provide for any deviation from the agreed SDRF governance procedures and policies.
OPERATIONS

National implementing entities

National implementing entities under the NFS include government ministries, state administrations, parastatal entities and public institutions, at both federal, regional, and local levels. All funding from the NFS will be channeled from the MPTF Office to the recipient entity through the Ministry of Finance (MoF) acting as National Coordinating Entity.

An NFS Focal Point (NFS FP) within the MoF shall be designated to coordinate all NFS related processes, including reporting, provide support to the various actors, and serve as direct counterpart to the MPTF Office and MPTF Secretariat.

If need be, the cost of the NFS FP function shall be attributed to the NFS, on a direct cost basis.

Program development and approval

The process for inclusion of programs in the SDRF pipeline and for endorsement for UN MPTF funding is the same as the one established for all other funds and streams. The NFS manual does not provide for any deviation from the agreed SDRF program approval procedures and policies, as specified in the SDRF Operations Manual.

ADMINISTRATIVE AGENT

MPTF Office

The UN Multi-Partner Office, based in New York, is the Administrative Agent (AA) for the UN MPTF. As such, it is the Administrative Agent for the NFS.

Key Functions

The key administrative functions include:
- receiving and administering contributions,
- transferring them to the implementing partners (as per the steering committees’ instructions) and
- Financial and performance reporting.
## SECTION 3 – RISK MANAGEMENT

### OVERVIEW

In this section of the manual contains the following topics:
- Overview
- Sources of Risk
- Risk Management Strategy
- Roles & Responsibilities

### Risk Management

Risk management is designed to reduce risks to governments, the Fund Administrators, financial contributors, and recipients through a comprehensive risk and results-based approach.

### Pooled Funds

The NFS is part of the SDRF pooled fund architecture. By nature, a pooled fund is a risk sharing mechanism, enabling stakeholders to take on more risk together than each individual stakeholder could take on alone.

### Governance Structure

The SDRF’s common governance structure, which brings together UN, government and donors, offers an opportunity to develop a common understanding of the risk context and mitigation measures.

### Enhanced Risk Management

An assessment of risk and the use of joint mechanisms to reduce and better manage risks can result in more informed strategic choices. Enhanced risk management also means that programmes are better designed and implemented and are more likely to achieve expected results. In fragile and conflict-affected states, these factors will encourage an earlier release of financial assistance, through national systems in particular.

### SOURCE OF RISK

The Somalia Development and Reconstruction Facility (SDRF) structures its risk management approach based on the source of risks:
- From the broader context,
- From the fund’s governance / strategy, and
- From the fund’s programmes and operations.
### Context
The broader context: risks emanating from the broader country context.
For example: the risk of state failure, or return to conflict, etc.

### Governance / Strategy
The fund’s governance/strategy: risks emanating from the fund’s ties to a broader governance or the aid architecture.
For example: fund allocations not aligned to strategic objectives and/or poorly prioritized fund allocations.

### Programmes & Operations
The fund’s programmes and operations: risk emanating from programme design and implementation.
For example: weak capacity of implementing partners; diversion of funds; poorly designed fund interventions.

### RISK MANAGEMENT STRATEGY

#### General
The NSF is included in the scope of the joint SDRF Trust Fund Risk Management Strategy which is aligned with ISO 31000.

#### Main Purposes
The main purposes of the fund risk management strategy are to:
- accelerate delivery and increase fund impact;
- ensure that fund operations ‘do no harm’;
- verify that funds are used for their intended purpose, and
- build risk management capacity of national institutions.

#### What will it do?
As it relates to the NFS, the risk management strategy:
- Develops a shared understanding of the risks facing the NFS, including identifying knowledge gaps in risk analysis;
- Defines the NFS’s risk tolerance or appetite;
- Establishes the NFS’s policies in relation to identified risks;
- Identifies or clarifies tradeoffs and seeks consensus among stakeholders on how to manage them;
- Determine risk treatment through mitigation measures or adaptation;
- Identify risk owners, monitors the direction of risk travel and defines follow-up action; and
- Set out common reporting and messaging strategies.

#### Programmes
All programmes applying for funding through the NFS will need to comply with the fund’s risk policy, tolerance and other requirements (e.g. do no harm analysis, etc). Compliance with the fund’s risk policy and tolerance will be one of the selection criteria in the programme appraisal process.
Programmes (cont’d)  As with other programs funded through SDRF Trust Funds, programmes submitted for funding through the NSF may be subject to additional risk management safeguards as a condition for funding. The decision to require additional safeguards is at the discretion of the SDRF Steering Committee.

## ROLES & RESPONSIBILITIES

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| **MoF**            | MoF has overall responsibility for:  
• Adherence of the NFS operations with the SDRF Risk Management Strategy;  
• ensuring that roles and responsibilities for Risk Management are clearly assigned and communicated;  
• ensuring that Risk Management is properly and adequately considered by implementing entities before approval and financing of a project; and  
• the integration of risk management in all reports on the progress being made by NFS actions, individually and collectively.  
The Risk Management Strategy will:  
• set out roles and responsibilities in more detail, and  
• be aligned with ISO 31000 Risk Management Standard and SDRF’s approach to risk management. |
| **All Ministries** | All Ministries are responsible for the oversight of risk management implementation for NFS programmes conducted by their Ministry.  
This risk management activity will be conducted in accordance with the Risk Management Strategy. |
| **Implementing Entities** | Implementing Entities within ministries are responsible for ensuring that risk management is built into their NFS plans, programme operations, and progress reports.  
In cases where Implementation Entities lack capacity, it is the responsibility of the Ministry or Region, with support from MoF and/or the United Nations, to seek additional support and guidance, and ensure compliance with the Risk Management Strategy. |
| **SDRF Steering Committee** | The SDRF Steering Committee has approved the Risk Management Strategy, as part of its responsibility to ensure that risks associated with NFS resources / operations are minimized. |
The SDRF Steering Committee is also responsible for:
- reviewing the risk management sections of progress reports and ensuring that SDRF:
  - strategies/action plans are revised (if required),
  - risk management strategies are adjusted and
  - tangible experiences are shared with other actors.
- Mobilizing technical support to government institutions on application of Risk Management approaches, methodologies and techniques; and
- engaging qualified specialists (as required) to conduct independent reviews of risk management.

The ACU & UN MPTF Secretariat are responsible for providing support to NFS recipient entities which will help them comply with the Risk Management Strategy.
## SECTION 4 – TRAINING

### Introduction
With NFS funds flowing through the country systems, the need to achieve sound public finance management to ensure acceptable and shared levels of fiduciary risk amongst all NFS stakeholders is paramount.

Training on the management of NFS funds serves both a risk management and a capacity building function.

### Objectives
The aim of the NFS training is to:
- Provide participants with an understanding of Public Finance Management (PFM) especially as it relates to the NFS.
- Ensure NFS rules and procedures are adhered to in a systematic, consistent, and efficient way

### Approach
The training program will have a practical and interactive character. This is in line with the objective of sharing knowledge and strengthening the co-operation between FGS staff and UN MPTF staff

### Training schedule and Program
The training schedule and program will be jointly developed by the MoF and the UNMPTF Secretariat

### Provision of the training and category of participants
There will be two levels of training:
- Level I – The UN MPTF secretariat will provide the primary training for relevant MoF; the training will focus on overall application of the NFS manual
- Level II - Trained MoF staff will provide program/project specific trainings to relevant line ministry staff

### Cost of the training
All expenses connected to the Level I training will be borne by the UN MPTF secretariat, any other cost will be assumed by FGS

### Conditions
To mitigate fiduciary risks and build capacity on the use of country systems, no NFS funds will be transferred to Implementing Ministries and/or other Government Agencies from the MoF without documentary evidence showing that staff working on Programmes/Project funded through the NFS, have been trained on policies, processes and procedures for managing the funds
SECTION 5 – BUDGET

OVERVIEW

Introduction

Financial assistance channeled through the NFS would be programmed and budgeted using FGS Financial Procedures and Process as presented in the National Financial Procedures Manual. This manual provides only additional safeguards necessary for the use of funds from the UN MPTF NFS.

Budgeting & Reporting Cycle

Funds from the NFS should be embedded in the national budgetary cycle as shown in the diagram below.

As such, all NFS programs and projects endorsed by the SDRF Steering Committee and for which resources have been pledged will be included in the national budget submission to Parliament, in line with national budget submission procedures and timelines. All other NFS programmes and projects approved throughout the fiscal year will be reflected in budget revisions and/or supplementary budget, and/or subsequent annual submissions.

Regulation

All expenses made under SDRF approved programmes should strictly be used for SDRF approved budget lines.

For the purpose of the SDRF, reporting on NFS programmes follows the templates and timelines indicated in the MoU between the MoF and the UN MPTF Office.

Budget reporting

In addition, to ensure systematic alignment of the NFS with the national budget process, all NFS flows (revenue and expenditure) should be explicitly and systematically reflected in budget reports reviewed and approved by Parliament.
Budget Revisions

Variances of 10% within MPTF allocated budget lines are allowed without prior approval. For any changes over 10%, the Finance Unit within the implementing entity (i.e. line ministries) must prepare a letter or a notice providing justification and include the revised budget, these should then be sent to the SDRF Executive Committee Co-chairs. The SDRF Co-chairs in consultation with UN MPTF secretariat and the MPTF Office will then review the document and either approve or reject the revision within 10 days. Following the approval, the revised budget will be submitted to the Budget Office of Ministry of Finance.
## SECTION 6 – ELIGIBILITY

### Eligibility Criteria

Financing under the MPTF National Funding Stream will be provided to legally recognized government entities that are listed as government implementing partners in the programmatic documents approved by the SDRF steering committee.

Fund eligibility criteria will be based on:
- Current availability of donor resources through the MPTF NFS
- Alignment with endorsed funding window pipelines
- Alignment to agreed strategic priorities in relevant PSG
- Sector coordination with existing and planned activities
- Stakeholder consultations in the identification of priorities
- Government support, ownership and leadership
- Contribution to capacity development
- Integration of gender considerations
- Conflict Sensitivity

### Process of Programme Development

NFS pipeline inclusion and programme development follow the same process as stipulated in the SDRF Trust Fund operations manual.

### Eligibility Review Process

The purpose of an eligibility review is to authenticate that Programme/Project to be presented for approval by the SDRF SC focuses on strategic priorities, validate that the planned activities are well coordinated and that they have been developed by the relevant counterparts.

The relevant PSG WG should conduct the review process by filling the “Strategic Review Cover Note” — Annex 3. The document should be signed by the PSG WG chair and Co-Chairs and presented together with the Programme/Project document to the SDRF Executive SC through the SDRF Secretariat.

The SDRF Executive SC can approve, approve with requested revisions or request changes in the Programme/Project concept to the plenary SDRFSC with justification.

NB: The review process criteria as presented in the “Strategic Review Cover Note” are supplementary to the Programme/Project design standards, policies and procedures of the NFS. They do not replace such policies and procedures.
SECTION 7 – FINANCIAL MANAGEMENT

REQUIREMENTS AND PROCESS FOR RECEIPT AND DISBURSEMENT OF FUNDS AT EACH LEVEL

Receipt of funds from the MPTF office

The following documents must be presented to the MPTF office before funds are transferred;

- Fund Transfer request
- Fully endorsed and duly signed Programme/Project document (for first tranche only)
- Ministry of Finance sanctioned bank account established in compliance with FGS provisions on account openings.
- Record of authorized signatories to operate the bank accounts.
- Contact details of relevant contact person in the MoF
- Evidence that all staff involved in the management of the funds have received NFS training

Process of receiving funds from the MPTF Office

The NFS FP will prepare a Funds Transfer request for each programme approved by the SDRF Executive SC.

The MPTF will then transfer funds to the MoF approved bank account(s) according to the Fund Transfer request within three (3) to five (5) business days. The MoF will be notified of the transfer by email.

Transfer of funds from CBS to Implementing Ministries and other national entities

The Line Ministry will submit a payment request to the MOF Budget Office, the Budget Office will review request against budget allocated. Once approved this request is submitted to Accountant General, who reviews for appropriate evidence/supporting document (i.e. invoice, vendor details, etc.) then releases the payment from the CBS directly to vendors.

Flow of Funds from the MPTF Office to National Entities

- Endorsed programme document
- MOF sanctioned Bank a/c
- Details of authorized signatories
- Contact details of relevant persons.
- Evidence of training on NFS procedures
BANK AND BANK CONTROL

Standards

The MPTF NFS will be disbursed using the same treasury systems and banking arrangements as used for disbursing FGS domestic resources.

Financial assistance received through the MPTF NFS can only be channeled through bank accounts opened with the authority of the Minister of Finance; the Minister will identify individuals to operate these accounts and approve authorized signatories.

The MoF should submit the names and specimen signatures of persons authorized to operate bank accounts used for NFS funds to MPTF office.

All bank payments from NFS approved bank accounts and relating to NFS approved expenditure should be authorized by two MoF pre-approved signatories.

Responsibilities of the MoF’s Accountant General as regards to Banking and Bank controls

With support from the NFS FP, the Accountant General or his/her delegate should:

- Obtain Bank Statements from the Central Bank of Somalia on a monthly basis to facilitate reconciliations.
- Reconcile on a monthly basis the banks accounts used for NFS funds
- Complete the reconciliation process on or before the 10th calendar day of the following month and be evidenced by the signature of the Head of EAFS, which should be then archived and made accessible to EAFS
- Note and review any differences of figures during the reconciliation process and bring into line where appropriate the project finance records with the bank statement.
- Submit electronic versions (scans) of bank reconciliations relevant for NFS projects for the month to the Administrative Agent of the MPTF on or before the 10th calendar day of the first following month including supporting documentation as detailed above.
- Maintain a register of all bank accounts used for the NFS together with the following documents concerned with the accounts.
  - Bank statements
  - Names and specimen signatures of authorized signatories
  - Bank reconciliation statements
COMMITMENT CONTROL

Introduction

Commitment control limits spending by comparing the actual expense or expenditure against approved annual appropriations and includes pre-encumbrances (requisitions), encumbrances (purchase orders) and expenditures (vouchers) thus it should be integrated with the General Ledger.

NFS and Commitment Control

Commitment control is required for every expenditure category within the NFS.

All expenses made under the NFS should be used strictly in accordance with the details of the approved estimates and applied only for the purpose for which they were intended, as stipulate in the budget approved by the SDRF SC.

Commitments should not be entered into without verifying whether unencumbered funds are available.

It is the responsibility of the Accountant General to assess the FGS ability to settle commitments from NFS funds prior to authorizing commitments.

The Appropriation Act of 2015 (annex 5) governs the manner and the process in which funds are identified and reserved for future NFS payment obligations.

The PFM manual of Jan 2015 procedures apply in the application of Commitment Control processes for NFS funds.

VENDOR REGISTRATION

Required documents

All individuals, companies, banks and institutions that provide goods and/or services to a State, Ministry, department and agency supported through the NFS shall be designated as vendors and relevant payment information about them shall be maintained in the accounting system.

The following documents are required for vendor’s to be registered.

- Certificate of registration with the Ministry of Commerce for companies
- Identification documents for individuals including Board Members/Directors/CEO
- Company profile
- A document confirming that prospective vendor(s) has/have been checked against current versions of the:
  - UN Consolidated List of Designated Entities
  - Consolidated List of Entities Subject to Security Council Resolution 1844
- A duly signed Vendor Registration Form (VRF) containing the following info;
  - Full names
  - Bank details
  - Contact information
Sourcing of Vendors

Sourcing of vendors should only be through the following ways:

- Request for Information - (RFI)
- Expression of Interest – (EOI)
- Open bid – ITB/RFQ/RFP
- Open announcement
- Direct sourcing
- List of UN agencies contractors
- Valid contract holders

**PAYMENTS – RECURRENT AND CAPITAL EXPENDITURE**

Guiding principles

All payments using MPTF NFS will follow the National Financial Procedures Manual and must be consistent with FGS laws.

Given the use and reliance of the NFS funds on FGS financial system and procedures, it is important for government agencies to maintain standardized practices.

Processes and procedure

The MoF should ensure that at every level of the use of NFS funds, there is separation of duties among staff, who incur commitments, verify payments and those that disburse payments of funds. This information must be communicated to the MPTF Office before funds are received.

Only those staff, whose responsibilities require access into the SFMIS system, should be able to access the system. Logical security procedures should be established by the MoF to ensure only authorized users, and IT support can access the system functions in accordance with their roles.

The MoF should ensure that Formal Change Management procedures are in place so that changes implanted into the SFMIS system do not jeopardize the security and integrity of the data.

The Budget Director should ensure that reconciliations are completely and accurately performed and exceptions cleared in a timely manner. The reconciliations should then be reviewed and approved by the Accountant General or his/her delegate.

The MoF has the responsibility to ensure that records of all transactions are retained for a period of at least 10 years; creation, changes or deletion of critical and sensitive data elements must be logged and periodically analyzed, as appropriate.

The office of the Accountant General should review all payments prior to their dispatch, to check the consistency of information with the relevant approved vouchers.

All payments must be initiated and processed through SFMIS.
# PROCUREMENT

## Principles

The NFS Procurement Management Process should be undertaken to ensure that all products (i.e. goods and services) are ordered, delivered and received in accordance with EAFS Procurement rules and regulations as described in the EAFS manual and that the performance of the supplier providing the products is adequately managed.

The aim of this section of the manual is to simplify and clarify the laws governing the procurement process, build confidence in public procurement and provide for increased efficiency, economy and flexibility in public procurement policy.

All procurement under the MPTF NFS, should be guided by the following principles:
- Best value for money
- Real competition
- Impartiality, truthfulness and transparency

## Procurement Approach

All Procurement Units of the national entities in receipt of funds from the NFS should establish a strategic approach to procurement. A procurement plan should be in place at the start of each project, to plan for requirements and facilitate on-time delivery. The Director General of each ministry will be responsible for developing a procurement plan for the Ministry. The NFS procurements should be included in the ministry’s overall plan.

The MoF should clearly define and document delegated procurement authority.

Where the cost of a competitive process exceeds the benefits, direct contracting maybe used as per the guidelines provided in the EAFS manual.

## Market knowledge

It is essential that the number of vendors in the market, size of vendors both in term of production capacity and market share, geographical distribution of vendors, level of market concentration, identification of market leaders and the level of product differentiation are determined before a procurement method is settled on. The Director Generals of Ministries receiving funds from the NFS with the support of the Procurement Officers within their ministries and/or the MoF should carry out a market research to widen the net of competitors for Government contracts, develop capacity and promote competition.
Awarding of Contracts and Evaluation of Contracts

Contracts must be awarded only within the offer period of validity.

The evaluation methods and criteria must be clearly defined and specified with details in the solicitation documents.

They should not be changed or revised without proper notice given to the candidates submitting offers.

No further modifications to such criteria communicated to the bidders/proposers can be made after bids/proposals have been received.

<table>
<thead>
<tr>
<th>Method</th>
<th>Contract Value</th>
<th>Type of Requirement</th>
<th>Sourcing</th>
<th>Level of Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small scale purchases</td>
<td>Below USD 500</td>
<td>Goods, Services, or Simple works</td>
<td>Searching by phone, internet etc.</td>
<td>Limited, local</td>
</tr>
<tr>
<td>Direct Contracting</td>
<td>Below USD 2000</td>
<td>Goods, Services, or simple works</td>
<td>Direct invitation or Negotiations</td>
<td>None</td>
</tr>
<tr>
<td>RFQ</td>
<td>Between 2000 - 50000</td>
<td>Goods, Services or Works</td>
<td>Written request for quotation</td>
<td>Local</td>
</tr>
<tr>
<td>RFP</td>
<td>Over 50,000</td>
<td>Services</td>
<td>Advertisement in international media</td>
<td>International</td>
</tr>
<tr>
<td>ITB</td>
<td>Over 50,000</td>
<td>Goods or works</td>
<td>Advertisement in international media</td>
<td>International</td>
</tr>
</tbody>
</table>
ASSET MANAGEMENT

Asset definition
The term “Asset” refers to any physically verifiable item that meets the following five criteria,

- There is a probability that future economic benefits will result from the use of the asset.
- It is held for use over a period exceeding one accounting year, in FGS, this is 12 months.
- It has a value of USD 1000 or more.
- It is used and controlled by FGS.
- The price of the item can be established and verified.

Principle
The FGS as procurer and custodian of all assets bought using NFS funds is responsible for developing techniques and procedures that ensure all NFS assets are properly safeguarded, maintained and utilized as intended. The FGS through the office of the Accountant General is responsible for maintaining accurate and complete records regarding the acquisition, status, and disposal of all assets and to comply with all FGS accounting and regulatory requirements.
Acquiring of Assets and Registration of Assets

NFS Assets maybe acquired through,

- Purchase using NFS funds - The procurement of goods must be in line with the principles described in this Manual and in the EAFP Manual, and with the budget approved by the SDRF SC.
- Transfer from other NFS funded projects.

Assets purchased with NFS funds remain NFS property until formally transferred or otherwise disposed of. For inventory purposes, all assets provided by NFS must be clearly and visibly marked “NFS Asset” until properly disposed of.

Each new NFS asset should be registered in the recipient entity’s fixed asset register by MDA Procurement Units immediately it is fully acquired.

When registering the total outlay of an asset, costs directly attributable to the asset should be included, for example, delivery and handling costs, Installation costs, Professional fees such as engineers, Freight or transport costs, Insurance costs etc.

Expenses that are incurred to restore or preserve the future economic benefits of an asset should not be included to the cost of the asset.

All assets bought using NFS funds should be tagged by Stores Officer of MDA when received to aid in their oversight and control. Any appropriate tagging method maybe used so long as method is applied in a consistent manner and it serves the purpose.

It is the responsibility of the Stores Officer to ensure that anyone who is allocated/loaned NFS equipment for official or personal use signs a store issue voucher (SIV) which is cancelled only when the item is safely returned.

Disposal of Assets

When a project no longer needs any of the NFS assets, the assets may be transferred to another NFS project or to the government, or it may be disposed of by sale or donation. In all these cases, a transfer, sale or donation document should be prepared with clear explanation and proper justification given as to why the stated choice of disposal is the best cause of action. The document should then be sent to the MPTF Office and the UN MPTF Secretariat for written approval. Once approved, the transfer or sale should be effected.

The Stores Officer should submit immediately, a written report together with a copy of police abstract to the MPTF Administrative agent if there is any damage, loss or theft of NFS asset. The report should clearly explain when, how and why the asset was damaged, lost or went missing and what remedial action was taken if the damage, loss or theft was caused by negligence or intentional act.
MANAGEMENT OF TRAVEL AND TRAVEL EXPENSES

Introduction
The FGS policies and procedures as covered in the National Procedures Manual apply. This manual provides only additional measures that should be considered whenever there is business travel organized and paid for by Programmes/Projects funded through the NFS.

Business travel
Business travel should only occur when the added value to NFS funded Programmes/Projects is considerable and that the purpose of travel cannot be accomplished through conference calls or videoconferencing. Authorizing Officers are required to certify that there are no alternative means which are reasonable to meet the aims of the proposed travel.

Travel request
NFS programmes/projects staff traveling for duty, should submit their request to their Programme Managers with the following info;
- Full names of traveller
- Purpose of travel
- Authorized itinerary
- Dates of official business
- Ticket cost
- Mode of transportation
- Travel advance if it advanced.
- Signature of Authorizing officer

Per Diem rules
No Per Diem should be paid if travel including travel time lasts less than 8 hours from the time of departure from the point of origin to the time of return to the port of entry.

FGS approved rates are the applicable per diem rates (ANNEX...)

A reduced Per Diem rate should be paid if travel including journey time lasts 8 hrs or more. This applies to round trip journeys completed the same day with no overnight travel.

No per diem should be paid for a visit to a project site in the vicinity of the regular duty station or within commuting distance/35-mile radius.

Travel claims
Travel claims by staff working on NFS Programme/Projects should be submitted within a week to Finance officers within their units after returning from official travel.

When submitting travel claims, the following should also be submitted;
- Approved Travel request
- Proof of travel - Boarding passes and tickets
- Official receipts for miscellaneous expense claims
- Back to the office report
Travel advances

FGS employees working for NFS Programmes/Projects are entitled to 100% advance of the estimated reimbursable Per Diem. Contractors and non-employees can only be paid 80% advance.

Miscellaneous expenses

Miscellaneous expenses considered necessary to carry out official duty during official travel should be supported by original receipts.

PETTY CASH MANAGEMENT

Petty Cash process

**Step 1:** The petty cash custodian designated by Head of each Ministry, Department or Agency reconciles cash on hand, vouchers issued, and any overage or underage.

**Step 2:** The custodian obtains replenishment from Ministry, Department or Agency by submitting payment vouchers, the amounts given to each MDA is to be determined and approved by the MoF and it will be based on a percentage of their respective budgets.

**Step 3:** The custodian records receipt in the general ledger.

**Step 4:** The custodian screens disbursement request by checking the type request, amount and payee. If satisfied with the information provided, he/she disburses funds. If there are any receipts for which a person is being reimbursed, it should be attached to the voucher.

**Step 5:** The custodian records payments in the general ledger.

**Step 6:** Monthly reconciliations of each MDA will be done within 10 calendar days of each month. Reconciliation is approved by the head of MDA and reviewed and archived by the office of the Accountant General.

**Step 6:** At the end of financial year, the Custodian presents both the outstanding vouchers and the remaining cash to the office of the accountant general. The cash is credited to the consolidated fund.

The appointed custodian of each MDA must keep the petty cash in a secure lockable box and the box kept in the office.

Petty cash funds provide cash to local units to cover minor office expenses it should not to exceed $100 at any given time.
SECTION 8 – MONITORING & EVALUATION

OVERVIEW

In this section

This section of the manual contains the following topics:

- Overview
- Principles and Guidelines
- Reports
- Roles & Responsibilities
- Fiduciary Monitoring Agent

MPTF ToR

Monitoring and Evaluation of the National Funding Stream will be conducted in accordance with the MPTF Terms of Reference (ToR). As such:

- All programmes funded through the Somalia UN MPTF will include a Monitoring and Evaluation (M&E) component that will be consistent with the guidelines set by MPTF Secretariat and respective regulations, rules and procedures of the recipient entities.

- In addition, the SDRF Steering Committee, supported by the UN MPTF Secretariat and the SDRF Secretariat will ensure systematic progress and results monitoring, as well as monitoring of operational performance. It may also commission independent lessons-learned studies and/or review exercises relating to the operations and management of the Somalia UN MPTF, including the NFS.

- Based on the monitoring data and analysis provided the Steering Committee, contributing partners, the Administrative Agent, the MPTF Secretariat and the recipient entities hold annual consultations, as appropriate, to review the status of the NFS.

PERFORMANCE

Performance Levels

Performance will be monitored at four levels:

- Impact Level
- Outcomes Level
- Output Level
- Operational Level

Results at each of these levels will be based on a framework developed by the ACU and Ministry of Planning and International Cooperation and approved by the SDRF.
<table>
<thead>
<tr>
<th>M&amp;E Strategy</th>
<th>With support from the ACU/MopIC and the UN MPTF Secretariat, The MoF will design and implement an M&amp;E strategy which:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• is based on the principles of Results-Based Management (RBM),</td>
</tr>
<tr>
<td></td>
<td>• sets out roles and responsibilities in detail,</td>
</tr>
<tr>
<td></td>
<td>• includes an overarching results matrix and</td>
</tr>
<tr>
<td></td>
<td>• provides clear commitments and timeframes for routine monitoring and</td>
</tr>
<tr>
<td></td>
<td>independent monitoring and evaluation.</td>
</tr>
<tr>
<td></td>
<td>• Is aligned with overall Somali Compact M&amp;E</td>
</tr>
<tr>
<td>Culture</td>
<td>The NFS approach to M&amp;E will be designed to foster a culture of learning, transparency and accountability, and</td>
</tr>
<tr>
<td></td>
<td>thus to ensure informed decision-making.</td>
</tr>
<tr>
<td>Impact Level</td>
<td>Results and performance of the NFS will be measured through its contribution towards the achievement of larger</td>
</tr>
<tr>
<td></td>
<td>sustainable development goals.</td>
</tr>
<tr>
<td>Outcome Level</td>
<td>Results and performance of the NFS will be measured through its contribution towards PSG Outcomes (Indicators</td>
</tr>
<tr>
<td></td>
<td>of progress toward achieving the PSG).</td>
</tr>
<tr>
<td>Output Level</td>
<td>Results and performance of the NFS will be measured through NSF Project Milestones (Short-term, concrete actions/</td>
</tr>
<tr>
<td></td>
<td>steps to make progress towards PSGs).</td>
</tr>
<tr>
<td>Operational Level</td>
<td>Results and performance of the NFS will be measured through its compliance with:</td>
</tr>
<tr>
<td></td>
<td>• Partnership Principles: Mutual commitments for aid effectiveness</td>
</tr>
<tr>
<td></td>
<td>• Aid flows: Transparent tracking of development assistance</td>
</tr>
</tbody>
</table>

**PRINCIPLES & GUIDELINES**

| Principles | The basic principles of the NFS monitoring and evaluation system are that it should: |
|           | • Be intelligible to both facility staff and programme partners at all levels, and should not require unnecessary reporting; |
|           | • Be able to feed consistent quality information on outputs, outcome and impact into the project planning and management cycle; |
|           | • Be responsive and enable effective decision making;                                                          |
|           | • Be based upon as wide involvement as realistically possible and necessary, and should explicitly value the contributions of various stakeholders; |
|           | • Acknowledge the value of alternative sources of information and of the perceptions of local people who have not been directly involved in the project; and |
|           | • Be cost-effective                                                                                          |
Contributions

The NFS M&E system is intended to contribute to:

- Accountability, by providing space for stakeholders to provide feedback and drive improvements;
- Informed decision making;
- A greater focus on achievement of results;
- Empowerment, by providing key stakeholders with essential information and providing opportunities for them to reflect critically on the project’s direction and suggest improvements;
- Promotion of institutional learning and knowledge sharing.

It should contribute to broader Somali Compact M&E.

Aims

NFS M&E should address:

- Relevance – the extent to which NFS actions/objectives are consistent with the donor/beneficiary/country needs, priorities, and policies;
- Adequacy – an assessment of the adequacy and timeliness of inputs in relation to carrying out NFS activities;
- Efficiency – how economically the various inputs (funds, expertise and time) have been converted into NFS outputs and outcomes;
- Effectiveness – the extent to which NFS objectives have been achieved;

Aims (cont’d)

NFS M&E should address:

- Impact – whether or not NFS action has made a difference in addressing the problem/s that it aims to address;
- Sustainability – the likelihood of continuation of intended benefits after the NFS action has finished; and
- Replicability – the prospects for repeating aspects of the design of the action into other actions that would contribute to the aims of the NFS.

Site Visits

M&E activity is to include site visits where possible.

Life Cycle

To achieve these aims it is important that NFS M&E be undertaken throughout the cycle, from planning, implementation and post-implementation.

Stakeholder Participation

NFS stakeholders have the right and responsibility to contribute and receive information on progress of specific NFS programmes.
REPORTS

Alignment
NFS reporting will be aligned with the:
- National Window MoA and
- overall MPTF reporting approach / cycle.

Structure
The basic structure of NFS M&E reports should include:
- Executive Summary
- Background Information
- Description of the M&E and design methodology used
- The M&E result, describing the changes (desired or undesired) that occurred
- Conclusions, Recommendations and Key Lessons

ROLES & RESPONSIBILITIES

MoF
MoF has overall responsibility for:
- the design and implementation of the NFS Monitoring and Evaluation system;
- ensuring that roles and responsibilities for M&E clearly assigned and communicated;
- ensuring that M&E mechanisms are properly and adequately considered by implementing entities before approval and financing of a project; and
- preparation and submission reports on the progress being made by NFS actions, individually and collectively.

The M&E Strategy will:
- set out roles and responsibilities in more detail,
- include an overarching results matrix and
- provide clear commitments and timeframes for routine monitoring and independent monitoring and evaluation.

All Ministries
All ministries are responsible for monitoring and evaluation of expenditure for NFS programmes conducted within their ministry.
This M&E activity will be conducted in accordance with the M&E Strategy developed by the MoF.

Implementing Entities
M&E teams in Implementing Entities:
- are responsible for ensuring that a results matrix and monitoring systems are built into their NFS plans and programmes, and
- can commission independent evaluation if appropriate.

In cases where such teams do not exist or lack capacity, it is the responsibility of the Ministry or Region, with support from MoF, to seek additional support and guidance, and ensure compliance with M&E systems.
SDRF Steering Committee

The SDRF Steering Committee must approve the M&E Strategy, as part of its responsibility to ensure the development of a system for monitoring and evaluation of the Facility’s use of resources and operations.

The SDRF Steering Committee is also responsible for:

- receiving and quality assuring M&E reports;
- provide technical support to government institutions on application of M&E approaches, methodologies and techniques;
- for collating / producing overarching reporting for stakeholders;
- engage qualified specialists (as required) to conduct an independent reviews of NFS operations and/or expenditures.

### MONITORING AGENT

<table>
<thead>
<tr>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Monitoring Agent will be engaged to monitor how NFS funds have been administered by the recipient entity, in line with what has been approved in the approved programme document.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Monitoring Agent is contracted, on a retainer basis, for all projects/programs funded under the NFS.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope of Work &amp; Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>The scope of work and outputs for each engagement of the Monitoring Agent will be outlined in an engagement document that will drawn up for each project/program.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost for retaining the services of the Monitoring Agent should be included in each project/program budget and covered by the NFS allocation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>The management of the Monitoring Agent (contract, payment) is the responsibility of the UN MPTF Secretariat (RC Office for Somalia as project manager)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unless specified otherwise in in each engagement document, reports from the Monitoring Agent will be submitted to designated officials in the MoF, the UN MPTF office and the UN MPTF Secretariat. Relevant information from the reports will be consolidated by the MPTF Office and included in its reporting to the SDRF SC. Further dissemination of Monitoring Agent reports is at the sole joint discretion of the MoF, UN MPTF Office and UN MPTF Secretariat.</td>
</tr>
<tr>
<td>Conflicts of Interest</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Roles &amp; Responsibilities</td>
</tr>
<tr>
<td><strong>Ministry of Finance</strong></td>
</tr>
<tr>
<td><strong>All Ministries</strong></td>
</tr>
<tr>
<td><strong>MPTF Secretariat</strong></td>
</tr>
</tbody>
</table>
## SECTION 9 – AUDITING

### OVERVIEW

| Introduction | Audits are one of the key layers of control which will reduce the risk of irregularities and frauds in the NFS of the UN MPTF for Somalia.  
| The objectives of these audits are to: |  
| • assess whether the NFS is lacking in internal controls, operational efficiency, or compliance; |  
| • provide validation to stakeholders that NFS policies and procedures are actually being carried out as intended; and |  
| • provide evidence that that the NFS is operating in a sound fashion. |  
| In this section | This section of the manual contains the following topics:  
| • Audit approach for the NFS. |  
| • Policy and procedures for each key element of NFS auditing: |  
| o Planning |  
| o Performing |  
| o Documenting |  

## AUDIT APPROACH

| Internal Audits | Once required capabilities are developed and supporting processes / systems are implemented, internal audits of NFS projects / programs will be:  
| | • conducted by implementing ministries and  
| | • supported by the OAG (where required)  
| |  
| | In the interim, internal audits of NFS projects / programs will be:  
| | • conducted by the OAG and  
| | • supported by third party ‘Certified Public Accounting Firms’ (where required).  
| |  
| | Internal audits will be conducted on all NSF projects / programs at least once during their life cycle and depending on assessed risks may be conducted more frequently.  
| |  
| External Audits | Once required OAG capabilities are developed and supporting processes / systems are implemented, external audits of NFS projects / programs will be:  
| | • conducted by the OAG and  
| | • supported by third party ‘Certified Public Accounting Firms’ (where required)  
| |  
| | In the interim, external audits of NFS projects / programs will be conducted by third party ‘Certified Public Accounting Firms’  
| |  
| | The MoF or the UN MPTF Office / Secretariat can request that an external audit be conducted on any NFS project / program.  
| |  
| | Decisions on whether or not to conduct an external audit will be:  
| | • based on risk assessments;  
| | • jointly made by the MoF and the UN MPTF Office / Secretariat; and  
| | • reflected in the Annual Audit Plans of the OAG and third party ‘Certified Public Accounting Firms’  
| |  
| | External audits will be conducted on all NSF projects / programs at least once during their life cycle and depending on assessed risks and internal audit results, may be conducted more frequently.  
| |  
| | The cost of external audits conducted by third party ‘Certified Public Accounting Firms’:  
| | • should be incorporated in project / program funding submissions (where appropriate) and  
| | • will be covered by the NFS.  
| |  
| Coverage | Audits will cover all items eligible for financing through the NFS.  
|
PLANNING

Audit Types

Audits types may include:

<table>
<thead>
<tr>
<th>Financial</th>
<th>Compliance</th>
<th>Value for Money</th>
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<tbody>
<tr>
<td>• Financial Audits</td>
<td>• Public Procurement Audits</td>
<td>• Performance Audits</td>
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<td>• Accounting Audits</td>
<td>• Investigative Audits</td>
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<td>• Voucher Audits</td>
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Other audits may include:

- Environmental Audits  
- Revenue Collection Audits  
- Special Case Audits  
- Risk Management Audits

Risk Management Reviews

Auditors should conduct a periodic assessment of risk management policies and procedures put in place for the NFS:

- preferably undertaking mid-year and at the end-year of each fiscal year; and

- linked with the SDRF Trust Fund Risk Management strategy.

Investigative Audits

The MoF or the UN MPTF Office / Secretariat can request (at any time) that an investigation be conducted into any aspect of an NFS project / program or NFS governance arrangement.

Decisions on whether or not to conduct an investigative audit will be:

- based on risk assessments; and

- jointly made by the MoF and the UN MPTF Office / Secretariat.

Annual Audit Plan

The internal audit function of each ministry shall prepare an annual audit plan for all NFS programmes being implemented by their ministries. These plans are to be:

- drafted within the first month the fiscal year.

- informed by a risk assessment

Auditors shall discuss and agree this audit plan with the following entities prior to commencement of any audit engagement:

- Relevant management
- SDRF Steering Committee
- Minister of Finance of FGS
- UN MPTF
- Accountant General

Individual Audit Plan

Auditors are expected to develop an audit plan for each individual audit and agree with relevant management prior to commencement of any audit engagement.
### Engagement Letter

Auditors are also expected to develop an engagement letter to accompany their individual audit plans. These engagement letters may address, among other things, the following matters:

- Responsibilities, particularly the preparation of financial information;
- Access to premises and documents the Auditor General may require;
- The form of audit report;
- Arrangements regarding the involvement of internal auditors, specialists, or any other auditors;
- The expected date the audit report will be issued.

### PERFORMING

#### General

**Standards**

All audits are to be conducted in accordance with the relevant International Standards:

- International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors
- International Standards of Supreme Audit Institutions [ISSAI] issued by INTOSAI
- International Standards on Auditing [ISAs] issued under the auspices of the International Federation of Accountants [IFAC]

To the extent relevant to the laws of the FGS and with such modifications appropriately justified.

**Skills & Experience**

All auditor should have adequate skills, experience and of an appropriate mix so as to give “value-adding” audit services to the NFS.

**Ethics**

All auditors are to:

- abide strictly with professional ethics required of auditors,
- be independent of audited individuals and entities and
- carry out work in an objective manner.

**Entry & Exit Meetings**

Auditors shall conduct an “entry meeting” at the start of, and an “exit meeting” at the end of each audit engagement with relevant managers.

**Liaison & Consultation**

Auditors in performance of their work may liaise and consult with:

- Auditor General
- Accountant General
- Minister of Finance of FGS
- SDRF Steering Committee
- UN (MPTF Office, Secretariat)
- SDRF Technical Committee
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<tr>
<th>Audit Work Unhindered</th>
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<tr>
<td>Principle</td>
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<tr>
<td>Office Space</td>
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<tr>
<td>Access to Offices &amp; Staff &amp; Offices</td>
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<tr>
<td>Access to Information</td>
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</tbody>
</table>

To ensure that auditor requests can be actioned in a timely manner, NFS project / program staff shall keep appropriate records throughout the life cycle of their projects / programs from start to finish.

Records that should be kept include all correspondence, emails, meeting minutes, conversation records etc. relating to project / program:

- Business Cases;
- Plans;
- Departures from business cases, plans, scope, budget, quality and/or timeframe;
- Endorsement of business cases, business plans and any departures;
- Stakeholder analysis and communication / consultation;
- Risk Management Plans;
- Monitoring plans / results
- Audit plans / results;
- Unexpected impacts / opportunities

Where required/appropriate:

- auditors shall be given access to financial / accounting computer systems and
- anti-virus policies and procedures will be observed.
<table>
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<tr>
<th><strong>DOCUMENTING</strong></th>
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<tr>
<td><strong>Level of Detail</strong></td>
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<td><strong>Draft Reports</strong></td>
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| **Report Distribution** | Auditors shall report their findings and recommendations to relevant stakeholders. Relevant stakeholders should as a minimum include:  
  - MoF and UN MPTF Office / Secretariat;  
  - Implementing Ministry and NFS Project / Program Manager;  
  - Contributing donors; and  
  - OAG or third party ‘Certified Public Accounting Firms’. |
| **Further Details** | Further details on audit reports has been provided at Sect ? Reporting. |
| **Action** | The Accountant General shall take reasonable steps to ensure audit reports are acted upon on a timely manner. |
| **Archiving** | Auditors are to retain audit files and copies of their reports in accordance with archiving policy of the FGS. |
## SECTION 10 – REPORTING

### OVERVIEW

In this section

This section of the manual contains the following topics:

- Project Reporting
- Administrative Agent Reporting
- Other Reporting

### PROJECT REPORTING

#### General

For each project approved for funding from the NFS, each recipient entity shall through the Ministry of Finance provide the Administrative Agent with the statements and reports prepared in accordance with the accounting and reporting procedures applicable to the concerned entity.

#### Annual narrative progress reports

Annual narrative progress reports, following the reporting framework of the SDRF, to be provided no later than three months (31 March) after the end of the calendar year.

#### Annual financial statements and reports

Annual financial statements and reports as of 31 December with respect to the funds disbursed to it from the Somalia UN MPTF, to be provided no later than four months (30 April) after the end of the calendar year.

#### Final narrative reports

Final narrative reports, after the completion of the activities in the approved programmatic document and including the final year of the activities in the approved programmatic document, to be provided no later than four months (30 April) of the year following the financial closing of the programme.

The final report will give a summary of results and achievements compared to the goals and objectives of the Compact or future planning framework.

#### Financial statements and reports

Certified final financial statements and final financial reports after the completion of the activities in the approved programmatic document and including the final year of the activities in the approved programmatic document, to be provided no later than six months (30 June) of the year following the financial closing of the programme.
### ADMINISTRATIVE AGENT REPORTING

**General**

Reporting from the Administrative Agent (MPTF Office) on the NFS will follow the same process, sequence and schedule as with the UN funding stream. The MPTF office will consolidate NFS and UN funding stream reporting into one set of UN MPTF reporting outputs.

**Annual consolidated narrative and financial reports**

Annual consolidated narrative and financial reports covering all activities funded by the Somalia UN MPTF, following the reporting framework of the SDRF, to be provided no later than five months (31 May) after the end of the calendar year.

**Final consolidated narrative report**

Final consolidated narrative report, after the completion of the activities in the approved programmatic document and including the final year of the activities in the approved programmatic document, to be provided no later than seven months (31 July) of the year following the financial closing of the Somalia UN MPTF. The final consolidated narrative report will contain a summary of the results and achievements compared to the goals and objectives of the Compact or future planning framework.

**Final consolidated financial report**

Final consolidated financial report, based on certified final financial statements and final financial reports received from Participating UN Organizations, IOM and National Implementing Entities after the completion of the activities in the approved programmatic document and including the final year of the activities in the approved programmatic document, to be provided no later than seven months (31 July) of the year following the financial closing of the Somalia UN MPTF.

**Annual certified financial statement**

Administrative Agent shall also provide to the Steering Committee and donors an annual certified financial statement on its activities as Administrative Agent (‘Report on Sources and Use of Funds’) no later than five months (May 31) after the end of the calendar year, as well as a certified financial statement no later than seven months (July 31) of the year following the financial closing of the Somalia UN MPTF, as applicable.

**Posting of Reports**

Consolidated reports and related documents will be posted on the websites of the UN in Somalia [website URL] and the Administrative Agent (http://mptf.undp.org).
### OTHER REPORTING

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>M&amp;E Reports</td>
<td>Monitoring and Evaluation reports are covered in Section 9 of this manual.</td>
</tr>
<tr>
<td>Audit Reports</td>
<td>Audit reports are covered in Section 10 of this manual.</td>
</tr>
<tr>
<td>MoF Reports</td>
<td>The Ministry of Finance may require additional reports they consider necessary to their oversight of the National Funding Stream.</td>
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</tbody>
</table>