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# Cooperation agreement

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## **OAGS Peer-support Project Phase 2 - 2021-2022**

Office of the Auditor General of the Federal  
Republic of Somalia (OAGS),  
African Organization for English-speaking  
Supreme Audit Institutions (AFROSAI-E)  
and  
the INTOSAI Development Initiative (IDI)

*Version: Updated after Steering Committee 15 February 2021 and presented for signing*

## Contents

1. Introduction .....	3
2. Objective and expected results .....	4
3. Principles for providing the peer-support .....	8
4. Division of roles between the parties.....	9
5. Monitoring and reporting.....	10
6. Financial management .....	11
7. Cooperation Principles .....	12
8. Agreement.....	13
Appendix I Annual project management cycle.....	14
Appendix II: Pre-requisites and Risk assessment .....	15

# 1. Introduction

The Office of the Auditor General of the Federal Republic of Somalia (OAGS) has a crucial role in promoting and ensuring good governance in Somalia. The OAGS is responsible to audit all the federal government institutions and the independent enterprises provided with a public private partnership.

Over the last three years OAGS has demonstrated its commitment to play a strong role in enhancing public financial management in Somalia. For the first time in the history of Somalia, it has submitted audit reports to the Parliament using internationally recognized standards, and these reports have got wide attention. The OAGS has also implemented several key strategic priorities set for 2018-2020, such as developing a new legal framework (not yet enacted), strengthened its internal governance systems and HR-management. There are still key objectives of the strategic plan not yet successfully implemented, and the OAGS has decided to extend the strategic plan up to 2022.

OAGS has about 103 staff and an annual operational funding from the Government of Somalia. To successfully implement the strategic plan, external financial and technical support have been requested by OAGS.

The OAGS, IDI and AFROSAI-E had a joint project for the years 2018 – 2020, funded by the Norwegian government. There has been a good dynamic in the partnership, and the partners have agreed to prolong the cooperation in line with the extended strategic plan. This means continuation of support as well as some adjustments. One adjustment is to include also support to forensic audits, as this is a new objective for OAGS. Another adjustment is to scale up support to professional development of staff and digitalization of the audit process, as these are objectives strengthened in the extended strategic plan.

Worldwide experiences of SAI capacity development show that peer-to-peer cooperation can both ensure highly qualified and relevant advises, as well as ensure a trustful and sustainable relationship between SAI employees and advisors. The INTOSAI community including AFROSAI-E and IDI have resources and experiences in almost all areas of SAI development. On this background, OAGS, AFROSAI-E and IDI have therefore agreed to develop this agreement.

## 2. Objective and expected results

*The overall objective of the OAGS Peer-support Project Phase 2 is to “Enable OAGS to successfully implement the strategic priorities in the period 2021-22.” The implementation of these strategic goals are expected to OAGS fulfilling its mission: “To audit and provide recommendations for improvement to the government institutions as well as to provide audit reports to the Office of the President Parliament, and Office of the Prime Minister.”*

The 2021-22 strategic plan has the following goals:

1. Goal 1: Timely, relevant and high-quality audit reports in line with international standards
2. Goal 2: Strengthening Internal Governance for Efficient and Effective Audit Services
3. Goal 3: Strengthen external communication and stakeholder relations to ensure audit recommendations are implemented and reports have an impact on governance and accountability
4. Goal 4: Well qualified and professional staff and management
5. Goal 5: Sufficient infrastructure and ICT capacity for efficient operations
6. Goal 6: Amend the old legal framework OAGS currently operates under

The peer-support project will provide support to selected objectives and areas within each goal, contributing to OAGS achieving the goals.

The result framework has been set at three levels:

- **OAGS outcomes:** SAI outcomes are those results that the SAI can substantially contribute to and which is why the SAI exists, but which are not within the control of the SAI. For example, a SAI can contribute to improved compliance with rules and regulations by conducting and reporting on high quality compliance audits, with strong recommendations. However, the audits and recommendations alone cannot ensure improved compliance. Recommendations need to be followed up and implemented, and this involves the decisions, actions and behavior of government officials, who are not directly accountable to the SAI and under its control.
- **OAGS goals and objectives:** These are SAI capacities and outputs largely under the control of the SAI, but also (especially regarding SAI independence) subject to the institutional environment in which the SAI operate.
- **Project deliverables:** These are indicators of the products and support mechanisms developed and provided by the peer-project. They are predominantly under the peer-providers’ control.

Key pre-conditions and assumptions for the results at all three levels are shown in appendix II.

## Results level 1: OAGS outcomes

Expected Results	Indicator Definition	Source	Baseline (year)	Target 2021-2022
<b>Budget and Finance Committee follow-up on the audit reports</b>	Whether a Committee of the Legislature examines the Audit Report on the annual budget within six months of its availability, and publish a report with findings and recommendations	International Budget Partnership Open Budget Survey: Question 118 (2017 version)	No, a committee did not examine the Audit Report on the annual budget. (April 2020 report)	Improved score during the period
<b>Executive follow-up of audit reports</b>	Whether the executive reports to the public on the steps it has taken to address audit recommendations made by SAI	Open Budget Survey question 101	0 (2019)	Improved score

## Results level 2: OAGS goals and objectives (SAI capacities and outputs)

OAGS goal and objective	OAGS outputs supported in particular by peer-project	Performance Indicator	Baseline 1 (year)	Target 2021-22
Goal 1: Timely, relevant and high-quality audit reports in line with international standards				
Objective 1.1 An improved system for overall annual audit planning established and adhered to Objective 1.2 Increased usage of ISSAI based manuals for financial and compliance audits applied Objective 1.3 Forensic Audit Manual (FOAM) customized, introduced and applied Objective 1.4 Strengthened SFMIS knowledge and ICT-audit capacity Objective 1.5 Quality control system customized, introduced and applied Objective 1.6 Quality assurance carried out	Financial and compliance audit reports submitted to Parliament, President and Prime Minister Forensic audit report completed and issued, using new methodology Audit of ict-risks conducted and reported	Whether audit reports are submitted within the 30th June deadline	Not met (2020)	Met
		SAI-8 Audit Coverage	1 (2020)	Improved score
		SAI-11: Financial Audit Results	Not measured	Score 1 or better
		SAI-17: Compliance Audit Results	3 (2020)	Score maintained
Goal 2: Strengthening Internal Governance for Efficient and Effective Audit Services				
Objective 2.1: Strengthened SAI Performance Management Objective 2.2: Strong change management and a new organizational structure implemented in OAGS	Operational plan set annually OAGS Performance report published annually OAGS principles for portfolio and project management set	SAI-3: Strategic Planning Cycle	2 (2020)	Average score improved
		SAI-6 Leadership and internal communication	2 (2020)	

<sup>1</sup> The baseline scores of SAI PMF indicators are based on scores set by the independent quality assurance report of 17th Feb 2021. If the scores are adjusted after OAGS feedback and in the final QA report, the baseline scores for the project also needs to be updated.

OAGS goal and objective	OAGS outputs supported in particular by peer-project	Performance Indicator	Baseline <sup>1</sup> (year)	Target 2021-22
Objective 2.3 Strengthened integrity internally	All staff code of ethics training conducted annually			
<b>Goal 3: Strengthen external communication and stakeholder relations to ensure audit recommendations are implemented and reports have an impact on governance and accountability</b>				
Objective 3.1: Strengthened relations with key stakeholders as the Parliament, the Judiciary, the President, Office of the Prime Minister Objective 3.2 SAI reports and information are publicized and shared Objective 3.3: The degree of implementation of audit recommendations is clearly shown in the annual audit report Objective 3.4: Strengthen relations and collaboration with the Federal Member States OAGs	Sensitization meeting with key stakeholders held annually Documentary video of OAGS finalized and shared Summary audit report issued annually Annual professional seminar for all FMS OAGs	SAI-24 Communication with the Legislature, Executive and Judiciary  SAI-25: Communication with the Media, Citizens and Civil Society Organizations	1 (2020)  3 (2020)	Average score improved
<b>Goal 4: Well qualified and professional staff and management</b>				
Objective 4.1 Strengthened HR-capacity established Objective 4.2 Training and Professional Development Programme implemented	HR policy and manual finalized and staff trained	SAI-22: Human Resource Management SAI-23: Professional Development and Training	1 (2020) 0 (2020)	Average score improved
<b>Goal 5: Sufficient infrastructure and ICT capacity for efficient operations</b>				
Objective 5.1: Strengthen ICT-management capacity and support service Objective 5.2: Adequate ICT-hardware and Information management systems used in all SAI operations Objective 5.3 Implement electronic audit system	A-SEAT installed and ready to use All auditors got basic training in use of A-SEAT	Whether A-SEAT has been used for a complete audit assignment	No	Yes
<b>Goal 6: Amend the old legal framework OAGS operates under</b>				
Objective 6.2: Legal framework implemented	Federal Audit Act regulations set	SAI-1: Independence of the SAI SAI-2: Mandate of the SAI	1 (2020) 4 (2020)	Average score improved

### Results level 3: Project deliverables

Expected Results	Indicator Definition	Source	Baseline (time)	Target per year	
				2021	2022
Agreed upon support is implemented	Percentage of agreed project deliverables in the annual plan completed during the year	Annual project report	67 %*	70 %	80 %
Wide-participation of SAI staff	a) Cumulative number of SAI staff taking part in project funded trainings (minimum 1 full day activity) b) Female participation rate	Annual project report	a) 15 b) 40 % (2020)	a) 35 b) above 35 %	a) 40 b) above 35 %
Quality and relevant support	Average SAI staff satisfaction and perceived project quality, on a 1-5 scale	Annual anonymous survey to all staff	4,45** (2018-2020)	4,5	4,5

\* Of 34 planned activities in 2020, at the end of the year 16 were completed, 7 ongoing and 11 canceled. The completed and ongoing constitute 67 %.

\*\* Average score of Evaluation survey on quality of advices online and workshops conducted by the project 2018-2020.

### 3. Principles for providing the peer-support

The following principles are assumed to be important for effective peer-support to OAGS:

1. Tailor-made use of peer-material and guidance, incl. customization of manuals and regional training
2. Translation of key material to ensure actual use over time by all staff in OAGS
3. Mechanisms for frequent contact and continuity are established to enable sufficient context understanding of advisors, trust-building and relevant advises and training. Mechanisms of videoconferencing and regular telephone meetings will be sought.
4. Peer-teams linked to the specific strategic goals established as the key mechanism for support.
5. The peer teams should be of at least 3 persons to ensure there is a robust team to enable support over time although advisors are not always available or have to cancel their assignment.
6. Advisors need to have a strong professional record as well as communication skills.
7. Advisors of each team should, if possible, be sourced mainly from one SAI in addition to AFROSAI-E and IDI to make coordination easier and enable a strong SAI-SAI relationship, and later possibly an institutional cooperation
8. Some regional workshops and events (such as Tech update and IFMIS-training) may be relevant for OAGS participation without tailor-made approach, but needs to be coordinated with other peer-support.
9. The peer-advisors should seek active coordination with other providers of support. To avoid conflictual advice and uncoordinated approach of Long-term advisors (LTA)s and peers, LTAs shall be invited for all main peer-initiated activities.
10. The peer-partners will be flexible and seek continuous learning. This means the peer-partners shall be flexible in terms of the SAI priorities for support. Plans will be adjusted if required, reflecting commitment to continuous learning in partnerships and the evolving conditions facing the SAI. Still, it must be clear that agreements and plans should be used actively during implementation.



## 4. Division of roles between the parties

There are three main partners in the project. OAGS is the main part responsible for execution of activities. IDI is primarily responsible for the funds and coordination of peer-support. Both IDI and AFROSAI-E will be providers of technical support in the established peer-teams. AFROSAI-E will have a special role in coordinating the support activities with regional events and material. Other SAIs in the region will be contributing in the project as they will be asked to provide advisors in-kind.

**The OAGS** will be in the driving seat in the implementation of activities and have the following key responsibilities:

- Integrate the project-related activities with the rest of the plans for the office, and ensure plans are linked to the OAGS's Strategic Plan for enhancing sustainability
- Ensure the availability of adequate staff and their continuity in the areas covered through the project
- Develop and approve ToRs for specific project activities, such as workshops
- Actively monitor and follow-up on the execution of activities, milestones and expected outputs in the project
- Contribute to developing the annual project plans and report.
- Invite IDI and AFROSAI-E for annual meetings in due time, and include also other partners of OAGS in an annual meeting
- Share relevant plans, reports and agreements with other development partners

**The IDI** will be the lead peer partner and have the following key responsibilities:

- Project management, including drafting annual plans and reports, financial management, quality control and reporting to financial donors for funds provided to IDI.
- Mobilize, provide and coordinate peers and resource persons – maintain a dialogue with the SAIs providing in-kind support

**AFROSAI-E** will be a key provider of technical support as well as regional network and resources.

**Some selected SAIs** will be invited to contribute with experienced and competent advisors relevant for the project support areas.

## 5. Monitoring and reporting

The Steering committee is continued where each of the three partners are represented. The committee is led by the Auditor General of OAGS. It shall meet annually to approve the annual report and plans for the project. Monitoring of the project is done as a part of the annual reporting and meeting. The steering committee can also meet ad-hoc to discuss the support project and be consulted on arising issues.

To ensure smooth coordination of activities in the project, each partner will have dedicated staff for the daily coordination of activities. OAGS will also ensure regular coordination meetings with other partners involved in support to the SAI. The partners and OAGS should seek to ensure that much of the external support is done integrated and not at the expense of core activities (as ongoing audits) and linked to the SAI's own management system (strategic priorities, operational plan, internal reports and SAI Performance report).

For the annual project reporting, the OAGS performance report will be used as the starting point. Then for the project, the indicators of the result framework will be supplemented by a qualitative assessment of the link between project inputs, OAGS progress of goals and objectives, and any OAGS outcomes and impact observed. In this assessment it will then be considered the actual project outputs committed to annually and their potential impact on the SAI's performance.

At the end of the strategic plan period, an assessment of the SAI PMF indicators will be done, including an external quality assurance of the scoring. It will be considered to carry this out in connection with an AFROSAI-E Quality assurance review.

## 6. Financial management

IDI will be responsible for financial management of the project, including reporting to the financial donor. The other partners commit to adhere to the conditions in the donor agreement and provide IDI with key information required for reporting to the donor.

All procurements must be done in compliance with the IDI policies and procedures, ensuring competition, economy and value for money. Partners are obliged to inform each other should there be any risks or incidents related to misuse of funds. IDI is required to practice zero tolerance against corruption and other financial irregularities within and related to the project. The zero tolerance policy applies to all staff members, consultants and other non-staff personnel and to cooperating partners and beneficiaries of the grant from the Ministry of Foreign Affairs of Norway. Financial irregularities refers to all kinds of:

- corruption, including bribery, nepotism and illegal gratuities;
- misappropriation of cash, inventory and all other kinds of assets;
- financial and non-financial fraudulent statements;
- all other use of Project funds which is not in accordance with the implementation plan and budget.

For per diems, the AFROSAI-E Travel and Event Expenditure policy<sup>2</sup> will apply for OAGS staff and managers, advisors of regional SAIs and AFROSAI-E representatives. The remote allowance for resource persons will not be covered by the project, and SAIs will have to contribute staff time in-kind.

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<sup>2</sup> This means the OAGFS participants will not be entitled to per diems other than eventual meals not provided. However, OAGFS participants are entitled to per diems and any other entitlements from any other funding sources, in accordance with policies and rules of the government of the Republic of Somalia or other funding agencies regulations. Please notice that expenses to field work in Somalia for OAGFS staff is not covered through this project.

## 7. Cooperation Principles

### **Respect and professionalism**

The parties recognise and respect the governance structures and internal processes of each other.

The parties will be transparent with regard to planned activities that might potentially impact on the work of the other parties and will seek ways to complement each other in the performance of their functions.

The three parties will cooperate with honesty, integrity and professionalism, and will respect the work, findings and representations made by each other.

In order to protect and enhance INTOSAI reputation, all are expected to operate in line with the INTOSAI standard Code of Ethics as well as IDI policies on safeguarding and anti-corruption.

### **Communication**

Communication between the parties will be responded to with the necessary promptness and will be considered in the context of seeking ways to cooperate and complement each other's functions.

### **Confidentiality**

The parties shall maintain complete confidentiality regarding each other's business and shall not disclose any information relating to each other's business unless prior written permission is obtained from the party.

### **Conditions for support**

The level of support IDI and AFROSAI-E can provide is subject to availability of resources and funding.

Termination of the project will be considered if there is a serious lack of commitment related to the project goals or principles of transparency and accountability.

## 8. Agreement

As partners we commit to work together to achieve the listed project outcomes and outputs. We agree to seek to allocate the required resources and staff for participation in the project.

We agree that any changes to the project outcomes and outputs will be mutually discussed and agreed upon.

We commit to the cooperation principles.

<b>Office of the Auditor General of Somalia</b>    <i>Auditor General</i>	<b>AFROSAI-E</b>    <i>Chief Executive Officer</i>	<b>INTOSAI Development Initiative (IDI)</b>    <i>Director General</i>
Date and place:  25. Feb. 2021, Mogadishu, Somalia	Date and place:  25 February 2021 Pretoria, South Africa	Date and place:  1st March 2021, Oslo, Norway

## Appendix I Annual project management cycle

Quarter	OAGS	Peer project – IDI and AFROSAI-E planning cycle
<b>Q1</b> <b>January - March</b>	<ul style="list-style-type: none"> <li>Annual SAI Performance report</li> <li>Finalize annual operational plan</li> <li>Annual meeting for all partners</li> </ul>	<ul style="list-style-type: none"> <li>Annual project report, based on OAGS Performance report</li> <li>Updated plan and budget for the year, based on OAGS OP</li> <li>Annual meeting Steering Committee, incl approval of Project annual report and updated plan and budget</li> <li>Donor reporting</li> </ul>
<b>Q2</b> <b>April - June</b>	<ul style="list-style-type: none"> <li>Q1 report and quarterly meeting</li> </ul>	<ul style="list-style-type: none"> <li>Project plan and budget adjusted if needed</li> </ul>
<b>Q3</b> <b>July - September</b>	<ul style="list-style-type: none"> <li>Q2 report and quarterly meeting.</li> <li>Semi-annual meeting for all partners</li> </ul>	
<b>Q4</b> <b>October - December</b>	<ul style="list-style-type: none"> <li>Q3 report and quarterly meeting.</li> <li>Draft annual report and plan for next year</li> </ul>	<ul style="list-style-type: none"> <li>Project plan and budget adjusted if needed</li> <li>Next year's budget and plan submitted to donor</li> </ul>

## Appendix II: Pre-requisites and Risk assessment

The project has a high risk-profile due to the unstable situation and complex environment in Somalia. There are several prerequisites for succeeding in this project.

### OAGS outcomes pre-requisites:

1. An active Budget and Finance Committee in the Somalia Legislature, using audit reports and engaging in enabling a strong SAI.
2. An Executive with a will to act on audit findings and implement Public Financial Management reforms.

### OAGS goals and objectives pre-requisites:

3. A relatively stable Somalia which allows collection of audit evidence in key Ministries in Mogadishu and presence in the audit office by OAGS staff regularly.
4. Government support and commitment to increased capacity and a more independent OAGS.
5. Reasonable level of financial allocation to OAGS operations from the Government of Somalia.
6. Financial assistance from Development Partners to new permanent staff, LTAs and infrastructure costs, including successful execution of that support.

### Project inputs pre-requisites:

7. Funding available for the project
8. Well qualified project team members available from the partner organization and partner-SAIs for key project activities

For risk management, the table below show the most important risks and related control measures and responsibilities.

Risk factor	Risk sub-factors	Control measures	Responsible (main in bold)
<b>Delays in implementation of planned activities</b>	<ul style="list-style-type: none"> <li>- Audit data not available as expected</li> <li>- Staff not available as assumed</li> <li>- Ambitions of activities not adapted to the competency levels of staff involved</li> <li>- Lack of funds or cars for fieldwork</li> <li>- Electricity break-down and unstable internet</li> </ul>	<ul style="list-style-type: none"> <li>- Joint process for setting and agreeing on project activities and ambition levels</li> <li>- Flexibility and annual adjustment of plans</li> <li>- Regular communication on phone and e-mail</li> <li>- Mobilize other DPs to support operational and infrastructure costs</li> </ul>	<b>OAGS, IDI</b> and AFROSAI-E
<b>Relevance and quality of advises</b>	<ul style="list-style-type: none"> <li>- The complex Somalia situation</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasizing personal qualifications of advisors</li> </ul>	<b>IDI</b> and AFROSAI-E

Risk factor	Risk sub-factors	Control measures	Responsible (main in bold)
	<ul style="list-style-type: none"> <li>- Communication challenges between advisors and OAGS staff</li> </ul>	<ul style="list-style-type: none"> <li>- Training advisors in sensitivity as well as the country specific PFM- system</li> <li>- Seek to adapt the guidance material to the context</li> <li>- Regular dialogue with OAGS on how to ensure relevance and quality of advices</li> </ul>	
<b>Activities not coordinated both within the project and with other supporters of OAGS</b>	<ul style="list-style-type: none"> <li>- Several providers of peers involved</li> <li>- Lack of information sharing systems in the SAI</li> <li>- Lack of information sharing between DPs</li> </ul>	<ul style="list-style-type: none"> <li>- Active use of mechanisms for internal coordination: Joint steering committee, annual meeting, regular phone meetings</li> <li>- Invite other providers to OAGS for the annual meeting</li> </ul>	<b>OAGS</b>
<b>No impact</b>	<ul style="list-style-type: none"> <li>- Audit results not followed-up by Parliament or the Executive</li> <li>- Strengthening of the SAI meet significant resistance among influential elites</li> </ul>	<ul style="list-style-type: none"> <li>- Sensitization of key stakeholders as a part of the project</li> </ul>	<b>OAGS</b>
<b>Little sustainability of the support</b>	<ul style="list-style-type: none"> <li>- Unexpected change of AG or managers of the SAI</li> </ul>	<ul style="list-style-type: none"> <li>- Sustainability risks related to the overall national situation in Somalia can not be addressed, but sustainability is sought enhanced by:</li> <li>- Involvement of a great number of OAGS staff</li> <li>- Holistic approach in terms of both support to auditing, management quality control, reporting and dissemination – interlinked processes and systems</li> </ul>	<b>OAGS, IDI and AFROSAI-E</b>
<b>Credibility of the SAI undermined</b>	<ul style="list-style-type: none"> <li>- Audit reports issued proven to be incorrect</li> </ul>	<ul style="list-style-type: none"> <li>- Support to active use of the audit manuals</li> <li>- Creating awareness of the risk among the advisors</li> </ul>	<b>OAGS, IDI and AFROSAI-E</b>
<b>Security</b>	<ul style="list-style-type: none"> <li>- Insecurity in Somalia especially, but also some risk at other venues</li> </ul>	<ul style="list-style-type: none"> <li>- Regular assessment of which location is safe for meetings</li> <li>- Creating awareness of the risk among the advisors</li> <li>- Use of the IDI and AFROSAI-E routines for crisis management</li> </ul>	<b>IDI and AFROSAI-E</b>