



Cooperation agreement

OAGS Peer-support project 2018-2020

Office of Auditor General of Somalia (OAGS),
AFROSAI-E and the INTOSAI Development
Initiative (IDI)

Final agreement for signing



1. Introduction

Security, justice and integrity are at the top of Somalia's development agenda. This is driven by improved security, regaining of political legitimacy, and the need to build citizens' confidence that public funds will be managed in a transparent, equitable and accountable manner.

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.

The OAGS was established in the early 1960s. Currently it is regulated as a Magistrate of Account with the law no. 34 of 14/04/1972. In 2012, the Transitional Constitution of the Federal Republic of Somalia established the principle of *an independent OAGS*. This principle is also stated in the Somalia National Development Plan 2017-19, which says that measures will be taken to increase the independence and capacity of the external audit office.

OAGS has developed a Strategic Plan for 2017-2020 that will help to achieve the requirement of the Transitional Constitution and the goals for external audit in the Somalia National Development Plan 2017-2019. The strategic plan for OAGS is ambitious. It involves all staff and key areas as legal framework, new audit procedures and internal governance as well as infrastructure and ICT.

OAGS has about 80 staff and an annual operational funding from the Government of Somalia. To successfully implement the strategic plan, additional financial and human resources are required. A comprehensive plan for financial and external technical support to OAGS has therefore been developed. The plan builds on the OAGS Strategic plan and the Operational plan for 2017-2020. A combination of different mechanisms for support are intended to be used to increase the likelihood of implementation, including support for recruitment of new permanent staff and increased staff remuneration, engagement of long-term advisors, peer-support mechanisms and direct financial support for procurements related to ICT and infrastructure.

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. OAGS and IDI has had a bilateral cooperation for 2015-17. In 2017 AFROSAI-E has been participating in cooperation activities with OAGS. There has been a good cooperative spirit and successful progress of the partners in 2017. The INTOSAI community including both AFROSAI-E and IDI have resources and experiences in almost all areas of SAI development. In addition, several neighboring SAIs of Somalia have experiences in the execution of similar strategic goals as SAI Somalia. On this background, OAGS, AFROSAI-E and IDI have therefore agreed to develop this agreement.



2. Objectives

The overall objective of the OAGS Peer-support project is to “Enable OAGS to successfully implement the strategic priorities in the period 2017-2020.” The 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 is expected to particularly contribute to high goal achievement for goal 1, 2 and 6.

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.”*

3. Result framework

The expected outcomes (labelled “objectives”), outputs and indicators of goal achievement for the project are given in the OAGS Strategic plan for 2017-2020. Key pre-conditions for the delivery of the outputs and achievement of the outcomes are shown in appendix V.

Goal 1: Timely, relevant and high-quality audit reports in line with international standards

Indicators of goal achievement:

- Number of completed and reported audits using the new audit manuals
- PFM-project WB indicator: Time elapsed (in months) between end of period covered and submission of audit reports to the legislature
- SAI PMF indicators SAI-9 to SAI-17: *Financial, compliance and performance audit standards, process and results*



Objective 1.1 ISSAI based audit manual for regularity audit (financial and compliance) customized, introduced and applied

Expected outputs:

- OAGS manual for regularity audits including template working papers in Somali
- Audit reports based on the methodology of the new manual
- Auditors and managers trained in the methodology of the new manual

Objective 1.2 Performance audit manual customized, introduced and applied

Expected outputs:

- OAGS Performance Audit Manual including template working papers in Somali
- Audit reports using the PAM
- Auditors and managers trained in the PAM methodology

Objective 1.3 Strengthened SFMIS knowledge and ICT-audit capacity

Expected outputs:

- ICT-audit guideline in Somali
- Audit report of ICT-risks based on the guideline for ICT-audit
- Auditors trained in ICT-audit and the SFIMS

Objective 1.4 Quality assurance carried out

Expected outputs:

- Quality assurance report including recommendations
- Plan for improvements

Goal 2: Strengthening Internal Governance for Efficient and Effective Audit Services

Indicators of goal achievement:

- SAI PMF indicators SAI-3 to SAI-8: *Strategic planning cycle, Organizational control environment, Outsourced audits, Leadership and internal communication, Overall audit planning, Audit Coverage*



Objective 2.1 An improved system for overall annual audit planning established

Expected outputs:

- Templates and guideline for overall annual audit planning
- Overall annual audit plan for the next three years
- Annual audit planning meeting for federal and Regional states management (AG, DAG, Directors, Senior Auditors) completed

Objective 2.2 Strengthened Performance Management

Expected outputs:

- Annual operational plan
- Regular internal reports
- SAI Performance report

Objective 2.3 Quality control system customized, introduced and applied

Expected outputs:

- Quality control checklists in Somali
- Quality control skills enhanced for all managers

Objective 2.4 Strong change management and a new organizational structure implemented in OAGS

Expected outputs:

- New organizational map
- Staff informed and motivated about organizational changes

Objective 2.5 Strengthened integrity internally

Expected outputs:

- Code of Ethics for the office as a whole
- Declaration of ethics as a working paper to be used in each audit



Objective 2.6 Improved conditions of service and staff remuneration

Expected outputs:

- Motivated staff less prone to bribes
- Improved remuneration system

Goal 6: Amend the old legal framework OAGS currently operates under

Indicators of goal achievement:

- Enacted new legal framework
- SAI PMF indicators SAI-1 Independence of the SAI to SAI-2 Mandate of the SAI

Objective 6.1 A finalized legal framework submitted to the President for approval

Expected outputs:

- A new audit act
- National stakeholders confident of the importance of a new audit act and an independent audit office in Somalia

Objective 6.2 Legal framework implemented

Expected outputs:

- New legal framework implemented in key areas realistic in the strategic planning period

4. 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 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.

Given the available peer-resources and the principles above, the peer-support teams presented in appendix I are established. The responsibilities, numbers and composition of teams can be adjusted during the project implementation if the parties find it necessary.

5. 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
- Actively monitor and follow-up on the execution of activities, milestones and expected outputs in the project
- Ensure the availability of adequate staff and their continuity in the areas covered through the project
- Prepare for each annual meeting a summary of progress of agreed activities and performance compare to intended outputs and indicators. This information could be provided as an integrated part of the new SAI performance report of OAGS.
- The text to the annual report as well as a draft work plan for next year should be prepared by OAGS ahead of the annual meeting



- Invite IDI and AFROSAI-E for annual meetings in due time, and include also other partners of OAGS in a seminar related to the annual meeting
- Share relevant plans, reports and agreements with other development partners
- Develop and approve ToRs for specific project activities, such as workshops

6. Monitoring and reporting

A steering committee is established where each of the three partners are represented. The committee will be led by the Auditor General of OAGS. It will 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.

The annual meeting is the main decision forum for the collaboration. To prepare for the annual meeting, OAGS will provide the main text needed to the annual report as well as a draft work plan for next year. Key parts of the agenda will include the assessment of the achievements in the passing year and planning for the next year. Outcomes of this meeting should be available by 3 weeks after the meeting, in order to incorporate it in the upcoming year's work plan.

To ensure smooth coordination of activities, OAGS will establish a Coordination team. This is linked to the Director of Planning and Performance which is also responsible for the performance management system in general of OAGS, incl reporting on the Operational Plan. This team should 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). IDI will appoint a person to be represented in the "OAGS Coordination team".

In the Coordination team there is regular contact (every 2nd week) to adjust plans and settle arising issues. AFROSAI-E will participate in the Coordination team meetings if it requests to or is requested by OAGS or IDI.

During the implementation process, progress made and lessons learned need to be carefully monitored so that timely corrective action can be taken. The annual report of the project will be based on the new internal SAI Management Information system in OAGS. OAGS reporting through the Institutional Capacity Building Framework – an annual benchmarking of SAIs in AFROSAI-E – will also be used in the project reporting.

At the end of the strategic plan period, a SAI PMF assessment by a joint team of OAGS representatives and external SAI PMF experts will be carried out. It will be considered to carry this out in connection with an AFROSAI-E Quality assurance review.



7. Financial management

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

Routines for booking of flights, hotel and conference facilities are enclosed.

For per diems, the AFROSAI-E Subsidization policy¹ will apply for OAGS staff and managers, advisors of regional SAs and AFROSAI-E representatives.

8. Link to other external support to OAGS

A support framework has been developed to clarify the different modalities of support and how it is going to be managed – see the illustration below. The support framework has the following components:

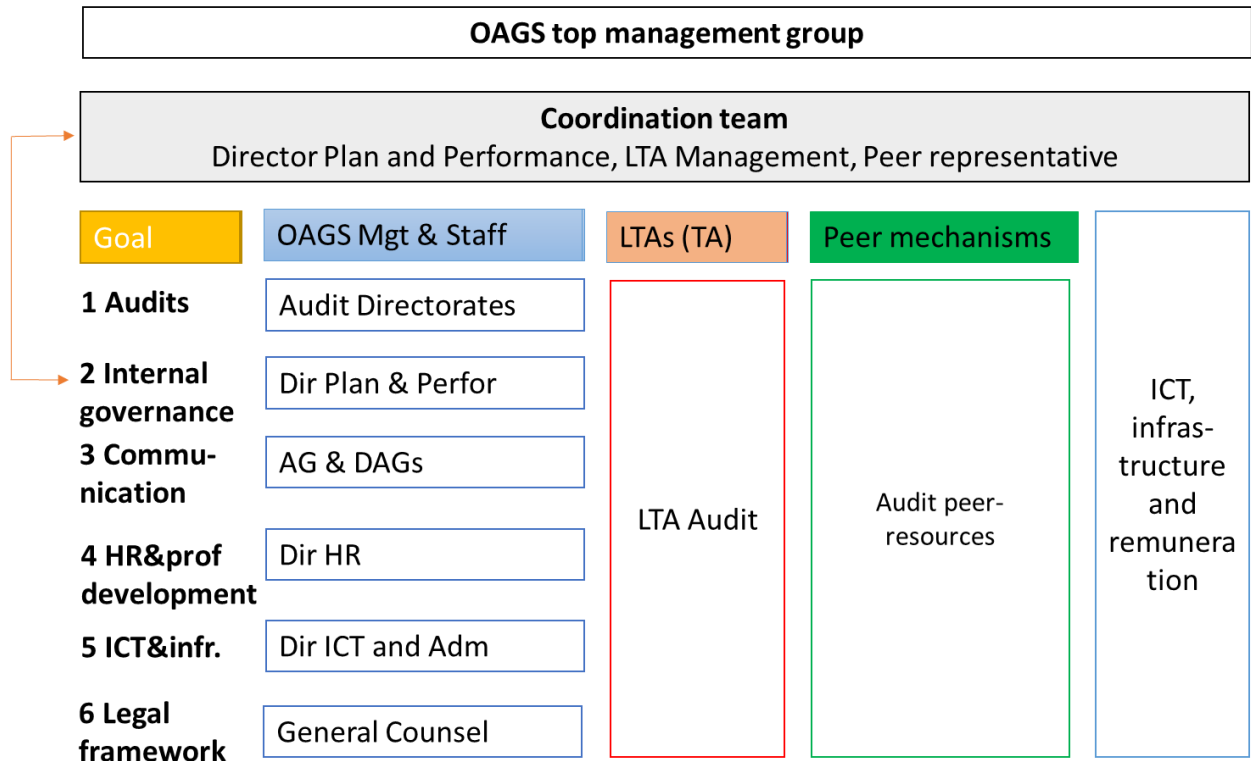
- **OAGS top management:** The overall guidance and all main decisions of external support should be the responsibility of the AG and his top management group of the DAGs and Directors.
- **A Coordination team:** For the regular operational handling of the support, a coordination team is established. This is linked to the Director of Planning and Performance which is also responsible for the performance management system in general of OAGS, incl reporting on the Operational Plan. This team should 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).
- **Goals of the SP:** All external support are linked to the goals and objectives of the SP. There is a need to ensure all external support is coordinated horizontally between OAGS staff, LTAs and peers. The OAGS manager responsible for each goal is also responsible for this coordination.
- **OAGS Management and staff:** All external support should be linked to the tasks and responsibilities of the permanent employees of OAGS. OAGS staff should be involved in all capacity development activities. This is to ensure the external support is sustainable in the years after support is provided. Furthermore, new permanent recruitments will be necessary in areas critical for the strategic goals and where OAGS has limited capacity currently.
- **Long-term advisors:** LTAs are key to get high-qualified advisors in the different areas and enable on-the job training, context understanding, language skills and continuity on a daily basis in Mogadishu.
- **Peer mechanisms:** Peer-resources (training programs, guidance and experienced peers) are available for all the goals of the objectives of the SP. A peer-support mechanism is critical to

¹ This means the OAGS participants will not be entitled to per diems other than eventual meals not provided. However, OAGS 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 OAGS staff is not covered through this project.



ensure these resources are utilized and the regional experience is available to utilize regional these resources, a specific is established.

The support framework also clarifies the need to mobilize financial support for ICT and infrastructure. There is also a need to ensure good remuneration of staff in combination with capacity development – to ensure qualified staff stay.



9. 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.

Appendix I: Peer-teams

Peer-team	Responsibility Strategic Plan goals and objectives	Key activities	Members
Audit Peer-team of 4 advisors for 3 years (can be supplemented by additional members or other peers contributing in specific activities)	Goal 1 and partly 2 and 5	<p>Guide and train online/phone and conduct workshops for:</p> <ol style="list-style-type: none"> 1. Customization of RA (FA and CA) manuals, combined with developing audit planning and QC systems with top management. 2. Execution of pilot-audits 3. Summarizing experiences and adjusting based on pilot audits 4. Overall annual planning and Quality control 5. Use of Audit flow or other CAATs 6. IT-audits and IFMIS training <p>Assist in translation of manuals and working papers, incl eventual use of Audit Flow tool or other CAATs.</p> <p>Performance audit customization and team adjustments considered in 2019, based on experiences.</p> <p>Ensure coordination and advise on relevant regional trainings, material and activities.</p>	Selected advisors from A regional SAI with relevant experiences (2), AFROSAI-E (1) and IDI (1),
Internal Governance and independence Peer-team of 4 advisors for 3 years. (can be supplemented by additional members or other peers contributing in specific activities)	Goal 2 & 6, partly goal 3 and 4	<p>Guide and train online/phone and conduct workshops for:</p> <ol style="list-style-type: none"> 1. Establishing performance management systems, incl operational plan, internal reporting and monitoring, and SAI Performance report. 2. Develop remuneration system 3. Develop organization system and job descriptions 4. Professional development plan and programme <p>Guide and train online/phone and conduct workshops for:</p> <ol style="list-style-type: none"> 1. Updating the legal framework and sensitization of key stakeholders 2. Communication planning and routines 	Selected advisors from A regional SAI with relevant experiences (2), AFROSAI-E (1) and IDI (1).

Peer-team	Responsibility Strategic Plan goals and objectives	Key activities	Members
		<p>Bring in INTOSAI high-profile and respected persons if necessary to sensitize stakeholders in Somalia about independence.</p> <p>Advise on relevant regional trainings.</p> <p>Advise on other objectives of strategic goal 2-5 based on request and capacity.</p>	



Appendix II: Regional programmes and conferences

Several regional events are relevant for OAGS. The following are proposed as a part of the IDI support project where IDI covers transport, accommodation and eventual conference fees:

- AFROSAI-E Technical update and refresher workshops, Oct/Nov every year
- AFROSAI E 3-module PA training
- Additional AFROSAI E events in specific areas
- ARABOSAI, AFROSAI, AFROSAI-E Governing Board meetings
- AFROPAC, EA-PAC meetings

OAGS as any other SAIs will also have the opportunity to participate in relevant IDI programmes. Funding for this will be established through the IDI programmes.



Appendix III: Detailed work plan and budget

The OAGS Operational plan shows the activities of the Peer-support project.

The work-plan and budget is to be adjusted primarily in the annual meeting.



Appendix IV: Present situation (baseline)

The baseline is given in the SAI Status and Needs report of OAGS of Sept. 2017.

Appendix V: 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:

1. 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.
2. Government support and commitment to increased capacity and a more independent OAGS.
3. Reasonable level of financial allocation to OAGS operations from the Government of Somalia.
4. Financial assistance from Development Partners to new permanent staff, LTAs and infrastructure costs, including successful execution of that support.
5. An operative Public Accounts Committees in the Somalia Legislature.

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)
Delays in implementation of planned activities	<ul style="list-style-type: none"> - Audit data not available as expected - Staff not available as assumed - Ambitions of activities not adapted to the competency levels of staff involved - Lack of funds or cars for fieldwork - Electricity break-down and unstable internet 	<ul style="list-style-type: none"> - Joint process for setting and agreeing on project activities and ambition levels - Flexibility and annual adjustment of plans - Regular communication on phone and e-mail - Mobilize other DPs to support operational and infrastructure costs 	OAGS, IDI and AFROSAI-E
Relevance and quality of advises	<ul style="list-style-type: none"> - The complex Somalia situation - Communication challenges between advisors and OAGS staff 	<ul style="list-style-type: none"> - Emphasizing personal qualifications of advisors - Training advisors in sensitivity as well as the country specific PFM-system - Seek to adapt the guidance material to the context - Regular dialogue with OAGS on how to ensure relevance and quality of advises 	IDI and AFROSAI-E
Activities not coordinated both within the project	<ul style="list-style-type: none"> - Several providers of peers involved - Lack of information sharing systems in the SAI 	<ul style="list-style-type: none"> - Active use of mechanisms for internal coordination: Joint steering committee, annual meeting, regular phone meetings 	OAGS

Risk factor	Risk sub-factors	Control measures	Responsible (main in bold)
and with other supporters of OAGS	- Lack of information sharing between DPs	- Invite other providers to OAGS for the annual meeting	
No impact	- Audit results not followed-up by Parliament or the Executive - Strengthening of the SAI meet significant resistance among influential elites	- Sensitization of key stakeholders as a part of the project	OAGS
Little sustainability of the support	- Unexpected change of AG or managers of the SAI	Sustainability risks related to the overall national situation in Somalia can not be addressed, but sustainability is sought enhanced by: - Involvement of a great number of OAGS staff - Holistic approach in terms of both support to auditing, management quality control, reporting and dissemination – interlinked processes and systems	OAGS, IDI and AFROSAI-E
Credibility of the SAI undermined	- Audit reports issued proven to be incorrect	- Support to active use of the audit manuals - Creating awareness of the risk among the advisors	OAGS, IDI and AFROSAI-E
Security	- Insecurity in Somalia especially, but also some risk at other venues	- Regular assessment of which location is safe for meetings - Creating awareness of the risk among the advisors - Use of the IDI and AFROSAI-E routines for crisis management	IDI and AFROSAI-E



Appendix VI: Routines for logistics

Booking of travel

IDI will book and pay flights and accommodation for OAGS staff and advisors after receiving information about:

- Purpose of travel – reference to relevant project output
- City of the conference, workshop or meeting
- Dates of the event
- Name of travelers (as in the passport)
- From where to where travel is required
- Required documentation:
 - o Copy of passport if not sent previously
 - o Invitation and registration form of the regional event or seminar if relevant

The flight ticket will be sent electronically to the team leader or traveler and expenses accounted for by the IDI. Confirmation of hotel booking will also be sent to OAGS. IDI will not cover any extra costs at the hotel, such as extra meals, minibar or laundry.

Only Economy class flights and standard rooms in hotel will be covered. A general principle is that only necessary costs of travel will be covered. Number of travelers and days of travel must should as a general rule be in line with the detailed plan and budget.

Booking of conference facilities

IDI will in accordance to its Procurement policy identify hotels for use for project activities in Mogadishu, Nairobi and Entebbe and other relevant travel destinations. In Pretoria, the AFROSAI-E conference facilities are used. For regional events organized by others, the hotel with the most economical rates should be selected.

IDI or AFROSAI-E will request OAGS for the necessary information to book and arrange the events. IDI and AFROSAI-E will then make sure the accommodation and conference facilities are booked, paid and accounted.