



Community Brief

2021 Annual Report



In order to furnish means of support towards the achievement of our future goals, we are determined to undertake necessary measures to restructure the state's administrative apparatus, modernizing the schema of laws and legislations, work programs and mechanisms, enhancing the values of work, its principles, and espousing and streamlining procedures and performance governance, integrity, accountability to guarantee complete harmony with the requirements and goals of our vision.

His Majesty Sultan Haitham bin Tarik

23 February 2020

Preamble

Following the approach of HM Sultan Haitham bin Tarik in promoting the principles of transparency, integrity and accountability and involving the community to enhance the schema of audit to achieve Oman Vision 2040 objectives, State Audit Institution (SAI) prepared the Community Brief on 2021 annual report findings. The Community Brief included significant topics of the annual audit plan, findings and SAI's efforts in revealing financial and administrative irregularities. It also highlighted SAI's role in promoting integrity and engaging the community through receiving complaints and reports pertaining to negligence and violation of applicable laws, systems, regulations and decisions.

SAI has prepared the annual audit plan for the year 2021 for the entities subject to audit, taking into account Oman Vision 2040, the INTOSAI adopted principles and standards, the audit manuals, relative importance and risk analysis of the audit topics.

Vision, Mission and Values



Vision

An effective audit institution that operates with professionalism and commitment to protect public funds, enhance the level of integrity and responsibility, and achieve added value to the national economy.



Mission

Improving the level of institutional work, boosting the performance of the entities subject to audit through the optimal use of their human and financial resources and increasing the efficiency of their performance in order to achieve the sustainable development of the Sultanate of Oman.



Professional Values and Principles

SAI's vision is based on a set of professional values and principles, the most important of which are:

- Independence
- Objectivity and impartiality
- Integrity and transparency
- Efficiency and effectiveness
- Partnership with stakeholders

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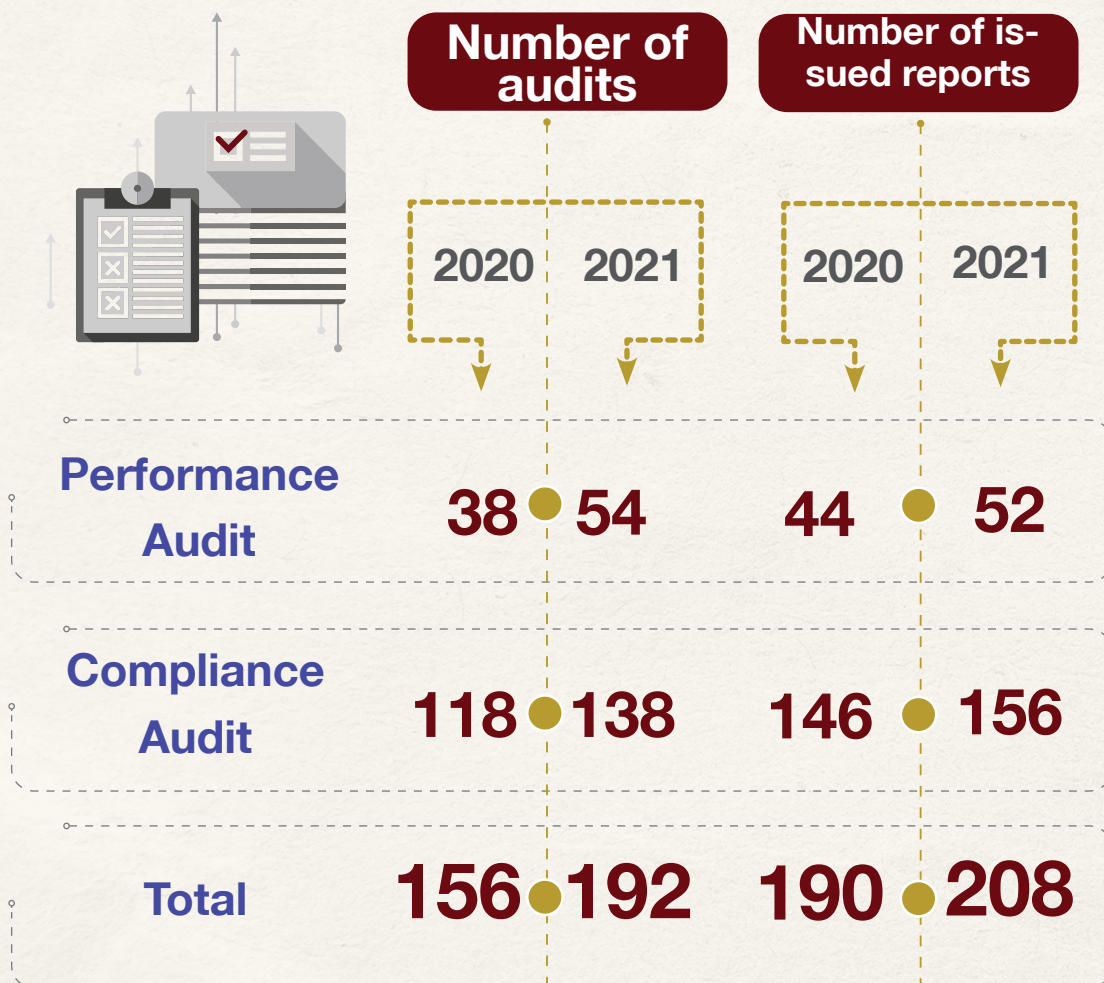
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Types and Number of Audits



Direct Added Value of SAI's works during 2021

SAI 2021 audit findings have revealed a number of positive impacts. These were represented in the achievement of direct added value of collecting and recovering amounts for the interest of the public treasury and the financial savings amounting to OMR 76,5 million. Additionally, SAI dealt with 101 legal cases for which some rulings were issued.

76,5

OMR million

Collection, recovery and realization of financial savings in 2021



Direct Added Value of SAI's works during 2021

→ **101** Cases

SAI dealt with 101 legal cases for which some rulings have been issued. Punishments imposed included imprisonment for periods ranging from 3 months to 3 years, imposition of penalties between OMR 300 to OMR 21,000, in addition to ancillary and complementary punishments as follows:



**Forgery of official
instruments**



**Use of a forged instru-
ment in knowledge of the
forgery**



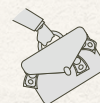
**Illegal data entry into a
government information system**



Asking for a bribe



Squandering public fund



Abuse of position



Misuse of work position



Breach of duties

Summary of Observations on the State Administrative Apparatus Units

Tax Evasion



- The Income Tax Law and its amendments were not included as a separate chapter on tax evasion. In addition, the definitions and forms of tax evasion were not specified.
- Around OMR 5 million of tax value due to 19 cases was not collected.
- 10 out of 45 tax evasion cases were not completed; the value of these transactions mentioned in suspected evasion reports is about OMR 70 million.
- The time spent to deal with the suspected cases of evasion from the date of reporting until the completion of procedures ranged from (54) to (123) months. In addition, the time spent to deal with each case ranged from 15 days to more than 33 months.

Status

The Tax Authority stated that it is in the process of taking all the required measures mentioned in the provisions of law, to collect tax dues. Furthermore, amending Income Tax Law and the inclusion of a separate chapter of tax evasion is under process.

Companies Income Tax

OMR **46**
million

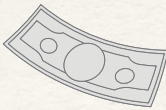


Several companies in mining sector did not adhere to file tax returns. Some of these companies has intentionally unrevealed a significant part of their real revenues for some years.

Status

The Tax Authority requested some companies to provide accurate data in aims of tax reassessment.

OMR **209**
million



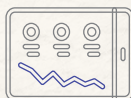
The amounts were not collected according to tax system applicable in the Tax Authority, some of which are owed by companies which filed tax objections. Unpaid taxes according to tax returns were also not collected.

Status

The Tax Authority took several measures in this regard such as administrative implementation and the writing-off amounts of more than 7 years.

Withholding Tax

OMR **52**
million



The companies did not adhere to deduct the withholding tax and submit it to the Tax Authority.

Status

The Tax Authority investigated the cases and made the tax assessment for a number of companies.



The need to strengthen follow-up procedures in the state administrative apparatus in respect to updating the Tax Authority with all withholding tax-related transactions.

Status

The matter was filed to the General Secretariat of the Council of Ministers and a circular was issued.

Audit on Directorate General of Medical Supplies in the Ministry of Health

OMR 75
million



Some companies and suppliers continued to delay the provision of some medicines and surgical and laboratory materials for a period of 438 days, in some cases, during the years (2018- 2020).

Status

To resolve the matter, the ministry stated that medicines will be provided from multiple suppliers.

OMR 4
million
annually



The approved budget for the reserve stock allocated to deal with emergencies was not improved. Moreover, some items in the reserve stock lowered to zero, and some used medicines were not returned to the reserve stock for long periods.

Status

The ministry stated that amounts were included in the health development plan to improve the reserve stock budget.

OMR 246
thousand



Some refrigerated items were damaged during the supply to warehouses and health units as a result of non-compliance with the proper storage procedures. Moreover, some of the received items differ in the country of origin from that mentioned in the purchase order.

Status

SAI is following up the compliance of the ministry with the provisions governing the stock; taking into account the needs compared to the actual consumption.

Internal Control Systems for Narcotic Drugs and Psychotropic Substances



Nonexistence of an integrated electronic database for narcotic drugs and psychotropic substances, as well as incomplete records of sequences, license numbers and date of issue of license which is in violation of the provisions of the Combat of Narcotics and Psychotropic Substances Law.



The private health sector had (151) expired licenses for dealing with narcotic drugs and psychotropic substances during the years (2018-2020). Furthermore, the license provision does not include any penalties or fines for expired licenses.



The use of paper prescriptions for narcotics and psychotropic drugs which makes it difficult to track these medicines.



Nonexistence of a follow-up mechanism to ensure that prescriptions are not used in health institutions by health workers in cases of resignation or death of the licensed physician to deal with narcotic drugs and psychotropic substances, in addition to the lack of internal control over the use of prescriptions.

Status

The ministry has responded to SAI's recommendations, and it is working on strengthening its control over the prescription of narcotic drugs and psychotropic substances.

Performance Evaluation of the Department of Health Investment and Financing Alternatives in Ministry of Health



The production of pharmaceutical industries in Oman is limited, as there were only (4) factories until the end of 2019, producing only 5% of the total needs of the Sultanate of Oman in terms of pharmaceutical products and surgical instruments, and 0 % of laboratory instruments.



The need to strengthen the integration between the Ministry of Health and other government entities in terms of providing an attractive investment environment to establish specialized hospitals and pharmaceutical factories, as follows:

- Providing plots of lands in the industrial cities
- Reducing the number of approvals required to get the licenses
- Creating a comprehensive electronic platform
- Promoting the importance of pharmaceutical manufacturing as well as the existing opportunities

Status

- The Investment in Health Sector Lab is conducted in co-operation with Oman Vision 2040 Implementation Follow-up Unit (OVIFU) and Oman National Investment Program “Nazdaher”.
- The industries that could attract investors will be analyzed and it is currently being linked to “Invest Easy” system of the Ministry of Commerce and Industry and Investment Promotion.
- Coordination with Khazaen Economic City to allocate lands for health investment, and the establishment of a vaccine factory has begun.

Observations for Audit on Educational Supplies Clause



The Ministry of Education continued to contract with one of the institutions for more than 8 academic years for the project of providing an Electronic Correction System, without floating a general tender to choose the best offers according to the principles of publicity, equal opportunity and freedom of competition. The last tender was floated for (2019/2020 and 2020/2021) with a value of OMR 2.8 million.



No contract has been signed between the Ministry and the institution despite that the previous contract period was about to expire. In addition, the institution did not provide a performance bond.



The ministry delayed the implementation of the electronic correction system project for the academic year (2019-2020), despite the financial support of OMR 771 thousand, provided by the Ministry of Finance (MoF), in addition to the Ministry of Transportation and Communication and Information Technology's support to implement the project. However, the project was not initiated until the end of August 2021.

Status

- The ministry stated that the reason for awarding this tender is due to the fact that the e-system is applied at a critical stage of the educational ladder, which is during general education diploma exams. It also stated that this shall be applied until the electronic platform project is adopted as part of the tenth Five-year plan.
- The Ministerial Decision No. 11/2009 was issued regarding the electronic system for the educational measurement and evaluation. SAI is still following up the ministry to ensure its adherence with the projects of the tenth Five-year plan.

Audit on Admission and Registration Procedures in the Educational Institutions and its Impact on the Higher Education Graduates (2016-2020)



Private educational institutions continued to attract the highest percentage of students in majors with the lowest career opportunities. The ministry studied the private sector's needs of majors within Employer Survey 2016. The survey showed an inconsistency of job market with the available majors.

Status

Efforts are being exerted in this regard, including forming a ministerial committee to identify job opportunities as well as coordinating with the competent entities to identify the required majors.



A number of (38,000) from the general diploma graduates for the academic years (2016-2020) did not enroll in higher educational institutions for a number of reasons, although there were (22,811) vacant seats with the percentage of 19% of the total number of available seats.

Status

The ministry has adhered to SAI's recommendation and is working to find a mechanism to accommodate students and fill all vacant seats. In addition, SAI is following up the procedures taken by the ministry in this regard.

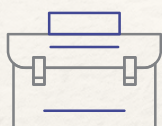
Audit on Admission and Registration Procedures in the Educational Institutions and its Impact on the Higher Education Graduates (2016-2020)



The percentage of (dismissal / withdrawal / drop out) cases has increased during the ninth five-year plan (2016-2020) by 32% of the total admissions during those years, for reasons related to finding a job or the unwillingness to complete the education path.

Status

The ministry has put in place a mechanism to limit the increase of the number of (dismissed/ withdrawn/ drop-out) students through implementing a flexible selection mechanism to choose the appropriate majors. SAI will be provided with information about the academic years (2021-2022).

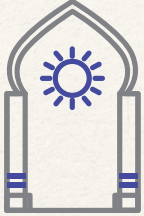


The inconsistency between training opportunities in vocational colleges, with programs funded by work sectors, and the number of higher education institutions graduates and job seekers.

Status

Training opportunities have been increased for students in various educational institutions with additional training programs in some majors.

Audit on Endowments and Bait AL-Mal



A delay in the collection of (685) endowments in most of the Governorates amounting to OMR 1.8 Million due to the insufficient audit of the work of authorized revenue collection endowment curators and not taking the necessary legal measures in that regard.

Status

OMR 146 thousand were collected and the collection of the remaining amounts is under process.



Decline in rental value and low investment returns of many properties such as lands, commercial stores and residential apartments owned by the Endowments and Bait Al-Mal. As well as the incompatibility of real estate value as compared to the local market value of similar properties.

Status

The ministry offered the endowment assets in an auction through the endowment e-program.



Some endowment or Bait Al-Mal investment contracts were concluded with some endowment administrations' employees or endowments curators.

Status

The concluded contracts were reviewed and required measures were taken.

Audit on Investing Funds of Orphans and Minors (2019-2020)



The real estates owned include (8) un-invested vacant lands purchased in 2003, 2005 and 2008 in strategic locations with the total area of 107,402 m², valued at OMR 21 Million and accumulating (31%) of the total amount of real estate assets. No returns have been realized from these lands that may have contributed to the development of orphans and minors' funds.

Status

The ministry will consider SAI's recommendation on offering the lands in an auction to achieve a rewarding return for the orphans and minors.



Multiple contracts were concluded by direct award, and work was split between companies, sometimes within the same company, in more than one contract in regards to maintenance, guarding and cleaning works for (27) buildings in Muscat Governorate, without obtaining a performance bond in most contracts.

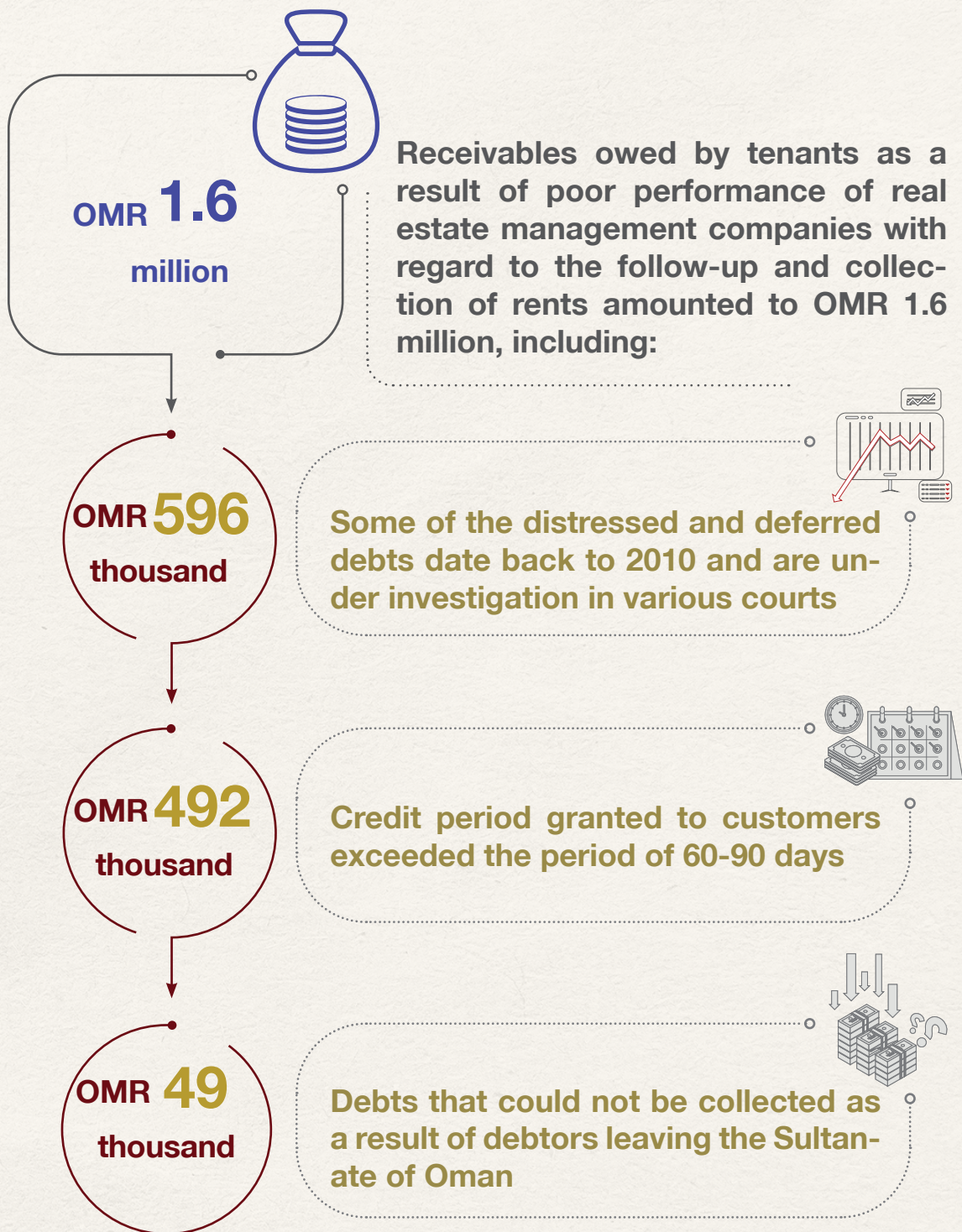


	2019	2020
No. of contracts	22	20
Value of Contracts (OMR)	268,852	277,815

Status

The ministry stated that the specialists in Orphan and Minors' Funds Department have been directed to study the possibility of offering these activities in open or limited tenders.

Audit on Investing Funds of Orphans and Minors (2019-2020)



Status

Legal procedures were taken and organizational procedures for collecting rents from tenants were prepared and circulated to real estate management offices.

Assessment of Information Technology in a Number of Government Units



Incompatibility of some information technology systems with the IT Governance Policy and delay in preparing and approving information security policies.

Status

The necessary measures are being taken to form a governance committee to develop information security policies, and to consider the possibility of contracting with specialized consulting firms to develop a clear strategy in this regard in case of funds availability.



Limitation in the implementation of information access controls and user manual controls. Some units continuously awarded direct contracts to provide a non-Omani technician to carry out tasks related to information security, network and database management, in addition to granting him the authorities of database administrator.

Status

The concerned government units are monitoring the given authorizations to employees and have revoked the authorizations of those who have resigned and retired.



Authorities and user names management policy is not set up which may regulate the mechanism for granting, managing and reviewing the authorities and identifying user names.

Status

The concerned government units have prepared a policy for managing authorities with user names, and created a portal for requesting authorities to ensure the management of granting authorities. In addition, clauses related to password controls have been included within the information security policy.

Assessment of Information Technology in a Number of Government Units

- Limited implementation of the IT business continuity policy, including the following:



No policy or plan for the continuity of information technology services has been prepared.



There is no approved policy or mechanism for data backups.



Insufficient security controls and safety of the data center and backup server room.



Unavailability of a disaster recovery center in the ministry.

Status

The units have completed identifying the technical needs for the project of creating an external recovery center as an important step for business continuity. Currently, the units are studying the possibility of the implementation through contracting with specialized consulting firms in case of funds availability. As for taking backups and testing them, this service has been included within the scope of work of the contract for renewal of periodic maintenance of central equipment.

- Limited implementation of the IT business continuity policy, including the following:



Nonactivation of saving data on record changes and operational changes in all systems and databases.



The non-disclosure agreement has not been implemented by the signature of the employees of the units and companies.



There is no classification of systems data in terms of data confidentiality.

Status

Authorization for each programmer have been established. In addition, amendments resulting from this change were made to ensure the proper operation of the electronic systems without interruptions. Moreover, non-disclosure agreement form has been prepared and the necessary measures are being taken to approve the agreement in the near future. It was proposed to form a working group responsible of establishing data classification mechanisms to ensure its confidentiality.

Assessment of Information Technology in a Number of Government Units



Limited activation of the roles of Information Security Department in terms of creating and activating the control and management system of cyber and information security, in a manner that does not comply with the assigned terms of reference, including:

✓ The annual security check for the systems has not been conducted.

✓ Vulnerabilities discovered by the Ministry of Transportation & Communication & Information Technology have not been bridged.

✓ Cyber threats, risks and their impact have not been analyzed nor documented.

Status

The responsibilities of Information Security section will be activated.



There is no automatic synchronization when changes occur in the data linked with the electronic systems, including the following:

☁️⬆️⬆️ A notification feature for the cases that were not followed for more than a year.

☁️⬆️⬆️ Allowing the manual data entry into the system.

☁️⬆️⬆️ The system allows the repetition of bank account numbers for more than one social welfare case.

Status

Necessary measures are being taken as per SAI's recommendations.

Audit on Registration and Documentation Transactions of Lease Contracts and Licenses



There is a significant loss in the revenues of registration fees for lease contracts, as a result of not registering some of them or registering others with a value that is lower than the real one. The value ranges from OMR 1 to OMR 10, in contrary to the values documented in the copies of those contracts kept in the one-stop database of the Ministry of Commerce, Industry and Investment Promotion, which ranged in most cases between OMR 100 to OMR 1,800.



Some employees did not perform due diligence when registering a number of contracts in violation of the requirements and the procedural cycle stipulated in the Municipal Services Guide, as follows:

Registering more than one lease contract in the same property for different companies performing different activities within the same contract period, or registering a number of lease contracts for the same housing unit for different contracting parties after the expiry of the contract, with a low rental value.

Finalizing lease contract transactions in which the lessor's or the lessee's names do not match the copies of the contracts attached in the system of the Ministry of Commerce and Industry & Investment Promotion or adding incorrect phone numbers when registering lease contracts in the system and finalizing incomplete data contracts.



Some employees interfered in the registration procedures of commercial and industrial contracts, by using the authorizations granted to them or their colleagues to bypass technical and health inspections of the sites of the establishments in which the activities will be held.

Status

- The concerned entity stated that it will take appropriate measures to address the shortcomings and will re-engineer and standardize the procedures among all directorates to suspend the authorities granted to all.
- Accordingly, SAI has filed the matter to Public Prosecution, and final rulings were issued against some of the defendants, while others are in process.

Summary of Observations on the Public Authorities and Establishments

Observations on Oman Water & Wastewater Services Company

OMR 22,9 million

Total receivables owed to Oman Water & Wastewater Services Company by a third party (water sector) amounted to OMR 22,9 million, some of which were past due for more than 4 years without taking necessary recovery measures.

Status

The company will take necessary measures to recover the receivables. Legal proceedings are in progress regarding amounts accumulated on investors.

OMR 2,9 Million

The production capacity cost of Majis Industrial Services plant incurred by the former Public Authority for Water amounted to OMR 2,9 million although the company did not receive any actual quantities of water.

Status

The company stated that it had alternative plans such as transferring the plant to another location or using the water on demand basis, especially after it started pumping water to Al Dhahirah Governorate.

OMR 29 million

Debt collection procedures amounting to OMR 29 million were limited until the end of 2020 (wastewater sector), out of which OMR 17,6 million were past due for more than one year, in violation of the Debt Collection Procedure.

Status

The company stated that necessary action has been taken to cut off some accounts and transfer some cases to the legal department.

Observations on Majis Industrial Services

OMR 50 million

The acquisition of 32% of a company's shares amounted to OMR 50 million.

OMR 10 million

The company was not re-evaluated after disclosing the company's results for 2018, in contrary to estimated values as per the consultant's study, with a difference of OMR 10 million between expected and actual amounts.



The company was overvalued due to inflation of expected revenues by up to 55% and 36% in 2018 and 2019 respectively, in comparison to actual increase rate by 18,6% and 15% in 2016 and 2017 respectively. In addition, no financial, economic, commercial and legal studies were conducted.



The shareholders agreement, containing disadvantageous terms that did not take into account the interests of the Majis Industrial Services shareholders which may affect the value of their investments, was approved.



Status

In response to SAI's recommendation, Oman Investment Authority reported the incident to Public Prosecution to investigate any criminal violations. The decision was issued to mandate the state audit judicial officers to scrutinize documents, detect any irregularities in acquisition procedures and identify suspects.

Observations on Sohar Flour Mills

OMR 8 million

Current value of the harbor estimated at OMR 8 million and its expected revenues have not been taken into account in the assessment. The harbor will be transferred to the partner in accordance with the agreement of assets separation. Also, assets amounting to OMR 3,3 million purchased from Sohar Port were not calculated.



A study to ensure partner's ability to manage and operate facilities for the provision of required wheat storage capacities was not conducted, given that significant company's activity is associated with importing and packing some of oil and food commodities. The company has never managed facilities such as silos or harbors.

OMR 25 million

Future cash flows from leasing silos, estimated at OMR 25 million for 20 years, have not been taken into account in the assessment. In addition, annual rental value of spaces as needed by Sohar Flour Mills Company of OMR 356 thousand were also not considered.



Status

- SAI addressed The Ministry of Agriculture, Fisheries and Water Resources on risks of transferring the obligations of Sohar Flour Mills Company to the partner, in the agreement of storage capacity lease in grain silos in Sohar port that primarily aims at sustaining food security in the Sultanate of Oman in crisis and emergency situations. The ministry directed Oman Flour Mills Company to hold off the procedures of selling its share in silos project.
- The company responded to SAI's recommendation on the reconsideration of assets' separation and stopped discussions on partnership dissolution.

Observations on Oman Environmental Services Holding Company (be'ah)

OMR 4 million

Delay in construction of transfer stations in a number of Wilayats by the contractor with which the company contracted at a value of OMR 4 Million. The delay exceeded 500 days in some construction sites with a completion percentage of less than (38%).



Status

The company stated that the contract has been terminated and OMR 581 thousand of delay penalties has been deducted. The remaining amounts of delay penalties imposed on the contractor are being settled.



70% of jobs occupied by Omanis in operating companies of waste management contracts are centered in positions of drivers and guards. Omanization rate in such companies was as low as 24% of the total 3057 workers.



Status

The company stated that this is due to the non-sepcification of percentage of Omanization for waste sector. The company will assess SAI's proposal that Omanization process should be qualitative rather than quantitative in the study being conducted for municipal solid waste sector.

Observations on the Public Authority for Special Economic Zones and Free Zones

OMR 731 thousand

Authority's budget was burdened with the value of the works executed in the cold container storage area, which will be removed, as well as the value of re-execution of such works at OMR 731 thousand as its design and implementation were not as per the requirements. In addition, the electrical power connected to the area was insufficient.

OMR 2,8 million

The consultant delayed the submission of the detailed study for works affected by omission and addition in the project which amounted to OMR 2,8 million for more than 2 years without any measures taken by the authority.



Status

The authority stated that it is assessing the costs associated with consultant failures in order to claim for damages. SAI is following up the procedures undertaken to hold the consultant accountable for the cost of failure and compensation for the damages occurred.

OMR 8,6 million

The cost of project operator's buildings (Port of Duqm Company) which have not been utilized amounted to OMR 8,6 million.



Status

The authority stated that it will communicate with the Port of Duqm Company on its plan regarding the utilization of buildings and the maintenance plan related thereto, which is being followed up by SAI.

Mazoon Electricity Company

OMR 1,4 million

A delay penalty amounting to OMR 1,4 million was not levied on some contractors for not completing the execution of networks and electricity stations projects for more than 900 days despite the extension periods granted to some projects.



Status

The company stated that it will apply contract's terms related to the contractor's responsibilities. SAI is following up the levy and collection of penalties.

OMR 319 thousand

An amount of OMR 319 thousand, the difference between the paid amount and the executed works value in one of the projects, was not claimed from the contractor. In addition, the performance bond of OMR 176 thousand was not withdrawn until its expiration despite withdrawal of project from the contractor.



Status

The company agreed with SAI's recommendation on demanding the contractor to reimburse due amounts and deduct them from submitted guarantees.

Dhofar Integrated Services Company

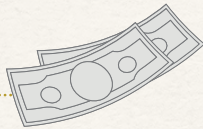


A number of 10 transformer substation projects as well as the main premises and control center projects, at a cost of OMR 20,6 million, were delayed. Penalties of OMR 925 thousand were not levied. Moreover, the company incurred additional costs amounting to OMR 156 thousand to extend consultant's contract and lease the company's premises.



Status

SAI's recommendations will be taken into account and contractors will be urged to complete the projects as per the scheduled dates and levy due penalties. In addition, proper mechanisms to decide on the submitted extension requests will be developed.



Balance of arrears due to the company increased to OMR 49,4 million, out of which OMR 34,8 million is owed by one of the collection companies representing 70% of total dues.



Status

The collection company committed to paying OMR 10 million within the agreed payment plan and the collection of remaining amounts is being followed up.

Summary of Observations on Commercial and Industrial Companies

Muscat National Development and Investment Company (Asaas)

Audit Findings on the Implementation of the Construction of Institute of Public Administration Project

OMR 4 million

Cost of project implementation increased by OMR 4 million as a result of changing tendering strategy from one package to 55 packages; in addition to financial claims raised by some contractors by OMR 11,4 million till the end of April 2022.

OMR 3,8 million

Project implementation delayed for more than 26 months and revenues of OMR 3,8 million were not realized as per approved financial model . Moreover, about OMR 6,8 million were incurred by the company for contractors and consultants, and a temporary building for the institute continued to be leased during delay period.



Status

Findings of administrative investigation are being followed up and responsibility regarding delay in the implementation of project's milestones and its financial impact are being identified.

Audit Findings of some Investment Activities at Innovation Development Oman Holding

USD 6,3 million

In 2017 , an investemnt of USD 6,3 million in a desalination company was made without conducting due deligence and examining finacial reports, although there was information discouraging the investemnt . This resulted in the loss and the write-off of the entire investemnt amount in 2019 after its acquisition by creditors.

Status

SAI is following up the assignment of responsibilities regarding the decision on the approval of investment, despite high risks involved in entering this investment.

USD 2,4 million

Additional funds of USD 2,4 million were injected to invest in a company operating in the field of drones in 2018 and 2020, bringing the total investment value to USD 5,9 million without obtaining the company's audited financial statements. It was proved at a later stage that the company has incurred consecutive losses of USD 16,9 million by the end of 2018.

Status

SAI is following up measures taken by the company to enhance investment performance.

Observations on ASYAD Group

OMR 10 million

Steering committee of Board of Directors of ASYAD Group approved to exit Oman International Container Terminal in 2021 at OMR 32,5 million, which is OMR 10 million lower than its real value. The group further did not seek better offers from other investors.



Status

SAI is following up measures taken in light of ASYAD Group's response on its eligibility to collect additional revenues at a maximum of OMR 42,5 million after completion of selling process based on terminal's financial performance from 2021 to 2023.

Audit Findings on the Financial and Administrative Works of Majan Glass Company

OMR 2,3 million

The company continued to incur losses of OMR 2,3 million from 2013 to 2020. The capital eroded by more than 24% due to increase in manufacturing cost, total dependence on importing raw materials from abroad and financing of the company's activities through bank loans and credit facilities amounting to OMR 5,7 million.



Status

A transformation plan will be prepared and an integrated study will be submitted to Oman Investment Authority on the financial and operational status of the company.

OMR 590 thousand

Containers exceeding the quantities required by customers were produced and stored as unsellable or non-consumable obsolete inventory for long periods. The value of inventory of OMR 590 thousand was written off.



Status

The company has taken all required measures to prevent the recurrence of such matter in future.

Audit Findings on Some Administrative and Financial Activities in Civil Aviation Authority

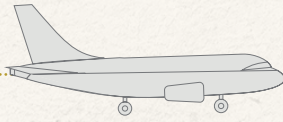
OMR 2,9 million

Non recovery of security and safety fee amounting to OMR 2,9 million from July 2016 to December 2016 as a result of insufficient coordination between the authority and Oman Airports.



Status

The authority will follow up the recovery of due amount or its settlement by writing off dues payable to the company.



The appointment of final operator for maintenance hangar, costing OMR 80 million, was not completed. The authority further did not seek to find new partners for operation of the facility that accommodates all sizes of aircrafts compared to current facility operated by Oman Air, as it has not been handed over to Oman Air, which prevented the development of a business plan for operation and potential services and realization of targeted returns.



Status

Oman Air has been contacted to provide an operational plan for examination. A public auction on operation will be floated in case of plan's non-feasibility.

OMR 63 million

Slow progress in the implementation of procedures regarding the award of the arbitral tribunal of the International Chamber of Commerce issued on 30/7/2020 in favor of the government against a company. The award is related to the development project of the sixth package for both Muscat and Salalah airports, which required the payment of OMR 63 million including arbitration expenses and interests even though the company has initiated liquidation proceedings.



Status

Judgements have been submitted to Omani courts to take required legal actions.

Audit Findings on the Purchase and Lease of Aircrafts and Maintenance Contracts in Oman Air

OMR 49 million

The company incurred losses of OMR 49 million as a result of non-inclusion of clauses on the compensation of damages resulted from operation ban in aircraft purchases contracts. Those contracts included operation of MAX aircrafts in the period from March 2019 to March 2021 due to manufacturing defects.

Status

The company will work on improving the clauses of future aircraft purchase contracts.

OMR 2,3 million

The company has incurred financial penalties of OMR 2,3 million as a result of delay in returning chartered aircrafts in accordance with deadlines specified in the charter agreements.

Status

An investigation is ongoing on reasons of the delayed return of chartered aircrafts and a committee was formed to draft a clear procedure manual thereto.

OMR 23 million

The clause on Force Majeure has not been applied to avoid payment of aircraft maintenance during the period of lockdown and shutdown of operations (due to covid-19 pandemic) which has resulted in the payment of OMR 23 million.



Status

The company will consider this in its future contracts to preserve its interests during force majeure.

OMR 14,8 million

Non moving items costing OMR 14,8 million, were in spare parts warehouses, of which a quantity worth of OMR 785 thousand have been purchased on an urgent basis.



Status

Asset management section has been restructured and a periodic evaluation of stagnant materials has been included within its responsibilities.

Summary of Observations on Oil & Gas Sector

Oil Sale and Export

USD 1,7 million

Non recovery of USD 1,7 million; the value of the crude oil sales transaction for December 2018 from an oil company.



Status

The company will reimburse due amounts with the interests, once recovery of its financial situations.

USD 9,7 million

Bank credits from some oil buyers approved with USD 9,7 million less than the limits set in the oil sales contracts during 2019 and 2020, in violation of the terms of the contract.



Status

The concerned ministry communicated with some of the banks to amend the coverage of bank credits and it will monitor the validity of the approvals in the new contracts.

Evaluation of Omanization, succession and outsourcing procedures for providing workforce services in some concession companies



- Appointment of non-Omani workers in Omanized jobs or those within the same competences of such jobs.
- Some companies operating in the oil sector have opted for outsourcing workforce, even though there are permanent employees working within the company that have the required competencies.
- No succession plans for non-omani employees have been set even though more than 15 years have passed since their appointment. In addition, some technical and supervisory job contracts have been extended without qualifying national competencies.



Status

The ministry will exert efforts to enhance Omanization levels and supervise recruitment, succession plans, and training and qualifying Omani employees.

Audit on Engineering & Supply Contract



Engineering and supply contract was awarded on a single source basis, although the contractor did not meet the condition of achieving good performance in another project resulting in its delay and cost increase.

Two clauses included in the contract under which the contractor may claim compensation for income tax of USD 3,4 million. In addition, a fee of 1.5% of the purchase value of materials was calculated, the disbursement of which amounted to USD 7,5 million, despite the fact that the contract approved a share of the contractor's gains in the event of achieving savings in the target purchases cost, as well as the entitlement of basic profits for carrying out engineering and supply activities.

Status

Awarding and contracting shortfalls are being reviewed, and the results will be presented to tender committee to take the necessary measures.

USD 24,2 million

The contractor was granted undue incentives, facilities and amounts of USD 24,2 million, despite the delay in the completion of the project stages. In addition, the value of surplus steel supplied from another project was not deducted.

Status

The necessary measures will be taken regarding the incentive approval mechanism and the preparation of final settlements within the contract closure procedures.

USD 2,7 million

Wages of USD 2,7 million higher than those entitled were disbursed.

Status

The contractual clauses will be reviewed and the necessary measures will be taken during the preparation of the final settlements within the contract closure procedures.

Audit on Construction Works Contracts

OMR 30,6 million

The contractor was granted financial benefits, incentives and unentitled payments of OMR 30,6 million regardless of his poor cash flows, weak performance, and delay of project for more than a year.

Status

The company will review the measures taken in this regard and recover any undue payments.

OMR 1,5 million

A penalty of OMR 1,5 million for the delay in completion of construction project milestones was not recovered from the contractor.

Status

The penalty will be recovered at the end of the project.

Audit on some Construction, Engineering and Maintenance Activities

OMR 307 thousand

The installation of oil and water flow meters in one of the fields costing OMR 307 thousand was discontinued due to its incompatibility with the nature of production.

Status

The company is conducting a comprehensive review for meters selection and purchase process and will be utilizing the uninstalled meters in other projects.

OMR 904 thousand

The engineering and procurement activities in the project of enhancing the facilities of a field were cancelled after spending OMR 904 thousand, as a result of starting the engineering activities before finalizing the design requirements.

Status

The company will seek to improve the procedures to avoid the start of engineering and procurement works prior to finalizing initial designs.

Audit on some Construction, Engineering and Maintenance Activities

OMR 4,4 million

A penalty of OMR 4.4 million was not levied from the contractor responsible for the construction due to non-achievement of targeted Omanization levels from July 2018 to December 2020.

Status

The Omanization levels contractually agreed upon with the contractor will be verified and required measures will be taken based on audit findings.

USD 6,5 million

Additional costs of USD 6,5 million were incurred to rebuild the roof of an oil tank after collapsing and repair the leak in the drainage system as a result of a deficiency in the implementation of repair and maintenance activities.

Status

The team in charge of assets will conduct a comprehensive investigation thereto and will take appropriate measures accordingly.

OMR 124 thousand

Penalties of OMR 124 thousand were not recovered due to the contractor's under performance in development activities and implementation plan as well as delay in supply of some urgent materials and stainless steel mechanical installers.

Status

The company agreed with SAI's observation and will seek to recover the amounts.

Audit on Tender Committee's Activities (2016-2020)

USD 4,4 billion

Contracts values increased by USD 4,4 billion as a result of changing scope of work and prices from 2016 to 2020 as well as exempting contractors from paying contractual penalties of USD 6 million for reasons related to the company or weak financial position of the contractors.

Status

Necessary measures will be taken to limit variations to contract, extension of contracts and value increase.

Audit of some Operational and Financial Activities of an Oil & Gas Company

USD 30,2 million

The contractor delayed the implementation of the milestones of pipeline construction project and liquefied natural gas (LNG) pipelines which costed USD 285 million. The delay prevented the achievement of both contracts objectives, namely; reducing contract period and gaining a discount of USD 30,2 million. The contractor was granted incentives of USD 16,4 million and the delay penalties of USD 15 million and the agreed-upon discount were waived.

Status

SAI is following up the status of the recommendations on the assignment of responsibility regarding the provision of facilitations and the exemptions of delay penalties. The contractor will bare all financial burdens occurred due to the non-compliance with contract conditions.

OMR 5,8 million

The expansion works of gas supply stations were awarded by OMR 5,8 million, without considering reservations of the financial assessment committee regarding the financial challenges faced by the contractor, which led to a three-year delay in the final completion date of the first project and suspension of the second.

Status

The company included financial status criteria as a condition for technical qualification in future projects.

Audit of Some Financial, Administrative and Operational Works in an Exploration & Production Company



Work schedule approved by the Ministry of Energy & Minerals to drill 3 exploration wells and a number of 16 to 24 development wells have not been adhered to as only 1 exploration well and 3 development wells were drilled.



Status

The ministry confirmed that it has followed up the performance of the company; urging it to comply with the approved work schedule in accordance with the five-year plan.

USD 500 thousand

A clause allowing the operator to recover annual training fees of USD 500 thousand was included in the Exploration & Production Sharing Agreement (EPSA) in contrary to other similar agreements.



Status

The ministry agreed to amend the agreement by excluding the training fees from recoverable costs.

USD 759 thousand

No delay penalty of USD 759 thousand was levied on the contractor in charge of supply, engineering and construction activities of a flowline and surface facilities due to a delay in the delivery of two wells.



Status

The recovery of penalties is being followed up with the company.

Evaluation of Performance of Capital Projects and a Sample of Sustainability Projects in an Oil & Gas Company

USD 1,2 million

Some projects were implemented prior to final investment decision and later suspended. In addition, some other projects were cancelled due to shortfalls in preliminary studies despite the disbursement of USD 1,2 million.



Status

The company stated that a project implementation manual is being prepared to avoid recurring of the same in the future.

USD 800 thousand

Waste treatment project costing USD 800 thousand did not achieve its objectives regarding the protection of environment due to oil and other substances leak in the sea, leading the company to implement a new project for the same purpose.



Status

SAI reconfirmed its recommendation on assignment of responsibilities regarding disbursement of some amounts without benefit.

USD 4,9 million

Dues of the contractor in charge of improvement of desalinations system were fully reimbursed and a performance bond of USD 3 million was issued, despite not conducting performance testing and carrying out necessary repairs. Wage bills of workers and engineers of the contractor, who was assigned a number of projects amounting to USD 1,9 million, were paid without submitting any supporting documents.



Status

The company confirmed that all necessary measures have been taken to strengthen the controls regarding following up the project implementation and reimbursment of the contractor's dues.

SAI's Efforts in Integrity Promotion

SAI undertook its responsibilities in accordance with article (23) of the State Audit Law. The total number of legal cases dealt with by SAI have amounted to 101 cases in 2021 as follows:



2021

Cases referred to Public Prosecution

31

Cases under investigation and evidence collection, and are still in process

17

Cases related to previous years

53

Total number of cases

101

Samples of cases for which court rulings have been issued in 2021

Bribery

A staff member has requested a bribe and abused his position to achieve personal interests for himself or others by facilitating the procedures of awarding some tenders and thus gained financial benefits.



The defendant has been sentenced to three years in prison in addition to a payment of a penalty of OMR 21 thousand. The defendant has been dismissed from his service and is permanently prohibited from assuming public office.

Bribery and Misuse of Position

A staff member received a financial bribe from some citizens in return of facilitating some housing transactions.



The defendant was convicted of requesting a bribe, for which he was sentenced to two years in prison with a fine of OMR 2000 for public interest. He was also convicted of misusing his position, for which he was sentenced to one year in prison. Both punishments were combined.

Illegal data entry into an information system

A commercial establishment has signed fake employment contracts with a number of citizens for salaries ranging from OMR 8150 to 8250 without holding higher educational qualifications. They used and submitted those contracts later to the Ministry of Manpower to obtain labor permits. The contracts were canceled after obtaining the required approval to recruit foreign workers.



The first and second defendants were convicted of illegally entering data into a government information system. The court issued a verdict of imprisonment for three years and imposed a penalty of OMR 3000. The first defendant was convicted of providing incorrect information about his employees and was fined a sum of OMR 200 and the work permit was canceled. The prison sentence was suspended except for three months and the fine was imposed.

Samples of Cases for which Court Rulings were issued in 2021

Forgery

A staff member has falsified official and customary instruments by providing incorrect documents to gain personal interests and thus unlawfully gaining a commercial and residential plot of land as well as a residential one.



The defendant was convicted of replicating the seal of one of the state administrative apparatus units and the signature of an official employee as well as falsifying an official instrument and using it in knowledge of its forgery. The court issued a verdict of imprisonment for two years for replicating the seal, one year for replicating the signature and one year for falsifying an official document. Lighter punishments shall be integrated into the most severe ones. The defendant was permanently prohibited from assuming public office and the forged documents were confiscated for destruction.

Forgery and misuse of position

A number of employees have created a residential scheme that overlaps with plots of lands owned by some citizens for the purpose of getting compensation and granting of residential plots.



The defendants were convicted of forgery of official instruments, the use of the forged ones in knowledge of their forgery and misuse of position. The court issued a verdict of imprisonment for one year for forging official instruments, one year for the use of forged documents and 6 months for the misuse of position. One of the defendants was acquitted.

Samples of Cases for which Court Rulings were issued in 2021

Use of forged official instrument and misuse of position

A number of employees have facilitated the procedures of granting residential plots by forging official documents and misusing their positions by knowingly utilizing the forged documents.



The second defendant was convicted of using a forged official instrument in knowledge of its forgery as well as misusing his position. He was punished by imprisonment for one year for using a forged official instrument, of which only two months shall be applied and three months for misusing his position, of which only one month shall be applied. The first, second, third and fourth defendants were convicted of misuse of their positions and were punished by imprisonment for three months, of which only 7 days shall be applied. The first and fifth defendants were acquitted.

Abuse of position and misuse of public office

A staff member misused his position to gain a personal interest by facilitating the award of a number of tenders to a company owned by one of his relatives. He solely signed the analysis documents of tender offers and awarded them to the company despite being the highest bidder in some cases and not satisfying some of the tender requirements.



The defendant was convicted of abusing his position to benefit others and misusing public office. The defendant was punished by imprisonment for two years and was dismissed from office.

Awareness and Integrity Promotion

SAI has devoted its considerable attention to public information and awareness aspects that aim to embody community partnership, promote values of integrity, establish a culture of public fund protection and preserve the state's gains by implementing many programs, activities and events. 272 activities were conducted in 2021 and 294 in 2020, as follows:



	2020		2021
Radio & television programs	70	●	77
Reports and television & radio interviews	22	●	10
Press releases	36	●	29
Seminars & lectures	5	●	11
Digital awareness releases	158	●	141
Printed awareness releases	3	●	4

The UN Convention against Corruption

The efforts of the Sultanate of Oman in the implementation of the UN Convention against Corruption has resulted in the following:



The National Plan for Promoting Integrity was finalized and approved by the Council of Ministers on 17 May 2022. The plan is considered as the general framework that directs the roles of the government and the society to coordinate the efforts of the government and private sectors, the citizens and all entities working on audit and accountability.




A new draft law was prepared on the protection of public fund and avoidance of conflict of interests. The draft law shall include provisions on the protection of witnesses, whistleblowers, experts, victims and the like. The provisions on financial disclosure shall be expanded and shall include provisions on combating illegal gain. The draft law was filed to the competent authorities to carry on with the procedures.



SAI participated in the international meetings and conferences held regarding the UN Convention against Corruption.

Complaints & Reports

SAI has placed great emphasis on dealing with complaints and reports filed by citizens through various communication channels concerning financial and administrative irregularities, negligence, failure to perform duties and waste of public fund, as follows:



	2020	2021
Number of complaints & reports	579	505
Percentage of completion	%90	%91

Community Brief

