

Internal Audit Procedures Toolkit - Governmental Entities
(Financial / Compliance Toolkit)

Contents

Chapter 1:

1. Preface.....	5
1.1. Purpose of the Toolkit	5
1.2. Scope of the Toolkit	5
1.3. Toolkit usage, responsibility and authority	5
1.4. Independence	6
1.5. Toolkit distribution	6
2. Toolkit Maintenance	8
2.1. General Rules	8
2.2. Authorities	8
2.3. Conditions for Amendments.....	8
2.4. Procedures of Updating or Modifying the Toolkit	8
۳. Reports Prepared by the Internal Audit Departments/Directorates	12
4. Confidentiality Policy	13
4.1. Confidentiality	13
4.2. Rights.....	13
4.3. Legal Recourse	13
5. Definitions	14

Chapter 2:

1. Budget Audit Procedures	16
1.1. Definition of Budget.....	16
1.2. Budget Laws and regulations.....	16
۱.۳ Audit procedures on budgets preparation	16
۲. Government revenues audit	19
2.1. Definition and types of Revenue	19
2.2. Laws and regulations governing revenues.....	19
۲.۳. General Revenues audit procedures	19
۲.۴. Audit during the remittance stage	22
2.5. Audit procedures for certain types of revenues	22
2.6. Audit procedures related to the due revenues uncollected:	23
2.7. Audit procedures in the case of death or bankruptcy of a revenue debtor:	23
2.8. Audit procedures for revenues settled by instalment	24
2.9. Audit procedures for remission of due revenues.....	25
2.10. Audit procedures for exemption of due revenues.....	25
2.11. Audit procedures for waiving recovery of the salaries paid unlawfully	26
2.12. Audit procedures for the revenue stamps	27
۳. Government Expenditure Audit	29
3.1. Definition and types of expenditures	29
3.2. Expenditures laws and regulations	29
3.3. General procedures for government expenditures audit	30

3.4.	Auditing procedures for personnel related expenses (salaries and their related accounts)	33
3.5.	Audit of rented dwellings related expenses	35
3.6.	Audit of the expenses (financial liabilities) related to the membership in international and regional organizations.....	36
3.7.	Audit of reimbursement of taxes or fees unlawfully paid	36
3.8.	Audit of permanent and temporary imprest	37
٣.٩.	Contracts and tenders audit	40
4.	Government Movable Properties Audit	48
4.1.	Definition of Movable Properties	48
4.2.	Laws and regulations governing movable properties	48
4.3.	Purchase and Registration of Movable Properties Required for a Governmental Entity	48
4.4.	Rental and Registration of Movable Properties Required for a Governmental Entity	49
4.5.	Maintenance of the Government Movables.....	49
4.6.	Insurance of the Government Movables	50
4.7.	Inventory (stocktaking) of Government Movables	51
4.8.	Audit Procedures for Government Vehicles	52
٥.	Government Stores (Warehouses) Audit.....	55
5.1.	Definition of stores	55
٥.٢.	Laws and Regulations Governing Government Stores	55
٥.٣.	Types and Materials of Government Stores, and Classification of Store Materials.....	55
٥.٤.	Employees of Stores and their Duties	56
٥.٥	General Audit Procedures for Government Stores.....	58
٥.٦.	Detailed procedures of stores audit	62
٦.	Government Treasury Audit	75
6.1.	Definition of Treasury	75
6.2.	Laws and regulations governing treasury.....	75
6.3.	General Provisions.....	75
6.4.	Detailed Treasury audit procedures	75

Chapter 1

Preface

1. Preface

1.1. Purpose of the Toolkit

This toolkit is designed to help the Internal Audit Units in Ministries and Government Units to implement the procedures of internal audit on the financial and compliance areas in accordance with the legislations and laws enacted and in force in the Sultanate of Oman.

This toolkit has been prepared based on the content and clauses of the Financial Law of the Sultanate and the relevant regulations listed below, however, the existence of this toolkit should not prevent the Internal Audit Units from referring to the Financial Law and related regulations with respect to financial and compliance audits to be carried out by the Internal Audit Units in Ministries and Government Units in compliance with such laws and regulations:

- Financial Law
- Tenders Law
- Civil Service Law
- The Executive Regulations of The Financial Law
- The Executive Regulations of The Tenders Law
- The Regulations Governing The Internal Audit Units In Ministries And Government Units Issued By The Ministerial Decision No. 80/99
- Financial circulars and Ministerial Decisions related to government vehicles

The purpose of this Toolkit is to:

- Provide for a consolidated and documented reference for the internal auditors in the Ministries and Government Units when performing the internal audit processes.
- Document the internal audit procedures which should be carried out by the internal auditors in the Ministries and Government Units in accordance with the Financial Law of the Sultanate.
- Support the internal Audit Units in the Ministries and Government Units to execute the audit procedures in accordance with the Financial Law and related regulations of the Sultanate.

1.2. Scope of the Toolkit

The Toolkit is intended to be used by members of the internal Audit Units in Governmental Units while performing internal audit activities in accordance with articles and provisions of the Financial Law and related regulations defined in **section 1.1**.

1.3. Toolkit usage, responsibility and authority

The use of this Toolkit is only limited to members of the Internal Audit Units. Any use of the toolkit content by any entity/personnel other than internal auditors will be performed under the direction and with the judgment and knowledge of the Higher Level of Authority of the relevant Governmental Unit.

If any member of the Internal Audit Unit within the Government Unit considers that compliance with any of the procedures set out in this toolkit is not possible for any reason, the matter should be referred in writing to the designated Internal Audit Manager in the concerned Government Unit.

To ensure that the toolkit will be successfully implemented, it is helpful to follow these steps at the very beginning of introducing this toolkit to the auditors:

- Assign someone within the Internal Audit Unit to be officially in charge of the toolkit
- Hold an introductory meetings/workshops to determine the following:
 - Objectives of the toolkit
 - Special current and future training needs
 - Technical and Technological resource requirements

1.4. Independence

Due to independence matters and conflicts of interest, it worth noting that the team who is assigned to implement the Ministries Internal Audit Manual within the Governmental Units and other post audit activities should not be assigned to perform any pre audit activities required by the regulations stated in **section 1.1**.

1.5. Toolkit distribution

This section depicts the policy and procedure of distributing the toolkit and related amendments to the Internal Audit Department/Directorate in the concerned Ministries and Government Units.

- First time distribution of this toolkit is based on a pre-set suggested form created for that purpose. **(1.5.1 Toolkit distribution form)**
- Distribution of this toolkit following an amendment is also performed through the same form.
- In both cases, distribution of this Manual is made by sending it to the Internal Audit Department/Directorate in the concerned Ministries and Government Units.
- The internal auditors should sign and return the toolkit distribution form to the Internal Audit Unit Manager within 10 working days from the date of receipt.
- Any future updates to this toolkit will be distributed to all concerned internal auditors and it will be their responsibility to ensure that the toolkit is properly updated by adding new pages or appendices, removing/superseding pages or appendices, or making any changes in form or content.

1.5.1. Toolkit distribution form

Purpose:

Distributed By:

Date of Distribution:

Reason for Distribution
(check one):

First Time Distribution

Distribution Following Amendment

To the concerned internal audit team,

- The sign off of this form by the internal audit team in the Ministries and Government Units represent the team agreement to adhere to all cited procedures included in this Toolkit.
- The internal audit team may be requested to sign off on the receipt of additional material and changes thereto currently and in the future.
- To acknowledge that the internal audit team in the concerned Government Unit has reviewed and understood all of the material in the toolkit or any related modification, please sign and date this form and return it to the internal audit department manager within 10 working days of receipt of this toolkit.

I acknowledge that I have read and will comply with all of the material included in this Toolkit.

Signature

(Please print name)

2. Toolkit Maintenance

2.1. General Rules

Auditing procedures are a content of dynamic nature that should be periodically reviewed and updated to reflect any changes internally or externally. The Internal Audit Department Manager in the concerned Government Unit shall be the first person responsible for updating the toolkit in line with the developments/changes of the regulations, laws, and the relevant policies.

To ensure the sustainability and update of the toolkit, the Internal Audit Department in the concerned Government Unit should take the necessary procedures and use appropriate expertise. Ongoing training regarding the implementation of audit procedures stated in this toolkit is an integral part of the continuous improvement and maintenance process.

The objective of any training program should be to reinforce management's and employees' understanding of what internal audit procedures are, how they are executed and followed up.

2.2. Authorities

The authority to revise and amend this toolkit within the Government Unit shall be in compliance with the internal policies and procedures.

2.3. Conditions for Amendments

Conditions leading to a change– or a group of changes– will be represented in changes in the Financial Laws and regulations that are mostly external in nature. In anytime that the laws and regulation are amended in whole or in part, Internal Audit Department should review and amend the audit procedures stated in this toolkit in light of their relation to the laws and regulation. Any changes in the Financial Laws and regulations could lead to a necessity in changing the adopted procedures, in whole or in part.

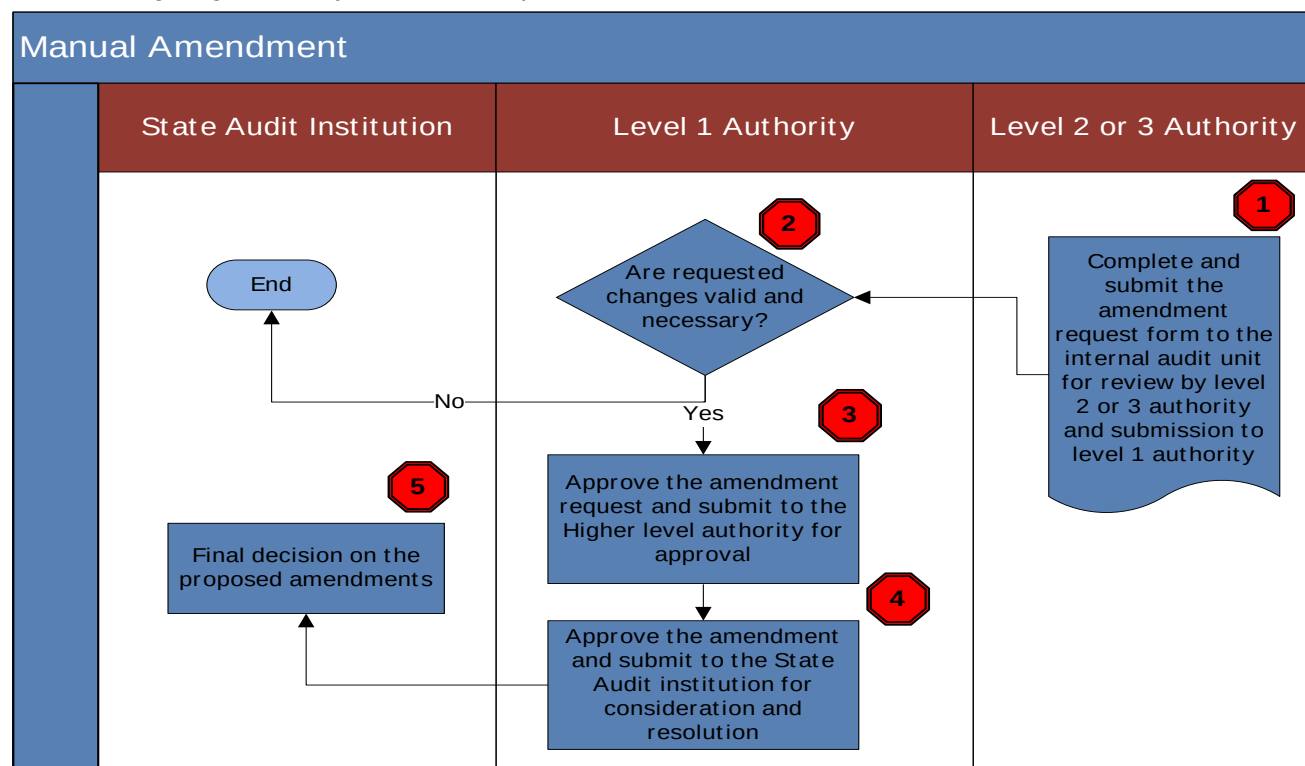
2.4. Procedures of Updating or Modifying the Toolkit

In this case of updating or modifying the toolkit, the following procedures may be followed:

1. Review the toolkit and proposed modifications by the concerned Government Unit as mentioned in **section 2.3 above**. In this case, the following steps shall be considered:
 - The requesting auditor at any authority level has to fill out the Request for Amendment Form (**Request for Amendment Form 2.4.1**).
 - Level 2/3 authority within the Internal Audit Unit reviews the request.
 - If the request is feasible, level 2/3 authority within the Internal Audit Unit forwards the request to level 1 authority.
 - Level 1 authority reviews the request.
 - Level 1 authority within the Internal Audit Unit should considers the following implications as a result of a possible change to the contents of the toolkit:
 - Review human resource capabilities and discuss changes in personnel requirements;
 - Review management information systems and discuss potential changes in IT requirements;
 - Evaluate legal, regulatory, and accounting issues, and solicit comments from appropriate professionals if and whenever needed;
 - Evaluate cross toolkits required changes as a result of a change in the internal audit toolkit.

- If the Internal Audit Unit agree on part of the requested change or requested amendment to the amendment form, the form should be returned to the head of the concerned unit who shall give the necessary instructions to revise the request for amendment form.
 - The revised request for amendment form should be submitted to level 1 authority for review and approval.
 - If the changes are approved, then the request is forwarded to the higher level authority for final approval.
 - Higher level authority in the concerned Government Unit shall raise the proposed changes in writing to the State Audit Institution for consideration and resolution.
 - If such changes are not approved, the State Audit Institution refers back for further deliberation or for termination if the request is not considered appropriate for consideration.
2. Modification of the toolkit by the State Audit Institution, In this case, the following steps shall be considered:
- Issuance of amendments and forwarding the changes to the responsible employee to reflect the changes in the relevant sections or chapters of the toolkit.
 - Changes are then printed and added to the relevant toolkit sections along with any required forms or other related materials.
 - All changes along with the related forms are distributed to the concerned Government Units or concerned employees using the **(Toolkit Distribution Form)**
 - After distribution of the new sections, the responsible personnel update the **Toolkit Maintenance Form 2.4.2** included in this section of the toolkit.
 - Coordination shall take place with the concerned units to conduct a training session on the new changes.
 - State Audit Institution shall be responsible for monitoring the implementation of the change and compliance.

The following diagram briefly illustrates the procedures of toolkit amendment:



2.4.1. Request for Amendment Form

Name of internal auditor/ministry/unit requesting amendments:

Section/s Reference:

Toolkit Section:

Section Name:

Description of proposed amendments:

Proposed amendments:

Proposed by:(e.g.Level 3)

Reviewed by:(Level 2)

Approval by: (level 1)

Final Approval by:

(Higher Authority level)

Date:

Date:

Date:

Date:

Note: After filling out this form, the completed form is submitted to the State Audit Institution along with an official letter requesting the toolkit amendment.

2.4.2. Toolkit Maintenance Form

No.	Date of Amendment	Section to be Amended	Responsible Internal Auditor
1	26 March 2014	Preface 6.1 XXX	XXX
2			
3			
4			
5			
17			

3. Reports Prepared by the Internal Audit Departments/Directorates

The Internal Audit Departments are responsible for preparing the following reports:

- Regular reports on audit findings including the violations, their reasons, how to solve them, and how to avoid them. The directors general and the directors of departments in the ministry or the Governmental Entity shall be provided with copies of these reports in order to make the necessary changes or corrections, and in order to avoid the same violations in the future.
- Reports on the audit finding of any violation or any issue of significance, which the Minister or the Chairman of the Governmental Entity decides to be audited.
- Quarterly reports that include the audit finding of the accounts and balance sheet of the ministry or the Governmental Entity, and a summary of the notes and recommendations stated in the regular and specific reports abovementioned in bullets (1) and (2), and the follow-up result.

The reports referred to in the above bullets shall be presented to the Minister or the Chairman of the Governmental Entity during the months of January, April, July, and October of each year.

The Ministry of Finance and the State Audit Institution shall be provided with a copy of the reports.

4. Confidentiality Policy

4.1. Confidentiality

The use of this toolkit and its contents is bound by Government Unit’s Law and its applicable confidentiality in practice.

4.2. Rights

All rights of the Internal Audit Units are reserved as per local laws, rules and regulations pertaining to this publication.

No part of this toolkit may be reproduced, stored in any system or form, or transmitted in any form by any means – electronic, mechanical, photocopied, recorded, or otherwise – without the prior written consent of the concerned Government Unit.

4.3. Legal Recourse

Violation of the above ‘Rights’ clause subjects an individual or an entity to applicable legal proceedings as per the laws of the Sultanate of Oman.

5. Definitions

The words and phrases shall have the meaning given in accordance with the definitions set forth below, unless the context or text requires otherwise.

Concerned Minister: All Ministers responsible within the jurisdiction of their ministry, the head of the Governmental Unit, or the authorized representatives

Authorized to spend: the concerned Minister or Under Secretary or his representative, It also includes any employee authorized to spend by an authority vested in law to authorize the collection and disbursement.

Ministry or Governmental Entity / Unit: the Ministry responsible by virtue of its jurisdiction and any other Governmental Entity subject to the provisions of the Financial Law.

The Internal Audit Unit / Department: the unit that is established in each Ministry or Governmental Entity to proceed with the terms of reference prescribed by law and financial regulations and decisions issued.

Government Revenue: They are the amounts due to the public treasury in accordance with the laws, royal decrees, regulations, decisions, contracts made in this regard, regulations and rules in force.

Government Expenditure: Amounts expended by the Government or the Unit to perform its jurisdictions, for the purpose of the public interest, without prejudice to the laws, royal decrees, regulations, rules and decisions in force, the contracts/agreements made in this regard and the budgeted appropriations of the Governmental Entity.

Classification of the public budget: Classification of the public budget in accordance with article 20 of the Financial Law.

Financial System Manual: Manual issued by the Ministry of Finance in 1977 specifying the detailed financial procedures applied by the Ministries and Governmental Entities.

Administrative Implementation / Execution procedures: procedures to be followed in the collection of government revenues, in the case of non-fulfilment of their full and within the prescribed deadlines, established in accordance with the system of collecting taxes, fees and other amounts due to the administrative units of the State, the Financial Law and its Executive Regulations.

Higher Level of Authority / Top Management: The Minister or Head of the Governmental Unit

Monitoring/Control: The internal audit or internal controls where is applicable.

Chapter 2

Financial & Compliance Audit Procedures

1. Budget Audit Procedures

1.1. Definition of Budget

Budget is a financial program for a subsequent year plan to achieve specific objective in line with the approved development plan and in accordance with the Public Policy of the Sultanate which is attested and approved annually through Royal decree.

1.2. Budget Laws and regulations

- Statute of the Sultanate issued by the Royal Decree number 101/96
- Financial Law issued by the Royal Decree number 47/98
- Economic development law issued by Royal Decree number 9/75
- Royal Decree number 39/96 regarding the responsibilities of the Ministry of Finance and approval of its organizational chart
- Approved development plan
- Ministerial Decision number 118/2008 to issue the Executive Regulations of the Financial Law
- Annual royal decrees on the approval of the public budget
- Annual budget preparation circulars

1.3. Audit procedures on budgets preparation

Internal Audit Departments should ensure the following procedures are adhered to by the Governmental Entity when developing its budget.

- The Draft Budget Development Committee should be headed by the concerned Undersecretary of the concerned ministry or his representative and ten members including the Director General of Administrative & Financial Affairs, Director of Personnel Affairs, Director of Projects or Development Budget and other persons involved in financial affairs.
- To develop its own draft budget in accordance with the form designed for this purpose.
- To inform the Ministry of Information of all such forms on time.
- To adopt the basis prescribed in the Financial Law and the Economic Development Law promulgated by Royal Decree No. 9/75, the Approved Development Plan and the content of the Annual Public Budget Development Circular and other applicable laws, royal decrees, regulations and decisions.
- To differentiate between:
 - **The decisive amendments:** These are the amendments that must be made in implementation of the laws or royal decrees issued during the fiscal year in which the draft budget is being developed.
 - **Other amendments:** These include the amendments necessary for the operation of the new utilities or projects, and those amendments resulted from expansion or limitation of the jurisdictions performed by the Governmental Entity and other amendments.
- The Governmental Entity should attach -to its draft budget- a statement noting the reasons justifying its proposed amendments to the contents of the approved budget, whether by increase or decrease. The estimated appropriations required for the operation of the new utilities or projects should be in accordance with the forms designed for this purpose.
- To adopt the cash basis, as any amount expended or collected during the fiscal year should be considered an expense, even if is related to another fiscal year.

- The precise estimates of the revenues expected to be generated during the fiscal year for which the draft budget is being developed, without increase or decrease, taking into account the followings:
 - Revenues actually generated in the light of the final account for the last year and during the twelve-month period ended in June 30 of the fiscal year during which the draft budget is being developed.
 - Amendments in the categories, rates or percentages of the tax or fees or other types of revenues or their accounting basis determined by virtue of the laws or royal decrees that were applied during the fiscal year in which the draft budget was developed under decision issued in implementation of these laws and royal decrees.
 - Any financial, economic or other factors that may affect the revenue estimates be it current or capital revenues.
 - The estimated surplus of the public authorities and establishments affiliated thereto in accordance with the relevant provisions of the Executive Regulations of the Financial Law.
 - The estimated value of the aid expected to be obtained. Such value should be included in the draft budget under the funding sources by deducting this value to the relevant expenses items.
- To estimate the current expenses by considering the following:
 - Expenses actually incurred in the light of the final account for the last year and during the twelve-month period ended in June 30 of the fiscal year during which the draft budget is being developed.
 - Expenditure squeeze and rationalization within the limits of the actual government needs.
 - Any basis that might be included in the Approved Development Plan with regard to the annual public expenditure rates.
- To estimate the appropriations required for the permanent jobs by considering the following:
 - The content of the permanent jobs schedule –certified by the concerned Minister following the approval of the Ministry of Civil Service- and the jobs budget register of the unit.
 - Appropriations decided for these jobs in the budget.
 - Preparation of the indecisive amendments in coordination with the Ministry of Civil Service according to the rules and conditions set out in the Civil Service Law.
 - Jobs and grades that have been cancelled and those proposed to be cancelled during the fiscal year for which the draft budget is being developed.
 - To complete the estimation on the basis of actual salaries and allowances and other payments determined for the occupants of the permanent jobs according to the Law.
 - To estimate the appropriations of the temporary jobs by considering the activities necessary for the Governmental Entity, with specific period of time of season determined thereto, and the content of the temporary jobs register. Creation or cancellation of jobs should be in accordance with the requirements and circumstances of the work within the limits of the appropriations determined in this regard.
- To estimate the appropriations for commodity requirements by considering the following:
 - The estimation shall be limited to the commodity requirements that are relevant to the execution of its jurisdictions and activities.
 - The standard rates determined for the use of these requirements.
 - The balances remaining in the beginning and at the end of the fiscal year.
 - The minimum and maximum stock.
 - The actual consumption during the last two years and during the twelve-month period ended in June 30 of the fiscal year during which the draft budget is being developed.
- To ensure that the estimation of the appropriations required to support some of the commodities is limited to the necessary appropriations that the concerned Minister decides to purchase for the purpose of selling them at a rate lower than the cost price, taking into account the followings:

- The quantities expected to be sold during the fiscal year for which the draft budget was developed in the light of the quantities that were actually sold during the last two fiscal years, and to exclude any remaining balance of such commodities.
- The purchase prices of the last two fiscal years, and the expected purchase and sale prices during the fiscal year for which the draft budget is being prepared.
- To estimate the appropriations for the service requirements by considering the following:
 - **Maintenance appropriations:** They are estimated based on the needs and programs developed by the unit, the contract made in this regard, with no inclusion of any estimates for purchase of fixed assets.
 - **Appropriations related to properties rent:** The unit should attach to the draft budget a statement that contains the information related to the rented properties, particularly the area of such property, its contents, dependencies, rent of each property and the date of commencement and expiry of the rent.
 - **Appropriations of service contracts:** They are estimated by considering the contracts accepted to be made, renewed or terminated during the fiscal year for which the draft budget is being prepared. The estimation should be limited to the services the execution cost of which is regarded as part of the current expenses.
- To estimate the capital expenses by considering the following:
 - The fixed assets the unit has and its needs of such assets during the fiscal year for which the draft budget is being prepared.
 - Assets price and acquisition cost, where the estimation should include- in respect of the assets imported from abroad- all costs borne by the unit until they arrive at the stores.
- To estimate the development expenses by considering the following:
 - **In respect of the projects in progress:** They are estimated based on the implementation programs contained in the signed project construction contracts and by considering any other factors that may affect estimation of the appropriations required for such projects.
 - **In respect of the projects the implementation of which is expected to commence during the fiscal year for which the draft budget is being prepared:** They are estimated in the light of the programs expected to be implemented, taking into account the period for floating and awarding the execution tender and signing off the contract in accordance with the applicable laws and rules.

In any case, while estimation process, there should be considered abiding by the amounts budgeted for the project in the Approved Development Plan and any other amendments that might have been decided in this regard. The draft budget should also include a detailed statement noting the financial position of each project, the basis for estimating the required appropriations and the liquidity position.

- To estimate the appropriations required for lending and contributions by considering the following:
 - **In respect of the appropriations required for lending provided to the others:** There should be considered the lending contracts expected to be made during the fiscal year for which the draft budget is being prepared, along with the Provisions of the Executive Regulations related to loans provided to the others.
 - **In respect of the appropriations required for contributions:** There should be considered the Investment Policy, whether by participating in establishment of new companies or contributing in the capitals of existing companies. There should also be considered the provisions of government investments.

2. Government Revenues Audit

2.1. Definition and types of Revenue

Amounts that are due to the public treasury by virtue of the applicable laws, royal decrees, regulations, decisions and contracts/agreements concluded in this regard. According to the Financial Law and its Executive Regulations, revenues are classified in the general budget as current revenue, capital revenue and capital recoveries

Revenues include –mainly- the following:

- **Ordinary revenues**, and they are divided particularly into:
 - State revenue from its natural sources such as oil, gas, and mining.
 - Taxes, fees and considerations for the performance of services.
 - State revenue from its owned funds, whether real estate or movable or of its financial rights such as investments.
- **Extraordinary revenues**, such as loans and aid.
- **Miscellaneous revenues**.

2.2. Laws and regulations governing revenues

- The Financial Law and its Executive Regulations
- The Income Tax Law
- Related laws, decisions and circulars

2.3. General Revenues audit procedures

The internal auditor should focus on the following:

- Compliance with the laws, regulations, rules and procedures applicable for collection and that it is not permissible for any Governmental Unit, when collecting the amounts that are due to the public treasury as revenues, to take any action that may result in delaying the payment of the amounts due or exemption or remission therefrom in the events which are stipulated by the law
- No exempt should be allowed from any tax, fee, debt or other amounts due to the units of the State Administrative Apparatus, except in cases provided for by laws, royal decrees or regulations issued in implementation thereof to permit such exemption; and within the limits, restrictions and conditions set forth in those laws, royal decrees and regulations. In all cases, the exemption should be issued by a decision from the Supervising Minister of Financial Affairs at the request of the concerned Minister or head of the government without prejudice to the regulations prescribed by the Executive Regulations of the Financial Law.
- Commitment by unity government to refund the taxes, fees or other amounts that have already been paid to them as revenue, if it has been proven that these amounts were settled unlawfully. Refund should be in accordance with the applicable rules and procedures set forth in the Audit Regulations over government revenues and expenditures and without prejudice to the provisions of the Financial law which stipulate that aging of the rights of individuals, institutions and private companies to claim refund of taxes, fees and other amounts previously unlawfully paid to the units of the State Administrative Apparatus upon the expiry of five calendar years commencing from the date of payment. Such aging should be applicable whenever there is a reason that prevents the creditor to claim his rights
- Conduct matching between the cash content register in the treasury and the register of receipts vouchers, collected amounts receipts and bank register.

- Agree the amounts to that being remitted to the Ministry of Finance and the extent of compliance with the provisions of the Executive Regulations of the Financial Law referred to.
- Conduct continuous and sudden inventory on the collection receipts books and review by the Internal Audit Department of the concerned authority.
- Addition of government revenues that have been collected to the general revenues of the State according to the Public Budget Classification Toolkit.
- Compliance by unity government to remitting the full amounts of revenue it has collected to the Ministry of Finance. Remittance should be made on a daily basis or on the dates specified by the Ministry of Finance.
- Review collection receipt books that have been used in the process of revenue collection. This review includes the following:
 - Review the record of collection receipts books by the employee in charge of these books; in order to know the numbers and books that have been used in the process of collection and then start reviewing them.
 - Verify that the books that have been used in the collection process are certainly the books received by the Governmental Entity from the Ministry of Finance.
 - Ensure that the number of copies of collection receipts attached on each book matches the number stated on the cover of the book - for the purpose of detecting the missing copies that might have been removed from the book , and that the serial number of receipt copies are correct and sequential
 - Ensure that the amount stated in numbers on the collection receipts is identical to the amount stated in letters.
 - Review the collection receipt copies on the record of the collected amounts to verify that they are exactly identical in terms of the receipt's number and date, the name of the person, the amount collected in cash and by cheque and ensure that the total value was included in the right columns of materials and items as per the type of revenue in order to verify that all amounts which have been collected under collection receipts are included in the collected amount statements and then remitted to the Ministry of Finance.
 - Compare the daily collection statements with the collection receipt vouchers, in order to ensure that the daily collections are fully remitted to the Ministry of Finance in a timely manner.
 - Ensure no amount of the revenues are disposed of or paid therefrom to any type of expenses.
- Ensure taking the precautions necessary to prevent the use of the missing unused receipts of the government revenues, namely :
 - Notify the Ministry of Finance of the number for the missing receipts to mark them in the list of the receipts issued to the concerned Governmental Unit.
 - Make an announcement of the missing receipts in two newspapers in two consecutive days.
 - Collection of publishing expenses from the employee responsible for the missing receipts and carries out an administrative investigation to find out the reasons for such missing.
- Ensure that the concerned accountant at the Governmental Entity keeps a record to count the uncollected amount(s) of the public revenues during the fiscal year ended; and forward a statement thereon to the Ministry of Finance during the month of January of the following fiscal year. The accountant should also follow-up collection of such amounts while the Ministry of Finance should follow-up the concerned entity in the collection of these revenues.
- Ensure that the expenses recovered from previous years have been added to other revenues account and have not been used to boost the payment items during the fiscal year under audit.
- Ensure that the amounts that have been unlawfully collected and recorded as revenues would be refunded to their right owners and should be excluded from the revenues account in which they have been previously recorded if they were refunded and remitted in one fiscal year , but if they were refunded in a following fiscal year; then they should be recorded by deducting them on an account of

the revenues that were refunded in a previous fiscal year where this account should be opened by the Ministry of Finance for this purpose.

- Ensure conducting a proper handling in the treasury registers to cheques returned from banks that are related to revenues in accordance with related circulars.
- Ensure the concerned accountant undertakes a matching process- every three months - between the government revenues estimated for the governmental entity according to the inclusions of the relevant budget, and the amount of such revenues that has been collected already during that period as per the government revenues form, and then submit this form to the Ministry of Finance in one month as from the date on which the Governmental Entity received the monthly report prepared by the Ministry of Finance for the last month of the quarterly period.
- The Governmental Entity has taken the actions necessary to impose taxes and fees; and to amend and cancel them.
- No Governmental Entity has determined the selling prices of their products or to determine the consideration for the services they provide in the public utilities services unless after the approval of the Ministry of Finance.
- Compliance of each and every Governmental Entity to collect all amounts due to them as revenue and within the dates specified in the laws, royal decrees, regulations, decisions, contracts, etc.
- No Governmental Entity should, when collecting the amounts due to them as revenue, take any action that may lead to the following:
 - Postponement of the payment of outstanding amounts in cases that are not prescribed by the law.
 - Exempting a debtor from payment of any amount payable thereby; unless such exemption is based on a special provision in the law or in the regulations and decisions issued.
 - Remittal of any amount already outstanding on the debtor in cases that are not stipulated by the law.
 - Waive the recovery of any expense if it is found that it has been paid unlawfully.
- In case a Governmental Entity has authorized another Governmental Unit to collect the revenue owed to it, ensure such action would lead to facilitate the collection procedures and the issuance of a decision by the Minister of Finance based on joint agreement.
- In the case a Governmental Entity has commissioned another Governmental Entity to collect the revenue owed to it, ensure issuance of a decision by the Minister of Finance - at the request of the Minister or head of that Governmental Entity -, on condition that the procedures and limitations set by the Ministry of Finance should be followed.
- Ensure that the collection has been made in accordance with the methods and requirements set forth in the Financial Law and its Executive Regulations and the Electronic Transactions Act.
- Ensure compliance by the Governmental Entity with the provisions of the Financial Law and its Executive Regulations related to the collection of bank cheques.
- Ensure compliance by the Governmental Entity with the provisions of the Financial Law and its Executive Regulations in respect of the following:
 - Collection books and receipts.
 - Receipt cancellation.
 - Missing of collection books or receipts.
- Compliance by the concerned accountant in the Governmental Entity to enter the revenues collected in the daily collections register or at the end of the period that has been identified in agreement with the Ministry of Finance. Ensure that his accountant undertakes - when entering the details in this register – to take into account the full accuracy, and write details clearly and abides by the provisions of the Financial Law and its Executive Regulations related to entry in and keeping of the financial registers and documents.

2.4. Audit during the remittance stage

General provisions of remittance:

Internal Auditor should ensure:

- Compliance by the Governmental Entity to remit the revenue amounts it has collected in full to the public treasury (Ministry of Finance), on a daily basis or on the dates set by the Ministry of Finance, and it should attach the supporting documents that show collection of the full amounts along with remittance records.
- The remittance is made for a collection receipt voucher issued the Ministry of Finance.
- Compliance by the concerned accountant in the Governmental Entity to enter the details contained in the collection receipt vouchers - issued by the Ministry of Finance - in the relevant record of the collections remitted to the Ministry of Finance according to the receipts form and the entry should be made regularly.

2.5. Audit procedures for certain types of revenues

Internal Auditor should ensure:

- Ensure that the Government Unit treats the expenses that it has recovered - if it is found that they were paid unlawfully – similarly as government revenues, for issuance of receipt in accordance with the relevant provisions of the Financial Law and its Executive Regulations, and recorded them in the relevant records and remit them as full to the Ministry of Finance.
- Ensure the Government Unit conducts the correct accounting entries for the revenues related to the expenditures that have been recovered, by excluding them from the expense item on which the expenditure has been paid if the payment and recovery have been made in one fiscal year, and should be credited by adding to the " other income " account if they were paid during a financial year and recovered in a subsequent fiscal year. In both cases, ensure that the Governmental Entity has referred to the number and date of voucher payment under which the payment was made.
- Compliance by the Governmental Entity - in the case of export of any of its products abroad – with the collection of its amounts by one of the following ways :
 - Open a letter of credit –irrevocable - by the importer for the Governmental Entity which exports through one of the accredited banks in the Sultanate.
 - Issuance of a letter of guarantee by a bank based in the Sultanate for the exporting Governmental Entity.
 - Any other way to be agreed upon between the exporting Governmental Entity and the Ministry of Finance.
- Failure by the Governmental Entity to act in the amounts of aid and assistance it receives from foreign governments, international; regional or local bodies or institutions or persons and should undertake to fully remit them to the Ministry of Finance.
- Ensure if there has been remitted any grant to the Ministry of Finance within the Governmental Entity's own revenues, and if such grant is dedicated to a specific purpose; ensure to re-approve the value of aid to the account of the Governmental Entity by including it in its own budget.
- Ensure that the Governmental Entity has not confiscated the insurances provided thereto temporarily or permanently – for the purpose of ensuring the proper implementation of the supply contracts, contracting or other contracts - except in the cases specified in the applicable laws or in accordance with the provisions of the relevant contracts.
- Ensure the following when auditing the revenues of rental and the sale of government movables:
 - The rental of movables was made in accordance with the level of leasing in the market for similar units.
 - Collection of temporary guarantee to enter the auction or sale is sealed bid to ensure soundness of sales procedures.

- The announcement of the sale has been in accordance with the requirements stated in Article No. 47 of the Executive Regulations of the Financial Law.
- No complete maintenance was done for used cars before its being sold.
- The sale has not been split or fragmented.
- No sale should be made for less than 50 % of the basic price and it should be for the highest selling price.
- The full collected amounts have been remitted to the Ministry of Finance on time.

2.6. Audit procedures related to the due revenues uncollected:

Internal Auditor should ensure that the concerned accountant is complying with the following:

- Keep a special register to record government revenues owed to the unit during the fiscal year, and they may not be collected until the date of the end of that year.
- Prepare a statement of the government revenues due that have not been collected and he should forward the statement to the Ministry of Finance during the month of January of the subsequent fiscal year.
- Study the reasons for failure to collect the revenue owed to the Governmental Entity and prepare the appropriate recommendations to avoid such failure, propose the necessary rules and procedures or amend the applicable rules and procedures and present them to the Minister or head of the concerned Governmental Entity to take the necessary measures in coordination with the Ministry of Finance.
- Record the amount collected from these revenues in the register designed to record the government revenues owed to the unit during the fiscal year that have not been collected.
- Prepare a quarterly report and present it to the Minister or head of the concerned Governmental Entity and to provide a copy thereof to the Ministry of Finance.

Internal auditor should ensure the Governmental Entity undertakes the following:

- Collection of government revenues owed thereto which have not been paid.
- Take the necessary legal procedures for collection, especially the established procedures for administrative enforcement.
- Take the necessary procedures for collection before the expiration of the aging period prescribed in the Financial Law.
- Take the necessary procedures for collection to break the aging- before the expiry of its term - in accordance with the law.
- Ensure that the Ministry of Finance has taken the necessary procedures to follow up the Governmental Entity in remitting the revenues collected thereto.

2.7. Audit procedures in the case of death or bankruptcy of a revenue debtor:

Internal auditor should ensure the following:

- Compliance by the concerned accountant - in the event of the death, liquidation or bankruptcy of the revenue debtor – to present the notification provided for in the Executive Regulations of the Financial Law to the concerned employee in the court of law responsible for distribution of the estate of the debtor, liquidator or the bankruptcy administrator; depending on the circumstances.
- Compliance by the concerned accountant to take all necessary actions to protect the rights of the Governmental Entity in the event of death, liquidation or bankruptcy of the debtor.
- Compliance by the concerned accountant to include all required information and details in the notification in accordance with the relevant financial provisions of the Financial Law and its Executive Regulations.

- Compliance by the Governmental Entity to follow the procedures decided for the administrative enforcement in implementation of the provisions of the Executive Regulations of the Financial Law by considering the following:
 - **In the event of the death of the revenue debtor:** take these procedures to meet the heirs, provided that they should be notified in accordance with the provisions of the Rules for collection of taxes, fees and other amounts due to the units of the State Administrative Apparatus, within the limits of what they have gotten of the inherited estate.
 - **In the case of bankruptcy of the revenue debtor:** The Governmental Entity should take- if any of the funds of the bankrupt are pawned thereto- the procedures decided for the administrative enforcement on these pawned funds to meet its debt secured by the mortgage; in accordance with the provisions of the Commercial Companies Law.

2.8. Audit procedures for revenues settled by instalment

Internal auditor should ensure the following:

- Ensure that the instalments procedures have been based on the request of the debtor, coupled with a cheque certified by the drawee bank in the value of the first instalment or advance determined by the Governmental Entity; and that the instalment process is approved by the Minister or head of the concerned Governmental Entity in accordance with the rules set forth in the Executive Regulations of the Financial Law.
- Ensure availability of the following conditions and guarantees :
 - Availability of legally acceptable evidence to prove the debtor's inability to settle the amounts due by him fully in one single payment.
 - Instalments should be paid on a semi-annual or monthly basis as per the necessity and credits.
 - Years of instalment should not exceed the number of years for which the original amounts payable by the concerned person have been accrued. The concerned undersecretary of the concerned ministry may - in the cases of extreme necessity - increase the number of years of instalments.
 - The debtor instalments applying for instalment has submitted, within fifteen days from the date of notification of the decision approving the instalments request, the insurances or guarantees acceptable by the Governmental Entity in the value of all amounts owed by him and unpaid, on condition that this insurance should be valid throughout the duration of instalments until completion of payment in full.
 - Compliance by the debtor applying for instalment to pay a yield rate of six per cent per annum for all amounts due and unpaid. Such yield should be paid by a certified cheque from the drawee bank or in cash to the treasury of the concerned Governmental Entity at the end of January and June of each year.
- Compliance by the Governmental Entity with the following instalment procedures:
 - The Governmental Entity should study the instalment request to ensure it meets the conditions listed above; and issuance of a decision by the concerned Undersecretary - after approval of the Minister - approving the instalment payment; coupled with the payment schedule (plan).
 - Notify both the debtor and the Ministry of Finance of a copy of the instalments decision.
 - The concerned department of the Governmental Entity should follow-up payment by the debtor of the instalments and the yields in the deadlines and take the necessary procedures - set forth in the relevant article of the Financial Law and it's Executive Regulations - in the event of failure by the debtor to pay.
 - The concerned Undersecretary should - upon the submission of the relevant department - cancel the instalments decision if it is found that the rights of the public treasury are exposed to loss. In this case, the debtor shall be notified of the cancellation of the instalments decision in preparation to take the necessary procedures set forth in the relevant article of the Financial Law and its Executive Regulations and forward a copy of this decision to the Ministry of Finance.

2.9. Audit procedures for remission of due revenues

- Ensure that remission of taxes, fees, debts or other amounts is done as follows:
 - Remising has been solely made to the amounts actually owed to the government unit by the debtor.
 - Remising has been made in the following cases - subject to submission of the supporting documents, for example –but not limited to-:
 - The debtor's bankruptcy or insolvency.
 - The death of the debtor without an estate or with an estate overloaded with debt.
 - The debtor has conclusively left the Sultanate without leaving any money therein.
 - Lack of money/property of the debtor that can be executed.
 - End of the debtor's activity, profession or work with no money/ property available that can be executed.
 - The remising has been made upon a decision by the concerned Undersecretary of the concerned Ministry or Government Unit- based on a memorandum prepared by the concerned department of the Governmental Entity – that should include a detailed description any of the cases set forth above which have occurred to debtor; where the Ministry of Finance should have been provided with an approved copy of the remising decision.
 - The Governmental Entity has cancelled the remising decision, if it is found that it was based on incorrect reason by taking the necessary measures to collect the amounts owed to it.
 - The Governmental Entity has cancelled the remising decision taken immediate measures to collect the due amounts in the event of return by the debtor to carry on the activity, work or profession or if it is found that he owns money/property that can be executed, unless the right of the unit in requiring the amounts owed to it has lapsed.

2.10. Audit procedures for exemption of due revenues

Internal auditor should ensure the following:

- Ensure that the exemption from taxes, fees, debts or other amounts has been as follows :
 - Exemption from the amounts actually owed to the Governmental Entity by the debtor.
 - The exemption has been in the cases provided for by the laws, royal decrees and regulations issued in this regard; and within the limits, restrictions and conditions set forth in those laws, royal decrees and regulations.
 - The exemption should be for a period of one year that is renewal, unless the law or the regulations issued otherwise require.
 - The company or establishment applying for exemption should meet the following requirement :
 - It should be established and registered in Oman and in accordance with the laws and regulations in force.
 - Its main activity should contribute directly in the development of the national economy; according to specific criteria.
 - Business and accounting records and books should be kept in accordance with applicable laws; and should be regular and certified as determined by these laws.
- The Governmental Entity should observe the following exemption procedures:
 - The legal representative of the company or establishment should apply for exemption to the Governmental Entity for which the tax, fee or other amounts would be paid. The application must include the details relating to the company or establishment, the legal basis for the exemption, the availability of the legally required conditions for exemption, the proposed duration of the exemption and the date on which the exemption begins; coupled with official supporting documents.

- The concerned department of Governmental Entity should study the exemption application and to prepare a memorandum containing an opinion in this regard along with determination of the following:
 - Availability of the terms and conditions required by law for exemption.
 - The proposed duration and date for the exemption to start.
- Presentation of the papers and memorandum to the concerned Minister for approval in accordance with the following :
 - **In the case of availability of the conditions and controls required for the exemption:** The papers and memorandum have been forwarded - after approval of the relevant Minister – to the Supervising Minister the Ministry of Finance attached to all official documents and other within one month from the date of submission of papers by the company or establishment.
 - **In the case of non-availability of the conditions and controls required for the exemption:** The company or establishment has been notified of this; and at the same time; the relevant department at the Governmental Entity has taken the necessary actions for the following:
 - Assessment and collection of the taxes and fees due for the Governmental Entity.
 - Collection of debts and other amounts due for the Governmental Entity.
 - The Ministry of Finance has issued the exemption decision in accordance with the terms, conditions and procedures set forth in the relevant article of the Financial Law and its Executive Regulations.
 - Ensure that the procedures for the renewal of the exemption - if applicable - have been adopted in accordance with the terms, conditions and procedures set forth in the relevant article of the Financial Law and its Executive Regulations.

2.11. Audit procedures for waiving recovery of the salaries paid unlawfully

Internal auditor should ensure the following:

- The waiving has been adopted if it is found that the payment has been made in a way violating the laws, royal decrees and regulations issued in implementation thereof.
- The waiving was based on application submitted by the employee to the Department of Personnel Affairs in the Governmental Entity which has made the payment unlawfully and that the request has been submitted during maximum of one month from the date on which it was proved that employee came to know about the issuance of the opinion of the Ministry of Legal Affairs, or from the date on which the Ministry of Civil Service or the State Audit Institution gave their opinion; and ensure that no request was accepted after this date.
- The concerned departments of Governmental Entity should study the applications to ensure availability of the terms and conditions required by law and make their recommendations to accept or reject the application.
- The Governmental Entity should present the applications to concerned Minister to approve acceptance or rejection of the waving application.
- The Governmental Entity should forward to the Ministry of Finance the applications submitted to it on waiving the recovery of the salaries that have been paid unlawfully.
- The concerned departments in the Ministry of Finance should study the applications and prepare a memorandum for presentation to the Supervising Minister of the Ministry of Finance, containing an opinion on the approval of the waiving.
- In the case of approval of the waving application by the Minister of the Ministry of Finance or his authorized representative, the Ministry of Finance should notify the Governmental Entity of such approval.

2.12. Audit procedures for the revenue stamps

Internal auditor should ensure the following:

- The Governmental Entity should have prepared a study on its needs of revenue stamps within a specified period of not more than the average of the sold stamps in six months; and should have presented a copy of the study to the Directorate General of Income at the Ministry of Finance along with an application to issue revenue stamps according to **the Issuance of Revenue Stamps Application Form**.
- Ensure delivery of the stamps to the treasurer of the Governmental Entity to be kept in the treasury after obtaining the required signature as acknowledge of receiving the stamps and noting therein the numbers, categories and the total value (in Omani Riyal) of the stamps received.
- Ensure that the concerned employee should have sealed the revenue stamps in the same seal (stamp) of the Governmental Entity when used.
- Ensure that the Governmental Entity has remitted the proceeds from the sale of stamps to the Ministry of Finance.
- Ensure that the Governmental Entity reimburses the value of the sold revenue stamps whenever the balance remaining to it reaches fifty percent (50%) of the custody authorized to be issued for the unit.
- Ensure that the Governmental Entity has made the reimbursement according to **Issuance of Revenue Stamps Application Form**; along with attachment of the following:
 - Copies of the receipts vouchers certified by the Internal Audit Department at the concerned Governmental Entity; showing that:
 - The copies of the documents are identical to the original documents kept by the Governmental Entity.
 - No reimbursement application has ever been submitted in respect of the stamps that contain copies of the vouchers referred to.
 - A detailed statement of the receipts vouchers - signed by the employee in charge of the Internal Audit Department and approved by the person authorized of disbursement, noting the numbers of these vouchers, the fixed amounts therein and the date of each of them.
- Ensure that the Governmental Units, which discontinued collecting the revenues through the revenue stamps or discontinued the use of certain categories of the revenue stamps in the collection of revenue; to return the balance of the stamps or categories of stamps under which the collection has been discontinued; to the Directorate General of Income at the Ministry of Finance in no later than the end of the month following the month in which the sue of the stamps in collection was discontinued, by virtue of the **Revenue Stamp Return Voucher**.
- Ensure availability of the following records relating of the revenue stamps:
 - Revenue stamps custody record in which should be included –regularly-the value of the revenue stamps received from the Department of Miscellaneous Revenues at the Ministry of Finance, stamps returned thereto, the stamps sold and the balance of each category.
 - Ensure compliance by the Governmental Entity to notify the Department of Public Accounts at the Ministry of Finance of the value of the balance of each category at the end of Marchs, Junes, Septembers and Decembers of each year.
 - Ensure compliance by the employee responsible for the custody of the revenue stamps at the end of a working day to determine the balance of **the custody or movement of the revenue stamps record**, count the stamps remaining with him, conduct a matching between the balance base on the physical inventory and the fixed (permanent) balance in the record and he should sign what proves completion of the matching process.
 - Ensure that the Minster of the concerned Governmental Entity or his representative should have authorized an employee of the Internal Audit Department in the Governmental Entity to count the revenue stamps at least once every month and in irregular times.

- Ensure that the employees of the Internal Audit Department who has made the counting; has prepared the revenue stamps inventory record in which he has proved the result of the physical inventory and the balance in the light of the revenue stamps custody record. As well, ensure that the record has been signed by him, the Director of the Financial Affairs Department at the concerned Governmental Entity or his representative in addition to the employee responsible for the custody of fiscal stamps; to prove receiving the revenue stamps in the numbers and categories contained therein.
- Ensure also that the record has been presented to the concerned Minister or his representative authorized to approve the same; and that a copy of it has been saved in both the Financial Affairs Department and the Internal Audit Department at the concerned Governmental Entity.
- Ensure that the concerned Minister or his authorized representative , has issued a decision to form a committee to count the revenue stamps in the last working day of the fiscal year, and preparation by a member of the Committee of an inventory record to be signed by all the members of the Committee and approved by the concerned Minister or his representative; and verify that a copy of the annual inventory record-once approved- has been provided to the Ministry of Finance and the State Audit Institution.
- Ensure that the employee of the concerned Internal Audit Department; who has conducted the sudden inventory, or the chairman of the committee formed to conduct the annual inventory; has confirmed the outcome of the inventory in the revenue stamps custody records or the movement of the revenue stamps and that he has signed what proves such result in the light of the inventory record.
- If the inventory has resulted in existence of differences by increase between the balances in the light of the physical inventory and the book balances, ensure that the Governmental Entity has entered this increase in the record and added it to the balance, and notified the Department of Public Accounts at the Ministry of Finance to conduct the required accounting entries.
- If the inventory has shown existence of a deficit, ensure that the Governmental Entity has charged the employee who took the custody of revenue stamps for the result of this deficit unless it is proved that the deficit arose as a result compelling circumstances beyond his control and the unit should have bound this employee to immediately pay the value of the deficit and prove the occurrence of the payment in the inventory record.
- In cases where it is not possible to determine who is responsible for the deficit, ensure that the Governmental Entity has taken the necessary actions to write off the value of this deficit, according to the relevant provisions of the Financial Law or the Royal Decree No. 37 / 1997 and ensure as well to attach a copy of the book (letter) containing the approval of the write-off in the inventory record.
- Ensure that the Governmental Entity has taken the necessary investigations to identify the reasons for the increase or deficit during the inventory process and that it has notified the Ministry of Finance and the State Audit Institution of the findings of these investigations and proposals made by the Governmental Entity to avoid this in the future.

3. Government Expenditure Audit

3.1. Definition and types of expenditures

The amounts spent by the Ministry or Government Unit to perform its responsibilities **in order to achieve the public interest** considering the laws, royal decrees, regulations, decisions, relevant contracts and the allocated amounts listed the Ministry or Governmental Unit budget.

The public expenditure (government expenses) basically includes the followings:

- **The current expenses:** They include the public expenditure that are – essentially- **of a periodic or frequent nature and are not relevant to more than one fiscal year**. The followings are examples of the most significant current expenses:
 - Staff salaries and entitlements.
 - Expenses related to rented accommodations.
 - Expenses related to financial support and grants paid by the Government.
 - Expenses related to interest charges.
 - Financial liabilities related to the membership in regional and international organizations.
 - Miscellaneous expenses such as those related to gifts, grants payment, assistances, licenses, Sheikhs' appropriations and social insurance aid.
 - Expenses related to permanent and temporary loans.
- **Capital Expenses:** They include overhead expenses required for acquiring properties and fixed assets, **and are spent out in more than one fiscal year**. The most prominent examples of such expenses are those related acquisition of fixed assets (such as furnishing, real estates, vehicles, etc.).
- **Development Expenses:** They include overhead expenses required for establishment and construction of the development projects approved in the development plank and within the amounts budgeted by the Governmental Entity for this purpose.

3.2. Expenditures laws and regulations

- The Financial Law and its Executive Regulations
- **The** Tenders Law
- The Civil Service Law and its Executive Regulations
- Related laws, regulations and Ministerial Decisions

3.3. General procedures for government expenditures audit

3.3.1. Objective of expenditures audit

Internal Audit on expenditures aimed to verify the accuracy and appropriateness of expenditures and that they were within the limits of established amounts in the budget and in line with the set objectives and targets. This includes checking the documents and the supporting documents submitted to support the expenditure in terms of authorization, relevance and accuracy.

Internal audit is done on expenses through three aspects, namely:

Legitimacy: means to verify that each stage of the stages of the spending process, namely, (commitment and payment) and original documents for each stage, and also the organizing process of each document in terms of form and subject matter is done in conformity with the law and any legal rules at all levels.

Relevance or efficiency: means the verification of appropriateness and efficiency of expenditures including verification of the efficiency of the systems in place and to make sure that the Ministry or Government Unit has used its discretion in spending in order to achieve financial interest without any extravagance or wastage of public money. It also includes verification of the need for the expenditure process and verification of the quality and adequacy of the prices, and also verifies the efficiency of execution of financial operations/procedures by which the payment is made and recorded.

Accounting operations: means to verify the integrity of the preparation of accounting entries, and accuracy of the books and records and reconciliation with its supporting documents, and compliance with the law and the budget to determine the correct amount of the expenses which are contained in the final management account

3.3.2. Expenditure Stages

Requires verification of the legality of the expenses, the internal auditor should be aware of the laws and legal rules governing and regulating the expenditures, and to match the operations of all public expenditures stages (engagement, commitment, payment) with the law and any legal rules at all levels to ensure compliance.

3.3.3. Payment commitment stage

Expenditure commitment is a legal commitment which leads to the emergence of debt or obligation owed by the Ministry or Government Unit. This is verified by checking whether the committed amount is legally owed to the Ministry or Government Unit and has been accurately calculated.

In this phase, internal auditor should verify the following:

- The concerned Minister has issued the Ministerial Decisions necessary to determine the financial powers of each person authorized of disbursement, whether to sign expenditure bonds or other financial transactions according to the provisions of the Financial Law and its Executive Regulations relating to determination of the financial powers of those authorized of disbursement.
- The concerned Minister should inform the Ministry of Finance and the State Audit Institution of the followings:
 - A certified copy of the Ministerial Decisions for determination of the financial powers of the persons authorized of disbursement.
 - Signature card of the names of the persons authorized of disbursement at the Governmental Entity, the position occupied by each person and his specimen of signature and powers limit according to the decisions issued in this regard.
 - A certified copy of the Ministerial Decisions issued to amend the financial powers determined to any of the persons authorized of disbursement and the signature card in case a person has been replaced, or in case of amendment of the determined financial powers limit.
- To ensure that the commitment is in line with the provisions of the applicable laws, regulations and decisions, contracts concluded in this regard and the determined financial procedures.

- To ensure that the commitment is within the limits of the budgeted appropriations of the Governmental Entity in respect of the current and capital expenses and within the approved cost limit in respect of the development expenses.
- To ensure that all (financial) commitments have been recorded by through computer.

3.3.4. Payment stage

Internal auditor should verify the following:

- To ensure that payment vouchers are supported or developed in the supporting documents as follows:
 - Invoices of the purchases value, cost of work execution or service rendering have been presented to the concerned accountant for review, and ensure application of the laws and rules in force and contracts concluded in this regard.
 - The supporting payment documents explain the expenses detail in a way that they can easily reviewed, and these documents include –basically- the following:
 - The contract, purchase order or other supporting documents.
 - The record of items inspection, including evidence that they are conforming to the required specifications.
 - Any document showing that the required service has been perfectly rendered.
 - Supplier's invoice and credit note.
 - Any other documents that may support the payment process.
- To ensure– in case of missing or damage of any supporting payment document- to attach a copy of such document to the payment voucher, provided that the Financial Affairs Director at the Governmental Entity should confirm on this voucher that the required value (amount) has not been paid off before in any other voucher.
- To ensure that the payment vouchers have been developed in accordance with the provisions of the Financial Law and its Executive Regulations relating to development of payment vouchers.
- To verify the following in case the payment vouchers are relating to development expenses:
 - The appropriations are available and the commitment balance budgeted – in the same fiscal year- is sufficient to pay the required amount.
 - The value of all contracts related to the payable amounts has been committed by the Governmental Entity.
 - The process of signing and review of the contracts –in terms of the amounts and financial obligations- has been made in accordance with the relevant laws, terms and conditions.
 - The work completion certificates have been submitted by the consulting engineers in accordance with the form designed for this purpose, along with evidence that they have reviewed and approved the contracts' payments.
 - The additional claims – if applicable- have been approved by the concerned authority in accordance with the Financial Law and its Executive Regulations.
 - The commitment number (code) has been recorded in the payment voucher.
 - The payment voucher has been entered in the capital expenses payment voucher (projects' construction and preparation costs), and that voucher data has been recorded through computer and signature thereon.
- To ensure that the review process by the government over the payment voucher has been made in accordance with the provisions of the Financial Law and its Executive Regulations relating to review of payment vouchers by the Governmental Entity.
- To ensure the person authorized of disbursement has checked the entry of the data of all payment vouchers, taking into consideration –particularly- the following:
 - To ensure that expenses have been classified according the classification of the public budget.

- To ensure that all payment vouchers have been recorded in accordance with the relevant provisions of the Financial Law, and the entry has been made according to the standardized automated system.
- To ensure that the Internal Audit Department at the Governmental Entity has forwarded the payment vouchers to the person authorized of disbursement for approval.
- Ensure that the commitment or payment voucher is not fragmented to avoid the provisions relating to the upper limit set for the power of spending
- To ensure the application of the provisions of the Financial Law and its Executive Regulations relating to approval of payments vouchers and that the same has been forward to the Ministry of Finance for payment.
- To ensure that the Ministry of Finance has paid the value (amount) of the vouchers for the eligible payees by one of the following methods:
 - By issuing bank cheques after signing the acknowledgment of receipt, whether by signature, stamp or left-hand thumb print coupled with the clear name after verifying the identification of the recipient.
 - By transferring the amounts to the accounts of the concerned persons at the banks specified by them, if such persons have been already entered into the payees' record at the Ministry.
- To ensure that the Ministry of Finance has implemented the following procedures, in case the Ministry has found –prior to payment- existence of deductible payments in accordance with the terms and conditions of the Financial Law, where the relevant data of such payments have not been included in the payment voucher:
 - To prepare the required settlement vouchers and payment vouchers (as per the forms designed for this purpose).
 - To pay the value (amounts) of the vouchers to the eligible persons (payees), after deducting the payable amounts.
- To ensure that the Ministry of Finance has -immediately after payment – stamped the first copy of each payment vouchers that were paid by a special stamp holding the word “**Paid**” coupled with the date of payment.
- To ensure that the Governmental Entity has – immediately after verifying the payment of the voucher through computer- stamped the second copy of the payment voucher and all documents attached thereto by a stamp holding the word “**Paid**” coupled with the date of payment.

Accounting entries related to the documentary credits of the current and capital expenses:

Internal auditor should verify the following:

- The documentary credit has been fully deducted on the expense item allocated for this purpose in the budget of the Governmental Entity in return for raising the value in an outstanding credit account on the general ledger records when opening the document credit.
- The amounts have been recorded in the debit side of the outstanding account, and at the same time, ensure that the Ministry of Finance has informed the Governmental Entity of the goods paid after receiving the debit advice from the bank (opener of the credit) noting payment of the debit.
- The balances have been settled by excluding them from the expense item allocated for this purpose in the budget of the Governmental Entity with respect to the credit balances of the document credits that have been closed during the fiscal year.
- The balances have been settled at the end of the year by excluding them from the expense item allocated for this purpose and by writing back (reversing) these entries in the beginning of the subsequent year, taking into consideration to amend the budgeted appropriations accordingly after coordination with the concerned department of the Ministry in respect of the debit balances of the documentary credit that could not be closed in the beginning of the same fiscal year.

Accounting entries related to the documentary credits of the development expenses:

Internal auditor should verify the following:

- When opening the documentary credit, there has been conducted a contra entry for the value of the entire documentary credit in the general ledger records.
- When receiving a debit advice from the bank (opener of the credit) noting payment for the goods, the amounts have been recorded by deducting them on the appropriations budgeted for the development project, and at the same time, ensure that the Ministry of Finance has informed the Governmental Entity of the amounts paid.
- The contra entry has been written back (reversed) which was developed when opening the documentary credit, for the value of the amount paid, so that the balance of the contra entry accounts balance should reflect the unutilized part of the documentary credit till it is closed, whether in the same fiscal year or in the subsequent fiscal year.
- The documentary credit has been closed by settling the balances apparent in the contra entry accounts by writing back (reversing) the entries.

3.4. Auditing procedures for personnel related expenses (salaries and their related accounts)

3.4.1. Laws and regulations governing personnel affairs

- The Civil Service Law and its Executive Regulations
- The Labour Law
- Laws and regulations issued by the Public Authority for Manpower Register.
- Mechanisms adopted by the Ministries, Government Units and the Public Authority for Manpower Register
- Related laws, regulations and circulars

Before determining how to audit each group of personnel expenses accounts, the following audit procedures on all those accounts so as not to be repeated in each item.

3.4.2. Auditing procedures for personnel expenses

Internal auditor should verify the following:

- Ensure non-occupation of those jobs which are not listed in the approved schedule, check the vacant grades and study the reasons for such jobs being no occupied and compliance with the instructions issued by the Ministry of Finance when funding the grades.
- Ensure compliance with the rules for appointing Omanis in accordance with the Civil Service Law.
- Ensure safety of the financial impacts resulted from the transfer process and check whether the employee transferred or seconded to the unit meets the rules of job occupation.
- Ensure that the unit does not defray the salaries of its seconded employees except under the exceptional cases prescribed by the Civil Service Law and ensure not to exceed the permitted number for employees to be seconded.
- To ensure satisfaction of the terms and conditions prescribed in the Executive Regulations of the Civil Service Law in respect of dual job holding.
- To review the expenses relating to the costs of the deputized persons and scholarships and whether they are in line with the decisions issued in this regard, ensure compliance with the terms and

conditions prescribed in the Civil Service Law (**Articles 54 to 59**), the Scholarships Law No. 83/2002 and its Executive Regulations and the provisions of Civil Service Council Decision with regard to suspension of the professional (differential) allowance in the case of deputation or scholarship.

- To review the private leave decisions and ensure they meet the terms and conditions prescribed in the Civil Service Law
- When checking the travel expenses and training allowance, there should be considered to examine the deputation and training decisions, ensure obtaining approval of the Ministry of Civil Service, satisfaction of the require conditions and whether the nature of the training is consistent with the nature of the employee's original job in the light of the nomination forms.
- To ensure compliance with the provisions of the Civil Service Law in respect of incentives, compensations, increments and allowances.
- Ensure that employee affairs committee is carrying out its duties and mandates in accordance with the Civil Service Law.
- Review of employee performance evaluation reports to ensure compliance with the Civil Service Law.
- Review the process and decisions in respect to employee promotions to ensure compliance with the Civil Service Law
- To examine the cases of labor accidents and occupational diseases and verify the relevant decisions in accordance with the provisions of the Civil Service Law
- To examine a sample of the disciplinary decisions issued by the unit and verify their provisions in accordance with the Civil Service Law
- To examine a sample of the employees' files whom their service has ended (retirement, death, disability, etc.), and verify the relevant decisions and amounts calculated for such employees in the light of the Royal Decree No. 26/86 promulgating the Law of Pensions and End of Service Benefits for Omani Government Employees.

3.4.3. Auditing procedures for expenses of personnel salaries and entitlements

Internal auditor should verify the following:

- The Ministry of Finance should prepare **monthly salaries statements of the employees** of every Governmental Entity and the statements of the amounts deducted from these salaries for pension funds or for the account of Ministers, banks or other units for which these amounts are due.
- The Department of Financial Affairs at the Governmental Entity should prepare the **salaries payment vouchers** and payment vouchers toward amounts deducted from salaries for the benefit of the above mentioned entities.
- The Internal Audit Department at the Governmental Entity should Review the **salaries payment vouchers** in accordance with the provision of the Financial Law in respect of review of the payment vouchers by the Governmental Entity.
- **To approve the vouchers** by the person authorized of disbursement in accordance with the provisions of the Financial Law in respect of approval of the payment vouchers after being reviewed and record their relevant details in accordance with the provisions of the Financial Law in respect of registration of the payment vouchers and entry of their details.
- The concerned accountant at the Governmental Entity should – immediately after receiving the cheque from the Ministry of Finance- take the following procedures:
 - To pay the salaries in cash to the employee or his representative for salary receiving under a written power of attorney certified by his manager, and should ensure that he or his representative has signed on the acknowledgment of receipt.
 - To transfer the salaries to the banks in respect of those employees whose their salaries are transferred to banks and should note this on the salary statements.
- To ensure that the **salaries were paid** during the last four days of the month on which they fell due, unless these days coincide an official holiday where then the payment should be made in the last working day preceding such holiday.

- To ensure compliance by the Governmental Entity with the provisions of the Financial Law in respect of reimbursing the unpaid salaries to the public treasury, payment of salaries to the employees of the government offices and units and verify the aging of the employees' due salaries.
- To ensure compliance by the Governmental Entity with the following procedures when taking the air travel tickets for traveling/transport of the employee or his family at the cost of the government in the cases of deputation, transfer, delegation or training for official missions prescribed in the relevant appendixes of the Executive Regulations of the Civil Service Law:
 - To deal with the National Transport Company in the case for arranging regular trips to the country from or to which the travel/transport is made, in accordance with the terms and conditions provided for in the relevant appendixes of the Executive Regulations of the Civil Service Law or the contracts concluded with non-Omani employees for employment in temporary jobs.
 - To take advantage of the discounts offered by the National Transport Company in case of taking travel tickets for specific periods –where appropriate- in accordance with the rules set in this regard.
- To ensure compliance by the Governmental Entity with the provisions of the Financial Law in respect of the travel tickets for non-Omani employees in the beginning and at the end of the service, and consider the relevant cash compensations.

3.5. Audit of rented dwellings related expenses

Internal auditor should verify the following:

- Compliance by the Governmental Entity with the followings when contracting for rent of dwellings for its experts, consultants or employees:
 - The contracting is made in accordance with the provisions of the Article of the Executive Regulations of the Financial Law related to the rules governing the rent of properties required for accommodation of employees.
 - The rent rate has been determined as follows:
 - As per the grade occupied by the employee in accordance with the rules issued to implement the Civil Service Law.
 - In respect of the consultants or experts appointed by private employment contracts, the dwelling's monthly rent rate should be determined in accordance with the relevant terms and conditions.
 - The rent is paid in advance for the agreed period, provided that it should not exceed a maximum of one year.
- In case of contracting by a Governmental Entity with a hotel to provide an accommodation for its consultant, expert or employee – if there is no available any of the dwellings rented thereby to accommodate such person at the begging of his appointment or to arrange an agreement therewith for temporary accommodation till the required dwelling gets furnished-, it should be considered that the accommodation period should not exceed 15 days from the date of his arrival to the Sultanate; and that the unit should defray the full cost of hotel accommodation during this period as well as 50% of the cost of food, soft drinks and laundry.
- Ensure the Governmental Entity does not exceed the maximum amount for dwelling furnishing; and compliance with the rules of home furnishing and furnish replacement when purchasing or replacing the furnishes as prescribed in the Civil Service Law.
- Ensure the Governmental Entity does not defray the cost of the necessary maintenance or the required renovations for the sustainability of the properties or the dwellings it has rented; as such costs should be defrayed by the proprietor.
- If it has been found during an administrative investigation that a damage or destruction was caused by a personal fault of the consultant, expert or employee (the occupant), there should be ensured that the Governmental Entity should not defray the repair costs where such costs should be deducted out from the occupant's salary, entitlements, rewards or pension.

3.6. Audit of the expenses (financial liabilities) related to the membership in international and regional organizations

Internal auditor should verify the following:

- Ensure that the Governmental Entity has studied – before taking the procedures required for joining the membership of any international or regional organization – the financial impact resulted therefrom and by following the rules, basis and percentages determined in this matter by the Council of Ministers. The study of such impact should include the following:
 - Determination of the appropriations included or suggested to be included in the draft budget for this purpose.
 - Any other factors that may help in studying the financial impact.
- Ensure the Governmental Entity has presented to the Ministry of Finance a copy of such study which should be coupled with the following:
 - Copy of the articles of association, the chart or articles agreement of the specialist organization or agency.
 - Copy of the accounts and financial statements prepared for the last fiscal year.
 - Auditor's report.
- Ensure the Governmental Entity has obtained the approval of the Council of Ministers before joining such membership.
- Ensure the Governmental Entity has determined the importance of continuation in or withdrawal from such membership; and if withdrawn, ensure that this matter has been presented to the Council of Ministers for approval.
- Ensure the contributions paid by the Government to the Governmental Entities are within the percentages limit ratified by the Council of Ministers.
- Ensure the Governmental Entity has informed the Ministry of Finance– upon the end of the fiscal year of the specialist organization or agency- of documents of the financial position for the specialist organization or agency including the accounts prepared for that year and annual reports on the activity during that year. In the cases where the Governmental Entity has received no annual accounts and reports, there should be ensured that the unit has informed the Ministry of Finance of such cases and should submit the relevant reports to the Ministry once received.
- Ensure the Governmental Entities undertake to follow up execution of the financial liabilities emerged from membership in the specialist organization or agency and reconsider the membership according to the rules and basis determined by the Council of Ministers in this regard; and should inform the Ministry of Finance to negotiate with the concerned organizations, establishments or agencies over such liabilities.
- Ensure – in case of existence of outstanding liabilities- coordination by the Ministry of Foreign Affairs with the Ministry of Finance to negotiate with the concerned organizations, establishments or agencies over such liabilities.

3.7. Audit of reimbursement of taxes or fees unlawfully paid

Internal auditor should verify the following:

- Ensure the Governmental Entity has reimbursed the taxes, fees or other amounts that have been previously paid to it as revenues, in case it was found that they were paid to it unlawfully according to the conditions, controls and cases determined by the Income Tax Law and the provisions of the Executive Regulations of the Financial Law.
- If there is no explicit text, ensure the following:
 - The Governmental Entity has not reimbursed the fees if it has rendered the services for which such fees were imposed.

- The Governmental Entity has not reimbursed the fees if the persons concerned have waived their claims on the service -for which such fees were imposed- after being rendered.
- Ensure the Governmental Entity has not reimbursed any amount after the lapse of the aging period and ensure compliance by the unit with the rules and procedures of the aging in accordance with the relevant provisions of the Executive Regulations of the Financial Law.
- Ensure the Governmental Entity abides by the provisions prescribed in the Executive Regulations of the Financial Law when paying back the amounts which were paid unlawfully.
- Ensure the Governmental Entity undertakes the following steps when making the accounting entries related to payback:
 - To payback by excluding the amounts from the income account to which these amounts were added if the collection and payback were made within one fiscal year. If the payback was made in a year following the year in which the collection was made, ensure the entry was made by deducting the same on the account of the **“returns of revenues for previous fiscal years”**.
 - To show in the payment voucher the number and date of the voucher by virtue of which the amount was collected, the legal bond of the reimbursement and the authority which has approved the same.
 - To attach the receipt of the amount collected to the payment voucher. In case the receipt is missing, ensure to attach a copy thereof coupled with the acknowledgement by the person authorized of disbursement on the payment voucher of the amount paid-back that this amount was never paid before under any other payment voucher.

3.8. Audit of permanent and temporary imprest

Permanent Imprest: Allocated to be used for petty cash or other expenses of limited value or expenses which are determined to be disbursed from the imprest in certain special cases after the approval of the Ministry of Finance.

The disbursed/paid value of the imprest should be reimbursed during the financial year whenever it's amounted to 40% or more of the amount of the imprest.

Temporary Imprest: Allocated for special or specific purpose and the paid amounts are not reimbursed and the imprest is cancelled upon completion of the determined purpose or within 3 months from the date of allocation, this period may be extended based on approval of the Ministry of Finance.

3.8.1. Permanent imprest auditing procedures

In general, the internal auditor should verify the following:

- Ensure the imprest has been allocated to cover the petty cash or other petty expenses and those decided to be paid out from the imprest fund in special cases upon approval by the Ministry of Finance.
- Ensure the concerned Ministry or Governmental Entity has studied the determination of the imprest amount so as that this amount should exceed the average amount paid therefrom in three months; and ensures the Internal Audit Department has reviewed the same before forwarding it to the Ministry of Finance.
- Ensure the Ministry of Finance has –after approving the imprest application- prepared the imprest payment voucher.
- Ensure the concerned Ministry or Governmental Entity has recorded the imprest payment into the register once received.
- In case the imprest amount exceeds than Omani Riyal Five Thousand, ensure it has been deposited into a local bank in an account specially opened for this purpose in accordance with the relevant provisions of the Financial Circular; and if this amount is less than that, it should be deposited in the safe deposit of the concerned Governmental Entity. The amount to be deposited in the safe deposited may be increased higher than this - upon approval by the Ministry of Finance-.

Also the following should be verified when paying out from the imprest fund:

- The amount paid should not exceed Omani Riyal Two Hundred each time.

- No related salaries, allowances, increments or any other expenses may be paid out from the imprest fund except the wages of the temporary employees that are paid for a period of time less than 15 days.
- No amount should be paid unless the payee is eligible thereto in accordance with the provisions of the laws, royal decrees, regulations, decisions, rules or contracts in force.
- No personal imprest should be paid to the employees of the Governmental Entities or others.
- There may be excluded from the previous rules the payment of travel allowances in advance to the employees of the Governmental Entities whatsoever the amount of such allowances is.
- The payment is made under the permanent imprest payment voucher after being approved by the concerned accountant and the voucher should be stamped –once the payment is made- by a special stamp holding the word “**Paid**”; coupled with the date of payment and the vouchers should have annual serial numbers.
- When a Governmental Entity- as an exception from the aforementioned provisions- pays an advance (imprest) – under the salary or wage-; ensure the imprest has been offered as follows:
 - The imprest has been offered to a non-Omani employee of those subject to the provisions of the aforementioned Civil Service Law.
 - The imprest has been offered to a non-Omani consultant or expert of those on contract under private working contracts that are not governed by the provisions of the Civil Service Law; and such employee receives his payment as an annual wage or salary.
 - The imprest is not offered unless after the start of appointment or contract procedures based on an application to be submitted by the employee, consultant or expert to the concerned director general or a person acting him upon his approval on the application.
 - The imprest should be paid in the limit of quarter of the employee's annual basic salary or wage.
 - The payment has been made to the employee, consultant or expert for him to sign Part 3 of the imprest application; stating he has received the imprest and accepted to deduct it from his first salary.
 - The Financial Affairs Department at the concerned Governmental Entity has deducted the imprest amount out from the employee's first salary and has refunded the deducted amount to the imprest-entrusted employee after signing Part 4 of the imprest application.
- Ensure the replenishment application for the amounts paid from the imprest fund is submitted whenever the total amount paid reaches 40% of the amount applied for replenishment in order to present it to the Ministry of Finance after review by the Internal Audit Department approval by the authorized person.
- Ensure the Internal Audit Department counts the imprest balance at least once a month and on irregular times so as to verify that its actual balance is identical to the book balance. Such imprest is counted as follows:
 - To count the cash amounts available in the treasury and the cash available in the bank.
 - To count the amounts offered as imprest to the sub departments and sections (if any).
 - To count the value of the invoices sent to the Ministry of Finance for replenishment.
 - To count the value of the invoices paid and those available at inventory.
 - To include the increase as miscellaneous returns for the Governmental Entity and remit it to the Ministry of Finance.
 - The imprest-entrusted employee should settle the deficit.
 - The Governmental Entity should carry out the necessary investigations to identify the reasons behind deficit or increase.
 - The Governmental Entity should inform the Ministry of Finance and State Audit Institution about the findings of such investigations.
- Ensure the permanent imprests are settled on December 31st every year by submitting the supporting documents for the amounts paid out from the imprest to the Financial Affairs Department; and these documents should be coupled with the followings:

- A certificate from the bank in which the imprest is deposited; noting its balance in the stated date and a statement of settlement between the balance of this certificate and the balance of the book balance in the registers of the Governmental Entity.
- A certificate approved by the head of the Governmental Entity; noting the balance of the remaining amounts of the imprest as on December 31st; whether such imprest is in the bank or the treasury of the Governmental Entity.

3.8.2. Temporary imprest auditing procedures

Internal Auditor should verify the following:

- Ensure the temporary imprest application to the Ministry of Finance contains the imprest's amount and purpose and should be coupled with the imprest payment in the name of the concerned party therefor.
- Ensure the concerned Ministry or the Government Unit has recorded the imprest's amount and related information in the temporary imprest register once received from the Ministry of Finance.
- Ensure not to allocate more than one single imprest for more than one single purpose.
- Ensure to comply with the following when paying from and settling the temporary imprest:
 - No amount should be paid out from the imprest except for the purpose determined therefor.
 - No amount should be paid to the concerned persons unless the payee is eligible thereto in accordance with the provisions of the laws and royal decrees.
- Ensure the amounts paid –once their purposes have been satisfied- are recorded in the annual settlement report of the temporary imprest amounts; and should be coupled with all supporting documents.
- Ensure the Governmental Entity complies with remitting the imprest balance to the Ministry of Finance or to prepare the payment voucher of the amount required to be remitted from the imprest.
- Ensure the Internal Audit Department studies the annual settlement report of the temporary imprest and the supporting documents and appendixes.
- Ensure the Internal Audit Department undertakes to count the imprest balance at least once a month as follows:
 - The imprest-entrusted employee should settle the deficit.
 - The Governmental Entity should perform the investigations necessary to identify the reasons behind the deficit.
 - The Governmental Entity should inform the Ministry of Finance and State Audit Institution of the findings of such investigations.
- Ensure the Ministry of Finance has settled the imprest by deducting the same to the relevant items in the budget of the concerned Ministry or Governmental Entity at the amount paid therefrom.

3.9. Contracts and tenders audit

3.9.1. Applicable purchase methods

1. Public tender: It can be defined as a set of formal procedures aimed at inviting as large number as possible of bidders to submit their bids and proposals in preparation for selecting the best amongst them; whether such selection is based on the quality of the material to be purchased, its price or other terms and conditions relating to quantity, the time for making the required materials ready, payment terms & conditions and other aspects that might have a direct or indirect influence on the performance of this significant function. A public tender can be local or international.

- **International tender:** The international companies and establishments which are not registered in the Sultanate may take part in this type of tender.
- **Local tender:** Participation in this tender is limited to those recorded in the Commercial Register or any professional register where the names of such participants are included in specific cases upon approval by the Tenders Board.

2. Selective/limited tender: this type of tender on which apply the rules of the public tender except for the aspect related to freedom in participating therein; as the difference in taking part in a selective tender lies on the individuals and authorities the names of which are included in the private register upon a decision by the management.

3. Practice: a way for purchasing the required commodities, execution of works, transfer or provision of services, advisory studies and technical works through negotiation to obtain the best proposal for the lowest price in special cases as determined by the Tenders Law. Purchase through practice is also followed when there are available all supporting evidences that prove there is only one supplier through which the required commodities or services can be provided.

4. Competition: a way of contracting for the purpose of carry on studies, designs, charts, structures or other technical works to execute a particular project. The concerned unit should identify the project's purposes, scope, detailed specifications, rewards or compensations granted to the winning parties, the fate of ownership of the winning and losing reports, studies, designs and charts; and other terms and conditions decided by the concerned unit.

5. Direct outsourcing: The concerned units may contract by way of direct outsourcing with the Government Units and authorities and public companies to execute works, acquire technical and advisory services and procure commodities and assignments upon approval by the concerned head in-charge to contract by a direct outsourcing with the supplier, contractor or consulting office.

Internal auditor should ensure satisfaction of the terms and conditions stated in the Tenders Law, where the audit should take place from tender announcement to signing the contract, as follows:

- Availability of the appropriations allocated for each offered project where the unit should confirm this in its letter to the Tenders Board, mentioning the project's number and amount of the appropriations or attach what indicates the approval of the concerned financial authorities in respect of project floatation before such appropriations are signed.
- The project's studies and specifications are in line with a scope of work that does not overpass the appropriations limit the commitment to which has been approved or certified by the concerned authorities.
- The total cost of any project, work or service should include the total cost of the consultant and technical studies.
- Completion of the tender's documents and obtain the required approvals from the concerned authorities.
- Issuance of a construction license for the constructional projects and a copy thereof should be attached to the tender's documents.
- The concerned entities should comply with the following when preparing the documents of the projects' conditions and specifications:

- To stipulate use of the national project whenever they meet the required standard specifications and quality.
- To add an item in the bidders' instructions list requires every bidder to provide a list of the national products' names that he would like to use in the project; in accordance with the details stated in the form of appendix (1) of the Executive Regulations of the Tenders Law.
- The tenders' documents should contain a binding term (condition) that the bidders from outside the Sultanate should submit their quotations in Omani Riyal or in a foreign currency where the rate of this foreign currency must be mentioned in Oman Riyal when submitting the bid.
- To stipulate in the terms and conditions of the supply tenders that the Tenders Board preserves the right to split the outsourcing of the supply contracts between two or more bidders who participate in accordance with the provisions of the Tenders Law.
- To stipulate in the terms and conditions of the local tenders that the Omanization percentage determined by the Government should be observed in implementation of the Omanization programs.
- To provide the concerned government laboratory with a list of the commodities to be examined and analysed in the international tenders. The concerned authorities should consider this aspect when determining a date for envelopes opening and the valid duration of such bids so as to specify an adequate duration covering the analysis time in the laboratory and give enough time to decide over the tenders.
- The concerned authorities should- before forwarding their recommendations to the Tenders Board to take the outsourcing decision for them- examine and analyse the bids in depth; taking into consideration –during examination- the information provided by the Board on the status of the bidders.
- The concerned authorities should undertake to examine and analyse the bids forwarded thereto during the valid duration of the submitted bids. In any case, the recommendations arrived at should be presented to Tenders Board at least one month before expiry of the valid duration of the bids.
- The concerned authorities should undertake to use the checklist for controls and restrictions of tenders' documents stated in Appendix "C" of the Executive Regulations of the Tenders Law as a tool to check and verify such documents by the concerned persons at the concerned entities and consultants before being forwarded to the Tenders Board or announced.
- The concerned authorities should undertake –upon a request by the Tenders Board - to delegate an employee with a minimum rank (title) of a director general to attend the meetings for discussion of the issues related to these units; and the Board should be notified in writing thereof.
- The concerned authorities should abide by the provisions of the Tenders Law and its Executive Regulations when they are asked by the Tenders Board to negotiate with the bidders.
- No combination should be allowed between a contractor and consultant for any project wherein they have whether direct or indirect interest.
- The concerned authorities should not ward any work to contractors, suppliers or local consultant offices unless after verifying that they hold a valid registration certificate issued by the Tenders Board.
- The concerned authorities should undertake –when requesting approval of the Tenders Board to issue a variation order- to provide the following:
 - Statement of the number of the previous variations orders issued on the project and the total cost of these orders and execution durations.
 - A copy of the quotation or classes schedule included in the contractor's bid.
 - A statement of the variation order cost to be approved; and this cost may not include estimated amounts.

- The projected amounts in the contract should not exceed (10%) of the estimated value of the assessed works, nor the reserved amount budgeted in the contract should exceed (10%) of the value of these works.
- The concerned authorities should undertake – during the project execution period- to fill in the contractor (executor) performance form provided for in Appendix (B) of the Executive Regulations of the Tenders Board and present this form to the Board every three months or after completion of (30%) of execution of the project; whichever comes first; and fill in the form and present it to the Board after completion of execution of the project.
- The bidder should be licensed by the concerned authority.
- The bidder should not be an employee of the concerned entity/authority nor should he have a first degree relationship with the concerned officials. For further details, please see the Conflicts of Interest Law promulgated by Royal Decree No. 112/2011.
- Ensure the tender announcement is made in accordance with the terms and conditions stipulated by the Tenders Law, namely the announcement should be made before an adequate time from supply, and it should be made through publishing in two newspapers in Arabic and English languages; and should observe the information that may be necessary to be contained in the announcement.
- Ensure the applying unit abides by the required terms and conditions in terms of determination of the specifications, materials classification and determination of quantity and type of service desired.
- Ensure the tender's documents and conditions are prepared before announcement and it should include the entire technical specifications; a requirement for provision of a sample of the commodities to be supplied, quantity required, pricing requirement, the date for beginning and end of bids submission, date for the valid duration of bids, payment's terms and conditions, the place and time for delivery, the valid duration of the materials, penal conditions and impose delay penalties/fines as stated in detail in the relevant laws.
- Ensure the participants comply with the bidding general terms and conditions provided for in the relevant laws and determine a valid duration for bids.
- Ensure the Tender and Practices Committee carries out its work according to the procedures specified by laws, and ensures the results thereof are approved by the concerned authority.
- Ensure bids are submitted before envelopes opening. If any bid submitted after the envelopes opening time, it is required to ensure that the Committee has not yet completed its evaluation process and such delay is due to reasons out of the control of the bidder.
- The contracts of consultants, experts, or those supervising the execution of supply and services contracts should not include purchase of vehicles or transport costs.
- Ensure the supplier has submitted the final guarantee of the tender, and ensure its validity duration after expiry of the contract duration, taking into consideration the provisions of the relevant laws and legislations in respect of increase or decrease cases of the final guarantee value and exemption cases therefrom.
- Ensure the contract is signed by the concerned authority and the contractor after being drafted by the concerned entity; where this contract should include all elements of agreement in detail.

Auditing procedures in the case of contracting through a selective/limited tender:

In this stage, there shall apply all aforementioned auditing procedures related to the public tender with exception of the announcement. The auditing over the selective tender should include the following:

- Verify the reasons for seeking the selective tender and ensure that those invited to participate in this tender possess the adequate competency and the know-how in the tender in the light of the certified register of suppliers applicable in the contracting and purchases management in the concerned unit where such suppliers and contractors are classified from a technical and financial perspective and the good conduct and performance.
- Verify the interest of the audited unit in inviting suppliers and contractors who are not listed in the certified suppliers register.

Auditing procedures in the case of contracting through a practice:

Internal auditor should verify the following:

- Ensure to follow the practice approach in selecting a contractor in the cases prescribed by the Tenders Law.
- Ensure to use the practice approach in special cases; or in any of the following events:
 - Commodities the manufacture or import of which is monopolized, or the nature of which or the purpose for obtaining them requires that they have to be purchased from the place of production or from a person who is the only to have them.
 - The commodities that cannot be identified in precise specifications.
 - Technical and consultant works that require a particular know-how or specific specialization.
 - Animals, birds and poultry of different kinds.
 - Supplies, contracting activities and transport that require in urgent/emergency circumstances not to follow the relevant tender procedures.
 - Supplies, contracting activities, transport and service provision for which no bids have been submitted in the tenders, or for which bids have been submitted at unacceptable prices and the need therefor did not allow re-taking the tender procedures.
 - Execution of works or provision of services performed by the concerned authorities/units outside the Sultanate.
- Ensure to form a committee by the Tenders Board to undertake the practice works in accordance with the relevant provisions of the Tenders Law.

Auditing procedures in the case of contracting through a direct order:

The concerned authorities, Governmental Entities, organizations and public companies may contract by way of direct order with service providers or suppliers to execute works, obtain technical or consultant services or procure commodities; upon approval by the Head of concerned entity for a project of no more than Ten Thousand Omani Riyal; on condition that the price should be reasonable and the need for such contracting should be justified.

In certain urgent cases, these entities may contract by way of direct order with service providers or suppliers to execute works, obtain technical or consultant services or procure commodities; upon approval by the Head of concerned entity for a project of no more than Twenty Five Thousand Omani Riyal; on condition that the price should be reasonable and the need for such contracting should be justified.

3.9.2. Auditing and checking procedures for development projects.

Check procedures for tender awarding

Auditors should verify the integrity and procedures of the tender and ensure that they are in line with the provisions of the Government Tenders Law promulgated by Royal Decree No. 36/2008 and its amendments as follows:

- The contracting should be made through a tender; where seeking other contractual ways than this should be subject to the exceptional cases stated by the Government Tenders Law and Rules.
- Ensure the schedules for quantities and technical specifications are clear and precise and should not result in creating any ambiguity to the bidders; nor there should be noted the type or number of a product of a particular company except for the technical and medical equipment.
- Ensure there are no amendment made to the general requirements; and if any; there should be observed the relevant provisions of the Tenders Law.
- Ensure the tender is announced on time and the announcement is line with the procedures determined by Tenders Law and Rules.
- Ensure bids are submitted before opening the envelopes.

- Ensure the bids are stamped by their bidders and by the Tenders Board or the Internal Tenders Committee when opening the envelopes.
- Ensure the prices are written in numbers and letters; and if there are revised prices; they should be noted in number and letters and coupled with the signature.
- Ensure envelopes are opened in time and in the presence of the Chairman of the Tenders Board or the Internal Tenders Committee or their representatives in the light of the minutes of envelopes opening.
- Ensure that the bids are arithmetically reviewed before being shortlisted in accordance with the provisions of the Tenders Law. In case there is a discrepancy between the price of the unit and the total price, the unit's price should prevail.
- Agree the submitted bids to the details stated in the minutes of envelopes opening meeting.

Check of contracting procedures

- Ensure to use the standard contracts forms when contracting with others.
- Ensure the contract contains the date, signature, and enforcement date and execution duration.
- Ensure any contract the value of which exceeds Omani Riyal 500 Thousand is reviewed by the Ministry of Legal Affairs before being signed.
- Ensure implementation of the provisions of the Royal Decree in respect of protection of the public money and avoidance of conflicts of interest promulgated by Royal Decree No. 17/83 and Article (6) of the Tenders Rules which stipulate that no officials may bid for a tender.
- Ensure that both the contractor and consultant have no joint interest in executing the projects of the concerned Ministry or Government Unit.
- Ensure not to breach the provisions of Article (14) of the Tenders Law if a member of the Tenders Board has a direct interest in the floated tender.

Interim payment invoice review

- The payments for the contractor are made by monthly or periodic instalments; each is called an interim payment invoice and is paid according to the work executed. An interim payment invoice in this regard is a claim raised by the contractor against the amount(s) payable for him till the date on which the consultant has carried out an assessment. The assessment is made collectively as the works executed –and approved by the consultant- represent the value of the works since the start of the execution process till the submission of the interim payment invoice. Payment is solely made for the value of the works added during the period for which the claim is raised.
- An interim payment invoice includes two sides; the first one represents the contractor's payables or receivables, and the second one represents the amount(s) to be deducted out from the payables. The value of the works executed and the materials on site is considered the most important elements that represent the payable side of the interim payment invoice. Meanwhile, deductions are usually made for the retention, recovery of advance and delay penalty.
- A standard form is used for the interim payment invoice where all consultants should observe it when reviewing the contractor's advances and approve the payment therefor. The most prominent remarks in this regard are:
 - **The original value of a contract:** It is the value of the bid submitted by a contractor and it represents the same value contained in the contract made. The revised value is counted after the value of the variations orders issued is added that are funded from the budget. If a variation order is funded from a reserve or surplus quantities; then it would not affect the original value of the contract.
 - Item (A) represents the value of the works executed where there is developed a column for the reserve and variation orders to identify the value of the works executed for each; separately. Please note that the value of the works executed represents the value of the works since the beginning of the execution process till the date of assessment.
 - By adding the materials on site into item (A); we will get item (B); on which the amount (percentage) of the retentions and recovery of advance is counted. In other words, the percentage of retention and

recovery of advance is applicable on the value of the works executed as well as the materials on site.

- By adding the advance and other amounts into item (B); we will get item (C) which represents the contractor's total receivables.
- Adding the advance into the interim payment invoice despite that it is paid under a separate payment voucher before the beginning of the works is not regarded as a duplicate payment of the advance as this process shows the balance of this advance regularly as there is no keeping of subsidiary accounts (receivables and payables) where the value thereof is recovered. The difference between the value of the advance which is added to the interim payment invoice and the value recovered therefrom represents the credit balance of the contractor's side.
- The other amounts mean those payable for the contractor other than those contained in the interim payment invoice. The most prominent example is the price differential payable to the contractor under the contract or the interest(s) payable in return for delay in payment as determined in the contract and any other amounts borne by the contractor due to issuance of laws after the contracting has been made with him; for instance, an increase in customs fees.
- The other deductions mean the amount(s) payable by the contractor such as the differential or penalties imposed; other than the delay penalty.
- The amount(s) already paid represent the value of all interim payment invoices already paid including the advance. It is noticed that the amounts already paid represent (the amounts already paid) in the subsequent certificate and thus the auditor can verify the number of the amounts already paid on a regular basis during audit.

Payment evidence/supporting documents

Payment evidence is the most significant point that should be considered when reviewing the interim payment invoices paid to contractors as follows:

Advance payment

To pay the advance, the following documents should be provided:

- A claim from the contractor certified by the consultant noting the amount payable as an advance under the contract.
- A bank guarantee of the advance according to the format specified by the Ministry of Finance; provided that this guarantee should be valid till the advance is fully recovered or for one year, whichever is later.
- A bank guarantee for performance according to the format specified by the Ministry of Finance provided that is should be valid till the end of maintenance period.

First interim payment invoice

The first interim payment invoice which represents the value of the first advance for the work executed should be coupled with the following evidences:

- Schedules showing the work(s) executed in comparison to the approved amounts for each item separately.
- A detailed list of the materials on site.
- A copy of the operation order issued to the contractor.
- A copy of the insurance policy that should be valid till the end of the maintenance period.

The current interim payment invoice

It represents the advance paid to the contractor in between the first advance and the final account of the project where each should be coupled with the following supporting evidence:

- Schedules showing the work(s) executed in comparison to the approved amounts for each item separately.
- A detailed list of the materials on site.
- Detailed lists of the items wherein the percentage of the work(s) executed exceeds the percentage determined by 15% in the contract; and the reasons therefor should be explained.
- The value of the work(s) executed for each variation order separately.

Project's final account

It should be coupled with the following:

- Schedules of the works executed along with a detailed list of the works approved in the initial items list.
- A list of the works executed for each variation order separately.
- Approvals issued for the extensions offered to the contractor and amendment of the expiry date (expiry date of the contract) determined in the light of these extensions.
- Minutes of project delivery.

3.9.3. Project's delivery, follow up and performance evaluation

After project delivery, ensure the following:

- Follow up operation of the project and extent of utilization thereof.
- Extent of achievement of the economic and social objectives for which the project was found; by using the commonly used approaches for performance evaluation.
- Ensure the unit abides by the provision of Article (63) of a construction contract in case of breach by the contractor of the terms and conditions agreed in the contract.
- In case of revoke of the contract with the contractor, there should be considered the reasons for such revoke and amount of loss borne by the State; and there should also be ensure that the concerned unit has taken the determined procedures for collecting the due amount of penalty.

3.9.4. Audit of advisory offices related fee

Of the most important points that should be the focused on when reviewing fees related to advisory offices as follows:

- Ensure provision by the consulting engineer a professional insurance policy valid for a period of two years after the end of the maintenance period since the beginning of the work and its value should not be less than 10 % of the amount of the estimated budget for the project.
- Verify that the consultant is committed to the value of the estimated budget for the project when preparing designs.
- Review the advances paid and verify that the payment was in accordance with the terms of the advisory services standard contract.
- Ensure that the unit has benefited from the work of the implemented designs.
- Ensure to pay the remaining 5% of consultant for supervision fees after the end of the maintenance period.
- In the case of calculating advisory fees as a percentage of the value of the accepted bid, there should be considered exclusion of the amount of the reserve out from the bid value
- Ensure there is no joint interest between the consultant and the contractor as it is possible that the owner of the two companies or their attorney is one person.
- Ensure that the contracts do not contain transport fees or provision of a vehicle for the consultant.
- Ensure to use documents and specifications in any similar works for 20% of the first designs fees.
- Ensure not to provide accommodation and transport facilities for the consultant's staff.
- Ensure to prepare monthly follow-up reports by the supervising engineer to identify any potential technical defects in the project.

3.9.5. General phenomena that accompany the implementation of some projects

- Delays in completion of the procedures for works floating and awarding at certain Government Units; resulting in higher project costs and thus not taking advantage of it in time.
- Awarding of some works for implementation before determining the appropriate location for the project and conducting the required tests and studies without checking the suitability of the site which lead to the relocation of some projects and delays in implementation to address the issues occurred in the selected location.
- Inaccuracy of the studies for the estimated costs resulting in occurrence of a big disparity between the prices of the submitted bids and the estimated costs.
- Awarding of some tenders to the companies of higher price; justifying that other tenders have been awarded to the lower priced bids.
- Contracting for the implementation of some projects by direct order and two separate contracts with the same company to avoid the announcement of the project in a public tender.

- Reduction of the value of the core works without making the appropriate reduction for the preliminary works despite of their high costs; the most of which are variable costs associated with the size and quantity of the works.
- Failure by some of the advisory offices –that are contracted for design and supervision- to submit professional insurance certificates to cover their liability for any potential damages that may occur due to defects in the design or supervision.
- Allocation or buying of vehicles that are used for transport of the experts supervising implementation of the contracts of supply, services and other works.
- Payment for the costs of the facilities provided to some of the consultants who are assigned to supervise the implementation works; such as rental of accommodation supplied with electricity, water and furniture and pay for their transport; the matter that contradicts the provisions of the standard contract for advisory services.
- Failure to include the professional insurance certificate provided by the consultant any details about the Ministry for which the certificate has been issued; or the name of the project for which the liabilities of the consultant are required to be covered.
- Issuance of variations orders to the contractors after awarding the works to them by a large amount that could reach up to 100 % of the original value of the works; and this is caused by the expansion of work scope to be implemented or as a result of substantial amendments in the works proposed to be implemented or the contracted ones.
- Issuance of variation orders in the net value of the works due to exclusion of the value of the works removed from the additional works; while it is supposed to calculate the value of the variation orders on the basis of the total of such orders (removed and added) pursuant to the provisions of the Government Tenders Law.
- Extension of the implementation period for some the projects based on nonessential justifications that are supposed to be taken into account by the contractor account before starting the implementation and seeking the appropriate ways to provide them; the matter that would lead to delay in making use of the funds invested in the projects in a timely manner, the high costs of implementation in addition to the extra supervision costs borne by the State during the new extension period.
- Amendment of the value of the works assigned to some projects and amendment of the implementation period without amending the value and period of validity of the performance bond letter, insurance policy and professional insurance certificate as to commensurate with the value of the works and the amended duration.
- Amendment of the designs of some projects during implementation due to re- consideration of the uses; and thus leading to higher costs without justification.
- Initial delivery of some projects based on a certificate issued by the consultant to close the work in spite of some parts/phases of the work remain unimplemented as well as existence of works that have been carried out in violation of the determined specifications.
- Receiving of claims by some Government Units in an amount exceeding the project's appropriations due to emergence of problems during the implementation as well as payments made by the Governmental Units within the appropriations limit without consideration to the increase amount(s) of the claims and insistence by the implementing company on these claims as long as they have not been officially rejected when presented.
- Delays in implementation of projects beyond the timed fixed therefor in the development plan.
- Duplicate payments made to contractors as a result of deduction of the amounts already paid in previous advances in a value that is lower than the actual one.

4. Government Movable Properties Audit

4.1. Definition of Movable Properties

Any machinery, equipment, cars and other vehicles or means of transport which are state-owned (by the government) movable purchased or rented from others.

4.2. Laws and regulations governing movable properties

- Financial Law and its Executive Regulations.
- Relevant Ministerial Decisions.

4.3. Purchase and Registration of Movable Properties Required for a Governmental Entity

Internal auditor should verify that the Ministry or Government Unit is complying with the following:

- Purchase is according to the methods, procedures, rules, periods, and provisions contained in the law of tenders.
- A sale contract is made within the appropriations designated for this purpose in the budget approved for the Governmental Entity.
- While making the contract, the supply of similar movable properties is not divided, except in cases provided for in the law of tenders.
- The supplier is not a staff of the Governmental Entity, nor a staff of any other entity subject to the provisions of the law of tenders.
- No contract is made through tender (general or limited) or practice with any supplier during the period of its deprivation of dealing with the entities subject to the provisions of the law of tenders.
- The Governmental Entity is committed to the successful tender (general or limited) after the signing of the contract in accordance with the Royal Decree No. 48 /76.
- The governmental entity declares the procurement tenders and receipts the tenders electronically in accordance with the provisions of the Electronic Transactions Act.
- The Governmental Entity abides by the Financial Law and its Executive Regulations when submitting the final or temporary bid bonds in the case of contracting through tender **(public / limited) or practice**.
- The Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations if the purchase of government movable properties is made through tender **(public or limited)**.
- The Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations if the purchase of government movable properties is made through **practice**.
- The Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations if the purchase of government movable properties is made through direct assignment.

By direct order

- The Governmental Entity does not purchase machinery, equipment, and vehicles or other movable properties during the last month of the fiscal year unless the purchase is pursuant to certain laws or royal decrees, or necessitated by work. The payment voucher must be accompanied by a memorandum approved by the concerned Undersecretary and defines the requirements that led to making the contract at the end of the fiscal year.
- The Governmental Entity examines and inspects the government movable properties prior to the final receipt to ensure compliance with specific standards, and suitability for use for the specified purpose as per the Financial Law and its Executive Regulations and the relevant decisions.

- If examination and inspection of the government movable properties reveal non-compliance to the specifications or lack of suitability for use, SAI should ensure that the Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations.
- The availability of a proof for the commitment of the seller to guarantee any defect in the sold movables, even if the seller is not aware of its presence, whenever such defect weakens the value of the movables or influence the suitability to use it for the specified purpose. The commitment shall be effective throughout the period agreed upon.
- The Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations in the event of issuing variation orders to the supply contracts.
- The Governmental Entity records the data related to equipment, machinery, vehicles and means of transport according to the provisions of the Financial Law and its Executive Regulations.
- The Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations if the movables are donated by or transferred from other Governmental Entities.

4.4. Rental and Registration of Movable Properties Required for a Governmental Entity

Internal auditor should verify that the Ministry or Government Unit is complying with the following:

- The Governmental Entity rents the movable properties in accordance with the applicable laws and within the appropriations designated for this purpose in the budget approved for the governmental entity.
- The rental is under a contract made between the two parties, which includes mainly the following:
 - A description of the rented movables and their apparent defects that may exist.
 - Agreed rent and method of payment.
 - Rental Period.
 - Rights and obligations of both the lessor and the lessee that are agreed upon in order to ensure the financial interest of the state.
 - Responsibility of the Governmental Entity upon return of the rented movable at the end of the contract period is restricted to repairing any damage resulting from misuse.
- The Governmental Entity tests the rented movables and determines its rent according to the provisions of the Financial Law and its Executive Regulations.
- The Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations if the rent is from a Governmental Entity.
- The Governmental Entity abides by the provisions of the Financial Law and its Executive Regulations if it rents movables from other Governmental Entities.

4.5. Maintenance of the Government Movables

Internal auditor should verify that the Ministry or Government Unit is complying with the following:

- The Governmental Entity takes the necessary measures to maintain its movables within the appropriations allocated for this purpose in its approved budget, taking into account the provisions of the laws and royal decrees in force. Maintenance of the movables includes the furniture located at the headquarters of the mission and the houses of the Chairman of the Mission and its diplomatic members.
- The Governmental Entity or the mission takes the necessary measures to maintain its movables and prevent any damage that may occur to them.
- In the event of any loss, damage or destruction to any of the government movables, the Governmental Entity notifies the Ministry of Finance immediately, conducts at the same time investigations to

determine the cause of loss, damage or destruction, take the necessary actions along with notifying the Ministry of Finance and SAI with such actions, claim the loss value arising from the loss, damage or destruction of the movables from the person responsible or write off the loss value if no person is found responsible for the loss, damage or destruction, after the conduct of investigations referred to. The write-off in this situation shall take into account the provisions of the Financial Law or the Royal Decree No. 37 / 97.

4.6. Insurance of the Government Movables

Internal auditor should verify that the Ministry or Government Unit is complying with the following:

- The Governmental Entity provides insurance on the government movables which are not allocated for missions, in accordance with the following basis:
 - Insurance is restricted to the production and service units including the machinery, equipment and other devices which are operated by flammable materials or electricity, and whose damage or failure lead to disrupt the vital public facilities.
 - Insurance on the government vehicles is in accordance with the provisions of the vehicle insurance law issued by Royal Decree No. 34/94, the rules of vehicle insurance issued by the Ministerial Decision No. 99/95, and other decisions implementing the abovementioned law, taking into account the following:
 - Insurance includes the vehicles intended for the following:
 - Ministers and HEs with Minister's grades
 - Undersecretaries and HEs with special grades.
 - Insurance includes ambulances of the Ministry of Health or other units of the state administrative apparatus.
 - Insurance includes other government vehicles for the benefit of others (the third party).
 - Insurance is provided for imported government goods during transport from the port of shipment or from the port of arrival - depending on the circumstances - to the stores of the Governmental Entity, in accordance with the provisions of the Insurance Companies Law promulgated by Royal Decree No. 12/79, Royal Decree No. 90/2004 and its Executive Regulations issued by a decision by the Minister of Commerce and Industry No. 5/80.
- The missions provide insurance on the government movables in accordance with the following basis:
 - Provide a comprehensive insurance on the treasury of the missions against the dangers of theft, embezzlement, fire or other hazards if the daily average of the amounts that are kept in the treasury is not less than five thousand (5,000) RO.
 - Insurance on the movables located at the headquarters of the mission and the housing allocated to the head of the mission and its diplomatic members is comprehensive in the countries where insurance is compulsory or in cases where the head of mission deems insurance necessary.
- The Governmental Entity submits an application to obtain insurance on its units and movables as follows:
 - **Insurance on production and service units:** the Governmental Entity submits an application to obtain insurance on their units to the Directorate General of Income at the Ministry of Finance in accordance with the provisions of the Financial Law and its Executive Regulations, provided that the request includes the estimated value of the units and the risks to be covered. The Governmental Entity notifies the Directorate General of Income at the Ministry of Finance no later than 1st of August each year with any adjustments in the estimated value of the units referred to in the notification. In case the notification is not received within the deadline, the Ministry shall provide insurance on the units depending on the estimated value of the same assuming no amendment is made, without prejudice to the accountability of the party who caused the delay in submitting the notification.

- **Insurance on government vehicles:** the relevant Governmental Entity makes a contract directly with the insurance companies, taking into account the provisions of the Financial Law and its Executive Regulations.
- **Insurance on imported government goods:** The Ministry of Finance takes the necessary measures for insurance without an insurance application from concerned Governmental Entities.
- **Insurance on government movables allocated to missions:** each mission submits a request to the Ministry of Foreign Affairs includes the name of the proposed insurance company, the value of insured movables, the insurance premium, insurance duration, and other data, and sends a copy of this request to the Directorate General of Income at the Ministry of Finance.
- The insurance charges are paid as follows:
 - **Insurance on production and service units:** payment is through deduction from the appropriation designated for this purpose in the approved budget of the Ministry of Finance, provided that the payment vouchers are issued under the name of the insurance company.
 - **Insurance on government vehicles:** payment is through deduction from the appropriation designated for this purpose in the approved budget of the Ministry of Finance, provided that the payment vouchers are issued under the name of the insurance company.
 - **Insurance on imported government goods:** payment is through deduction from the appropriation designated for this purpose in the approved budgets for the concerned Governmental Entities, provided that the value of the insurance charges included in the payment vouchers to open documentary credits required for this purpose or payment vouchers to pay the price of the goods if they are imported without opening documentary credits.
 - **Insurance on movable allocated to the mission:** payment is through deduction from the appropriation allocated for this purpose in the approved budget of the Ministry of Finance, provided that the payment vouchers are issued under the name of the insurance company.
- The Governmental Entity or the mission abides by the provisions of the Financial Law and its Executive Regulations for reporting the risks insured and follow-up the claims for compensation.
- The Governmental Entity or the mission abides by the following when claiming compensation for any damage that may occur to its car as a result of an accident:
 - If it is proved that the accident occurred to the government car because of **a personal fault of the driver**, the Governmental Entity claims the costs of repair from the driver in accordance with the Royal Decree No. 115 /94
 - If it is proved that the accident occurred due to **circumstances beyond the control of the driver**, the governmental entity bears the costs for repair or writes off the value of the car according to the provisions of the Financial Law or the Royal Decree No. 37/ 97.
 - If it is proven that the accident occurred to the government car is due to **the fault of the other party**, the Governmental Entity takes the necessary measures to claim the costs of repair from the insurance company or to demand insurance company to pay compensation for the damage occurred to the car, in accordance with the provisions of the Vehicle Insurance Law and the executive decisions and rules.
- The paid amount is deducted from the appropriation designated for this purpose and as per the applicable laws and rules.
- The collected compensation amount is credited to the Ministry of Finance and added to the revenues of the concerned entity.

4.7. Inventory (stocktaking) of Government Movables

Internal auditor should verify that the Ministry or Government Unit is complying with the following:

- The Governmental Entity or the mission takes annual stock of its movables before the end of the fiscal year according to the following rules:

- The head of stores, his representative in the mission, or any employee assigned by the head of the unit or the mission shall prepare the inventory list in two copies and submit it to the Inventory Committee formed by a decision from the concerned Minister, his authorized representative, or the head of the mission.
- After receiving the lists referred to, the Committee takes stock of the movables and prove the physical balances according to the stocktaking in the lists, and states any decrease or increase - if any – with an explanation of the reasons.
- The lists are signed by the members of the Committee and approved by the concerned Minister, his authorized representative, or the head of the mission.
- The committee commences its work within the period determined by the concerned Minister, his authorized representative, or the head of the mission.
- The concerned Minister or his authorized representative sends at the end of each year an acknowledgement that stock is taken for all its movables and that no movables are not included in the stocktaking to the Ministry of Finance and SAI.
- The mission sends an acknowledgement that physical stock is taken for all its movables and that no movables are not included in the stocktaking to the Ministry of Finance and SAI.
- If the stocktaking reveals differences between the physical balance and the balance in the inventory list, the Governmental Entity or the mission takes the necessary investigations to find out the reasons beyond such differences and identify the responsible person.
- The concerned Minister, his authorized representative, or the head of the mission, if the person responsible for missing any movable is identified, takes the necessary actions to deduct the value of the missing movable from his salary or benefits in accordance with the provisions of the Royal Decree No. 115 /94.
- If the person responsible for missing the movable cannot be identified or if the missing is by force majeure, the Governmental Entity or the mission writes off the value of the missing movable according to the provisions of the Financial Law or the Royal Decree No. 37/ 97.
- The Governmental Entity amends the balances contained in the records prepared to register the government movables by adding or eliminating the difference resulting from the increase or decrease.

4.8. Audit Procedures for Government Vehicles

Internal auditor should verify that the Ministry or Government Unit is complying with the following:

- Examine and evaluate the internal audit regulations applied to the means of transportation and the changes made to them.
- Perform compliance test by examining the actual implementation of the system through inquiries, observation, and reviewing a small sample of the documents.
- Calculate the cost of the purchased cars in the Sultanate which are distributed to the Ministries and the various Governmental Entities during the past three years.
- Calculate the operating costs of state-owned cars during the past three years which are distributed to their different budget items and to the Ministries and various Governmental Entities.
- Review and analyse the operating costs referred to and identify the actors and the development costs (per item).
- Study the adequacy of decisions relating to the use of cars and suggest ways to solve any deficiencies.
- Take inventory of the Ministry-owned means of transport, their users, and the extent of eligibility.
- Calculate the cost of Ministry-owned cars as follows :
 - Purchase cost of each type of the cars.
 - Operating costs distributed to their different elements, whether direct (fuel - Maintenance – spare parts - insurance, etc.) or indirect (depreciation).

- Cars donated to the Ministry.
- Determine the cost of passenger / month for each type of cars or buses, etc.
- Abide by the record of vehicle movement in terms of commitment, registration of the daily movement of cars immediately, registration the following points:
 - An exit permit for the car.
 - Record the car exit date and time.
 - Record the car return time and date.
 - Record car meter reading (Mileage counter) before and after using the car.
 - Record the name of the car user.
 - Record the place and purpose of the task.
 - Record the amount of fuel consumed during the task.
- Examine the government vehicle file in terms of the following:
 - The availability of data in the file, such as the type, value, and purchase date of the car.
 - Periodic maintenance and maintenance carried out due to technical breakdowns, and to what extent the cost fits with the shadow price of the car.
 - The person responsible for the car breakdown bears the responsibility for repairing the car, and the written off car value is collected from the person responsible for the accident.
- Examine the mechanism of using the fuel cards, and the proportionality of the fuel consumption rates with the distance travelled.
- Inspect government cars auctions and ensure governmental entity's commitment to the relevant provisions and laws.
- Inspect car rental and get the following data if the Governmental Entity rents cars:
 - The number and type of the rented cars.
 - The car rental value.
- To what extent the government cars are used after the official work hours and during holidays.
- An approved plan to purchase cars, spare parts, and second hand cars is available.
- The role of Internal Audit Department in the audit over the government vehicles through the periodic reports.
- Examine the traffic offences.
- Obtain a statement from Royal Oman Police with the number of government cars allocated to the unit.
- Any employee should not be allocated a government vehicle and granted transportation allowance at the same time. The Governmental Entity should take the necessary actions to recover the value of the allowance if such case is found out.
- The Governmental Entity does not allow the employees to use its government cars for personal purposes and during vacations and holidays. It withdraws the government cars allocated to the employees during their leaves.
- The government vehicles are used only for specific tasks under an original and a copy of a written permission that includes the data of the car, the nature of the task and the duration of use. The car is returned back immediately after the end of the task.
- The Governmental Entity does not allow driving its government vehicles except by authorized employees.
- The Governmental Entity writes its name clearly on the front doors of the two sides on all its vehicles except the vehicles allocated to their Highnesses, their Excellency the Ministers and the officials with a Minister's grade, and their Excellency the undersecretaries and their likes.

- The Governmental Entity places a special number for the cars permitted to operate in non- office hours, in coordination with the Ministry of Finance, in order to be distinguished from the rest of the cars.
- The Governmental Entity collects the costs of repair or the compensation amount for any cars that have accidents, in accordance with the rules set by the Executive Regulations of Financial Law.
- The Governmental Entity abides by the rules that must be considered when buying cars for different purposes as follows:
 - The maximum price for purchasing government vehicles allocated to mail distribution and transport of materials is 6,000 (six thousand RO) to be replaced once every seven years at a minimum from the date of purchase.
 - The maximum price for purchasing government four-wheel drive vehicles is 13,000 (thirteen thousand RO) to be replaced once every seven years at a minimum from the date of purchase.
 - The maximum price for purchasing government vehicles allocated for hospitality is 12,000 (twelve thousand RO) to be replaced once every seven years at a minimum from the date of purchase.
 - When purchasing cars for the diplomatic missions abroad, the price difference should be taken into account in coordination with the Ministry.
 - When purchasing equipment, trucks and other vehicles that are not mentioned in the preceding items, the governmental entity abides by the maximum prices of car purchase and the replacement periods agreed with the Ministry of Finance.
- The commitment of the Governmental Entity to the following:
 - Repair the broken down vehicles immediately, provided that the repair cost does not exceed the value of the car. The cars that cannot be repaired are disposed of by sale.
 - It is not repaired frequently and within a short period of time for the same break downs.
 - Maintain the registers and files of each car.
 - The Governmental Entity does not allocate more than one car for the trips of their Excellency the Ministers or their Excellency the undersecretaries, in addition to allocating one four-wheel drive car for their trips that require such a car. Extra cars are delivered to the Ministry of Finance to be disposed of by sale.
 - The Governmental Entity does not put any cars on reserve for the Ministry or its branches. Extra cars are delivered to the Ministry of Finance to be disposed of by sale.
 - The Governmental Entity does not allocate a luxury car provided with a comprehensive insurance as a reserve for the Minister and the undersecretary.
 - Adherence to the number of cars set by the committee in the Ministry of Finance.
 - No cars are allocated to certain departments or sections. All cars are under the Department of Transportation and are used as needed as per written operation orders.

5. Government Stores (Warehouses) Audit

5.1. Definition of stores

State-owned depositories used to store the materials of the different Government Units according to the nature of their activity and business.

5.2. Laws and Regulations Governing Government Stores

- The Financial Law and its Executive Regulations.
- Related Ministerial Circulars and decision.

5.3. Types and Materials of Government Stores, and Classification of Store Materials

5.3.1. Types of Government Materials

The organizational structure at each Government Unit includes an administrative division for the activity of stores. The level of this division is determined depending on the volume of work in the stores and their importance.

Each Governmental Unit has one or more central store/s. Each central store may have sub-stores in the governorates depending on the volume of work.

The central store generally provides the sub-stores with their requirements. The stores attached to workshops, farms or government laboratories are considered as sub-stores.

5.3.2. Materials of the Government Stores

The materials of the stores should be classified into the following:

- **Sustainable items:** the materials that are not consumed by usage. When dispensed from the store, they become custodies of the receiver. If dispensed to any department or section of the Government Unit, they are recorded as sub-custody. They are recorded as personal custody if they are dispensed to an employee of the Government Unit to be used for official business purposes, in according with the governing regulations.
In all cases, the sustainable materials dispensed as sub-custody or personal custody should be returned to the stores if they are no longer required for the intended person or if they become unusable, in order to be disposed of or transformed into another sustainable category.
- **Consumable items:** the materials that are consumed by usage without leaving behind any remnants of the same kind.
- **Unusable items:** the materials that are considered by the concerned committee, which is stipulated in the government store regulations, damaged and cannot be repaired. Each item of them is provided with a stock card, in addition to another card to control the stock. They are either sold or their value is written off, in accordance with the procedures sent in the government store regulations.

5.3.3. Classification of Store Materials

- Each Government Unit prepares two lists of store materials classification: one for the sustainable materials, while the other is for the consumable materials. Each list is divided into main and sub divisions depending on the type of the materials included in the list. Each division is given main and sub sequential numbers.
- The abovementioned classification lists are presented to the immediate supervisor for approval. No amendment may be made to the lists, including any addition, omission, or replacement of any item available on the list, unless an approval is obtained from the immediate supervisor.

5.4. Employees of Stores and their Duties

5.4.1. Immediate supervisor

In addition to the responsibilities provided for in the government store regulations, the immediate supervisor shall be responsible for the following functions:

- Supervise and control the organization of the Government Unit's stores, and their employees, and define its internal structure and the work arrangement.
- Approve the estimation of the value of the appropriation to be included in the draft annual budget for the unit in order to supply the stores with the quantities required for the next financial year.
- Keep the spare keys of the stores by placing the keys of each store inside an envelope sealed with red wax by the seals of both the immediate supervisor and head of stores.

The immediate supervisor shall be accountable to the concerned Minister within the scope of his functions.

5.4.2. Head of Stores

The head of stores shall be accountable to the immediate supervisor for all the materials in the store, in addition to the following duties:

- Supervise the store employees and ensure their implementation of the provisions of the store regulations.
- Supervise the regular supply of the central and sub stores with the required materials.
- Supervise the timely supply of the departments with the different materials they may require.
- Maintain register of specification of materials used by the Government Unit and update that register as required
- Estimate the value of the appropriation to be included in the draft annual budget for the unit in order to supply the stores with the quantities required for the next financial year, in the light of the following basics:
 - Average consumption during the last three years.
 - Any expectations of increased or decreased activity or functions of the Government Unit.
 - Prices mentioned in the recent purchase orders or the prevailing market prices, whichever is higher, taking into account the coordination with the concerned departments in the Government Unit.
- Review the monthly consumption averages of central and sub stores and verify the reasons for the differences in these averages, if any.
- Estimate the minimum and maximum levels, and the level of reorders for the materials in the stores as stipulated in the government store regulations.
- Identify the causes of damage, destruction, or loss of materials and recommend taking the necessary action in this regard.
- Propose to add any new materials to any of the two item lists.
- Express his opinion about the reports presented to him on the materials movement and consumption quantities as per the form: **Report on materials movement and consumption quantities during the period.**

5.4.3. Storekeeper

Each store of a Government Unit shall have a storekeeper appointed by a decision from the concerned Minister or his authorized representative and reported directly to the immediate supervisor or the head of stores in the Government Unit, as appropriate.

The storekeeper may have one or more assistants appointed and his functions authorized by a decision from the concerned Minister or his authorized representative, provided that he precedes the functions of the storekeeper in his absence.

He shall be accountable to the head of stores for all materials in his custody available in the store. He shall offer suggestions for the necessary actions to ensure the safety and preservation of the materials.

In addition to the duties set forth in the government store regulations, the storekeeper is entrusted with the following duties:

- Maintain a stock card for each item to record the in and out movement and the balance of the item.
- Store the materials in proper locations and in a safe method that prevent any damage or loss.

- Issue the materials requested by any department or section in the Government Unit, in compliance with the procedures mentioned in the government stores regulations.
- Keep the personal and sub custody cards.
- Inform the head of stores about any damage or loss of an item, and take the necessary actions to identify the reasons behind the damage or loss.
- Prepare the requests of sale or write off in accordance with the provisions of the government stores regulations.
- Prepare a report of three copies about the materials which are evidently unusable, stagnant, or damaged. He shall keep one copy and send the other two to the head of stores who shall in turn keep one copy and send the other to the immediate supervisor.

General Provisions Related to Storekeepers

- The storekeeper should -in case of his deputation, transfer, secondment, or leave for a period exceeding fifteen days, or end of service- hand over any materials in his custody to his successor under the supervision of the head of stores. A handover statement shall be prepared in three copies, which should be signed and approved by the immediate supervisor. Each of the three parties shall keep a copy of the statement. In case the handover does not take place for whatever reason, the immediate supervisor shall appoint a committee to oversee the inventory of the store. The outcome of the committee's work should obtain the approval of the concerned Minister or his authorized representative.
- In case the storekeeper has a leave of less than fifteen days, the person who replaces him should be handed over a quantity of materials sufficient to meet the regular demands, until the return of the storekeeper; however stores may be opened with acquiescence of the immediate supervisor in order to meet the additional urgent demands. In this situation, a minute of the taken procedures should be prepared.
- In case the storekeeper is absent without permission or reasonable excuse for more than two days, the concerned Minister or his authorized representative should assign another employee to resume the work of the storekeeper temporarily, and form a committee to open the store in order to supply the employee with quantities sufficient to meet the regular demand for materials and close the store. In this situation, a minute of the taken procedures should be prepared.
- When the storekeeper returns back to his work, the store should be opened with the acquiescence of the committee referred to in the preceding paragraph and the storekeeper should be handed over the remaining materials with the concerned employee who replaced him during his absence, under a handover and receipt statement signed by both the storekeeper and the concerned employee, in addition to the members of the committee and the head of stores. The statement should obtain the approval of the concerned Minister or his authorized representative.
- In case of the death of the storekeeper, the Government Unit shall take inventory of the store, and then shall hand over the stored materials along with the related books, cards and documents to the new storekeeper who should be appointed by the concerned Minister or his authorized representative, under a minute signed by the storekeeper, representative of the Internal Audit Unit and head of stores in the Government Unit. The minute should obtain the approval of the concerned Minister or his authorized representative.
- If the inventory revealed any increase or decrease in the materials, the procedures set forth in the government stores regulations shall be performed, and the Ministry of Finance shall be provided with the data required for recording in the register and any adjustments that may arise.

5.4.4. Registrar

One or more registrars who report to the head of stores shall be responsible for monitoring the store assets. In addition to the duties set forth in the government store regulations, the registrar is entrusted with the following duties:

- Keep a card to monitor each item in the main and sub stores.
- Prepare a list of the materials that reach the reorder level and submit it to the head of stores to supply the store with them.
- Prepare a report about the materials movements and consumptions quantities.

5.4.5. Procurement Manager

The procurement manager at the Government Unit shall be responsible for providing the stores with the necessary materials required for the business purposes, according to the specifications and quantities, in a timely manner, at the lowest possible cost, with good quality, and in compliance with the provisions of the government stores regulations. He shall be entrusted with the following functions:

- Record data in the approved supplier statement.
- Receive the purchase requests and store supply requests from the different departments of the Government Unit and implement such orders after recording them in the requests register.
- Prepare the conditions of the tender or practices that will be called for by the internal tender committee or the practice committee, and complete the necessary procedures to purchase the materials for the store.
- Request quotations from the approved suppliers for the materials whose value is less than ten thousand Oman Rials (10,000 OMR). Upon receiving the quotations from the suppliers, they should be submitted, after recording their information in the statements, to the concerned Minister.
- Issue purchase orders to the selected suppliers, record them in the purchase orders register, and follow-up their implementation.

5.5. General Audit Procedures for Government Stores

Prior to audit and inspection, Internal auditor should conduct an initial survey in the light of the texts, definitions, and procedures, stipulated in the approved stores regulations with a view to familiarize himself with the following points:

- Types, numbers, and structure of the stores.
- Rules of materials classification and models of the used records.
- Store management and the duties of the storekeeper.
- Rules of receiving and issuing materials.
- Rules of supply and storage.
- Rules of inventory.
- Models of the records, registers, cards, and statements used, and the manual about how to use them.

5.5.1. General Audit Procedures to Compile Receipt and Addition Vouchers

- Compile the receipt and addition vouchers submitted to the store in order to be used as a proof for the materials that arrive, whether the materials arrive from direct purchase or from another store.
- Compilation helps to identify the materials that arrive physically to the store and trace their entries later.
- Ensure the integrity of the vouchers, especially preservation of the last used copies and maintenance of the copies and the original in case of cancelation of a voucher.
- Compare the data of the receipt and addition vouchers with those of the cards and registers.
- Ensure the quantity of any stored material is not issued except by an approved request from the relevant department, whenever required.
- Ensure all materials that are brought in to the store are recorded in the entries, whether such materials arrive from direct purchase or from other stores, or are returned from other departments for which the materials have been issued or from any other source.
- For the materials issued from the main store to a sub store, a comparison should be made between the materials in the issue orders of the main store and the addition orders of the sub store, in order to ensure that all the materials issued to the sub store are recorded in its cards and registers.

5.5.2. Audit Procedures for Examination of the Personal and Sub Custody Entries

Personal custodies

- Investigate whether the materials issued as a personal custody are recorded in the register in a page designated for the person for which the materials are issued, in accordance with the instructions prescribed for issue of materials as a personal custody.
- Compare selected acknowledgements with the entries in the personal custody card.
- Select a sample of the custody cards and compare them with the physical quantities of materials in the possession of the employee who received the custody in his presence and with the participation of the storekeeper.
- When a person's relationship with the unit or with the task that required the material to be issued to him ends, ensure whether the materials issued to him as a personal custody are returned to the store and added to its entries after examining them and verifying its usability.

The sub custodies:

Sub custodies are represented in the sustainable categories issued from the stores to the Government Units to be used in the different offices, departments, and sections. Internal auditor should ensure the following:

- The storekeeper keeps registers to record the materials issued as sub custody to the Government Unit. The physical annual inventory is taken for the sustainable categories available in the Government Unit on the basis of the data included in such registers as they represent the book balances.
- The use of the sub custody registers is restricted to the sub stores which are responsible for the last stage of issuance before the issued materials move to the actual use away from the supervision of the storekeepers, whereby the task of the sub custody fiduciary in the administrative unit starts.
- The sustainable categories which are issued directly from the main stores to the administrative units are recorded in the sub custody registers of the sub stores in the units, not to mention the registers of the main stores.
- Select sub custody cards and compare them with the physical quantities of materials available in the concerned department, in the presence of the custodian and the storekeeper.
- The forms of inventory are used to write down the comments. The differences, if any, are mentioned in the specified statement. The storekeeper is requested to explain the reason of the differences immediately after completing the inventory, and to sign all the related forms.

5.5.3. General Audit Procedures for Examination of the Store Supply Policy

Internal auditor should ensure the following when reviewing the store supply policy in case of stagnant materials:

- The supply programs are prepared as per the schedule and the method determined by the regulations, and the demands are not overestimated.
- There is a storage limit for each category, according to the criteria mentioned in the regulations.
- Arrangement of the materials in the store is precise to facilitate the access to the materials whenever required.
- The materials are categorized and codified at the level of the unit, in order to know the stagnant materials that may be required by another branch.
- Statements are prepared for the extra, abandoned, and unusable materials, in addition to the materials that are exposed to damage or that have an expiration date.
- The necessary actions to dispose the damaged materials are taken.

5.5.4. General Audit Procedures for Examination of the Accuracy of the Annual Inventory and Adjusting Entries

The Purpose of Stocktaking

The purpose of the inventory stocktaking is to check that the physical stock agrees with the record of the stock balance and personal and sub custodies. Consequently, inventory achieves the following purposes:

- Ensure whether there is any lack of the stock due to misuse, stealth, carelessness, or bad storage.
- Evaluate the materials as a factor of evaluating the balance sheet.
- Identify the prominent deficiencies in the adopted store regulations and the adequacy of the controls.

- Ensure whether the technical requirements are met, and whether the protection and safety equipment in the store are adequate.
- Identify the unserviceable materials.

Procedures for examination of the Accuracy of the Annual Inventory and Adjusting Entries

Supervision over the Inventory:

- Ensure that the inventory statements are prepared according to the forms prescribed in the regulations.
- Ensure that the inventory is completed before the end of the fiscal year, through the dates included in the report of the inventory committee.
- Ensure the presence of all committee members during the physical inventory.
- Evaluate the competence of the committee members in performing the task.
- Ensure the stock cards are closed, signed by the head of the committee, and dated.
- Ensure that the inventory covered all the assets.

Sudden Physical Inventory

- Select some stock cards and compare their balances with the physical stock, and vice versa, taking into consideration the movement and issue of the materials that are still not recorded. The following should be observed for the selection:
 - The physical importance of the material.
 - Various materials.
 - Concentrate on materials that are exposed to more errors.

Examination of the Annual Inventory

- Ensure that the inventory is completed before the end of the fiscal year, through the dates included in the report of the inventory committee, forms of the inventory list, the decrease and increase statement.
- Ensure that the physical inventory by the committee included all the stored stock, through the following:
 - Signature of the head of the inventory committee on the stock cards.
 - Signature of the head of stores on the inventory lists.
 - The annual acknowledgement issued by the unit.
- Verify the completeness of the data in the comparison statement between the balance in the stock card and the balance in the stock control card. Ensure the statement is signed by the Head of Stores confirming the agreement of the stock card with the stock control card.
- Verify the completeness of the data in the inventory lists, including the inventory differences and the signature of the immediate supervisor.
- Verify the completeness of the data related to the balances and differences in the decrease and increase statement based on the model of the decrease and increase statement.
- Verify the documentary and legal processing of the annual inventory differences.
 - Prepare a credit note by increase
 - Prepare a debit note by decrease
 - The storekeeper bears the value of decrease, otherwise the value is written off as per the authorities.

Inventory Statements Audit:

- Ensure whether the approved inventory statements agree with the stock entries.
- Verify the inventory adjustments of the differences revealed by the inventory.
- Take inventory of some categories to verify the previous inventory.
- Verify the inventory procedures in general, including the criteria followed to form the inventory committees, in the light of the regulations and the circulars issued by the Ministry of Finance.
- Ensure whether the opening balances of materials and custodies entries in the new fiscal year agree with balances in the annual inventory statements.
- Verify the documentary and legal processing of the annual inventory differences.
 - Prepare a credit note by increase
 - Prepare a debit note by decrease
 - The storekeeper bears the value of decrease, otherwise the value is written off as per the authorities.

5.5.5. General Audit Procedures for Stock Cards Documentary Examination

- Ensure whether the transferred balance agrees with the quantity mentioned in the previous card of the same category.
- Verify the addition, subtraction and balancing.
- Examine the calculations of movements after the balance of the last annual inventory.
- Compare the quantities added to the balance of the category in the card with the data of the credit note.
- Compare the addition data with data of all supportive documents of the voucher:
 - Initial delivery voucher, signed by the vendor and the storekeeper
 - Report of the Examination Committee/the date of examination (9 days from the initial delivery at maximum)/ completeness of signature/ comments of the committee about its acceptance or rejection.
 - Other supportive documents/ purchase order – bill – others
 - Approval of the voucher by the Head of Stores.
- Compare the issued quantities with the issue request and its supportive documents.
- Record the request in the issue requests register.
- Signature of the storekeeper/Approval of the Head of Stores and the Immediate Supervisor
- Signature by the representative of the requesting unit.
- Transfer the issued materials as personal or sub custody to their cards.
- Compare the data of returned quantities in the inventory card with the data of the return voucher and its supportive documents:
 - The submitted request to return materials to the store.
 - The report of examining the returned materials.
- Check the completeness of the signatures on the return vouchers (Storekeeper/Head of Stores)
- Eliminate the returned sustainable materials from the personal and sub custody card.
- Compare the data of the sold quantities in the stock card with the data of sale or write-off report and its supportive documents:
 - The request to sell or write off the materials.
 - The report of the Sale Request Adjudication Committee.
 - Signatures on the sale report by the concerned committee and the approval of the immediate supervisor.

5.6. Detailed procedures of stores audit

5.6.1. Procedures for organizing work at stores

- The concerned Minister or his authorized representative issues –upon the appointment of the storekeeper- a decision forming a committee responsible for taking stock of the stored materials and hand them over to the storekeeper along with the registers, cards and records, under a minute signed by the storekeeper, the representative of the Internal Audit Unit, and the Head of Stores in the concerned Governmental Entity.
- The storekeeper is handed over the key of the store immediately after signing the minute.
- A spare key for each store is kept through placing it –in the presence of the Head of Stores and storekeeper- inside an envelope sealed with red wax by the seals of both the immediate supervisor or the head of the Governmental Entity in the governorate or willayat and the Head of Stores, and maintained by the immediate supervisor or head in charge, depending on the circumstances.
- In case the key is lost, the storekeeper informs the immediate supervisor or the head in charge who maintains the envelope of the spare key in order to open the store. Upon opening the store, the stock is inspected under the supervision of the Head of Stores, a report is prepared to explain the inspection results to be presented to the immediate supervisor or head in charge, depending on the circumstances, and the necessary procedures are taken for the repair or replacement.
- In case the key is damaged, the Governmental Entity takes the necessary procedures to fix or replace the damaged key.
- The storekeeper, his assistant, or the person responsible for the loss or damage of the key bears the resulting costs; unless it is proved that the loss or damage is due to force majeure.
- Ensure that no one is allowed to open or close the stores other than the storekeepers.
- Ensure that the store is opened half an hour after the official work start time and closed half an hour before the official work end time.
- The store may be opened to issue or receive materials during weekends, official holidays, or at any time other than the determined store timings, in exceptional cases and after the approval of the concerned Minister or his representative authorized by writing.
- The storekeeper should inspect the store before he starts his daily work.
- There are internal procedures that prevent any employees other than the store employees from entering the storing areas, and that ensure all materials are placed in the correct areas.

5.6.2. Materials Purchasing, Storing and Issuing

- The available balance of any material in the stores is not less - at any time – than the determined minimum, taking into consideration the quantities necessary for the needs of the Governmental Entity during the period of supply.

The minimum is calculated by dividing the quantity expected to be requested during the quarter to ninety (90) and multiply the result by the number of days for the supply period (since the date of the purchase order until the delivery date in the stores of the Governmental Entity).

- The Governmental Entity does not start –except in cases of necessity- the purchase procedures before making sure that the stock of the material to be purchased or the stock of its alternative material has reached the **reorder level**.

This level is calculated by one hundred and twenty-five percent (125 %) of the minimum stock for the materials whose supply procedures take sixty (60) days or less and by doubling (200%) for the materials whose supply procedures take more than sixty (60) days.

- The stock balance of any material does not exceed the minimum by more than three times (300%).

- When estimating the maximum and minimum levels and the reorder level of the stock whose demand goes up or down during certain periods (seasons) of the fiscal year, the Governmental Entity should observe the following:
 - **The minimum stock level:** this level is estimated in each month of the season, taking into consideration supplying the stores monthly with the additional quantities ten days before the start of the season. The minimum stock of month of the season is calculated by dividing the quantity expected to be requested during the month to thirty (30) and multiply the result by the number of days for the supply period.
 - **The reorder level:** This level is calculated by one hundred and twenty-five percent (125 %) of the minimum stock and by doubling (200%) the minimum stock during the season, depending on how much time the supply process may take.
 - **The maximum stock level:** this level is estimated by three times (300%) of the minimum stock during the season.
- After completing the procedures of any issue, the storekeepers in the main and sub stores review the balance of the issued material through the stock card and take the necessary measures to supply the store if the balance reaches the reorder level, according to the following:
 - Take the necessary measures to supply the stores through issuing materials from the central stores in accordance with the provisions of the government stores regulations and after receiving the material issue request.
 - The storekeepers of the central stores prepare the store supply request, send it to the immediate supervisor for approval, and refer it to the procurement department.
- The Governmental Entity adheres to the provisions of the Executive Regulations of the Financial Law when purchasing the required materials for the stores and issuing the variation orders to the supply contracts.
- The Governmental Entity adheres to the provisions of the Executive Regulations of the Financial Law when purchasing the required materials for the stores, unless the purchase is at the end of the fiscal year pursuant to certain laws or royal decrees, or necessitated by the work requirements. The payment vouchers must be accompanied by a memorandum approved by the concerned Undersecretary and defines the requirements that led to making the contract at the end of the fiscal year.
- The Governmental Entity adheres to the provisions of the government stores regulations in respect to the purchase orders of the required materials for the stores, the procurement contracts, and the amounts due to the supplier.

5.6.3. Examination and Delivery

- The storekeeper receives the materials initially by signing the delivery note issued by the supplier and keeping a copy of it. He also prepares initially a handover statement that includes the number and weight of the parcels and the apparent defects. This statement is signed by the supplier or his representative.
- In case certain materials are accepted by the examination committee from any examination, an exception should be made by the concerned Undersecretary of the Ministry or his authorized representative, provided that the Head of Stores examines these materials and decides whether to be accepted or rejected, after the approval of the concerned Minister.
- For the materials that require to be examined by the examination committee, the Head of Stores informs the committee within two days at the most from the date of receiving the materials for examination.
- The concerned Minister or his authorized representative issues a decision forming one or more examination committees in the Governmental Entity headed by the Head of Stores and with the membership of two employees of the unit, one of them is from the department that requested the materials. In case the examination requires technical expertise, the committee should include a technician among its members.

- The examination committee holds a meeting within seven days at the most from the date of receiving the materials for examination. Prior to holding the meeting, the Head of Stores informs the suppliers about the date of the meeting to allow them or their representatives to attend the examination and handover. The suppliers have no right to object the examination and handover procedures in case of failure to attend after being notified of the meeting date.
- The committee implements all the necessary procedures to inspect and examine the materials, verify their usability and their compliance with the specifications mentioned in the purchase orders or contracts. It may select a sample within the percentages determined by the stores administration. In case such percentages are not available, the committee should, upon its own responsibility, determine the percentages of the materials depending on their importance.
- In case the store receives materials whose samples already examined by the specialized government laboratory, the store should implement the following procedures:
 - Select one sample of the materials and divide it into two parts if possible, or select two samples in the presence of the examination committee and the supplier or his representative.
 - Stamp each sample or part of sample by the stamp of the head of the examination committee and the stamp of the supplier or his representative.
 - The head of the committee keeps one sample or part, and sends the other to the government laboratory after providing it with a secret code. The number and date of the laboratory testimony is mentioned to be consulted during the examination.
 - Attach the certificate of analysis with the report of the examination committee.
- A member of the committee prepares the report of the examination committee, which includes the committee's decision to accept or reject all or some of the materials. The minute is signed by the members of the committee, and approved by the immediate or his authorized representative.
- Immediately after approving the decision of the examination committee or the decision of the Head of Stores in respect with the materials excepted from the examination by the committee, the storekeeper sorts the materials that are accepted from those that are rejected and proceeds the procedures of final handover set in the government stores regulations.
- For the rejected materials, the concerned party in the Governmental Entity sends a notification to the supplier, which includes the following :
 - The reasons of the rejection.
 - A request to the supplier to take the rejected materials from the stores within the specified period, otherwise the supplier shall be responsible for any loss or damage that may occur to the materials after this period.
 - A request to the supplier to supply new materials in replacement for the rejected ones, without any increase to the agreed prices and with the consideration of any decrease that may occur to the agreed prices.
 - A copy of the abovementioned notification is forwarded to the Head of Stores.
 - The procurement manager follows up the supply of the new materials by the supplier, and observes the procedures stated in the government stores regulations when receiving and examining them.
- The storekeeper and the registrar perform the following procedures for the final reception of the accepted materials:
 - The storekeeper receives the accepted materials either by counting, weighing, measuring or gauging, compares them to what is contained in the contracts or purchase orders and to the delivery note issued by the supplier or the purchase invoice, in the presence of Head of stores or the supplier or his representative, and documents the performed procedures in a report signed by the attendees.

- The storekeeper takes into account the complete accuracy when checking the type of material supplied to the stores and their number, size and weight, specifications and expiry date.
- The storekeeper prepares an addition voucher and signs it to confirm his final reception of the materials, in preparation to obtain the approval from the Head of Stores.
- The storekeeper records the quantity of the materials received as final in the received quantity column of the stock card, then adjusts the balance column accordingly.
- Immediately after receiving the copy of the addition voucher, the registrar documents the data related to the price and value in this voucher, documents the data related to quantity and value of the received materials in the stock control card, and adjusts the balance column accordingly.
- The registrar compares the balance in the stock control card with the balance in the addition voucher, and notifies the storekeeper to make the necessary adjustment in case of any difference between the two balances, after identifying the reasons.
- The Governmental Entity performs the following procedures when receiving gifted or transported materials:
 - **Materials received as gifts or aids:** an addition voucher is prepared after determining their estimated value by a committee formed by the concerned Minister or his authorized representative, in accordance with the laws, regulations, and decisions governing the acceptance of such gifts and aids.
 - **Materials transported from a store of the same Governmental Entity:** an addition voucher is prepared and their value is estimated according to their value specified in the stock control card.
 - **Materials transported from a store of another Governmental Entity:** the materials are examined and added to the stores in accordance with the procedures stated in the government stores regulations, and then an amount credit voucher between the two units is prepared with the agreed value. The amount credit voucher is attached with the fourth copy of the addition voucher.

5.6.4. Materials Storing and Issuing

- The materials are preserved in the right locations, in a method that conforms with their nature, and according to the delivery date. Each storing location should be provided with a code, and a card that displays the name and the code of the material. The new materials should be separated from the old ones.
- Ensure that the method of preservation does not expose materials for loss or damage or destruction, depending on the nature of each item.
- The storekeeper inspects occasionally the materials that have expiry date or that are perishable, and presents the result of inspection to the Head of Stores to take the necessary measures timely. Such materials are ordered according to their expiry date.
- Any employee in the Governmental Entity should not accept to keep any material that does not belong to the Governmental Entity in the stores such as the personal deposits and trusts, otherwise he shall be responsible for any resulting physical damages and he shall be accountable administratively.
- The stock is managed through FIFO method, taking into account that the materials which are about to expire are issued first. The storekeeper is completely accurate when checking the type, number, measure, weight, or specifications of the issued materials.
- The department requesting the materials fills out the material request form, and sends the first three copies of the form or the first copy in case the materials are medical supplies, after being signed by the concerned director, to the Head of Stores to decide one of the following:
 - Accepting the request and issuing the materials.
 - Rejecting the request in case the requested materials are not available in the stores, or due to any violation of the procedures of the regulations.

- Immediately after receiving the first three copies of the form or the first copy in case the materials are medical supplies, the storekeeper records the request in the register of the materials or medical supplies requests and inserts the registration serial number in its column in the materials request form. In case the request is rejected, the storekeeper returns the first three copies of the form or the first copy if the materials are medical supplies to the requesting department.
- Upon the approval of the Head of Stores to issue the materials, the storekeeper observes the following procedures:
 - Record the data of the issued quantities in the material request form or in the medical supplies request form and in the stock card. He also mentions the balance in the material request form. For the directorates general, departments, and sections of the Ministry of Health or other units that exercise similar specialties, a medical supplies request is filled in, and approved by the concerned director.
 - In case the requested material or its alternative is not available in the store or it is not included in the classification list, the storekeeper points out the case in the comments column of the material request form and –in case of medical supplies- returns the first copy of the request form to the department.
 - Handover the requested materials to the representative of the requesting department, after the representative signs to confirm the handover.
 - After signing the copies of the request forms, he keeps the first copy in the file of the materials requests and sends the third copy to the registrar.
 - In case the request is rejected, the requesting department may again submit a material request in compliance with the procedures stated in the government stores regulations.
- The registrar performs the following procedures immediately after receiving the third copy of the request:
 - Insert the data of the request in the stock control card and adjust the balance amount accordingly, taking into consideration that the evaluation of the issued and remaining materials that are included in the card is on the basis of the moving average of the price and is equal to the average price after the last addition. It is calculated via dividing the total of balance value and the added quantity value into the total of the balance quantity and the added quantity.
 - Compare the balance quantity recorded in the stock control card –after adjustment- with the balance quantity in the material request, and notify the storekeeper of any difference between the two quantities to make the required adjustment, after explaining the reasons of the difference.
 - Through the stock control card, verify the comments written by the storekeeper in the material request, i.e. whether the requested material or its alternative is not available in the stores, and whether the issued materials is adequate and is not at the reorder level.
 - Keep copies of each material request in a separate file.
- The Governmental Entity complies with the procedures stated in the government stores regulations when issuing a material and recording an issued material as a personal or sub custody in the custody card after ensuring that the requesting department has not exceeded the limit of the quantities that may be issued to it from the sub custody. The price is determined in the custody card on the basis of the moving average.
- No material, whether sustainable or consumable, are released to the stores of another Governmental Entity for any purpose whatsoever, except after the approval of the immediate supervisor in the Governmental Entity from which the material is released and the approval of the employee acting as the immediate supervisor in the Government Entity to which the material is released.

- The sustainable materials are not issued except after the approval of the immediate supervisor in the Governmental Entity and in accordance with the following:
 - **Materials issued for rent:** the materials are issued as per a request submitted by the head of the non-Government Entity and in accordance with the terms and conditions agreed upon between the two parties by writing, including the period, rent, the required guarantees, rights of the Governmental Entity (lessor), and obligations of the non-Government Entity (lessee), with prejudice to its responsibility for any loss or damage that may occur to the rented material.
 - **Materials issued for lending:** no material is issued for lending except for fully government -owned companies as per a request submitted by the chairman of the board of directors and in accordance with the terms and conditions agreed upon between the two parties by writing, including the period, rent, the required guarantees, rights of the Governmental Entity (lender), and obligations of the company (borrower), especially its obligation to return the borrowed material in the agreed time, with prejudice to its responsibility for any loss or damage that may occur to the borrowed material.
- The Governmental Entity observes the following procedures when issuing materials to departments, sections, or stores outside the Governmental Entity:
 - The Head of Stores prepares a material request or a medical supplies request, signs it as an approval, sends the three first copies to the material request or the first copy of the medical supplies request to the storekeeper, and keeps the fourth copy of the material request or the second copy of the medical supplies request attached with the approval of the immediate supervisor.
 - The storekeeper issues the materials, fills in the data of the material request or the medical supplies request, and records the data of each request in the stock card and the register of material requests or medical supplies requests.
 - The storekeeper submits the second copy of the material request or the medical supplies request to the representative of the requesting, and sends the third copy of them to the registrar.
 - The storekeeper fills in the stock control card.
 - The material request is approved by the immediate supervisor.

5.6.5. Selling Materials or Writing-off their Value

- The government workshops, farms, plants and their equivalents returns the materials to the stores of the concerned Government Entity if such materials are in excess of their operational requirements, as follows:
 - A return voucher is filled in and signed by the concerned employee in the workshop, farm, plant or its equivalent.
 - The storekeeper receives the returned materials as per the return voucher after signing the voucher to confirm the reception. For the directorates-general, departments, and sections of the Ministry of Health or other units that exercise similar specialties, a medical supplies return voucher is filled in, and approved by the concerned director.
 - The Head of Stores takes the necessary procedures to examine the returned materials and identify any defects, damages, or deficiencies.
- The Government Unit performs the following procedures when a material is returned damaged:
 - The storekeeper takes the necessary procedures to issue a decision forming an examination committee to inspect the returned materials. The committee is headed by the Head of Stores with the membership of an employee from the entity which returned the materials and the concerned storekeeper.
 - The committee inspects the materials, identifies any damage or loss, explains the reasons, reveals the responsible person or the person who caused the damage, and estimates its current value.
 - The committee prepares a minute of the performed procedures and the proposed recommendations, which is approved by the immediate supervisor.
- The Government Unit performs the following procedures when recording materials returned to stores:
 - The storekeeper records the quantity of the returned materials in the stock card based on the return voucher if they are returned in their original condition. If the materials are returned damaged, they are considered unusable and recorded in the stock card designated for this purpose.

- Upon receiving the return voucher, the registrar puts the value of the returned materials in the designated column of the voucher, on the following basis:
 - The value at the time of issue for the materials returned in their original condition.
 - The value determined by the examination committee for the materials returned damaged
- The registrar puts the quantity and value of the returned materials in the stock control card, and adjusts the balance in the card accordingly.
- The return voucher is signed by the Head of Stores and approved by the immediate supervisor.
- The registrar compares the balance quantity recorded in the stock control card with the balance quantity recorded in the return voucher, and notifies the storekeeper of any difference between the two balances to make the required adjustment, after explaining the reasons of the difference.
- The following procedures are performed when returning and examining sustainable materials:
 - The custodian submits an application of two copies to his immediate supervisor requesting the return of the materials to the stores. The application illustrates the number, weight, measure, or specifications of the materials, and the reason why they should be returned. It is forwarded to the Head of Stores.
 - Upon approval of the return, the Head of Stores notifies the immediate supervisor of the custodian to take the necessary measures to return the materials, and notifies the storekeeper at the same time to accept the return.
 - Upon receiving the materials from the custodian initially, the storekeeper fills in the return voucher to be forwarded after being signed to the Head of Stores. In case a portion of the custody is returned, the balance should be calculated and inserted in the designated column of the custody card, provided that the related provisions of the government stores regulations are implemented if the custodian failed to return the other portion of the custody within the deadlines set by the Head of Stores.
 - The returned materials are examined within a week at the most from the date of the handover in order to verify their condition and usability and whether they are the same materials issued to the custodian. Their value, the cost of the damage –if any-, the reasons of and the person responsible for the damage are identified, taking into account the value at the time of issue, the period of Physical depreciation, and the depreciation age of the material according to the common rules or the rules put by the competent government authorities.
 - The examination is done by the Head of Stores if the value of the returned materials does not exceed one thousand Omani Rials (1000 OMR). If the value of the returned materials exceeds one thousand Omani Rials (1000 OMR), the examination is done by a committee headed by the Head of Stores with the membership of two employees from the Government Unit and a technical representative.
- The following procedures are performed when returning sustainable materials that has been issued to a non-Government Entity:
 - The head of the non-Government Entity or his representative submits a request of two copies to the competent director-general of the Government Unit that has released the materials to return the materials to the stores, providing the description, number, weight, measure, and specifications of the materials.
 - The director-general sends the request to Head of Stores to take the necessary procedures.
 - Upon receiving the materials initially, the storekeeper fills in the return voucher to be forwarded after being signed to the Head of Stores.
 - The returned materials are examined immediately after receiving them in order to verify their condition and usability and whether they are the same materials issued to the custodian. Their value, the cost of the damage –if any-, the reasons of and the person responsible for the damage are identified.
 - An examination committee is formed, headed by the Head of Stores with the membership of a representative of the entity that has returned the materials and a technical representative. A minute about the performed procedures is prepared and signed by the head and members of the committee.
- The Government Unit performs the following procedures when recording sustainable materials returned to stores:
 - The Head of Stores sends a copy of the return voucher, attached with a copy of the examination report, to storekeeper and registrar.

- The storekeeper receives the materials finally, compares them with the return voucher, eliminates them from the custody card, and records them in the stock card based on the return voucher if they are returned in a serviceable condition. The balance quantity is adjusted in the card accordingly. If the materials are returned in an unserviceable condition, they are considered unusable and consequently recorded in the designated stock card.
The directorates-general, departments, and sections of the Ministry of Health or other units that exercise similar specialties a returned medical supplies receipt voucher is filled in and approved by the concerned director.
- Upon receiving a copy of the materials return voucher or the returned medical supplies receipt voucher, the registrar records the value of the returned materials in the voucher, based on the value determined during inspection.
- The registrar compares the balance quantity recorded in the stock control card with the balance quantity recorded in the return voucher, and notifies the storekeeper of any difference between the two balances to make the required adjustment, after explaining the reasons of the difference.
- In case of any damage or loss in the returned materials, the Government Unit carries out investigations to identify the person responsible for such damage or loss, and observes the following procedures:
 - The Head of Stores refers to the Human Resources Department in the Government Unit which is the employer of the person responsible for the damage or loss, and requests the department to claim the value of the resulting loss from him or deduct it from his salary and benefits pursuant to the provisions of the Royal Decree No. 115/94.
 - The Head of Stores takes the necessary procedures to confiscate the guarantees provided by the non-Government Entity for the rented or borrowed materials if it is proved that the damage or loss is caused by the entity or any of its employees, without prejudice to the right of the Government Unit to claim compensation from the entity, if required.
 - Take the necessary procedures to write off the loss value if no person is found responsible for the damage or loss, after the conduct of investigations referred to, in accordance with the provisions of the Financial Law or the Royal Decree No. 37 / 97.

5.6.6. Selling of Materials or Writing-off their Value

- The materials of the stores may be sold, whether sustainable or consumable, if they are:
 - Unusable as they completed their depreciation age.
 - Stagnant (stored for a long time) and exposed to damage (Except materials reserved for emergency cases).
 - No longer in use.
 - Surplus.
 - Waste
- The Governmental Entity eliminates from the store registers the materials which are partially or completely lost or damaged due to causes beyond the control of the custodian, when writing off such materials.
- The Governmental Entity observes the following procedures to form a committee entrusted with deciding on the sale or write-off requests:
 - The storekeeper prepares a sale request or a write-off request, and forwards it to the registrar to fill in the data of the prices and values.
 - The request is presented then to the Head of Stores to verify the included data, and submitted to the immediate supervisor for approval.

- The immediate supervisor forwards the request to a committee formed under the chairmanship of the Head of Stores and with the membership of two employees of the Governmental Entity, a technical representative, and a representative of the Ministry, to be responsible for the following:
 - Ensure whether any of the sale or write-off reasons set forth in the governments' stores regulations are available.
 - Inspect and examine the materials to check whether they are unusable, slow moving, stagnant, etc.
 - Refer to the store reports about the materials to know the reasons of in usability, slow movement, stagnancy, and the proposals of the specialists on how to avoid such cases in the future.
 - See investigations that have been conducted in this regard and other related documents.
 - The committee prepares an inspection report according to the model (**Report of the sale and write-off requests adjudication committee**), including its recommendations and the reasons of adjudicating the sale or write-off requests either by acceptance or rejection, to be submitted to the immediate supervisor.
 - Notify SAI of the results of the investigations carried out in this regard.
- The immediate supervisor performs one of the following procedures upon receiving the report of the sale and write-off requests adjudication committee:
 - Notify the director-general in the court or his representative in the Governmental Entity of the materials to be sold, in order to take the measures set forth in the Executive Regulations of the Financial Law. These materials are considered custody with the recipient –pursuant to a handover statement- since their release from the store and inspection by the bidders until they are sold.
 - Present the write off requests to the Ministry of Finance to be adjudicated in accordance with the provisions of the Financial Law or the Royal Decree No. 37/97.
 - The concerned committee adjudicates the sale or write off requests by supervising the disposal of the materials and preparing a disposal report.
- The immediate supervisor submits the report back to the committee after completing one of the above mentioned procedures.
- The committee is provided -after the sale- with a copy of the sale committee report or the letter of the Ministry that include its consent to write off the value of losses in accordance with the provisions of the Financial Law or the Royal Decree No. 37/97, to be attached with the report which is presented to the immediate supervisor for approval and referral to the Head of Stores.
- The committee attaches -after the disposal- the disposal report with the report and presents it to the immediate supervisor for approval and referral to the Head of Stores.
- The eliminated materials are recorded as follows:
 - Upon he receives the report of the sale and write-off requests adjudication committee and its attachments approved by the immediate supervisor; the Head of Stores forwards all the copies of this report and its attachments to the storekeeper.
 - The storekeeper puts the number and date of the report in the store card. He also inserts the quantity of the sold, disposed, or lost materials in the issued quantity column, then adjusts the balance accordingly, and mentions its balance quantity in the report.
 - The storekeeper keeps the first copy of the report, and sends the second and third copies and the attachment to the registrar.
 - The registrar records the data in the designated columns of the stock control card, adjusts the balance in this card accordingly, compares the balance quantity recorded in the stock control card with the balance quantity recorded in the store card, and notifies the storekeeper of any difference between the two balances to make the required adjustment, after explaining the reasons of the difference.

- The registrar keeps the second copy of the report and presents it to the immediate supervisor for approval and referral to the Head of Stores.
- The Head of Stores verifies the signatures of storekeeper and the registrar provided on the report to prove that the eliminating entries are made in the store card and in the stock control card, and keeps the third copy with the attachment.
- The Governmental Entity credits the amount collected from selling, or reselling the materials, or from confiscating the guarantees to the treasury.
- The credit is made within three days at the most from the collection or confiscation date, in compliance with the related procedures of the Executive Regulations of the Financial Law.

5.6.7. Store Inventory Insurance Coverage

- The inventory insurance is in accordance with the decisions of the Ministry of Finance and as per a request made by the concerned Minister or his representative.
- The insurance coverage is not provided if the value of the inventory in the store (main or sub) is less than five hundred thousand Omani Rials (500,000 OMR) throughout the whole year or during the months of the season for the materials that has low and high demand during certain periods.
- The Governmental Entity notifies the Directorate General of Income at the Ministry of Finance, no later than 1st of August of each year, of the estimated value of the inventory that meets the foregoing requirements through the stock control card, provided that the insurance covers only the risk of fire only during the months of the season.

In case the notification is not received within the deadline, the Ministry shall provide insurance on the inventory based on the same terms and the same estimated value assuming no amendment is made, without prejudice to the accountability of the party who caused the delay in submitting the notification.

- The Ministry of Finance pays the insurance charges through deduction from the appropriations designated for this purpose in approved budget of the concerned Governmental Entity.
- The Ministry of Finance allocates in the approved budget of the concerned Governmental Entity the appropriations required to buy or repair the damaged inventory within the limits of the compensation amount paid by insurer or other amounts, provided that the expenditure is deducted from the allocated appropriation as per the applicable rules and regulations. The collected compensation amount is credited to the Ministry of Finance and added to the revenues of the concerned Governmental Entity.
- At the 1st of August of each year, the Ministry of Finance calls for a tender to provide insurance coverage for the inventory of the government stores in accordance with the terms of the policy prepared by the Ministry of Finance for insurance on the inventory of the government stores.
- The Ministry of Finance notifies the Governmental Entity with the result of the tender, and sends a copy of the policy made with the insurer to the Governmental Entity.

5.6.8. Stocktaking of Stores Inventory

Verify that the Governmental Entity performs the following annual inventory stocktaking procedures:

- The stock of all the stored materials is taken before the end of the fiscal year by one or more inventory committees formed under a decision issued by the concerned Minister or his representative, provided that the committee does not include among its members storekeepers and that the decision includes the deadline to commence the task under the supervision of the immediate supervisor or his representative.
- The Head of Store, before the committee starts its task, approves the reconciliation statement made between the balances of materials in the stock control card and the inventory card.
- The Head of Stores entrusts a concerned employee to prepare inventory lists in two copies under the supervision of the Head of Stores who then submits them to the inventory committees.
- After it receives the inventory lists, the inventory committee takes stock of all the items one by one through weight, measurement, or count, based on the measurement unit mentioned in the books, and records the available physical balances based on the inventory. The inventory lists are signed by the members of the committee.

- The committee sends the inventory lists, after being signed, to the registrar to record the balances and the price according to the stock control card and to infer the value of the physical balance.
- The Head of Stores signs the inventory lists and confirms that the materials included in the lists have undergone a physical inventory.
- The head of the inventory committee signs the store cards confirming the completion of inventory, and inserts the date.
- The immediate supervisor approves the inventory lists if there are no differences (increase or decrease), then he prepares and send a report on this regard to the Minister or his representative.
- In extreme cases, items may be issued or received during the stocktaking, pursuant to the approval of the inventory committee and provided that the addition vouchers or materials requests are kept in temporary files until the completion of the stocktaking. Such items are recorded in the store card and the stock control card.
- Ensure that the Governmental Entity performs the following procedures to reconcile the inventory differences:
 - The storekeeper inserts the difference in the inventory list before presenting it to the immediate supervisor if there is a difference between the balance of the physical inventory and the balance in the store card.
 - The registrar fills in the data of balances and differences in the statement of decrease and increase, and sends the statement to the storekeeper to explain the reasons of the differences in the designated column within a week at the most from the date of receipt.
 - The registrar sends the statement of decrease and increase to the Head of Stores to write down his comments in the designated column and send it to the immediate supervisor who in his turn submits the same to the Minister or his representative for the approval.
The Head of Stores keeps a copy of the inventory lists and the statements of decrease and increase and sends another copy to the immediate supervisor.
 - The immediate supervisor may reconcile the decrease in certain items by the increase in other similar items if the decrease or increase is a result of an error in recording the received or issued quantities in the store card and the stock card.
 - The Head of Stores prepares an addition voucher or a medical supplies receipt voucher to reconcile the difference resulting from increase, or a materials request to reconcile the difference resulting from decrease. They are signed by the immediate supervisor.
- Ensure that the Governmental Entity performs the following procedures for the decrease caused by nature or due to breaking down/split the issuance of materials:
 - In case the decrease is **caused by nature**: the statement of decrease and increase points out the current inventory balance and the previous inventory balance of each material, the date and quantity of the received and issued materials during the interval between the inventories, and the percentages of the physical decrease compared to the allowed percentages based on the stored stock, term of storage, and nature of material.

- In case the decrease is due to **breaking down/split the issuance** of materials: the statement of decrease and increase points out the issued quantities during the period from the previous inventory to the current inventory before each material. The number of issues is mentioned. The percentage of the physical decrease for the materials issued during this period compared to the allowed percentage of decrease, based on the nature of each material.
- Ensure that the Governmental Entity performs the following procedures when deducting or writing off the value of decrease:
 - If it is proved that the storekeeper is responsible for the decrease, the concerned Minister or his representative takes the necessary procedures to deduct the value of the decrease from his salary or benefits in accordance with the provisions of the Royal Decree No. 115 /94.
 - If the person responsible for the decrease cannot be identified, procedures are taken to write off its value in accordance with the provisions of the Financial Law or the Royal Decree No. 37/97.
- Each employee who has a personal custody signs an acknowledgement confirming that the material delivered to him is still in his custody in a usable condition. The registrar signs the abovementioned acknowledgement confirming that the material mentioned in the acknowledgement agrees with the material mentioned in the custody card.
- Ensure that the Governmental Entity performs the following procedures when taking stock of the sustainable materials delivered as sub custodies at the end of the fiscal year:
 - Prepare the inventory lists in two copies under the supervision of the Head of Stores who submits them to the inventory committee.
 - The inventory committee takes stock of all the items of the personal custody one by one based on the measurement unit mentioned in the books, and records the available physical balances based on the inventory. The inventory lists are signed by the members of the committee and then sent to the storekeeper to record the balances based on the custody card.
 - The Head of Stores signs the inventory lists confirming that the materials included in the lists have undergone a physical inventory.
 - The head of the inventory committee signs the custody card confirming the completion of inventory, and inserts the date.
 - The immediate supervisor approves the inventory lists if there are no differences (increase or decrease), then he prepares and sends a report on this regard to the Minister or his representative.
- At the end of each fiscal year, the immediate supervisor or his representative sends an acknowledgement to the Ministry of Finance and SAI, which includes the following:
 - All the materials in the government stores have undergone a physical inventory.
 - There are no materials not included in the inventory.
 - There is no surplus or unnecessary materials in the stores, and if any such materials are available the necessary prescribed actions are taken immediately.
- The registrar takes stock at least once a month and at irregular intervals for certain materials in the store, taking into consideration when selecting materials that each material in the store should be taken stock of at least once a year, in accordance with the following procedures:
 - The registrar records the balance of the selected materials based on the store card and the stock control card in the designated columns of the reconciliation statement and compare the balances to reconcile the differences, if any, through the addition vouchers and material requests.
 - The registrar takes stock of all the items one by one through weight, measurement, or count, based on the measurement unit mentioned in the books, and records the available physical balances based on the inventory in two copies signed by the storekeeper.

- The registrar records the balances of the custody after comparing the balances in the inventory list with the balances of physical inventory, and records the differences, if any.
- The registrar fills in the data of balances and differences in the statement of decrease and increase, and sends the statement to the storekeeper to explain the reasons of the differences in the designated column within a week at the most from the date of receipt.
- The registrar sends the statement of decrease and increase to the Head of Stores to write down his comments in the designated column and send it to the immediate supervisor who in his turn approves it or submits the same to the Minister or his representative for the approval, if necessary.
- The registrar keeps a copy of the inventory lists and the statements of decrease and increase and sends another copy to the immediate supervisor.
- If it is proved that the storekeeper is responsible for the decrease, the concerned Minister or his representative takes the necessary procedures to deduct the value of the decrease from his salary or benefits in accordance with the provisions of the Royal Decree No. 115 /94.
- If the person responsible for the decrease cannot be identified, procedures are taken to write off its value in accordance with the provisions of the Government Stores Regulations.
- The vouchers and requests stated in the Government Stores Regulations are prepared by the Head of Stores and signed by the immediate supervisor.

6. Government Treasury Audit

6.1. Definition of Treasury

The government treasury includes for example, but not limited to, the private proceeds, custodies and advances, investment bonds, cash, bank deposits. Treasuries differ in each entity according to the nature of the work and activities entrusted to the entity.

6.2. Laws and regulations governing treasury

- The Financial Law and its Executive Regulations.
- Related Ministerial Circulars and decision.

6.3. General Provisions

Each treasury of a Government Unit shall have a treasurer appointed by the Minister or his representative, and report directly to the Director of the Financial Affairs or the Director of the Treasury in the Government Unit.

The treasurer may have one or more assistants appointed and his functions authorized by the competent Minister or his representative, provided that he precedes the functions of the treasurer in his absence.

The treasurer and his assistant must occupy permanent jobs as per the provisions of the Civil Service Law and the other applicable job laws and regulations.

6.4. Detailed Treasury audit procedures

6.4.1. Procedures for organizing treasury work

- Persons, other than the employees, are not allowed to deal or interact with treasury activities until after half an hour of official work start time and one hour before the official work end time.

The treasury may be opened during weekends, official holidays, or at any time other than the official working hours, in exceptional cases and after the approval of the concerned Minister or his representative authorized by writing.

- The treasurer inspects the treasury balance before he starts his daily work.
- The treasurer collects the revenues of the Governmental Entity, observing the following:
 - The collection is under a requisition form prepared in two copies and signed by the concerned employee in the department.
 - The collection is in accordance with the related items set forth in the Executive Regulations of the Financial Law.
 - The treasurer records the number, date, drawer, and amount of the cheque in the incoming cheque register. The drawer's signature is available, and documented before sending cheques to the banks for collection.

The treasurer who receives the cheque shall be responsible for any error or missing in the abovementioned basic data.

- The treasurer issues a receipt for the collected amount as per the related item set forth in the Executive Regulations of the Financial Law, and attaches the yellow copy of the receipt with the original requisition form to be sent to the concerned department that issued the requisition.

The treasurer observes the related items in the Executive Regulations of the Financial Law when maintaining the receipts books, cancelling a receipt, or losing unused receipts books.

- The treasurer sells the financial stamps, the terms of tenders books, and other valuable financial books against the collection of their value without a requisition form or a receipt and recording them in the non-monetary contents register of the treasury.
- **For the Governmental Entities that are not authorized to open accounts in any bank:** the treasurer credits all the proceeds, whether cash or cheque, to the Ministry of Finance on daily basis or at the agreed dates, supported with documents validating the proceeds and in compliance with the prescribed financial procedures.
- **For the Governmental Entities that are authorized to open bank accounts:** the treasurer deposits all the proceeds, whether cash or cheque, in the bank account of the Governmental Entity on daily basis or at the dates set by the concerned Minister or his representative.
- The treasurer hands over all the proceeds, whether cash or cheque, to his assistant or to any employee of the Governmental Entity delegated pursuant to a decision by the concerned Minister or his representative for the purpose of transfer or deposit, provided that the assistant or delegated employee signs a receipt confirming the reception of the proceeds as a custody until the arrival of the receipt voucher from the tax department in the Ministry of Finance or the arrival of the deposit slip from the bank signed and stamped by the bank employees confirming the deposit.
- The Governmental Entity credits the amounts deposited in its bank account to the Ministry of Finance at the agreed dates by one of the two following procedures:
 - Withdraw a cheque for the Ministry of Finance signed by two employees of the Governmental Entity assigned by the concerned Minister for this purpose, in accordance with the prescribed financial procedures and rules.
 - Issue a bank transfer order under which the amounts are transferred from the its bank account of the Governmental Entity to the bank account of the Ministry of Finance opened for this purpose, provided that the bank transfer order is issued by one of the two employees assigned by the concerned Minister as per a request from the Ministry of Finance and in compliance with the provisions of the Financial/Commercial Law.

6.4.2. Audit procedures for records and reconciliation

Verify that the treasurer keeps a register of the monetary contents in which all the collected amounts are recorded immediately such as the banknotes, coins, and cheques, in addition to the amounts credited to the Ministry of Finance or deposited in the bank, as follows:

- **The collected amounts:** the total of the amounts collected on a daily basis is recorded in the receivables section, and assigned the numbers of the first and last receipts of the amounts.
- **The credited or deposited amounts:** they are recorded immediately based on the date of credit to the Ministry of Finance or deposit in the bank.
- Calculate and update the balance on a daily basis or after recording each credit or deposit, and put the total in the designated box.
- The treasurer keeps a register of the non-monetary contents in which all the proceeds collected from selling the financial stamps or, the terms of tenders books, or other valuable financial books are recorded immediately, as follows:
 - **The financial stamps, books, etc. received by the treasurer:** their value is put in the receivables section according to the type.
 - **The financial stamps, books, etc. handed over or sold:** their value is put in the payables according to the type
 - Calculate and update the balance after recording each credit or deposit in the receivables or payables.
 - The total of the amounts collected on a daily basis, from different types, is put in the receivables in the monetary contents register of the treasury, and assign the type of the collected amounts.
- At the end of each working day, the treasurer calculates the balance of the permanent imprest according to the statement of permanent imprest expenditures, and the balance of the other treasury

contents according to the monetary and non-monetary registers. He takes stock of all the treasury contents whether monetary or non-monetary, compares the balance of the physical inventory with the book balance in the abovementioned statement and registers, and signs to confirm the completion of the comparison. If the balance of the physical inventory is more than the book balance, the related procedures in the Executive Regulations of the Financial Law are performed.

- In the last working day of each week, the Department of Financial Affairs compares the amounts in the monetary contents register of the treasury and the correspondent amounts in the receipt voucher register of the proceeds credited to the Ministry of Finance and the bank register, with the acquiescence of the Department of Financial Affairs in the Governmental Entity. The monetary contents register is signed to confirm the completion of the comparison.

6.4.3. Audit Procedures for Treasury Contents Insurance

- Verify that the Ministry of Finance provides a comprehensive insurance on the government treasury contents (including the permanent imprests) against the dangers of theft, embezzlement, fire or other hazards, and defines the insured amount after coordination with the concerned Governmental Entity, taking into consideration the daily average of the collected amounts calculated based on the periods specified for credit to the Ministry or deposit in the bank.
- The Governmental Entity notifies the Directorate General of Income at the Ministry of Finance of any adjustments to the value of the insured amount or the basis of estimation.
- The Ministry of Finance – in October of each year- calls for tenders to provide insurance on the government treasury contents. The Ministry of Finance notifies the concerned Governmental Entities of the results of the tender announced for insurance and sends copies of the signed insurance policies.
- The Ministry of Finance pays the insurance charges through deduction from the appropriation designated for this purpose in its approved budget.
- In case of theft, embezzlement, or fire, the Governmental Entity informs the insurer within the deadline set in the policy; otherwise the person who causes the delay is forced to pay a compensation for the resulting damages.
- Immediately after the occurrence of any danger, the Governmental Entity informs the Ministry of Finance and SAI, conducts at the same time the necessary investigations to identify the reasons of theft, embezzlement, or fire, and notifies the two entities of the investigation result.
- The Ministry of Finance claims and follows up on the insurance compensation.

6.4.4. Audit Procedures for Treasury Contents stocktaking

- The concerned Minister or his representative assigns an employee from the Internal Audit Unit to take stock of all the treasury contents (including the permanent imprest) at least once a month and at irregular intervals.
- The employee of the Internal Audit Unit who takes stock of the treasury contents prepares the following:
 - A treasury inventory report that includes the result of the physical inventory of the treasury contents and the balances based on the statement of permanent imprest expenditures, and the monetary and non-monetary contents registers.
 - A statement of the cheques available in the treasury at the date of inventory.
 - A statement of the financial stamps available in the treasury at the date of inventory.
 Each of the above mentioned statements is an integral part of the inventory report.
- The employee of the Internal Audit Unit and the Director of Financial Affairs or his representative in the Governmental Entity signs the inventory report. The treasurer signs the report confirming the reception of the treasury contents based on what is included in the report.
- The report is presented to the concerned Minister or his representative for approval. A copy of it is kept with the Financial Affairs Department and the Internal Audit Unit in the Governmental Entity.

- The concerned Minister or his representative issues a decision forming a committee to take stock of the treasury contents in the last working day of the fiscal year, regardless of the date of the previous inventory.
- A member of the committee prepares an inventory report, a statement of the cheques available in the treasury, and a statement of the financial stamps available in the treasury included the balance of the physical inventory and the book balance in the statement of permanent imprest expenditures, and the register of monetary and non-monetary contents.
- The report is signed by the committee members and approved by the concerned Minister or his representative in preparation to send a copy of it to the Ministry of Finance and SAI, after approval.
- The employee of the Internal Audit Unit who performed the sudden inventory or the head of the committee formed to perform the annual inventory documents the result of the inventory in the monetary and non-monetary register of the treasury, or in the request to replenish the permanent imprest. He should sign to confirm the documentation of the result based on the inventory report.
- If the inventory reveals any increase or decrease, the necessary investigations are conducted to detect the reasons behind such difference. The Ministry of Finance and SAI are notified of the investigation results and the suggestions of the Governmental Entity aiming to avoid the difference.
- If the inventory reveals any difference by increase between the balance of physical inventory and the balance in the registers, the below procedures are followed:
 - **The monetary contents:** the increase amount (whether in the permanent imprest or the other monetary contents) is credited to the Ministry of Finance as various revenues of the Governmental Entity. The increase of the other monetary contents is recorded with the receivables in the monetary contents register of the treasury based on the inventory report, and recorded upon credit to the Ministry in the designated column in the register.
 - **The non-monetary contents:** the increase amount is recorded in the receivables section in the non-monetary contents register of the treasury according to the type. This amount is added to the balance.
- The treasurer immediately pays the value of any decrease in the contents of the treasury; unless it is proved that the decrease is due to force majeure. The payment is recorded in the inventory report.
- In the light of the investigation result, the concerned Minister deducts the value of the decrease from the salary or benefits of the treasurer in accordance with the provisions of the Royal Decree No. 115 /94, and the Governmental Entity claims the outstanding amounts or the payable insurance amount as per the insurance policy.
- The value of decrease that is not paid by the treasurer is recorded as follows:
 - **Decrease in the permanent imprest:** The amount of decrease and the reasons are mentioned in the request to replenish the permanent imprest, and the Ministry of Finance is informed to carry out the required accounting entries.
 - **Decrease in other monetary contents:** The amount of decrease is eliminated from the receivables in the monetary contents register, and the balance is reduced accordingly.
 - **Decrease in non-monetary contents:** The amount of decrease is recorded in the payables in the non-monetary contents register, and the balance is calculated accordingly.
- If it is proved that the decrease in the treasury contents is due to force majeure beyond the control of the treasurer, the Ministry of Finance takes the procedures to claim the payable insurance amount or write off its value in accordance with the provisions of the Financial Law and its Executive Regulation or the Royal Decree No. 37/9.