

State Audit Institution (SAI)- Sultanate of Oman

Audit Manual For Governmental Entities

2015

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1. Introduction

The objective of this Toolkit (“The Toolkit”) is to introduce the Members of State Audit Institution (“SAI”) to the audit procedures, approaches and techniques to be carried out by government units. This Toolkit is also considered a documented reference to guide the SAI members in performing various audit processes assigned to them.

This Toolkit outlines some of the procedures that should be followed when carrying out government units audit processes.

- Government budgets audit.
- Government expenditure audit.
- Government revenues audit.
- Accounts receivable and payable audit.
- Review of final accounts.
- Government movables audit.
- Government properties audit.
- Government stores audit.
- Government treasuries audit.
- Government investments audit.

In addition, this Toolkit is an efficient training tool for the new SAI members.

It is worth mentioning that the main purpose of development of this Toolkit is to provide general guidelines that a SAI member can refer to, follow them wholly or partially or revise the same whether by addition or deletion, depending on the need and requirements of the relevant audit process (government units). This Toolkit is not aimed at applying all these procedures as a methodology or audit procedures.

2. Government Budgets Audit

2.1 Public budget definition

It is a financial program pertaining to a plan that is developed for a subsequent fiscal year to achieve particular objectives within the framework of an approved development plan in accordance with the public policy of the State, which is annually ratified as per the Law.

2.2 Laws and regulations governing the public budget and government budgets

- The Basic Statute of the State promulgated by Royal Decree No. 101/96.
- The Financial Law promulgated by Royal Decree No. 47/98.
- The Economic Development Law promulgated by Royal Decree No. 9/75.
- The Royal Decree No. 39/96 determining the jurisdictions of the Ministry of Finance and approving its organizational structure.
- The approved Development Plan.
- The Ministerial Decision No. 118/2008 issuing the Executive Regulations of the Financial Law.
- The Classification Manual of the public budget of the State issued in the Financial Circular No. 8/87.
- The annual royal decrees ratifying the public budget of the State.
- The annual circulars for development of the public budget.

2.3 General provisions

2.3.1 Classification of the public budget

The public budget is divided into two chapters. The first chapter is for the revenues, while the second chapter is for the expenses.

- **The first chapter is divided into the following sections for revenues:**
 - Current revenues.
 - Capital revenues.
 - Capital returns.
- **The second chapter is divided into the following sections for expenses:**
 - Current expenses.
 - Capital expenses.
 - Lending and contributions.

Each chapter is divided into relevant sections, paragraphs and articles based on content of the Classification Manual of the Public Budget of the State issued in the Financial Circular No. 8/87.

The development budget is classified as per the relevant investment project of each government unit as decided in the Approved Development Plan.

2.3.2 Administrative & sectorial classification and regional division

- Ensure that every government unit abides by – while developing its own draft budget- the following classifications:
 - The administrative classification based on the nature of the jurisdictions carried out by a government unit, and in accordance with the Provisions prescribed in Section 2.3.3.
 - The sectorial classifications based on the main purpose of the jurisdictions carried out by a government unit, and in accordance with the Provisions prescribed in Section 2.3.4.
 - The regional division based on the region in which a government unit carries out its main jurisdictions, and in accordance with the Provisions prescribed in Section 2.3.5.
- Ensure that every government unit undertakes – while developing its own draft budget- to attach therein an analysis for the revenues and expenses estimates divided depending on the relevant sectors and regions, and shall also determine all that related to each sector or region.
- Ensure that every government unit undertakes – while developing its own draft budget- to divide the development expenses depending on the relevant sectors and regions based on the content of the Approved Development Plan.

2.3.3 Administrative classification of the public budget

The administrative classification of the public budget means classification of the public revenues and expenses related to the financial transactions of the State depending on the government units that are legally responsible for collection and expenditure, under the Financial Law, or other financial rules that are ratified under the law or royal decrees.

While classifying, there should be considered to exclude those government units where the ownership of the properties and assets allocated thereto or the utilities or projects run thereby, is transferred to the private sector – after restructuring of these units- in accordance with the Provisions of the Privatization Law.

The administrative classification of the public budget issued by Ministerial Decision No. 174/1987 and its amendments should be adhered to.

Modification of the administrative classification of the public budget should be made as a result of creation of a new government unit or adjustment or cancellation of an existing one under a decision by the Undersecretary of the Ministry of Finance.

2.3.4 Sectorial classification of the public budget.

The sectorial classification means classification of the revenues and expenses related to the financial transactions of the State depending on the functional sectors in which the government units responsible for collection and expenditure perform their jurisdictions and tasks under the laws and royal decrees issued in this regard.

2.3.5 Regional division of the public budget.

The regional division means the classification made according to the regional range within which a government unit responsible for collection and expenditure performs its jurisdictions and tasks assigned thereto by the law, taking into consideration the different divisions of the government unit, i.e. general directorates, institutions or branches in Muscat or elsewhere, or sub-budgets related thereto.

2.4 Audit procedures over the government units on developing their draft budgets

SAI members should ensure the following procedures are adhered to by the government unit when developing its draft budget.

- The Draft Budget Development Committee should be headed by the competent 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 competent 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 government unit and other amendments.
- The government unit 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 desined for this purpose.
- To adopt the cash basis, as any amount expensed or collected during the fiscal year shloud be considered an expense, even if is related to another fiscal year.

However, the Ministry of Finance may – as an exception- permit the government unit to adopt the accrual basis according to cases provided for in the Financial Law where each expense or revenue should be charged against the relevant fiscal year regardless the fiscal year in which such amount was expensed or collected.

- 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 competent 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 government unit, 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 competent 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 excepted 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.

2.5 Audit procedures over the Ministry of Finance on developing the draft public budget of the State

SAI members should ensure that the Ministry of Finance complies with the following procedures when developing the draft public budget of the State:

- The Ministry of Finance undertakes to study and review the draft budgets submitted by the government units in order to verify the following:
 - Compliance by the government units with the applicable laws, rules and regulations during estimation process.
 - Soundness and seriousness of the reasons determined by the government unit for amendment, whether to increase or decrease.
 - Compliance by the government units with the Classification & Accounts Manual of the public budget of the State.
- The Ministry of Finance should hold or form committees – for discussion of the draft budget submitted by the government units – in the chairmanship of the Undersecretary of the Ministry of Finance and the membership of the competent Undersecretary of the Ministry or his representative and other competent persons at the Ministry, the Ministry of Finance and the concerned government units and authorities. It should also ensure that the committees undertake to prepare their minutes of meetings including the

decisions or recommendations arrived at thereby and signed by the chairman and members thereof, and verify that the committees undertake to present the minutes of meetings to the competent Minister for approval.

- The Ministry of Finance should – once being informed of the approved estimates of the development budgets by the competent authorities and after presenting such estimates to the Council of Ministers- study the appropriations for the development projects approved in the Development Plan in preparation for ratifying them by the Financial Affairs and Energy Resources Council before being included into the draft public budget of the State.
- The Ministry of Finance should- in the case of failure by any government unit to submit its own draft budget, submission of incomplete draft budget, late submission or abstention from informing the Ministry of Finance on time of the required information or clarifications- include into the draft public budget the estimates determined in the approved budgets of these government units for the current fiscal year, taking into account to reduce these estimates as much as those appropriations being frequently expended during the fiscal year for which the draft budget is being prepared.
- The Ministry of Finance should- under supervision of the Minister- prepare the draft public budget of the State in its final form, including the estimates of the revenues and expenses of all government units, the development budget and any appropriations that have been decided to be overall included in the budget. It should also propose the ways for handling the surplus that might be derived from the draft public budget or the means for deficit financing that might occur (such as internal & external borrowing, external aid, etc.).
- The Ministry of Finance should forward the draft public budget in its final form to the Financial Affairs and Energy Resources Council for discussion in no later than December each year.
- The Ministry of Finance should study the recommendations issued by the Shura Council that are forwarded thereto by the Council of Ministers in respect of the draft public budget of the State in preparation for presenting them to the Council of Ministers.
- The Minister Supervision the Ministry of Finance should present – during December each year- the draft public budget to His Majesty the Sultan for ratification.

3. Government Expenditure Audit

3.1 Definition and types of Expenditure (Expenses)

Amounts expended by the Government 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 government unit.

The public expenditure (government expenses) basically include 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 dues.
 - 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 fixes assets, **and are spent out in more than one fiscal year**. The most prominent example of such expenses are those related acquisition of fixes 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 government unit for this purpose.

3.2 Laws and regulations governing the government expenditure:

- **The Financial Law and its Executive Regulations.**
- **The Tenders Law.**
- **The Civil Service Law and its Executive Regulations**
- **Relevant ministerial regulations, laws and decisions.**

3.3 General procedures for government expenditure audit

3.3.1 Objective of expenditure audit

Expenditure audit procedures aim to ensure that payment processes are lawful, reasonable and valid and that they are done within the limits of the budgeted appropriations and in line with the objectives of these appropriations. This includes auditing the submitted documents that support the payment process in order to ensure the soundness and conformity thereof.

Expenditure audit performed by SAI includes verification of three aspects:

Lawfulness: Auditing each stage of the expenditure process, i.e. commitment and payment, verifying availability of the supporting documents of each stage and that organization of each document in terms of its layout and subject is conforming to the law in its general meaning, i.e. the legal rules of all levels.

Reasonableness and efficiency: Verifying reasonableness of the expense and efficiency of its use, besides verification of the efficiency of the applicable regulations and ensure that the audited unit has used its payment discretionary powers in a way that meets the financial interest without any excessiveness or waste of the public money. This also includes verification of necessity of the payment process which extends to examination of the quality level, reasonableness and fairness of the prices and efficiency of the financial transactions followed for the payment process.

Accounting processes: Verifying that accounting entries are done properly and the details contained in the records, books and the supporting documents thereof are sound and complying with the law and budget so as to arrive at a precise and correct value of the expenses stated in the final account.

3.3.2 Expenditure's stages:

It requires verifying the lawfulness of the expenses by advising the SAI member of the governing legal rules in this regard and to ensure that all general expenditure processes along with their different levels (commitment-payment) are in line with the general meaning of the law, i.e. legal rules of all levels.

3.3.2.1 Payment commitment stage:

Payment (expenditure) commitment is the legal tool the creation or issuance of which would result in creation or obligation of a debt on the audited unit. This can be achieved by ensuring whether an expense is legally payable by the audited unit that such expense has been properly determined and computed.

In this stage, SAI member should verify the following:

- The competent 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 competent 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 government unit, 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 government unit 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.

3.3.2.2 Payment stage

This includes verifying validity of issuance of the payment voucher by the competent authority determined by the Financial Law and its Executive Regulations, and the voucher should be issued in the name of the eligible person or his legal attorney under a power of attorney, and that the payment has been made in accordance with budgeted appropriations and verify the signatures of the authorized persons, especially the person authorized of disbursement and the internal auditor. This stage also includes verifying that the amount paid is the lawful amount after deduction, such amounts are recorded in the accounts designed for this purpose and that the recipient is the eligible person his legal attorney or transfer the amounts to the specified account.

In this stage, SAI member should ensure 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 an 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 government unit 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 government unit.
 - 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 an evidence that they have reviewed and approved the contracts' payments.
 - The additional claims – if applicable- have been approved by the competent 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 government unit.
- 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 government unit has forwarded the payment vouchers to the person authorized of disbursement for approval.
- To ensure application of the provisions of the Financial Law and its Executive Regulations relating to approval of payments vouchers and forward the same 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 to 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 government unit 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.

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

SAI member should ensure the following:

- The documentary credit has been fully deducted on the expense item allocated for this purpose in the budget of the government unit 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 government unit 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 government unit 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.

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

SAI member should ensure 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 government unit 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.

3.3.5 Consolidated general procedures for expenses audit at the level of all accounts:

These general procedures include:

- Review and study all legal rules governing expenses of all levels, whether general rules or rules related to the audited unit so as to identify any potential gaps and suggest the appropriate solutions thereto.
- Review the rules governing the records, books, procedures and documents kept to the overheads account, study the system in force including computer systems and software in use and focus on the periods during which the laws and decisions are amended.
- Study the internal audit systems in force.
- Study the budgets and financial data to determine the main activities relating to the nature of the work of the unit.

3.4 Detailed procedures of expenses audit

3.4.1 Personnel affairs expenses (salaries and their related accounts) auditing

3.4.1.1 Laws and legislations governing personnel affairs

- The Civil Service Law and its Executive Regulations.
- The Labor Law.
- Legislations and laws issued by the Public Authority for Manpower Register.
- Relevant laws, decisions and circulars issued.

Prior to determination of the audit method at the level of every group of the expenses account of personnel affairs, here are the audit procedures to be followed in respect of all of these accounts in order to avoid repeating them in every item.

3.4.1.2 Procedures followed for personnel affairs expenses audit

- Review all legal rules governing expenses of all levels.
- Review the rules governing the records, books, procedures and documents kept to the overheads account, study the system in force including computer systems and software in use.
- Review the personnel file or information of the audited unit, agree such information to the unit's budget of the jobs, ensure that the job title, function, category and grade occupied by each employee are in line with jobs budget and ensure not to exceed the determined number of employees.
- Review the forms used for the self-procedures related to appointment and the notices of holidays etc. and identify the supporting documents.
- Review the salaries statement and determine the new names added in the light of the change records or self-procedures, amendments decided, additional and deducted amounts and verify the entry of the basic financial data of the appointed employee in the salary statement based on the self-procedure and according to the contract in respect of non-Omani employees.
- 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 non Omanis under private contracts beyond the Civil Service Law.
- Ensure compliance with the conditions of job occupation and rules of transfer related to the categories of the private schedule.
- Ensure safety of the financial impacts resulted from the transfer process and check whether the employee transferred to the unit meets the rules of job occupation; and examine secondment (deputation) cases that have exceeded more than one year.
- 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 and its Executive Regulations and amendments thereof, 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 and its Executive Regulations.
- 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 examine the decisions of ordinary leave, sick leave, emergency leave, extraordinary leave and private leave so as to ensure satisfaction of the terms and condition for granting such leave and the potential financial impact therefrom, taking into account the provisions of the Civil Service Council Decision in respect of unpaid leave and housing allowance.

- To examine the cash compensation cases for the ordinary leave and ensure the proper application of the relevant Articles as well as the Article for cutting short the leave for work-related interest and be compensated in cash.
- To ensure compliance with the provisions of the Executive Regulations in respect of traveling/transport inside and outside the Sultanate.
- To verify that the unit complies with the circular issued by the Ministry of Finance regarding the cash compensation amount for the travel tickets for non-Omani employees according to the rates listed in the records.
- To examine allowances, rewards and compensations and ensure eligibility of the employee therefor in accordance with the provisions of the Civil Service Law and its Executive Regulations and governing decisions and circulars and verify the relevant decisions.
- To examine the decisions of transfer, delegation and secondment and verify the relevant decisions in accordance with the provisions of the Civil Service Law and its Executive Regulations.
- To examine the decisions of the personnel affairs committees and performance evaluation reports and verify the relevant decisions in accordance with the provisions of the Civil Service Law and its Executive Regulations and their potential impact on the employee promotion and allowances.
- 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 and its Executive Regulations and other decisions issued in this regard.
- To examine a sample of the disciplinary decisions issued by the unit and verify their provisions in accordance with the Civil Service Law and its Executive Regulations.
- 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.
- To count the rented government dwellings and ensure they are occupied in accordance with the provisions of the Civil Service Law and its Executive Regulations and that no dwellings should be left unoccupied.
- To ensure that the rent and furnishing value meets the provisions of the Civil Service Law and its Executive Regulations.
- To ensure non-rent of furnished dwellings.
- To ensure that the monthly salary cards are in conformity with the computer statements.
- To review the salary payment vouchers by counting them and ensure that deductions are made according to the proper credit and in the right amounts or transferring the same to the relevant bank account and inspect a specimen of signatures so as to compare them to previous months.

Whether the personnel affairs expenses audit is performed through payment vouchers, self-procedures, salary statements or personnel files, there should be considered the aforementioned expense stages as follows:

3.4.1.3 Audit of personnel affairs expenses' commitment stage:

To verify the lawfulness of the personnel affairs expenses commitment (salaries and related accounts) and ensure they are in line with the legal rules in force. SAI member should first request to review the ministerial decision which contains the expense commitment, whether it is relating to appointment, promotion, etc. and the review of such decision should include verification of the lawfulness of the five pillars of the decision, i.e. the reason, formula, jurisdiction, position and objective as follows:

Administrative decisions audit:

To verify the lawfulness of the decision containing the personnel affairs expenses commitment by verifying the lawfulness of pillars of the administrative decision that we will review in the appointment decision. These

pillars (the reason, formula, jurisdiction, position and objective) should be implemented by the SAI member when auditing other decisions, and for more information in these pillars, SAI member may see the specialist sources. Administrative decisions auditing includes verification of the enforcement date of the decision and the date on which its financial impact takes place and whether this decision is of an immediate or retrospective enforcement. If one of the five pillars is missing, the administrative decision should be considered illawful, and such consideration applies to the audit of all administrative decisions within the stage of the personnel affairs expenses commitment.

Personal files of staff auditing requires the following:

- To ensure that the employee file contains all documents and proofs related to the employee's occupational situation from the date of employment to the date of file auditing, and ensure such documents and proofs are in conformity with the applicable legal provisions in form and in substance.
- To review all documents on which the issuance of the decision of appointment, allowance or other bonuses was based.
- To examine the file of the appointed employee and other required procedures such as announcement, selection, justifications of appointment, interview and nomination by the personnel affairs committee, approval of the competent authority, way of appointment (a royal decree, decision, contract), self-procedure, and verify lawfulness of such ways, the competent authority, the relevant information and the extent of satisfaction of the require conditions as follows:
 - **Job announcement:** auditing an employee's file requires clarification of the way by which this employee was nominated for the job and ensure the efficiency of implementing this way in selection of the best qualified (suitable) nominees. In case the audited unit has used the way of announcement, it is required to check the details of the announcement, employment terms and conditions contained therein and ensure these terms and conditions conform to the job descriptions.
 - To audit the procedures followed by the Human Resources Department in respect of **appointments** and ensure selection of the best nominees for the job by way of personal interview and skipping the exams if any.
 - **The qualification and practical (career) experience:** To ensure the qualification is the most suitable one for the job and should be dually certified, and that the practical experience conforms to the nature of the job along with an approved certificate.
 - To ensure availability of a medical certificate proving the selected person is fit for the job and it must be issued by an official medical authority, a good conduct certificate, a proof of not being sentenced in the past to a freedom restricting penalty as a result of an immoral offence and breach of trust, and that he was not dismissed from service by way of disciplinary, a birthday certificate or an official transcript thereof proving that his age is not less than that determined by the relevant laws and legislations.
- To examine a sample of the employees' files and ensure they contain all required documents. Following are some examples of –but not limited to- the key documents that should be available in the employee's file:
 - Appointment decision
 - Decisions of promotion, transfer, deputation and secondment
 - Decisions of granting the periodic allowances
 - Qualification
 - Medical certificate
 - Good conduct certificate
 - Job descriptions

- Decisions of granting leaves and their related notices (i.e. utilization of the leave and return to work)
- Training courses certificates
- Decisions taken for the employee (in his personal file), whether in respect of rewards or penalties
- Any other decisions or documents related to the occupational status of the employee.

Salary statements audit:

- It contains auditing employees' main information which enables the SAI member to determine the new names contained in the statements and then refer to their procedures and audit them in the light of the documents attached thereto as well as referring to the new files and audit them.
- It notes the changes made to the employees' payments and then ensure whether the employee is eligible for the added (extra) amounts and verify the deducted amounts on the light of the supporting documents.
- It covers also verifying the account of the amounts paid or refunded, any deductions resulted from absence of the employee or penalties, ensure whether the employee has received his dues by signing the payment receipt or by transferring them to the bank and compare the amounts paid through the salary statements to the monthly expenses statements.

3.4.1.4 Procedures for auditing expenses of employees' salaries and dues

SAI member should ensure the following:

- The Ministry of Finance should prepare monthly salaries statements of the employees of every government unit 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 government unit should prepare the salaries payment vouchers in accordance with the provision of the Financial Law in respect of review of the payment vouchers by the government unit.
- 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.
- To ensure that the Ministry of Finance has taken – once the payment vouchers were received- the following:
 - In respect of the amounts due as salaries, the Ministry has issued a cheque in the name of every concerned government unit, and this cheque was delivered - in day 23 of every month or the preceding day if the delivery date coincides an official holiday or weekend – to the representative of the government unit after he has signed the acknowledgment of receipt of the cheque, along with a proof of the cheque's number and date, the name of the drawee bank and the amount fixed in the cheque.
 - In respect of the amounts deducted for the account of pension funds, ministries, banks or other bodies, the Ministry of Finance has - in day 23 of every month or the preceding day if the delivery date coincides an official holiday or weekend – issued bank transfer orders for the accounts open at the concerned banks in the name of each government unit for the account of which the amounts were deducted.
- The competent accountant at the government unit 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 government unit with the provisions of the Financial Law in respect of paying-in the unpaid salaries back 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 government unit 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 government unit 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.

3.4.2 Expenses of rented dwellings auditing

SAl member should ensure the following:

- Compliance by the government unit 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 government unit 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 government unit 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 government unit 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 government unit should not defray the repair costs where such costs should be deducted out from the occupant's salary, dues, rewards or pension.

3.4.3 Auditing the expenses (financial liabilities) related to the membership in international and regional organizations

SAI member should ensure the following:

- Ensure that the government unit 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 government unit 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 government unit has obtained the approval of the Council of Ministers before joining such membership.
- Ensure the government unit 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 government units are within the percentages limit ratified by the Council of Ministers.
- Ensure the government unit 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 government unit 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 government units 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.

3.4.4 Miscellaneous expenses and provisions auditing

SAI member should ensure the following:

- Ensure the Ministry of Interior, Muscat Governorate and Office of the Minister of State and Governor of Dhofar have paid the assistances, rations and appropriations for the Sheiks included in their own budgets.
- Ensure the Ministry of Social Development has paid the social insurance pensions and assistances as decided in the Social Insurance Law.
- Ensure the government unit has – in the event of returning government goods- presented such goods in the documents and forms required for the tax customs exemption report; in the cases prescribed in the Unified Customs Law, along with what proves that the goods are imported for the account of the government.

3.4.5 Audit the payback of taxes or fees that were unlawfully paid

SSAI member should ensure the following:

- Ensure the government unit has paid back the taxes, fees or other amounts that were 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 government unit has not paid back the fees if it has rendered the services for which such fees were imposed.
 - The government unit has not paid back the fees if the persons concerned have waived their claims on the service -for which such fees were imposed- after being rendered.
- Ensure the government unit has not paid back 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 government unit abides by the provisions prescribed in the Executive Regulations of the Financial Law when paying back the amounts which were paid unlawfully.
- Ensure the government unit 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 payback and the authority which has approved it.
 - 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.

3.4.6 Auditing the loans offered by the government to others

No government unit may offer loans to others unless by virtue of the rules promulgated by laws or royal decrees and within the budgeted appropriations of the government unit; basically the interest-free loans and housing assistances provided to the underprivileged.

3.4.6.1 Key conditions of loans offered to others

SAI member should ensure satisfaction of the following conditions in loans auditing:

- The amount of the loan should be within the percentage determined by the Ministry of Finance out of the borrower's capital or assets owned by him in the light of the results reached from the study of his financial position during the five years preceding the loan offer.
- The loan payment period should not exceed the period of time prescribed under the laws and regulations.
- The borrower should not be –when offering the loan- liable for another loan for any other unit.
- The borrower should undertake to pay the annual return determined by the Ministry of Finance in the light of the common rates at the local lending market.
- The borrower should undertake to provide the insurances or guarantees in kind.
- The borrower should undertake to utilize the loan for the determined purposes.
- The borrower should undertake to submit to the Ministry of Finance – as long as the loan is valid- a copy of the accounts and financial position statements and a copy of the auditor report within six months from the end of each fiscal year.

3.4.6.2 Insurances and guarantees in kind

SAI member should ensure the following in auditing the insurances and guarantees in kind

- Insurances and guarantees should be within the limit of the loan's value or its returns or other amounts payable by the borrower as minimum.
- Insurances and guarantees should be acceptable by the Ministry of Finance.
- The loan's value should not be paid unless after mortgaging the lands, constructed real estates and other assets for the Ministry of Finance according to the provisions of the commercial mortgages.
- The borrower should undertake to provide any other insurances or guarantees requested by the Ministry of Finance in the cases wherein such provision is deemed necessary to ensure payback of the loan and its returns and other due amounts.
- Ensure the borrower does not dispose of mortgaged lands, real estates or assets or any part thereof by selling or mortgage without a prior permission from the Ministry of Finance.

3.4.6.3 Loan contract's conclusion, review and signature by the Ministry of Finance

SAI member should ensure the following:

- The loan is only offered upon conclusion of a contract between the Ministry and the borrower; and it should particularly contain the basic conditions, insurances and guarantees and other terms and conditions agreed by both parties without prejudice to the rights of the public treasury.
- In case the value of the contract exceeds Omani Riyal 500, ensure the Ministry of Legal Affairs has reviewed the contract before being signed off.

3.4.6.4 Loan auditing procedures

These auditing procedure aim to:

- Ensure the balances shown in the budget represent all balances of the State.
- Ensure the calculation accuracy of the previous balances.
- Verify evaluation of these balances.
- Verify Classification of these balances.
- Ensure the support offered in the form of loans by the State for an establishment is suitable to its conditions.

In order to achieve the foregoing steps, SAI member should perform the following audit procedures, for example – but not limited to:-

- Compare the existing loan balances under audit at the end of the year to the balances existed in the previous year, and such procedure should continue for 3 years.
- Compare returns generated from the loan to its value.
- Compute the loans that have been consistent and increased.
- Check the balances listed under the “other receivable accounts” item to ensure they do not include some amounts that have to be transferred or listed under the “loans” item.
- Agree the existing loan balances in the State’s accounts to the figures shown in the accounts of the units which have obtained such loans (if they represent government units) or the bank accounts (if such loans were offered through the Development Bank).
- Obtain approval of the debtors over the value of the loan(s) payable by them.
- Ensure that all amounts listed under the “loans” item have their relevant contracts signed by the payees and contain clear terms and conditions for payment.
- Review all settlement entries made over the previous balances for verification purposes.
- Study the existing loans, trace the payment progress, the conditions for offering them, the financial position of the borrower and prepare a detailed statement noting the following:
 - Due loans that remain unpaid.
 - Rescheduled loans.

Based on this inspection, there should be determined the doubtful debts and the allowance required to be made in order to show these loans in their actual collectable value.

- Study the loans offered in a foreign currency other than Omani Riyal in order to verify they are listed at the end of the year in accordance with the currencies rates prevailing at the end of the year.
- Study the objective reasons/basis for classification of these loans and ensure the appropriateness of these reasons/basis and verify the classification was made accordingly.
- Examine the financial position and cash flows of the companies in which the government has contributed and the returns realized. Based on the study of the foregoing factors, there should be presented the appropriate suggestions whether by reducing the contribution of the government therein or increasing it by transferring part of the loans such as the capital of the concerned authority, company or unit.

3.4.6.5 Auditing procedures over the loans offered unofficially to individuals

SAI member should perform the following audit procedures; for example, but not limited to:

- Verify the conformity of the documents required by a citizen to the specified terms and conditions including the personal form to be approved by the local authorities (the Sheik or the Wali) and the employer.
- Verify when keeping a copy of any document in the citizen’s file to be identical to the original document and signed by the competent person in charge.
- Ensure the appropriate inspection was carried out for the land that requires field visits and the relevant procedures were implemented chronology.
- Verify the procedures preceding the loan offering and their details, and whether there is a previous loan, the way for using the previous loans and the method of their payment.
- Ensure completion of the insurance procedures (mortgage contracts, mortgage registration, personal guarantee, salary deduction, etc.) and adequacy of the guarantees.
- Check the availability of the records that assist in monitoring the loan value, the part used and the remaining part thereof; and the requirements for monitoring the payment process in terms of being continued or stopped.

- Ensure all documents have been presented to the Legal Affairs Department to verify their validity and conformity to the loan offering conditions, and ensure the mortgage contracts are adequate to cover the entire loan before being offered in the cases where the period of grace is allowed.

3.4.6.6 Margins of error

Following are some of the errors that can be discovered during audit process, for example, but not limited to:

- Inconsistency of the existing balances shown in the budget with the actual values due to miscounting.
- Inconsistency of the existing balances with the actual values of these loans due to error in applying accounting principles or evaluation-related errors.
- Balances classification process does not conform the appropriate classification required for the balances.
- The method adopted by the State in funding the establishments is unsuitable to the financial situations of these establishments .
- This funding does not satisfy the national objectives for which the funding was offered.

3.4.7 Auditing the interests paid by the government

Interests include the amounts paid by the government as interest on the vouchers issued thereby or the loans obtained thereby. They can be:

- **Internal interests:** including those interest paid by the government on the short-term or long-term vouchers or on the loans It obtains from local banks or any other organization.
- **External interests:** including the interests paid by the government on the loans It obtains from international development establishments, foreign governments, foreign banks, etc.

Following are the general procedures, for example, but not limited to:

- Ensure the interest amounts paid by the government to the (local-foreign) units are in conformity with the provisions of the agreements signed in this regard.
- Ensure these interest are paid in the fixed times; and examine the reasons for late payment – if any- and the financial impact caused.
- Ensure to include the amounts necessary for payment of these interests in the public budget.
- Ensure compliance by the government unit with the provisions of the Royal Decree No. 17/97 promulgating the Financial Funding Rules for the Private Sector in some of the economic and services areas, and the Executive Regulations of the aforementioned Law and its amendments.

3.4.8 Auditing the expenses of funding and grants

These expenses include those amounts paid by the government as support to settle the current deficit, as relief payments or to replenish the sale prices differences resulted from the government's decision to reduce the price of a product lower than the price determined therefor. They also include the funding offered by the government to farmers, fishermen and craftsmen whether in cash or by providing the necessary materials. Such expenses include as well the amounts paid by the government as nonrefundable grants for the industrial enterprises or to support the studies preceding the investment phase of such enterprises.

Following are the general procedures, for example, but not limited to:

- Ensure compliance by the government unit with application of the provisions of the royal decree regarding the rules for capital grants related to fishing profession and support for the study of the pre-investment phases.
- Ensure compliance by the concerned units with the provisions of the Ministerial Decision regarding issuance of the financial and technical support regulations to introduce the advanced (modern) irrigation systems to farms at the regions of the Sultanate.
- Ensure compliance by the government unit with any other laws and decisions issued in this regard.

3.4.9 Permanent and temporary imprest

Permanent imprest: Is allocated to cover the petty cash, other expenses of limited value or those expenses to be paid out from the imprest fund in particular special cases after approval by the Ministry of Finance. The expensed amount would be replenished from the imprest fund as long as it exceeds 40% or more during the fiscal year out from the imprest amount. Such expensed amounts should only be settled at the end of the fiscal year or once they are cancelled.

Temporary imprest: It is allocated for a particular purpose, and is settled without replenishing the expenses amounts once its purpose is satisfied; or in maximum 3 months from the date of the imprest. Such period may be extended upon a prior approval by the Ministry of Finance.

3.4.9.1 General auditing procedure over permanent and temporary imprest

SAI member should perform the following:

- Examine and assess the interior auditing rules applied on expenses or the changes made to these rules.
- Use a common way; such as the analytical description, trailer record, audit flowcharts, questioner or combination of these ways in order to verify the following:
 - Is the imprest holding / keeping is entrusted to a permanent employee?
 - Does the imprest holder sign the acknowledgment of imprest receipt?
 - Is imprest paid according to the determined purposes?
 - Is the imprest amount proportionate to the actual payment requirements?
 - Does the imprest holder possess a good knowledge over the payment and entry procedures related to the imprest?
 - Are there minutes made for delivery/receipt and records of the imprest amounts when authorizing the imprest holder?
 - Are all specified records and forms kept regularly and all postings are recorded on time?
 - Does the imprest payment vouchers have serial numbers?
 - Are the imprest payment vouchers supported by adequate evidence?
 - Are the payment vouchers signed by another official?
 - Are the imprest payments appropriately classified according to the Budget Classification Manual?
 - Is the imprest secured against different risks?
 - Are the imprest's amounts, documents and recorded properly safeguarded?
 - Is there a check and periodic and surprise inspection carried out by the Finance Department over the imprest account?
 - Does the Internal Audit Department perform a spot check on the imprest?
 - Does the imprest holder settle such imprest at the end of the year?
- Perform compliance tests by checking the rules as they are actually implemented through enquires, observations and examine a small sample of the documents.

- Ensure the imprest application is signed by the person authorized of disbursement in the concerned ministry or government unit within the authorizations limit by reviewing the imprest offering.
- Ensure the imprest offering is approved in accordance with the laws and legislations in force.
- Ensure the person -to whom an imprest is entrusted- is one of those permanent employees of the concerned ministry or government unit and is appointed in accordance with the provisions of the Civil Service Law by reviewing the appointment decision of the entrusted employee.
- Ensure the imprest-entrusted employee signs an acknowledgment once he receives the imprest amounts; stating that such imprest is in his custody and noting the amounts thereof.
- In case the entrusted employee is taking a leave for more than 3 days, ensure he assigns the imprest balance in hand, payment vouchers and supporting documents thereof to another person acting the person authorized of disbursement under a handing over/taking over minutes to be signed by both employees. On return from his leave, this employee should be handed over the aforementioned imprest balance, vouchers and documents under the handing over/taking over minutes that should be signed by this person and the person who has been acting him.
- Ensure the concerned ministry or government unit to take – in case of transfer, deputation or end of the service of the imprest-entrusted employee- the necessary actions to check the imprest amount and hand over its balance and payment supporting documents.
- Ensure the Ministry of Finance has recorded the imprest amount under the permanent or temporary imprest in the general ledger accounts register when offering an imprest to the government unit.
- Ensure the Ministry of Finance has prepared a public register for both the permanent and temporary imprest offered to all government units where this register should include all details related to these imprests.
- Ensure the Ministry of Finance has fully insured the permanent and temporary imprest fund against defalcation, theft or any other risks.

3.4.9.2 Permanent imprest auditing procedures

- 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 government unit has studied the determination of the imprest amount so as that this amount should exceed the average amount paid therefrom in three months; and ensure 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 government unit 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 government unit. The amount to be deposited in the safe deposited may be increased higher than this - upon approval by the Ministry of Finance-.
- **Ensure the following 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 government units or others.
- There may be excluded from the previous rules the payment of travel allowances in advance to the employees of the government units whatsoever the amount of such allowances is.
- The payment is made under the permanent imprest payment voucher after being approved by the competent 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 government unit- 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 government unit 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 government unit and remit it to the Ministry of Finance.
 - The imprest-entrusted employee should settle the deficit.
 - The government unit should carry out the necessary investigations to identify the reasons behind deficit or increase.
 - The government unit 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 government unit.
 - A certificate approved by the head of the government unit; 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 government unit.

3.4.9.3 Temporary imprest auditing procedures

- 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 competent therefor.
- Ensure the concerned ministry or the government 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 government unit 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 government unit should perform the investigations necessary to identify the reasons behind the deficit.
 - The government unit 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 government unit at the amount paid therefrom.

3.4.10 Contracts and tenders audit

3.4.10.1 Applicable purchase methods:

1. **Public tender:** It can be identified 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 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 out 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.

3.4.10.2 General auditing procedures over tenders

- Examine and assess the internal audit rules applied on tenders of the changes made to these rules.
- Use a common way; such as the analytical description, trailer record, audit flowcharts, questioner or combination of these ways in order to verify the following:
 - Is there an independent unit that undertakes tendering works?
 - Is the actual need for the desired commodities verified before a tender is floated?
 - Is the material stock checked before the tender is floated?
 - Are there written instructions or guidelines to govern the tender works' progress and determine the relevant powers and responsibilities?
 - Are there general specifications developed that fulfill the fair competition principle?
 - Are there a segregation between the duties of Tenders Committee member/check & delivery committee member/stock committees ?
 - Does the unit have a safe box for the submitted biddings?
 - Are all submitted proposals deposited in the box and recorded in the specified register?
 - Is the box opened by the committee chairman?

- Are the classification registers of companies and contractors maintained?
- Are the unit's employees not allowed to submit their biddings for the unit's tenders?
- Is the tenders committee member not allowed to attend the committee's meetings if he has a personal interest in any submitted bidding?
- Is there a serial number for the bidding invitations?
- Are tenders announced on time?
- Does the announcement contain all required information/details?
- Is there excluded the proposal whose its owner (the bidder) has not bought the tender specifications book?
- Are the proposals opened in the presence of the majority of the Tenders Committee members?
- Is the proposal with no bid bond rejected?
- Does any amendment or change or any commodity that is not priced in the proposal get marked?
- Is the tender refloated if there was only one bid submitted?
- Is there a reasoned statement made over any excluded bid?
- Are the prices written in numbers and letters?
- Is there a detailed accounting review conducted for bid items by a specialist (person) before the bid is signed?
- Does the specifications committee include members with experiences that fit the nature of the required commodities?
- Are the samples submitted with the bids kept in the custody of a competent employee?
- Is a performance bond submitted in the specified value (price) and time?
- Is each tender documented in one or more separate file(s) that contain all relevant correspondences/communications?
- Are such files safeguarded?
- Does the Internal Audit Department at the concerned unit check the tender-related activities regularly?
- Perform the compliance tests by checking the tendering rules as they are actually implemented through enquires, observations and examine a small sample of the documents.
- Ensure each tender passes a number of stages in order to reach the most appropriate bid submitted as follows:
 - Formulation of the terms and conditions for the bids and commodities' list to be procured.
 - Tender announcement
 - Submission of bids
 - Opening of bids
 - Review of the submitted bids
 - Shortlisting and evaluation of bids
 - Temporary bonds
 - Tenders adjudication

Each step of the previous ones has its own conditions and situations clearly detailed in accordance with the Government Tenders Law and its amendments.

- Verify the actual need for the services or commodities by auditing the relevant application that shows the need for such services or the available commodities in the stores; coupled with the signature of the storekeeper noting that there is no items available in the store or to obtain the sufficient balance necessary to purchase them in implementation of the provisions of the aforementioned contracting

rules which stipulate that a contracting should be made in the light of the actual need for provision of the required services or commodities.

- Ensure availability of the required appropriations ensuring that the employee responsible for commitment register has signed on the order form or by auditing the commitment register in implementation of the provisions of the contracting rules.
- Ensure the method adopted for buying is of those methods stipulated by the applicable laws.
- Ensure that there has been licensed the contractual method by the competent authority, the party representing it or a person authorized thereby in within the amounts prescribed to each authority.
- Ensure that the purchasing operations have not been split by the same authority as an intention to overpass the powers of the superior authority.
- Validate the formation of the tenders and practices committee and the direct purchasing (order) committee.
- Validate the convening of the tenders and practices committee in the presence of its chairman or the person representing him by law; and at least two-third of its members and ensure its recommendations are adopted by the absolute majority of the present members.
- Ensure that the contracts and purchases management or the competent authority at each unit have studied in depth the market prices in order to estimate the cost for outsourcing the technical parties to take their advice over comparison of the quotations presented.

3.4.10.3 Use of current expenses:

1. Commodity requirements: They mean the amounts paid by the government for acquiring commodities to other parties to help performing and running its routine activities or those commodities that are part of a final product processed by the government. In order to provide such commodities, they are ordered from other parties. Order (procurement) is made through different ways; i.e. whether through a public tendering (local/international/selective), direct agreement or according to the governing rules in this regard. Order is made through various stages, starting from determination of the actual needs followed by selection of order method, contracting, work execution and payments for the suppliers.

Ensure to follow the steps below:

- **Determination of the actual needs:** there should be a coordination between the purchase operations and storage operations where determination of such needs are carefully and accurately examined so as not to order any commodity that is available in the store (taking into account the minimum and maximum stock when re-ordering); and not to order any commodity the alternative of which is available at stores.
- **Selection of the appropriate contracting method:** ensure this step is followed in accordance with the applicable and aforementioned purchase methods.
- **Contracting:** after the best bid is selected and the bidder has submitted the performance bond, the next stage is contracting with the selected supplier and this stage should be implemented in accordance with the provisions of the royal decree related to signing the internal and external financial transactions and the Executive Regulations of the Financial Law.
- **Execution:** means the extent of compliance by the selected supplier with providing the contracted commodities according to the terms and conditions stated in the contract; and such commodities must match the determined conditions and specifications under contract and ensure that the concerned unit has received these commodities and included them in its stores in accordance with the rules decided in this regard.
- **Payments for suppliers:** after the contract execution is done, payments are made to the suppliers through preparation of the payment vouchers which are processed

electronically through computer in accordance with the Standard Financial Rules in force; provided that it should contain all details and information; i.e. voucher's number, date, payee's number and name and the budget to which the amount was deducted, and should be approved by person authorized of disbursement and coupled with all other required documents in accordance with the provisions of the Financial Law and its Executive Regulations.

Auditing procedures over purchase of commodity requirements:

SAI member should ensure the following:

- The order should be made for an actual need.
 - Contracting has been made through tender; and seeking other methods (rather than contracting) should be amongst those exceptive cases prescribed in the Tenders Law.
 - Tender announcement should be released on time and published in the newspapers and should include all details/information required by the Tenders Law.
 - Bids should be submitted before opening the envelopes. In the event of any bid submitted after the time specified for envelopes opening, ensure that the Committee has not yet completed its works and such delay is due to reasons out of the control of the contractor.
 - Bids should be stamped and signed by their submitters or their representatives, the Chairman of the Tenders Board or the Chairman of the Internal Committee or their representatives.
 - Prices should be written down in numbers and letters, and determine the extent to which they cover all costs, type of currency and country of origin of the commodities to be provided.
 - Envelopes should be opened on time and in the presence of the Chairman of the Tenders Board or the Chairman of the Internal Committee or their representatives.
 - Agree all submitted bids to the details of the minutes of envelopes opening.
 - Review the bids arithmetically before being shortlisted. In case there is a discrepancy between the price of the unit and the total price, the unit's price should prevail.
 - Review the minutes of tenders adjudication, ensure the members of the Tenders Board are present and the shortlisting is decided in the light of the bids themselves.
 - Ensure the bid bonds and performance bonds are obtained on time.
 - Ensure the contract is reviewed by the Ministry of Legal Affairs before being signed in case its cost exceeds the amount specified in the Financial Law and its Executive Regulations.
 - Ensure implementation of the provisions of the Royal Decree in respect of protection of the public money and avoidance of conflicts of interest.
 - Compare the contracting prices to the prices stated in the payment invoices as well as the rest of the contracting terms and conditions.
 - Ensure application of the due penalties (fines) in the case of breach of supply terms and conditions; without prejudice the circulars issued by the Ministry of Finance in this regard.
 - Ensure commodities are checked and delivered before making payments to the suppliers.
2. **Service requirements:** mean the payments made by the government for services rendered thereto by others (external parties) and usually include the repair and maintenance expenses and cleaning and rent expenses.

This process undergoes the same stages of commodities requirements order (purchase) mentioned in Paragraph 1 of Section 3.4.10.3, and is subject to the same provisions of contracting methods except the government services expenses such as mail, telegraph, phone and costs of electricity and water.

Auditing procedures over service requirements purchases:

SAI member should ensure the following:

- The maintenance works should be made to an asset owned to the concerned unit and such works should be supported by adequate justifications and that they were done due to ordinary reasons. Otherwise, the case should be investigated and the responsible party should assume the liability therefore.
- Conduct an accounting, documentary and objective verification of the contracts of insurance, rents, special services, operating services, and vehicles.
- Consider the provisions of the circular issued by the Ministry of Finance that the ministries and government units should defray no expenses that are not deemed as part of the government expenditure as stated in the aforementioned circular.
- The government unit should use the form designed for the standard contract of building cleaning services.
- The contracts of consultants, experts, or those supervising the execution of supply and services contracts should not include purchase of vehicles or transport costs.
- Verify the enforcement of the due penalties (fines) in case of breach of the contractual terms and conditions.
- Ensure the amounts (payments) claimed are amongst those amounts determined in the contracts and there should be considered any discounts stated in these contracts.
- Ensure the cost of maintenance/repair of government vehicles does not exceed the amount determined thereto.
- To abide by the provisions of the Royal Decree regarding the protection of the public money and avoidance of conflicts of interest.
- The electricity and water bills should be paid on an actual basis and such payments should be based on actual claims.

3.4.10.4 Auditing the floatation and commitment stage for current and capital expenses:

Commitment is the legal tool the creation or issuance of which would result in creation or obligation of a debt on the audited unit. This stage includes inspection of the contract and relevant documents; starting from selection of a contractor (supplier) to the conclusion of the contract as follows:

3.4.10.4.1 Auditing the commitment stage if the method for selecting a contractor is a public or internal tender.

Auditing process commences from the tender announcement till the contract is signed as follows:

Ensure satisfaction of the terms and conditions stated in the Tenders Law, for example, but not limited to,:

- 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 competent 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 competent authorities.
- The total cost of any project, work or service should include the total cost of the advisory and technical studies.
- Completion of the tender's documents and obtain the required approvals from the competent authorities.

- Issuance of a construction license for the constructional projects and a copy thereof should be attached to the tender's documents.
- The concerned units should observe 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 competent government laboratory with a list of the commodities to be examined and analyzed 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 analyze 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 analyze 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 competent persons at the concerned units 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 advisory 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 competent authority.
- The bidder should not be an employee of the concerned unit/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.
- The bidder should meet the financial, technical and professional conditions stipulated in the contracting terms and conditions.
- 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 Tenders Law and Rules.
- 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 ensure the results thereof are approved by the competent authority.
- Ensure bids are submitted before envelopes opening. If any bid submitted after the envelopes opening time, ensure the Committee has not yet completed its works and such delay is due to reasons out of the control of the contractor.
- 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 competent authority and the contractor after being drafted by the concerned unit; where this contract should include all elements of agreement in detail.

3.4.10.5 Auditing the commitment stage of the current and capital expenses if the contracting method is a selective tender:

In this stage, there shall apply all aforementioned auditing procedures related to the public tender with exception of the announcement. And if the public tender is the main method for selecting a contractor, 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.

3.4.10.6 Auditing the commitment stage of the current and capital expenses if the contracting method is a practice:

Auditing process includes 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 advisory 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.

3.4.10.4.2 Auditing the commitment stage of the current and capital expenses if the contracting method is a direct order:

The concerned authorities may contract by way of direct order with the government units and organizations and public companies to execute works, obtain technical or advisory services or procure commodities; upon approval by the its Head to contract by way of direct order with a supplier, contractor or advisory office for a project of no more than Omani Riyal Ten Thousand; on condition that the price should be reasonable and the need for such contracting should be justified.

3.4.10.7 Auditing lawfulness of the payment of the current and capital expenses

Verification of the lawfulness of the current and capital expenses should be by verifying that the services have been rendered, works completed or the materials delivered based on the documents and information which prove

this; in addition to verification of such documents kept by the concerned unit by visiting its stores and monitoring execution of contracts, For instance, SAI member would ensure that the materials delivered, services rendered or works completed have been in conformity with the specifications. SAI member should also verify the values, quantities and works have been agreed on by agreeing the details of the delivery documents to the terms and conditions agreed on in the contract. There must be monitored the delay cases and penalty (fine)'s percentage in the light of the provisions of the Tenders Law. This stage also includes verifying that the obligation (commitment) arisen on the government unit has not been released for any reason.

3.4.10.8 Auditing the stage of review prior to payment for the current and capital expenses

It includes the following:

- Verify the issuance process of payment vouchers by the competent authority as determined by the Financial Law; and the vouchers should contain all relevant details such as the document' number, date, the payee's number and name, the budget from which the amount was deducted; where this document should be issued in the name of payee or his attorney under a power of attorney; and ensure the expense was paid in the light of the budgeted amounts therefor, verify the officials' signatures especially the paymaster and the internal auditor.
- Verify that the amount paid is the lawful payable amount after deducting the contributions and record them in the relevant accounts and ensure that the recipient is the eligible payee or his attorney or transfer the amount to the determined account.
- The electricity and water bills should be paid on an actual basis and such payments should be based on actual claims.
- Ensure the cost of maintenance/repair of government vehicles does not exceed the amount determined thereto.
- Ensure that the commodities have been checked and delivered before making payments for the suppliers.

3.4.10.9 Evidences to be attached to the payment documents of the current and capital expenses:

SAI member should ensure that all supporting documents that prove the validity of the accounting processes have been provided; and there would only be considered the original copies of these documents. Such attachments are:

- The original invoice.
- Supply order or contract.
- The check and final delivery record.
- The technical report if the commodities and works require so.
- Credit permission or payment voucher.
- Delay penalties (fines) record, if applicable.
- Any other documents that may be required as per the nature and type of the expense; as requested by the SAI member if not provided.

3.4.11 Projects' expenses auditing

These projects are subject to the same or some of the stages and provisions described in detail in Section No. 3.4.10.

Like other expenses, auditing the projects' expenses address all stages of the expenditure (expenditure's commitment settlement/payment order/actual payment). Auditing the projects' contracts ;in terms timing; takes the form of the accompanying auditing process (inspection, monitoring and implementation) besides the following auditing process. Auditing the projects' expenses will be addressed with all their stages and types through the three auditing aspects (lawfulness/appropriateness/arithmetic)

- Before starting off the audit and check processes, SAI member should ask for the contract file to be audited in order to obtain the basic information/details required for execution of his task. Such information/details may include the following:
 - Contract's value and conclusion date.
 - Whether the final guarantee has been submitted with all requirements met.
 - The date of delivery of the site to the contractor (in respect of works contracts).
 - The date for issuance of the order for beginning the work.
 - Whether a plan has been developed for execution of the project.

After checking the contract file and obtaining the basic details, SAI member should proceed with the audit process according to the expenditure stages as follows:

3.4.11.1 Audit the commitment stage of projects' expenses:

These are the procedures to be applied on the audit of the pre-contracting stage till the selection of a contractor and sign with him a contract for the development and capital projects; taking into account the approved development plans and ensuring that the project under audit is committed to an item of those related to the capital and development expenses in the budget of the concerned unit. They include:

Lawfulness audit: as mentioned before, this audit process aims at ensuring that the procedures to be followed in the contract have been followed in accordance with the provisions of the contracting rules for the government units in the Sultanate and other applicable financial rules and regulations. Following are the audit procedures of this stage:

- Ensure the contracting license in the Sultanate has been issued by the competent authority as per the contracting method (public tender/selective tender/practice/direct agreement).
- Ensure the concerned unit has developed the work specifications, charts, designs, quantity schedules, estimated cost and detailed conditions before the tender is announced.
- Ensure the unit has announced the tender inside or outside the Sultanate.
- Ensure availability of the terms and conditions required on the bidders in the light of the documents attached to the bids and that they conform to the conditions specified in the tender and instructions.
- Audit the envelope opening procedures by the concerned committee by verifying that the session is an open session, attendance of the participants or their representatives to the tender on time and shortlisting the bids on the form designed for this purpose in a way that facilitates the comparison between these bids.
- Audit the financial and technical analysis on which the awarding was based by agreeing the shortlisting records to the same bids so as to verify the shortlisted numbers in the records, and check the excluded bids to ensure such exclusion is lawful.
- Verify the reasons for excluding the bid of lowest price, for example, the price of the excluded bid is unreasonably low, or another reasonable reason.
- Verify the procedures followed for the only (single) bid.
- Ensure that the project is included in the budget, the bid value does not exceed the overall cost of the project in the budget of the concerned unit and the budgeted appropriations are adequate to cover the payment (dues) throughout the fiscal year.
- Ensure that the general conditions in the contract are in line with the approved contract form and that the private conditions do not contradict the public conditions and rules in force.
- Ensure the tender bond is attached with the bid and is valid; and that the final guarantee is satisfied by the winning bidder.

Appropriateness audit: It aims to ensure that the contract and the public and private conditions provide the financial interest for the Government and the unit's management has performed its discretionary powers properly. Following are the audit procedures:

- In case there is a feasibility study for the project to be implemented, SAI member should examine the content of this study as such provides a financial interest for the Government. If the project is a public utility, it is verified whether it provides the required service.
- Ensure to consider economy and saving aspects in the project's expenses as much as possible.
- Ensure to observe the interest of the Government while proceeding with tenders; such as to consider the bids with the lowest price and submitted with some reservations and try to clean all or some of them.

Accounting audit: It aims to verify all figures shown in all documents of a contract and the ongoing arithmetic operations for these fissures in the contract's documents in all levels thereof. In order to achieve this goal, the following audit procedures are adopted:

- Review the receipts of the amounts paid for the tender's documents sold to bidders to verify the amounts paid.
- Review the bonds' letters related to the tender bond to ensure that the bond value conforms with the provision of the Tenders Law.
- Review the tender shortlisting schedule to agree the prices of its items to the fissures in the original copy of the bid submitted by each bidder.
- Review the figures of the quantity schedules to verify the arithmetical operations accuracy; especially those determined for the financial consideration of the contract.
- Agree the values of the contracted project to the original bid.
- Agree the total of the quantity schedules to the financial consideration in the contract; by numbers and letters.

3.4.11.2 Contract execution monitoring:

The procedures of the contract execution monitoring are divided -as per their nature and elements- into three types of audit; legal, material and financial. Following are each type of these audits:

First: legal audit

This audit addresses the contract's terms and conditions satisfied by the contractor and how the unit's management uses its powers to apply these terms and conditions. In this regard, SAI member should particularly ensure the following:

- The contract was concluded before starting the execution.
- The site was delivered to the contractor clear of any obstacles and without delay.
- The lawfulness of the variation orders regarding the quantities, specifications, contract duration or change in the contract's terms and conditions.
- Compliance by the contractor with the rules determined in respect of the subcontractors.
- Outsource technical experts from outside the unit when application of some technical conditions of a contract requires a special technical know-how.
- Insure the works of the contract at its gross value as well as manpower and others if the contract's terms and condition require so.

Second: Material audit:

This audit addresses execution and completion of the contracted project as per the fixed timeline from the date on which the contract is signed, delivery of the site (in works contracts) till the date on which the project is wholly

delivered. This type of audit and monitoring requires making field visits to the project in addition to the documentary audit. In this regard, SAI member should verify the following in particular:

- In respect of works contracts, ensure the site was delivered to the contractor clear of any obstacles and without any delay.
- The contractor should submit the project execution plan within the duration agreed on the contract.
- Review the reports of the project supervising engineer and the reports of the contractor's engineer on the project progress.
- Presence of a work team (engineers and workers) of both the contractor and execution supervising consultant.
- The work progress in the light of the execution plan and investigate the delay reasons (if any).
- Appropriateness and reasonableness of the extended durations for the initial delivery deadline to meet any delay if justified for emergency or unforeseen circumstances or if caused by the unit itself or to make any additions or amendments.
- Validate the date for work completion and the initial delivery and ensure no essential shortages exist to interrupt the use of the project.
- To complete the shortages and work on the observations raised by the delivery committee before the final delivery.

Third: Financial audit:

This audits addresses application of the contract's financial terms and conditions; whether stated in the content of the contract or in the laws regulating the financial aspects. In this regard, SAI member should verify the following in particular:

- The contractor should submit a final unconditioned guarantee letter and irrevocable of the bid value; or a lump sum fixed in the contract in the cases wherein the financial consideration for the contract could not be determined. This guarantee should be valid till the final delivery date.
- Verify the advance paid to the contractor and the payment terms and conditions and submission of a bond for the advance paid.
- Ensure the amount paid for the stored materials required for implementation of the project are appropriate to the quantity of such materials.
- Verify the account of the amounts paid to the contractor for the work completed, and ensure deduction of the necessary amount out from the advance such as remittance of the advance installment.
- Payment of the last advance after the initial delivery.
- Keeping and extension of the final guarantee (as required) till the end of the maintenance period and final delivery.
- Ensure that all project-related contracts are under the project's overall cost. In case of increase of this cost due to variation orders, there should be examined the justifying reasons and circumstances and ensure this increase is lawful in the light of the contract's provisions and that it is appropriate to the interest of the audited unit in terms of existence or nonexistence of the wastage and abuse elements.
- Count the element of imbalance between the material and financial aspects of the contract and indicate the reasons therefor.
- Verify the accounting direction of the expenses for the relevant project.

3.4.12 Development projects auditing and monitoring

3.4.12.1 The key items of the standard contract form:

Contingency

It is a percentage added to the project cost to meet the unforeseen works when the contract was made. This percentage is within the contract and should not exceed 10% of the value of the works.

advance Payment

It is a sum of money paid in advance to the contractor before execution of the project for a bank guarantee valid till the advance is fully recovered. The standard contract form has determined the payment at 10% of the contract value after excluding the reserve amount; and the percentage may exceed 10% in special cases.

Performance Bond

It is a bank guarantee submitted by the contractor at 10% of the contract value in a period of time not exceeding 10 days from the day following the day on which the contractor is being notified in writing of acceptance of his bid; and twenty days in respect of the contracts made outside the Sultanate where this guarantee should be valid for the date of commencement of the project till the end of maintenance period or the date of the project final delivery certificate; whichever comes first.

Insurance

It is an insurance policy submitted by the contractor to meet the damages that may occur to others due to execution of the project and its value is determined as agreed and should be valid till the end of the maintenance period.

Certificate

It is a claim submitted by the contractor and approved by the consultant in the value of the amount(s) payable to the contractor till the date of assessment of the work under claim.

Value of work Executed

It is the value of the works executed by the contractor till the date of submission of the claim. The value thereof is determined in the light of the assessment performed by the consultant for the work completion percentage; whether it is an actual or estimated percentage.

Materials on Site

They are the materials available on the work site and used to execute the work. Their cost is reflected in the bills submitted by the contractor where 80% of their value is paid.

Retention

It is a type of bonds deducted out from the payments made to the contractor at 10% of the value of each certificate at a maximum 5% of the contract value.

Recovery of Advance

The advance may be recovered at the same amount (percentage) paid to the contractor. Recovery is made out from the work executed and materials on site.

Refund of retention

Retention is refunded in two installments, the first 50% is refunded upon the initial delivery of the project; while the second 50% is refunded upon the end of the maintenance period.

Delay Penalty

It is a (financial) penalty imposed on a contractor for the delay delivery of the project. This penalty is determined according to the contract's terms and conditions.

Variation Orders

A variation order is issued by the concerned ministry to a contractor to carry out additional works or amend some of them. These orders are funded whether from the reserve, the surplus quantities or the budget. The first and second cases should not result in changing the contract value; while in the case of funding from the budget; this should result in varying the contract value. The concerned ministry or unit may issue variation orders on condition they should not exceed 10% or Omani Riyal 100 Thousand; whichever is greater; provided that the price of such orders is equal to the original contracting price stated in the quantities schedule. If new prices exist, the contractor may be negotiated on this and present the resolution (result) arrived at to the Tenders Board in implementation of the provision of Article (42) of the Government Tenders Law.

Extension

It is an additional period of time granted to the contractor in extension to the determined period for the execution of the project. This occurs due to additional work(s) assigned to the contractor; or imperative circumstances that result in postponing the time determined for completion of the work(s).

Provisional Sums

They are visible works but cannot be explained in quantity and thus their cost cannot be identified. Therefore, Such works are included as an estimated sum that is increasable within the specified limit of the contract; where the provisional sums may not exceed 10% of the project cost.

3.4.12.2 Files, records and forms to be checked

Project's appropriations checklist

This checklist is useful for identifying the way of allocating a project's appropriations to its commitments formed by the contractor, consultant, furnishing etc. and determination of the payment voucher to be checked.

Commitment appropriations checklist (commitments register):

In this register or list, all commitments (liabilities) are recorded and such commitments should be within the limit approved for the project. This register helps in identifying the unrestricted balance for the uncommitted project.

Project's payment vouchers register

In this register; the details of the payment vouchers related to the development expenses are recorded.

Monthly account statements of the development expenses:

These statements show the payment status for each project.

Computer records

They help in verifying whether a payment voucher is disbursed or not.

Payment vouchers

There are two ways to keep payment vouchers at ministries:

- The first way: Keeping the payment voucher for each project separately.
- The second way: Keeping the payment vouchers according to their serial number regardless the nature of the project.

Contracts' files

They include the standard form of the contract concluded with the contractor, quantities schedule, specifications and the standard form of the contract concluded with the consultant.

Project's communication files

They include all communications (correspondences) and minutes of meeting related to the project. They help in identifying any issues related to the execution of the project.

Monthly follow-up reports

The projects department at the concerned unit should prepare these reports.

3.4.12.3 Selection of the projects to be checked

The amount (percentage) of the overall appropriations for the projects to be selected for checking purposes should be in line with the risk level associated to the audited unit in general; and the risk level associated to the development projects in particular. There are considerations the auditor may observe when selecting the projects to be checked. However, the auditor can select the projects for him to check in the light of the following standards and considerations:

- The projects the cost of which exceeds the rate determined for their estimated costs.
- The projects the execution of which has taken longer time that acceptable.
- The projects to which essential modifications have been made upon execution.
- The projects in respect of which variation orders have been issued and led to change the contract value.

3.4.12.4 Auditing and checking procedures for development projects

Tender awarding procedures check

There should be verified 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.
- Agree the bids submitted to the details stated in 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.
- In reviewing the minutes of the selection committee; ensure the following:
 - Attendance of the majority of the Tenders Board's members subject to Article (12) of the Tenders Law.
 - The Tenders Board's members should clearly and in detail state on the tender shortlist the shortages and matters that contradict the terms and conditions of the submitted bids.

- Ensure to award the project works to the bidders whose their bids are in conformity with the determined specifications and the best rate (price); taking into consideration to examine the excluded bids and justifications thereto.
- Ensure obtaining the tender bonds, the price of conditions specification document and performance bond in the fixed rates and times.

Contracting procedures check

- Ensure to use the standard contracts forms when contracting with others.
- Ensure the contract contains the date, signature, 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 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.
- Ensure implementation of the provisions of the Tenders Law in respect of exclusion of any bid if found to be contradictory to the provisions of the Royal Decree promulgated for protection of the public money and avoidance of conflicts of interest and its interpretations.

Certificates review

- The payments for the contractor are made by monthly or periodic installments; each is called a certificate and is paid according to the work execute. A certificate 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 certificate. Payment is solely made for the value of the works added during the period for which the claim is raised.
- A certificate 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 certificate. Meanwhile, deductions are usually made for the retention, recovery of advance and delay penalty.
- A standard form is used for the certificate where all consultants should observe it when reviewing the contractors 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 certificate 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 certificate 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 certificate. 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 certificates 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

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

Advance

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 it should be valid till the end of maintenance period.

First certificate

The first certificate 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 police that should be valid till the end of the maintenance period.

The current certificate

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.

3.4.12.5 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.

3.4.12.6 Auditing the fees of advisory offices

Of the most important points that should be the focus in reviewing advisory fees 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.

3.4.12.7 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 revenues audit

4.1 Definition and types of government revenues

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 . Revenues are classified in the public budget in accordance with the Financial Law and its Executive Regulations as current revenues , capital revenues 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**.

4.2 Laws and legislations governing government revenues

- The Financial Law and its Executive Regulations.
- The Income Tax Law.
- The relevant Laws , decisions and ministerial circulars.

4.3 Revenues audit procedures in general

SAI member should generally concentrate on the following:

- Examination and evaluation of internal control (audit) rules applied to the revenues or the changes made to these rules.
- Usage of a common way; such as the analytical description, trailer record, audit flowcharts, questioner or combination of these ways in order to verify the following:
 - Is there an appropriate segregation between the treasurer's duty and the following duties?
 - Accounting registration for collection operations.
 - Preparation of banks adjustments.
 - Receiving of bounced checks.
 - Is there a sudden inventory performed for the contents of the revenue treasury?
 - Is there insurance for the cash contents in the revenue treasury?
 - Is there a separate section within the organizational structure to which the execution of revenue-related financial works are entrusted?
 - Are the numbers of staff and their qualifications commensurate with the nature and volume of the work(s) assigned to them?
 - Have the staff received an adequate training to carry out their duties ?
 - Do the staff of the Section who are in charge of financial affairs occupy permanent jobs ?
 - Are the revenues collected immediately once their relevant procedures have been implemented?
 - Is the collection made for only those revenues licensed for collection under the laws and regulations in force ?
 - Is the collection made by cash or by certified cheques?
 - Is there an official receipt released upon receipt of any amount of the collected amount?
 - Is the original copy of the receipt handed over directly presented for the payment?

- Are the post-dated cheques accepted?
 - Are only the official books and samples of the receipt used?
 - Is there a match process performed to ascertain the existence of books and samples of used and unused receipts?
 - Are the books of used and unused receipts safeguarded by the competent accountant?
 - Are the serial numbers and the number of receipt books reviewed by the competent accountant before use?
 - Are all copies of canceled receipts kept?
 - Are minutes of receipts' handing over and delivery made when the competent accountant is on leave ?
 - Are all details entered into the register on a timely manner?
 - Is the tabulation made according to the budget classification manual ?
 - Is there a register kept for entry of the revenues due to the unit during the fiscal year which have not been collected ?
 - Are all collected amounts deposited into bank on a daily basis?
 - Are the amounts collected remitted to the Ministry of Finance on time?
 - Is there another person; other than who has made the deposit; to verify the receipt of the value of the deposited amount(s) in the bank ?
 - Is it allowed to dispose of the collected revenues on the expense items?
 - Is there a daily match between the actual and book collected amounts ?
 - Are there regular matches between the estimated and collected revenues?
 - Are there taken the procedures decided to follow up the uncollected revenues in a timely manner ?
 - Does the Internal Audit Department perform the role assigned thereto to examine the revenues?
-
- Compliance with the laws, regulations, rules and procedures applicable for collection and 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.
 - Imposition of fees for services performed by the concerned ministry or government unit.
 - 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.

- Verification of the extent to which the Internal Audit Department at the competent authority is implementing all laws and publications related to revenues; reports of the findings of the examination prepared, their follow-up and compliance with the Financial Rules with regard to revenues in terms of the documentary system, records prepared, accounting procedures and matching with the records/statements of the Ministry of Finance and ensure an inventory is carried out on the treasury at the end of the fiscal year and notify the Ministry of Finance and the State Audit Institution.
- 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 Audit Regulations over government revenues and expenditures referred to.
- Conduct continuous and sudden inventory on the collection receipts books and review by the Internal Audit Department of the concerned authority.
- Ensure that there is coordination and cooperation between the section in-charge of government revenue collection and other bodies at the concerned unit. There should also be coordination between the project management and the procurement and financial affairs management at the government unit in the case of a payable (due) delay penalty against the suppliers or contractors.
- Addition of government revenues that have been collected to the general revenues of the State according to the Public Budget Classification Manual.
- 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 government unit 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.
 - Ensure that the receipts that have not been used are canceled and signed by the collector and his manager and that both the original and pink copies are returned back the Ministry of Finance .
 - 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.
 - Conduct an accounting audit on the total particulars of each type of revenues in the light of the daily collection statements through cross-check and compare the result to the amount stated in the total column in order to verify the matching totals.
 - 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.

- Examination of some cases of taxes, fees and other revenues for the purpose of verifying that the pegged amount has been calculated in accordance with the established categories .
- 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 carry out an administrative investigation to find out the reasons for such missing .
 - Ensure that the competent accountant at the government unit 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 unit 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 as reflected in the circulars issued by the Ministry of Finance, as follows:
 - The value of the cheque has been recorded in red ink in the column (bank deposit) on its relevant side in the cash content record; where the balance's column is adjusted accordingly. At the same time; ensure that the cheque details have been entered under cheques record that are filed in the same ink to indicate that this cheque has been returned from the bank uncollected.
 - In case the cheque has been satisfied and sent for collection, ensure re-entry of the details pertaining to the cheque in the entry record of incoming cheques; and its value should be entered in the (bank deposit) in the cash content record based on the deposit date and then get the balance and confirm it in the column allocated thereto in the designed record. Besides, check the account of the interest received on government accounts balances at the local banks on the basis of the daily average balance and verify that the due interests have been remitted on the account at the end of each month to the Ministry of Finance.
- Verify that the revenue collection section at the concerned government unit has no fall-off that may lead to poor outcome and accumulation of arrears. In case it is found that there are arrears of previous years, ensure that the unit has taken all possible measures to collect the such arrears.
- Verify that the process of revenue collection is done at the lowest possible cost and does not involve any excess.
- Ensure the competent accountant undertakes a matching process- every three months - between the government revenues estimated for the government unit 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 government unit received the monthly report prepared by the Ministry of Finance for the last month of the quarterly period .

The audit (control) exercised by the SAI over revenues is a periodic audit performed after the implementation of the audit; i.e. after the completion of all stages and procedures prescribed thereto by the law as from the realization of the revenue till the remittance thereof to the public treasury of the Government.

1) Conformity

To verify the lawfulness, appropriateness and validity of calculating the financial operations and their management; and that the collection of the revenue due to the Government has been performed in accordance with the laws and regulations relating thereto, and collections have been paid to the Treasury Fund and remitted to the relevant bank accounts. This audit addresses the following :

- Study of the management's decisions and actions to identify whether they achieve the goal foreseen by the legislator; and that management has used its discretionary powers to achieve the financial interest of the government.
- Validation of the entries and inclusion of all documents in their relevant accounts and follow-up them in the financial records for the organization of public revenues , whether in general or for each type of public revenues. Ensure also availability of all supporting documents necessary to prove the authenticity and integrity of public revenues generated, collected and remitted; starting from accounting guidance to the closing of these accounts; in accordance with the established legal rules.

2) Lawfulness: Verify the following:

- Conformity of the actions taken by the unit's management (verification/collection/remittance) with the provisions of the applicable legal rules.
- Study of adequacy and efficiency of the relevant legislative texts pertaining to revenues and the extent to which they can achieve the objectives .
- Study of adequacy and efficiency of the specified price and the extent to which the purpose thereof is economically and socially achieved; taking into consideration to maintain the revenue source.
- Procedures for the progress of revenue collections and study of the efficiency and adequacy of the legal rules issued on the organization, imposition and control the revenues under the laws or decisions by the competent administrative authorities.
- Evaluation of these legal rules and assess their integrity including internal controls, internal financial controls and models that govern them; then proposes to amend what deemed necessary thereby of the rules contained in the decisions, financial circulars, models and records in use; that matter that would provide better (stronger) self-control over the revenue processes of all stages (verification/collection/remittance) and prevents misusing them.
- Examine adequacy and efficiency of the management organization followed in the progress of the revenue process and duties dividing.

- Verify efficiency and adequacy of the in-charge staff and good conduct of their duties and their understanding of the nature of the work(s) assigned to them.
- Ensure the regularity of the revenue process progress' stages, period of time they take, identify any potential issues linked thereto and whether they are caused by the applicable rules or by neglect of those in-charge of the work.
- Ensure availability of tight channels of communication between the sections of each department, between them and other departments within the unit and the unit itself and the administrative authorities in other units, especially the Ministry of Finance.
- Verify the integrity of the internal control (audit).
- In the case of use of an automated system , ensure the efficiency of the operating method thereof and its information feeding programs in terms of their reliability, results and their adequacy to achieve the desired goals therefrom.

4.3.1 Stages of the revenue-related financial processes

Stages of the revenue process means: the steps this process passes by of the legal text pertaining to the relevant revenue until it becomes a cash revenue in the public treasury of the government. And between the beginning and ending, the stages passes by this process differ from revenue to another, but there are three stages of a common denominator between all revenues, and they are often separate, overlapping and may be done in the same time. The process of implementation of the public revenues is done in accordance with the following stages :

- **Revenue realization stage:**

A stage under which the amount of revenue is determined in accordance with the legal instrument under which the revenue is imposed on the authorities obligated to payment.

- **Collection stage**

This stage aims to verify the occurrence that has led to emergence of the revenue and identify the revenue accrued against the payer in which the revenue due is collected from the paying authorities. The collecting is made in cash, by cheques, bank transfers or any other method of bank payment such as credit cards or via the Internet.

- **Remittance stage**

It is the last stage of the revenue process, and is embodied in remittance of the amounts collected from the account of the concerned unit or department to the public revenues account opened at one of the accredited banks. After verification of accrued revenue and determination and of its amount and collecting it from the concerned authorities and deposited in the relevant treasury, the remittance stage begins as mentioned above.

4.3.2 Revenues audit

Before starting the revenue audit process, SAI member should conduct a comprehensive count over the revenues of the unit he is in charge of auditing its revenues according to the specific tabulation of the budget; whether those revenues are collect directly by that unit or by another unit, and there should also counted the revenues collected for other units. Once the count is done, SAI member should start carrying out the audit procedures over the financial operations relating to public revenue of their three stages (verification/collection/remittance). For the fact that all categories of revenue have the same general rules that govern the audit of the revenue process of its three stages , procedures of all revenue categories will be addressed in the manner specified below:

4.3.2.1 Audit during revenue realization stage

Whereas this stage represents the occurrence creating the revenue, auditing this stage is the first step to start development of references for the public revenues. During this stage, the size of the revenue owed to the Government by the natural or legal persons based on the creating the revenue as a fee, fine or any other type of revenues in the light of the legal rules and provisions governing each type of revenue. It is worth mentioning that the occurrences creating the public revenue vary depending on the type of revenue and the administrative bodies that collect such revenue and the legal and regulatory rules that govern each type .

Therefore, SAI member should - while searching in the documents of each occurrence- to focus on the following essential issues:

- Count of legal texts that have imposed the revenue and examine the legal basis issued to organize each type of revenues, taking into mind that the organizing tool has been either issued by virtue of a law or an executive regulations (as is the case for fees and taxes), administrative decisions or contracts issued under a law stipulating authorization of a particular unit to organize such revenue (as is the case in the sale and rental of property , services, investments, loans and others.)
- Verification of the availability of the conditions and restrictions set by the legal instrument in the occurrence creating the revenue; and the procedures to be adopted in this regard.

- Count of documents relating to the revenue under audit such as documents, records and other information sources to determine their scope and content to ensure their integrity and authenticity.
- Verify the legal capacity of the employee entrusted for the verification process and ensure lawfulness of the tasks assigned to him to ensure the validity and lawfulness of the verification process.
- Examination of the rules of internal control (audit) internal financial control (audit) in all processes and detailed stages the public revenues realization processes pass by in the manner that ensures their validity so that the same employee should not hold in the same time the two capacities of execution and audit (control), supervision, or more than one stages of the revenue (verification, collection and remittance).
- Ensure the lawfulness of the realization of each revenue by examining all supporting documents and papers in order to verify the lawfulness of accrued revenue account in accordance with the established legal terms and conditions.
- Verification of procedures for estimating or determining the revenue to be claimed.
- Audit the amounts excluded from the revenues and identify the reason for the earlier addition then the cause of exclusion and that it was approved by the competent authority.
- Ensure nonexistence of any illegal exemptions where all exemptions should be approved by the competent authority.
- Examination of revenues collected in the light of any amendment made to a previous revenue or to make any new revenue.

4.3.2.2 Audit during collection stage

After completion of the audit on the occurrence creating the revenue and identification of the revenue accrued against the payer, the revenue collection audit takes place. At this stage, the competent public authorities would collect revenue entrusted thereto by the law within the fixed periods of time and dates and in accordance with the means of collection specified to each type of these revenues; and initially deposit them in the accounts designed for this purpose at the collection authorities. SAI audit at this stage should focus on the following:

- Verification the validity and lawfulness of the collection procedures according to each type of revenue.
- The payer should settle the amount of the revenue accrued against him.
- Ensure that revenues are collected in the time specified by the laws and regulations related thereto.
- Check the canceled (receivables) receipts and the reason for cancellation, whether they have been used before cancellation or whether the original copy of the canceled receipt has been kept and ensure such cancelation has been approved by the competent authority.
- Ensure that the collections are remitted for the account of general revenue in the bank on the fixed times.

Payment is usually made by one of the following methods:

- Payment to the treasurer for the payment receipt.
- payment by deducting from the payment voucher of the amount owed on the payer.
- Payment by drawing from the insurances deposited by the payer to meet the revenues.
- Payment by credit card or via the Internet.

The audit vary according to the method of collection as explained below:

1 Auditing the collection process by the treasurer for payment receipt:

Under this method, the payer should settle the revenue earned in cash directly to the treasurer for a receipt showing the name of the person who made the payment, the type of revenue, the date of payment and the name of the treasurer coupled with his signature and stamped with the seal of the concerned authority. Audit of this type of revenue is performed in two phases:

- **Auditing the validity of the collection method procedures:**

At this stage, a comprehensive count is performed over of the books of receipts, monitor the process of printing them and count them and their serial numbers and the way of distributing them to the competent authorities and method of use. Audit process starts once the concerned unit has identified its relevant needs of these books and issuance of permission to print them from the competent authority; including the printing process, supervision and to the delivery of the quantity of the printed books to the unit for it to distribute them to the competent authorities and return them after use.

- **Auditing treasury registers and sudden inventory:**

At this stage, an audit is performed over different registers and financial statements prepared by the treasurer to adjust the amount of cash received and deposited in the treasury. SAI member should also make spot check visits to the fund to audit amounts of cash in the treasury and match them with what is recorded in the entries, match the used receipts to those in the bank remittance statements, ensure there is no leak of any receipts of the books delivered to the treasurer and the follow-up of arrears of revenue and actions taken to collect them.

The procedures referred to are relating to receipts which are prepared manually. But in the case of use of computer in issuing payment receipts, the audit process is performed in the light of the outcome of the examination and study of the computer program in terms of the linkage between the stages of implementation of revenue and how it relates to the financial system. And thus determination for setting up audit controls will be based on the examination and study.

2 Audit of collection by deducting from payment vouchers

This is performed when a payer has a due amount at the concerned unit; and at the same time this payer has to pay an amount due to that unit or the government as a penalty, fine, compensation, premium receivable or other amounts; so in such cases; there should be issues payment voucher in the amount owed to the payer and deduct from this amount the portion payable thereby to the unit and remit the deducted amount to the relevant revenue account. In this case, SAI member should audit the amount of deductions and verify their lawfulness and integrity of the way for counting them; then ensure remitting them to their relevant account in the revenue account.

3 Audit of collection by withdrawing from insurances deposited by the payer to meet revenues

In some cases, for the purpose of speeding up and simplification of procedures, payers would deposit amounts in the accounts of the concerned unit as insurance from which some amounts are withdrawn when the revenue is realized, as is the case for some persons who are dealing on an ongoing basis with the Customs Department (Audit procedures and controls are set up in the light of the outcome of the test performed to computer systems used thereon).

4 Audit of payment by credit cards or online

In case of acceptance of payment by credit cards or (online) via the Internet (the audit procedures and controls are set up in light of the mechanism of collection procedures of the financial institutions with which an agreement has been made this regard (banks, credit institutions) and in accordance with the provisions of the Electronic Transactions Act.

General provisions for collection

At this stage, SAI member should ensure the following:

- The government unit has taken the actions necessary to impose taxes and fees; and to amend and cancel them.
- No government unit 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 government unit to collect all amounts due to them as revenue and within the dates specified in the laws, royal decrees, regulations, decisions, contracts, etc.
- No government unit 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 government unit 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 government unit has commissioned another government unit 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 government unit -, 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 government unit with the provisions of the Financial Law and its Executive Regulations related to the collection of bank cheques.
- Ensure compliance by the government unit 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 competent accountant in the government unit 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.
- Compliance by the government unit with the provisions of the Financial Law and its Executive Regulations related to the insurances required for collection.

4.3.2.3 Audit during the remittance stage:

SAI audit is not limited to revenue collection , but also covers to same extent the remittance stage and add the collected amounts to the account of the public revenues determined under the financial instructions in force under which the possession of money is accounting-wise and actually transferred from the scope of possession and supervision of institutions that have collected them to the scope of possession of the public treasury of the government. Consequently, the collection authorities would not be able to perform any act or move to the

accounts of these funds , which were deposited in accounts in their name or with funds at their disposal, whatever the purpose thereof.

General provisions of remittance:

At this stage, SAI member should ensure the following:

- Compliance by the government unit 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 competent accountant in the government unit 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.
- Ensure that the Ministry of Finance keeps records in which it enters the estimated revenue for each government unit according to the content of their own budget , and the revenues that have been collected and remitted, according to the classification of the public budget.

4.3.3 Audit procedures for certain types of revenues

At this stage, SAI member should ensure the following:

- 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 government unit has referred to the number and date of voucher payment under which the payment was made.
- Compliance by the government unit - 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 government unit 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 government unit.
 - Any other way to be agreed upon between the exporting government unit and the Ministry of Finance .
- Failure by the government unit 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 government unit'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 government unit by including it in its own budget.
- Ensure that the government unit 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 be sealed bid to ensure soundness of sales procedures .
 - The announcement of the sale has been in accordance with the above-mentioned requirements.
 - There have been observed all basis and rules in determining the base price as mentioned above.
 - The sale has not been retailed in order to avoid the above-mentioned provisions.
 - 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.

4.3.4 Audit procedures related to the due revenues uncollected:

At this stage, SAI member should ensure the following:

- The competent accountant should undertake to:
 - 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 government unit 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 government unit 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 government unit and to provide a copy thereof to the Ministry of Finance.
- Ensure the government unit 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 government unit in remitting the revenues collected thereto.

4.3.5 Audit procedures in the case of expiration of the personality of the revenue debtor:

At this stage, SAI member should ensure the following:

- Compliance by the competent 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 competent 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 competent accountant to take all necessary actions to protect the rights of the government unit in the event of death, liquidation or bankruptcy of the debtor.
- Compliance by the competent 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 government unit 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 government unit 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.

4.3.6 Audit procedures for the revenues which are settled by installment

At this stage, SAI member should ensure the following:

- Ensure that the installments 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 installment or advance determined by the government unit; and that the installment process is approved by the minister or head of the concerned government unit 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.
 - Installments should be paid on a semi-annual or monthly basis as per the necessity and credits.
 - Years of installment should not exceed the number of years for which the original amounts payable by the concerned person have been accrued. The competent undersecretary of the concerned ministry may - in the cases of extreme necessity - increase the number of years of installments.
 - The debtor installments applying for installment has submitted, within fifteen days from the date of notification of the decision approving the installments request, the insurances or guarantees acceptable by the government unit in the value of all amounts owed by him and unpaid, on condition that this insurance should be valid throughout the duration of installments until completion of payment in full.
 - Compliance by the debtor applying for installment 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 government unit at the end of January and June of each year.

- Compliance by the government unit with the following installment procedures:
 - The government unit should study the installment request to ensure it meets the conditions listed above; and issuance of a decision by the competent Undersecretary - after approval of the Minister - approving the installment payment; coupled with the payment schedule (plan).
 - Notify both the debtor and the Ministry of Finance of a copy of the installments decision.
 - The concerned department of the government unit should follow-up payment by the debtor of the installments and the yields in the deadlines and take the necessary procedures - set forth in the relevant article of the Financial Law and its Executive Regulations - in the event of failure by the debtor to pay.
 - The competent Undersecretary should - upon the submission of the relevant department - cancel the installments 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 installments 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 .

4.3.7 Audit procedures when remising the due revenues

At this stage, SAI member should ensure the following:

- Ensure that remising the taxes, fees, debts or other amounts are done as follows:
 - Remising has been solely made to the amounts actually owed to government the unit by the debtor government.
 - 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 competent Undersecretary of the concerned ministry government - based on a memorandum prepared by the competent department of the government unit – 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 government unit has canceled 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 government unit has canceled 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.

4.3.8 Audit procedures when exempting the due revenues

At this stage, SAI member 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 government unit 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 government unit should observe the following exemption procedures:
 - The legal representative of the company or establishment should apply for exemption to the government unit 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 competent department of government unit 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 competent 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 government unit has taken the necessary actions for the following:
 - Assessment and collection of the taxes and fees due for the government unit.
 - Collection of debts and other amounts due for the government unit.
 - 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.

4.3.9 Audit procedures when waiving recovery of the salaries paid unlawfully:

At this stage, SAI member 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 government unit 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 competent departments of government unit 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 government unit should present the applications to competent minister to approve acceptance or rejection of the waving application.
- The government unit 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 competent 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 Supervising Minister of the Ministry of Finance or his authorized representative, the Ministry of Finance should notify the government unit of such approval.

4.3.10 Audit procedures for the loans obtained by the government

At this stage, SAI member should ensure the following:

- The Borrowing Committee formed by the Ministry of Finance should - before the conclusion of any contract or agreement for a loan from a third party - to study the following:
 - The appropriate conditions to obtain the loan , taking into account the prevailing conditions in the global, regional or local credit market, as the case may be, and at the same time minimizing the burden of public debt.
 - Guarantees for repayment of the loan , on condition that such guarantees should be identified by observing the laws and regulations in force.
- The Borrowing Committee should present its proposals to the Supervising Minister of the Ministry of Finance or his authorized representative for approval.
- The Ministry of Finance should conclude a contract or a loan agreement with the lender , provided that the contract or agreement should include the basic terms and conditions , warranties and other provisions governing the loan.
- The Ministry of Legal Affairs should review the contract or loan agreement if it has resulted in creating financial obligations on the State exceeding Omani Riyal Five Hundred Thousand.
- Ccompliance with the provisions of Royal Decree No. 48 / 1976 at the signing of the loan contract.

4.3.11 Audit procedures for the revenue stamps

They are those stamps issued by the Ministry of Finance under specific categories for use in the collection of fees and other revenues which the Undersecretary of the Ministry of Finance decides to collect through revenue stamps after coordination with the concerned government unit.

Each concerned government unit should collect the value of these stamps in cash from the transactors directly without need for a remittance permission or receipt in return for the determined fees and revenue. The government

unit may not discontinue the use of the revenue stamps in the collection or use of certain categories of them unless approved by the Undersecretary of the Ministry of Finance .

At this stage, SAI member should ensure the following:

- The Directorate General of Income at the Ministry of Finance should determine the annual needs of revenue stamps for the government units in terms of their numbers or categories.
- Availability of adequate balance of revenue stamps - continuously – in the Directorate General of Income at the Ministry of Finance to cover the needs of governmental units for a maximum of three years; and a minimum of a year and a half.
- The Directorate General of Income at the Ministry of Finance should take the necessary actions to provide revenue stamps in accordance with the applicable rules , if the balance has reached the minimum limit referred to above.
- The delivery of revenue stamps has been done through a committee formed by a decision from the Director General of Income at the Ministry of Finance , and this Committee has prepared a delivery record, according to **the Record of the Committee for Delivery of Revenue Stamps Form** , and that the record has been signed by the Chairman of the Committee and its members and approved by the Director General of Income at the Ministry of Finance.
- The Director General of Income at the Ministry of Finance should have appointed an employee of the Miscellaneous Revenues Department to be responsible for the keeping of the revenue stamps.
- The government unit 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**.
- The Directorate General of Income at the Ministry of Finance should have reviewed the study and determined the value of custody of the stamps that are approved and issued by the Director General; and should have notified the government unit of the same.
- The employee responsible for keeping the stamps in the Miscellaneous Revenues Department at the Ministry of Finance should have issued to the representative of the government unit after having signed the issuance application so as to acknowledge receiving the revenue stamps.
- Ensure delivery of the stamps to the treasurer of the government unit to be kept in the treasury after his signature on the 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 competent employee should have sealed the revenue stamps in the same seal (stamp) of the government unit when used.
- Ensure that the government unit has remitted the proceeds from the sale of stamps to the Ministry of Finance.
- Ensure that the government unit reimburses the value of the sold revenue stamps whenever the balance remaining to it reaches fifty percent of the custody authorized to be issued for the unit.
- Ensure that the government unit 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 government unit; showing that:
 - The copies of the documents are identical to the original documents kept by the government unit.
 - 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 use 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:
 - **Ministry of Finance (Miscellaneous Revenues Department)**
 - Revenue Stamps Custody Record; in which should be included –regularly- the value of stamps received and issued for the government units, the records returned therefrom and the balance of each category.
 - Ensure the government unit has matched between the balances based on this record and the remaining balances based on the actual inventory and it should have notified the Department of Public Accounts at Ministry of Finance of the result.
 - **The Ministry of Finance (Department of Public Accounts)**
 - A special account in the name of the concerned government unit – to be in the register of the general ledger accounts – in which should be included the value of revenue stamps issued to it as a custody.
 - A regulatory account for all open custody accounts with the department.
 - Ensure that the overall regulatory account balance – and in all cases – is identical to the total balances of revenue stamps custody, whether with the government units or the Department of Miscellaneous Revenues at the Ministry of Finance.
 - Ensure that the department has matched between the balances of the custody accounts in the register of the general ledger accounts and the balances in the light of the details and information provided either by different government units or the Department of Miscellaneous Revenues at the Ministry of Finance.

In all cases, ensure that the Ministry has conduct the matching set forth above at the end of the Marchs, Junes, Septembers and Decembers of each year.

- **Government units**
 - 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 government unit 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 Minister of the concerned government unit or his representative, should have authorized an employee of the Internal Audit Department in the government unit 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 government unit 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 competent 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 government unit.

- Ensure that the competent 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 competent 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 government unit 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 government unit 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 of 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 government unit 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 government unit 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 government unit to avoid this in the future.

4.3.12 Audit procedures for tax revenues

4.3.12.1 Introduction

Taxable income

A taxable income is the total income earned by any taxpayer from any activity from sources inside or outside the Sultanate and it includes all profits or gains realized from practicing the activity of any kind, including capital gains and any causal income from which the deductible expenses are deducted in accordance with the Law and any exempt income under the Law or other laws.

Taxpayers

- An individual establishment owned by a natural person alone; be it Omani or foreign and practices in the Sultanate a commercial, industrial or professional activity independently.
- An Omani company incorporated in the Sultanate according to the Omani legislations, whether it is a civil or commercial company or otherwise.
- A permanent establishment of a foreign person who practices the activity in the Sultanate through a fixed place either directly or through an agent thereof; and there should be considered similarly the practice by any foreign person to perform consultancy services or other services in the Sultanate for a period or periods not less than 90 days in a 12 - month period .

4.3.12.2 Relevant laws and legislations

- Income Tax Law
- Executive Regulations of the Income Tax Law
- Rules for Collection of Taxes, fees and other amounts.
- Relevant administrative circulars and decisions.

4.3.12.3 Deductible expenses

They are all the expenses incurred for the purpose of realizing the gross income; whether such expenses are paid or payable which relate to the tax year.

SAI member should ensure not to deduct the following expenses:

- Expenses not associated with realization of the gross income.
- Allowances and provisions other than the provisions for loan losses in respect of banks and other financial institutions authorized to engage in banking in the Sultanate and some of the technical provisions for insurance companies.
- Capital expenses except those which are deducted in accordance with the Law.
- Expenses associated with realization of the tax-exempt income in accordance with the Law or any other law.
- Income tax payable or paid in the Sultanate or in any other country.
- Costs or loss if the costs have been recovered or if the loss has been compensated under a contract, insurance policy, judgment by a court of the law or other.
- Loss arising from the disposition of securities listed on Muscat Securities Market.
- Any amounts deemed by the Secretariat General for Taxation to be unreasonable by reference to the value of the services rendered or any other considerations relating to such services.

4.3.12.4 Tax-exempt income

- Dividends received by the business establishment, Omani company or permanent establishment from the share, allotments or shareholding it owns in the share capital of any Omani company.
- Profits or gains from the disposal of securities listed in Muscat Securities Market.

4.3.12.5 Rules for carrying forward of losses

- Loss incurred may be carried forward and deducted from previous years to following years for a period of no more than 5 years commencing from the end of the tax year in which the loss is incurred. However, no loss may be deducted or carried forward if such loss was incurred from practice of an activity exempted from tax under the Law or any other law with exception of what is provided for in the following paragraph.
- In the case of any business establishments or Omani companies that are granted a temporary exemption, their net loss incurred may be carried forward and deducted during the first five years of exemption from the exemption period to any number of tax years until the whole amount of such loss is set off.

4.3.12.6 Tax rate

The tax rate on an Omani establishment, company or permanent establishment is 12% for an amount exceeding the first OMR 30,000 of the taxable income, and 55% on those engaged in petroleum exploration in respect of the income derived from the sale of oil.

4.3.12.7 Registration

Every taxable should undertake to register at the Secretariat General for Taxation at Ministry of Finance by providing the information related thereto in the form designed for this purpose and within three months of its inception or start of the activity, whichever occurs first, except the business establishments and Omani companies that meet the conditions prescribed in the Executive Regulations of the Law; and if they fail to meet these conditions, a fine may be imposed thereon of no more than OMR 2,500.

4.3.12.8 Returns of income

- The Law enjoined on all taxable income to provide two returns of income for any taxable year to the Secretariat General for Taxation on the forms prepared for this purpose during the dates specified below and pay the due tax accordingly, namely:
 - A provisional return that should be submitted within three months of the end of the accounting period relating to that tax year.
 - A final return that should be submitted within six months from the end of the accounting period relating to that tax year, and should be accompanied by audited accounts from an auditor legally licensed to practice accounting and auditing profession in the Sultanate.
- The Law has excluded business establishments and Omani companies from filing returns of income or audited accounts if they meet the conditions determined by the Executive Regulations of the Income Tax law.
- The Law permits imposing a fine of not less than OMR 100 and not more than OMR 1,000 in the case of failure to submit the provisional or final return of income in the deadline fixed to each, and also permits imposing a fine in the case of failure to declare the actual income in the return of the income by 25 % of the tax difference between the actual income and the income stated in the return.

4.3.12.9 Tax assessment

The Secretariat General for Taxation undertakes to make a tax assessment on any taxpayer who is obliged to provide the return of income in accordance with the Law within five years from the end of the tax year during which the final return of income is submitted. In the case of failure to make the assessment during this period, the tax taxable income or the loss stated in the return of income should be considered as an assessment, and in the case of the submission of the final returns, the assessment should be made within ten years from the end of the tax

year for which the return should be submitted.

The Secretariat General should declare the assessment to taxpayers by written notification to their last address known to it, and should include in particular the amount of the taxable income or loss, its date, the amount of the payable tax and due date for payment thereof.

4.3.12.10 Tax dispute

- The law grants any taxable the right to object before the Secretary General for Taxation on the tax assessment or on any decision that may be disputed according to the Law within 45 days from the date of being notified of the assessment or decision. The Law also permits the taxpayer if not satisfied by the decision issued by the Secretary General to adjudicate in the objection to appeal before the Income Tax Committee formed by the Ministry of Finance within 45 days from the date of announcement of the decision.
- The Law permits taking legal force by filing a tax lawsuit before the competent Court of First Instance to appeal against decision issued by the Commission within 45 days from the date of begin notified of the Committee's decision. The Secretariat General for Taxation and the taxpayer have the right to appeal against the judgment issued by the Court of First Instance by way of appeal before the Court of Appeal and then appeal it before the Supreme Court.
- Hearing the tax case and adjudicating it before the judiciary should be subject to the provisions of the Civil and Commercial Procedures Law in respect of any clause in which no special provision is stated in the Law.

4.3.12.11 Payment and collection of the due tax

Taxpayers are required by the Law to pay the due and payable tax either in the light of the provisional or final return of income or to make assessment in the times fixed by the Law for each, as non-payment of the tax should result in the following:

- Imposition of an additional tax of 1% per month of the value of the unpaid amount of the tax due and payable and is calculated for the period from the due date of the tax to the date of payment thereof.
- The tax should be paid by way of forced collection by following the procedures determined for the administrative enforcement under the Rules for Collection of Taxes, Fees and the Other Amounts Due to the Units of the Administrative Apparatus of the State.

4.3.12.12 Refunding the tax paid in excess

According to the Law, taxpayers have the right to refund the tax paid in excess during any time within 5 years from the date on which the tax year ends during which the right to refund tax is established; by an application to be submitted by that taxpayer to the Secretariat General. Failure to submit the application in the specified time should result in waiving that right.

4.3.12.13 Exemption from tax

- Income realized by Omani companies or establishments from exercising marine transport activity.
- Income realized by any foreign person from exercising marine or air transport activity on condition of equal treatment.
- Income realized by investment funds originated in the Sultanate according to the Capital Market Law or the funds that originated abroad to deal in the Omani securities listed on Muscat Securities Market.
- Income realized by Omani business establishment or companies from practicing its main activity in the fields of industry, mining, export of products that are locally manufactured or processed, operation of hotels and tourist villages, farm production and products processing, fishing, fish

processing, fish farming, fish breeding, university education , colleges, supreme institutions, private schools, kindergartens, training institutes and colleges or medical care by establishment of private hospitals. Exemption of such institutions or companies should be for a period of five years starting from the date of commencement of production or practicing the activity - as the case may be – and this period may be renewed , if necessary, for a period not exceeding five years in accordance with the rules decided by the Financial Affairs and Energy Resources Council.

- Exemptions may not apply unless by a decision to be issued by the Supervising Minister of the Ministry of Finance and in accordance with the applicable conditions and rules and by observing the procedures prescribed by the Executive Regulations of the Law.

4.3.12.14 Withholding tax

- According to the Law, tax is imposed on certain types of income realized in the Sultanate by and foreign person who has no permanent establishment situated therein, namely:
 - Royalties
 - Consideration for research and development.
 - Consideration for the use of or right to use computer software.
 - Fees in return for management.
- Any taxpayer should be liable to deduct tax from the gross amount paid or credited and shall remit the same to the Secretariat General not later than 14 days from the end of the month in which that amount has been paid or credited; on the form designed for this purpose.

4.3.12.15 Taxpayer's rights

- The Secretariat General for Taxation and all of its staff should maintain the confidentiality of documents, data and information of any taxpayer.
- The taxpayer has the right to determine the first accounting period of not less than 12 months or exceed this period up to a maximum of 18 months; and may change the date on which the accounting period ends in the course of the activity after obtaining the approval of the Secretary General for Taxation.
- It is permissible to pay the taxes due and payable in installments according to the conditions, rules and guarantees prescribed by the Executive Regulations of the Law.
- Exemption from the additional tax- which becomes due for the delay in payment of tax due and payable in the deadline to repay them - wholly or partly in accordance with the rules prescribed by the Executive Regulations of the law.
- Refund the tax paid in excess during the five years from the end of the tax year during which the right to refund is established.
- Carrying forward and deduction of loss deduction for a period of five years from the end of the tax year during which the loss is incurred.
- The right to correct or revise the assessment if the original assessment contains a mistake within five years from the date on which it was made.
- Dispute over the assessment made by the Secretariat General for Taxation to determine the amount of tax; starting from the objection before the Secretary General for Taxation and then appeal before the Income Tax Committee and finally taking the legal force (before a court of the law).
- Omani business establishments and companies which have branches outside the Sultanate and have paid foreign tax abroad preserve the right to deduct this tax from the tax due on their income in the Sultanate .

4.3.12.16 Taxpayer's obligations

- Registration at the Secretariat General for Taxation, file returns of income and payment of the tax due and payable on the dates specified by the law.
- Preparation of accounts associated with the final return of income by using the accrual basis followed in financial accounting, with the exception of those (taxpayers) permitted by the General Secretariat to follow other accounting basis.
- Maintenance of accounting records and books in Omani Riyal and may be maintained in foreign currency if permitted by the Secretariat General for Taxation.
- Keeping of all accounting records, books and documents from which the accounts are prepared to be submitted with the tax return for a period of at least ten years from the end of the accounting period to which they relate.
- Responding to the request of the Secretariat General for Taxation during the period specified thereby in the notification for submission of the information, statements, documents, accounts, accounting records or others that relate to the tax liability of the taxpayer and of any other person subject to tax.
- Deduction of withholding tax from the amounts paid by the taxpayer to any foreign person who does not have a permanent establishment in the Sultanate, which are subject to this type of tax and remit this tax to the Secretariat General for Taxation in the date specified by the law.

4.3.12.17 Audit (control) procedures

- Identify a company's activity and ensure it has presented its budgets, final accounts and tax returns in the dates specified by the Income Tax on Companies Law.
- Ensure that the final accounts are audited by a chartered accountant.
- Review returns and match them to the final accounts.
- Verify that the provisional return of income has been submitted within three months from the date on which the fiscal year of the company ended and that the annual return of income has been submitted within six months from the date on which the fiscal year of the company ended.
- In the cases of non-submission of the return of income or non-payment of the tax within the prescribed periods, ensure that there is imposed an additional tax on the company for the period of delay.
- In the case of extension of the period for filing of returns of income, there should be obtained an approval thereof from the Secretary General for Taxation.
- Check the budget and final accounts to verify the following :
 - Calculation of depreciation of capital assets has been made in accordance with the provisions of the relevant article of the Income Tax on Companies Law.
 - The amount allowed for deduction as the salary of a joint partner is proportionate to the net profits earned.
 - Approval by the competent authority (Director of Tax Affairs) on the deduction of amounts incurred by the company during the tax year in order to provide pension salaries or make benefits for the employees leaving the service.
 - Verify validity of the bills paid in the light of the banks notices/receipts.
 - Ensure that no increase should be allowed to the contributions deducted by 1 % of the gross income; and ensure that the contribution has been offered to bodies approved by the Financial Affairs Council.
 - No deduction should be allowed to the value of any tax imposed that has been already paid.
 - Expenses should be deducted only within the limits determined by the Law and such expenses should be necessary to produce the income.
 - Capital expenditure should not be reduced on the assets of taxable income.

- Non- recovery of the losses that have hit the assets and were deducted on the tax revenue.
- Ensure validity of the tax treatment in respect of losses and sale of capital assets.
- Follow up the actions taken in respect of the issues that have already been raised by the Secretariat General for Taxation with the Ministry of Finance, which are still under study or that need to be revised and the legislation, etc.. Ensure as well that the working papers file is coupled with copies of letters and correspondences made between the two sides on these topics.

4.3.13 General phenomena of observations that may result from examination of revenue

- Non-inclusion of some revenue and failure to collect some dues.
- Non-compliance with the provisions determined to the preparation and implementation of budget, audit and internal control on revenues.
- Reduction of some revenues without legal basis or exemption from certain receivable revenue.
- Imposition and collection of fees without coordination with the Ministry of Finance.
- Failure to observe the development of non-oil revenues in accordance with the recommendations of the Omani Economy Future Vision Forum.
- Error in the accounting guidance for certain types of income received.
- Existence of many of the outstanding revenue receivable.

5. Audit of accounts receivable and payable (intermediate accounts)

5.1 Definition

They are intermediate accounts that are required by the nature of course of financial processes and requirements of the public utilities management, and aim to protect the public or private money that are placed at the disposal of the departments for the purposes prescribed by the Law or for other purposes unrelated to the accounts of the public budget.

These accounts are also defined as:

Intermediate and personal accounts, and are carried forward from one year to another until they are settled; where all departments should regularly follow up the settlement of these accounts without delay and mitigate their inflation in avoidance of their negative effects on the items of the public budget.

5.2 Characteristics of the extra-budgetary accounts

Through the definition, these accounts have the following characteristics:

- Amounts of these accounts are not included within the items of the budget , because they are not considered -as they arise- as an expense or income. There are specific procedures that should be satisfied before entering some in the revenue accounts or expense accounts.
- They are personal accounts and therefore are not closed in the closing account at the end of the year, yet carried forward from one year to year until they are settled unlike the budget accounts (revenues and expenses) and they are nominal accounts that are settled annually by closing them in the final account.
- These accounts remain open until the end of their purpose or due to negligence in the settlement procedures thereof.

5.3 Accounts receivable and the provisions regulating them

Extra-budgetary accounts are divided into four main sections:

Settlement of accounts receivable, settlement of accounts payable, current accounts and financial accounts. The following is a definition of each section of them and the rules governing them:

5.3.1 Accounts receivable

They are the accounts receivable in nature, often representing one of the extraordinary method to finance certain urgent expenses, petty cash or those related to other purposes required by the proper functioning of public utilities on a regular basis. The primary purpose of the use of such accounts is to provide financial resources for the administrative units for use in quick provision of some of their needs and within certain limits or to pay amounts on account for the performance of some official duties or to meet other conditions specified in the grant decisions; and include all amounts paid by the government departments and settlement thereof is dependent on particular procedures.

5.3.2 Types of accounts receivable

Settlement receivable accounts can be classified as follows:

- Petty cash imprest
- Imprest on the account of travel missions
- Temporary special advances
- Imprests for technical production
- Imprests payments to contractors and suppliers
- Refundable deposits

- Documentary credit
- Cash with collectors
- Returned cheques under settlement
- Payments under settlement

These accounts can be classified to main categories under which come the accounts contained in the manual referred to; and any other accounts that have been developed or would be developed later, as follows:

Employees' loans and imprests:

They are advances paid to employees for the certain purposes and cases authorized by the applicable rules and the rules for their payment, use and settlement. They include:

- **Imprest on the account of travel missions**

This account is used to record the amounts paid to the delegates on official (business) mission outside the State for the purpose of providing cash in their possession to pay their travel expenses in the light of the rules for granting and settlement of these advances.

- **Leave salary paid in advance:**

This account is used to record the salaries paid in advance pursuant to the provisions of the relevant article and settled within the monthly payroll in the months for which they are paid until the end of the leave.

- **Auto loans**

This account is used to record the amounts paid to staff of the units which their rules permit payment of such advances; for the purpose of buying their own cars; without prejudice to the rules and controls prescribe in these rules.

- **Housing loans**

This account is used to record the amounts paid to employees in the units which their rules permit payment of such advances; for facilitating purposes so that employees can build their own houses.

Permanent imprest

It is an advance paid for the purpose of providing materials or performing urgent or necessary services for the benefit of the entity, including:

- **Petty cash imprests**

This account is used to record the amounts paid to some departments and sections of the unit in the custody of one of its employees in order to facilitate its business through the purchase of materials or services or perform the urgent or necessary activities. These imprests are paid at the beginning of each fiscal year and are reimbursed during the year whenever the total disbursement thereof is about to reach a certain percentage of their value as determined by the rules. They are settled at the end of each fiscal year, and re-disbursed at the beginning of the following year when needed.

- **Imprests for foreign offices in embassies attaché**

This account is used to record the amounts paid by the government unit to other government units (such as the representation missions abroad, cultural offices, health offices, etc.) in order to provide materials from abroad or doing services for the benefit of the government unit. Amounts expensed for this purpose are reimbursed periodically or as per the procedures applicable in the government unit that possesses the imprest.

Temporary imprests

These imprests are paid to some employees or other bodies to purchase materials or perform certain businesses or services due to failure to make direct payment by deducting from the appropriations of the budget items in light

of the provisions of the Financial Rules. They should be settled upon the satisfaction of the their purposes; and they including the following:

- **Private temporary imprest**

This account is used to record the amounts paid to some departments and section of the unit in the custody of one of its employees in order to provide liquidity that would enable them to buy some valuable securities (such as fuel vouchers, postage, etc.), and are settled upon receipt of the purchased valuable securities.

- **Technical production imprest**

This account is used to record the amounts paid to some departments and section of the unit in the custody of one of its employees or those paid other units to pay therefrom for the rewards and supplies of the technical production for a specific project in the light of the rules in force. They are settled upon the completion of the relevant technical production project.

- **Advance payments to contractors and suppliers**

This account is used to record the amounts paid to contractors and suppliers who have contracts with the unit to execute works or supply of materials or performance of certain services in order to provide liquidity that would enable them to carry out the contracted work or pursuant to the contractual terms and conditions or in the case of delays in delivery of the supplied materials and the executed works. They are settled out from the dues of the contractors upon satisfaction of disbursement's terms and conditions in the light of the rules in force thereon.

6. Auditing and Examining Final Accounts

6.1 Final Accounts of Government Units

6.1.1 Definition of Final Accounts and Closing Bases

The final account of an entity is the actual result of implementing its budget for an ended fiscal year. It demonstrates the estimated budget appropriation that has been used for the purposes set out and the estimated budget income that has been collected. Therefore, the final account is prepared in the form of the budget.

The amount of actual income and expenses to be included in the final account of a certain year fiscal budget varies according to the different closing bases adopted in this regard. Thus, the scope of annual budget principle for both income and expenses will be affected by the scientific concept and legal framework of the closing bases used for closing the budget accounts. Below are the accepted bases for closing a fiscal year accounts:

Cash basis

Under this basis, the revenue actually collected until the end of the fiscal year and expenditures that have actually been paid from the budget appropriations allocated for them during the fiscal year are included in the final account of the entity. The unspent appropriations during the fiscal year are canceled and allocated again in the budget for the new year when required. For the amounts that have not been collected from the revenue during the fiscal year, the portions of such amounts collected later are recorded in the final account of return for the year of collection.

This basis is characterized by its simplicity and clarity. It helps to determine the outcome of the fiscal year quickly, as it is possible to close the accounts and the prepare the final account immediately after the end of the fiscal year. However, it does not fit as an accurate basis for comparison between the successive years as a result of operations overlap due to the lack of separation between the revenue and expenses of each year. In addition, the basis encourages departments to expedite the expenditure of allocated budget appropriations before the end of the fiscal year, even if they do not have any justifications for expending such appropriations.

Accrual Basis

This basis takes the principle of independency for each fiscal year so that the accounting of revenue and expenses in the financial records is carried out at maturity regardless of the actual date of payment, whether during or after the fiscal year. Thus the final account includes revenues that have been collected, accrued revenue for the fiscal year which have not been collected, the expenses that have been paid, expenses decided to be paid, as well as accrued expenses for the fiscal year which have not been paid during the same year.

Adoption of this basis requires that the accounts remain open for additional complementary period after the end of the fiscal year to allow for the settlement of all outstanding financial operations for the concerned fiscal year.

The basis is characterized that it is valid to be used as a basis for accurate comparisons between the financial results of the successive financial periods as it facilitates the preparation of estimates for the next fiscal year. However, it needs greater efforts and larger number of specialized personnel for the maintenance of detailed and gross payables and receivables accounts in the absence of the appropriate use of computer programs, and thus delay in the completion of the final account.

Adjusted Cash Basis

This basis combines in practice the cash basis and the accrual basis. The final account for the fiscal year includes expenses decided to be disbursed but could not be paid for whatever reason provided that they are deducted from the appropriation items allocated to them and then elevated to settlement payable accounts during the fiscal year, and expenses that have been paid actually from the appropriations allocated to them in the budget during the fiscal year, and revenues collected actually until the end of the fiscal year.

6.1.2 Final Account Preparation Procedures

- The accounts of the fiscal year are closed in 31st December of each year. The concerned department shall prepare its draft final account in accordance to article (493) of the Financial Law and its Executive Regulations.
- The competent authority shall submit the draft final account for the ending fiscal year to the Ministry of Finance by the dates and deadlines listed in the final publication issued by the Ministry of Finance in November of each year.
- The final accounts shall be audited by the internal audit units .
- They shall be handed over to the Minister for approval.
- The final reports approved by the Minister shall be submitted to the Ministry of Finance, including the estimated figures, the actual and adjusted.
- The Ministry of Finance sends a copy of the draft final account to SAI for examination and to submit an annual report on the outcome of examination, pursuant to the provisions of article (38) of the Financial Law and its Executive Regulations and article (10) of the State Audit Law.
- The Ministry of Finance carries out the corrective adjustments before submitting the draft final account to the Financial Affairs And Energy Resources Council that has to be notified about the corrective adjustments which have not been responded to, in order to take any actions it deems appropriate in preparation to submit the draft to His Majesty the Sultan.

6.1.3 Validation of the Figures in the Statements of Final Account

The importance of SAI to audit the final accounts of departments stems from the role of SAI in this regard to provide the senior authorities in the Sultanate with an accurate prospective on how to implement the budget, illustrate the deviations in the implementation highlighting the deficiencies that led to such deviation, and provide an opinion about the safety of funds management under the financial and performance audit.

Below are the audit areas that should be handled by SAI in the final account and the examination procedures for the figures contained therein:

Statements of Budget Accounts (Income and Expenditure)

Statements of Final Accounts related to the budget accounts should include the following data:

- Figures of estimated income.
- original appropriations and their amendments.
- expenses and appropriations after the amendment.
- actual revenues.
- unused appropriations or excess in the expense.
- figures of actual expenditure and revenues for the preceding three years.

To verify the validity of those figures the following steps should be implemented:

- SAI members should request the following documents:
 - Draft budget.
 - The budget approved by the Ministry of Finance.
 - Final statements.
 - Inventory reports, treasury, and imprest or temporary cash, stamps, and bank accounts.
 - equity liabilities of the state.
- Verify whether the final account and reports are prepared as per the bases and conditions of the final account publication and the Financial Law and its Executive Regulations.

- In the event of non-compliance to the rules, articles, and dates of the final publication, and the Financial Law and its executive regulations, an offense shall be issued and included in the report.
- Validate the figures of the original appropriations and estimated income in the final account according to the law and the statements of the approved budget or the decision issued on the budget (as the case may be).
- Validate the figures of the additional and transferred appropriations through referring to the law issued on additional appropriations, and to the decisions issued on the transfers between sections and items of the budget after verifying whether those decisions are authentic, issued by the competent authorities to conduct transfers, and whether transfers were during the concerned fiscal year. Supporting documents should be requested in case of large appropriations.
- Validate the figures after the adjustment of appropriation through addition to or deduction from the original appropriation, according to figures of the additional or transferred appropriation.
- Validation of the actual income and expenditure is carried out through the final figures audited by SAI members. In case the figures in the final account are different from the figures in the summary calculation, the summary calculation should be validated first then the records and documents of the concerned entity should be referred to, especially the closure restrictions made at the end of the year and that should be at focus in order to get the correct figures acceptable in light of the stated closure bases. Ensure also that the expenditure and income have been included in the correct item.
- The actual revenues and expenditures for the previous years (in the statements of final account for comparison) through accepted figures of the final accounts for the years in question.

Statements of Extra - budgetary accounts

Validation of the figures in the statements of extra - budgetary accounts is carried out through the final figures audited by SAI members. In case the figures in the final account are different from the figures in the summary calculation, the summary calculation should be validated first then the records and documents of the concerned entity should be referred to, in order to get the correct figures acceptable in light of the financial laws.

6.1.4 Financial Analysis for Figures of Statements of Final Accounts and Deduction of Indicators and Outcomes

In addition to validating the figures in the final accounts, SAI shall discuss and analyze such figures, in light of the following effects:

- **Statements of Revenues**
 - Compare the actual revenues with the original estimates, in order to know the extent of accuracy in estimation.
 - Discuss the reasons for the increase or decrease in the revenues collected and to what extent they reflect the reality.
- **Statement of Expenditures**
 - Investigate the need for additional appropriations, and verify whether they can be replaced by transfers from the budget sections and items.
 - Examine the transfers between the budget sections and items to judge the accuracy of the estimates by reviewing the rates of the amounts transferred to the value of original appropriations, and whether transfers are due to inaccurate estimates or unexpected circumstances that have arisen after placing the estimates.
 - Compare the actual expenditures from the budget appropriations after the adjustment to know the extent of implementation.

- Examine the disbursement of the budget sections and items appropriations to find out the abuses and irregularities such as:
 - Disburse appropriations prior to obtaining the required permit.
 - Deduct from unrelated items to conceal the abuse.
 - Exclude certain expenditures to conceal the abuse by recording them in the trust account or delaying payment to the coming year.
 - Charge the budget of the current fiscal year for expenses of a coming fiscal year through elevating trusts with amounts deducted from budget items.
 - Verify the number of occupied job grades to ensure that they do not exceed the actual number in the jobs budget.
 - Investigate the execution of the construction projects scheduled during the fiscal year and adherence to the prescribed total costs.
 - Compare the actual expenditures of current year with those of prior years to see trends, reasons for increase and decrease, and justifications.
- **Statements of intermediate accounts (Statements of receivable and payable settlement accounts)**
 - Examine the settlement accounts to know the reasons of their intermediary and of the non-settlement of their amounts.
 - Examine loans and advances accounts and discuss the reason why their balances remain unpaid.
 - Examine guarantee accounts and discuss the reason for not refunding the required amounts.
 - Examine the collaterals and letters of guarantee presented as bonds, to ensure they are valid.
 - Examine the documentary credits opened abroad and agree them to the bank certificates. Ensure whether there are any appropriations which served their purpose but still not settled.
 - Examine the trust amounts deducted from budget expenditures to ensure that they are deducted properly and not used with intention to transfer the appropriations from a fiscal year to another.
 - Examine the custodies to ensure they are not deducted due to lack of appropriation that allow deduction of such amount from concerned items.
 - Examine the procedures taken to settle the amounts in the custody account to ensure the adequacy.
 - Study the development of settlement accounts year by year through referring to the balances of previous years and the activity of addition to or deduction from the remaining balances of previous years, and inspect the causes of inflation (if any).
- **Statement of Current and Financial Accounts**
 - Discuss the adjustments with the Ministry of Finance to determine their validity and to ensure that the competent authority has implemented the adjustments related to the final account.
 - Examine the current accounts with the various departments and directorates and examine the reasons why amounts are still in the accounts and not settled in the budget items of the entity.
 - Examine bank balances and compare them with the certificates of the bank, and audit bank adjustments.
 - Examine the cash accounts in various departments and centers, and compare the statements of the final accounts and the financial records with the records of cash inventory.
 - Examine the government receivable and payable accounts.

6.1.5 Government General Final Account

Government general final account is the actual result of the implementing the government general budget for an ended fiscal year. It shows the estimated appropriations in the budget which has been used for the specified purposes, the estimated revenue that has been collected, and the adequacy of the revenues to achieve spending requirements. It is also an index which shows the achievements made during the ended fiscal year.

Final Account Preparation and Approval Procedures

- The Ministry of Finance, as the competent authority, prepares a draft final account of the state on the basis of the final figures for the final accounts of all government departments, and forward it to SAI, accompanied by the draft final accounts for those departments in mid-April of each year to review it and prepare a report on the results of the final inspection not later than May. The ministry is also responsible for notifying SAI about any adjustments it may make after that date.
- The final account includes the revenues actually collected until the end of the fiscal year as in 31st December of each year, grouped by category, along with a statement of the reasons which led to the increase or decrease of the collected amount compared to the estimated amount.
- The account includes the expenditures recorded in the accounts of the fiscal year, which include expenditures for which payment vouchers have been duly issued , deducted from the relevant appropriations, and paid during the fiscal year.
- The account includes the financial positions for the state accounts at the end of the fiscal year.
- The Ministry of Finance prepares the final account of the state in its final form after making the appropriate corrective adjustments in the light of the opinion presented by SAI in coordination with the concerned authorities, and provide SAI with a copy.
- The Minister presents the final accounts to the Council of Financial Affairs and Energy Resources for consideration in preparation for submitting it to His Majesty the Sultan no later than 1st July of each year. A copy of it is sent to SAI. The schedules of the final account are published in the Official Gazette.

Illustrative and Statistical Data of the General Final Account

the following illustrative and statistical data should be attached to the basic statements of the final account, namely: overall and detailed schedules of the budget accounts (revenues and expenditures), statement of financial position, schedules of extra-budgetary accounts (receivable, payable, current and financial settlement accounts):

- An explanatory memorandum on the results of implementing the budget to describe the reasons and factors that led to the increase or decrease of the collected revenues compared to the estimated collection in the budget, the reasons why certain appropriations remained unused, the causes for excess of expenditure, and the emerging conditions and factors that led to conduct transfers between budget sections items (if any).
- A detailed statement of the financial investments .
- a detailed statement of outstanding accounts.
- bank reconciliations, accompanied with bank certificates and account balances.
- Reports, statements of the funds inventory, cash custodies and advances, and valuable securities.
- Reports, and statements of the funds inventory of goods and fixed assets.
- decisions issued on transfers between budget sections and lines.
- SAI should review the final account of the state and ensure its commitment to and compatibility with the financial law, its executive regulations, the state budget, and the five - year plan (for example, how to deal with the annual surplus or deficit).

- **Validating the Figures of Draft General Final Account**

Final figures of the general final account are validated via the figures of the final closing accounts collected for government departments that fall within the general budget of the government. The validation procedures are as follows:

- **Statements of Budget Accounts (Revenues and Expenditures)**

To validate the figures in those statements, the following steps should be taken:

- Validate the figures of appropriations and estimates in the general final account by comparing with figures of appropriations and estimates contained in the statements of the budgets approved for departments.
- Validate the figures of additional and transferred appropriations and the figures of appropriations after the amendment through comparing them with the total figures of those appropriations and transfers collected for all final accounts for government departments included in the general budget audited by SAI, taking into account the observations and requests mentioned in the initial reports of SAI regarding those figures.
- Validate the actual revenues and expenditures by comparing them with the total figures in the statements of the final accounts for all government departments after ensuring that all adjustments requested by SAI in the initial reports about the outcome of examining the final accounts are made.
- Validate the actual revenues and expenditures for prior years (included in the statements of the final account for comparison) through the accepted figures of the final accounts for the years in question.

- **Statements of Extra-Budget Accounts**

The figures in the statements of extra-budget accounts shall be validated by comparing them with the total figures in the statements of the final accounts for all government departments after ensuring that all adjustments requested by SAI in the initial reports about the outcome of examining the final accounts are made.

- **Financial Analysis of the General Final Account Figures and Deducting the Outcome**

- A horizontal analysis of revenues by comparing the revenues of the fiscal year in question with the revenues of the past three years.
- A vertical analysis of revenues for the concerned fiscal year to show the relative distribution of the revenue elements.
- A horizontal analysis of expenditures by comparing the expenditures of the fiscal year in question with the expenditures in the past three years.
- A vertical analysis of expenditures to show the relative distribution of the expenditures elements.

- **Study the Draft Approval of the Final Account of the State**

Upon receipt of the approval for the draft final account of the state from the Ministry of Finance, SAI should study it in the light of its final report already prepared, in order to verify that the draft has taken into consideration the observations and reservations that SAI stated in its abovementioned final report, particularly with regard to the figures of the collected revenues and expenditures paid and those decided to be paid during the fiscal year.

7. Government Movable Properties Audit

7.1 Definition of Government 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.

7.2 Laws Regulating the Government Movable Properties

- Financial Law and its executive regulations.
- Relevant ministerial decisions.

7.3 Audit Procedures

7.3.1 Purchase and Registration of Movable Properties Required for a Government Unit

SAI member should ensure the commitment of the government unit to observing the following when purchasing required movable properties:

- 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 government unit.
- 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 government unit, 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 government unit 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 government unit declares the procurement tenders and receipt the tenders electronically in accordance with the provisions of the Electronic Transactions Act .
- The government unit abides by the financial provisions of the law and its executive regulations when submitting the final or temporary bid bonds in the case of contracting through tender (general or limited) or practice.
- The government unit abides by the provisions of the financial law and its executive regulations if the purchase of government movable properties is through tender (general or limited).
- The government unit abides by the provisions of the financial law and its executive regulations if the purchase of government movable properties is through practice.
- The government unit abides by the provisions of the financial law and its executive regulations if the purchase of government movable properties is through direct assignment.
- The government unit 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 competent Undersecretary and defines the requirements that led to making the contract at the end of the fiscal year.
- The government unit 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 provisions of the 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 government unit 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 government unit abides by the provisions of the financial law and its executive regulations in the event of issuing variation orders to the supply contracts.
- The government unit 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 government unit abides by the provisions of the financial law and its executive regulations if the movables are donated by or transferred from other government units.

7.3.2 Rental and Registration of Movable Properties Required for a Government Unit

SAI member should ensure the commitment of the government unit to observing the following when renting required movable properties:

- The government unit rents the movable properties in accordance with the applicable laws and within the appropriations designated for this purpose in the budget approved for the government unit.
- 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 government unit upon return of the rented movable at the end of the contract period is restricted to repairing any damage resulting from misuse.
- The government unit tests the rented movables and determines its rent according to the provisions of the financial law and its executive regulations.
- The government unit abides by the provisions of the financial law and its executive regulations if the rent is from a government unit.
- The government unit abides by the provisions of the financial law and its executive regulations if it rents movables from other government units.

7.3.3 Rental of Government Movable Properties to Others

SAI member should ensure the commitment of the government unit to observing the following when renting movable properties to others:

- The government unit abides by the procedures established for rental of properties to third parties and set forth in the Financial Law and its executive regulations, taking into account when forming the committee stipulated in the relevant article of the Financial Law and its executive regulations to appoint a member who represents the concerned government unit.
- The announcement includes at a minimum the following terms of the rent:
 - The period specified for the inspection, provided that the inspection is held in the presence of the representative of the ministry and the relevant government units or the mission.
 - Rental period.

- Deadline for the submission of applications in the case of rental by direct agreement.
- Ensure the availability of the following basic contractual conditions at a minimum:
 - **Rental period:** in accordance with the Financial Law and its executive regulations.
 - **Rent payment:** in accordance with the Financial Law and its executive regulations, Provided that the Ministry maintains its right to terminate the contract on case the tenant breaches his obligation to pay the rent on time.
 - **Tenant obligations:** in accordance with the Financial Law and its executive regulations.
 - **Notification and applications:** in accordance with the Financial Law and its executive regulations.
- The government unit abides by the provisions of the financial law and its executive regulations with regard to the determined privilege for the due rent and the tenant obligations.

7.3.4 Disposal of State-Owned Movable Properties via Personal Ownership

SAI member should ensure the commitment of the government unit to observing the following:

- The government unit takes the necessary measures to sell its movables which are not usable, exposed to damage, obsolete or in excess, and the empties or waste, after the approval of the undersecretary of the Ministry or the head of the mission or the competent manager, depending on the circumstances.
- The government unit does not take the sale procedures before the expiry of the following periods, unless it is proved that the movables are in excess or the Committee provided for in the relevant article of the Financial Law and its executive regulations decides non-suitability for use before the expiry of these periods:
 - Five years for the office furniture, including chairs, sofas, reservoirs, cupboards and tables.
 - Six years for cars, other means of transportation, and office carpets.
 - Seven years for machinery, equipment, furniture and office equipment which are not stipulated in the previous two items.
- The government unit does not sell new movables except for government units, according to the terms agreed upon between the two parties. If selling to any government unit is not possible, movables may be sold to non-government units after the approval of the Ministry.
- The sale of government movables is mainly through a public auction.
- The government unit in all cases takes into account the estimated prices of the movables offered for sale in accordance with the principles and the procedures set forth in the Financial Law and its executive regulations.
- The government unit classifies movables offered for sale in homogeneous groups with detailed specification for each individual group and its hiring specialists if necessary.
- The government unit announces the sale of movables, as follows:
 - **Sale by public auction:** announcement is published at least twice. The first is fifteen days before the date set for holding the auction, and the second is two days before this date, through publication in a daily widespread newspaper both in Arabic and English and on the Internet .

- **Sale by sealed tender:** announcement is published only once in a daily widespread newspaper in both Arabic and English and on the Internet at least ten days from the date fixed for unsealing of the envelopes.
- **Sale by direct agreement:** announcement is displayed on the notice board in the government unit at least five days before the deadline to complete the sale.
- The announcement contains in all cases basic data and specifications of the movables offered for sale and the deadline to submit the applications in the case of sale by direct agreement .
- The government unit is committed to offer the movables to be sold for inspection for a period of not less than a week before the date fixed to hold the auction or to unseal the envelopes. In the case of sale by direct agreement, the movables are offered for inspection for a period of two days the before the date fixed for the completion of the sale .
- The government unit is committed - when selling movables - to using auctioneers who are legally authorized by the competent authorities to practice the profession. The auctioneer is paid the commission set by the auction committee not exceeding two percent (2 %) of the value of sold movables.

In case of extreme necessity, the government unit may -after the approval of the Undersecretary of the Ministry or his representative- have recourse to one of the staff to do the auction, provided that he is paid for overtime or granted a reward in accordance with the conditions stipulated in the Civil Service Law.

- The relevant sale committee has been identified or formed as follows:
 - **Sale by public auction:** The sale shall be the responsibility of one or more committees which are formed and whose competences are determined by a decision from the relevant Undersecretary of the Ministry, provided that it includes among its members a representative of the Ministry if the basic estimated value of the movables offered for sale is not less than 5000 OMR. The relevant committee prepares a minute of the activities and procedures that take place during the auction.
 - **Sale by sealed tenders:** The Internal Tender Committee formed in the government unit is entrusted to unseal the envelopes at the date specified.
The Committee prepares a report about the unsealing g of the envelopes, which mentions the number of envelopes, information about them, the sequential unseal, and the sequentially numbering. The committee reads the name of the bidder who submits the envelope the prices offered, and preliminary guarantee. The Chairman of the Committee and all its members sign this report.
- The Chairman of the Committee or his representative hands over the guarantee to the Director of the Financial Affairs Department in the government unit on the same day after signing the receipt.
- The auction or sale is awarded by the competent Committee to the highest price provider who meets the requirements.
- When selling government furniture by direct agreement, ensure the commitment of the government unit to the provisions of the financial law and its executive regulations.
- The selling conditions include obligating the bidder to pay a preliminary guarantee estimated by the concerned Undersecretary of the Ministry or his representative according to the value of the movables offered for sale. The guarantee id paid in cash or by a certified cheque or by a bank letter of guarantee in accordance with the provisions of the financial law and its executive regulations.
- The government -in all cases- refunds the preliminary guarantee to the unsuccessful bidder or applicant as follows:

- **Sale by public auction:** The preliminary guarantee is refunded during the same auction session and the receipt is withdrawn after signing the collection of the preliminary guarantee by the bidder.
- **Sale by sealed tender:** The refund of the preliminary guarantee to the unsuccessful applicants within a period not exceeding seven days at the maximum from the date of holding the Sale by Sealed Tender Committee Meeting. The guarantee is handed over to the applicant after signing on the collection of the check or the letter of guarantee, or sent to him via the registered mail upon a notice of receipt.
- The sale conditions include the following –at the minimum-:
 - The successful bidder or buyer –through sealed tender or direct agreement- pays the following:
 - The auction expenses determined by the Public Auction Sale Committee as per the provisions of the financial law and its executive regulations.
 - The customs tax on the movables he bought if they have been exempted from tax in the cases provided for in Royal Decree No. 67/2003.
 - The announced quantities may increase or decrease as a result of the actual delivery.
 - The seller (government unit) does not provide guarantee against any defects in the sold movables. Delivery of the sold movables to the buyer clears the responsibility of the seller.
 - The successful bidder or buyer –through sealed tender or direct agreement- transports the movables paid in full no later than seven days from the date of awarding him the auction or sale. He may be granted an additional period not exceeding two weeks from the date of awarding the auction or sale. The successful bidder or buyer bears the responsibility for any loss or damage or destruction that may occur to the movables that he has not transported during the above mentioned seven days or during the granted additional period.
 - In case the successful bidder or buyer has not transported the movables, the government unit shall resell the movables and charge him the incurred reselling expenses. If the reselling price is higher than the selling price paid by the bidder or buyer, the bidder or buyer shall be paid back the amount collected from him only after the deduction of the incurred reselling expenses.
- The government unit abides by the provisions of the Financial Law and its executive regulations if the sale is decided to be postponed.
- The government is committed to crediting the amounts collected by selling or reselling the movables to the public treasury as per the financial law and its executive regulations.
- Amount is credited within three days from the date of collection or seizure and in consideration of the procedures prescribed in the financial law and its executive regulations.
- There is a decision from the Undersecretary of the Ministry or the concerned Director-General or the head of the mission -depending on the circumstances- to cancel the sale after the announcement and before awarding the auction or unsealing the envelopes or completing the direct agreement in case there is no need for the sale or if the public interest so requires. In all cases, the decision to cancel the sale is issued in advance.
- The government unit or the mission does not carry out the sale by public auction or sealed tenders or direct agreement for more than five times per fiscal year, and does not dispose movables by direct agreement sale more than once out of the three times. The government unit or mission may exceed this number upon approval from the Ministry of Finance if justifications are available.
- The government unit does not divide the sale process with intention to circumvent the provisions of the financial law and its executive regulations.

- A sale contract or a statement by the buyer is written as per the provisions of the financial law and its executive regulations.
- The government unit abides by the provisions of the financial law and its executive regulations in regard to the privileges of the due price to the government unit.
- The government unit records the data of the sold movables in the registers designated for this purpose and keeps an approved copy of the sale contract or the statement mentioned in the financial law and its executive regulations in the file of the movable.
- The government movables are not mortgaged and no other ancillary rights in rem are decided except in the cases and in accordance with the terms and conditions approved by law, and after registration and payment of the fees.

7.3.5 Maintenance of the Government Movables

SAI member should ensure whether the government unit adheres to the following:

- The government unit or the mission 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 government unit 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 government unit 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.

7.3.6 Insurance of the Government Movables

SAI member should ensure the commitment of the government unit to the following:

- The government unit provides insurance on the government movables which are not allocated for missions, in accordance to the following bases:
 - 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 government unit, 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 to the following bases:
 - 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 government unit submits an application to obtain insurance on its units and movables as follows:
 - **Insurance on production and service units:** the government unit 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 government unit 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 government unit 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 government units.
 - **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 Ministry of Finance - during the month of October of each year - offers the required tenders to provide insurance on the government of movables in accordance with the provisions of the Financial Law and its executive regulations.
- The insurance is in accordance with the following:
 - **Production and services units:** The Ministry of Finance provides the insurance in accordance with the conditions specified in the tender, taking into account the insurance applications submitted by various government units and in implementation of the provisions of the financial law and its executive regulations.
 - **Government vehicles:** The relevant government units provide insurance on their cars and in accordance with the conditions set by the Ministry of Finance in the insurance tender and prices set forth in the circulars issued in this regard.
 - **Government imported goods :** The Ministry of Finance provide insurance in accordance with the terms of the policy made for this purpose.
 - **Movables allocated to the missions:** The mission announces a tender or makes a direct contracting as per the laws and regulations applicable in the state where the mission is accredited.
 - The Ministry of Finance notifies the concerned government units of the results of the tender announced for insurance and sends copies of the signed insurance policies for the production and service unit and imported government goods.
- 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 government units, 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 government unit 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 government unit 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 government unit 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 government unit bears the costs for repair or write 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 government unit 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 Ministry of Finance allocates the necessary appropriations, to buy or repair government movables in compensation of the damaged ones, in the approved budget for the concerned government unit and within the limits of the amount of compensation paid by the insurance company or others.
 - 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 unit.

7.3.7 Inventory of Government Movables

SAl member should ensure the commitment of the government unit to the following:

- The government unit 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 competent 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 competent Minister, his authorized representative, or the head of the mission.
 - The committee commences its work within the period determined by the competent Minister, his authorized representative, or the head of the mission.
 - The competent 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 government unit or the mission takes the necessary investigations to find out the reasons beyond such differences and identify the responsible person.
- The competent 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 government unit 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 government unit 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.

7.4 Audit Procedures for Government Vehicles

SAI member should perform the following:

- Examine and evaluate the internal audit regulations applied to the means of transportation and the changes made to them.
- Use one or more of the conventional methods such as the analytical description, trailer record, audit maps, questionnaire to identify the following:
 - Is there an independent administrative structure of the department ?
 - Does the department use the approved records and forms to conduct its work ?
 - Is there a system to monitor the fuel consumption ?
 - Does the applied system issue accurate reports?
 - Is there a file kept for each car ?
 - Is the number of cars commensurate with the actual needs of the unit ?
 - Are all the cars under the Transportation Section? are there any cars under other department or section ?
 - Is the number of drivers appropriate for the number of cars ?
 - Are all of the cars serviceable?
 - Are the unserviceable cars disposed in the proper times ?
 - Are there any cars allocated to employees who are paid transport allowance ?
 - Are the cars driven only for official missions ?
 - Is the operation order used for each trip ?
 - Are data filled out accurately?
 - Is the car returned to the section on the time specified in the operation order ?
 - Do all cars carry government license plates ?
 - Is the name of the government unit written on the two sides of the car ?
 - Is the car provided for an employee withdrawn during his leave or holiday?
 - Are the traffic offences settled immediately?
 - Is there a valid insurance for the cars used by the unit?
 - Are the costs of repair are collected from the responsible employees or the insurance companies?
 - Does the section has a system to issue periodic reports about the condition of the cars and the performance of the drivers?
 - Does the Internal Audit Section review the works of Transportation Section?
- 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 government units 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 government units.
- Review and analyze 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 traveled .
- Inspect government cars auctions and ensure government unit 's commitment to the relevant provisions and laws.
- Inspect car rental and get the following data if the government unit 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 government unit should take the necessary actions to recover the value of the allowance if such case is found out.
- The government unit 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 government unit does not allow to drive its government vehicles except by authorized employees.

- The government unit 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 government unit 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 government unit collects the costs of repair or the compensation amount for any cars that have accidents, in accordance with the rules set by the Executive Regulation of financial law.
- The government unit 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 government unit abides by the maximum prices of car purchase and the replacement periods agreed with the Ministry of Finance.
- The commitment of the government unit 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 by sale.
 - The is not repaired frequently within a short period of time for the same break downs.
 - Maintain the registers and files of each car.
 - The government unit 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 by sale.
 - The government unit does put any cars on reserve for the ministry or its branches. Extra cars are delivered to the Ministry of Finance to be disposed by sale.
 - The government unit 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.

8. Government Property Audit

8.1 Definition of Government Audit

State-owned real estate such as land, buildings, public facilities, etc. that are purchased or rented from third parties.

8.2 Laws and Legislations Regulating Government Properties

- Financial Law and its executive regulations.
- The Law on Expropriation for the Public Benefit issued by Royal Decree No. 64/78
- Royal Decree No. 6/89 regulating the relationship between owners and tenants of housing, commercial shops and industrial units as well as registration of tenancy agreements.
- Land Registry Law and its executive regulations.
- Circulars and related ministerial decisions.

8.3 Audit Procedures

8.3.1 General Audit Procedures

SAI member should ensure the government unit adherence to the following:

- The government unit is adherent to the following when determining whether to buy or rent the required property:
 - The requirements of the property specified according to the purpose for which it is be allocated, after the approval of the minister or his authorized representative.
 - Appropriations included for this purpose in the approved budget of the government unit.
 - The financial interest of the state.
 - The government unit acquires- in the case of purchase - the right of ownership of the property, its use and dispose.
- The competent minister - in all cases - takes the decision to purchase or rent the property required for the government unit in accordance with the applicable laws, rules and regulations.
- The government unit does not make the contract to buy or rent the property before coordination with the Ministry of Finance, Ministry of Housing, Ministry of Regional Municipalities and Water Resources, and other relevant authorities to request the allocation of property.
- When expropriating a property, the government unit -if cannot buy the property- adheres to the provisions in the Law of Expropriation for the Public Benefit issued by Royal Decree No. 46/78 and pays the compensation in accordance with the provisions of Royal Decree No. 27/85.
- When contracting to buy or rent the required property, the government unit abides by the procedures and complies with the rules and the periods stipulated in the Law of Tenders. The contracting is made by a public tender or a practice in the cases referred to in the executive regulations of the Financial Law.
- The government unit does not make a contract to buy or rent any property during the last months of the fiscal year unless the contract is to implement a law or a royal decree, or is necessitated by work requirements, provided that it attaches a memorandum approved by the competent undersecretary of the Ministry, which illustrates the work requirements that necessitated the contracting at the end of the fiscal year with payment vouchers.

8.3.2 Audit Procedures for Purchase

When auditing the purchase of government property, SAI member should ensure the government unit adherence to the following:

- When determining the conditions of the contract, the government unit puts into consideration the following:
 - The contract and the price include the rights of easement or other established rights for the benefit of the property.
 - The government unit is committed to the successful tender after signing the contract.
 - The contractor is committed to providing the official documents stipulated in the executive regulations of the financial law within the period set by the government unit.
 - The contractor is committed to the guarantee in accordance with the provisions set forth in the executive regulations of the financial law.
 - The guarantees provided to ensure the proper execution of the contracts when contracting by public tender or practice are in accordance with the provisions of the tender law and are issued for the benefit of the ministry, unless the law provides otherwise.
- When buying government property through public tender, the government unit abides by the following:
 - The Tender Board takes the necessary action to announce and adjudicate the tender according to the tender law, if the value of the property / tender requires the Tender Board to carry out such procedures.
 - If the value of the property / tender requires that the tender internal committee in the government unit takes the necessary action to announce and adjudicate the tender, SAI member should ensure that the Committee is formed by a decision from the competent minister or his authorized representative to take the necessary action to announce and adjudicate the tender according to the tender law.
 - If the value of the tender is less than the abovementioned limits, SAI member should ensure that the tender subsidiary committees, which are formed in the directorates-general, departments or offices of the government unit in the governorates- follow the procedures required to announce and adjudicate the tender according to the tender law.
- When buying government property through practice, the government unit abides by the following:
 - The committee formed by the Tender Board perform the procedures of practice if the property value requires the Tender Board to do so.
 - If the property value is less than the value which requires the Tender Board to be involved, ensure that a committee is formed in the government unit under the chairmanship of the undersecretary of the Ministry or his legal deputy or his representative to perform the procedures of practice.
- Before making a contract, the government unit submits the following documents within the specified period:
 - Approved certificate from the Secretariat of Land Registry or its relevant branches about the static data contained in the cadaster of the property planned to be purchased, including: descriptions, borders, rights for the property, restrictions, names of owners and stakeholders, and other required data, along with stating whether the property is located within the planning area or re-planning area.
 - An approved copy of the title deed, spatial drawing and other required documents.
 - An approved copy of the legalization of construction issued by the competent municipal and other necessary documents with regard to the built real estate.
 - An approved certificate confirming the property is free of ancillary rights in rem.

- The competent minister or his authorized representative issues a decision to form a technical committee and determine its competencies. The committee includes among its members one or more engineers and a representative for the Ministry of Housing, and the concerned municipality.
- The Committee refers to the title deeds and other documents, and inspected the property that is not excluded from the received tenders so as to ensure the safety of the property, its conformity with the approved terms and its suitability for use in the intended purpose.
- The inspection is conducted in the presence of the property owner or his legal representative.
- The Committee prepares a report that includes the following:
 - A thorough and comprehensive description of all parts of the property, its accessories, and facilities, through inspection.
 - Data of the property through the title deed and other documents stipulated in the executive regulations of the financial law.
 - The extent to which the property conforms with the approved terms.
 - The appropriate price for the contract with an indication of the basis on which the committee depended in determining the price, provided that it considers the market price especially for similar properties, and the provisions of the executive regulations of the financial law.
 - The performed procedures.
 - The recommendations proposed by the committee.
- Present the report to the competent minister or his authorized representative for approval after being signed by the members of the committee and the owner or his deputy.
- Before making the contract with the owner, notify the Ministry of Finance via a detailed memorandum that contains the procedures followed for purchase, accompanied by the following:
 - The approved terms for the property.
 - Copies of correspondences exchanged between the government unit and the Ministry of Housing, Ministry of Regional Municipalities and Water Resources, and other stakeholders on the allocation of the property.
 - A copy of the approved report prepared by the committee formed to inspect the property.
 - A copy of the decision issued on the adjudication of the tender.
 - The file of copies of the documents and correspondences mentioned in executive regulations of the financial law.
- After presenting its comments to the undersecretary of the Ministry of Finance, the Ministry of Finance notifies the relevant government unit with its comments before completing the contracting procedures.
- The Minister issues a decision to authorize the director general of administrative and financial affairs or other directors general in the unit to complete on behalf of the unit and in its name the procedures, particularly the documentation and registration of the contract of sale and transfer of ownership in the Secretariat of the Land Registry or its branches in the Ministry of Housing.
- A copy of the authorization decision is maintained in the property file.
- The seller hands over the property to the government unit in the specified date and at the inspection time condition.
- The government unit performs the procedures set out in the executive regulations of the financial law in case the seller failed to hands over the property in the specified date.
- Immediately after the issuance of the authorization decision to sign the contract, the competent minister or his authorized representative issues a decision to form a committee entrusted with receiving the property from its owner or his legal representative, provided that the committee

includes among its members one or more engineers or technicians and a representative for the Ministry of Housing, the concerned municipality, and the Ministry of Finance.

- The committee inspects the property at the handover time and prepare a report of the procedures that includes the following:
 - A thorough and comprehensive description of all parts of the property, its accessories, and facilities which are received in accordance to the data certificate issued by the Secretariat of the Land Registry or its branches.
 - Affirmation of the property condition, accessories, and facilities at the time of handover according to inspection, and identification of the damages that may occur to it after the inspection.
 - The extent to which the property conforms with the approved terms.
 - Confirmation of the comments or reservations by the committee.
- The report is signed by the members of the committee and the property owner or his deputy, and is presented to the competent minister or the authorized undersecretary for approval.
- The government unit prepares a sale contract as per the applicable model, and includes in the contract, before signature, the following:
 - The guarantee by the seller:
 - The property seller shall provide a guarantee against any litigations by any third party against the government unit due to a proved entitlement of the third party to the property, whether such entitlement is valid at the date of sale or arises later as a consequence of a disposal by the seller.
 - In case a third party is entitled to the property, the government unit has the right to claim with the following from the seller:
 - **In case of entitlement to the whole property:** Pay the government unit the value of the property at the time of the entitlement, in addition to the expenditures and other amounts estimated by the government unit, without prejudice to its right to terminate the contract and claim the compensation.
 - **In case of entitlement to part of the property:** Pay the government unit the abovementioned amounts and return the property to it, or pay a compensation for the part entitled to the third party.
 - The seller provide a guarantee against any defect in the sold property , even though he is not aware of it, if such a defect detracts the value of the property or affects its suitability for the intended purpose.
- Provisions on government property provided for in these regulations apply to any matter which a particular text has not been provided in its regard.
- The director-general and the property owner sign the sale contract before the notary in the specified date.
- The sale contract is registered as per the law of the Secretariat of the Land Registry and its executive regulations, and the title deed is issued by the name of the government of the Sultanate represented in the concerned government unit.
- The government unit does not bear the fees of registration or change of ownership.
- The government unit does not pay the value of the property before handover, registration of the sale contract, and issuance of title deed.

- The government unit records the purchased property information in the government property register and prepares the property file as per the executive regulations of the financial law.

8.3.3 Audit Procedures for Rental of Property from Other Party

- When renting property from other party, the government unit adheres to the following:
 - The Technical Committee or any of its technician members inspects the property with a view to ensuring the safety of all of its parts and accessories, and suitability to achieve the intended purpose, and submits the property owner or the entity responsible for its management a copy of the inspection report to make the necessary reforms before contracting.
 - Coordinate with the Ministry of Housing to ensure that the contract is made with the property owner or his deputy or the entity responsible for its management, to review the supporting documents, and to maintain certified copies of them.
- The government unit complies with the provisions stipulated in the Royal Decree No. 6/89 when renting properties required for accommodation of consultants, experts or staff, and observes the following:
 - The lease agreement is in accordance with the applicable model, in implementation of the Royal Decree No. 6/89.
 - The government unit registers the lease agreement with the relevant municipal -if the lessor does not do so within one month from the date of conclusion of the contract - and pays the registration fees to be deducted from the rent
 - The lessor hands over the property suitable to achieve the intended purpose, otherwise the government unit may bring suit to terminate the lease before the competent court, and compel the lessor to refund the paid rent.
 - The rent of the leasehold is not increased before the expiry of the determined period and does not exceed the percentage specified in the Royal Decree No. 6/89, unless the increase is due to the implementation of improvements or additions made in the property at the request of government unit, provided that the increase of the rent is appropriate with the cost of improvements or additions that have been implemented.
 - The lessor carries out the necessary reforms and maintenance to keep the property suitable to achieve the intended purpose.
 - Amendments made to the property are in accordance with the provisions of the Royal Decree No. 6/89
 - The lessor does not request to evict the property except after the expiry of the specified periods or due to any of the cases identified by the Royal Decree No. 6/89, without prejudice to the right of the government unit to notify the landlord in writing about vacating the property.
 - The responsibility of the government unit -upon handover of the property at the end of the contract period- is restricted to repairing any damage resulting from misuse.
- The government unit adheres to the terms of the public tender or practice when renting a property for purposes other than accommodation, and observes the following:
 - The lease is valid for the agreed period and is renewed automatically at the end of the period during which the lessor may not request the evacuation of the property unless the government unit informs him in writing of its desire evict the property at least three months before the end of the contract period.
 - The payment of rent is in advance every three months and may be paid in advance for more than this period at a maximum of one year, -after the approval of the Ministry of Finance.

- The increase of the rent is according to the provisions of the executive regulations of the financial law.
- The lessor carries out the necessary reforms and maintenance to keep the property suitable to achieve the intended purpose.
- In case the lessor passes away, the government unit has the right to terminate the lease before the end of its term if it deems the termination necessary.
- The evacuation request is in accordance with the provisions of the executive regulations of the financial law.
- The responsibility of the government unit -upon handover of the property at the end of the contract period- is restricted to repairing any damage resulting from misuse.
- The government unit takes the necessary actions to claim the repair cost from the person responsible for the damage.
- The government unit abides by the provisions of the executive regulations of the financial law when signing the leases.

8.3.4 Audit Procedures for Rental of Property to Other Party

- The Ministry of Finance takes the necessary measures to rent the private state-owned property.
- The rental is made through a public auction and may be made - if necessary - by a direct agreement for a property whose monthly rental value is estimated at five hundred (500) RO or less, after the approval of the Undersecretary of the Ministry of Finance .
- The Undersecretary of the Ministry of Finance issues a decision to form a committee to estimate the annual rent. The estimation takes into account the rental value of similar properties, location, area, and other factors that influence the annual rent. This estimation is also approved by the Undersecretary of the Ministry of Finance or his authorized representative.
- The Ministry of Finance announces the rental of property according to the following:
 - **Rental by public auction:** announcement is published at least twice. The first is fifteen days before the date specified for holding the auction, and the second is two days before this date, through publication in a daily widespread newspaper both in Arabic and English and on the Internet .
 - **Rental by direct agreement:** announcement is displayed on the notice board in the government unit at least five days before the deadline.
- The announcement includes the following:
 - The basic information, location, description, and accessories of the property to be rented.
 - Terms of the lease, including:
 - The period specified to inspect the property, provided that the inspection is made in the presence of the ministry's representative.
 - Rental period
 - A statement that the lease agreement is prepared in accordance with the applicable model.
 - The deadline to submit the applications.
 - The value of the preliminary guarantee that must be paid.
 - The rental shall be the responsibility of one or more committees which are formed and whose competences are determined by a decision from the relevant Undersecretary of the Ministry of Finance or his authorized representative, provided that it includes among its members the director of the Government Property Department. The relevant committee prepares a minute of the procedures taken during the auction. The chairman of the committee and its members sign the minute.

- The chairman of the committee or his deputy submits the preliminary guarantees to the Director of Financial Affairs in the Ministry of Finance in the same date after signing on its receipt.
- The auction is awarded to the person who offers the highest annual rent and meets the requirements.
- The terms of the lease obligate the bidder to pay a preliminary guarantee estimated by the Undersecretary of the Ministry of Finance his authorized representative. The bidder pays the guarantee in cash or via cheque or via a bank letter of guarantee by the name of the Ministry.
- The cash or cheque or the bank letter of guarantee is submitted to the chairman of the committee before joining the auction against an original and a copy of a receipt given to the bidder.
- Upon awarding the public auction, the successful bidder pays the rest of the amount in cash at the date and place of the public auction session against a receipt of the full payment. Any exceptions from the provisions of this item should be in compliance with the provisions of the executive regulations of the financial law.
- The Ministry of Finance refunds the preliminary guarantee to the unsuccessful bidder during the same public auction session against recovery of the receipt after signing that the bidder received the preliminary guarantee.
- In case of rental by direct agreement, the Ministry of Finance observes the following:
 - Submit the rental application to the Undersecretary of the Ministry of Finance or his authorized representative within the deadline.
 - Upon acceptance, notify the applicant to pay the annual rent no later than three days from the date of notification in accordance with the provisions of the executive regulations of the financial law.
 - In the case of multiple applications, the applicant who offers the highest annual rent and meets the requirements is accepted. In case more than one applicant offer equal annual rent, the Undersecretary of the Ministry of Finance or his authorized representative should decide which one is to be accepted as per the controls that he determines.
- The Ministry of Finance abides by the relevant provisions of the executive regulations of the financial law when postponing or canceling the rent.
- The Ministry of Finance abides by the following terms of lease:
 - No lease agreement is made for a period of more than one year, although it may be stated that the lease agreement is renewed automatically for an equal period unless one of the two parties notifies the other party of his desire to terminate the agreement at least three months before the expiry of the term.
 - The tenant pays the annual rent to the Ministry of Finance in advance in cash or by certified check. In case of non-payment by the established due date, the tenant pays to the Ministry an estimated rate of six percent (6%) per annum calculated for the period between the date set for payment and date of actual payment on the basis of the number of days of the year (365 days), without prejudice to the right of the Ministry to request the evacuation of the rented property, whether in accordance with the provisions stipulated in the Royal Decree No. 6/89, or in accordance with the agreed terms.
 - The tenant adheres to the following:
 - Notify the Ministry immediately of anything that would affect the safety of the leased property or its facilities, and any infringement or damage caused by a third party, otherwise the tenant shall be held responsible and shall pay a compensation for the resulting damage.
 - Enable the representatives of the Ministry of Finance to carry out the required maintenance, repairs and reforms to preserve the safety of the leased property, its

facilities , otherwise the tenant shall be held responsible and shall pay a compensation for the resulting damage.

- No adjustments or improvements are made to the leased property during the term of the lease without the consent of the Ministry of Finance by a written agreement between the two parties and after obtaining the necessary license from the municipality if the applicable law requires to do so.
- Pay the bills of electricity, water, and telephone, and the fees of municipality, sanitation services, etc. as of the date of receiving the property until the expiry of the lease agreement.
- The lease includes a provision which imposes lien against movables of the tenant that are available in the property and are subject to the reservation, for unpaid rents or other rights under the lease.
- The sale of the leased property, and the bankruptcy or insolvency of the tenant do not end the lease.
- The tenant registers the lease with the relevant municipality (in accordance with the model prepared for this purpose) within one month from the date of conclusion of the lease agreement.
- The Ministry of Finance does not bear the fees of registration.

8.3.5 Audit Procedures for the Disposal of the Private State-Owned Properties

- The sale of the private state-owned companies is through public auction, except for the following cases and after the approval of the Minister Responsible for the Financial Affairs:
 - Property whose basic value -according to the provisions of the executive regulations of the financial law- is one hundred and fifty thousand Omani Rials (150,000 OMR) or less may be sold by sealed tenders.
 - Property whose basic value -according to the provisions of the executive regulations of the financial law- is one hundred thousand Omani Rials (100,000 OMR) or less may be sold by direct agreement.
- The government unit does not start the procedures of sale before obtaining the approval from the Ministry of Finance and presenting to it the property to be sold.
- The government unit abides by the provisions of the executive regulations of the financial law related to the estimation of the basic value of the property to be sold.
- The government unit announces the property to be sold in accordance with the following:
 - **Sale by public auction:** announcement is published at least three times. The first is forty five days before the date specified for holding the auction, the second is one month before this date, and the third is fifteen days before this date, through publication in a daily widespread newspaper both in Arabic and English and on the Internet .
 - **Sale by sealed tender:** announcement is published at least twice. The first is one month before the date specified for unsealing the envelopes, and the second is fifteen days before this date, through publication in a daily widespread newspaper both in Arabic and English and on the Internet .
 - **Sale by direct agreement:** announcement is displayed on the notice board in the government unit at least fifteen days before the deadline to complete the sale.
- The announcement includes the following:
 - The basic information of the property offered for sale.
 - The period specified to inspect the property, provided that the inspection is made in the presence of the Ministry's representative.
 - Terms of sale especially those stated in the executive regulations of the financial law.

- The deadline to submit the applications in case sale is by direct agreement.
- The competent Undersecretary of the Ministry issues a decision to form a committee for property sale under the chairmanship of the director-general of administrative and financial affairs in the government unit or his deputy and with the membership of three members including a representative for the Ministry of Housing and the Ministry of Finance.
- The committee sells the property in a public auction, and prepares a minute about the procedures followed during the auction session.
- The committee prepares a minute about unsealing the envelopes that mentions the number of envelopes, their data and their sequential numbering, and reads the name of the bidder who submits the envelope the prices offered, and preliminary guarantee. The Chairman of the Committee and all its members sign this minute.
- The Chairman of the Committee or his representative hands over the guarantee to the Director of the Financial Affairs Department in the government unit on the same day after signing the receipt.
- The auction is awarded to the person who offers the highest price and meets the requirements. The decision of the committee is approved by the Minister.
- The terms of sale obligate the bidder or applicant to provide a preliminary guarantee estimated by the competent Undersecretary of the Ministry depending on the location and area of the property, in addition to other factors that may affect the value of the property, with a minimum of 2% of the basic value of the property. The guarantee is paid in cash or via cheque or via a bank letter of guarantee by the name of the Ministry, according to the following:
 - **Sale by public auction:** The guarantee is paid in cash or via cheque or via a bank letter of guarantee before joining the auction against an original and a copy of a receipt given to the bidder. The successful bidder pays the full value of the guarantee which is 10% of the sold property value against an original and a copy of a receipt.
 - **Sale by sealed tender:** the bidder submits the cheque or bank letter of guarantee inside an envelope, otherwise he is excluded.

Immediately after the approval of the sale committee's decision and the consent of the Ministry of Finance, the government unit notifies the successful bidder to pay the rest of the selling price in cash or by a certified cheque within 10 days from the date of notification.

- The Ministry of Finance refunds the preliminary guarantee to the unsuccessful bidder during the same public auction session against recovery of the receipt after signing that the bidder received the preliminary guarantee.
- The government refunds the preliminary guarantee to the unsuccessful bidder or applicant as follows:
 - **Sale by public auction:** The preliminary guarantee is refunded during the same auction session and the receipt is withdrawn after signing the collection of the preliminary guarantee by the bidder.
 - **Sale by sealed tender:** the preliminary guarantee is refunded to the unsuccessful applicants within a period not exceeding seven days at the maximum from the date of holding the Sale by Sealed Tender Committee Meeting. The guarantee is handed over to the applicant after signing on the collection of the check or the letter of guarantee, or sent to him via the registered mail upon a notice of receipt.
- For the sale by direct agreement, the purchase applications are submitted within the deadline to the competent Undersecretary of the Ministry and the relevant department in the government unit reviews the applications. The agreement is made with the person who offers the highest price and meets the requirements, provided that the price is not less than the estimated basic value. In case more than one person offer equal prices, the competent Undersecretary of the Ministry should decide the person to be awarded the agreement as per the controls that he determines.

- Immediately after the approval of the competent Minister and the consent of the Ministry of Finance, the government unit notifies the applicant to pay the rest of the selling price within one week from the date of notification.
- The government unit abides by the relevant provisions of the executive regulations of the financial law when postponing or canceling the rent.
- Before signing the sale contract, the government unit notifies the Ministry of Finance with a detailed memorandum that includes the adopted sale procedures, accompanied with the following:
 - Copies of the documents and reports related to the estimation of the property's basic value.
 - A copy of the newspaper that published the announcement for the property sale.
 - A copy of the report prepared by the committee of sale by public auction or the committee of sale by sealed envelopes.
 - Any other correspondences, reports, or documents related to the sale of the property.
- The Ministry of Finance informs the relevant government unit about its decision in this regard in preparation to complete the contracting procedures.
- The sale contract should include a text which states that the property-related provisions of the executive regulations of the financial law shall apply to any matter not provided for in the contract.
- After ensuring the compliance with the rules and procedures mentioned in the executive regulations of the financial law and the consent of the Ministry of Finance, the competent Minister issues a decision authorizing the Director-General of the Administrative and Financial Affairs or another Director-General in the government unit to sign before the notary on the sale contract on behalf of the government unit.
- The authorized Director-General does not sign on the contract unless the price of the property is paid in full.
- The buyer registers the contract as per the law of the Secretariat of the Land Registry and its executive regulations.
- The government unit hands over the property to the buyer or his legal representative immediately after the registration of the contract.
- The government unit prepares a handover statement signed by the Director-General of the Administrative and Financial Affairs or his deputy in the government unit and the buyer or his representative, and accompanied with a copy of the sale contract after registration.
- The handover statement sets out the following:
 - The seller (government unit) does not provide a guarantee for any legal or financial claims from third party, or for any defects in the sold property. Handover of the sold property to the buyer clears the responsibility of the seller.
 - The sold property is a private state-owned property.
 - The buyer pays all the taxes and fees imposed on the property.
- The government unit credits the total value of the sale or resale and the total value of confiscated guarantees to the public treasury no later than one week from the date of the collection or confiscation, in accordance with the procedures stated in executive regulations of the Financial Law.
- The government unit records the data of the sold property in the registers of the government property, and keeps an approved copy of the handover statement and its attachments, in addition to the authorization decision in the file of the property .

8.3.6 Audit Procedures for the Maintenance of Government Property

- The government unit takes the following procedures:
 - Record the data of the property in the registers of the government property.
 - Prepare a file for each property to include the following:
 - Drawings and engineering designs relating to the property. Send spatial drawing to the Ministry of Finance to maintain it.
 - Certificate of static data in the cadaster of the property issued by the Secretariat of the Land Registry or its competent branches.
 - The construction permit and other necessary documents with regard to built property.
 - A certified copy of the title deed. Send the title deed to the Ministry of Finance to maintain it and records the contained data in the registers.
 - Reports, records and correspondences exchanged with the Secretariat of the Land Registry or other authorities.
 - Any other documents related to the properties.
- The government unit notifies during the first week of June and December of each year the Directorate General of Investment in the Ministry of Finance of the data related to the property allocated to it according to the government property register and any amendments made to the property.
- The Ministry of Finance -upon the receipt of the notification above- compares between what is written in its register and what is written in the notification, along with specifying the reasons for the difference ,if any, and coordinates with the relevant governmental unit to conduct the comparison or make the necessary adjustments.
- The government unit takes the necessary government procedures for the registration of the property allocated to it in the Secretariat of the Land Registry or its branches at the Ministry of Housing , according to the Land Registry Law and its executive regulations, and other laws and regulations.
- The government unit - without prejudice to the relevant provisions of the executive regulations of the financial law- does not decide the inefficiency of the property, or restore or repair the property, except in accordance with the provisions of the regulations and decisions by the municipality governing buildings, and after the approval of the competent technical authorities, in addition to submitting a notification to the Directorate General of Investment in the Ministry of Finance of the relative decisions.
- The government unit does not change the intended purpose of the property except after the approval of the competent technical authorities and the Ministry of Finance .
- The government unit hands over the property that is determined as inefficient, in accordance with the provisions, to the Ministry of Finance under a statement signed by both the competent Director-General of the government unit and the Director General of the Directorate General of Investment in the Ministry of Finance and make the necessary adjustment accordingly in the registers of both the government unit and the Ministry of Finance.
- The government unit -within the scope of its competence – takes the necessary measures for the maintenance of its property within the limits of the appropriations allocated for this purpose in its approved budget and in accordance to the applicable provisions of the laws and the royal decrees.
- The Ministry of Finance forms a committee to inspect the government property, which includes engineers and technicians from government units and relevant municipality and a representative of the concerned government unit and the Director of the Department of Government Properties in the Ministry of Finance. An employee from the Department of the Government Properties in the Ministry of Finance is appointed as the Secretariat of the Committee .
- The members are nominated by the concerned Undersecretary of the Ministry or his representative. The formation of the Committee and the appointment of the secretary is by a decision from the

Undersecretary of the Ministry of Finance which may refer to consultants, experts, provided that their votes are not counted in the deliberations or when issuing decisions and recommendations.

- Ensure that the Committee is concerned with the following:
 - Inspect the private state-owned property, and consider whether they can be restored or demolish the obsolete buildings.
 - Inspect the private state-owned property, and consider whether they can be restored or demolish the obsolete buildings as per the request of the government unit.
 - Inform the competent municipality immediately if it is found out through the inspection that the property is obsolete and poses danger to the lives of people in order to take the necessary procedures including evacuation and demolition, provided that the concerned government unit bears the cost of evacuation and demolition through deduction from the appropriations allocated in its budget, without prejudice to the provisions of the executive regulations of the financial law.
- The government unit prepares a report on the inspection outcomes, which mentions all information about the property, including the descriptions, accessories, location, and condition, in addition to the factors that may affect its condition, and the suggested recommendations for restoration or demolition.
- The report is presented to the Undersecretary of the Ministry of Finance, after the approval by the chairman and members of the committee.
- The Ministry of Finance informs the concerned government unit about the recommendations and decisions issued by the committee to take the necessary action.
- The government unit takes the following procedures in case any damage occurs to its property:
 - Inform the Directorate General of Investment in the Ministry of Finance about the damage, perform investigations to identify the person responsible for the damage, take the necessary actions, and notify the Ministry of Finance and SAI.
 - Perform the procedures to claim the incurred expenses or the loss value resulted from the damage, and the prescribed compensation.
 - Take the necessary procedures to write off the loss value if no person is found responsible for the damage, after the conduct of investigations referred to, in accordance with the provisions of the financial law or the Royal Decree No. 37 / 97.
- The government unit takes the necessary actions, within its competency, to monitor its property in order to prevent any infringement or damage by a third party, in coordination with the Ministry of Finance and the competent municipality.
- In case of any infringement or damage caused by a third party, the government unit takes the following actions in coordination with the Ministry of Finance and the competent municipality:
 - Force the possessor, occupant, or transgressor to evict the property immediately and to restore things to their previous condition, with the help of Royal Oman Police if necessary.
 - Force the transgressor to halt any works related to construction or destruction immediately and to restore the property to its previous condition, within the deadline set by the government unit.
 - In case the deadline set by the government unit expires before restoring the property to their previous condition, the competent minister or his authorized representative issue a decision to restore the property to their previous condition on the expense of the transgressor ,without paying him any compensation. The transgressor is referred to the Public Prosecution.

8.3.7 Audit Procedures for the Insurance on Government Units

- The insurance is restricted to the buildings and facilities, and the available machines and equipment, as well as other government properties whose damage may cause the failure of the vital public facilities.
- The government unit submits an application to obtain insurance on its vital buildings and facilities to the Directorate General of Income at the Ministry of Finance, provided that the request includes the estimated value of the buildings and facilities and the risks to be covered.
- The government unit notifies the Directorate General of Income at the Ministry of Finance no later than 1st of August of each year of any adjustments in the estimated value of the buildings and facilities referred to or in the risks to be covered.
- The Ministry of Finance – in October of each year- calls for tenders to provide insurance on the government buildings and facilities, taking into considerations the adjustments in the estimated value of them or in the risks to be covered, which the Ministry is notified of within the deadline, as well as any adjustments which the Ministry deems necessary, after coordination with concerned government unit.
- The Ministry of Finance notifies the concerned government units 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 in accordance with the provisions of the executive regulations of the financial law and through deduction from the appropriation designated for this purpose in its approved budget.
- The government unit observes the terms of the insurance policy. In case any danger occurs, the government unit informs the insurance company within the deadline set in the policy, otherwise the person who causes the delay is forced to pay a compensation for the resulting damages.
- The government unit requests the Directorate General of Income at the Ministry of Finance to follow-up the compensation claims and to settle them immediately.
- The Ministry of Finance allocates in the approved budget of the concerned government unit the appropriations required to repair the damages that occur to the buildings and facilities, and deduct the expenditure from the allocated appropriation as per the applicable rules and regulations.
- The Ministry of Finance includes the compensation amount collected from the insurance company into its revenues.
- The Ministry of Finance carries out the necessary accounting entries, both to prove or settle the amounts owed to the government by insurance company.

8.3.8 Audit Procedures for the Inventory of the Government Property

- The government unit takes the annual inventory before the end of the fiscal year of all its properties in accordance with the following rules and procedures:
 - The competent minister or his authorized representative issues a decision to form one or more inventory committee/s, which defines the scope, competency, and location of each committee, in addition to the date specified for the start and end of the inventory.
 - The employee responsible for the government real estate register prepares the inventories according to the **model of government property inventory**, and submits them to the competent committees of inventory at least three days before the deadline set to take the inventory.
 - The competent committee takes the inventory, inspects the property, records the result in the inventories along with clarifying any differences, modifications or additions - if any - and their reasons, looks at the lease agreement and rent payment voucher, and records such data in the inventories, for rented properties.

- The government unit provides the Ministry of Finance and SAI with a copy of these inventories, after the approval of the competent minister, to take the necessary measures.
- The competent minister or his authorized representative sends to the Ministry of Finance at the end of each fiscal year an acknowledgment that the physical inventory of all properties of the unit and its various branches or divisions in the governorates is taken, and that there are no other properties not included in the inventory.
- If the inventory revealed any differences, the government unit performs the necessary investigations to determine the reasons for such differences and determine the responsible person.
- If the responsible person is identified, the competent minister or his authorized representative takes the necessary measures to deduct the value of the differences from his salary or benefits in accordance with the provisions of the Royal Decree No. 115 /94.
- If the responsible person cannot be identified or if the differences are due to force majeure, the government unit writes off the value of the differences according to the provisions of the financial law or the Royal Decree No. 37/ 97.
- The government unit and the Ministry of Finance amend the government property registers by adding or eliminating the difference, depending on the result of the inventory.
- The provisions of the Omani Penal Law is applied to any transgressor of the government property.

9. Government Stores Audit

9.1 definition

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

9.2 Laws and Regulations Governing Government Stores

- The financial law and its executive regulations.
- Related ministerial circulars and decision.

9.3 Types and Materials of Government Stores, and Classification of Store Materials

9.3.1 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.

9.3.2 Materials of the Government Stores

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

- **Sustainable category:** 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 accordance with 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 or transformed into another sustainable category.
- **Consumable category:** the materials that are consumed by usage without leaving behind any remnants of the same kind.
- **Unusable category:** the materials that are considered by the competent 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.

9.3.3 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.

9.4 Employees of the Stores and their Duties

9.4.1 Immediate supervisor

In addition to the functions 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 competent minister within the scope of his functions.

9.4.2 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 functions of 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.
- 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 to take 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.**

9.4.3 Storekeeper

Each store of a government unit shall have a storekeeper appointed by a decision from the competent minister or his authorized representative and reported directly to the immediate supervisor or the head of stores in the government unit, as the case may be .

The storekeeper may have one or more assistants appointed and his functions authorized by a decision from the competent minister or his authorized representative, provided that he proceeds 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 the 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 keeps one copy and send the other to the immediate supervisor.

General Provisions Related to the Storekeeper

- 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 competent 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 competent minister or his authorized representative should assigned 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 competent 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 competent 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 competent 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.

9.4.4 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.

9.4.5 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 practice 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 competent minister.
- Issue purchase orders to the selected suppliers, record them in the purchase orders register, and follow-up their implementation.

9.5 Audit Procedures for Government Stores in General

Prior to audit and inspection, SAI member 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.

SAI member should also examine and assess the internal financial audit regulations applicable to the stores and the changes made to these regulations in the light of conclusions of the assessment through particular methods such as the analytical description, trailer record, audit maps, questionnaire to identify the following:

- Is there an independent organizational structure for the stores?
- Are the storing procedures restricted to the stores section?
- Are the following functions and the storekeeper job separated?
 - Membership in the purchase committees
 - Membership of the registrar
 - Membership of the purchase and disposal committee
 - Membership of the inspection committees
 - Membership of the inventory committees
- Does the storekeeper occupy full time jobs?
- Are all registers and models prescribed in the stores regulations kept?
- Are registration, transfer, and balancing performed immediately?
- Are the models and records endorsed as per the prescribed authorization?
- Are the safety equipment in the store sufficient?
- Are the stores opened and closed with the knowledge of the storekeeper?
- Do the technical requirements and the adopted storage methods protect the materials from damage?
- Is there an insurance on the stock for different risks?
- Is there a procedure to verify the expiration dates?
- Is there a procedure to dispose or use the stagnant stock timely?
- Is the stock managed through FIFO method?
- Are all purchase requests referred to the store to ensure the availability of enough stock before executing the purchase?
- Are return vouchers prepared for all returns whether unserviceable or serviceable?
- Are there levels for the stock and re-order?
- Is there a procedure to control the personal and sub custodies?
- Are all the materials in the store owned by the unit?
- Does the storekeeper have a copy of the store regulations?
- Is the storekeeper provided with enough and proper training on the store-related works?
- Does the storekeeper take periodic and sudden inventory?
- Does the internal audit section take sudden inventory?
- Is there a procedure to prepare periodical reports about the activities and assets of the store?
- Are SAI recommendations about the activities of the store observed?
- Review the extent of work distribution to achieve the best performance.
- Review the accessibility to sufficient safety equipment in the store
- Ensure whether a procedure to control the personal and sub custodies is available.
- Ensure whether the storekeeper has a copy of the store regulations.
- Ensure whether the storekeeper is provided with enough and proper training on the store-related works.
- Ensure whether the internal audit section takes sudden inventory.

- Ensure whether there is a procedure to prepare periodical reports about the activities and assets of the store.
- Ensure whether an insurance on the stock for different risks is provided.
- Ensure whether there is a procedure to verify the expiration dates.
- Review the definition of the duties and responsibilities in the light of the provisions set forth in the regulations.
- Review the competence of the store's employees to perform their duties, regarding the understanding of their duties and ability to implement the instructions, explain the reason of any inefficiency, and suggest the appropriate solutions.
- Ensure the existence of an independent department that keeps the same entries kept by the stores, and make a periodical comparison between its entries and the store's entries through the periodical statements prepared by the registrars.
- Ensure the availability of staff that are competent, well-grounded, and capable to solve the various problems.
- Review whether the separation of different duties and responsibilities is clear.
- Review whether the control of access to the stock is adequate.
- Adequacy of defining the powers and authorities to carry out the store-related activities.
- Adequacy of controlling the stock entries for the materials issued from the main stores to the sub stores and for the materials returned from the sub stores to the main stores, by providing the stores management with copies of the addition and deduction vouchers, in addition to the adequacy of the follow-up by the stores management especially in regard to deducting the issued materials from the balance of the issuing store and adding it to the custody of the receiving store.
- The number, locations, and types of the stores (main/sub/workshop/library/etc.)
- The capacity of the stores.
- The method of preserving and ordering the materials to meet the business requirements and facilitate the implementation of the approved policy of materials issue.
- Ensure the protection of the stored assets from weather. Unroofed stores shall only be used for materials that are not affected by weather factors, and that are of a large size or low value.
- Ensure that the stored materials are coded and categorized after taking inventory of all items in the stores and the items expected to be included in the future, in accordance with the applicable stores manual.
- Examine whether the applied method of preservation is appropriate.
- Ensure the allocation of a separate place in the store for temporary receipt of materials in order not to be mixed with others.
- Ensure whether there is a procedure to use or dispose the stagnant items in time.
- Ensure whether all purchase requests are forwarded to the store to verify check the balance of the requested materials before executing the purchase.
- Ensure whether return vouchers for all the returned materials whether they are serviceable or unserviceable.
- Ensure whether there are levels for the stock and re-order.
- Ensure whether the storekeeper take periodic and sudden inventory.

9.5.1 General Audit Procedures to Compile the 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 enters 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.

9.5.2 Audit Procedures to Examine the Personal and Sub Custody Entries

- 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 to 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 are represented in the sustainable categories issued from the stores to the government units to be used in the different offices, departments, and sections. SAI member should ensure the following:

- The storekeeper keeps registers to record the materials issued as a 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.

9.5.3 General Audit Procedures to Examine the Store Supply Policy

SAI member 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.

9.5.4 General Audit Procedures to Examine the Accuracy of the Annual Inventory and Adjusting Entries

The Purpose of Inventory

The purpose of the inventory 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 to Examine 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 more errors.

Examine 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.

Auditing the Inventory Statements:

- Ensure whether the approved inventory statements agrees 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.

9.5.5 General Audit Procedures over Documentary Examination for Stock Cards

- 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 competent committee and the approval of the immediate supervisor.

9.6 Detailed Procedures for Government Stores Audit

9.6.1 Work Organization Procedures for Stores

SAI member should ensure the following:

- The competent 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 government unit.
- 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 government unit 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 government unit 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 competent 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.

9.6.2 Purchasing, Storing and Issuing Materials

SAI member should ensure the following:

- 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 government unit 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 government unit).
- The government unit 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 government unit 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 to 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 government unit 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 government unit 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 competent Undersecretary and defines the requirements that led to making the contract at the end of the fiscal year.
- The government unit 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.

9.6.3 Examination and Delivery

SAI member should ensure the following:

- 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 excepted by the examination committee from any examination, an exception should be made by the competent 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 competent 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 competent minister or his authorized representative issues a decision forming one or more examination committees in the government unit 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 not right to object the examination and handover procedures 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 procurement department in the government unit 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 government unit 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 competent 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 government unit:** 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 government unit:** the materials are examined and added to the stores in accordance with the procedures stated in the government stores regulations, 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.

9.6.4 Storing and Issuing Materials

SAI member should ensure the following:

- 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.
- The storekeeper inspects occasionally the materials that have expiry date or that are perishable, and present 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 government unit should not accept to keep any material that does not belong to the government unit 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 government unit 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 government unit for any purpose whatsoever, except after the approval of the immediate supervisor in the government unit 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 government unit 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 government unit (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 government unit (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 government unit observes the following procedures when issuing materials to departments, sections, or stores outside the government unit:
 - 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.

9.6.5 Returning Material to Stores

SAI member should ensure the following:

- 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 adjust 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.

9.6.6 Selling Materials or Writing-off their Value

SAI member should ensure the following:

- 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 government unit 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 government unit 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 government unit, 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 government unit 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 a 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 competent 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 abovementioned 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 government unit 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.

9.6.7 Store Inventory Insurance Coverage

SAI member should ensure the following:

- The inventory insurance is in accordance with the decisions of the Ministry of Finance and as per a request made by the competent 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 government unit 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 government unit.
- The Ministry of Finance allocates in the approved budget of the concerned government unit 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 government unit.
- 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 government unit with the result of the tender, and sends a copy of the policy made with the insurer to the government unit.

9.6.8 Stocktaking

- Ensure that the government unit performs the following annual inventory 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 competent 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 competent 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 government unit 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 government unit performs the following procedures for the decrease caused by nature or due to breaking down the issues 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 the issues 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 government unit 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 competent 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 government unit 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 are 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 competent 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.

10. Government Treasury Audit

10.1 Definition of Government 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.

10.2 Laws and Regulations Governing the Government Treasuries

- The financial law and its executive regulations.
- Related ministerial circulars and decision.

10.3 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 proceeds 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.

10.3.1 General Provisions about the Treasurer

The treasurer shall be the employee entrusted to implement the related provisions of the Executive Regulations of the Financial Law.

Pursuant to a decision issued by the minister or his representative, the duties of the treasurer may be entrusted to a permanent employee, in addition to his own duties, if the amount of cash kept in the treasury is less than two thousands Omani Rials (2000 OMR).

The treasurer shall be responsible for all the contents of the treasury including the imprests, banknotes, coins, checks, financial stamps, or other valuable financial books. He shall also be responsible for any damaged or defaced banknotes or coins in the treasury.

The treasurer shall supervise his assistant, and shall be responsible for any error that may be committed by his assistant while doing his job if it is proved that such an error is due to the failure of the treasurer to supervise his assistant.

- Before he takes a leave, regardless of its length, the treasurer shall handover the contents of the treasury in his custody including the permanent imprest and its registers and records to another employee authorized by the competent minister or his representative to proceed the duties of the treasurer during his leave. The handover shall be under a handover statement signed by the treasurer, the employee who replaces him, and the Director of Financial Affairs in the government unit.
Upon the return of the treasurer from his leave, the contents of the treasury and the abovementioned registers and records are handed over to him under a handover statement signed by the treasurer, the employee who replaces him, and the Director of Financial Affairs in the government unit.
- In case the treasurer is absent without permission or reasonable excuse for more than two days, the competent minister or his authorized representative should assigned another employee to resume the work of the treasurer temporarily. The contents of the treasury including the permanent imprest shall be handed over to the employee after inventory, in accordance with the provisions set forth in the Executive Regulations of the Financial Law.
Once the treasurer is back to work, the contents of the treasury including the permanent imprest and its register and records shall be handed over to him after inventory under a handover statement

signed by the treasurer, the employee who replaces him during his absenteeism, and the Director of Financial Affairs in the government unit, and approved by the competent minister or his representative.

If the inventory reveals any increase or decrease in the contents of the treasury, the related procedures set forth in the Executive Regulations of the Financial Law shall be performed.

- The government unit should -in case of deputation, transfer, secondment, or end of service of the treasurer- take stock of the contents of the treasury including the permanent imprest and its register and records, and hand over such contents to the new treasurer appointed by the competent minister or his authorized representative under a handover statement signed by the two treasurers, the representative of the Internal Audit Unit, and the Director of Financial Affairs in the government unit, and approved by the competent minister or his representative.
- In case of the death of the treasurer, the government unit shall take inventory of the contents of the treasury including the permanent imprest, and then shall hand over the same to the new treasurer who should be appointed by the competent minister or his authorized representative, under a report signed by the treasurer, representative of the internal audit unit and the Director of Financial Affairs in the government unit and approved by the competent minister or his representative.

If the inventory reveals any increase in the contents of the treasury, the related procedures set forth in the Executive Regulations of the Financial Law shall be performed. However, if the inventory reveals any decrease in the contents of the treasury, the value of the decrease shall be deducted by quarter of the pension or the end of service gratuity, unless it is proved that the decrease is due to force majeure.

The Ministry of Finance shall prepare a general register to compile the data of all the treasurers and their assistants of the government units, as per the Treasurers Register Model.

The government units shall provide the Ministry with the required data and any changes to them to be compiled in the register.

10.3.2 Provisions about the Safe Box

The treasurer in the government unit shall be provided with a safe box placed in an area not accessible to unauthorized persons.

A committee is formed under a decision issued by the competent minister or his representative to inspect and receive the safe box, after checking its soundness.

The key shall be handed over to the treasurer. If the safe box has two different key, one of the keys is handed over to the Director of Financial Affairs in the government unit.

The spare keys of the safe box shall be placed inside an envelope sealed with red wax by the seals of both the treasurer and the Director of Financial Affairs, in their presence, and kept with the competent minister or his representative. The abovementioned inspection committee shall prepare a report of the performed procedures signed by the committee members. A copy of the report shall be sent to the Ministry.

The safe box and its keys shall be considered always a custody with the recipient.

All the money, whether banknotes or coins, in addition to checks under collection issued in favor of the government unit, financial stamps and the valuable financial books shall be kept in the safe box.

The amount of the permanent imprest shall be separated from other contents of the treasury.

Any other amounts or checks that does not belong to the government unit may not be kept in the safe box.

Damage or Loss of the Safe Box's Key

- In case the key of the safe box is lost, the treasurer informs the competent minister or his representative who maintains the envelope of the spare key in order to unseal the envelope and open the safe box. Upon opening the safe box, its contents should be inspected, a report is prepared to explain the inspection results, and the necessary procedures are taken for the repair or replacement of the key.
In case there is no spare key, the safe box shall be opened by a technician under the supervision of the Director of Financial Affairs in the government unit.
- In case the key is damaged, the government unit takes the necessary procedures to fix the damaged key or replace it if it cannot be fixed.
- Investigation shall be conducted in any case, and the Ministry of Finance and SAI should be informed of the investigation result.
- 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.

Damage of the Safe Box

In case the safe box is damaged, it shall be fixed by specialized technicians under the supervision of the Director of Financial Affairs in the government unit and the treasurer.

If the safe box cannot be fixed or the cost of repair is high, another safe box shall be purchased, inspected, and received in accordance with the procedures stated in the Executive Regulations of the Financial Law.

10.4 Audit General Procedures for Government Treasuries

SAI member should ensure the following:

- A decision is issued by the head of the unit or his representative appointing the treasurer who reports directly to the Director of Financial Affairs.
- A decision is issued by the head of the unit or his representative appointing the assistant treasurer.

- The treasurer and his assistant occupies permanent jobs in accordance with the Civil Service Law and its executive regulations.
- The three abovementioned items should be checked through the decisions appointing the treasurer and his assistants.
- A handover statement is prepared after the return of the treasurer from his leave, under which the treasurer is handed over all the contents of the treasury. The handover statement is signed by the treasurer, the employee who replaces him during the leave, and the Director of Financial Affairs in the government unit. SAI member can ensure the above mentioned by requesting the leave applications of the treasurer and comparing them with the dates of the handover statements. The cases whereby the treasurer takes a leave without the preparation of handover statements, and the cases whereby the handover statements are incomplete should be documented.
In case the treasurer is absent without permission or reasonable excuse for more than two days, the contents of the treasury including the permanent imprest shall be handed over, after inventory, to the employee who replaces the treasurer. If the inventory reveals any decrease in the contents of the treasury, the related procedures mentioned in the treasury inventory section are performed. Upon the return of the treasurer from his leave, the contents of the treasury are handed over to him under a handover statement. SAI member can ensure the above mentioned by requesting the attendance report and the personal file of the treasurer to be acquainted with the days of absenteeism without permission or reasonable excuse.
- In case of deputation, transfer, secondment, or end of service of the treasurer, the government unit takes stock of the contents of the treasury including the permanent imprest and its register and records, and hand over such contents to the new treasurer. In case of any decrease or increase in the contents of the treasury, the steps which are mentioned below in this toolkit should be followed. SAI member can ensure the above mentioned by reviewing the decision issued for the deputation, transfer, secondment, or end of service of the treasurer, the personal file of the treasurer, and the procedures taken in this regard compared to the abovementioned procedures,
- The government units provides the Ministry of Finance with the required information about the treasurer and his assistant and any changes made to them.
- In case the key of the safe box is lost or damaged:
 - The treasurer informs the head of the unit or his representative who maintains the envelope of the spare key in order to unseal the envelope and open the safe box. Upon opening the safe box, its contents are inspected, a report is prepared to explain the inspection results, and the necessary procedures are taken to replace the key with a new one. In case there is no spare key, the safe box shall be opened by a specialized technician under the supervision of the Director of Financial Affairs in the government unit.
 - In case the key is damaged, the government unit takes the necessary procedures to fix the damaged key or replace it if it cannot be fixed.
 - Investigation is conducted and the Ministry of Finance and SAI are informed of the investigation result.
- There is a register for the monetary contents, and another one for the non-monetary contents.
- In case of theft, embezzlement, or fire, the government unit 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 government unit 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 the insurance compensation.

Treasury Contents Inventory, Annual Inventory, and Reconciliation of Differences

- Stock is taken of all the monetary (including the permanent imprest) and non-monetary contents, and document them in the inventory report.
- A decision is issued by the head of the government unit or his representative forming a committee take stock of the treasury contents in the last working day of the fiscal year. A member of the committee prepares an inventory report in accordance with foregoing steps. The report is signed by the members of the committee, and approved by the head of the government unit or his representative. The Ministry of Finance and SAI are provided with a copy of the report after its approval.
- The result of the sudden and annual inventories is documented in the monetary and non-monetary register of the treasury, or in the request to replenish the permanent imprest. The committee should sign to confirm the documentation of the result based on the inventory.
- 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 government unit 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 increase amount (whether in the permanent imprest or the other monetary contents) is credited to the Department of Financial Affairs as various revenues of the government unit. 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 Department of Financial Affairs in the designated column in the register.

10.5 Detailed Procedures of Government Treasury Audit

10.5.1 Work Organization Procedures for Treasuries

SAI member should ensure the following:

- Persons, other than the employees, are allowed to handle the treasury only half an hour after the official work start time and half an 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 competent 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 government unit, observing the following:
 - The collection is under a requisition form prepared in two copies and signed by the competent 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, drawee, 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, canceling 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 government units 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 government units that are authorized to open bank accounts:** the treasurer deposits all the proceeds, whether cash or cheque, in the bank account of the government unit on daily basis or at the dates set by the competent minister or his representative.
- The treasurer hands over all the proceeds, whether cash or cheque, to his assistant or to any employee of the government unit delegated pursuant to a decision by the competent 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 government unit 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 government unit assigned by the competent 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 government unit 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 competent minister as per a request from the Ministry of Finance and in compliance with the provisions of the Financial Law.

10.5.2 Registers Audit Procedures

SAI member should ensure the following:

- 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 government unit. The monetary contents register is signed to confirm the completion of the comparison.

10.5.3 Audit Procedures for Insurance on the Treasury Contents

- 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 government unit, 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 government unit notifies the Directorate General of Income at the Ministry of Finance of any adjustments to the value of the insured amount or the bases 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 government units 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 government unit 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 government unit 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 the insurance compensation.

10.5.4 Audit Procedures for Treasury Contents

SAI member should ensure the following:

- The competent 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 abovementioned 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 government unit sign 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 competent minister or his representative for approval. A copy of it is kept with the Financial Affairs Department and the Internal Audit Unit in the government unit.
- The competent 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 competent 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 government unit 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 government unit. 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 competent 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 government unit 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 or the Royal Decree No. 37/97

11. Government Investment Audit

11.1 Definition of Government Investment

The government investment is the employment of the public funds in any economic project or activity that bring revenue to the state as per the five-year plans taking into account the public interest of the state.

The government investment aims to:

- Achieve good revenues.
- Maintain the capital of the project.
- Maintain and raise the income.
- Guarantee the required liquidity.

The government investments that are subject to the provisions of the financial law includes the following financial investments:

- Stocks and shares contributed by the government in the capital of companies set up by the government or companies in which the government is a shareholder .
- Stocks and shares contributed by the government in the capital of companies set up under international ratified conventions.
- Stocks or shares contributed by the government in the specialized agencies which the Sultanate joins.
- Bonds issued by foreign governments or companies in which the Sultanate's government subscribes in implementation of Royal Decrees.
- Government deposits in the local and foreign banks. They are audited by the Treasury Department in the Ministry of Finance.

11.2 Laws and Regulations Governing the Government Investment

- The financial law and its executive regulations.
- Capital Market Law promulgated by the Royal Decree No. 80/98 and its amendments.
- Commercial Companies Law promulgated by the Royal Decree No. 4/74 and its amendments.
- Foreign Capital Investment Law promulgated by the Royal Decree No. 102/94 and its amendments.
- Royal Decree No. 57/93 promulgating the provision governing the Gulf Investment.
- Related ministerial circulars and decision.

11.3 General Provisions

SAI member should ensure the following:

- The investment contracts or commitments are signed by the Minister or Undersecretary of the Ministry of Finance, or the employee authorized by one of them in writing, and in accordance with the provisions of the Royal Decree No. 48/76.
- The Ministry of Finance takes the following procedures:
 - Prepare the payment vouchers by the value of the funds required for investment in the light of the provisions of the applicable laws, regulations and decisions, the requirements of the contracts and agreements of establishing companies, their articles of association, and the laws of specialized agencies, and review and approve them in accordance with the provisions of the executive regulations of the financial law.
 - Take the necessary procedures to pay the value of the bond to the concerned entity in the scheduled payment date.
- Each governmental unit collects the return on investment in a timely manner and credits it to the public treasury in accordance with the provisions of the executive regulations of the financial law .
- The competent accountant follows up the collection from the indebted company or agency or entity or from the Capital Market Authority in case the public shareholding companies deposited the stock dividends with the Authority, in accordance with the provisions of the Commercial Companies Law.
- In case the competent accountant cannot collect the returns a timely manner, he presents the case to the competent minister to consider taking immediate actions in coordination with the Ministry of Finance and with the observance of the established procedures for administrative implementation.
- Each government unit maintains a record of the government investments in which it records the following information:
 - **Securities:** the name of the company, agency or issuer and the related data, the date of subscription, the numbers, figures, and nominal value of the shares or bonds, the amounts paid, and the date of maturity of their revenue, the date of collection, the date specified for sinking or payment of the value of stocks and bonds, as well as any disposition or increase thereto.
 - **Bank deposits:** the name of the depositary bank and the related data, the amount deposited, and the deposit date, the return, the return collection date, and the deposit term.

In the case of investment in foreign companies or agencies, the paid or received amounts are recorded in foreign currency and in the equivalent Omani riyals. The exchange rate prevailing at the date of exchange and collection is adopted.

- Each government unit maintains a special file for each company, agency or entity into which it keeps the documents, certificates, instruments of stocks and bonds, accounts, financial statements, the reports and contracts, the international agreements, the articles of association, the regulations, copies of payment vouchers and proceeds receipt vouchers, according to the form designated for that purpose, in addition to the correspondences exchanged with the company, agency or entity, and other documents.
- The Ministry of Finance maintains registers of government investments, and files similar to those provided for in Article 208 of the executive regulations of the financial law to keep copies of the documents, certificates, instruments, accounts, financial statements, the reports, contracts, and international agreements, and the articles of association sent by the concerned government unit.
- During June and December of each year, each government unit notifies the Department of Financial Investments in the Directorate General of Income at the Ministry of Finance of the available information about its government investments based on the registers and files that it keeps. Upon the receipt of this notification, the Ministry of Finance compares the information in its registers with

the information in the notification and identifies any differences. It coordinates with the government unit to make the required adjustment.

- The Ministry of Finance requests in the 31st of December of each year from the companies and agencies that a government unit subscribes in the stocks or bonds issued by them to provide the Ministry with a certificate approved by the Chairman of the Board of Directors or his representative specifying the number of shares or bonds owned by the government unit in the 31st of December of the previous year, their numbers, the nominal value of each one of them and the total nominal value. Then the Ministry compares the information contained in this certificate with the information recorded in its registers and accounts, identifies the reasons for any differences, and works to reconcile the differences in coordination with the concerned government unit and the company or agency.

11.4 Provisions and Rules for Investment in the Capital Stocks and Shares of Specialized Companies and Agencies

11.4.1 Capital Stocks and Shares Subscription, Raising, and Reduction

SAI member should ensure the following:

- The capital subscription is performed as follows:
 - **Companies set up by the government:** subscription is in accordance with the provisions of the Royal Decree or the decision of the establishment of the company and the commercial companies law for any matter which a particular text has not been provided in the Royal Decree or the decision of the establishment.
 - **Companies in which the government has shares:** subscription is made in accordance with the provisions of the Royal Decree or the decision issued in this regard, the commercial companies law, and the capital law. The subscription is made after reviewing the financial standing of the company during the last three years and in observance of the provisions stated in the executive regulations of the financial law.
 - **Companies set up pursuant to a ratified international agreement, and the Gulf, Arab, or international specialized agencies joined by the Sultanate:** subscription in the capital is made in accordance with the agreement of establishing the agency and the articles of association or any ratified international agreement in observance of the applicable provisions of laws, royal decrees, regulations, and decisions, and the provisions stated in the executive regulations of the financial law.
- Subscription in the capital raising stocks and shares is made as follows:
 - **Companies:** subscription in the capital raising stocks and shares is made without prejudice to any special provisions set forth in the Royal Decree or the decision issued to establish the company or the approved articles of association. The subscription is made after ensuring that a decision to raise the capital is issued by the Extraordinary General Assembly or the Assembly of the partners or the Board of Governors or other competent authorities in the specialized agency.
 - **Specialized agencies:** subscription in the capital raising stocks and shares is made in accordance with the provisions and in compliance with the procedures mentioned in the corporate charter or agreement, the articles of association, or other ratified international agreements.
- In case the Extraordinary General Assembly or the Assembly of the partners or the Board of Governors or other competent authorities in the specialized agency issues a decision to reduce the capital, the government unit ensures that the requirements are fulfilled and that the legal procedures prescribed for capital reduction are followed, makes the necessary changes in registers and files of the government investment, and immediately notifies the Ministry of Finance of the

changes and provides it with copies of the capital reduction. The government unit also takes the necessary procedures to recover any receivables due to the capital reduction and credits such receivables to the Ministry of Finance immediately.

11.4.2 Representing the Government in Boards of Directors

SAI member should ensure the following:

- Without prejudice to any special provisions set forth in the Royal Decree establishing the company in which the subscription is made, the government unit adheres to the provisions of the following laws:
 - Commercial companies law and its executive regulations and decisions.
 - Capital market law, if the company is under the control of the Capital Market Authority.
- When appointing or disposing members or representative managers of the government, the government unit observes the following:
 - **Companies subject to the commercial companies law:**
 - The members representing the government in the board of directors of the joint stock company, or the managers representing the government in the limited liability company are selected under the approval of the Council of Ministers and as per the nomination by the Ministry of Finance and the minister of the concerned government unit.
 - The decision issued by the Council of Ministers in its session no.19/2003 regarding the appointment of the representatives of the government in the companies' boards of directors, its amendment promulgated by the decision issued by the Council of Ministers in its session no.25/2004, and the decisions issued by the Ministry of Finance regarding the implementation of the appointment rules stated in the abovementioned two decisions of the Council of Ministers are all observed when nominating such members or managers.
 - The members and managers representing the government are not discharged from their positions except after the approval of the Council of Ministers.
 - A decision is issued by the Minister Responsible for Financial Affairs appointing or discharging the members or managers representing the government.
 - The appointment decision takes into account the capacity of the appointee. Therefore, the position is mentioned without the incumbent.
 - **Companies set up pursuant to a ratified international agreements, and the specialized agencies:** the members or managers representing the government are appointed in or discharged from the boards of directors, executive boards, or other committees and authorities of the management in accordance with the ratified agreement of establishing the company, the ratified charter of establishing the agency, the articles of association, or the international agreements made in this regard.
- The members or managers representing the government carry out their duties as follows:
 - **Companies subject to the commercial companies law:**
 - **Joint stock companies:** the members representing the government or the ministry in the board of directors exercise all their authorities given to each member of the board pursuant to the commercial companies law or the company's articles of association.
 - **Limited liability companies:** the managers representing the government or the ministry carry out all the activities required to achieve the objectives of the company, unless their authorities are restricted pursuant to the company's articles

of association or any other subsequent contract recorded in the commercial register, without prejudice to the provisions commercial companies law.

- **Companies set up pursuant to a ratified international agreements, and the specialized agencies:** the members representing the government exercise their authorities as per the agreement of establishing the company, the charter of establishing the agency, the articles of association.
- The members or managers representing the government observe the following when exercising their tasks:
 - The provisions of the royal decree establishing the company, the agreement or charter to establish the company or agency, the articles of association, the articles of incorporation, the internal regulations, or other decisions regulating the company or agency.
 - The views that they express during the deliberation or vote are consistent with the stated policies, in particular the financial and economic, and with the financial interest of the state, taking into account reservation in decisions that are inconsistent with these policies or with the interests of the state. The rejection or reservation is recorded in the minute of the meeting.
- The members or managers representing the government or the Ministry of Finance observe the following:
 - Provide the concerned Directorate General in the government unit which exercises specialties directly related to the activities carried out by the company, and the Directorate General of Investment in the Ministry of Finance with the agendas for the meetings of the Board of Directors and its committees. They are provided at least two weeks before the deadline of the meeting in order to study the topics listed in the agenda and express an opinion.
 - Review the topics listed on the agenda, especially the reports of the board of directors, audit committees, executive committees, or other committees, in addition to the accounts, financial statements, estimated budgets, reports of the auditor and other proposals for the distribution of profits and its financial implications for the government. Topics of particular importance which are related to the financial or economic policy are presented to the Minister of government unit to coordinate with the Minister Responsible for Financial Affairs.
 - The concerned company has regulations and internal laws in respect to the financial matters for the conduct of its activities, in particular: purchases, stores, accounts, cost, and control, in observance of the provisions of the Administrative Decision No. 4/2002 issued by the Chairman of the Board of Directors of the Capital Market Authority. Report any weaknesses or deficiencies in the rules and regulations, if any.
 - A summary of the topics discussed at the meeting of the board of directors relating to the financial or economic policy or other decisions or recommendations issued by the minister of the concerned government unit is presented to the Minister Responsible for Financial Affairs immediately after the meeting, identifying the most important financial indicators of the company.
 - A summary report containing the important discussions held and the decisions or recommendations made at the meeting, in addition to the relevant proposals made by the member representing the government, is prepared and submitted to the minister of the government unit to coordinate with the Minister Responsible for Financial Affairs.
 - Notify the government unit of any difficulties or problems facing the company and of any irregularities - if any -, in addition to the suggestions made in this regard, to be

presented to the minister of the government unit to express his opinion and coordinate with the Minister Responsible for Financial Affairs.

- Refrain from divulging any confidential information that he obtains because of his membership. Such commitment remains in place after the end of the membership.
- Handover the minutes of meetings, documents, correspondences and any other papers that are in his custody to the concerned directorate general in the government unit immediately after the end of his membership.
- Any tasks or specialties assigned to the members representing the government in accordance with the applicable laws, royal decrees, regulations, and decisions.
- The concerned government unit provides the Directorate General of Income at the Ministry of Finance immediately with the following:
 - Copies of the minutes of meetings and reports referred to above.
 - Copies of the financial and administrative regulations issued by the company or agency, the information related to the commencement of the company or agency to perform its activities, and the auditor's reports.
- The responsibility, if any, of the concerned government unit is restricted to the following:
 - **Companies subject to the commercial companies law:** the government unit does not bear any responsibility provided for under the commercial companies law as a result of the works carried out by the members representing the government in the boards of joint stock companies or managers appointed in limited liability companies during the exercise of their duties.
 - **Companies set up pursuant to a ratified international agreements, and the specialized agencies:** the government unit is not responsible for the works of the members representing the government - during the exercise of their duties - except to the extent required by the agreement or charter establishing the company or agency.

11.4.3 Representing the Government in the Meetings of the General Assemblies and Boards of Governors

- When appointing representatives of the government unit in the general assemblies or boards of governors, the government unit observes the following
 - **Companies subject to the commercial companies law:** upon a proposal presented by the minister of the government unit, the Minister Responsible for Financial Affairs appoints the representative of the government unit in the meetings of the ordinary or extraordinary general assemblies for joint stock companies and partners assemblies for limited liability companies, and appoints the member who replaces him in his absence, taking into account the constraints that may be contained in the company's articles of incorporation or articles of association.
 - **Companies set up pursuant to a ratified international agreements, and the specialized agencies:** the governors in the boards of governors and members representing the Sultanate in the general assemblies are appointed in accordance with the provisions set forth in the agreement or the charter establishing the company or agency. In the absence of special provisions in the agreement or the charter, the provisions set forth in the preceding item are followed.
- The representatives of the government unit in the general assemblies or boards of governors are assigned their authorities as follows:
 - **Companies subject to the commercial companies law:** the representative of the government unit in the meetings of the ordinary or extraordinary general assemblies and the partners assemblies is assigned his rights and authorities specified for the shareholder or partner pursuant to the commercial companies law, the royal decree, the

decision issued for the establishment of the company, the company's articles of association or the company's articles of incorporation.

- **Companies set up pursuant to a ratified international agreements, and the specialized agencies:** the governor in the board of governors or the representative of the Sultanate in the general assemblies is assigned all his rights and authorities specified for the shareholder or the member pursuant to the agreement or the charter establishing the company or agency.
- The representatives of the government unit in the general assemblies or boards of governors adhere to the following, without prejudice to the provisions of the executive regulations of the financial law:
 - The provisions of the royal decree establishing the company, the agreement or charter to establish the company or agency, the articles of association, the internal regulations, the articles of incorporation, or other decisions regulating the company or agency.
 - The views that they express during the deliberation or vote are consistent with the stated policies, in particular the financial and economic, and with the financial interest of the state, taking into account reservation in decisions that are inconsistent with these policies or with the interests of the state. The rejection or reservation is recorded in the minute of the meeting.
 - Provide the concerned Directorate General in the government unit which exercises specialties directly related to the activities carried out by the company, and the Directorate General of Investment in the Ministry of Finance with the agendas for the meetings of the Board of Directors and its committees. They are provided at least two weeks before the deadline of the meeting in order to study the topics listed in the agenda and express an opinion.
 - Review the topics listed on the agenda, especially the reports of the board of directors, audit committees, executive committees, or other committees, in addition to the accounts, financial statements, and estimated budgets. Topics of particular importance which are related to the financial or economic policy are presented to the Minister of government unit to coordinate with the Minister Responsible for Financial Affairs.
 - The concerned company has regulations and internal laws in respect to the financial matters for the conduct of its activities, in particular: purchases, stores, accounts, cost, and control, in observance of the provisions of the Administrative Decision No. 4/2002 issued by the Chairman of the Board of Directors of the Capital Market Authority. Report any weaknesses or deficiencies in the rules and regulations, if any.
 - Review the report of the auditor, the proposals for the distribution of profits and its financial implications for the government.
 - Prepare a report on the meeting that includes the following:
 - The important comments, and the rejection or reservation on the decisions in preparation to present the report to the minister of the government unit in order to take the necessary procedures after the approval of the Minister Responsible for Financial Affairs.
 - The consistency of the decisions issued by the general assembly of the Omani joint stock company with the commercial companies law, its articles of association, or its internal regulations, if any. The necessary actions are taken to legally abolish the inconsistent decisions.
 - The consistency of the decisions issued by the general assembly of the company set up pursuant to an international agreement with the provisions of the agreement and the articles of association. The necessary actions are taken to abolish the

inconsistent decisions in accordance with the agreement of establishing the company.

11.4.4 Government's Share in Profit

SAI member should ensure the following:

- The concerned government unit collects its share in the net profit to be distributed to the shareholders, partners, or members immediately after the issuance of a decision by the general assembly, assembly of partners, or other competent authorities.
- The concerned government unit abides by the procedures set forth in item 207 of the financial law and its executive regulations in respect to collecting its share in the distributed net profit. The necessary measures are taken to record the distributed amounts of profit in the registers designated for this purpose.
- Ensure the following when auditing the remunerations paid for the representatives of the government:
 - **Companies subject to the commercial companies law:** the remunerations paid for the members representing the government are in accordance with the provisions stipulated in the commercial companies law, the provisions of the decision issued by the Council of Ministers in its session no.19/2003 and its amendments particularly the decision issued in session no.19/2008, the decisions issued by the Ministry of Finance to implement the rules contained in the above mentioned decision, and the administrative decision no.11/2005 issued by the chairman of the Board of Directors of the Capital Market Authority. In case the remunerations exceed the maximum limits stipulated in the decision issued by the Council of Ministers and its amendments, the surplus is credited to the government.
 - **Non-Omani Companies or Entities set up Abroad in accordance with Foreign Laws:** The maximum limit of the amounts that may be maintained by the representative of the government is determined in accordance with the rules defined in the decision that is issued by the Minister Responsible for Financial Affairs, after the approval of the Council of Ministers, without prejudice to any special provisions stipulated in the agreement of establishment or the articles of association of the company ratified by a royal decree.

11.4.5 Liquidation

- The following procedures of liquidation are performed:
 - **Companies subject to the commercial companies law:** the government unit verifies the availability of the reasons compelling to legally liquidate the company, and performs the liquidation procedures stipulated in the commercial companies law or in the royal decree issued to establish the company.
 - **Companies set up pursuant to a ratified international agreements, and the specialized agencies:** the government unit verifies the availability of the reasons of liquidation stated in the agreement of establishment or the charter of agency.
 - The government unit provides the Ministry of Finance, in all circumstances, with a copy of each decision issued in this regard and of each report prepared by the liquidators or others.
 - The representative of the government unit in the general assembly or the governor in the assembly of governors reviews the final report prepared by the liquidators or auditors at the end of liquidation works, prepares a report in this respect that includes the opinion about approving the report and the account statement of the liquidation works, reveals any comments in this respect, and submits this report to the minister of the government unit to approve the conclusion of the representative of the government or the governor, after the approval of the Minister Responsible for Financial Affairs.

- The government unit observes the following when recovering the liquidation dividend or the share price and crediting the recovered amounts to the public treasury:
 - Review the value of the liquidation dividend depending on the liquidation final report, the account statement of the liquidation works, the report of the representative of the government or the governor, in addition to the decisions and other records, and take into account any privileges or priorities given to the government shares during liquidation in accordance with the royal decree issued to establish the company, the commercial companies law, the international agreements, the charters of agency, the articles of association, the articles of incorporation.
 - Follow up the recovery of the receivable amounts with the liquidators or with the Capital Market Authority in case the liquidation surplus is deposited in CMA as per the commercial companies law.
 - In case the government stocks are depreciated before the expiry of the company's term, review the value of the depreciated stocks and follow up the recovery of the receivable amounts.
 - Credit the recovered or collected liquidation dividend or value of depreciated stocks to the public treasury.

11.4.6 Provisions for the Sale of Government Stocks and Shares in Accordance with Privatization Law

- When selling the government stocks and shares in accordance with the privatization law, ensure whether the concerned government unit observes the following:
 - Comply with the objectives, methods, and procedures mentioned in the privatization law.
 - Define the value of the sold stocks according to the specified bases and the procedures approved by the Ministry of Finance in the light of the coordination between the Ministry of Finance and the technical secretariat of the ministerial committee for privatization whose specialties are held by the Directorate General of Private Sector Affairs in the Ministry of National Economy (or the entity that held this specialty after the abolition of the Ministry National Economy).

11.5 Provisions and Rules for Investment in Bonds Issued by Foreign Governments or Companies

11.5.1 Bonds Issued by Foreign Governments

- Subscription in the bonds issued by foreign governments and the collection of the receivable dividends are in accordance with the terms of issuer, after the approval of the minister of the government unit and the consent of the Minister Responsible for Financial Affairs and the coordination with Central Bank of Oman and other concerned entities.

11.5.2 Bonds Issued by Joint Stock Companies

SAI member should ensure the following:

- Subscription in the bonds issued by joint stock companies, without prejudice to any special provisions established under the applicable relevant royal decrees, is in accordance with the terms and procedures stipulated in the commercial companies law and the controls of bonds issuance against the amounts borrowed by the joint stock company that are prescribed in the ministerial decision no. 159/2004 or in the agreement of establishment, etc.
- The bonds in which the government unit subscribes are issued by the name of the government and listed in Muscat Securities Market in accordance with the administrative decision No. 1/2003 issued by the Chairman of the Board of Directors of the Capital Market Authority.

- The compliance with the following when representing the government at the General Assembly meetings of bondholders:
 - **The companies which the government contributes in their capitals:** The representative of the government unit, appointed as per item 222 of the executive regulations of the financial law, represents the government in the meetings of the general assembly of bondholders.
 - **The companies which the government does not contribute in their capitals:** The representative of the government unit in the general assembly of bondholders is appointed as per item 222 of the executive regulations of the financial law.
- The representative of the government unit is committed to the rights and authorities specified for the bondholder pursuant to the commercial companies law, the agreement of the establishment of the company, and the company's articles of association, through the following:
 - Review the topics listed in the agenda of the assembly, in coordination with the competent departments of government unit and with the Ministry of Finance in case payment is postponed or the interest rate is reduced, and in case of prejudice to the guarantees and rights granted to bondholders.
 - Make reservation or express rejection during the deliberation or vote on the decisions that are inconsistent with the financial policy of the government or inconsistent with the financial interest of the state. The reservation or rejection is recorded in the minutes of the meeting.
 - In case payment is postponed or the interest rate is reduced and in case of prejudice to the guarantees and rights granted to bondholders, the representative informs the minister of the government unit after coordinating with the Ministry of Finance.
 - Attend the meetings of the general assemblies of the shareholders if he is nominated as a representative of the general assembly of bondholders.
 - Prepare a report on the meetings that include the following:
 - The important comments and the reservations he made.
 - The consistency of the decisions issued by the general assembly of for the bondholders with the commercial companies law, the agreement of the establishment of the company, the bonds issuance controls, and the company's articles of association. The necessary actions to abolish the inconsistent decisions are proposed in coordination with the Ministry of Finance.
- The government unit observes the following when collecting the dividend of bonds and the value of the depreciated bonds and crediting the collected amount to the public treasury:
 - Collect the receivable dividend of bonds at the scheduled dates.
 - Follow up to recover the value of the depreciated bonds at the scheduled dates.
- The government unit does not convert bonds into stocks except after the consent of the Ministry of Finance and according the rules prescribed by the same ministry.
- The government unit credits dividend of bonds and the value of the depreciated bonds to the public treasury, and make the required entries in the register designated for this purpose.