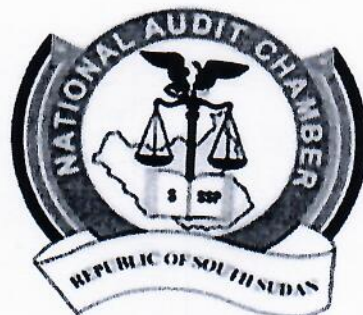


**THE REPUBLIC OF SOUTH SUDAN
NATIONAL AUDIT CHAMBER**



**REPORT OF THE AUDITOR GENERAL
ON THE ACCOUNTS OF 2% AND 3% SHARE OF NET OIL REVENUE OF
OIL PRODUCING STATES AND COMMUNITIES**

FOR THE PERIOD 2011 TO 2020

MARCH 2021

Date: 22nd March, 2021

To: Right Honourable Speaker,
Council of States
Republic of South Sudan
Juba

**Compliance Audit of the Accounts of 2% and 3% Share of Net Oil Revenue of the Oil Producing States and Communities at the Ministry of Finance and Planning, Bank of South Sudan, Unity State, Upper Nile State and Ruweng Administrative Area
2011-2020**

1.0 Introduction

In its Ordinary Sitting No. 04 of the First Session, the Council of State Business Committee (CBC) issued Resolution No.10/2020 "Resolution Directing the Auditor General" as hereunder:

The Resolution:

- 1.1** Direct the Auditor General to audit the Accounts designated for 2% and 3% of Net Oil Revenue of the Oil Producing States and Oil Producing Communities held at the Bank of South Sudan as from July, 2011 to 31 December, 2020.
- 1.2** Direct the Auditor General to go to the Oil Producing Areas to audit the Accounts to which the allocated 2% and 3% of Net Oil Revenue of Oil producing States of Unity, Upper Nile and Ruweng Administrative Area were transferred.
- 1.3** The Auditor General shall submit his report to the office of the Speaker of the Council of States within a period of one month as from Monday 4th January, 2021.

2.0 Legal and Professional Bases

In addition to the resolution of the Council of States cited in paragraph 1.0 supra, the audit was conducted to determine compliance with South Sudan statutes, including but

not limited to the Public Financial Management and Accountability Act, 2011, the Petroleum Revenue Management Act, 2013, Bank of South Sudan Act, 2012, National Audit Chamber Act, 2011 and other related laws, rules and regulations.

This audit was conducted in accordance with the International Standards on Auditing (ISAs). The International Standards on Auditing require that the audit is planned and performed to obtain reasonable assurance that, in all material respects, fair presentation is achieved.

2.1 The Objectives of the Audit.

2.1.1 Make a determination as to whether the Ministry of Finance and Planning complied with the provisions of the Petroleum Revenue Management Act, 2013 mandating the transfer of 2% and 3% of net oil revenue to the producing States and Communities respectively.

2.1.2 Make a determination as to whether the Oil producing States and Communities secured custody of the 2% and 3% respectively.

2.3.3 Make a determination as to whether the oil producing States and Communities used the monies received in fulfillment of the objectives stipulated in the Petroleum Revenue Management Act, 2013.

2.3.4 Make a determination as to whether the Council of States and other government sub-structures participated in the decision processes regarding the usage of the 2% and 3% of net oil revenue transferred to the States and Communities.

2.3.5 Make recommendations on actions the Council of States and other government agencies and stake holders can take in response to the outcome of the audit.

3.0 Audit Plan

3.1 Examine the Accounts designated for 2% and 3% of Net Oil Revenue of the Petroleum Producing States and Communities held at the Bank of South Sudan from July, 2011 to 31 December, 2020.

3.2 Go to the Petroleum Producing States and Ruweng Administrative Area to the Accounts to which the allocated 2% and 3% of Net Oil Revenue.

- 3.3 Review Internal Control Systems maintained by the Ministry of Finance and Planning and Bank of South Sudan in the management of the Accounts of 2% and 3% Share of Net Oil Revenue of the Petroleum Producing States and Communities.
- 3.4 Obtain reasonable assurance as to whether the Ministry of Finance and Planning, Bank of South Sudan, Petroleum producing States and Ruweng Administrative Area complied with the provisions of the Public Financial Management and Accountability Act, 2011, Petroleum Revenue Management Act, 2013 and Bank of South Sudan Act, 2012.
- 3.5 Adopt any relevant audit approaches and methodologies as required by Generally Accepted Accounting and Auditing Standards.
- 3.6 Report to the Council of States within one month from the date of the Resolution, or any later date as permitted by the Speaker.

4.0 **Responsibilities of the Ministry of Finance, the Bank of South Sudan and State Governments**

Preparations of accounting records, statements and maintenance of documentation related to the Accounts of 2% and 3% Share of Net Oil Revenue of the Oil Producing Communities and States; maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Ministry of Finance and Planning, Bank of South Sudan, States/Administrative Area and County Legislative Council and their respective Community Development Committees.

5.0 Responsibilities of the Auditor

Our responsibility is to independently audit the areas enumerated in the audit objectives, to express an opinion on whether the management of the subject matter is in compliance with applicable statutes, rules and regulations, and to give recommendations on the audit observations and findings, based on the International Standards of Supreme Audit Institutions (ISSAIs) and other audit best practices. These standards require that the audit is planned and performed to obtain and provide a reasonable assurance that, in all material respects, fair presentation and compliance is achieved on the regularity of books of accounts, financial systems, procedures and compliance of the audited institutions with the applicable rules and regulations.

Matters raised in this Special Report are, therefore, those that were identified through our audit and considered necessary for the purpose of the audit. It is possible that there

are other matters and/or weaknesses that were not identified in this report due to limitations of audit scope mentioned elsewhere in this report.

6.0 Scope of the Audit and its Limitations

6.1 The scope of this Audit was to cover the period from July 2011 to December 2020 as directed by the Council of States. However, due to some legal and practical reasons our audit covers only the Period from June 2014 to December 2020. These legal and practical reasons are as follows:

6.1.1 There is no clear legal framework (legislation) to cover our audit to the period of July 2011 to 10th November 2013 when the Petroleum Revenue Management Act, 2013 was ascended to Law by the President on the 10th November, 2013.

6.1.2 The Ministry of Finance and Planning and the Bank of South Sudan could not provide the audit with the required information, documentation and data related to the period July 2011 to November 2013.

6.1.3 The 2% and 3% Petroleum Producing States and Communities accounts were opened by the Ministry of Finance and Planning in the Bank of South Sudan in June 2014.

6.1.4 The Bank of South Sudan could only provide the audit with Bank Statements for the 2% and 3% Petroleum Producing States and Communities accounts for the period June 2014 to December 2020.

6.1.5 The allotted time of one month to cover the 2% and 3% Petroleum Producing States and Communities accounts from July 2011 to December 2020 is not sufficient.

This Special Audit Report is, hence, not exhaustive. It covers important information and matters that were presented to the Audit Team and those that came to our attention during the audit. Some matters observed during the audit were discussed verbally with relevant staff and persons concerned and were cleared.

7.0 Audit Findings on 2% Account Number 212-00269210001096

7.1 The 2% Account was opened in Bank of South Sudan in June 2014.

7.2 The Ministry of Finance and Planning was the sole operator of the Account.

7.3 Transfers into this account totaled USD 25,594,767.94 as per the table below.

2% Account deposits and withdrawals the period 2014 to 2020

S/No	Particulars	Financial Year	Deposit Amounts in USD	Withdrawals in USD	Bank Balance
1	Deposit from BOSS	2014	7,906,568.70		
2	Deposit from BOSS	2015	9,600,211.87		
3	Deposit from BOSS	2017	400,347.00		
4	Deposit from BOSS	2019	5,536,528.88		
5	Deposit from BOSS	2020	2,151,111.49		
	Grand Total		25,594,767.94*1	24,492,528.48*2	1,102,239.46

*1 More details are in the Audit Working Papers.

*2 f More details are in the Audit Working Papers.

7.4 Disbursements from 2% account totaled USD 24,492,528.48 as per table below:

S/N	Name of Payee	Financial Year	Amount in USD	Remarks
1.	Angelo Beda	2015	30,890.00	Unknown Reason
2.	Biro Tor Bior	2015	151,500.00	Unknown Reason
3.	Ministry of Finance RSS	2014/2019	4,700,615.98	Unknown Reason
4.	Oil Revenue	2020	279,503.53	Unknown Reason
5.	Northern Upper Nile State	2017/2020	2,621,711.70	
6.	Upper Nile State	2014/2015	14,037,883.20	
7.	Unity State	2016/2020	1,885,648.91	
8.	Ruweng Administrative Area	2020	783,372.75	
	Bank Printing Charges		1,402.41	Bank Charges
	Total		24,492,528.48	

7.5 Payments of USD 5,162,509.51 were made to parties other than those stipulated under the Petroleum Revenue Management Act, 2013 as follows:

Transfer back to the Ministry of Finance	USD 4,700.615.98
Transfer back to Ministry of Finance	279,503.53
Paid to Bior Tor Bior	151,500.00
Paid to Angelo Beda	30890.00
Total	USD 5,162,509.51

8.0 Audit Findings on 3% Account Number 21300269210001097

- 8.1** The 3% Account was opened in Bank of South Sudan in 2014.
- 8.2** The Ministry of Finance and Planning was the sole operator of the Account.

8.3 Transfers into this account totalled USD 60,140,773.50 as per the table below.

Summary of Deposits to 3% account 2014-2020

S/No.	Particulars	Financial Year	Deposit Amounts in USD	Withdrawals in USD	Bank Balance of 202
1	Deposit from BOSS	2014	33,362,158.04		
2	Deposit from BOSS	2015	15,140,327.80		
3	Deposit from BOSS	2019	8,304,802.57		
4	Deposit from BOSS	2020	3,333,485.09		
	Grand Total		60,140,773.50*1	59,569,544.57*2	571,228

*1 more details are in the Audit Working Papers.

*2 more details are in the Audit Working Papers.

9.0 Payments from the 3% Account

S/No	Name of Payee	Financial Year	Amounts in USD	Remarks
1	Ohisa Moses Beda	2015	2,358,528.78	Unknown Reason
2	Bona Alith Arow	2015/2020	1,265,650.00	Unknown Reason
3	James Deng John	2015	170,201.18	Unknown Reason
4	Emmanuel Igau Mayen	2015	36,000.00	Unknown Reason
5	Thon Abraham Luk Malual	2015	50,000.00	Unknown Reason
6	William Ruei Lok	2015	170,201.18	Unknown Reason
7	Medical Cost of Hon. Lual Diing Wol in Germany	2015	94,861.21	Medical Treatment
8	Morris Yei Akol Tiit	2015	137,000.00	
9	Payment Transfer to Foreign Cash received	2015	7,584,180.13	Unknown Payee and reason
10	Payment Transfer	2015	1,034,604.97	Unknown Payee and reason
11	Ministry of Finance RSS (cumulative)	2015/2020	22,242,144.23	Paid to various accounts
12	Oil Revenue A/C 3	2020	1,161,598.11	Unknown Reason
13	Renk Community	2020	190,800.00	
14	Ruweng Administrative Area	2020	457,900.21	
15	Melut Community	2020	1,070,825.74	
16	Maban Community	2020	190,800.00	
17	Adium Forex Bureau	2017	600,000.00	Unknown Reason
18	Office of President	2016	1,300,000.00	Unknown Reason
19	Keer Marine for River Transport Co. Ltd	2015	2,000,000.00	Unknown Reason
20	South Supreme Airline	2015	4,130,000.00	Aircraft

21	Equity Bank	2015	4,000,000.00	Unknown Reason
22	Oryx Energies Kenya Co. Ltd	2015	2,200,000.00	Unknown Reason
23	H.T Global Health	2015	191,253.43	Unknown Reason
24	World Bank for Contracted Services	2015	36,824.00	Unknown Contracted Services
25	Upper Nile State	2015	5,041,869.49	Paid A/C in SSP
26	Unity State	2020	1,852,856.21	14,811,500.00
27	Bank Printing Charges as Letter	2014/2020	1,445.70	
	Grand Total		59,569,544.57	

* more details are in the Audit Working Papers.

9.1 Payments made from 3% account to parties other than those stipulated under the Petroleum Revenue Management Act, 2013.

Name of Payee	Financial Year	Amounts in USD	Remarks
1. Ohisa Moses Beda	2015	2,358,528.78	Unknown Reason
2. Bona Alith Arow	2015/2020	1,265,650.00	Unknown Reason
3. James Deng John	2015	170,201.18	Unknown Reason
4. Emmanuel Igau Mayen	2015	36,000.00	Unknown Reason
5. Thon Abraham Luk Malual	2015	50,000.00	Unknown Reason
6. William Ruel Lok	2015	170,201.18	Unknown Reason
7. Medical Cost of Hon. Lual Diing Wol in Germany	2015	94,861.21	Medical Treatment
8. Morris Yei Akol Tiit	2015	137,000.00	
9. Payment Transfer to Foreign Cash received	2015	7,584,180.13	Unknown Payee and reason
10. Payment Transfer	2015	1,034,604.97	Unknown Payee and reason
11. Ministry of Finance RSS	2015/2020	22,242,144.23	Paid to various accounts
12. Oil Revenue A/C	2020	1,161,598.11	Unknown Reason
13. Adium Forex Bureau	2017	600,000.00	Unknown Reason
14. Office of President	2016	1,300,000.00	Unknown Reason
15. Keer Marine for River Transport Co. Ltd	2015	2,000,000.00	Unknown Reason
16. South Supreme Airline	2015	4,130,000.00	Aircraft
17. Equity Bank	2015	4,000,000.00	Unknown Reason
18. Oryx Energies Kenya Co. Ltd	2015	2,200,000.00	Unknown Reason
19. H.T Global Health	2015	191,253.43	Unknown Reason
20. World Bank for Contracted Services	2015	36,824.00	Unknown Contracted Services
TOTAL		USD 50,763,047.22	

10.0 Administrative Findings

Audit identified a number of administrative issues that require consideration and action by the Ministry of Finance and Planning, Bank of South Sudan and the Council of States.

- 10.1** Accounts for the 2% and 3% are not ring-fenced and blocked for as transit stations for transfers to the designated beneficiaries.
- 10.2** Limitation of Scope of Audit.
- 10.3** Failure to grant audit team access to transfer supporting documents.
- 10.4** Criterion or denominator for calculation of 2% and 3%.
- 10.5** Bases for determining benefit of the State Development Programs and approval by Council of States.
- 10.6** Accounts of oil producing States in Bank of South Sudan not availed.
- 10.7** Proportionality requirement for transfers to States not clarified.
- 10.8** Transfers not made in accordance with the rule "not later than fifteen days of the ensuing month".

11.0 Audit Recommendations

11.1 No payments other than transferred to the Petroleum Producing States and for the purposes of the State Development Program be made from this account by the Ministry of Finance without a written authorization from the concerned State Governor and the State Ministry of Finance with Council of State being notified.

11.2 The Ministry of Finance Planning should ensure that access to information, data and documentation are not denied or withheld from auditors. Staff assigned to coordinate audits should be properly monitored and followed up to assist auditors perform their engagements as designed and within the stipulated time frame.

11.3 The Ministry of Finance and Planning and the Bank of South Sudan are strongly advised to adhere and comply with the legal provisions and directives of the oversight institutions in regard to access to information and transparency and accountability. The Ministry and the Bank should provide the missing required documentation and data for further audit verifications.

11.4 The Ministry of Finance and Planning shall transparently and accountably show how it calculates the 2% transfers to the States and by what criteria. Council of States and the Ministry of Finance and Planning are to ensure that; States Development Programs are approved by the States/Administrative Area Legislative Assemblies.

11.5 The Ministry of Finance and Planning shall transparently and accountably show how it calculated the 2% transfers to the States and Ruweng Administrative Area.

11.6 The Council of States and the Ministry of Finance and Planning are to ensure that; States Development Programs are approved by the States/Ruweng Administrative Area Legislative Assemblies.

11.7 The Ministry of Finance and Planning is to comply with the provision of Subsection (5) of the Petroleum Revenue Management Act, 2013 to enable Petroleum Producing States timely implementation of their States Development Programs.

11.8 No payment other than transfers to the Petroleum Producing States Communities and for the purposes of the State Communities Development activities be made from the 3% account by the Ministry of Finance without a written authorization from the concerned State Governor and the State Ministry of Finance with Council of State being notified.

11.9 The Ministry of Finance and Planning shall transparently and accountably show how it proportionately distributes the 3% transfers to the States and Ruweng Administrative Area Communities. The Council of States and the Ministry of Finance and Planning are to ensure that; States Development Programs are approved by the States and Ruweng Administrative Area Legislative Assemblies and it benefit the development goals of the States.

11.11 The Council of States should use its authority to oblige the Ministry of Finance and the Bank of South Sudan to disclose the identities of persons, including real owners of private corporations, who have received payments from the 2% and 3% accounts.

11.12 The Council of States is advised to prefer legal and/or other measures to effect recovery of illegal payments and expropriations.

11.13 The Council of States is encouraged to make use of the services of the National Audit Chamber, the Anti-Corruption Commission, and the law enforcement institutions to safeguard the interests of the stakeholders of the 2% and 3% accounts.

11.14 The Council of States is advised to share this report with H.E. The President of the Republic of South Sudan.

12.0 CONCLUSION

Audit found no satisfactory evidence that the Ministry of Finance and Planning fully complied with the Petroleum Revenue Management Act, 2013 on the matter of the allocation and transfer of 2% and 3% of net oil revenue to the oil producing States and Communities.

I am unable to express an opinion on how money transferred to the States was utilized as records related thereto were not examined.

In my opinion, the information, data and explanations provided by the Ministry of Finance and the Bank of South Sudan do not represent a complete, reliable, true and fair record of the amounts and usage of the 2% and 3% share of net oil revenue due to the oil producing States and Ruweng Administrative Area for the period 2011 to 2020.

Signed:



**Steven Kilion Wöndu
Auditor General
Republic of South Sudan
Juba**