



# The State Audit Institution of Oman. A Profile

The State Audit Function in Oman dates back to pre-1970 and has undergone several transformations over the years; the main ones in 1985 with the issuance of the first Audit Law, and in 1989/1991 when the entire system was revamped and another Audit Law issued. The SAI continued to pursue improvements with the aim of enhancing its function. A new State Audit Law was promulgated through Royal Decree No. 55/2000 on 12/07/2000 to strengthen its independence and widen its audit mandate. It was renamed the State Audit Institution (SAI) and was declared independent.

**1-2** The objectives of the SAI's audit, as laid down in the State Audit Law are:

- to conduct "post facto" audit of State Public Funds in order to protect them, and ensure their proper and effective use;
- to expose cases of financial irregularities; and
- to highlight deficiencies in financial laws, rules and regulations and recommend means of correcting these deficiencies

**1-3** The SAI's audit jurisdiction extends to

- Government Ministries and Departments;
- Companies where Government's shareholding is 51% or more;
- Pension Funds of Government Entities;
- Public Authorities and other bodies in which Government has a share and/or receives grants from the Government; and

- Entities, which are granted a concession by the Government to exploit public facilities or natural resources within the country.

**1-4** In addition to auditing accounts, stores and the financial aspects of personnel-related decisions, the State Audit Law specifically requires the SAI (a) to monitor the implementation and progress of projects falling within the Development Plan to ensure that financial allocations are properly used, and (b) to evaluate such projects to ensure that resources are used efficiently and economically. In practice, the SAI's work focuses more on compliance and performance/"Value For Money" audit than on certification and financial audit.

**1-5** Audit Reports are issued, usually after every audit, to the Ministry concerned. The results of the SAI's work throughout the year are summarised in an Annual Report, which is submitted to His Majesty the Sultan.

**1-6** Increasingly, the SAI has been moving from a traditional transaction-oriented audit approach towards system-based auditing, with emphasis on identifying weaknesses in internal control systems rather than merely highlighting irregularities in individual transactions. With the growing use of information technology amongst auditees, the SAI is also making increasing use of Computer Assisted Audit Techniques (CAATs) to make its audit effort more efficient and effective.

**1-6** The organisation carried out a strategic review and decided to reorient its policies to ensure that its fundamental objectives are met. SAI strengthened its Companies Audit Department which

audits the oil sector and formed a Strategic Audit Task Force to carry out high impact audits with a view to assist the government in its critical activities. The audits of SAI especially in the Oil and Gas sector were highly appreciated by the government. Some of these were "special audits" undertaken at the specific request of the Government. The SAI's special audit findings were well received and appreciated by the Government.

SAI also carried out critical forensic audits at the request of the judicial authorities investigating high value financial crimes. These forensic audits resulted in several convictions of high ranking public officials and in cracking several high profile cases, which resulted in increased credibility for the SAI.

## Organisational Structure

**2-1** The SAI is headed by a President, who is of the rank of a Minister and also has a Deputy President of the rank of an Under-Secretary, both of whom are appointed by Royal Decree. The audit function is managed by an Assistant Deputy President, who has four Directors General, under him, responsible for different areas of audit. The administration and Training & Information departments are also headed by Directors General.

**2-2** The total strength of staff in the SAI is 236 of which 222 are nationals, and 14 expatriates, with a predominance of accounting, finance and law graduates. The annual budget of the SAI is approximately US\$ 6.9 million, of which approximately 80% is spent on salaries.



## Training and Professional Development

**3-1** The SAI has adopted a systematic approach to knowledge and skill development in the organisation, through a mix of in-house training programmes and on-the job training, supplemented by external attachments and training programmes.

**3-2** The SAI has evolved a rigorous in-house foundation course for providing induction training to new staff members, which covers:

- financial, management and government accounting;
- internal control concepts;
- financial, compliance and performance auditing; and
- other areas like commercial law, quantitative methods, project management, principles of finance and economics.

At the end of this training programme the staff are also encouraged to take the Certified Internal Auditor (CIA) qualification, whose course content is closely allied to the audit mandate of the SAI.

**3-3** The SAI has been conducting these courses with the help of experts from the C&AG of India under a MOU signed with India. These courses have been highly successful with SAI building up a solid base of young Omani certified auditors. In fact, this course has been gathering popularity with the other government departments who also avail themselves of it.

**3-4** The SAI has also been seconding its staff members for attachments with various external organisations. These include:

- attachments / training programmes of other Supreme Audit Institutions – the National Audit Office (UK), the General Accounting Office (USA), the Auditor General of British Columbia (Canada), the Comptroller and Auditor General of India, the Auditor General of Pakistan; ARABOSAI, the Gulf Co-operation Council SAIs and
- attachments with international audit firms and other entities

**3-5** The SAI actively encourages and sponsors its staff members for certification programmes offered by international professional organisations of accountants and auditors – the Association of Chartered Certified Accountants (UK), the Chartered Institute of Management Accountants (CIMA), the Institute of Internal Auditors (USA) and the Arab Society of Public Accountants (Jordan).

**3-6** Several of our staff members have already obtained prestigious international certifications like CIA and CISA.

## Information Technology in the SAI

**4-1** The SAI's introduction to the field of Information Technology (IT) commenced in 1989 with the installation of a Wang computer system primarily to meet word processing requirements. This was followed in 1992 by the installation of a Novell Netware based Local Area Network (LAN) and 4 terminals to provide on-line access to the government-wide financial and personnel information systems running on an IBM Mainframe system.

### IT Strategy

**4.1-1** In October 1996, the SAI's approach to IT was re-oriented and a formal IT Strategy was drawn up with two broad goals (a) to facilitate better control over audit and administrative activities and (b) to provide better information support for field auditors.

**4.1-2** In support of this strategy, long and short term plans and detailed policies and standards covering hardware and software acquisition, application software development, IT operations and IT security were developed. An IT Steering Committee consisting of senior management and technical staff, was set up to ensure effective management of IT in line with organisational objectives.

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## Infrastructure Upgrade

**4.2-1** In line with the strategic framework for IT, the SAI went in for a comprehensive but very economical upgrade of its IT infrastructure, which presently has the following core components:

- a high speed switched/shared Fast Ethernet based Local Area Network (LAN) running Microsoft BackOffice;
- LAN-connected personal computers on practically every user's desktop; and
- Dial-up access to remote users on a selective basis.

## Applications

**4.3-1** In 1997, the SAI established an intranet, which enables users to access information from different database applications using the web browser (Microsoft Internet Explorer) in the same manner, as they would browse the Internet. All the IT systems of the SAI have an "intranet" interface for viewing information, and most of the data entry is also through the intranet.

**4.3-2** Users in the SAI, with little knowledge of computers and not much training, are thus able to use computer applications on sophisticated platforms with ease. This technology is "state-of-art" and very few SAIs, mainly from the developed countries, have adopted this technology, while the SAI of Oman has been using it for quite some time, making it a pioneer in this area.

**4.3-3** The main IT applications being accessed through the Intranet are:

- an Audit Management System, for efficient, planning, scheduling, monitoring and follow-up of audits;
- a Mail Management System for recording and tracking inward and outward correspondence;
- a Personnel Management System;
- an Auditee Financial Information System; and
- a Database of Internal Circulars on Auditing.

**4.3-4** The SAI has been planning to further upgrade its IT systems, by taking advantage of advanced technology by further developing key work flow and audit automation systems. In fact the SAI's long-term objective is to provide an "electronic briefcase/toolkit" for auditors and a paper-free decision support system for managers. In line with this objective, SAI has recently introduced TeamMate, an audit automation and support application developed by PriceWaterHouseCoopers. The SAI is also planning to upgrade to a integrated ERP based solution for all its administrative requirements.

## IT Training

**4.4-1** The SAI has developed its own computer training courses, consisting of computer based presentations with audio-visual support, and used it to build an in-house pool of IT trained manpower. This is now being supplemented through short training programmes on specific topics.

**4.4-2** In addition, IT Department staff have been given exhaustive training in network and systems administration, as well as in application and web development through a mix of in-house and external training programmes.

## Information Technology Audit

**4.5-1** Over the last three years through extensive in-house training, the SAI has built a relatively large cadre of generalist auditors, who could undertake simple IT audit tasks, as well as a small pool of specialist IT auditors. These staff have since conducted several important IT audits. The SAI's thrust is on increasing use of audit interrogation software like ACL (Audit Command Language) and MS Access in its regular audit work. This approach has proven to be highly successful, with analysis of electronic data in several auditee agencies providing rich material for both financial and performance audit findings.





**4.5-2** The SAI uses the “Control Objectives for Information and Related Technologies” (COBIT) developed by the Information Systems Audit and Control Association (ISACA) as a framework for conducting IT audits. The SAI is also sponsoring promising staff members for the prestigious CISA (Certified Information Systems Auditor) examination being conducted by ISACA. The SAI has already got a few CISAs in its rolls making it a pioneer in this field.

## International involvement of the SAI

**5-1** The SAI of Oman is a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and is also a member of two of INTOSAI’s regional working groups – ARABOSAI (the Arab Organisation of Supreme Audit Institutions) and ASOSAI (the Asian Organisation of Supreme Audit Institutions)

**5-2** In 1999, the SAI was invited to join the Standing Committee on IT Audit of INTOSAI, which supports Supreme Audit Institutions (SAIs) in developing their knowledge and skills in the use and audit of Information Technology. It is now actively involved in the technical activities of the Committee:

- With its experience in intranets, SAI led a research study on how SAIs can use intranets for getting better value out of IT. This research study was finalised and circulated to all SAIs in April 2001.
- The SAI is hosting and maintaining the Arabic version of the Committee’s Internet web site.

- The SAI has undertaken a comprehensive revision of two IT audit training modules on “Computer Assisted Audit Techniques (CAATs)” and “Data Downloading”.
- The SAI subsequently worked with SAI India to develop the INTOSAI IT Audit Courseware which has been approved by the recently held congress.
- The SAI carried out a research project on “Using CAATs for Non-Financial Audits”.

The SAI has also signed a Memorandum of Understanding with C &AG of India in the field of audit cooperation. This has enabled SAI to obtain expert resources for consultancies besides assistance in training and development of manuals and procedures.

SAI aims to emerge as a leading Supreme Audit Institution through a continuous process of capacity building and upgrading of skill. Considerable investment of financial and human resources by SAI in recent years to achieve these objectives is expected to make this a reality in the very near future.

## SAI aims to emerge as a leading Supreme Audit Institution



# Sultanate of Oman. The Facts



**Population:** 2,903,165

**Government type:** Monarchy

**Capital:** Muscat

**Constitution:** On 6 November 1996, Sultan QABOOS issued a royal decree promulgating a basic law considered by the government to be a constitution which, among other things, clarifies the royal succession, provides for a prime minister, bars ministers from holding interests in companies doing business with the government, establishes a bicameral legislature, and guarantees basic civil liberties for Omani citizens.

**Background:** In 1970, QABOOS bin Said Al Said ousted his father and has ruled as sultan ever since. His extensive modernization program has opened the country to the outside world and has preserved a long-standing political and military relationship with the UK. Oman's moderate, independent foreign policy has sought to maintain good relations with all Middle Eastern countries.

**Economy** - overview: Oman is a small, well-off middle Eastern economy with large oil and gas resources, a substantial trade surplus, and low inflation. The government is moving ahead with privatization of its utilities, the development of a body of commercial law to facilitate foreign investment, and increased budgetary outlays. Oman continues to liberalize its markets and joined the World Trade Organization (WTO) in November 2000. In order to reduce unemployment and limit dependence on foreign countries, the government is encouraging the replacement of expatriate workers with local people, i.e., the process of Omanization. Training in information technology, business management, and English support this objective. Industrial development plans focus on gas resources.

