



**National Audit Chamber
Specialized Audit Sector
Performance Audit Directorate**

**Performance Audit Report on Control of Petroleum Products by Sudanese
Petroleum Corporation (SPC)**



In Sudan (2015 – 2018)



Republic Of The Sudan
National Audit Chamber

Date: التاريخ
Date: الموافق

بسم الله الرحمن الرحيم

جمهورية السودان
ديوان المراجعة القومي
الخرطوم

الرقم/ دم ق/.....



H. E.
The Minister of Energy and Mining

Subject: Performance Audit Report on the Control over Petroleum Products
For the Periods 2015 – 2018

I would be pleased to enclose you a copy of the Performance Audit Report on the Control over Petroleum Products for the period 2015 – 2018 which includes?

- Letter of Issuance
- The Report

The report includes our observations and proposed recommendations to address the reasons for these observations, as a contribution from us to improve performance, hoping your implementation of these recommendations. The National Audit Chamber will follow up the implantation process.

Regards

[Handwritten signature]
20107
2018

MohammedNour A. Abdelraheem
Deputy Auditor General - SAI Sudan



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

جمهورية السودان
Republic Of The Sudan

ديوان المراجعة القومي
National Audit Chamber



مكتب المراجع العام

التاريخ: _____
الموافق: _____

الرقم/ دم ق/ _____

Date: 30 July 2019

H. E.
The Minister of Energy and Mining

**Subject: Performance Audit Report on Control over Petroleum Products-
Sudanese Petroleum Corporation- period 2015 – 2018**

I am pleased to attach a copy of the Performance Audit Report on Control over Petroleum Products. In the Sudanese Petroleum Corporation state for the period 2015 – 2018.

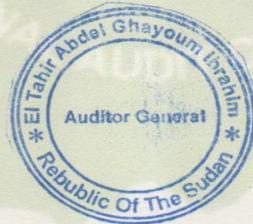
This audit has been prepared according to the Article (1/2/6) of the National Audit Chamber Act 2015, and the INTOSAI performance audit standards- (ISSAI, 300- 3000 – 3100).

The National Audit Chamber (NAC) would like to see actions to be taken to implement the recommendations of the audit report. And would be looking forward to receiving your feedback in this regard .NAC will follow up the progress to assess the procedures taken by your side as to these recommendations. NAC will also make performance audit for other topics and areas in the future.

In conclusion, I would like to thank you and the NAC audit team for conducting the audit, as well as the Sudanese petroleum corporation and the other partners for their cooperation.

Best Regards

Eltahir Abdelghayoum Ibrahim Malik
Auditor General- Sudan



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Vision

Is to develop control work to be done in efficient, effective, high quality way and to contribute to strengthen of the institutional good governance.

Mission

NAC as the highest financial control and accounting institution reviews the income and expenditure of the government entities at all levels with high professionalism, impartiality and integrity to evaluate the financial performance and contribute to empowerment of the legislative Government agencies to carry out their duties toward accountability and guidance.

Goals

The First Goal:

Improving the quality, efficiency and impact of audit work in order to enhance accountability, integrity and transparency in the management of public funds and enable the National Council and state legislative bodies to perform their duties effectively and efficiently.

The Second Goal:

Achieve higher institutional performance.

The Third Goal:

Strengthening and sustaining the independence of the National Audit Chamber.

Fourth Goal:

Improving internal and external communications to raise the level of the National Audit Chamber with key employees and stakeholders.

Core Values

Independence
Integrity
Objectivity
Impartiality
Professional secrecy
Competence

Professionalism

Innovation
Team Spirit

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ABBREVIATIONS AND ACRONYMS

BOS	Bank of Sudan
B / d	Barrels a day
COTA	Crude Oil Transport Agreement
EPSA	Exploration Production Share Agreement
IE	Extractive Industry
MOF	Ministry Of Finance
NOC	National Audit Chamber
SPC	Sudanese Petroleum Corporation
SDG	Sudanese SDGs

Executive Summary

Introduction:

Control over petroleum products is one of the most important issues in Sudan as the petroleum sector has an effective contribution to national production, in addition to the fact that Sudan has recently imported quantities of petroleum products to meet the needs of the country. It was an effective contribution to the gross national product as oil production before the separation was 450 thousand barrels per day and the separation of South Sudan in 2011 led to the loss of Sudan three quarters of its oil production, as production covers about 70% and there is a deficit of 30% we resort to covering it with import from abroad in addition Because Sudan recently imported quantities of petroleum products to meet the needs of the country. The most important petroleum products in Sudan are liquid, namely benzene, gasoline and gas, the matter that necessitates tightening control over distribution companies and service delivery stations.

Failure to implement plans and goals in a timely and specific manner costs countries large sums and increases the risk of not providing petroleum products. The task of providing and distributing petroleum products is entrusted to the Sudanese Petroleum Corporation (SPC) through production and import, and the corporation must tighten control over petroleum products to ensure that they are provided, and the flow of their distribution to the citizen is easy.

The most important motives that led to the audit are Sustainable Development Goal No. 7 to ensure universal access to reliable, modern, sustainable energy services at an affordable cost. The strategic goal of the Ministry of Petroleum and Gas (Sudanese Petroleum Corporation) is to develop and promote the Petroleum and gas sector by increasing Petroleum reserves, production and refining capacities as well as restoring the Petroleum sector to its pioneer role in the national economy, in addition to that, the parliament is to handle the citizens' complaints about insufficient supply of petroleum products. Goal No. 1, eradication of poverty in all its forms everywhere, means of implementation, 1.and scheduling and benefiting from external debt in investment in providing water, food, health and education to the poor, goal No. 17 strengthening means of implementation and revitalizing the national and global partnership for sustainable development, 4. Achieving long-term debt sustainability through coordinating policies aimed at enhancing debt financing, debt relief and restructuring.

The objective of the audit: is to evaluate the supervision mechanisms established by the Sudanese Petroleum Corporation to ensure a stable Petroleum supply.

The audit included the departments and sections of the Sudanese Petroleum Corporation to ensure that their supervision roles on petroleum products were fulfilled by examining, inspecting and distributing petroleum products, then choosing four years 2015-2018 as a time period for the audit.

Key Findings:

Weak management of government debt in relation to petroleum operating companies' debt:

Failure to manage and structure the debt efficiently, and setting of plans to pay it, led to the reluctance of the operating companies to invest in Petroleum , and thus affects the country's supply of petroleum products, due to the lack of coordination between the SPC (Exploration Department and Supply and Final Accounts Department) and the relevant stakeholders (Ministry of Finance and Bank of Sudan) Where payment is made according to the documents of the operating companies and not the data of the SPC.

Lack of managing risks and crises related to the provision and distribution of petroleum products:

The organizational structure of the Sudanese Petroleum Corporation (SPC) does not include a specialized department for crises and risks or early warning and debt management, because they were not prioritized despite the exit of some of the production blocks after the separation of the South Sudan and the devolution of some of the Blocks to the government, which led to the inability to manage the crises that the country was exposed to due to the lack of production and the supply of petroleum products on regular basis as well as that the SPC loss the strategic stocks of petroleum products.

Delay in implementing projects of relative importance:

The commitment to implement the terms of the contract of 12-inch operational capacity lift line project Port Sudan - Khartoum was not met with respect to the advance payment guarantee and the performance guarantee for the civil works contractor resulting in the incomplete project that was supposed to be completed according to the contract which could have been on 16/11/2014, and which could have helped in providing petroleum products when the refinery stops during the maintenance period, so that be the alternative to supply the country with imported petroleum products and deliver petroleum products at a lower cost and in a lesser period of time compared to tankers as well as lifting the burden on the state with regard to the price difference of transport in tankers.

Weak control over the import of petroleum products:

Private companies did not fulfill the import according to the plan of the Sudanese Petroleum Corporation to fill the country's need for petroleum products after the state exit from the Petroleum trade according to Republican Decree No. (679) of 2015 and assigning the import of petroleum products (gas and benzene) to the private sector, which resulted in the depletion of the strategic stock (reserve stock) of the Sudanese Petroleum Corporation and the SPC was unable to create a strategic stock until the financial year 2018.

Lack of implementing Petroleum products controls over distribution companies:

Lack to implement work regulations in petroleum products over distribution companies and obligating distribution companies to this regulations in relation to petroleum facilities, where companies must own their own depots, but we have found that some companies were hosted in the stores of other companies, which resulted in a lack of stocks in the distribution companies' depots, as well as not providing annual auditing accounts for distribution companies, which resulted in the failure to determine the financial capacity of these companies so as to given them tasks of distributing petroleum products.

Inaccuracy of consumption studies:

Inaccuracy led to the lack of identifying the actual need for consumption until measures are taken and appropriate distribution mechanisms are put in place to ensure optimal use of Petroleum resources in accordance with the priorities and need of the country so as to account for them in production or import in order to balance between supply and demand as well as coordination among the various authorities at the national and state levels so that petroleum products are distributed efficiently among different sectors.

Lack of implementing periodic maintenance plans Khartoum refinery within the specified time:

Failure to coordinate between the Sudanese Petroleum Corporation and the Ministry of Finance and Bank of Sudan to provide periodic maintenance for equipment of the refinery at the specified time of maintenance, after the refinery's devolution to the Ministry of Finance and SPC in the year 2015 led to an accumulation of debt and delay in maintenance, which in turn led to the stop of the refinery and created a crisis in the provision of petroleum products.

Lack of implementing priority budgeted projects that contribute to achieving the goal of sustainable development:

Material Projects that contribute to solving the problem of product scarcity and achieving sustainable development goal, target no (7.1) have not been implemented to ensure that everyone has access to modern, reliable and sustainable energy services at an affordable cost and that funds have been budgeted since 2017 and the budget for these projects has been increased in 2018, and haven't been implemented till 2018, which is an assessment study project of the consumption of Petroleum derivatives, and project to monitor the computerization of distribution companies and a project to evaluate natural gas resources.

Lack of making optimal use of the amounts allocated for the development of Petroleum regions:

Weak supervision over the Petroleum Areas Services Committee, where an amount of **71,643,082.30** SDGs was deducted for the financial year 2017-2018, which were various disbursements not for the purpose of developing the Petroleum regions, that due to the weak supervision over the resources allocated to the development of Petroleum regions, that resulted in not maximizing the benefit of the petroleum sector in general and the development of petroleum areas in particular.

Lack of an optimal distribution of human resources:

The optimal distribution of human resources has not been achieved due to the lack of provision of qualified human cadres and specialized labor in the new strategic depot (B) that needs specialized labor while those who do the work are national service personnel and temporary workers despite the presence of specialized engineers headed by the Sudanese Petroleum Corporation in Khartoum according to the job description of the departments. This led to a decrease in the lifetime of the depot, and work in the new strategic depot (B) may shift from electronic work to manual work and thus waste of resources.

Weak control in bidding:

The strategic depot projects were contracted in Port Sudan, the gas tanks project, which was put up for a tender and the award was to Al-Jack and Al-Senusi Company and the benzene, gasoline and aircraft gas tanks (vertical tank) project, which was awarded without a tender to the same company, and the delivery of the two projects was delayed from the specified date with the required good specifications, due to the lack of tight control in awarding bids to eligible companies, which resulted in the delay of the hand over of projects and wasting of resources due to the lack of good design according to the required specifications and thus the lack of achieving the required economic efficiency.

Weak control over the new strategic depot receipt operations (B):

Lack of follow-up and supervision over the receipt of the completed works led to high maintenance costs in the new depot (B) despite its modernity and its importance, and it has many manufacturing defects such as civil works in the central control room that represent the pillar of operating the automated depot and there is a leak of rain water in this room plus the presence of rain water leakage inside tanks of petroleum products leading to damage to petroleum products, as well as that the early warning unit's was out of service due to the leak of petroleum materials on the early warning unit devices, and accordingly it was taken away and has not been maintained to date.

Poor coordination between the supply and investment departments when granting licenses and supervision over petroleum products distribution companies:

Lack of coordination between the Investment Department and the Supply Department, led to the difference in the licensed distribution companies between the Investment Department and the Supply Department, as there are companies in the files of the Supply Department and not in the files of the Investment Department, which results in weak control over the distribution of petroleum products through the distribution companies.

Health, Safety and Environment Department do not play its supervisory role in preserving the petroleum facilities, in Al-Obeid Branch:

lack of the Health, Safety and Environment Department to perform its supervisory and control role on petroleum products, as it was found that the Penta Gas Depot is 200 meters far from the Corporation (SPC), which exposes the corporation to risks, just as the

distribution companies tankers carry petroleum products directly from the refinery and there is no control center in the Corporation (SPC), Al-Obeid Branch to pumping and deliver the Petroleum products to company's depots and there is no parking for tankers regulating the entry of tankers to the refinery and the extension of residential schemes towards the refinery and the flying of planes over the refinery yard near the tanks of the Gasoline No. (53), and the main distillation tower, which is 42 meters in length, besides there is no lighting the distribution company's depots, as well as inadequate fire extinguishers in the corporation, Al-Obeid branch, resulting in the possibility of exposure of Al-Obeid refinery to fire risk.

Weak control over crude purchases, as no tasks were distributed according to the manual:

Lack of sufficient information for crude purchases in the department of crude trading, as the Nile mix crude is managed by the Petroleum Facilities Department, whose tasks according to the task manual (guide) are: to provide the most appropriate engineering designs for projects and to confirm an efficient and effective system for maintenance, rehabilitation, and control of various management activities to ensure an acceptable economic feasibility and added value to the Corporation, despite the existence of a specialized department to manage the petroleum trade, many ministerial committees were formed to list the government's obligations and claims in the petroleum sector, which resulted in weak administrative supervision and the loss of time and effort to obtain sufficient confirmed information.

Audit Conclusion:

The general summary of the work of the audit is that the Sudanese Petroleum Corporation has not fulfilled the role entrusted to it to achieve its objectives to control the provision, adequacy and distribution of petroleum products.

- Failure to efficiently manage and structure debts and develop plans to repay them, which leads to companies' reluctance to invest in the petroleum field and thus affects the country's supply of raw materials, and the lack of coordination between the Corporation and the relevant authorities to establish the principal of debt and pay the debt of partners.
- The organizational chart of the Sudanese Petroleum Corporation does not include a specialized department for managing crises and risks or early warning stipulated by the Petroleum Wealth Act and not setting it as a priority to manage the crises that the country has been subjected to due to the lack of production, the irregular supply of the country from petroleum products and the loss of strategic stocks.
- Non-completion of the project of raising the operating capacity in Port Sudan - Khartoum, which helps in providing petroleum products when the refinery stops during the period of periodic maintenance, so that the alternative is to supply the country with imported petroleum products and deliver petroleum products at a lower cost and in a lesser period of time compared to tankers as well as lifting the burden on the state with regard to price difference of transporting by carriage and carrying out projects that could have

contributed to achieving Sustainable Development Goal No. (7) To ensure that everyone has access to reliable, sustainable energy services at an affordable cost.

- Private importing companies did not fulfill the import according to the plan of the Petroleum Corporation to cover the need of the country after the exit of the state from the Petroleum trade and assigning the import of Petroleum products to the private sector, which resulted in the depletion of the strategic stock (reserve stocks).
- Failure to compel distribution companies to control work in petroleum products with regard to establishing a main depot and three subsidiaries, and to provide annual audit accounts to confirm the financial viability of these companies.
- The lack of studies for consumption and the lack of completion of projects that help in knowing the exact needs of petroleum products, led to the lack of identifying the actual need for consumption to take measures and develop appropriate distribution mechanisms that ensure optimal use of Petroleum resources according to the priorities and the country's need as well as coordination between the various authorities at the national and state levels to ensure a continuous petroleum supply.
- Failure to implement projects that contribute to solving the problem of the scarcity of petroleum products which are set in the budget, such as a study to assess the consumption of petroleum derivatives and a project for distribution companies, projects that could have contributed to achieving the strategic goal of the Corporation.
- Failure to coordinate between the Sudanese Petroleum Corporation, the Ministry of Finance, and the Bank of Sudan in providing periodic maintenance equipment for the refinery, after the refinery was devolved to the Ministry of Finance and the Sudanese Petroleum Corporation. The refinery stoppage of refining petroleum products affect the country's supply of petroleum products to the agricultural, industrial, transport and service sectors.
- Weak control over the resources of the Petroleum Services Committee, the lack of maximum benefit in favor of the development of the petroleum regions and the petroleum sector, and the optimal use of these resources.
- Failure to distribute qualified human cadres and specialized labor to work on the site of relative importance Strategic Depot (B) so that this does not contribute to the decrease of the depot's lifetime and the work in the new strategic depot (B) may be done manually, and thus not achieving economic efficiency.
- Failure to tighten supervision in bidding as well as lack of follow-up and supervision over the implementation of strategic depot projects in Port Sudan with the required good specifications, led to high maintenance costs despite the recentness of the new depot (B).
- Lack of coordination between the investment and supply Department in matching between the licensed distribution companies and weak follow-up, supervision and inspection of the distribution of petroleum products through distribution companies

- Failure of the Department of Safety and Environment to play its supervisory role in preserving Al-Obeid petroleum facilities, which exposes the refinery and the Sudanese Petroleum Corporation to risks.
- Failure to adhere to the tasks and functions in manual of the departments on controlling crude purchases, which resulted in administrative weakness, loss of time and effort to obtain sufficient confirmed information and not adding economic value to the institution.

Recommendations:

The National Audit Chamber considers that these recommendations must be responded to in order to tighten control over the provision and distribution of petroleum products to ensure optimal utilization of the state's public resources economically, efficiently and effectively.

Recommendations for tightening control over petroleum products:

- Establishing a mechanism for efficient debt management, and debt structuring and plans to repay it to attract companies to invest in Petroleum in order to provide the country's supply of raw materials. Coordination between the Corporation (Exploration Department, Supply and Final Accounts Department) and the relevant authorities (the Ministry of Finance and Bank of Sudan) to establish the principal of the debt to repay it according to the audited data.
- Establishing a specialized department for crises and risks or early warning within the organizational chart of the Sudanese Petroleum Corporation and setting it as a priority to manage the crises that the country has been exposed to due to the lack of production, the irregularity of petroleum products and the lack of preservation of the strategic stock.
- Commitment to implement the terms of the contracts and complete the operational capacity project in Port Sudan - Khartoum that helps in providing petroleum products when the refinery stops during the period of periodic maintenance so that the alternative is to supply the country with imported petroleum products at a lower cost and in a less time period compared to the transport vehicles and lift the burden on the state with regard to the difference of the rate of transport carriages.
- Setting a mechanism to control the private companies assigned to import to meet the needs of the country after the state's exit from the Petroleum trade and assigning the import of Petroleum products to the private sector.
- Inspection, follow-up and supervision of distribution companies and the application of work controls in petroleum products with regard to obligating companies to establish petroleum facilities, and to provide annual audit accounts for distribution companies to ensure that these companies are able to contribute to the country's stable supply of petroleum products.
- Determining the actual need for consumption and complete projects that help in identifying the exact need for petroleum products, to take measures and develop appropriate distribution mechanisms that ensure optimal use of Petroleum resources in

accordance with the priorities and the need of the country well as coordination among the various authorities at the national and state levels so that petroleum products are distributed efficiently among sectors.

- Coordination among the Sudanese Petroleum institutions, the Ministry of Finance and the Bank of Sudan to provide periodic maintenance equipment for the refinery on time so that the refinery does not stop refining petroleum products and the country's continued supply of petroleum products to the agricultural, industrial, transportation and service sectors
- Working on implementing projects that contribute to solving the problem of the scarcity of petroleum products set in the budget, such as the project to study the division of petroleum derivatives consumption, the project of computerizing distribution companies and projects that could have contributed to achieving the strategic goal of the Corporation.
- Tightening control over the resources of the Petroleum Areas Services Committee, and making the most of the sums allocated in favor of developing the petroleum regions and the petroleum sector.
- Optimal planning for the distribution of human resources and activation of qualified human cadres and specialized labor to work in the new strategic depot (B) and the old depot (A), and all locations that require specialized labor instead of keeping them as administrators.
- Tightening control over bidding and implementation of projects with the good specifications required for strategic depot projects in Port Sudan.
- Accuracy, follow-up and supervision of receiving depot projects so that the Corporation does not incur maintenance costs despite the recentness of the new depot (B) and also accuracy when approving development projects.
- Coordination between the investment department that licenses distribution companies to work in the field of distribution of petroleum products and the supply department that certifies distribution companies in the required quantities and conformity between distribution companies licensed in the investment Department and supply Department in order to facilitate follow-up and supervision of the distribution of petroleum products through distribution companies.
- The Department of Safety and Environment plays its supervisory role in preserving Al-Obeid petroleum facilities so that the refinery and the establishment are not exposed to risks.
- Supervising raw purchases and activating administrative control to obtain sufficient confirmed information, which adds value to the Corporation.

Chapter one

Introduction

1.1 background:

Control over petroleum products is considered as one of the most important issues in Sudan because the petroleum sector has an effective contribution to the development of the Sudanese economy through local production and import. As the oil production before the separation was 450 thousand barrels per day and the separation of South Sudan in 2011 led to the loss of Sudan three quarters of its oil production, the oil was an effective contribution to the gross national product as oil revenues constitute an average of 50 percent of the total revenue, before the separation of the south to reach Its contribution to less than 2.2% of the gross domestic product in the year 2018 in addition to the decrease in global oil prices. Sudan's proven oil reserves (2010) amount to 6.8 billion barrels, and it thus occupies the number 20 in the world, while its proven reserves of natural gas (2010) billion cubic meters, as production is J about 70% and there is a deficit of 30% resort to cover imports from abroad as well as Sudan, recently estimated quantities of imported petroleum products to meet the country in need , The most important petroleum products are in a form of aircraft gas and liquid products, which are benzene, gasoline and gas, which represent a great importance for community due to its contribution in the agricultural, industrial, animal resources, transportation and mineral sectors. The gas being a source of fuel, and domestic and industrial use is of great benefit because it preserves the environment against environmental pollution that results from the use of coal and firewood, as well as saving time and effort, maintains the vegetation, prevents desertification. Lack of continuous flow of petroleum products on a regular basis affects the national economy of the country. The Sudanese Petroleum Corporation has the task of maximizing the exploitation of the underground wealth of petroleum and gas for a stable and secure supply of petroleum products and the development and promotion of the petroleum sector by increasing reserves, production and refining capacities to achieve the goal (7) of sustainable development to ensure that everyone has access to reliable and sustainable modern energy services at an affordable cost, therefore, petroleum products must be tightly controlled and distributed efficiently and effectively.

1.2 Motives leading to audit:

-To contribute to achieving the goal no (7) Target (7.1) of sustainable development, Agenda (2030) to ensure universal access to reliable and sustainable modern energy services at an affordable cost. Goal No.1, eliminating poverty in all its forms everywhere, means of implementation, and scheduling external debt and benefiting from it in investing in providing water, food, health and education to the poor.

- Goal No. 17: Strengthening the means of implementation and revitalizing the national and global partnership for sustainable development, 4. Achieving long-term debt sustainability through coordinating policies aimed at enhancing debt financing, debt relief and restructuring.

- The strategic objective of the Ministry of Petroleum and Gas (The Sudanese Petroleum Corporation): to develop the Petroleum and gas sector by increasing petroleum reserves, production and refining capacities as well as restoring the petroleum sector to its pioneering role in the national economy.

-What the different media dealt with regarding the problem of scarcity of petroleum products:

- What was raised in Parliament about the problem of supplying petroleum products; benzene, gasoline and gas, led to differing views among members.

- Complaints of some citizens about the lack of petroleum products through viewing the queues of citizens in service stations.

-Irregular provision of petroleum products since 2015-2018

- The problem of the refinery stopping for maintenance and the unavailability of petroleum products.

1.3 Audit Design:

1.3.1 The objective of the audit:

The objective of the audit is to evaluate the control mechanism established by the Sudanese Petroleum Corporation towards providing and distributing petroleum products efficiently to ensure a continuous Petroleum supply.

1.3.2 Scope of the audit:

The audit covered the procedures and activities carried out by the departments and sections of the Sudanese Petroleum Corporation in carrying out its supervision roles in the provision and distribution of petroleum products in the country, and four years were chosen from 2015 to 2018 as a time range consistent with the strategic plan of the Corporation, 2015-2018.

1.4 data collect:

Data and information were collected from documents obtained from the Sudanese Petroleum Corporation and related authorities, interviews with heads of departments, field visits, branches, stations, projects and depots of the Sudanese Corporation in Port Sudan, companies' depots in Al-Obeid, Alshajara depots and Al-Jaili refinery. More details, Appendix No. (1).

1.5 Audit Questions:

Appendix No. (7) Shows the audit questions.

1.6 The achievements of the Sudanese Petroleum Corporation:

- Developed and raised the efficiency of strategic storage capacities to reach supply efficiency.
- Protected the environment and natural resources and preserved the safety of workers in the petroleum industry.
- Developed and updated job descriptions, and introduced the unified accounts system in all the departments of the Corporation.
- Internal audit reports contributed to addressing payment problems with the control center meters system, company complaints and some strategic projects in Port Sudan and helped to correct the course of the subsidiary companies and audit them.

Chapter Two

Description of scope of the audit

2.1 Introduction:

This chapter explains the system established by the Sudanese Petroleum Corporation to control international products in terms of production and import to ensure the provision and safe distribution of petroleum products. This chapter includes the legal mandate granted to the Sudanese Petroleum Corporation to undertake the supervision role for basic activities as well as covering clarifications of relevant authorities, strategic goals and evaluation criteria besides funding sources for the Corporation and description of the workflow system and organizational chart.

Oil exploration:

The oil exploration operations actually started after the signing of an agreement with the American Chevron Company in 1974 AD. Based on the good results of the exploration work in central Sudan, another bilateral agreement was signed with the Chevron Company itself in 1979. It was followed by the conclusion of agreements with the French companies Total and the American Sun Oil Company in 1981 and 1982, and after conducting geological and geophysical surveys in different regions of the country, 95 exploratory wells were drilled, including 46 productive wells such as Sawakin fields, Abu Jabra, Sharf, Unity, Talh, Heglig Al Akbar, Adriel, Kaikang field, and 49 dry wells, however, these explorations were not followed by any productive activity. During the period from 1989 to 1999 AD, the Sudanese government signed agreements with various oil companies that included the Canadian companies IPC and SPC in 1991 AD, 1993 AD, the Gulf GPL Company in 1995 AD, the Chinese National Petroleum Corporation CNPC in 1995 AD, and the Konstrium Company in February of the year In 1997 AD, the Greater Nile Petroleum Operations Company (GNPOC) was formed in 1997. The result resulted in the formation of a number of exploration companies in different regions of the country.

Actual oil production:

The oil production started in Sudan in the fields of Abi Jabra and Sharf, and then followed production from the fields of Adariel and Heglig. The total oil production in Sudan as of July 1998 was about 3 million barrels, 471,629 barrels from the Abu Jabra and Sharaf fields, 196,347 from the Adariel field and 2,517,705 barrels from the Heglig field. The actual production volume by the end of June 1999 reached 150,000 barrels from the Heglig

and Al Wahda fields. The government expects an increase in production from new fields to be discovered in the boxes granted to different companies, which will increase the Sudanese oil reserves. Actual production is now about 600,000 B / d. These data go back to the period before the separation of South Sudan, which became a stand-alone country, knowing that 85% of Sudanese oil production in the past was from the south.

Sudan's share of oil production has declined after the southern separation to 120 thousand barrels per day, the state's share, including 55 thousand barrels per day. Production is expected to increase after operating the fields that were idle due to tensions in the region and increase investment in exploration to 180 thousand barrels by the end of 2012 and to 320 thousand barrels per day in 2030 AD, and Sudan's proven oil reserves are 6.8 billion barrels (2010), And thus occupies the number 20 in the world, while its proven reserves of natural gas (2010) billion cubic meters.

Petroleum Management, Upstream Exploration and Exploration:

In Sudan, crude oil is currently produced from the following fields:

A squares (4, 2, and 1): in the regions of Al-Wahda, Heglig, Southern Toma, Al-Nar, Al-Tur, Munga, Yambio and Diffra. The oil producing wells in these blocks are estimated at 163 wells, and the Greater Nile Petroleum Operations Company (GNPC) owns the concession to explore for and exploit oil in these blocks for a period of 25 years starting from 11/29/1999. This period is renewable for another 5 years. The proven reserves in these fields are estimated at 2.11 billion barrels of oil. The ore produced from these boxes is considered one of the excellent materials in the world because it is free of sulfur and acidity. It is expected that the average daily production of these fields in the year 2006 will be 285 thousand barrels.

B- Two (7, 3) square: The Malut basin and the Falluj region, where the average daily production is 150 thousand barrels, which will rise to 200 thousand barrels by the end of 2006. The oil producing wells in these blocks amount to 88 wells, where the Petrodar Group owns the concession to explore and also exploit them. The oil reserves there are estimated at about 3.5 billion barrels, which is of low quality crude due to the presence of viscosity and acidity in it.

C- Al-Foula Square: The average daily production in this square is 13 thousand barrels, and it is expected to increase to 40 thousand barrels by the end of 2006. CNBC owns the exploration and exploitation concession for this square.

D- Square 5A Sargas region: In May 2006 the average production for this square is expected to be 30,000 barrels per day, to rise to 60,000 barrels by the end of the year 2006

CE. A group of companies owns the right to explore and exploit in this field (see map appendix NO.....).

Contrary to these squares, the concession of exploration and exploration has been granted to a group of other companies in several regions and squares in the south, west, east, center and north of the country. This is also illustrated by the attached map (see map appendix NO.....)

Downstream refining and export:

There are three refineries operating in the country:

1- Al-Jili Refinery (Khartoum Refinery Company Ltd.) with a refining capacity of 100,000 barrels per day.

2- Al-Abiad Refinery with a capacity of 15 thousand barrels per day.

3- Abu Jabra Refinery (small refinery) with a refining capacity of 2 thousand barrels per day. The pipelines extend the transport of crude from the oil fields in Heglig and Al-Foula to Bashair, the export port, in eastern Sudan, through the Khartoum and Al-Abiad refinery. A pipeline to transport crude from the Malwat Basin also extends to the Bashaer Port. A pipeline was established to transport petroleum derivatives from Khartoum to the port of export in eastern Sudan in addition to the old pipeline, Port Sudan, Khartoum.

- The old Port Sudan refinery, which operates with a refining capacity of 25 thousand barrels per day, was designed to refine light Arab crude (before the discovery of oil), has become completely stopped due to its technical inability at the moment to refine Sudanese crude.

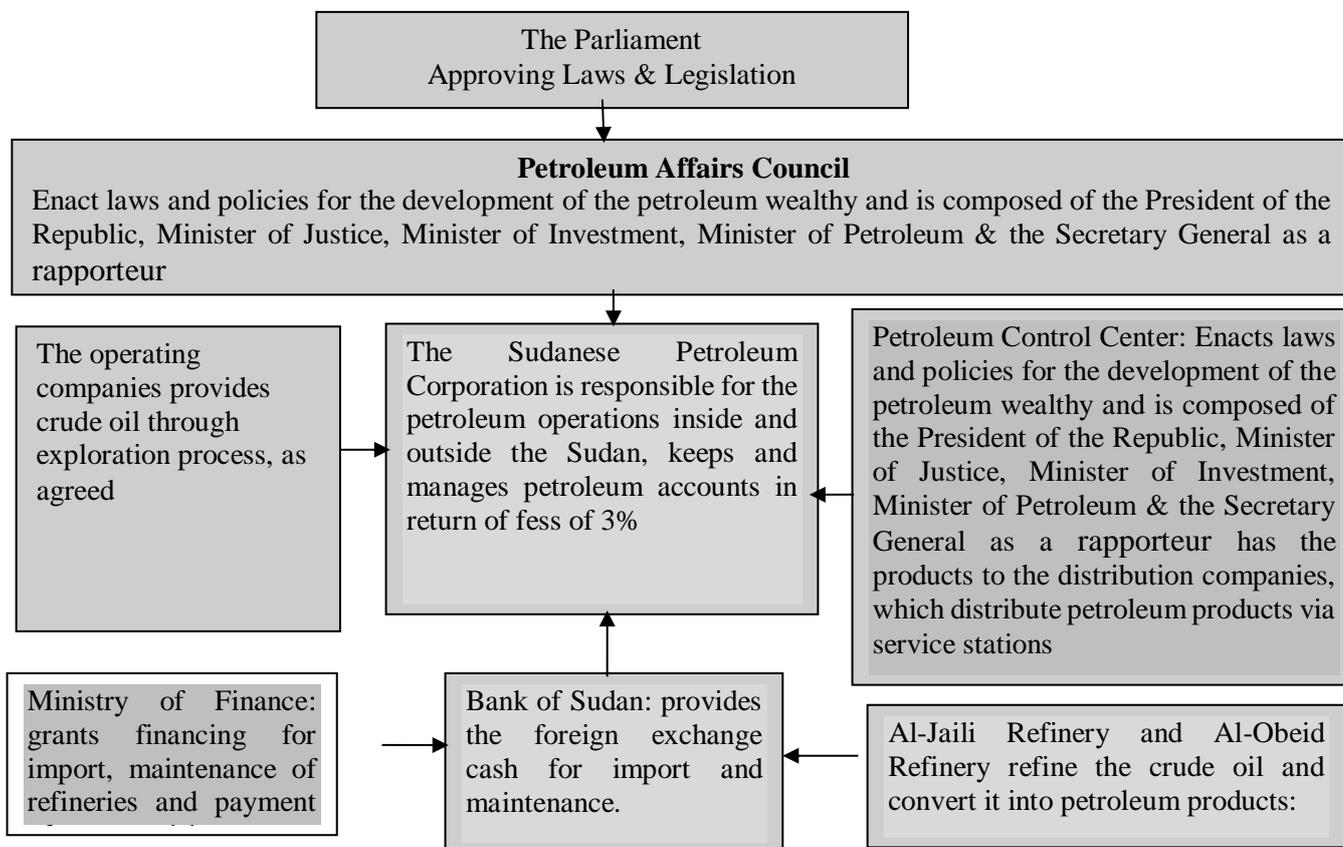
2.2 Legal authorization:

According to the General Incorporation Order, Article (18) of the Petroleum Wealth Act, 1998, and the regulations and controls regulating the work of petroleum products for the year 2003 (the Sudanese Petroleum Corporation carries out all petroleum sector tasks inside and outside Sudan in providing petroleum products), and according to Article (19/19) of the above Act and within the framework of the goals, plans and policies decided by the Petroleum Affairs Council, the corporation shall have the following purposes and powers which stipulate the development of Petroleum wealth and its good exploitation, the management of all Petroleum operations in the country, the supervision and control of those operations, and the responsibility to provide the country with the needs of products now various petroleum products.

2.3 Stakeholders Role in the process of controlling petroleum products:

To tighten control over petroleum products, the Petroleum Affairs Council will enact laws and set regulations pertaining to the Petroleum sector and implement them and tighten control over them. Parliament will pass these laws until the petroleum products reach the

Citizen efficiently. Appendix No. (2) Shows the relevant authorities, and the chart below indicates this.



2.4 The SPC strategic plan:

The Sudanese Petroleum Corporation (SPC) strategic plan for the period from 2015 to 2018 aims to:

- Develop the petroleum and gas sector by increasing petroleum reserves and production as well as attracting companies to increase production and restore the petroleum sector to its pioneering role in the national economy, and the sustainability of the petroleum supply for domestic consumption.
- Apply control procedures using the most appropriate monitoring, inspection, follow-up and audit methods that guarantee environmental protection, safety and health.
- Maximize the legal sector's contribution to protect the rights of the State and implement agreements towards preserving investor rights and the stability of the petroleum industry.
- Create economic and social development in the areas of petroleum
- Provide qualified human cadres capable of managing the petroleum industry in Sudan efficiently and effectively.
- Increase the storage capacity and develop the transport and distribution mechanisms.

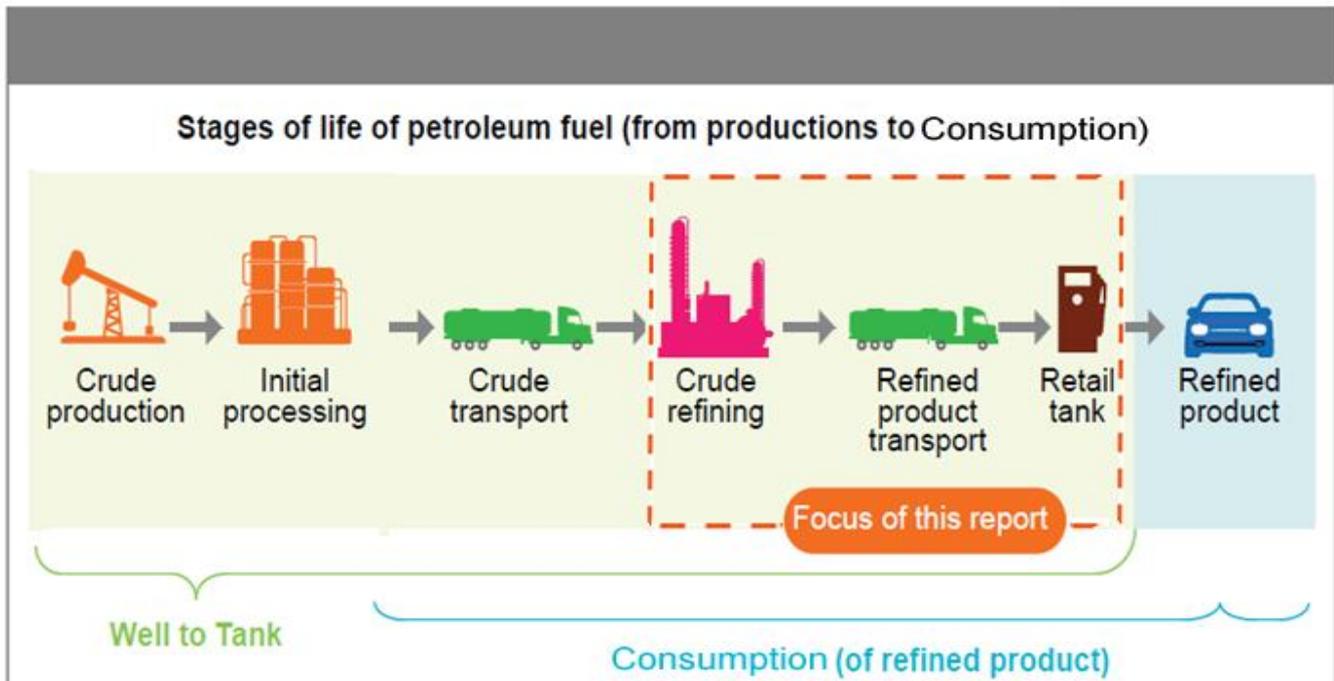
2.5 Criteria Based on in Audit Process:

- The Petroleum Wealth Act, 1998 Article 18 the Incorporation of the Sudanese Petroleum Corporation (SPC).
- Controls of Work in Petroleum Products for the year 2003.
- Sudan's Interim Constitution, 2005.
- Organizational structure and job description for the Sudanese Petroleum Corporation.
- SPC's Strategic Plan and Annual Plans 2015-2018.
- Quality standards of SSMO: Sudanese Standards & Metrology Organization.
- (EPSA: Exploration and Production Sharing Agreement).
- An agreement for sales and purchases of Nile crude blend between the government and partners.
- Crude Oil Transport Agreement (COTA).
- Financial and Accounting Procedures Regulations, 2011.
- The Procurement, Contracting and Disposal of Surplus Act, 2010 and the Procurement and Contracting Regulations.
- Republic Decree No. (45) Of the year 2013 regarding the powers and authorities of the Ministry of Petroleum, Item (12).
- Civil Service Acts and Regulations.
- Ministerial decisions on the obligations of the government and partners.
- Environmental and safety Acts (depots).
- The Companies Ordinance, 1925 and amendment of 2015.
- The internal regulations of the Sudanese Petroleum Corporation, 2000. More details of the criteria on which Annex No. (3) Was based.

2.6 Sources of funds:

Sources of the funds of the Sudanese Petroleum Corporation come from the petroleum agreement with the partners in the extraction of Petroleum represented in the crude and then the fees paid by the Petroleum companies in addition to other investments, which are in a form of rents, Petroleum training center revenues, investment deposits and company profits in the Sudanese Petroleum Corporation. The Ministry of Finance provides a large part of the funding sources and 3% of the crude are administrative expenses for the corporation.

2.7 Description of the work process system :(Downstream)



The first phase:

The first stage includes the crude produced by the company operating according to the Petroleum exploration agreements, which is refined in the Al-Jaili refinery (Khartoum) and Al-Obeid refinery to produce petroleum products.

The second phase:

The second phase involves the transportation of petroleum products to the Petroleum Control Center in Al-Jaili as well as the receipt of imported petroleum products.

The third phase:

The third phase involves the pushing of petroleum products to government and private distribution companies through the depots of each company.

Final phase:

This includes the distribution of petroleum products from companies through distribution stations to the consumer, and the figure below illustrates this:

First phase:
Al-Jaili refinery (Khartoum) and Al-Obeid refinery where the crude is refined.

Second phase:
Control Center

Final phase:

Third phase:
Pushing of petroleum products to government distribution companies

2.8 Organizational Structure:

The Sudanese Petroleum Corporation operates according to an organizational chart approved by the Prime Minister and consists of the Minister of Petroleum to whom the Secretary-General is affiliated and followed by the Deputy Secretary-General and then the various departments. The organizational chart includes the General Department of Supply and Petroleum Trade, which tracks the movement of crude and sea transport, insurance and supervision and follow-up of the government and the operating companies shares as well as supervising and monitoring the payment of financial and technical claims and outstanding loans. The General Administration of Petroleum Installations, whose tasks, according to the job description, are to provide the most appropriate engineering designs for the projects and confirm an efficient and effective system for maintenance, rehabilitation and control over the various activities of the department to ensure acceptable economic feasibility and added value for the Corporation and includes the projects management and distribution networks that include the stations and depots that licenses the fuel stations, follows-up and supervision. The engineering inspection department designs the projects and its chart includes the exploration department that plays the role of preparing and following Petroleum agreements and implementing items of agreement with the partners. It includes General Administration of Financial Supervision, which supervises the listing of fixed the assets and the stock for the companies operating in the Petroleum field, maintains asset records, follows up necessary settlements, and manages supply and the preparation of shipping documents in the case of export, import, follow-up and audit , Appendix No. (5) Shows this.

Chapter Three

FINDINGS

This section will audit the results of the audit on the weakness of the system for controlling Petroleum products, as shown below:

3.1 Weak management of government debt in relation to petroleum operating companies' debt:

Goal No. 1, eradication of poverty in all its forms everywhere, means of implementation, 1. and scheduling and benefiting from external debt in investment in providing water, food, health and education to the poor, goal No. 17 strengthening means of implementation and revitalizing the national and global partnership for sustainable development, 4. Achieving long-term debt sustainability through coordinating policies aimed at enhancing debt financing, debt relief and restructuring. Guidelines for managing public debt, according to experts of the International Monetary Fund and the World Bank, paragraph (2/1/20) which states (that responsibilities should be defined among the Ministry of Finance and the Central Bank, or any independent debt management body in relation to providing advice on debt management policy, and according to the Petroleum Wealth Act, 1998, Article (19/1/ a) Within the framework of the goals, plans and policies decided by the Council of oil affairs, the Corporation (SPC) shall have the following purposes and powers which stipulate the continuous development and good exploitation of the wealth, and based on EPSA, which stipulates ensuring of continuous supply by the government to Khartoum and Al-Obeid refineries, and based on the agreement of sales and purchases of the Nile blend crude oil between the Government of Sudan and partners, paragraph (6/4) which states that the government of Sudan shall pay the bills in full within a period of 30 days from the date of receiving the invoice or by transferring and notifying the partners of the transfer. Through the documentary audit of the final accounts files, the amount paid to Petro-Energy Company was 2.757.195.222 SDG without showing the principal of the debt in the final account of the corporation (SPC), and through the review of accounts reports and crude accounts reports, ministerial decisions were issued in the numbers (57/2015, 28/2015,

47/2016, 118/2017) to form committees to list the government's obligations and claims in the Petroleum sector, where the audit team found that the Sudanese Corporation Petroleum and related entities (Ministry of Finance and Bank of Sudan) did not pay off debt obligations according to agreements of debt payment to partners from 2011 until 2015 by (OVER LIFT) system, and in 2016, payment is to be made according to the new agreement that operates by the billing system and the terms of the agreement, to pay the partners in exchange for crude, for the operating companies (Petro-Energy Company and the Greater Nile Company, which include the Indian Company, the Malaysian Company, and the Chinese Company), and through a documentary audit of what was mentioned in the Auditor General's report for the year 2016 "The final audit of the national government accounts" (the Federal Ministry of Finance), which showed the partners' debts with an amount of US\$ 2.6 billion, that was not reflected in the final account of the Ministry of Finance, and the audit did not find support for those amounts in the final accounts of the Corporation. The following table shows the partners' debts that did not appear in the final accounts of both the Corporation and the Ministry of Finance.

Table No. (1) Statement of the movement of debts from 2011 to 2015 (Over lift) system that did not appear in the final account of the Sudanese Petroleum Corporation:

Item	Quantity/ Barrel	Amounts in US\$	Year
Greater Nile Company (Malaysian, Indian, Chinese)	12.289.965.70	892.338.490.19	2011-2015
Petro-Energy		44.402.228.53	2011-2015

Source: information gather by audit team from Exploration and Supply Departments of the Sudanese Petroleum Corporation.

Table No. (2) Statement of the petroleum company's debt position on the government for the year 2016, which did not appear in the final account of the Ministry of Finance.

The amounts are in US\$					
Operating Companies	Al-Fula Crude	Loan of Khartoum Refinery Expansion	Quantities above the need of refineries	Loan for establishment of petroleum products line	Total
CNPC	1.605.285.049	(4.782.133)	377.344.922	-	1.977.847.838
PETRO NAS	-	-	233.812.230	-	233.812.230
ONGC			235.480.576	119.956.511	355.797.087
Total					2.567.457.155

Source: Auditor General's Report 2016, Financial Accounts of the National Government

From the above table it was found by the audit team that there are no accurate data on the debts of the operating companies in both the Sudanese Petroleum Corporation and the relevant authorities, which shows inconsistencies and lack of coordination between the Sudanese Petroleum Corporation and the relevant authorities (the Ministry of Finance and the Bank of Sudan) so as to establish the principal of the debt and then efficiently manage and structure the debt and set plans to pay it. All of this leads to companies' reluctance to invest in petroleum, and thus negatively affects the country's supply of raw materials in petroleum field.

The Management response:

The response of the management of the Sudanese Corporation for the debt file started after the failure of the relevant stake holder (the Ministry of Finance and the Bank of Sudan) to pay obligations to the operating companies and the joint committees, confirms coordination with the Ministry of Finance and Economic Planning through the membership of the Ministry of Finance and the Bank of Sudan in the committees and through copies of reports and various agreements. A proposal to create a specialized department called Debt and Risk Management has been submitted.

3.2 Lack of managing risks and crises related to the provision and distribution of petroleum products

According to the Petroleum Wealth Act, 1998 Article (35 / g) which provides for the establishment of specialized departments and their organization within the organizational structure and through documentary audit of the organizational structure of the Sudanese Petroleum Corporation see the Appendix No. (4) Shows the organizational structure of Sudanese Petroleum Corporation, there is no specialized management of crises and risks

or early warning and debt management because it is not placed as a priority despite the exit of some of the productive blocks after the separation of the South Sudan and the devolution of some of the blocks to the government after the end of the partnership period according to the agreement, which resulted in the inability to manage the crises that the country was exposed to due to the lack of production, the irregularity of petroleum products and the loss of strategic stocks, tables(3) and Diagram (1) below show the decrease of exported petroleum products and increased of imported petroleum products after the separation of South Sudan.

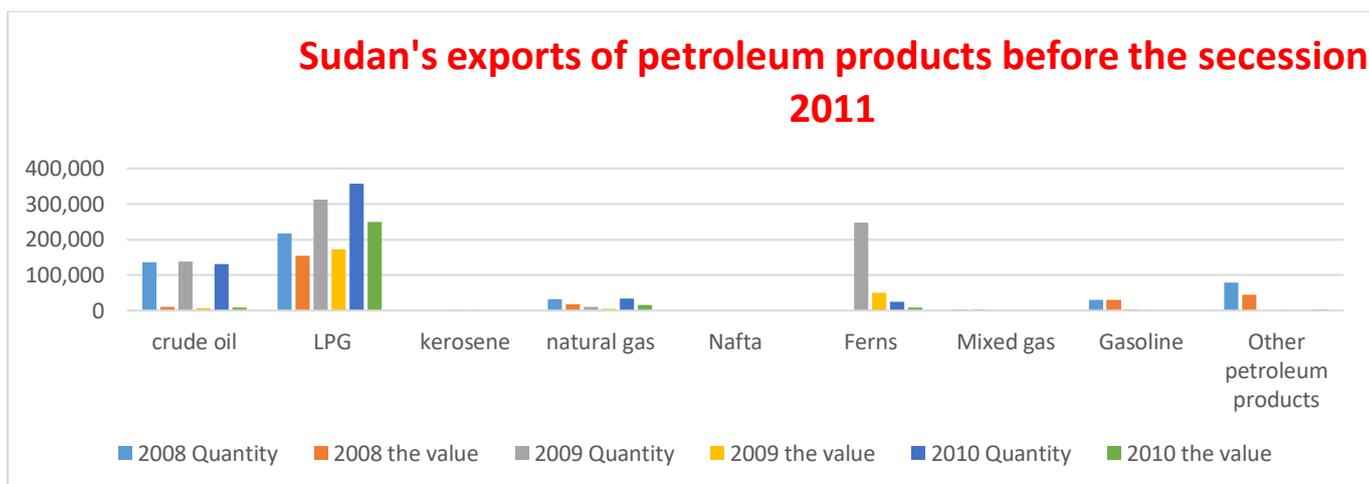
Table no (3) Sudan's exports of petroleum products before the separation 2011:

The value is in thousands of dollars

2010		2009		2008		Unit	The commodity
the value	Quantity	the value	Quantity	the value	Quantity		
9,406	130,843	7,008	138,541	10,846	135,610	Thous and barrels	crude oil
248,860	357,245	172,928	311,814	153,464	217,565	Metric tons	LPG
-	-	96	200	-	-	" "	kerosene
15,614	33,909	4,798	9,463	17,729	31,912	" "	natural gas
-	-	-	-	-	-	" "	Nafta
9,118	25,393	49,107	247,000	-	-	" "	Ferns
-	-	0	-	2,676	2,760	" "	Mixed gas
-	-	1,143	3,000	30,070	29,329	" "	Gasoline
2,932	-	375	-	44,580	79,457	" "	Other petroleum products

Source: Bank of Sudan combined annual report

Diagram no (1): Sudan is exports of petroleum products before the secession2011:



During 2015 to 2018 crude oil was **12116** southland barrels in spite of that the same product before separation was **135610** southland barrels and 130843 thousand barrels for the year 2018 and 2010 respectively separation. Table (4) and Diagram No. show the Sudan's exports of petroleum products during the review period.

Table no (4) Sudan's exports of petroleum products during the review period:

The value is in thousands of dollars
Source: Bank of Sudan combined annual report

2018		2017		2016		2015		Unit	The commodity
the value	Quantity								
440,367	6,437	321,537	5,886	271,062	6,898	573,906	12,116	Thousand barrels	crude oil
50,552	104,725	64,962	123,562	64,651	146,601	50,995	79,571	Metric tons	LPG
26,773	55,946	27,395	56,637	-	-	2,070	4,416	" "	kerosene
957	1,535	2,949	23,923	-	-	-	-	" "	natural gas
-	-	-	-	-	-	-	-	" "	Nafta
-	-	-	-	-	-	-	-	" "	Ferns
-	-	-	-	-	-	110	100	" "	Mixed gas
-	-	-	-	-	-	-	-	" "	Gasoline
930	233	364	85	-	-	101	-	" "	Other petroleum products

Diagram No. 2 Sudan exports of petroleum products before the secession2011

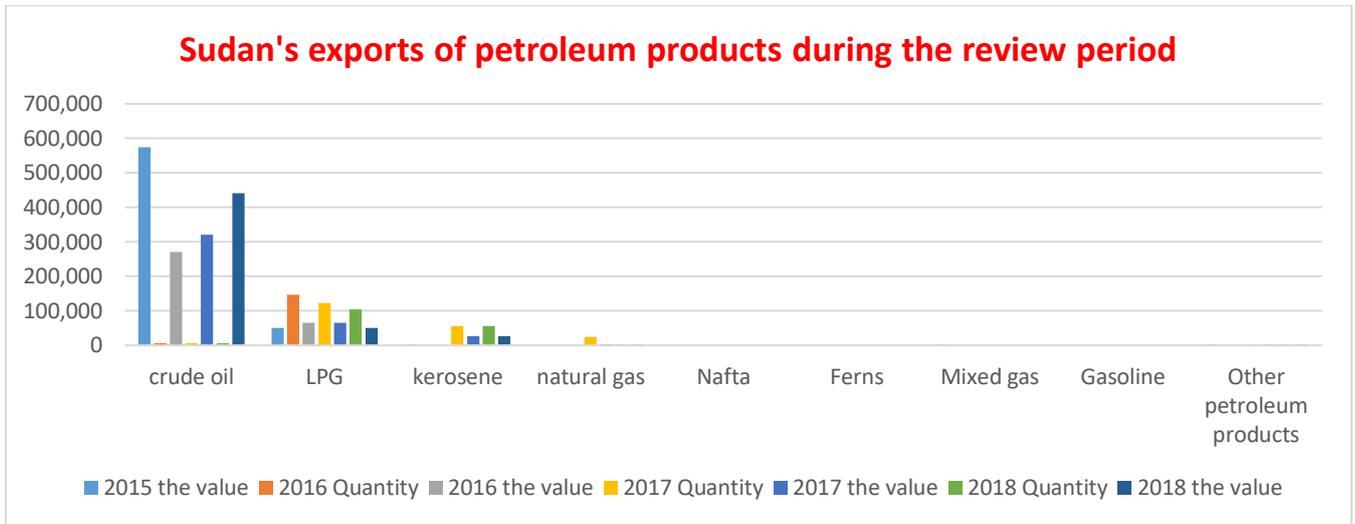


Table no (5) Sudan's imports of oil products prior to the 2011 separation:

The value is in thousands of dollars

2010		2009		2008		Unit	The commodity
the value	Quantity	the value	Quantity	the value	Quantity		
427,542	522,396	325,611	450,121	710,962	2,178,021	Metric tons	Other petroleum products

Source: Bank of Sudan combined annual report

Diagram No. 3

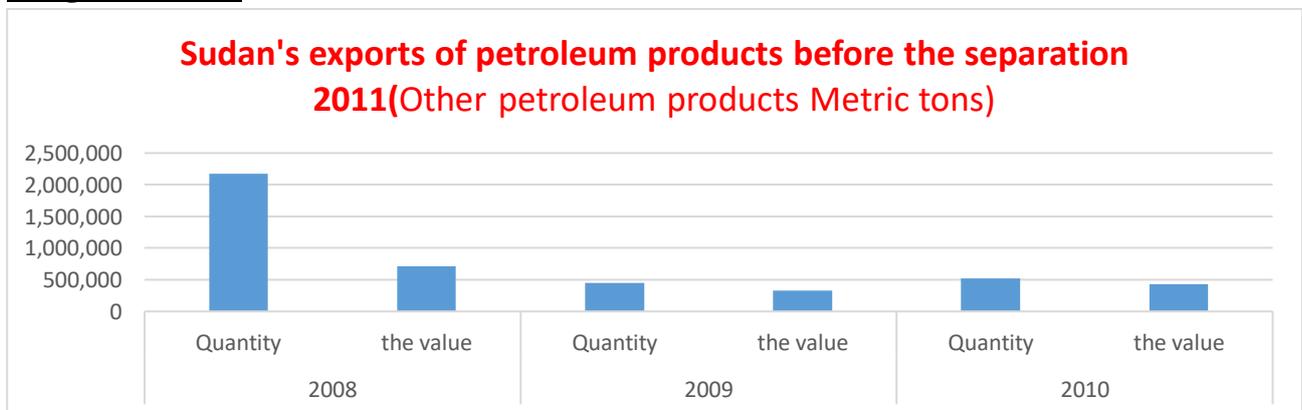


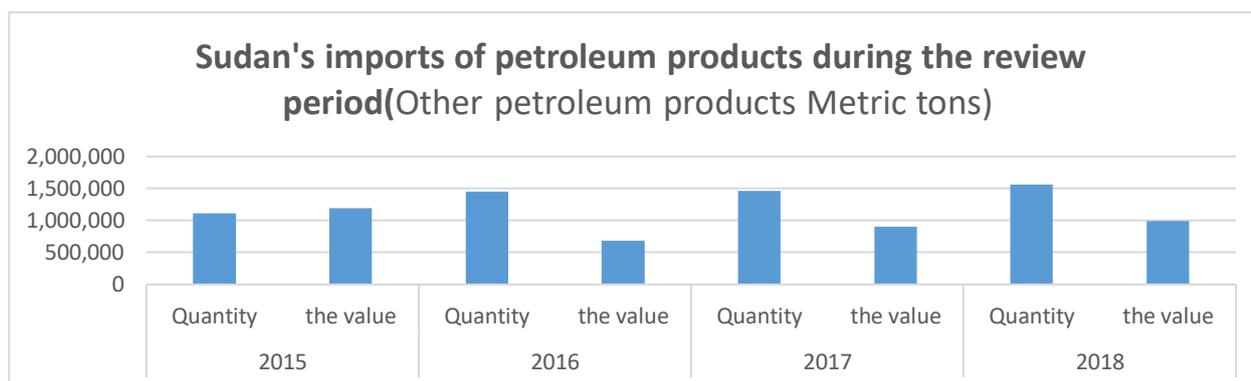
Table no (6) Sudan's imports of petroleum products during the review period:

The value is in thousands of dollars

2018		2017		2016		2015		Unit	The commodity
the value	Quantity								
991,095	1,565,928	905,095	1,458,853	687,462	1,456,178	1,189,426	1,110,465	Metri c tons	Other petrol eum produ cts

Source: Bank of Sudan combined annual report

Diagram No. 4



Management response:

Agree on the observation , the need arose for the establishment of a new department to regulate relations with operating companies following the separation of the south Sudan and the exit of some fields, and a proposal was made to establish a specialized department in the name of debt and risk department affiliated to the General Directorate of Financial Affairs.

3.3 Delay in implementing projects of relative importance:

According to the Petroleum Wealth Act, 1998 Article 19 (g) Chapter Three (stipulates the construction, operation and maintenance of pipelines, storage depots and other petroleum installations).

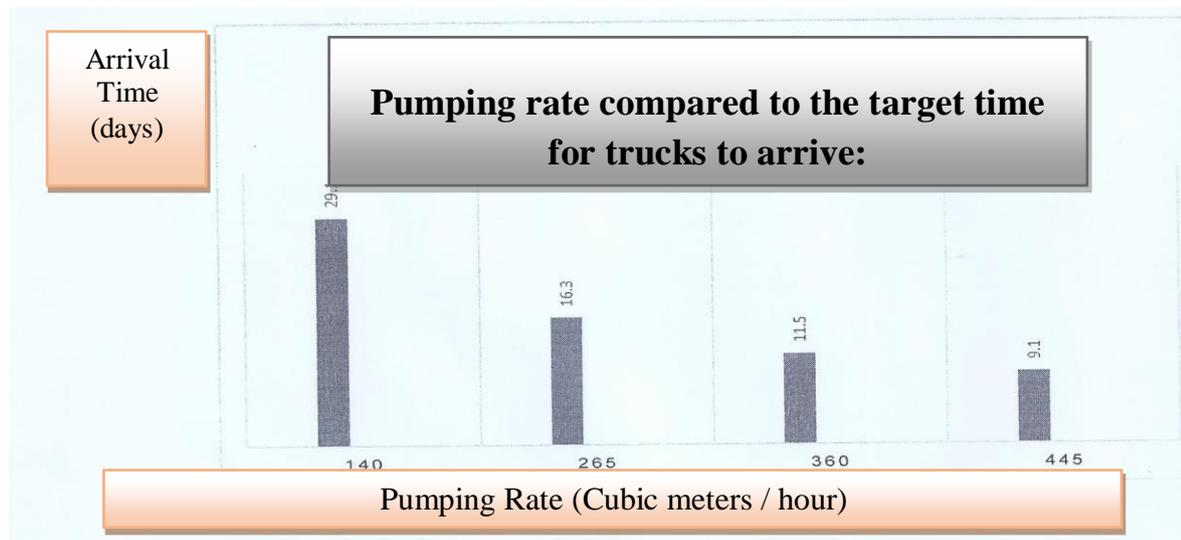
Through documentary audit of project files under construction, a 12-inch operation capacity raising project, Port Sudan - Khartoum, and field visits to the line in Port Sudan, the audit noted that the project started on 16/11/2014, to be handed over on 12/03/2015, and the contract was amended with an amount of € 35.640.473.71 and 105.685.763 Sudanese SDGs in December 2015 to keep pace with the changes in the detailed technical designs. 85% of the engineering designs have been implemented, and only the partial details of the generators and pumps have remained, for the terms of the contract have not been committed with regard to ensuring the advance payment and ensuring performance guarantee for a general contractor of civil works, which resulted in the failure to complete the project of raising the operating capacity in Port Sudan - Khartoum until November 2018, as the current pumping rate is 140 cubic meters / hour and according to the target contract the first stage is completed (265 cubic meters / hour) Which is supposed to save 12.8 days, this can help in providing petroleum products when the refinery stops in periodic maintenance period, so that the alternative is to supply the country with imported petroleum products, deliver petroleum products at a lower cost and in a lesser period of time compared to the trucks as well as lifting the burden on the state with regard to the rate difference of transporting by carriages. Table No. (7), and Diagram.no (5) Shows the pumping rate compared to the target time for the arrival of petroleum trucks.

Table No. (7) Pumping rate compared to the target time for trucks to arrive:

Pumping Rate(m / h)	Stages of implementing the contract	The expected duration of the end of each stage	The time required for the consignment to arrive from Port Sudan Port to Al- Ruwayan Station in Khartoum (day)	Time to be Saved (days)
Currently 140			29.1	
265	First stage	2017	16.3	12.8
360	Second stage	After completing the first stage	11.5	17.6
445	Third stage	After completing the second stage	9.5	20

Source: Project File, Petroleum Facility Management

Diagram No. 5



The Management response:

What was stated in the audit note is true that the project was stopped by the financial department.

3.4 Weak control over the import of petroleum products:

According to the Petroleum Wealth Act, 1998, Article (19/1 / A / B / C) Within the framework of the goals, plans and policies decided by the Council of oil affairs, the Corporation shall have the following purposes and powers stipulating the development of petroleum wealth and its good exploitation, managing all petroleum operations in the country and monitoring and supervising these operations as well as the responsibility to provide the country's needs with different petroleum products, and Article (19/2) which states (The Corporation may permit and licensed any technically and financially capable party to practice any of the purposes mentioned in Clause (1) above, and the Import Conditions Regulations for Private Companies Article (4 / h) which states that (the company shall have financial capability), and Article (5) which states that (the company shall own depots in Port Sudan to store petroleum products) according to Republican Decree No. (679) for the year 2015. Pursuant to the provisions of Article 58 (1) of the Interim Constitution of the Republic of Sudan for the year 2005 and in addition to Republican Resolution (602) for the year 2005 which provides for permitting the private sector to import and distribute petroleum derivatives of various kinds without administrative restrictions or fees, and according to this decision, the import of petroleum products was assigned to the Nile Company, Al-Nahla Company, and Abarssi Company. Through the documentary review for the year 2017 to the files and import reports, the audit team found out that the private companies did not fulfill the import as planned by the Sudanese Petroleum Corporation to cover the country's need for petroleum products.

Table No. (8): Private companies did not fulfill the import of products and the import of these petroleum products by the Corporation for the year 2017:

The product	Annual plan import by companies	Actual import by Corporation	The ratio	Actual import by private companies (The Nile)	The ratio %	Actual import by private companies	The ratio %
Gas	2.1.942	0	0%	82.772	41%	17.766	9%
Gasoline	1.455.600	1.514.404	104%	44,000	3%	53.127	6%
benzene	230.484	37.678	17%	75.848	33%	115.242	50

Source: Analysis of accounts data, supply department -import section data and planning performance reports by audit team.

This is due to lack of commitment in choosing companies with the financial ability to import, which compelled the Sudanese Petroleum Corporation to supplement the shortfall

using strategic stock and return to import by 104% of petroleum products (gasoline) and benzene by 17% for the financial year 2017, which resulted in the depletion of the strategic stock (reserve stocks) for the Sudanese Petroleum Corporation, so that the Corporation was unable to make strategic stocks until the financial year 2018.

The Management response:

What appeared in the note is true that the republican decisions to liberalize the petroleum trade, led to scarcity of foreign currencies and non-existence the various forms of subsidy led to weak control over the import operations of petroleum derivatives, which in turn led to the full consumption of the strategic stock.

3.5 Lack of implementing Petroleum products controls over distribution companies:

Based on work regulations in petroleum products for the year 2003, public companies in the field of petroleum products must abide by the controls, Chapter Three Item (9/1) It is not permissible for any authority to license to any company without referring to the Sudanese Petroleum Corporation, Item (9/7) that the company is committed to receive its petroleum products only through its facilities, Item (9/2) the minimum facilities to be constructed by a company, is the establishment of one main depot, three sub-depots and fifteen service stations in order to supply them with petroleum materials, item (10/4) which states that the company shall annually provide a copy of the company's financial accounts approved and audited by a certified auditor, and through documentary review of distribution companies files and the field visit to Al-Jaili and Al-Obeid refineries to determine the companies 'possession of depots, and access to technical reports. The audit showed that the distribution companies do not adhere to the controls of work in petroleum products with regard to providing annual audit accounts so that the Corporation can know its financial ability to work in the distribution of petroleum products and with regard to the petroleum facilities, which is the establishment of one main depot and three sub-depots, there are seven companies that are hosted in the depots of other companies, namely Iran Company, Al-Wajiha Company, the Sidon Company, Al-Nahla Company, Bashaer Company in addition to Sanabel and Sudagaz Company ,also there is the lack of supervision of subsidized gas for distribution companies, due to poor control, inspection and supervision over the distribution companies, which resulted in that the Corporation lost part of the financial resources that are paid in the form of a profit margin in the event that the company delivers petroleum products in the deport first and then to the station. Tables below shows the margin SPC lost.

Prices of products in the case of payment in the storage tanks:

Price: SDG/Liter	Product	NO
4.11	Gasoil	1
6.17	LPG	2

Prices of products in case of payment at the stations:

Price: SDG/Liter	Product	NO
3.89	Gasoil	1
5.88	LPG	2

Gasoil Margin: SDG/ liter

Price with margin 4.11

Price without margin 3.89

The margin 0.22

LPG Margin: SDG/liter

Price with margin 6.17

Price without margin 5.88

The margin 0.29

From the above, we notice the loss of margin by SPC, 0.22 SDG per liter for Gasoil and 0.29 SDG per liter for LPG, for all quantities paid to seven companies that do not have storage tanks. This led to a lack of storage capacities for these companies and thus scarcity of stocks of petroleum products besides contributing to the lack of supply and regularity.

Management response:

What is stated in the National Auditor's observation is true, there is hosting for some companies, a database has been created and forms have been prepared also to be distributed to bakeries to reduce tampering with the subsidized gas for bakeries.

3.6 Inaccuracy of consumption studies:

According to the Petroleum Wealth Act, 1998 and Article (35 / g) which provides for the establishment of specialized departments and their organization within the organizational chart and according to the overall goal of the Sudanese Petroleum Corporation to upgrade and develop scientific research in the petroleum field and through documentary review of performance reports of the Planning and Studies Department, the Studies Department has conducted a study of the volume of consumption for petroleum products for the year 2015 only, which includes determining the volume of consumption for the industrial, agricultural, and service sectors, also did not prepare consumption studies for the years from 2016-2018, The audit team relied on the data provided by the production and import departments which were not according to the sectors, therefore the audit was not able to obtain accurate information on consumption and increase or decrease it from year to year according to sectors, and the following table shows the comparison between production and import with consumption, according to the data from The departments of planning, studies and final accounts.

Table No. (8) Comparing production and import with consumption:

Item	Production & imp	Consumption	Consumption percentage of the total production and import
Gasoline 2015-2017	8.867.182	8.746.601	91%
Benzene 2015-2017	3.517.396	3.084.931	88%
Gas 2015-2017 m	1.309.065	1.177.168	90%
Total	13.693.643	13.008.700	95%

Source: Analysis of performance reports of the Planning, Studies and Financial Accounts Department by the audit team

From the above table, the average consumption rate represents 95% of production and import, which indicates the presence of abundance in petroleum products and this do not reflects the reality. Picture1below show that:

Picture1



Source: taken by audit team

this for the reason of the inaccuracy in conducting consumption studies, which resulted in the lack of accurate information on the consumption rate and thus lack of proper planning and lack of contribution to the solution for the problem of scarcity of petroleum resources.

Management response:

Work is now under way to update the study of the consumption of petroleum products in Sudan, and the work has gone far.

3.7 Lack of implementing periodic maintenance plans Khartoum refinery within the specified time:

According to the Petroleum Wealth Act, 1998, Article 19 / g Chapter Three, which provides for "the construction, operation and maintenance of pipelines, storage depots and other petroleum installations, and through a field visit to the Al-Jaili Refinery and documentary examination of correspondence and performance reports as well as the interview with the refinery manager, it was clear to the audit team that the refinery needs daily operation maintenance and periodic maintenance for the first (old) refinery and the second (new) refinery after the expansion, and that maintenance was not as completed in the year 2017, and complete maintenance was done for the second refinery in the year 2018 and the cleanness of the first refinery only, all that due to the accumulation of debts due to lack of coordination with the relevant authorities, which are the Sudanese Petroleum Corporation, the Ministry of Finance, and the Bank of Sudan, to provide the necessary financial resources for maintenance according to the prescribed plan, and to place the relative importance of periodic maintenance of the refinery in operation, noting that according to the officials statements, there are devices that have not been changed since the establishment of the refinery, such as the thermal liner (which is a Great safety for the equipment that is exposed to high temperatures and when cracking occurs in the liner it is exposed to the hydrogen product, which causes catastrophic effects) and the valves of the 2 coal towers (which is important for the continuity of the

refinery work) and through correspondence on 6/1/2019 of the Secretary-General of the Corporation shows the size of the accumulation of debts details follows:

- The work has been completed since the end of the periodic maintenance in June 2018, and the payable value required by the contractor, including accumulated payments since 2015, amounted to US\$ 26.5 million.
- The value required by the suppliers of spare parts and chemicals for regular maintenance amounted to US\$ 23 million.
- The value of the valves for the coal towers amounted to US \$ 948,330. All of these old and new debts resulted in lack of maintenance on time and consequently the refinery stopped refining petroleum products, which in turn affected the country's supply of petroleum products to the agricultural, industrial, transport and service sectors.

The Management response:

What appeared in the note is right; there must be coordination between the relevant authorities (Ministry of Finance and Bank of Sudan) to provide the necessary financial resources according to the prescribed plan.

3.8 Lack of implementing priority budgeted projects that contribute to achieving the goal of sustainable development:

According to the Sustainable Development Goal No. (7) "to ensure universal access to reliable, modern, sustainable energy services at an affordable cost, according to the Petroleum Wealth Act, 1998, Article 19/1 a. Within the framework of the goals, plans, and policies that the Council of oil affairs decides, the corporation shall have the following purposes and powers, which state (The development of petroleum wealth and its good exploitation), and the Corporation's strategic objective is to develop the petroleum and gas sector by increasing petroleum reserves, refining capacities and restoring the petroleum sector to its pioneering role in the national economy, and through documentary review of project files and budgets, the audit tam found that there was no implementation for projects that could have contributed to solving the problem of the scarcity of petroleum products, for which amounts have been allocated in the general budget since the year 2017 . The budget for these projects was increased in 2018 and that projects was not completed until December 2018, This is because there is no management for the crises related to changing in the exchange rates, as the equipment of these projects is imported in foreign currency, which resulted in delaying the implementation of projects that could have contributed to achieving Sustainable Development Goal No. 7 to ensure universal access to reliable, sustainable and modern energy services at an affordable cost.

Table No. (9) Shows the budget priority projects that have not been implemented:

Item	Importance of the Project to address the problem of lack of petroleum products	2017/ SDG	2018/SDG
A study evaluating the consumption of petroleum derivatives	To see the volume of consumption To provide petroleum derivatives	8.746.601	15,000,000
Follow up of the computerization of distribution companies	Tightening control over distribution companies	94.1 84.499	94.184.499
Rehabilitation of the Rabak new depot	To Provide storage capacity	39,300,000	119.300,000
Haya depot rehabilitation project	To provide storage capacities for Sudan and the neighboring countries	90.337,500	100.338.00
Natural Gas Resources Assessment	To know the possibility of production		54,000,000

Source: information gather by audit team from Budget and Projects Department

Management response:

I agree with what was stated in the note, knowing that the project supplies (pumps, meters, pipes) were imported by the contractor in foreign currency and they represent 60% or more of the project cost.

3.9 Lack of making optimal use of the amounts allocated for the development of Petroleum regions:

According to the Petroleum Wealth Act, 1998, Article (19/1/ a) within the framework of the goals, plans and policies decided by the Council of oil affairs, the Petroleum Corporation shall have the following purposes and powers stipulating the development of petroleum wealth and its good exploitation, and according to the general objectives of the Sudanese Petroleum Corporation to create economic and social development in the petroleum regions, through the documentary review of the financial statements accounts of the Petroleum Areas Services Committee account, an amount of 71,643,082.30 SDGs was deducted during the years 2017-2018 from the Petroleum Services Committee account and spent in non-petroleum sector development. It is shown by the following table no (10):

The table(10) below shows the expenses that were deducted for the development of petroleum regions account and do not spent on petroleum sector development from 2017-2018:

Item	Amounts in SDGs	Date
Presidential villas in the Republican Palace	61.227.953.00	2016-2017
Loan for the trade union to meet the construction of the conference hall	10,000,000.00	2017
Sennar Junction Town Development Committee	100,000.00	2017
Feminist Association donation, Alsaafa , Block 23 located in Khartoum	85,000,000	2018
Support for the Khatmiyeh Girls School located in Khartoum	101.075.00	2018
Support for Al-Hammadab Girls and Boys School located in Khartoum	35,000.00	2018
Donation to the Employees Housing Association located in Khartoum	20,000.00	2017
Water Desalination Devise for Al-Neelain University, Faculty of Science located in Khartoum	74.054.30	2018 m
Total	71.643.082.30	

Source: Sudan Petroleum Corporation's financial statements accounts

From the above table, you notice that the total amount of 71,643,082 SDG spent in items not allocated to it, this is due to poor control over the resources allocated to the development of petroleum regions, which resulted in the lack of maximum benefit in favor of the petroleum sector in general and the development of petroleum regions in particular.

The Management response:

The observations appeared in the report were correct. The spending was based on the approval of the Minister, given that he is the first executive in the Ministry.

Audit Team Comment:

According to Ministerial Resolution No. (16) For the year 2012, the tasks and powers of the committee are to limit and define social services projects that are implemented in the petroleum-producing regions and according to the petroleum agreement which urges the development of petroleum regions, bearing in mind that the petroleum minister is chairman of the committee.

3.10 Lack of an optimal distribution of human resources:

According to the Petroleum Wealth Act, 1998 Chapter Five "Miscellaneous Provisions" (Article 31) which states (recruitment is carried out in the Sudanese Petroleum Corporation according to the Chart and according to the job description), Chapter Three Section Two Article (19 / L) "setting the necessary programs to train and qualify cadres to carry out work in Petroleum industry and petroleum operations, and the strategic plan provides for the provision of qualified human cadres capable of managing the petroleum industry in Sudan efficiently and effectively.

Through the documentary review of the record of jobs, job descriptions, correspondence and letters that took place between the Port Sudan branch and the Corporation's Headquarters claiming to fill the shortage in depots on October 2018, and through the field visit to the depots in Port Sudan, the audit team found that those who work are national service personnel and temporary workers and there is no engineer in the depot specialized in operating micro devices as well as safety and environment devices according to the job description of both the old strategic depot (A) and the new strategic depot (B) despite the presence of specialized engineers in the head office of the Sudanese petroleum Corporation in Khartoum, according to the job description of the departments and that was due to failure of optimal planning for the distribution of human resources. Table no (11) below show the lack of an optimal distribution of human resources.

Table no (11) the lack of an optimal distribution of human resources.

Temporary employment in the new warehouse (b):

Wages from 1-4-2018 till 31-3-2019/ SDG	as of	the daily wage	the position occupied by	Name	No
540,000	2018-4-1	for one 1500 tanker	Supervisor of unloading tankers	Ayman al-Rasheed Othman	1
540,000	2018-4-1	for one 1500 tanker	Supervisor of unloading tankers	Osama Awad Al-Karim	2
72,000	2018-4-1	200	chnician Operator	Saad Sir Al-Khatim	3

72,000	2018-4-1	200	chnician Operator	Muhammad Umar Idris	4
72,000	2018-4-1	200	chnician Operator	Yahya Abdul Rahman Hamid	5
540,000	2018-5-1	200	Technician Operator	Mohamed Ahmed Gamal	6
540,000	2018-4-1	150	Dockers	Muhammad Hassan Sidi	7
540,000	2018-4-1	150	Dockers	Al-Amin Bushra Obaid	8
540,000	2018-4-1	150	Dockers	Muhammad Haykal Muhammad Tahir	9
540,000	2018-4-1	150	Dockers	Suleiman Dawood Tei	10
540,000	2018-4-1	150	Link or connect worker	Tawfiq Hashem Al-Noor	11
540,000	2018-4-1	150	Link or connect worker	Ismail Muhammad	12
540,000	2018-4-1	150	Link or connect worker	Abdel-Rahim Mahmoud Musa	13
540,000	2018-4-1	150	Link or connect worker	Ahmed Mohamed Mahdi	14
36,000	2018-4-1	100	Driver	Ali Hussain Muhammad Awad	15
36,000	2018-4-1	100	Driver	Ramah Elias Muhammad Elias	16
5,872,000					OTAL

Source: Staff records that were inspected during the field visit to the warehouse in Port Sudan

Employees occupy jobs at the Port Sudan Refinery that are suspended from work except from storing imported petroleum materials by some private companies who were assigned to work in the warehouse by the General Manager of the General Department for Oil Supply and Trade on 12/8/2014 at the request of the Secretary-General and the request was not implemented which show in appendixes no (9)

The engineers who hold administrative jobs at the Sudanese Oil Corporation head office in Khartoum: As a result, lack of maximum utilization of qualified human cadres and specialized labor, which in turn leads to a decrease in the lifetime of the depot, and

work in the new strategic depot (B) may be shifted from electronic operation to manual operation and thus waste of resources.

Management response:

Approving what appeared in the note, the depot needs of jobs namely, engineers and technicians were listed into 27 jobs, and due to the lack of vacancies, a proposal to create new jobs was submitted by a letter of administrative affairs to the Secretary-General on 3/3/2017 and by other subsequent letters that have not been decided on.

3.11 Weak control in bidding:

Pursuant to the Petroleum Wealth Act, 1998, Article (35 / d) stipulates (the form and manner in which the Corporation's accounts are prepared and budgeted, and organization of stores and the rules of purchase and contracting) and according to the Procurement, Contracting and Disposal Act, Article (13/2) which states (All public procurement of state organs shall be made through competitive bidding and achievement of economic efficiency, fairness and transparency in the financial value).

And pursuant to the Financial and Accounting Procedures Regulations of the Sudanese Petroleum Corporation for the year 2000 Article (3 / A / 1) (which states all departments, units and sections of the Sudanese Petroleum Corporation shall adopt the public tender system to obtain their needs for goods and services or to carry out their work) and through documentary review for project files, strategic depot projects in Port Sudan have been contracted for an amount of € 32,146,562.88, the contractual value of the Gas Tanks Project, which was launched in a tender and was awarded to the Jack and Senussi Company and the benzene, Gasoline, and Aircraft Gas Project (vertical tanks), and the contractual value of € 59,499,349,477 which was granted without a tender to the same company. The delivery of the two projects, gas, benzene, gasoline and aircraft gas has been delayed from the specified date as the contract began to be implemented in January 2012 to be completed in the year 2013 but the two projects were delivered in 2015 after forming a negotiation committee for solving the problem of the delay of delivering the two projects. The projects were not delivered according to the required good specifications as was mentioned in the documents and correspondences, due to the lack of control in granting bids to qualified companies, which in turn resulted in delaying the receipt of projects and wasting resources due to the lack of good design with the required specifications and consequently not achieving the required economic efficiency thereon.

The Management response:

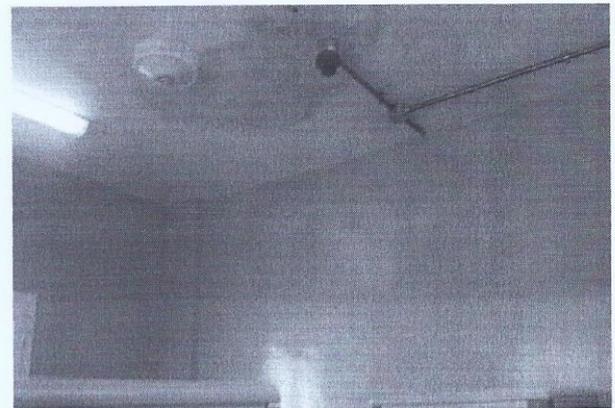
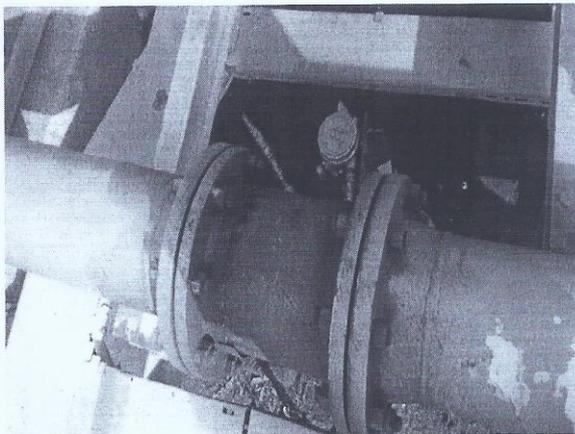
What was mentioned in the above observation are true, and a committee was formed on 09/10/2011 and the tender was submitted to the Secretary-General on 12/12/2012, and the aforementioned tender procedures taking place in a previous period to establish the Contracts and Procurement Department which was established as a department specializing in administrative affairs in the year 2012, therefore there are no details of the bid in the management records.

3.12 Weak Control over the new strategic depot receipt operations (B):

Pursuant to the Petroleum Wealth Act, 1998, Chapter Three, Section Two, Article (19 / g), which provides for extending the pipeline, establishing storage depots and other petroleum installations, operating and maintaining them. Through the documentary review of the files of the new strategic project (B) and field visits to the Port Sudan branch and letters sent from the directors of the departments in Port Sudan on 25/05/2017 until 14/10/2018 found that the depot has many manufacturing defects, which led to that the depot is in a state of continuous maintenance despite the recentness of the depot as it was received in the year 2015 and these defects are the defects of civil works in the central control room which represents the pillar of operating the automated depot and there is a leak of rain water in this room and the presence of rain water leakage inside tanks of petroleum products, which leads to damage to petroleum products, and an early warning unit outside the service and this is a dangerous indication of the presence of leaking petroleum materials on early warning unit devices which led to taking that unit and the Jet No. 5 pump out of service due to damage (lack of a bushing) and the repair has not been completed to date, due to poor supervision of receipt procedures, which results in higher maintenance costs despite the depot modernity, this costs were 2,508,556 SDG for the year 2017, and 236,832 SDG for the year 2018, with a total amount of 2,745388 SDG, representing approximately 1.4% of the contract value. Thus wasting resources. The pictures describes some implementation defects.

Picture 2:

Rain leaks in the control room and also on equipment.



المصدر : الزيارة الميدانية للمستودع الإستراتيجي ببورتسودان تم إلتقاطها بواسطة فريق المراجعة.

Source: Filed visit to the strategic depot in Port Sudan picked by the audit

The Management response:

The need for maintenance appeared after the final receipt of the depot from the contractor on 12 November 2017, and no problem or notification was received so that the contractor bore this repair (warranty period).

Audit Department comment:

According to correspondence from the depot management Port Sudan branch, there was continuous need for maintenance from 25/05/2017 to 17/10/2018, noting that the delay in receiving the project was in the period specified for it.

3.13 Poor coordination between the supply and investment departments when granting licenses and supervising petroleum products distribution companies:

Note:

According to the Petroleum Wealth Act, 1998, Chapter Two, Section Two, Article (21/1), which states (Supervising all departments and ensuring the accuracy of quality performance and coordination between the various departments in achieving harmony in performance).

Through the documentary review of the files of the distribution companies in the Investment Department and the reports of the Supply Department, there was a lack of coordination between these departments (investment and supply) when granting a license for approval to the distribution companies to work in petroleum products, as the investment department grants the license to companies to work in petroleum products, after presenting the documents according to the work regulations for the petroleum products for the year 2003, and the tasks of the supply department is to express the technical opinion through the downstream management about the proposed perception of supplying the distribution companies with petroleum products according to the facilities required from the companies. The audit team found different between the licensed distribution companies investment management records and existing companies supply management records, Table 6 below shows that the chart below shows the best way to grant license to distribution companies according to work controls for petroleum products and more details in Appendix (6).The diagram shows the method of licensing distribution companies according to the controls of working with petroleum products:

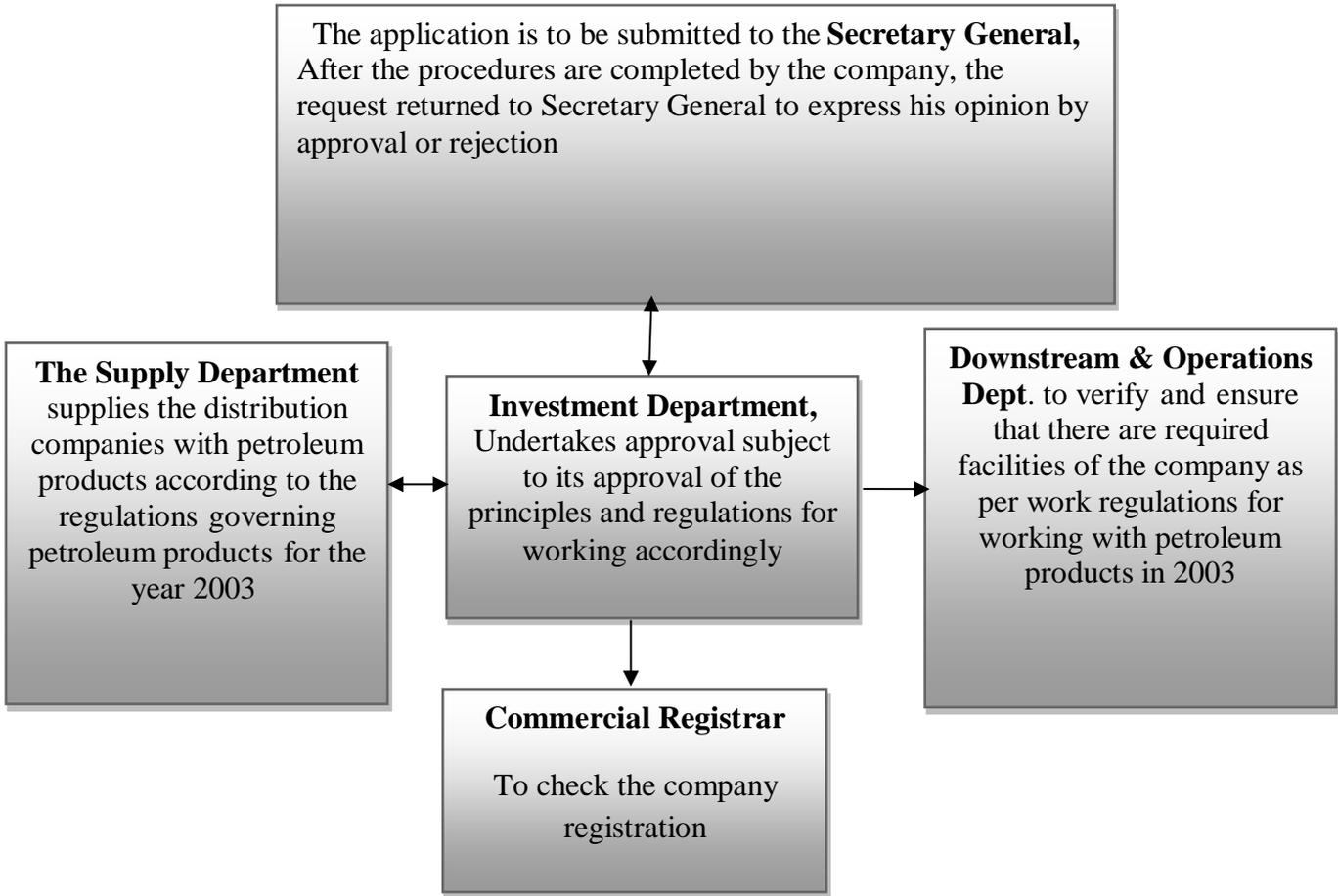


Table No. (12)Petroleum products distribution companies in the files of supply and investment departments:

Distribution companies that are in supply department files and not in investment department files	The companies that are in the investment files and are not included in the distribution companies
Al-Atta	Arba Petroleum
Greater Petroleum Company	Naba for Aircraft fuel
Nile Bakry	Iran
Al-Sahel	nibent for trading in petroleum products
Al-Kraimit	//
Al-Sobat	//
Al-Rodwan	//
Al-Mogran	//

Source: Supply Department and Investment Department

From the above table, that difference is due to the weak coordination and flow of information between the two departments, which results in poor control over the distribution of petroleum products through distribution companies.

The Management response:

In fact, there is a clear weakness in the coordination between the supply and investment departments, the Greater petroleum company, according to the documents, and we apologized to it for its request to be licensed as a distribution company in light of the decision to stop the licensing of new distribution companies, then its name was later appeared as a party in the process of selling part of a piece of land that was owned by the national company, then sold to Al-Qadal Company in the year 2008. It was later sold to the Greater Petroleum Company in 2010. The Mogran companies (formerly Nomoli) and Al-Atta, a license was issued to them from the senior management as an exception after the suspension. Al-Mogran and Al-Attach in the year 2004, which entered into a partnership with Nabta Petroleum Company in 2009, there were licensed in 2011 and a final license was not issued to them, as two notes were filed on them and no decision was taken on them. As for Al-Sobat Company, we only knew that it is one of the companies

previously approved by the senior management to operate in South Sudan (only), prior to the separation, and it has no file with us.

3.14 Health, Safety and Environment Department do not play its supervisory role in preserving the petroleum facilities, in Al-Obeid Branch:

Pursuant to the Petroleum Wealth Act, 1998, Article (35 / L), which stipulates security and safety guarantees, the preservation of the Corporation and petroleum operations. According to the organizational chart of the Sudanese Petroleum Corporation, which includes the Department of Security, Safety and Environment, and through a field visit to the branch of the Corporation in Al-Obeid, it was found that the Penta depot 200 meters far from the Corporation, which exposes the corporation to risks, and that the distribution company tankers are loaded with petroleum products directly from within the refinery and there is no control center for the corporation in Al-Obeid branch for the delivery of petroleum products to companies' depots. There is no parking place for tankers regulating tankers' entry to the refinery, noting that there are fees paid to the national gate room for each carrier and the proximity of housing schemes towards the refinery as well as that the transit of aircraft over the refinery near the gasoline tanks No. (53) and the main distillation tower, which is 42 meters in length, and there is no lighting for the distribution companies depots, nor fire extinguishing units in the Corporation, Al-obeid Branch, because the Safety and Environment Department did not play its control and supervisory role on the petroleum products, which accordingly results in the possibility of the Corporation Branch and Al-Obeid refinery to be exposed to fire risks.

The Management response:

What appeared in the note is true. Concerning the extension of the residential schemes in the proximity of the refinery and the flying of planes over the Al-Obeid refinery, the North Kordofan State had previously been addressed to stop the extension of the housing schemes in the region and the Civil Aviation Authority was addressed to change the route of the planes, and to tackle the lack of commitment of the National Transport Chamber to pursue the specifications and specific procedures of the Sudanese Petroleum Corporation with regard to entering of transport vehicles Petroleum products to refinery.

3.15 Weak control over crude purchases, as no tasks were distributed according to the manual:

3.15 Note:

According to the tasks and functions manual of the specialized departments, which stipulates that each department has specific tasks and that the General Directorate of Supply and Petroleum Trade has its functions to follow the movement of crude, sea transport and insurance supervision, follow-up of the share of the government and the operating companies and supervise and monitor the payment of financial and technical claims and outstanding loans. Through documentary review of financial reports for crude purchase bills 2016-2017, according to the response of the crude trade section in the Supply Department dated 30/01/2019 to the audit letter dated 12/12/2012 in which data was requested on heavy Fula crude and Nile blend, the response was that the data in the crude trade section is only about Fula heavy crude. As for the Nile Blend crude it is managed by petroleum facilities department, whose functions according to the tasks manual are to provide the most suitable engineering designs for projects and confirm the system efficient and effective maintenance, rehabilitation and control of various department activities to ensure economic feasibility of acceptable and added value to the Corporation. Although there is a specialized department for the Petroleum Trade, many ministerial committees have been formed to list the government's obligations and claims in the petroleum sector, which is Ministerial Decree No. 28/2015, 57/2015, 47/2018, 59/2018, due to the departments' lack of commitment to their tasks, which resulted in weak administrative control as well as the loss of time and effort to obtain sufficient confirmed information.

The Management response:

We support what was stated in the National Auditor's note. The General Directorate of Petroleum Installations shall follow up the Nile blend crude invoices as directed by the Secretary-General.

Chapter Four

Conclusion

4.1 General Conclusion:

The general conclusion of the work of the audit team is that the Sudanese Petroleum Corporation has not fulfilled the role entrusted in achieving its objectives to control the provision, adequacy and distribution of petroleum products through follow-up, inspection, supervision and implementation of plans to develop the petroleum and gas sector by increasing petroleum reserves and providing sufficient strategic stock to meet the country's need for petroleum products.

4.1 Specified Conclusion:

Failure to manage and structure the debt efficiently due to the lack of coordination with the Ministry of Finance and the development of plans to pay it, which leads to companies' reluctance to invest in petroleum and thus affects the country's supply of raw materials.

According to the Petroleum Wealth law, which stipulated the establishment of specialized departments and organizing them within the organizational Structure, the Sudanese Petroleum Corporation's organizational Structure did not include the establishment of a specialized department to manage crises and risks. In order to manage the crises that the country was exposed to from the lack of production, irregular of petroleum products, and the loss of strategic stocks.

The Incompleteness of the project of raising the operating capacity (Port Sudan - Khartoum), which helps in providing petroleum products when the refinery stops during the period of periodic maintenance, to providing the country with imported petroleum products, and deliver petroleum products at a lower cost and in a lesser period of time compared to the transported vehicles as well as lifting the burden on the state with regard to rate difference of transporting carriages besides carrying out projects that could have contributed to achieving Sustainable Development Goal No. (7) To ensure universal access to reliable, sustainable, modern energy services at an affordable cost.

Private companies did not commit to importing as planned by the Sudanese Petroleum Corporation to meet the need of the country after the exit of the state from the petroleum trade and assigning the import of petroleum products to the private sector, which resulted in the depletion of the strategic stock (Amortization stock- reserve stocks).

Failure to compel distribution companies to work controls on petroleum products with regard to the establishment a main depot and three sub - depots, and to provide annual audited financial statements to confirm the financial viability of these companies.

Inaccuracy preparing discretionary studies of consumption has led to a lack of determination of the actual need for consumption until measures are taken and appropriate distribution mechanisms are established that ensure optimal use of petroleum resources in accordance with the priorities and need of the country and coordination between different Stakeholders at the national and states level to ensure a continuous petroleum supply.

Failure to execution of projects that contribute to solving the problem of the scarcity of petroleum products set in the budget, such as a study to assess the consumption of petroleum derivatives and the project of computerizing distribution companies, projects that could have contributed to achieving the strategic goal of the Corporation .

Failure to coordinate between the Sudanese Petroleum Corporation, the Ministry of Finance, and the Bank of Sudan in providing maintenance equipment for the refinery, after the devolution of Sudanese Petroleum Corporation to the Ministry of Finance, which led to the refinery stopping refining the petroleum products, thus affecting for a period of time the country's supply of petroleum products to the agricultural, industrial, transport and service sectors.

Weak control over the resources of the Petroleum regions' Services Committee, the lack of maximum benefit in favor of developing the petroleum regions and the petroleum sector, and the lack of optimal utilization of resources.

Failure to distribute qualified human cadres and specialized workers in an optimal distribution manner manifested in the need for specialized engineers for strategic depots in Port Sudan despite the presence of specialized engineers in the Head Office of the Sudanese Petroleum Corporation according to the job description so as to avoid a lack of lifetime of the depot, by shifting the work from electronic operation to manual operation and thus lack of economic efficiency.

Failure to tighten supervision on bidding and lack of follow-up and supervision over the implementation of strategic depot s in Port Sudan with the required good specifications led to high maintenance costs despite the recentness of the new depot (B).

There was no coordination between the investment and supply Department and the lack of conformity between the distribution companies licensed in the investment Department and the supply Department led to the emergence of companies operating without licensing and

certification controls and thus weak follow-up and supervision and inspection over these companies.

Failure of the Department of Safety and Environment to play its supervisory role in preserving Al-Obeid petroleum facilities, which exposes the refinery and the Sudanese Petroleum Corporation to risks.

Failure to adhere to the tasks manual and departments' functions led to weak supervision over crude purchases, which resulted in a large number of committees formed to obtain the information and thus wasting time and effort to obtain sufficient confirmed information.

Chapter Five

Recommendations

5.1 introduction:

The National Audit Chamber believes that these recommendations must be responded to in order to tighten control over the provision and distribution of petroleum products to ensure optimal utilization of the country's public resources economically, efficiently and effectively.

5.2 Recommendations for tightening control over petroleum products:

Establishing a mechanism for efficient debt management and debt restructuring and plans to repay them to attract companies to invest in petroleum to provide the country's supply of raw materials.

Coordination between the Corporation (Exploration Department, Supply and Final Accounts Department) and the relevant authorities (Ministry of Finance and Bank of Sudan) to establish the principal of the debt as per the data audited by the Corporation and then schedule its payment.

Establishing a specialized department for crises and risks or early warning within the organizational chart of the Sudanese Petroleum Corporation and setting it as a priority to manage the crises that the country has been exposed to due to the lack of production, the irregularity of petroleum products and the lack of preservation of the strategic stock.

Commitment to implement the terms of the contract and complete the project to raise the operational capacity in Port Sudan - Khartoum that helps in providing petroleum products when the refinery stops during the period of periodic maintenance so that the alternative is to supply the country with imported petroleum products and deliver petroleum products at a lower cost and in a lesser period of time compared to the transporting vehicles and lift the burden on the state concerning the difference in the rate of transport by tanker.

Setting a mechanism for determining the companies to import with the required accuracy and according to the financial ability to satisfy the country's need for petroleum products after the state exit from the petroleum trade and assigning the import of petroleum products to the private sector.

Inspection, follow-up and supervision of distribution companies and application of work controls in petroleum products with regard to companies owning a sufficient number of depots, and providing annual audit accounts for distribution companies.

Preparing consumption studies with the required accuracy so that appropriate distribution mechanisms are put in place to ensure optimal use of petroleum resources in accordance with the priorities and need of the country as well as coordination between the various authorities at the national and state levels so that petroleum products are distributed efficiently between different sectors according to supply and demand.

Coordination between the Sudanese Petroleum Corporation, the Ministry of Finance, and the Bank of Sudan to provide periodic maintenance equipment for the refinery so that the refinery does not stop refining petroleum products and continues to supply the country with petroleum products for the agricultural, industrial, transport and service sectors.

Work on implementing budget priority projects that contribute to solving the problem of scarcity of petroleum products, such as a study to assess the consumption of petroleum derivatives, a project to monitor the computerization of distribution companies, and a project for everyone to obtain reliable modern sustainable energy services at an affordable cost.

Tightening control over the resources of the Petroleum Regions Services Committee and making the best use of them in favor of developing the petroleum regions and the petroleum sector.

Optimal planning for the distribution of qualified human resources and specialized labor to work in the new strategic depot (B) and the old depot (A).

Obligating companies to complete work with the required good specifications for strategic depot projects in Port Sudan and tightening control when awarding bids.

Accuracy, follow-up and supervision when receiving depot projects so that the establishment does not incur maintenance costs despite the recentness of the new depot project (B) in Port Sudan.

Coordination between the Investment and Supply Management when granting a license and matching between distribution companies in order to ensure follow-up and supervision of the distribution of petroleum products through distribution companies.

The Safety and Environment Department plays its supervisory role in preserving Al-Obeid petroleum facilities so that the refinery and the establishment are not exposed to risks.

Supervising crude purchases and activating administrative control to obtain sufficient confirmed information, which adds to the economic value of the Corporation.

Appendix:

Appendix No. (1) Methods of Data Collection:

The audit team collected data by reviewing the documents of the Sudanese Petroleum Corporation for the period 2015-2018. The audit team also conducted several interviews with officials of the Sudanese Petroleum Corporation, as well as conducting a field inspection as a source for gathering information and evidences.

A. Documentary Audit:

Several documents have been audited to obtain information on the actions taken in the stages of the process of controlling petroleum products during the above-mentioned period. The documents include:

1	Strategies, annual plans and performance reports on the position of petroleum products during the years 2015-2018	Ensuring proper planning to achieve the desired goals efficiently, effectively and economically.
2	Performance reports and control of depots and facilities. Performance reports on petroleum products and their stages until they are distributed to distribution companies.	Ensuring supervision over the depots and facilities as well as ensuring their suitability, and carrying out their periodic maintenance. Determining the volume of production and how it is distributed to distribution companies.
3	Organizational chart and job description for the Sudanese Petroleum Corporation.	To know the departments and units and the relationship between them. - Know the requirements of each job. - Know the procedures that were taken upon appointment. - Know the actual number of workers and vacancies
4	Financial Department (budget Department). Projects under implementation. New depots.	Ensuring the optimum use of available resources in an efficient, effective and economical manner. The achievement was accomplished according to the plan.
5	Reports and studies on the volume of consumption of petroleum products.	Ensure that consumption studies are activated on petroleum products so that they are provided through production or import.
6	Distribution company licensing documents.	To learn the principles and controls for licensing distribution companies.
7	Performance control reports via Quality Department	Ensuring supervision and performance on granting licenses to stations and licenses should keep pace according to the international standards.

B: interviews:

The audit team has conducted several interviews with officials inside and outside the Sudanese Petroleum Corporation to gather information on Petroleum product control.

1: the Sudanese Petroleum Corporation (Head Office):

The Secretary General - Director of Financial Affairs - Director of the Supply Department and heads of departments in the Supply Department - Director of the Petroleum Facilities

Department and heads of departments of the Petroleum Facilities Department - Director of Planning Department - Director of Planning Follow-up Department - Director of Quality Department - Director of the Internal Audit Department - Director of Human Resources Department - Director of Department of Administrative Affairs - Director of the Petroleum Accounts & Trading Department, Budget Director - Final Accounts Director - Director of Projects and depots Department - Director of Exploration Department - Director of Legal Affairs Department - Director of Services Department - Director of Procurement and Contracting Department.

2: the branches of the Sudanese Petroleum Corporation:

The Sudan Petroleum Corporation branch in Port Sudan:

Director General of the Sudanese Petroleum Corporation in Port Sudan, Director of the New Strategic Depots Department, Director of the Old Strategic Depots Department, Director of Financial and Administrative Affairs Department, Operating Director.

3: Al-Jaili Refinery:

Director of the Refinery Department, production directors, Director of operation and maintenance.

4: Al-Shajara Depot:

Director of the depot.

5: the branch of the Sudanese Petroleum Corporation in Al-Obeid:

Director General of the Sudanese Petroleum Corporation in Al-Obeid. Director General of Al-Obeid refinery and supply personnel.

<u>Job</u>	<u>Purpose of the meeting</u>
The Secretary-General through the Executive Director of the Secretary-General	Confirmation of the audit problem in the instability of the supply of petroleum products
Director of Planning Department (Follow-up and Planning Department)	To ensure the existence of annual and strategic plans and performance reports thereon
Studies Department	To identify studies of the volume of consumption of petroleum products
Human Resources Director	Assessing the number of employees, the job description, the organizational chart, and knowing the duties of each job according to the target, internal regulations and laws organizing the work
Director of depots, networks and distribution	Follow-up the progress of work according to the work regulations established in the field of petroleum products in 2003 through inspection, monitoring and control of stations and depots of distribution companies and the Sudanese Petroleum Corporation (stations and depots).
The legal department a	Knowledge of the Corporation's legislative aspects, laws, regulations and global agreements in the oil field.
Director of Investment Department	Knowing how to control and follow up the licensing of distribution companies for petroleum products
Director of Supply Department	Learn how to control and follow up the production process and how to distribute so that it reaches distribution companies and service stations.
Quality Department Director	How to monitor and follow up the performance of the Sudanese Petroleum Corporation, to know the tasks of management and the adequacy and qualifications of the human cadre

Final Accounts Director	Knowing the financing of petroleum products, Petroleum trade and the debts of the partners
Director of the Petroleum Accounts Department	Determine the volume of sales of petroleum products
Director General of Administrative Affairs	Knowledge and supervision of the implementation of management goals
Exploration Department	Knowing the size of the dividends accounts regarding the companies' debts and the blocks agreements.

Direct interviews to assess performance control of petroleum products:

C: Field visits:

The audit team conducted field visits to the branches of the Sudanese Petroleum Corporation, especially those that are of importance in controlling petroleum products.

Field visits to assess performance on petroleum products:

Location	Statement
Port Sudan	The new depot and the Corporation depot
Al-Obeid	Distribution companies depots and stations
Khartoum	Al-Shajara depots
Khartoum (Al-Jaili)	Khartoum Refinery (Al-Jaili)
Khartoum	Nile Petroleum Company (private)
Khartoum	Bee and Qapco stations
Khartoum (Al-Jaili)	Petroleum Control Center

Field inspection:

The audit team has searched for the actions taken by the Sudanese Petroleum Corporation to provide and distribute petroleum products during the period 2015-2018 (distribution companies and service stations in refineries).

Appendix No. (2) The role of relevant entities

Entities	Responsibilities	Laws
The Parliament	Pass laws and regulations	The Petroleum Wealth Act, 1998 Labor Controls in Petroleum Products for the year 2003
Petroleum Affairs Council	It is responsible for Petroleum and all Petroleum operations, setting policies and directives related to Petroleum in the Sudanese Petroleum Corporation and supervising it.	Establishing Petroleum laws, regulations and policies
Operating Companies	Provision of crude	Petroleum agreements
Ministry of Finance	Provision of financing for import and refinery maintenance	
Bank of Sudan	Provision of foreign exchange	
Distribution companies	Distribution of petroleum products to the consumer	Controls of work in petroleum products for the year 2003

Appendix No. (3) The criteria upon which the audit was based:
General Incorporation Order Article (18) of the Petroleum Wealth Act, 1998:

The regulations and controls regulating the work of petroleum products for the year 2003 stipulate that the Sudanese Petroleum Corporation shall perform all tasks of the petroleum sector inside and outside Sudan in providing and distributing petroleum products.

The Petroleum Wealth Act, 1998 Article (19/1 A / B / C):

Within the framework of the goals, plans and policies decided by the Petroleum Affairs Council, the corporation shall have the following purposes and powers which stipulate the development of Petroleum wealth and its good exploitation, the management of all Petroleum operations in the country, the control and supervision over those operations, and the responsibility to provide the country with the various Petroleum products.

EPSA Exploration & Production Sharing Agreement:

It provides for the government's continuous supply of the Khartoum and Al-Obeid refineries.

An agreement for sales and purchases of Nile blend between the Government of Sudan and the partner's agreement (COTA) crude transport:

According to which (payment must be made in US dollars, euros, or any currency equivalent to them (reference, the European Central Bank or the Bank of England)), the Government of Sudan pays in full within a period of thirty days from the date of receipt of the invoice or by transfer and the notification of the partners to transfer, the Government of Sudan and the partners have agreed to renew the agreement every year as of January 1, 2017.

Petroleum Wealth Act, 1998 and Article (35 / g):

It provides for (the establishment of specialized departments and their organization within the organizational chart).

The Petroleum Wealth Act, 1998 Article (19 / g) Chapter Three:

It provides for the construction, operation and maintenance of pipelines, storage depots and other Petroleum installations.

The strategic objective of the Corporation:

The development and promotion of the petroleum and gas sector provides for an increase in petroleum reserves and refining capacities as well as the restoration of the petroleum sector to its pioneering role in the national economy.

Sustainable Development Goal No. 7:

To ensure that everyone has access to reliable, sustainable, modern energy service at an affordable cost.

The general objectives of the Sudanese Petroleum Corporation:

They provide for economic and social development in the Petroleum regions.

The Petroleum Wealth Act, 1998, Chapter Five Various provisions (Article 31):

It stipulates that the recruitment in the Sudanese Petroleum Corporation should take place according to the chart and according to the job description of the departments.

Chapter Three Section Two Article (19 / L):

Setting the necessary programs to train and qualify cadres to carry out work in the petroleum industry and petroleum operations.

The Petroleum Wealth Act, 1998 (Article 15 / B):

It states (Approval of the Corporation's budget, its unified account of profits and losses, the final account for each financial year, authorization of profits transferred to the government, and determination of the reserve funds).

Purchase, Contract and Surplus Disposition Act, Article (13/2):

It stipulates that all public procurement of state organs must be made through competitive bidding, economic efficiency, fairness and transparency in the financial value.

The Financial and Accounting Procedures Regulations for the Sudanese Petroleum Corporation for the year 2000:

Article (13 / A / 1) provides for all departments, units and sections of the Sudanese Petroleum Corporation to follow the public tender system to obtain their needs for goods and services or to carry out their work.

The Petroleum Wealth Act, 1998, Chapter Two, Section Two, Article (21/1):

It stipulates supervising all departments and ensuring accuracy of performance, perfection and coordination between the various departments in achieving performance harmony.

Chapter Three of the Labor Controls in Petroleum Products, 2003:

Article (10/4) states that distribution companies shall submit to the Secretary-General annually certified and audited accounts from a certified auditor.

Republican Decision No. (679) of 2015 pursuant to Article 58 (1):

The Transitional Constitution of the Republic of Sudan for the year 2005 and in addition to the Republican Decree (602) for the year 2005 which provide for allowing the private sector to import and distribute petroleum derivatives of various kinds without administrative restrictions or fees.

Regulations of import terms for private companies:

Article (4 / c) which states that the company has financial ability and Article (5) which states that the company has depots in Port Sudan to store the imported petroleum products.

Controls of work in petroleum products for the year 2003:

Chapter Three Item (1/2/1/7) states (It is not permissible for any authority to license any facility without consulting the Sudanese Petroleum Corporation, that the company is obligated to receive its petroleum products only through its facilities. The minimum number of establishments to be constructed by the company is to establish one main depot and three sub-depots and fifteen service stations for supplying them with petroleum products.

Petroleum Wealth Act, 1998 and Article (35 / g):

It states (the creation of specialized departments and their organization within the organizational chart and the overall goal of the Sudanese Petroleum Corporation to promote and develop scientific research in the field of oil).

Controls of work in the field of petroleum products for the year 2003:

Article 20 (2 / d) provides (that Petroleum production ceilings and export policies must be specified).

Strategic plan:

Achieving Petroleum development goals, including implementing agreements to preserve investor rights and the stability of the Petroleum industry.

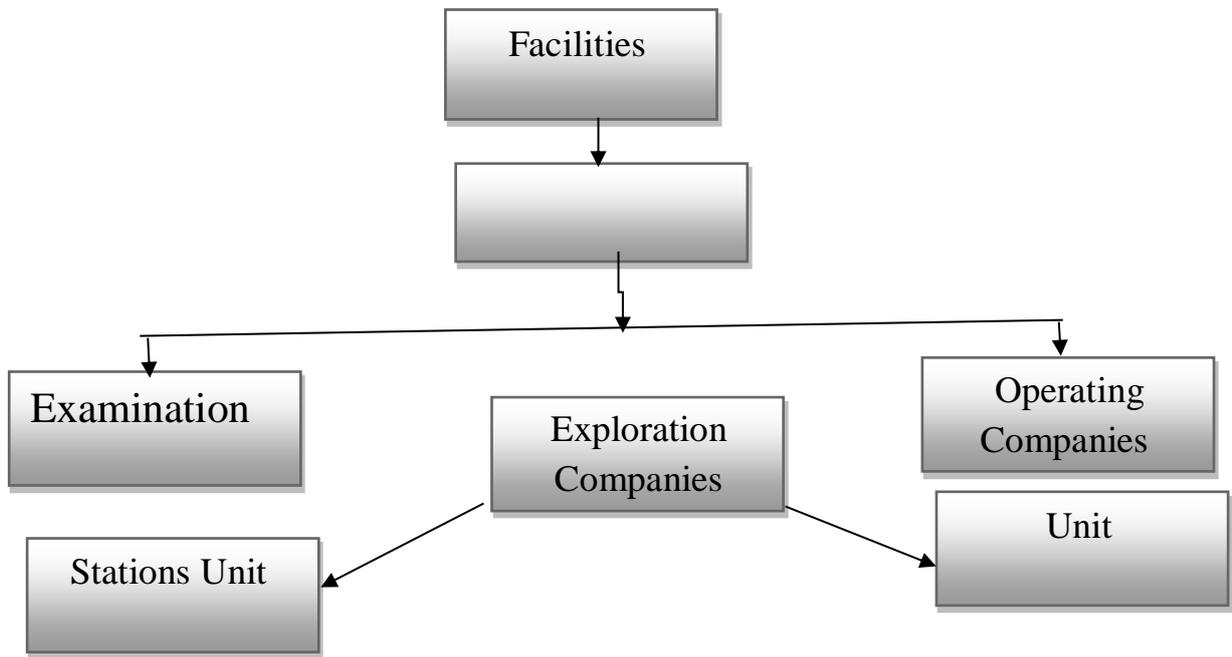
Republic Decree No. 21 of 2017 regarding the functions and of the Ministry of Oil:

The Sudanese Petroleum Corporation is responsible for managing all petroleum operations in the country and controlling and supervising those operations and is the sole concessionaire in all Petroleum operations.

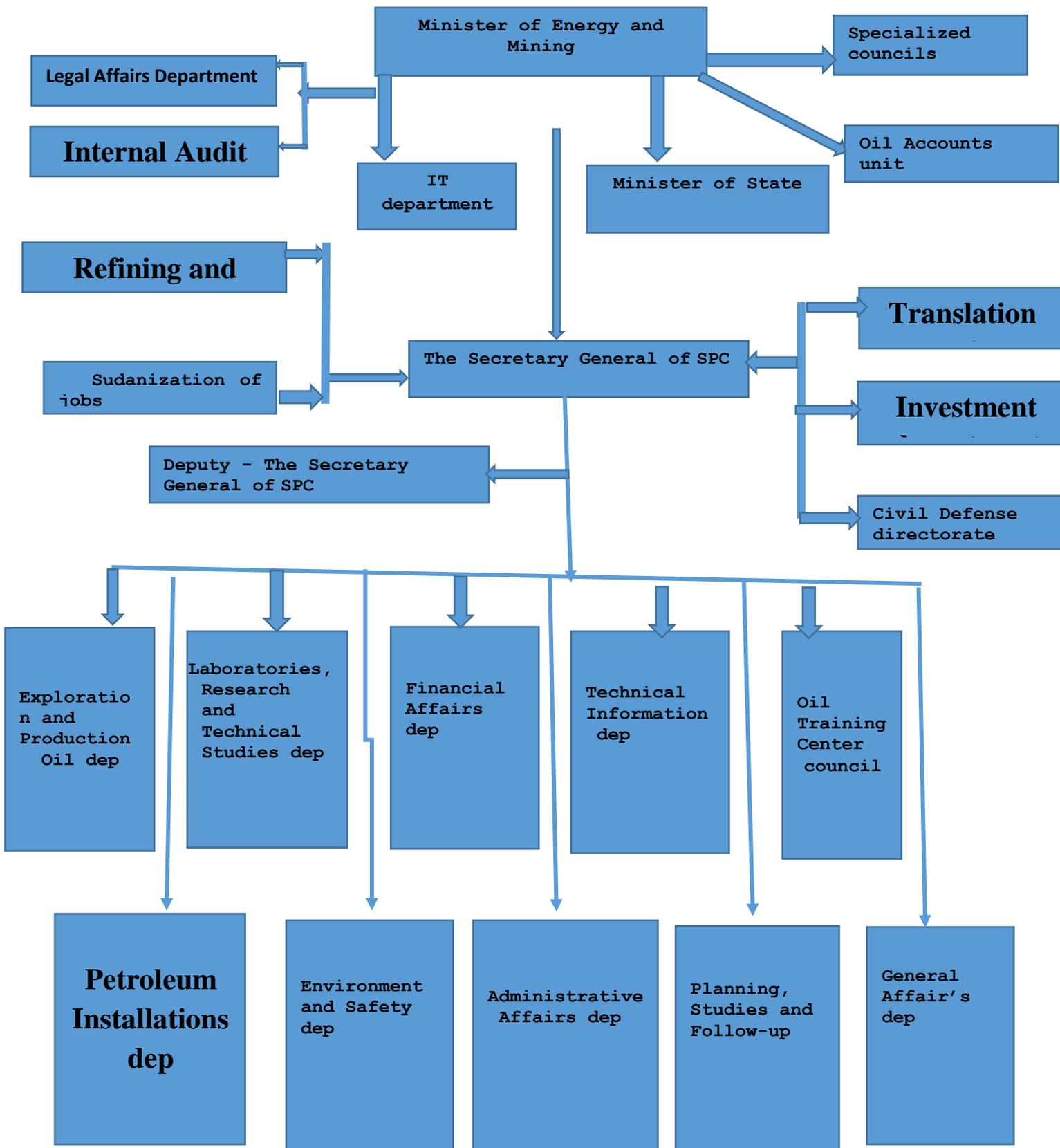
The general objectives of the Sudanese Petroleum Corporation:

Environmental protection and safety related to the petroleum industry.

Appendix No. (4) Organizational structure of Petroleum Facilities Department



Appendix no. (5) Organizational structure of Sudanese Petroleum Corporation:



Appendix No. (6) Distribution companies in the Investment and Supply Unit to evaluate the performance control of petroleum products:

No	<u>Distribution companies in Supply Dept.</u>	<u>Distribution companies in Investment Dept.</u>
1	Nile	Sondos Valley for Petroleum Materials
2	Libya Oil	Ammonia Petroleum
3	Oil Energy	Al-Safia Petroleum Company
4	Qapco	Al-Methaq Petroleum Company
5	Bee	Sidon Petroleum
6	The National Company	Sidon Petroleum
7	Bashaer	Libya Oil Sudan Company Limited
8	Al-Methaq	Al-Teraifi for Petroleum
9	Nabta	Petronas Marketing Sudan
10	Penta	Qapco Sudan Company
11	Nawafil	Soda Gas for gas filling and distribution
12	Al-Teraifi	Iran Gas
13	Warm seas	Nepta Petroleum
14	Matthew	Bee Petroleum Company
15	The Chinese Company	Matthew Petroleum Company
16	Aman	Aman Gas
17	Abersee Gas Services	Naba Aircraft fuel
18	Concorp	Nile Petroleum Material Company
19	Snabil	Abersee Gas Services
20	Sondos	National Petroleum Distribution
21	Ammonia	Nawafel Petroleum Supplies
22	Qadera	Bashaer for Fuel
23	Al-Kraimit	Qadera for Petroleum Materials
24	The United	C - N - O - D - C Petroleum
25	Al-Asfiya	Concorp
26	Sidon	Sanabel Petroleum
27	Al-Sahel	Arbi Petroleum
28	Al-Mogran	
29	Al-Redwan	
30	Al-Sobat	
31	The Greater Company	
32	Al-Atta	
33	Peruvian Gas	
34	Al-Wajeha	
35	Soda Gas	
36	Nile Bakry	

Appendix No. (7) Audit questions

The first question:

1- To what extent does the Sudanese Petroleum Corporation play its supervisory role in providing, and distributing Petroleum products efficiently, effectively, and economically?

1-1 To what extent is the Sudanese Petroleum Corporation implementing and monitoring controls on distribution companies?

1-2 to what extent is the Sudanese Petroleum Corporation updating the laws through the proposals of the specialized departments in the field of petroleum products?

1-3-To what extent does the Supply Department efficiently distribute Petroleum **products to companies?**

The Second question:

2- To what extent does the Sudanese Petroleum Corporation play its supervisory role in providing and efficient storing capacity for petroleum products?

2-1-To what extent is the Sudanese Petroleum Corporation planning to provide strategic stocks according to production and import and according to the volume of consumption?

2-2-To what extent is the Sudanese Petroleum Corporation playing its role in the maintenance, rehabilitation, construction and evaluation of depots according to plans after the devolution of the Khartoum refinery in 2015?

2-3- To what extent does the Sudanese Petroleum Corporation play its role in monitoring and supervising the specifications of the national and corporate depots according to the periodic calibration?

The Third question:

3- To what extent does the Sudanese Petroleum Corporation play its role in using the available resources efficiently and effectively?

3-1-To what extent is the Sudanese Petroleum Corporation fulfilling the construction and rehabilitation of depots according to the plan and need in the specified period and the extent of optimal use of the resources of the Petroleum Services Committee?

3-2-To what extent is the Sudanese Petroleum Corporation undertaking optimal planning, follow-up, supervision and coordination between departments (Supply and

Investment Departments) and optimal planning for the budget of petroleum accounts that were represented in the petroleum trade deficit from 2015 until the first half of 2018?

3-3-To what extent is the Sudanese Oil Corporation implementing the oil agreement in relation to the liquidation of the partners 'accounts?

Appendix No (8) Sudanese Petroleum Map:



Appendix No (9) some private companies who were assigned to work in the warehouse by the General Manager of the General Department for Oil Supply and Trade on 12/8/2014 at the request of the Secretary-General and the request was not implemented

Specialization	Name	No
Technician Operator	Saleh Al-Khidir	1
Technician Operator	Awad Sanada	2
Technician Operator	umar Muhammad Al-Hassan Jakno	3
Technician Operator	Sabr al-Din Ahmed	4
Technician Operator	Hamed Ibrahim	5
Technician Operator	Hamed Ibrahim	6
mechanical engineer	Issam Al-Sammani	7
Electricity technician	Farouk Jamal	8
Mechanical Technician	Mohamed Soliman	9
safety	r Al-Din Muhammad Abdullah Al-Salama	10

Department in which he is currently working	Specialization	Name	No
General Administration of the Ministerial Executive Office	Senior Civil Engineer	Yasser El-Din Awad Negm El-Din	1
General Administration of the Ministerial Executive Office	Petroleum Engineer	Yasser Mohamed Ahmed	2
General Administration of the Ministerial Executive Office	Civil Engineer	Yasser Abdalla Hamed	3
General Administration of the Ministerial Executive Office	Civil Engineer	Yasser Elbait Abdalrhman	4
General Department of the Ministerial Executive Office	Senior Civil Engineer	Yasser Ahmed Awad Al-Sayed	5
General Department of the Ministerial Executive Office	Senior Civil Engineer	Yasser Mohamed Abdel-Rahman	6
General Administration for Administrative Affairs	Senior Civil Engineer	Kharam Eldain Osman	7
General Administration for Administrative Affairs	Electricity Engineer	Hamam Awad Farag Alla	8
General Administration for Administrative Affairs	Mechanical Engineer	Isam Ahmed Mohammed	9
General Administration for Administrative Affairs	Senior Civil Engineer	Muhammad Salih Atta al- Fadil	10
General Administration for Administrative Affairs	Senior Civil Engineer	Niazy Al- Sir Ata Al- Manan	11

