



Report of the Auditor General to the National Legislative Assembly on the Audit of Performance and Management of Letters of Credit from 2012 to 2015

Statement of the Auditor General

Right, honorable Speaker
Honorable members

I have conducted an audit investigation of the Performance and Management of Letters of Credit from 2012 to 2015. The project was implemented and managed by the various bodies including Joint Technical Committee of the Ministry of Trade, Industry and Investment, Bank of South Sudan, National Qatar Bank, Stanbic CFC Bank, some National Ministries, State Governments, and Administrative Areas.

This Statement is a synopsis of my main report. Stakeholders are encouraged to study the main report and its annexures.

The audit investigation was conducted pursuant to Article 186 (7) of the Transitional Constitution of the Republic of South Sudan and Section 12(4) of the Auditor General Chamber Act, 2011, read together with the National Legislative Assembly Resolution No. 25/2015 (3) dated 9th June 2015.

What a Letter of Credit Is?

International trade can be conducted without anyone having to travel by four parties. These are:

- The importer
- The exporter
- The Importer's Bank
- The exporter's Bank

The transaction is triggered by the importer's requisition for a Pro forma Invoice from the exporter for the supply of specific quantities of specific goods and delivery to a specific location.

If satisfied with the exporter's terms of supply and delivery, the importer instructs his Commercial Bank to issue a document to the Commercial Bank of the exporter promising to credit the exporter's account in that Bank once the exporter's bank assures the importer's bank that the goods so ordered have been delivered to a shipping agent. This document is called a **'Letter of Credit'**. A Letter of Credit (LC) is an inter-bank communication to protect the interests of the importer and exporter.

What a Letter of Credit is not?

A note from a government official or body to a Commercial Bank authorizing the allocation of foreign currency to an applicant who purports to be an importer is not a letter of credit. At best, it is an allocation for the issuance of a Letter of Credit under a facility negotiated between the government and the Commercial Bank in question. In that format, the letter of approval became a *negotiable instrument* capable of being traded at arms length in the market place. This is the subject matter of this investigation, not the *bona fide* Letters of Credit issued by the Commercial Banking sector in South Sudan during the period under review.

Background to the 'Letters of Credit' Project

After the closure of oil production in 2012, the government negotiated dollar supply facilities from the Qatar National Bank and Stanbic CFC Bank to ensure the supply of strategic imports including, pharmaceuticals, fuel, food, building materials, and industrial inputs. There was a secondary (political) objective of empowering South Sudanese citizens in the private sector through the affirmative action nature of this mechanism.

Originally, a ministerial committee made block allocations to eligible agencies; ministries of Petroleum, Health etc. A subcommittee composed of the Undersecretaries of the beneficiary ministries under the chair of the Bank of South Sudan would conduct the selection of and allocation to applicant importers. From the perspective of the Governor of the Bank of South Sudan, the arrangement worked satisfactorily.

In 2013 or thereabouts, the process was withdrawn and taken over by the Ministry of Finance and Economic Planning. A Committee was formed under the chairpersonship of a Deputy Minister of Finance and Economic Planning. The main reason given for the transfer was, ostensibly, to empower local entrepreneurs. The implication being that the previous arrangement benefited mainly foreign businesses. This gave birth to the Joint Technical Committee (JTC) whose responsibility it was to draw up allocation criteria and supervise the project. The JTC was fiercely resisted by the Accounting Officers of the Ministries who in turn formed their own sub-committees to do the actual allocation of their respective quotas.

The pushing and shoving for the power to administer the L.Cs program raises the eyebrows of auditors'.

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Table (1) shows such allocations totaling to USD 993,281,778 million (almost one billion USD) during the period under audit. These facilities were provided by two banks, namely, the Qatar National Bank USD 793,281,778 and Stanbic Cfc Bank USD 200,000,000.

Table (1)

Qatar National Bank & Stanbic Cfc Bank Credit Lines Distribution

| No. | Name of Institution | Qatar N. Bank in USD | Stanbic Cfc Bank in USD | Total utilization in USD |
|-----|---|-------------------------|----------------------------|-----------------------------|
| 1 | Ministry of Trade, Industry and Investment | 357,256,059.00 | 80,000,000.00 | 437,256,059.00 |
| 2 | Ministry of Petroleum and Mining | 155,525,719.00 | 80,000,000.00 | 235,525,719.00 |
| 3 | Ministry of Health | 38,000,000.00 | 20,000,000.00 | 58,000,000.00 |
| 4 | Ministry of Housing and Physical Planning | 38,000,000.00 | 20,000,000.00 | 58,000,000.00 |
| 5 | Ministry of Agriculture, Forest, Coop. & RD | 30,000,000.00 | 0 | 30,000,000.00 |
| 6 | Jonglei State (War affected) | 30,000,000.00 | 0 | 30,000,000.00 |
| 7 | Upper Nile State (ditto) | 30,000,000.00 | 0 | 30,000,000.00 |
| 8 | Unity State (ditto) | 30,000,000.00 | 0 | 30,000,000.00 |
| 9 | South Sudan Beverages | 20,000,000.00 | 0 | 20,000,000.00 |
| 10 | Factories | 14,500,000.00 | 0 | 14,500,000.00 |
| 11 | Central Equatoria State | 6,000,000.00 | 0 | 6,000,000.00 |
| 12 | Eastern Equatoria State | 6,000,000.00 | 0 | 6,000,000.00 |
| 13 | Western Equatoria State | 6,000,000.00 | 0 | 6,000,000.00 |
| 14 | Northern Bahr El Ghazal State | 6,000,000.00 | 0 | 6,000,000.00 |
| 15 | Western Bahr El Ghazal State | 6,000,000.00 | 0 | 6,000,000.00 |
| 16 | Warrap State | 6,000,000.00 | 0 | 6,000,000.00 |
| 17 | Lakes State | 6,000,000.00 | 0 | 6,000,000.00 |
| 18 | Abeyi Special Administrative Area | 4,000,000.00 | 0 | 4,000,000.00 |
| 19 | Greater Pibor Administrative Area | 4,000,000.00 | 0 | 4,000,000.00 |
| | Total | 793,281,778.00 | 200,000,000.00 | 993,281,778.00 |

***Right Honourable Speaker, Honourable members,**

I invite you to register the point that the Letters of Credit program facilitated the illicit transfer of one billion dollars out of South Sudan at a time when the country was in dire need of every single dollar.

Table (2)

Number of Companies allocated approvals for Letters of Credit by Ministries, States, Administrative Areas and Manufacturers

| No. | Name of Institution | No. of Companies By Qatar N. Bank | No. of Companies By Stanbic Cfc S.S | Total No. of Co. QNB + Stanbic Cfc |
|-----|--|--------------------------------------|--|---------------------------------------|
| 1 | Ministry of Trade, Industry and Investment | 612 | 169 | 781 |
| 2 | Ministry of Petroleum and Mining | 167 | 104 | 271 |

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| | | | | |
|----|--|--------------|------------|--------------|
| 3 | Ministry of Housing and Physical Planning | 120 | 47 | 167 |
| 4 | Jonglei State | 147 | 0 | 147 |
| 5 | Ministry of Health | 93 | 44 | 137 |
| 6 | Ministry of Agriculture, Forest, Coop.R.Dev. | 66 | 0 | 66 |
| 7 | Upper Nile State | 62 | 0 | 62 |
| 8 | Unity State | 55 | 0 | 55 |
| 9 | Factories | 47 | 0 | 47 |
| 10 | Northern Bahr El Ghazal State | 45 | 0 | 45 |
| 11 | Abeyi Special Administrative Area | 29 | 0 | 29 |
| 12 | Central Equatoria State | 20 | 0 | 20 |
| 13 | Eastern Equatoria State | 19 | 0 | 19 |
| 14 | Western Equatoria State | 18 | 0 | 18 |
| 15 | Warrap State | 17 | 0 | 17 |
| 16 | Greater Pibor Administrative Area | 15 | 0 | 15 |
| 17 | Lakes State | 6 | 0 | 6 |
| 18 | South Sudan Beverages | 4 | 0 | 4 |
| 19 | Western Bahr El Ghazal State | 2 | 0 | 2 |
| | Total | 1,544 | 364 | 1,908 |

**** The names of the owners of these business entities are in the records of the Registrar, Ministry of Justice.**

1. Audit Objective and Scope

Right, honorable Speaker

Honorable members

The scope of the investigation covered the following:

1. Identification of financial allocations from 2012 to 2015
2. Examination of the allocation eligibility criteria used by the Joint Technical Committee and other government sub-committees in the allocation (**Annex 73 main report**).
3. Evaluation of issuing banks compliance with import procedures
4. Examination of Bank of South Sudan supervisory role in regard to Commercial Banks' compliance with the procedures of issuance of Letters of Credit (**Annex 74 main report**).
5. Payment of customs and tax in regard to the allocated Letters of Credit.
6. Any other relevant area related to the Letters of Credit.

2. Audit Methodology

Right, honorable Speaker

Honorable members

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To achieve the above audit objective we adopted the following methods:

1. Concerned government ministries, other agencies, 10 state governors and the two (2) administrative areas were served with letters by the Auditor General on the 11th June 2015 to provide all relevant information related to the Letters of Credit allocated to them.
2. Meetings were held by the Auditor General with the some ministers and heads of some government agencies, some state governors, Abyei Area Administrator and the Bank of South Sudan
3. Five (5) audit teams were constituted by the Auditor General under the overall supervision of Deputy Auditor General
4. A letter was sent by the Deputy Auditor General to the Registrar of Companies in the Ministry of Justice to avail vital information about companies' allocated Letters of Credit to enable auditors examine some critical issues relating to these registered companies.
5. Letters were sent to the Bank of South Sudan, Qatar National Bank, Stanbic CfC Bank and South Sudan Customs Services to collect some information and data related to the Letters of Credit for the period under audit
6. Meetings were held with the Under Secretary of Ministry of Trade, Industry and Investment who is also the Chairman of the Letters of Credit Joint Technical Committee; the audit also met the Secretary of Joint Technical Committee to solicit data and information.
7. Meetings were held with the Managing Director of Nile Petroleum (NILEPET) and his staff handling Letters of Credit to gather data and information.
8. Extensive literature review in regard to the Letters of Credit was conducted.
9. Audit questionnaire was developed and sent to institutions directly involved with the execution of the Letters of Credit, among which are; Qatar National Bank Stanbic , CfC Bank, Bank of South Sudan, Chairman of the Joint Technical Committee and Nile Petroleum Corporation.
10. Some companies' premises of Credit were visited. Some were found, others were not.
11. Quantitative and qualitative data collections, as well as descriptive and analytical methods were used.
12. Met some representatives of Commercial Banks.

3. Audit limitations

Right, honorable Speaker
Honorable members

The audit investigation was subjected to the following limitations:

1. The limited time frame to complete the audit exercise had its bearing on the overall audit findings and reporting results.

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2. The large number of companies subjected to audit, and lack of availability of their business addresses and visible office premises made it very difficult to access them.
3. The large number of banks transactions related to the allocated Letters of Credit made it difficult for the audit to follow up these transactions with the issuing, advising/confirming banks and the Letters of Credit beneficiaries.
4. Weak archiving system to maintain the Letters of Credit applications files and other relevant documents at the seat of the Joint Technical Committee, made it very difficult for the audit teams to arrange and sort out the vetted and approved applicants.
5. Reluctant responses from institutions contacted to provide required data and information within the set time line, particularly, state governments and Ministry of Justice.
6. Inability of the audit teams to travel to the states and the two administrative areas, due to time factor and financial constrains.
7. Impossibility in reaching the exporters and their banks abroad to establish actual delivery of goods to South Sudan.

However, despite the limitations and constrains, the audit made significant findings and is able to render a fair report and recommendations.

4. Audit Rating

The Performance and Management of 'Letters of Credit' program from 2012 to 2015 was unsatisfactory. Internal controls, governance and risk management processes were very weak at best and non-existent at worst. Actions by government officials had negative effect on the achievement of the intended government objectives. The summary of the assessment of internal controls is presented in Figure 1 below.

Figure No. 1

Performance and management of letters of credit areas internal control ratings summary

| Audit Areas | Rating |
|---|--------------|
| Allocation process by the Joint Technical Committee | Inconsistent |
| Allocation Procedures, eligibility criteria and delivery terms | Subjective |
| Letters of Credit (LCs) Follow up and Monitoring Mechanisms | Nil |
| The Role of the Bank of South Sudan in supervising Letters of Credit implementation | Nil |
| | |
| The roles of issuing and advising banks in the implementation of Letters of Credit | Questionable |
| The role of South Sudan Customs Service in ensuring delivery of goods | Nil |
| The role of Ministry of Trade, Industry and Investment in ensuring effective monitoring and follow up mechanism for delivery of goods | Nil |

5. General Audit Findings

Right, honorable Speaker

Honorable members

The Joint Technical Committee applied criteria which were easily manipulated. For example, the eligibility documents required by the committee can be easily obtained. The criteria of ensuring applicants financial ability to pay, and their possession of business offices/premises were not strictly followed and complied with. Interested parties were able to register companies and secured all the required documents before applying for the allocation.

1. The Joint Technical Committee was a politically charged body without clear terms of reference.
2. The Joint Technical Committee did not keep minutes of its meetings to document:
 - a) Meetings proceedings
 - b) Important issues raised and discussed during the meetings
 - c) Committee major observations and recommendations
3. There were no follow- up and monitoring arrangements to ensure the delivery of the goods intended from the allocation of dollars.
4. South Sudan Custom Services was not provided with lists of all approved letters of credit to enable them to confirm arrival of goods.
5. The set vetting criteria, particularly, applicants financial worthiness i.e. payment ability criteria (Cash/bank balances), and most importantly, signed sales contract between the applicant (importer) and the beneficiary (exporter) were ignored.
6. Incompetent and non-existent 'companies' with no addresses and visible office spaces were allocated dollars for purposes of 'importing' strategic goods to the country.
7. Nobody instituted strict delivery/performance compliance contracts with the applicants (importers).
8. The Bank of South Sudan and the Joint Technical Committee failed to impose refundable compliance percentage on the LCs (to be deposited in a special account) refundable only when delivery/performance conditions are met, and the "custom value certificate" indicating delivery of good/ service is presented.
9. Many of the applicants importers and their foreign beneficiary exporters used the government sponsored Letters for illicit transfers, capital flight and parallel market dealings.

6. General Recommendations:

1. The National Legislative Assembly can lift the corporate veil and order the Director of Public Prosecution to charge the individual owners of the offending business entities in courts of law.
2. When the government secures a foreign exchange facility for the purposes of promoting trade, all commercial banks should be given access on competitive basis.
1. Government to steer clear of technical commercial banking operations to avoid inevitable malpractices of patronage, corruption, politicization and waste.
2. Let Commercial Banks do their work of issuing Letters of Credit in accordance with international norms, standards, and best practices in protecting the interests of merchants and the jurisdictions they operate in.
3. The Bank of South Sudan's and the Commercial Bank's mandates and relationships are clearly spelt out in the Bank of South Sudan Act 2011 And the Banking Act 2012. Government officials should desist from circumventing these laws.
4. The Bank of South Sudan should impose a refundable compliance percentage on all Letters of Credit, refundable only after proven delivery of imports evidenced by a Custom Value Certificate (CVC).
5. Particulars of all Letters of Credit issued by any bank in South Sudan must be communicated to the South Sudan Customs Service.
6. The National Legislative Assembly should introduce statutory safeguards giving the government the right and power to investigate and prosecute beneficiaries on undelivered orders. The legislation should incorporate the provisions of the International Chamber of Commerce Uniform Customs and Practice for Documentary Credit.
7. Steps need to be taken at the executive level of government to find out who are the human beings behind the local and foreign beneficiary companies in this financial scandal.

7. Specialized Findings and Recommendations

Right, honorable Speaker
Honorable members

7.1 Ministry of Health

Information received from the Drugs and Food Control Authority Secretariat of the Ministry of Health revealed that fifteen (15) companies allocated Letters of Credit amounting to USD. 3,400,000 for import of pharmaceuticals failed to supply the drugs as required by the terms of the Letters of Credit. From these fifteen (15) companies four (4) have no identifiable business locations. Data related to these companies are shown in table (3) below.

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Table 3. Pharmaceutical companies that failed to import the supplies

| O | Name of Company | Amount in USD | Business Location |
|----|--------------------------------------|------------------|-------------------|
| 1 | Afri-Omega | 1,000,000 | YES |
| 2 | Juba Pharmaceutical | 500,000 | YES |
| 3 | Quality Pharmaceutical | 300,000 | YES |
| 8 | Quality Pharmaceutical | 300,000 | YES |
| 9 | Quality Pharmaceutical | 300,000 | YES |
| 10 | Development & Prosperity Consultancy | 200,000 | NO |
| 11 | Universal Group | 200,000 | NO |
| 12 | Black Stone Investment | 200,000 | NO |
| 13 | Abacus Pharma | 200,000 | YES |
| 14 | Dogrot | 100,000 | NO |
| 15 | Astra Pharmaceutical | 100,000 | YES |
| | Total | 3,400,000 | |

Recommendation

The National Legislative Assembly to take appropriate action on the matter.

6.2 Ministry of Trade, Industry and Investment:

This ministry is the seat of the Joint Technical Committee and its Undersecretary acts as the Chairman of the Joint Technical Committee.

Many originally approved allocations to companies were cancelled by the former Undersecretary and replaced with other companies without vetting and selection by the Joint Technical Committee. The justifications of cancellation of these companies were their failure to meet the one month allowed period for processing the letters of credit.

The audit queries in this regard are:

- (a) Why did the Joint Technical Committee recommend incapable companies for Letters of Credit in the first place?
- (b) And why did the former Undersecretary not send back the cancelled companies to the Joint Technical Committee for recommending new capable companies instead of him recommending on his own?

Annexure (70) in the main report shows Companies introduced unilaterally by Undersecretary.

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Recommendation

The National Legislative Assembly to take appropriate action on the matter.

7.3 Ministry of Petroleum and Mining /Nile Petroleum Corporation (NILEPET)

The audit could not confirm delivery of fuel by privately contracted companies that received allocations for import of fuel and other petroleum products. It was observed that NILEPET did not establish effective control mechanisms to ensure delivery of fuel by these private companies

Table 5. UNCONFIRMED DELIVERIES BY NILEPET CONTRACTED COMPANIES

| Issuing Bank | Total amount in USD | REMARK |
|-------------------------------|---------------------|--|
| Qatar National Bank | 116,441,093.63 | For companies names see Annexure 71 of main report |
| Stanbic CFC Bank | 75,500,000.00 | For companies names see Annexure 72 of main report |
| Total Un confirmed deliveries | 191,941,093.63 | |

Recommendations:

1. The National Legislative Assembly to take appropriate action on the matter.
2. **NILEPET** to institute control mechanisms to ensure all private companies who receive letters of credit comply with agreed delivery schedules.
3. If **NILEPET** cannot administer model (2) above, it should take upon itself to import fuel and sell to private companies in local currency.
4. Alternatively, **NILEPET** should identify two or three reliable companies and contract them for importing fuel to the country.

7.4 Ministry of Agriculture, Forestry, Cooperatives and Rural Development

The following weaknesses were identified:

1. Due to weak archiving system some applicants' files were missing.
2. Some companies have not used allocations made to them and no clear reason was given.
3. Some companies used the allocations to imports different items from those for the purpose of which the allocation was made.
4. Most of the companies' allocated funds have no competence in dealing in agricultural inputs.

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5. All companies' allocated funds refused to sign Memoranda of Understanding introduced by the ministry to commit them to deliver.

Table 6 below shows Companies that used allocations to import different items:

MINISTRY OF AGRICULTURE FORESTRY, COOPERATIVE RURAL DEVELOPMENT (MAFCRD)

LETTERS OF CREDIT DIVERTED TO PURCHASE OTHER ITEMS

| S/N | Date | Name of Company | Intended Imports | Amount Allocated in USD | Goods Imported |
|-----|------------|--|-----------------------------|-------------------------|-----------------------------|
| 1 | 2014 | Ezentus FZE Company Limited | Agricultural inputs & tools | 7,057,174 | Heavy duty machinery |
| 2 | 08.04.2014 | Golden Lion Enterprises CO.Ltd | Agricultural inputs & tools | 2,200,000 | Food |
| 3 | 03.04.2014 | Nile Enrerprisres Ltd | Agricultural inputs & tools | 847,458 | Food |
| 4 | 27.06.2014 | SAT General Trading Co.Ltd | Agricultural inputs & tools | 671,779 | Food |
| 5 | 28.11.2014 | Madeco Distributor Company Ltd | Agricultural inputs & tools | 500,000 | Food |
| 6 | 31.05.2012 | White Dove Limited | Agricultural inputs & tools | 500,000 | Food |
| 7 | 11.07.2014 | Bed Rock Investment & Business Group Ltd | Agricultural inputs & tools | 400,000 | Food |
| 8 | 27.06.2014 | Cali Construction & General Supply Ltd | Agricultural inputs & tools | 300,000 | Food and building materials |
| 9 | 14.04.2014 | Gold Crown for Investment Co.Ltd | Agricultural inputs & tools | 300,000 | Food |
| 10 | 25.06.2014 | Essey General Trading CO.Ltd | Agricultural inputs & tools | 263,000 | Food |
| 11 | 23.04.2014 | South Sudan Eri General Trading Co.Ltd | Agricultural inputs & tools | 228,057 | Food |
| 12 | 28.02.2014 | Aron Gen.Trading CO.Ltd | Agricultural inputs & tools | 180,000 | Food |

Recommendation:

The National Legislative Assembly to take appropriate action on this matter.

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7.5 On the States and Administrative Areas

All the Governors and the Chief Administrators were served letters informing them of the audit of the Letters of Credit and the importance of providing the National Audit Chamber with all the documents and information related to the allocation to their institutions.

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The National Audit Chamber received responses from the following:

1. Jonglei State
2. Eastern Equatoria State
3. Lakes State
4. Western Bahr el Ghazal State
5. Abyei Special Administrative Area

Due to the impending limitations cited in the audit limitation **Section 4 above**, the audit was only confined on the information provided by the jurisdictions in addition to information and documents collected from the Joint Technical Committee and the Qatar National Bank.

Some of the findings and observations for states and administrative areas reviewed are as follows:

7.5.1 Eastern Equatoria State

Six companies recommended by the Governor of Eastern Equatoria were dropped by the Joint Technical Committee and replaced by other companies. No explanation was given. The names of these companies and their replacement are listed below:

1. Companies dropped from Governor's allocation

| No. | Name of Company | Amount in USD | Company Owners |
|-----|--------------------------------|---------------|--------------------------|
| 1 | Afrognics LTD | 400,000 | Ministry of Justice Data |
| 2 | Liban Enterprise LTD | 100,000 | Ministry of Justice Data |
| 3 | Gum Arabic & Agri-Business LTD | 100,000 | Ministry of Justice Data |
| 4 | Lorians Company LTD | 50,000 | Ministry of Justice Data |
| 5 | Wings International Company | 100,000 | Ministry of Justice Data |
| 6 | Bawus Co. LTD | 100,000 | Ministry of Justice Data |

2. Companies replaced by the Joint Technical Committee:

| | | | |
|---|--|---------|--------------------------|
| 1 | Mega Worldwide Project Company Limited | 500,000 | Ministry of Justice Data |
| 2 | Baseline International Service Limited | 200,000 | Ministry of Justice Data |
| 3 | Trobica General Trading Co. Ltd | 100,000 | Ministry of Justice Data |
| 4 | Dallak Trading Company (South Sudan) LTD | 100,000 | Ministry of Justice Data |
| 5 | Sarco General Trading Co. Ltd | 100,000 | Ministry of Justice Data |
| 6 | Raymond General Trading | 50,000 | Ministry of Justice Data |
| 7 | Awalad Al-mark Investment Services (South Sudan) LTD | 50,000 | Ministry of Justice Data |

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Recommendation:

The National Legislative Assembly may wish to find out the identities of the directors of the favoured companies.

7.5.2 Lakes State

Ninety five per cent (USD. 5, 700,000) of the allocations were given to only three companies. These companies are:

| <u>Company name</u> | <u>Amount in USD</u> | <u>Company Owners</u> |
|----------------------------------|----------------------|--------------------------|
| 1. Jolly Generak Trading Co. Ltd | USD. 3,000,000 | Ministry of Justice Data |
| 2. Noor General Trading | USD. 2,000,000 | Ministry of Justice Data |
| 3. Mariec Trading Co. Ltd | USD. 700,000 | Ministry of Justice Data |
| 4. Total | USD.5,700,000 | |

Information received from the state Ministry of Finances shows that, Jolly General Trading Co. Ltd and Mariek Trading Co. Ltd delivered some food items to the state. Noor General failed to deliver any goods to the state.

Family Tekle Trading Co. Ltd and Lakes Investment and Trading Co. Ltd were allocated USD.100,000 each. Neither delivered any goods to the state.

Recommendation

The National Legislative Assembly takes appropriate action on this matter.

7.5.3 Abyei Administrative Area

Abyei Administrative Area received allocations for USD 4, 000,000 e. This amount was allocated in two tranches. The first USD 2 million allocations were given to 13 companies and the second round was allocated to 16 companies. Some of the companies allocated letters of credit approvals failed to deliver goods to the Area.

These companies are:

COMPANIES WHO DID NOT DELIVER GOODS TO ABYEI AREA
(with owners names)

Table (7.a)

| S/N. | DATE | NAME OF COMPANY | LCs AMOUNT IN USD | COMPANY OWNERS |
|------|------------|---|----------------------|--------------------------|
| 1 | 13.01.2015 | ATLANTIC ENTERPRISE CO.LTD | 100,000 | Ministry of Justice Data |
| 2 | 13.01.2015 | BRIGHT STAR CO.FOR MULTI-ACTIVITIES LTD | 100,000 | Ministry of Justice Data |
| 3 | 13.01.2015 | GAGA INTERNATIONAL CO.LTD | 100,000 | Ministry of Justice Data |

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| | | | | |
|----|------------|--|------------------|--------------------------|
| 4 | 13.01.2015 | WALDA PHARMACEUTICAL CO.LTD | 100,000 | Ministry of Justice Data |
| 5 | 13.01.2015 | FAIR PARTNERSHIP CO.LTD | 100,000 | Ministry of Justice Data |
| 6 | 13.01.2015 | GEELONG TRADING AND INVESTMENT CO.LTD | 100,000 | Ministry of Justice Data |
| 7 | 13.01.2015 | ALPHA PETROLEUM | 100,000 | Ministry of Justice Data |
| 8 | 04.05.2015 | HONGKONG CO.LTD | 100,000 | Ministry of Justice Data |
| 9 | 04.05.2015 | NYIDEAEG FOR TRADING AND INVESTMENT CO.LTD | 100,000 | Ministry of Justice Data |
| 10 | 04.05.2015 | AAH GENERAL TRADING CO.LTD | 200,000 | Ministry of Justice Data |
| 11 | 04.05.2015 | GOLDEN STAR GENERAL TRADING CO.LTD | 200,000 | Ministry of Justice Data |
| 12 | 04.05.2015 | OZTRADE INVESTMENT AND CONSULTANT CO.LTD | 100,000 | Ministry of Justice Data |
| 13 | 04.05.2015 | B.F.T FOR TRADING AND INVESTMENT CO.LTD | 100,000 | Ministry of Justice Data |
| 14 | 04.05.2015 | HASSKAC GENERAL TRADING LTD | 100,000 | Ministry of Justice Data |
| | | TOTAL | 1,600,000 | |

COMPANIES WHO DID NOT DELIVER GOODS TO ABYEI AREA (with beneficiaries and country)
Table (7.b)

| S/N. | DATE | NAME OF COMPANY | LCs AMOUNT IN USD | FULL NAME OF LC BENEFICIARY | COUNTRY |
|------|------------|--|-------------------|--|---------|
| 1 | 13.01.2015 | ATLANTIC ENTERPRISE CO.LTD | 100,000 | BASS PETROLEUM (K) LTD | KENYA |
| 2 | 13.01.2015 | BRIGHT STAR CO.FOR MULTI-ACTIVITIES LTD | 100,000 | VALCON LIMITED | UGANDA |
| 3 | 13.01.2015 | GAGA INTERNATIONAL CO.LTD | 100,000 | AL-WADI (U) LTD | UGANDA |
| 4 | 13.01.2015 | WALDA PHARMACEUTICAL CO.LTD | 100,000 | DAR AL DAWA DEVELOPMENT & INVESTMENT CO. LTD | JORDAN |
| 5 | 13.01.2015 | FAIR PARTNERSHIP CO.LTD | 100,000 | KUDOUS GENERAL SUPPLY UGANDA LIMITED | UGANDA |
| 6 | 13.01.2015 | GEELONG TRADING AND INVESTMENT CO.LTD | 100,000 | GOLDLAND GENERAL TRADING LTD | UGANDA |
| 7 | 13.01.2015 | AIPHA PETROLEUM | 100,000 | KAKA PETROLEUM CO. LTD | KENYA |
| 8 | 04.05.2015 | HONGKONG CO.LTD | 100,000 | YELLOW LINE INTERNATIONAL CO. LTD | UGANDA |
| 9 | 04.05.2015 | NYIDEAEG FOR TRADING AND INVESTMENT CO.LTD | 100,000 | DANIEFI TRADING CO. (U) LTD | UGANDA |
| 10 | 04.05.2015 | AAH GENERAL TRADING CO.LTD | 200,000 | L/C PENDING WITH QATAR NATIONAL BANK | PENDING |
| 11 | 04.05.2015 | GOLDEN STAR GENERAL TRADING CO.LTD | 200,000 | L/C PENDING WITH QATAR NATIONAL BANK | PENDING |
| 12 | 04.05.2015 | OZTRADE INVESTMENT AND CONSULTANT CO.LTD | 100,000 | AMCO COMMODITIES LIMITED | UGANDA |
| 13 | 04.05.2015 | B.F.T FOR TRADING AND INVESTMENT CO.LTD | 100,000 | TEWELDE EZRA CO. LTD | UGANDA |
| 14 | 04.05.2015 | HASSKAC GENERAL TRADING LTD | 100,000 | L/C PENDING WITH QATAR NATIONAL BANK | PENDING |
| | | TOTAL | 1,600,000 | | |

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Recommendation

The National Legislative Assembly to take appropriate action on this matter.

7.5.4 Unity State

Unity state is one of the State from which the audit did not received any reply for the Auditor General's letter of 11th June 2015. However, information collected from the Joint Technical Committee, Bank of South Sudan and the Qatar National Bank revealed that Unity State allocated USD 3,000,000 to six (6) companies. However, information received from Qatar National Bank indicated that Unity State government subsequently replaced these six companies with one (1) company, namely, "Well Done International Co. Ltd" without justification or explanation.

Recommendation:

The National Legislative Assembly takes appropriate action on this matter.

7.5.5 Western Bahr El Ghazal State:

The entire allocation was given to only two companies. These companies are:

| <u>Company name</u> | <u>Amount in USD</u> | <u>Owners</u> |
|------------------------------------|------------------------------|--------------------------|
| 5. Well Done International Co. Ltd | USD. 3,000,000 | Ministry of Justice Data |
| 6. Just in Time Company Limited | USD. 3,000,000 | Ministry of Justice Data |
| Total | <u>USD. 6,000,000</u> | |

No Information received from the state indicating these companies delivered any goods to the state.

Recommendation:

The National Legislative Assembly takes appropriate action on this matter.

8. Socio-Economic Observations

1. Some officials involved in the allocation processes report that they issued allocations, not in accordance with the prescribed procedures but due to strong arm pressure, intimidation, threats and blackmail by powerful and influential individuals in 'the entire system'. Unfortunately for South Sudan, these include some of the people who make the law, those who execute the law and those who enforce the law (see appendix 1 to this statement).

2. It is evident that most of allocations were made, not for the purposes of importing goods to the country, but to give the 'allotee' access to dollars at the official rate. The allocation is then

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sold to a foreigner at the parallel market rate to facilitate transfer of accumulated wealth out of the country.

3. Even if the merchant allottee had intended to import goods, selling the dollars at the parallel market rate in Juba makes better business sense (profitability) than the hassle of having to import goods from abroad. The wide exchange rate gap is a disincentive to whoever has access to foreign currency to use it for importing goods for resale.

4. In my opinion, other officials in authority took advantage of the systems' failure and involvement of their superiors in the abuse and joined the illicit self enrichment queue.

Right, honorable Speaker
Honorable members

9. Concluding remarks

The project failed totally. It did not yield the intended results. Instead it benefited a few officials and fake 'traders' who turned this noble international trade payment facility (LCs) to a mere means for personal benefits at the expense of the people in South Sudan.

The performance and management of the Letters of Credit cost the country, not only huge financial losses, but also national dignity and credibility in the eyes of the region and the world. It informs and proves to the cynics out there that we are indeed a team of reckless leaders incapable of managing institutional responsibilities and minding the welfare of our own people.

THANK YOU ALL FOR LISTENING

MAY GOD BLESS SOUTH SUDAN

Signed: H.E. Ambassador Steven Wöndu

Auditor General

Republic of South Sudan