



ROLE OF SAIs IN EI

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ROLE OF SAIs IN EI

Generally the role of the SAIs is to over see;

- Management of public finances
- That public entities are complying with rules and regulations
- The performance of government programs and policies

ROLE OF SAIs IN EI

- Likewise SAIs have an oversight role in the extractive industry
- Audit, Advisory, Comptroller
- **Mandate of the SAI (Scope of the oversight and type of audit)**
- **Audit:** various types of audits can be carried out in EI and these include:
 - Financial Audit:
 - Performance:
 - Compliance:.(e.g Cost recovery statement audits in Uganda, India)

ROLE OF SAIs IN EI

KEY RISKS

- Risk: An occurrence that will hinder the achievement of an objective
- From audit perspective
- There are very many generic risks in the EI but SAIs are encouraged to evaluate potential risks that are specific to the country
- This risk identification can be done along the EI value chain
- AFROSIA-E has developed a template that can be used in this process

KEY RISKS

This approach includes;

- Understanding the Government activities at each stage
- Identifying the players /institutions carrying out the activities(auditee)
- Identifying the risks
- Identifying controls(rules or regulations, best practice
- Risk prioritization
- Risk response

Risk Identification:

VALUE CHAIN/RISK ASSESSMENT	Policies/legal frame work	Government Decision to explore/extract	Award of contracts & licenses	Monitoring of operations	Assessment & Collection of taxes & royalties	Revenue management & allocation	Implementation of sustainable development policies and projects
Government Activities							
Government entity /other stakeholders							
Risk factors/indicators							
Risks							
Controls addressing the risks							

Risk Assessment/mapping:

- Due to the limited resources(time, skills etc,) SAls are encouraged to prioritise the identified risks.
- This prioritisation can take the form of risk mapping as adopted by AFROSAI-E
- Risk mapping involves assessing the impact and likelihood

Risk mapping:

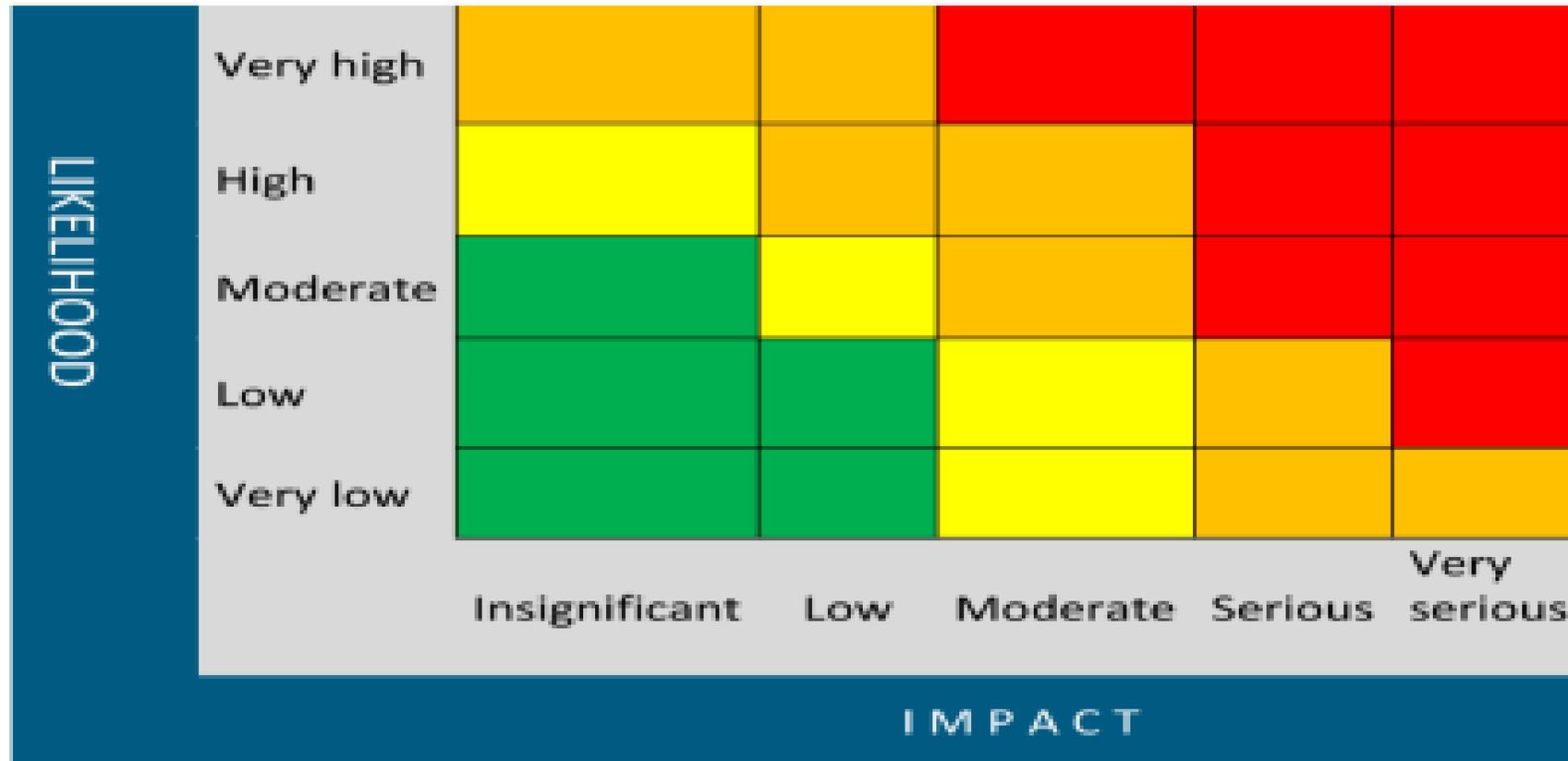


Figure 5: Risk chart

Risk response:

- In addition to risk prioritization, the SAI needs to further determine the most appropriate **audit type** to respond to the significant risks and **timing** of the audit if possible

RISK RESPONSE

Sector:						Date:			
Prepared by:						Reviewed by:			
Value chain/Risk management	Risks	Risk factors	Risk rating		Overall assessment of risk	Audit topic	Audit type	Responsible unit	When will the audit be done
			Likelihood	Impact					
Policies and legal framework									
Government activities/decision to explore/ extract									
Award of contracts and licences									
Monitoring of operations									
Assessment and collection of revenues									
Revenue management and allocation									
Implementation of sustainable policies									

Example of risks along the value chain

Stage	Possible risks
Policies and Legal Framework	Inadequate policies, laws & regulations Outdated policies, conflicting policies
Government activities/decision to explore/extract	Uninformed decision Biased decision
Award of contracts and Licences	Award to incompetent firms Insider dealings Information asymmetry Non disclosure of contracts leading to unfair/unbalanced contract terms
Monitoring of operations	Inadequate capacity to monitor Failure to determine responsibilities Un reported extraction

Stage	Potential risks
Assessment & collection of revenue	<ul style="list-style-type: none"> Transfer mis-pricing Lack of transparency Under collection/un reported extractions
Revenue management and allocation	<ul style="list-style-type: none"> Absence of transparency Lack of investment policies Temptation to over spend
Implementation of sustainable policies	<ul style="list-style-type: none"> Limited diversification of economy Local Content not integrated Environmental issues

EI AUDIT RESOURCES

- Need for SAI to have technical capacity to carry out the role
- There are several guidelines/materials that can help guide the SAIs in carrying out the role and these include;
- AFROSAI-E: Audit considerations for EI: https://afrosai-e.org.za/wp-content/uploads/2019/10/Extractive-Industries-Guideline-2019_Final.pdf
- ICED: <http://iced.cag.gov.in/>
- WGEI: <http://www.wgei.org/>
- Working Group on Environmental Audit (WGEA)
- Natural Resource Governance Institute (NRGI) courses

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