

NEWSLETTER

Issue 20



WORD FROM WGEI CHAIR

Dear Reader,

I am glad to share with you the 20th issue of the WGEI Newsletter. This edition explores the mandate of a Supreme Audit Institution (SAI) in auditing the Oil and Gas sector in order to promote transparency and accountability, and secure the maximum benefit for the citizens.

We further discuss the need to balance incentives to investors with a country's public financial goals, and the importance of establishing a robust fiscal regime for the extractive industries that meets the needs of both the present and future generations.

I would like to convey my appreciation to the SAIs of Egypt, Senegal and Uganda for contributing articles to this issue of the Newsletter.

I wish you a pleasant reading experience.

Edward Akol

**Auditor General – SAI Uganda
Chair WGEI**

Greetings from the WGEI Secretariat!

By:
The WGEI Secretariat

The WGEI Secretariat is pleased to announce the launch of the redesigned website <https://wgei.org>, thanks to the amazing web design team behind the effort.

The new website creates a more personalized, faster, easier to navigate, and more user-friendly experience. This aligns with the new INTOSAI Brand guidelines.

The new website offers a much cleaner experience, vast improvements and features than the old website. The improvements include truly mobile responsive, updated navigation, dedicated audience landing pages and

the security has been upgraded to address emerging opportunities and threats.

A robust audit reports database has been incorporated into the website to enable users search a vast number of reports. Key resources that is WGEI products, Audit Guidelines and Manuals and training materials have been uploaded to the website.

This website is a living resource that is intended to be updated and managed by the WGEI community. Please share your suggestions, improvements or feedback with the WGEI secretariat at wgei@oag.go.ug.

Please take a look and share with your colleagues and friends!



By: The Accountability State Authority of Egypt

Introduction:

The oil and gas sector is considered a fundamental pillar of the economy in the Arab Republic of Egypt, as it significantly contributes to sustainable development, enhances public revenues, and provides the local market's energy requirements. The state has developed a comprehensive regulatory structure to manage this sector, aiming to maximize the benefits of natural resources, increase production, and encourage local and international investments.

I. Organizational Structure of the Sector:

A. Ministry of Petroleum and Mineral Resources – The Supreme Supervisory Authority

Overview:

The Ministry of Petroleum and Mineral Resources is the governmental entity responsible for managing and developing the oil and gas sector in Egypt. The Ministry develops strategies and public policies that regulate research and exploration, production, refining, and distribution activities, as well as supervises entities, holding companies, and public sector companies that operate in this vital sector.

Tasks and competencies:

1. Developing policies and strategies for the growth of the oil and gas sector and ensuring resource sustainability.
2. Supervising petroleum agreements with international and local companies, and defining concession terms and licenses.
3. Developing infrastructure for the oil and gas industry, including pipelines, refineries, and ports.
4. Managing international relations and coordinating with global energy organizations.
5. Encouraging foreign investment by providing a conducive business environment and granting concessions to international oil companies.
6. Following up on transition plans to clean energy and expanding the utilization of natural gas and renewable energy.

II. Future Vision for the Oil and Gas Sector in Egypt

Egypt aims to strengthen its position as a regional energy hub and achieve self-sufficiency in oil and gas through several strategies, including:

1. Increasing local production by intensifying exploration and drilling activities, particularly in the Mediterranean and the Western Desert.
2. Developing the refining and petrochemical industry through major projects such as new refinery complexes in Suez and Assiut.
3. Expanding liquefied natural gas (LNG) projects to boost exports to Europe and Asia.
4. Enhancing sustainability and reliance on clean energy through green hydrogen, solar, and wind energy projects.
5. Attracting more foreign investments by improving legislation and business environment in the energy sector.

III. Governance of the Oil and Gas Sector in Egypt: Fundamentals and Challenges

Governance in the oil and gas sector represents the framework that defines how energy resources are managed and ensures transparency and accountability, with the aim of maximizing the use of national wealth. Governance is based on a set of basic principles, the most important of which are:

- **Transparency and disclosure:** Publishing data on production, consumption and petroleum contracts to ensure clarity for regulatory bodies and the public.
- **Accountability and Responsibility:** Ensuring the existence of effective mechanisms to monitor the financial and administrative performance of companies operating in the sector.
- **Economic efficiency:** achieving a balance between achieving maximum returns for the state and ensuring the sustainability of the sector.
- **Fair competitiveness:** Enabling companies to operate in a fair regulatory environment that promotes domestic and foreign investments.

Challenges: Egypt faced several challenges, including:

1. Global energy price fluctuations, which have been addressed through the signing of long-term agreements with international partners to ensure revenue stability.
2. High production costs which are being addressed by using new drilling techniques and improved extraction efficiency to reduce costs.
3. Dependence on traditional sources of energy, which is being addressed by accelerating the transition to renewable energy and adopting modern energy storage technologies.

The Accountability State Authority (ASA) is the Supreme Audit Institution of Egypt, endowed with extensive powers to conduct financial audit, -including both accounting and legal oversight- as well as performance and compliance audit of the oil and gas sector. Its mandate aims to ensure the optimal use of resources, maximize economic returns for the state, and enhance transparency and accountability. This oversight is crucial given the vital role the sector plays in supporting the national economy, securing the country's energy needs, and maximizing returns from natural resources. The subsequent paragraphs expound on the ASA's mandate.

IV. Comprehensive Audit by the Accountability State Authority (ASA) on the Oil and Gas Sector in Egypt

A. Financial Audit of the Oil and Gas Sector

1. *Financial Audit of Oil and Gas Companies*

- Auditing the annual and periodic financial reports submitted by the companies, ensuring their compliance with the approved accounting standards.
- Analyze disbursements to ensure that there are no unjustified expenses or inflated operational costs.
- Audit the revenues from exports and local sales, ensuring that they are calculated in accordance with the contracts concluded with the various parties.
- Verify the productive quotas of the state and ensure the collection of its rights in accordance with the provisions of the concession and production sharing agreements.

2. Auditing Concession and Partnership Agreements

- The ASA reviews the production sharing agreements and petroleum concessions signed between the state and foreign companies, to ensure that there are no clauses that could harm the state's interests or result in unjustified financial losses.
- The conditions for profit and cost sharing are scrutinized, ensuring the fair distribution of revenues between the state and investors.
- ASA monitors the extent to which companies comply with their financial obligations to the state, such as taxes and various fees.

3. Auditing Investments and Petroleum Projects

- ASA reviews feasibility studies for new projects in the field of refining, petrochemicals, and exploration, to ensure their alignment with the State's strategic objectives
- ASA monitors project implementation and reviews construction and operating costs, to ensure that there is no unjustified spending.
- ASA evaluates the efficiency of investments and ensures that they achieve the desired economic returns.

B. Operational and Technical Audit of the Oil and Gas Sector

1. Monitoring Production and Distribution Processes

- ASA monitors oil and natural gas production rates and ensures they align with pre-established plans.
- Analyzes operating and production costs, evaluating their efficiency in comparison to international standards.
- ASA monitors the distribution of gas and petroleum products in the local market to ensure their availability at fair prices and to prevent manipulation or monopolies.

2. Auditing Export and Import Contracts

- Contracts for the export of oil and natural gas are audited to ensure that the best prices are achieved for the benefit of the state.
- Review contracts for the import of petroleum derivatives to ensure that the state does not bear unnecessary financial burdens.
- Ensure that importers and exporters comply with Egyptian laws and international trade standards.

3. Follow-up on safety and environmental standards

- ASA monitors the compliance of companies with safety and security standards in exploration and production operations, including measures to prevent oil accidents and spills.
- Review contingency plans and responses to oil spills or industrial accidents.
- Audit of the environmental procedures followed to ensure the reduction of harmful emissions and pollution resulting from petroleum operations.

C. Fighting Corruption and Promoting Transparency

1. Review Cases of Corruption and Waste of Public Money

- Investigate cases of financial and administrative corruption within petroleum companies, and take the necessary legal actions in case of violations.
- Monitor the awarding of contracts and tenders to ensure their compliance with the rules of transparency and fair competition.
- Detect any manipulation of import or export prices, and hold the responsible authorities accountable.

2. Enhance Financial Disclosure and Governance

- Oblige petroleum companies to submit periodic financial and administrative reports to the ASA to ensure continuous monitoring of performance.
- Publish periodic reports on the sector's performance and financial budgets to increase the perception of transparency by government agencies and the public.

D. Challenges facing the Accountability State Authority in the Audit Process Of Oil and Gas Sector

1. The Complexity of International Contracts and Agreements

- This is countered through the development of specialized training programs for the ASA's auditors to understand the delicate legal and financial aspects of petroleum agreements.

2. Environmental and regulatory challenges

- These are addressed by developing policies that encourage companies to use environmentally friendly technologies, with penalties for violators.

The Future of Oil and Gas audit in Egypt

- Digital transformation in Audit: Adopting artificial intelligence and big data technologies to monitor production and expenditures in real time.
- Tougher penalties for violations: Develop a stricter sanctions system to address cases of corruption and mismanagement.

- Enhancing international cooperation: sharing experiences with international regulatory institutions to ensure the adoption of the latest practices in financial and operational audit.
- Increased transparency and accountability: Issuing periodic reports on the performance of the oil and gas sector to enhance citizens' trust in the management of national resources.

Conclusion

The oil and gas sector in Egypt remains a cornerstone of the national economy, contributing to energy security, economic growth, and global market integration. By implementing a robust audit and governance framework, Egypt aims to ensure sustainable resource management, maximize state revenues, and foster a transparent investment environment. Through the continued efforts of the Ministry of Petroleum and Mineral Resources and the Accountability State Authority (ASA), as well as other regulatory bodies, Egypt is well positioned to navigate global energy challenges while reinforcing its role as a leading regional energy hub.

TAXATION OF EXTRACTIVE INDUSTRIES IN SENEGAL: BALANCING INCENTIVES WITH PUBLIC FINANCE RISKS

By : Edmond Tidiakh Kama - Auditor
The Court of Auditors of Senegal

Introduction

The extractive industries sector represents a Strategic cornerstone of Senegal's economy. According to the 2023 report from the National Committee for the Transparency of Extractive Industries (CN-ITIE), the sector generates revenues amounting to 380.03 billion CFA FRANC, contributing 4.72%¹ to the country's GDP. Extractive companies exploiting resources such as gold, oil, gas, zircon, and phosphates benefit from fiscal incentives designed to attract foreign investors and mitigate the risks associated with extraction. However, the management of fiscal expenditures in the extractive sector raises significant concerns, particularly regarding the balance between incentivizing investment, safeguarding public revenues, and supporting socio-economic development. This article examines the fiscal expenditures granted to extractive industries in Senegal, assesses their legal framework and socio-economic impacts, and offers recommendations for improving their management.

1. Legal and Institutional Framework

The legal framework for the taxation of extractive industries in Senegal is grounded in a series of legislative and regulatory texts governing tax and customs exemptions, as

well as other fiscal advantages extended to sector companies. Key normative sources include the finance law, the General Tax Code, the Customs Code, the Investment Code, mining and petroleum conventions, and bilateral agreements that define the parameters of these fiscal expenditures.

Several key institutions are involved in managing these fiscal expenditures, including the Directorate General of Taxes and Domains (DGID), the Directorate General of Customs (DGD), the Ministry of Energy, Petroleum, and Mines, and the National Committee for the Transparency of Extractive Industries (CN-ITIE). These bodies play a crucial role in overseeing tax agreements, granting exemptions, and ensuring that the extractive sector's contribution to public revenues is properly monitored.

2. Types of Fiscal Expenditures

Extractive industries in Senegal enjoy several forms of fiscal incentives, such as the suspension or reduction of VAT, exemptions on profits or on imported operational equipment for projects, and tax credits aimed at encouraging research and innovation, exploration, and production in remote areas. The SANGOMAR oil project, whose development has been heavily supported by tax exemptions, serves as a clear example of how these incentives attract foreign investment.

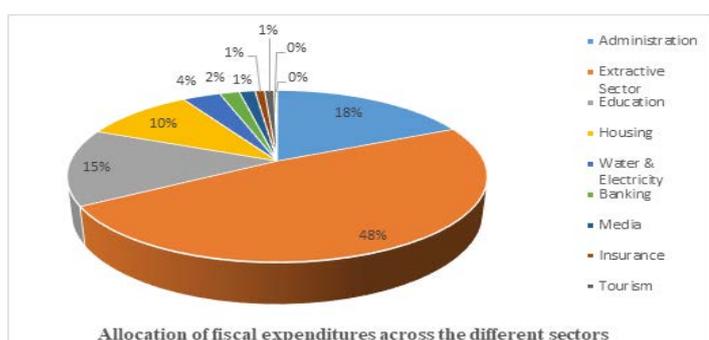
¹ 2023 ITIE Report, December 2024, Final Version

However, it is important to note that these incentives may also result in a significant loss of tax revenue, raising questions about the effectiveness of these fiscal expenditures in funding national development.

3. Socio-Economic Impacts of Fiscal Expenditures

While fiscal expenditures are intended to stimulate investment in a strategic sector, they can have negative consequences for public finances. The ITIE report shows that in 2022, revenues generated by the extractive sector amounted to 275.33² billion CFA FRANC, but a substantial portion of this was offset by tax exemptions granted to large oil and gas companies. Between 2019 and 2021, fiscal expenditures increased by approximately 27%³.

Furthermore, the fiscal expenditure evaluation report published by the DGID in 2021 confirms the significant role of these expenditures in the extractive sector, especially in mining, which accounts for 48%⁴ of the total, as illustrated in the following diagram:



Source: Data extracted from the Fiscal Expenditure Evaluation Report, 2021 edition, prepared by DGID

In 2021, losses from tax exemptions totaled 391.34⁵ billion CFA FRANC, surpassing by 175% the revenue generated by the extractive sector (223.15⁶ billion CFA FRANC) during the same period.

This raises a key question: how can a fiscally attractive environment for investors be maintained while ensuring that sufficient resources are available to finance public services such as healthcare and education?

Although extractive industries contribute to job creation, their impact on local communities remains limited. Large extractive companies, often controlled by multinational corporations, tend to favor contracts with foreign companies, reducing direct economic benefits for local populations. This is compounded by environmental issues, such as agricultural pollution and the destruction of local ecosystems in areas like DAROU with Senegalese Chemical Industries (ICS). The same is true in NDIOGO in the NIAYES region (120 km north of Dakar), where zircon extraction by a multinational company reduces arable land available to market gardeners. These issues contribute to the impoverishment of populations already facing numerous social, health, and economic challenges.

It is therefore crucial to reassess fiscal policies to ensure that the economic benefits of the extractive sector also benefit local communities and that their right to a healthy environment is preserved.

² 2022 ITIE Report, December 2023

³ Analysis of data from the final audit report on the state of Public Finances for the period from 2019 to March 31, 2024, published by Senegal SAI

⁴Fiscal Expenditure Evaluation Report, 2021 Edition, prepared by the DGID

⁵2021 ITIE Report, December 2022

⁶2021 ITIE Report, December 2022

4. Challenges Related to Fiscal Expenditures

The main challenges related to fiscal expenditures in the extractive sector include:

- **Lack of Transparency:** Many fiscal benefits granted are not disclosed in sufficient detail, making it difficult to assess their effectiveness and monitor their outcomes. Improving transparency regarding tax agreements and granted benefits is critical to ensuring independent oversight and optimal public resource management.
- **Risk of Tax Evasion:** Some companies abuse fiscal exemptions, depriving the state of crucial financial resources. Stricter controls and enhanced monitoring mechanisms are needed to prevent capital flight.
- **Dependence on Foreign Investment:** Fiscal incentives may create excessive reliance on foreign investment, potentially stalling the growth of competitive local industries and compromising the country's long-term economic independence.

5. Recommendations for Effective Fiscal Expenditure Management

To improve the management of fiscal expenditures in the extractive sector, several measures can be taken:

- **Strengthen Transparency and Fiscal Governance:** Regular publication of tax agreements and exemptions would help build trust among citizens and stakeholders, while allowing for objective assessment of the impact of these policies.
- **Encourage the Inclusion of Domestic Companies:** Fiscal policies should be redirected to encourage the participation of national companies in extractive projects, offering incentives to foster local partnerships

and implementing measures that support local content.

- **Monitor and Evaluate Fiscal Expenditures:** It is essential to implement robust monitoring mechanisms to regularly assess the impact of fiscal expenditures on public finances and adjust fiscal policies based on observed outcomes.

Conclusion

Fiscal expenditures in Senegal's extractive sector are designed to attract foreign investment but also pose significant risks to public finances. These fiscal incentives must strike a balance between attracting investment and ensuring that public finances and sustainable socio-economic development are not compromised. A revision of the tax exemption regime, along with robust control mechanisms, could help Senegal maximize the positive returns from the extractive sector while minimizing fiscal losses. The government should implement tools to ensure that extractive companies contribute meaningfully to national wealth. Additionally, it is vital that the management of these resources respects the rights of local communities, ensuring a fair distribution of benefits derived from the exploitation of natural resources. Only by reforming these practices can Senegal truly transform its extractive sector into a driver of sustainable and inclusive development.

THE TIMELESS IMPORTANCE OF A FISCAL RULE

By: Ivan Mayanja
Office of the Auditor General - Uganda

Introduction

The saying “A fool and his money are soon parted” aptly describes the fate of many resource rich nations that struggle with governance. In such countries, fiscal revenues from natural wealth are either siphoned off to foreign lands or squandered through poor planning, unsustainable public spending, and an alarming lack of foresight.

Uganda, however, has taken a different path. While the country still awaits first oil since its initial discovery in 2006, this delay is by design—not folly. Time and effort have been deliberately invested in crafting a robust legal framework and governance structures to shield the emerging industry from the infamous resource curse. This cautioned approach is steered by the National Oil and Gas Policy of 2008, alongside the Oil and Gas Revenue Management Policy of 2012.

Though some critics have noted the projects’ slow progress, including the late President of the United Republic of Tanzania, H.E. John Magufuli, who famously remarked “tumechelewa” (“we are late”), it is arguably better for oil to remain underground than to be extracted in an environment of unclear expectations and weak public institutions.

In this vein, Parliament approved the Charter for Fiscal Responsibility in 2021 a

crucial regulatory instrument mandated under Section 4 of the Public Finance and Management Act Cap. 171. This policy aims to guide government spending and curb the state’s propensity to excessive external borrowing. More importantly, it establishes clear limits on how oil revenues can be allocated for budget support and how much should be preserved for investment and future generations. This article will focus on objectives 2 & 3 of the Charter that seek to maintain the fiscal balance and regulate the use of oil revenues for budget support.

Role of Fiscal Rules in Economic Stability

A fiscal rule is designed with a restrictive intent—to control government commitments and bind future leadership to a visionary strategy of petroleum revenue utilization. Its design can be anchored on projected government revenue streams, resource prices or a budget balance that excludes oil revenues. In Uganda’s case, the later seems the more likely approach, as the rules in the Charter are linked to government expenditure and consider the country’s current absorptive capacity.

a. Maintaining Fiscal Balance

Objective 2 of the charter seeks to maintain a reasonable fiscal balance given the country’s context asserting that “its overall level including grants should gradually adjust to a deficit not exceeding 3.0 percent of non-oil GDP by the financial year 2025/2026”. To put it simply, a fiscal balance is the gap between government

spending and its revenue-earning capacity, often bridged by borrowing. According to the Macroeconomic and Fiscal Performance Report from the Ministry of Finance, Planning, and Economic Development (MoFPED) for FY 2023/2024, the fiscal deficit outturn was 4.7% of the GDP against a planned target of 3.5%, while in 2022/2023; it was 5.5% against a plan of 5.4%. These outturns have fallen from 7.4% observed over the last 3 years. Two things are of salient notice, that the country is committed to reducing the deficit and is on the trajectory set out in the charter, but also requires the spending discipline to maintain this trend.

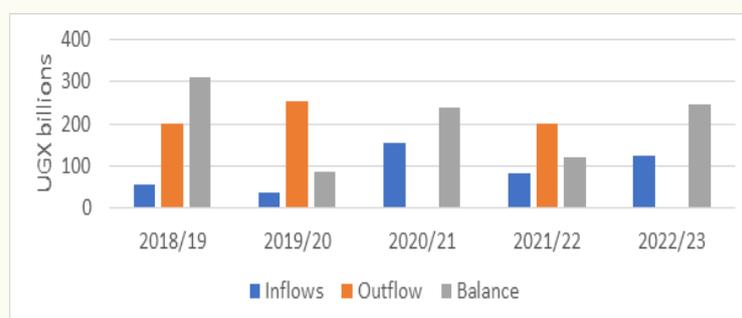
Fiscal deficits are often criticized as “financial indiscipline”, but they can be justified in contexts of high public spending pressures, especially where domestic revenue sources are constrained. This article does not discuss the character of expenditure driving the deficit, although this should most certainly form part of the overall discourse.

However, the charter under objective 2 further guides that recurrent spending as a percentage of GDP, shall not grow at a rate faster than revenue (excluding oil) as a percentage of GDP. For instance, in the previous financial year, recurrent expenditure stood at UGX. 26.8b, exceeding budget estimates by 6.7% while domestic revenues fell short of targets (6.2% for tax and 7.2% for non-tax). Such statistics indicate unsustainable spending. Therefore, without a rule to restrict how far this deficit can be stretched and restraining consumptive expenditure, petroleum revenues would only serve as a fog blurring a macro-economic vice and aiding fiscal irresponsibility.

b. Maintaining Intergenerational Equity

Objective 2 of the charter is also in line with the National Oil and Gas Policy that asserts that the country should only collect the right revenues and use them to create lasting value by limiting spending to the absorptive capacity constraints, investing rather than consuming and saving for the benefit of the generations to come.

This in turn brings us to objective 3, which provides a fiscal withdraw rule that governs transfers from the country’s Petroleum Fund. This objective requires that only a maximum of oil revenue worth 0.8% of the previous year’s estimated non-oil GDP outturn can be used for budget support while the balance is transferred to a separate fund for investment. The goal under this objective is two-fold; intertemporal economic justice and fiscal sustainability to avoid a crowding-out effect on non-oil sectors. Petroleum revenues while substantial can be deceptive from a long-term perspective. For example, consider the chart below illustrating 5-year revenues deposited in and withdrawn from the Petroleum Fund before first oil.



Source: Fund’s Audited Financial Statements

These revenues represent deposits in relation to surface rentals, signatures bonuses and other taxes such as withholding tax (WHT) that represent early proceeds from the sector.

However, it is clear to see that, since its inception, the fund already has experienced challenges albeit minimal as the industry matches on to production. These early revenues hint at the fund's volatility, and this will only intensify over the next 15–25 years, through peak production and eventual resource depletion. Additionally, the global shift toward energy transition introduces another layer of uncertainty, further emphasizing the need for fiscal prudence.

Broader Significance of Fiscal Policy

It is easy to underestimate the significance of this Charter and many may dismiss such policies as bureaucratic hurdles. However, their purpose is clear: to protect the nation from the perils of a Dutch disease (where an oil boom weakens other industries), curb elite capture of national wealth, and demonstrate a firm commitment to intergenerational welfare through sustainable resource management. If fiscal discipline is neglected, industries such as agriculture, manufacturing, fashion, and technology could stagnate under an oil-dominated economy.

The Charter mitigates these risks by strengthening the primary balance (excluding oil revenues) and preventing dangerous cycles of borrowing in anticipation of windfall oil profits (Reserve Based Lending). This is critical given three fundamental challenges:

Price Volatility – Oil prices fluctuate unpredictably, making revenue projections unreliable.

Resource Exhaustibility – Every barrel extracted brings the resource closer to depletion.

Fiscal Rent Pressures – Large inflows invite reckless spending on white elephant projects, politically motivated expenditures, and irresponsible borrowing, bequeathing future generations with debt and worthless investments.

Price volatility, in particular, breeds procyclical fiscal planning, where government spending soars when oil prices are high and contracts sharply when prices fall—a dangerous cycle for a nation aspiring to achieve middle-income status. Given the global energy transition and increasing climate change concerns, shielding the economy from these pitfalls is essential.

Role of Oversight and Accountability

Finally, the fiscal policy provides a crucial safeguard by operationalizing the Petroleum Fund, which acts as a stabilization instrument designed to smoothen revenue fluctuations and prevent reckless fiscal behaviour. The fiscal rules within the policy have been crafted with

Uganda's development needs in mind, incorporating global best practices.

However, a well-crafted fiscal framework is only as strong as the accountability mechanisms that uphold it.

As auditors, we have a duty to ensure that compliance with this fiscal responsibility is not merely aspirational but intentional. Scrutiny of government adherence to fiscal policies, detecting deviations, and exposing any fiscal mismanagement that could erode the integrity of the rules is our inalienable responsibility.

By auditing revenue allocations, expenditure patterns, and borrowing decisions, the Supreme Audit Institution (SAI) provides transparency, deters fiscal recklessness, and reinforces accountability. This role is not only retrospective but also preventive—creating a system where fiscal discipline is upheld, political expedience is kept in check, and the long-term stability envisioned by the Charter safeguarded. Without this oversight, even the most well-crafted fiscal frameworks risk being reduced to paper promises, vulnerable to short-term pressures and governance failures.

Conclusion

The Charter for Fiscal Responsibility is more than a legal requirement—it is a necessary safeguard against the economic pitfalls of oil wealth mismanagement. By maintaining fiscal discipline, protecting non-oil sectors, and ensuring intergenerational equity, Uganda is laying a foundation for sustainable development. However, strong enforcement, transparency, and continued vigilance are essential to translate these policies into tangible economic resilience.

UPCOMING EVENT

JOINT ANNUAL AFROSAI-E EXTRACTIVE INDUSTRIES WORKSHOP AND ANNUAL WGEI STEERING COMMITTEE MEETING

Date:	15th – 18th July 2025
Location:	Radisson Blu Hotel - Livingstone, Zambia

Bridging Standards and Audit Practice: WGEI Workshop on IFRS 6 Held in Kampala, Uganda

By:
Bashir Lubega
Office of the Auditor General – Uganda
Senior Auditor, Energy and EI Audit

Introduction

From 5th to 9th May 2025, the INTOSAI Working Group on Audit of Extractive Industries (WGEI), in collaboration with the Office of the Auditor General Uganda, convened a regional training workshop in Kampala. The focus was on Module 10 of the WGEI Extractive Industries Training Framework: Accounting Standards in the Exploration for and Evaluation of Mineral Resources, with emphasis on IFRS 6. The workshop addressed growing demand across SAIs for technical audit capacity in oil, gas, and mining, especially in light of complex cost structures and the growing use of international accounting frameworks.

Participants and Facilitators

Participants included representatives from eight SAIs: Uganda, Kenya, Nigeria, Zambia, South Africa, South Sudan, The Gambia, and Liberia. Additionally, key national stakeholders such as the Petroleum Authority of Uganda (PAU) and Uganda Extractive Industries Transparency Initiative (UGEITI) took part, enriching the knowledge-sharing experience. Facilitators were drawn from SAI Uganda, SAI Zambia, PAU, Uganda National Oil Company (UNOC), Uganda Revenue

Authority (URA), and professional practitioners from Ernst & Young and Stanbic Bank. This diversity brought rich, real-world experience into the sessions and helped bridge the gap between accounting standards and audit application.

Workshop Structure

The workshop was structured in a progressive learning format. It began with introductory modules covering the extractive industries landscape, key stakeholders, and audit mandates, followed by an overview of the AFROSAI-EI Value Chain.

This was followed by an introduction to IFRS 6 and related accounting standards, including IPSAS and FASB frameworks, before diving into key technical requirements such as cost classification, recognition, impairment testing, joint ventures, and disclosures.

Key Areas Covered

Some of the technical highlights of the week included:

- Classification of E&E assets as tangible or intangible, and how misclassification can affect depreciation and impairment
- Recognition of E&E costs and revenue, including differences between IFRS, IPSAS, and PSA cost recovery practices
- Successful Efforts vs Full Costing and their implications on capitalization and cost recoverability
- Impairment indicators and CGU classification, applying IFRS 6 and IAS 36 in audit testing

- Decommissioning provisions under IAS 37 and how to verify adequacy in audit
- Joint Venture Accounting and how cost sharing, carried interest, and reserves are handled in petroleum accounting
- Farm-in/Farm-out Accounting, especially where IFRS 6 is silent and professional judgment is critical
- Disclosures under various standards and the role of SAs in reviewing transparency and completeness
- Support in IPSAS environments, especially for SAs auditing government ministries or agencies that use IPSAS to report exploration or licensing functions.

On Wednesday evening, the Auditor General hosted participants to a dinner at Ndere Cultural Centre. The evening was a celebration of African culture, featuring traditional dance, poetry, and a sumptuous display of local cuisine. It provided a relaxed setting for participants to unwind, connect, and reflect on the shared learning experiences from the workshop.

Benefits to SAs Across Mandates

The workshop catered to the diverse mandates of SAs in attendance. It provided:

- Practical audit readiness for SAs that directly audit national oil and mining companies (e.g., UNOC, Nigerian National Petroleum Company (NNPC), Zambia Consolidated Copper Mines-Investment Holdings (ZCCM-IH).
- Guidance for cost recovery audits, ensuring SAs can assess whether E&E costs are eligible, properly classified, and timed.
- Capacity-building support for SAs in early-stage jurisdictions (e.g., The Gambia), to help frame audit responses even where E&E activity is still at exploration or data gathering stages.

Closing Ceremony and Appreciation

The workshop concluded with a formal closing ceremony presided over by the Auditor General of Uganda, who awarded certificates of participation and praised WGEI's efforts in building cross-country audit expertise in the extractives field. Participants commended the practical, facilitator-led approach, and encouraged further knowledge-sharing workshops and technical exchanges across the WGEI community.





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