



May 2019

**Working Group on
Extractive Industries
Feedback on Work plan
Activity 5 – Knowledge
and Experience sharing**







Government of the
Republic of Zambia

Auditor General



AUDITOR-GENERAL
SOUTH AFRICA

Points of discussions:

1. SAI South Africa hosts WGEI steering committee September 2018
2. Benchmarking visits between members - Promote the use of the UN SDG as an audit topic
 -  1.1 Objective
 -  1.2 Outcome
3. Promote collaborative audits.
 -  2.1 Objective
 -  2.2 Outcome
4. Conduct Webinars to exchange knowledge and experiences.
 -  3.1 Objective
 -  3.2 Outcome
5. Possible topics for cooperative audits.



1. SAI South Africa hosts WGEI steering committee September 2018

- Last year SAI SA hosted the WGEI steering committee meeting which was held in Pretoria (25 – 27 September 2018).
- This meeting was chaired by the WGEI chairperson and Auditor-General of Uganda and attended by the representatives of the steering committee members of the WGEI consisting of **Fiji, India, Zambia, Ghana, Uganda, USA, South Africa and Norway.**
- The “theme” of this meeting was based on **Illicit Financial Flows** and the Extractive Industries (IFFs) to which speaker, Mr Pieter Alberts from the Financial Intelligence Centre (FIC) provided the delegates with the conceptual framework of IFF's, definitions and methods of IFFs.
- Key decisions taken was to define the roles and responsibilities of the Steering Committee.

The key outcomes of the meeting highlighted the following priorities:



Design a funding plan



Establish ToR for each activity



EI training framework rollout



Auditors toolkit



Regional participation and focus on collaborative audits



2. Benchmarking visits between members - Promote the use of the UN SDG as an audit topic enabler

“2017-2022 INTOSAI strategic plan – Endorsement by the UN of the 17 Sustainable Development Goals (SDGs) at the heart of the 2030 Agenda for Sustainable Development, which reinforces the need and demand for effective public audit and scrutiny and the action already taken by INTOSAI entities relating to auditing the implementation of the SDGs”

1.1 Objective

To group past and future EI reports in **UN SDG's** and promote the focus of SAI planning to undertake EI audits to utilise the UN SDG's in developing its audit plan.







1.2 Outcome

- Create awareness amongst members of this important audit topic enabler
 - Grouping of all EI reports per the 17 SDGs completed and shared.



2.(a) Create awareness amongst members of the importance of the UN SDGs as an audit topic enabler (Continue)

- SAI South Africa initiated a paper on the extractive industries (EI) and SDGs which was presented to the WGEI steering committee meeting in September 2017. Some of the key questions and outcomes of this paper were:

-  Is the EI the cause of why the world should consider Sustainable Development Goals?
-  Sustainable Development Goals directly and indirectly linked to EI
-  Once SDGs are linked to the EI what is the SAI's response
-  How can SAI and the WGEI contribute to the INTOSAI Strategic Plan for 2017–2022
 - Accountability for government spending in the EI
 - Examples of audit topics to consider
-  WGEI Value chain vs. SDGs
-  Consideration of future audit topics



Refer to link – [WGEI Steering Committee Meeting, Washington D.C., 2017](#)



2. (a) Create awareness amongst members of the importance of the UN SDGs as an audit topic enabler (Continue)

- SAI South Africa issued an article on “*Linking Extractive Industries and the Sustainable Development Goals*”
- The article were issued as part of the 10th WGEI newsletter issued 28 February 2018.
- Some of the key highlights to this article are:



Analysing the **17 goals**, **169 targets** and **231 indicators** of the **SDGs**, there is no specific reference to extractive industries or the use of non-renewable resources. Aiming to establish a direct link to only one goal, target or indicator is an unrealistic expectation though, as the effects of extractive industries cannot be considered in isolation.



The SDGs will matter for the extractive industries, and in return extractive industries will matter for the SDGs. Future audit topics in this combined area are vast. Many audits have been performed in the area of extractive industries – although these audits may not necessarily mention a related SDG, a direct or indirect link can be made to an SDG by interpreting the audit theme, topic, objective and/or scope.



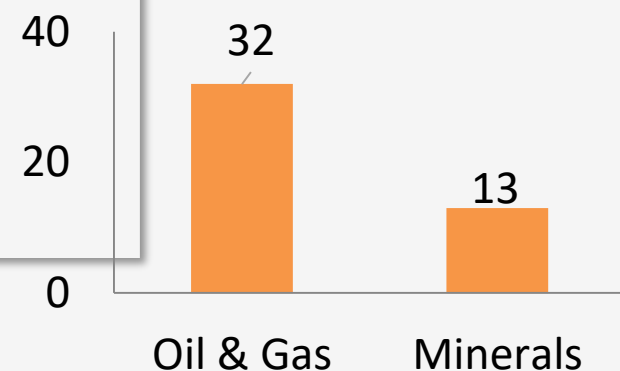
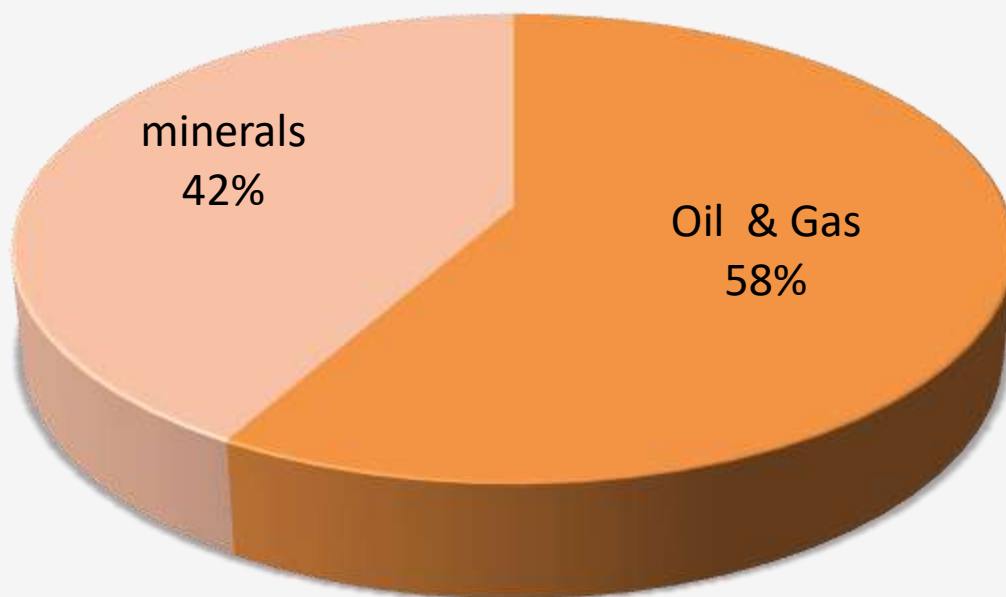
Refer to link – [Linking Extractive Industries and the Sustainable Development Goals](#)



2. (b) Grouping of all EI reports per the 17 SDGs completed and shared



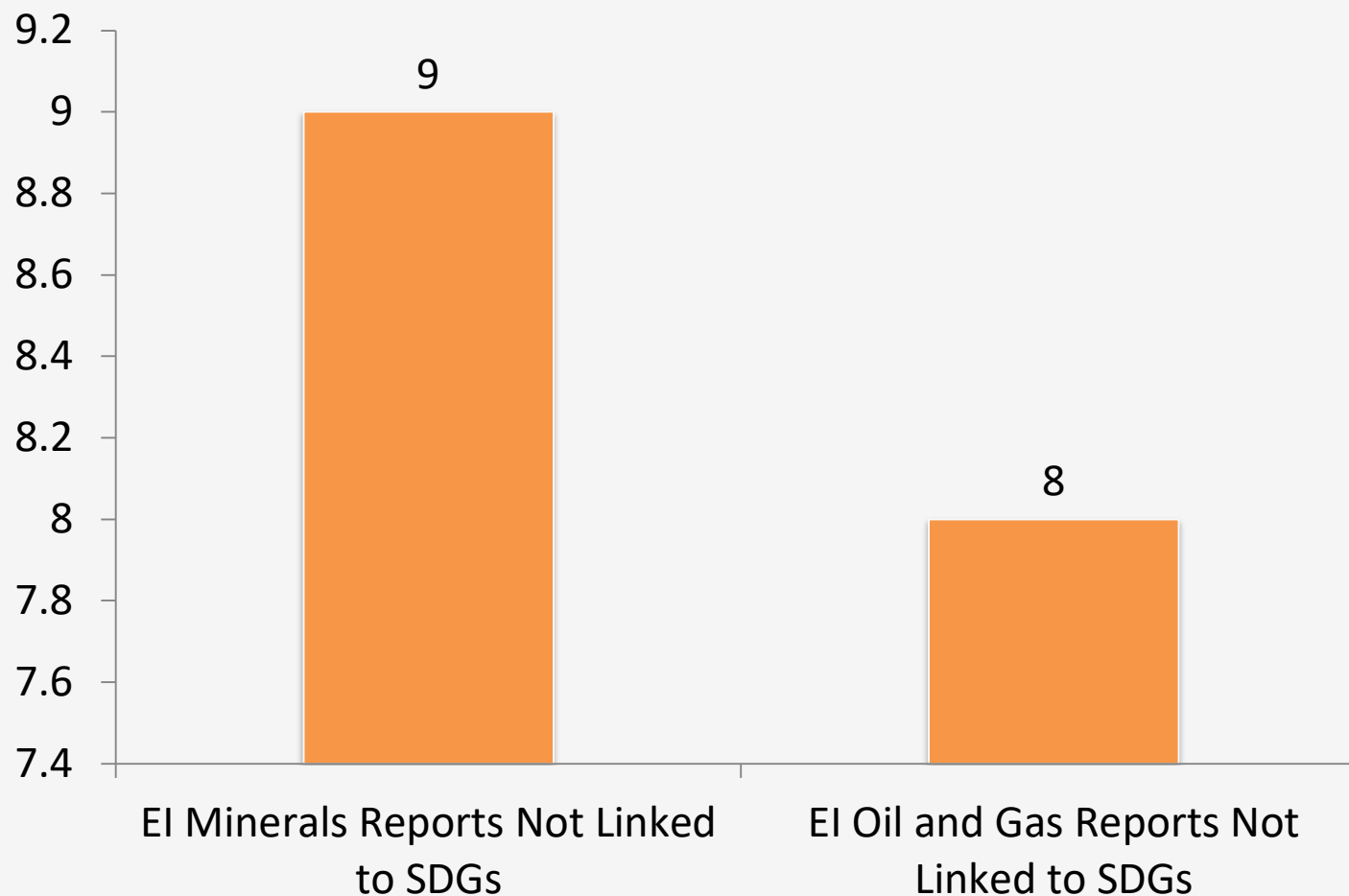
Percentage split between the two main categories of EI analysed



2. (b) Grouping of all EI reports per the 17 SDGs completed and shared (Continue)



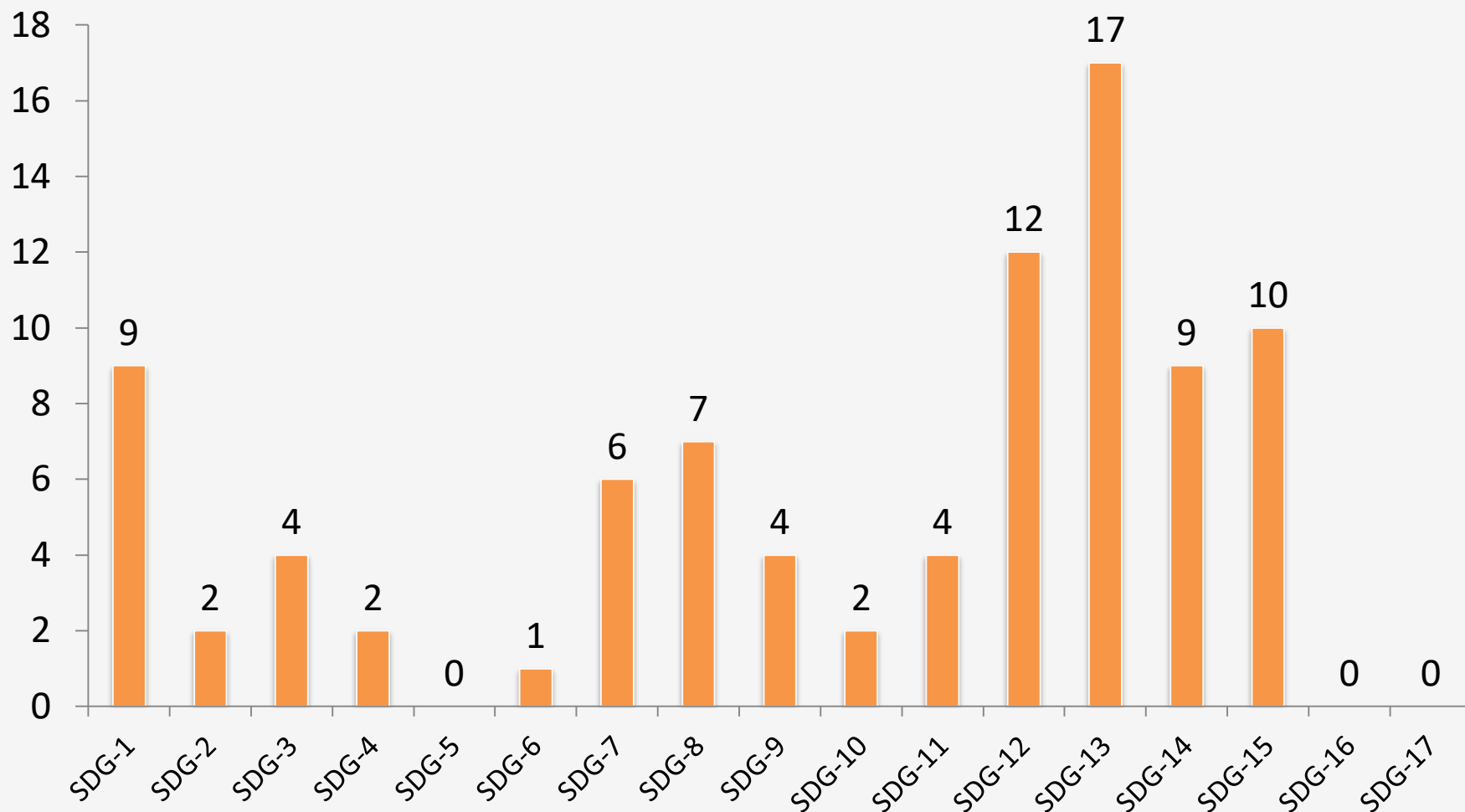
EI reports which could not be linked to SDGs



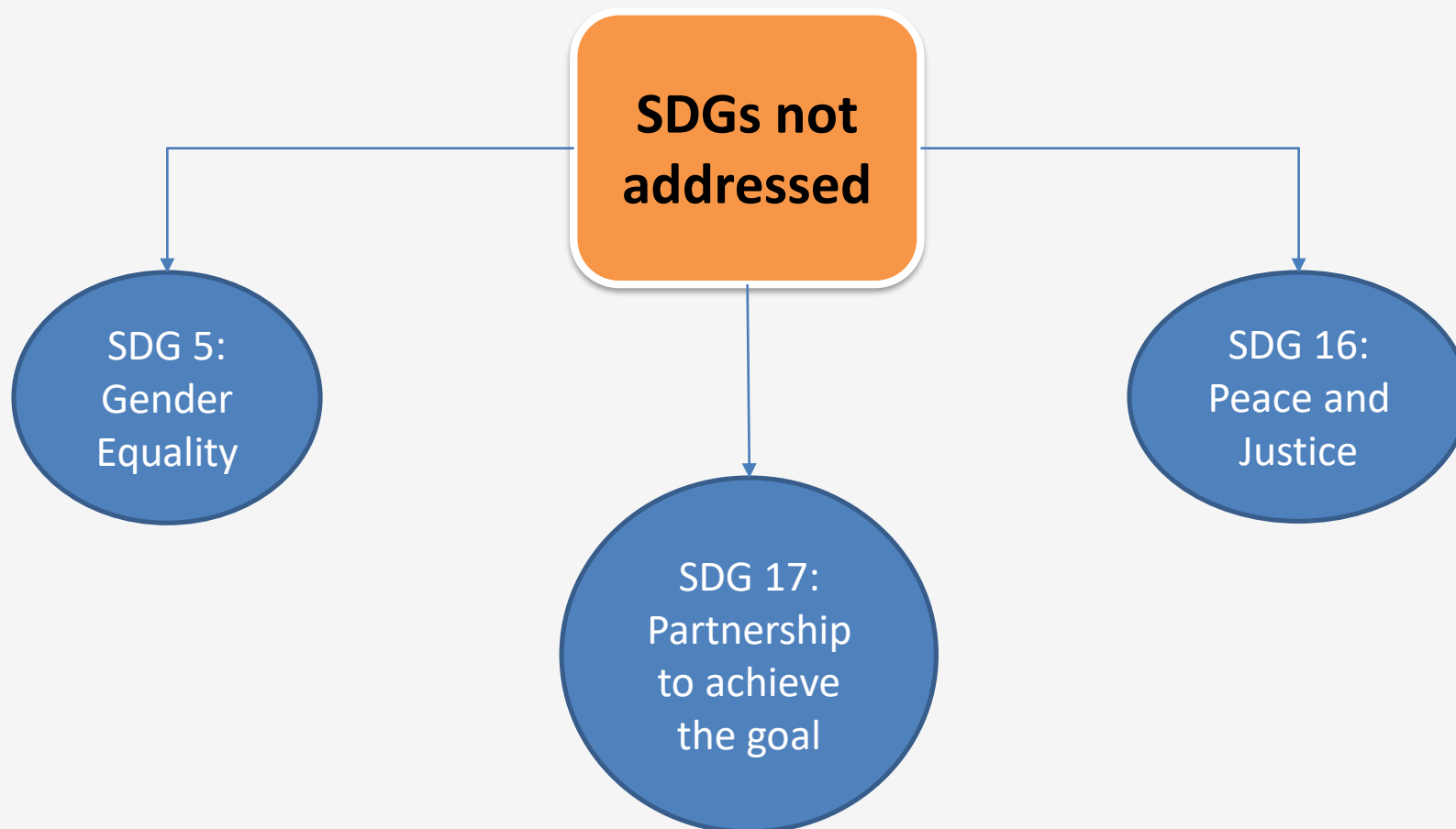
2. (b) Grouping of all EI reports per the 17 SDGs completed and shared (Continue)



No. of EI Reports Addressed SDGs



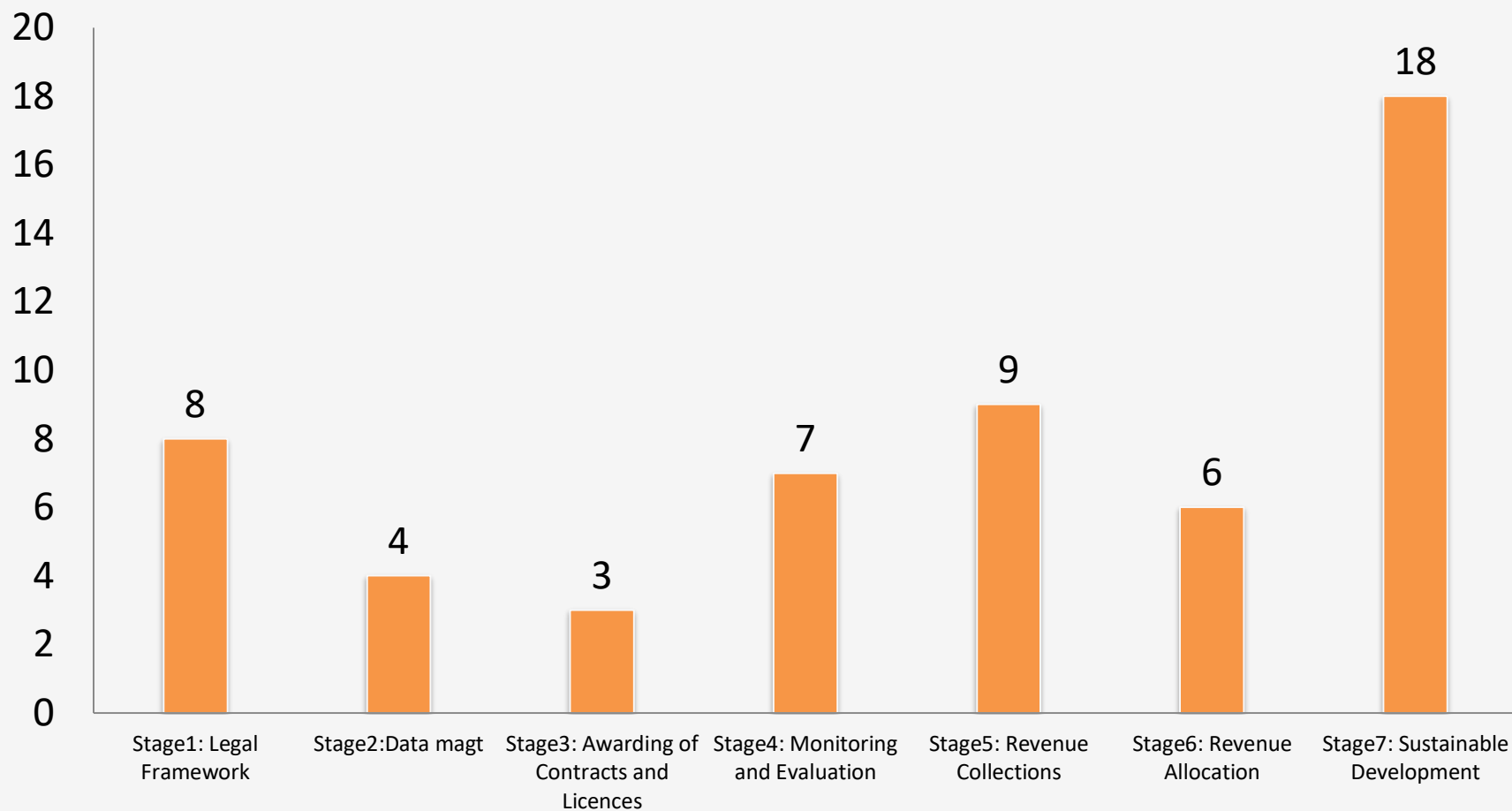
2. (b) Grouping of all EI reports per the 17 SDGs completed and shared (Continue)



2. (b) Grouping of all EI reports per the 17 SDGs completed and shared (Continue)



Linked EI reports to stages in the value chain



2. (b) Grouping of all EI reports per the 17 SDGs completed and shared (Continue)

CONCLUSION

- From the analysis above it is noted that not many reports have been done in in the mining sector.
- In Africa Mining sector contributes about 30% to world mineral reserve.
- Need for SAls to increase the EI audits either in performance, financial and compliance in order to attain the targeted SDGs



3. Promote collaborative audits.



2.1 Objective

Promoting the use of **cooperative audits** with regional INTOSAI structures in the EI sector.

The Subcommittee on Cooperative Audits of the INTOSAI Capacity Building Committee (CBC) is responsible of the promotion of cooperative audits, internship programs and technical visits, as well as the administration of the INTOSAI Experts Database, in order to strengthen the capacities of all the SAsI members of the organization.

The main products of the subcommittee are the ISSAI 5800 – Guide on Cooperative Audit (Approved at the XXII INCOSAI 2016 in Abu Dhabi).



Parallel/Concurrent Audit Mission



Joint Audit Mission



Coordinated Audit Mission



3. (a) Share lessons learnt from the ISSAI 5800

- SAI South Africa shared with the WGEI steering committee lessons from ISSAI 5800 during the meeting in September 2017. Some of the key questions and outcomes of this presentation were:
- The tendency of cooperative audits in the extractive industry recorded were very low. This were based on a survey that was conducted by the Capacity Building Committee (CBC) task team on the use of collaborative audits.
- Collaborating with CBC task team enabled us to gain further insights in the use of collaborative audits as a means of sharing knowledge and experiences amongst SAs in extractive industry audits.
- SAI South Africa together with SAI Zambia shared with the WGEI steering committee the benefits that we gained from this collaboration with the CBC task team at our WGEI steering committee meeting in September 2018.



Refer to Links – [WGEI Steering Committee Meeting, Washington D.C., 2017](#)
[WGEI Steering Committee Meeting, Pretoria, South Africa 2018](#)



3. (a) Share lessons learnt from the ISSAI 5800 (continued)



- SAI South Africa issued an article “*Oil and Gas parallel audit in action*”
- The article were issued as part of the 14th WGEI newsletter issued 23 April 2019.

Background:

- The regional project “Performance auditing in the oil and gas industry” is funded by the Netherlands Ministry of Foreign Affairs and led by the Netherlands Court of Audit (NCA) in partnership with AFROSAI-E.
- Partners in the program are SAI Tanzania, SAI Mozambique, SAI Kenya.
- Purpose of the regional project is to further improve the quality of performance auditing activities in the oil and gas industry and to stimulate capacity building and knowledge distribution in the region.
- Each country team had formulated “cost monitoring” as an audit topic allowing for a parallel audit.
- The preliminary objective of the parallel audit will be to “ asses the effectiveness of system put in place by government and to monitor costs incurred by International Oil Companies under the Production Sharing Agreements”

 Refer to link - [Oil and gas parallel audit in action](#)



3. (a) Share lessons learnt from the ISSAI 5800 (continued)



Joint audit on “Awarding of mining rights and monitoring”

- In 2013-2015 OAGZ/OAGN Cooperation established a baseline which revealed that there was limited knowledge of the extractive industries audit in Zambia.

Zambia has been conducting joint audits with OAG Norway in EI - (3) audits.



Joint audit team was composed from both SAIs. ToR agreed and production of one Report



3. (a) Share lessons learnt from the ISSAI 5800 (continued)

Collaboration between SAI Zambia and SAI Uganda



Lessons learnt ISSAI 5800

- Appreciation/use of ISSAI 4000 on compliance audit (AfroSAI-E compliance Audit manual)
- Understanding the entity - 101 – 108
- Risk assessment: risk of non compliance, ranking the risk
- Prior year consideration (public interest)
- How to come up with compliance audit scope (audit area - large scale/small scale)
- Linking the audit question
- Evidence gathering for each audit question



Value Benefits (ISSAI 12)

- Key decisions were shared e.g. audit approach and methodology
- Enhanced technical knowledge in the audit of EI sector
- Not restricted to financial audits
- Different perspective in the way the information was shared and analyzed
- Was able to identify the knowledge or skills gap and recommendations made for training



3. (a) Share lessons learnt from the ISSAI 5800 (continued)

Establishing a strategy to audit the EI is a matter of collaboration.

- Recently SAI Zambia visited SAI South Africa to collaborate and benchmarking on each SAI's audit strategies and approach of its respective EIs.

Some key resolutions for these collaborations were:

- Benchmarking on the value chain within each country and how its government is monitoring its EIs.
- Benchmarking the processes, skills and development that each SAI is putting in place to properly equip itself to audit in the EI.
- Better understand the EI in the global context to better identify common audit topics to consider for future collaborative audits.



4. Conduct Webinars to exchange knowledge and experiences



3.1 Objective

To work on the use of **webinars** in sharing knowledge and experience more frequently with all member SAI's of the WGEI.

3.2 Outcome

The tools to be used for the proposed WGEI training framework as part of Activity 3.



5. Possible topics for cooperative audits



Environmental management

Key priority



Key focus area

Several countries have been attempting to improve the environmental sustainability of their extractive industry sectors

Plan

Do

Check

Act

Impact on:

Ecology, Surface and/or groundwater, Air quality, Noise and vibration, Landscape, Restoration, After use, Waste management, Energy, Health issues (mine workers and close living communities), etc.

Achieving sustainability in the lifecycle of EI (i.e. example mines)

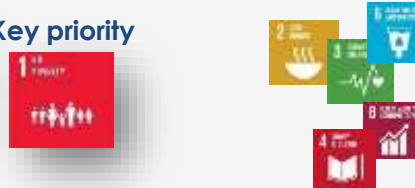
Benefits

- ✓ Improve living conditions or communities affected by EI
Report whether:
- ✓ Processes and governance are in place
- ✓ Processes contribute to reducing impact on environment



Alleviating poverty

Key priority



Key focus area

Opportunities to narrow down scope:



Economic opportunity

- Job creation
- Employment opportunities
- Local content



Capability (Education and training)

- Skills transfer
- Improve level of literacy of employees
- Education of employee's children



Occupational health and safety

- Work related injuries and health risks
- Increased exposure to infectious diseases and environmental issues
- Investment in occupational safety technologies



Empowerment

- Local communities

Benefits

- ✓ Highlight strengths and weaknesses in the relationship between EI and poverty alleviation.
- ✓ Provide in-depth insights on a single or many aspects of poverty and basics being in place or not.
- ✓ Value-add recommendations to enable governments to strengthen poverty alleviation.



Gender equality

Key priority



Key focus area

While EI can provide women with:

opportunities for a better life, including:

- increased employment opportunities,
- access to revenues,
- expanded investment in the local community,

EI can inadvertently contribute to 'gender gaps'

Benefits

- ✓ Highlight strengths and weaknesses in the relationship between EI and gender equality.
- ✓ Provide opportunities to improve status of women.
- ✓ Promote awareness, improve practises, improve access to direct employment opportunities and improve secure and friendly environment for women.





- Presentation '*Conducting SDG relevant audits of extractive industries*'
- Plenary

