



Auditing to build public confidence

26 September 2017

Working group on auditing of extractive industries (E.I.)

Focus on impact of the SAIs work in the E.I.

Outline

- Sustainable Development Goals linked to the extractive industry
- Collaborative audits
- Crafting an approach for 2017- 2019

Sustainable Development Goals linked to Extractive Industry



SDGs linked to E.I.



“

• The Working Group on Audit of Extractive Industries was created in response to the numerous challenges in auditing extractive industries (oil, gas and solid minerals), including: technical complexity of the sector, capacity building needs, retention of specialized staff and

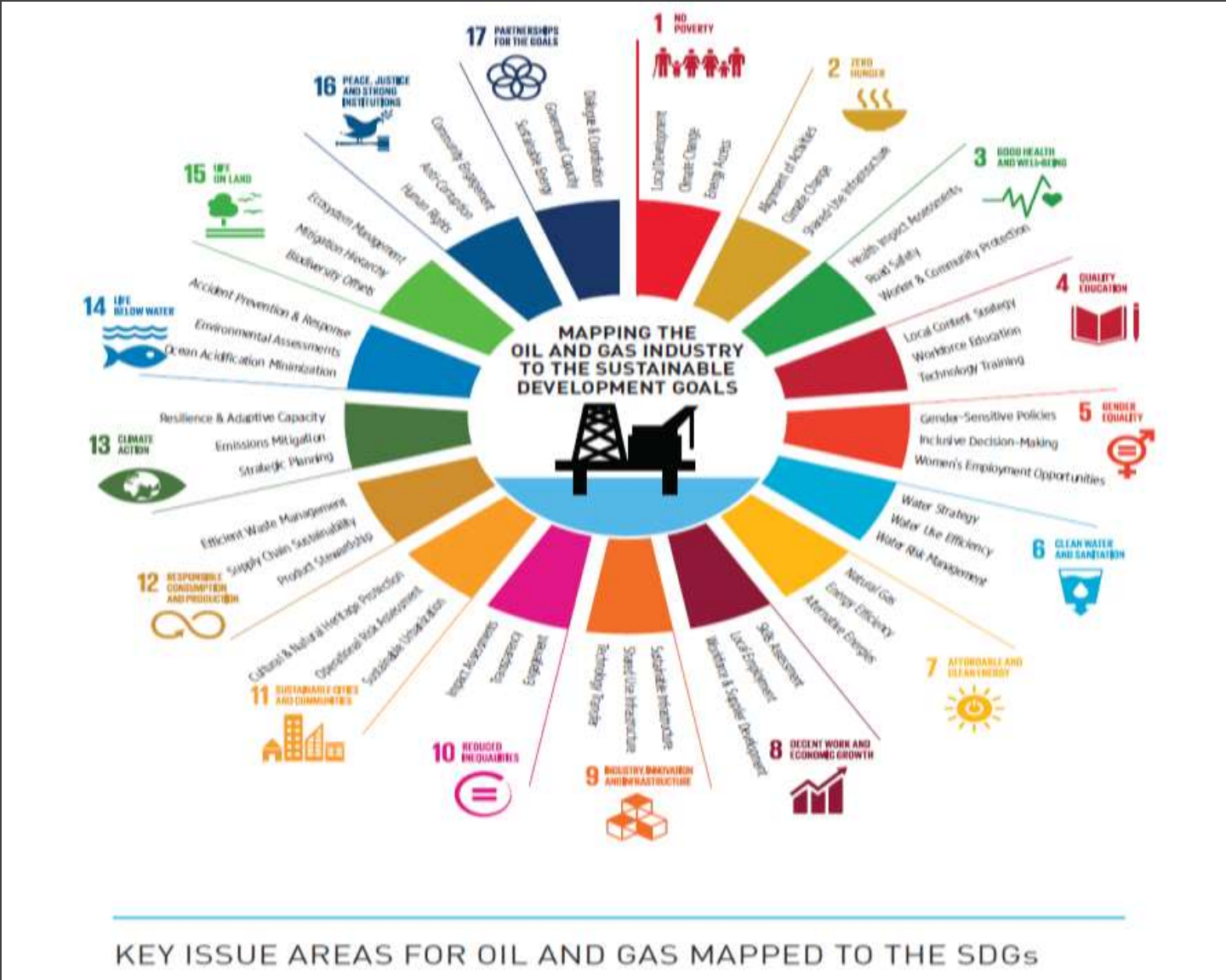
limitations in SAI's mandates to audit extractive industries. The Working Group promotes the audit of extractive industries within the INTOSAI community to support good governance and sustainable development consistent with the 2030 Agenda for Sustainable Development.

”

Questions?

1. Should we map the existing audits on the E.I. industry to the SDGs?
2. Should SAIs be encouraged to consider SDGs when planning for audits in the E.I.?
3. Are there SDGs which WGEI can single out as focus SDGs or do we plan to focus on all SDGs?

Sustainable Development Goals linked to the E.I.



Sustainable Development Goals linked to the E.I. (continued)

Major Issue Areas for Mining and the SDGs



Specific SDGs to consider >

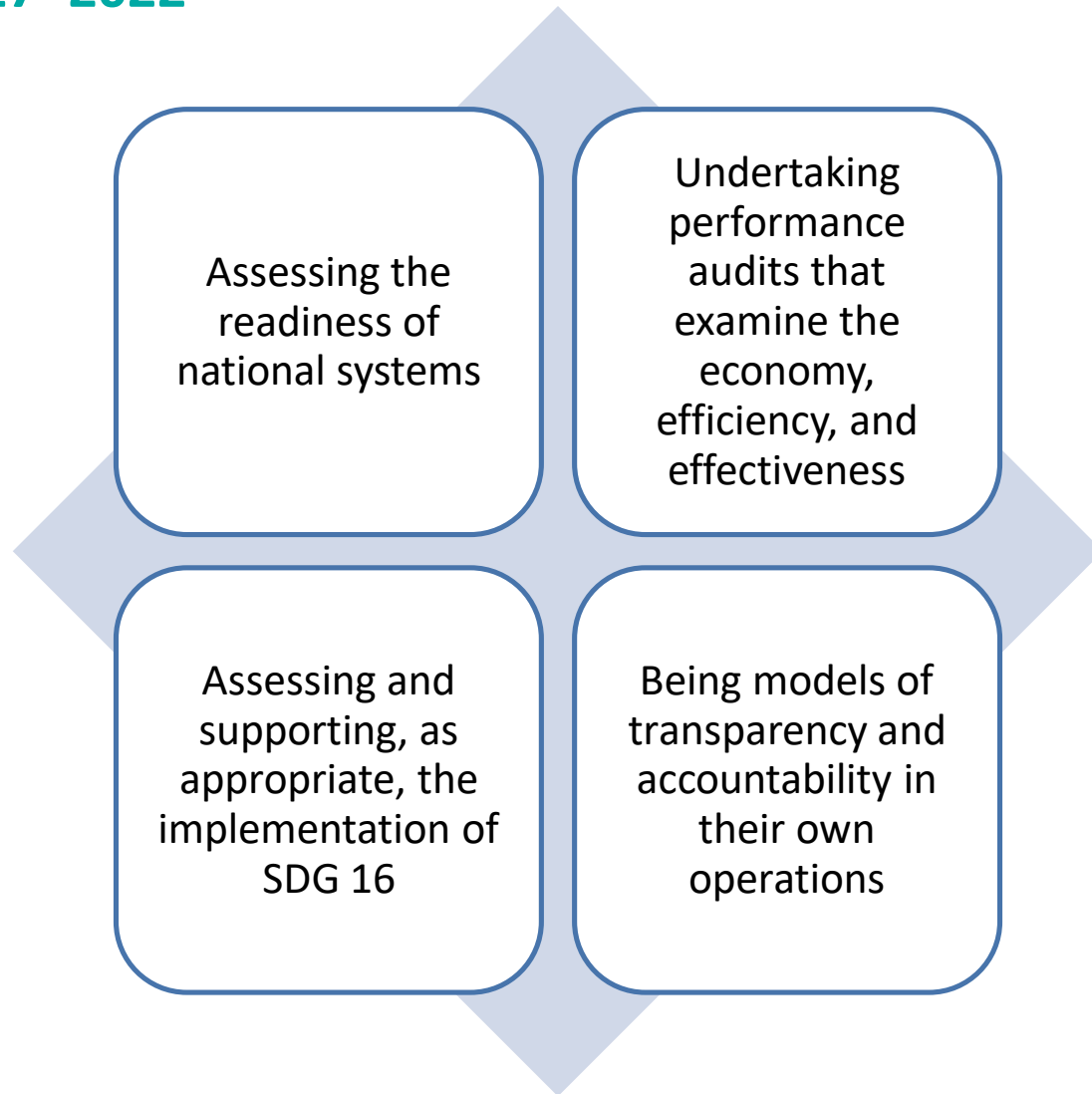
- ☐ the revenues from extractive industries can have an impact on reducing poverty (SDG1) and boosting shared prosperity, while respecting community needs and the environment.
- ☐ supplying access to affordable and reliable energy (SDG7) that enables economic activity and social development (SDG1;10;11);
- ☐ different environmental impacts such as on climate action and life on land and in water (SDGs 13, 14 and 15);
- ☐ economic development (generating direct and indirect jobs) (SDG8) and innovation (SDG 9);
- ☐ health and access to clean water (SDGs 3 and 6);
- ☐ infrastructure (SDG6 and 9);

Specific SDGs to consider (continue) >

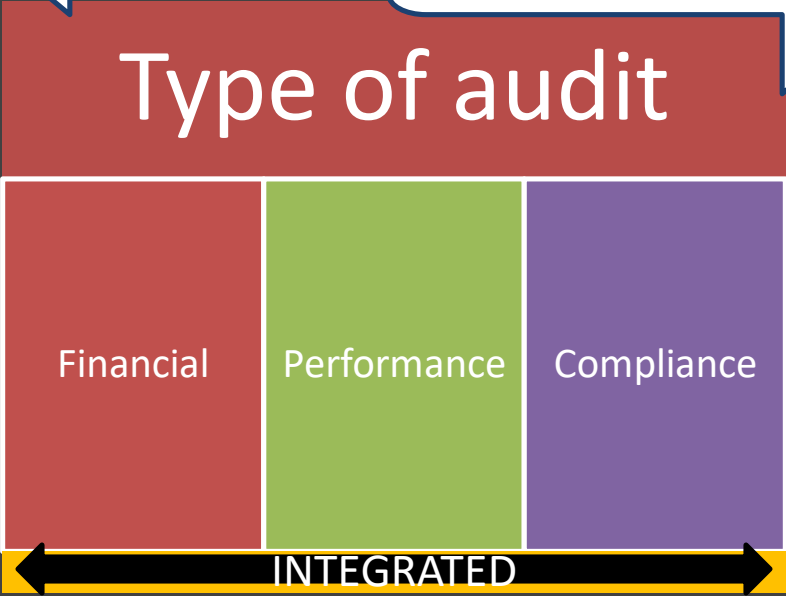
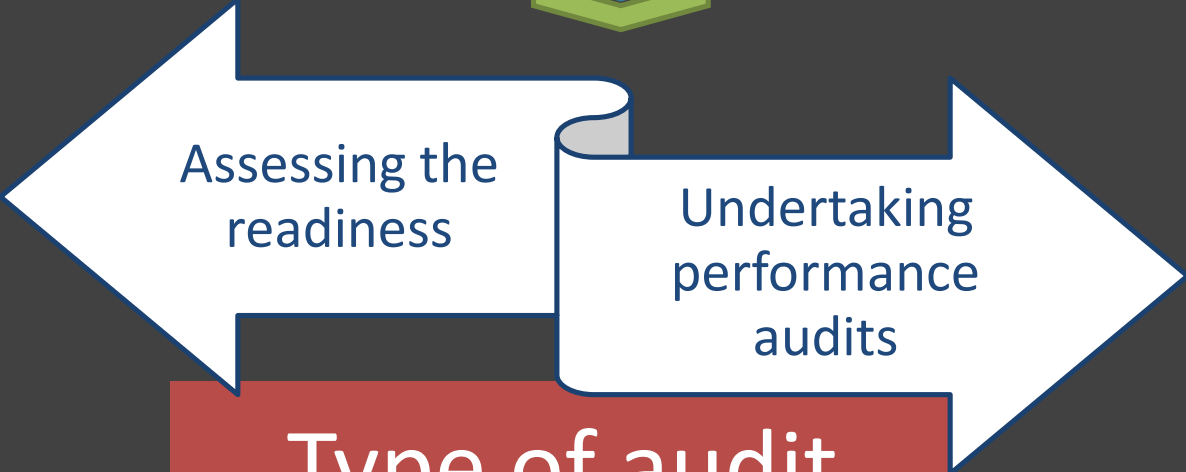
- ❑ contributing substantial tax and other types of revenue to governments (SDG 12;17)
- ❑ enabling development of advanced technologies and products through investment in research and development (SDG7);
- ❑ encouraging local content and entrepreneurship with associated capacity building benefits (SDG8);
- ❑ gender equality (SDG5);
- ❑ investing in the long-term social and economic success of the communities in which they operate (SDG crosscutting); and
- ❑ managing the impacts of its operations by emphasizing environmental protection (SDG6;7;13;14;15), health (SDG3) and safety (SDG16), and human rights (SDG10;).



How can SAIs and the WGEI contribute to the INTOSAI Strategic Plan for 2017–2022



SDGs linked to E.I. – what now?



THE AG's
ANNUAL
AUDITS
EXAMINE

3

AREAS:



1 FAIR PRESENTATION AND
ABSENCE OF SIGNIFICANT
MISSTATEMENTS IN
FINANCIAL STATEMENTS

2 RELIABLE AND CREDIBLE
PERFORMANCE
INFORMATION FOR
PREDETERMINED OBJECTIVES

3 COMPLIANCE WITH ALL
LAWS AND REGULATIONS
GOVERNING FINANCIAL
MATTERS

Accounting
for resources
spent



Determining
where to
direct
spending of
resources



Spending
resources
responsibly



Managing
state
resources



Accounting for resources spent

Accounting
for
resources
spent



- It is expected that auditees are able to produce financial statements that is free of material misstatements
- Decisions are made based on credible and reliable financial records during the financial year
- Officials entrusted with state resources should be held accountable against the quality of financial statements
- State resources should be safeguarded and maintained to avoid material losses
- All revenue due to the state should be collected and recorded



Determining where to direct spending of resources

- Auditees should align its programmes or objectives to the goals and outcomes determined by its mandate which should support the SDGs
- Indicators/ measures and targets should be useful and provide a clear direction where to channel state resources
- Targets should be reliable and presented in its annual performance report in order to keep official accountable for their performance.

Determining
where to
direct
spending of
resources



Spending resources responsibly

Spending
resources
responsibly



- Strong internal control environment consist of:
 - Leadership that sets the tone at the top
 - Daily and monthly controls are performed and monitored
 - Oversight structures that focuses on the things that matters and holds officials accountable
- Officials entrusted to spend state resources should do so responsible by conforming to legislation





Gender Equality (SDG 5) and extractive industries

- The Position Paper on Gender Justice and the Extractive Industries, March 2017; Oxfam International, states that *“There is growing recognition that persistent structural gender inequality within the extractive industries (EI) continues to undermine women’s rights and the development potential of the sector. Women face systemic discrimination in all phases of an extractive industries project and all along the EI value chain.”*



Mining and Gender Equality (SDG5)



Integration into Core Business

Offer equal opportunities for women

- Recruit more women
- Pay women and men equally
- Promote more women to visible leadership positions
- Adopt, where possible, flexible schedules for accommodating childcare

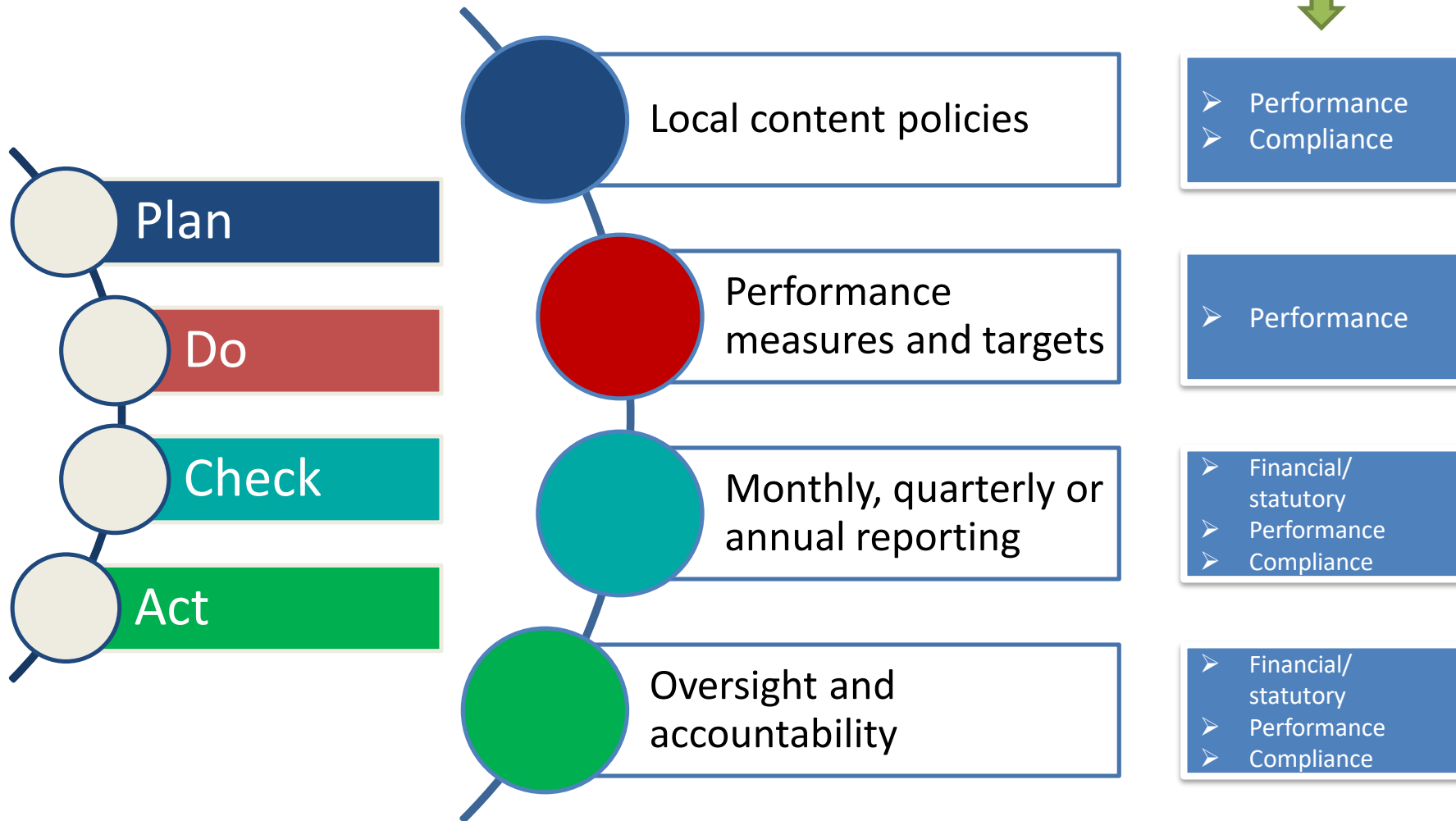
Practice gender inclusion across the business and project life-cycle

- Offer gender-specific PPE
- Provide gender-sensitive career development planning
- Incorporate perspectives of women, men, and children in community-related decisions
- Include men and women in negotiations

Collaboration and Leverage

- Make social investments gender-inclusive
- Offer educational scholarships for women
- Remain vigilant against gender-based violence
- Establish gender-sensitive grievance mechanisms
- Provide women's health monitoring

Gender Equality (SDG 5) and extractive industries (continue)



Cooperative audits



Cooperative audits

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 SAIs members of the organization.

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



Parallel/Concurrent Audit Mission

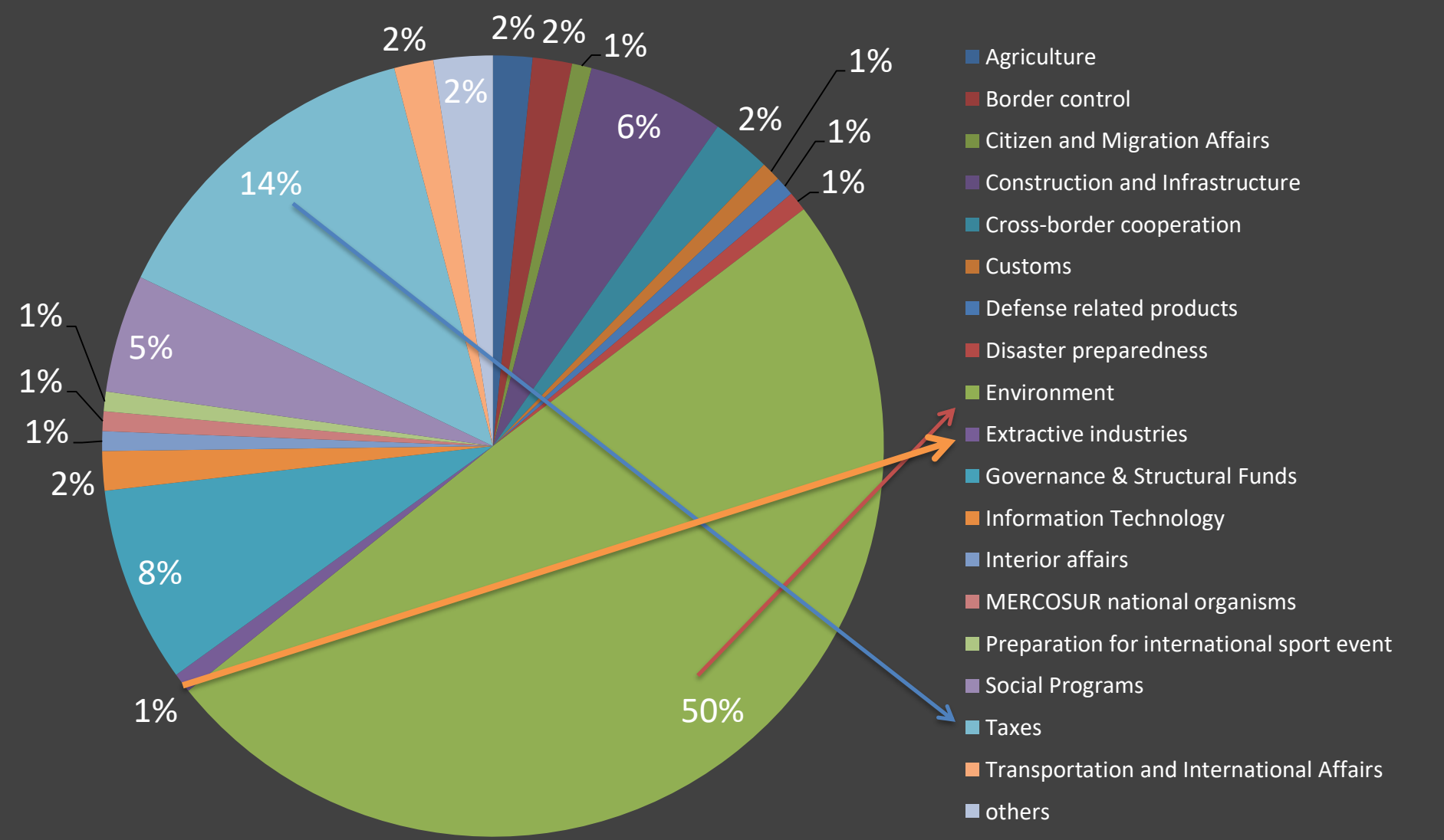


Joint Audit Mission



Coordinated Audit Mission

Current Cooperative audits



Current Cooperative audits in the E.I.

1. Current cooperative audits know that was conducted in the E.I.

Audit area	Participating SAIs	Audit title
Extractive Industries	SAI Colombia; SAI Brazil; SAI Peru	Coordinated Audit on Hydrocarbons (2013)
Extractive Industries	SAIs of Ghana, Kenya, Nigeria, South Africa, South Sudan, Tanzania and Uganda	National Content in the oil and gas sector (2014-15)

Appendix to ISSAI 5800



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COMMITMENT

Participants should not just bring knowledge of the sector but examples of observed risk in their own countries when gathering together to identify audit topics



A cooperative audit on a specific common topic should only be initiated if the topic is observed as high risk in all participating countries



Establishing common audit questions and a joint understanding of what type of data which must be collected to answer the audit questions is critical for developing common findings.

- Desire to address a problem statement of international scale or cross-boarder impact (ISSAI 5800.2.2.1)
- Benchmarking and development tool (ISSAI 5800.2.2)
- Relationships between countries (WGEA - Cooperation Between Supreme Audit Institutions: Tips and Examples for Cooperative Audits)
- SDGs (INTOSAI Strategic plan 2017-2022)

- Conduct of preliminary national studies and Compilation of results of previous (national) audits
- Design audit outline and time table/ action plan (ISSAI 5800.3.1)
- Skilled personnel and experts (WGEA - Cooperation Between Supreme Audit Institutions: Tips and Examples for Cooperative Audits)

- Upfront planning and Face to face engagements (WGEA - Cooperation Between Supreme Audit Institutions: Tips and Examples for Cooperative Audits)
- Type of audit (consultancy, mutual support, harmonization, joint audit) (ISSAI 5800.2.2.3)
- Consider confidentiality (ISSAI 5800.2.3)

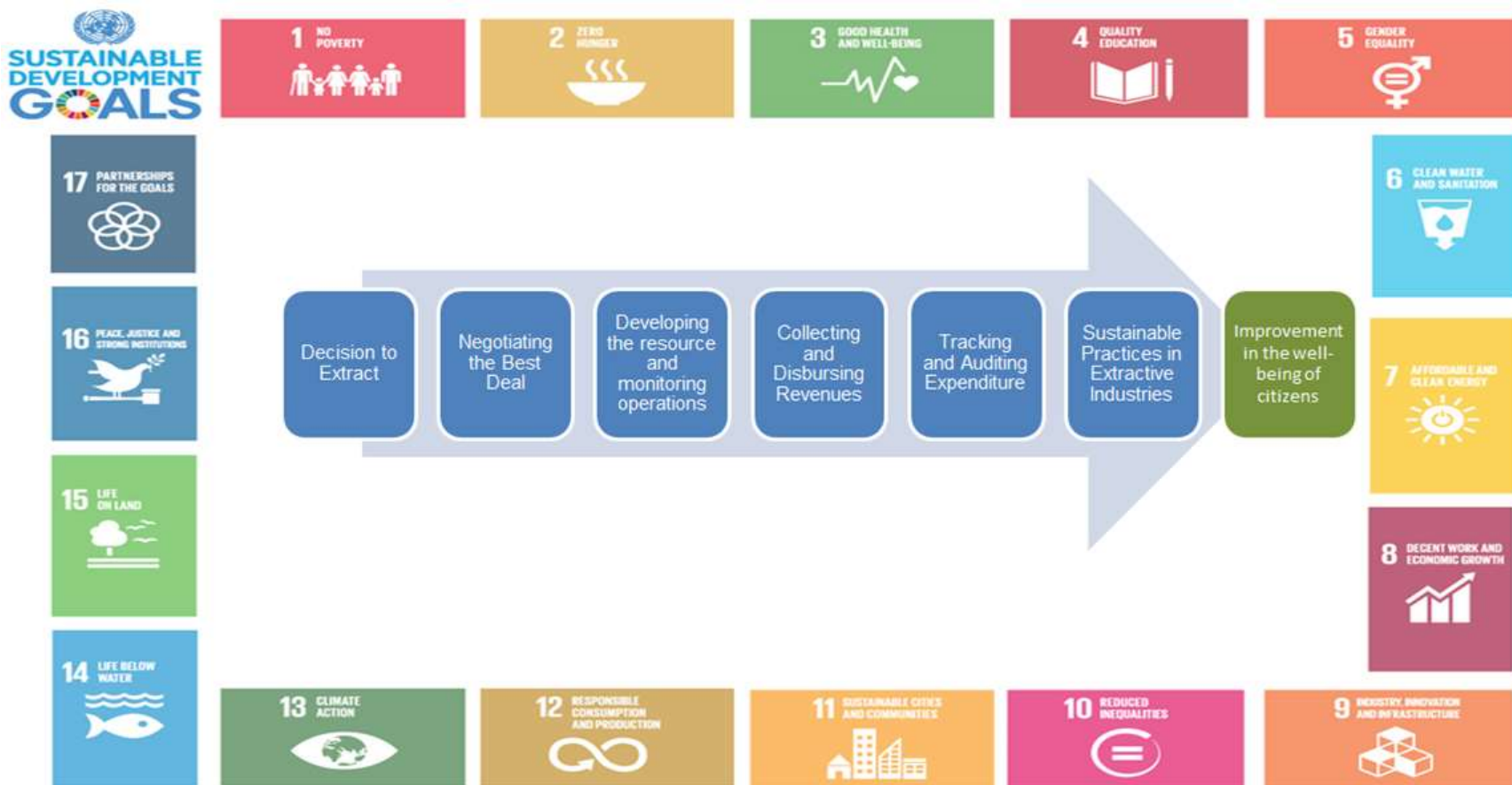
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Crafting an approach for 2017-19



Approach



The options for future audit topics in the area of extractive industries, linking with SDGs, are vast. Understanding the specific areas within an EI value chain will be key to identify possible audit topics, and will require additional research and refinement.

How to get in touch with the AGSA



www.agsa.co.za



Auditor-General of South Africa



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