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WORKING GROUP ON AUDIT OF EXTRACTIVE INDUSTRIES

Welcome to the sixteenth edition of the WGEI newsletter! In this edition of the newsletter, you can read about Closer collaboration between EITI and SAIs, How to conduct a “Lessons learned” – a practice note, Lessons learned from conducting a “Lessons Learned”, WGEI Workplan (2020-2022), WGEI Training Courses.

Have a nice read!

CLOSER COLLABORATION BETWEEN EITI AND SAIS

By Stefanie Grace G. Fernandez and Annicken Tvenge, OAG Norway

Article from the EITI-SAI workshop 14-15 October 2019 in Addis Ababa (Ethiopia)

In October 2019, a workshop was organised in Ethiopia between the Extractive Industries Transparency Initiative (EITI) and several African SAIs. The representatives from EITI were National Coordinators and members of the countries' Multi-Stakeholder Groups, often representatives from

government and civil society, in addition to representatives from the EITI secretariat. The SAI representatives came from Ethiopia, Ghana, Malawi, Mozambique, Seychelles, Sierra Leone, Uganda, Zambia and Zimbabwe.



EITI's Secretary General Mark Robinson addresses the audience

Why an EITI-SAI workshop?

EITI is a global standard for promoting transparent and accountable governance of oil, gas and mineral resources. Like SAIs, EITI works for accountability, transparency and good governance. During the workshop, the term «accountability partners» was used for EITI and the SAIs. The EITI reconciliation process involves comparing what the government says it received in taxes from petroleum and mining companies, with what the companies say they paid. In this reconciliation, the SAIs have a central role to play. Over the last couple of years, SAIs have been more involved in EITI events, with various SAIs participating at EITI's global conferences in Lima (2016) and Paris (2019) and other EITI events. Relations between national EITI offices and SAIs have also increased, bilaterally and in connection with meetings under the auspices of WGEI and others.

What happened at the workshop?

The workshop consisted of two parts. The first part involved understanding the role of SAIs and EITI in improving the oversight of the extractives industries, while the second part dealt with exploring the opportunities for EITI-SAI engagement.

Understanding the role of SAIs and EITI in extractive industries

AFROSAI-E first presented on the SAIs' role, mandate and limitations in auditing the extractive industries. The EITI secretariat then went through some of the history and the objective of the EITI standard as well as the vision for developing the standard. They expressed that the intention from the beginning was to work more closely with SAIs. However, with a few exceptions this did not become the norm. For EITI, a closer collaboration with SAIs is a natural part of moving away from developing reports towards a more

systematic disclosure of data. Moreover, EITI intends to move away from reporting on payments, towards looking at whether the right amounts are paid, where SAls could play an important role.

The SAls of Sierra Leone and Uganda respectively presented the audits they have carried out in the sector and the main findings. Both SAls have obtained a rather extensive audit experience in the extractive industries. SAI Zambia also shared their experiences in working with EITI in Zambia (ZEITI).



Edmond Shoko from AFROSAI-E presented on how SAls audit the EI sector. Here with a comment from a representative of Tanzania's civil society. Sitting next to him is the former Auditor General of Tanzania Ludovick Utouh, now TEITI Chairman.

In order to explore the links between the EITI process and the SAls' audit of the EI sector, the participants at the workshop mapped the role of EITI and SAls in each step of the EI value chain, and identified possible synergies and gaps in each step. It became evident that although the EITI process and the SAls' audit often look at the same issues, their approach is different and they use the information and findings differently. While the EITI requirement involves looking at all income/payments, the SAls carry out risk and materiality based assessments and approaches for selecting, and go more into depth. Furthermore, while EITI relies on the companies' own reporting to a large degree, and have to accept the information at

face value, the SAls focus more on the quality of the information given, how data is managed, validity, processes and systems. It soon became clear that what initially looked like duplication of work by EITI and SAls in reality is complementary work.

During the workshop, the participants also discussed the possibility for SAls to increasingly take the role of the Independent Administrator that is recruited today in order to carry out the reconciliation between the tax revenues received by the government from extractive industries and the companies' paid taxes in the sector.



The participants were divided in groups in order to discuss the links between the EITI process and the SAIs' work on the various steps of the EITI value chain, before presenting them to the plenary

Exploring the opportunities for EITI-SAI engagement.

Whereas day 1 was about getting to know each other better, day 2 was about exploring the opportunities for EITI-SAI engagement. The participants discussed the opportunities for SAIs to draw on EITI implementation in their work and the potential for SAIs to support EITI in improving the reliability of information from the government.

It became clear that some SAIs today support the national EITI groups with for example technical expertise and certification of government reports. Some of the different ways of EITI-SAI engagement identified were: 1) to share and coordinate work plans between EITI and the SAIs, 2) to collaborate on methodology and scoping, 3) using the EITI reports and recommendations in the SAIs' risk assessments and choice of audit topics, 4) sharing data where access is limited, and 5) working together with civil

society and media in order to gather information and to disseminate EITI and SAI reports.

Now what?

The workshop was highly appreciated by the participants. Particularly the discussions, experience sharing and practical examples were appreciated. The participants came to Ethiopia with different needs, questions and challenges, and it was clear that they felt that they had come a bit further at the end of the two days.

In addition to the regular follow-up of the national EITI representatives, EITI will now consider organising similar workshops with SAIs in other regions, in collaboration with INTOSAI bodies such as AFROSAI-E and WGEI.

Those who want to read more about what EITI has reported from the workshop can have a look at [this page](#) and [this page](#).

HOW TO CONDUCT A “LESSONS LEARNED” – A PRACTICE NOTE

By SAI Norway and Uganda

1 Introduction

This practice note outlines the methodology of how SAI Uganda and SAI Norway undertook the work to compile “Lessons learned on building extractive industries audit capacity” ([access here](#)). The note may assist other SAIs and development partners that consider undertaking a similar exercise in extractive industries (EI) or other audit areas.

The lessons learned exercise served a two-fold purpose:

- Internal learning within SAI Uganda and SAI Norway
- External learning involving several different stakeholders

A lessons learned exercise is not to be regarded as replacing an evaluation or organisational review, nor a SAI PMF report or a SAI Status and Needs Report or any other existing global SAI tools. We propose to regard it as an approach for organisational reflection on achievements and challenges in audit and related services¹ over a certain, limited period of time – preferably confined to one specific field of audit/programme/cooperation. It is also a means to collect external stakeholders’ views on the specific audit work carried out in the field assessed, and to get insights on how the stakeholders view the dialogue with the SAI, and how this dialogue may change over time. This type of exercise gives a SAI an opportunity to explore stakeholders’ views to a greater depth than a brief user survey or a formal dialogue throughout the audit process would entail.

Moreover, it is important to consider that the process – in terms of intra-organisational and stakeholders’ reflections and the collection of these – is as important as the outcome in terms of producing a final report. Hence, the documented lessons learned should be presented as a brief, reader-friendly document that can be widely and easily shared. Keeping the final product brief and to the point makes it easier to complete it within a limited period of time.

There are several spin offs to the lessons learned exercise, and as such, the exercise could be regarded as a tool initiating activity for a SAI to set off more comprehensive internal processes to address ongoing challenges.

2 Methodology

The scope of the lessons learned exercise was to document the lessons learned in the build-up of EI audit capacity in a developing SAI. SAI Uganda and SAI Norway (referred to as the LL team) jointly developed Terms of Reference (TOR) for the exercise and an inception report that laid out the methodology, including the specific questions to be posed to interviewees and in focus groups. AFROSAI-E and IDI provided support to the team – in commenting upon the inception report, the data guides, and the draft lessons learned note.

In addition, SAI Myanmar, SAI Sierra Leone and SAI Kenya were asked to be a reference group. Their task was delimited to reviewing the draft note – reviewing whether the note captured relevant lessons learned from their perspective.

The main methods of data collection applied in the study were:

- Focus groups
- Interviews
- Document analysis of key documents

The LL team envisaged that the lessons learned were most likely to be identified through engaging with the staff involved in the audit work and some key external stakeholders. Thus, the team spent most time on collecting data through focus group meetings and interviews with staff in SAI Uganda and SAI Norway, and external stakeholders.

Focus groups:

The team organised focus groups with staff from SAI Uganda and SAI Norway. (see methodology note for details) There are two main advantages of this approach to conducting focus groups: a) everyone

contributes (on notes) their perspectives prior to the joint discussion, and b) all participants have to share their perspectives.²

Interviews:

The team conducted nine interviews with external stakeholders, three with SAI Uganda management level staff and two with SAI Norway staff. Interviews with SAI Uganda and SAI Norway staff were a supplement to the focus groups, as not everyone was available at the time of the focus group discussions. The themes and questions for these interviews were the same as for the focus groups (see next section for themes). In developing the TOR, SAI Uganda and SAI Norway jointly identified most of the external stakeholders to be interviewed. SAI Uganda supplemented the list with a few additional entities in the process of preparing for the work. The stakeholders represented various, relevant entities, including government audited entities at various levels (ministries, agencies, state owned companies), an international oil company (IOC), civil society organisations and development partners. In order to limit the exercise, the team only interviewed one IOC and one development partner.

The interviews with external stakeholders centred on the following topics:

- Engagement with SAI Uganda
- Relevance and added value of SAI Uganda in auditing the extractive industries sector

-Benefits and challenges for the audited entity from the SAI's work

- Impact/added value of the SAI in terms of contributing to changes in legislation or policy and/or changes in work and practices of audited entities
- SAI Uganda's contribution to societal changes/making a difference to the lives of citizens (ISSAI 12).

The team asked the stakeholders to identify any outstanding risks/scope/other challenges within EI that SAI Uganda should look into. In all interviews, the team asked stakeholders to specify which audits the statements they made referred to, if relevant. SAI Uganda, moreover, then identified supporting relevant material, such as newspaper articles and other types of documentation – including findings from follow up audits SAI Uganda has undertaken (see note on “Examples of added value”).

Document review:

The team reviewed SAI Uganda's two Energy/EI strategies and information from these documents supplemented the information rendered in focus groups and interviews within OAGU. Moreover, the team looked at audit reports and supporting documents that external stakeholders and focus group participants highlighted as examples of added value. With support from staff involved in these audits, the team documented these examples in the note “Examples of added value”.

¹ Corporate services, HRM & professional staff development, Communication and stakeholder management, other core services. (SAI Strategic Management Framework, IDI).

² In focus groups that only include discussions, there is a risk that not all participants will share their views, and also, that participants are influenced by other participants' views from the start, hampering the opportunity of gathering different perspectives on the subject matter at hand.

LESSONS LEARNED FROM CONDUCTING A “LESSONS LEARNED”

By SAls Norway and Uganda

In this short note, SAI Uganda and SAI Norway share some learning points from conducting a “Lessons learned on building extractive industries audit capacity” exercise, which may assist other SAls and development partners that consider undertaking a similar exercise in extractive industries (EI) or other audit areas. For more details on the methodological approach, see the separate note on methodology. This note includes general lessons learned and some specific lessons learned confined to the various data collection methods used, such as interviews and focus group discussions.

1. General lessons learned

- A simple tool for learning and reflection on audit practice and related organisational processes – for the entire SAI or within one specific sector/area of audits – however, only to be regarded as a *supplement* to regular peer reviews, SAI PMF assessments, or other available tools
- Enables the SAI to reflect upon its’ own practice in a bottom-up and top-down process at the same time
 - Enables staff to reflect upon audit practice and related organisational processes over time together
 - Enables management to reflect upon strategic choices and practices
 - Enables internal learning among staff and management through reflection on a SAI’s practices and working processes involved in conducting audits within a specific field
- Enables the SAI to collect external stakeholders’ perspectives on:
 - Their experiences from dialogue/communication with the SAI throughout the audit cycle
 - Their reflections on relevance of findings and recommendations
 - Their reflections on areas of improvement for the SAI
 - Their identification of risks that the SAI has not audited, or new/appearing risks which the SAI should consider in future risk assessment
- Engaging with external stakeholders is an opportunity to increase awareness and knowledge about the SAI’s reports and its work
- A LL exercise does not require a lot of time or planning to undertake and can be part of the annual evaluation/outreach to the audited entities after finalisation of an audit.
- There are several potential spinoffs from undertaking a lessons learned exercise:
 - Results may be included in strategic discussions and internal planning processes at various levels and across departments. For instance, lessons regarding staff development and team stability would require involvement across human resources and audit departments.
 - Collecting examples of added value from the SAI’s reports may be useful for the presentation of results/impact in the SAI’s annual performance report.
 - It serves as a tool for the SAI to assess the relevance and effectiveness of its recommendations in previous audits – which may assist in improving recommendations in future audits.
 - Stakeholders’ input through interviews may feed into the work on follow up audits, as it provides an update on recommendations implemented by audited entities.
 - A lessons learned exercise may provide useful insights for other SAls, external stakeholders

such as civil society organisations and development partners who work in the same field or are currently considering undertaking audits within the respective field.

2. Specific lessons learned on methods utilised and practical work

Lessons related to the process and approach

- The team shared the inception report that laid out the methodology and questions for the focus groups and interviews with SAI Uganda and SAI Norway staff – as a means to inform and prepare them for the LL exercise.
- The team carried out the exercise as planned in the inception report and Terms of Reference, with a few exceptions and changes made as data collection was undertaken. The changes the team made were due to continuous review of data collected through focus groups and interviews, and to timing and availability of some interviewees.
One change made was to give more attention/time to receive input on examples of “added value” from SAI Uganda’s work in interviews. This change evolved gradually, as interviewees pointed to such examples, and as making them reflect upon examples made the engagement between themselves and SAI Uganda and added value more tangible to describe. Subsequently, the team decided to include a section on “added value” in the lessons learned note.
Another change made was that the team conducted two of the interviews with management after the presentation of preliminary findings to top management, due to availability and timing of other meetings. The presentation of preliminary findings, moreover, took place in two different meetings, one with staff and one with top-level management, within a two days interval, which enabled the team to adjust some findings in between the meetings.
- The support provided by external resource persons was delimited and broken down to specific tasks and products upon which these would provide comments.

Lessons related to interviews with external stakeholders:

- External stakeholder meetings gave SAI Uganda an opportunity to interact with relevant external stakeholders, and hence demonstrate the SAI’s added value related to its work within the field of EI.

- SAI Uganda got valuable feedback from external stakeholders through the interviews.
- The team briefed external stakeholders on the purpose and objective of the exercise and the questions to be posed when SAI Uganda made first contact to set up interviews with them.
- The team shared summaries of the interviews with the external stakeholders to give them an opportunity to verify information. The team only received comments from a few of the stakeholders.
- In sharing summaries, the stakeholders were encouraged to include more examples of lessons learned from interacting with SAI Uganda and other types of input (e.g., challenges for SAI Uganda from the stakeholder’s perspective). Only one stakeholder reverted back to the team with examples. SAI Uganda supplemented these examples with details from the audit reports and follow up by Parliament (e.g. bills passed, other actions taken, see note on added value).

Lessons related to focus groups and interviews within SAI Uganda and SAI Norway:

- Four focus groups among SAI Uganda staff, with four to six participants in each group, was sufficient and allowed for contribution by all participants in the discussions.
- The composition of focus groups was carefully considered. All apart from one focus group was confined to directorates in this exercise.³
- Focus groups took about two hours to complete. Management staff who did not have time to participate were interviewed separately.
- At the start of every focus group, the team repeated the methodology and questions to be discussed.
- Focus groups enabled participants to reflect upon the work conducted over time.
- Focus groups brought out internal challenges (e.g., staff turnover).
- An interview with top management after the team’s presentation of preliminary findings to them gave an opportunity for management to supplement and comment more in detail on these findings.

¹ The focus group that involved staff from different departments included support staff (HR, communication, WGEI, Parliamentary liaison office)

WGEI WORKPLAN 2020 - 2022

By Sheilla Ngira, Coordinator WGEI CoP/ SAI Uganda

WGEI successfully concluded its Workplan for the period (2017 – 2019). A key achievement during this period was the development of products which include:

- Briefing note on the role of SAIs in the governance of extractive industries
- Training framework for the audit of extractive industries
- Extractive industries auditor toolkit
- Framework of government auditing standards for oil companies under service contracts.

We are grateful to all the member SAIs and stakeholders who contributed to the success of the Workplan.

WGEI is now implementing a new Workplan for the period 2020 – 2022 (access here). This Workplan builds on the achievements of the previous period, and focuses on five major themes, namely: Fiscal Regimes, Illicit Financial Flows, Audit of Sustainable

Development Goals, Risk Assessment along the value chain and Extractive Industry Audit Strategy. These are complex areas in Extractive Industries which members desire to gain more knowledge of. The themes will be explored by executing the five activities in the Workplan, these are:

1. WGEI Administration
2. Information sharing in Extractive Industries
3. Organise and facilitate training and workshops based on SAI needs
4. Experience sharing among SAIs
5. Networking with Key external stakeholders

An area of keen interest in this Workplan is undertaking research in Extractive Industries; we welcome discussion and ideas on this matter.

We encourage members to actively participate in implementing this Workplan in order to share and foster the growth of knowledge in the audit of Extractive Industries.

WGEI TRAINING COURSES

By Sheilla Ngira, Coordinator WGEI CoP/ SAI Uganda

Following the endorsement of the Training Framework for the Audit of Extractive Industries at the XXIII INCOSAI, the Working Group on Audit of Extractive Industries (WGEI) is organising a series of training courses planned for 2020. The first two courses will take place in Pretoria, South Africa and Jaipur, India.

The course in Pretoria will be conducted at the **AFROSAI-E offices from 3rd to 7th February 2020** and focus on **understanding and auditing management of production sharing agreements (PSAs)**. The course will cover the following topics:

1. Understanding production sharing agreements/contracts (PSAs)

- 1.1 What is a PSA?
- 1.2. Identifying parties and regulatory provisions

- 1.3. Financial provisions and production disposition
- 1.4. Cost recovery, production sharing, rentals, bonuses and royalties
- 1.5. Legal and non-operational matters
- 1.6. Organisational and cooperative matters

2. Principles of good governance

3. Identify risks

This course is most relevant to SAIs in countries that use production sharing agreements. Interested participants should register through the link: <https://forms.gle/YiNa2tgFmDJYDjEf7>

The course in Jaipur will be conducted at the **International Centre for Environment Audit and Sustainable Development (iCED) from 16th to 28th March 2020** and will cover three modules from the Training Framework on Audit of Extractive Industries. The modules to be covered are:

1. Module 1 - An Overview of the Extractive Industries which will include:

- Introduction of the Extractive Industries (EI)
- Value chain and Regulations
- Key players in the EI
- The role of SAls in EI
- EI and SDG's

2. Module 8 - Audit of environment and sustainable development issues in Extractive Industries Sector which will include:

- Environmental and Social Issues in EI and its Audits
- Audit of Environmental Clearance and Environment Management in EI
- Sustainability Initiatives in EI

- EITI, Emissions Reporting, Sustainability Reporting and Environment
- Choosing and Designing Audit of EI

3. Module 9 - Audit of Extractive Industries in digital environment which will include:

- Basic Understanding of Business Automation and ERP Systems including Geo-informatics
- Challenges and opportunities for Audit in ERP environment
- Audit Planning in ERP environment
- Introduction to Data analytics techniques and data analytics software including techniques of sampling
- Use of Data analytics in Audit

Interested participants should fill out the nomination form which can be accessed at the iCED website www.iced.cag.gov.in and the WGEI website [link here](#) and email it to Mr. Pushkar Kumar at iced@cag.gov.in with a copy to icedjaipur@gmail.com and wgei@oag.go.ug by **10th January 2020**.