SAI UGANDA EXPERIENCES IN THE AUDIT OF EXtractive INDUSTRIES

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OFFICE OF THE AUDITOR
PRESENTATION OUTLINE

- Audit Mandate
- Legislative framework of the EIs
- Audit universe in the EIs
- Organizational set up of EI audits within SAI (U)
- Audits Completed
- Other achievements
- Challenges
- Way forward
AUDIT MANDATE

• Article 163 of the Constitution of the Republic of Uganda.
• The National Audit Act (2008)
• Production Sharing Agreements (PSAs), Concession Agreements, Public Private Partnerships (PPPs),
• Public Finance and Accountability Act (PFAA) and other relevant legislation
LEGISLATIVE FRAMEWORK IN THE EI

- Oil and Gas Revenue Management Policy, 2012
- The Petroleum Supply (general) regulations, 2009
- The Production Sharing Agreements (PSAs)
- Income Tax Act 1997 (as amended)
REGULATORY FRAMEWORK CONTINUED

- VAT Act 1996 (as amended)
- The Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013
- The Petroleum (Exploration, Development and Production) Act 2013
- National Environment Act, 1995
- The Mining Act 2003
- The Mining Regulations 2004
AUDIT UNIVERSE IN THE EIs

ENTITY

• RESPONSIBILITY & AUDIT ARRANGEMENTS

MEMD

• Sector head responsible for overall policy direction and planning

MOFPED

• Responsible for the overall oil revenue management aspects in liaison with URA, BOU & MOJCA

BOU

• To maintain the petroleum Fund & advice to government on impact of oil revenue on the national economy

URA

• Management of the new petroleum taxation regime
<table>
<thead>
<tr>
<th>ENTITY</th>
<th>RESPONSIBILITY &amp; AUDIT ARRANGEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOJCA</td>
<td>• To provide legal advice and legal services including formulating &amp; drafting petroleum legislation, policy, licensing &amp; any other negotiations</td>
</tr>
<tr>
<td>NEMA</td>
<td>• Responsible for ensuring that all environmental laws &amp; regulations are adhered to by all actors in the sub sector.</td>
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<tr>
<td>Uganda Wildlife Authority</td>
<td>• The vast areas in the Albertine Graben where oil has been discovered are under National Parks that are managed by UWA</td>
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<tr>
<td>Auditor General of Uganda</td>
<td>• To audit &amp; report to parliament on all the public entities involved in the sector</td>
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## AUDITS COMPLETED

<table>
<thead>
<tr>
<th>Company name</th>
<th>E. A</th>
<th>Period</th>
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</thead>
<tbody>
<tr>
<td>Heritage Oil &amp; Gas Ltd</td>
<td>3A</td>
<td>8/9/04 to 30/10/06</td>
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<tr>
<td>Hardman Petroleum Resources Ltd (Now Tullow (U) Limited)</td>
<td>2</td>
<td>8/10/01 to 30/10/06</td>
</tr>
<tr>
<td>Heritage Oil &amp; Gas Ltd</td>
<td>1</td>
<td>31/10/04 to 31/12/08</td>
</tr>
<tr>
<td>Tullow (U) Ltd</td>
<td>2</td>
<td>31/10/06 to 31/12/08</td>
</tr>
<tr>
<td>Heritage Oil &amp; Gas Ltd</td>
<td>3A</td>
<td>1/11/06 to 31/12/08</td>
</tr>
<tr>
<td>Dominion (U) Ltd</td>
<td>4B</td>
<td>27/7/07 to 31/12/08</td>
</tr>
<tr>
<td>Neptune Petroleum (U) Ltd</td>
<td>5</td>
<td>27/9/05 to 31/12/08</td>
</tr>
<tr>
<td>Heritage Oil &amp; Gas Ltd (Report finalisation)</td>
<td>1 &amp; 3A</td>
<td>1/1/09 to 31/7/10</td>
</tr>
<tr>
<td>Tullow (U) Ltd (Field work in progress)</td>
<td>1 &amp; 3A</td>
<td>1/8/10 to 31/12/10</td>
</tr>
<tr>
<td>Tullow (U) Ltd (MLs issued)</td>
<td>2</td>
<td>1/01/10 to 31/12/11</td>
</tr>
<tr>
<td>Regulation and Monitoring of drilling waste management in the Albertine Graben by NEMA</td>
<td>Albertine Graben</td>
<td>2013</td>
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</table>
OTHER ACHIEVEMENTS

- A 3 year formal Collaboration with SAI(Norway)
- Seven PSA review reports completed and submitted to Parliament
- Six reviews are currently in progress
- 3 staff have attained Masters degree in Oil and gas Accounting
2 staff currently undertaking masters degrees in Oil and Gas disciplines
3 staff to commence masters program in September 2014
24 staff have undertaken certificate courses in Petroleum audit and accounting areas.
CHALLENGES

- Technical complexity of the sector.
- Limited technical expertise for audit of some areas e.g. Transfer Pricing, Time writing costs and operations of refinery.
- Lack of adequate international standards in the audit of the sector.
CHALLENGES CONTINUED

- Confidential nature of the agreements.
- Delays in submission of documents for audit.
WAY FORWARD

- Customization of AFROSAI-E Extractive industries Guidelines to meet SAI requirements.
- Capacity Building of SAI (U) staff: short term and long term courses.
• Sensitization of Parliamentary Oversight committee members on the audit process of extractive industries.

• Continued cooperation with other SAIs with experience in Extractive industries.
THANK YOU