THE 3×RD MEETING OF INTERNATIONAL ORGANISATION OF SUPREME AUDIT INSTITUTIONS - WORKING GROUP ON AUDIT OF EXTRACTIVE INDUSTRIES (INTOSAI-WGEI)

KEY NOTE ADDRESS BY:

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I am pleased to join you today on behalf of the United Nations Development Programme Kenya; and UNDP Kenya is pleased to be part of this important 3rd Annual Conference of the INTOSAI - Working Group on Extractives (WGEI).

Background
Notably, the International Organization of Supreme Audit Institutions (INTOSAI) is the professional organization of Supreme Audit Institutions (SAI) in countries that belong to the United Nations (UN) or its specialized agencies. This is the recognized international body representing Supreme Audit Institutions.

These Institutions play a major role in auditing government accounts and operations and in promoting sound financial management and overall accountability in their governments. INTOSAI therefore provides a forum for government auditors from around the world to discuss issues of mutual concern and keep abreast of the latest developments in auditing and other applicable professional standards and best practices. In keeping with these objectives, INTOSAI’s motto is “Mutual Experience Benefits All.”

Ladies and gentlemen:
Audit of Extractive Industries has received increased attention in the past years, both within the INTOSAI community and in other international fora. It is agreed that strong and effective Supreme Audit Institutions can contribute to better and more transparent oversight of Extractive Industries and this would help to ensure that governments manage natural resources in the best interest of the public.
Currently a number of initiatives are underway to strengthen SAI’s ability to fulfill this function. At the same time, several stakeholders have made a strong call for more systematic compilation of the many experiences, tools and lessons held by different SAIs and partners, and a more formal platform for advancing this field of work in a coordinated way.

In October 2012, the Steering Committee of the International Organization of Supreme Audit Institutions (INTOSAI) Donor Cooperation mandated the INTOSAI-Donor Secretariat to conduct a survey on Supreme Audit Institutions involvement in the governance of Extractive Industries. As you may be aware, this survey outlined many issues in auditing extractive industries. Key amongst these include:

- technical complexity of the Extractive Industries,
- lack of knowledge of business processes,
- the governance set up and associated risks,
- the need for capacity building and retention of specialized staff and
- Mandate limitations.

In this regard the Working Group on Audit of Extractive Industries was established at the XXI Conference of Supreme Audit Institutions held in Beijing China, in October 2013 assigning SAI Uganda as its Chair. The main objective for establishing the new Working group was to; “promote audit of extractive industries within the INTOSAI community in order to support good governance and sustainable development for the UN post 2015 agenda, “now Sustainable Development Goals.

For the oil and gas sector; INTOSAI has so far managed to:

- Establish the Extractive Industry Working Group which now has 36 countries as members coordinated by a functioning secretariat in Uganda with three fulltime staff;
- Assist in promoting transparency, accountability and value creation in the Extractive Industry in the various member countries;
- Enhance the Supreme Audit Institutions’ ability to undertake audits in the sector which is making a difference in the lives of the citizens in the various member countries.
• Increase awareness on the role of SAIs in the sector by creating a forum for sharing knowledge and SAIs outputs in Extractive Industries in various member countries among stakeholders and even outside Audit Offices.

• Promoting of research and providing guidance in the audit of extractive industries. To this end, I am informed that the published research papers and guidelines are now being accessed by SAIs and non SAIs.

The scope of the Working Group on Audit of Extractive Industry covers oil, gas and solid minerals. This Working Group held its first meeting in Kampala, Uganda 25-27 August 2014 and with a slim secretariat of 3 full time staff, the Working Group has so far managed to:

• Ensure better understanding and knowledge of the extractive industry by SAIs.
• Share best practices and guidance developed between SAIs through the website and meeting platforms created.
• Enhance ability of SAIs’ to undertake audits in the industry which can make a difference in the lives of the citizens. More quality audits are now being undertaken in the complex fields of Extractive Industries’ and its value chain including Social and environmental impacts of extractive industries.
• Support SAIs in developing strategies to audit in this complex sector
• Increase awareness on the role of SAIs in the Industry by other stakeholders including Country governments, the media and Civil Society organizations.
• Increase benchmarking between SAIs and peer review in the oil and gas sector.

UNDP notes with appreciation that the Working Group on Extractive Industries similar holds a conference every year; and member countries meet to share experiences in audits conducted. As you are all aware, this year’s conference is being hosted by the Office of the Auditor – General, Kenya.

**Importance of WGEI’s Mandate**

1. **Ensures appropriate constitutional or legal framework:** This calls for a comprehensive audit mandate and unlimited access to information and allows for the unrestricted publication of SAI reports. This provides organizational and financial independence because only fully independent and professional SAIs can ensure accountability, transparency, good governance, and the sound utilization of public funds as well as efficient efforts against corruption. It is therefore important that the independence of SAIs in functional, organizational, and staffing terms, is guaranteed for effective governmental audit.
2. **Improve performance by supporting stakeholders including Country governments, the media and Civil Society organizations to ensure that countries have effective mineral policy and regulatory designs.** The importance of developing and or reviewing policies and regulations is to ensure to ensure that the country’s resources are exploited and managed in a transparent manner that benefits all its Citizens; to provide legal bases for evaluating performance by all players in the industry and monitoring progress and to provide opportunity to incorporate aspirations of national citizens especially during formulation of policy framework which is necessary for the citizens to take ownership of this key public resource and reduce citizens’ expectation gaps. UNDP Kenya have been working closely with the Ministry of Mining in Kenya in supporting this course. Currently a new Mining Act was enacted this year and 16 regulations guiding the Mining Sector are currently being developed.

3. **Strengthen the accountability, transparency and integrity of government and public sector entities:** This is facilitated by carrying out audits to ensure that government and public sector entities are held accountable for their stewardship over, and use of, public resources; enabling those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action and reporting on audit results; and thereby enabling the public to hold government and public sector entities accountable. Others include promotion of public trust, fostering the efficient and effective receipt and use of public resources for the benefit of the citizens.

**Challenges and Gaps**

1. In spite of the fact that this Working Group has a lean and young structure, there have been substantial achievements. The secretariat is slim (3 full time staff) implying that advances can only be reached with certain patience. The main bulk of members hails from Anglophone Africa, and there is need to attract more members from Asia, Latin America as well as Francophone Africa.

2. There is still limited technical capacity of SAIs in the audit of extractive industries which are highly complex and requires high technical skills to audit.

3. Some countries still do not have enabling legislation that can allow SAIs access to needed oil and gas information for audit to enable them come up with good and implementable audit recommendations which can improve services to citizens.
4. There is difficulty in some countries, to retain well trained specialized staff in SAIs to continue audit of oil and gas sector arising from competing opportunities for them out in the economy

5. Some countries have limited mandate for their SAIs to audit extractive Industries.

**UNDP’s Interventions**

**Ladies and Gentlemen;**

It is worth noting that in 2013, under the auspices of the UNDP Global Programme for Extractive Industries and the UNDP Regional Africa Programme for Extractive Industries, UNDP Kenya developed the “Extractive Industries for Sustainable Human Development” project. The project aims to improve the lives of people living in areas endowed with natural resources by improving governance, economic empowerment, promoting peace and environmental sustainability.

The overall expected outcome of this project is to ensure that the extractive sectors in Kenya are governed in a more participatory, equitable and sustainable way to ensure that they contribute to peace and sustainable human development. The support to the Government of Kenya is anchored on three outputs, thus:

1. Participatory decision making established to institute representation of communities in decisions on extractive industries and safeguard their rights and mitigate against growing tension between communities and investors.

2. Public institutions, the private sector and civil society have systems to ensure transparent, accountable and inclusive management of revenue from extractive industries.

3. Legal, policy framework and institutional capacity is in place to effectively support sustainable management of the extractive sector.

This was a two-year pilot project (2014-2015), whose initial estimated budget was USD 2.8 Million for the two years. The first year of activities were fully funded with **USD 1.35 Million** provided by the UK Department for International Development (DFID) and UNDP. Due to unforeseen delays in release of funds to finance the planned milestones, the PSC approved an extension of the current phase of this project to December 2016.

It is our hope that these interventions will supplement YOUR resolve to effectively oversee the management of extractive industries for the benefit of the public.
Recommendaions

In conclusion, Ladies and gentlemen,

Country Authorities need to:

1. develop enabling legislation that can improve mandate of their Supreme Audit Institutions (SAIs) to access the needed oil and gas information for audit so that they come up with good and implementable audit recommendations which can improve services to citizens.
2. Strengthen their SAIs, as institutions of accountability, develop capacity of their staff to audit extractive industries and effectively provide oversight in the use of resources from oil and gas which is a life changing resource to endowed nations and provides greater opportunity which can significantly improve the quality of life of citizens.
3. Support SAIs to retain trained and specialized staff in the sector arising from competing opportunities for them in the economy.
4. Embrace international transparency agreements in the field of oil and gas to remove the extreme secrecy in the industry.

Ladies and Gentlemen:

With these remarks, I wish to thank the International Organisation of Supreme Audit Institutions - Working Group on Audit of Extractive Industries Secretariat and the Auditor-General of Kenya for according UNDP an opportunity share views in this Conference. I am sure the deliberations in this meeting will chart the way forward for effective audit of extractive industries.

Thank You ::::::: Asanteni Sana