Minutes of the Meeting of the Steering Committee of the Working Group on the Audit of Extractive Industries 25-28 September 2017 Washington, DC, USA

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TUESDAY, 26 SEPTEMBER 2017 – 8:30 AM SESSION

Introduction and Welcome

- **Mr. Gene Dodaro of the United States and Mr. John F.S. Muwanga of Uganda**

Mr. Gene Dodaro, Comptroller General of the U. S. Government Accountability Office (GAO), welcomed delegates and the committee chair of the Working Group on the Audit of Extractive Industries (WGEI) to GAO. Mr. Dodaro stated that, as GAO is a member of many INTOSAI working groups, the agency carefully decides in which new ones to participate, and GAO very much wanted to be part of WGEI. He invited delegates to make themselves at home while at GAO. He noted that GAO's Natural Resources and Environment team has been working hard to make arrangements for a productive and enjoyable meeting.

Mr. John F.S. Muwanga, Auditor General of Uganda, welcomed delegates to the steering committee of the INTOSAI WGEI. He expressed his sincere gratitude to Mr. Dodaro for agreeing to host this meeting, and recognized the participation of the steering committee members. He also acknowledged the presence of subject matter experts who will be making presentations.

The WGEI has had several positive developments in recent months. WGEI surveyed its members regarding priorities and developed a work plan based on the information gathered. The WGEI secretariat, with the Supreme Audit Institution (SAI) of Uganda, also conducted a training this month on the subject of extractive industries, which was attended by SAIs form ten countries. The level of participation demonstrated the desire for more training from SAIs in this area, and the countries of Norway and Uganda will be working to develop a standard curriculum for such trainings. Mr. Muwanga stated that he is also hopeful for a discussion of guidelines for auditing in extractive industries, led by the United States. Representatives from Iraq and South Africa will also be leading an information sharing initiative. Specifically, since the last meeting, WGEI has updated its website, participated in the INTOSAI meeting in Abu Dhabi, increased membership to 44 countries and 2 observers, participated in the meeting in Bali, and continued to conduct joint meetings. The next phase of the working group's activities will require commitment from members, the commitment of resources by SAIs, more information to enrich the WGEI website, and the development of practical modalities to implement activities of the work plan, among other things. By strengthening collaboration, WGEI can play a pivotal role in ensuring that extractive industry resources are sustainably used.

TUESDAY, 26 SEPTEMBER 2017 – 8:30 AM SESSION

Bureau of Land Management Onshore Minerals

- **Mr. Tim Spisak, Acting Assistant Director for Energy, Minerals, and Realty Management in the United States Department of the Interior's Bureau of Land Management**

Ms. Anne-Marie Fennell of the United States welcomed the morning's guest speaker, Mr. Tim Spisak, the Acting Assistant Director for Energy, Minerals, and Realty Management, Bureau of Land Management (BLM) in the U.S. Department of the Interior (DOI). His directorate covers issues involving the development of policy and oversight for mineral programs including fluid minerals such as oil, gas, and helium; solid minerals such as gold; and renewable energy, including solar, wind, and geothermal. Mr. Spisak holds a bachelor of science degree in petroleum and gas engineering and a MBA from West Texas A&M University. He has had a distinguished career in government service of over 33 years.

Mr. Tim Spisak said that the Minerals and Realty Management Directorate earns all of the revenue within BLM. It is only behind the Internal Revenue Service in terms of dollars generated for the United States, which, he said, is something that he takes a certain amount of pride in as a contributor. In this role, he both plays the role of being a proponent for development in the extractive industries area, while serving as a regulator to ensure production accountability and that resources are developed in a sustainable manner. BLM manages 245 million acres of surface estate in the western states and Alaska, and about 700 million acres of below-ground mineral estate. This leads to a split of land with other parties, where the federal government may own the mineral rights and a private owner controls the land rights. BLM's mission is to manage lands with regard to their multiple uses in a sustainable manner. Other uses include grazing, forestry, and cultural areas. BLM has significant economic benefits, supporting about 374,000 jobs and providing $88 billion in economic input to the country.

The Department's management of fluid minerals includes oil and gas, as helium is managed under a separate area. BLM produces 7 percent of the domestically produced oil, which was about 150 million barrels last year, and 11 percent of domestically produced natural gas. The Bureau manages 40,000 leases on 27 million acres with 94 million active wells. The revenue from oil and gas results in a 20:1 ratio of dollars earned to program appropriations. The department expects to have 28 competitive lease auctions in 2017, and that process recently moved online. There are a number of authorities, laws, and regulations that govern the Bureau's development of oil and gas. Oil and gas activity areas for BLM are primarily located in the Rocky Mountain states. When BLM identifies areas available for oil and gas development, it goes through a process of creating a resource management plan, which is the first step in determining which lands should be leased for oil and gas development and under what conditions. The resource management plans dictate what areas are open or closed to leasing, or areas that may be open to leasing with restrictions. Through this process BLM attempts to resolve any resource conflicts, such as balancing critical wildlife habitat needs with energy development. It also identifies major environmental protection measures or stipulations in the plan that will be attached to the sold lease and become requirements of the lease, such as areas that cannot be used during certain times of the year.

Leases for oil and gas areas are sold at a competitive auction that is now hosted online. The first stage is an expression of interest period where operators communicate to BLM that they would like to bid on a particular section or area for oil and gas leasing. That initiates an interdisciplinary environmental review by BLM and stakeholders that will look at the specific areas and identify any resource conflicts. When the review is completed, BLM posts a notice for public comment regarding the parcel available to lease for 30 days, which provides the public with an opportunity to comment or protest the leasing of the area. When issues from that process are resolved, the lease is made available for auction online and the highest bidder wins. Moving the auction online has made the process more efficient.

The next phase is the application for a permit to drill (APD) by the lease holder. Lease terms are generally 10 years in length, and once an operator holds a lease it will generally remain active as long as there is a drill under production. BLM has an electronic filing process for APDs, which has improved information flow with the applicant. Applications involve a review under the National Environmental Protection Act (NEPA).

BLM's inspection strategy for oil and gas lands is important for ensuring safe and sound operations on federal lands. BLM has an annual strategy determination process which identifies areas that are considered high risk for inspection. This involves a computer program that makes risk-based determinations based on the last time a site was inspected and past compliance issues. High risk cases are inspected every year, and BLM attempts to inspect about 20-30 percent of the remaining wells annually so that over a period of time they will get to all of them. There are approximately 34,000 inspections of wells conducted each year. BLM also verifies that the oil and gas volumes measured at the production site are consistent with what the company reported. BLM looks at documentation that the company provides and compares it with what has been reported. Proper measurement leads to the proper royalty revenues collected. BLM has been working with the state of North Dakota, which has seen a large increase in oil and gas development using hydraulic fracturing technology, to account for the oil and gas being produced.

BLM has identified best management practices for reducing the environmental effects of oil and gas development. These can be simple solutions, such as putting wood mats on the ground where drilling rigs are placed to protect vegetation. This prevents the surface from being disturbed, allowing for the vegetation to come back much sooner once drilling ends.

With regard to BLM's solid minerals program, it has responsibility for coal leasing on approximately 570 million acres and has collected $1 billion in royalties, rents, and bonuses for solid minerals in fiscal year 2016. The department also held 27 coal lease sales. Coal generates 42 percent of the nation's energy, and 40 percent of this coal is produced from federal lands. The federal government's coal producing areas are primarily in the Rocky Mountain states. There is a significant amount of coal on the east coast of the United States, but BLM is not the land owner.

The steps for federal coal leasing and mining are similar to those for oil and gas. BLM goes through a land use planning phase to ask questions about the land and resources available, and there is an application submittal and environmental analysis. Revenues for both coal and oil and gas are shared with the state of origin at an amount of 50 percent.

Other smaller programs run by BLM include hardrock mining under the General Mining Act of 1872, which covers gold, silver, platinum, and other minerals. There are 300 employees managing this program (out of 9,000 full-time equivalents). The budget for this program is about $40 million. The Non-Energy Leasable Program is for "solid leasable minerals," which includes sodium, potassium, and hydrocarbons. The Bureau collected about $80 million from the program in fiscal year 2016, which is a good return on investment. There are only 35 full-time equivalents, and so it is a small program.

Discussion

The United States asked Mr. Spisak to describe the impact of hydraulic fracturing on the use of sand. Mr. Spisak replied that the use of sand is trending upwards following the boom and bust of oil and gas operations.

A delegate asked Mr. Spisak to explain the distinction between the land management agencies and the environmental agencies in the United States, trends related to APDs, and how fracturing technologies have impacted sensitive environments. Mr. Spisak said that at the federal level, the Environmental Protection Agency is strictly focused on environmental protection. BLM has a wide mission related to lands. NEPA requires any federal agency to do an environmental analysis when taking action that may impact the environment. Environmental compliance is interspersed in all of BLM's activities, though its overall mission is not environmental protection. When APDs trend downwards, this is tied to the price of commodities. When the price of commodities goes up, BLM sees more interest in leases. Hydraulic fracturing is a positive development as it has allowed for a more concentrated footprint for the surface expression of wells. This results in less surface disturbance while obtaining the resource.

The United States asked if DOI has considered having a more flexible royalty regime that might be more similar to other countries. Mr. Spisak stated that the royalties for resources collected onshore is 12.5 percent; the offshore royalty rate is higher. Recent rulemaking has allowed BLM for more flexibility in setting the royalty rate; it is now no less that 12.5 percent. At this point there are no plans to raise the royalty rate, but DOI is restarting the Royalty Policy Committee under the leadership of the new Secretary of the Interior.

Norway asked if Mr. Spisak had an overview of the total amount— such as royalties and fees— that contributes to national revenue and how it is distributed. The delegate noted that Norway uses a pie chart to demonstrate this. The delegate also asked how BLM uses resource management plans to engage with the public, and how BLM interacts with GAO compared to its inspector general. Mr. Spisak replied that DOI focuses on the amount of royalties it collects because that is what it has the authority to collect. Under the previous administration, DOI was considering raising the royalty rate. As a result, DOI conducted a fair-share study that looked at the whole picture, including tax revenues, severance tax by states, and so forth. The study concluded that the natural gas royalty was too high at 12.5 percent when other collections are included, and oil could go up some as well.[1] The focus is generally on royalties, but now there are significant taxes as well. In the resource management plan process, BLM uses the Federal Register notice to communicate to the public that there is going to be a public forum, which provides the opportunity for the public to comment and identify issues. It is a multiyear process of getting public input. BLM is used to working with DOI's Inspector General and GAO, and it deals with similar looks at its programs. The upside is that the recommendations from both entities are similar. The challenge is managing tasks of recommendation implementation with the day-to-day mission.

One participant asked a question about the reclamation of the land after mining is done, and Mr. Spisak stated that companies are required to post a bond, noting that they can totally reclaim a bond once they are done on the land. Oil and gas leases have a performance bond with a minimum amount based on the type of lease. Bonds aren't designed to pay for reclamation; the operator is expected to pay for the reclamation. The bond is there in case the company goes bankrupt or cannot be found once it leaves the site. Orphan wells exist where the operator went out of business, and there is an environmental liability to cleanup. BLM works with the state to manage those wells. States will also charge a fee on production (per barrel or MCF—thousand cubic feet—of gas) to create a reclamation fund to cleanup orphan wells. Operators are expected to address cleanup issues.

A delegate asked if there is any illegal mining on federal lands. Mr. Spisak stated that this hasn't risen up as a major issue for federal lands. There are, however, some issues related to trespassing.

Ghana noted that Ghanaians are asking if they are getting value for the money received from extractive industries led by multinational companies in their country. As auditors, they want to make sure numbers are correct to verify that amount that is produced. The delegate asked how Mr. Spisak audits those values. According to Mr. Spisak, this role is served by the Office of

[1] https://www.boem.gov/Oil-and-Gas-Energy-Program/Energy-Economics/Fair-Market-Value/CERA-Final-Report.aspx

Natural Resource Revenue. This office conduct audits that include a production valuation check; there is the threat out there for companies to be out of compliance with reporting information to the federal government. Compliance procedures help to minimize companies not providing accurate information.

South Africa asked if BLM deals with international companies that also deal with international auditors. He noted that South Africans rely on those auditors to audit the financial statements of private players. South Africa also asked for Mr. Spisak's view of the United Nations' sustainable development goals, how they have changed any policies and procedures, and how those are considered. Mr. Spisak replied that he was unsure about the United Nations' sustainable development goals.

Mr. Mark Gaffigan of the United States provided some additional context for Mr. Spisak's presentation by noting that he is talking about the management of minerals on federal lands. While this is a significant amount of land, it only represents 7 percent of the extractive industries in the United States, as the other 93 percent is on private lands.

TUESDAY, 26 SEPTEMBER 2017 – 10:30 AM SESSION

Presentation of WGEI Achievements and Recent WGEI Activities

- **Session led by Uganda**

The presentation covered WGEI's three main strategic objectives. The first strategic objective is to develop subject matter expertise in public sector audit fields to provide contact to the INTOSAI Framework for Professional Pronouncements. The Ugandan delegates, who are working with delegates from the SAIs of Iraq, South Africa, Zimbabwe, Norway, and Ecuador on this, presented guideline-related information during this session. Currently, the SAIs are working toward developing such guidelines. WGEI is currently running its own knowledge sharing portal, but the group plans to migrate this to the consolidated Knowledge Sharing Committee (KSC) portal by February of next year. WGEI also publishes a quarterly newsletter, which has 360 subscribers. Uganda hopes to expand distribution of the next newsletter, scheduled for July 2018, to all of INTOSAI.

The second main strategic objective is to enable wide knowledge and experience exchange among INTOSAI members: WGEI aims to relate with stakeholders to bolster research. Uganda's SAI is overseeing generation and dissemination of knowledge and experience; later sessions of the meeting are expected to cover details of training activities pertaining to this. (The working group plans to develop a training curriculum during a December 2017 meeting in Jaipur, India.) SAIs participating in this initiative include Zimbabwe, Vietnam, the United States, and the Organization of English-Speaking African Supreme Audit Institutions (AFROSAI-E). Due to the importance of extractive industries to the global economy, the presenters feel that SAIs are likely to be interested in this effort. Thus, WGEI works to disseminate material through online portals, communities of practice, and bi-monthly steering committee meetings.
The third main strategic objective is to facilitate knowledge sharing on cross-cutting lessons learned through peer review and SAI Performance Measurement Framework results: WGEI aims to develop organizational relations with stakeholders but can face challenges, particularly regarding regional secretariats. The presenters feel that peer reviews facilitate continuous improvements, and hope delegates continue to learn at this week's sessions.

TUESDAY, 26 SEPTEMBER 2017 – 10:30 AM SESSION

Report Consolidation and Accessibility

- **Presentation led by Iraq**

This presentation focused on the language and translation of WGEI reports, and how to increase the visibility of extractive industry reports, particularly through the WGEI website. WGEI publishes important reports, such as those examining financial statements, on its website. These reports consist of four main types: (1) performance audits, (2) financial statements, (3) activity reports, and (4) analysis of audit reports. SAIs add substantial economic value through this work, adhering to generally accepted auditing standards. Thus, WGEI aims to share them with other INTOSAI members. The Netherlands, Uganda, and several other SAIs are collaborating to compile these reports, including 2002-2016 information on legal framework, contracts, licensing of audit results, revenue collection, and management decisions. However, as SAIs face numerous challenges when conducting this work (including obtaining needed information pertaining to extractive industries and examining management-related matters), online availability of such reports is limited. Technical specialization is also required to complete this work.

WGEI aims to translate the reports into English and Arabic, to help improve their accessibility. The presenters explained that publishing in English is especially viable, due to its status as an international language. This initiative will benefit all SAIs, helping educate them about extractive industries, distinguishing them from other economic activities and identifying particularly important time periods.

To help governments and other stakeholders reach correct decisions regarding resources, particularly regarding management of the oil and gas industries, WGEI aims to maximize transparency and adhere to its general methodology. For example, Iraq's Federal Board of Supreme Audits (FBSA) has experience with audit cooperation and report preparation pertaining to conflicts with extractive industries, with a focus on important information and policies. Private parties sometimes do not disclose financial and technical statements regarding natural resources and associated revenue, limiting the public's ability to hold them accountable. Thus, Iraq FBSA's work pertaining to service contracts regarding minerals is particularly important to the country's resources and future, attracting interest from stakeholders and special interest groups.

Discussion

The United States noted limitations in the reports listed on the website in three areas: (1) the limited number of countries, (2) the types of audits, and (3) language barriers. WGEI aims to address this issue by categorizing oil, gas, and mining-related reports on the website based on value chains. For example, hard rock mine cleanup-related reports fall into categories pertaining to development, processing, and inspections.

Ghana said that they are interested in production verification and cleanup-related issues. The delegates wished to clarify WGEI's goals for the website, along with the organization's plans for reaching those goals.

Uganda explained that WGEI should accept Iraq's offer to translate documents in Arabic, since this will increase their accessibility to Arabic speaking countries. They also are looking into the possibility of translating them into Spanish, French, and other INTOSAI languages. To maximize the benefits of these efforts, the delegates hope to increase the number of reports on the website and ensure all available reports are listed. For example, Uganda said they found extractive industry reports from South America that aren't on the website. They also feel that secrecy and classification of documents pose a challenge, and are interested in how other stakeholders address these challenges. The delegates also raised regional groups as a way to address these issues and take advantage of language similarities.

South Africa explained that, while it can be easy to produce a report, additional steps are necessary to meaningfully implement and utilize such reports. Useful reports require substantial analysis of value chains and their corresponding messages. Specifically, comparisons between value chains and outcomes can be useful for stakeholders new to the industry. For example, WGEI currently has two ongoing reports pertaining to management and education. For these reports, it is important to determine main findings and then drill down to details if necessary.

Norway discussed SAIs' engagement with extractive industries. Norway feels it is important to utilize value chains to identify and discuss challenges. Thus, it would be useful for SAIs to have a list of practical audits to draw upon, helping them determine the extent to which they can work to address the challenges. The delegate suggested that the website utilize straightforward titles, identifying concrete examples of value chains, highlighting important findings, and applying a concise, journalistic approach. Norway feels inclusion of short report summaries in WGEI's website would be beneficial to users, as they are more likely to read a full report after reading a short summary than looking at a list of titles.

AFROSAI-E delegates said that they feel the translation of reports into multiple languages can entail substantial administrative challenges and potentially could create political difficulties for WGEI. As INTOSAI has five languages, the delegates are concerned that if reports are translated to one language, stakeholders will pressure them to translate them to all five. Additionally, important aspects of reports can be challenging to translate into other languages. Thus, they suggested the group consider these issues, along with other potential limitations, before committing to a translation plan.

Pierre Frechette of the Canadian Audit and Accountability Foundation (CAAF) suggested utilizing provincial- or state-level reports to help guide WGEI work pertaining to mining and gas, since in many countries management of natural resources is done at the state level, not at the federal level. This would ensure a more complete list of reports.

The United States explained that INTOSAI's Working Group on Environmental Auditing (WGEA) consolidates member SAI's work using surveys. Such efforts have yielded mixed results.
The Natural Resource Governance Institute (NRGI) suggested making reports machine readable, using an open-data format along with language translation to help researchers process data more quickly. Additionally, as NRGI has encountered broken links to audit reports when attempting to download them from WGEI's website, NRGI suggested WGEI publish documents directly on its website.

Based on AFROSAI-E's comments, Uganda asked for suggestions regarding whether to obtain English-language copies of reports and allow other entities to translate them, or instead maintaining only original-language copies of reports. The United States clarified that this remains to be decided, although other INTOSAI working groups work primarily in English. Iraqi delegates suggested preparing translated summaries of reports in Arabic and English, and explained that SAIs are free to conduct further translation as they wish to. Mr. Frechette expressed concerns regarding consistency.

In general, the main issues discussed during this session included language barriers, technical issues (such as open source records), how to ensure WGEI work is tracked and recorded accurately, how to summarize and present reports (as GAO sometimes does), preparing journalistic summaries, determining leadership responsibility for the initiatives, and ensuring resources are up to date. Norway described this as a long administrative list. As WGEI is intended to address stakeholders' needs, Norway inquired as to whether or not there is substantial demand for report translation. WGEI typically aims to publish in English; while Norway does not see this as a substantial issue, Norway intends to maximize accessibility of information for members and hopes to avoid any problems. The United States suggested starting with English translations and then proceeding to other languages as necessary. Iraq, South Africa, and Uganda, who prepared WGEI's current list, will lead this effort.

TUESDAY, 26 SEPTEMBER 2017 – 10:40 AM SESSION

WGEI Work Plan Activities 2 & 5: United Nations Sustainable Development Goals and Collaborative Audits

- **Presentation by South Africa**

South Africa is interested in examining the impact of size on extractive industries and has collaborated with colleagues regarding best methods for approaching the United Nations' sustainable development goals (SDG). WGEI aims to incorporate the 17 SDGs, included in the United Nations' Agenda 2030, into its 2017-2019 agenda. South Africa presented a visual summary of the SDGs, explaining that INTOSAI created WGEI to address extractive industry-related challenges using specialized staff. Thus, it is important for the working group to work as a whole when addressing the SDGs. The delegate presented three possible WGEI approaches to SDGs, as follows: (1) connect extractive industry-related WGEI audits to specific SDGs, possibly incorporating them into the value chain; (2) encourage SAIs to consider SDGs when planning their audits, determining which specific SDGs the audits address; and (3) determine whether or not to prioritize work related to specific SDGs, or instead focus on all SDGs equally (this determination may be complex due to SDG interrelation). South Africa then discussed possibilities for linking SDGs to extractive industry-related reports. Substantial resources regarding gas, oil, and mining are publically available.

Industry stakeholders can contribute to SDGs both actively (in pursuing SDG-related goals) and passively (in limiting the environmental impact of their activities, particularly effects on climate change). To achieve the goals, substantial government effort—generating both economic and environmental impact—will likely be necessary.

South Africa presented a slide depicting the 17 SDGs in a “wheel,” identifying targets, specifying their relevance, identifying potential actions that could contribute to them, and then highlighting specific examples of such actions. As the SDGs are universal, they can be applied to all extractive industries. Examples of such SDGs include access to affordable and reliable energy, environmental impacts, economic development, access to clean water, and infrastructure. Further examples of areas for possible extractive industry contribution include technology, local entrepreneurship, gender equality (as explained in a WGEI position paper), management of operational impact, and social and economic success.

SAI audits of national readiness for SDG implementation could help countries implement SDGs economically and efficiently, while also bolstering institutions’ trustworthiness by promoting transparency. For example, by reporting freely and honestly, SAIs directly contribute to SDG 16, which pertains to transparency. [*Note: SDG 16 is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*.]

SAIs’ annual audits can also be beneficial, covering financial statements, performance, and compliance with legislation. SAIs should aim to inform governments on whether they are fully accounting for resources, managing them efficiently, and spending them responsibly. South Africa’s SAI has consolidated these efforts into one process. Audit subjects should be able to produce accurate and appropriate financial statements, ensuring they are making informed decisions, safeguarding their assets, and properly managing revenue.

South Africa advised that SAIs guide their countries’ national development programs, as his country’s SAI has done, helping them maintain proper direction. Reporting on these programs’ targets helps facilitate responsible resource utilization, resulting in strong internal controls protecting against corruption. The delegate explained that, while corporate monopolies and discretion foster corruption, accountability prevents it. To prevent corruption, South Africa advised SAIs to plan, do, check, and act, as follows:

- Plan (applicable to performance and compliance): SAIs should consider local content policies.
- Do (applicable to performance): Identify performance measures and targets.
- Check (applicable to reconciliation, checks and balances, financial performance, and compliance audits): Examine subjects' monthly, quarterly, annual, and daily controls
- Act (applicable to financial, statutory, and performance audits): To maximize oversight accountability, identify who the report's main stakeholders are and the nature of the audit work necessary.

In general, South Africa hopes that WGEI's work can help make SDG implementation more feasible and practical. South Africa suggested members adopt flexible schedules to allow for optimal examination of extractive industries, citing the SDG on gender equality as an example. [*Note: SDG 5 is to achieve gender equality and empower all women and girls.*]

South Africa also noted that last year INTOSAI issued guidelines (known as the International Standard for Supreme Audit Institutions, or ISSAI) pertaining to cooperative audits (ISSAI 5800), which the delegate described as a consultative process akin to "knocking on a neighbor's door." There are three main types of cooperative audits:

- *Parallel/concurrent audit mission*: Multiple countries' SAIs conduct audits on the same subject, but do not collaborate or share their findings until after the products are complete.
- *Coordinated audit mission*: Multiple SAIs coordinate during the audit process, but still conduct separate audits. They share resources to assist each other as they develop separate products.
- *Joint audit mission*: Multiple SAIs work together on the same audit. Such audits are relatively rare, largely due to restrictions on SAIs' jurisdiction to audit subjects outside their countries.

Currently, 50 percent of cooperative audits pertain to environmental subjects, 14 percent to taxes, and only 1 percent pertains to extractive industries.

South Africa feels that strong, frequent, and clear communication facilitates successful cooperative audits. Such audits should receive full backing from participant SAIs and individual auditors general, ensuring sufficient commitment from each SAI. Participants should fully understand the reasons for collaboration, and should utilize specific examples (as opposed to more general knowledge) during the process.

Aligning multiple SAIs' audit work can be challenging, as SAIs' experiences and findings can vary. Thus, South Africa suggested developing an international-scale problem statement, sharing best practices, building connections, and learning. Additionally, while modern technology allows for remote meetings, such as teleconferences or videoconferences, SAI representatives should meet face-to-face during the planning process to optimize rapport and mutual understanding. Cooperative audits should also avoid politically sensitive issues, determining the extent to which they can report on foreign governments while remaining focused specifically on addressing SDGs.

To summarize WGEI's 2017-2019 agenda, South Africa presented a visual showing the value chain in the center, framed by the SDGs. The visual emphasized the importance of linking reports to SDGs and maintaining a cross-country focus.

Discussion

The United States asked about additional resources pertaining to cooperative audits and SDGs, specifically those regarding core values. Regarding SDGs, South Africa explained that INTOSAI's central plan emphasizes focus on them. South Africa suggested modifying report topic categories to incorporate SDGs, including associated impacts and implementation readiness. South Africa feels WGEI should be proactive, as opposed to reactive. Regarding cooperative audits, the delegate identified mutual benefit and supports cross-border collaboration. SDGs are one element of such collaboration.

Uganda inquired regarding the possibility of organized regional collaboration, in which regional groups would facilitate collaboration regarding audit topics specific to their region. South Africa sees this as a potentially valuable process, helping identify topical areas to assess using SDGs. South Africa explained that at a recent meeting in Peru, attendees completed a survey regarding potential prioritization of SDGs. While the results have not yet been finalized and published, preliminary results show that 57 percent of SAIs listed quality of education as a priority. Additionally, oil and mining companies can play a substantial role in rural infrastructure projects. WGEI could utilize such information to prioritize SDGs, then map them to regions and suggest corresponding region-specific audit topics. While WGEI has faced challenges aligning audit topics (such as gender equality and clean water), the working group can consolidate them around the SDGs.

TUESDAY, 26 SEPTEMBER 2017 – 10:40 AM SESSION

WGEI Work Plan Activities 2 & 5: Illicit Financial Flows in the Extractive Industry Sector

- **Presented by AFROSAI-E**

Illicit financial flows (IFF) are a technical and practical matter, necessitating a pragmatic approach. Topics covered in the presentations include an overview of IFFs, IFFs' effect on extractive industries and their associated value chains, developmental challenges, SAI isolation, and links between ISSAI 12 and SDGs. [*Note: ISSAI 12 discusses the value and benefits of SAIs - making a difference to the life of citizens.*]

AFROSAI-E explained that IFFs drain African resources, necessitating action to address them. Global stakeholders should substantially develop their ability to mobilize resources. Impacts of IFFs include:

- Weakened governance: successful governments should prioritize strong institutions over "strong men."
- Developmental consequences: effects, visible throughout the African continent, obstruct development and harm quality of life.
- Transition discouragement: IFFs prevent African countries from become secondary or tertiary producers of goods, causing their economies to remain dependent on resource extraction.

- Undermining of international development corporations: While African countries receive $54 billion annually in international aid, 46 percent of such aid is allotted to “social matters,” while only 10 percent is allocated to production. “Social matters,” while ambiguous, can involve IFFs, and likely have played a role in a 5.2 percent decline in aid to Africa since 2013. While Africa currently needs this aid, the AFROSAI-E delegates hope the continent can transition to self-sufficiency.

Types of IFFs include contraband, tax evasion, tax avoidance, mis-invoicing, crime, money laundering, corruption, and crime. Insight into IFFs, summarized in a 2015 report, has helped stakeholders formulate solutions to discover IFF enablers.

Risk factors that may encourage IFFs include poor governance, weak regulations, and tax incentives. Financial secrecy and tax havens can also complicate efforts to address IFFs. The delegates described three possible methods to address IFFs: (1) revolution, in which one goes “all out” and aims for positive results; (2) gradual response, in which strategy evolves over time; and (3) divine intervention, in which they do not take action, but hope that other factors resolve the issue.

All three of these responses are situational, meaning that efforts to address IFFs will likely incorporate aspects of all of them. AFROSAI-E believes that SAIs should be cognizant of the issue, while sticking to tried-and-true methods associated with their value chains. Such thinking helps SAIs determine optimal actions to take. Formal, value chain-oriented risk assessments add substantial value to an audit. Knowledge of assets, which helps governments protect them, is also highly important, as is sufficient transparency.

AFROSAI-E discussed Great Britain’s “splendid isolation” in the 1700s, which led to challenges due to its limited ability to collaborate with its neighbors. As the natural resources that extractive industries depend upon, such as oil shales, stretch across international borders, cooperation is necessary. Such cooperation and collaboration is necessary to promote successful public financial management and mitigate the threat IFFs pose.

In Africa, tax evasion is a primary cause of IFFs. Thus, SAIs should examine data, collaborate, and work to strengthen governance. Additionally, they should encourage ministries of finance to engage in cross-cutting behavior, across extractive sectors, to promote open and competitive procurement. Numerous countries are conducting research on this matter, aiming to provide direction. International organizations such as AFROSAI-E also can benefit this effort. Currently, WGEI lacks a framework to address this issue. The delegates provided a broad problem statement, stating that IFFs are prevalent in many locations, affect many aspects of the economy, and are challenging to address. They suggested WGEI develop a risk assessment model to more efficiently and effectively identify IFF perpetrators.

The delegates highlighted ISSAI 12, which outlines three main principles—strengthening accountability, demonstrating ongoing relevance, and being a model organization—as a potentially useful way to link WGEI's activities to the United Nations' SDGs. The SDGs—promoting initiatives such as gender equality—could have a substantial impact globally, and SAIs' efforts could help facilitate positive outcomes.

AFROSAI-E hypothesized that IFF risk levels are not uniform across the various factors that could increase them. SAIs can help examine this issue by assessing on a step-by-step basis, using the value chain to identify and analyze vulnerabilities. Additional sessions this week will pertain to such work.

While insufficient legal framework is not a substantial problem in some countries, such as Norway, numerous loopholes in Africa increase IFF risk. For example, Zimbabwe's SAI reported that the country last updated mine and mineral regulations in 1956, when the country was still called Rhodesia.

To conclude the session, AFROSAI-E explained that IFFs are a technical issue. They advised SAI delegates in attendance to focus on ISSAI 12 when addressing this issue, linking their audit work to SDGs.

TUESDAY, 26 SEPTEMBER 2017 – 2:00 PM SESSION

Work Plan Activity 3: Organize and Facilitate Trainings and Workshops Based on SAI Needs

- **Presented by Uganda**

Uganda presented an update of the progress made in establishing an INTOSAI-wide training strategy specific to extractive industry audits. The impetus for this initiative came from a 2014 survey, which identified the sharing of knowledge and experiences as a priority for SAI respondents. The goal is to strengthen the capacity of SAIs to carry out high quality audits of extractive industries, thereby promoting transparency, good governance and accountability in the sector. The first objective is to organize trainings and workshops and other short-term courses facilitated by experts from various SAIs, and the second objective is to design and pilot e-learning courses. The desired outputs are to have a “pool of champions” from at least 20 different SAIs (within WGEI) to spearhead the activity, as well as a certain number of selected SAI staff to undergo training every year. The desired outcomes are increased skills and knowledge in the area of auditing extractive industries and timely production of high-quality reports in the extractive industries sector.

For the first objective, Uganda suggested the following:

- Form a WGEI training committee of INTOSAI members to coordinate with the Secretariat.
- Update SAI training needs and priorities through a follow-up survey to the one conducted in 2014.
- Coordinate and consult with Capacity Building Committee (CBC), International Development Initiatives (IDI), and INTOSAI so that implementation is as smooth as possible.
- Develop a training curriculum. India has proposed to host a meeting in December 2017 to this end. The curriculum should be a standardized one that can be useful to all SAIs, with flexibility in delivery model.
- Obtain consensus from SAIs on curriculum.
- Develop a training plan.
- Coordinate Implementation of the training plan.

- Organize trainings and workshops.
- Mobilize funding for extractive industries trainings and workshops.
- Consolidate training results and report to the knowledge sharing committee and governing board.
- Undertake periodic evaluation of the training effectiveness.

For the second objective, Uganda suggested designing and developing e-learning pilot courses once curriculum has been developed, as well as coordinating SAIs to participate in e-learning pilots.

There is still work to be done on establishing a training curriculum and e-learning tools, as well as funding and meeting hosting questions to resolve. The WGEI Secretariat and the new Training Committee will spearhead the implementation of the training strategy. SAIs and INTOSAI regional bodies will host the training activities, especially those who already have acquired expertise in extractive industry audits. In terms of funding, SAIs can choose to sponsor themselves, as well as other SAIs who may not have access to the same levels of resources. The potential for funding training activities through IDI and CBC is also being considered.

TUESDAY, 26 SEPTEMBER 2017 – 2:00 PM SESSION

Role of the Chair of the INTOSAI Knowledge Sharing Committee

- **Presentation by India, via teleconference**

The KSC was initiated in November 2015. The strategic development plan of INTOSAI Framework of Professional Pronouncements (IFPP) is to consolidate and align guidance, and three new developments are in process. The INTOSAI community portal for the IDI and KSC is being revamped to include multi language support and portability of mobile devices. This portal is meant to serve as a knowledge sharing platform that is useable to all INTOSAI members. Efforts underway are made with strong support from IDI. Recently, the KSC Steering Committee determined that there a non-audit mechanism should be developed. As a result, in consolidation with IDI, the KSC is working to draft quality assurance for non-IFPP documents. This effort includes developing a statement of quality assurance, requiring the chair to sign the final quality assurance statements, inclusion of revision and expiration clauses, and outlining quality assurance measures to taken. These quality assurance principles will be applied to all documents after December 2017.

These efforts were demonstrated at steering committee meetings and, to date, eight working groups have tried it out. The working groups are instructed to report on the usability of these efforts. The working groups' reports will be consolidating and presented at the INTOSAI general meeting. All goal chairs were to report on risk register by September 2017.

TUESDAY, 26 SEPTEMBER 2017 – 2:00 PM SESSION

Development of Joint Curriculum for Extractive Industries Training

- **Presentation by Mr. Sunil Dadhe, Director General, International Center for Environment and Sustainable Development (ICED) Jaipur, India**

The KSC is currently developing a joint curriculum for extractive industries training. This curriculum will help in the following ways: (1) build capacity to quickly garner domain knowledge through diverse visiting faculty; (2) evolve a structure to organize domain knowledge; (3) create awareness of challenges in auditing; (4) secure significant return on investment in human resources; and (5) provide an opportunity to learn through collaborative sharing.
The KSC defined their approach to the joint development as intended to crystalize domain knowledge needs, evolve appropriate training methodology, and secure training infrastructure. In order to develop this evolving curriculum, the KSC will need to define course objectives and competencies, and identify any prerequisites that will be decided by a group of SAI steering committee (SC) members. It will also need to design the overall program and finalize content through development of a joint curriculum, identify global training faculty, and conduct a training needs analysis.

In the upcoming meetings to develop curriculum, the KSC and partners will plan course sessions and course methodology. They will also design the course content to include a mix of exercises, case studies, and field visits. In addition, they will use country papers and other program deliverables in creating curriculum, obtain the views of steering committee on curriculum content, nominate faculty from contributing SAIs, and plan for an annual review of the training program.

Through this working group, the KSC learned that there is an increased willingness to participate among potential faculty and potential training attendees. For example, the total number of participants in 2016 reached 83 participants from 31 SAIs. The presenter noted that not all of these 83 participants were from environment auditing areas, too. Additionally, some nations that are not part of the working group also sent trainees to benefit from program.

After the first working group plan ended in 2016, the working group and other participating SAIs found that curriculum is useful. The curriculum will continue to be developed and will be used in International Training Programs for the work plan for 2017-2019. This kind of curriculum builds on research and work done in WGEA and can be used in future work plans. Immediate benefits identified from curriculum include that trainees learned they could have domain knowledge and that case studies and field studies highly effective in acquiring domain knowledge.

Identified challenges in capacity building include the potential for difficulty in determining the appropriate knowledge content. Specifically, it is a challenge to identify prerequisites for courses and what content is appropriate to learn from an e-learning environment. The KSC working group is also continuing to identify what content should be included in seven value chains identified by the working group. These values included an emphasis on sustainability and should include global standards.

The working group is still defining the training methodology. For example, the working group is refining its training tools, including the number of presentations, group assignments, and presentations. The working group is also still refining the length of the training courses. They are considering how much pre course reading or assignments should be assigned in advance of the course as well. The final curriculum will generally follow the approach of WGEA, with an emphasis on course objectives and prerequisites, and with 5-6 SAIs in a group. The trainings will need additional analysis, but the participating SAIs have reasonable experience to design remaining course modules.

Mr. Dadhe also presented the following offerings to WGEI for evolving curriculum as chair of the KSC: (1) free lodging for 5-6 representatives, (2) resource materials that include information on the WGEA experience and potential field visits, (3) access to ICED (the International Center for Environmental Audit and Sustainable Development) library and e-resources, and (4) a calm academic environment available to 5-6 group and all trainees.

TUESDAY, 26 SEPTEMBER 2017 – 2:00 PM SESSION

GAO Learning Center

- **Presentation by Mr. Gus Crosetto of the United States**

Mr. Crosetto stated that the vision of the GAO learning center is for the agency to be a leading learning organization in the federal government. The Learning Center is not the "center of learning" at GAO: most of that occurs on the job instead. Specifically, it is estimated that 70 percent of learning occurs "informally" on the job, with 10 percent learned in formal training and the remaining 20 percent consisting of self-directed, voluntary learning. The Learning Center has three levels of analysis and focus for improvements and progress in effectiveness at the individual level, the team level, and the organization level.

The Learning Center has four divisions which draw up training curricula and implement training. These divisions cover GAO-wide programs, analyst/auditor programs, leadership programs, and operations. Approximately 300-500 GAO staff use some kind of Learning Center product every week, including in-person training sessions and e-learning sessions. The center can also call upon 300 volunteers from around GAO who have been certified in training delivery techniques. It also partners with SkillSoft to offer a wide variety of courses to GAO staff outside of the traditional Learning Center curriculum.

TUESDAY, 26 SEPTEMBER 2017 – 2:00 PM SESSION

GAO Center for Audit Excellence

- **Presentation by Ms. Janet St. Laurent of the United States**

Launched two years ago, the Center for Audit Excellence is an initiative of GAO's Comptroller General to leverage the agency's expertise and training capability to broaden GAO's capacity-building services offered to state, local and international audit organizations in order to achieve long-lasting and sustainable results. Along with programs and exchanges such as the International Auditor Fellowship and INTOSAI, the Center is an important part of GAO's outreach on transparency and accountability in government both in the United States and abroad.

The Center operates on a cost-recovery basis, with partners such as the United States Agency for International Development, the World Bank, and regional developments banks. Ms. St. Laurent cited a case study in which the country of Georgia saw a need to increase its capacity to conduct high-quality audits in the field of information technology. The Center designed and implemented a five-day training program that leveraged GAO's information technology expertise and followed this up with mentoring services during several Georgia SAI information technology audits and also helped the Georgians update and revise their policies and procedures accordingly.

The Center relies heavily on a roster of 80-90 retired senior executive staff and audit managers to design and run their programs. The most important starting point of any capacity-building support is to figure out what the partner in question really needs depending on where they are in the development process, what does their Strategic Plan say about capacity-building, and so forth. Once needs are fully understood and explored, the Center matches the project with roster members whose expertise is well-suited and the process of developing a package of products that meets the partners' needs can then begin.

Discussion

The United States emphasized the importance of clearly delineated roles and responsibilities for individual SAIs in setting up and running the training committee. Before developing a completely new curriculum or new training products, the committee should perform a thorough assessment of what is already out there, and what gaps needs to be filled. External stakeholders, such as NRGI, can be very helpful in this regard as they have many resources and products ready for immediate training use.

The invitation from India to host a workshop in December 2017 was very much appreciated by the group, with further discussions on logistics to occur.

TUESDAY, 26 SEPTEMBER 2017 – 3:50 PM SESSION

Organize and Facilitate Trainings and Workshops: Group Presentations on Comments and Suggestions, Followed by Discussion

Members of the working group discussed the development of a training and learning curriculum. The members of the working group reviewed a proposal and posed questions and comments for the discussion.

South Africa asked a question about how the potential Training Committee would differ from the role occupied by the WGEI Steering Committee. Uganda noted that specifically, the Training Committee would be a smaller group, designed to spearhead specifically training activities, and could be considered a “subcommittee” of the Steering Committee. They added that it will be important to clearly define the scope of training committee – where its work will start and end.

Uganda noted that a lot of credit should be given to the work done by Uganda and the Secretary, but additional work needs to be considered. There will be a need for more people on board to accomplish everything. The broad approach might need to be narrowed, and size needs might vary, as issues might be the same but the needs may be different.

Norway stated that a detail-oriented task list would help develop the committee's goals. Members of this group may already have experience to address some of the issues the training committee is attempting to address, for example: (1) there may not be a need to develop a new assessment, as the group can use the assessment from three years ago to identify needs; (2) the group may not need new training materials; and (3) individual courses may already exist, and so the group may map out what already exists and then fill in the gap to avoid overlap, which can be done by conducting a gap analysis.

AFROSAI-E said that to address the varying size needs, a generic curriculum may not be the best approach. Training sessions can be utilized to learn from each other and take back what is learned and apply it to identify new audit work. NRGI said that external actors have plenty of existing training material. She added that a 13-week e-learning massive open online course is offered at least twice a year. Some WGEI members have already taking this course. In addition, early next year NRGI will be putting out an interactive training program set up as a game in which a fictional country discovers new resources and in which different choices lead to different outcomes. NRGI will look into lending out materials for individual members.

Mr. Frechette from CAAF said that the group will need to develop guidance to identify funding needs and specific needed to fill in the training gaps.

Uganda asked if the United States would take the lead on e-learning, to which the United States replied that e-learning should be considered as part of the overall training curriculum. The United States added that WGEI needs an inventory of what is already out there and identify what is still needed match to what is needed. If there is a gap, then perhaps a training tool can be created. Many of the needs can already be covered, and all tasks can be a part of an overall curriculum development. The United States asked how the training plans and curriculum are different, to which Uganda replied that the plan includes the details, such as where, when, and who. The curriculum includes the courses that should be implemented, and there is a need to further discuss what the end goal is. Specifically, the group will need to identify where a training curriculum starts and ends and how a training plan addresses what is found in a gap analysis. With regard to training, Uganda suggested looking at GAO's Learning Center for its methodologies of approaches as well as SAI communities. Uganda added that one should ensure the components of the learning cycle are present in order to help build on the learning experience. In effect, one should learn how to learn as well as the art of teaching.

The United States said that the key for this committee is to harmonize what already exists. The group needs to understand the aim and the goal so that the group can identify where to start and where to end. This may be a part of the mapping of needs and gap analysis and could be where the training committee begins its work.

Uganda noted the offer from India to host the committee to discuss training practices and that India has offered to share information with six members, although it may be too soon to visit in December. The group could use this as a kick-start and not necessarily to develop a curriculum. The group could use the offer in some other way, such as to create a thinking space, although it could be hard to justify traveling to talk about training rather than taking training. Uganda added that it could be useful to take up technical matters outside this committee. The United States said that the first step is to figure out what is happening out in the world already. The group could identify this in the style of a project team, in which a lead reports back to the steering committee.

The group discussed different funding options, including: SAIs sponsoring their own members, SAIs sponsoring other SAIs, hosting experts at SAIs to provide training, and engaging in regional working groups. A delegate noted that the more details there are, the easier it would be to find funding. This includes developing a detailed proposal, adding that the more specific the proposal, the easier it is to obtain the money. The group can move forward on some areas already by using the existing needs assessment to get started and to work on the country level with local SAI donors. There is a wealth of organizations that are looking to support the work the group is doing. The group could also develop partnerships to develop funds together to meet the need.

WEDNESDAY, 27 SEPTEMBER 2017 – 8:30 AM SESSION

Transfer Pricing

- **Presented by Mr. Boubacar Bocoum of the World Bank**

Mr. Bocoum joined the meeting via conference call. His presentation focused on establishing mineral tax administrations. According to Mr. Bocoum, ensuring equitable mineral tax revenues is a critical step toward better development outcomes.

Many countries derive significant portions of their revenues from mineral extraction. Poor, low income, and fragile economic countries make up a large number of the resource driven economies, and there has been steady growth in this area. There have been a number of changes in mineral extraction rules that have resulted in disputes and instability. For instance, new hydrocarbon rules have been put in place. It is important to understand the impacts of these new rules as they can present specific risks to certain countries.

One of the risks to countries is the loss of revenue to corporate structures and tax avoidance practices. This makes collecting mineral revenues challenging. The public perception of expected benefits often falls short of what is actually achieved. One way to address this issue is to optimize what local economies get out of extraction. To do this, the key is to have very clear mining tax collection legislation, which is defined and flexible and aligned with local communities. Incentives do have implications and can change when commodity prices change. One should clearly define what taxes should be, what constitutes deductibles (acceptable or not) so that the payer knows. Regulation development should involve all of those affected by their outcome—including, for example, various sized companies, public and private interests.

It is important to put in place an appropriate auditing structure and identify potential areas of lost revenue. Systems should be in place to collect information—this may need to be a third party outside of the county. Many countries do not share information from one leading administration to the next, which makes it difficult to collect taxes.

Communication within the institutional sector is driven by new information technologies, allowing many of the mining companies in developing countries to be foreign owned. The number of costs for their transactions can be significant, and financial control is much more challenging. Market risks can also be significant. Minerals extracted from company mines need to be accurately accounted for in quantities and qualities. Foreign company headquarters can also charge rates to the mines that could negate royalties. It can be difficult for a foreign officer to deal with corporate charges. These risks are more pronounced in the mineral industry because of the fluctuation in market prices for minerals.

Discussion

Norway stated that the presenter mentioned that some of the tax gains are pretty good. The delegate asked what investment up front could be a challenge and whether there is an arbitration process. Mr. Bocoum replied that the World Bank tries not to get between parties in arbitration. What they do try to do now is provide technical assistance for mineral tax administration issues. They try to deal with the drivers such as what is missing in places such as information technology issues and identifying risks earlier. The World Bank tries to help countries deal with companies in the regulating industry. The goal is to stay one step ahead of arbitration.

South Africa asked if the World Bank is working with South Africa. Mr. Bocoum replied that it is difficult to identify specific programs because so many are involved. The World Bank provides technical assistance for those organizations and capacity building for the extraction sector.

WEDNESDAY, 27 SEPTEMBER 2017 – 8:30 AM SESSION

Resource Governance Index

- **Presentation by Ms. Dana Wilkins of the Natural Resource Governance Institute (NRGI)**

Ms. Wilkins presented NRGI's Resource Governance Index (RGI) tool. The RGI is the only international index that measures resource extraction. There have been previous iterations but they use different metrics and cannot be compared across years. The tool can be used to inform in country discussion and make better policy choices.

The RGI covers 89 assessments in 81 countries—some countries have two assessments for each oil and gas and mining activity. There are 47 oil and gas assessments and 26 mining assessments. Every assessment has a composite score based on 133 questions. The questions lead to indicator scores which then lead to subcomponent scores. These, in turn, lead to the composite score. The 2017 version has a policy component score, although it does not measure policy outcomes. The score measures laws and policies that exist but not their appropriateness.

The RGI scores can vary significantly within countries. Specifically, the RGI found gaps between law and practice—the difference between the policy score and the practice score. Countries often struggle to put into practice the laws that are in place. A low overall score correlates to this gap. Each country that is assessed has its own profile. Researchers will evaluate the countries responses and provide a narrative for the profile. The profile will also provide snapshots of the subcomponents. Users can access a downloadable data explorer which can be used to do a lower level comparison and analysis. There is also an online repository for the 10,000 supporting documents that countries submitted with their assessment.

Discussion

Ghana asked if countries provide input or feedback on the scores they are given. Ms. Wilkins replied that RGI has 11 priority countries, which get to see their report prior to release. Thus far only one country has protested its score. Although the RGI does not provide a running score, officials are considering doing annual light touches for priority countries.

AFROSAI-E asked if the RGI accesses the quality of laws and policies in the policy score. Ms. Wilkins replied that the score reflects whether there are laws on the books, but not whether they are good or bad laws. The assessment asks if a law is being carried out. NRGI is beginning to look at human impact of practices.

Norway asked how the RGI can put a value on law without assessing the impact. Ms. Wilkins replied that they are using best practices from the Natural Resource Charter (discussed below) to compare to policies. They also use the charter to develop the questions that are asked.

Iraq asked what the level of accountability is for each respondent. Ms. Wilkins replied that each country is asked and assessed on all of the questions, with documents provided to support those answers. Country profiles are available at NaturalResourceIndex.org.

Norway asked what a score of “satisfactory” means. Ms. Wilkins replied that the index can be used to compare among others and can also be used to target problem areas internally.

AFROSAI-E asked if the RGI captures environmental concerns. Ms. Wilkins replied that the index is not great at capturing environmental impacts, although it does address enabling environmental and the implementation of internal assessments.

The Charter Benchmarking Framework is based on the academic work from Oxford called the Natural Resource Charter. The framework can help develop policy choices. It provides a series of questions to ask through the resource value decision chain. Ms. Watkins said that NRGI can ship or share the document with members of the committee. NRGI’s other offerings include research and analysis, online training, workshops and ad hoc support, and global and regional courses, including some scholarships (mostly for priority countries).

The United States asked where the resources are for some in-country support. Ms. Wilkins replied that these resources can be found all over and that resources can be leveraged for training.

AFROSAI-E asked what sort of data checks can be used to confirm quality. Ms. Wilkins replied that data are checked against other data sets and are also checked rigorously through internal review, peer reviews, or other indexes.

WEDNESDAY, 27 SEPTEMBER 2017 – 8:30 AM SESSION

Audit Guidelines for Mining

- **Presented by Mr. Pierre Frechette of the Canadian Audit & Accountability Foundation (CAAF)**

CAAF, a not-for-profit organization based in Ottawa, Canada, is dedicated to promoting and strengthening public sector performance audit, oversight, and accountability in Canada and abroad through research, education, and knowledge. For example, CAAF provides training to performance auditors and produces guidance documents, discussion papers, and webinars, among other products. CAAF's newest guidance documents include an October 2016 guide on auditing oil and gas revenues and financial assurances for site remediation and a July 2017 guide on auditing mining revenues and financial assurances for site remediation.[2] CAAF developed the two guidance documents due to the extractive industries relevance to Canadian auditors. Canada controls the world's third largest oil reserve; ranks 20th for largest gas reserves; and produces more than 60 different minerals and metals. Further, Canada's mining industry accounts for 5 percent of Canada's gross domestic product and nearly 20 percent of its imports, and Canada hosts over 50 percent of the world's publicly-listed mining companies' headquarters.

CAAF began developing guidance for auditors of extractive industries in 2015 with the establishment of a project team and advisory committee. They reviewed published extractive industries audits worldwide, researched literature on various aspects of extractive industries, and consulted with the Canadian legislative audit office and WGEI member countries.

The guidance will help auditors plan and conduct audits of mining or oil and gas sectors, and report their results effectively. Specifically, the guidance provides contextual information on the mining sector and mining revenues; questions to help identify significant risk areas; examples of

[2] http://www.wgei.org/wp-content/uploads/2016/12/CCAF-Practice-Guide-to-Auditing-Oil-and-Gas-Revenues-ENGLISH-October-2016.pdf and http://www.wgei.org/wp-content/uploads/2017/07/CAAF-Guide-to-Auditing-Mining-Revenues-July-2017-English.pdf

audit objectives and lists of proposed audit criteria for various sub-areas; evidence sources and common mining audit challenges; and references and links to published mining sector audits and other relevant documents.

The guidance does not provide all the answers for mining audits, but it does discuss types of revenues from natural resource extractions—including royalties, lease payments, license and permit fees, bonus payments, penalties and fines, and government collected financial assurances for site remediation or contributions to a remediation fund—conducted on public lands by private companies during exploration, production, and decommissioning phases. The guidance also provides information on the importance of auditing the following areas:

(1) *Mining Revenues*: The revenues that governments derive from natural resources are significant and are used to finance valuable social programs, services, and infrastructure. When governments are not collecting all revenues they are entitled to, their ability to pay for existing programs, to repay debts and create new initiatives may be diminished. To ensure that they receive all the oil and gas revenues they are entitled to, governments need to establish clear rules for industry and put in place controls to ensure that the rules are being followed. The guides provide detailed guidance to audit the design of the revenue framework, processing of payments, internal review and auditing of payments, and measures to increase the transparency of payments and prevent and detect fraud.

(2) *Financial Assurances*: Governments are usually responsible for collecting financial assurances, assessing the adequacy and completeness of remediation plans submitted by private companies, monitoring progress on remediation work, attesting that remediated sites have met all applicable standards and requirements, and regularly updating estimated of future remediation costs. By auditing the management of financial assurances for site remediation, performance auditors can help governments to better protect taxpayers against future environmental liabilities. The guide provides detailed guidance to audit the design of the financial assurance program, collection of financial assurances, and internal control over financial assurances to ensure the accuracy and completeness of payments.

The guide also provides guidance on establishing regular reviews of royalty regimes and applicable rates; clear rules and guidance for applying the revenue framework; controls over receipt of payments and collections of financial assurances; completeness of information and accuracy of cost estimates; staffing and training; coordinating between government agencies; transparency and reporting; and ethics, independence, and fraud prevention for mining reviews and financial assurance reviews

In addition to concepts and context, the guidance documents also provide information on audit methodology. For example, the guide's examination phase covers various evidence sources and audit tests, such as documentary evidence; interviews, testing of controls and information technology systems, and site visits. The guide also highlights potential challenges in auditing the mining sector and how it is important to have expertise on the topics, access to information to help train staff and build capacity, and visit sites to fully understand the mining sector.

Mr. Frechette noted CAAF's two most recent guidance documents only scratched the surface, and that more guidance is needed. Further, scoping is critical when developing guidance documents for auditors because it is impossible to cover all topics in a single guide or write a guide that will be applicable to prevailing circumstances in every country. Finally, when developing guidance, it is important to include consultations because they improve the contents, quality, credibility, and usefulness of audit guidance.

<u>Discussion</u>
Uganda asked if there are issues of disharmony between agencies when collaborating on audits. Mr. Frechette replied that CAAF looked into the issue mostly from a risk of fraud and fraud prevention angle and found that it is unnecessary to have two different agencies or departments checking work. Having two different sections in a department helps prevent fraud.

AFROSAI-E asked how CAAF identifies appropriate auditing standards, such as the International Standard on Assurance Engagements. Mr. Frechette replied that there are not a lot of differences between INTOSAI and Kenyan auditing standards. However, CAAF tried to stay away from developing standards guidance. CAAF publishes topic specific guidance that includes questions that can be adapted to address different country approaches to develop methodology.

WEDNESDAY, 27 SEPTEMBER 2017 – 8:30 AM SESSION

Revenue Avoidance Schemes

- **Presented by Mr. Don Hubert of Resources for Development**

Mr. Hubert discussed his work and report, “Many Ways to Lose a Billion: How Governments Fail to Secure a Fair Share of Natural Resource Wealth”[3] and how it will help stakeholders pinpoint mechanisms and policies that can safeguard critical extractive industry revenues.

Countries rich in oil, gas, and minerals often fail to secure a fair share of their natural resource wealth. Revenue loss from the extractive sector is particularly significant given the large number of countries that depend on natural resource revenues for a substantial portion of their annual budgets. Companies employ a wide range of strategies to minimize their payments to governments. Their efforts to avoid taxes are facilitated by weak institutions, inadequate policies and regulations, badly negotiated contracts, and insufficient government monitoring and auditing.

Securing a fair share of government revenue from extractive sector projects requires establishing a fair tax rate for the project at the outset, and then protecting the tax base over the lifespan of the operation. Shortcomings on either front can result in significant loss of government revenue.

Risks to revenues through the tax rate include tax breaks (e.g., tax incentives and tax holidays) and treaty shopping (e.g., withholding taxes and capital gains tax). In some cases, tax breaks, such as tax holidays, reduce or eliminate corporate income tax. In other cases, companies

[3] http://www.res4dev.com/many-ways-to-lose-a-billion/

expand their tax breaks by taking advantage of double taxation agreements or treaty shopping, by creating subsidiaries in jurisdictions such as the Netherlands to reduce or eliminate taxes.

There are two basic paths through which the tax base can be eroded. First, gross revenues can be under-reported. This can be done either by reporting less production than has actually taken place or by reporting a sale price below the fair market value. The second path to tax base erosion is the inflation of project costs (e.g., ineligible costs, misallocated costs, inflated goods and services, and debt financing). Because the bulk of government revenue normally comes from profit-based taxes, inflated costs can significantly reduce the tax base.

Protecting revenues that should provide benefits to citizens requires a comprehensive approach. Comprehensive revenue risk assessments are important and should look for patterns. The following represent some examples of best practices.

(1) Protecting the tax base with accurate reporting of overall project revenue: Effective monitoring is necessary to verify the quantity and quality of the commodity produced and any valuable by-products. Governments should also consider establishing a reference price based on international benchmarks for calculating government revenues.
(2) Controlling project costs claimed by companies: Government authorities should use risk-based auditing to prevent fraudulent invoices and other ineligible costs, and ensure eligible costs are properly allocated between different projects and between different categories of costs. Risk-based assessments should be applied to the project level and to individual revenue streams.
(3) Strengthening tax administration and closing tax loopholes: Loopholes must be closed in laws and contracts to avoid revenue loss. For example, developing detailed guidance on transfer pricing risks and mineral pricing can help strengthen administration and audit capacity. Further, loopholes are often found in the fine print of contracts, laws, and accounting procedures.
(4) Project specific revenue monitoring: It is critical to have effective external monitoring of revenues to secure a fair share of government revenues. Publically disclosing payments to governments, revenue data, extractive sector contracts, and production volumes and price data is critical for increasing transparency and the effectiveness of in-depth

analyses. However, project-level revenue analyses are challenging because they require expertise on the subject matter, usually from an industry insider.

When auditing and monitoring the extractive sector, it's important to remember that joint ventures face the same challenges. It is critical to review the quantity and quality of production as well as capital and operating costs; and auditors must pay attention to account procedures. The tax administration capacity requires a level of expertise that is not easily overcome. Developed countries—including the United States, Canada, Norway, and Australia—often fail. Audits require technical support or insider expertise. When applying revenue risk assessments at various levels (i.e., country, commodity, company, and contract) it's important to remember that all countries have common challenges, but specifics depend on the country's situation; resources are vulnerable to revenue loss in different ways; companies have differing corporate structure including affiliated companies in tax havens; and contract loopholes are often found in the fine print.

Discussion

Uganda asked if one can get a good deal from a production-sharing contract. Mr. Hubert replied that production-sharing contracts require very rigorous monitoring and auditing to collect the expected revenues. The principles of profit contracts also apply.

The United States asked if the taxes include royalties, to which Mr. Hubert replied that royalties based on sale values are less vulnerable than taxes.

Ghana asked if auditors are going to be "jacks of all trades," and what they can do. Mr. Hubert replied that auditor's jobs are doubly hard because they need to understand the process and what to look for to be able to determine if things are working correctly. It's important for auditors to take a comprehensive approach when auditing.

WEDNESDAY, 27 SEPTEMBER 2017 – 11:00 AM SESSION

AFROSAI-E's Activities and Extractive Industries Guidelines

- **Presentation by AFROSAI-E**

AFROSAI-E is in the process of updating its guidelines, which focus on the capacity of auditors by providing high-level guidance on the considerations auditors need to take into account when auditing extractive industries. The guidelines were originally developed in 2012 with assistance from Norway and are based on the World Bank extractive industry (EI) value chain.[4] They were updated to the current version in November 2015, but AFROSAI-E has determined it is necessary to update them again because there have been changes in the extractive industry sector and AFROSAI-E wants to expand the scope to include minerals as well as real SAI examples. Also, the risk matrices used in the workshops weren't reflected in the guidelines. As a long-term project, the group also plans to develop extractive industries sector audit e-learning to help build capacity for auditors who cannot attend workshops and possibly for new workshop participants.

The new guidance will still be based on the seven steps of the World Bank EI value chain and be from the perspective of the auditor, including feedback raised during the course of AFROSAI-E workshops. For example, they will now show the legal framework and implementation of sustainable policies as relevant across all steps of the value chain. Specific planned additions to the guidelines include: risk assessment and matrix, SAI extractive industries strategy, mining of minerals, illicit financial flows, SAI examples, and a model contract. For example, instead of "seismic service," they will now include "exploration" to include other types of industries. The guidelines will remain at a high level, and thus auditors will still have to decide what type of audit addresses the issue in question (e.g., financial, compliance, or performance).

AFROSAI-E has also been holding workshops for SAIs and external stakeholders. A 2013 workshop with external stakeholders made it apparent that transparency is expected and that the guidelines needed to be updated. A 2015 training workshop included participants from seven SAIs and focused on oil and gas performance audits, but AFROSAI-E wanted to see more results after interventions. They held another training workshop in April 2016 on risk

[4] See https://portal.afrosai-e.org.za/system/dms2/folders.php?folder_id=218 for links to AFROSAI-E publications.

assessment along the EI value chain, including the value chain for diamonds. The idea for this workshop was to encourage dissemination of knowledge through participants taking the training materials back home, and then holding a follow-up discussion in September 2016. With a 2017 workshop they expanded from just extractive industries to combined fiscal governance and extractive industries. AFROSAI-E aims to continue holding workshops to build capacity and also to do in-country work.

Discussion

The United States liked the seven-step EI value chain model and said that it is an improvement to be able to visualize the importance of the legal framework throughout. Uganda asked about including government perspectives (e.g., local context or environmental concerns), to which AFROSAI-E responded that perhaps local concerns should not be included.

WEDNESDAY, 27 SEPTEMBER 2017 – 11:00 AM SESSION

The Office of the Auditor General's Cost Recovery Manual

- **Presented by Uganda**

Uganda presented on its Office of the Auditor General's (OAG) Cost Recovery Manual, which is based on ISSAI 4000 Compliance Audit Guidelines. This means that audits are based on compliance with the law and agreements; to be recoverable, costs have to be necessary, economical, and related to petroleum operations; costs are submitted annually and audits undertaken on the costs; and recoverable costs are capped to 60 percent of production. Uganda doesn't audit companies directly, but they do audit the statements of potentially recoverable costs that companies are required to submit to the responsible ministries.

The methodology of the OAG Cost Recovery Manual is based on the OAG Regulatory Manual and includes the following elements: pre-engagement (e.g., competent auditors who know what to look for); strategic planning (e.g., considering materiality and possibly aggregating similar costs as a group); detailed planning and field work (e.g., identifying each cost center and focusing on who is or is not in compliance); and audit summary, reporting, evaluation, and follow-up (e.g., including non-compliance in a management letter sent to the responsible ministry and meeting with companies to discuss outstanding issues).

Uganda said that salient features include the determination of materiality, a fraud check-list, and the use of experts if required. For example, because the amounts of money involved are large, it is important to set different materiality for different cost objectives or centers.

In terms of data analysis, similar costs are grouped in order to apply the same procedures (e.g., salaries, bonuses, or marine costs) and they use the criteria in the contract to focus the analysis. For example, some employees may be given large bonuses and pay taxes accordingly with no objection from local authorities, but there may be no legitimate basis for the bonuses.

Uganda discussed several areas where auditors may need technical guidance, including work program and budgets and approval for expenditure; authorization for expenditure; geological, geophysical, reservoir, and engineering studies (G&G); drilling of wells; time-writing costs; procurement of intra-group services; intra-group sales; taxes; transfer pricing; and ring fencing. Uganda noted that over 65 percent of costs are for time spent writing but it can be difficult to determine if time charged was for time spent actually working. G&G is also one of the largest expenditures in the early years of exploration and investment, and they need to have the capacity to know what is and is not recoverable. Companies tend to do profitable projects quickly and first, but the country may be interested in the added value of other projects. Because of information asymmetry, auditors may not understand some of the programs and budgets and could use technical assistance. Auditors may also need guidance on taxes, such as when companies are granted tax holidays but extend them to subcontractors.

Reporting is done in accordance with ISSAI 4000 (compliance audit standard), meaning that conclusions should be supported by evidence so that a reader could reach the same conclusions as the auditor, criteria should be explicitly identified in the report, and recommendations should be included for all findings. Responses from the auditee should also be included. The final report is submitted to Parliament.

At the end of the presentation, Uganda discussed examples of challenges faced by auditors in the context of cost recovery in Uganda. These examples dealt primarily with issues of judgment about possibly allowable costs, but that when examined may appear exorbitant, such as expensive Christmas parties or frequent manager travel to exploration areas.

Discussion

Ghana asked whether there is sufficient capacity to be conducting all of these elements (e.g., potentially wasteful spending, engagement with companies, and tax compliance of companies) and whether there are any hard audit findings. Uganda responded that sometimes seemingly inappropriate expenses are included in agreed-upon budgets, but that if they find a recoverable cost that doesn't meet the criteria, then they disallow it. He elaborated that in terms of capacity, the government needs to work together as a team to gain revenue realization. Ghana agreed that there is a need to work together, but cautioned that there may be individuals or groups that are conspiring with the companies.

Mr. Don Hubert of Resources for Development said that the manual is excellent work, but wondered whether the SAI is actually doing the audit or just supervising. Mr. Hubert agreed for the need to do cross-cutting work involving experts, and he also raised the point that it would be better to stop inappropriate projects or spending at an earlier stage before one has to try to recover costs. He suggested that this could be done by more actively reviewing work plans and budgets at the start of projects.

Norway commended Uganda for its work on these guidelines and then raised two issues: first, how to identify and focus on the really big cost centers given the importance of estimating the profit base for the companies versus the government; and second, whether they are prepared for arbitration if necessary. Norway added, however, that to their knowledge, Uganda has not been challenged much to date on this work.

WEDNESDAY, 27 SEPTEMBER 2017 – 1:00 PM SESSION

Artisanal and Small-Scale Mining

- **Presented by Ms. Rachel Perks of the World Bank**

Ms. Perks, a Senior Mining Specialist at the World Bank, has been working on artisanal and small-scale mining (ASM) since 2012 and working in Central Africa since 2000, in countries such as Sudan, Uganda, Rwanda, and the Democratic Republic of the Congo.

Ms. Perks began by showing meeting participants a photo of an artisanal mine and asked for their first reactions to the scene shown. Participants provided answers such as: “desperation,” “makes me think of Liberia,” “future for the youth,” “child labor and women,” “environment,” “dangerous,” “exploitation,” “health,” “child abuse,” “disorganization.” Ms. Perks stated that, in general, when one looks at a photo like this, often the first words that come to mind are negative. Often one’s perceptions about ASM are focused on negative aspects, not on understanding the value of the sector. The World Bank is working with governments to help change these perceptions and understand the sector. The scene in the photo may seem disorganized, but it’s a highly organized supply chain with most of the materials ending up in our material supply chain. The global supply chain is also extremely highly organized, and most of these individuals have clear payment structures. However, the dynamics of these structures are difficult to understand without on-the-ground surveys.

Ms. Perks presented a slide on the supply of various materials from ASM. She stated that it is difficult to gather accurate statistics, but provided some numbers describing the share of various materials coming from ASM: 80 percent of sapphire, 60 percent of coltan, 41 percent of cobalt, 20 percent of gold, and 20 percent of diamonds.

She posed the question of how to speak to the value of the sector. If one’s vision is one in which artisanal mines are important contributors to global development, then inevitably it leads to a large debate about data. It is important to discuss this, because many participants in this meeting face their own data challenges. She also posed the question of how to connect what’s happening on the ground—such as production and revenue—to how much is exported and how much is ending up in the global supply chains. If one wants to say that ASM contributes a certain amount to employment globally, one has to start at the bottom and connect micro-level data to the high-level objectives.

Ms. Perks presented a slide explaining the structure of the ASM economy. On the left of the slide was an image of a cooperative that has organized its members, who hold the legal titles to mine. Team leaders are organizing diggers and transporters. On the right, one sees the comptoir level (a term originating in Francophone Africa) which represents middlemen who aggregate what is mined in a given area to sell it. After the comptoir level, one has the export data that comes from declarations of exports received by governments at the national level. If the minerals are being exported at national level, then they were bought from the intermediary level. It's unclear how many mine sites there are, and the paper trail is very complex. It raises the question of how one knows the real value of the exports being declared. It is hard with so many intermediaries in the supply chain. What often occurs is parallel informal trading economy in which miners may not have titles to the land and miners are working and selling to the title holder. There are not as many transactions happening, but in the informal supply chains the buyers may be outside of the country. Country A's materials could be get trafficked into Country B and then be counted as Country B's exports.

The World Bank has a two-pronged approach to tackle these challenges. The first is an initiative called DELVE, which the World Bank launched to deal with the issue of data aggregation and getting everyone that has data on this sector to contribute at the global level. The premise is that the World Bank believes many parties have a lot of data on this sector, but people are not sharing the data across institutions and creating silos. This is a common occurrence in government, where knowledge is power. There may not be a lot of communication between government units. For example, the Ministry of Mines may have data on production but the Ministry of Finance has data on exports. At an international level, one has an obligation to do more data sharing. There is huge amount of granular data collection, but it not shared across institutions. DELVE is a platform for government, non-profits, and the private sector to share more comprehensive global data of public value on the sector. The initiative is being piloted in the Democratic Republic of Congo and Burundi.

The second part of the World Bank's approach is in-country support aimed at formalizing the sector. The reason why we have a lot of undeclared production happening and cannot trace the revenue is because a lot of this is done on an informal basis. The regulatory framework, titles, data collection, and other issues are part of this. Sector specialists try to understand the major trade flows, the actors, and the visible fiscal gaps in the data. These audits are ongoing in several of the countries where the World Bank is working. A lot of the issues and discrepancies are related to price setting or improper valuation of the minerals themselves. These include whether countries are undervaluing exports so they do not have to pay as much in export costs, and whether it is in the interest of the trader to undervalue the gold or claim that it is a smaller share of the product than it is because they will have to pay a lower amount of taxes (for a government, this means less revenue in the budget). This work is aimed at trying to uncover the gaps in fiscal information, and working with governments to build relationships and get proper protocols and systems in place. It is also helping governments set visions for the sector. The World Bank also works hand in hand with clients with artisanal mines, through lending operations of about $10 million to $150 million for a five-year period. That's the essential model for how the World Bank works.

WEDNESDAY, 27 SEPTEMBER 2017 – 1:00 PM SESSION

GAO's Work on Artisanal Mining

- **Presented by Ms. Kim Gianopoulos of the United States**

Ms. Gianopoulos, a director in GAO's International Affairs and Trade team, presented issues related to her portfolio, which includes conflict minerals.

GAO got involved in artisanal mining issues and conflict minerals with some work on conflict diamonds a few years ago. When the Dodd-Frank Act went into effect it required GAO to report annually on the effectiveness of the Securities and Exchange Commission (SEC) rule with reporting requirements for companies that are using conflict minerals and the rate of sexual violence in the Democratic Republic of the Congo and surrounding countries. [*Note: The Dodd-*

Frank Act requires or authorizes various federal agencies to issue hundreds of rules to implement reforms intended to strengthen the financial services industry.] For that second piece, on sexual violence, GAO usually relies on the United Nations or other groups that cover the topic and reports on their reports.

It is difficult to assess the effectiveness of the SEC rule. In responding to this mandate, GAO is building a story about how the rule was formulated and what other agencies are required to do. In the mandate's final report in 2024, GAO will get at the effectiveness of the rule. As part of this work, GAO went to the United States Department of State to ask how to define "peace and security," but GAO never got a straight answer. This adds to the challenge of assessing the effectiveness of the rule.

In 2015, GAO took a first look at SEC filings of companies that use tin, tungsten, tantalum, and gold (known as the three Ts & G). They have to report to the SEC on where these conflict minerals are coming from and if they are benefitting armed groups in the region. About two thirds of the companies that filed the first year were unable to determine the country of origin for their minerals. The Department of State and the United States Agency for International Development put together a conflict minerals strategy, but faced a difficult operating environment for many reasons, including economic and political barriers. GAO also reported on rates of sexual violence.

GAO employees went to the Democratic Republic of the Congo and Burundi for this job, which does not happen often because the State Department may prohibit such travel. This allowed the GAO team to obtain photos of a gold mine in Burundi and observe how artisanal mining takes place. The team faced logistical challenges while completing this work, including getting stuck in the mud in the countryside about 25 miles outside of the closest village. This caused the team to have to stay overnight at the mine, and illustrated the infrastructure challenges the country is facing.

The 2016 GAO report looked at 2015 SEC filings. More companies were able to determine the origin of their conflict minerals. In 2016, about 42 percent could not determine the origin, which meant they were past the halfway point. However, almost all companies were unable to determine whether the minerals they were using were benefitting armed groups. About 97 percent were unable to make this determination—which is the ultimate goal of the Dodd-Frank Act. GAO found that disclosure efforts were difficult and susceptible to fraud and abuse. Multiple levels of processing make it very difficult to identify where anything comes from. When the minerals are co-mingled and go to a third company, due to the lack of documentation, it's extremely difficult to certify where these minerals are coming from, and trace them back to whom they are benefitting.

When GAO reviewed the 2016 SEC filings (from roughly 1,300 companies), nothing had changed in terms of the percentage of companies that could identify the origin of their supplies and whether they were benefitting armed groups. There is a lawsuit that was recently decided, affecting the implementation of the Dodd-Frank Act. Ms. Gianopoulos cannot say what effect it will have. Even the SEC is unsure what affect it will have and does not want to talk about the lawsuit.

For 2017, GAO addressed the gold supply chain, which is a big issue for artisanal mining and auditing. GAO was unable to go in-country for this work, but did go to Dubai and visited the gold suq (market) there. Both the sale of artisanal gold and sale of officially government produced and taxed gold take place there. Most gold is smuggled out of the Democratic Republic of the Congo and illegally taxed by the Congolese army and other intermediaries. The Congolese government said they produced about $10.1 million annually in gold. However, other numbers indicate that the eastern Democratic Republic of the Congo produces 12 metric tons worth about $437 million. There are few incentives for responsible sourcing. The U.S. government is trying to encourage and support responsible sourcing and capacity building. It is not because the U.S. government is not trying, but there are many challenges to being successful. In addition, with regards to sexual violence, there were new studies estimating that 32 percent of women and 33 percent of men in the eastern Democratic Republic of the Congo were exposed to sexual violence.

GAO tried to lay out the official and unofficial supply chain of artisanal mining. The official supply chain involves cumbersome paperwork and other challenges. The unofficial supply chain involves unofficial taxes and exploitation. Nonetheless, over 90 percent or close to 95 percent of gold coming out of the Democratic Republic of the Congo is coming out of the unofficial supply chain. In Dubai, GAO talked to suppliers and found that they would be willing to buy gold without paperwork or oversight. There are no real incentives to follow the formal supply chain.

Discussion

A delegate commented on the seriousness of these types of problems at home and mentioned engaging the police. Ms. Gianopoulos replied that GAO staff members had heard about the regular violence against people and the environment, and how it goes beyond extractive industries. When GAO testified on these issues, GAO used photos to illustrate the challenges and make the situation more real for Congressional clients.

Another delegate commented that the Congolese situation is particularly bad; they have suffered so much due in part to the exploitation occurring. The delegate asked whether GAO made any recommendations that could help address the situation. Ms. Gianopoulos explained that GAO made recommendations to U.S government agencies—particularly the Department of Commerce. GAO focused on the requirements in the Dodd-Frank Act to trace the origins of supplies and to determine whether the supply chain supported armed groups. GAO recommended that the Department of Commerce do what they were supposed to do because that had not done it as of a few years ago. Specifically, the Department of Commerce is supposed to provide oversight for private audits, but the agency had not put together the infrastructure to do that oversight. The reason it was written into the Dodd-Frank Act was to ensure this was done effectively. Generally, GAO's recommendations have to focus on U.S. government entities. GAO has no enforcement power abroad and cannot make recommendations to foreign governments.

WEDNESDAY, 27 SEPTEMBER 2017 – 2:00 PM SESSION

WGEI Work Plan Activity 4: Discussion of Audit Guideline Gaps and Future Work – New INTOSAI Policy Guidance

- **Presented by Ms. Beryl Davis of the United States**

There is a new INTOSAI process for a formal quality review process, as well as a more informal process for quality assurance, in the form of a public goods memo. The formal process for review of a document has been updated for quality assurance purposes, and will be known as the Forum for INTOSAI Professional Pronouncements (FIPP). This will go through "due process," as described below:

Once an idea from a working group has been put into the INTOSAI strategic plan, the working group gets together and decides what to do for a project proposal.

Under the new framework, it is not just one working group or subgroup that will review the document, but the idea is to pull in as much of INTOSAI as possible that would have expertise to review the document. Thus one would need to pull in multiple INTOSAI working groups, subcommittees, and members, and thereby pull together a brain trust of different groups.

After the working group gets together and decides what it wants to do, then one needs to develop a plan and project proposal. Specifically, the project proposal will include timeframes, milestones sources, and confirm findings. One should ask questions of the project group such as what sources to draw from, how to confirm the findings of what the team want to communicate, and whether the project is a duplicative of something else out there.

After answering all those questions, the team would submit the document to FIPP, who will review and approve if all is in place. Then FIPP will give the go ahead to go to the next phase, which is project development. Then, the team will have a 90-day review period with public exposure of the draft for comment. The team would then consider all the comments received and integrate the comments as far as possible; FIPP will also look at the comments to ensure that the team integrated as many comments as possible and to make sure the team addressed them. FIPP would approve an endorsement version and then send it to Congress for final endorsement. The last step is that this full endorsement results in formal guidance displayed on the INTOSAI website.

In addition to this more formal process, outlined above, there is also a more informal process available that is produced outside of due process. This informal process is known as a "quality assurance of public goods produced outside of due process." Both processes are in place to ensure that INTOSAI products are of high quality. A more detailed description of this informal process known as a public goods memo, available at http://psc-intosai.org/data/files/96/57/1F/F6/ACF5C510B9D622C59B59F9C2/Item%2012%20-%20GCC%20Quality%20Assuring%20INTOSAI%20Public%20Goods.pdf

For the public goods memo, a team is not required to go through such a rigorous due process, but the team still needs to ensure it has a high-level product. Therefore, a team can selectively identify stakeholders it thinks would add value to the product; these stakeholders would then review and approve the draft. Another option is to have a vigorous discussion within the working group to be sure the document is complete and high quality.

Ms. Davis said that she wanted the group to be aware of the formal process framework. If a team isn't producing a document in the framework, there is still a process needed for quality assurance for the less formal public goods memo.

The United States said that the memo has not been formally endorsed yet, but that they will probably present the memo at the next Congress to be formally adopted.

Ms. Davis said that the intent of the new INTOSAI quality process and framework is to try to get information from more than just a single INTOSAI working group or subcommittee.

AFROSAI-E noted that the FIPP is inundated right now, and asked how realistic it is to get into the FIPP meetings. Ms. Davis replied that the strategic development plan is the vehicle to get something into the framework, and that they want to get relevant things developed for INTOSAI. The extractive industries group has not yet been considered in this way. One could develop something as a group that may not be included in this round, but perhaps it could slide into a project in the next three-year cycle. If so, a project could get into the next cycle of pronouncements and then it would be approved in 2022. That cycle would last from 2020-2022.

Ms. Davis also said that the governing board is meeting in early November, so it may be hard for this group to get into the 2019 cycle. Some people are already in the process of developing guidance for this cycle. A more realistic target may be to work to be included in the sustainable development goals; those won't be approved until 2022. That is another example of how to start to think about that now and start work on it, and then be published later.

WEDNESDAY, 27 SEPTEMBER 2017 – 2:00 PM SESSION

Discussion of WGEI Audit Guidelines and Next Steps

- **Facilitated by the United States**

The facilitators asked the delegates the following questions: Given the challenges with extractive industries, what are the remaining gaps in guidance, and in what direction should WGEI be headed? The WGEI SC had a survey that identified the challenges. Is it necessary to solicit more input from WGEI members to identify gaps? Does the SC need to evaluate gaps from other SAIs in the group? If so, how should the group do this? How does the SC know that other guidance is meeting the needs of WGEI members?

South Africa stated that the issue of taxes has come up quite a lot. Instead of audit guidelines, perhaps the SC can add something more specific to tax guidelines in extractive industries, noting that the group should follow the money.

Uganda stated that each country has its own process and different legal framework. The delegate wondered if the SC can use synergies that supplement each other, and how different populations may benefit from this. Norway agreed and noted that the SC needs to be more specific and apply guidance to specific areas. Although there are full EI value chain guidelines, one still needs to identify how to audit this specific detailed area. Norway suggested thinking of the context of each country and then following the big money. The guidance that Uganda has produced is on a common issue: cost recovery. Norway asked if WGEI can publish or generalize the individual guideline examples that are already produced.

Uganda agreed that there is a need for specifics and legal frameworks, which will be different. When one looks at the whole value chain, within the legal framework, one wants the maximization of revenues for a country, and to align guidelines. Norway noted that the group needs to tailor the guidelines and not just have them generalized. It is helpful to have some general guidance for planning audits, but there is also a need for something tailored and specific for different countries, such as having information on the different legal frameworks.

The United States asked if it is possible to get one guideline that applies to a lot of countries, but also includes specifics. Norway replied that her experience is that these are questions one needs to address, and audit criteria would need to be specific to each country. Uganda noted that one may need to find common themes and areas, but still have some specific details. Norway agreed, and Uganda noted that transfer pricing was highlighted in the survey. If one looks at the EI value chain, there is no dispute about how it flows. WGEI needs a broad framework with which the group works. It's not possible to get one common standard that fits all, but the WGEI need to harmonize the materials and information it have to the best of its ability, and then each country needs to customize that.

The United States asked if the value chain can be added to the same guidance. Norway said no, as it is not one set of guidance that will solve all of these issues. Most audits will be on one specific part of the EI value chain. As a group, based on the input, WGEI can identify some core issues in parts of the EI value chain that are probably more important and come up in several countries such as revenue or pricing, and then the group can identify some general themes under each issue. WGEI could also list some best practice examples or existing audits that could be helpful. WGEI needs to pick priority themes that it knows are common and map the common themes. Norway added that without seeing the full map, it is unclear how WGEI can set the process. The United States replied that it seems that Norway is describing a process to map out needs, and the United States asked how WGEI can build off work that other groups have done and whether the group needs a different process for guidance development in the future. Norway replied that this was already addressed and that there are useful EI value chains. Norway asked if the group can prioritize and fill in the gaps.

AFROSAI-E asked what needs are the needs identified in the survey, asking if the SC should go back to the original survey data to identify the needs and the demands. AFROSAI-E also asked what the need will be for customization versus general information and whether there is already guidance addressing that, noting that revenue and transfer pricing are cross-cutting issues across the SAIs. Uganda said that the survey came up with five major issues: transfer pricing, local context, revenue management, risk assessment, and how to develop audit strategies for extractive industries. In Uganda, officials are trying to develop training activities to address some of this.

The United States asked how closely interrelated the trainings and guidelines are. Uganda said that there is some connection between training and guidelines, but that it would depend on the demand. Given the discussion yesterday, the United States is taking leadership on this. The SC needs to think about the composition of the steering committee and working group, as leadership is important. The SC needs to structure itself to see how members can fill the gaps. If the SC understands what is out there, what is available in each SAI, and what resources each country has, then perhaps WGEI can identify what it is missing. After that, WGEI can work on the public goods memo and try to get into the INTOSAI 2022 papers and projects. A delegate from the United States added that the concept as proposed by the United States is for WGEI to be a first stop and resource for countries looking for information and that the United States is working on developing materials to help with this.

The United States remarked that the theme in the discussion is gaps, adding that the three areas of gaps—in the topics, in the training, and in the audit guidelines—are related. The EI value chain is a good framework that the group always needs to keep in mind. In terms of improving the guidelines, the group needs to map out what reports, training, and audit guidance already exist in light of the value chain for extractive industries. The group will then be able to decide on the priorities to fill the key gaps.

Norway agreed that doing mapping would help educate everyone and would help new groups or people who join WGEI. Under each step, the WGEI should identify some themes as priority ones. WGEI should also share knowledge of different reports, such as those from nongovernmental organizations or other groups, so that everyone can benefit from what each country knows about.

Iraq said that it is important to share information back with our governments and with the public. The guidelines should thus clarify to the auditor the steps of the petroleum process and the needed information on the accounting process used by companies involved. In terms of the fixed assets, one needs to know the accounting system, because those are different in different countries. The guidelines must clarify all this to the auditors and technical specialists invested in the petroleum process. WGEI must be detailed enough in its guidance to bring an unexperienced auditor along—including information on revenues and accounting. The group must not just have auditors involved, but also oil and gas professionals involved to review.

South Africa said that there are a number of players in the extractive industries process: some countries play a big part versus big companies, which take a different angle. For most WGEI members, the core audit responsibility is to audit government departments. South Africa asked what other SAIs are required to audit, noting that in some other countries, the SAI is also able audit the oil companies themselves. There are different angles to look at depending on what an SAI is required to audit.

Ghana said that the mandate of the Ghanaian SAI is to audit the government agencies, but perhaps they can audit the companies indirectly or think about how to hold companies accountable through tax audits and issues such as revenue authority, ensuring taxes are collected, and transfer pricing. WGEI guidelines should be on how to audit and review the work of the audited agency, and to check if the mechanisms of internal control are working in the government agency.

Uganda said that the specificity of different jurisdictions is important. SAIs have a mandate to audit government officials, and if SAIs go after the companies, then they have made a huge jump which may be contested.

AFROSAI-E observed that the due process of guidance development in the INTOSAI framework takes time to meet FIPP. The group may miss 2019, and so they would have to wait until 2022.

Whatever WGEI does now has to respect the due process. FIPP was set up because INTOSAI is trying to reduce the number of guidance documents that are flowing into the framework. The delegate asked if every working group should have a guideline. By making the process rigorous, INTOSAI assumes that if it's not working out, it will be dropped. AFROSAI-E asked what the gap is in terms of the project proposal or needs analysis. The group will need to be specific as to which gaps to address. A proposal was dropped by one INTOSAI committee because the topic was too broad. What WGEI works on must provide direction to link to the actual guide in answering the problem. If it's very broad, it might fall along the way. Also, what WGEI works on must not overlap with any other INTOSAI audit framework. Not all of the SAIs have the same mandate, which is important to keep in mind. The group needs to identify the mandate for each country and identify common ground among countries. Most SAIs can only audit other government entities.

The United States noted that there are options outside of the formal process. The team can prepare a public goods memo. The United States asked whether the group was interested in Level 1, 2, or 3, noting that Level 2 would involve the group reaching out to stakeholders, whereas level 3 takes that external review away and we would keep the review within the working group itself. Levels 2 and 3 have a less rigorous review process as Ms. Beryl Davis described them. The public goods memorandum could be a good way to organize information on the extractive industries value chain, and WGEI could use its mutual experience in its completed audits, training activities, and published guidance. For now, the SC is not really ready for the formal process or formal guidance.

Norway agreed on using the informal process, noting that the group is set up as a community of practice.

South Africa said that, at an INTOSAI committee meeting last week, another member said that it was looking to the WGEI group and that the WGEI group is inspiring other INTOSAI groups. Guidelines will be one of the group's goals, but WGEI's value added will be using the public goods memo and the informal process, outside of the stamped, full due process.

WEDNESDAY, 27 SEPTEMBER 2017 – 2:00 PM SESSION

Status of WGEI Website

- **Presented by the United States**

The United States described the GAO effort to develop a web-based tool for WGEI. GAO staff envision this tool to be a place where people new to the auditing of extractive industries could come to learn about the issues. They are planning to target the tool towards those countries where oil and gas and other minerals have just been discovered and where auditors may be seeking information on how to conduct an EI audit. The contents of the proposed tool include background information and key considerations when auditing extractive industries, including its economic and social impacts, challenges, and examples of reports from the World Bank and other resources. The tool will include an explanation of the seven steps of the EI value chain and include general information on each step, including the legal framework and a general overview of the concept of a legal framework. GAO is considering breaking out the topics separately into oil and gas and mining. For each of these areas, the web-based tool would include links to audit reports from INTOSAI members that had been done in these areas. The tool could also include links to guidance, guidelines, and other reports. The team is developing a mockup before it goes online, and would like to solicit input from all members before it goes online. SAI Uganda is also helping GAO with this effort.

Botswana said that this is a useful as a mapping exercise to help identify gaps. Uganda also stated that the web-based tool will make it easier to find information if people are new to the topic and don't know about the work of the other countries.

WEDNESDAY, 27 SEPTEMBER 2017 – 3:50 PM SESSION

Work Plan Activity 4

- **Presentation by the United States; Discussion of the Work Plan Activity 4 and the WGEI Website**

The United States started off the meeting by asking the other WGEI group members about what they would like to call the project listed under Activity 4 that was previously called audit guidelines and has evolved into the web-based tool. When the KSC looked at Activity 4, they sent a note to the SC encouraging WGEI to reduce the number of audit guideline projects in the WGEI 3-year activity plan. As a result, the United States evolved its thinking into developing a web-based tool with an overall view of the extractive industries organized around the value chain, to inform people new to the audit of extractive industries. The tool would have links to existing guidance, available training, resources, data, and reports. The tool could be a framework for identifying areas where specific guidelines could be developed, as well as for capturing WGEI's work to date. It could then help the WGEI fill in the gaps moving forward. The United States wants to get away from talking about developing new guidelines and wants to provide a web-based tool that is organized around the EI value chain that would give background and explain the seven steps of the EI value chain. For example, a tool like this could be called a mapping tool.

Iraq asked for clarification on whether this would be considered supplemental guidelines, and whether the web-based tool had been developed already. The United States explained they are working on completing this, but that the tool is not yet finished. The United States would like feedback from the WGEI members with respect to the proposed web-based tool. Iraq also suggested that the U.S. portion of this activity may need to fall under Activity 2—Promoting Information Sharing in Extractive Industries—since GAO is not developing new guidelines and part of the tool's focus is information sharing.

Uganda said that in the Abu Dhabi meeting, the SC agreed that Iraq would work on subject matter on the fifth activity, and so the new guidelines from Iraq are one set of guidelines that the United States could look at for its proposed web-based tool.

Norway noted that INTOSAI has a process for publishing guidelines and new guidance, but WGEI needs a tool that summarizes and identifies existing guidelines and gaps where more work may be needed. This was developed as a theory of the process. But what the group needs may be outside of the rigid box of “guidance” or “guidelines.” Norway also stated that some of the apparent confusion centers on the name of the United States’ proposed web-based tool and also sought clarification on how the proposed web-based tool would be used and stated that its location in the Activity Plan could be re-worked if necessary.

Mr. Frechette from CAAF suggested that this tool could be called “Roadmap to Auditing,” or the “Mapping and Resources Tool.”

The United States said that WGEI needs to figure out what guidelines and other information it already has and what the web-based tool should be called. The United States would like to send the tool mockup out to the rest of the group as soon as possible. The United States delegation wants it to be web-based and open-format. The team will need to make sure the links within the mockup work, and the process for developing the tool also needs to be discussed. Keeping it updated would also need to be part of the discussion. United States delegates also stated that the web-based tool would be optimally capable of identifying gaps with respect to auditing guidelines and audit examples. For example, the web-based tool may be used to accomplish the following: (1) direct auditors to examples of completed audits; (2) direct auditors to existing EI guidance documents; (3) assist WGEI in identifying gaps in EI guidance; and (4) be responsive to the KSC which did not want new or additional guidance.

Uganda stated that the proposal from the United States sounded good, with the assumption that the United States would be taking a leadership role with regard to the web-based tool. The delegate added that the United States may also take a leadership role in terms of understanding the resources that are available. Uganda asked how this relates to INTOSAI’s community of practice protocols and its quality assurance due process for guidelines and guidance.

The United States responded that it fits in the “other public good” category in INTOSAI’s quality assurance due process (INTOSAI Framework of Professional Pronouncements). The delegate noted that if WGEI makes it publicly-available, WGEI also needs to ensure its quality. Under the INTOSAI protocols, Level 2 would solicit input from stakeholders, but not involve a full 90-day public exposure required for formal guidelines; the group could do either Level 2 or 3.

Ultimately, the WGEI chair has to sign off. The hope is to have something before 2019, because the current plan runs until 2019. The group would tell the KSC that it is not developing audit guidelines or guidance, but rather a tool and resource consistent with the “other public good” category. The United States also said that some of the primary concerns with the tool being web-based were: (1) whether it would publish information using open data formats (2) how to maintain its currency (i.e., ensuring that it remains updated); and (3) contending with more intricate technical issues. The United States added that the members should also give consideration to determining the level of quality assurance: Level 1, where scrutiny is more rigorous and which typically persists for 90 days, or Level 2, where scrutiny is more lenient and comments may be taken from stakeholders. The United States will continue to work on clarifying the process.

Iraq said that, as noted in the group’s first meeting, Iraq prepared guidelines from the working group, which Iraq is now sharing with the United States. Iraq asked if the two countries will prepare separate guidelines or prepare them together. Iraq also sought clarification on whether their guidance would be a stand-alone document or be incorporated into a larger document.

Uganda said that the expectation was that the guidance would be from Iraq, asking if the United States is suggesting a change in the activity guide.

The United States said yes, they are suggesting a change in the activity guidelines and that the Iraqi guidelines will be on the website as well. The U.S. deliverable would be a mapping web-based tool. The United States asked if other group members have a better name for the resource mapping tool. One suggestion is calling it a “Roadmap to Resources.”

Norway remarked that, to avoid more confusion, the United States is suggesting the web-based tool will serve as a resource map, and within that map, the Iraqi guidelines and Ugandan guidelines will continue to be developed. She added that the proposed tool will be created and will include the guidelines developed by WGEI members.

South Africa said that the group is saying is that all of these activities will fall away and be renamed something else. He added that, by 2019, the relevant parties should at least submit something to be included in the strategy. AFROSAI-E suggested “Toolkit” as a name. The delegate suggested that the group move away from the term “guidelines” and initiated a small discussion with respect to the name of the web-based tool. Ghana wondered if the web-based tool name should be “ToolkEIt” or “EI Audit Toolkit” as a nod to the subject matter.

South Africa noted that by changing the format of the work under Activity 4 to include the “EI toolkit” doesn’t match the Activity 4 label “undertake research.” The United States asked if the group should discuss the web-based tool’s fit within IFPP as an “other public good” project. Norway suggested keeping the project in there, with an understanding that the guidelines are outside the IFPP box. Norway also stated that the Iraqi and Ugandan delegations have already developed guidelines already and that this should be noted by all INTOSAI members.

Uganda said that the group can have the guidelines item stay in Activity 4, because guidelines are part of the toolkit, adding that when the group wants a guideline submitted to IFPP, as a public good, the group should not lose sight of the fact that it is very important. This is because guidelines are necessary to draw people to the site. Uganda had suggested leaving the guidelines item in place (i.e., at the top) because it would likely be more difficult to draw people’s attention to it otherwise. The United States thought that the web-based tool would fall under guidelines and help people define guidelines, or possibly fall in another Activity.

South Africa said that Activity 4 should remain in the plan, stating that, while revamping all the aforementioned sub-activities, the SC should keep the name “guidelines.” South Africa had advocated for identifying the resource tool kit as a sub-activity, and that the last entry should be “future research for developing guidelines” because, as a working group, WGEI should continue conducting its original activity plan and not just do something else.

The United States said that Activity 4 could still be labeled “identify audit guidelines” and the sub-activity of “guidelines and audit” where it was originally going to develop guidelines, could be dropped and used to recognize what else is out there (e.g., CAAF). The United States said the sub-activity could be expanded to include reports/data/guidelines/learning materials, not just guidelines. Additionally, the United States representative stated that the members should give consideration to adding the guidelines under development (e.g., those developed by Iraq and Uganda).

Norway supported the statement from the United States, and was trying to determine where the toolkit fit in. The delegate noted that the group can develop the EI audit toolkit (i.e. web-based tool) while encouraging and publicizing country guidelines, as appropriate. The group could submit the guidelines as concrete examples within the toolkit, instead of just having a theoretical discussion. For the sub-activity, maybe list it as “recognize, encourage, publicize member guidance” and have the second sub-activity be the “undertake research” process. Alternatively, it was offered that the toolkit may fit under the fourth item of Activity 2 (“Compilation and uploading of relevant tools and resources”).

Uganda commented that the SC needed to make sure that any revisions to the Activity Plan would still allow INTOSAI and others to see how WGEI has progressed over the past two years.

The United States said that one output under Activity 4 could be having proposed guidance by 2022—which would include the process of identifying existing guidelines (for example, a manual from Uganda, Iraq guidance, etc.) that pre-date the proposed guidance.

South Africa asked the group about its ultimate responsibility for changing the activity plan, and whether the SC needed to consult with all the WGEI members and have them endorse it. The delegate shared Uganda’s concern that the KSC has a copy of the Activity Plan and if the group is going to change it, we need to still be able to show our progress. The United States responded that WGEI had submitted the existing Activity Plan to the KSC and in response, the KSC said “do not do that, consolidate it” (i.e., the guidance) so that it is more in line with INTOSAI’s current focus. That was in late August, so the expectation is that it is possible to change it (i.e. the Activity Plan).

Uganda asked if the United States was still retaining leadership for Activity 4, with the proposed changes and moving the toolkit under Activity 2, and asked about the “undertake research” sub-activity under Activity 4. The United States delegate responded that the United States could contribute to this sub-activity (based on its development of the web-based tool), but if Uganda and South Africa want to continue to lead that sub-activity, that is where the real work is for 2022.

Norway stated that one thing the meeting has reminded them of, is how much research is going on in other places, such as other institutions documenting good practices. For example, NRGI showed us how much they are doing in this field. The delegate also used Uganda as an example and explained that individual countries may be undertaking work in a particular area, and there may be others delivering on this point outside of the working group, as well. The group should not do it (the sub-activity to undertake or encourage research on a specific EI subject) just because it is a line in the work plan. If there are gaps that the group feels are an urgent issue, then the group should do it.

Uganda stated that leadership on the “undertake research” sub-activity is necessary to ensure that some research work is done. Uganda inquired whether a SC member will take responsibility for determining what research is necessary and taking steps to ensure the research is conducted. Uganda also said that the leader of this sub-activity should be responsible for “pulling together all things that are done” and ensure that it collects and centrally maintains resources. However, this does not mean that the leader of a given activity should also have the sole responsibility for conducting research in a given area. The United States said that it is happy to help identify gaps or help with that sub-activity, but the United States is not well situated to lead research efforts.

South Africa noted that the group has already addressed the “undertake research” sub-activity in some ways, and the group can add other institutions’ (e.g., CAAF) guidelines when they come out. What the group has done in the previous meetings has addressed that, for example, the audit study was rolled out. Two things remaining that are in need of guidance are: (1) transfer pricing; and (2) revenue management and allocation.[5]

[5] AFROSAI-E and South Africa affirmed that they were engaged on both areas identified here. Shortly after making these affirmations, Uganda had said that they could look at these two areas as well, but opined that it would be good for the leader to open up these areas for further development.

The United States agreed with South Africa’s representative and reiterated that the group is “looking for gaps.”

The AFROSAI-E delegate stated that some other organization may have done something, but one cannot say that it is part of the INTOSAI world.

South Africa responded that it is not easy to find complex information on transfer pricing within INTOSAI. South Africa clarified that WGEI wouldn’t be doing the research (to develop complex information) itself, rather, the group’s response would be akin to saying, “if you have questions, these are the tools you can go to.”

Uganda commented that when WGEI conducted the (2013) survey, they group had a limited knowledge. In the last five years, they have learned so much. Extractives work is so large, as it covers mining and so many things. One could look at those gaps in transfer pricing and revenue management, but it is also good to open the issue up so the leadership can see what is important to WGEI members and then narrow down the planned activities.

The United States said that when the EI toolkit (i.e., web-based tool) mockup is done, the United States would solicit feedback and get input on gaps and use the 2013 survey as a guide. It will be a good way to check in with the WGEI members beyond the SC to see where the gaps might be. For example, WGEI members may identify gaps under the topic of revenue management, since that subject encompasses many potential challenges for auditors. The United States said that they will share a proposal for the sub-activities under Activity 4 in the Activity Plan at the Thursday session for feedback from the SC member present.

Uganda suggested that the EI toolkit (i.e., web-based tool) could also provide something where people can ask questions: that is, a place where one could submit a question and get real-time feedback. It could perhaps provide something more of an open forum on the website where one could see other people’s responses, as with a blog post. The United States said that the group can investigate this idea proposed by Uganda.

Ghana said that, in terms of administrative responsibilities, they are thinking about the legitimacy of the Steering Committee. To that end, careful consideration should be given as to what materials could be on the website and, if WGEI does put materials on the website, the group should be sure of what is going on the website. Ghana added that while the presentation from Uganda was enjoyable, it would be helpful going forward for delegates to receive them ahead of time for review and comments prior to the meeting.

The United States said that the previous suggestion was a good idea, adding that CAAF asks for public comments and discloses them on its website, which is a good means of quality control and is in line with the IFPP quality assurance process.

Mr. Frechette from CAAF stated that three good reasons for the web-based toolkit are that it promotes transparency, credibility, and increased value.

THURSDAY, 28 SEPTEMBER 2017 – 8:30 AM SESSION

Accountability and Transparence in Governance

- **Presentation by Vivek Ramkumar of the International Budget Partnership**

Note: In opening the session, Norway stated a running theme of the past two days of meetings was the proliferation of resources and initiatives that INTOSAI WGEI members are able to draw upon to strengthen their message and become more effective in their output. One important way SAIs can increase their effectiveness is to work better and more closely with external stakeholders. Mr. Ramkumar's presentation follows.

The International Budget Partnership has come up with a pioneering survey to measure accountability and transparency in government budgets. In considering the role and effectiveness of SAIs across the globe, they have found that many lack the resources and independence to be effective. One interesting finding is that the publication—or lack thereof—of audit reports is directly correlated to the independence of any particular SAI. As a consequence, many SAIs lack the power to compel the executive branch in their countries to take corrective action, and they depend on legislatures, who may not always be willing partners, to press for results. As a result, the public audit function in many countries is not living up to its potential to protect public funds. SAIs are often not well-known institutions to the public. Their lack of connections to the media, legislatures, and other public anti-fraud and transparency organizations limits public support for their work and thus their effectiveness. To mitigate these challenges, SAIs must strive to make their work more relevant to their public and establish long-lasting connections to civil society.

Mr. Ramkumar provided several examples of good practices. South Korea has put in place a "citizen's audit request system," whereby constituents can submit requests for special audit investigations. The validity of these requests is then considered by a committee of citizens and audit officials, in order to weed out frivolous or unfounded ones. This mechanism expands the relevance of the public audit function to the citizen.

In India, state governments have involved citizens in "social audits" to scrutinize public programs, where the views and experiences of citizens are heard and taken into account. In Uttar Pradesh, over 10,000 public hearings have been organized, which have identified millions of dollars in misappropriated funds from local workers' salaries. These can amount to as little as $50 to $100 per person, but the return of these stolen funds can be very consequential for individual livelihoods.

Following these successes, a two-year pilot initiative focused on countries in the "Global South" will work to improve public communication of audit findings and strengthen SAI connections with other key oversight actors in government and civil society. To participate in the pilot, SAIs must demonstrate a track record of issuing public and high-quality audit reports.

Discussion

Ghana wondered if SAIs would be too busy with their regular workload to take on ad-hoc requests from civil society for specific audits. The South Korean example, where a transparent committee process examines the merits of audit requests, was cited as a way of creating space for a limited number of requests to be received from citizens.

Uganda asked how to balance the security of audit staff with independence and political considerations. Independence and objectivity of SAIs is paramount. Audit independence and objectivity are not compromised by having citizens come to SAIs directly with their concerns. SAIs can't "shut the door" on the population simply because of a fear of engaging with potentially biased actors. If they are connected to political parties, interest groups should be treated the same way as members of parliament.

South Africa asked for input on what has worked well in terms of citizen engagement and on how civil society can better use SAI reports. Countries such as South Africa, India, Argentina, and the Philippines have seen major outcomes from audit reports that showed serious mismanagement or fraud, even extending to consequential electoral losses/defeats and shifts of political power. But there are not enough of these examples: more must be done to connect SAIs with other accountability actors. One simple step is to push for the public release of audit reports. Indeed, 30 of 102 countries included in a 2016 open budget survey do not release their audit reports to the public, even when no legal provisions exist to prevent publication—a situation characterized as "unacceptable."

Iraq inquired about the legal basis for the social audits that have been conducted with success in India. Social audits are increasingly embraced by various levels of government in India. India's SAI has also published guidelines on how to integrate social and financial audits.

Ghana worried about SAIs becoming associated with pressure groups and various political agendas within civil society. Mr. Ramkumar closed by conceding that "democracies are a mess" and there was no blueprint to offer to fully take into account the complexities of the many different voices in the discussions. SAI independence needs to be maintained, but there is also equally a need for a transparent process that is truly responsive to the needs of citizens. As with many public policy decisions taken in low-income countries, considering the impact on the poorest people in the country is a good starting point.

THURSDAY, 28 SEPTEMBER 2017 – 8:30 AM SESSION

Monitoring & Analyzing Integrated Extractives Disclosures: The Opportunity for Joint Accountability Efforts

- **Presented by Ms. Erica Westenberg of the Natural Resource Governance Institute**

Civil society actors must be included in conversations on increasing transparency in extractive industry. There is a whole other set of actors in the extractive industries whose participation can be very beneficial, such as companies that have invested millions into the country and therefore have great leverage with public officials. Fifty countries now have Extractive Industries Transparency Initiative (EITI) multi-stakeholder groups, bringing together government, business and civil society to the same table in an attempt at full disclosure and transparency.

In recent years, the Global Board that sets EITI standards has widened the scope of reporting standards. Companies used to simply disclose what they paid, and governments what they received. As the industry and its ties to national governments and budgets have grown in complexity, it became apparent that simply scrutinizing payments and receipts would not capture the full potential of transparency as a platform for wider reforms.

The scope of disclosure has therefore been expanded to include data on other areas of industry-government interaction, such as the initial licensing process for resource extraction and even extending to how revenues are spent once in government coffers and how sustainable development policies are implemented.

The latest update of the EITI standard in 2016 called for directly “mainstreaming” EITI into relevant company and governments systems. With 155 separate disclosure requirements in EITI standards, governments and business should work together to decide which to prioritize in the “mainstreaming” process.

Ms. Westenberg described three models of “mainstreaming.” In the first model, a country still produces reports in hardcopy and on the web, but also links to relevant government websites and data for further information. For example, Liberia’s reports contain links to data from the state oil company. A second model is Norway, which already discloses so much information through various web platforms that the government argues it should be able to do away altogether with the process of reconciling payments and receipts. Elements of civil society have argued that the process remains of value. Norway's application for "mainstreaming" approval from the Board has not been approved yet. The third model—the "gold standard"—is having the "universe" of information in one single place, in order to best understand how many complex pieces fit together.

Efforts have also been made on data reliability and accessibility. EITI data has traditionally been old (two years or more), in hard copy, and hard to analyze and download. This has led to its disconnection from policy debates. No matter where one puts the data, if it's not sortable, machine-readable, meta-tagged, then people can't do anything with it.

More thought must also be given to how data is used once it's in the public domain to increase its utility to policy discussions. In Liberia, for example, the data enabled researchers to ensure that contracts that were awarded complied fully with laws and regulations. Ghana came up with a host of recommendations on licensing and undisclosed local revenues from the data in its 2013 EITI report.

The missing link between EITI data and sound public policy decisions is analysis. SAIs can play a crucial role in looking at the data and coming up with recommendations for action. In particular, they can join EITI multi-stakeholder groups, where SAI actors are needed at the table. SAIs can also participate in technical committees if an official, formal role isn't wanted. They can also help EITI efforts at a global level around the issue of timeliness of reconciliation on one hand and the need for audited data on the other. In addition, they can help EITI learn from a technical perspective how to do these reconciliations in a more sound way, including discrepancies between licensing rules in place and actual licensing that took place. Further, they can amplify messages using platforms, and consider ways to join up with policy messaging with own reports.

THURSDAY, 28 SEPTEMBER 2017 – 8:30 AM SESSION

The Extractive Industries Transparency Initiative and the United States Implementation Journey

- **Presented by Ms. Judith Wilson, Office of Natural Resources Revenue, United States Department of the Interior**

The United States Department of the Interior (DOI) has administered mineral leasing programs for American public and Indian lands for over a century. DOI's Office of Natural Resources Revenue is responsible for counting, verifying, and dispersing revenue from extractive industries to appropriate stakeholders. Between 1982 and 2016, the office disbursed over $287 billion to the United States Treasury, individual states, and Native American tribes.

The impetus for United States participation in EITI came in September 2011 when the United States and seven other governments launched the global Open Government Partnership (OGP). This partnership included a commitment to improve governance and increase citizen participation. It also promoted country action plans to promote transparency, fight corruption, energize civil society, and leverage new technologies. A key initiative in the first, second, and third United States OGP national action plans is the commitment to implement the EITI.

EITI is a global standard to promote open and accountable management of natural resources. It seeks to strengthen government and company systems, inform public debate, and enhance trust. In each implementing country it is supported by a coalition of governments, companies, and civil society working together to oversee the process.

Once the U.S. government decided to implement EITI, it developed a stakeholder assessment and mapping exercise to identify which stakeholders to include and the issues they cared about. The Federal Advisory Committee Act requires open meetings and publicly-issued reports. A website is dedicated to the minutes of the meetings and subcommittee meetings of the U.S. EITI. Equal representation was sought, with seven rotating members each for state, local and federal government; the oil, gas, and mining industries; and for civil society.

U.S. implementation of EITI is unprecedented due to the complexity of the sector in the country. There are thousands of companies in the U.S. extractives sector; a federal system with state and tribal governments; a mixture of public, state, and private lands where extraction occurs; and a population of more than 300 million active and vocal citizens with very diverse points of view.

The domestic benefits of EITI include: (1) making federal extractives revenue data more easily accessible and comprehensible; (2) increasing public trust; (3) demonstrating the substantial contributions of extractive companies to the federal government and economy as a whole; and (4) informing the public policy dialogue.

Every country adhering to EITI standard must do so in the context of its own laws and regulations. In the United States, the Trade Secrets Act and Federal Oil and Gas Royalty Management Act of 1982 prohibit the federal government from releasing company pricing information; federal employees are subject to criminal penalties if they disclose such information. In addition, Section 6103 of the Internal Revenue Code provides that tax returns and tax return information are confidential and prohibited from disclosure, unless an exception identified in the Internal Revenue Code is applicable; federal employees subject to civil and criminal penalties for disclosures.

The scope of USEITI efforts includes revenue streams, such as rents, royalties, bonuses, fees and penalties collected by DOI, and Federal tax revenues paid to the Department of Treasury and Internal Revenue Service. There is also a materiality threshold for company reporting and reconciliation.

DOI unilaterally discloses all reported revenues aggregated at the company level (to the extent allowable by law) and by commodity and revenue stream. For 2016, that amount was $5.6 billion and 2,100 payments made by 651 companies.

USEITI successes include (1) building effective partnerships with civil society and industry stakeholders and transformed the government’s approach to participatory government to one that is more inclusive and transparent. U.S. leadership also played a crucial role in the endorsement of EITI by the Group of 7, the Group of 20, and the United Nations Security Council. In addition, DOI launched an interactive, open source, open code Resource Revenue Online Data Portal which allows for easy access to data about extractive industries in the United States (https://useiti.doi.gov/). The portal is the new global standard in revenue governance transparency. Further, all variances from both the 2015 and 2016 Independent reconciliation have been explained. There are zero unexplained discrepancies.

Primary challenges for compliance include the voluntary nature of company reporting (2) congressional disapproval of the SEC's June 2016 regulations implementing a section of the Dodd-Frank Act that required companies to report their payments; (3) project-level reporting; and (4) the lack of an institutional framework for beneficial owner disclosure of the corporate entity(ies) that bid for, operate, or invest in extractive assets.

With regard to USEITI lessons learned, Ms. Wilson said that there are domestic and global benefits that include leadership, enhanced trust, and enhanced energy security by a more transparent and level playing field. She also noted that countries use the EITI as a tool to identify and address weaknesses in the management of their natural resources. Sometimes the domestic benefits are elusive. In addition, in spite of the dedication of a lot of people acting in good faith and a well-developed and mature governance system of revenue data standards, audits, and assurances, the United States faces challenges implementing and complying with the standard. The United States has met 7 of 8 EITI requirements and has been unable to obtain full disclosure of extractive resource payments from companies, thus preventing the required yet redundant internal audit reconciliation to government receipts.

Ms. Wilson concluded by noting that EITI is a platform to build trust and confidence, it can be a platform for long-term reform, and it has been successful in creating higher expectations. Even if a country is found making satisfactory or meaningful progress, it does not indicate whether there is corruption in the country or not. It simply means that the country has put into practice significant aspects of all EITI Requirements and thus has sufficient mechanisms of public disclosure of natural resources. Although EITI is not a “silver bullet,” it is one tool in the toolbox. There are EITI success stories, but there also remain challenges ensuring the link between transparency, accountability and good governance.

THURSDAY, 28 SEPTEMBER 2017 – 10:00 AM SESSION

SAI Audit Guidance

- **Presented by Iraq**

Iraq's Federal Board of Supreme Audit (FBSA) has drafted guidelines for auditing oil companies under service contracts, and plans to share a draft with the working group for feedback. The guidelines include sections on the main phases of oil production, the nature of accounting and its role as an information system, and government auditing standards of oil companies under service contracts (general, field work, and performance). FBSA does not have dedicated staff working on the guidelines so they are completing them as time permits in addition to their normal duties.

Iraq emphasized the importance of oil industry-related audits, given the importance of oil to the global economy. Refining and selling oil requires substantial capital investment. Iraq's government partially owns the country's oil fields and hires foreign companies to conduct this work through service contracts, compensating them with a portion of the profits. The Iraqi taxation department and the Ministry of Finance both take a 35 percent fee on the oil profits, with remaining profits going to the oil companies.

Substantial guidelines are necessary to govern this process, given the numerous companies involved in the survey, exploration, extraction, protection, storage, transport, distribution, and sale of oil. The number of Iraqi extraction companies has recently doubled, from three to six. In addition to detailing the main phases of oil production, the guidelines also are intended to cover accounting. Iraq's Federal Board of Supreme Audit is responsible for auditing both Iraqi and foreign oil companies. The delegates discussed the role of accounting as an information system, including restricting financial operations, processing basic data, and communicating information to interested parties through financial reports. The delegates also discussed the general procedures and standards for these audits (e.g., control measures) and the role of government auditing standards of oil companies under service contracts. This includes general standards (e.g., scientific and professional qualifications), field work standards (e.g., audit planning, supervision, and evidence requirements), and auditing standards (e.g., economic and efficiency or performance). Extractive industry auditors require special training and expertise, fulfilling national scientific qualifications. Due to the power of the oil industry, strong independence standards are necessary to ensure auditor neutrality. It is also important to properly identify audit subjects and plan the work, such as examining the type and quality of the oil. In order to provide strong leadership, audit supervisors should have particularly strong knowledge of extractive industries, auditing, and accounting. Due to numerous instances of weak internal controls in Iraq, auditors should have contingency plans in place to ensure they can obtain sufficient information.

Oil industry stakeholders have taken steps to prevent auditors from accessing important financial statements. The guidelines specify two types of audits to address this issue. Engineering specialists supplement some audit fields, focusing on oil field operations, production costs, commitment of foreign oil companies, and associated financial statements. Some such audits focus on software efficiency, analyzing expense reports to help oil companies sustain revenue after production. Additionally, performance audits focus on financial and administrative accounting policies, analyzing steps companies take to prepare financial statements and taxes.

The guidelines do not cover all extractive industries, but cover most important contractual terms. While Iraq's FBSA has numerous detailed audit programs, reaching clear findings can sometimes be challenging. Thus, they have determined it can be beneficial to focus audits on specific activities.

Discussion

Norway asked how the guidelines can be presented to the steering committee. The delegates from Iraq clarified that they will pass on the draft for review and share on the WGEI website, saying they appreciate the offer of feedback.

South Africa asked whether practical lessons learned will be added to the document. Iraq clarified that the guidelines are based on their experience and that service contracts are new to Iraq, having started in 2009.

The United States asked Iraq to clarify the guideline's goals, wondering whether the objective is to develop audit goals pertaining to oil companies with a focus on exploration. Iraq explained that its work focuses on a lack of clarity regarding activities related to exploration, particularly costs and revenue. The United States also asked when the first draft of the guidelines will be available; Iraq expects the draft, which will pertain largely to adherence to auditing standards, to be complete in November.

Uganda suggested focusing audit work on specific areas, such as risks, as general information and statistics regarding service contracts can be confusing. Norway clarified that they are developing resources pertaining to specific contexts and countries, and are awaiting the November draft.

THURSDAY, 28 SEPTEMBER 2017 – 10:00 AM SESSION

Work Plan Activity 6: Mapping and Networking with Key External Stakeholders

- **Presented by Norway**

This session covered stakeholders with which WGEI should network and practical strategies for engaging with these actors. The purpose was to identify relevant external stakeholders and initiatives that can inform or support SAIs working in the extractive industries. Norway started by emphasizing SAIs' importance to the broader community and the difference they can make in peoples' lives. Norway also clarified that this session was intended to expand upon earlier discussions regarding stakeholder engagement, and that attendees should continue to collaborate on the matter going forward.

Delegates suggested the following substantial stakeholders be added to the existing list presented:

- Uganda: the Capacity Building Committee; the African Union (which has conducted work regarding risk flows, SDGs, illicit financial flows, and regional groupings); other INTOSAI working groups; multilateral organizations such as the World Trade Organization; the Africa Tax Administration Forum; regional bodies of the International Federation of Accountants and its regional affiliates; Professional Accountancy Organizations.
- United States: United Nations entities charged with system controls or SDG-related work, including the United Nations Development Programme, the United Nations High-level Political Forum on Sustainable Development, and the United Nations Department of Economic and Social Affairs; WGEA; the United States National Mining Association.
- AFROSAI-E: the Organization for Economic Cooperation and Development (which gave a presentation on minerals and wrote the initial framework underlying WGEI projects), the United Kingdom Department for International Development.
- NRGI: The International Budget Partnership.
- Norway: Donors (the group must review details to identify matches)

To help further identify actors and develop a project framework, the delegates then broke into four self-selected groups, each focusing on specific types of stakeholders, for approximately 30 minutes. The groups discussed challenges and opportunities affecting engagement with their respective stakeholder types, helping formulate INTOSAI engagement strategies. Norway emphasized INTOSAI's ability to pressure public institutions to implement recommendations, but highlighted challenges stemming from misrepresented findings. Norway also suggested countries address this challenge by hosting open training sessions instructing stakeholders on how to properly interpret and use findings. WGEI can draft template training material that members SAIs wishing to host such sessions could utilize.

The four groups summarized their discussions, as follows:

Industry: The United States led the discussion and suggested obtaining industry perspectives while creating audit guidance. They emphasized the need for training, best practices, knowledge sharing, and revenue avoidance practices, suggesting development of an extractive industry audit tool kit. Citing the disparity of information industry stakeholders are aware of, but SAIs are not aware of, as a challenge, the delegates suggested focusing more on experience sharing opportunities than administrative matters pertaining to WGEI governance. SAIs can collaborate to develop strategies to address challenges. The delegates from Norway added that the WGEI meeting was an example of such SAI collaboration.

Non-Governmental Organizations (NGO), Other Initiatives, and Foundations: Ms. Wilkins, leading this discussion, explained that while pulling together a full NGO list may be challenging for the working group, they can identify and utilize specific areas of expertise. Ms. Wilkins suggested compiling a list of NGO-related partners and resources. WGEI's newsletter could serve as an important media for this initiative. Other options include developing simplified versions of reports, particularly findings, utilizing web-based tools (such as an NGO-specific section of WGEI's website summarizing recent relevant findings). WGEI should also collaborate with EITI. Norway delegates concurred with the suggestion to involve external stakeholders.

Other SAI Bodies and Regional Organizations: AFROSAI-E, leading this discussion, suggested identifying challenges regarding some stakeholders' lack of interest, then reaching out and engaging these stakeholders through a proper outreach program. For example, WGEI should reach out to member SAIs in regions with weak governing bodies, forming memoranda of understanding to facilitate this. Such memoranda do not need to be the same for all bodies. WGEA may also ask regional bodies for their activity plans, providing WGEI an opportunity to communicate and coordinate with them. WGEI could seek external comment and engage others regarding overlaps. Additionally, subcommittees on financial and performance audits could provide substantial input, helping guide WGEI products. SDGs also should help guide audit topics. South Africa suggested strategies WGEI could implement to incorporate SDGs into audit topics. AFROSAI-E feel comments and responses to others' products could help facilitate mutual insight.

Multilaterals and Donors: The United States led this presentation, emphasizing the importance of funding and the opportunities to engage multilaterals stemming from mutual interest in improving extractive industries. The United States suggested developing strategies to identify extractive industry needs, then aligning these strategies with the interests of multilateral donors able to provide funding and support to such initiatives. For example, SAIs with training needs could align with donors interested in building SAI capacity. The United States also suggested creating a multi-stakeholder group in cooperation with EITI, facilitating networking and collaboration. SAIs should coordinate with a network of stakeholders to engage donors and multilaterals.

Norway suggested taking pictures and compiling a write-up of the session to help WGEI implement the suggestions. WGEI's secretariat can help facilitate outreach and matchmaking on behalf of members. Important steps include identifying interested NGOs and potential donors, including their primary activities, as well as programs and initiatives that could help finance SAIs' extractive industry-related work. WGEI can utilize its toolkits to help identify matches, build partnerships, and fundraise. Norway also suggested attendees work to summarize their stakeholder engagement strategies, helping identify responsibilities and priorities moving forward as WGEI develops stakeholder groups, starting with invitees. The initiative may include forums pertaining to stakeholder initiatives. Other attendees concurred with this proposal; specifically, the United States suggested using the synopses of the breakout discussion to formulate an activity plan and adjust the guidelines accordingly.

Session attendees plan to consider these ideas going forward.

THURSDAY, 28 SEPTEMBER 2017 – 1:00 PM SESSION

Work Plan Activity 1: WGEI Administration Update

- **Presentation by Uganda**

WGEI steering committee members discussed whether to have a continuous or rotating chair for the WGEI working group steering committee after Uganda's terms ends in 2019. The United States commended Uganda on its leadership and asked if they are interested in continuing the role of the chair.

Uganda responded that two or three terms is probably the longest term for a chair to hold. This is because it is always good to bring in new ideas, and a change in leadership can help to re-energize the whole process. Uganda further stated that it would be willing to retain the chairmanship for another term (until 2022), and then end their leadership. This would allow the working group to become more stable before a turnover in leadership occurs.

Norway said they cannot overstate how fantastic a job that Uganda has done in getting resources and a framework together for the WGEI working group. Norway added that, addition to new ideas, taking on leadership roles often creates ownership which could be helpful.

South Africa noted that it was important to determine how the group will manage the transition of the chairmanship, including whether the leadership of the Community of Practice and management of the website will also migrate with the chair.

Iraq commended Uganda on their leadership and stated that it was better for Uganda to continue in the leadership role until the working group was more formalized.

After hearing the discussion, Uganda agreed to continue to serve as the steering committee chair for another term, and they will be sure to consider how best to transition the chairmanship when the transition occurs in 2022.

The United States stated that it would be helpful to grow the membership of the WGEI steering committee to help better manage the workload. Currently, there are not enough people to do all the working group activities the steering committee would like to conduct. From its experience working on WGEA, a larger steering committee would help spread the workload. The United States also noted that some regions do not have representation, such as South America, and this could be a starting point to focus on increasing membership. The United States said that they have engaged in some dialogue with a representative from the Brazilian SAI, but that representative is no longer the point of contact on these issues. The United States is working to identify another Brazil contact to renew the activities.

Uganda and Norway both stated that they supported the idea of expanding the steering committee, but Norway wanted to ensure the steering committee doesn’t become too large. Continuing with the United States’ idea, Norway recommended reaching out strategically to certain SAIs where there isn’t regional representation but where SAIs have expressed an interest in participating, such as Brazil, Vietnam, Argentina, and Mexico. As of now, the WGEI steering committee does not have representation from South America, Caribbean, Asia, and Pacific SAIs. Currently the WGEI steering committee has five members, and the group acknowledged that having no more than 10 members on the steering committee is a reasonable goal.

Uganda stated that they have three full time staff working on the steering committee—Mr. Maxwell Ogentho is in charge of the secretariat, Mr. Ssali Edward is in charge of the community of practice, and another staff member (Mr. Robert Kamukama) manages information technology. Norway added that its SAI wanted to better assist Uganda, but that it is difficult to find appropriate staff given their expertise in auditing. Norway also mentioned that they do not have network experts or training specialists in their SAI, as their staff is comprised of auditors. Mr. Frechette noted that when Canada chaired WGEA, it had three full time staff, also noting that if the secretariat is taking on the entire load, it is really too much. South Africa said that he was interested in whether private institutions are willing to support the cause and could provide additional funding.

Members agreed there should be a steering committee meeting in 2018, and a large full committee meeting in 2019 bringing in all 44 members. South Africa agreed to ask whether South Africa could host the 2018 steering committee meeting. No SAIs offered to host the larger 2019 meeting.

Uganda raised the issue of whether Skype meetings should be held bi-monthly or whether they should be held monthly. The group agreed that meeting monthly is reasonable. Uganda also asked about whether any members experienced technological challenges with the Skype meetings, and several SAIs reported challenges. Uganda suggested that the challenges may be related to poor network or bandwidth connections in Uganda, since it’s they who host the Skype meetings. The members discussed options for another SAI to volunteer to host the Skype meetings, but no members volunteered. Uganda also led a discussion about whether to change the time of the Skype meetings—as the meetings are very early in the day for the United States, but very late in the day for Iraq. Given the challenges with time zones, it was agreed to keep the current meeting time that the working group has been using.

THURSDAY, 28 SEPTEMBER 2017 – 2:30 PM SESSION

Summary of Meeting and Closing Remarks

- **Session led by the United States**

The United States walked through a matrix of specific activities for WGEA, noting that the activities were paired with a plan of action and assigned to particular group members. [*Note: at the beginning of the session, meeting participants received a copy of Quality Assuring INTOSAI Public Goods that are Developed and Published Outside Due Process: A Joint Paper from the INTOSAI Goal Chairs and the INTOSAI Development Initiative, dated 15 May 2017*.] Some delegates asked about the leadership for each activity; Norway representatives noted that assigning one leader per activity appeared most effective.

Activity 1: WGEI Administration
The United States reviewed the matrix in detail and discussed establishing activity leaders and a knowledge sharing committee.

Uganda discussed the reporting under this activity and asked if the group would consider having a co-leader for Activity 1. Delegates from Norway said that they thought having a single lead makes things clearer in terms of lines of responsibility and answering questions.

The United States also discussed periodic meetings for the knowledge sharing and executive steering committees, the extractive industries toolkit for the website, and establishing activity leaders.

Activity 2: Information Sharing

The United States discussed promoting information on extractive industries to be shared under extracurricular activities. Iraq—which had led an audit report on this topic—confirmed they would serve as lead for this activity. Uganda noted that Uganda is identified as a second leader but merely functions in an administrative manner.

The members agreed that English should be the language of the initial reports and that translated versions should follow.

The United States explained the five takeaways from the discussion on this activity: (1) determine what types of reports this activity would produce; (2) determine how to present the information (e.g., in a "quick" journalistic format); (3) ensuring their reports are open source, readable, in an open data format, and machine readable; (4) checking links; and (5) ensuring the focus is on more than just the national reports.

The members agreed that they should not focus on national reports only. To this end, the members suggested that a quarterly newsletter be published.

Uganda suggested a change to quarterly reporting. South Africa said there needs to be a summary of the reports being submitted by the WGEI Secretariat. The United States said that they would incorporate the U.S. ideas into the activity plan, adding that they would include a change to include a web-based extractive industries audit tool kit and will work with the community of practice to develop a toolkit for this. Additionally, this toolkit should be open-data formatted (i.e., machine-readable). The United States stated that GAO is doing a lot of work in this area.

Activity 3: Learning

The United States discussed the formation of a WGEI learning application team that will help develop a curriculum and said that there are seven SAIs involved, including Norway, Zambia, and Ghana, among others. AFROSAI will serve as an observer. India will host the first committee meeting. South Africa suggested it be called a "Learning Task Force." The United

States offered that one of the indicators could be a feedback loop on trainings as a means to help measure progress.

Norway said they will help develop some basic training to be provided during the two-week session to take place in Jaipur, India in December 2017. Uganda said that holding this training at the meetings in India could help ensure participation.

Activity 4: Audit Guidelines

The United States, the lead country for this activity, said that they would like to change "audit guidelines" to "identifying extractive industry related materials," which would include identifying guidelines. The United States emphasized that they would not be developing guidelines, and that the United States can include the result in the extractive industries toolkit. They will identify and promote relevant extractive industries audit material.

Uganda and South Africa discussed identifying potential gaps in revenue management and transfer pricing, and this was added to the matrix.

Activity 5: Knowledge and Experience Sharing

The United States confirmed that South Africa is the lead for this activity and noted that there are three takeaways from the session: (1) to link SDG responsibilities, (2) SDGs promote audits, and (3) it is important to look into and leverage cooperative audits.

The group discussed the number of annual webinars. Uganda wanted six. South Africa said he thought that this was a lot, and also asked how webinars are defined. Mr. Frechette from CAAF said they've recently been developing and presenting webinars and offered their assistance. Iraq said it would be good to identify the number of webinars to offer, but thought it might be less than six. Norway said with so many initiatives and tasks, it was not necessary to set a number, but rather let South Africa as lead figure this out. South Africa agreed, saying they did not want to commit to a number and noting that the focus should just be on what the webinars would be about. The United States said that the lead would research potential webinars for extractive industries and then the steering committee would meet to discuss this in more detail.

Activity 6: Mapping and Networking with Key Stakeholders

Norway discussed their presentation on a stakeholder strategy and developing tools, including the roles of SAIs extractive industries, a catalog of SAIs, and developing a toolkit on fundraising.

Conclusion

The United States summed up by saying that they would make all of the remaining changes to the activity matrix and send out to all groups by Monday for review. The United States also agreed to provide a summary to all participants of all of the notes taken at this week's meetings in about a month.

END

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List of abbreviations

AFROSAI-E – African Organisation of English-speaking Supreme Audit Institutions

ASM – artisanal and small-scale mining

APD – application for a permit to drill

BLM – United States Bureau of Land Management

CAAF – Canadian Audit and Accountability Foundation

DOI – United States Department of the Interior

EI – extractive industry

EITI – Extractive Industries Transparency Initiative

FBSA – Federal Board of Supreme Audits

FIPP – Forum for INTOSAI Professional Pronouncements

GAO – The United States Government Accountability Office

G&G – geological, geophysical, reservoir, and engineering studies

IDI – INTOSAI Development Initiative

IFF – illicit financial flow

IFPP – INTOSAI Framework of Professional Pronouncements

INTOSAI – International Organisation of Supreme Audit Institutions

ISSAI – International Standard of Supreme Audit Institutions

KSC – Knowledge Sharing Committee

NEPA – National Environmental Policy Act

NRGI – Natural Resource Governance Institute

OAG – Office of the Auditor General of Uganda

OGP – Open Government Partnership

RGI – Resource Governance Index

SAI – Supreme Audit Institution

SC – Steering Committee

SDG – Sustainable Development Goal

SEC – United States Securities and Exchange Commission

USEITI – United States Extractive Industries Transparency Initiative

WGEA – Working Group on Environmental Auditing

WGEI – Working Group on the Audit of Extractive Industries