

Govt to pay oil firms 3.6 trillion

Rejected. The Auditor General's office rejected some claims amounting to Shs250b by the oil companies because they appeared inflated.

BY FREDERIC MUSISI
musisif@ug.nationmedia.com

KAMPALA. An early assessment of recoverable costs by the Auditor General (AG) reveals that Uganda owes the international oil companies at least \$1b (about Shs3.6 trillion) in costs incurred on various activities during the exploration and appraisal phases since 2001.

The revelation was made by the director of Audit for Central Government, Mr Joseph Hirya, last Friday at the International Organisation of Supreme Audit Institutions (INTOSAI) conference in Kampala.

The costs and other details pertaining to the oil and gas industry extraction have been a mystery given the confidentiality of the exploration and extraction agreements between government and the oil companies.

"These figures are however going to rise especially as the country moves into the [oil]

development stage and eventually commercial production," Mr Hirya added.

He could not provide a breakdown of the costs submitted by the different companies, but revealed that the AG's office had also rejected some claims amounting to \$70m (Shs250b) by the oil companies because they appeared "inflated."

The \$1b bill, according to sources in the Petroleum Authority of Uganda (PAU) which regulates the oil and gas sector, however is "as of up to 2012."

"We are working around the clock to bring the figures up to-date," said a senior PAU official.

The Auditor General is mandated to audit claims of recoverable costs submitted by the oil companies.

Under the Production Sharing Agreements (PSAs) with government, the oil companies are required to invest in the sector and will recoup their money once commercial oil production starts. According to government, production will start later in 2020.

The PSAs spell out the type of costs the companies can recover from government and those which are unrecoverable. The recoverable costs include

all exploration, development, production and operating expenditures.

However, with the country moving into the development phase during which at least \$8b (about Shs25 trillion) will be invested, there is worry that oil companies will submit more exorbitant claims in recoverable costs.

Until 2010, government had hired audit firms Ernst and Young and KPMG to assess the recoverable costs as the office of the Auditor General built its own internal capacity.

The Auditor General's office has since taken over the auditing of the recoverable costs

THE GOLD

Ms Kayemba said during the FY 2015/16, gold was Uganda's second largest export after coffee but the royalties paid to government don't reflect that growth. A recent Auditor General's report shows that government lost Shs42b in dubious gold exports.

with a 10-member team.

The working group of the extractives industry of the INTOSAI convened in Kampala last week to share knowledge and expertise on conducting such technical audits, comprised officials from Iraq, Ghana, Botswana, Tanzania, Saudi Arabia, Vietnam, Zambia, Libya, and Sudan.

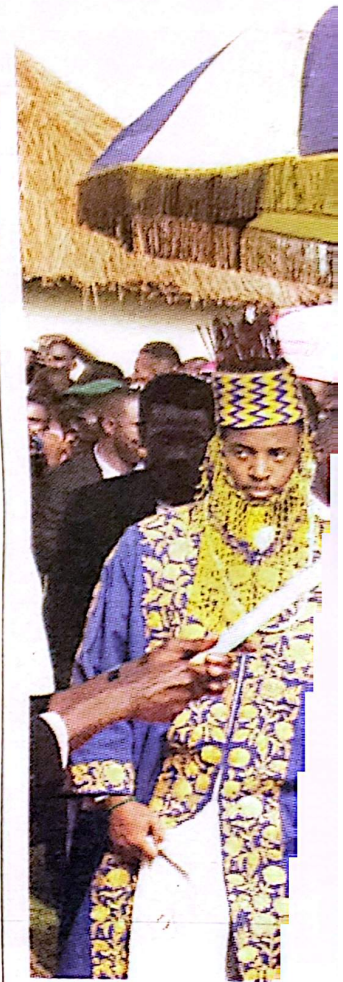
The meeting held under the theme: "Enhancing the audit of extractive industries: Risks and Mitigation" was part of the vast wide-ranging discussions to establish global guidelines for auditing the extractives sector —oil/gas and mining.

Uganda's Auditor General John Muwanga chairs the working group on extractives, which has developed a draft policy.

Currently, there is no established policy to guide institutions auditing activities in the extractives industry, which has led to mining and oil companies get away with most of their sins.

The deputy Auditor General, Ms Keto Kayemba, said this has already proved "problematic" in Uganda where billions of shillings are being lost in the mining sector.

King Oyo warns o



Coronation. King Oyo Palace in Fort Portal, against tribal disintegration of the kingdom.