

### III. Start Independent National Audit

South Sudan should request and publish the results of an independent third-party audit of all government procurement contracts, natural resource concessions, and investment licenses granted since the start of the war in 2013. Until the audit by an international accounting firm is complete, the R-TGoNU should place a moratorium on future natural resource investments and donors should freeze any financial assistance. The goal of the government audit should be to identify deficiencies in the public procurement process and recommend reforms.

#### How would this action improve economic governance?

Political interference, widespread evasion of regulations, and unclear governance in the natural resource and procurement sectors in South Sudan have bred corruption. Amid this economic free-for-all, competition for South Sudan's natural resources and procurement contracts—the most lucrative resources in the country—has fueled and financed conflict.

- An independent third-party audit of the government would help expose the conflict of interest with some of South Sudan's political elites. The South Sudanese procurement system and subcontracting process, for example, are prone to fraud and waste because companies often receive contracts and concessions based on political connections.
- The audit would build off South Sudan's internal, unreleased audits to uncover procurement fraud and the unregulated granting of concessions and contracts. The comprehensive audit would also highlight where the government has failed to account for community rights and social and environmental impact in resource extraction.
- The audit would recommend cancelling contracts that did not follow South Sudan's regulatory framework and suggest debarring companies from receiving government contracts if they have stolen public funds, violated national or international law, or circumvented proper processes in the country. Working with the National Petroleum and Gas Commission and the Land Commission,<sup>62</sup> the auditors would focus on awarding concessions and licenses with correct processes and oversight.

#### Has this policy worked?

In November 2010, because there were not sufficient regulations to control the allocation of contracts and concessions, Southern Sudan's pre-independence government instituted a temporary moratorium on investments in mining.<sup>63</sup> Public independent audits are common in certain sectors. In Mozambique, international donors requested an audit of certain companies to clarify irregularities in government loans and address concerns related to the management of public resources.<sup>64</sup> Further, as part of the Kimberley Process—a government-led certification initiative to clean up the diamond trade—independent audits have been required before restarting certified exports in certain situations where exports had been suspended under the initiative.<sup>65</sup>

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#### What are the steps to implementation?

The R-ARCSS mandates that the transitional government review all public funds,<sup>66</sup> and requires an audit of the awards of concessions and licenses in the oil sector. An international auditor would expand on this oversight. South Sudan has taken initial step to improve the procurement process with the passage of the Public Procurement Bill earlier this year.<sup>67</sup>

- **South Sudan:** The Minister of Petroleum and Mining should immediately place a moratorium on natural resource investments. At the same time, the R-TGoNU should request an international audit and appoint a National Auditor General to work with the accounting firm and lead the publication of the results.<sup>68</sup>
- **IGAD, AU, United Nations:** To weave the audit into the implementation of the R-ARCSS, RJMEC and the AU Transparency Envoy should work with the accounting firm to ensure full access to government records, budgets, and reports. Any failure of the R-TGoNU to comply with the auditors should be publicized.
- **International Partners, Donors:** Major investors, such as China and Kenya, should advocate for the audit given how unregulated economic sectors typically raise the costs of doing business for all companies and donors. Key donors should finance the audit and recommend reforms to the legal and financial frameworks that support—for instance—a more accountable tender process, improved anti-money laundering enforcement, and Extractive Industries Transparency Initiative (EITI) standards.<sup>69</sup>