Joint Intosai & National coordinators meeting

Oslo, 11 October 2022

Strengthening public oversight of extractive industries

Standardised approaches to EITI reporting

The global standard for the good governance of oil, gas and mineral resources.
Parts of the puzzle

- Lessons learned from flexible reporting
- DRC Sicomines
- Republic of Congo study
- Pilots in Germany and Mauritania
- Supreme Audit Institutions
- Need for more flexibility
- Complementarity to SAI, AC agencies etc
- Cost and sustainability considerations

Country lessons
Industries Extractives, EITI and SAIs: Trois Ressources

- Comprendre les revenus et les ventes pétrolières de l’État en République du Congo grâce à la modélisation financière
- Commet auditer la performance du Gouvernement dans la gestion des contrats de pétrole et de gaz (AFROSAI-E)
- Don Hubert, Les Nombreuses Façons de Perdre des Milliards : Comment les gouvernements échouent à obtenir une part équitable de la richesse provenant des ressources naturelles

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Current reporting
Existing matching and reconciliation process

0. Annual Scoping Analysis

Scoping Study (conducted by MSG or IA)

1. Preliminary Analysis
   - Inception Report

2. Data Collection

3. Initial Reconciliation
   - Initial Reconciliation Report

4. Investigation of Discrepancies
   - Independent Administrator’s Draft Report

5. Final Report
   - Independent Administrator’s Final Report
RECOMMENDATION: DATA COMPILATION

Innovative EITI compilation process by national secretariats under MSG oversight

- **Scoping**
  - Internal Scoping Analysis and Report

- **Preliminary Analysis**
  - MSG and National Secretariat Preliminary Analysis and Report (data flows, scope and materiality)

- **MSG assessment**
  - MSG assessments of (1) high-level audit framework for companies and government and (2) tax administration and collection functions

- **Data compilation**
  - National secretariat compiles EITI revenue and sector data into EITI Report (with audit sign-offs as needed from Attorney General’s Office)

- **Final Report**
  - EITI Report publication, dissemination and follow-up
Reconciliation lessons learned & innovations

Independent review of reconciliation (2019)
- Questions around long-term financial sustainability of reconciliation.
- Risk of reduction of EITI to accounting exercise.
- Scope for innovation on sector disclosures and analysis?
- Expectations ≠ reality in review of company compliance.

Pilot on alternatives to reconciliation (2020-22)
- Three countries joined so far (Afghanistan, Germany, Mauritania).
- Risk-based approach to reliability of government revenue disclosures.
- Starting point of systematic disclosures analysis & assessment of underlying systems.

'Flexible' EITI reporting (2020-22)
- Focus on government unilateral disclosures.
- Some countries have used risk-based approach (Zambia) or additional verifications of government data (Chad).
- Greater focus on data analysis & forward-looking disclosures.
- Timelier data.

Report on revenue integrity considerations (2021)
- Proposals for additions on revenue transparency and revenue integrity.
- Focus on practice of tax administration, internal and external audit and assurance mechanisms.
- Scope for expanding focus to revenue loss risks.
- Compliments pilots.
Standardised approach to allow for country fit

Cost spent on reconciling data and producing report

Country A
Country B
Country C

Risk-based approach
Explaining payments
Thematic reports
Forecasting
SAI and AC work
Potential **benefits** of alternative approach for Supreme Audit Institutions

- Shedding light on SOEs, government entities, payments flows presenting potential risks -> can be helpful for SAIs during the planning of their audits or to confirm conclusions in their past audits;

- More involvement of SAIs in EITI process: their role could evolve from the certification of government reporting templates to (for example) providing input to the risk assessment. SAIs are well equipped to play a key role in the risk assessments in this new approach.

- The new approach is more aligned with SAIs’ technical knowledge as this approach draws on a methodology close to the audit approach with diversified verification tools (in contrast to the previous approach focusing only on reconciliation).
EITI International Secretariat

DATE 11 October 2022

OCCASION EITI-IDI workshop: Strengthening public oversight of extractive industries

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