



Extractive Industries
Transparency Initiative

Bridging the gap

Recommendations on the transition
to systematic transparency of
extractives data

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EITI International Secretariat
February 2020

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Recommendations on the transition to systematic transparency of extractives data

A report commissioned by the EITI International Secretariat on request of the Implementation Committee of the EITI Board

Abbreviations

EITI	Extractive Industries Transparency Initiative
IA	Independent Administrator
MSG	Multi-stakeholder Group
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
SOE	State-owned enterprise
ToR	Terms of Reference

Foreword

The EITI was established to publish substantive facts about the extractives sector, so that mining, oil and gas resources can be managed by national governments in a way that benefits citizens. By making natural resource data available and accessible, the EITI strives to foster public debate, inform reforms and decision making, and strengthen extractives revenue management.

Since the EITI was first established, USD 2.6 trillion in revenues have been disclosed through EITI reporting, covering 422 fiscal years in over 50 countries. The practice of annual reporting has delivered some important benefits. However, it has been costly, and the data contained in reports is consistently underutilised.

With advances in e-government and a compelling need for timely information to inform decision making, we are advocating routine publication of the data required by the EITI Standard, through what is known as mainstreaming or systematic disclosure. Examples include public portals showing how licenses are allocated, and reporting on company websites that breaks down the tax paid to government by country, region or project.

A key part of any reporting process is building trust in the data and information that is presented. As the EITI has evolved, it has developed processes for implementing countries to gather and assure data in line with the EITI Standard. In most implementing countries, independent accounting experts – known as “Independent Administrators” – reconcile and assure the data reported through EITI processes.

This expert report was originally commissioned to review the data assurance procedures used in EITI implementing countries and their cost, and to determine whether the use of Independent Administrators safeguards the reporting of comprehensive and reliable data.

The review of reporting undertaken by Anwar Ravat has also delivered important recommendations on how to bridge the gap between current systems used in many EITI countries and “mainstreaming” – the routine reporting of data in government and company systems.

This evolution is one of the most important steps that implementing countries can take in delivering on the original purpose of the EITI – publishing data in a way that enhances the value of resources for citizens. We have a mandate from our Board to pursue a step change in the transition to systematic disclosure, motivated by the potential to reduce the time delays and cost of reporting, and to improve accessibility, as set out in this report. This transition has a direct bearing on the work and purpose of multi-stakeholder groups by enabling them to analyse data, engage with decision makers, and share the information widely. The report makes an important contribution by offering concrete suggestions on how this work might evolve in the light of our focus on systematic disclosure.



Mark Robinson
Executive Director, EITI International Secretariat
February 2020

Executive Summary

CORE FINDINGS

The report presents the findings of a review of a sample of EITI and Independent Administrator (IA) Reports prepared under Standard Terms of Reference (ToR).

Its key conclusions are as follows:

- The procedures applied by Independent Administrators (IAs) are broadly adequate to safeguard the reporting of comprehensive and reliable data, albeit with caveats as described in this report.
- The ToR is valuable in promoting a consistent approach by IAs to their work. However, there are variations in the completeness of disclosures in EITI Reports prepared by IAs, including uncertainty on how data assurance conclusions were reached. While the impact of these variations on Validation is significant, the wider concern is public trust in the work done under the auspices of the EITI. Insufficient oversight of IA work by multi-stakeholder groups (MSGs) may also be a contributing factor.
- Many EITI Reports showed extensive work is undertaken to reconcile discrepancies of relatively minor amounts or those resulting mainly from clerical reporting or timing errors. This work is undertaken by reporting entities (companies and governments) that have only small revenue flows. These two issues raise questions on cost-benefit and utility of recurrent IA effort.

BROADER INSIGHTS AND CONCLUSIONS

In addition, there are broader implications for the EITI that emerged from this review:

- Foremost is the widespread misperception about what EITI reconciliation means. Many stakeholders believe that IAs and audit firms provided a stamp of assurance that the EITI data presented was reliable. This view is erroneous and reflects an expectation gap in what stakeholders wish an EITI Report to deliver and what EITI-reconciled data actually is. IAs themselves explicitly caveat that reconciliation and EITI Reports are not audits. Additionally, audited financial statements of reporting entities that underlie EITI Reports are not easily available to stakeholders.

- While IAs do deliver important contributions – including by collating EITI data in one place in an easy-to-understand format, the value and long-term financial sustainability of reconciliations repeated year after year is questionable. Aside from cost-benefit concerns, the risk of excessive focus on clerical and reporting discrepancies is that the EITI is dragged towards and reduced to being an accounting exercise, as opposed to being the vehicle for raising substantive facts about how extractives are managed and benefit citizens.

“The EITI is dragged towards and reduced to being an accounting exercise, as opposed to being the vehicle for raising substantive facts about how extractives are managed and benefit citizens.”

The core issue this raises is whether the EITI has reached an inflection point where the value of sector and institutional transparency available in EITI Reports outweighs the value of detailed reconciliations.

Could greater rigour by IAs in their work in applying the Standard ToR help address the concerns raised?

In the context of limitations on the time and resources that can be allocated to reconciliations, there are inherent limitations to their scope. An alternative is for EITI implementation to be revisited to allow countries more room to innovate and allocate resources to sector disclosures and their analysis.

A strong business case exists for rethinking and refining the EITI in this way.

Firstly, there have been advances in e-government and electronic tax administration systems which mean that in some cases the underlying record of revenues and payments are one and the same – making the original concept of “matching” or reconciling separate data submissions by companies and governments redundant.

Secondly, with the EITI Board-approved direction of travel towards systematic disclosures, concrete policy steps will help EITI countries to take actions towards that goal and should be encouraged.

Finally, providing for the more timely disclosure of data through innovative approaches is beneficial for stakeholders who may have urgent concerns about the current impacts of extractives production.

Strengthening the technical capacity of EITI MSGs and national secretariats (independent of IAs) is also an important goal. They should be empowered to innovate in reconciliation processes and be able to redeploy resources to focus on higher-order priorities. Such a step could help MSGs to move from a basic purpose of countering revenue secrecy to cementing a more relevant role for themselves in extractive sector transparency and governance, with the convening authority to advocate for reform.

There is therefore an opportunity for MSGs to target strengthened but efficient approaches to EITI reporting, where they can take the lead on finding solutions for legal issues that hinder transparency.

RECOMMENDATIONS

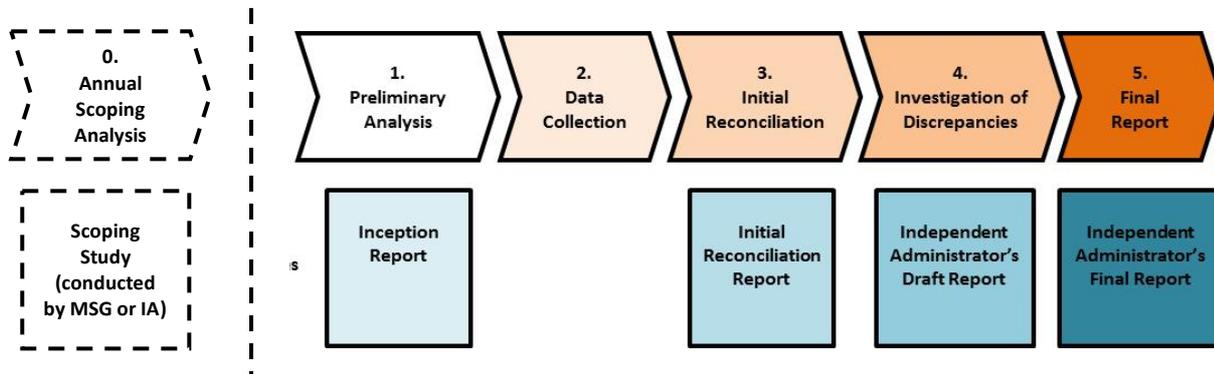
This report recommends various steps to allow countries to innovate on how EITI data is reported.

One option is for MSGs to take the lead in producing compiled (not reconciled) EITI Reports, which minimise the use of IAs and rely primarily on government-reported data. Such an approach could be coupled with greater MSG efforts to understand the effective functioning of audit statutes for private and public sectors and state-owned enterprises (SOEs), and how national tax administration functions operate.

The following diagrams illustrate how the innovative approaches proposed in this report might dovetail with the existing EITI implementation “cycle” and a potential systematic disclosure system (designed and operated under mainstreamed EITI data).

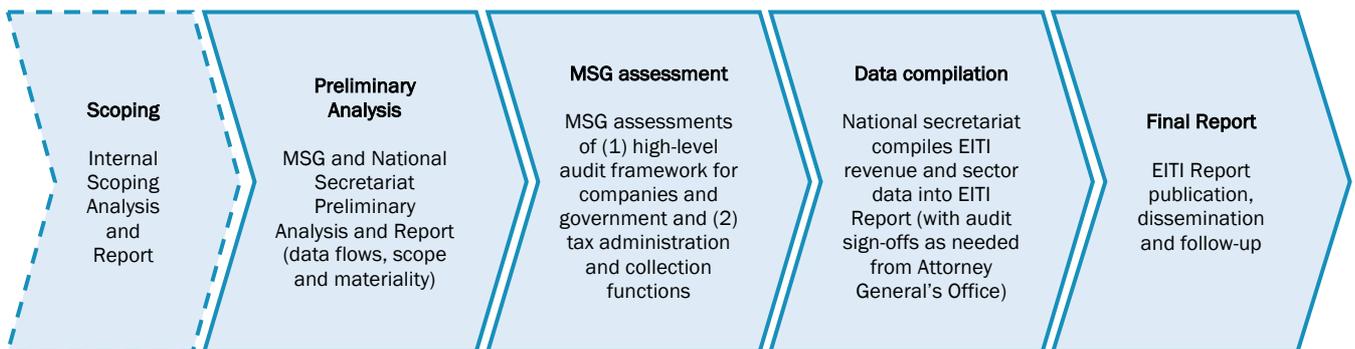
CURRENT STATE

Existing matching and reconciliation process



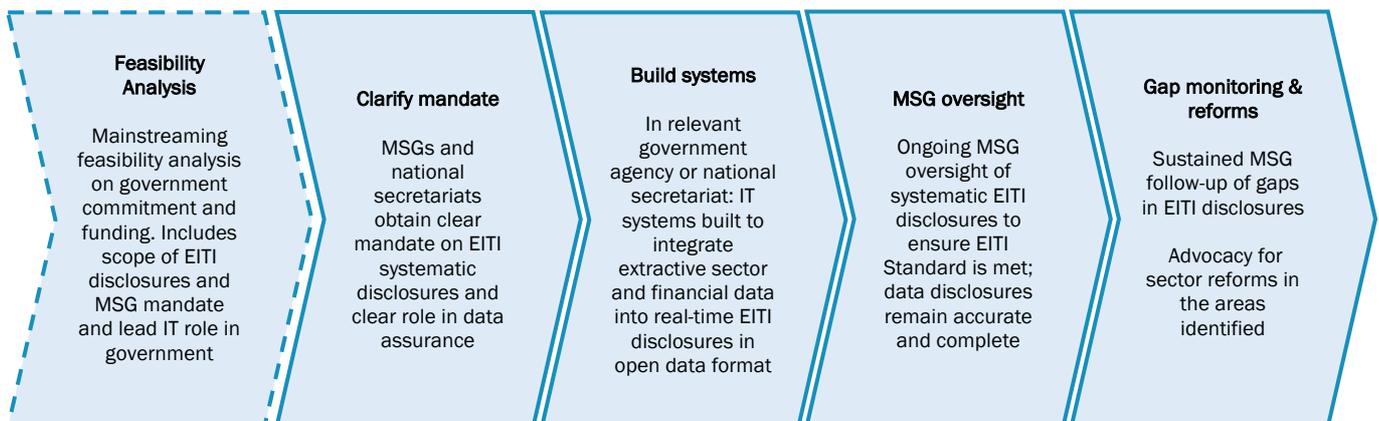
RECOMMENDATION: DATA COMPILATION

Innovative EITI compilation process by national secretariats under MSG oversight



RECOMMENDATION: TOWARDS SYSTEMATIC DISCLOSURE

Possible implementation sequence for systematic EITI disclosures under a mainstreamed EITI process



1 Introduction

BACKGROUND

The EITI Board, at its 39th meeting in Oslo in February 2018, resolved to commission an independent review of EITI Reports prepared in accordance with the EITI Standard and the standard (ToR) for IAs, part of the guidance material prepared for EITI implementing countries. The objectives of this review were:

- To assess adherence by IAs to standard ToRs
- To review the data assurance procedures most commonly used by EITI implementing countries and their cost
- Whether the work of IAs safeguards the reporting of comprehensive and reliable data.

Ultimately the review assesses whether the evolution of EITI reporting and the use of IAs adds value and remains fit for purpose.

Building on the findings of the 2016 to 2018 Validations, this draft report sets out initial review findings and proposes options and trade-offs for the EITI Implementation Committee to consider.¹ The annexes include illustrative wording refinements to the EITI Standard 4.9 on this subject and the related standard ToR for IAs.

WIDE CONSULTATIONS

These draft proposals have been discussed and tested with a wide range of stakeholders, including: members of the EITI Implementation Committee and select members of EITI Board from all constituencies; the EITI International Secretariat; MSG members and national secretariats in select EITI implementing countries; and representatives from the World Bank team, EGPS trust fund and select bilateral donor agencies. The inputs and feedback received from these consultations are incorporated in this report.

¹ Note the Implementation Committee has also considered two other separate but related papers. One is a thematic focus on overly-low materiality limits set for EITI-reported data, Board Paper 41-A-2, Implementation Progress Report (October 2018). The other is Implementation Paper 33 on Options for Engaging Independent Administrators (October 2018) which sets out key challenges, e.g. a thin market for Independent Administrators willing to bid for reconciliation work, and procurement delays.

2 Context

EITI REQUIREMENTS ON DATA RECONCILIATIONS AND AUDIT ASSURANCE

The initiating EITI literature contained in the statements “EITI Criteria” and the accompanying “EITI Sourcebook”² served as initial guidance to EITI implementing countries. These documents required EITI-reported payments and revenues to be the subject of a credible, independent audit, applying international auditing standards. They further required that these reported payments and revenues be reconciled by a credible, independent administrator applying international auditing standards and an accompanying administrator’s opinion issued regarding that reconciliation.

These two core principles – matching and reconciliation, and data assurance – have remained at the core of the EITI Standard, refined by stakeholder consensus over time to meet evolving needs.

3 Overview of findings

OBJECTIVES OF THIS REVIEW

The goal of this review was to critically assess:

- The degree of adherence to the standard ToR for Independent Administrators
- The audit assurance procedures most commonly adopted by EITI implementing countries as shown in the EITI Reports, together with an indication of the time required and cost of compliance
- Whether administrators’ work generally safeguards reporting of comprehensive and reliable data. Based on these findings, the review also aims to propose amendments to existing procedure and propose cost-effective alternatives.³

SAMPLE SIZE FOR REVIEW AND CASE STUDIES

The review work was initiated with a desk review of recent Validations, followed by a desk review of 30 EITI Reports issued between 2016 and 2018. All 25 EITI Reports issued in 2018 were reviewed, as well as a sample of five EITI

² Extractive Industries Transparency Initiative, *EITI Sourcebook*, retrieved from eiti.org/document/eiti-source-book

³ The EITI Board resolution from February 2018, which set up this independent review, further envisaged for the Implementation Committee to consider possible modifications to the standard ToR for IAs based on the findings of this review.

Reports issued between 2016 and 2017 (Indonesia, Kazakhstan, Norway, Philippines and Zambia). The latter were selected for an in-depth case study, in addition to two 2018 EITI Reports (Mongolia and Trinidad).

The review sample covered just over half of all EITI implementing countries, including all major resource-rich EITI countries (except Nigeria and Iraq, being outliers in the format of their EITI Reports), as listed in Table 1.

Region	# of EITI Reports reviewed	
	2018 to date	2016-2017
Africa	14	1
East Asia and Pacific	3	2
Europe and Central Asia	3	3
Latin America and Caribbean	5	-
Middle East and North Africa	-	-
South Asia	-	-
Total EITI reports reviewed	25	5

Table 1. Number of sample EITI Reports by region

SUMMARY OF FINDINGS

1. ADHERENCE TO STANDARDISED ToR FOR IAs

Many EITI Reports reflected good quality work performed by IAs in accordance with the standard ToR. However, other EITI Reports were of variable quality and showed inconsistent adherence to the ToR. Further, as discussed below, EITI reports were not always issued on a timely basis, with some EITI Reports issued after a lag of 24 months or more. This general picture was also reflected in the Validation findings⁴ for 2016-2018.

Standard ToR for IAs

The introduction of the standard ToR for IAs has helped to promote consistency and reduce divergence in the content and quality of EITI Reports in EITI implementing countries. Almost all EITI Reports structured the format of their EITI Reports around the EITI Requirements, and full descriptions of the work undertaken by IAs were always provided. With some exceptions, IA reports also specified the professional standards that were followed.⁵

⁴ See Report on Validation Findings (Board Paper 39-5-J issued ahead of February 2018 EITI Board meeting). The subject of the lag in timeliness of EITI Reporting was further analysed in EITI Board Paper 40-2-A (June 2018)

⁵ It is separate discussion on whether standards serve their purpose or meet their goals including whether proper application of professional standards by individual firms are adequately monitored by regulators and professional bodies.

Application of Standard ToR by Independent Administrators (IAs)

Variable application of the standard ToR is an inevitable risk in an EITI architecture where implementation is decentralised to over 50 countries. Each has its own characteristics and works to a different timeframe to issue EITI Reports. Each may have a different IA, whose interpretations of the standard ToR or of the EITI requirements may also differ. In the latter case, the risk is that IAs assume the lead role in interpreting EITI requirements rather than the MSG (in one extreme case, the entire EITI Report appears as though the output was that of the IA and not of the MSG). Other EITI Reports indicate that the views stated in the EITI Report are those of the independent administration firm and not of the MSG, which should normally own the EITI Report.

Thus, even though the standard ToR is a well-defined guidance tool for MSGs and IAs to promote consistency, outcomes can and do differ, sometimes even falling short of Validation standards as reported in a recent EITI Board paper on Validation findings. The latter problem typically occurs around EITI Requirement 4.1 on comprehensive reporting (where 57% of implementing countries achieved less than satisfactory progress), and Requirement 4.9 on data assurance (where 71% of implementing countries received less than satisfactory progress).

In such cases, MSGs may also share responsibility if they lack the expertise for effective oversight

Where there were gaps in EITI Reports, apart from a question of IA performance, the MSGs concerned could also be said to share responsibility indicating inadequate oversight of the IA's work. Insufficient financial or sector expertise within the MSGs to fully manage the IA contract and deliverables may also be a factor.

2. IMPORTANT CONTRIBUTIONS BY EXTERNAL PROFESSIONAL FIRMS

The use of external professional firms as EITI IA provides many important gains for national EITI multi-stakeholder groups (MSGs) and national secretariats. Foremost of the positive contributions by these firms is professional expertise and skills brought by these firms, and advice provided to MSGs in their EITI oversight and ownership role. This contribution is most especially visible in (1) helping MSGs to scope work and understand the various revenues flows and tax-paying companies; (2) well-formatted and presented EITI-reported financial data and allocations; (3) easy-to-read presentation of sector data and supplementary disclosures; and (4) recommendations for improvements in the EITI process.

“The use of external professional firms as EITI IA provides many important gains for national EITI multi-stakeholder groups (MSGs) and national secretariats.”

3. DATA ASSURANCE PROCEDURES GENERALLY USED BY EITI COUNTRIES

The most common data assurance methods adopted by MSGs in EITI countries are summarised below, with items 1, 2 and 3 below being the most commonly used methods reported in EITI Reports:

1. EITI Reports did set out overview descriptions of national audit and regulations for both companies and government entities including international professional standards applied (although around a quarter of the sample reviewed lacked adequate detail on how these statutes translated into the data assurance judgments reached);
2. Sign-off of data submissions for EITI Reports by senior officials in companies and government entities, attesting to the accuracy and completeness of the data submitted;
3. Reporting entities providing the IA with their last audited financial statements (although the latter financial statements are typically used as underlying supporting documentation and not routinely made public);
4. Sign-off of data submissions by the corporate or public auditors as attestation that the submissions are extracted from audited financial records of the reporting entity; and
5. Reporting entities providing the reconciler with supporting vouchers and records as needed to complete reconciliation steps and follow-up of discrepancies.

Greater reliance on reconciliation and resolving discrepancies in low-capacity EITI countries

The review also revealed that, in a small number of cases where institutions or government systems were especially weak, IAs tended to rely almost entirely on the reconciliation work (and on resolving discrepancies) to assure that the EITI-reported data was reliable.

From the description of the follow-up work done on discrepancies, it can be surmised (because of weak national systems) that no single government entity has access to all the data required or that the data available could be relied on. In those cases, it is quite possible that the EITI reconciliation process also fulfils a secondary role by plugging data gaps within national systems and serving as a single point of reference for information.

Overall assessment on data assurance

As a general conclusion, data assurance steps, if properly applied, are sufficient for IAs to conclude that EITI-reconciled data presented to them was reliable. IAs are, however, explicit in stating their reconciliation work are not audits nor provide assurances on transactions presented in EITI Reports.

4. TIME AND COST OF DATA ASSURANCE PROCEDURES AND THE WORK OF IAs

The objectives for this review included a review of time taken by, and costs of, complying with the EITI data assurance steps. But given that these reporting and compliance costs are dispersed between IAs as well as reporting entities, and generally not disclosed in EITI Reports, the task of building a holistic estimate of EITI reporting and IA costs is not straightforward. This applies both to any given country or across EITI globally. Nor was it possible to assess if there is a significant difference in costs where the selected IA is a local national audit firm, or a local affiliate of a major international audit firm or an audit firm offshore, or whether there is proportionality of IA costs relative to the size of the sector or quantum of annual revenue flows.

However, the EITI International Secretariat has studied this subject in depth in the broader context of funding for EITI implementation (EITI Board Paper 39-2-A, February 2018). One finding of the latter study is that median total implementation cost is around \$370,000. The actual costs per country can vary widely, up to multiples of that median amount.

Within this median total amount, the direct costs of hiring IAs is estimated to range from one third to half of total costs (based on experience especially from World Bank-provided technical assistance grants funded by the EGPS trust or its predecessors). This amounts to an average of USD 100,000 to USD 125,000 per EITI Report, or around USD 4-5 million annually for all countries. However, this specific cost estimate for IAs can vary significantly across EITI-reporting countries.

As the above-referenced Board Paper also notes, these recurring EITI implementation expenditures are often borne by national budgets, with a substantial share also covered by donor funding via the World Bank or other direct donor support.

Excessively detailed reconciliation work, increasing time taken and costs

Many EITI Reports are very lengthy reaching 300 pages or longer. This volume itself may increase time taken and costs, from more IA staff time devoted to tabulating large volumes of data, to ensuring arithmetical accuracy, to completing internal quality reviews.

A contributing factor is excessive detailed work performed on relatively immaterial revenue flows or small reporting companies, often 20-30 individual revenue line items, some very small in value, for 50-100 reporting companies, a point also noted separately by the International Secretariat.⁶ The low added-value of such detailed work, as well as of effort to resolve reconciliation discrepancies identified as mainly being clerical or data input errors as discussed below, does raise questions of ultimate cost-benefit.

⁶ Ibid. The Standard ToR calls for judgement to be used in setting materiality limits but MSGs often opt otherwise.

Reconciliation discrepancies identified in EITI Reports are often clerical

Much of the typical reconciliation effort in EITI Reports is spent on identifying and following up initial reconciliation discrepancies between revenue data submitted by governments and payments data submitted by companies. Yet these discrepancies are often identified in the EITI Reports as arising from clerical or data input errors⁷, a picture consistent across most EITI Reports, and between EITI Reports over time within a country.

Apart from its cost-benefit impact, the risk of excessive focus on clerical and reporting discrepancies is that the EITI process tends to be dragged towards and reduced to being an accounting exercise, as opposed to being a vehicle for identifying and analysing broader substantive issues about how extractive resources are managed and benefit citizens.

“The risk of excessive focus on clerical and reporting discrepancies is that the EITI process tends to be dragged towards and reduced to being an accounting exercise, as opposed to being a vehicle for identifying and analysing broader substantive issues about how extractive resources are managed and benefit citizens.”

5. OTHER REVIEW FINDINGS

Finally, other related findings from the review include:

Consistent lag in timeliness of EITI reporting

The review showed a consistent tendency for EITI Reports being issued publicly almost at the very end of the two-year period allowed for their issuance. For instance, for the sample of EITI Reports issued in 2018, all were for fiscal years ending in 2016 and some even for 2015. None were for a fiscal year ending in 2017, which would have implied a 12-month elapsed time to report. The norm of two-year lags (and even three-year lag) in data reporting timeliness must necessarily have an impact on the utility of the published data, especially given volatile commodity prices (and resultant impact of fluctuating EITI-reported revenue flows).

This is not a new finding, having been an area of concern for the EITI stakeholders for some time. For instance, EITI Board Paper 40-2-A of June 2018⁸ outlines a detailed discussion of this very subject, including an analysis of average time taken from the end of fiscal year to the issuance of EITI Reports (around 18 months, a gap unchanged since a similar review in 2014) and an analysis of the likely causes of such lengthy time taken to publish EITI data. The analysis also explored various potential options to reduce the elapsed time between the fiscal year-end concluding EITI reporting.

While elapsed time allowed for EITI reporting may not match the 3-12 months reporting deadlines that typically prevail for financial reporting and filings by

⁷ In all EITI countries, the Independent Administrator is required to follow up and reconcile initial discrepancies identified between company payments and government revenues. After follow-up, the discrepancy is typically stated to have been resolved or the unresolved discrepancy disclosed in the EITI report. But the explanations provided for the discrepancies, even in countries like Norway or UK, most often relate to clerical or reporting or classification or timing errors, and very seldom for substantive reasons that are uncovered by the reconciliation process.

⁸ Ibid. 4

corporations and public sector entities in most countries, the effort to compress timelines should be an ongoing one. This goal is an important factor in assessing the proposals set out later in this report.

Qualitative differences in EITI Reports where the IA is a national firm

A clear picture emerges when comparing EITI Reports where the IA is a national or locally-based firm versus those EITI Reports prepared by IA firms based abroad. In the former case, the superior local knowledge and perspective is demonstrated in the more cogent and comprehensive presentation of sector information. EITI Reports of a diverse group of countries bear out this observation, including those of Kazakhstan, Mongolia, Philippines, Trinidad & Tobago and Zambia.

The sector information presented (e.g. on laws and institutions, SOEs, geology and reserves changes, FDI, production, significance to the economy, export markets, details of main operators etc.) are made easy-to-read and are invaluable to readers in fully understanding the extractive sectors and how they operate including revenue flows and impacts on citizens. The resultant sector transparency is clearly quite helpful to EITI stakeholders in their analysis and advocacy for reform.

Thin market for IAs – and concentration of firms

The review also highlighted the limited number of reconciliation firms who appear to bid for and are selected to fulfil this work in EITI countries.⁹ Often these firms are based offshore. In such cases (and perhaps by design), valuable knowledge of extractive sectors and financial flows gained from these reconciliation exercises may not remain in-country nor benefit local capacity-building.

⁹ Indeed, the review highlighted that two thirds of the 15 EITI Reports reviewed in Africa were done by an IA not based in the country or elsewhere in Africa. One offshore firm alone handled over half of the EITI Reports.

4 Broader conclusions from the review

From the review findings reported above, stakeholder feedback and recent Validation findings, certain broader insights and conclusions emerge, which have significant strategic and sustainability impacts on EITI globally and at country level.

1. MISPERCEPTIONS ABOUT EITI RECONCILIATION

There is an almost universal misperception among stakeholders (including those interviewed as part of this review) about the role of IAs, and that their work provides a stamp of assurance that the EITI data presented is reliable. While understandable, this view is erroneous and reflects an expectation gap¹⁰ between stakeholders perceptions and practice.

“There is an almost universal misperception among stakeholders about the role of IAs, and that their work provides a stamp of assurance that the EITI data presented is reliable.”

Another frequent misconception among stakeholders is that a reconciliation of indicated discrepancies by an IA is assurance that what was paid is what should have been paid. This is also not the case, since assurance could only be achieved by (1) a detailed tax and royalty compliance audits by tax administrators by reference to tax laws and applicable licenses; or (2) an in-depth, forensic investigations to reperform underlying calculations for revenue collections to assess whether what was paid is the amount that was contractually due.

IAs conduct their reconciliation work on EITI data as presented to them via reporting templates. Indeed, in almost all EITI Reports, the IA explicitly states they have not conducted an audit in their work, nor is any assurance provided on the data reported.

This disclaimer is consistent with the relevant international standard¹¹, which states on page 1 under the caption “Objectives of an agreed-upon procedures engagement”:

“Paragraph 5. As the auditor simply provides a report of the factual findings of agreed-upon procedures, *no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor’s work*” (emphasis added).

¹⁰ This gap is not limited to EITI. There is currently an active debate among regulators in various countries and within the audit profession in UK and South Africa on audit quality and Standards, what an audit represents and market concentration of auditors. This follows well-publicised quality-of-audit failures in countries as diverse as UK, South Africa, Brazil, and India, often involving the collapse of publicly-listed companies soon after obtaining clean-opinion audit reports from their external auditors.

¹¹ “International Standard on Related Services 4400 (Previously ISA 920) Engagements to performs agreed-upon procedures regarding financial information”, issued by the International Federation of Accountants (IFAC), global accounting body.

2. FINANCIAL SUSTAINABILITY AND OPTIMAL USE OF PUBLIC RESOURCES

Questions on the overall utility and cost-benefit of a universal reconciliation requirement are more acute where there is a good track record of EITI implementation and a history of few discrepancies. The cost-benefit question could be seen as potential misallocation of resources when compared to alternate uses for the resources available for EITI implementation, hence sub-optimal use of scarce public resources. Such alternate uses could include, for instance, greater efforts to deepen sector transparency¹² in EITI disclosures or taking concrete steps towards EITI mainstreaming.

3. EMPHASISING SECTOR DISCLOSURES AS MUCH AS RECONCILIATIONS AND REVENUE DISCLOSURES

The evolution of the EITI Standard over the years now means that EITI Reports now contain a rich treasure of information on how the extractive sectors function and how they are managed, from geo-reserves to licenses to productions to contracts to beneficial ownership. The review findings show that in many EITI countries, the value of sector insights in EITI Reports now outweigh very detailed reconciliations of individual revenue line items or of clerical discrepancies, repeated year after year. “Contextual information” could in fact be seen as the new core of EITI disclosures, as a deeper understanding of sector issues based on solid facts (not conjecture) may be more relevant to and useful for EITI stakeholders in their analysis and advocacy.

4. IN SUM, HAS AN INFLECTION POINT ARRIVED FOR EITI?

The EITI process deserves great credit for placing revenue and payments transparency on the map, and the track record of the uptake of the EITI Standard and of accomplishment speaks for itself.

Having built such a strong platform, the broader strategic issue is whether EITI is at an inflection point in its trajectory, namely: *Can the EITI framework evolve to enable smarter, innovative approaches for revenue compilations and disclosures, freeing resources to allow for more emphasis on sector transparency to tangibly advance good sector governance – and achieve concrete impact?*

The next section makes the case for considering such an evolution.

“Can the EITI framework evolve to enable smarter, innovative approaches for revenue compilations and disclosures, freeing resources to allow for more emphasis on sector transparency to tangibly advance good sector governance – and achieve concrete impact?”

¹² As an example, the Trinidad & Tobago EITI Report 2018 makes a similar point in the stated intent to expand the focus beyond revenue transparency to other areas of sector transparency.

5 The business case for innovation in the reconciliation requirement

The conclusions in the preceding section and earlier review findings point to a solid business case for innovation in fulfilling the EITI's reconciliation and reporting requirements. Key factors which support such an evolution include:

1. THE GROWTH OF ELECTRONIC TAX FILING AND PAYMENT SYSTEMS

The basic “reconciliation” construct of the EITI was devised in early 2000s when there was a dearth of basic data on taxes and other sector financial flows. This original EITI design feature, while appropriate two decades ago when opacity was prevalent, is being increasingly superseded by advances in national tax administration systems. Great strides are occurring in e-government and tax administration simplification in many countries.

Electronic, online tax filings, for example, mean that the online record of a tax payments and its receipt is often one and the same. The concept of “matching” revenues and payments is therefore of questionable value and could be handled in alternate, acceptable ways. The core dilemma therefore is whether evolving conditions now warrant a broadening of the basic model of matching and reconciliation of revenues and payments that underpins the EITI.

2. BRIDGING TO INTEGRATED, SYSTEMATIC DISCLOSURES¹³

The EITI Board has already signalled the strategic direction towards systematic disclosures under a mainstreamed EITI. It may take time for the necessary intra-government consensus and resources to be assembled. In the meantime, allowing room for innovation on how EITI data is assembled and data reliability assured could be a tangible transition step towards fully mainstreamed EITI systems.

For instance, some EITI countries (Kazakhstan, Philippines) and national secretariats (Mongolia) have innovated and created electronic forms of EITI data gathering to create efficiencies. For such situations, adding room to innovate on reconciliations could further amplify efficiency gains, and hasten the path to mainstreaming.

“Allowing room for innovation on how EITI data is assembled and data reliability assured could be a tangible transition step towards fully mainstreamed EITI systems.”

3. REORIENTING MSG ATTENTION TOWARDS MORE STRATEGIC GOALS

MSG members and CSO members in particular value taking part in the “process” dimensions of EITI. The downside of such focus on the detail and on

¹³ As agreed by the EITI Board in early 2018, there is recognition to modify EITI procedures made redundant by mainstreaming.

discrepancies (repeated year after year) is that higher-order sector goals may not get MSG attention.

Such goals may include, for example:

- MSGs aiming to be a centre of excellence in transparency, building a convening authority which helps MSGs to be more relevant and influential in governance reform efforts.
- Working to lower mistrust through EITI-reported findings.
- Taking the lead on finding solutions for legal issues (like confidentiality and privacy provisions) that hinder fuller transparency.
- Expanding MSG reach such as via structured dialogue with and better understanding of national systems including audit and tax administration and compliance functions and how they operate.

4. FREEING UP RESOURCES FOR OTHER VALUE-ADDED USES OF THE EITI

As addressed earlier in this report, by promoting more cost-effective and sustainable innovations. Such innovations could also make a difference by lowering the process burden of compiling EITI revenue data, allowing EITI-reported data to be issued much sooner after the fiscal year-end.

5. REDUCING THE DISCONNECT BETWEEN GLOBAL EITI PRIORITIES AND THE ALLOCATION OF MSG RESOURCES

A disconnect is sometimes visible between issues which receive attention and importance at the global EITI Board level, and issues that occupy the energy of MSGs and EITI implementers in EITI countries. To some extent such a disconnect is to be expected given the difference in roles and focus of each.

But it is clear that implementing-country stakeholders focus their time, energy and resources on meeting the EITI Standard, of which EITI Reports, reconciliation and IAs are a central pillar. Meanwhile, key issues at the global level are of more strategic nature including ways to strengthen the impact of the overall EITI effort.

An example of this is the 2018 EITI Progress Report¹⁴ which highlights several of the sector transparency gains being made and their impact, while issues of revenue disclosure and reconciliations are mentioned much less. This gap in perspective could also begin to be narrowed by rethinking how EITI reconciliation processes work given the energy these processes take up in MSGs.

¹⁴ Extractive Industries Transparency Initiative, *2018 EITI Progress Report*, retrieved from eiti.org/document/2018-eiti-progress-report

IN SUM

EITI's initial purpose could be summarised as countering revenue secrecy in extractive sectors. As EITI evolves however, the issue ahead is to find ways to move beyond this initial purpose to achieve greater impact. Shaping EITI in a way that EITI also serves higher-end goals in sector transparency could help MSGs to be a more effective convening authority, shaping how extractives are managed and helping to promote and lower mistrust around the sector.

Greater space for innovation in EITI implementation and a refocused MSG role can help free up resources to enable just such a shift and impact.

“Shaping EITI in a way that EITI also serves higher-end goals in sector transparency could help MSGs to be a more effective convening authority, shaping how extractives are managed and helping to promote and lower mistrust around the sector.”

6 Options for consideration in EITI implementation

Proposals for encouraging innovations on how EITI revenue data is compiled are suggested below for consideration by the EITI Implementation Committee.

1. INNOVATIONS ON HOW EITI RECONCILIATIONS ARE UNDERTAKEN

Under the refinements proposed, EITI countries could apply for Board approval¹⁵ to innovate alternative approaches for EITI data collection and reporting which do not involve hiring external administrators. Such alternatives could include:

- **National secretariats:** compilations of government revenues and other disclosures undertaken by an internal entity, such as strengthened national EITI Secretariats¹⁶ operating under supervisory oversight of the multi-stakeholder group; or
- **Other state entity:** compilation of government revenues and other disclosures by another national EITI reporting entity, operating under national law or mandated within government for this purpose.

In such a shift, EITI-reported data would be the result of a data compilation processes relying primarily on government-sourced data rather than on matching and reconciliation processes. Over time, such a step could be a prelude to systematic, online, real-time disclosure under a mainstreamed EITI.

¹⁵ Such MSG applications could include detailed reasoning and rationale for innovating and adopting alternatives to external administrators for EITI data compilations; track record of EITI reporting process to date and nature and extent of discrepancies; understanding of how well national audit regulations operate; whether INTOSAI and other audit standards are followed; effectiveness of tax administration and collection. They could also document how these might impact the reliability of extractive financial data flows and the MSG expertise required to fulfil oversight roles effectively.

¹⁶ Noting that in many countries, national secretariats already carry out extensive preparatory and data follow-up work as support to IA's reconciliation work, bringing efficiencies.

Options for innovations in EITI reconciliation processes

1. Under reinforced MSG roles and functions, EITI countries can apply for EITI Board approval to:
 - Adopt compilation approaches for EITI-reported data (as opposed to reconciliation – see Box 2 below).
 - Commission national secretariats or other national entities to take responsibility for such compilations.
 - Rely fully on government-side disclosures as primary data source, with no matching.
 - Limit data from companies to information on social or infrastructure expenses – without matching.
 - Emphasise adequate assurance of EITI data reliability and place more focus on national systems.

2. At the level of EITI-reported data, innovations can include:
 - Sign-off by state Auditor-General office on revenue flows reported under EITI processes.
 - Additional spot checks if needed (based on risk or sampled due to unusual variances).
 - MSG review of corporate audited financial statements including on tax payments

3. At a high-level:
 - MSG judgments on effective functioning of private and public sector audit functions.
 - If feasible, MSG understanding of national tax administration/collection functions for extractives.
 - Where available, reliance on external peer review assessments (PEFA, OECD tax forum).

Additional measures might include:

- Supporting national secretariats and MSGs to boost respective technical capacity.
- MSGs to elevate use of external professional expertise for strategic advice – not ongoing reconciliations.

Where could such innovations be adopted?

The innovations proposed above could likely be most viable in (1) EITI countries which mandate EITI through legislation (such as Nigeria) which gives legal “standing” to MSGs and national secretariats to consider such options, assuming data reliability is assured; and/or (2) in EITI countries with a good track record of reliable EITI reporting with few discrepancies, supported by well-understood and well-functioning tax administration and collection functions and national audit frameworks (under INTOSAI standards for public sector and accepted international standards for the private sector).

Accordingly, the existing EITI requirement on reconciliation and data assurance would likely continue for MSGs in start-up EITI countries and in some existing EITI countries. This would allow these MSGs to establish a suitable EITI reporting format and create a baseline to be followed for gathering and presenting reliable sector and financial EITI data. Countries with weak institutions or systems would benefit from existing EITI reconciliation process which not only generate EITI-reports but also fill gaps of reliable data within governments.

Contrasting “compilations” and “reconciliations” under international auditing standards

The term “compilation” refers to assignments performed under international auditing standard ISRS 4410, “ENGAGEMENTS TO COMPILE FINANCIAL STATEMENTS” (formerly IAS 930). The objective of a compilation engagement under the Standard “is for the accountant to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarise financial information” – a standard that could be abided equally as best practice by any entity that undertakes compilation work.

The Standard, which this report suggests could guide compilation work undertaken for EITI reporting purposes, states: “The procedures employed are not designed and do not enable the accountant to express any assurance on the financial information”.

By contrast, the term “reconciliations” refers to ISRS 4400 (formerly ISA 920) “ENGAGEMENTS TO PERFORM AGREED-UPON PROCEDURES REGARDING FINANCIAL INFORMATION”. As has been noted in this report, this is the Standard currently employed by IAs for virtually all EITI Reports.

The objective of an agreed-upon procedures engagement inter alia “is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings”. As the auditor simply provides a report of the factual findings of agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor’s work.

Box 2. Contrasting compilations and reconciliations under international auditing standards

Reliance on national systems and government disclosures as the primary source of EITI-reported data

Where EITI Board approves MSGs to adopt the compilation model, the primary source of data of EITI data disclosures would be national systems, government entities and tax authorities, supported by assertions about data accuracy and completeness at senior level in government and tax administration entities.

Where these assertions are supported by sign-off by government Auditor-General's Office, government officials' sign-off would have greater weight.¹⁷

Across EITI countries and over time, this evolution towards reliance on reporting by government and tax administration entities could allow the annual EITI matching and reconciliation step to be reduced in importance (along with its assumed comfort on data assurance), creating flexibility for MSGs to innovate and handle reconciliations differently.

Company financial data to be compiled and reported only for non-revenue items

MSGs can agree for company data to be obtained and compiled for items such as corporate social responsibility expenses incurred by companies or local infrastructure expenditures or provision of community services. Such transactions can be compiled and disclosed without the current matching and reconciliation process (albeit recognising that such expenditures being normally tax-deductible do affect the actual taxes paid).

More broadly, industry bodies such as Chamber of Mines may have the opportunity (through the EITI process) to present their macro-level view of the collective contribution, both financial and non-financial, made by oil, gas and mining industry.

2. ASSESSMENT OF NATIONAL AND COMPANY AUDIT FRAMEWORKS

Strengthening MSG understanding of macro-level audit frameworks for public sector and private sector

As further detailed in Annex 4, MSGs¹⁸ could consider direct involvement in achieving:

- Good understanding of (1) national-level statutes and regulations for audits of private and public sectors and (2) state tax administration and revenue collection capabilities;
- MSG assessments of (1) how well these statutory national audit statutes operate to assure financial data reliability across fiscal years, not just for specific EITI-reported data and (2) how tax administration and revenue collection capabilities operate (discussed further below); and
- Where needed, continued high-level advocacy by MSGs for improvements in audit coverage, scope, quality and timeliness for companies and government and tax administration entities.

¹⁷ In systematic disclosure under mainstreamed EITI, such assertions by senior government and tax administration officials could relate to the ongoing adequacy of the national systems that generate EITI disclosures rather than individual data submissions.

¹⁸ With MSG work boosted if needed by professional expertise in technical areas, where MSG composition lack these.

Where needed for Government-reported and SOE-reported data (where handled by the Auditor General office), sign-offs from the Auditor Generals' offices could also be sought.

Drawing on peer review results of PEFA and other international frameworks and standards

Many EITI implementing countries are also members of other related public finance standards and tax administration frameworks. The "PEFA" process for improved public financial management covers standards for and peer assessment of transparency of public finances, national budgeting and external scrutiny and public-sector audit processes. Peer review assessments and programs for reforms and continued improvements are publicly available. These PEFA peer assessments, where available, could be important data points for macro-level assurance about the national systems that generate EITI-reported data.

Similarly, in the tax administration arena, the OECD Global Forum for Transparency and Exchange of Information for Tax Purposes now has 154 member countries globally, some of which are EITI implementing countries. This OECD Forum also operates by peer review processes and their public findings could also be important data points in MSG's overall macro-level assessments of national data assurance systems.

Additionally, EITI Board Paper 41-4-A, Annex C (October 2018) on State-Owned Enterprises (SOEs) and a consultant report "Governance Challenges and the Role of International Reporting Standards in Improving Performance" also highlight various other global reporting initiatives applicable mainly to SOEs but also broadly to corporate reporting.

Where available, assessments against these reporting guidelines (including those from NREGI, World Bank, IMF and the GRI Global Reporting Initiative), collectively provide valuable, externally-verified insights into corporate and SOE disclosures and help build MSGs' understanding of the overall reporting framework and adherence to best practice in the country, as it relates to EITI reporting.

MSGs right to probe into specifics of compilation work via spot checks

Further, MSGs could enforce the right for more intrusive scrutiny to assure accuracy or completeness of government-reported data for compilation. The trigger for such spot checks may arise from either risk-based assessment of the government entity concerned or by unexplained variances in reported data¹⁹, which point to the need for additional verification and seeking of explanations or reviewing a sample of transactions to verify.

¹⁹ To enable variance analysis and identifying items or changes that warrant deeper inquiry, all EITI Reports should consistently present comparative data for past 1-2 years at least for key financial disclosures (revenue by type and by paying company).

Review of corporate Audited Financial Statements and disclosures

Finally, in the case of private companies and SOEs handled by private sector auditors, obtaining audited financial statements of these entities for MSGs to review. The review would cover the nature of their extraction operations and social and environmental considerations; financial disclosures including audit opinions received; details of profit and loss and tax payments to government and effective tax rate; and importantly, details of any contingent liabilities arising from income tax or royalty or production-sharing disputes with tax authorities or joint-venture partners.

3. MORE ACTIVE MSG ROLE IN ENGAGING WITH INDUSTRY AND TAX ADMINISTRATION FUNCTIONS

MSGs could consider increasing engagement on sector issues including through:

- **For companies and SOEs:** MSGs to consider formal visits to a select sample of reporting companies to meet management at senior level, promote EITI and understand company strategic goals and commitment to EITI; make inquiries on audits undergone by the company, and; identify follow-ups as needed to build assurance on data integrity of all company-reported tax payments and EITI data. The corporate dialogue²⁰ could also be an opportunity for MSGs' to better understand corporate strategy, corporate views on sector policy and fiscal regimes as well as operations (labour, health and safety, community and environment) issues.
- **For revenue data reported by tax administration authorities:** Where feasible, MSGs may consider entering into structured dialogue with tax administration authorities at a senior-level, as is outlined below (recognising such engagement may not be feasible in all EITI countries).

4. GREATER ENGAGEMENT BY MSGS IN TAX ADMINISTRATION AND COMPLIANCE

An under-estimated aspect of reliability of EITI-reported data is the comfort that can be obtained within EITI process on how the tax administration and revenue-collection functions in governments are operating, especially in extractive sectors. Currently there is limited requirement for the EITI to engage in this subject, although through the very process of participation in EITI reporting, there are links between national EITI and tax administration functions.

²⁰ In principle, such formal visits and dialogue could be akin to how securities ratings agencies (or financial regulators in the case of banks) visit subject companies to discuss with senior management as part of their assessments. An important outcome for civil society members of MSGs in such outreach is exposure to and gaining of insights on high-level strategic issues in the corporate sector and in tax administration matters. Companies represented in MSGs may feel conflicted in joining such dialogue, and may recuse themselves or depute a collective industry body to represent them.

However, wherever it is feasible, MSGs and EITI would benefit from structured strategic dialogue with tax administration officials. The aim would be for MSGs to have first-hand awareness²¹ of tax administration issues at a macro-level as an integral part compiling and disclosing EITI data. The dialogue could encompass exchange of perspectives; understanding of tax administration strategic goals, capabilities and constraints; progress on e-government plans; how extractive sectors or large tax-payers are handled; revenue forecasting capabilities to monitor actual receipts; integration of revenue functions with compliance functions in government over oil, gas and mining operations; tax audit and enforcement and tax collection performance metrics; etc. See Annex 5.

5. BOOSTING CAPACITY OF NATIONAL SECRETARIATS AND MSGs TO INNOVATE

As a pre-requisite, national EITI Secretariats would need help to boost technical capacity

For national secretariats to be able assume responsibility for compiling EITI data and EITI Reports, their skills mix may need boosting. The key goal is to increase both technical and analytical capability so that there is greater ability to flag problems and help MSGs in identifying red flags and risk areas. Experience in or knowledge of tax administration and collection systems or of fiscal flows in government would be great assets to national secretariats.

The resources for such skills upgrading may occur from reassignment of expertise within government or by redeploying EGPS or external donor funds no longer used for using IAs (as much as now). In individual EITI countries, such strengthened capacity would also help smooth the pathway to systematic disclosure under mainstreamed EITI systems.

Equipping MSGs for an expanded role

For the innovation proposals above to be meaningful, MSGs need sufficient financial or business skills and some familiarity with national audit statutes and processes. Where needed, technical expertise in these areas may be able to be co-opted or hired-in to boost MSG expertise. In this regard the potential use of professional firms in strategic advisory roles to MSGs is discussed below. Also regarding understanding tax administration and collection functions, MSGs as a group could leverage technical assistance and education programs such as from the OECD Tax Forum.²²

²¹ It is impractical and likely beyond the authority of EITI MSGs to go beyond this goal, and attempt say to say assess how national tax administration and collections are functioning to draw conclusions on efficacy of tax collections and their impact on EITI.

²² There may be the possibility for OECD Tax Forum or regional Tax Administrator Fora to share expertise at EITI learning or knowledge-sharing events or EITI global conferences, to provide a high-level introduction to tax administration and issues.

6. CAPABILITIES IN MSGs AND NATIONAL SECRETARIATS TO ABSORB NEW ROLES

Successful adoption of the above proposals do rely to a large extent on both national MSGs and national secretariats being equipped with capacity and resources (and needed institutional mandates) to adopt and adjust to the heightened responsibilities suggested. This is a significant constraint and needs considered, sustained action to address as the next section below highlights.

7. USE OF SPECIALIST PROFESSIONAL FIRMS

Encouraging MSGs to re-focus their role away from procurement of reconcilers, data collection and compilation towards more strategic advice to MSGs on ensuring that national EITI processes are setting and meeting appropriate goals and are producing reliable disclosures. In this, ongoing professional advice (e.g. from public accounting and audit firms; legal practitioners or mining and oil and gas technical consulting firms) could be helpful in understanding national audit frameworks and how they operate and in structuring any formal dialogue with extractive companies and tax administration authorities as noted. See Annex 3.

8. ALIGNMENT IN THE WORDING OF EITI REQUIREMENTS AND GUIDANCE

Should the proposals for innovations in this report be adopted, wording suggestions are made in the Annexes to align key EITI literature with the proposals. Annex 2 sets out illustrative wording changes to EITI Requirement 4.9, while Annexes 6 and 7 contains illustrative changes to the related Standard ToR for Independent Administrators. The illustrative wording changes also help reframe the standard ToR guidance as “Standard terms of reference for EITI disclosures”, regardless of whether EITI reporting is done via reconciliations or via compilations.

7 Addressing stakeholder concerns and managing potential transition issues

Any refinement in the EITI processes generates debate, and proposals for innovations may not be universally welcome if stakeholders perceive a shift in EITI's well-established track record or its standards. Such stakeholders' concerns and their mitigations may include:

MISPERCEPTIONS THAT DATA ASSURANCE MAY BE AFFECTED

Perception gaps about what IAs reconciliations actually convey are discussed earlier in this report. Sustained efforts to educate stakeholders will help, especially allowing that alternative options for the reconciliation process need not mean reduced data assurance.

PRIMACY AND BOOSTED CAPACITY OF MSGs

A concern may arise among some MSG stakeholders – especially civil society members – of a diminished role in hands-on oversight of reconciliations. Such a view would be to misread the proposals, which in fact aim to strengthen the role of MSGs. The key outcome sought is for MSGs to be able to make greater contribution to extractive sector reforms and decision making, leveraging EITI findings and sector and financial data transparency. Where needed, MSG capabilities may need boosting, such as by co-opting technical expertise on a short-term basis.

NATIONAL SECRETARIATS' TECHNICAL CAPACITY

Some national secretariats and stakeholders may have valid concerns about assuming direct responsibility for compiling EITI data, with reduced or no use of professional firms to undertake reconciliations. In addressing such concerns, development partners and the World Bank EGPS trust fund may be able to identify redeployment options from allocations no longer devoted to IA costs. But national governments may also have to take action by redeploying human or financial resources to boost national secretariats' capacity²³ to fulfil EITI Report compilation roles.

²³ Where systematic EITI disclosure is adopted, similar investment will also be needed in building systems for integrated EITI reporting under mainstreamed EITI, handled by national secretariats or other national entities.

EMPHASISING INDEPENDENCE OF MSGs AND NATIONAL SECRETARIATS

An important point to note is that MSGs and national secretariats retain their independent role as guardians of national EITI processes. This is also true where the proposals outlined lead to closer integration of national secretariats with government entities and tax authorities, as a logical progression in the EITI policy.

REFOCUSED USE OF EXTERNAL PROFESSIONAL FIRMS AS STRATEGIC ADVISERS

A potential mitigation where MSG country moves towards EITI Report compilations is that MSGs continue to rely on external professional firms, but in a strategic advisory role, rather than in EITI report-production modes. Such an advisory role would have a cost but at a lower recurrent level than now.

Annex 3 sets out ways in which MSGs could be served with such expert advice in their EITI oversight role.

RISK OF BIFURCATION OF EITI COUNTRIES

As the compilation model gets to be adopted by more EITI countries, globally the EITI may be seen to be divided into two groups. One group would be the countries which continue to use IAs for EITI Reports (lacking the capacity to adopt alternative options proposed), while another group – often the more developed EITI countries – would have the capacity and systems to adopt alternative, more efficient approaches to compiling EITI information.

ADEQUATE TIMELINE TO ADAPT EITI INTERNATIONAL SECRETARIAT SUPPORT

Finally, EITI stakeholders are currently handling many pressing issues including on implementation of beneficial ownership disclosures, moving towards systematic disclosures and in addressing corrective actions identified in Validations. Thus, if the EITI Implementation Committee elects to proceed on some or all of innovations proposed in this report, an adequate timeline will be needed for EITI countries to adequately plan and prepare. Additionally, the draft proposals would initially mean higher responsibility and workload for the EITI International Secretariat and partners to help countries manage such a transition.

8 Conclusion

In sum, this report recognises that the proposals for innovations outlined imply a shift in mindset on key EITI principles.

AMONG GLOBAL EITI STAKEHOLDERS

Among global EITI stakeholders, the issues raised in this report would require a fresh look at the universal reconciliation requirement and whether alternative approaches for compilations and data assurance could be as effective in the right situations. The shift towards reliance on national systems and disclosures by government entities and tax authorities is equally important. Data sought from companies for EITI reporting could then be limited, e.g. to local infrastructure spending or the provision of community services.

WITHIN EITI IMPLEMENTING COUNTRIES

Within EITI implementing countries, the key shifts may be in building capabilities and emphasising the role of MSGs and national secretariats in moving to compilations as the basis for EITI Reports.

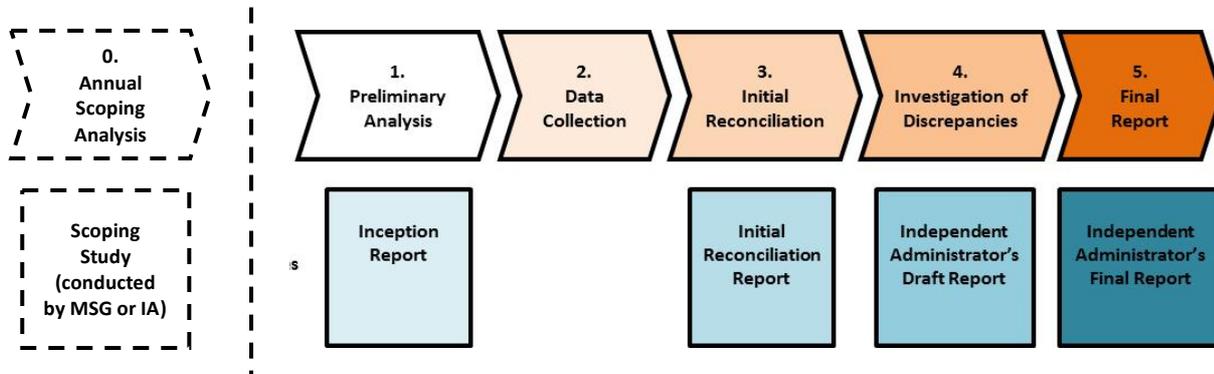
The concept that EITI compilations, when supplemented by other data assurance steps, could generate just as reliable data as EITI-reconciled is assumed to produce still needs to take hold. Innovations to be embraced include MSG-led engagement with national systems, audit frameworks and tax administration issues, as the basis for systemic advocacy for sector reforms which helps build well-governed extractive sectors.

“Innovations to be embraced include MSG-led engagement with national systems, audit frameworks and tax administration issues, as the basis for systemic advocacy for sector reforms which helps build well-governed extractive sectors.”

INDICATIVE SCHEMATIC ON INNOVATION OPTIONS

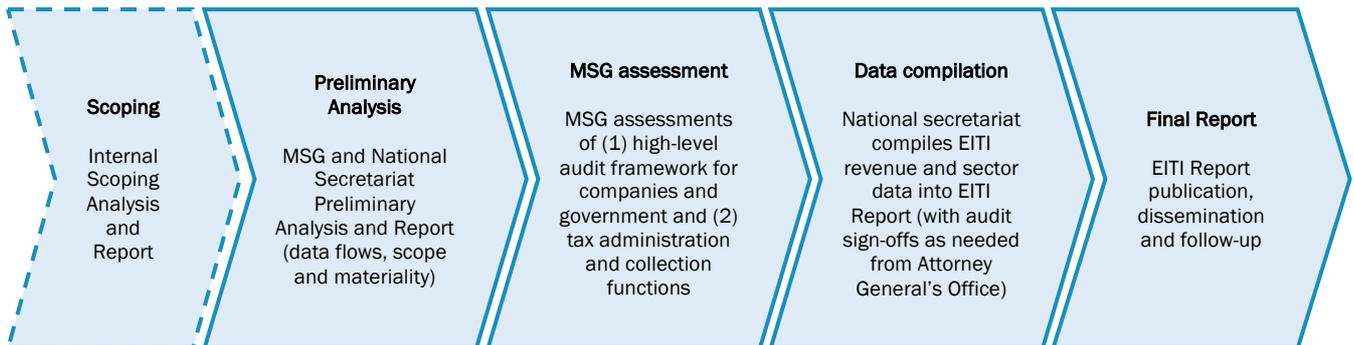
CURRENT STATE

Existing matching and reconciliation process



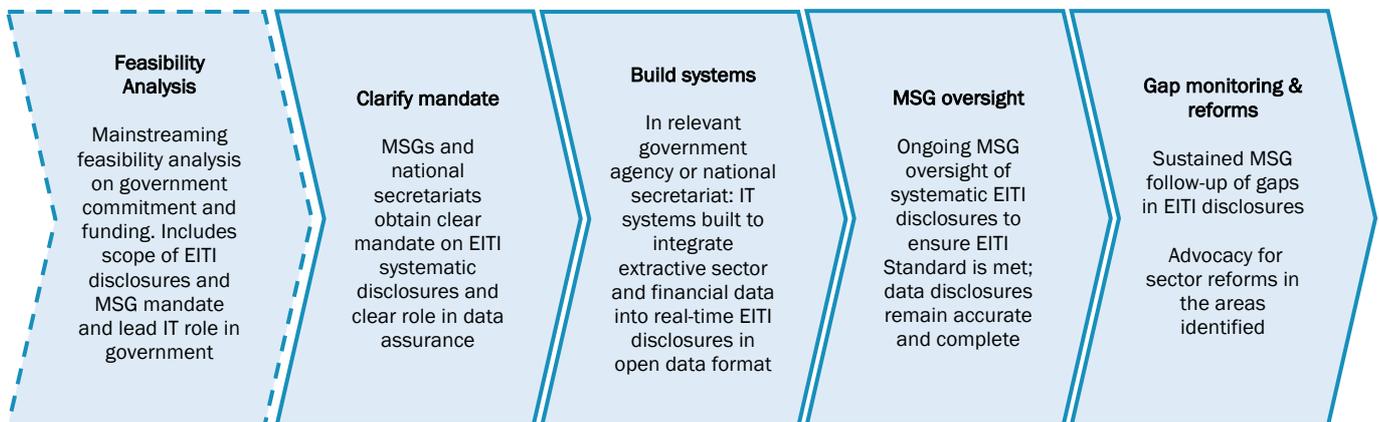
RECOMMENDATION: DATA COMPILATION

Innovative EITI compilation process by national secretariats under MSG oversight



RECOMMENDATION: TOWARDS SYSTEMATIC DISCLOSURE

Possible implementation sequence for systematic EITI disclosures under a mainstreamed EITI process



STRENGTHENING MSG OVERSIGHT

Finally, and independent of the proposals for innovations made in this report, this section sets out certain recommendations regarding the existing EITI standard ToR for IAs, to help achieve more consistently application of the ToR.²⁴ The goal is to help MSGs and national secretariats to improve overall outcomes and completeness of EITI Reports.

Specifics of MSG contracts with IAs

- **Greater use of joint ventures with locally-based, national audit firms.** This may lead both to lowered average hourly rates for the work, but more importantly play an important role in boosting local capacity and knowledge of the extractive sector. Such possibilities for joint work could conceivably even include joint reconciliation with state Auditor-General office.
- **More substantive role for national secretariats in reconciliation.** Many national secretariats already handle work load on significant parts of the EITI reporting cycle including obtaining completed reporting templates and doing initial matching to identify discrepancies, thereby lowering the volume of work for IAs. To increase efficiencies, this division of work could be expanded so that secretariat staff or consultants take on more of the workload.
- **Setting appropriate thresholds for EITI reporting and IA work.** As has also been reported elsewhere (EITI Board Paper 41-A-2, October 2018), overly-low materiality limits and excessive reconciliation work on minor financial flows may not be optimal use of funds expended on reconciliations. Materiality can be reconsidered to increase overall efficiency.
- **Focus also on higher-level audit assurance.** IAs could consider emphasising not just reliability of point-in-time EITI-reported data, but giving equal attention to the macro-level audit frameworks underlying all EITI-reported data. This would enable MSGs to make judgments on audit systems (and data reliability) across fiscal years on an ongoing basis.

PRESENTING PRIOR-YEAR COMPARATIVES FOR FINANCIAL DATA REPORTED

While some EITI Reports already do so, more consistent presentation of prior-year data in columnar form for key data elements like revenue by type or revenue by company paying would be very helpful. This would allow analysis for unusual variances and help target areas where further explanations are needed or additional follow-up or spot checks warranted.

²⁴ Ibid. 4

POSITIVE CONFIRMATION THAT ALL ASPECTS OF THE STANDARD ToR HAVE BEEN FOLLOWED

Some IAs provide a tabular-format, step-by-step confirmation of work completed (or not), so that MSGs and the Validation process have an accurate means to assess if the standard ToR and contract ToR was properly completed or not. This should be a consistent practice which MSGs should ensure are specified in their contract with IAs. In addition, MSGs could be further encouraged to insist on adequate mid-term progress discussion with IAs, to get early alerts on the direction and progress of the work, and whether MSG intervention is needed.

FINALLY, STRONGER MSG CAPABILITIES TO MANAGE IA WORK

Equally important for quality of delivery of service by IAs is for MSGs to ensure adequate technical capabilities within their membership to adequately supervise and manage the work of IAs. This includes in particular whether the reconciliation work as completed met the agreed contract and fulfils the applicable EITI requirements for Validation.

Where such expertise is lacking, EITI guidance to MSGs could be considered which suggests co-opting or use of external expertise on a short-term, retainer basis specifically to strengthen MSGs oversight of IAs' work and outputs delivered to MSGs.

Annexes

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Note: Author’s suggestions are shown in red and notes are highlighted.

Annex 1: Excerpt from existing EITI Standard - EITI Requirement 4.9

4.9 Data quality and assurance.

a) The EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards.

b) It is a requirement that payments and revenues are reconciled by a credible, Independent Administrator, applying international auditing standards, and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.

i. The reconciliation of company payments and government revenues must be undertaken by an Independent Administrator applying international professional standards.

ii. The Independent Administrator must be perceived by the multi-stakeholder group to be credible, trustworthy and technically competent. The multi-stakeholder group should endorse the appointment of the Independent Administrator.

iii. The multi-stakeholder group and the Independent Administrator are required to agree a Terms of Reference for the EITI Report based on the standard Terms of Reference and the '[agreed upon procedure for EITI Reports](#)' endorsed by the EITI Board. Should the multi-stakeholder group wish to adapt or deviate from these agreed upon procedures, approval from the EITI Board must be sought in advance (Requirement 8.1).

c) Where the assessment in 4.9(a) concludes that there is (i) routine disclosure of the data required by the EITI Standard in requisite detail, and (ii) that the financial data is subject to credible, independent audit, applying international standards, the multi-stakeholder group may seek Board approval to mainstream EITI implementation in accordance with the '[Agreed upon procedure for mainstreamed disclosures](#)'. Without such prior approval, adherence to 4.9.b is required.

Annex 2: Illustrative refinements to EITI Requirements 4.9 on reconciliations and data assurance

(Author's suggestions are shown in red)

4.9 **Compilation¹ of payments and revenues – and** Data quality and assurance

a) The EITI requires **an understanding of prevailing statutory audit requirements, regulations and standards for corporate and government entities, and** an assessment of whether the **entities and their underlying** payments and revenues are subject to credible, independent audit, applying international auditing standards. **[or: “applying international professional standards” for consistency within 4.9]**

OR AN ALTERNATIVE APPROACH for 4.9(a) – which puts onus on MSGs + includes tax admin)

a) The EITI requires an understanding of (i) prevailing statutory audit regulations and standards for corporate and government entities, and (ii) of government tax administration and compliance functions, together with a judgment by multi-stakeholder groups on whether prevailing audit statutes are adequately adhered to by EITI-reporting entities to assure reliable data.

b) It is a requirement that **EITI-reported** payments and revenues are reconciled **or compiled** by a credible **entity** (“**EITI Independent Administrator**”), **applying international auditing standards, and**, with publication of **an EITI Administrator’s report** ~~opinion~~ regarding that reconciliation **or compilation with adequate detail including identifying any** discrepancies, ~~–should any be identified,~~ and explaining how assurance of reporting entities and/or of underlying EITI data is achieved; and recommendations for action.

i. The reconciliation of company payments and government revenues **or compilation of EITI reported data** must be undertaken by a **credible entity** (“**EITI Administrator**”). This entity could comprise a national EITI Secretariat operating under the direct supervisory oversight of the multi-stakeholder group or; a national EITI reporting entity operating under national laws or mandated within government for this purpose or; an external professional firm **Independent Administrator**, applying international professional standards.

ii. The “**EITI Independent Administrator**” must be perceived by the multi- stakeholder group to be credible, trustworthy and technically competent. The multi- stakeholder group should endorse the appointment of **and oversee the work of the “EITI Independent Administrator”.**

¹ The term “compilation” refers to assignments performed under international assurance and audit standard ISRS 4410, “ENGAGEMENTS TO COMPILE FINANCIAL STATEMENTS” (formerly IAS 930). The objective of a compilation engagement under the Standard “is for the accountant to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarize financial information”. The Standard, which could guide compilation work undertaken for EITI reporting purposes, states inter alia “The procedures employed are not designed and do not enable the accountant to express any assurance on the financial information”.

By contrast, the term “reconciliations” refers to ISRS 4400 (formerly ISA 920) “ENGAGEMENTS TO PERFORM AGREED-UPON PROCEDURES REGARDING FINANCIAL INFORMATION”. This is the Standard currently employed by independent administrators for virtually all EITI Reports. The objective of an agreed-upon procedures engagement inter alia “is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. As the auditor simply provides a report of the factual findings of agreed-upon procedures, [but] no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor’s work.

iii. The multi-stakeholder group and the “EITI ~~Independent~~ Administrator” are required to agree a Terms of Reference for the EITI-compiled and reported payments and revenues based on the standard Terms of Reference and the ‘[agreed upon procedure for EITI Reports](#)’ endorsed by the EITI Board. Should the multi-stakeholder group wish to adapt or deviate from these agreed upon procedures, approval from the EITI Board must be sought in advance (Requirement 8.1).

c) EITI-implementing countries must justify to and seek approval from EITI Board for innovations and specific arrangements proposed for the “EITI Administrator” role, which detail how the latter’s work will be overseen and supervised by the multi-stakeholder group. The arrangements selected may include reliance by multi-stakeholder groups on external professional advisers for more strategic-level advice the compilation or reconciliation approach selected ²/.

d) Where the assessment in 4.9(a) concludes that there is (i) routine disclosure of the data required by the EITI Standard in requisite detail, and (ii) that the reporting entities and/or underlying financial data are subject to credible, independent audit, applying international professional standards, the multi-stakeholder group may seek Board approval to mainstream EITI implementation in accordance with the ‘[Agreed upon procedure for mainstreamed disclosures](#)’. Without such prior approval, adherence to 4.9.b is required.

Note – if the alternate wording of (a) including tax administration is adopted, this tax points also needs to be brought into para d) above

² For instance, professional advice to MSGs on issues of understanding sector financial flows; MSG decision making on scope of EITI disclosures; on audit assurance of underlying data; whether MSG decisions on EITI reporting scope have been followed and advice on EITI follow-up on sector reforms opportunities identified in EITI disclosures and Reports.

Annex 3: Illustrative Professional Advisory Services to MSGs to help fulfil MSG oversight role

Context

The central role and responsibilities of national EITI multi-stakeholder groups (MSGs) is well-established in international EITI literature and in practice in EITI-implementing countries.

If an individual country elects to move a compilation model for EITI payments and revenues not using external administrators, i.e. relying instead on national EITI Secretariats or other national EITI reporting entities as mandated within Government or under national laws, MSGs may opt to use external professional firms in another role instead, that of advisers to MSGs in their oversight role.

Indicative range of such advisory services

The nature, coverage, depth and scope of such Advisory Services, and whether these services are recurring or one-off, would be decisions made by MSGs concerned according to their country circumstances, MSG expertise and comfort level of their oversight capacity and resources.

But as an indication, the scope of such Advisory Services to MSGs could include all or part of the following, as a way for MSGs to be supported in their discharge of oversight responsibility for EITI compilations where this is undertaken in-house by EITI Secretariats rather than external administrators.

Scoping or background information for EITI disclosures and Reports

- Helping MSG in fully understanding the oil, gas and sector landscape and its financial flows
- Helping MSGs to identify material revenue streams and material reporting entities
- Helping MSGs to fully understand prevailing national-level audit frameworks
- Helping MSGs to draw conclusions on assurance of underlying data from reporting entities
- Helping MSGs in any dialogue with tax administration and collection authorities and to form judgments on the progress of latter's strategies and performance for extractive sector.
- Advice to MSGs on efficient ways to web-enable "static" sector disclosures of information required under EITI

Set-up of MSG agreements with EITI Administrators

- Helping MSGs to enter into proper Memoranda of Understanding or contracts with EITI Administrators ensuring clear ToR deliverables and clear division of roles and responsibilities.
- Advising MSGs to identify and address capacity or resource gaps in the EITI Administrator or in the compilation process.

MSG oversight of EITI compilations undertaken by EITI Administrators

- Helping MSGs to oversee the EITI Administrator's work, especially that MSG decisions on EITI reporting scope have been followed,

- Helping MSGs to assess that the agreed Memoranda of Understanding or contract deliverables have been satisfactorily delivered.
- Helping MSGs to assess performance of the EITI Administrators and quality of their work
- Helping MSGs to assess significance of discrepancies reported in draft EITI disclosures and Reports submitted for MSG review and approval.

MSG follow-up on EITI disclosures and reports – and sector findings

- Advice to MSGs on advocating for corrective actions on systemic weaknesses identified in EITI disclosures and Reports, such as on financial flows or audit assurance of underlying data.
- Advice on MSGs advice on follow-up and initiate action on sector reforms opportunities identified in EITI disclosures and Reports.
- Helping MSGs to assess the feasibility of deepening or extending the scope of EITI disclosures and reporting beyond the minimum requirements in line with MSG-agreed EITI workplans.

Strategic advice to MSGs on advances in national EITI

- Advice to MSGs on making EITI sustainable and embedded into national financial management and extractive sector processes, such as integrated and systematic EITI disclosure approaches.

Annex 4: Illustrative areas for MSG understanding of national statutory audit requirements

The proposals for innovative approaches set out in this Paper include that of MSGs to play a more active role in understanding the statutory external audit requirements for corporations and the public sector - and drawing conclusions therefrom.

Illustrative topics to be covered in such MSG outreach may include:

1. For public sector entities – audits and reports by Office of Auditor-General (OAG)

Institutional arrangements, resources and capabilities

- OAG has the key role ensuring accountability and transparency in the use of public funds
- OAG has adequate statutory backing to be an independent agency and reports to Legislature
- OAG has adequate access to inspect financial records and right to receive explanations
- OAG has adequate methods for follow-up or to enforce/report upon corrective actions
- OAG has adequate resources, expertise, and systems to fulfil its mandate effectively

Work program coverage and professional standards

- OAG work follow INTOSAI or IFAC international professional audit standards
- OAG standards are comprehensive including OAG structure, strategies, and work programs
- OAG has risk assessment and planning methods for good coverage of audit population
- OAG work extends beyond financial statements where applicable e.g. performance audits
- OAG completes regular external audits and reports on a timely basis, according to statutes

Audit reports and follow-up

- OAG Reports are addressed to Legislatures/authorities – who review on timely basis
- Effective mechanisms for follow-up of OAG findings and report-back by Ministries
- OAG audit reports give recommendations on improvements to control systems and risks
- OAG audit reports give recommendations on financial accounting systems and timeliness
- Reporting on OAG office performance metrics and key findings to the public

2. For private-sector corporations and entities

Company Law have adequate provisions for external audits of financial statements and/or Securities legislation requirements for companies listed on stock exchanges

- Company law sets out clear thresholds for audit requirement (size of company etc.)
- For listed companies, supplemental Securities law audit requirements e.g. quarterly filings
- Relevant laws set out adequate regulations for qualifications of who can serve as auditor
- Relevant laws set out additional professional audit and accounting standards to be followed
- Relevant laws set out adequate rights for auditors to inspect financial records, explanations

Enforcement mechanisms for compliance with Company and Securities laws and regulations

- Audit reports are lodged with Registrar and publicly disclosed (where applicable)
- Company or Securities regulators can step in and require corrective action where needed
- Company or Securities regulators have adequate methods to enforce corrective actions

Enforcement mechanism for audit quality, ethics and application of professional standards

- Existence of Professional body or Registration body for qualified or registered auditors
- Professional or legal requirement for IFAC international audit and accounting standards
- Else, equivalent national professional standards are in place and followed
- Effective mechanisms to assure international/ national professional standards are applied
- Effective mechanisms for assessing and ensuring audit quality and auditors work
- Effective mechanisms for investigation of and penalties for breach of ethics or standards

Audit Reports and Financial Statements

- Audit reports and Financial Statements are publicly available (where applicable)
- Audit Reports and Financial Statements disclose tax payments, effective tax rate on profits
- Audit reports and Financial Statements disclose major tax litigation pending
- Audit reports and Financial Statements give comments on functioning of internal controls

Annex 5: Illustrative areas for MSG understanding of tax administration and collection functions

The proposals in this Paper also include a suggestion for greater role by MSGs in engagement with and understanding of tax administration and collection functions¹.

Illustrative topics to be covered in such MSG engagement ^{2/} with tax administration and collection authorities (TAC) may include:

Understanding institutional arrangements and linkages within Government

- Understanding the legal and institutional set-up of the TAC - whether as an integral part of the line finance ministry or as an independent or autonomous revenue-collection agency
- Extent if any decentralised tax administration and collection to lower levels of Government
- Understanding the key features of taxation legal regimes of oil, gas and mining sectors
- TAC has effective information sharing links with energy or mines ministries
- TAC provides key inputs on double-taxation or investment agreements with tax impacts
- TAC is well-connected to global tax for a like OECD tax Forum and regional tax fora

Understanding tax administrator strategies for extractive sector

- Understanding the TAC strategy and approach towards taxation of oil, gas, mining sector
- Tax administration has effective public communication about TAC / tax collection outcomes
- TAC has a unit devoted to taxation of extractive companies – to simplify tax administration
- TAC pays specific attention to risks of tax avoidance and transfer pricing
- TAC has adequate resources, expertise, and systems to fulfil its mandate in extractives
- TAC possesses adequate modelling tools to forecast tax revenue to compare to actual taxes
- Links to sector-specific data like production volumes, customs export declarations, etc

Understanding tax administrator resources and capabilities

- TAC is well-resourced and faces few constraints - skills, capabilities and IT resources
- TAC has adequate program for continuous learning and skills upgrading for teams
- TAC uses and is judged by performance metrics on tax administration, collections etc
- Adequate analytical and tax revenue modelling capabilities for macro-level reviews

¹ For a detailed discussion of this subject, see: Guj, P.; Boucoum B.; Limerick J.; and Maybee, B How to Improve Mining Tax Administration and Collection Frameworks: A Sourcebook, World Bank and Centre for Exploration Targeting 2013

² Note the suggestion is not for MSGs to assess how tax administration and collection are functioning, but rather to deepen high-level contact with tax administration agencies and gain a better understanding of their direction, work and constraints especially regarding taxpayers in the oil, gas and mining sectors.

Approaches to tax return assessment and reviews

- Tax administration for extractive companies is handled by a separate, specialized unit
- For EI companies, parent-company and related-party transactions are given close scrutiny
- Other data-points used to cross-check tax returns (audited financials, VAT/export returns, etc.)
- Cross-reference to international sources (e.g. SGS) to assess fair pricing of imported inputs

Tax compliance reviews and audits

- Risk-based or percentage-based identification of tax returns for further scrutiny
- Sector-based identification of recurrent tax issues for scrutiny (input prices, fees to HQ)
- Sector capabilities available to support in-depth tax compliance reviews of tax returns
- TAC is able to form cross-ministry tax review teams to incorporate specialist sector skills
- Tax compliance reviews and audits are planned and completed on a timely basis
- TAC feeds systematic compliance or tax issues arising to tax policy functions in Gov't

Follow-up of tax compliance audits

- TAC has adequate means to enforce tax review findings and levy penalties as applicable
- TAC has effective mechanisms for follow-up and ensuring revised tax collection amounts
- TAC has access to legal backing to initiate litigation where needed on tax returns submitted

General tax administration oversight and collection considerations

- TAC has open outreach policy to taxpayers, give advice to tax payers etc.
- TAC has effective mechanisms to collect overdue or unpaid taxes
- TAC is satisfied with internal controls over benefits to taxpayers like VAT refunds, rebates
- TAC has adequate internal mitigation / controls to minimize internal corruption/tax fraud
- TAC uses and is judged by performance metrics on tax administration, tax collections etc.

Annex 6: Illustrative refinements to Standard Terms of Reference for “Independent Administrators”

(Author’s suggestions shown in red)

Author’s note: Depending on refinements made to the EITI Standard, the format of this Standard ToR could be broken into discrete sections, to be adapted and tailored by the MSG to their own circumstances, for example where reconciliation or compilation work is divided between work done by National Secretariat and work done by or assistance provided by external professional firms.

Standard Terms of Reference for “EITI Administrators” (formerly referred to as “Independent Administrators”)

This document is a standard Terms of Reference (ToR) for **EITI Administrator functions** for services for EITI disclosures and Reports in accordance with the EITI Standard, endorsed by the EITI Board on 15 February 2016, **as modified**.

The ToR sets out the work **determined by the MSG** to be undertaken by the **EITI Independent Administrator as part of the process by which payments and revenue information is compiled and reported, along with other required oil, gas and mining sector information. EITI information is hired to produce the EITI Report. It is typically attached to the contract between the Independent Administrator and the government.**

The MSG is required to use **or draw on** this standard ToR when **appointing or seeking the services of hiring** an **EITI Independent** Administrator (Requirement 4.9.b.iii). Should the MSG wish to deviate from the procedures set out in this ToR, the International Secretariat should be consulted as advance approval from the EITI Board might be required (Requirement **4.9 c) and d)** and 8.a). The ToR includes sections **[bracketed and highlighted in blue]** that should be completed by the multi-stakeholder group (MSG) in order to adapt the ToR to the specific circumstances in the country. The ToR includes comment boxes to guide the MSG in completing each section. It is a requirement that the MSG approve the ToR (Requirement 4.9.b.iii).

The ToR is addressed to the **EITI Independent** Administrator. A guidance note on MSG oversight of the EITI reporting cycle¹ is also available to guide MSGs and national secretariats on the issues that need to be addressed in advance of completing this ToR, and key issues to consider in overseeing the reporting process to ensure compliance with the EITI Standard. Utilisation of the ToR does not guarantee compliance. The MSG needs to ensure that the EITI **reconciliation or compilation, data assurance and reporting process** is rigorous, comprehensive and reliable.

The Board will review the procedures and the template on a regular basis. Comments on the template should be directed to the EITI International Secretariat (contact: sbartlett@eiti.org).

¹ <https://eiti.org/document/guidance-notes-implementing-countries#GN8>

Terms of Reference

~~EITI Independent~~ Administrator for the [year] EITI Disclosures and Report, [country]

Approved by the [MSG] on [date]

Background

The Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency and accountability in the oil, gas and mining sectors.

EITI implementation has two core components:

- **Transparent disclosures:** oil, gas and mining companies disclose information about their operations, including payments to the government, and the government discloses its receipts and other relevant information on the industry. The figures are **compiled or** reconciled by an ~~EITI Independent~~ Administrator, and published annually alongside other information about the extractive industries in accordance with the EITI Standard.
- **Accountability:** a multi-stakeholder group (MSG) with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI reporting, and promote the integration of EITI into broader transparency **and sector reform** efforts in that country.

The EITI Standard encourages MSGs to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourage high standards of transparency and accountability in public life, government operations and in business. The requirements for implementing countries are set out in the EITI Standard². Additional information is available via www.eiti.org.

It is a requirement that the MSG approves the terms of reference for the ~~EITI Independent~~ Administrator (requirement 4.9.iii), drawing on the objectives and agreed scope of the EITI as set out in the MSG's workplan. The MSG's deliberations on these matters should be in accordance with the MSG's internal governance rules and procedures (see requirement 1.4.b). The EITI requires an inclusive **tri-partite** decision making process throughout implementation, with each constituency being treated as **an equal** partner.

It is a requirement that the ~~EITI Independent~~ Administrator be perceived by the MSG to be credible, trustworthy and technically competent (Requirement 4.9.b.ii). The MSG and ~~EITI Independent~~ Administrator should address any concerns regarding conflicts of interest. The EITI Report prepared by the ~~EITI Independent~~ Administrator **on behalf of the MSG** will be submitted to the MSG for approval and made publicly available in accordance with Requirement 7.1.

These terms of reference **may** include **illustrative** "agreed-upon procedures" for EITI reporting (see section 4) in accordance with EITI Requirement 4.9.b.iii. The international EITI Board has developed these procedures to promote greater consistency and reliability in EITI reporting. The EITI process should be used to complement, assess, and improve existing reporting and auditing systems. The Board recommends that the process **understand and** rely as much as possible on existing procedures and institutions, **including tax administration functions** so that the EITI process draws on, complements and critically evaluates existing data collection and auditing systems, **and tax collection systems**. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems.

EITI Implementation in [country]

² <http://eiti.org/document/standard>

[...].

Objectives of the assignment

On behalf of the government of [country] and [MSG], the [contracting party] seeks a competent and credible entity or firm, free from conflicts of interest, to provide EITI Independent Administrator services in accordance with the EITI Standard. The objective of the assigned responsibility or professional assignment is to:

[-To update or produce a scoping study to inform the MSG’s decision on the scope of the [year/s] EITI Report.]

[- Compile or reconcile revenue and payments information and other required sector disclosures to Produce an EITI Report for [year/s] in accordance with the EITI Standard and section 3, below.

OR Contribute to an EITI Report for [year/s] in accordance with the EITI Standard and section 3, below].

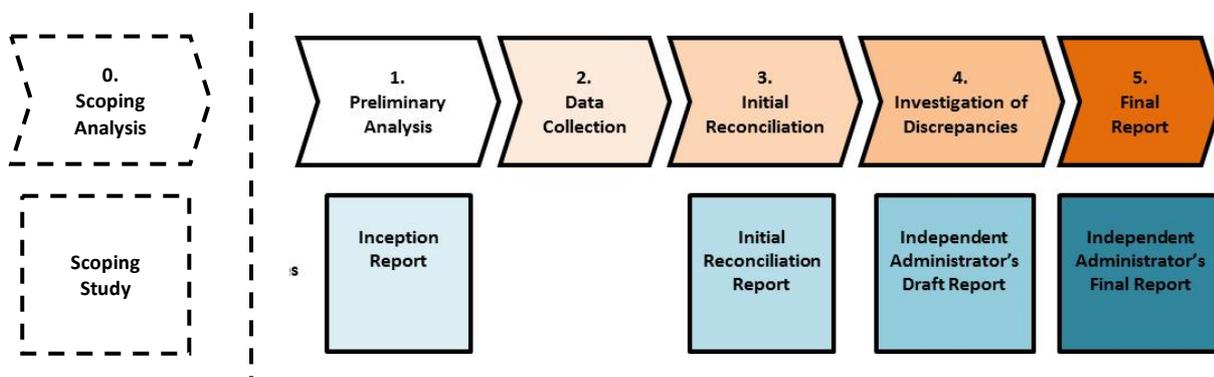
[- Summarise any additional objectives and work to be undertaken by the EITI Independent Administrator].

Scope of services, tasks and expected deliverables

The work of the EITI Independent Administrator has five conceptual phases (see figure 1). These phases may overlap and there may also be some iteration between the phases. EITI compilation/reconciliation and reporting is generally preceded by scoping work which is sometimes undertaken by the EITI Independent Administrator (phase 0 in the figure 1), and sometimes undertaken by the MSG or other advisers or consultants.

The EITI Independent Administrator’s responsibilities in each phase are elaborated below.

Figure 1 – Overview of the EITI Reporting process and deliverables



*** Author’s note – key changes to make in boxes above:

1. “Scoping” box to specify that is annual exercise, whether by MSG, Nat. Secretariat or IA

- 2. Data Collection should read “Sourcing EITI-reportable revenues and payments information”

Also, box underneath should state: “Underlying EITI data subject to audit at source”

- 3. Initial reconciliation” should read: “Compilation or reconciliation of EITI data”

Also, box underneath should state: “initial EITI-compiled or Reconciled information”

- 4. Should read: “EITI Administrator’s Report accompanying the EITI data”

- 5. EITI Administrator’s final report addressed to MSG

Phase 0 - Scoping and scoping study

Objective: Scoping work aims to identify what the EITI disclosures and Report should cover in order to meet the requirements of the EITI Standard. Scoping sets the basis for producing a timely, comprehensive, reliable and comprehensible EITI disclosures and Report. It commonly involves looking at issues such as the fiscal period to be reported, the sector contextual information that should be disclosed or be part of the EITI Report, reviewing the types of audit assurances that are present or needed for ensuring that the data submitted by reporting entities is credible, determining which revenue streams from oil, gas and mining are significant, and consequently which companies and government entities should be required to report. It is also an opportunity for the multi-stakeholder group to consider the feasibility of extending the scope of EITI reporting beyond the minimum requirements in order to address the objectives outlined in the EITI workplan. Scoping may also investigate likely gaps or issues that may be particularly challenging to include in the EITI Report with a view to identify options, solutions, and recommendations for an appropriate reporting methodology for consideration by the multi-stakeholder group. As a preliminary step to judgments on the environment for data assurance, the scoping study would also reflect an understanding of prevailing statutes and regulations for audits of private sector companies and public sector entities and how they operate and if feasible, an understanding of tax administration and collection functions.

The EITI Independent Administrator is expected to undertake the following tasks during the scoping phase:

- ...
- ...]

Phase 1 – Preliminary analysis and inception report

Objective: The purpose of the inception phase is to confirm that the scope of the EITI reporting process has been clearly defined, including the compilation or reconciliation process selected, reporting templates (or data submission modalities in systematic disclosures), data collection procedures, and the schedule for publishing the EITI disclosures and Report. In cases where the “EITI Independent Administrator” is involved in scoping work, the inception phase will not be extensive. ~~Where the Independent Administrator is not involved in scoping work, some work is required by the Independent Administrator to review prior scoping decisions and considerations taken by the MSG (1.1-1.2 below).~~ The inception report thus ensures that there is a mutual understanding between the MSG and the “EITI Independent Administrator” of the scope of the EITI disclosures and Report, the sources of those data flows and the work to be carried out.

The MSG’s proposal for the scope of the EITI Report, to be revised and confirmed with the “EITI Independent Administrator” during the inception period, is set out in ~~annex Attachment 1~~.

The “EITI Independent Administrator” is expected to undertake the following tasks during the inception phase:

and social / other payments disclosed by companies

- 1.1 Review the relevant background information, including the governance arrangements and tax policies and tax administration and collection arrangements in the extractive industries, the findings from any preliminary scoping work, and the conclusions and recommendations from previous EITI Reports and Validations. (A list of relevant documentation is provided as ~~Annex Attachment 2~~).

- 1.2 The “EITI Independent Administrator” should review the scope proposed by the MSG in **annex Attachment 1 in order to get a full understanding** with a particular focus on the following:
- 1.2.1 Reviewing the comprehensiveness of the **social and other payments disclosed by companies and government revenues** to be covered in the EITI Report as proposed by the MSG in Annex 1 and in accordance with EITI Requirement 4.
 - 1.2.2 Reviewing the comprehensiveness of the companies and government entities that are required to report as defined by the MSG in Annex 1 and in accordance with EITI Requirement 4.1
 - 1.2.3 **Providing expert advice to MSGs on efficient yet effective ways to ensure a large proportion of revenues can be reconciled or compiled by identifying scope of reporting that captures a narrower set of reporting entities and revenues types, but will cover a substantial share of their total populations**
 - 1.2.4 **Paying particular attention to operating State-Owned Enterprises and the totality of the revenues and payments flows and linkages and ensuring both their participation and that their financial and sector reporting is comprehensive and reliable**
 - 1.2.5 Supporting the MSG with **understanding and drawing conclusions from examining** the audit and assurance procedures in companies and government entities participating in the EITI reporting process. This includes examining the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards. It is recommended that the EITI Report includes a summary of the findings **concerning national systems and how they impact on judgments made about data reliability**, otherwise the MSG should make the results of the review of audit and assurance practices publicly available elsewhere. **Where feasible, the understanding and conclusions could also be extended to tax administration and collection functions to strengthen overall judgments on national systems.**
 - 1.2.6 **Discussing with and providing advice to the MSG on the reporting templates based on the agreed benefit streams to be reported and the reporting entities (1.1.1– 1.1.2 above). Sample templates are available from the International Secretariat. It is recommended that the templates include a provision requiring companies to report “any other material payments to government entities” above an agreed threshold. [Where the MSG decides to task the “EITI Independent Administrator” to draft reporting templates for consideration and approval by the MSG, this should be indicated here.]**
- 1.3 On the basis of 1.1 and 1.2 as applicable, produce an **inception report that records the key understandings of the assignment:**
- 1.3.1 Includes a statement of materiality (**annex Attachment 1**) confirming the MSG’s decisions on the payments and revenues to be covered in the EITI Report, including:
 - The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).
 - **Explicit consideration of the cost-benefit of reporting thresholds or materiality limits where these are very low and where the time and effort cost of such inclusion greatly exceeds the benefit**
 - The sale of the state’s share of production or other revenues collected in-kind in accordance with Requirement 4.2.
 - The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.3.

- The coverage of social expenditure in accordance with Requirement 6.1.
- The coverage of transportation revenues in accordance with Requirement 4.4.
- Disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.6.
- The materiality and inclusion of direct sub-national payments in accordance with Requirement 4.5.
- The materiality and inclusion of sub-national transfers in accordance with Requirement 5.2.
- The level and type of disaggregation of the EITI **disclosures and Report** in accordance with Requirement 4.7.
- [\[Any other aspects as agreed by the MSG\].](#)

1.3.2 Includes a statement of materiality (~~annex Attachment 1~~) confirming the MSG's decisions on the companies and government entities that are required to report, including:

- The companies, including SOEs, that make material payments to the state and will be required to report in accordance with Requirement 4.1(c).
- The government entities, including any SOEs and sub-national government entities, that receive material payments and will be required to report in accordance with Requirement 4.1(c-d), 4.5 and 4.6.
- Any barriers to full government disclosure of total revenues received from each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.1(d)).
- **Explicit consideration of the cost-benefit of reporting thresholds where these are very low and where the time and effort cost of such inclusion greatly exceeds the benefit.**

1.3.3 Based on the **understanding gained examination** of the audit and assurance procedures in companies and government entities participating in the EITI reporting process (1.2.3 above), confirms what information participating companies and government entities are required to provide to the "**EITI Independent Administrator**" in order to assure the credibility of the data in accordance with Requirement 4.9.

The "**EITI Independent Administrator**" should exercise judgement and **in the case of external professional firms selected as EITI Administrators**, apply appropriate international professional standards³ in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI **disclosures and Report**. **Where EITI Administrators are not external professional firms subject to these professional standards, the guidance therein should still inform and guide the Administrator's work, especially IAS 4410 relating to compilation work** ⁴. The "**EITI Independent Administrator**" should employ **their best his-/her** professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of, **and applicable to**, the companies and governments. Where deemed necessary by the "**EITI Independent Administrator**" and the multi-stakeholder group, **such** assurances may include:

³ As issued by the International Assurance and Audit Standards Board (IAASB) under the auspices of the global International Federation of Accounts (IFAC). For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information and ISRS 4410 relative to compilation engagements.

⁴ Under ISRS 4410, "the objective of a compilation engagement is for the accountant to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarize financial information", which could inform compilation work for EITI.

- Requesting sign-off from a senior company or government official from each reporting entity attesting that the completed reporting form is a complete and accurate record.
- Requesting a confirmation letter from the companies' external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements, or submissions by those companies of their audited financial statements for review by the EITI Administrator for details of tax payments, effective tax rate in relation to stated profits, type of audit report etc. The MSG may decide to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company's auditor. Where some companies are not required by law to have an external auditor and therefore cannot provide such assurance, this should be clearly identified, and any reforms that are planned or underway should be noted.
- Where relevant and practicable, requesting that government reporting entities obtain a certification of the accuracy of the government's disclosures from their external auditor or equivalent.
- To gain assurance and make judgments on data reliability across fiscal years, EITI administrators could consider obtaining of confirmation from reporting companies and government entities themselves about external audits they have undergone of their financial statements and underlying records (and by extension the data submitted for EITI reports).
- Recap of understanding of tax administration and collection functions.

The inception report should document the options considered and the rationale for the assurances to be provided. Further it is important that the final reconciliation or compilation report should adequately explain the judgments by which, based on the sum of the macro-level and individual day assurance steps, conclusions are drawn on the adequacy or absence of data reliability.

1.3.4 Confirms the procedures for integrating and analysing non-revenue information included in the EITI disclosures and Report compiled or reconciled by the EITI Administrator". The inception report should incorporate table 1 below, confirming the division of labour between the "EITI Independent Administrator", the MSG or other actors in compiling this data, and how the information should be sourced and attributed.

Table 1 – Non-revenue information to be provided in the EITI disclosures and Report

Non-revenue information to be provided in the EITI Report	Work to be undertaken by the "EITI Independent Administrator"	Work to be undertaken by the MSG/others
Legal framework and fiscal regime in accordance with EITI Requirement 2.1.
An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1.	...	
Information about the contribution of the extractive industries to the	...	

economy in accordance with EITI Requirement 6.3.		
Production and export data in accordance with EITI Requirement 3.2 and 3.3	...	
Information regarding state participation in the extractive industries in accordance with EITI Requirement 2.6 and 6.2. ⁵	...	
Information about the distribution of revenues from the extractive industries in accordance with EITI Requirement 5.1.	...	
Any further information further information requested by the MSG on revenue management and expenditures in accordance with EITI Requirement 5.3.	...	
Information about license holders in accordance with EITI Requirement 2.3 ⁶ and the allocation of licenses in accordance with EITI Requirement 2.2. ⁷	...	
Any information requested by the MSG on beneficial ownership in accordance with EITI Requirement 2.5 ⁸	...	
Any information requested by the MSG on contracts in accordance with EITI Requirement 2.4 ⁹	...	
[Add any other contextual information that the MSG has agreed to include in the EITI Report]	...	

1.2.6 Confirms the reporting templates (or data submission modalities under systematic disclosure), as well as any procedures or provisions relating to safeguarding confidential information. [The “EITI ~~Independent~~ Administrator” should also develop guidance to the reporting entities on how to complete the reporting templates, and provide training to reporting entities].

Phase 2 – Data collection

Objective: The purpose of the second phase of work is to collect the data for the EITI Report in accordance with the scope confirmed in the Inception Report. The MSG and national secretariat will provide contact details for the reporting entities and where the EITI Administrator is an external

⁵ Guidance Note 18: SOE participation in EITI Reporting, https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf

⁶ Guidance Note 3: Licence Registers, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN3>

⁷ Guidance Note 4: Licence Allocations, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN4>

⁸ Template beneficial ownership declaration, <https://eiti.org/files/Template-beneficial-ownership-declaration-form.doc>

⁹ Guidance Note 7: Contract Transparency, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN7>

professional firm, assist ~~the Independent~~ that Administrator in ensuring that all reporting entities participate fully and provide data as agreed.

The “EITI ~~Independent~~ Administrator” is expected to undertake the following tasks during the data collection phase:

- 2.1 Distribute the reporting templates (or initiate the data submission modality under systematic disclosure) and collect the completed forms and associated supporting documentation directly from the participating reporting entities, as well as any contextual or other information that the MSG has tasked the “EITI ~~Independent~~ Administrator” to collect in accordance with 1.3.4 above. [Where an alternative approach to compilation or reconciliation is proposed - e.g. where the national EITI secretariat is tasked with this responsibility including ~~assists with~~ data collection, or where the data is collected through an existing reporting mechanism, there should be close oversight by the MSG consultations ~~with the Independent Administrator~~ to ensure the integrity of the information transmitted to the “EITI ~~Independent~~ Administrator” and of the overall compilation process].
- 2.2 Contact the reporting entities directly to clarify any information gaps or discrepancies.

Phase 3 – initial compilation or reconciliation

Objective: The purpose of this phase is to complete an initial compilation and reconciliation of the contextual information and revenue data with a view to identify any gaps or discrepancies to be further investigated.

- 3.1 The “EITI ~~Independent~~ Administrator” should compile a database with the payment and revenue data provided by the reporting entities.
- 3.2 The “EITI ~~Independent~~ Administrator” should comprehensively compile or reconcile the information disclosed by the reporting entities, identifying any discrepancies (including offsetting discrepancies) in accordance with the agreed scope and any other gaps in the information provided (e.g. audit assurances).
- 3.3 [The “EITI ~~Independent~~ Administrator” should identify any discrepancies above the agreed margin of error established in agreement with the MSG]

Phase 4 – investigation of discrepancies and spot checks on - and draft EITI disclosures and Report

Objective: The purpose of this phase is to investigate any discrepancies identified in the initial compilation or reconciliation, and to produce a draft EITI disclosures and Report that compiles the contextual information, reconciles or compiles financial data and explains any discrepancies above the margin of error determined by the MSG, where applicable.

- 4.1 The “EITI ~~Independent~~ Administrator” should contact the reporting entities to clarify the causes of any significant discrepancies or other gaps in the reported data, and to collect additional data from the reporting entities concerned. Such follow-up could be based on risk analysis of reporting entities or by analysis of unusual variances in year-on-year EITI-reported data.
- 4.2 This means the format of the EITI Report should present also comparative data of past 1-2 years in columnar form, for key financial elements like revenue by type and revenue collections by paying entity. This would allow identification of unusual variances and selection for further scrutiny including spot checks and obtaining explanations.
- 4.3 The “EITI ~~Independent~~ Administrator” should submit a draft EITI disclosures and Report to the MSG for comment that comprehensively reconciles or compiles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG. The financial data should be disaggregated to the level of detail agreed by the MSG and in accordance with requirement 4.7. The draft EITI disclosures and Report should:

- a) describe the methodology adopted for the **compilation or** reconciliation of company payments and government revenues, **and in the case of external professional firms**, demonstrate the application of international professional standards.
 - b) include a description of all revenue streams, related materiality definitions and thresholds (Requirement 4.1).
 - c) include an assessment from the **“EITI Independent Administrator”** on the comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the **“EITI Independent Administrator”** and the limitations of the **overall** assessment provided.
 - d) indicate the coverage of the reconciliation **or compilation** exercise, based on the government's disclosure of total revenues as per Requirement 4.1(d).
 - e) include an assessment of whether all companies **as applicable** and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the **“EITI Independent Administrator”** must be disclosed in the EITI **disclosures and** Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report.
 - f) document whether the participating companies **as applicable** and government entities had their financial statements audited in the financial year(s) covered by the EITI **disclosures and** Report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI **disclosures and** Report advises readers on how to access this information.
 - g) include non-revenue information as per Requirement 2,3,5 and 6 and other information requested by the MSG. The contextual information should be clearly sourced in accordance with the procedures agreed by the **“EITI Independent Administrator”** and the MSG.
- 4.4 Where previous EITI **disclosures and** Reports have recommended corrective actions and reforms, the **“EITI Independent Administrator”** should comment on the progress in implementing those measures. [The **“EITI Independent Administrator”** should make recommendations for strengthening the reporting process in the future, including any recommendations regarding audit practices and reforms needed to bring them in line with international standards, and where appropriate, recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance. The **“EITI Independent Administrator”** is encouraged to **discuss and** collaborate with the MSG in formulating such recommendations.]
- 4.5 The **“EITI Independent Administrator”** is encouraged to make recommendations on strengthening these template Terms of Reference for **“EITI Independent Administrator”** services in accordance with the EITI Standard for the attention of the EITI Board.

Phase 5 – final EITI Report

Objective: The purpose of this phase is to ensure that any comments by the MSG on the draft report have been considered and incorporated in the final EITI **disclosures and** Report.

- 5.1 The **“EITI Independent Administrator”** will submit the EITI **disclosures and** Report upon approval to the MSG. The MSG will endorse the report prior to its publication and will oversee its publication. Where stakeholders other than the **“EITI Independent Administrator”** decide to include additional comments in, or opinions on, the EITI Report, the authorship should be clearly indicated.
- 5.2 [The final EITI Report must be translated to the following languages: ...]
- 5.3 The **EITI Independent Administrator** should produce **primary and any supplemental** electronic

data files¹⁰ that can be published together with the final **EITI disclosures and Report**.

5.4 Following approval by the MSG, the “**EITI Independent Administrator**” is mandated to submit summary data from the EITI Report electronically to the International Secretariat according to the standardised reporting format available from the International Secretariat¹¹.

5.5 [The “**EITI Independent Administrator**” shall take appropriate measures to ensure that the **EITI disclosures and Report** is comprehensible. This includes ensuring that the **disclosures and Report** has high levels of readability, legibility and usability, especially if issued on on-line formats. The MSG may wish to request that the report be edited by a professional copy editor and/or be designed by a professional graphical designer.]

5.6 [The MSG may request that the “**EITI Independent Administrator**”, if an external professional firm, to submit to the national EITI secretariat all data gathered during reconciliation available, including the contact information of all institutions contacted during the reporting process.]

Qualification requirements for “**EITI Independent Administrators**”

The **compilation or reconciliation** of company payments and government revenues must be undertaken by an “**EITI Independent Administrator**”, **overseen by and reporting to multi-stakeholder group and in the case of an external professional firm, also** applying international professional standards (requirement 4.9). It is a requirement that the “**EITI Independent Administrator**” is perceived by the MSG to be credible, trustworthy and technically competent (ibid). **Where applicable**, Bidders must follow (and show how they will apply) the appropriate professional standards for the reconciliation / agreed-upon-procedures work in preparing their report.

The “**EITI Independent Administrator**” will need to demonstrate:

- Expertise and experience in the oil, gas and mining sectors in [country].
- Expertise in accounting, auditing and financial analysis **and ideally, knowledge of tax administration and collection processes and government fiscal flows generally**.
- A track record in similar work. Previous experience in EITI reporting is not required, but would be advantageous.
- [Add information about any other skills and competencies required].

In order to ensure the quality and independence of the exercise, “**EITI Independent Administrators**” are required, in their proposal **or in discussions with the multi-stakeholder groups**, to disclose any actual or potential conflicts of interest, together with commentary on how any such conflict can be avoided.

Reporting requirements and time schedule for deliverables

The assignment is expected to commence on [date], culminating in the finalisation of the **EITI disclosures and Report** by [date]. The proposed schedule is set out below:

Signing of contract, if external professional firm	[date]
Signing of Memorandum of Agreement or contract, if not external professional firm	[date]
(If relevant) Phase 0: Scoping studies	[date] - [date]

¹⁰ The files can be in CSV or Excel format and should contain the tables and figures from the print report. In accordance with requirement 7.1.c, the multi-stakeholder group is required to make the EITI Report available in an open data format (xlsx or csv) online.

¹¹ The latest version of the summary data template can be found at: <https://eiti.org/document/eiti-summary-data-template>

=> Scoping Study	[date]
Phase 1: Preliminary analysis	[date] - [date]
=> Inception report	[date]
Phase 2: Data collection	[date] - [date]
Phase 3: Initial reconciliation	[date] - [date]
Phase 4: Investigation of discrepancies	[date] - [date]
=> Draft disclosures and Report	[date]
Phase 5: Final disclosures and Report	[date] - [date]
=> Final EITI disclosures and Report	[date]

[Add any additional information regarding other deliverables requested by the MSG, including translations, trainings and whether the “EITI ~~Independent~~ Administrator” should also be tasked with delivering a Summary report]

In the case of the EITI Administrator being an external professional firm, the schedule of payments shall be as follows:

- [<x%> following contract signing
- <x%> following delivery of the inception report
- <x%> following delivery of the draft EITI disclosures ad report
- <x%> following MSG approval and publication of the EITI report]

In the case of the EITI Administrator not being an external professional firm, the roles and responsibilities, capacity support or reimbursement or logistical arrangements between the MSG and the EITI Administrator will be specified in the Memorandum of Understanding or contract agreed into between the two parties.

MSG client’s oversight, input and counterpart personnel

[Add information about reporting lines, oversight of and support to the “EITI ~~Independent~~ Administrator” during the assignment, other logistical and administrative arrangements.]

[Other comments]

[The MSG may include additional commentary on the assignment not addressed above especially in the case where the EITI Administrator appointed is the national EITI Secretariat operating under MSG oversight or other national EITI reporting entity mandated within government for this purpose or operating under national laws]

Attachment Annex 1 – Statement of materiality

The purpose of this statement of materiality is for the “EITI Independent Administrator” to understand the scoping work and associated decisions that have already been carried out by the multi-stakeholder group or by other consultants. The “EITI Independent Administrator” confirms the joint understanding of the scope of the services in the inception report. Annex Attachment 2 lists relevant attachments, including any scoping studies undertaken in the past.

1. Taxes and revenues to be covered in the EITI disclosures and Report (Requirement 4.1)¹

With regards to the revenue streams set out in Requirements 4.1-4.2, the multi-stakeholder group has agreed that the following revenue streams from the extractive sector are material and should be **compiled or** reconciled in the EITI disclosures and Report:

Table 1 – Material revenues to be reconciled

Revenue stream	Estimated value and share of total extractive industry revenue	Government recipient	Additional commentary on work to be undertaken by the “EITI Independent Administrator” as necessary.
<list of revenue streams, taking into account common revenue streams set out in Requirement 4.1 >	<value> <percentage>
The materiality and inclusion of the state’s share of production collected in-kind (Requirement 4.2 ² , where applicable			

The multi-stakeholder group has agreed that the revenue streams from the extractive sector listed in Table 2 should be unilaterally disclosed by the government in the EITI Report rather than **compiled with or** reconciled with company figures. The reasons for unilateral disclosure rather than **compilation or** reconciliation should be documented by the MSG.

Table 2 – Material revenues to be unilaterally disclosed by the government

Revenue stream	Estimated value and share of total extractive industry revenue	Government recipient	Additional commentary on data sources and work to be undertaken by the “EITI Independent Administrator” as necessary.
...	<value> <percentage>

¹ Guidance Note 13: on defining materiality, reporting thresholds and reporting entities, https://eiti.org/files/Guidance%20note%20on%20defining%20materiality_0.pdf

² Guidance Note 18: SOE participation in EITI Reporting, https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf

The multi-stakeholder group has agreed that the following revenue streams from the extractive sector are immaterial and should not be **compiled or** reconciled or unilaterally disclosed by the government in the EITI **disclosures and** report:

Table 3 – Immaterial revenue streams from the extractive sector to be excluded from the EITI disclosures and Report

Revenue stream	Estimated value and share (%) of total extractive industry revenue	Government recipient	Additional commentary on data sources and rationale for concluding that the revenue stream is immaterial
...	<value> (<percentage>)

2. Additional benefit streams:

With regards to the benefit streams set out in Requirements 4, the MSG has agreed the following:

Table 4 – Additional benefit streams

Benefit stream	Applicable/material?	Estimated value and share (%) of total extractive industry revenue	Government recipient	Additional commentary on data sources and work to be undertaken by the “EITI Independent Administrator” as necessary.
The materiality and inclusion of infrastructure and barter arrangements (Requirement 4.3) ³				
The materiality and inclusion of <u>mandatory</u> social payments (Requirement 6.1(a)) ⁴				
The materiality and inclusion of <u>voluntary</u> social payments (Requirement 6.1(b)) ⁵				
The materiality and inclusion of transportation revenues (Requirement 4.4) ⁶				

³ Guidance note 15: Infrastructure and barter provisions: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN14>

⁴ Guidance note 17: Social expenditures: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN17>

⁵ Guidance note 17: Social expenditures: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN17>

⁶ Guidance note 16: Revenues from transportation of oil, gas and minerals: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN16>

3. Reporting companies (Requirement 4.1)

The MSG has agreed that any company making payments [equal to or above [insert threshold]] against the material revenue streams identified in table 1 are required to be included in the EITI disclosures and Report:

Table 5 – Companies to be included in the EITI disclosures and Report

Companies	Sector	Additional commentary on work to be undertaken by the “EITI Independent Administrator” as necessary.
...

4. Government - government transactions (Requirement 4)

Table 6 – Government to government transactions included in the scope of the EITI disclosures and Report

Transactions	Applicable/material?	Financial flow	State-owned company	Government agency	Additional commentary on work to be undertaken by the “EITI Independent Administrator” as necessary.
The disclosure and reconciliation of payments to and from state-owned enterprises (Requirement 4.6) ⁷					
Transactions	Applicable/material?	Financial flow and revenue sharing formula	Government agency executing the transfer	Government agency receiving the transfer	Additional commentary on work to be undertaken by the “EITI Independent Administrator” as necessary.
The materiality and inclusion of mandatory sub-national transfers in accordance with Requirement 5.2 ⁸					

⁷ Guidance Note 18: SOE participation in EITI Reporting, https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf

⁸ Guidance Note 10: Sub-national reporting, <https://eiti.org/files/Guidance-note-10-Subnationalreporting.pdf>

Attachment Annex 2 – Supporting documentation

Documentation on governance arrangements and tax policies **and tax administrative arrangements** in the extractive industries, including relevant legislation & regulations

- [...]
- [...]
- [...]

EITI workplans & other documents

- [...]
- [...]
- [...]

Findings from preliminary scoping work

- [...]

Previous EITI Reports

- [...]
- [...]

Commentary on previous EITI Reports

- [...]
- [...]

Validation Reports

- [...]
- [...]

Other relevant documentation (e.g. annual activity reports; **external peer review reports such as PEFA outcomes on national public financial management reform or OECD Forum outcomes on tax administration and tax transparency and data exchange**)

- [...]
- [...]

Annex 7: Illustrative task descriptions for EITI compilations

(where performed by National EITI Secretariats or other national entity)

Author's note: Depending on refinements made to the EITI Standard, the format of this illustrative task description could be broken into discrete sections, to be adapted and tailored by the MSG to their own circumstances, for example where compilation work is divided between work done by National Secretariat and work done by or assistance provided by external professional firms.

Assignment task descriptions for National EITI Secretariats fulfilling the EITI Administrator role to compile EITI Reports and Disclosures

This document is an illustrative task description where, with EITI Board approval, National EITI Secretariats (or other designated national entity) perform the role of EITI Administrator and undertakes compilation of EITI disclosures and Reports, under the oversight of MSGs in accordance with the EITI Standard, endorsed by the EITI Board on 15 February 2016, as modified.

The illustrative task description sets out the work determined by the MSG to be undertaken by the National Secretariat acting as EITI Administrator as part of the process by which revenue information is compiled and reported, along with other required oil, gas and mining sector information.

MSG are recommended to adapt and modify these illustrative task descriptions to their national circumstances when tasking the EITI National Secretariats (or other designated national entity) to serve as the EITI Administrator (Requirement 4.9.b.iii), under approval by EITI Board (Requirement 4.9 c) and d) and 8.a). The task description includes sections [\[bracketed and highlighted in blue\]](#) that should be completed by the multi-stakeholder group (MSG) in order to adapt the task description to the specific circumstances in the country. It is a requirement that the MSG approve the task description (Requirement 4.9.b.iii).

This illustrative task description is addressed to the MSG and EITI Administrator/national secretariats. A guidance note on MSG oversight of the EITI reporting cycle¹ is also available to guide MSGs and national secretariats on the issues that need to be addressed in advance of completing this role, and key issues to consider in overseeing the reporting process to ensure compliance with the EITI Standard. Utilisation of the illustrative task description does not guarantee compliance. The MSG needs to ensure that the EITI compilation, data assurance and reporting process is rigorous, comprehensive and reliable.

The EITI Board will review these illustrative task descriptions on a regular basis. Comments should be directed to the EITI International Secretariat (contact: sbartlett@eiti.org).

¹ <https://eiti.org/document/guidance-notes-implementing-countries#GN8>

Task Description for EITI Administrator

EITI Administrator for the [year] EITI Disclosures and Report, [country]

Approved by the [MSG] on [date]

Background

The Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency and accountability in the oil, gas and mining sectors.

EITI implementation has two core components:

- **Transparent disclosures:** Government discloses details of revenues received from oil, gas and mining companies. The latter also discloses other relevant information such as corporate social responsibility expenditures and other contributions by the industry. These figures are compiled by an EITI Administrator, and published annually alongside other sector information about the extractive industries in accordance with the EITI Standard.
- **Accountability:** a multi-stakeholder group (MSG) with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI reporting, and promote the integration of EITI into broader transparency and sector reform efforts in that country.

The EITI Standard encourages MSGs to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourage high standards of transparency and accountability in public life, government operations and in business. The requirements for implementing countries are set out in the EITI Standard². Additional information is available via www.eiti.org.

It is a requirement that the MSG approves the terms of reference for the EITI Administrator (requirement 4.9.iii), i.e. this task description in the case of national secretariats (or other national entity), drawing on the objectives and agreed scope of the EITI as set out in the MSG's workplan. The MSG's deliberations on these matters should be in accordance with the MSG's internal governance rules and procedures (see requirement 1.4.b). The EITI requires an inclusive tri-partite decision making process throughout implementation, with each constituency being treated as an equal partner.

It is a requirement that the EITI Administrator be perceived by the MSG to be credible, trustworthy and technically competent (Requirement 4.9.b.ii). The MSG and EITI Administrator should address any concerns regarding conflicts of interest. The EITI Report prepared by the EITI Administrator on behalf of the MSG will be submitted to the MSG for approval and made publicly available in accordance with Requirement 7.1.

These illustrative task descriptions may also draw on "agreed-upon procedures" for EITI reporting where conducted by external reconcilers (see section 4) in accordance with EITI Requirement 4.9.b.iii. The international EITI Board has developed the latter procedures to promote greater consistency and reliability in EITI reporting. The EITI process should be used to complement, assess, and improve existing reporting and auditing systems. The Board recommends that the process understand and rely as much as possible on existing procedures and institutions, including tax administration functions so that the EITI process draws on, complements and critically evaluates existing data collection and auditing systems, and tax collection systems. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems.

EITI Implementation in [country]

[...].

² <http://eiti.org/document/standard>

Objectives of the task assignment

On behalf of the government of [country] and [MSG], the [MSG or contracting party if another entity] assigns the task of compiling and issuing EITI disclosures and Report for [year] to [name of entity] for the [period] by serving as EITI Administrator. The EITI Administrator is required to be competent and credible entity or firm, free from conflicts of interest and provide EITI Administrator services in accordance with the EITI Standard. The objective of the assigned responsibility and professional task assignment is to:

[-To update or produce a scoping study to inform the MSG’s decision on the scope of the [year/s] EITI Report.]

[- Compile or reconcile revenue and payments information and other required sector disclosures to Produce an EITI Report for [year/s] in accordance with the EITI Standard and section 3, below.

OR Contribute to an EITI Report for [year/s] in accordance with the EITI Standard and section 3, below].

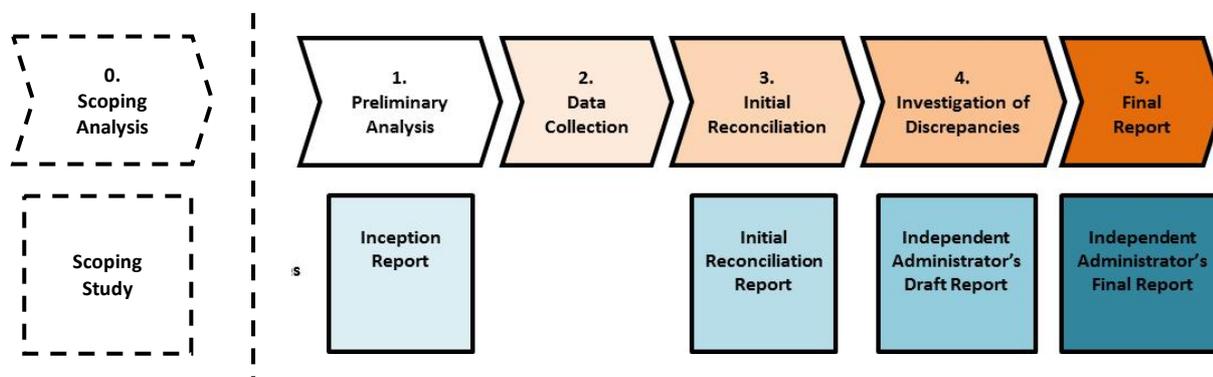
[- Summarise any additional objectives and work to be undertaken by the EITI Administrator].

Scope of tasks and expected deliverables

The work of the EITI Administrator has five conceptual phases (see figure 1). These phases may overlap and there may also be some iteration between the phases. EITI compilation and reporting is generally preceded by scoping work (phase 0 in the figure 1), which is sometimes also undertaken by the EITI Administrator and sometimes undertaken by the MSG or in conjunction with other advisers or consultants.

The EITI Administrator’s responsibilities in each phase are elaborated below.

Figure 1 – Overview of the EITI Reporting process and deliverables



*** Authors note: KEY changes to make in boxes above:

1. “Scoping” box to specify that is annual exercise, whether by MSG, Nat. Secretariat or IA

- 2. Data Collection should read “Sourcing EITI-reportable financial information”

Also, box underneath should state: “Underlying EITI data subject to audit at source”

- 3. Initial reconciliation” should read: “Compilation or reconciliation of EITI data”

Also, box underneath should state: “initial EITI-compiled or Reconciled information”

- 4. Should read: “EITI Administrator’s draft Report accompanying the EITI data”

5. EITI Administrator's final report addressed to MSG

Phase 0 - Scoping and scoping study

Objective: Scoping work aims to identify what the EITI disclosures and Report should cover in order to meet the requirements of the EITI Standard. Scoping sets the basis for producing a timely, comprehensive, reliable and comprehensible EITI disclosures and Report. It commonly involves looking at issues such as the fiscal period to be reported, the sector contextual information that should be disclosed or be part of the EITI Report, reviewing the types of audit assurances that are present or needed for ensuring that the data submitted by reporting entities is credible, determining which revenue streams from oil, gas and mining are significant, and consequently which companies and government entities should be required to report. It is also an opportunity for the multi-stakeholder group to consider the feasibility of extending the scope of EITI reporting beyond the minimum requirements in order to address the objectives outlined in the EITI workplan. Scoping may also investigate likely gaps or issues that may be particularly challenging to include in the EITI Report with a view to identify options, solutions, and recommendations for an appropriate reporting methodology for consideration by the multi-stakeholder group. As a preliminary step to judgments on the environment for data assurance, the scoping study would also reflect an understanding of prevailing statutes and regulations for audits of private sector companies and public sector entities and how they operate and if feasible, an understanding of tax administration and collection functions.

The EITI Administrator is expected to undertake the following tasks during the scoping phase:

- ...
- ...]

Phase 1 – Preliminary analysis and inception report

Objective: The purpose of the inception phase is to confirm that the scope of the EITI reporting process has been clearly defined, including the compilation process selected, reporting templates from government (or data submission modalities in systematic disclosures), data collection procedures from companies for social and other payments, and the schedule for publishing the EITI disclosures and Report. In cases where the EITI Administrator is involved in scoping work, the inception phase will not be extensive. The inception report thus ensures that there is a mutual understanding between the MSG and the EITI Administrator of the scope of the EITI disclosures and Report, the sources of those data flows and the work to be carried out.

The MSG's proposal for the scope of the EITI Report, to be revised and confirmed with the EITI Administrator during the inception period, is set out in Attachment 1.

**** Authors Note – Attachments 1 and 2 not repeated here – same as Annex 6 above *****

The EITI Administrator is expected to undertake the following tasks during the inception phase:

- 1.1 Review the relevant background information, including the governance arrangements and tax policies and tax administration and collection arrangements in the extractive industries, the findings from any preliminary scoping work, and the conclusions and recommendations from previous EITI Reports and Validations. (A list of relevant documentation is provided as Attachment 2).
- 1.2 The EITI Administrator should review the scope proposed by the MSG in Attachment 1 in order to get a full understanding with a particular focus on the following:
 - 1.2.1 Reviewing the comprehensiveness of the revenues and social / other payments disclosed by companies to be covered in the EITI Report as proposed by the MSG in Attachment 1 and in accordance with EITI Requirement 4.

- 1.2.2 Reviewing the comprehensiveness of the companies and government entities that are required to report as defined by the MSG in Attachment 1 and in accordance with EITI Requirement 4.1
- 1.2.3 Providing expert advice to MSGs on efficient yet effective ways to ensure a large proportion of revenues can be compiled by identifying scope of reporting that captures a narrower set of reporting entities and revenues types, but will cover a substantial share of their total populations
- 1.2.4 Paying particular attention to operating State-Owned Enterprises and the totality of the revenues and payments flows and linkages and ensuring both their participation and that their financial and sector reporting is comprehensive and reliable
- 1.2.5 Supporting the MSG with understanding and drawing conclusions from the audit and assurance procedures in companies and government entities participating in the EITI reporting process. This includes examining the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards. It is recommended that the EITI Report includes a summary of the findings concerning national systems and how they impact on judgments made about data reliability, otherwise the MSG should make the results of the review of audit and assurance practices publicly available elsewhere. Where feasible, the understanding and conclusions could also be extended to tax administration and collection functions to strengthen overall judgments on national systems.
- 1.2.6 Discussing with and providing advice to the MSG on the reporting templates based on the agreed benefit streams to be reported and the reporting entities (1.1.1– 1.1.2 above). Sample templates are available from the International Secretariat. It is recommended that the templates include a provision requiring companies to report “social expenditures incurred or any other material non-tax payments to government entities” above an agreed threshold. [\[Where the MSG decides to task the EITI Administrator to draft or update the reporting templates for consideration and approval by the MSG, this should be indicated here.\]](#)
- 1.3 On the basis of 1.1 and 1.2 as applicable, produce an inception report that records the key understandings of the task assignment:
- 1.3.1 Includes a statement of materiality (Attachment 1) confirming the MSG’s decisions on the payments and revenues to be covered in the EITI Report, including:
- The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).
 - Explicit consideration of the cost-benefit of reporting thresholds or materiality limits where these are very low and where the time and effort cost of such inclusion greatly exceeds the benefit
 - The sale of the state’s share of production or other revenues collected in-kind in accordance with Requirement 4.2.
 - The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.3.
 - The coverage of social expenditure or similar expenses incurred by companies in accordance with Requirement 6.1.
 - The coverage of transportation revenues in accordance with Requirement 4.4.
 - Disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.6.
 - The materiality and inclusion of direct sub-national payments in accordance with

Requirement 4.5.

- The materiality and inclusion of sub-national transfers in accordance with Requirement 5.2.
- The level and type of disaggregation of the EITI disclosures and Report in accordance with Requirement 4.7.
- [\[Any other aspects as agreed by the MSG\].](#)

1.3.2 Includes a statement of materiality (Attachment 1) confirming the MSG's decisions on the government entities and companies that are required to report, including:

- The government entities, including any SOEs and sub-national government entities, that receive material payments and will be required to report in accordance with Requirement 4.1(c-d), 4.5 and 4.6.
- The companies, including SOEs, that make incur material social or similar expenditures and will be required to report in accordance with Requirement 4.1(c).
- Any barriers to full government disclosure of total revenues received from each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.1(d)).
- Explicit consideration of the cost-benefit of reporting thresholds where these are very low and where the time and effort cost of such inclusion greatly exceeds the benefit.

1.3.3 Based on the understanding gained of the audit and assurance procedures in companies and government entities participating in the EITI reporting process (1.2.3 above), confirms what information participating companies and government entities are required to provide to the EITI Administrator in order to assure the credibility of the data in accordance with Requirement 4.9.

The EITI Administrator should exercise judgement in developing a methodology for data compilation that provide a sufficient basis for a comprehensive and reliable EITI disclosures and Report. Where EITI Administrators are not external professional firms subject to professional standards, the guidance therein could still inform and guide the EITI Administrator's work, especially IAS 4410 relating to compilation work³. The EITI Administrator should employ their best judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of, and applicable to, the companies and governments and to task administration functions. Where deemed necessary by the Administrator and the multi-stakeholder group, such assurances may include:

- Requesting sign-off from a senior company or government official from each reporting entity attesting that the completed reporting form is a complete and accurate record.
- Requesting a confirmation letter from the companies' external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements, or submissions by those companies of their audited financial statements for review by the EITI Administrator for details of tax payments, effective tax rate in relation to stated profits, type of audit report etc. The MSG may decide to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company's auditor. Where some companies are not required by law to have an external auditor and therefore cannot

³ Under ISRS 4410, "the objective of a compilation engagement is for the accountant to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarize financial information", which could inform compilation work for EITI.

provide such assurance, this should be clearly identified, and any reforms that are planned or underway should be noted.

- Where relevant and practicable, requesting that government reporting entities obtain a certification of the accuracy of the government’s disclosures from their external auditor or equivalent.
- To gain assurance and make judgments on data reliability across fiscal years, EITI administrators could consider obtaining of confirmation from reporting companies and government entities themselves about external audits they have undergone of their financial statements and underlying records (and by extension the data submitted for EITI reports).
- Recap of understanding of tax administration and collection functions.

The inception report should document the options considered and the rationale for the assurances to be provided. Further it is important that the final reconciliation or compilation report should adequately explain the judgments by which, based on the sum of the macro-level and individual day assurance steps, conclusions are drawn on the adequacy or absence of data reliability.

1.3.4 Confirms the procedures for integrating and analysing non-revenue information included in the EITI disclosures and Report compiled or reconciled by the EITI Administrator. The inception report should incorporate table 1 below, confirming the division of labour between the EITI Administrator, the MSG or other actors in compiling this data, and how the information should be sourced and attributed.

Table 1 – Non-revenue information to be provided in the EITI disclosures and Report

Non-revenue information to be provided in the EITI Report	Work to be undertaken by the EITI Administrator	Work to be undertaken by the MSG/others
Legal framework and fiscal regime in accordance with EITI Requirement 2.1.
An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1.
Information about the contribution of the extractive industries to the economy in accordance with EITI Requirement 6.3.
Production and export data in accordance with EITI Requirement 3.2 and 3.3	...	
Information regarding state participation in the extractive industries in accordance with EITI Requirement 2.6 and 6.2. ⁴	...	

⁴ Guidance Note 18: SOE participation in EITI Reporting, https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf

Information about the distribution of revenues from the extractive industries in accordance with EITI Requirement 5.1.	...	
Any further information further information requested by the MSG on revenue management and expenditures in accordance with EITI Requirement 5.3.	...	
Information about license holders in accordance with EITI Requirement 2.3 ⁵ and the allocation of licenses in accordance with EITI Requirement 2.2. ⁶	...	
Any information requested by the MSG on beneficial ownership in accordance with EITI Requirement 2.5 ⁷	...	
Any information requested by the MSG on contracts in accordance with EITI Requirement 2.4 ⁸	...	
[Add any other contextual information that the MSG has agreed to include in the EITI Report]	...	

1.2.6 Confirms the reporting templates (or data submission modalities under systematic disclosure), as well as any procedures or provisions relating to safeguarding confidential information. [The EITI Administrator should also develop guidance to the reporting entities on how to complete the reporting templates, and provide training to reporting entities].

Phase 2 – Data collection

Objective: The purpose of the second phase of work is to collect the data for the EITI Report in accordance with the scope confirmed in the Inception Report. The MSG and national secretariat / EITI Administrator will provide contact details for the reporting entities, ensuring that all reporting entities participate fully and provide data as agreed.

The EITI Administrator is expected to undertake the following tasks during the data collection phase:

2.1 Distribute the reporting templates (or initiate the data submission modality under systematic disclosure) and collect the completed forms and associated supporting documentation directly from the participating reporting entities, as well as any contextual or other information that the MSG has tasked the EITI Administrator to collect in accordance with 1.3.4 above. [Where an alternative approach to compilation or reconciliation is proposed - e.g. where the national EITI secretariat is tasked with this responsibility including data collection, or where the data is collected through an existing reporting mechanism, there should be close oversight by the MSG to ensure the integrity of the information transmitted to the EITI Administrator and of the overall compilation process].

⁵ Guidance Note 3: Licence Registers, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN3>

⁶ Guidance Note 4: Licence Allocations, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN4>

⁷ Template beneficial ownership declaration, <https://eiti.org/files/Template-beneficial-ownership-declaration-form.doc>

⁸ Guidance Note 7: Contract Transparency, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN7>

2.2 Contact the reporting entities directly to clarify any information gaps or discrepancies.

Phase 3 – initial compilation

Objective: The purpose of this phase is to complete an initial compilation of the sector contextual information and revenue and social payments data with a view to identify any gaps or discrepancies to be further investigated.

- 3.1 The EITI Administrator should compile a database with the payment and revenue data provided by the reporting entities.
- 3.2 The EITI Administrator should comprehensively compile or reconcile the information disclosed by the reporting entities, identifying any discrepancies (including offsetting discrepancies) in accordance with the agreed scope and any other gaps in the information provided (e.g. audit assurances).
- 3.3 [The EITI Administrator should identify any discrepancies above the agreed margin of error established in agreement with the MSG]

Phase 4 – investigation of discrepancies and spot checks on - and draft EITI disclosures and Report

Objective: The purpose of this phase is to investigate any discrepancies identified in the initial compilation, and to produce a draft EITI disclosures and Report that compiles the contextual information, compiles financial data and explains any discrepancies above the margin of error determined by the MSG, where applicable.

- 4.1 The EITI Administrator should contact the reporting entities to clarify the causes of any significant discrepancies or other gaps in the reported data, and to collect additional data from the reporting entities concerned. Such follow-up could be based on risk analysis of reporting entities or by analysis of unusual variances in year-on-year EITI-reported data.
- 4.2 This means the format of the EITI Report should present also comparative data of past 1-2 years in columnar form, for key financial elements like revenue by type and revenue collections by paying entity. This would allow identification of unusual variances and selection for further scrutiny including spot checks and obtaining explanations.
- 4.3 The EITI Administrator should submit a draft EITI disclosures and Report to the MSG for comment that comprehensively compiles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG. The financial data should be disaggregated to the level of detail agreed by the MSG and in accordance with requirement 4.7. The draft EITI disclosures and Report should:
 - a) describe the methodology adopted for the compilation of company social payments and government revenues, demonstrating the standards of care and attention used.
 - b) include a description of all revenue streams, related materiality definitions and thresholds (Requirement 4.1).
 - c) include an assessment from the EITI Administrator on the comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the EITI Administrator and the limitations of the overall assessment provided.
 - d) indicate the coverage of the compilation exercise, based on the government's disclosure of total revenues as per Requirement 4.1(d).
 - e) include an assessment of whether all companies as applicable and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the EITI Administrator must be disclosed in the EITI disclosures and Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report.
 - f) document whether the participating companies as applicable and government entities had their

financial statements audited in the financial year(s) covered by the EITI disclosures and Report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI disclosures and Report advises readers on how to access this information.

- g) include non-revenue information as per Requirement 2,3,5 and 6 and other information requested by the MSG. The contextual information should be clearly sourced in accordance with the procedures agreed by the EITI Administrator and the MSG.

4.4 Where previous EITI disclosures and Reports have recommended corrective actions and reforms, the EITI Administrator should comment on the progress in implementing those measures. [The EITI Administrator should make recommendations for strengthening the reporting process in the future, including any recommendations regarding audit practices and reforms needed to bring them in line with international standards, and where appropriate, recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance. The EITI Administrator is encouraged to discuss and collaborate with the MSG in formulating such recommendations.]

4.5 The EITI Administrator is encouraged to make recommendations on strengthening this illustrative assignment description for EITI Administrator services in accordance with the EITI Standard for the attention of the EITI Board.

Phase 5 – final EITI Report

Objective: The purpose of this phase is to ensure that any comments by the MSG on the draft report have been considered and incorporated in the final EITI disclosures and Report.

5.1 The EITI Administrator will submit the EITI disclosures and Report upon approval to the MSG. The MSG will endorse the report prior to its publication and will oversee its publication. Where stakeholders other than the EITI Administrator decide to include additional comments in, or opinions on, the EITI Report, the authorship should be clearly indicated.

5.2 [The final EITI Report must be translated to the following languages: ...]

5.3 The EITI Administrator should produce primary and any supplemental electronic data files⁹ that can be published together with the final EITI disclosures and Report.

5.4 Following approval by the MSG, the EITI Administrator is mandated to submit summary data from the EITI Report electronically to the International Secretariat according to the standardised reporting format available from the International Secretariat¹⁰.

5.5 [The EITI Administrator shall take appropriate measures to ensure that the EITI disclosures and Report is comprehensible. This includes ensuring that the disclosures and Report has high levels of readability, legibility and usability, especially if issued on on-line formats.

5.6 The MSG may request that the EITI Administrator, if an external professional firm, to submit to the national EITI secretariat all data gathered during reconciliation available, including the contact information of all institutions contacted during the reporting process.]

5.7 [...]

Qualification requirements for EITI Administrators

The compilation of government revenues, sector information and company social payments needs to be undertaken by a EITI Administrator, overseen by and reporting to multi-stakeholder group (requirement

⁹ The files can be in CSV or Excel format and should contain the tables and figures from the print report. In accordance with requirement 7.1.c, the multi-stakeholder group is required to make the EITI Report available in an open data format (xlsx or csv) online.

¹⁰ The latest version of the summary data template can be found at: <https://eiti.org/document/eiti-summary-data-template>

4.9). It is a requirement that the EITI Administrator is perceived by the MSG to be credible, trustworthy and technically competent (ibid).

The EITI Administrator will need to possess:

- Expertise and experience in the oil, gas and mining sectors in [country].
- Expertise in accounting, auditing and financial analysis and ideally, knowledge of tax administration and collection processes and government fiscal flows generally.
- A track record in similar work. Previous experience in EITI reporting is not required, but would be advantageous.
- [Add information about any other skills and competencies required].

In order to ensure the quality and independence of the exercise, EITI Administrators are required, in their proposal or in discussions with the multi-stakeholder groups, to discuss any actual or perceived conflicts of interest, together with commentary on how any such conflict can be avoided.

Reporting requirements and time schedule for deliverables

The assignment is expected to commence on [date], culminating in the finalisation of the EITI disclosures and Report by [date]. The proposed schedule is set out below:

Assignment of task description	[date]
Discussion of, clarifications on and acceptance of task assignment including expertise needed	[date]
(If relevant) Phase 0: Scoping studies	[date] - [date]
=> Scoping Study	[date]
Phase 1: Preliminary analysis	[date] - [date]
=> Inception report discussed with MSG	[date]
Phase 2: Data collection	[date] - [date]
Phase 3: Initial reconciliation	[date] - [date]
Phase 4: Investigation of discrepancies	[date] - [date]
=> Draft disclosures and Report	[date]
Phase 5: Final disclosures and Report	[date] - [date]
=> Final EITI disclosures and Report	[date]

[Add any additional information regarding other deliverables requested by the MSG, including translations, trainings and whether the EITI Administrator should also be tasked with delivering a Summary report]

MSG oversight and input

[Add information about reporting lines, oversight of and support to the EITI Administrator during the assignment, other logistical and administrative arrangements.]

[Other comments]

[The MSG may include additional commentary on the assignment not addressed above especially in the case where the EITI Administrator appointed is the national EITI Secretariat operating under MSG oversight or other national EITI reporting entity mandated within government for this purpose or operating under national laws]