

Independent Review of EITI Reports and Reconciliation Reports

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Independent Review of EITI Reports and Reconciliation and Data Assurance Processes

(Undertaken for International EITI Secretariat and Implementation Committee of EITI Board)

Executive Brief

Introduction and Summary of Review Findings

The exercise, conducted pursuant to an EITI Board decision, was a review of a representative sample of EITI and Independent Administrator (IA) Reports prepared under Standard TOR made available for this purpose.

In aggregate, these procedures as applied by independent administrators (IAs) are considered by this review to be **broadly adequate to safeguard reporting of comprehensive and reliable data** albeit with caveats as described in this Report.

The Standard Terms of Reference (TOR) is valuable in promoting a consistent approach by IAs to their work. However, and as can be expected in a decentralized form of EITI implementation, there does remain **variability in EITI Reports** prepared by IAs including on completeness of disclosures and uncertainty on how data assurance conclusions were reached. The impact of this on validation is significant but the wider concern is public trust and the work done under the auspices of the EITI. **Insufficient oversight** of IA work by multi-stakeholder groups may also be a contributing factor.

Importantly, many EITI Reports showed extensive work done on reconciliation or resolving discrepancies of relatively minor amounts or resulting mainly from clerical reporting or timing errors. This is amplified by effort and cost of work on relatively small revenue flows or companies. **Both issues raise questions on cost-benefit and utility of such recurrent IA effort given the sums involved.**

Broader insights and conclusions

This review and stakeholder feedback also identifies other broader implications. Foremost is the widespread misperceptions on what the EITI reconciliations means. Many stakeholders believe that independent administrators (IAs) and audit firms provided a stamp of assurance that the EITI data presented was reliable. While understandable, this view is erroneous and reflects an expectation gap in what stakeholders wish a EITI Report to deliver - and what EITI-reconciled data actually is. In particular, 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.

Overall therefore, while IAs do deliver important contributions including in collating EITI data in one place in easy-to-understand formats; describing the data assurance steps employed in their work (with the caveats noted) and providing recommendations for improvement, the **long-term financial sustainability of reconciliations** repeated year after year can be questioned. Further, aside from cost-benefit concerns, the risk of excessive focus on clerical and reporting discrepancies is that 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 EITI has reached an inflection point** where the value of sector and institutional transparency available in EITI Reports outweigh the value of detailed reconciliations. Could greater rigor by IAs in their work in applying the Standard TOR help address the concerns raised? But, as this review finds, there are inherent limitations in what a reconciliation exercise within cost-constraints on the amount of time that can be spent by IAs on EITI Reports. Alternatively, can EITI implementation pathways be revisited to allow countries more room to innovate and free-up resources to devote more effort on sector disclosures and analysis thereof?

A strong business case exists for such rethinking and refinement of EITI policy. Foremost is the advances in e-government and electronic tax administration systems where the underlying record of revenues and payments are one and the same – making the original concept of “matching” or reconciliation of separate data submissions by companies and governments of respective payments and revenues moot. Further, with the EITI Board-approved direction of travel towards mainstreamed systemic disclosures, concrete policy steps (beyond encouraging words) will better help EITI countries to take concrete actions towards that goal. Finally, promoting timely disclosure of EITI through innovative approaches is an important consideration too.

As important is the goal of strengthened technical capacity of EITI MSGs and National Secretariats (independent of IAs), empowered to innovate in reconciliations process and be able to redeploy resources to focus on higher-order sector issues. 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, as an influential, tripartite centre of excellence and with the convening authority to advocate for reform and help lower mistrust based on EITI-reported disclosures. For the latter reporting, MSGs could target both strengthened but efficient approaches to EITI reporting and where applicable, taking the lead on finding solutions for legal issues (like confidentiality and privacy provisions) that hinder transparency.

An preliminary point to note regarding MSGs and National EITI Secretariats and the proposals below is the latter **retain their independent role** as guardians of national EITI processes, even where the proposals outlined above lead to closer integration of Secretariats with government entities and tax authorities.

The Paper recommends accordingly various steps to allow countries (with EITI Board approval) 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 minimize use of IAs and rely primarily on government-reported data (with data assurance steps as already approved for mainstreamed reporting where the EITI goal would be to identify and address any gaps, inconsistencies and irregularities in the information disclosed and the data assurance steps). As the text box below summarizes, such an approach could be coupled with greater MSG efforts at the macro-level to understand effective functioning of audit statutes for private and public sectors and SOEs and how national tax administration functions operate.

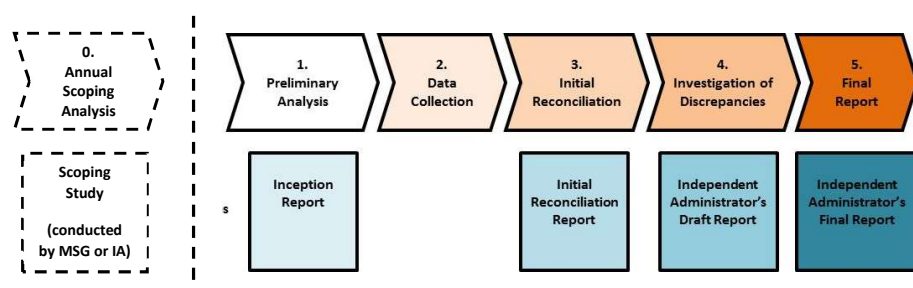
Options for potential innovations in EITI reconciliation processes in a nutshell

Under *reinforced MSG* roles and functions, EITI countries can apply for EITI Board approval to:

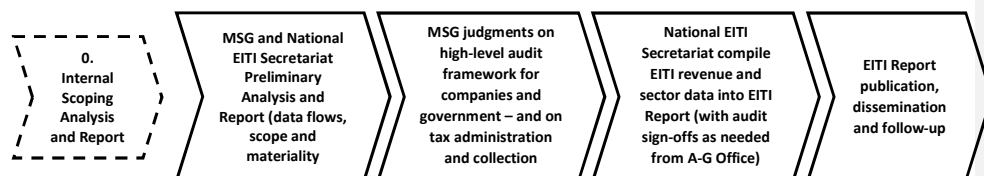
- Adopt *compilation* approaches for EITI-reported data (as opposed to reconciliation) as described in Report
- National Secretariats or other national entity take responsibility for such compilations - relying fully on government-side disclosures as primary data source, with no matching
- Data from companies limited to information on social or infrastructure expenses – with no matching
- Buttressed by adequate assurance on EITI data reliability and more focus on national systems:
 - *At level of EITI-reported data:* Sign-off by state Auditor-General office on revenue flows reported under EITI process; additional spot checks if needed (based on risk or sampled due to unusual variances); and MSG review of corporate audited financial statements including on tax payments
 - *At high-level:* MSG judgments on effective functioning of private and public sector audit functions and, if feasible, MSG understanding of tax administration functions for extractives. Where available, reliance on external peer review assessments (PEFA, OECD tax forum) on public finances and tax.
- Due attention to pay to helping National EITI Secretariat and MSGs to boost respective technical capacity

Finally, the graphics below provides an illustration of the how the innovative approaches proposed in this Report might fit in-between existing the EITI implementation “cycle” and how a potential systemic disclosure system under mainstreamed EITI might be designed and operated.

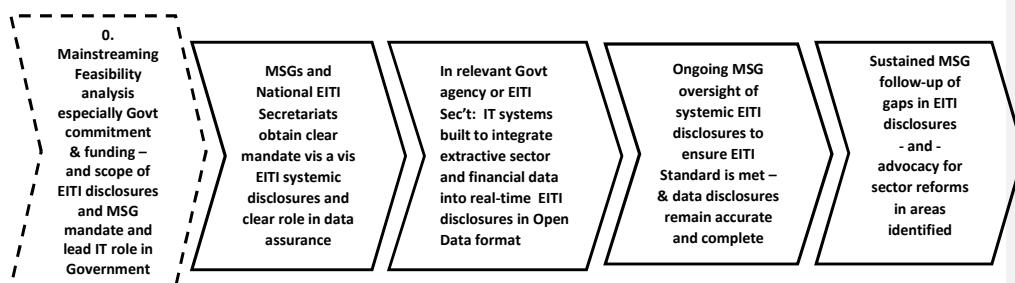
1. Existing matching and reconciliation process (will likely continue in many cases)



2. Innovative EITI compilation process by National EITI Secretariats - under MSG oversight



3. Possible implementation sequence for systemic EITI disclosures under mainstreamed EITI



Independent Review of EITI Reports and Reconciliation and Data Assurance Processes

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Final Report

I. Introduction

Background

The EITI Board, at its 39th meeting in Oslo Norway in February 2018 resolved *inter alia* to commission an independent review of EITI Reports prepared in accordance with the EITI Standard and the standard terms of reference (TOR) for Independent Administrators, part of the guidance material prepared for EITI-implementing countries. The purpose of the review is to assess *inter alia* adherence by Independent Administrators (IAs) to these standard TORs; to review the data assurance procedures most commonly used by EITI implementing countries and their cost and whether the administrators' work generally safeguards reporting of comprehensive and reliable data. Ultimately the central issue is whether how EITI Reporting and use of IAs has evolved 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 Implementation Committee to weigh ^{1/} and reach consensus on. The Annexes include illustrative wording refinements to the EITI Standard 4.9 on this subject and the related standard TOR for Independent Administrators.

Wide consultations

These draft proposals have been discussed and tested with a wide range of stakeholders: members of Implementation Committee and select members of EITI Board from all constituencies; EITI Secretariat team; MSG members and National Secretariats in select EITI-implementing countries; and World Bank team and EGPS trust fund and representatives of 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 thematic focus on overly-low materiality limits set for EITI-reported data, per 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 *inter alia* a thin market for independent administrators willing to bid for reconciliation work, and procurement delays.

Layout of this Report

The remainder of this Report is set out as follows in the following Sections :

- II. Context – EITI requirement on data reconciliations and audit assurance
 - III. Overview Findings of Review of EITI Reports / Independent Administrator Reports
 - IV. Broader conclusion from the review
 - V. The business case for encouraging innovations in the EITI reconciliation requirement
 - VI. Options for potential innovations for Implementation Committee to consider
 - VII. Addressing stakeholder concerns and option for managing transition issues
 - VIII. Recap of key conceptual factors
 - IX. Indicative schematic on innovation options
 - X Better application of existing standard TOR and of MSG oversight
- Annexes 1 – 7

II. Context – EITI requirement on data reconciliations and audit assurance

The initiating EITI literature contained in the statements “EITI Criteria” and the accompanying “EITI Sourcebook” 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 – and 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.

III. Overview Findings of Review of EITI Reports and Independent Administrator Reports

Objectives of the Review

In this context, the goal of this review was to critically assess (i) the degree of adherence to the standard TOR for Independent Administrators; (ii) 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; and (iii) whether administrators' work generally safeguards reporting of comprehensive and reliable data. Based on these findings, the review is also to propose amendments to existing procedure, and propose cost-effective alternatives ^{2/}.

Sample size for review and case studies

The review work was initiated with a desk review of recent Validations Findings followed by a desk review of 30 EITI Reports / Independent Administrator Reports issued in 2016 - 2018. All 25 EITI reports issued in calendar 2018 to date were reviewed, and another five EITI Reports sampled from 2016 and 2017 (Indonesia, Kazakhstan, Norway, Philippines, Zambia). The latter were selected for in-depth case study as well as two of the 2018 EITI Reports (Mongolia and Trinidad).

The review sample covered just over half of all EITI countries, including all major resource EITI countries (except Nigeria and Iraq, being outliers in the format of their EITI Reports), as below:

Table 1

Region	EITI Report issued 2018 to date	Issued 2016 and 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

Summary findings on objectives of this review

1. Adherence to EITI standardised TOR for independent administrators (IAs): Many EITI Reports reflected good quality work performed by independent administrators in accordance with the standard TOR. However, other EITI Reports were of variable quality and showed inconsistent adherence to the standard TOR. Further, as is discussed in further detail below, EITI reports were

^{2/} The EITI Board resolution of Feb 2018 setting up this independent review further envisaged for the Implementation Committee to be able to consider possible modifications to the standard terms of reference for Independent Administrators based on the findings of this review.

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 findings ^{3/} for 2016-2018.

Standard TOR for Independent Administrators (IAs)

It is clear that 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 individual EITI countries. Almost all EITI Reports did lay-out the format of their EITI Reports around the EITI Requirements, and full description of the work undertaken by IAs was always given. Except for rare exceptions, independent administrator reports also did specify the professional standards followed ^{4/}.

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 decentralized to over fifty countries. Each has its own characteristics and length of time taken to issue EITI Reports. Each may have a different independent administrator (IA), whose interpretations of the Standard TOR or indeed 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 is that of the IA not that of the MSG while other EITI Reports indicate the views stated are those of the Independent Administration firm and not of the MSG, which normally should 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 recent EITI Board paper on validation findings ^{5/}. The latter problem occurs typically around EITI Requirements 4.1 comprehensive reporting (57% < than satisfactory validation findings) and 4.9 data assurance (71% < than satisfactory).

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

^{3/} See Report on Validation Findings per Board Paper 39-5-J issued ahead of February 2018 EITI Board meeting. The subject of lag in timeliness of EITI Reporting was further analysed in-depth in EITI Board Paper 40-2-A (June 2018)

^{4/} It is a 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. See later footnote.

^{5/} Ibid. 3/. The validation findings provide detailed analysis of where individual countries do not meet validation standards including that .

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 independent administrator's work. Insufficient financial or sector expertise within the MSGs to fully manage the IA contract and deliverables may also be a factor.

2. Many important contributions by external professional firms: The use of external professional firms as EITI independent administrators provides many important gains for national EITI multi-stakeholder groups (MSGs) and National EITI 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 (i) helping MSGs in scoping work and in understanding the various revenues flows and tax-paying companies; (ii) well-formatted and presented EITI-reported financial data and allocations; (iii) easy-to-read presentation of sector data and supplementary disclosures; and (iv) recommendations for improvements in the EITI process.

3. Data assurance procedures most commonly adopted by EITI countries: The most common data assurance methods adopted by MSGs in EITI countries are summarized below, with items (i), (ii) and (iii) below the most commonly used methods reported in EITI Reports:

- (i) 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);
- (ii) 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;
- iii) Reporting entities providing the independent administrator (IA) with their last audited financial statements (although the latter financial statements are typically used as underlying supporting documentation and not routinely made publicly available through EITI);
- iv) Sign-off of data submissions by the corporate or public auditors as attestation that the submission are extracted from audited financial records of the reporting entity; and
- v) 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, the 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 needed data or data that 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 information reference.

Overall assessment on data assurance

As a general conclusion, the combination of these data assurance steps - properly applied - are considered sufficient for independent administrators to conclude that EITI-reconciled data **as presented to them** was reliable. The caveat is because Independent Administrators are explicit in stating their reconciliation work are not audits nor provide assurances on transactions presented in EITI Reports as is discussed further below in the Report.

4. Time and cost of data assurance procedures and Independent Administrator work: The objectives for this review included a review of time taken by, and costs of, complying with the EITI data assurance steps. But given these reporting and compliance costs are dispersed, between independent administrators as well within reporting entities, and generally not disclosed in EITI Reports, it is not readily possible to build a holistic estimate of EITI reporting and independent administrator costs in a given country or across EITI globally. Nor was it possible to assess if there is a significant difference in costs where the selected independent administrator (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 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 although 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 independent administrators (IAs) is estimated to range from 1/3 to 1/2 of total costs (based on experience especially from World Bank-provided technical assistance grants funded by the EGPS trust or its predecessors). This calculates at 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 too 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 to national EITI.

Excessively detailed reconciliation work, increasing time taken and costs

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

A contributing factor is of 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 EITI 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.

Related to this, the often-clerical nature of reconciliation discrepancies identified in EIT Reports

Much of the typical reconciliation effort in EITI Reports is spent on identifying and follow-up of initial reconciliation discrepancies between revenue data submitted by governments and payments data submitted by companies. Yet these discrepancies are very often identified in the EITI Reports as arising from **clerical or data input errors** ^{7/}, a picture consistent across most EITI Reports, and between EITI Reports over time within a country.

^{6/} Ibid. 1/. The Standard TOR calls for judgement to be used in setting materiality limits but MSGs often opt otherwise.

^{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

Apart from its cost-benefit impact, the risk of excessive focus on clerical and reporting discrepancies is that EITI process tends to be dragged towards and **reduced to being an accounting exercise**, as opposed to EITI as the vehicle for identifying and analysis of 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 on 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 calendar 2018, all were for fiscal years ending in calendar 2016 and some even for calendar 2015. None were for a fiscal year ending in 2017, which would have implied say a 12 month elapsed time to report. The norm of 2 year lags (and even 3 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 2018 ^{8/} had a detailed discussion of this very subject including an analysis of average time taken from end of fiscal year to 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 help compress the elapsed time between 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 corporations and public sector entities in most countries, the effort to compress timelines should be an ongoing one. Indeed such a goal is also an important factor in assessing the proposals set out later in this Report.

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. 3/

Noticeable qualitative difference in EITI Report where independent administrator is a national firm

A clear picture emerges when comparing EITI Reports where the independent administrator (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 seems to be demonstrated in the more cogent and comprehensive presentation of sector information. EITI Reports of a diverse group of countries serve as examples of this observation: Kazakhstan, Mongolia, Philippines, Trinidad & Tobago and Zambia to cite a few.

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 independent administrators – 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.

IV. Broader conclusions from the review

From the review findings reported above, stakeholder feedback and recent validation findings, certain broader insights and conclusions also emerge, which have significant **strategic and sustainability impacts** on EITI globally and at country level. This Section identifies some of these.

1. Misperceptions on what the EITI reconciliation means: There is an almost universal misperception among stakeholders (including those interviewed as part of this review) on the role

^{9/} Indeed, the review highlighted that 2/3 (10 Reports) of the 15 EITI Reports reviewed in Africa were done by independent administrators not based in the country or elsewhere in Africa. One offshore firm alone handled over half of the EITI Reports.

of independent administrators, and that their work provides a stamp of assurance that the EITI data presented was reliable. While understandable, this view is erroneous and reflects an expectation gap^{10/} in what stakeholders wish a EITI Report to be versus what EITI-reconciled data actually is.

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

Independent administrators (IA) conduct their reconciliation work on EITI data as **presented to them** via reporting templates. Indeed, in almost all EITI Reports, the IA explicitly state 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 standard^{11/}, 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)

2. Financial sustainability and optimal use of public resources: Questions on overall utility and cost-benefit of a universal reconciliation requirement (compounded by the cost^{12/} and effort of pursuing immaterial revenues and paying companies) are more acute where there is a good track record of EITI implementation and a history of few discrepancies. In a larger sense, 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.

^{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 and 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.

^{12/} Ibid. 1/. The excessively-broad scope for reconciliations and the resultant detailed reconciliation work being a cause of delay and greater cost where the cost of reconciling the smallest of the payments may exceed the value of payments concerned.

Such alternate uses could include, for instance, greater efforts to deepen sector transparency ^{13/} in EITI disclosures or taking concrete steps towards EITI mainstreaming.

3. Emphasizing 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 for how the extractive sectors work and 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 (to users) of sector insights available in EITI Reports now outweigh very detailed reconciliations of individual revenue line items or of clerical discrepancies, repeated year after year. What is something referred to as “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/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 ahead, namely: Can EITI framework evolve to enable smarter, innovative approaches for revenue compilations and disclosures, in order to free resources to allow more emphasis on sector transparency which helps to tangibly advance good sector governance – and achieves concrete impact?

The next Section makes the case for considering such evolution.

V. The business case for encouraging innovation in the reconciliation requirement

^{13/} 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.

The conclusions in the preceding Section and earlier review findings point to a solid business case for allowing expanded options for EITI countries to innovate in how the reconciliation requirement is fulfilled and EITI reporting achieved. Key factors which support such an evolution include:

1. Reconciliations often superseded by growth of electronic tax filing and payment systems:

The basic “reconciliation” construct of EITI was devised in early 2000s when there was a dearth of even 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, in particular via electronic, online tax filing etc. where the resultant online record of a tax payments and its receipt is often one and the same. This means the concept of “matching” revenues and payments is often moot or can 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 EITI.

2. Creating a concrete stepping stone towards integrated, systemic disclosures ^{14/}. The EITI

Board has already signalled the strategic direction towards systemic disclosures under mainstreamed EITI. This may take time for the necessary intra-government consensus and resources to be assembled. In the meantime, allowing room for innovation in 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.

3. Reorienting MSG attention towards more strategic goals: MSG members and CSO members in particular do value taking part in the “process” dimensions of EITI. The downside of such focus on the detail and on discrepancies (repeated year after year) is that higher-order sector goals may not get requisite MSG attention. Such goals may include for instance (i) MSGs aiming to be a centre of excellence in transparency and build a convening authority

^{14/} As agreed by the EITI Board in early 2018, there is recognition to modify EITI procedures made redundant by mainstreaming.

which helps MSGs to be **more relevant to and influential** in governance reform efforts in extractive sectors through EITI fact-based advocacy; (ii) working to lower mistrust through EITI-reported findings; (iii) taking the lead on finding solutions for legal issues (like confidentiality and privacy provisions) that hinder fuller transparency. and (iv) 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 in EITI – including helping achieve more timely reporting:** 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 in what global EITI focuses on - and what take up MSG time at country level:** 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 and reconciliation and independent administrators 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 Annual EITI Report 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.

In sum

EITI's initial purpose could be summarized in a nutshell 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** for, and relevant and influential actors in, how **extractives are managed** in their country including by 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.

VI. Options for potential innovations for Implementation Committee to consider

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

Box 1 Options for innovations in EITI reconciliation processes in a nutshell

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)
- National Secretariats or other national entity take responsibility for such compilations
- Means relying fully on government-side disclosures as primary data source, with no matching
- Data from companies limited to information on social or infrastructure expenses - no matching
- Buttressed by adequate assurance on EITI data reliability and more focus on national systems:

At level of EITI-reported data:

- Sign-off by state Auditor-General office on revenue flows reported under EITI process
- 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

At 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)
- With due attention paid to helping National EITI Secretariat and MSGs to boost respective technical capacity
- MSGs to elevate use of external professional expertise for strategic advice – not ongoing reconciliations

Innovations in how EITI reconciliations are undertaken

Allowing an expanded set of options for EITI data reporting, with EITI Board approval and appropriate to country circumstances. Under the refinements proposed, EITI countries could apply

for Board approval ^{15/} to innovate alternate approaches for EITI data collection and reporting which do not involve hiring of external Administrators. Such alternatives could include:

- National EITI Secretariats: compilations of government revenues and other disclosures undertaken by an internal entity, such as strengthened national EITI Secretariats ^{16/} 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 a prelude to systemic on-line, real-time disclosure under mainstreamed EITI.

Box 2 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 summarize financial information” - a standard that could abided equally as best practice by any entity that undertakes compilation work.

The Standard, which this Reports suggests 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”. As has been noted in this Report, this is the Standard currently employed by independent administrators for virtually all EITI Reports.

As noted, 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.**

^{15/} Such MSG applications to the EITI Board could include *inter alia* 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 etc – and how these impact reliability of extractive financial data flows; and MSG expertise 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 independent administrator’s reconciliation work, bringing efficiencies.

Where could such innovations be adopted?

The innovations proposed above could likely be most viable in (i) 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 (ii) in EITI countries with a good track 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, existing EITI requirement on matching and 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. In particular as noted, countries with weak institutions or systems would benefit from existing EITI reconciliation process which not only generate EITI-reports but also seem to fill gaps of reliable data within Government.

Reliance on national systems and government disclosures as 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 from 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, the 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 *per se* 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

^{17/} In systemic 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.

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 recognizing that such expenditures being normally tax-deductible do affect the actual taxes paid). Also 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. With robust judgments on audit arrangements and assurance of underlying EITI data

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

As further detailed in Annex 4, MSGs ^{18/} could consider direct involvement in achieving:

- Good understanding of (i) national-level statutes and regulations for audits of private and public sectors and (ii) of state tax administration and revenue collection capabilities;
- MSG judgements on (i) how well these statutory national audit statutes operate to assure financial data reliability across fiscal years, not just for specific EITI-reported data and (ii) 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.

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 *inter alia* 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

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

assessments, where available, could be an 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 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 NRGI, 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.

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 *inter alia* the nature of their extraction operations and social and environmental considerations; financial

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).

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 stepped-up 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 and *inter alia* 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 dialogue ^{20/} 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 this is feasible, MSGs to consider entering into structured dialogue with tax administration authorities at a senior-level, as is outlined just below (recognizing such engagement may not be feasible in all EITI countries).

4. Greater engagement by MSGs in tax administration and compliance matters

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 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.

However, wherever it is feasible, MSGs and EITI would benefit from structured strategic dialogue with tax administration officials. The aim would simply be for MSGs to have first-hand awareness

^{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.

^{21/} 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 EITI Secretariats and MSGs to innovate

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

For National EITI 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 EITI 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 independent administrators (as much as now). In individual EITI countries, such strengthened capacity would also help smooth the pathway to systemic disclosure under mainstreamed EITI systems.

MSGs may also need to be adequately equipped to fulfil a stepped-up role

For the innovation proposals above to be meaningful, MSGs do 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 conference, to provide a high-level introduction to tax administration and issues.

6. Key caveat: 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 EITI 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 where needed

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.

VII. 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

The perception gaps of what independent administrators' reconciliations actually convey has been discussed earlier in this report. Sustained efforts to educate stakeholders will help, especially that allowing alternative options for the reconciliation process need not mean reduced data assurance.

Primacy and boosted capacity of multi-stakeholder groups (MSG)

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 in EITI. 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 EITI Secretariats' technical capacity - and internal redeployment options

Some National EITI Secretariat 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 EGPS trust fund may be able to identify redeployment options from allocations no longer devoted to independent administrator costs. But national governments may also have to take action by redeploying human or financial resources to boost national EITI Secretariats' capacity ^{23/} to fulfil EITI Report compilation roles.

Emphasizing independence of MSGs and National EITI Secretariats

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

Refocused use of external professional firms as strategic advisers

^{23/} Where systemic EITI disclosure is adopted, similar investment will also be needed in building systems for integrated EITI reporting under mainstreamed EITI, handled by National EITI Secretariats or other national entity.

A potential mitigation where MSG country moves towards EITI Report compilations is that MSGs continue to rely external professional firms, but in a strategic advisory role, rather than in EITI report-production modes. Such as advisory role would still have a cost but at a lower recurrent level than now. Annex 3 sets out indicative 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, global EITI may be seen to be divided into two groups. One group would be the countries which continues to use independent administrators 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 – and impact on International EITI Secretariat support

Finally, EITI stakeholders are currently handling many pressing issues including on beneficial implementation of beneficial ownership disclosures, moving towards systemic disclosures and in addressing corrective actions identified in validations. Thus, if the 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 work-load for the International EITI Secretariat and partners to help countries manage such a transition.

VIII. Recap of key conceptual factors

To recap, the Report recognizes that the proposals for innovations outlined do imply a shift in mind-set 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. As important would be the shift towards

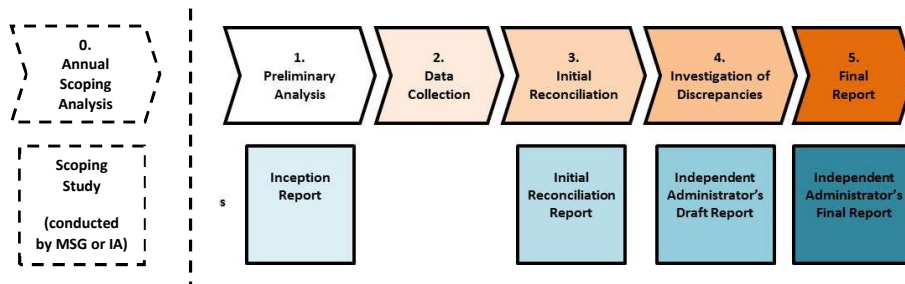
embracing primary reliance on national systems and disclosures by government entities and tax authorities, where EITI Board approves. Data sought from companies for EITI reporting could then be limited, e.g. to local infrastructure spending or provision of community services etc.

Within EITI-implementing countries

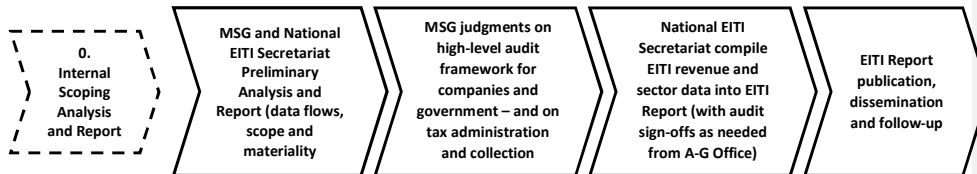
Within EITI-implementing countries, the key shifts many be in building capabilities and emphasizing a lead, independent role of MSGs and EITI Secretariats in taking charge of innovations and moving to compilations as the basis for EITI reports. Much education would be needed on why EITI compilations when supplemented by other data assurance steps could generate just as reliable data as EITI-reconciled is assumed to produce. 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.

IX. Indicative schematic on innovation options

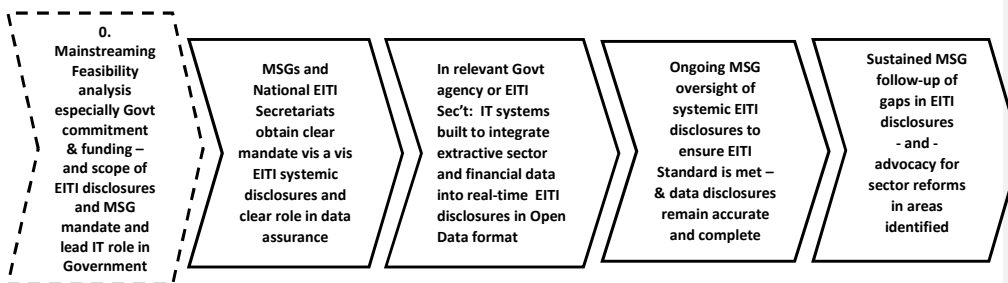
4. Existing matching and reconciliation process (will likely continue in many cases)



5. Innovative EITI compilation process by National EITI Secretariats - under MSG oversight



6. Possible implementation sequence for systemic EITI disclosures under mainstreamed EITI



X. Existing standard TOR to be better applied, together with stronger 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 independent administrators, to help achieve more consistently application of the TOR ^{24/}. The goal is to help MSGs and National EITI Secretariats to improve overall outcomes and completeness of EITI Reports.

Specifics of MSG contracts with independent administrators (IAs)

- **Greater use of joint ventures with locally-based, national audit firms:** which 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 extractive sectors. Such possibilities for joint work could conceivably even include joint reconciliation with state Auditor-General office.
- **More substantive role for National EITI Secretariats in reconciliation:** Many EITI Secretariats already handle work load on significant parts of the EITI reporting cycle including obtaining completed reporting templates; doing initial matching to identify discrepancies etc. in order to lower volume of work for IAs to do. To increase efficiencies, this division of work could be expanded so that Secretariat staff or consultants take on more of the work load.
- **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 emphasizing 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.

^{24/} Ibid. 3/

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.

Positive confirmation that all aspects of the standardized 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 standardised 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 independent administrators. 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 independent administrator work

Equally important for quality of delivery of service by independent administrators (IA) 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 independent administrators' work and outputs delivered to MSGs.

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January 15, 2019

Annexes

1. Excerpt of EITI Requirements – EITI Requirement 4.9 on reconciliations and data assurance
2. Illustrative refinements to EITI Requirement 4.9 on reconciliations and data assurance
3. Illustrative Professional Advisory Services to MSGs to help fulfil MSG oversight role
4. Illustrative areas for MSG understanding of national statutory audit requirements
5. Illustrative areas for MSG understanding of tax administration and collection functions
6. Illustrative refinements to Standard Terms of Reference for “EITI Administrators”
7. Illustrative task descriptions for EITI compilations (where undertaken by National Secretariats)

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

(suggestions shown in red)

4.9 **Compilation**¹ 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** ~~is~~ 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 systemic EITI disclosure approaches.

Annex 4
(Page 1 of 2)

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

Annex 4
(Page 2 of 2)

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

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

^{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.

- 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

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”

(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 cycle*¹ 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]

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1 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**

² <http://eiti.org/document/standard>

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 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**.]

3 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.

Commented [EITI1]: In this section, the MSG should provide background information on EITI implementation in their country. This should clearly specify the EITI’s national objectives, as agreed by the MSG, and as elaborated in the EITI workplan. A link should be provided to the EITI workplan, with additional commentary as required on the history and current status of EITI reporting and Validation.

Commented [EITI2]: The MSG should specify whether the Independent Administrator will produce the EITI report, or prepare sections or chapters of the EITI report.

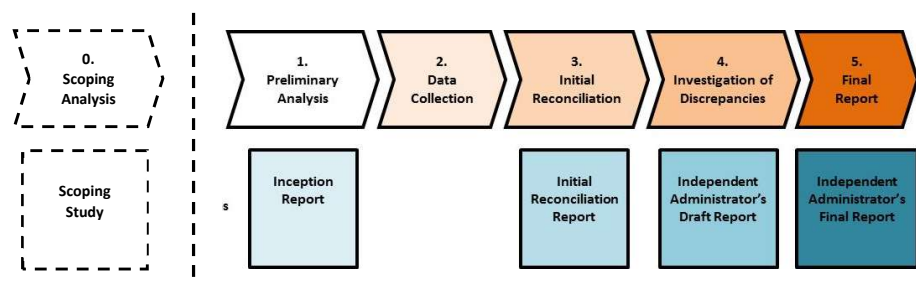
Commented [EITI3]: The MSG should keep this text if it wants the Independent Administrator to undertake scoping work. If not, the text should be deleted.

Commented [EITI4]: The MSG should keep this text if it wants the Independent Administrator to produce the full EITI Report, including all contextual information.

Commented [EITI5]: The MSG should keep this text if it wants the Independent Administrator to produce parts of the EITI Report, e.g. reconciliation, but not all of the report. This applies to cases where for example the MSG wants to compile all of parts of the contextual information itself.

Commented [EITI6]: The MSG may decide to list additional objectives, particularly if the MSG tasks the Independent Administrator to undertake work not required by the EITI Standard

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 systemic 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

Commented [EITI7]: Scoping may be carried out by the MSG, consultants or the Independent Administrator. In deciding whether to outsource scoping work, the MSG might find the [checklist](#) for establishing the scope of EITI Reports helpful.

Where the MSG decides to task the Independent Administrator with undertaking scoping work, tasks should be outlined here. The MSG may wish to integrate some or all of the scoping tasks that are outlined in the [template TOR for scoping studies](#).

Where the MSG decides that no scoping work should be carried out by the Independent Administrator, this section (phase 0) should be deleted from the TOR.

Commented [EITI8]: Where the Independent Administrator is involved in the scoping work, this text should be deleted.

- 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.

Commented [EITI9]: Where the MSG wants the Independent Administrator to draft reporting templates for approval by the MSG, this should be indicated here.

Commented [EITI10]: Where the Independent Administrator is involved in scoping work and has undertaken all of these tasks, this section should be deleted from the TOR.

- **[Any other aspects as agreed by the MSG].**

Commented [EITI11]: The MSG may decide to list additional benefit streams not required by the EITI Standard

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 work⁴.** 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:

- 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,**

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.

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.

Commented [EITI12]: There is no requirement for the Independent Administrator to prepare the entire EITI Report. The MSG may decide to task another party to compile all or parts of the contextual information. If so, the MSG and Independent Administrator should agree the procedures for how to incorporate this in the EITI Report'.

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	...	

Commented [EITI13]: The MSG should complete this table prior to commencing the procurement process for the IA. It should outline the scope of work required from the Independent Administrator in collating contextual information, including likely sources of data. In completing this table, it is important to refer to the detailed EITI Requirements set out in the EITI Standard. The MSG should indicate "not applicable" where the Independent Administrator has no role in collating contextual information. It is also possible to note that "the proposed scope has not been agreed" or "the MSG has not yet considered this issue".

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]	...	

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>

- 1.2.6 Confirms the reporting templates (or data submission modalities under systemic 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].

Commented [EITI14]: Where the MSG wants the Independent Administrator to develop guidelines or provide training for reporting entities, this should be indicated here. If not, the MSG should delete this text.

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 professional firm, assist the Independent 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 systemic 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.

Commented [EITI15]: Where an alternative approach to data collection is proposed, the MSG should provide additional information here.

Commented [EITI16]: Multi-stakeholder groups are encouraged to mainstream EITI reporting by incorporating it into existing public administration systems.

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]

Commented [EITI17]: The MSG and the Independent Administrator may decide to agree an acceptable margin of error in determining which discrepancies should be further investigated.

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

Commented [EITI18]: Where the MSG decides that the Independent Administrator makes recommendations for strengthening the reporting process in the future, the text in blue should be included in the TOR. Otherwise, the text should be deleted.

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.]

Commented [EITI19]: Where the MSG wants the Independent Administrator to translate the report, please indicate to which language(s).

Commented [EITI20]: Where the MSG agrees to outsource these tasks to the Independent Administrator, further information should be provided.

Commented [EITI21]: Where the MSG wants the Independent Administrator to provide these details, this text should be kept. If not, the text should be removed.

4 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

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>

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.

5 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]
=> 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.

6 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			

Commented [EITI22]: Where scoping work is being undertaken by the Independent Administrator, this statement does not need to be filled in prior to procuring the Independent Administrator, but should rather form part of the inception report.

Commented [EITI23]: Alternatively, the MSG may decide to attach the scoping study where available.

Commented [EITI26]: List the name of the government agency, including any sub-national government agency, that collects the revenue stream.

Commented [EITI24]: The MSG should list the names of the extractive industry revenue streams that the MSG has identified as material and should be included for reconciliation.

Commented [EITI27]: For each revenue stream, the MSG should indicate additional work to be undertaken by the Independent Administrator, if any.

Commented [EITI25]: The MSG should indicate the estimated share of each revenue stream relative to total revenues from the sector.

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 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>

Commented [EITI28]: The MSG should list the names of the extractive industry revenue streams that the MSG has identified as material and should be unilaterally disclosed by the government (in aggregate or disaggregate).

Commented [EITI30]: The MSG should list the name of the government agency, including any sub-national government agency, that collects the revenue stream.

Commented [EITI31]: For each revenue stream, the MSG should indicate additional work to be undertaken by the Independent Administrator, if any.

Commented [EITI29]: The MSG should indicate the estimated share of each revenue stream relative to total revenues from the sector.

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>

Commented [EITI32]: The MSG should list the names of the extractive industry revenue streams that the MSG has identified as immaterial and will not be included in the EITI Report.

Commented [EITI34]: The MSG should list the name of the government agency, including any sub-national government agency, that collects the revenue stream.

Commented [EITI35]: The MSG should explain the rationale for concluding that these revenue streams are immaterial.

Commented [EITI33]: The MSG should indicate the estimated share of each revenue stream relative to total revenues from the sector.

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				

Commented [EITI36]: The MSG should indicate whether each of the benefit streams listed in this table are applicable, and if yes, whether they are material and should be included in the EITI Report. Where not applicable/material, please leave the rest of the fields blank.

Commented [EITI38]: The MSG should indicate which government agency/ies receive these benefit streams.

Commented [EITI37]: The MSG should indicate the estimated share of each revenue stream relative to total revenues from the sector.

Commented [EITI39]: For each benefit stream, the MSG should indicate additional work to be undertaken by the Independent Administrator, if any.

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.
...

Commented [EITI40]: Alternatively, the MSG may decide to attach the scoping study where available.

Commented [EITI41]: Where the MSG has established a reporting threshold for companies, this should be indicated here. The MSG may wish to note “zero” in cases where it has decided to not apply a threshold. Where different thresholds are applied for different revenue streams, the MSG should modify this text accordingly.

Commented [EITI42]: The MSG should list the companies that have been identified to be included in the EITI Report.

Commented [EITI43]: The MSG should specify here the sector in which the company operates

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.

Commented [EITI45]: The MSG should indicate the financial flows between SOEs and government agencies.

Commented [EITI44]: The MSG should indicate whether transactions between government entities and SOEs are applicable, and if yes, whether they are material and should be included in the EITI Report. Where not applicable/material, please leave the rest of the fields blank.

Commented [EITI46]: The MSG should indicate whether transfers between central and subnational levels of government are applicable, and if yes, whether they are material and should be included in the EITI Report. Where not applicable/material, please leave the rest of the fields blank.

Commented [EITI47]: The MSG should indicate which financial flows are transferred as well as the formula governing these transfers.

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



The materiality and inclusion of mandatory sub-national transfers in accordance with Requirement 5.2 ⁸					
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⁸ Guidance Note 10: Sub-national reporting, <https://eiti.org/files/Guidance-note-10-Subnationalreporting.pdf>

Review of EITI Reports and Reconciliations Process

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 cycle*¹ 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]

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1 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

² <http://eiti.org/document/standard>

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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 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].

3 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.

Commented [EITI48]: In this section, the MSG should provide background information on EITI implementation in their country. This should clearly specify the EITI’s national objectives, as agreed by the MSG, and as elaborated in the EITI workplan. A link should be provided to the EITI workplan, with additional commentary as required on the history and current status of EITI reporting and Validation.

Commented [EITI49]: The MSG should specify whether the Independent Administrator will produce the EITI report, or prepare sections or chapters of the EITI report.

Commented [EITI50]: The MSG should keep this text if it wants the Independent Administrator to undertake scoping work. If not, the text should be deleted.

Commented [EITI51]: The MSG should keep this text if it wants the Independent Administrator to produce the full EITI Report, including all contextual information.

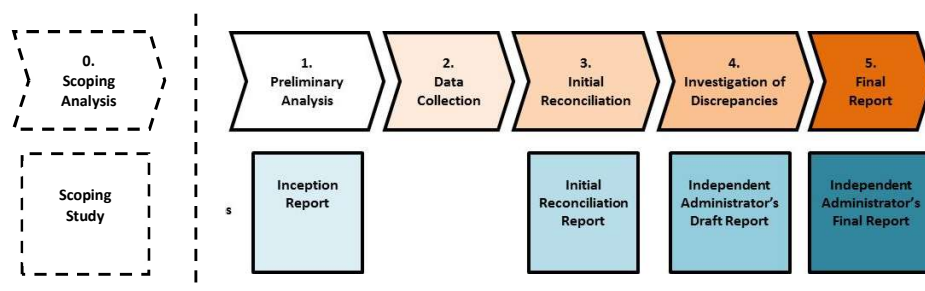
Commented [EITI52]: The MSG should keep this text if it wants the Independent Administrator to produce parts of the EITI Report, e.g. reconciliation, but not all of the report. This applies to cases where for example the MSG wants to compile all of parts of the contextual information itself.

Commented [EITI53]: The MSG may decide to list additional objectives, particularly if the MSG tasks the Independent Administrator to undertake work not required by the EITI Standard

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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

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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 systemic 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

Commented [EITI54]: Scoping may be carried out by the MSG, consultants or the Independent Administrator. In deciding whether to outsource scoping work, the MSG might find the [checklist](#) for establishing the scope of EITI Reports helpful.

Where the MSG decides to task the Independent Administrator with undertaking scoping work, tasks should be outlined here. The MSG may wish to integrate some or all of the scoping tasks that are outlined in the [template TOR for scoping studies](#).

Where the MSG decides that no scoping work should be carried out by the Independent Administrator, this section (phase 0) should be deleted from the TOR.

Commented [EITI55]: Where the Independent Administrator is involved in the scoping work, this text should be deleted.

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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

Commented [EITI56]: Where the MSG wants the Independent Administrator to draft reporting templates for approval by the MSG, this should be indicated here.

Commented [EITI57]: Where the Independent Administrator is involved in scoping work and has undertaken all of these tasks, this section should be deleted from the TOR.

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accordance with Requirement 4.7.

- [Any other aspects as agreed by the MSG].

Commented [EITI58]: The MSG may decide to list additional benefit streams not required by the EITI Standard

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

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.

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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 Administrator, the MSG or other actors in compiling this data, and how the information should be sourced and attributed.

Commented [EITI59]: There is no requirement for the Independent Administrator to prepare the entire EITI Report. The MSG may decide to task another party to compile all or parts of the contextual information. If so, the MSG and Independent Administrator should agree the procedures for how to incorporate this in the EITI Report'.

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.

Commented [EITI60]: The MSG should complete this table prior to commencing the procurement process for the IA. It should outline the scope of work required from the Independent Administrator in collating contextual information, including likely sources of data. **In completing this table, it is important to refer to the detailed EITI Requirements set out in the EITI Standard.** The MSG should indicate "not applicable" where the Independent Administrator has no role in collating contextual information. It is also possible to note that "the proposed scope has not been agreed" or "the MSG has not yet considered this issue".

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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	...	
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 systemic disclosure), as well as any procedures or provisions relating to safeguarding confidential information. [The EITI Administrator should also develop guidance to the reporting entities]

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

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>

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on how to complete the reporting templates, and provide training to reporting entities].

Commented [EITI61]: Where the MSG wants the Independent Administrator to develop guidelines or provide training for reporting entities, this should be indicated here. If not, the MSG should delete this text.

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 systemic 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].

Commented [EITI62]: Where an alternative approach to data collection is proposed, the MSG should provide additional information here.

Commented [EITI63]: Multi-stakeholder groups are encouraged to mainstream EITI reporting by incorporating it into existing public administration systems.

- 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]

Commented [EITI64]: The MSG and the Independent Administrator may decide to agree an acceptable margin of error in determining which discrepancies should be further investigated.

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.

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- 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:
- describe the methodology adopted for the compilation of company social payments and government revenues, demonstrating the standards of care and attention used.
 - include a description of all revenue streams, related materiality definitions and thresholds (Requirement 4.1).
 - 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.
 - indicate the coverage of the compilation exercise, based on the government's disclosure of total revenues as per Requirement 4.1(d).
 - 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.
 - 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.
 - 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.

Commented [EITI65]: Where the MSG decides that the Independent Administrator makes recommendations for strengthening the reporting process in the future, the text in blue should be included in the TOR. Otherwise, the text should be deleted.

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.

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

Commented [EITI66]: Where the MSG wants the Independent Administrator to translate the report, please indicate to which language(s).

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.]

Commented [EITI67]: Where the MSG wants the Independent Administrator to provide these details, this text should be kept. If not, the text should be removed.

5.7 [...]

4 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 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.

5 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:

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>

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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]

6 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]