

Terms of Reference

Independent Administrator for the 2015 EITI Report, Mongolia

Approved by the Mongolia EITI Working Group on February 1st, 2016

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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:

- **Transparency:** 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 reconciled by an 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 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 Standard¹. Additional information is available via www.eiti.org.

It is a requirement that the MSG approves the terms of reference for the Independent Administrator (requirement 5.2), 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 1.3.g). The EITI requires an inclusive decision-making process throughout implementation, with each constituency being treated as a partner.

¹ <http://eiti.org/document/standard>

It is a requirement that the Independent Administrator be perceived by the MSG to be credible, trustworthy and technically competent (Requirement 5.1). The MSG and Independent Administrator should address any concerns regarding conflicts of interest. The EITI Report prepared by the Independent Administrator will be submitted to the MSG for approval and made publicly available in accordance with Requirement 6.

These terms of reference include “agreed-upon procedures” for EITI reporting (see section 4) in accordance with EITI Requirement 5.2. 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 rely as much as possible on existing procedures and institutions, so that the EITI process draws on, complements and critically evaluates existing data collection and auditing systems. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems.

EITI Implementation in Mongolia

The Government of Mongolia announced the country’s adoption of EITI in 2006. In follow-up actions, a National EITI Council and a stakeholders working group, comprised of representatives of the government, mining companies, and civil society, were established to implement EITI. Mongolia EITI Reconciliation Reports for 2006-2009 were supported by a grant from the EITI multi-donor trust fund, and starting from 2010 EITI Reconciliation Report, the Government of Mongolia provided the funds for Reconciliation expenses from national budget.

The working group, which is supported by a small secretariat, has published an EITI work program and developed templates for reporting at all levels (i.e., national, provincial, and local) of all payments by mining, petroleum and exploring license holding companies to government and receipts by government from mining, petroleum and exploring license holding companies. The templates of reporting initially were approved in 2007, and updated in 2008, 2011 and late 2012, and the last versions are in application. Mongolia has worked to make transparent contract concluded between companies and local authorities since 2012 and Reconciliation report for 2012 and 2013 indicates what of contract is existing and have some evaluation.

The Mongolia EITI reconciliation report for 2006 has been produced by Australian audit firm Crane White and Associates, 2007 - by Consortium of Mongolia and Malaysia Ernst & Young audit firms, and 2008, 2009, 2010, 2011 and 2013 by- consortium of Hart Nurse Ltd., UK and Ulaanbaatar audit consortium corporation, Mongolia. The Report for 2012 is produced by consortium of Moore Stephens Ltd., UK and Dalaivan audit LLC, Mongolia.

Mongolia EITI reporting is expanding from the year to year and quality of reporting is improving and discrepancies are decreasing. The next table shows the number of companies reported, number of companies covered by Government report and number of companies report selected for annual Reconciliations.

Year	Companies reported	Companies in Government report	Companies or Reconciled	Reconciled amount MNT	Concurrent revenue of National Budget %	Explained discrepancies MNT
2006	64	137	25	492 billion	36	4 billion
2007	102	184	38	745 billion	40	775 million
2008	115	184	46	686 billion	32	420 million
2009	129	363	101	737 billion	37	58 million

2010	274	477	150	1275 billion	48	356 thousand
2011	301	518	200	2150 billion	54	75 million
2012	1531	1829	200	1594 billion	33	360 million
2013	1617	1198	250	1576 billion	27	37 million
2014	1573	992	236	1579 billion	21	581 million

Note: 1. In addition to 2006 Reconciliation Report, the reconciliation of reports produced by another 28 companies, which were not included into the First EITI report has been made by the Institute of Mongolian Certified accountants and conclusions have been submitted for consideration of the Mongolia EITI Multi-stakeholder working group and approved.

The International EITI Board reviewed findings and conclusions of validation of Mongolia EITI for the period of 2006-2009 has been produced and the recognized Mongolia as “EITI compliant country” in October 2010 and awarded Mongolia with EITI Chairman award in 2011 for achievements

2 Objectives of the assignment

On behalf of the government of Mongolia and Mongolia EITI Working Group, the Secretariat seeks a competent and credible firm, free from conflicts of interest, to provide Independent Administrator services in accordance with the EITI Standard. The objective of the assignment is to:

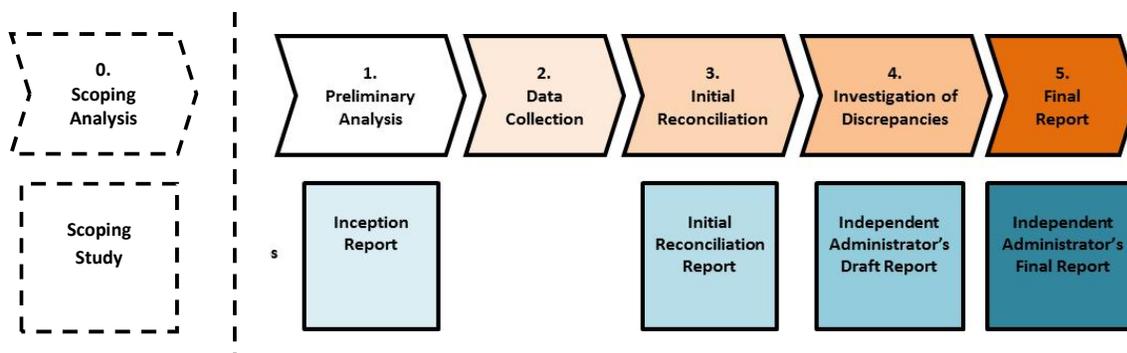
- Produce a scoping study to inform the MSG’s decision on the scope of the 2015 EITI Report.
- Produce an EITI Report for 2015 in accordance with the EITI Standard and section 3, below.

3 Scope of services, tasks and expected deliverables

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

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

Figure 1 – Overview of the EITI Reporting process and deliverables



[Phase 0 - Scoping and scoping study

Objective: Scoping work aims to identify what the EITI 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 Report. It commonly involves looking at issues such as the fiscal period to be reported, the contextual information that should be part of the EITI Report, reviewing the types of assurances that are 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.

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

- Reviewing the comprehensiveness of the payments and revenues to be covered in the EITI Report in accordance with EITI Requirement 4.
- Reviewing the comprehensiveness of the companies and government entities that are required to report in accordance with EITI Requirement 4.2
- Supporting the MSG with examining the audit and assurance procedures in companies and government entities participating in the EITI reporting process in accordance with Requirement 5.2(b). 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.
- The Independent Administrator will provide a draft reporting templates to the MSG based on the agreed benefit streams to be reported and the reporting templates approved by Ministry of Finance. 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.
- Reviewing the comprehensiveness of e-Reporting IT platform, related IT controls and the IT environment.

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 reporting templates, data collection procedures, and the schedule for publishing the EITI Report. In cases where the 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 below). The inception report thus ensures that there is a mutual understanding between the MSG and the Independent Administrator of the scope of the EITI Report and the work to be carried out.

The Independent 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 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 2).**
- 1.2 On the basis of Scoping study and 1.1 as applicable, produce an inception report that:**

1.2.1 **Includes a statement of materiality 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).
- The sale of the state's share of production or other revenues collected in-kind in accordance with Requirement 4.1(c).
- The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1(d).
- The coverage of social expenditure in accordance with Requirement 4.1(e).
- The coverage of transportation revenues in accordance with Requirement 4.1(f).
- Disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.2(c).
- The materiality and inclusion of direct sub-national payments in accordance with Requirement 4.2(d)
- The materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e)
- The level and type of disaggregation of the EITI Report in accordance with Requirement 5.2(e).

1.2.2 **Includes a statement of materiality 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 4.2(a).
- 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 4.2(a-e).
- 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 4.2(b)).

1.2.3 Based on the examination of the audit and assurance procedures in companies and government entities participating in the EITI reporting process, **confirms what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 5.2(c).**

The Independent Administrator should exercise judgement and apply appropriate international professional standards² in developing a procedure that provide a sufficient

² 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.

basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his /her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. Where deemed necessary by the Independent Administrator and the multi-stakeholder group, 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. 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.

The inception report should document the options considered and the rationale for the assurances to be provided.

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

Table 1 – Contextual information to be provided in the EITI Report

Contextual information to be provided in the EITI Report	Work to be undertaken by the Independent Administrator
Legal framework and fiscal regime in accordance with EITI Requirement 3.2.	Collect related information from Ministry of Mining and Ministry of Finance.
An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.3.	Collect related information from Mineral Resources Authority of Mongolia, Petroleum Authority of Mongolia and Ministry of Mining.
Information about the contribution of the extractive industries to the economy in accordance with EITI Requirement 3.4.	Collect related information from Ministry of Finance, Registration and Statistical office of Mongolia
Production and export data in accordance with EITI Requirement 3.5.	Collect related information from Mineral Resources Authority of Mongolia, Petroleum Authority of Mongolia, General department of Customs and Taxation and companies.

Information regarding state participation in the extractive industries in accordance with EITI Requirement 3.6. ³	Collect related information from Ministry of Finance and state owned enterprises.
Information about the distribution of revenues from the extractive industries in accordance with EITI Requirement 3.7.	Collect related information from Ministry of Finance
Any further information further information requested by the MSG on revenue management and expenditures in accordance with EITI Requirement 3.8.	Collect related information from Ministry of Finance
Information about license holders in accordance with EITI Requirement 3.9 ⁴ , and the allocation of licenses in accordance with EITI Requirement 3.10. ⁵	Collect information from Mineral Resources Authority of Mongolia, Petroleum Authority of Mongolia
Any information requested by the MSG on beneficial ownership in accordance with EITI Requirement 3.11 ⁶	Collect data from companies
Any information requested by the MSG on contracts in accordance with EITI Requirement 3.12 ⁷	Collect information from sub national authorities and companies.

- 1.2.6 **Confirms the reporting templates, as well as any procedures or provisions relating to safeguarding confidential information.** The Independent Administrator should also develop guidance to the reporting entities on how to complete the reporting templates, and provide training to reporting entities with Mongolia EITI Working Group and Mongolia EITI secretariat.

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 assist the Independent Administrator in ensuring that all reporting entities participate fully.

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

- 2.1 Provide the reporting templates to Mongolia EITI Secretariat and collect the completed forms and associated supporting documentation via Mongolia EITI electronic reporting system from the participating reporting entities, as well as any contextual or other information that the MSG has tasked the Independent Administrator to collect in accordance with 1.3.4 above.
- 2.2 Contact the reporting entities directly to clarify any information gaps or discrepancies.

Phase 3 – initial reconciliation

³ Guidance Note 18: SOE participation in EITI Reporting, https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf

⁴ Guidance Note 3: Licence Registers, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN3>

⁵ Guidance Note 4: Licence Allocations, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN4>

⁶ Terms of Reference for beneficial ownership pilot, <https://eiti.org/files/TOR%20Beneficial%20ownership%20pilot.pdf>, and Template beneficial ownership declaration, <https://eiti.org/files/Template-beneficial-ownership-declaration-form.doc>

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

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 Independent Administrator should compile a database with the payment and revenue data provided by the reporting entities.
- 3.2 The Independent Administrator should comprehensively 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. assurances).
- 3.3 The Independent Administrator should identify any discrepancies above the agreed margin of error established in agreement with the MSG

Phase 4 – investigation of discrepancies and draft EITI Report

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

- 4.1 The 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.
- 4.2 The Independent Administrator should submit a draft EITI Report to the MSG for comment that comprehensively reconciles 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 5.3.d. The draft EITI Report should:
 - a) describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards.
 - b) include a description of all revenue streams, related materiality definitions and thresholds (Requirement 4.1 and 4.2.b).
 - c) include an assessment from the Independent Administrator on the comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
 - d) indicate the coverage of the reconciliation exercise, based on the government's disclosure of total revenues as per Requirement 4.2(b).
 - e) include an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI 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 (Requirement 5.3(d)).
 - f) document whether the participating companies and government entities had their financial statements audited in the financial year(s) covered by the EITI Report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI Report advises readers on how to access this information (Requirement 5.3(e)).
 - g) include contextual information as per Requirement 3 and other information requested by the MSG. The contextual information should be clearly sourced in accordance with the procedures agreed by the Independent Administrator and the MSG (1.3.4).

- 4.3 Where previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures (Requirement 5.3(e)). The 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.
- 4.4 The Independent Administrator is encouraged to make recommendations on strengthening the template Terms of Reference for Independent Administrator services in accordance with the EITI Standard for the attention of the EITI Board.

Phase 5 – final EITI Report

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

- 5.1 The Independent Administrator will submit the EITI Report upon approval to the MSG. The MSG will endorse the report prior to its publication and will oversee its publication by the national secretariat. Where stakeholders other than the 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: Mongolian and English
- 5.3 The Independent Administrator should produce electronic data files⁸ that can be published together with the final Report.
- 5.4 Following approval by the MSG, the 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 Secretariat (Requirement 5.3(b))⁹.
- 5.5 The Independent Administrator shall take appropriate measures to ensure that the report is comprehensible. This includes ensuring that the report has high levels of readability, legibility and usability. 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 Independent Administrator submit to the national secretariat all data gathered during reconciliation available, including the contact information of all institutions contacted during the reporting process.

4 Qualification requirements for Independent Administrators

The reconciliation of company payments and government revenues must be undertaken by an Independent Administrator applying international professional standards (requirement 5.1). It is a requirement that the Independent Administrator is perceived by the MSG to be credible, trustworthy and technically competent (ibid). Bidders must follow (and show how they will apply) the appropriate professional standards for the reconciliation / agreed-upon-procedures work in preparing their report.

⁸ The files can be in CSV or Excel format and should contain the tables and figures from the print report.

⁹ The latest version of the summary data template can be found at: <https://eiti.org/document/eiti-summary-data-template>

The Independent Administrator shall be a consortium of international and domestic audit firms that will need to demonstrate:

- offers a lead consultant with internationally recognized professional accounting qualifications (e.g., certified public accountant, chartered accountant, or equivalent professional accounting qualification);
- is a member in good standing of a body of accountants affiliated to the International Federation of Accountants (IFAC). The firm shall have adequate staff and resources to devote to the task.
- Familiarity with EITI and previous EITI reconciliation experience is desirable.
- the mentioned domestic audit firm, party to consortium should hold a valid audit license granted by the Ministry of Finance of Mongolia, a copy of which shall be attached to expression of interest.
- Evidence of establishment of consortium, relevant copy must be attached to expression of interest. If the work is planned to implement jointly with subsidiary or daughter company, the authorization must be also attached.

In order to ensure the quality and independence of the exercise, Independent Administrators are required, in their proposal, 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 April 1, 2016, culminating in the finalisation of the EITI Report by September 30, 2016. The proposed schedule is set out below:

Signing of contract	April 1, 2016
Phase 0: Scoping studies	April 1, 2016 – April 15, 2016
=> Scoping Study	April 15, 2016
Phase 1: Preliminary analysis	April 15, 2016 - May 1, 2016
=> Inception report	May 1, 2016
Phase 2: Data collection	May 1, 2016 - July 1, 2016
Phase 3: Initial reconciliation	July 1, 2016 - July 7, 2016
Phase 4: Investigation of discrepancies	July 7, 2016 - September 7, 2016
=> Draft report	September 15, 2016
Phase 5: Final report	September 15, 2016 – September 30, 2016
=> Final report	September 30, 2016

The schedule of payments shall be as follows:

- 10% following contract signing
- 20% following delivery of the inception report
- 40% following delivery of the draft EITI report
- 30% following MSG approval and publication of the EITI report

6 SELECTION AND CONTRACTING

The Independent administrator will be selected according to Combined selection evaluation method of Consultancy under Law of Mongolia on Procurement, December 1, 2005 article No. 39. The contracting authority shall be the Mongolia EITI Secretariat.

7 TIMELINE

Please submit your expression of interest with all necessary documents by February 23, 2016, before 16.00 pm, Ulaanbaatar time, to the Mongolia EITI Secretariat at:

EITI Secretariat of Mongolia
Tuushin Building room 306
Prime Minister Amar's street
Ulaanbaatar, 210620A, Mongolia
Tel: + 976 70110525
Fax: + 976 70110155
Email: eiti.secretariat.mn@gmail.com
Website: <http://www.eitimongolia.mn>

Annex 2 – Supporting documentation

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

- Extractive Industries Transparency Initiative - <https://eiti.org>
- Mongolia Extractive Industries Transparency Initiative – <http://www.eitimongolia.mn>
- The International EITI Standard - <http://www.eitimongolia.mn/eiti-standard>

EITI workplans, annual activity reports and other documents

- EITI Workplan 2016 - <http://www.eitimongolia.mn/work-plan>

Previous EITI Reports

- EITI Reports - <http://www.eitimongolia.mn/reconciliation-report>
- Historical data - <http://e-reporting.eitimongolia.mn>

Other relevant documentation (e.g. annual activity reports)

- Laws of Mongolia - <http://www.eitimongolia.mn/mongolian-laws>
- Resolutions of Government - <http://www.eitimongolia.mn/resolution-of-government>
- Orders of Prime minister - <http://www.eitimongolia.mn/orders>
- Rules and guides - <http://www.eitimongolia.mn/regulations>