

Template Terms of Reference for Independent Administrators

For decision

Summary

The Implementation Committee recommends that the Board approves the template Terms of Reference for Independent Administrators (attached) via circular on a no objection basis.

The Independent Administrator is the agent (typically an accounting or audit firm) mandated by the multi-stakeholder group to reconcile payments and revenues for the EITI Report. The EITI Standard requires that the Independent Administrator follows a Board approved procedure (requirement 5.2). Additional background information is available in Board Paper 25-3-B.

Annex A

Template Terms of Reference for Independent Administrator services in accordance with the EITI Standard

This document provides a template Terms of Reference for Independent Administrator services in accordance with the EITI Standard, endorsed by the EITI Board on [<date TBA>](#).

The Terms of Reference sets out the work to be undertaken by the Independent Administrator. It is typically attached to the contract between the Independent Administrator and the government. It is a requirement the multi-stakeholder group (MSG) approves the Terms of Reference (Requirement 5.2).

The template is addressed to the Independent Administrator. A guidance note on *MSG oversight of the EITI reporting cycle* is also available to guide MSGs and national secretariats on the issues that need to be addressed in advance of completing this template, and key issues to consider in overseeing the reporting process to ensure compliance with the EITI Standard. Utilisation of the template does not guarantee compliance. The multi-stakeholder group needs to ensure that the reporting process is rigorous, comprehensive and reliable.

Section 4 of this template includes “agreed upon procedures” for EITI reporting (requirement 5.2). “Agreed upon procedures” refers to Board-endorsed standardised procedures for key steps in the reporting process, including: agreeing the scope of EITI reporting, the development of reporting templates/forms, the assurance of data, data collection, and the investigation of discrepancies in accordance with the EITI requirements. The Board has developed these procedures to promote greater consistency and reliability in EITI reporting.

The Board recommends that the process relies as much as possible on existing procedures and institutions. The EITI process can be used to complement, assess, and improve existing data collection, reporting and auditing systems. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems.

The template enables MSG to list additional objectives and activities to be undertaken by the Independent Administrator in accordance with the MSG’s workplan.

The template includes sections [bracketed and highlighted in blue] that should be completed by the implementing country. It also includes comment boxes to guide implementing countries in completing each section. This cover page should be deleted in the final Terms of Reference approved by the MSG.

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).

Terms of Reference

Independent Administrator for the [year] EITI Report, [country]

Approved by the [MSG] on [date]

1. Background

[The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors. It has a robust yet flexible methodology for disclosing and reconciling company payments and government revenues in implementing countries. The EITI process may be extended and adapted to meet the information needs of stakeholders.

EITI implementation has two core components:

- **Transparency:** oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled by an Independent Administrator, and published in annual EITI Reports alongside contextual and other information about the extractive sector.
- **Accountability:** a multi-stakeholder group with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI Report, and promote the integration of EITI into broader transparency efforts in that country.

It is a requirement that the Independent Administrator is perceived by the multi-stakeholder group to be credible, trustworthy and technically competent (Requirement 5.1). The Independent Administrator's report will be submitted to the [MSG] for approval and made publically available.

The requirements for implementing countries are set out in the EITI Standard¹. Additional information is available via www.eiti.org.

These terms of reference include "agreed upon procedures" for EITI reporting (see section 4) in accordance with EITI Requirement 5.2. The Board has developed these procedures to promote greater consistency and reliability in EITI reporting. The Board recommends that the process relies as much as possible on existing procedures and institutions. The EITI process can be used to complement, assess, and improve existing reporting and auditing systems. The Board recommends that the process relies as much as possible on existing procedures and institutions, i.e., 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 [country]

[This section should provide further general background information on EITI implementation in the country. This should include clearly specifying the EITI's 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].

2. Objectives of the assignment

¹ <http://eiti.org/document/standard>

Comment [EITI 1]: It is recommended that the first section provides a general introduction to the EITI. A suggestion is included below.

On behalf of the [government] and [MSG], the [contracting party] seeks a competent and credible firm to provide Independent Administrator services in accordance with the EITI Standard. The objective of the assignment is to:

[Produce an EITI Report for [year/s] in accordance with the EITI Standard and section 4, below.]

or

Contribute to an EITI Report for [year/s] to be published by [organisation] in accordance with the EITI Standard and section 4, below].

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

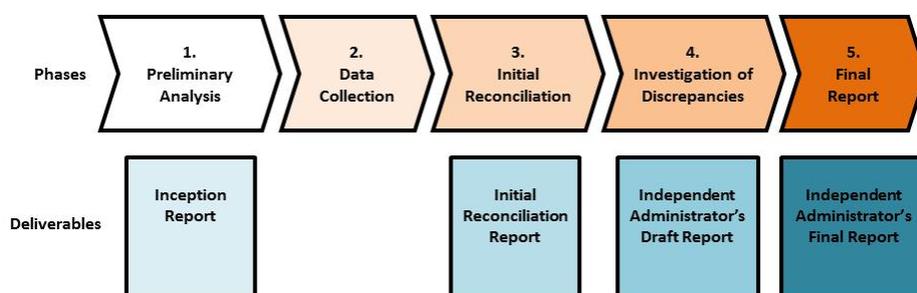
Comment [EITI2]: The MSG should specify whether the Independent Administrator will produce the EITI report, or prepare sections or chapters of a report that will be issued by another party. In particular, the MSG should agree the procedures and responsibilities for the preparation of the contextual information for the EITI Report. The information should be clearly sourced and attributed.

Comment [EITI3]: The MSG may wish to list additional objectives, particularly if the MSG wishes to task the Independent Administrator to undertake work not required by the EITI Standard

3. Scope of services, tasks and expected deliverables

The work of the Independent Administrator has five phases (see figure 1). The Independent Administrator's responsibilities in each phase are elaborated below.

Figure 1 – Overview of the EITI Reporting process and deliverables



Based on [scoping reports/previous EITI Reports/other investigations], the MSG's expectation is that the EITI Report will cover [XX types of payments, made by YY companies and ZZ government agencies]. The MSG proposal for the scope of the EITI Report, to be revised and confirmed with the Independent Administrator during the inception period, is set out in data sheet in annex 1 of the template Terms of Reference.

Comment [EITI4]: Indicate the basis for the scope proposed below. In Annex 2, provide links to the documentation, or attach to the ToR.

Comment [EITI5]: The MSG may wish to elaborate on this point, especially where the Independent Administrator's mandate extends beyond reconciliation.

Phase 1 – preliminary analysis and inception report

Background: The objective of the first phase of work is to clearly establish the scope of the EITI reporting process, the reporting templates, data collection procedures, and the schedule for publishing the EITI Report. It is imperative that the scope of EITI reporting is clearly defined, in line with the EITI Standard and with the MSG's agreed objectives and expectations for the EITI process. The findings from the first phase should be documented in an inception report (see 1.11 below). The Independent Administrator is expected to undertake the following tasks:

- 1.1 The Independent Administrator should **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 The Independent Administrator should work with the MSG to **agree on the procedures for incorporating and analysing contextual and other non-revenue information in the EITI Report**. The procedures should ensure that information is clearly sourced and attributed. Additional information on the MSG's proposed approach to collating contextual information is

Comment [EITI6]: There is no requirement for the Independent Administrator to prepare the entire EITI Report. The MSG may wish 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'.

attached in annex 1 of the template Terms of Reference, including any specific tasks that the Independent Administrator is expected to undertake in this regard.

1.3 The Independent Administrator should review **the payments and revenues to be covered in the EITI Report as proposed by the MSG in Annex 1 and in accordance with EITI Requirement 4.** [The MSG may wish to mandate the Independent Administrator to conduct a detailed scoping study, to investigate specific issues in detail, or to suggest refinements to the scope]. The inception report should clearly indicate the MSG's decisions on:

- 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). [any other aspects as agreed by the MSG].
- The level and type of disaggregation of the EITI Report in accordance with Requirement 5.2(e).

Comment [EITI7]: The MSG may wish to list additional benefit streams not required by the EITI Standard.

[Where the MSG wishes that the Independent Administrator undertakes scoping work related to defining materiality and the revenue streams to be covered, specific tasks should be indicated here. A template Terms of Reference for scoping is available from the International Secretariat.]

1.4 The Independent Administrator should review **the companies and government entities that are required to report as defined by the MSG in Annex 1 and in accordance with EITI Requirement 4.2.** [As above, the MSG may mandate the Independent Administrator to conduct a detailed scoping study, to investigate specific issues in detail, or to suggest refinements to the scope]. The inception report should :

- Identify and list the companies that make material payments to the state and will be required to report in accordance with Requirement 4.2(a).
- Identify and list the government entities that receive material payments and will be required to report in accordance with Requirement 4.2(a).
- Identify 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)).
- Confirm the MSG's position on disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.2(c).
- Confirm the MSG's position of the materiality and inclusion of sub-national payments in accordance with Requirement 4.2(d).
- Confirm the MSG's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e).

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

[Where the MSG wishes that the Independent Administrator undertakes scoping work related to defining reporting entities, specific tasks should be indicated here. A template Terms of Reference for scoping is available from the International Secretariat.]

Comment [EITI8]: The MSG may wish to list additional aspects not required by the EITI Standard.

- 1.5 The Independent Administrator should provide advice to the MSG on **the reporting templates based on the agreed benefit streams to be reported and the reporting entities (1.3 – 1.4 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 wishes to task the Independent Administrator to draft reporting templates for consideration and approval by the MSG, this should be indicated here.]

- 1.6 The Independent Administrator should provide advice to the MSG in 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.

- 1.7 The Independent Administrator should provide advice to the MSG **on what information the MSG should require to be provided to the Independent Administrator by the participating companies and government entities to assure the credibility of the data** in accordance with Requirement 5.2(c). The Independent Administrator should then 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. The Independent Administrator should document the options considered and the rationale for the assurances to be provided. Where deemed necessary by the Independent Administrator and the multi-stakeholder group, assurances may include:

- Requesting that reporting entities provide detailed “payment-by-payment” data so that each transaction can be reconciled.
- 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 wish 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 Independent Administrator should exercise judgement and apply appropriate international

professional standards² in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report.

- 1.8 The Independent Administrator should provide advice to the MSG on **agreeing appropriate provisions relating to safeguarding confidential information.**
- 1.9 The Independent Administrator should document the results from the inception phase in an **inception report** for consideration by the MSG addressing points 1.1 – 1.9 above. Where necessary the inception report should highlight any unresolved issues or potential barriers to effective implementation, and possible remedies for consideration by the MSG.

Phase 2 – data collection

- 2.1 The most common procedure is that the Independent Administrator is mandated by the MSG to distribute the reporting templates and collect the completed forms and associated supporting documentation, as well as any other contextual or other information requested to be collected by the MSG, directly from the participating reporting entities. The government typically provides contact details for the reporting entities and assists the Independent Administrator in ensuring that all reporting entities participate fully. **[Where an alternative approach is proposed - e.g. where the national EITI secretariat assists with data collection, or where the data is collected through an existing reporting mechanism, there should be consultations with the Independent Administrator to ensure the integrity of the information transmitted to the Independent Administrator].**
- 2.2 At the direction of the MSG, the Independent Administrator may be tasked to provide advice on ensuring that the request for data includes appropriate guidance to the reporting entities, and on where to seek additional information and support.
- 2.3 The Independent Administrator is mandated to contact the reporting entities directly to clarify any information gaps or discrepancies.

Comment [EITI9]: Where an alternative approach is proposed, additional details should be provided or attached.

Comment [EITI10]: Multi-stakeholder groups are encouraged to mainstream EITI reporting by incorporating it into existing reporting mechanisms.

Phase 3 – initial reconciliation and initial reconciliation report

- 3.1 The Independent Administrator should compile a database with the 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.
- 3.3 The Independent Administrator should prepare an initial reconciliation report based on the reported (unadjusted) data for consideration by the MSG in accordance with the agreed scope.
- 3.4 **[The Independent Administrator should identify any discrepancies above the agreed margin of error established at X% of total revenues].**
- 3.5 **[With respect to contextual information and other data collected by the Independent Administrator or provided to the Independent Administrator by the government or MSG: the Independent Administrator will compile the data collected by the government, MSG, or reporting entities and prepare an initial report based on the reported contextual and other information in the format agreed by the MSG for reporting this information.]**

Comment [EITI11]: The MSG and the Independent Administrator may wish to agree an acceptable margin of error in determining which discrepancies should be further investigated. Where this has been agreed, it should be noted point 3.4.

Phase 4 – investigation of discrepancies and draft Independent Administrator's Report

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 4410 relative to compilation engagements.

- 4.1 The Independent Administrator is mandated to contact the reporting entities in seeking to clarify any discrepancies in the reported data.
- 4.2 The Independent Administrator should prepare a draft Independent Administrator's Report that comprehensively reconciles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG.
- 4.3 The draft Independent Administrator's report should:
- describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards
 - include a description of each revenue stream, related materiality definitions and thresholds (Requirement 4.1).
 - include an assessment from the Independent Administrator on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
 - Based on the government's disclosure of total revenues as per Requirement 4.2(b), indicate the coverage of the reconciliation exercise.
 - 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)).
 - 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)).
- 4.4 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.]
- 4.5 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.

Comment [EITI 12]: Where the MSG wishes that the Independent Administrator makes recommendations for strengthening the reporting process in the future, this should be indicated here.

Phase 5 – final Independent Administrator's report

- 5.1 The Independent Administrator should produce electronic data files that can be published together with the final Report.
- 5.2 [The Independent Administrator should provide machine readable files and/or code or tag EITI Reports and data files].
- 5.3 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)).

Comment [EITI 13]: Where the MSG agrees to include this, additional information should be provided.

The Independent Administrator will publish/make public their final report only upon the instruction of the MSG. The MSG will endorse the report prior to its publication. Where stakeholders other than the Independent Administrator wish to include additional comments in, or opinions on, the EITI Report, the authorship should be clearly indicated.

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 (ib id). 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 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.
- 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, 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 [date], culminating in the finalisation of the EITI Report by [date]. The proposed schedule is set out below:

Signing of contract	[date]
Inception period	[date] - [date]
Inception report	[date]
Data collection & initial reconciliation	[date] - [date]
Initial reconciliation report	[date]
Draft report	[date]
Final report	[date]

[Add any additional information regarding other deliverables requested by the MSG]

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 report
- <x%> following MSG approval and publication of the EITI report]

6. Client's input and counterpart personnel

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

[Other comments]

[The MSG may wish to included additional commentary on the assignment not addressed above]

Annex 1 – Data Sheet on scope of services

Based on [scoping reports / previous EITI Reports / other investigations](#) the MSG proposes the following scope for the EITI.

Comment [EITI14]: Indicate the basis for the scope proposed below. Provide links to the documentation, or attach to the ToR.

1. Contextual Information

Comment [EITI15]: This section may be removed where the Independent Administrator has no role in collating contextual information.

The Independent Administrator is tasked with collating the following contextual information in accordance EITI Requirement 3.

Contextual information to be provide in the EITI Report	Commentary on work to be undertaken by the Independent Administrator
A description of the legal framework and fiscal regime governing the extractive industries (Requirement 3.2), in particular laws relevant to the information disclosed in the EITI report.	...
An overview of the extractive industries, including any significant exploration activities (Requirement 3.3)	...
Where available, information about the contribution of the extractive industries to the economy for the fiscal year covered by the EITI Report (Requirement 3.4)	...
Production data for the fiscal year covered by the EITI Report (Requirement 3.5)	...
Information regarding state participation in the extractive industries (Requirement 3.6) ³	...
Distribution of revenues from the extractive industries (Requirement 3.7);	...
Any further information further information requested by the MSG on revenue management and expenditures (Requirement 3.8)	...
Information on the licencing process and register (Requirement 3.9) ⁴ and the allocation of licenses (Requirement 3.10) ⁵	...
Any information requested by the MSG on beneficial ownership (Requirement 3.11) ⁶	...

Comment [EITI16]: Outline the scope of work required from the Independent Administrator in collating contextual information, including likely sources of data. 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”.

³ Add reference to Guidance Note

⁴ Add reference to Guidance Note

⁵ Add reference to Guidance Note

⁶ Add reference to Guidance Note

Any information requested by the MSG on contracts (Requirement 3.12) ⁷	...
[Add any other contextual information that the MSG has agreed to provide]	...

Comment [EITI 17]: Alternatively, the MSG may wish to attach the scoping study where available.

2. The taxes and revenues to be covered in the EITI Report (Requirement 4.1)⁸

Benefit stream	Commentary on work to be undertaken by the Independent Administrator
...	...

Comment [EITI 18]: List here the MSG's proposal for the benefit streams to be covered in the EITI Report.

Comment [EITI 19]: For each benefit stream indicate which companies make such payments, which government entity/ies collect the payments and any other relevant commentary, e.g., proposed materiality threshold.

3. List of reporting entities (companies and government agencies) (Requirement 4.2)

Comment [EITI 20]: Alternatively, the MSG may wish to attach the scoping study where available.

4. Additional commentary on scope

The materiality and inclusion of sub-national payments (Requirement 4.2(d)) ⁹	
The disclosure and reconciliation of payments to and from state-owned	

⁷ Add reference to Guidance Note

⁸ Add reference to Guidance Note

⁹ Add reference to Guidance Note

enterprises (Requirement 4.2(c)) ¹⁰	
The materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e) ¹¹	

¹⁰ Add reference to Guidance Note

¹¹ Add reference to Guidance Note

Annex 2 – Supporting documentation

Documentation on governance arrangements and tax policies 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)

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