

USEITI Implementation Subcommittee
Wednesday, May 11, 2016
11:00am – 12:00pm
Meeting Summary

Meeting Agenda

11:00 Welcome and Introductions
11:05 IA/Online Advisory Workgroup Updates
11:15 Discussion on Mainstreaming and Beneficial Ownership
11:45 Update on Peer-to-Peer Efforts
11:55 Walk-ons/Next Steps
12:00 End

General Updates

The HIVE visit is scheduled for this Friday, May 13th from 10am-2pm at the Deloitte offices in Arlington. The focus will be on the three visualizations that Deloitte has been working on:

1. AML Fees
2. State Additions
3. Budget and Audit Procedures

IA Update

After discussion with the Co-chairs, Deloitte is revamping the outline for the executive summary and the online report. County updates will be shared with the State & Tribal Subcommittee on May 19th.

Discussion on Beneficial Ownership and Mainstreaming

Mainstreaming

This is not a new idea in the EITI Community, but when the EITI Standard was developed it was developed in countries that had closed systems and no public information available. Now a lot of this information is becoming easily available, like in Timor Leste, a country that has quarterly updates. This EITI process is not expensive for some companies, and much of the payments to government are available and published online. So now instead of a disclosure exercise, the requisite information is being made publicly available. The 2016 Standard includes a provision where companies can forego the reconciliation process and instead mainstream and publicly disclose the information that is audited according to international best practices. This places the emphasis on providing high quality and reliable information available real time as opposed to waiting for the EITI Report. This is a new idea, no country has mainstreamed yet.

Conventional EITI Reporting should continue while a country considers this option. There should first be a feasibility study and a gap analysis and then the Board would make a decision as to whether or not the country's systems satisfy the mainstreaming requirement. Norway, Kazakhstan, and Columbia are a few countries interested in working towards mainstreaming. The International Secretariat expects a number of countries will move beyond EITI Reporting and move toward mainstreaming reporting.

According to Requirement 4.9, the first step is an assessment to determine if the country has the proper international auditing standards in place. Then the country would undertake an assessment to determine whether or not there is already a process in place for publishing the data. After the MSG has done a feasibility study, they will develop a Workplan and then seek Board approval. The work plan can be a hybrid i.e. non-tax revenues might not need an EITI process for disclosure where taxes might still require an EITI process.

A suggestion was made to draft a pre-feasibility study by taking the largest revenue stream and do an initial assessment of that. The feasibility study needs to be conducted by someone who is competent and credible.

With respect to Dodd Frank there were some discussions that all EITI data still needs to be made publicly available, however the U.S. didn't have any discrepancies with the numbers provided by the Government and the data is so accurate that discrepancies are minimal if they exist at all.

Some countries provide aggregate information, but might not have disaggregated data which is required by the Standard. Whatever is decided, the decision to mainstream must have the full support of the MSG.

It was also noted that Norway has completed their 7th Report without one single discrepancy. In Norway everyone individual and every company's tax returns are publicly available.

If a country is approved for mainstreaming, they might not be validated because the mainstreaming data doesn't meet validation requirements. Mainstreaming isn't a get out of jail free card. The Board needs to make sure there is no deterioration in the data that is made available. The EITI will check and make sure all the information is there in a user friendly format. They will also make sure there aren't any gaps and the companies and government have following international auditing standards.

The EITI Standard states that materiality is all that matters. There is no point in collecting data on payments that aren't material. Chasing after those kinds of payments would be a complete waste of time. The MSG must come up with a credible plan. If the cost of collecting the information outweighs the benefits of disclosure then data should unilaterally disclose.

There is an expectation that both companies and government will continue to disclose this information. Dodd Frank will cover public companies but not private companies.

Beneficial Ownership

Sam Bartlett shared that he would be willing to come visit us and speak about beneficial ownership. There was a big meeting in London, the Anti-corruption Summit, and the focus was on beneficial ownership. Feedback received was that this provision seems very expensive.

There are two approaches:

1. In some countries there are government wide reform methods on the way to address beneficial ownership that include changes in corporate governance and legislation.
2. There are other countries where system wide reforms are not on the table and the countries are using the EITI Reporting process to collect this information, but the requirements are very broad. So logistically it's a huge challenge if the MSG has to take on this challenge.

The MSG needs to document what's feasible and might reach the conclusion that is not feasible and then must seek adapted implementation. Several countries have made important steps forward. The US needs to take stock of what's on the agenda nationally on the roadmap and the outlook for possible changes and reforms and proposals on what can be achieved under the EITI Reporting Process.

There is an implementation committee that just released detailed guidance on the development of roadmaps and this will be shared with Judy to pass along to the MSG.

There was also a reminder that we need to submit a request for extended adapted implementation. We initially asked for 2 years, but we need another extension for the Board to approve. We also need to examine this request with the opt-in procedure.

For beneficial ownership we shouldn't have a problem writing out the roadmap.

Update on Industry's Peer-to-Peer Effort

No updates at this time.

Walk-ons/Next Steps

HIVE Session – May 13, 2016

Next Subcommittee Meeting – May 18, 2016

Next MSG Meeting – June 27-28, 2016

List of Attendees:

Aaron Padilla, API

Andrew Varnum, Deloitte

Chris Mentasti, DOI

Claire Ware, Eastern Shoshone & Northern Arapaho Tribes

Curtis Carlson, Treasury

Emily Hague, API

Greg Gould, DOI

Jennifer Goldblatt, DOI

Jerold Gidner, DOI

John Cassidy, Deloitte

John Harrington, Exxon Mobil

Judith Wilson, DOI
Kent Schultz, Deloitte
Kim Oliver, DOI
Laura Sauter, DOI
Mike Matthews, State of Wyoming
Pat Field, CBI
Paul Mussenden, DOI
Phil Denning, Shell
Robert Kronebusch, DOI
Sarah Platts, Deloitte