

Concept

D-EITI Payment Reconciliation Pilot

1. Process

The D-EITI MSG is discussing the option of implementing a payment reconciliation pilot in response to the request by the international Board/the international Secretariat of the EITI. The present draft concept is the basis for an exchange with the international Secretariat and for a discussion and decision by the D-EITI MSG on implementation of the pilot. If there is a decision to implement the pilot, the MSG will seek EITI Board approval of the changes to the standard procedure. The international Secretariat will support implementation of the pilot on behalf of the EITI Board. The D-EITI will also step up dialogue with EITI countries and the international EITI stakeholder community on the pilot and its implementation.

2. Outline

The current D-EITI model of reconciling extractive payments will be replaced by a procedure that builds upon the publicly available information on payments made by extractive companies on the one hand and on a comprehensive description of the structure, legal framework, assurance mechanisms, safeguards and current controls for the treasury systems at national, federal and local level to which the payments are made on the other. The scope and format of reporting, identification of companies, level of detail and presentation in the report remain unchanged. The procedure/the pilot will be implemented with assistance from an Independent Administrator.

The final outline of the pilot is expected to meet the following conditions as a minimum requirement:

- be fully in line with the 2019 EITI Standard and not require any request for adapted implementation
- allow for the same level of MSG oversight, control and involvement compared to the reconciliation procedure
- provide for at least the current level of liability, quality, quantity and disaggregation of information/data on company payment streams made publicly available by D-EITI reporting
- ensure that implementation of the pilot does not entail any significant extra time and effort on the part of the participating countries
- be a meaningful contribution to the progress of the EITI, the development of the EITI Standard and the outreach ambitions of the EITI.

The pilot will be implemented for the 2020 D-EITI report on the 2018 reporting year. As in previous years, the MSG will discuss the outcome of the reporting process, the reporting procedures and the recommendations of the Independent Administrator. The discussion this year will specifically focus on the implementation of the changes to the standard procedure, the respective outcomes, any lessons learnt/recommendations, and possible alternative procedures, based primarily on the Independent Administrator's report, feedback and recommendations but also on the input of the involved companies and government institutions. Finally, the Independent

Administrator's report and the MSG's statement will be presented to the Board and the EITI Secretariat.

3. Reporting procedure: current reporting/ pilot

The changes to the reporting process resulting from the pilot are marked in red in the overview below. In the current procedure, the left-hand side (columns 1 and 2) shows the elements that are no longer included as a result of the pilot, while the right-hand side (columns 3 and 4) shows the measures and procedures that will be added because of the pilot.

MSG	Independent Administrator	MSG (Pilot)	Independent Administrator (Pilot)
<ul style="list-style-type: none"> - Decision on scope of the current reporting period - Decision on ToR for the Independent Administrator (IA) - Decision on reporting format 		<ul style="list-style-type: none"> - Decision on scope of the current reporting period - Decision on ToR for the IA - Decision on reporting format 	
<ul style="list-style-type: none"> - Decision on IA 	<ul style="list-style-type: none"> - Procurement and contracting 	<ul style="list-style-type: none"> - Decision on IA 	<ul style="list-style-type: none"> - Procurement and contracting
	<ul style="list-style-type: none"> - Identification of reporting companies - Analysis of public payments to governments report - Contacting reporting companies and informing about D-EITI reporting process 		<ul style="list-style-type: none"> - Identification of reporting companies - Analysis of public payments to governments report - Contacting reporting companies and informing about D-EITI reporting process
<ul style="list-style-type: none"> - Discussion and decision on inception report of IA 	<ul style="list-style-type: none"> - Presentation of inception report to the MSG 	<ul style="list-style-type: none"> - Discussion and decision on inception report of IA 	<ul style="list-style-type: none"> - Presentation of inception report to the MSG
	<ul style="list-style-type: none"> - Compiling information and data from payments to government reports and reporting templates 		<ul style="list-style-type: none"> - Compiling information and data from payments to government reports and from communication with companies if needed
	Communication with reporting companies on data <ul style="list-style-type: none"> - Clarification of any gaps and weaknesses in the reported data 		Communication with reporting companies on data: <ul style="list-style-type: none"> - Clarification of any gaps and weaknesses in the reported data - In the event that the information in the payments to government reports is not sufficiently disaggregated, additional information is collected by the IA from the company based on reporting templates if needed

MSG	Independent Administrator	MSG (Pilot)	Independent Administrator (Pilot)
			<p>Draft of comprehensive and comprehensible assessment and reference to audit practices and processes at the company end:</p> <ul style="list-style-type: none"> - a description of the legal framework and the (international) audit practices to which the companies within the scope of reporting are subject (requirement 4.9 a) - an overview of which company is using which standard - link to the audited financial statements of the reporting companies or other respective audit information, where publicly available.
		<p>Discussion and decision on companies audit assessment</p> <p>Discussion and decision on exposé</p>	<p>Presentation of assessment of companies audit to the MSG</p> <p>Drafting and presentation of exposé for chapter on treasury system to the MSG</p>
	<ul style="list-style-type: none"> - Preparing tax waivers for government recipients of material payments 		<p>Draft of comprehensive and comprehensible description of the treasury system and how it works at national, federal-state and municipal level, focusing on the D-EITI material payment streams to illustrate the payment process. This includes:</p> <ul style="list-style-type: none"> - outline of the treasury concept in general - a detailed description of the actual payment process (role, responsibility and communication of the company, the administration which is sending the payment request and the treasury which receives the payment)

MSG	Independent Administrator	MSG (Pilot)	Independent Administrator (Pilot)
			<ul style="list-style-type: none"> - general information on how to identify treasuries responsible for D-EITI payment streams - links to relevant legislation
	<ul style="list-style-type: none"> - Compiling information and data on receipt of payments at government end 		Draft of comprehensive and comprehensible description of the assurance mechanisms in treasury system regarding: <ul style="list-style-type: none"> - fraud - orderly receipt of payments - links to relevant legislation
	<ul style="list-style-type: none"> - Reconciling information from companies/payment reports and from the government end 		Assessment of whether the government reporting entities are subject to a credible, independent audit, applying international auditing standards. This includes: <ul style="list-style-type: none"> - description of the state audit practices and standards with reference to international standards, including a clear presentation of the public accessibility of audit reports - links to the audit reports of the government entities that receive payments from companies within the scope of reporting (if the audit reports are publicly available) - links to relevant legislation and sources for audit reports
<ul style="list-style-type: none"> - Discussion and decision on draft chapters of IA 	Draft of IA contribution to D-EITI report: <ul style="list-style-type: none"> - description of IA work and payment reconciliation procedure - identification of companies - description/update of relevant legislation 	<ul style="list-style-type: none"> - Discussion and decision on draft chapters of IA 	Draft of IA contribution to D-EITI report: <ul style="list-style-type: none"> - description of IA work with a specific focus on the methods used to implement the changes to the standard procedure, including recommendations (among other things on alternative procedures)

MSG	Independent Administrator	MSG (Pilot)	Independent Administrator (Pilot)
<ul style="list-style-type: none"> - Discussion and follow-up of any findings by IA if needed 	<ul style="list-style-type: none"> - payment tables including reconciliation and list of discrepancies - recommendations 	<ul style="list-style-type: none"> - Discussion and follow-up of any findings by IA if needed 	<ul style="list-style-type: none"> - assessment of audit practices and processes at company end - description/update of relevant legislation - assessment of companies auditing - description of treasury system, assurance mechanisms and audits (accessibility, material results and links to public reports) - payment tables - recommendations <p>Presentation to the MSG</p>
Decision on the D-EITI report		Decision on the D-EITI report	
Discussion of the IA's recommendations	IA's recommendations	Discussion of the IA's recommendations	IA's recommendations
		Discussion of the IA's feedback and recommendations on the pilot	Description, feedback and recommendations on the methods and implementation of changes to the standard procedure, taking account of possible alternative procedures.