# Understanding the EITI's new Terms of Reference for EITI reporting

## Explainer

**The Terms of Reference (ToRs) for EITI reporting provide standardised procedures for compiling and disclosing data under the 2023 EITI Standard.**

Developed by the EITI Board, these procedures aim to enhance consistency and reliability in reporting both revenues and non-financial data from the extractive sector. By introducing flexibility in the entity(ies) who can prepare EITI disclosures and how data quality is assured (through reconciliation or a risk-based approach), the new ToRs aim to improve the overall effectiveness of EITI implementation.

## What's changed?

**The MSG is required to adopt a procedure to address data quality and assurance in line with one of the standard procedures endorsed by the EITI Board.**

A key innovation in the new ToRs is the introduction of a risk-based approach to data quality assurance, allowing countries to allocate resources more effectively based on their unique contexts. This approach leverages routine disclosures to reduce reporting costs, while focusing verification efforts on high-priority companies and payments. Additionally, the new ToRs offer greater flexibility in designating who can prepare EITI disclosures.

As before, implementing countries are expected to routinely disclose information required by the EITI Standard through government and company systems. EITI reporting should, whenever possible, compile and analyse data from primary sources to make this information more accessible and comprehensible.

### WHO ARE THE TORs FOR?

The ToRs are designed to guide both the MSGs and the entities involved in EITI reporting. While many countries have traditionally relied on an Independent Administrator (IA) for this work, the new ToRs recognise that other entities—such as national secretariats and Supreme Audit Institutions—can also fulfil various aspects of reporting.

### KEY STEPS AND RESPONSIBILITIES

1. **The multi-stakeholder group (MSG)** agrees objectives and ToRs for EITI reporting and chooses either reconciliation or a risk-based approach for data quality assurance.
2. **The MSG and designated entity(ies)** agree the scope of reporting, including what data to collect and who will prepare the report.
3. **The designated entity(ies)** compiles and analyses the required data.
4. **The MSG reviews,** publishes and disseminates the final report.

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EITI implementing countries may choose between two standardised procedures for ensuring data quality:

## Reconciliation

vs.

## Risk-based approach

This method compares reported payments from companies with government receipts to identify discrepancies and confirm the reliability of revenue data. While it is not an audit, reconciliation follows the ISRS 4400 methodology for Agreed-Upon Procedures Engagements.

This approach assesses the likelihood of material misstatements in revenue data. It categorises entities and payment flows based on their risk levels, enabling targeted verification efforts. These may include reconciling high-risk revenue streams or companies, conducting audits or applying other mechanisms agreed upon by the MSG. This method enhances data reliability by focusing resources where they are most needed. This approach follows the ISRS 4400 methodology.

### WHEN DO THE TORs COME INTO EFFECT?

**The updated ToRs take effect on 12 November 2024.**

From this date, the previous ToRs (under the 2019 EITI Standard) and the flexible reporting introduced during the COVID-19 pandemic will no longer apply.

The EITI reporting cycle consists of five phases. For countries opting for a risk-based approach, specific measures are incorporated into Steps 1-3 of the ToRs to guide the process.

### REPORTING CYCLE

1 SCOPING

2 DATA COLLECTION AND INITIAL ANALYSIS

3 DATA QUALITY ASSURANCE

4 MSG GAP ANALYSIS

5 EITI REPORTING FOR IMPACT