

## Terms of Reference

### **Independent Administrator for the 2018 EITI Report, Mongolia**

Approved by the Mongolia EITI Working Group on July 4, 2019

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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 Standard<sup>1</sup>. Additional information is available via [www.eiti.org](http://www.eiti.org).

**It is a requirement that the MSG approves the terms of reference for the Independent Administrator**

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<sup>1</sup> <http://eiti.org/document/standard>

**(requirement 4.9.iii), 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 1.4.b). The EITI requires an inclusive decision-making process throughout implementation, with each constituency being treated as a partner.

**It is a requirement that the Independent Administrator be perceived by the MSG to be credible, trustworthy and technically competent (Requirement 4.9.b.ii).** 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 and National Council for approval and made publicly available in accordance with Requirement 7.1.

These terms of reference include "agreed-upon procedures" for EITI reporting (see section 4) in accordance with EITI Requirement 4.9.b.iii. 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, 2012 and late 2015, 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, 2013, 2015 and 2017 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. The Report for 2014 and 2016 is produced by consortium of KPMG Mongol and KPMG France.

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	1197	1617	250	1576 billion	27	37 million
2014	992	1570	236	1579 billion	25	581 million
2015	747	1920	202	1393 billion	30	112 million
2016	1227	2086	213	1073 billion	19	74 million
2017	1489	2091	230	2358 billion	28	236 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:

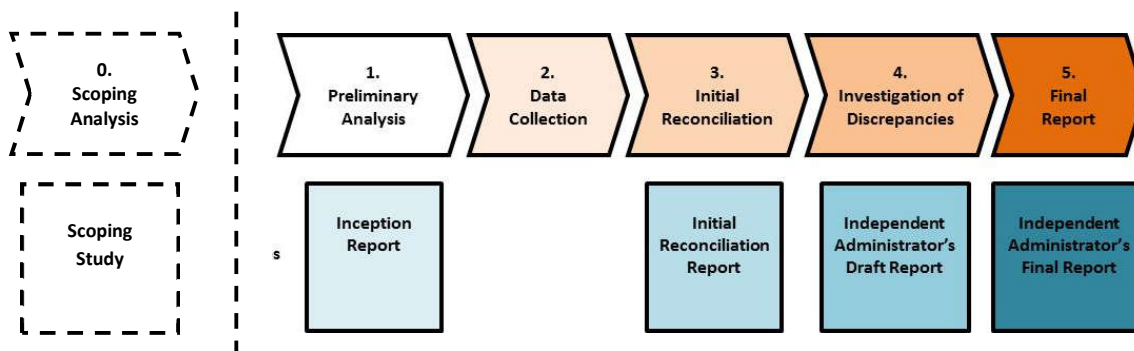
- Produce a scoping study to inform the MSG’s decision on the scope of the 2018 EITI Report.
- Produce an EITI Report for 2018 in accordance with the EITI Standard and section 3, below.
- Provide constructive recommendations and conclusions for MSG to improved governance and management of extractive industry.

## 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 4.1
- Supporting the MSG with examining the audit and assurance procedures in companies and government entities participating in the EITI reporting process. 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 and National Statistical Committee. 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.
- For the purpose of project-level reporting, propose:
  - A definition of the term “project” that is consistent with relevant national laws and systems as well as international norms;
  - Produce an overview of the revenue streams that should be reported by project, classifying the revenue streams that are levied on a license/contract basis and should be reported as such as well as the revenue streams that are levied on a company basis and should be reported as such; and

- Draft corresponding reporting templates, drawing on the model reporting templates for project level reporting developed by the EITI.

In undertaking the above the Independent Administrator is expected to consult the EITI's guidance note on project level reporting, and to make use of the template definitions in the guidance note.<sup>2</sup>

### **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 4.2.
    - The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.3.
    - The coverage of social expenditure in accordance with Requirement 6.1.
    - The coverage of transportation revenues in accordance with Requirement 4.4.
    - Disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.6.
    - The materiality and inclusion of direct sub-national payments in accordance with Requirement 4.5.
    - The materiality and inclusion of sub-national transfers in accordance with Requirement 5.2
    - The level and type of disaggregation of the EITI Report in accordance with Requirement 4.7.

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<sup>2</sup> [https://eiti.org/sites/default/files/documents/reporting\\_template\\_for\\_project-level\\_reporting\\_option\\_1.xlsx](https://eiti.org/sites/default/files/documents/reporting_template_for_project-level_reporting_option_1.xlsx)  
[https://eiti.org/sites/default/files/documents/reporting\\_template\\_for\\_project-level\\_reporting\\_option\\_2.xlsx](https://eiti.org/sites/default/files/documents/reporting_template_for_project-level_reporting_option_2.xlsx)

<sup>2</sup> [https://eiti.org/sites/default/files/documents/guidance\\_note\\_28\\_on\\_project-level\\_reporting\\_final.pdf](https://eiti.org/sites/default/files/documents/guidance_note_28_on_project-level_reporting_final.pdf)

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 4.1(c).
- 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 4.1(c-d), 4.5 and 4.6.
- 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 4.1(d)).

1.2.3 Includes a definition of the term 'project' and an overview of the revenue streams to be reported by project, confirming the MSG's decision that the financial data should be disaggregated by project where levied by project.

1.2.4 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 4.9.**

The Independent Administrator should exercise judgement and apply appropriate international professional standards<sup>3</sup> in developing a procedure that provide a sufficient 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

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<sup>3</sup> 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.

assurances to be provided.

- 1.2.5 **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 – Non-revenue information to be provided in the EITI Report*

<b>Non-revenue information to be provided in the EITI Report</b>	<b>Work to be undertaken by the Independent Administrator</b>
Legal framework and fiscal regime in accordance with EITI Requirement 2.1.	Collect related information from Ministry of Mining and Heavy industry and Ministry of Finance.
An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1.	Collect related information from Mineral Resources and Petroleum Authority of Mongolia.
Information about the contribution of the extractive industries to the economy in accordance with EITI Requirement 6.3. Report should include disaggregated revenue information by mineral type which disclosed as project level by all reporting entities.	Collect related information from Ministry of Finance, National Statistical committee Mongolia
Production and export data in accordance with EITI Requirement 3.2 and 3.3	Collect related information Mineral Resources and Petroleum Authority of Mongolia, General department of customs and General department of Taxation and companies.
Information regarding state participation in the extractive industries in accordance with EITI Requirement 2.6 and 6.2. <sup>4</sup>	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 5.1.	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 5.3.	Collect related information from Ministry of Finance
Information about license holders in accordance with EITI Requirement 2.3 <sup>5</sup> and the allocation of licenses in accordance with EITI Requirement 2.2. <sup>6</sup> as well as license transfers and cases that broke the rules to allocate licenses.	Collect information from Mineral Resources and Petroleum Authority of Mongolia

<sup>4</sup> Guidance Note 18: SOE participation in EITI Reporting, [https://eiti.org/files/GN/Guidance\\_note\\_18\\_SOEs\\_EN.pdf](https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf)

<sup>5</sup> Guidance Note 3: Licence Registers, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN3>

<sup>6</sup> Guidance Note 4: Licence Allocations, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN4>

Any information requested by the MSG on beneficial ownership in accordance with EITI Requirement 2.5 <sup>7</sup>	Collect data from companies
Any information requested by the MSG on contracts in accordance with EITI Requirement 2.4 <sup>8</sup>	Collect information from sub national authorities and companies.
Implementation of recommendations of Mongolia EITI Report 2017	Collect related information from Mongolia EITI Secretariat
Any information related to special funds which established by extractive sector revenues.	Ministries, government agencies such as State department of Registration as well as 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. Plan should include proposed schedules of trainings and meetings with stakeholders.

## **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 Distribute 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**

**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, disaggregated by project in accordance with the MSG's definition.
- 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

<sup>7</sup> Template beneficial ownership declaration, <https://eiti.org/files/Template-beneficial-ownership-declaration-form.doc>

<sup>8</sup> Guidance Note 7: Contract Transparency, <https://eiti.org/guidance-notes-and-standard-terms-reference#GN7>



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 by project in accordance with the MSG's definition. 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).
  - 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 4.1(d).
  - 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.
  - 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.
  - g) include non-revenue information as per Requirement 2,3,5 and 6 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.
- 4.3 Where previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures. 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, and where appropriate, recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance. The Independent Administrator is encouraged to collaborate with the MSG in formulating such recommendations.
- 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. 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 prepared by Mongolian and it should be delivered with English translation. If there is any discrepancy between the English and Mongolian version, the Mongolian version shall prevail.
- 5.3 The Independent Administrator should produce electronic data files<sup>9</sup> 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.
- 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 report should be edited by a professional editor and should be designed by a professional graphical designer. In addition, report should be delivered with its adaptation and infographics.
- 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.
- 5.7 The Independent Administrator shall deliver source file (word document) and its appendices (excel files) to Mongolia EITI Secretariat.
- 5.8 The Independent Administrator shall input all adjustments made to report figures into Mongolia EITI e-reporting system.

## **4 Additional activities to be carried out under recommendations given by stakeholders, and namely TAH (PWYP) coalition**

### **General requirement**

- Under the Terms of references for 2018 EITI Report IA should review implementation of recommendations given by Validation, and recommendations from previous reports, meeting of new standard's requirements and also review implementation of Contract disclosure, beneficial ownership and project by project disclosure, and include relevant information to report.
- To review process of collection of deposits for natural rehabilitation and reimbursement of costs on company basis, list companies having license for rehabilitation of land dumped, and also those lands which were affected under mining operations and but dumped on aimag basis, include relevant information, findings and recommendations and include them into report.
- To focus on meeting requirements of project by project disclosure, if legal and tax regime do not allow to do so completely, it can cover revenue streams by project as very first priority, which means license fee, royalties, land rent and fee for water, deposits of natural rehabilitation, its disbursement could be reported per project, and included in report.

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<sup>9</sup> The files can be in CSV or Excel format and should contain the tables and figures from the print report.

- **Sector's contribution to economies**

- The Sector's contribution to economies should be shown by type of natural resources, such as:
  - Mineral (copper, gold, silver, iron ore, coal, oil, mineral of common spread)
  - Mineral deposits with strategic significance
- The report should have a section of contribution of mini-mining to economies. Although information on quantity of production, manpower and paid taxes are not reliable, minimum coverage shall data available at state relevant organizations. Besides, the section should have explanations why it is not reliable, reasons, and possible findings and recommendations to remedy it.
- This is not sufficient to demonstrate sector's contribution only via production, sale, export and paid taxes. Therefore, there should be information about operator, sub-contractors and suppliers, which are cooperating with license holders on contract basis, their manpower, indirect contribution, and positive and negative impact should be assessed and included into the report.
- The report should cover information on imported goods and equipment, recruited foreign manpower.

**Transparency of information of license, quality and reliability**

Information on license shall be categorized and shall be included to report as below specified:

- Is there any policy, rule in regard to selection method of license, and availability of fields for license, and whether they are announce publicly and available publicly, this should be included into report.
- The report shall have information on number of license application, date of application, coordinates, processing of application, especially with focus on date of consent of local authorities, their reply date. Give recommendations in this regard furthermore.
- The report shall have information when decision that the field is subject to selection method is effected, size of field, requirements and criteria for selection, and final decision.
- The report shall have composition of selection committee, requirements and criteria for members of Committee.
- Consolidated table of granted and transferred licenses shall be disclosed. For this purpose, it shall options to process, compare and study, information link shall be in the EITI report.
- The requirements of disclosure of mineral resources licenses shall be applied for disclosure of Petroleum production sharing agreement and license for radioactive minerals.
- Selection method shall be used to determine if there are any deviations in granting licenses, results shall be in report. (TAN coalition may have possibility to give information and data on possible violations).
- Under General administrative law, which is effective since 1<sup>st</sup> July 2017, there should some public hearing on process of granting license, and this process shall be covered in the Report, and must be assessed and if any, recommendations can be given for implementation.

**State participation in mineral sector**

There should be a whole chapter on transparency of state and locally owned companies, which covers the followings topics.

- Information of Erdenes MGL LLC, daughter companies, changes in ownership of Erdenet Copper mine, Shivee-Ovoo, Baganuur, Mon-Atom should be revealed in form of graphics, relevant decisions shall be disclosed.
- Name of share-holders, their address, size of ownership, changes in ownership should be included in the report.
- Information on name, official position, working addresses of Board members of state and locally owned companies should be disaggregated by Erdenes MGL LLC and other companies.
- Process of nomination, required criteria for independent Members of Board of state and locally owned companies and relevant rule and procedure should be disclosed, make sure to have study work and suggest recommendations.

- Annual budget, financial report and audit conclusions of state and locally owned companies shall be disclosed.
- Investment conditions of state owned companies, transfer between state owned companies and Government, and associated agreements and decisions should be disclosed.
- The report should have information on net profit of state and locally owned companies, methodology, rule and procedure to calculate and allocate dividend. Specifically, calculations like if Erdenes Tavan tolgoi divides dividend, they shall be collected to Erdenes Mongol LLC, and directly to state budget, how much of dividend of Erdenes Mongol LLC is collected at state budget, what is calculation method.

#### **Verification of data**

The report should disclose report of audit of state and locally owned companies by National Audit office of Mongolia, its conclusions, and recommendations should be included.

#### **Disclosure of Beneficial ownership**

To make sure beneficial ownership is disclosed.

#### **Contract Disclosure**

- The report should include names of companies which obtained license for natural rehabilitation work from Ministry of Natural environment and tourism, with details about location, which aimag, soum, owners and concluded contracts with local authorities on rehabilitation work. It shall be advised that this type agreement may be titled differently like contract of social responsibility, natural rehabilitation contract or rehabilitation agreement of mutilated lands.
- During scoping openness of Contract it should be review implementation and openness of Contracts concluded under art.42, of Mining law and Government Resolution 179 of 2016. On top to that IA should check whether there are Contract committee are established and hearing process was organized ever, include findings into Report.
- Contract template of Production sharing agreement was modified by Government in 2015, and confidentiality clause was removed. The agreements should be reformatted by this template, but the process is not going well and progress should be reflected in the report, elaborate relevant recommendations to speed up.
- The report should include information related to Survey contracts of petroleum sector such as its legal framework, parties, objective, contract period and key terms of contract. The IA also provide recommendations related to its disclosure.

#### **Infrastructure and barter agreement**

Contract such as concession and barter in mining sector should be disclosed. Materiality shall be fixed with/by MSWG.

#### **For improving reporting template for EITI**

- To check whether there quazi fiscal expenditure, if there is it should be reported, materiality should be defined.
- Revenues of royalties should be broken down by company and aimag in the report. On basis of this matter how much mineral royalties were paid by which company and aimag, this should be given in the Report. So, it is suggested to elaborate amendments to art.60 of Budge law, effective January 1<sup>st</sup> 2016.

## 5 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 4.9). 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.

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

- If bidders are participating as a consortium, a foreign partnering auditing company and its auditors' responsibilities and involvement should be clearly stated; A foreign partnering auditing company and its auditors should participate in working group and national council meetings organized by EITIM and attend meetings and trainings organized in Mongolia
- Team members should have an extensive knowledge on Mongolia's extractive sector, budget revenue, tax, payments and laws related to customs. They also should be aware of all the regulations, instructions, form and reports of the Government and government's agencies on developing reports and conclusions and auditing.
- 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.
- if bidders are participating as a consortium, 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.
- if bidders are participating as a consortium, 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.

## 6 Reporting requirements and time schedule for deliverables

The assignment is expected to commence on April 15, 2019, culminating in the finalisation of the EITI Report by October 30, 2019. The proposed schedule is set out below:

Signing of contract	September 9, 2019
Phase 0: Scoping studies	September 16, 2019
=> Scoping Study	September 16, 2019

Phase 1: Preliminary analysis	September 20, 2019
=> Inception report	September 23, 2019
Phase 2: Data collection	September 30, 2019
Phase 3: Initial reconciliation	September 30, 2019
Phase 4: Investigation of discrepancies	October 30, 2019
=> Draft report	October 30, 2019
Phase 5: Final report	November 30, 2019
=> Final report	November 30, 2019

The schedule of payments shall be as follows:

- 10% following contract signing
- 30% following delivery of the inception report
- 50% following delivery of the draft EITI report
- 10% following MSG approval and publication of the EITI report

## 7 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.

## 8 Annex – 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 2016 - <http://www.eitimongolia.mn/eiti-standard>

EITI workplans, annual activity reports and other documents

- EITI Workplan 2019 - <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>