



Islamic Republic of Afghanistan
Afghanistan Extractive Industries Transparency Initiative
(AEITI)

Terms of Reference

Selection of an Audit Firm to Resolve the Discrepancies of the AEITI
3rd, 4th & 5th Reconciliation Reports

Third Reconciliation Report: Fiscal Year ۱۳۹۰

Fourth Reconciliation Report: Fiscal Years ۱۳۹۱ & ۱۳۹۲

Fifth Reconciliation Report: Fiscal Years ۱۳۹۳ & ۱۳۹۴

۱. Background

Afghanistan announced its intent to implement the EITI in March ۲۰۰۹, and became an EITI Candidate country on ۱۰ Feb, ۲۰۱۰.

In the international EITI board meeting in Oslo in February ۲۰۱۰ The Government of Islamic Republic of Afghanistan (GOIRA) requested the donor community to provide immediate technical and financial support to develop good governance and accountability mechanisms in Extractive Industries Sector via effective EITI implementation process in Afghanistan. For this purpose, the AEITI Secretariat was established within the Ministry of Finance in July ۲۰۱۰ to take the lead of EITI implementation in Afghanistan.

In Afghanistan, the extractive sector is expected to contribute a significant and growing proportion of Government revenues for the country's development. In light of this, GOIRA has fully committed to EITI implementation to ensure that all payments and receipts in the extractive industry are made in an effective and transparent manner. So far five EITI Reports have been published by the secretariat which gives an overview of the whole extractive sector of Afghanistan; the publication of these reports is intended to give public access to the information about the extractive industry and the revenue generated each year from the extractive industry by the Government of Afghanistan.

Afghanistan till yet remains an EITI candidate country and has forgone ۳ validations since its implementation, the recent of which was in February ۲۰۱۸ and the result of which is declared in January ۲۰۱۹ “temporarily suspending” Afghanistan. Nevertheless, AEITI has made great progress and has made several achievements including reforms within the extractive industry. AEITI is currently working on implementing the recommendations of the previous reports which will pave the way for major reforms within the Extractive Industry and especially Ministry of Mines and Petroleum contributing to the transparent and effective management of the revenues of the sector. The MSG agreed on the followings objectives; strengthen the government & extractive company' to establish an international accounting standards to fulfil the EITI requirements recommended by the Validator and Independent Administrator to meet such requirements the AEITI will get a Compliant status.

AEITI will publish EITI reports on annual basis and the EITI will be used as a diagnostic tool to identify gaps and/or weaknesses in the government's management of the sector across the value chain and provide recommendations for reform. EITI reports and communication activities can also be used to show-case the sector reform projects currently underway in Afghanistan which will improve the Government's ability to manage the sector in a more transparent and equitable way. Training and capacity building can also be provided to MSG members and wider EITI stakeholders on issues related to sector management. Afghanistan is endowed with significant mineral resource potential, however there is a perception among some stakeholders that the extractive sector, and a number of high-profile large-scale projects, will provide a solution to Afghanistan's revenue shortfalls over the short to medium term. The EITI can play a valuable role in highlighting the

current financial contribution provided by the sector to the national economy and the prospects for future growth.

Information on natural resource contracts, license information, rules, regulations, and policies, as well as supporting documents such as bidding documents, list of pre-qualified companies, successful and unsuccessful bids, technical information, and social and environmental impact assessment and mitigation plans are currently not readily available for expert and broader audiences. Easy accessibility of license and contract information, and supporting documentation and information is a key measure to achieve transparency and foster accountability in the extractive resource sector. Unless genuinely overriding imperatives of confidentiality or national security exist easy availability of such information should be the default modus operandi. Afghanistan EITI also aims to improve understanding of natural resources management among the AEITI partners/stakeholders and public, to create opportunities for dialogue & productive engagement in natural resource management in order to build trust and awareness among the stakeholders. Achieving reconciliation of financial flows between the extractive industries and the state including tax and non-tax payments, and to make quality and productive MSG in place for better monitoring and make quality decisions are also part of the objectives of the EITI in Afghanistan. All these objectives have been elaborated in the AEITI Work Plan. (More information about Country Work Plan is available on www.aeiti.af)

The independent audit firm will resolve the discrepancies and reconcile all material payments made by relevant extractive companies and revenues received by the government for the years (۱۳۹۰)-(۱۳۹۱- ۱۳۹۲)-(۱۳۹۳-۱۳۹۴) (Fiscal Years) respectively.

The AEITI Secretariat will provide adequate support to the Audit firm, appropriate Government agencies and the extractive agencies sector in terms of submitting required information on companies' payments/government revenues, and the additional data to facilitating timely completion of the assignment in accordance with its objectives.

۲. Objective

- Independently review and assess the effectiveness of this work. Building on the [findings from ۲.۱۷ Validations](#), the consultant should assess the extent to which EITI Reports prepared in accordance with the [standard terms of reference for Independent Administrators](#) ensures comprehensive and reliable data.
- Identify opportunities to promote the disclosure of comprehensive and reliable data through systematic disclosure. In doing so, the consultant should evaluate the EITI's current focus on comprehensive reconciliation and the clarification of discrepancies.

resolve the discrepancies between the payments received by the governments from the extractive industries, and the extractive industries reports; by reviewing the reconciliation reports prepared from the years (۱۳۹۰)-(۱۳۹۱- ۱۳۹۲)-(۱۳۹۳-۱۳۹۴) by Hart Group UK and physically review of record at the relevant institutions.

۳. Scope of Work

The audit firm will resolve the discrepancies in the report made by the reconciler Hart Group UK for the years (۱۳۹۰)-(۱۳۹۱- ۱۳۹۲)-(۱۳۹۳-۱۳۹۴).

Specific Activities to be undertaken by the Auditor will include:

- Collect data from the extractive industries for the years (۱۳۹۰) -(۱۳۹۱- ۱۳۹۲) -(۱۳۹۳-۱۳۹۴)
- Crosscheck the revenues received by the government in accordance with the AEITI reporting template as well as with the information/data received from the extractive industries.
- Work with the relevant extractive industries and government Agencies to find-out the discrepancies reported by the Hart Group UK
- Resolve the discrepancies for the years (۱۳۹۰) -(۱۳۹۱- ۱۳۹۲) -(۱۳۹۳-۱۳۹۴) between the Government records and the extractive industries and generate a comprehensive report to be submitted to the AEITI MSG and secretariat by the due date based on the contract.
- Review and assess Independent Administrators' adherence to the standardised procedure, including their work on: (i) establishing the scope of EITI reporting, (ii) reviewing the audit and assurance practices in companies and government entities; (iii) agreeing the assurance procedures to be used in EITI reporting; and (iv) reporting on adherence with these procedures.
- Review the procedures used for identifying and clarifying discrepancies. The consultant should comment on the most common causes of discrepancies, and the efficacy of this work in making an assessment of the comprehensiveness and reliability of the (financial) data.

۳. Deliverables:

- Inception report for resolving the discrepancies for the years (۱۳۹۰), (۱۳۹۱-۱۳۹۲), and (۱۳۹۳-۱۳۹۴)
- Draft final report for resolving the discrepancies for the years (۱۳۹۰), (۱۳۹۱-۱۳۹۲), and (۱۳۹۳-۱۳۹۴)
- Final report for resolving the discrepancies for the years (۱۳۹۰), (۱۳۹۱-۱۳۹۲), and (۱۳۹۳-۱۳۹۴)

۴. Obligations of the client:

- Assigning one contact person for the Audit firm for facilitation.
- Provide the required data such as relevant reports and data collected from the government as well as the companies for the mentioned period.

۵. Timing of Assignment:

- To be completed within ۶ months after the contract signing.

۶. Key Experts' man month:

- ۴ man-months

۷. Key Experts:

- One Review Expert with Financial and Accounting qualification of minimum Master Degree including ۸ years of experience in Finance and/or Accounting.
- One Reporting Expert with Financial and Reporting qualification of minimum Master Degree including ۵ years of experience in financial reporting.

۸. Payment Schedule:

- ۲۰٪ payment on submission of inception report by the consultancy firm and acceptance of the report by the client.
- ۳۰٪ payment on submission of draft final report by the consultancy firm and acceptance of the report by the client.
- ۵۰٪ payment on submission of the final report by the consultancy firm and acceptance of final report by the client.

۹. Consultancy Arrangements:

۱. Qualification of audit Firm:

It is anticipated that the work will be carried out by an eligible, competent, independent, national and internationally reputable firm of auditors with the following qualification;

- Experience in auditing EITI reports or similar reports in extractive and financial sectors;
- Experience and expertise in the oil, gas and mining sectors
- Working knowledge of legal, regulatory and fiscal legislation applicable to the extractive industries, especially in Afghanistan and other countries in the region is desirable;
- Having international auditing system experience is must;
- Full knowledge of Afghanistan taxation law in extractive sector;
- Shall be legally registered.
- Minimum of Five years of working experience in the field of Audit;
- Expertise in accounting, auditing and financial analysis;
- Must have knowledge in project evaluation, public and private sector audit and accounting matching to international standards;
- A track record in similar work. Previous experience with EITI is not required, but would be advantageous.

۲. The interested Audit Firm shall provide information indicating the proof documents that they are qualified to perform the service (Brochures, Description of similar conditions, general qualifications and number of key staff) Audit Firm may associate to enhance their qualifications.

۱۰. Selection Method:

The Audit Firm will be selected in accordance with the Consultant Qualifications method (CQS) with the procedures set in the Procurement Regulation of the World Bank.