

ANNEX I: Sample Terms of Reference for an EITI Administrator—Cameroon

1. Context

In order to enhance governance and transparency in the management of revenues derived from the petroleum/extractive sector and maximize the positive effects of this sector on growth with a view to improving the living conditions of the people, Cameroon became an implementing country of the Extractive Industries Transparency Initiative.

With a view to implementation of this Initiative, a Monitoring Committee and a Technical Secretariat have been established and a plan of action has been adopted. The collection and reconciliation of data related to figures and volumes are a major part of this exercise.

These terms of reference are intended to set forth the objectives assigned to the independent accounting firm to be selected to perform this work.

2. Services to be Provided by the Firm Hired

The firm must reach an agreement beforehand with the Committee regarding its methodology. It shall design and prepare standard formats for the charts necessary for reporting data by both the petroleum companies and the Government and its entities. Consequently, it shall:

- Finalize the initial collection of all payments by petroleum companies and all revenues collected by the State and its entities;
- Do an initial reconciliation of these payments and revenues;
- Prepare an actual overview of petroleum production for the periods in question;
- Document the procedure with a view to subsequent replication and facilitate future reconciliations;
- Make recommendations on the methodology to be used on a regular basis and on the mechanism necessary to carry out this task successfully; and
- Submit a report at the end of these activities.

3. Execution Method of the Services Expected

3.1. Data Collection and Reconciliation

3.1.1. Data Collection

The data in question cover the years 2001-2004 and 2005.

The firm selected shall audit the quality of the figures reported while ensuring that these figures are obtained from the accounts of companies that are audited in accordance with international standards, and shall ascertain consistency and correspondence between the figures reported by companies involved in petroleum activities and those provided by the State and its entities.

The petroleum companies to be included in this process are those that actually engage in petroleum activities in Cameroon or those that have concluded a petroleum contract with the Cameroonian State. The figures reported shall pertain to the revenues paid to the State or its entities in the context of their activities and shall have been audited and approved beforehand.

In the case of the State and its entities, the relevant figures correspond to the revenue received from petroleum companies as a result of their petroleum exploration and/or production activities as well as the financial flows of the National Hydrocarbons Company [*Société Nationale des Hydrocarbures* SNH] regarding the sale of the portion produced by the State.

- Execution Phase

In the case of petroleum companies, the auditing firm selected shall consider the following companies and shall work closely with the officials expressly designated by these companies.

In the case of the State and its entities, the firm selected shall examine the revenue collected by the following departments: SNH, Customs, Taxes, Public Treasury, and Central Bank, and shall work closely with the designated officials of these entities.

The Consultant shall provide a brief explanation in his report of the major petroleum taxation principles applied in petroleum contracts and shall indicate the recording of flows in the Public Treasury and SNH accounts.

3. 1. 2. Data Reconciliation

The auditing firm selected shall:

- Reconcile payments reported by petroleum companies and those reported by the State and its entities. Reconciliation shall focus on nomenclatures (aggregation and disaggregation), periods covered, etc. In the event of a discrepancy, the conciliator shall seek explanations from the parties concerned;
- Document problems encountered and solutions found; and
- Document situations in which reconciliation has not been possible.

3. 2. Documentation of Procedures

The auditing firm shall document its procedures so as to facilitate and prepare future collection and reconciliation exercises which shall be conducted on a regular basis.

The documentation shall, for companies as well as the State and its entities, include:

- Points of contact in each entity;
- Destination of each flow;
- Availability dates of data;
- Explanations for missing data or blank lines;
- Special problems encountered and methods used to resolve them;
- Details related to each situation where reconciliation was not possible as well as attempts made at reconciliation and the reason why a solution was not found; and
- Any other relevant information.

3.3. Recommendations regarding the Mechanism to be Established to Ensure the Collection and Reconciliation of Figures on a Regular Basis

Based on the experience acquired during its mission, the auditing firm selected should recommend a mechanism to be implemented so that the process for collecting and reconciling flows can take place on a regular basis, using a method that both parties find reliable.

The recommendations should include the following, among others:

- The frequency recommended;
- The broad outline of the method to be used;
- The size and profile of the team to be formed (documentation of the expected workload, capacity building necessary, etc.);
- The resources needed by this team; and
- The quality controls to be established to ensure the reliability of the process.

3. 4. Reports to be Submitted

The results of the exercise involving the collection and reconciliation of figures for each period shall appear in a report that will consist of two major sections:

- A statistical part that focuses on aggregated comparative data presented in the form of a chart for the petroleum companies on the one hand, and the State and its entities on the other; and
- A narrative part that includes the analyses, comments, and recommendations related to the statistical part.

The report, which is intended for the general public, shall be prepared in French and English, and 25 copies shall be submitted along with an electronic version.

Before carrying out the above, the consultant shall submit to the Committee, for purposes of approval and within 15 days of the signing of his contract, a preliminary report on the methodology and draft charts and formats to be used for the submission of figures by the parties.

- **Confidentiality Agreements**

Prior to reporting figures, the auditing firm selected shall sign confidentiality agreements with the parties concerned related to the data provided.

Figures shall be presented in CFAF or United States dollars.

4. Desired Profile of the Accounting Firm

The firm shall:

- Be a local or foreign firm with an international reputation or a joint venture between a local and a foreign firm;
- Not be a provider, either present or past, of the services of statutory auditor to one of the stakeholders involved with the Initiative;
- Have at least two senior professionals with 15 to 20 years of experience (one in the area of petroleum accounting, the other in public accounting) and provide reliable guarantees of impartiality and expertise for all the parties;
- Possess sound knowledge of petroleum economics, taxation, statistical systems, and public and private accounting in francophone Africa; and
- Have already provided services in the context of large-scale statistical and accounting projects.

5. Performance Schedule

The work shall begin in March 2006 and shall span a three-month period at most for the reconciliation of figures covering the 2001-2004 period. For data covering the 2005 fiscal year, work shall take place over a one-month period.

6. Criteria for Selection of the Firm

Selection shall take place via limited invitation. To this end, the Monitoring Committee shall prepare a list of three to six accounting firms that can properly perform the services requested.

The firms selected shall be asked to submit two bids, in accordance with the procurement rules of the World Bank indicated below:

- A technical bid that explains the methodology proposed as well as the experience of the firm and its staff to be used (80 percent of the evaluation); and
- A financial bid that indicates the amount of the budget and its breakdown (20 percent of the evaluation).

In the case of the technical bid, the following breakdowns shall apply:

- Experience of the firm: 20 percent;
- Proposed work plan and methodology: 40 percent; and

- Profile of the personnel to be used and time period for use: 40 percent.

The World Bank shall inform the Monitoring Committee of the results of its evaluation and, with its approval, shall conclude the contract with the firm selected.

The regular point of contact for the conciliator shall be the Coordinator of the Technical Secretariat of the Monitoring Committee.