

Timor-Leste EITI National Working Group

MINUTES

05 August 2008

9:30AM -11:45 AM

Bank and Payment Authority (BPA)
Dili, Timor-Leste

Participants

*Members**

James Kernaghan	External Relations & Communications Manager, Eni Australia
Carlos Florindo	ETADEP, CSO Rep
Mandy Whyte	Country Manager, Woodside
Manuel de Lemos	Director, SERN (EITI Focal Point)
Venancio Alves Maria	Executive Director, Banking and Payments Authority (BPA)
Angelo Lay	National Petroleum Authority (ANP)
Vidar Ovesen	Fiscal Policy and Petroleum Fund Advisor, Ministry of Finance (MoF)
Viriato Seac	Researcher, La' o Hamutuk
Florencio Fernandes, Alternate	Eni Timor-Leste, Dili Office Manager
Santina Soares	La' o Hamutuk, Civil Society

Alternatives Non-Voting and Observers:

Alishia Stearne	Woodside, Government & Community Relations
Elda Guterres da Silva	Finance and Admin Officer, EITI Secretariat
Trifonio Flor Sarmento	Assistant Outreach Coordinator & Finance and Administration Officer for Secretariat EITI
Lizete de Fatima M.	Development Program Advisor, Woodside
Catherine Anderson	Governance Advisor, World Bank
Doug Porter	Senior Public Sector Specialist, World Bank
Jose Goncalves	ANP
Joao Saldanha	Macroeconomy (MoF)
Abdur Rahman Khan	Advisor, PTD, MoF
Josefina de Olivera	Transparency and Accountability PO

Absent:

Domingos L. S. Maria	Director of Planning, SERN
Cristino Gusmão	Director, Ministry of Finance (MoF)
Amandio Gusmão	Director of National Directorate for Oil and Gas, SERN
John Gommers,	Senior Finance Officer, Timor Sea Designated Authority
Justino da Silva	NGO Forum
Mark Sherwill	Country Manager, ConocoPhillips Timor-Leste
Tobias Rasmussen	IMF, Representative
Elga Anita	Staff Planning SERN
Guida Freitas	PMCBP, World Bank

1. Minutes

Minutes from the previous meeting were accepted subject to the changes requested at the meeting by the members.

2. Terms of Reference for Auditor

Government of Timor-Leste (GoTL) (lead agency) spoke about the draft ToR tabled for the Working Group's discussion.

Comments have been received from industry member and other GoTL Departments and these were tabled:

Industry put the position that the procurement of an Auditor needs to be done under the terms of an approved contracting strategy, signed off by the Working Group. Industry also noted that the Auditor needed to be an accredited international accounting firm (or similar) with EITI expertise. The approach taken should also be considered as very similar to that adopted for the procurement of a Validator and that the Secretariat ought to look to those Guidelines for advice.

Industry also noted that the procurement of the Auditor could not be undertaken until such time as the Multi-Donor Trust Fund (MDTF) for EITI was in place, as this is where the funds are allocated in the budget. An observer noted that until such funds were in place then financing for this activity could be obtained from the PFMCPB (other funds from the MDTF and administered by the World Bank and Ministry of Finance (MoF).

All Members noted that the overall schedule for the recognition that Timor-Leste become an EITI Compliant country, contemplated that Validation needed to occur before Feb 2010. This means that there is limited time to undertake the Work Plan and so it was important not to delay the Audit process.

Notwithstanding the schedule, it was agreed among the WG that the Auditor ought to be an organisation, not an individual, and needed to be contracted in the manner referred to above.

Another concern raised by GoTL Departments and others was to avoid duplication of the auditing work that is already done by accounting firm Deloitte on behalf of the GoTL for the Petroleum Fund and also by Ernst and Young for the Autoridade Nacional do Petroleo (ANP).

It was suggested and agreed that Government members seek approval of the Minister of Finance to sole source Deloitte (ie under the terms of their existing contract) to undertake a short scope of works to provide the WG with a gap analysis on what is currently being audited, and what is not. That is, what parts of the petroleum payments and receipts are and are not being audited. This piece of work could be undertaken quite quickly and would inform the Terms of Reference for the Auditor contract.

Members were also referred to the Deloitte presentation which provided for three options (or levels) for auditing. Discussion was then had as to the appropriate level of audit for Timor-Leste given the schedule for Compliance.

Some Members noted that the simplest level of audit would be appropriate at this early stage of EITI development in Timor-Leste as this would be most time effective within the schedule. Deeper levels of audit could be contemplated in later years after Compliance was achieved.

Other Members thought that deeper levels of audit ought to be contemplated now.

Some specific comments on the draft ToR included:

- a) it needed to refer to both the quarterly and annual reports of the Petroleum Fund as the latter contained a specific EITI template report; and
- b) it needed to refer specifically to the section 4C of the Work Plan as this agreed task, “Decide terms of reference and recruit a consultant to determine whether the process and scope of preparing the Petroleum Fund Annual Report is consistent with the reporting template referred to in activity 4A”.

Some Members noted that there ought to be a greater scope of work under the EITI that that currently undertaken for the Petroleum Fund and that at least in the first instance, the EITI Working Group should have an auditor for EITI purposes specifically.

Deloitte are auditors for the Petroleum Fund but in addition to this work also conduct a reconciliation of petroleum payments and receipts as an additional piece of work in their contract. This information is included in the Annual Petroleum Fund Reports in the internationally accepted EITI reporting template.

Again, Members raised the question as to whether the EITI Auditor would duplicate this effort and whether it would not be better just going to Deloitte and expanding their scope of work.

Some Members noted that this was probably more a matter of phasing in the scope of works for the audit process.

One GoTL member expressed that the expectation of the level of audit that could be undertaken was too high given that there are 11 PSCs in operation at present and to audit to a deep level was a significant amount of work. It was noted that the level of cooperation by the Operators of the PSCs will have a bearing upon the level of audit able to be undertaken.

It was stated that Ernst & Young have already recently undertaken an audit of JPDA PSCs, on behalf of the ANP (formerly TSDA) which tested the Operators’ assumptions on costs, among other things.

There was general agreement among the Members that it was important not to duplicate what is already being done.

The WG agreed that:

1. a sub-committee be formed to prepare a contracting strategy and a revised ToR for the procurement of an Auditor. This would be formed by a member from each stakeholder pillar; and

2. in the interim, the GoTL member would have a discussion with the Minister of Finance and the existing auditor (Deloitte) to ascertain whether a short scope of work could be provided to the existing contract to determine the scope of audits undertaken presently. This would inform the development for the revised ToR mentioned in 1 above.

Industry and Civil Society will advise their representatives on the sub-committee by Friday 8 August 2008.

GoTL was to re-circulate the presentation provided by Deloitte at the EITI meeting earlier in the year.

3. Petroleum Resource Centre:

An industry representative gave an overview of the process for the proposed workshop to be held at 1000am on Tuesday 19 August, 2008. The process is that which is generally used by industry to assess, develop, construct and operate petroleum projects and can be applied to most situations. Eni will host the workshop at its offices in Vila Verde.

Some comments were received on the draft concept paper and the WG directed that the current assumptions be turned into questions to be asked / answered at the workshop. The concept paper will be revised to reflect the changes ahead of the workshop.

4. Multi Donor Trust Fund:

There was a discussion about what was required from the MoF to the WB to ensure approval of the MDTF allocation for EITI.

5. EITI Secretariat:

The Outreach Coordinator who was offered the job with the Secretariat declined to take up the position and instead remain with their current employer.

It was determined that the current Secretariat staff had the time and skills necessary to manage the outreach activities, at least for the time being and an assessment of progress would be made a later date.

The WG had previously asked whether an industry member could provide a vehicle for the Secretariat – there is \$10,000 in the budget for 2008 and nothing in the 2009 budget. SERN advised that the budget allocation was for running costs.

A government member advised that there had been a large number of vehicles returned from another activity and were currently contemplating where in Government these would be allocated. The Government member offered to check the possibility for one of these vehicles to be allocated in support of the EITI Secretariat.

Secretariat tabled the first monthly report – this was noted as a very useful document for the WG.

Secretariat tabled the draft EITI brochure (in Tetum) and sought comments on this.

6. Other Business

The matter of inviting an MP to observe the proceedings at the WG was raised and GoTL responded that the Secretariat would send an invitation to Committee C in the National Parliament to see if they wanted to nominate someone.

An observer noted that it would also be appropriate for the WG to get in contact with the Consultative Council for the Petroleum Fund so that each organisation can get to understand what the other does.

The observer also noted that the International EITI Secretariat was holding EITI training in Berlin in November and it was recommended that a person from each stakeholder pillar be nominated to go, noting a limited budget of \$15,000. EITI Secretariat to nominate candidates by 29 August. GoTL to circulate the letter received from the Secretariat.

The observer also noted that there was an international EITI conference to be held in February 2009.

7. Membership Changes and Staff Movements:

It was noted that Members Cristino Gusmao (GoTL) and Santana Soares (Civil Society) were leaving to undertake study overseas. The WG thanked them for their excellent contribution and wished them well with their studies.

It was also noted that the WB observer, Catherine Anderson, was also leaving to continue studies and the WG also thanked Catherine and recognised the significant contribution that she has made in the formation and support of the Committee since its inception and wishes her well in her endeavours.

8. Next Meeting

The next meeting is schedule for 9 September 08, at 9:30 AM till finishing at the Eni Office Vila Verde, Dili Timor-Leste.