

Problems with EITI

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The [Extractive Industries Transparency Initiative](#) is a great idea, in theory. But as I've also said for some time there are flaws in it. I highlighted some of them in a [paper](#) written for Global Witness and Save the Children and presented to a World Bank Conference in 2005.

Now as the number of EITI audits on the ground increases the problems that are being found in practice are increasing. In March this year I reviewed the first EITI audit in Ghana, and I can now publish the [report I wrote](#). It's an unfortunate fact that because of the weaknesses in the EITI process it can be reasonably concluded that this audit failed, based solely (I stress) on the evidence in the report - but that's valid for audit assessment. As I note in the report:

of the 11 [audit] tasks required to be undertaken nine have been reviewed . Of those nine tasks:

- 1. Only one task has been successfully and unambiguously completed.*
- 2. Four tasks have not been attempted.*
- 3. It appears that a further two tasks could not have been completed.*
- 4. The task requiring the appropriateness of receipts to be determined could not have been done given the limitations in the scope of the other work undertaken.*
- 5. Another task was subject to so many limitations of scope that no reasonable conclusions on the appropriateness of payments made with regards to mineral royalties; ground rent; dividends; taxation on profits and for mineral rights could have been reached, but this is not noted in the report.*

In the circumstances I cannot find evidence to support the audit conclusion reached by Boas & Associates.

The reality was that the only audit task actually successfully undertaken was the checking that payments made according to the EI companies surveyed agreed to the receipt of those payments by the government. I would stress, all this proves is that a cheque once issued by a company was banked by the government. This did happen. The same was also found to be the case in Nigeria when its first EI audits were completed. But all this proves is that the cheques were not mislaid in the post or on their way through the banking system. That's not much, to be candid.

What the first Ghanaian EITI audit appears not to have done is:

- * Prove that the correct revenues were recorded by the EI companies;
- * Proved that the correct royalties and other payments due on those revenues were calculated;
- * Proved that all payments due for all forms of taxes were actually paid;
- * Proved that taxes were correctly calculated;
- * Proved that all disbursements out of the sums received were correctly managed.

This is worrying because this is what the EITI should be about. Indeed, this is what audit should be about. If the EITI process is reduced to simply ticking a cash book and saying a cheque paid by one person has been received by another then it loses its purpose. Anyone can get round such an audit; I explain how in my report.

I stress. I remain committed to the EITI. It's invaluable. But a lot of things have to happen before it can deliver on its promise. A lot of those things will fall to the new EITI executive in Norway to address. This is not an issue they can avoid. Only root and branch reform of its accounting framework can resolve its problems. Will they have the courage to do that?