



EITI INDONESIA REPORT

2014

RECONCILIATION
REPORT

COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

EITI Extractive
Industries
Transparency
Initiative
INDONESIA



KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN
REPUBLIK INDONESIA

EITI INDONESIA REPORT 2014 **RECONCILIATION REPORT**



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No. 00113/EYI-AS/2017

Kepada
Ketua Tim Pelaksana Transparansi Industri Ekstraktif
Kementerian Koordinator Bidang Perekonomian

Laporan Administrator Independen untuk Pengembangan Laporan EITI 2014

Kami telah melaksanakan prosedur yang telah disepakati oleh Tim Pelaksana EITI Indonesia untuk membantu pemakai tertentu laporan ini, yaitu Tim Pelaksana EITI Indonesia berdasarkan kontrak No. PKK-12/IA/PPK/EITI/12/2016 tanggal 5 Desember 2016, berkaitan dengan informasi penerimaan negara yang telah disajikan dalam bentuk Formulir Pelaporan (*Reporting Template*) yang diterima dari beberapa entitas yang bergerak di industri ekstraktif di Indonesia dan entitas Pemerintah terkait, untuk periode 2014.

Prosedur yang disepakati dalam Terms of Reference (TOR) yang dicantumkan dalam Laporan Rekonsiliasi dilaksanakan dalam rangka implementasi EITI di Indonesia, dan diterapkan dalam proses rekonsiliasi antara pembayaran-pembayaran tertentu yang dilakukan oleh beberapa perusahaan di bidang industri ekstraktif di Indonesia dengan penerimaan-penerimaan terkait yang diterima oleh Pemerintah melalui entitas Pemerintah yang terkait.

Temuan-temuan dalam penugasan ini kami sampaikan dalam laporan ini dan lampirannya. Kami tidak melakukan penugasan audit ataupun kajian sesuai dengan standar audit dan kajian yang ditetapkan oleh Institut Akuntan Publik Indonesia, oleh karena itu kami tidak melaksanakan audit ataupun kajian yang bertujuan untuk menyatakan suatu pendapat atas informasi keuangan yang dinyatakan dalam bentuk Formulir Pelaporan yang diterima dari perusahaan-perusahaan tertentu tersebut dan institusi Pemerintah yang terkait. Oleh karena itu, kami tidak menyatakan suatu pendapat. Jika kami melaksanakan prosedur tambahan berupa audit ataupun kajian sesuai dengan standar audit dan kajian yang ditetapkan oleh Institut Akuntan Publik Indonesia terhadap informasi keuangan dalam formulir pelaporan tersebut, hal lain mungkin terungkap dan akan kami laporkan.

Laporan ini hanya berkaitan dengan informasi keuangan yang disajikan dalam bentuk Formulir Pelaporan yang diterima dari perusahaan-perusahaan tertentu yang bergerak dibidang industri ekstraktif di Indonesia, dan dari entitas Pemerintah terkait, dan bukan dalam bentuk laporan keuangan secara keseluruhan dari suatu entitas.

Jakarta, 27 Februari 2017



Bangkit Kuncoro
Partner
PT Ernst & Young Indonesia



List of Abbreviations and Definitions

Accrual Basis	An accounting method in recognizing income and or expense when it is earned and it occurs, not when cash is received or disbursed by the company/reporting entity	Cost Recovery	A return on operating costs incurred by the PSC Contractor (KKKS) of the production (in kind) derived from related work areas, in accordance with the provisions of the Cooperation Contract and related regulations
APBN	<i>Anggaran Pendapatan dan Belanja Negara/</i> The Indonesia State Budget	CSR	<i>Corporate Social Responsibility</i>
AuP Barrel	Agreed upon Procedures Unit oil and condensate equivalent to 42 US gallons or 158.99 liters at 60 ° F (sixty degrees Fahrenheit)	DBHSDA	<i>Dana Bagi Hasil Sumber Daya Alam/</i> Revenue Sharing for Natural Resources
BI	<i>Bank Indonesia</i> Indonesia Central Bank	Development Bonus	<i>Bonus that will be paid by KKKS to the government at the time of first Commercial Development of an area of work in accordance with Cooperation Contract</i>
BPK	<i>Badan Pemeriksa Keuangan</i> /Indonesia Audit Board	DHPB	<i>Dana Hasil Penjualan Batubara.</i> Obligation that must be paid by mining companies to the State amounted to 13.5% of the sales value of coal does not depend on the level of coal calorific
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan/</i> Financial and Development Supervision Agency	DG Mineral and Coal	Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources (MoEMR)
BP MIGAS	<i>Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi Indonesia/</i> Upstream Oil and Gas Regulatory Body	DG Oil and Gas	Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources (MoEMR)
Cash Basis	An accounting method in recognizing income and or expense when cash is received and or when cash is disbursed by company / reporting entity	DG Tax	Directorate General of Taxation, Ministry of Finance (MoF)
Condensate	Gas oil, naphtha and other relatively light hydrocarbons (with some dissolved hydrocarbon gas such as butane and propane) that remain liquid at normal temperature and pressure. Derived mainly from the reservoir gas, condensate is very similar to light crude oil, stabilized and used as feed stock for refineries and other petrochemical industries	DG Budget	Directorate General of Budgeting, Ministry of Finance (MoF)
Corporate Income Tax	An income tax payable by the taxpayer on taxable income in a tax year in accordance with the rules applicable tax provisions	DG Treasury	Directorate General of Treasury, Ministry of Finance (MoF)
Corporate & Dividend Tax	Income Tax and Dividend Tax owed by a taxpayer on taxable income in a tax year plus the dividend tax in accordance with the applicable tax provisions	DG Fiscal Balance	Directorate General of Fiscal Balance, Ministry of Finance (MoF)
		DMO	Domestic Market Obligation-obligation of delivery from KKKS/ companies' entitlement to deliver oil, natural gas or coal to meet domestic demand
		DMO Fee	Compensation to be paid by the government to the KKKS on the delivery of oil and/or gas to meet domestic needs by using prices set by the minister in the field of duties and responsibilities includes the business activities of Oil and Gas

Dry Hole	Drilling exploration wells where no proved oil and gas reserve	ICP	Indonesian Crude Price - The price of Crude Oil / Condensate Indonesia established by the Government of Indonesia with a certain formula for the implementation of the PSC Contract of Oil and Gas and sale of Crude Oil / Condensate from government entitlement derived from the implementation of the PSC Contract of Oil and Gas
EITI	Extractive Industries Transparency Initiative	IDR	Rupiah (Rp), Republic of Indonesia currency
ETBS	Equity To Be Split	IFRS	International Financial Reporting Standard
FQR	Quarterly Financial Report is a report that must be submitted by the KKKS to SKK Migas Quarterly, which presents information about KKKS activities which include: <ul style="list-style-type: none"> 1) Total Lifting Gas 2) First Tranche Petroleum 3) Investment Credit 4) Cost Recovery 5) DMO at ICP 6) DMO Fees 7) Profit sharing between the Government and the KKKS 8) Calculation of Income Tax on income in order KKS 	Implementing Team	<i>Tim Pelaksana/</i> Multi Stakeholder Group (MSG), which is implementing the EITI, where membership in accordance to Presidential Decree No. 26 Year 2010 Section 10
FTP	First Tranche Petroleum is a certain amount of crude oil and / or gas produced from a work area in a calendar year, which can be taken and accepted by the Regulatory Body and / or KKKS in each calendar year, before deducting the cost recovery of operation and handling of production (own use)	IN TO SAI	International Organization of Supreme Audit Institutions
Gas/Natural Gas	The result of natural processes such as hydrocarbon in atmospheric pressure and temperature conditions in the form of gas, which is obtained from the extraction of oil and gas. Natural gas can be processed into pipeline gas, LNG and LPG	Investment Credit	Investment incentives are additional refund in the amount of certain capital costs, directly related to the production facilities, which is given as an incentive for the development of oil fields and/or certain natural gas
GOI	Government of Indonesia	IPSAS	International Public Sector Accounting Standards
GR	Government Regulation	ISSAI	International Standards of Supreme Audit Institutions
IA	Independent Administrator, designed to compose Indonesia EITI Report 2014	IUP	Izin Usaha Pertambangan Mining Business Permit
IAPI	Institut Akuntan Publik Indonesia	IUPK	<i>Izin Usaha Pertambangan Khusus/</i> Special Mining Business Permit, is permit to operate mining business in special mining business area
		JOB Joint Lifting	Joint Operation Body Lifting activities carried out jointly between the KKKS and the Government using the vessel/ pipe the same purpose, where the result is divided by the estimated temporary entitlement

JV	Joint Venture	MSCF	Thousands Standard Cubic Feet. The amount of gas needed to fill the room 1 (one) cubic feet, with a pressure of 14.73 psi (fourteen and seven-tenths of a pound per square inch) or 14.696 psi (fourteen and six nine six per hundred pounds per square inch) and at 60 °F (sixty degrees Fahrenheit) in dry conditions
KAP	<i>Kantor Akuntan Publik/</i> Public Accountant Firm	MSG	Multi Stakeholder Group – see Implementing Team
KK	An agreement between the Government of the Republic of Indonesia with Indonesian legal entity in the context of foreign investment to conduct mineral mining	MoEMR	Ministry of Energy and Mineral Resources
PSC Contractor/ Holder	PSC holders or Oil and Gas Contractor are business entities or permanent establishments, which are set to carry out exploration and exploitation in a working area of oil and gas under the Production Sharing Contract with the Regulatory Body	NTPN	Nomer Transaksi Penerimaan Negara
PSC	A contract form of cooperation in the Upstream oil and gas production sharing scheme	Offshore	Oil operations over the mainland
KP	<i>Kuasa Pertambangan/</i> Mining Authority is the authority granted to entities / individuals to carry out mining operations	Onshore Operator	Oil operations in mainland Contractor or in the case of contractors consisting of several holders of participating interests, one of the participating interest holder designated as representative by the other participating interest holders in accordance with a cooperation contract.
Land Rent	Contributions to be received by State in return for the opportunity general survey, exploration or exploitation in a work area	Over/(Under) Lifting	Over Lifting is taking excess oil and natural gas by one party than the entitlement stipulated in the Cooperation Agreement in any particular period. Under Lifting is a shortage of oil and gas decision by one of the parties than the entitlement stipulated in the Cooperation Agreement in certain periods.
Lifting	A number of crude oil and /or gas that is sold or divided at the point of delivery (custody transfer point)	Partner	Participating Interest holder in the PSC other than PSC Operator
LKPP	<i>Laporan Keuangan Pemerintah Pusat</i> Government of Indonesia Financial Statements	PIPKP2B	Participating Interest/ <i>Perjanjian Kerjasama Perusahaan Pertambangan Batubara/Coal Contract of Work (CCoW) Agreement</i> between the Government of the Republic of Indonesia with Indonesian legal entity in the context of foreign investment or domestic investment to coal mining
LNG	Liquefied Natural Gas is natural gas that is converted into liquid form which requires refrigeration process for easy transport		
LPG	Liquefied Petroleum Gas is a gas (usually butane and propane) are stored and transported as a liquid under pressure. Unlike LNG, LPG does not require refrigeration to be liquefied		

Profit Sharing	The result of production that is available to be shared (and lifted) between the Government and KKKS after FTP(First Tranche Petroleum) deduction, investment incentives (if any) and return on operating costs	SKPKBT	<i>Surat Ketetapan Pajak Kurang Bayar Tambahan/</i> Tax assessments that determines the addition of a predetermined amount of tax
Production Bonus	A bonus that will be paid by the KKKS to the Government after reaching accumulation and (or) a certain level of production in accordance with KKS	SOE	State-Owned Enterprise/Company
PSC Reconciliation	The process of comparing the financial information and volume reported by the company/KKKS and the relevant government agencies as well as the explanation of the differences can be resolved and identification of differences that cannot be solved	SSBP	<i>Surat Setoran Bukan Pajak/</i> Non Tax Slip
Reporting Entity	In the context of this report, the reporting entity is a company / KKKS and Government Agencies	STP	<i>Surat Tagihan Pajak/</i> Letter to the tax bill and/ or administrative sanctions in the form of interest and/or penalties
Royalty	Exploration and Exploitation Fees from authority power in production contribution of mining on the results of exploration opportunities / exploitation	Technical Team	A small Team that represents the Implementing Team
Secretariat	Secretariat of EITI	USD or Dollar	United States Dollar Currency
Signature Bonus	Contractor pays bonus to the Government after signing of the PSC no later than 30 days	US	
SKK Migas	<i>Satuan Khusus Kegiatan Usaha Hulu Minyak dan Gas Bumi/</i> Special Taskforce for Upstream oil and Gas Business Activities	Year 2014	In this report, referring to the calendar year 2014
SKPKB	<i>Surat Ketetapan Pajak Kurang Bayar/</i> Tax assessments that determines the amount of the principal amount of tax, the tax shortfall principal payments, the amount of administrative sanctions, and the amount of tax to be paid		



Terms of Reference

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:

1. **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.
2. **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. In Indonesia, and for the purposes of this TOR, “MSG” refers to the Transparency Implementation Team.

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. Additional information is available via www.eiti.org.

It is a requirement that the MSG approves the terms of reference for the Independent Administrator (EITI Standard 2016 requirement 4.9.iii), drawing on the objectives and agreed scope of the EITI as set out in the MSG’s work plan. The MSG’s deliberations on these matters should be in accordance with the MSG’s internal governance rules and procedures. 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 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 Indonesia

Indonesia was accepted as an EITI Candidate in October 2010. Indonesia’s implementation of EITI entails large and medium-sized oil, gas and mining firms operating in Indonesia reporting the amount of tax and non-tax revenues they have conveyed to the government, and the government reporting what it receives from those companies. To date, EITI-Indonesia has produced three EITI Reports: the first report covering the calendar year 2009; the second, 2010-2011; the third, 2012-2013, Indonesia was validated as an EITI-compliant country in 2014, and will undergo validation again in 2017, per the requirements/timelines set forth in the 2016 EITI Standard.

The implementation of EITI-Indonesia is overseen by the Transparency Implementation Team (i.e. “MSG”), appointed by Presidential Regulation 26/2010 on Transparency of Local and National Extractive Industry Revenues. The Implementation Team membership represents all reporting government entities, industry groups (oil/gas, mining, and coal), and three representatives from civil society groups.

Day-to-day implementation is managed by the National Secretariat, housed within the Coordinating Ministry for Economic Affairs, and led by a National Coordinator (current the Assistant Deputy for Extractives).

More information can be found at <http://eiti.ekon.go.id/>

2. Objectives of the assignment

On behalf of the government of Indonesia and the Transparency Implementation Team, the Coordinating Ministry for Economic Affairs 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 an EITI Report for 2014 in accordance with the 2016 EITI Standard and section 3, below.

3. Funding Resources

Funds for the Services will derive from the Indonesia EITI Post-Compliance Project (Indonesia NR4D Grant No. TF0A2261), with an estimated cost for this activity of IDR 1.917.200.000. - .

4. Name and organization of the Official in Charge of Making Commitments

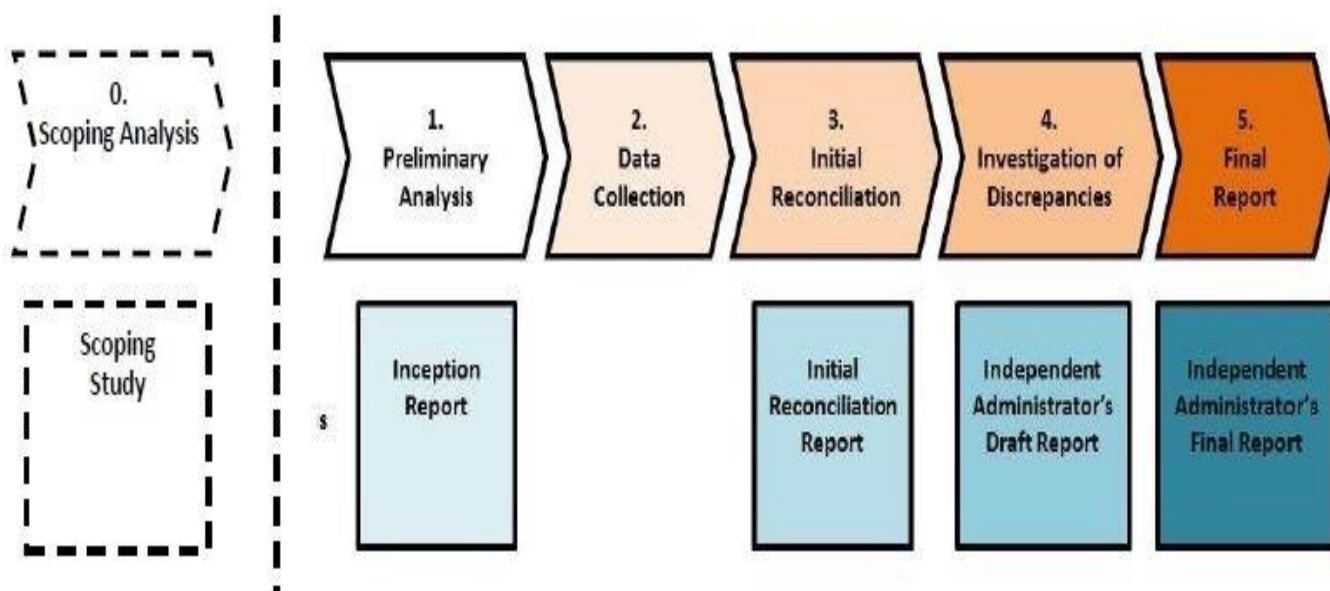
The Official in Charge of Making Commitments (Pejabat Pembuat Komitmen - PPK) or Project Officer for EITI Indonesia activities is Agus Budi Kuntjoro of the Deputy for Energy, Natural Resources and Environment Management in the Coordinating Ministry for Economic Affairs.

5. 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 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 (1.1-1.2 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 MSG's proposal for the scope of the EITI Report, to be revised and confirmed with the Independent Administrator during the inception period, is set out in TOR-Annex 1.

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 TOR-Annex 2).
- 1.2 The Independent Administrator should review the scope proposed by the MSG in Annex 1 with a particular focus on the following:
 - 1.2.1 Reviewing the comprehensiveness of the payments and revenues to be covered in the EITI Report as proposed by the MSG in TOR-Annex 1 and in accordance with EITI Requirement 4
 - 1.2.2 Reviewing the comprehensiveness of the companies and government entities that are required to report as defined by the MSG in TOT-Annex 1 and in accordance with EITI Requirement 4.1

- 1.2.3 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. It is recommended that the EITI Report includes a summary of the findings, otherwise the MSG should make the results of the review of audit and assurance practices publicly available elsewhere.
- 1.2.4 Providing advice to the MSG on the reporting templates based on the agreed benefit streams to be reported and the reporting entities (1.1.1– 1.1.2 above). 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.
- 1.3 On the basis of 1.1 and 1.2 as applicable, produce an inception report that:
- 1.3.1 Includes a statement of materiality (TOR-annex 1) confirming the MSG’s decisions on the payments and revenues to be covered in the EITI Report, including:
- 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.
- Any other aspects as agreed by the MSG following the delivery of the Independent Administrator’s inception report.
- The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).

- 1.3.2 Includes a statement of materiality (TOR-annex 1) 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)).
- 1.3.3 Based on the examination of the audit and assurance procedures in companies and government entities participating in the EITI reporting process (1.2.3 above), 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 judgment and apply appropriate international professional standards in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his /her professional judgment 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 program 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 assurances to be provided.

- 1.3.4 Confirms the procedures for integrating and analyzing non-revenue information in the EITI

Report. The inception report should incorporate Table 1 below, confirming the division of labor between the Independent Administrator, the MSG or other actors in compiling this data, and how the information should be sourced and attributed.

- 1.3.5 Confirms the reporting templates, as well as any procedures or provisions relating to safeguarding confidential information.

Table 0 Non-revenue information to be provided in the EITI Report

Non-revenue information to be provided in the EITI Report	Work to be undertaken by the Independent Administrator
Legal framework and fiscal regime in accordance with EITI Requirement 2.1.	Update the material contained in the 2012-2013 EITI-Indonesia Report, and 2014 scoping decisions (TOR-Annex 1).
An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1.	Update the material contained in the 2012-2013 EITI-Indonesia Report, and 2014 scoping decisions (TOR-Annex 1).
Information about the contribution of the extractive industries to the economy in accordance with EITI Requirement 6.3.	Update the material contained in the 2012-2013 EITI-Indonesia Report, and 2014 scoping decisions (TOR-Annex 1).
Production and export data in accordance with EITI Requirement 3.2 and 3.3	Update the material contained in the 2012-2013 EITI-Indonesia Report, and 2014 scoping decisions (TOR-Annex 1).
Information regarding state participation in the extractive industries in accordance with EITI Requirement 2.6 and 6.2	Update the material contained in the 2012-2013 EITI-Indonesia Report, and 2014 scoping decisions (TOR-Annex 1).
Information about the distribution of revenues from the extractive industries in accordance with EITI Requirement 5.1.	Update the material contained in the 2012-2013 EITI-Indonesia Report, and 2014 scoping decisions (TOR-Annex 1).
Any further information further information requested by the MSG on revenue management and expenditures in accordance with EITI Requirement 5.3.	Update the material contained in the 2012-2013 EITI-Indonesia Report, and 2014 scoping decisions (TOR-Annex 1).

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 and collect the completed forms and associated supporting documentation directly 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.
- 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 established in agreement with the MSG (per TOR-Annex 1).

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 to the level of detail agreed by the MSG and in accordance with requirement 4.7. 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 must 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 produced in both Bahasa Indonesia and in English.

5.3 The Independent Administrator should produce electronic data files¹² to be published online 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 standardized 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 (in both Bahasa Indonesia and in English), legibility and usability. The report should be edited by a professional copy-editor and/or be designed by a professional graphical designer.

5.6 The Independent Administrator shall submit to the national secretariat all data gathered during reconciliation available, including the contact information of all institutions contacted during the reporting process.

6. 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 will need to demonstrate:

- Expertise and experience in the oil, gas and mining sectors in Indonesia.
- Expertise in accounting, auditing and financial analysis.
- A track record in similar work. Previous experience in EITI reporting is not required, but would be advantageous. Previous experience in EITI reporting in other countries (not just Indonesia) would be similarly advantageous.
- Broad knowledge of individual companies in the extractive industries in Indonesia, as well as the flow of funds for state revenues from extractive industries, and government entities that collect and manage those revenues.

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.

The Independent Administrator must provide a sufficient number of qualified experts and resources to deliver the services as defined in this TOR within the required timeframe.

Key Experts. Key Experts' CVs will be assessed to determine the acceptable qualification and experience based on the requirements set out in the TOR. These experts should play a leading role in fulfilment of services under this Terms of Reference.

The roles and estimated numbers of key Experts are as follows:

1. One (1) Project Manager shall be responsible for assurance of fulfilment of services, submission of work products/ deliverables, and coordination of activities of all experts.

2. One (1) Extractives Sector Specialist shall be responsible for the development of all non-reconciliation data/analysis contained in the report (i.e. “contextual information”), and assistance in reviewing the reporting templates to adequately capture all relevant financial flows in accordance with the 2016 EITI Standard, and proposing recommendations on reporting process and potential sector reforms to improve overall governance of the extractive industries.
3. One (1) Financial Analysis Specialist shall be responsible for reviewing the reporting template adopted by the Transparency Implementation Team, distributing and collecting completed templates from relevant government entities and companies, and performing financial reconciliation in line with the 2016 EITI Standard.

The above are estimate/indicative inputs, and the Independent Administrator may propose a team in composition, qualification and number as appropriate to fulfill the assignment in the technical and financial proposals.

Qualifications of Key Experts are as follows:

- Project Manager, with a minimum of an undergraduate education; at least 8 years’ experience working in accounting, auditing, and/or financial analysis related to extractives; and at least 5 years’ experience working on issues pertaining to the Indonesian oil, gas, and mining sector; and

prior experience managing complex assignments.

- Extractives Sector Specialist(s) with demonstrated expertise in the oil, gas and mining sectors; and at least 10 years’ experience working in the sector.
- Financial Analysis Specialist(s) with a minimum of an undergraduate education; and at least 7 years’ experience working in accounting, auditing, and/or financial analysis

Other Experts. The Independent Administrator may also include other qualified professionals as appropriate (classified as non-key experts) in the technical and financial proposals to meet the requirements of the Terms of Reference.

Support Staff. In addition, the Independent Administrator may employ supporting staff to provide the needed auxiliary services, such as the services for interpretation and translation, to ensure effective and efficient fulfilment of activities under this assignment.

7. Reporting requirements and time schedule for deliverables

The assignment is expected to commence on 5 December 2016, culminating in the finalization of the EITI Report by 28 February 2017. The proposed schedule is set out below, subject to change as needed:

Signing of contract	5 December 2016
Phase 1: Preliminary analysis	
• Inception Report	23 December 2016
Phase 2: Data collection	10 13 December 2016 – 10 February 2017
Phase 3: Initial reconciliation	26 December 2016 – 2 February 2017
Phase 4: Investigation of discrepancies	10 – 16 December 2016
• Draft EITI report	17 February 2017
Phase 5: Final Report	20 February 2017
• Final EITI Report	28 February 2017 (including translation)

The Independent Administrator shall also produce and deliver a 4-5 page summary report, highlighting the main findings of the 2014 EITI-Indonesia Report in a user-friendly format.

The schedule of payments shall be as follows:

- 10% following delivery of the inception report
- 60% following delivery of the draft EITI report
- 30% following Implementation Team approval and publication of the EITI report

The final EITI report should:

- a) Include revisions of the draft as recommended by the Implementation Team;
- b) Be approved by the Implementation Team;
- c) Include an executive summary that briefly presents the contents of the report;
- d) Be written in two languages, Indonesian and English. The authoritative version is the report in the Indonesian language;
- e) Be in the form of electronic data files and 25 hard copies. The final report with executive summary will also be made in a form that is easy to read and reproduce, in multiple formats (pdf, word, and excel where relevant). All quantitative and reconciliation-related data files shall be presented in Excel (xlsx) and/or CSV (.csv) format;
- f) Include summary data to be sent electronically to the EITI International Secretariat according to the standardized reporting format available from the International Secretariat;
- g) Contain colorized maps where relevant to facilitate readability;
- h) All data collected for reconciliation should be formatted as specified by the EITI Indonesia Secretariat, to ensure compatibility with the existing Indonesia Extractives Data Portal database.

8. Client's input and counterpart personnel

The Independent Administrator will report to the EITI-Indonesia National Coordinator (Assistant Deputy Minister of Extractives, Coordinating Ministry for Economic Affairs). Day-to-day supervision of the work will be managed by the Team Leader of the EITI-Indonesia National Secretariat. The National Secretariat shall provide general support to the Independent Administrator in the following areas, as needed:

- Summary of all scoping decisions for the 2014 EITI-Indonesia Report that have been approved by the MSG, and all draft reporting templates (that should be reviewed/amended as necessary) prior to distribution to reporting companies and government entities.
- Clarifications on the content and requirements of the 2016 EITI Standard (in consultation with the EITI International Secretariat in Oslo, Norway);
- Providing introductions and contact details for company and government staff relevant to the EITI Report.



Executive Summary



State Revenues by Industry Type

Revenues from oil and gas sector in 2014 amount to IDR 341.25 trillion, increasing in compare to previous year that amounts to IDR 326.78 trillion.

Percentage of revenues in oil and gas sector in proportion to state revenue in 2014 represents 22.01%, where it is lower than the proportion last year with 22.7%

Table 1 State Revenues 2013 and 2014 from Oil and Gas Sector

Revenue Stream	2013 (in trillion Rupiah)	2014 (in trillion Rupiah)
Oil and Gas Revenue Tax	88.75	87.45
Land & Building Tax (PBB)	20.94	20.60
NON-TAX		
Oil Revenue	135.33	139.17
Natural Gas Revenue	68.30	77.7
Revenue from Upstream Activities	13.46	16.33
TOTAL OIL AND GAS REVENUE	326.78	341.25
TOTAL STATE REVENUE	1,438.89	1,550.49
RATIO	22.70%	22.01%
Oil and Gas Revenue Tax	88.75	87.45

Source: LKPP 2013 and 2014

Revenue from mineral and coal sector in 2014 is IDR 37.37 trillion, in which contributed 10.01% of total state revenue. In comparison with 2013, the revenue from mineral and coal sector was IDR 29.63 trillion and contributed 9.8% of total state revenue. The data shows revenue from mineral and coal sector is increasing from 2013 to 2014. Please see Table 2 for more detail of revenue in mineral and coal sector.

Table 2 State Revenue in 2013 and 2014 for Mineral and Coal Sector

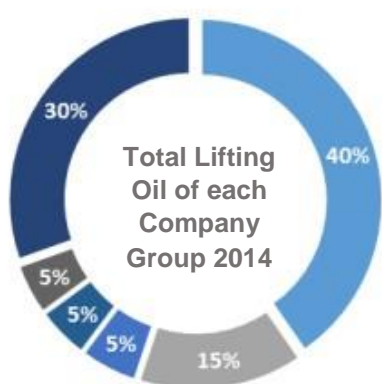
Revenue Type	2013 (in trillion Rupiah)	2014 (in trillion Rupiah)
TAX		
Mining Tax	96.57	118.8
NON-TAX		
Royalty	18.03	18.49
PHT	9.79	16.17
Land Rent	0.59	0.81
Borrow to Use Permit for Forest Area (IPPKH)	0.59	0.88
TOTAL MINERAL AND COAL REVENUE	29.63	37.37
TOTAL STATE REVENUE	1,438.89	1,550.49
REVENUE RATIO	9.8%	10.01%

Source: Data Center and Information Technology MoEMR (PUSDATIN)

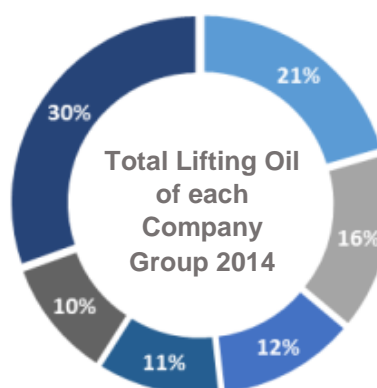
Major Contributor Companies

The largest company for total oil lifting in barrel is Chevron (company group). In 2013 and 2014, Chevron contributed 42% and 40% respectively for total oil lifting.

For gas lifting in MSCF, ConocoPhillips (company group) contributed 19% in 2013 and 21% in 2014. The top 5 contributor for total oil and gas lifting in 2013 and 2014 is showed in Figure1 and 2 on the next page.



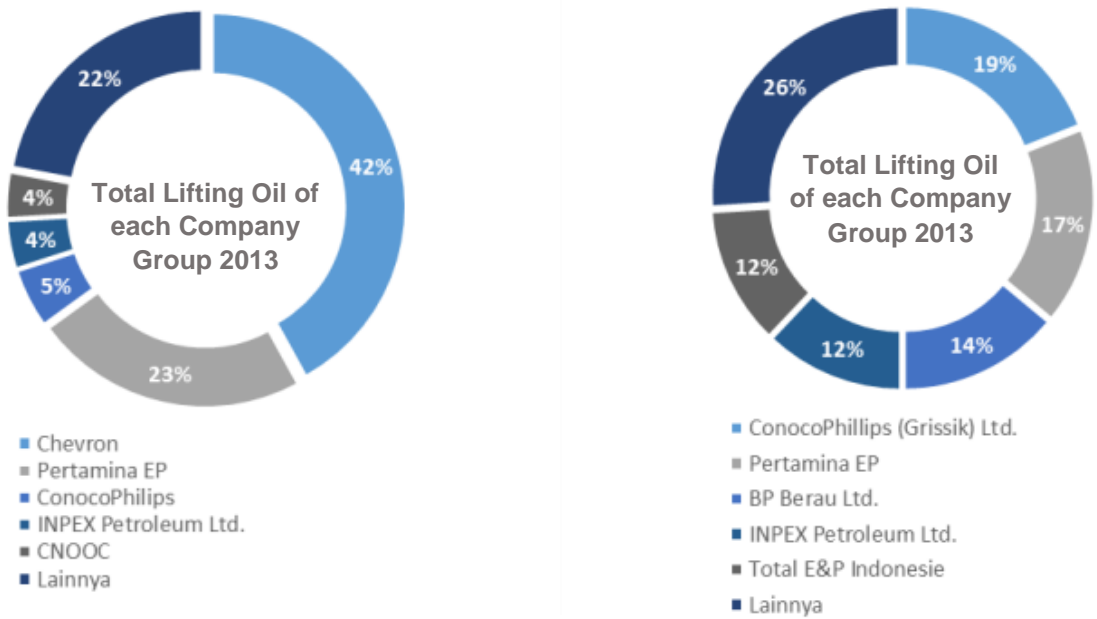
- Chevron
- Pertamina EP
- PHE ONWJ
- ConocoPhillips
- INPEX Petroleum Ltd.
- Others



- ConocoPhillips
- BP
- Pertamina EP
- INPEX Petroleum Ltd.
- Total E&P Indonesia
- Others

Source: EITI Data Analysis 2014

Figure 2 Total Lifting Oil and Gas Year 2013

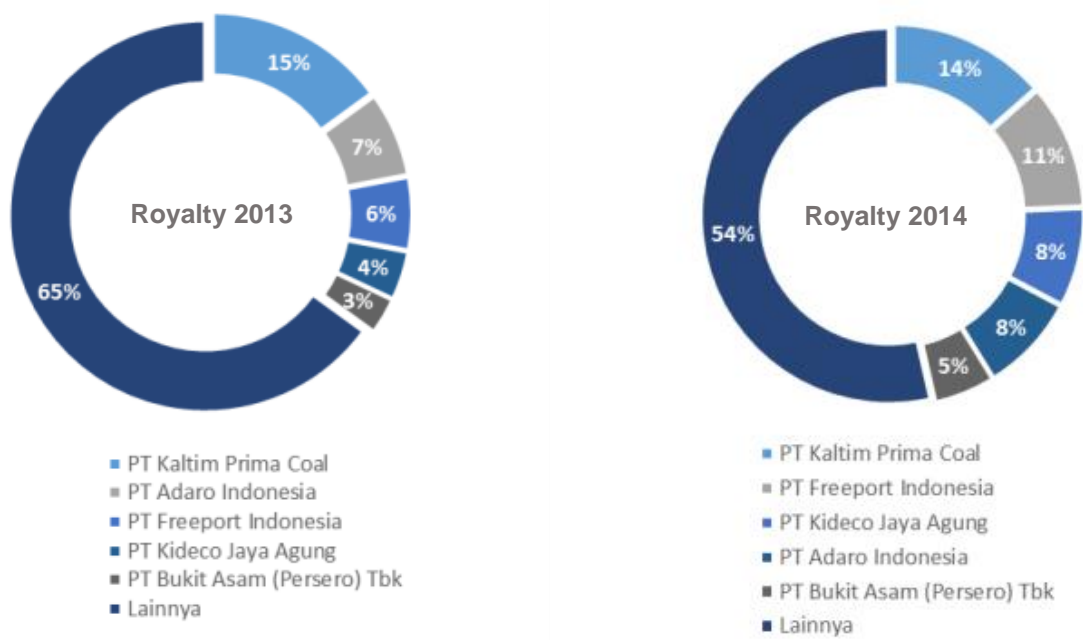


Source: EITI Data Analysis 2014

(SOE) included in the top 5 largest royalty contributor companies in 2014. The largest royalty contributor mineral and coal companies are shown in the Figure 3 below.

In the mineral and coal sector, the 5 largest royalty contributor companies cover 46% of the total royalty payment in 2014, where there is 11% decrease compared to 2013. PT Bukit Asam (Persero) Tbk. is the only State Owned Enterprise

Figure 3 Total Royalty Contribution by Mineral and Coal Companies Year 2013 and 2014



Source: EITI Data Analysis 2014

Figure 4 Extractive Industry Contribution to National GDP



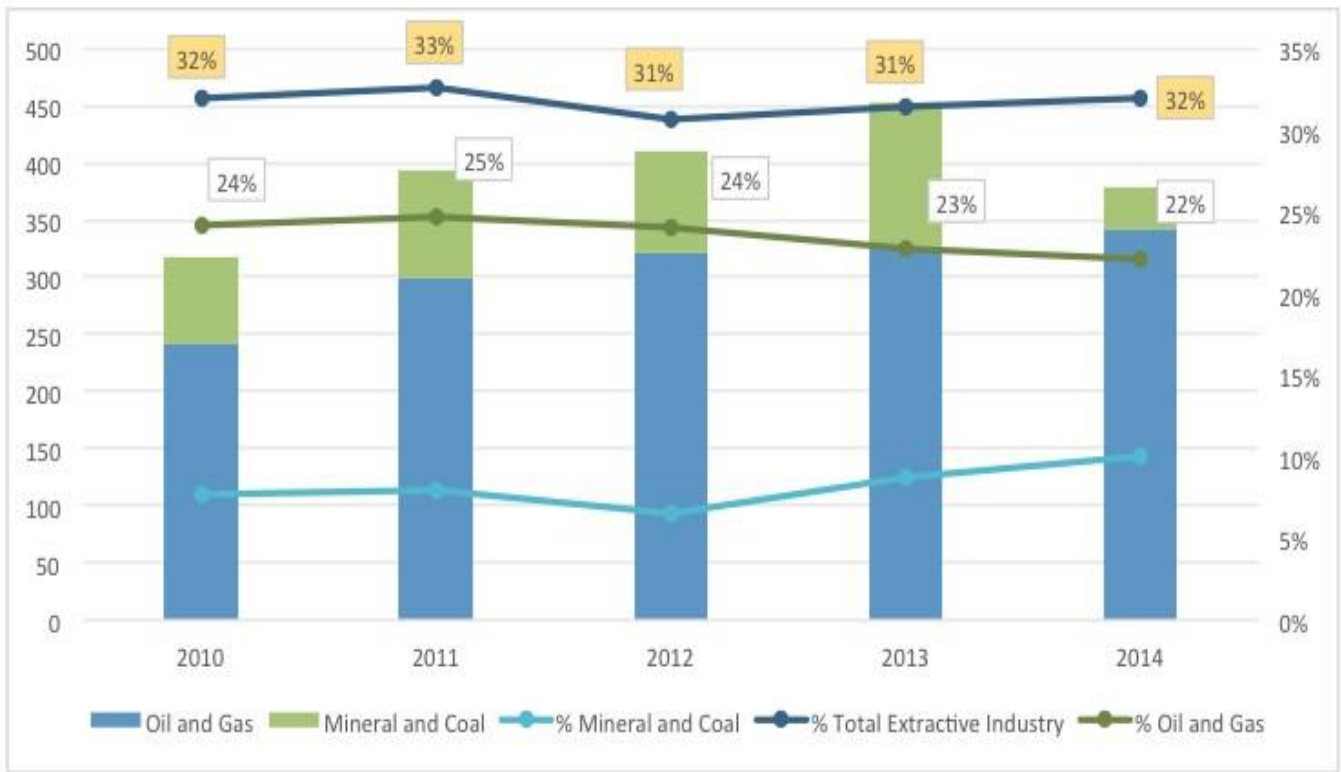
Source: BPS

Figure 4 illustrates the Indonesian mining sector’s contribution to total national GDP at the current prices. In nominal terms, the GDP of mining sector in 2010-2014 continued to grow. The growth also increases the contribution of the mining sector towards the national GDP, but the composition of the GDP of mining sector in total national GDP started to decline in 2013 to 2014.

However, this percentage began to decline in 2014 to 10.5% of total national GDP. The mining sector contribution to national GDP does not look too dominant which is ranging between 10-11% of total national GDP. Contribution of mineral and coal sector to GDP (economic) regions such as Papua, Bangka-Belitung, West Nusa Tenggara and East Kalimantan play a major role in the contribution.

In 2010, the mining sector contributed approximately 11.2% of total national GDP. These rates continue to rise which at its peak reached 11.8% of total national GDP in 2011 due to higher international prices on various mineral commodity prices.

Figure 5 Extractive Industry Contribution to State Revenue



Source: BPS

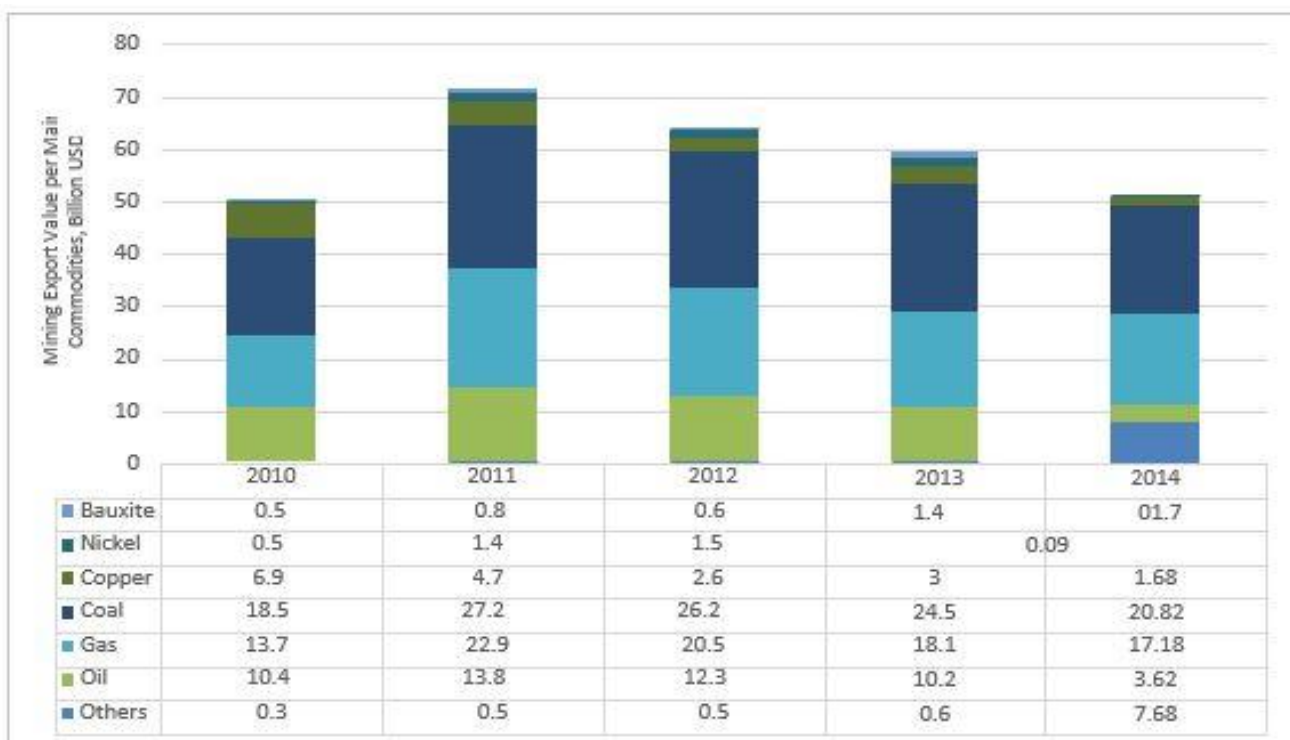
Figure 5 illustrates the significance of the extractive industry contributions to state revenue in 2010-2014. With a contribution of approximately 30%-33% of the total state revenue, mineral and coal and oil and gas sector are sectors that plays an important role in state revenue. Contributions of oil and gas are about 23%-25% and mineral and coal sector are 6%-9% of total state revenue.

In the period of 2010-2014, the nominal of state revenue from oil and gas mining sector continues to increase, especially in 2011 the increase in state revenue are significant because of the rising crude oil prices to around USD 80/barrel to above USD 100/barrel. In 2012 and 2013, state revenue from oil and gas mining increased despite the drop of the lifting due to the weakening Rupiah against the US dollar in that period. The percentage contribution of revenue from oil and gas mining sector continued to decline from 25% in 2011 to 22% in 2014.

Similarly, revenue from mineral and coal mining sector nominally have continues to increase in the period 2010-2013. The highest peak in terms of both nominal and percentage occurred in 2013 and then decreased in 2014. The decline in revenue was caused by the decline in coal prices to around USD 64.65/ton and abundant availability of crude oil in the world market.

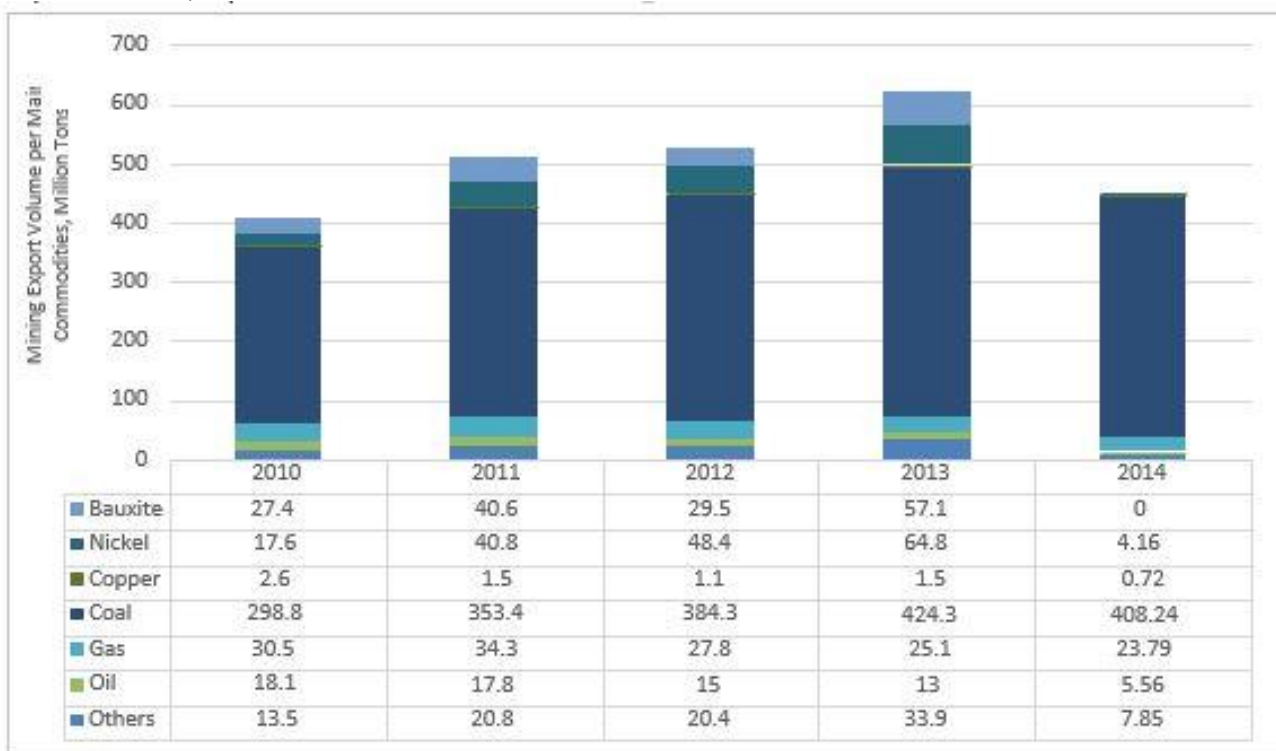
Figure 6 to 8 illustrate the export of mining commodities and their contribution to national exports for the period 2010-2014. The contribution value of mining exports to total national exports significantly ranged between 29%-35% annually based on receipts in USD. The value of exports was dominated by exports of oil, gas and coal. In 2010-2014, the export of oil and gas contribute about 12%-18% of the total value of national exports, while the export value of coal reached 11-14% of the total value of national exports. However, the contribution value of mining exports in 2012-2013 experienced a downward trend caused by declining production of oil and gas.

Figure 6 Extractive Industry Contribution to Total National Export (in billion USD)



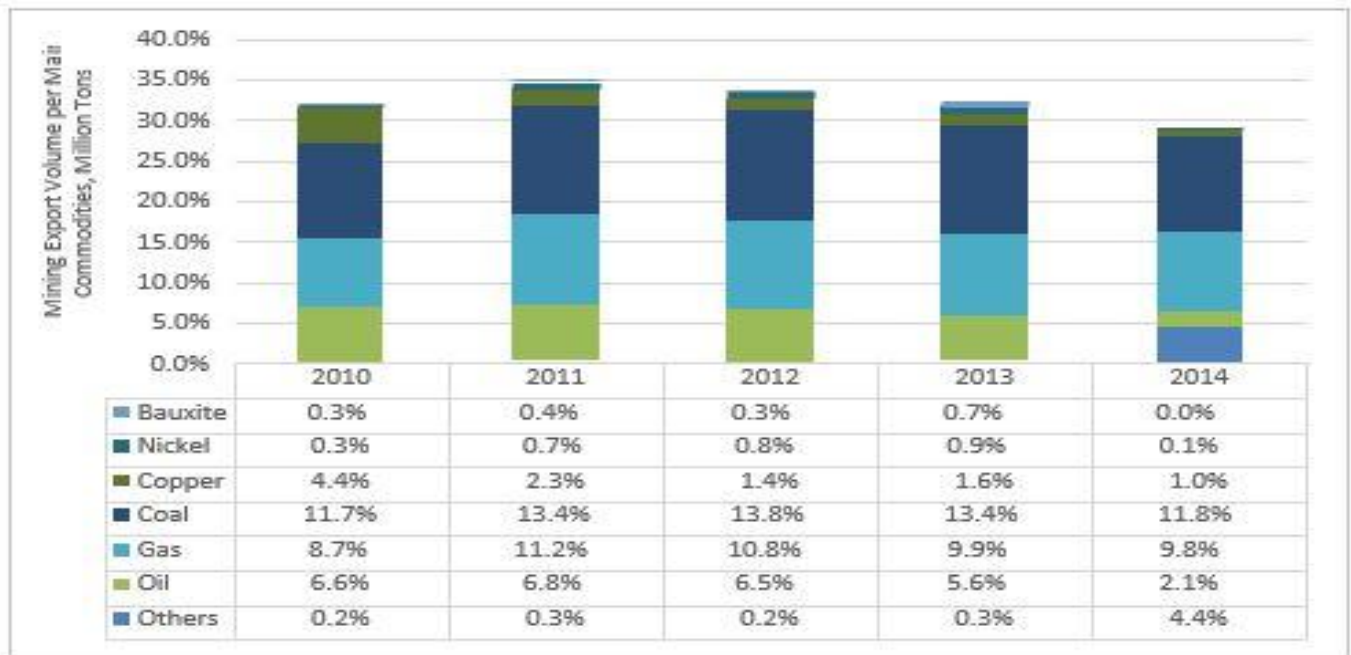
Source: BPS

Figure 7 Export Volume of Mineral and Coal Mining Sector for Each Mining Commodity (in Million Tons)



Source: BPS

Figure 8 Mineral and Coal Mining Sector Contribution to Total Export



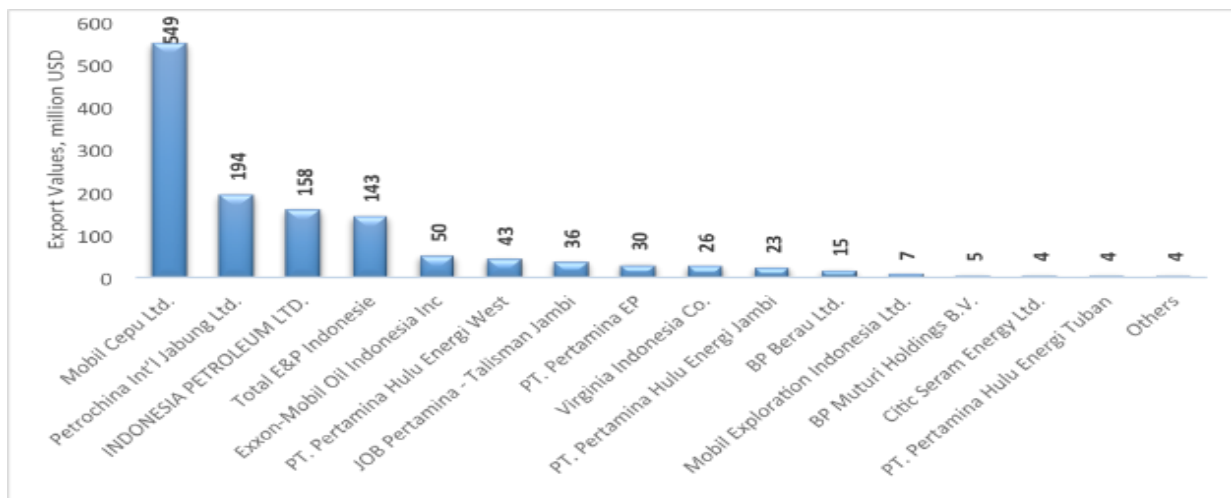
Source: BPS

Export of Oil and Gas by Contractor

Figure 9 and Figure 10 illustrate exports by the main contractor which account for approximately 90% of total national exports of oil. The largest block contributor to oil export is Cepu managed by Mobil Cepu Ltd. amounting for USD 549 million

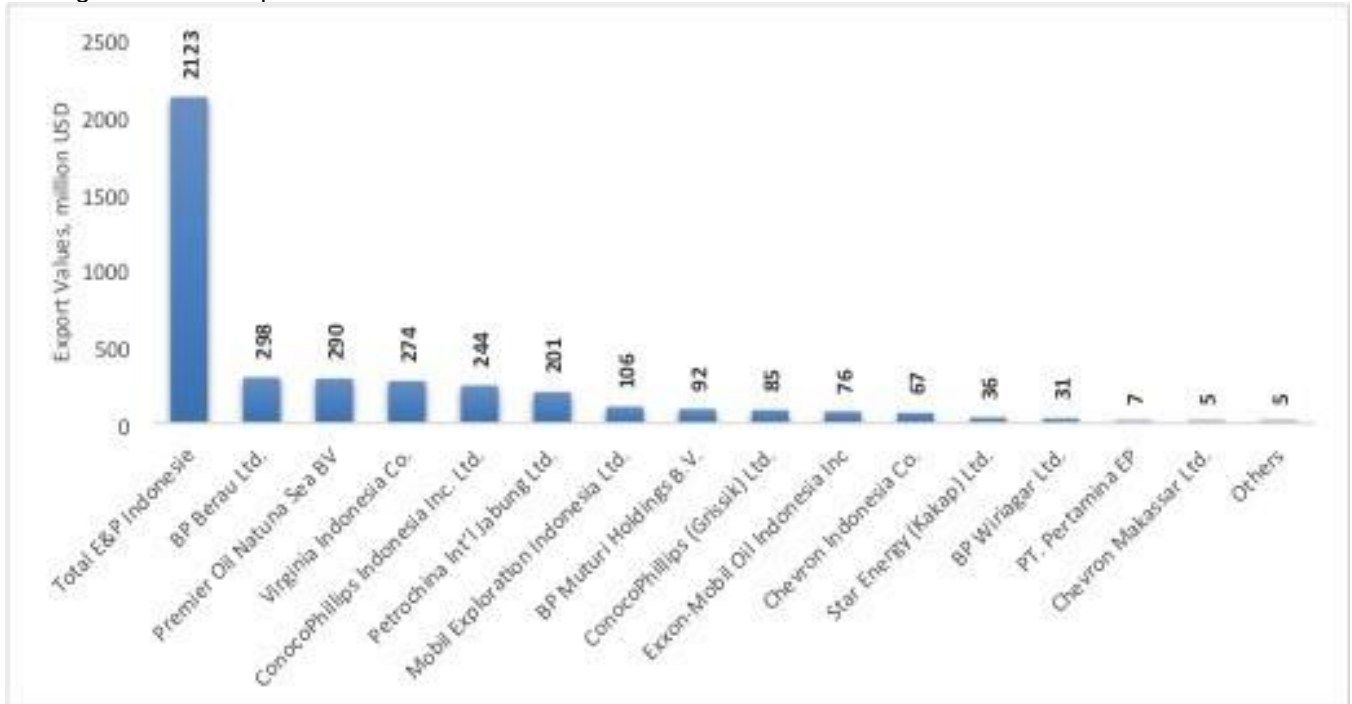
(which is 43% of total national oil exports) in 2014. For the export of natural gas, Block Mahakam that is managed by Total E&P Indonesia is the largest contributor with value of USD 2,123 million (which is 54% of the national natural gas exports) in 2014.

Figure 9 Oil Exports Year 2014



Source: EITI Reconciliation Data 2014

Figure 10 Gas Exports Year 2014



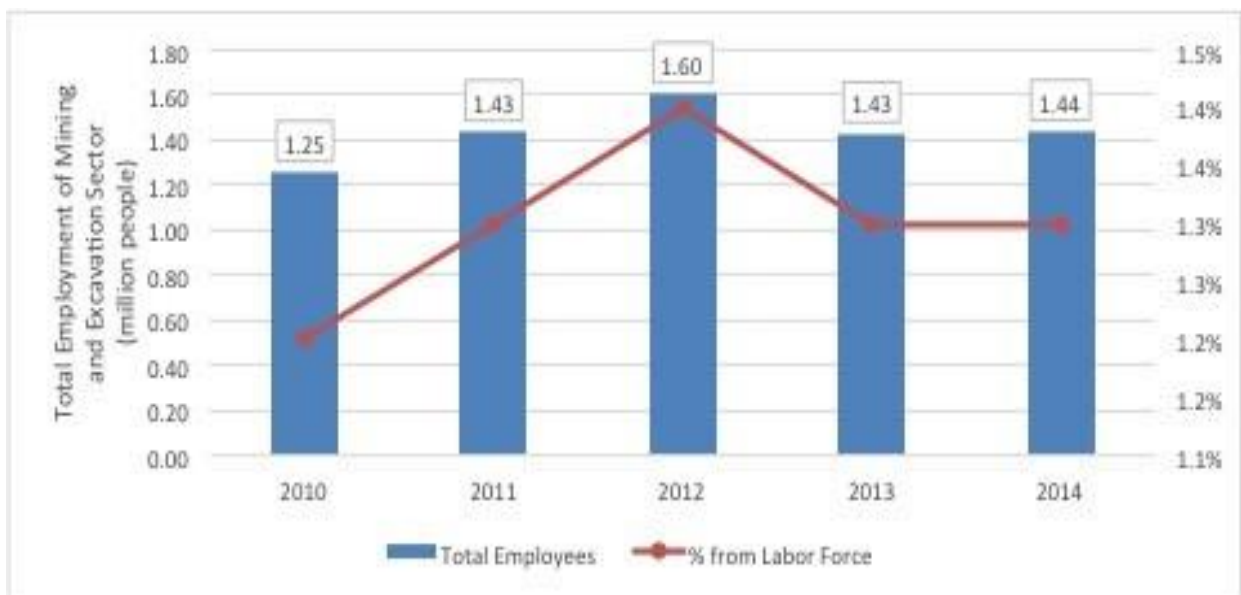
Source: EITI Reconciliation Data 2014

Contribution of Extractive Industry to the National Employment

Figure 11 based on BPS data below illustrates the contribution of employees in the mining and excavation sector, which contributed about 1.44 million workers (or 1.3% of total labor force) in 2014

This data indicates a significant decreased from 2012 to 2013, however from 2013 to 2014, there was a slight increase of about 10,000 employees.

Figure 11 Extractive Industry Contribution to National Employment



Source: BPS

State Revenue

According to LKPP, state revenue are divided into state revenue derived from the Tax and Non Tax Revenue/ *Penerimaan Negara Bukan Pajak* (PNBP). In the context of this report, the state revenue being reviewed are revenue derived from extractive industry (in this case the oil and gas and mineral and coal sector). For 2014, revenue derived from oil and gas sector and mineral and coal sector respectively by 22.01% and 10.01% of the total state revenue.

Oil and Gas Company is a company engaged in the exploration and exploitation of oil and gas mining, while mineral and coal mining company is engaged in the mining of minerals (copper, gold, silver, nickel, etc.) and coal.

State Revenue for Reconciliation

Presidential Regulation No.26/2010 on State and Local Revenue Transparency of extractive industry set provisions for the companies' inextractive industry. In this case, oil and gas and mineral and coal sector have to report the payment of tax and non-tax that are recorded by the state as state revenue to do reconciliation.

EITI Standard 4.1.a states that the Implementation Team determines the materiality limits of the state revenues reconciled. In this report, the type of extractive industry revenue which are reconciled is the revenue with material amount, which is above 1% of the total revenue in each sector, oil and gas and mineral and coal. This approach is based on the Scoping Study which has been approved by the Implementation Team. For the clarification requirement of any differences occurred between the values of revenue between companies and government agencies, the limit is set at 5%.

The following shows types of revenue from both oil and gas and mineral and coal sector reconciled either from tax revenues and non-tax revenues (EITI Standard 4.1.b):

Oil and Gas Sector

- Corporate and Dividend Tax
- Government lifting (including over/under lifting) and DMO received in kind
- Signature Bonus and Production Bonus

Mineral and Coal Sector

- Royalty, Sales Revenue Share (Penjualan Hasil Tambang/ PHT), Corporate Income Tax paid in cash to state treasury
- Transportation fee paid to SOE

Based on EITI form submitted by the reporting entities, total of tax revenues included in reconciliation is USD 7.3 billion. Non-tax revenue from oil and gas sector included in the reconciliation is USD 21.8 billion.

Reconciliation in the oil and gas sector shows significant decrease between the initial discrepancy (before adjustment) and final discrepancy (after adjustment) to the total reconciled amount for each information reconciled. Clarification on discrepancies are performed in order to make adjustment and also to identify factors that cause the discrepancies.

Based on our analysis, the final discrepancies are caused by:

Difference between PSC and SKK Migas for USD 85 thousand on DMO Fee due to:

- PSC Contractor charged DMO fee to government but not paid as Equity to be Split (ETBS) has not been decided. This discrepancy is confirmed by IA to PSC Contractor and SKK Migas

Difference between PSC and SKK Migas for 93.212 MSCF on total lifting gas (volume) due to:

- Inaccurate data on total lifting of gas filled by PSC Contractor in FQR submitted to SKK Migas, where quantity of LPG is not included). Total lifting gas provided by SKK Migas to EITI is updated data where quantity of LPG is included)

This discrepancy is identified for 1PSC contractor and already confirmed by IA to the PSC Contractor and SKK Migas.

Difference between PSC and SKK Migas for 1.930 MSCF on government lifting gas (volume) due to:

- Data for government lifting of gas in MSCF filled by PSC Contractor in EITI form is not based on final FQR. Hence, there are discrepancy between data filled by PSC Contractor and SKK Migas. As per agreed deadline, the discrepancy has not been confirmed by PSC Contractor.

Difference between PSC and Directorate General Oil and Gas

- Difference in recording for lifting of gas between Directorate General of Oil and Gas and PSC Contractor, caused by difference in conversion unit, work area unitization, correction of lifting data in Directorate General of Oil and Gas' report, and combined data for Operator and Partner by Directorate General of Oil and Gas. The discrepancies are identified in 51 companies and confirmed by DG Oil and Gas and SKK Migas.

Difference between PSC and Directorate General of Budget for USD 21.151 thousand on Corporate & Dividend Tax due to:

- Payment of tax and STP/SKPKN is reported by the company and paid to state treasury, hence not recorded by DG Budget. The discrepancies are identified in 11 companies and confirmed by DG Budget and the companies.
- Difference in record of tax payment between Directorate General Budget and PSC, identified in 9 companies.
- As per agreed deadline, the reporting entities did not provide clarification on discrepancy on tax payment, identified in 10 companies.

Difference between PSC and Directorate General of Budget for 538.706 on over/under lifting oil and gas due to:

- Over/under lifting LNG is settled through cargo mechanism (not through cash) which is not recorded as cash settlement in DJA. It is identified in 8 companies.

The table in the following page shows the reconciliation result for oil and gas sector.

Table 3 Reconciliation Results for Oil and Gas Sector 2014

Revenue Stream	Unit	Reconciliation Result			%
		PSC Contractor	SKK Migas	Difference	
		(1)	(2)	(3) = (2) - (1)	
Total Lifting of Oil	Thousands USD	27,435,769	27,435,769	0	-
Total Lifting of Gas	Thousands USD	25,487,902	25,487,902	0	-
Domestic Market Obligation Fee	Thousands USD	1,013,421	1,013,506	85	0.01
Over/Under Lifting of Oil	Thousands USD	66,615	66,616	1	-
Over/Under Lifting of Gas	Thousands USD	(507,806)	(507,805)	1	-
Total Lifting of Oil	Barrel	287,078,468	287,078,471	3	-
Total Lifting of Gas	MSCF	2,346,883,125	2,346,789,913	(93,212)	0.00
Government Lifting of Oil	Barrel	151,216,887	151,216,888	1	-
Government Lifting of Gas	MSCF	588,281,979	588,283,909	1,930	0.00
Domestic Market Obligation	Barrel	23,840,594	23,840,597	3	-
DG Oil & Gas					
Total Lifting of Oil	Barrel	287,078,468	287,078,467	(1)	-
Total Lifting of Gas	MSCF	2,346,883,125	2,465,343,816	118,460,691	5.05
Signature Bonus	Thousands USD	20,000	20,000	0	-
DG Budget					
Corporate & Dividend Tax	Thousands USD	7,331,901	7,310,750	(21,151)	(0.29)
Production Bonus	Thousands USD	6,750	6,750	0	-
Over/Under Lifting of Oil and Gas	Thousands USD	(441,190)	97,516	538,706	(122.10)
		SKK Migas	DG Budget		
Government Lifting of Oil – Export and Domestic	Thousands USD	14,561,857	14,568,360	6,503	0.04
Government Lifting of Gas – Export and Domestic	Thousands USD	6,637,847	6,637,846	(1)	-

Source: EITI Indonesia Data Analysis Year 2014

Based on EITI form submitted by the reporting entities, total of tax revenues included in reconciliation from mineral and coal sector are IDR 2,463 billion and USD 979 million. Total non-tax revenues, including dividend, are IDR 4,148 billion and USD 2,212 million.

There are numbers of mineral and coal companies did not submit the EITI form and the letter of tax disclosure authorization on the agreed deadline. There are 45 companies that did not submit the EITI form and 7 companies that did not submit letter of tax disclosure authorization

This made reconciliation cannot be performed for all companies in the sample. Based on Directorate General of Mineral and Coal, royalty and Sales Revenue Share (*Penjualan Hasil Tambang/ PHT*) payments from the 45 companies is 7.42% of the total non-tax revenues from the mineral and coal sector. Meanwhile, the percentage of corporate income tax revenue from companies that did not submit letter of tax disclosure authorization cannot be identified as Directorate General of Tax cannot disclose the information without the authorization letter.

Reconciliation in the mineral and coal sector shows significant decrease between the initial discrepancy (before adjustment) and final discrepancy (after adjustment) to the total reconciled amount. Initial discrepancy is ranging from 2.52% to 12.59% from the total amount. The final discrepancy is ranging from 0.16% to 11.33%.

Based on our analysis, the final discrepancies are caused by:

Based on our analysis, difference between companies and DG Mineral and Coal for royalty (USD 6,865 thousand and IDR 186,092 million) and PHT (USD 1,993 thousand and IDR 97,196 million), and are caused by:

- Inaccurate allocation of non-tax revenue (*Penerimaan Negara Bukan Pajak/PNBP*) between royalty, PHT and Land rent, identified in 8 companies.
- As per agreed deadline, the reporting entities did not provide clarification on discrepancy of royalty and PHT, identified in 18 companies.
- Timing difference (companies report the payment at year-end, Directorate General of Minerals and Coal record the revenue at the beginning of the following year), identified in 2 companies.
- Not recorded in Directorate General of Minerals and Coal report, identified in 1 company.

Difference between companies and DG Taxation on Corporate Income Tax Article 25 and 29 for USD 23,884 thousand and IDR 221,180 million, are caused by:

- Companies did not provide receipt of payment (*Nomor Transaksi Penerimaan Negara/ NTPN*) for clarification by Directorate General of Taxation, identified in 1 company.
- Companies did not disclose payment of tax penalty on Corporate Income Tax, identified in 5 companies.
- As per agreed deadline, the reporting entities did not provide clarification on discrepancy on Corporate Income Tax, identified in 15 companies.

Companies did not submit letter of tax disclosure authorization (related to Corporate Income Tax), identified in 7 companies.

Table 4 Reconciliation Result for Mineral and Coal Sector 2014

Revenue	Currency	Company	Government Agency	Difference	%
(1)	(2)	(3)	(4)	(5)=(4)-(3)	(6)=(5):(4)
			DG Mineral and Coal		
Royalty	Thousands USD	1,003,101	1,009,967	6,865	0.68
PHT	Thousands USD	1,209,064	1,207,070	(1,993)	0.16
			DG Tax		
Corp. Income Tax	Thousands USD	979,686	1,003,530	23,844	2.43
			PT KAI		
Transportation Fee	Thousands USD	65,807	65,807	0	0
Subtotal		3,257,660	3,286,376	28,716	0.88
			DG Mineral and Coal		
Royalty	Millions Rupiah	1,642,774	1,828,867	186,092	11.33
PHT	Millions Rupiah	1,569,503	1,472,306	(97,196)	(6.19)
			DG Tax		
Corp. Income Tax	Millions Rupiah	2,463,548	2,684,729	221,180	8.98
			DG Budget		
Dividend	Millions Rupiah	936,197	936,197	0	0
			PT KAI		
Transportation Fee	Million Rupiah	1,528,998	1,528,998	0	0
Subtotal		8,141,023	8,444,980	303,957	3.73%

Source: EITI Indonesia Data Analysis Year 2014

Non-reconciled State Revenue

According to 2014 Scoping Note, state revenue streams that are below the limit of materiality, are prepared in one-sided company report (unreconciled).

Other state revenue from oil and gas sector as well as minerals and coal that needs to be reported (but not reconciled) by the government or companies are as follows:

Oil and gas sector:

1. Signature Bonus for new contract signings
2. Property Tax
3. Value Added Tax
4. Local Taxes and Levies
5. Corporate Social Responsibility
6. Transportation Services (for SOEs)
7. Firm Commitment

Mineral and coal sector:

1. Land Rent
2. Property Tax
3. Local Taxes and Levies
4. Direct Payment to Local Governments
5. Corporate Social Responsibility (CSR)
6. Infrastructure Provision
7. Borrow to Use Permit for Forest Area (Izin Pinjam Pakai Kawasan Hutan/ IPPKH)
8. Domestic Market Obligation

Infrastructure Provision and Barter Arrangement

EITI Standard 4.3 requires Implementing Team and Independent Administrator to consider whether there are agreements involving the procurement goods and services including loans, grants, and infrastructure provision, in exchange with oil, gas or minerals and coal exploration.

All oil and gas mining contracts in Indonesia are following revenue sharing contract system, where all assets owned by PSC holders that are used in operating activities belong to the state including infrastructure used in operation processes.

In extractive industry in Indonesia, the concept of barter does not apply.

Corporate Social and Environment Responsibility (CSR)

CSR is an inseparable activity from a company's activities to show its commitment and responsibility to stakeholders (with direct or indirect relationship) and surrounding environment. CSR activities are conducted through direct and sustainable involvement, so that the economic, social and environments aspects are well balanced.

CSR Fee in oil and gas sector was initially counted in cost recovery arrangement, however after the issuance of Government Regulation No. 79 in 2010 the provision are as follows:

- a. The cost of community empowerment by PSC holders that are still in exploration stage can be counted as cost recovery
- b. The cost of community empowerment by PSC holders that already in exploitation stage cannot be counted as cost recovery

For minerals and coal sector, according to Law No. 40/2007 on Limited Liability Company, social responsibility is required for companies, however the amount of funds to be allocated for empowerment programs are not specified. The obligation is regulated only in the Law No.4/2009 on Minerals and Coal Mining that companies with Mining License and Special Mining License are required to prepare CSR programs.

CSR programs reported in this report are based on a classification that refers to Government Institution Accountability and Performance Report of the Ministry of Energy and Mineral Resources in 2014, as follows:

- a. Company Infrastructure Utilization: training for youth/people on special abilities required by companies, such as: welding, lathing, workshops, creative skills training to utilize industrial waste and its distribution (in cooperation with related officials)
- b. Community Empowerment: Forming groups to help "improving quality, quantity and packaging, as well as sales network", utilize products as corporate gifts, training local labor in preparing the rehabilitation of mining land
- c. Community Service: Disaster relief and Donation/ Charity/ Philanthropy
- d. Education Enhancement: Improvement of surrounding citizen's education, scholarships for high achieving students, support on education infrastructure
- e. Infrastructure Development: In the forms of worship buildings, general infrastructure, and health infrastructure

Based on the scoping study and Implementing Team's decision, CSR is not required to be reconciled, only reported from the company's side. The decision is based on broad concept of CSR in Indonesia with no clear definitions and the recipients of CSR coming from the community and civil institutions.

In Total, CSR conducted by extractive companies (included in this report) in 2014 is IDR 325.067 million and USD 111.387 thousand.

Transportation

Oil and Gas Sector

PT Pertamina (Persero) received revenue from transportation fee/ toll fee for oil and gas products.

In 2014, the revenue from oil toll fee is USD 13,082,172 and gas toll fee is 114,707,730. The toll fee is not reconciled because the total amount of toll fee is less than 1% for oil and gas sector.

Table 5 Transportation Services (toll fee) Oil and Gas

Company	Oil	Gas	Total
Kangean Energy Indonesia Limited (KEIL)		75.048.080	75.048.080
Medco EP Indonesia		9.596.197	9.596.197
MontD'Or OILTungkal LTD.	1.399.743		1.399.744
PGN (Persero) Tbk		13.384.142	13.384.142
PT PKT		7.502.296	7.502.296
PT Samudra Energy BWP Meruap	2.916.286		2.916.286
PT. Geo Minergi KSO	918.250		918.251
PUSRI		9.177.015	9.177.015
TAC Babat Kukui Energie	1.019.168		1.019.168
TAC- EMP Gelam	2.061.493		2.061.493
TAC BWP Meruap	4.767.230	-	4.767.231
Total	13.082.172	114.707.730	127.789.902

Mineral and Coal Mining Sector

Transportation revenue is revenue received by SOE, or PT Kereta Api Indonesia (Persero) in this context, generated from the transportation of coal produced by PT Bukit Asam (Persero), Tbk.

Based on reports of coal transport fee payment of PT Bukit Asam (Persero) to PT Kereta Api Indonesia (Persero), the total payment amount exceeded threshold of 1% (of state revenue from oil and gas sector), hence reconciliation need to be performed.

PT Bukit Asam (Persero) Tbk made an agreement on coal transport agreement with PT Kereta Api Indonesia (Persero) for two transport routes:

1. Coal transport from Tanjung Enim to Tarahan

PT Kereta Api Indonesia (Persero) agreed to transport coal of PT Bukit Asam (Persero) from coal loading terminal in Tanjung Enim to coal port in Tarahan, Lampung.

Based on agreement signed on 14 December 2011, transport tariff applied for 2014 is IDR 390.66 (/ton/kilometer) excluding VAT.

2. Coal Transport from Tanjung Enim to Kertapati

PT Kereta Api Indonesia (Persero) agreed to transport coal of PT Bukit Asam (Persero) Tbk from coal loading terminal in Tanjung Enim to coal port in Kertapati, Palembang.

Based on agreement signed on 14 December 2011, transport tariff applied for 2014 is IDR 506.72 (/ton/kilometer) excluding VAT.

PT Kereta Api Indonesia (Persero) applied 10% VAT in addition to the agreed tariff.

34% of transportation revenue from PT Bukit Asam (Persero) is paid in US Dollar.

Based on audited financial report of PT Kereta Api Indonesia (Persero) for fiscal year of 2014, volume of goods transported using cargo service in 2014 reached 30,685,307 ton.

Revenue realization in 2014 is IDR4.11 trillion, increased 32.9% compared to revenue in 2013. PT Kereta Api Indonesia (Persero) cargo service includes cargo for coal, containers, gasoline, cement, plantation, fertilizer, steel coil, general cargo, and other cargo.

Revenue for coal transportation from PT Bukit Asam (Persero) is USD 65,807 and IDR 1.5 trillion.

In general, initial difference between payment and revenue is due to different method in providing the data. PT Bukit Asam provide data based on payment date, including adjustment made in 2014 while PT Kereta Api Indonesia (Persero) provide data based on agreement without adjustment and tax.

After reconciliation and clarification, there is no difference between data provided by both parties.

Table 6 Transportation Service received by PT Kereta Api Indonesia (Persero)

Company	USD (thousands)	IDR (millions)
PT BA	65,807	1,528,998
PT KAI	65,807	1,528,998
Difference	0	0
Diff (%)	0%	0%

Source: EITI Indonesia Data Analysis 2014

State Revenue from SOE inextractive Industry

EITI Standard 4.5 required description on SOE roles in state revenue.

SOE is a business entity that is wholly owned by the state, or with majority ownership of the state, through direct equity placement from the state's capital. SOE's management and operations comply with Law No. 40/2007 on Limited Liability Companies, Capital Market Act and its implementing regulations – specifically for listed SOEs, State Finances Act, and Examination and Oversight Act.

Pursuant to Law No.19/2003 on SOE, SOE is established with the following goals and purposes:

- To contribute to the national economic growth in general and particularly to state revenue;
- To seek profit;

- To deliver public benefits in the form of the procurement of quality and adequate goods and/or services to fulfil public needs.
- To be the pioneer of business activities that
- To actively participate in providing guidance and support for small-scale companies, cooperatives and communities.

SOE Act also categorizes two types of SOE:

1. Public Companies (Perum)

Public companies are 100% owned by the government, not divided into shares. None of the state-owned companies working in the extractive sector are public companies.

2. Liability Companies (Persero)

Over 50% or all of the shares of a liability, state-owned company is owned by the government. Liability, state-owned companies seek profits.

There are four extractive SOEs included in this report, namely PT Pertamina (Persero), PT Aneka Tambang (Persero) Tbk, PT Bukit Asam (Persero) Tbk dan PT Timah (Persero) Tbk.

PT Pertamina (Persero) is the sole SOE in oil and gas sector and is the second largest contributor of oil and gas production. PT Pertamina (Persero) is also the largest contributor of dividend payment among other SOEs.

PT Pertamina (Persero) has a number of subsidiaries, namely PT Pertamina Hulu Energi, PT Pertamina EP, and PT Pertamina EP Cepu which contribute government lifting which is 15% of total government lifting in 2014 and corporate & dividend tax of 21% of total corporate & dividend tax in oil and gas sector. The detail can be seen in Appendice 2.

Payment from SOEs in mineral and coal mining sector in this report consist of royalty, corporate income tax, property tax, land rent, transportation fee and Borrow to Use Permit for Forest Area (*Izin Pinjam Pakai Kawasan Hutan/IPPKH*). The detail can be seen in Appendice 2.

Other than the above payments, SOEs in mineral and coal mining sector also pay annual dividend. The detail can be seen in Appendice 2.

Subnational payment

EITI Standard 4.6 requires disclosure of subnational payments.

Subnational payments are categorized into:

1. Payments based on Local Regulation
Subnational payment based on local regulation in the form of local taxes are mandatory contribution by individuals or companies. Other form of payment is levy as imposed on services or certain permits. Law No. 28/2009 governs the types of taxes imposed by Provincial and District/Municipality government. Subnational/local government is prohibited from imposing taxes other than stipulated by law.

Taxes applicable in extractive industry are ground water tax, road lighting tax, and specific permit retribution. The following tariff applies pursuant to Law No. 28/2009:

- Ground water tax, maximum 20% and enforced by local regulation
- Road lighting tax, maximum 10%. For power utilization generated by other sources by industry and mining sector, 3% tariff applies.
- Specific permit retribution, namely Building Construction Permit (*Izin Mendirikan Bangunan/IMB*)

Oil and gas companies pay local tax and levies to the central government and payment is transferred to subnational government pursuant to Production Sharing Contract. Mineral and coal mining companies pay local tax and levies directly to local government.

Tax and levies paid by companies in extractive industry (included in this report) is IDR 800,673 million and USD 48,333 thousand in 2014.

2. Based on commitment between Company and Local Government

Direct payment to local government established by commitment of the management of mining company to local government as participation in building the local area.

The total of direct payment to local government based on formal agreement in 2014 is IDR 333,992 million and USD 356 thousand, in which less than 1% of state government. Thus, the direct payment to local government is not reconciled and only reported by the companies.

A number of companies covered in this report did not have any agreement between local governments, therefore there is no direct payment to local government for some companies.

Other State Revenue

The following section lists state revenue from extractive industry covered in this report, but not reconciled.

1. **Signature Bonus from new contract signing**
 Bonus paid to the government subsequent to signing of PSC for exploration activities.
2. **Firm Commitment**
 Penalty paid to government from PSC that break agreed firm commitment
3. **Property Tax (*Pajak Bumi dan Bangunan*/PBB)**
 Based on tax regulation, property tax is imposed on land and building where tax object is located.
4. **Value-Added Tax (VAT) in oil and gas sector**
 VAT is imposed on the purchased of goods and services by PSC holders. This payment can be reimbursed to the Directorate of Non-Tax Revenue and is taken into account to subtract state's share of revenue.
5. **Land Rent**
 Land rent applies in areas managed by holders of KK, PKP2B, and IUP. The tariff is determined based on phase of mining activities in each type of contract.
 For KK and PKP2B, tariff ranges from 0.05 USD per hectare to 4 USD per hectare, based on the phase of mining activities in each type of contract. For IUP, tariff ranges from IDR 500 (equivalent to USD 0.05) per hectare to IDR 25,000 (equivalent to USD 2.5) per hectare.
6. **Borrow to Use Permit for Forest Area**
 All non-forestry companies operating in areas that government has delineated as forest area must pay Forest Resources Provision (*Provisi Sumber Daya Hutan*/PSDH) and Reforestation Fund (*Dana Reboisasi*/DR)

Around 90% of revenue from these revenue stream come from mining companies.

Scope of Companies for Reconciliation

The assessment and selection of extractive companies in this report is based on the contribution of each company to total state revenue generated from extractive industry. The selection of those companies is in accordance with Scoping Note 2014, approved by Implementing Team.

For oil and gas sector, this report covers all oil and gas companies that are in production phase which means 100% participation. As for mining sector, the companies were those that paid royalty in the amount of IDR 20 billion to the state. The sampled companies contributed 86% from total non-tax revenues in mining sector.

The threshold of materiality for reconciled state revenue was 1% from total revenues derived from each respective sector and approved by Implementing Team.

In accordance with Scoping Note 2014, verified by IA and Implementing Team, the amount of oil and gas companies that are included in the reconciliation scope for the year 2014 were originally 72 operator and 104 partner. While in the mining sector, the companies that are being sampled amounted to 121 companies consists of 102 coal and 19 mineral companies.

Based on the decision from Implementing Team (MSG) meeting on January 5, 2017, there was a duplication from one of the mining companies, PT Bharinto Ekatama. The samples then reduced to 120 companies (101 coal and 19 mineral companies)

Government entities covered in the reconciliation report were DG Tax, DG Budget, DG Oil and Gas, DG Mineral and Coal and SKK Migas. This report also includes state revenues presented unilaterally (not included during reconciliation process), which came from DG Fiscal Balance, PT Pertamina (Persero), Riau Provincial Government, East Kalimantan Provincial Government and East Java Provincial Government.

Complete list of companies included in this report is presented in Appendix 1

Revenue Sharing Fund (DBH)

Revenue Sharing Fund (DBH) of natural resources is regulated under government Regulation No. 55/2005.

The sources of DBH came from non-tax revenues (PNBP) and reported in the state budget (APBN). PNBP is then distributed to regions, with producing regions holding the biggest share. DBH then will be utilized to fund region's needs in commencing decentralization.

The realization amount of Revenue Sharing of local government is affected by 2 factors:

1. The realization of domestic revenue performance in shared APBN
2. The law that regulate percentage for producing region.



1 Overview and Background



1.1 Foreword

Extractive activities are all activities of exploration for, discovery and taking of natural resources at their sources, namely crude oil, gas, minerals and coal. Extractive industry is broadly categorized into two sub-sectors: upstream and downstream.

Upstream activity is a business activity that is focused on exploration and exploitation activities. The exploration activities are activities aimed at obtaining information on geological information in order to identify and estimate the volume of deposits or reserves. Exploitation activities is a series of activities aimed to produce oil, gas, coal and other minerals consisting of drilling/mining, construction of transport facilities, storage, separating and refining.

In the meantime, downstream activity mostly deals with the process of refining, quality enhancement, development of added value, transporting, is the processing activities comprising of purification process, enhancing the quality and added value, transporting, storing, and/or trading. This report focuses on upstream activities and covers on oil, gas, minerals, and coal, which is in accordance to the definition of extractive industry under Government Regulation No. 26/2010.

This section describes the general overview and fundamental principles of Extractive Industries Transparency Initiative (EITI), background of EITI implementation in Indonesia since 2007, legal framework on information transparency, and transparency of state and local revenues obtained from extractive industry.

1.2 Background

Extractive Industries Transparency Initiative (EITI) is a global standard that contains principles to promote transparency and accountability of natural resources management, in particular oil, gas, coal and mineral.

EITI believes that natural resources of a country are owned by its citizens. Wealth from natural resources lead to economic growth and social development of a country. Not disclosing information to the public about this wealth can increase the risk of distrust, weak governance and conflict. Openness about how a country manages its natural resources is necessary to ensure that these resources benefit all citizens.

EITI requires oil, gas, and mineral and coal companies to disclose and publish their payments to the government and government publishes their receipts obtained from these companies.

EITI aims to provide transparent information to the public in order to strengthen the system and increase trust to the government as well as related companies. This is conducted by encouraging public discussion, understanding and community participation in managing extractive industry¹.

EITI has two of the following fundamental concepts² as illustrated in Figure 1.1:

1. Transparency: Extractive companies report their payments to the government and the government reports what it receives. The numbers are reconciled by an Independent Administrator (IA) team and the result is reported and published in the annual EITI report, complemented with contextual report on extractive industry. This report is published each year in accordance to the EITI Standard.

Figure 1.1 EITI Global Standard



Source: <http://eiti.org>

¹<http://eiti.ekon.go.id/>

²Kementerian Koordinator Perekonomian Republik Indonesia, Kontrak Jasa Konsultan, Appendix A, Hal 29

2. Accountability: a Multi-Stakeholder Group (MSG) comprising government, private company/State-Owned Enterprise (SOE) and civil society representatives is formed. Their involvement is required to oversee reconciliation process and in dialogue to resolve any issues with respect to EITI report findings. MSG is expected to increase transparency and accountability of extractive industry sector in a country.

Figure 1.2. Multi-Stakeholder Group –MSG



Source: <http://eiti.org>

The EITI International Standard is supervised by an international board that consists of government representatives from EITI implementing countries, supporting countries, civil society, industries and companies. The board decides the priorities for organization and evaluates the performance of each implementing country towards the EITI Standard requirements³.

Implementation of EITI provides three major benefits, they are:

1. Strengthening governance: Implementation of EITI Standard improves the government system and can lead to improved tax collection and budgetary planning. It also shows the government's commitment to transparent and accountable management of natural resources of the country. Transparent and open government will enhance its citizens' trust.
2. Level-playing field: All companies are required to disclose the same information –same rules for all companies. Companies benefit from an improved and more stable investment climate where they can more effectively engage with citizens and civil society.
3. Reliable and accessible information: Citizens benefit from receiving reliable information about their country's natural resources and enable them to hold accountable their government and companies. Civil society is an essential partner in implementing the EITI⁴.

In order to be an EITI candidate country, a country needs to go through 4 (four) steps of application and publishes EITI report within 18 months after its acceptance as candidate country. Then, the country is expected to submit and publish report each year. EITI implementing countries are required to publish data and reports no more than the last two accounting periods, for example EITI Report published in 2016 should at least use the data for calendar/fiscal year 2014.

³<https://eiti.org/about/board>

⁴<https://eiti.org/about/who-we-are>

In order to be an EITI compliant country, a candidate country needs to undergo 2.5 years validation process. Based on the EITI website, in June 2016, there are 51 EITI implementing countries, and 31 are EITI compliant countries⁵.

More information on EITI Standard is available on <https://eiti.org/standard/overview>

1.2.1 EITI Implementation in Indonesia

The initiative to implement EITI in Indonesia came in 2007 when Minister of Finance at that time, Sri Mulyani, expressed her support to EITI to a representative of Transparency International Indonesia. Based on this support, KPK Deputy at the time, Erry Ryana Hardjapamekas and KPK Deputy for Corruption Prevention, Waluyo reviewed legal preparation process necessary to implement EITI. The minister of Energy and Mineral Resources further discussed the need of Presidential Regulation for EITI. In 2010, President of Republic of Indonesia, Susilo Bambang Yudhoyono signed Presidential Regulation 26/2010 concerning the transparency of state and subnational revenue from extractive industry.

In October 2010, Indonesia was officially an EITI candidate country. Indonesia has published three EITI Reports: the first report is for year 2009, second report is for year 2010 and 2011 and third report is for year 2012 and 2013. Indonesia became EITI compliant country in October 2014 and was the first ASEAN country to receive the status. The status will be revalidated in year 2017, in accordance with the provisions written in the EITI Standard 2016⁶.

1.2.2 Transparency of National and Local Revenue Generated from Extractive Industry

Disclosure of information about state and local revenue that obtained from extractive industries are specifically regulated in Presidential Regulation 26/2010 which defines the extractive industry and state and local revenue from extractive industry, formation of Transparency Team, and the structure and responsibilities of Transparency Team.

The Transparency Team that is multi-stakeholder in nature is tasked to implement transparency in the management of state and local extractive revenues. To perform this responsibilities, the Team may seek information, additional data, input, and/or consult with agencies of the central and local government, as well as extractive companies.

Transparency Team consists of Steering Committee and Implementing Team. Steering Committee is chaired by Coordinating Minister for Economic Affairs who reports at least annually to the President. Members of Steering Committee are:

- Minister of Energy and Mineral Resources;
- Minister of Finance;
- Minister of Home Affairs;
- Head of Financial and Development Supervision Agency (*Badan Pengawasan Keuangan dan Pembangunan/BPKP*);
- Prof. Dr. Emil Salim, the President's Advisor of Economic and Environmental Affairs, representing the public.

⁵<https://eiti.org/standard/overview>

⁶*Kementrian Koordinator Perekonomian Republik Indonesia, Kontrak Jasa Konsultan, Appendix A, Hal 30*

The Steering Committee tasks are to formulate general policies, provide direction to Implementing Team, establish the work plan of Transparency Team and evaluate transparency with regards to the state and local revenues from extractive industry.

Multi Stakeholder Group (MSG) as Implementing Team consists of representatives from the Coordinating Ministry for Economic Affairs, Ministry of Energy and Mineral Resources, Ministry of Finance, Ministry of Home Affairs, BPKP, Special Taskforce for Upstream oil and Gas Business Activities in Indonesia (*Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi/SKK Migas*), PT Pertamina (Persero), representatives from local government, associations of mineral and coal and oil and gas mining companies, and civil society⁷.

The Implementing Team is tasked to develop a 3-year work plan for the Transparency Team, develop reporting formats, select persons to perform reconciliation, disseminates the result of reconciliation, develop Steering Committee report for the President, and perform other tasks required to conduct state and local revenue transparency from extractive industry. In executing the tasks, the Implementing Team reports to the Steering Committee⁸.

⁷Peraturan Presiden RI No. 26/2010

⁸<http://eiti.ekon.go.id/organisasi/>



2 Scope of Reconciliation



2.1 State Revenue

As reported in LKPP, state revenue is classified as tax and non-tax revenue (Penerimaan Negara Bukan Pajak/PNBP). This report focused on state revenue from extractive industry (oil and gas and mineral and coal mining sector). In 2014, oil and gas made up 22.01% and mining sector made up 10.01% of total state revenue.

Oil and gas companies are companies that carry out exploration and production activities of oil and gas, while mineral and coal mining companies carry out activities related to minerals (copper, gold, silver, nickel, and others) and coal.

2.1.1 Reconciled State Revenue

Presidential Regulation No. 26 of 2010 on Transparency of State and Subnational Revenues from extractive companies –oil, gas and mineral and coal mining companies –to report tax and non-tax payments recognized by the state as revenues for the purpose of reconciliation.

EITI Standard 4.1.a requires MSG Team to define materiality threshold of reconciled state revenue. In this report, reconciled revenue from extractive industry were revenues that made up at least over 1% of revenues generated from each oil and gas and mining sector. This approach was decided based on Scoping Note approved by the Implementing Team

Based on the MSG decision, in tracking difference/discrepancy during the reconciliation process, a threshold of 5% was applied. Hence, tracking does not need to be conducted for discrepancies below 5%.

The following table lists revenue stream which are included in reconciliation for oil and gas and mining sector, for both tax and non-tax revenue (Standard EITI 4.1.b)

Table 2.1 Revenue Streams from Oil and Gas Sector

Revenue Streams	Description	Reporting Entity
TAX REVENUE		
Corporate and Dividend Tax	Income tax imposed on Tax Subjects for the Income they receive or obtain during fiscal year	Companies and DG Budget – Directorate of Non-Tax Revenue
NON-TAX REVENUE		
Domestic Market Obligation (DMO)	DMO: contractor's obligation to participate in fulfilling domestic oil and gas demand. Contractor receives DMO fees based on the price stipulated in the agreement	Companies and SKK Migas
Government Lifting of oil and gas	Government's in-kind lifting which is done upon shipping coordinator meeting with PSC holder to determine contractor and government's lifting volume.	PSC Holders– Government/SKK Migas and DG Budget – Directorate of Non-Tax State Revenue
Over/(under) lifting	Overlifting: lifting of oil and gas by either party in volume that exceeds lifting share stipulated in PSC. Under lifting: Lifting of oil and gas by either party in volume that is less than lifting share stipulated in PSC.	PSC Holders – Government/SKK Migas
Signature bonus	Bonus paid by contractor at the time of PSC signing for both new contract and contract extension.	Companies and DG Oil and Gas under Ministry of Energy and Mineral Resources
Production bonus	Bonus paid by contractor to the government in the event that cumulative production achieves certain volume. Amount of production bonus and level of cumulative production are stipulated in PSC.	Companies and DG Budget – Directorate of Non-Tax Revenue

Source: EITI Indonesia Data Analysis 2014

Table 2.2 Revenue Stream from Mineral and Coal Mining Sector

Revenue Streams	Description	Reporting Entities
TAX REVENUE		
Corporate Income Tax	Income Tax imposed on Tax Subjects for the income they receive or obtain during fiscal year	Companies and DG Tax – Ministry of Finance
NON-TAX REVENUE		
Dividend	Dividend paid by SOEs to the government	Companies and DG Budget – Directorate of Non-Tax Revenue
Production Fee/Royalty from Mineral and Coal Mining	Royalty in mineral and coal mining sector refers to charges imposed on mining products and payable by holders of exploration IUP or production IUP upon sales of commodities.	Companies and DG Mineral and Coal - MoEMR
Sales Revenue Share (<i>Pendapatan Penjualan Hasil Tambang/PHT</i>)	PHT refers to charges imposed on PKP2B holders. PHT is calculated using formula of Coal Sales Revenue (<i>Dana Hasil Produksi Batubara/DHPB</i>) from PKP2B (13,5%) deducted by royalty tariff.	Companies and DG Mineral and Coal Mining – MoEMR
Transportation Fee	Payment for commodity transport fee from PT Bukit Asam (Persero) Tbk.to PT Kereta Api Indonesia (Persero).	PT Bukit Asam (Persero) Tbk and PT Kereta Api Indonesia (Persero)

Sumber: EITI Indonesia Data Analysis Year 2014

2.1.2 Non-reconciled State Revenue

According to 2014 Scoping Note, state revenue streams that are below the limit of materiality, are prepared in one-sided company report (unreconciled).

Other state revenue from oil and gas sector as well as minerals and coal that needs to be reported (but not reconciled) by the government or companies are as follows:

Oil and gas sector:

1. Signature Bonus for new contract signings
2. Property Tax
3. Value Added Tax
4. Local Taxes and Levies
5. Corporate Social Responsibility
6. Transportation Services (for SOEs)
7. Firm Commitment

Mineral and coal mining sector:

1. Land Rent
2. Property Tax
3. Local Taxes and Levies
4. Direct Payment to Local Government
5. Corporate Social Responsibility (CSR)
6. Infrastructure Provision
7. Borrow to Use Permit for Forest Area (Izin Pinjam Pakai Kawasan Hutan/IPPKH)
8. Domestic Market Obligatio

2.1.3 State Revenue from Extractive Industry

EITI Standard 4.2 requires reporting of sales of government's share received as in-kind. In the oil and gas sector, Indonesia receives in-kind share under Government Lifting and DMO mechanism.

Oil and Gas Sector

According to act 20/1997 about non-Tax Revenue, article 7(1), is required to deliver the non-tax revenue realization plan and report in writing periodically to the minister. This realization report includes PSC holders under production/lifting stage.

State Revenue consist of:

1. Oil

a. Government Lifting, comprising :

- Export: delivery of oil and gas produced by PSC holders for export consist of oil and gas for domestic, non-Pertamina refinery and for export. In general, the exported oil cannot be processed by domestic refineries.

- Domestic: delivery of sales of oil to domestic refinery owned by PT Pertamina (Persero) to be processed in domestic facilities.

- b. DMO: in accordance with contracts, PSC holders must sell and deliver to the government certain part of their oil shares for the purpose of fulfilling domestic demand.
- c. Oil over/ (under) lifting: payment mechanism to settle the difference of over/ (under) lifting compared to government's entitled share.
- d. Corporate Income Tax and Dividend Ta

Based on data from DG Oil and Gas, there are 16 oil refineries in Indonesia:

Table 2.3 Oil Refineries in Indonesia

No.	Location	Capacity	Category
1	Dumai	127 MBCD	Pertamina (before 2001)
2	Sungai Pakning	50 MBCD	Pertamina (before 2001)
3	Plaju	127,3 MBCD	Pertamina (before2001)
4	Plaju II	300 MBCD	Plan
5	Cilacap	348 MBCD	Pertamina (before 2001)
6	RFCC Cilacap	62 MBCD	Pertamina upgrading
7	Balongan	125 MBCD	Pertamina (before2001)
8	Balongan II	300 MBCD	Plan
9	Muba	0,8 MBCD	Private, in construction
10	Cepu	3,8 MBCD	Pertamina (before 2001)
11	Balikpapan	260 MBCD	Pertamina (before2001)
12	TWU	6 MBCD	Private, operating
13	TWU II	10 MBCD	Private, in construction
14	Tuban	300 MBCD	Plan
15	Kasim	10 MBCD	Pertamina (before 2001)
16	Tuban / TPPI	100 MBCD	Private, operating

Source: DG Oil and Gas Data

2. Natural Gas

a. Government Lifting, comprising:

- Export: delivery of natural gas and LNG for export, generally arranged under long-term contract. Government's share of exported gas lifting is paid through trustee/paying agent to State's treasury account.

- Domestic: transmission of natural gas for domestic market. Generally executed under long-term agreement with domestic buyers for power generation, fertilizer manufacturing, and so forth.

- b. Gas Over/(under) lifting: payment mechanism to settle the difference of over/underlifting compared to government's entitled share.

- c. Corporate Income Tax and Dividend Tax

Table 2.4 LPG Refineries in Indonesia

No.	Company	Location	Capacity	Category
1	PT. Maruta Bumi Prima	Langkat	17 MTPA	Operating
2	PT. Pertamina (Persero)	UP I Pangkalan Brandan	44 MTPA	Operating
3	PT. Bumi Jambi Energi	Tanjung Barat	46 MTPA	Development Plan
4	Petrochina	Tanjung Jabung	600 MTPA	Operating
5	PT. Medco LPG Kaji	Kaji	73 MTPA	Operating
6	PT. Perta Samtan Gas	Sungai Gerong	259 MTPA	Development Plan
7	PT. Tits Sampurna	Prabumulih	73 MTPA	Operating
8	PT. Pertamina (Persero)	UP VI Balongan dan Mundu	584 MTPA	Operating
9	PT. Sumber Daya Kelola	Tugu Barat	7 MTPA	Operating
10	PT. BBWM	Tambun	55 MTPA	Operating
11	Conoco Phillips	Belanak	525 MTPA	Operating
12	PT. Pertamina (Persero)	UP II Dumai	68 MTPA	Operating
13	PT. Pertamina (Persero)	UP III Musi	131 MTPA	Operating
14	PT. Surya Esa Perkasa	Lembak	46 MTPA	Operating
15	PT. Sumber Daya Kelola	Losarang	3,8 MTPA	Development Plan
16	PT. MarutaBumi Prima	Bekas	29 MTPA	Development Plan
17	PT. Yudistira Energy	Pondok Tengah	58 MTPA	Operating
18	PT. Intermedia Energi	Bojonegoro	13 MTPA	Development Plan
19	PT. Yudhistira Haka P.	Cilamaya. Jabarr	44 MTPA	Operating
20	Chevron	Tanjung Santan	90 MTPA	Operating
21	PT. Pertamina (persero)	UP V Balikpapan	91 MTPA	Operating
22	HESS	Ujung Pangkah. JawaTimur	113 MTPA	Operating
23	PT. Media Karya Sentosa	Gresik. JawaTimur	58 MTPA	Operating
24	PT. Media Karya Sentosa II	Gresik. JawaTimur	34 MTPA	Development Plan
25	PT. Tuban LPG Indonesia	Tuban	175 MTPA	Operating
26	PT. Gasuma Federal Indonesia	Tuban	22 MTPA	Development Plan
27	PT. Wahana Insan Nugraha	Cemara	37 MTPA	Operating
28	PT. Pertamina (Persero)	UP IV Cilacap	318 MTPA	Operating
29	Petrochina	Arar	14 MTPA	Operating

Source: DG Oil and Gas Data

Table 2.5 LNG Refineries in Indonesia

No.	Location	Capacity
1	Arun	6,8 MTPA
2	Bontang	22,59 MTPA
3	Tangguh	7,6 MTPA

Source: DG Oil and Gas Data

Gas lifting generally followed joint lifting mechanism. Lifting value referred to price stated in contracts and lifting value split between PSC holders and the government.

Revenue received from LNG sales was paid using trustee mechanism. Revenues were mainly utilized to pay off “debt service” for the construction of LNG plant and to cover the LNG plant’s operating cost.

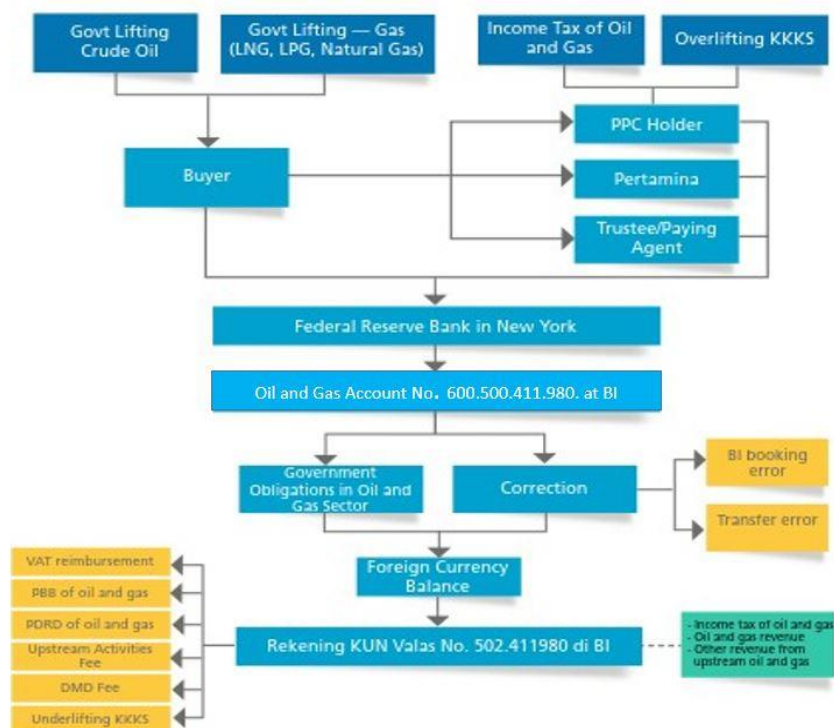
The remaining amount of revenues was recognized as lifting and as amount of revenues was aid using trustee mechanism. Revenues were mainly utilized in contract and instructed to LNG trustee. Over/(under) lifting was calculated annually based on actual cost recovery of LNG operations

To settle overlifting position of PSC holders at the end of the year, an instruction would be issued to LNG trustee to recognize the overlift in sales of LNG in the first quarter of the subsequent year. It would also reflect the increase of government’s share in the sales. The trustee would transfer government’s share to the state’s treasury account in Bank Indonesia. Similar process would be applied for underlifting. This over/(under) lifting settlement mechanism was also known as cargo mechanism.

There are also lifting of gas which utilized the service of trustee/paying agent bank like in LNG, such as sales of gas to PT Perusahaan Listrik Negara (PLN) Persero, Perusahaan Gas Negara (PGN), or Singapore buyers. In this case over/ (under) lifting is settled by way of cash transfer.

The government documented all tax and non-tax revenues paid to state’s treasury account. In terms of PNBP, to reflect actual oil and gas revenues during a certain period, the calculation had to take into account a number of deductions. The following figure illustrates the flow of oil and gas PNBP and provides an overarching picture on elements in oil and gas PNBP reconciliation process.

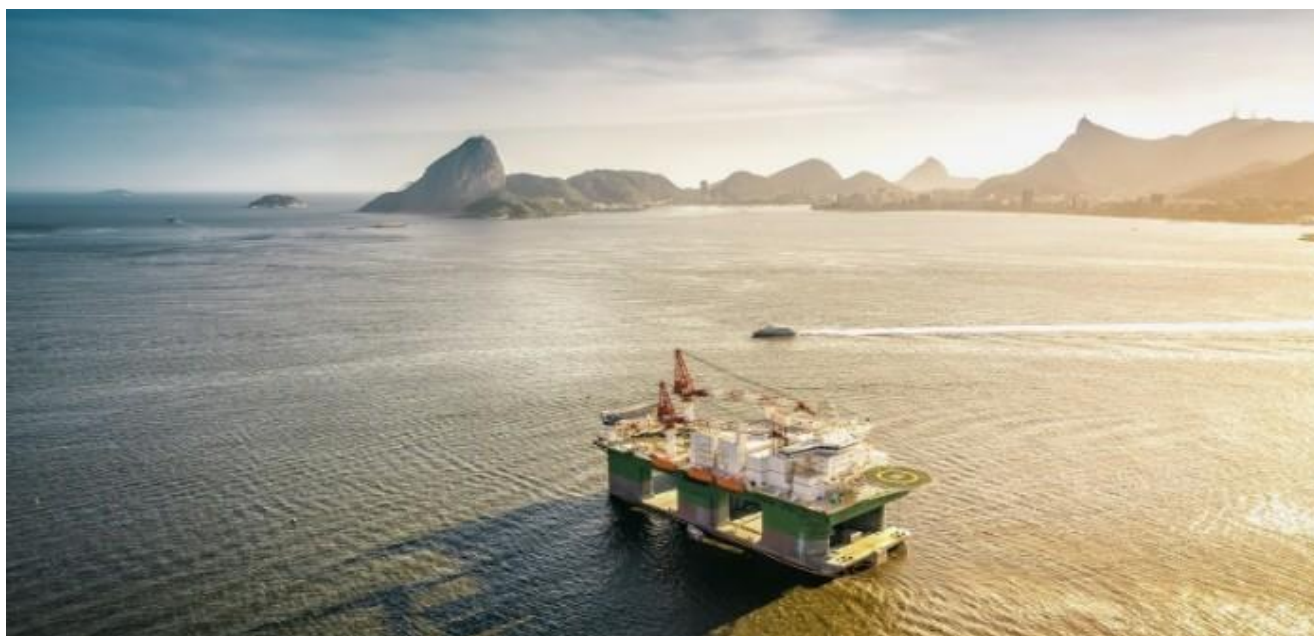
Figure 2.1 Flow of revenue in Foreign Currencies



All payments in foreign currencies were made to Federal Reserve Bank in New York, deposited to account number 600.000411980 at Bank Indonesia in the name of Ministry of Finance Account/Revenues of Oil under Production Sharing Contract.

Payments in foreign currencies were then utilized to fulfill government's obligations (deductions), namely VAT reimbursement, Property Tax of oil and gas, Tax and Levies of oil and gas, fee of oil and gas upstream activities, DMO Fee, and PSC holder under-lifting settlement (if any). Remaining balance will be transferred to state's treasury account, at account number 600.500.411.980. at Bank Indonesia

PNBP is the "escrow" of entire oil and gas revenues when actual amount of share and cost recovery would be determined by government's auditors, namely SKK Migas, Indonesia Audit Board (BPK)/ Financial and Development Oversight Agency (BPKP), and DG Tax. Tax calculation was audited by tax auditor from DG Tax. In the event of tax underpayment, DG Tax would issue Tax Underpayment Notice (SKPKB), where settlements were to be made directly to DG Tax's account.

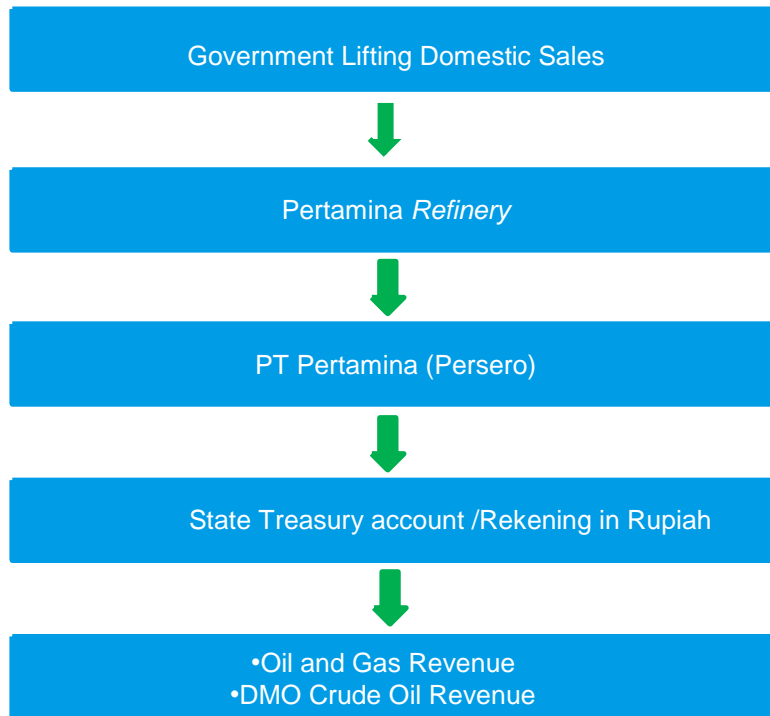


Oil and Gas Revenues in Rupiah

PSC holders delivers government’s share of oil lifting and DMO to Pertamina refineries

(domestic refinery). Pertamina transfers payment to the state’s treasury account 600.500.411.980.

Figure 2.2 Flow of revenue in Rupiah



Source: EITI Indonesia Oil and Gas Sector Reconciliation Report Year 2010-2011

Mineral and Coal Mining Sector

State revenues in the mining sector derived from tax and non-tax revenues paid to the State’s treasury account in USD and/or IDR. In this sector, government receives its entire revenues in cash.

Corporate Income Tax

Tax revenues in the mining sector consists of corporate income tax paid to the state’s treasury account. Regular tax tariff as stated in regulations apply to IUP holders, while KK and PKP2B holders refer to tax tariff applicable in the contracts.

Non-tax revenue are derived from:

1. Royalty

Mineral

Royalty payment is charged to KK and IUP holders with regards to mineral produced. Royalty is calculated on the basis of certain percentage from value of FOB per ton or kilogram metals sold or exported, or contained in exported material concentrate.

The percentages of royalty of companies covered in this report are listed on the next page, unless noted otherwise:

Table 2.6 Royalty Tariff for Mineral Producers

Commodity	Unit	Royalty
Nickel	Per Ton	5% of selling price
Tin	Per Ton	3% of selling price
Copper	Per Ton	4% of selling price
Bauxite	Per Ton	3,75% of selling price
Gold	Per Kilogram	3,75% of selling price
Iron Ore	Concentrate	3,75% of selling price
Silver	Per Kilogram	3,25% of selling price

Source: GR 9/2012

Coal

The following tables present royalty tariff for PKP2B and IUP holders:

Table 2.7 Royalty Tariff for Coal Producers
Open cut mining operation

Calories	Unit	Royalty
= 5.100	Per Ton	3% of selling price
> 5.100 – 6.100	Per Ton	5% of selling price
> 6.100	Per Ton	7% of selling price

Underground mining operation

Calories	Unit	Royalty
= 5.100	Per Ton	2% of selling price
> 5.100 – 6.100	Per Ton	4% of selling price
> 6.100	Per Ton	6% of selling price

Source: GR 9/2012

2. Sales Revenue Share (*Penjualan Hasil Tambang/PHT*)

PHT is imposed on PKP2B holders. The formula to calculate PHT is 13.5% of Coal Sales Revenue less royalty tariff.

The state's share according to PKP2B consists of coal PHT tariff ranges between 6.5%-8.5% and royalty between 5%-7%, depending on coal calories. The total of PHT and royalty is 13.5%.

2.1.4 Infrastructure Provision and Barter Arrangement

EITI Standard 4.3 requires MSG Team and IA to examine whether contracts addressed goods and services provision, including loans, grants, and infrastructure provision in exchange of oil, gas, or mining exploration.

In Indonesia, all oil and gas contracts apply Product Sharing Contract (PSC) mechanism, whereby all assets of PSC holders in Indonesia used in operational activities owned by state, including infrastructure to support operations.

In principle, extractive industry in Indonesia does not apply barter arrangement.

2.1.5 Corporate Social Responsibility (CSR)

CSR is inseparable from companies' activities, manifesting the commitment and responsibilities of companies to stakeholders (direct and indirect) as well as surrounding environment. CSR activities are implemented directly by companies and sustainably, having the purpose of maintaining the economic, social, and environmental balance.

Initially, CSR cost in oil and gas sector was included in cost recovery. However, GR No.79/2012 stated as follows:

- Cost of community empowerment programs executed by PSC holders at exploration stage may be calculated in cost recovery
- Cost of community empowerment programs executed by PSC holders at exploitation stage cannot be calculated in cost recovery

Social responsibility obligations are stated in Law No. 40/2007 on Limited Liability Company, although the amount of funds allocated for community empowerment programs are not specified.

This responsibility is also enshrined in Law No. 4/2009 on Mineral and Coal Mining, which mandates IUP and IUPK holders to formulate CSR programs.

CSR programs captured in this report refer to program classification of the MoEMR Government Agency Performance Accountability Report (*Laporan Akuntabilitas Kinerja Pemerintah/ LAKIP*) 2014, which are:

Utilization of company's facilities and infrastructure: Providing training on special skills possessed to civil society, training on creative skills (e.g. reusing waste from industry) and assisting the marketing channels.

- a. Community empowerment: Develop community to improve product quality, quantity, packaging, and marketing channel. Company can also utilize the products for gift in company events, provide training for local society to conduct rehabilitation for mining areas.
- b. Community Service : Provide natural disaster relief and donation/charity/philanthropy,
- c. Education improvement: Improving education by providing scholarship for students and donations related to education facilities.
- d. Infrastructure development: Development/ construction of religious activities facilities, public facilities, health facilities.

Based on Scoping Study and decision of the Implementing Team, CSR funds are not reconciled and reported based on data from the companies. This decision drew upon the fact that the definition of CSR in Indonesia is too broad and not yet clear cut, in addition to beneficiaries of CSR which are communities or community institutions

Total CSR performed by companies included in this report in 2014 are IDR 325,067 million and USD 111,387 thousands.

2.1.6 Transportation

EITI Standard 4.4 required the disclosure of transportation-related revenue generated by commodity transportation services received by SOEs as transportation provider. Information to be disclosed includes types of transported commodity, route, and name of SOEs as well as applicable taxes, transport fees, and commodity volume.

Based on Implementing Team agreement, if transportation revenue is above 1% of state revenue from each sector or above materiality threshold stated in the Scoping Note, then reconciliation need to be performed.

Oil and Gas Sector

PT Pertamina (Persero) received transportation revenue (toll fee) for oil and gas commodities.

In 2014, toll fee received by PT Pertamina (Persero) is USD 13,082,187 for oil and USD 114,707,730 for gas. These amount did not exceed 1% of state revenue, hence reconciliation does not need to be performed.

Table 2.8 Revenues from oil and gas transport services

Company	Oil	Gas	Total
Kangean Energy Indonesia Limited (KEIL)		75,048,080	75,048,080
Medco EP Indonesia		9,596,197	9,596,197
MontD'Or OIL Tungkal LTD.	1,399,743		1,399,744
PGN (Persero) Tbk		13,384,142	13,384,142
PT PKT		7,502,296	7,502,296
PT Samudra Energy BWP Meruap	2,916,286		2,916,286
PT. Geo Minergi KSO	918,250		918,251
PUSRI		9,177,015	9,177,015
TAC Babat Kukui Energie	1,019,168		1,019,168
TAC- EMP Gelam	2,061,493		2,061,493
TAC BWP Meruap	4,767,230	-	4,767,231
Total	13,082,172	114,707,730	127,789,902

Source: Data from PT Pertamina

Mineral and Coal Mining Sector

Transportation revenue is revenue received by SOE, or PT Kereta Api Indonesia (Persero) in this context, generated from the transportation of coal produced by PT Bukit Asam (Persero), Tbk.

Based on reports of coal transport fee payment of PT Bukit Asam (Persero) to PT Kereta Api Indonesia (Persero), the total payment amount exceeded threshold of 1% (of state revenue from oil and gas sector), hence reconciliation need to be performed.

PT Bukit Asam (Persero) Tbk made an agreement on coal transport agreement with PT Kereta Api Indonesia (Persero) for two transport routes:

- Coal transport from Tanjung Enim to Tarahan
PT Kereta Api Indonesia (Persero) agreed to transport coal of PT Bukit Asam (Persero) from coal loading terminal in Tanjung Enim to coal port in Tarahan, Lampung.

Based on agreement signed on 14 December 2011, transport tariff applied for 2014 is IDR 390.66 (/ton/kilometer) excluding VAT.

- Coal Transport from Tanjung Enim to Kertapati

PT Kereta Api Indonesia (Persero) agreed to transport coal of PT Bukit Asam (Persero) Tbk from coal loading terminal in Tanjung Enim to coal port in Kertapati, Palembang.

Based on agreement signed on 14 December 2011, transport tariff applied for 2014 is IDR 506.72 (/ton/kilometer) excluding VAT.

PT Kereta Api Indonesia (Persero) applied 10% VAT in addition to the agreed tariff.

34% of transportation revenue from PT Bukit Asam (Persero) is paid in US Dollar.

Based on audited financial report of PT Kereta Api Indonesia (Persero) for fiscal year of 2014, volume of goods transported using cargo service in 2014 reached 30,685,307 ton.

Revenue realization in 2014 is IDR 4.11 trillion, increased 32.9% compared to revenue in 2013. PT Kereta Api Indonesia (Persero) cargo service includes cargo for coal, containers, gasoline, cement, plantation, fertilizer, steel coil, general cargo, and other cargo.

Table 2.9 Transportation Service received by PT Kereta Api Indonesia (Persero)

Company	USD (thousands)	IDR (millions)
PTBA	65,807	1,528,998
PTKAI	65,807	1,528,998
Difference	0	0
Diff (%)	0%	0%

Sumber: Olahan data Laporan EITI 2014

Revenue for coal transportation from PT Bukit Asam (Persero) is USD 65,807 and IDR 1.5 trillion. In general, initial difference between payment and revenue is due to different method in providing the data. PT Bukit Asam provides data based on payment date, including adjustment made in 2014 while PT Kereta Api Indonesia (Persero) provide data based on agreement without adjustment and tax.

After reconciliation and clarification, there is no difference between data provided by both parties.

2.1.7 State Revenues from SOE inextractive Industry

EITI Standard 4.5 required description on SOE roles in state revenue.

SOE is a business entity that is wholly owned by the state, or with majority ownership of the state, through direct equity placement from the state's capital. SOE's management and operations comply with Law No. 40/2007 on Limited Liability Companies, Capital Market Act and its implementing regulations – specifically for listed SOEs, State Finances Act, and Examination and Oversight Act.

Pursuant to Law No.19/2003 on SOE, SOE is established with the following goals and purposes:

- To contribute to the national economic growth in general and particularly to state revenue;
- To seek profit;
- To deliver public benefits in the form of the procurement of quality and adequate goods and/or services to fulfil public needs;
- To be the pioneer of business activities that cannot be implemented by the private sector and cooperatives;
- To actively participate in providing guidance and support for small-scale companies, cooperatives and communities.

SOE Act also categorizes two types of SOE:

1. Public Companies (Perum)

Public companies are 100% owned by the government, not divided into shares. None of the state-owned companies working in the extractive sector are public companies.

2. Liability Companies (Persero)

Over 50% or all of the shares of a liability, state-owned company is owned by the government. Liability, state-owned companies seek profits.

There are four extractive SOEs included in this report, namely PT Pertamina (Persero), PT Aneka Tambang (Persero) Tbk, PT Bukit Asam (Persero) Tbk dan PT Timah (Persero) Tbk.

PT Pertamina (Persero) is the sole SOE in oil and gas sector and is the second largest contributor of oil and gas production. PT Pertamina (Persero) is also the largest contributor of dividend payment among other SOEs.

PT Pertamina (Persero) has a number of subsidiaries, namely PT Pertamina Hulu Energi, PT Pertamina EP, and PT Pertamina EP Cepu which contribute government lifting which is 15% of total government lifting in 2014 and corporate & dividend tax of 21% of total corporate & dividend tax in oil and gas sector. The detail can be seen in Appendice 2.

Payment from SOEs in mineral and coal mining sector in this report consist of royalty, corporate income tax, property tax, land rent, transportation fee and Borrow to Use Permit for Forest Area (*Izin Pinjam Pakai Kawasan Hutan/ IPPKH*). The detail can be seen in Appendice 2.

Other than the above payments, SOEs in mineral and coal mining sector also pay annual dividend. The detail can be seen in Appendice 2.

2.1.8 Subnational payment

EITI Standard 4.6 requires disclosure of subnational payments.

Subnational payments are categorized into:

1. Payments based on Local Regulation
Subnational payment based on local regulation in the form of local taxes are mandatory contribution by individuals or companies. Other form of payment is levy as imposed on services or certain permits. Law No. 28/2009 governs the types of taxes imposed by Provincial and District/Municipality government. Subnational/local government is prohibited from imposing taxes other than stipulated by law.

Taxes applicable in extractive industry are ground water tax, road lighting tax, and specific permit retribution. The following tariff applies pursuant to Law No. 28/2009:

- Ground water tax, maximum 20% and enforced by local regulation
- Road lighting tax, maximum 10%. For power utilization generated by other sources by industry and mining sector, 3% tariff applies
- Specific permit retribution, namely Building Construction Permit (*Izin Mendirikan Bangunan/ IMB*)

Oil and gas companies pay local tax and levies to the central government and payment is transferred to subnational government pursuant to Production Sharing Contract. Mineral and coal mining companies pay local tax and levies directly to local government.

Tax and levies paid by companies in extractive industry (included in this report) is IDR 800,673 million and USD 48,333 thousand in 2014.

2. Based on commitment between Company and Local Government

Direct payment to local government established by commitment of the management of mining company to local government as participation in building the local area.

The total of direct payment to local government based on formal agreement in 2014 is IDR 333,992 million and USD 356 thousand, in which less than 1% of state government. Thus, the direct payment to local government is not reconciled and only reported by the companies.

A number of companies covered in this report did not have any agreement between local governments, therefore there is no direct payment to local government for some companies.

2.1.9 Other State Revenues

The following section lists state revenues from extractive industry covered in this report, but not reconciled.

1. Signature Bonus from new contract signing

Bonus paid to the government subsequent to signing of PSC for exploration activities.

2. Firm Commitment

Penalty paid to government from PSC that break agreed firm commitment

3. Property Tax (*Pajak Bumi dan Bangunan*/PBB)

Based on tax regulation, property tax is imposed on land and building where tax object is located.

4. Value-Added Tax (VAT) in oil and gas sector

VAT is imposed on the purchase of goods and services by PSC holders. This payment can be reimbursed to the Directorate of Non-Tax Revenue and is taken into account to subtract state's share of revenue.

5. Land Rent

Land rent applies in areas managed by holders of KK, PKP2B, and IUP. The tariff is determined based on phase of mining activities in each type of contract.

For KK and PKP2B, tariff ranges from 0.05 USD per hectare to 4 USD per hectare, based on the phase of mining activities in each type of contract. For IUP, tariff ranges from IDR 500 (equivalent to USD 0.05) per hectare to IDR 25,000 (equivalent to USD 2.5) per hectare.

6. Borrow to Use Permit for Forest Area

All non-forestry companies operating in areas that government has delineated as forest area must pay Forest Resources Provision (*Provisi Sumber Daya Hutan*/PSDH) and Reforestation Fund (*Dana Reboisasi*/DR)

Around 90% of revenue from these revenue stream come from mining companies.

2.2 Scope of Companies for Reconciliation

The assessment and selection of extractive companies in this report is based on the contribution of each company to total state revenue generated from extractive industry. The selection of those companies is in accordance with Scoping Note 2014, approved by Implementing Team.

For oil and gas sector, this report covers all oil and gas companies that are in production phase which means 100% participation. As for mining sector, the companies were those that paid royalty in the amount of IDR 20 billion to the state. The sampled companies contributed 86% from total non-tax revenues in mining sector.

The threshold of materiality for reconciled state revenue was 1% from total revenues derived from each respective sector and approved by Implementing Team.

In accordance with Scoping Note 2014, verified by IA and Implementing Team, the amount of oil and gas companies that are included in the reconciliation scope for the year 2014 were originally 72 operator and 104 partner. While in the mining sector, the companies that are being sampled amounted to 121 companies consist of 102 coal and 19 mineral companies.

Based on the decision from Implementing Team (MSG) meeting on January 5, 2017, there was a duplication from one of the mining companies, PT Bharinto Ekatama. The samples then reduced to 120 companies (101 coal and 19 mineral companies)

Government entities covered in the reconciliation report were DG Tax, DG Budget, DG Oil and Gas, DG Mineral and Coal and SKK Migas. This report also includes state revenues presented unilaterally (not included during reconciliation process), which came from DG Fiscal Balance, PT Pertamina (Persero), Riau Provincial Government, East Kalimantan Provincial Government and East Java Provincial Government.

The table below presents list of companies that are cooperative in terms of submitting the EITI form 2014 as well as assisting in providing clarification should there be any discrepancies found between reporting entities and government entities.

The companies support displayed their commitment in promoting transparency and accountability in extractive sector in Indonesia, particularly through implementation of EITI program.

Complete list of companies included in this report is presented in Appendix 1

2.2.1 Oil and Gas Sector

Table 2.10 PSC Holders for reconciliation in 2014

Year	Operator	Partner	Total
2014	72	104	176

Source: EITI Scoping Note 2014

Table 2.11 List of PSC Holders based on area in 2014

Operations Area	Operator
Aceh Province	3
Jambi Province	6
Riau Province	9
Riau Islands Province	3
North Sumatera Province	2
South Sumatera Province	8
Lampung Province	1
West Java Province	1
Central Java Province	1
East Java Province	8
East Kalimantan Province	7
North Kalimantan Province	1
Central Sulawesi Province	1
South Sulawesi Province	1
Maluku Province	2
West Papua Province	5
Indonesia	1
TOTAL	60

Source: EITI Scoping Note 2014

As presented in table 2.10, there is difference between total number of operator based on area and total number of operator included in this report (as presented in table 2.11). The number did not tally as there are partners submit the report as operator:

- PT Pertamina Hulu Energi (9 companies) – reporting as operator given its 50% participating interest over JOB/JOA operation area.
- PT Pertamina Hulu Energi, South Jambi B (1 company) –reporting as operator as it has participating interest of 25% of South Jambi B operation area,
- PT Pertamina Hulu Energi, Siak area (1 company) – reporting as operator as it replaced Chevron Siak as operator for Siakarea since 28 May 2014 (refer to SKK Migas Letter SRT-0718/SKKO0000/2016/S4 dated 4 November 2016)
- INPEX Petroleum Ltd. (1 company) – reporting as operator over 50% of INPEX Petroleum Ltd's share in Mahakam field and 50%of its share in Attaka field refer to Pertamina Letter No. 1911/Keu/BKKS/77 dated 10 May 1977.

2.2.2 Mineral and Coal Mining Sector

There are 120 mineral and coal mining companies included as sample in this report, consist of PKP2B, IUP and KK. These companies were spread across 15 areas in Indonesia.

Table 2.12 Mineral and coal mining companies for reconciliation in 2014 based on permit type

Commodity Type	Permit Type			Total
	PKP2B	IUP	KK	
Coal	33	68	-	101
Mineral	-	13	6	19
Total	33	81	6	120

Source: EITI Scoping Note 2014

Table 2.13 Mineral and Coal Mining Companies for Reconciliation in 2014 based on Operation Area

Area	Permit Type			Total
	PKP2B	IUP-BB	IUP-MN	
Bangka Belitung			8	8
Bengkulu		2		2
Jambi		1		1
West Kalimantan			2	2
South Kalimantan	9	12		21
Central Kalimantan	3	2		5
East Kalimantan	20	43	1	64
North Kalimantan	1	2		3
North Maluku				1
West Nusa Tenggara				1
Papua				1
Southeast Sulawesi				1
North Sulawesi				1
South Sumatera		6	2	8
North Sumatera				1
Total	33	68	13	120

Source: EITI Indonesia Data Analysis Year 2014

3 Methodology, Reporting Entities Status and List of Non-Reporting Entities



3.1 Reconciliation Method

In developing reconciliation report 2014, IA collected and reconciled data of payment made and received from business entities and the government for the year 2014 in extractive sector. Reconciliation process was undertaken in the following sequences:

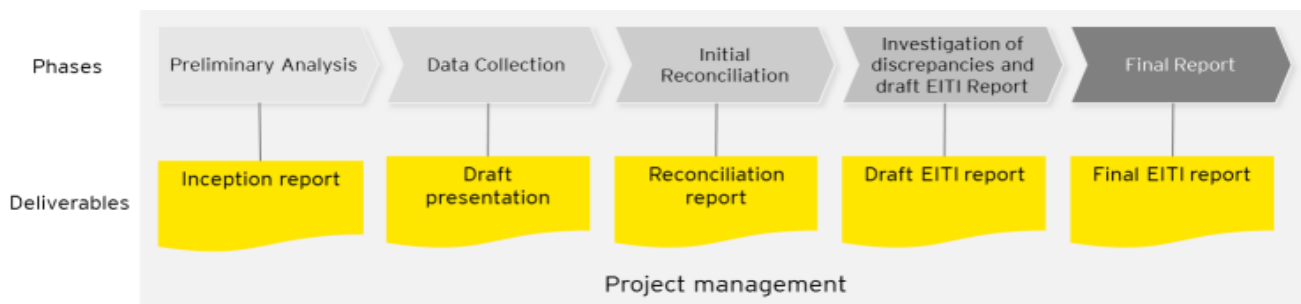
1. **Preliminary data analysis and procedure** – collecting contact database and company address, reporting format design, and identifying procedures that would be employed for executing reconciliation
2. **Data collection** – including conducting socialization on EITI template 2014, circulating reporting template to all reporting entities, data request from all reporting entities
3. **Reconciliation process** – comparing information between reporting entities and the government in regards with elements as stated in the form for the year 2014
4. **Confirmation** – verifying and tracking data to related entities to clarify gaps and differences if any. This sequence included all data both in monetary and volume units
5. **Analysis and Report development** – Analysis on the reconciliation result and formulation of EITI reconciliation report 2014

Communications between IA and reporting entities as well as government agencies in order to conduct further inquiries to clarify differences of numbers were appropriately documented and have been agreed by both parties. This measure was taken to ensure that information and/or data presented and/or reconciled in this report were genuine and accurate (complying with EITI standard 2016 4.1).

IA collected details on data or complementing documents by employing various means of communications – phone, email, discussion/meeting and visits (if necessary) to relevant reporting entities.

Reconciliation activities until report development is carried out in five stages as summarized in Figure 3.1. IA is responsible to undertake each sequence as described below.

Figure 3.1 Sequence of the development of EITI 2014 report

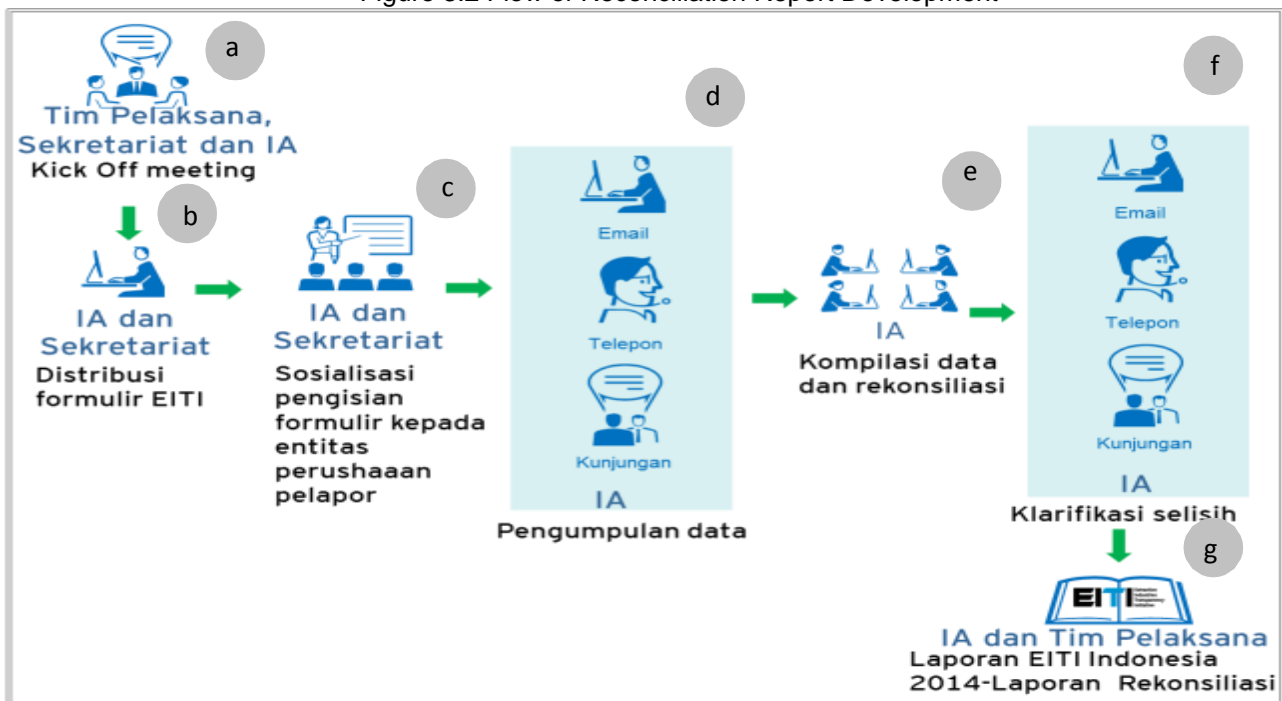


3.2 Reconciliation Activities and Areas of Focus

The aim and focus of this reconciliation process was to compare payments made by companies in extractive sector with revenues received by the state through relevant government entities

Figure 3.2 below shows the flow of EITI reconciliation report 2014, by mapping each relevant stakeholder with the activities.

Figure 3.2 Flow of Reconciliation Report Development



Below are the flow mechanism of Reconciliation Report development in detail:

- a. On December 5, 2016, IA conducted a kick off meeting with the Implementing Team, together with the Secretariat to mark the beginning of the engagement to develop EITI Report for the year 2014
- b. IA together with the Secretariat distributed EITI forms, with break down as follow:
 - EITI Indonesia reporting form for Oil and Gas companies
 - EITI Indonesia reporting form for Mineral and Coal companies
 - EITI Indonesia reporting form for Ministry of Finance, included: DG of Budget, DG of Treasury, DG of Tax and DG of Fiscal balance
 - EITI Indonesia reporting form for Ministry of Energy and Mineral Resources: DG of Oil and Gas and DG of Mineral and Coal
 - EITI Indonesia reporting form for Local government of East Java, Riau and East Kalimantan
- c. IA together with the Secretariat conducted socialization on EITI form 2014 to all oil and gas and mineral and coal reporting entities
- d. IA conducted data collection process for EITI 2014 form from reporting entities and relevant government entities
- e. IA compiled and conduct reconciliation on the data available
- f. IA clarified discrepancies between data provided by reporting entities and government agencies if any
- g. IA developed EITI 2014 Reconciliation Report and gained approval from the Implementing team

3.3 Designing Reporting Template

Due to the short period for report development, 2.5 months, the process of data collection through form distribution, particularly for oil and gas operator, has commenced prior to the appointment date for IA, December 5, 2016.

IA did not incorporate any changes by adding or reducing the items cited in the reporting form for both entities and government in the Reconciliation Report for the year 2014.

However, to enhance the overarching reconciliation process for the next period, IA exposed suggestion and recommendation on reconciliation process and EITI reporting template inside this report.



3.4 Reporting template distribution to Companies and government agencies

The reporting template distribution started from the Implementing Team to circulate to the oil and gas company prior to IA appointment date, as what has been stipulated above.

Reporting template distribution will be continued by collecting contact database, IA needed to acquire information such as company address, email, contact number and person in charge through:

- Requesting initial contact database to Secretariat
- Requesting contact information of oil and gas companies to SKK Migas and mineral and coal companies to DG of Mineral and Coal
- Acquiring contact information through company website and holding company's website (if any)
- Examine contact and address database and PIC from previous year report
- Requesting contact information for IUP from relevant local government
- Requesting contact information from oil and gas operator for each of their corresponding partner

After collection of initial contact database, reporting template distribution followed by template distribution to each reporting entities in both hardcopy and softcopy by IA on December 9, 2016, IA also invited reporting entities for template socialization on December 13, 2016, brought by IA and the Secretariat of EITI.

The distribution of reporting template for mineral and coal companies was slightly delayed since the cover letter from the Ministry of Energy and Mineral Resources for completing the template was issued passed the requested date from the Secretariat. The deadline for template submission as stated in the letter was December 5, 2016, however the letter itself can only be circulated on December 9, 2016.

The latest submission date as determined by IA was for the week ending on December 2016, until January, 31 2016.

Considering the amount of reporting template submitted were still not adequate, IA and the Secretariat invited oil and gas and mineral and coal companies that have not yet filed a report to attend discussions on January 31 and February 6, 2017 and postponed the deadline.

Since some entities only attended the discussion on the last date (February 6, 2017), IA and Secretariat made an agreement to postpone the deadline to February 10, 2017 for government entities and February 21, 2017 for the reporting entities.

For data to be extracted from DG of Tax, authorization letter for each reporting entities is required to disclose their tax data. IA gradually submitted authorization letter to expedite reconciliation process.

Table 3.1 below shows progress on reporting template submission until the last deadline

Table 3.1 Report Submission Progress for Government, Oil and Gas and Mineral and Coal Sector Entities

Government Entities

Submission Deadline	Oil and Gas Sector			Mineral and Coal Sector		
	Template Submitted	Template not yet submitted	Submission percentage	Template Submitted	Template not yet submitted	Submission percentage
31 January 2017	4	0	100%	7	1	88%
7 February 2017	4	0	100%	8	0	100%
10 February 2017	4	0	100%	8	0	100%

Oil and Gas Companies – Operator

Submission Deadline	Template Submitted	Template not yet Submitted	Submission Percentage
31 January 2017	66	6	92%
7 February 2017	72	0	100%
21 February 2017	72	0	100%

Oil and Gas Companies – Partner

Submission Deadline	Template Submitted	Template not yet Submitted	Submission Percentage
31 January 2017	88	16	85%
7 February 2017	89	15	86%
21 February 2017	95	9	91%

Mineral and Coal Companies

Submission Deadline	Template Submitted	Template not yet Submitted	Submission Percentage
31 January 2017	57	63	48%
7 February 2017	63	57	53%
21 February 2017	75	45	63%

Source: EITI Indonesia Data Analysis 2014

3.5 Non-Reporting Companies

Out of the total 176 oil and gas companies that covers 72 operators and 104 partners as well as 120 mineral and coal companies, as many as 54 companies did not report of which 9 were PSC holder partners and 45 were mineral and coal companies.

From state revenue perspective, reporting oil and gas companies contributed 99.94% for operator and 97.5% for partner in proportion to state revenue in oil and gas sector. While reporting mineral and coal companies contributed as much as 85.33% against total state revenue from mineral and coal sector in the form of Royalty and PHT.

Considering the contribution of state revenue from non-reporting companies for both tax and non-tax revenue, the amount become less significant or 2.5% for operator, 7.42% for mineral and coal companies (while revenue from Royalty and PHT from mineral and coal companies outside the samples is 7.25%), thus making a lesser impact upon the reconciliation result.

Table 3.2 List of Oil and Gas Partner that did not file a Report

				<i>In thousands USD</i>
No	Name of Companies	Block	Reason for Not Reporting	DG Budget Reported (C&D Tax)
1	KNOC Sumatra. Ltd.	Southeast Sumatera. Off.	Transfer of ownership	7,193
2	PT Bumi Siak Pusako	CPP Block. Ons. Central Sumatera	Passed the deadline	12,003
3	PT Imbang Tata Alam	Malacca Strait Block. Off.	Passed the deadline	251
4	PT Kencana Surya Perkasa	Tonga Field	Passed the deadline	0
5	PT Petross Petroleum Production	Tonga Field	Passed the deadline	0
6	LION International Investment Ltd.	Seram Non Bula	Passed the deadline	0
7	Fuel-X	Tungkal. Ons. Jambi	Passed the deadline	0
8	PT Petronusa Bumibakti	Selat Panjang. Ons. Riau.	Passed the deadline	0
9	International Mineral Resources Inc.	Selat Panjang. Ons. Riau.	Passed the deadline	0
TOTAL				19,447
TOTAL REVENUE				6,894,810
PERCENTAGE OF REVENUE				0.28%

Source: EITI Indonesia Data Analysis 2014

9 oil and gas partners that did not file a report can be classified as follows:

1. KNOC Sumatra Ltd. have transferred of ownership whereas per January 2017, CNOOCSES Ltd as an operator has three partners at Lampung, which are PGN Saka., Kufpec Regional Venture (Indonesia) Ltd., and Pertamina Hulu Energi OSES. CNOOC SES Ltd, does not have any C&D payment record from KNOC Sumatra Ltd. and can only provide full company address. However, the company did not reside in that address anymore.

2. The remaining 8 oil and gas partners did not submit their reports until the agreed deadline

The list of non-reporting companies are elaborated on the next page.

Table 3.3 List of Non-Reporting mineral and coal Companies

No.	Name of companies	Type	Area	Reasons for not reporting	DG Mineral and Coal Royalty and PHT (million Rupiah)
1	PT Alam Jaya Barapratama	IUP Batubara	East Kalimantan	Passed the deadline	21,179
2	PT Aman Toebillah Putra	IUP Batubara	South Sumatera	Passed the deadline	24,128
3	PT Amanah Anugerah Adi Mulia	IUP Batubara	South Kalimantan	Passed the deadline	36,108
4	PT Bara Alam Utama	IUP Batubara	South Sumatera	Passed the deadline	52,373
5	PT Bara Jaya Energi	IUP Batubara	East Kalimantan	Not connected	1,202
6	PT Bara Jaya Utama	IUP Batubara	East Kalimantan	No response	109,573
7	PT Bara Kumala Sakti	IUP Batubara	East Kalimantan	Passed the deadline	116,071
8	PT Baramega Citra Mulia Persada	IUP Batubara	South Kalimantan	Passed the deadline	693
9	PT Belitung Industri Sejahtera	IUP Mineral	Bangka Belitung	No response	30,919
10	PT Beringin Jaya Abadi	IUP Batubara	East Kalimantan	Not connected	73,086
11	PT Bhumi Rantau Energi	IUP Batubara	South Kalimantan	Passed the deadline	95,694
12	PT Binamitra Sumberarta	IUP Batubara	East Kalimantan	Not connected	31,755
13	PT Cahaya Energi Mandiri	IUP Batubara	East Kalimantan	Passed the deadline	75,977
14	CV Energi Bumi Kartanegara	IUP Batubara	East Kalimantan	Passed the deadline	402
15	PT Energy Cahaya Industritama	IUP Batubara	East Kalimantan	Not connected	62,048
16	CV Fazar Utama	IUP Batubara	East Kalimantan	Passed the deadline	40,234
17	PT Ferto Rejang	IUP Batubara	Bengkulu	Not connected	29,865
18	KUD Gajah Mada	IUP Batubara	South Kalimantan	Passed the deadline	1,331
19	PT Globalindo Inti Energi	IUP Batubara	East Kalimantan	Passed the deadline	31,860
20	PT Indoasia Cemerlang	IUP Batubara	South Kalimantan	Passed the deadline	51,903
21	PT Injatama	IUP Batubara	Bengkulu	Passed the deadline	63,836
22	PT Kalimantan Energi Lestari	PKP2B	South Kalimantan	Passed the deadline	235,502

No.	Name of companies	Type	Area	Reasons for not reporting	DG Mineral and Coal Royalty and PHT (million Rupiah)
23	PT Kaltim Jaya Bara	IUP Batubara	East Kalimantan	Reluctant to report	23,690
24	PT Kayan Putra Utama Coal	IUP Batubara	East Kalimantan	No response	330,502
25	PT Kutai Energi	IUP Batubara	East Kalimantan	Passed the deadline	25,954
26	PT Lembuswana Perkasa	IUP Batubara	East Kalimantan	No response	74,441
27	KUD Makmur	IUP Batubara	South Kalimantan	No response	450
28	PT Manambang Muara Enim	IUP Batubara	South Kalimantan	No response	24,099
29	PT Meares Sopotan Mining	KK	North Sulawesi	No response	20,573
30	PT Muara Alam Sejahtera	IUP Batubara	South Kalimantan	Passed the deadline	48,013
31	PT Multi Sarana Avindo	IUP Batubara	East Kalimantan	No response	142,241
32	PT Pancaran Surya Abadi	IUP Batubara	East Kalimantan	Not connected	25,835
33	PT Pesona Khatulistiwa Nusantara	PKP2B	North Kalimantan	Passed the deadline	176,434
34	PT Pipit Mutiara Jaya	IUP Batubara	East Kalimantan	Passed the deadline	107,897
35	PT Raja Kutai Baru Makmur	IUP Batubara	East Kalimantan	Not connected	24,584
36	PT Rinjani Kartanegara	IUP Batubara	Kalimantan Timur	Passed the deadline	65,637
37	PT Senamas Energindo Mineral	IUP Batubara	Kalimantan Tengah	Passed the deadline	26,913
38	CV Serumpun Sebalai	IUP Mineral	Bangka Belitung	Transfer of ownership	24,703
39	PT Sungai Berlian Bhakti	IUP Batubara	East Kalimantan	Not connected	33,287
40	PT Supra Bara Energi	IUP Batubara	East Kalimantan	No response	32,931
41	PT Surya Sakti DarmaKencana	IUP Batubara	South Kalimantan	Not connected	23,619
42	PT Tamtama Perkasa	IUP Batubara	Central Kalimantan	Passed the deadline	19,225
43	PT Tinindo Inter Nusa	IUP Mineral	Bangka Belitung	Reluctant to report	27,262
44	CV Venus Inti Perkasa	IUP Mineral	South Sumatera	Not connected	21,691
45	PT Welarco Subur Jaya	IUP Batubara	East Kalimantan	No response	40,389
TOTAL					2,526,132
TOTAL REVENUE					34,060,670
PERCENTAGE OF REVENUE					7.42%

Source: EITI Indonesia Data Analysis 2014

The 45 mineral and coal companies that did not make a report can be classified as below:

1. PT Ferto Rejang, with IUP located in North Bengkulu and Central Bengkulu is one of the companies which IA failed to reach. The company still operates in 2014, however based on a letter from the Ministry of Energy and Mineral Resources No1343.Pm/04/DJB/2016 about Decision of IUP Clear and Clean the 19 and list of IUP revoked by Governor/Mayor. IUP of PT Ferto Rejang has been revoked by the Governor/Mayor in the area with SK No 348-349.379 in the year of 2016.
2. CV Serumpun Sebalai has transferred ownership or management level based on Notary deed No 004
3. PT Kaltim Jaya Bara and PT Tinindo Inter Nusa has orally stated to not report due to confidentiality reason

4. 13 mineral and coal companies have no further response after form delivery by IA
5. 9 mineral and coal companies were unreachable due to not updated contact database, for instance: change in address
6. The remaining 19 mineral and coal companies did not submit their reports until the agreed deadline

3.6 Reconciliation Process

For the purpose of data collection for reconciliation, other than through phone and email, IA also conducted site visit to reporting entities both oil and gas and mineral and coal entities and the Government with detail elaborated in Table 3.4 below.

Table 3.4 Visits to Reporting Entities

Oil and Gas	Period
Pre-Reconciliation	
Government entities: SKK Migas	December 2016
Oil and Gas companies with offices in Jakarta	January 2017
Post-Reconciliation	
Government entities: SKK Migas, DG Oil and Gas, DG Budget for clarification session	January 2017
Mining	Period
Pre-Reconciliation	
Government entities: DG Mineral and Coal	December 2016
Oil and Gas companies with offices in Jakarta	January 2017
Post-Reconciliation	
PT Bukit Asam (Persero) Tbk for clarification session	January 2017

Source: EITI Indonesia Data Analysis 2014

3.7 Data Collection Challenges

IA faced a number of difficulties during reconciliation report development particularly on data collection, with detail as follows:

- Bureaucracy – Cover letter from MEMR to be distributed to the mineral and coal reporting entities was delayed, and can only be circulated on December 9, 2016, while the deadline as stated in the letter was December 5, 2016
- Database incompleteness – Collecting contact database for reporting entities and government agencies, particularly on mineral and coal sector had number of hurdles. Initial contact database that is outdated reducing the efficiency in distributing and collecting the reporting template
- Data confidentiality – Some mineral and coal companies declined to provide the authorization letter for tax data disclosure
- Minimum socialization – Due to minimum amount of socialization on EITI and EITI reporting in general conducted, reporting entities often questioned the purpose of EITI reporting, hence obstruct the reporting process
- The voluntary nature of report with no sanction

4 Reconciliation Results

The reconciliation process is done through comparing the state revenue as reported by the government with payment to the government made by Entities in extractive sector.



When the initial reconciliation process was started, by comparing the total state revenue recorded by government entities or values reported by corporate entities, there were significant differences due to:

- a. The unit written in the report was not consistent with what was required by the reporting template. Some entities did not follow the guidelines given. For instance, input the unit in MSCF or in USD, but they filled the numbers in MMSCF and thousand USD
- b. The data provided was still referring to draft FQR or was not based on FQR at all, while the government entities used the latest data
- c. Incorrect input on the currency value
- d. The value reported in the summarized section in reconciliation template was different with the appendix
- e. Incorrect data input for *Badan Operasi Bersama* (BOB)/Joint Operation Body (JOB), where they should have reported their portion only not the 100% consolidated version
- f. Incorrect input for total gas value where it should have consisted of Natural Gas/LNG and LPG
- f. Difference in conversion value for gas volume between KKKS, DG of Oil and Gas and SKK Migas that is from BBLS or MBTU to MSCF
- g. Difference in data reported between DG of Oil and Gas with KKKS and/or SKK Migas related to Gas Lifting
- h. Difference in data reported between DG of Budget with KKKS and/or SKK Migas related to taxation, government lifting and over/under lifting
- i. Entities had not reported legal product payment (STP, SKPKB, SKPKBT, Income tax (PPH) and PPh article 29)
- j. Incorrect labelling of company name in the DG of Mineral and Coal data
- k. Data input using accrual-based accounting, while the reporting template required cash-basis method

The differences were addressed through confirmation, discussion and visits (if necessary) to both reporting entities and the government. Tables below shows final result after reconciliation with explanation on the cause of the differences both for prior and post reconciliation.

4.1 Oil and Gas Companies for the Year 2014

4.1.1 Reconciliation between Oil and Gas Contractors (KKKS) and SKK Migas

Table 4.1 Reconciliation between KKKS and SKK Migas in 2014 (in Currency)

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	PSC Contractor	SKK Migas	Initial Differences	PSC Contractor	SKK Migas	Final Differences	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	
NON-TAX							
Total Lifting of Oil	27,515,453	27,435,769	(79,684)	27,435,769	27,435,769	-	-
Total Lifting of Gas	25,533,626	25,487,927	(45,699)	25,487,902	25,487,902	-	-
Domestic Market Obligation Fee	1,028,371	1,013,506	(14,865)	1,013,421	1,013,506	85	0.01
Over / (Under) Lifting-Oil	241,225	69,517	(171,708)	66,615	66,616	1	-
Over / (Under) Lifting – Gas	(495,705)	62,306	558,011	(507,806)	(507,805)	1	-
Total	53,822,970	54,069,025	246,055	53,495,901	53,495,988	87	0.00

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available from Appendices 2.1 – 2.5.

In general, the initial differences shown in Table 4.1 were caused by:

- The data reported in the reporting template was not referring to final FQR data, resulting in the differences in value reported by KKKS with SKK Migas
- Value reported by JOB reporting entities was not based on its portion, instead it represents 100% consolidated value
- Some DMO Fee were not yet billed to/ or not yet settled by the government

General causes of post-reconciliation differences shown in table 4.1

General causes of post-reconciliation differences	Item	Appendix	USD Thousands
Some KKKS have billed DMO Fee to the government but not yet settled due to uncertainty in the Equity to Be Split (ETBS)	1	3.1/22	84
TOTAL			84

Source: EITI Indonesia Data Analysis 2014

Table 4.2 Reconciliation between KKKS and SKK Migas in 2014 (in Volume)

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	PSC Contractor	SKK Migas	Initial Differences	PSC Contractor	SKK Migas	Final Differences	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	(7)=(6)/(5)
NON-TAX							
Total Lifting – Oil (Barrel)	287,937,187	287,078,471	(858,716)	287,078,468	287,078,471	3	-
Total Lifting– Gas (MSCF)	2,670,424,998	2,406,654,332	(263,770,666)	2,346,883,125	2,346,789,913	(93,212)	0
Government							
Lifting– Oil (Barrel)	144,440,116	151,216,888	6,776,772	151,216,887	151,216,888	1	-
Lifting–Gas (MSCF)	615,050,347	602,385,359	(12,664,988)	588,281,979	588,283,909	1,930	0
Domestic Market							
Obligation Fee (Barrel)	49,767,385	23,840,597	(25,926,788)	23,840,594	23,840,597	3	-
Total Oil (Barrel)	482,144,688	462,135,95	(20,008,732)	462,135,949	462,135,956	7	-
Total Gas (MSCF)	3,285,475,345	3,009,039,69	(276,435,654)	2,935,165,104	2,935,073,822	(91,282)	0.00

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available from Appendices 2.6– 2.10.

In general, the initial differences shown in Table 4.2 were caused by:

- The data reported in the reporting template was not referring to final FQR data, resulting in the differences in value reported by KKKS with SKK Migas
- Value reported by JOB as reporting entities was not based on its portion, instead it represents 100% consolidated value
- Faulty in reporting the value of total gas lifting and government gas lifting where it should have consists of Lifting Natural Gas (LNG) value added with LPG
- Inaccurate reporting where the value of total gas lifting only reflect KKKS lifting, excluding the value of government lifting
- Difference in conversion unit used to convert LPG from BBLS to MSCF

General causes of post-reconciliation differences shown in table 4.2

General causes of post-reconciliation differences	Item	Appendix	Volume (MSCF)
Inaccurate reporting where gas lifting by KKKS in the FQR total submitted to SKK Migas, which excluded LPG. While the total gas lifting data submitted to EITI has been renewed and have included LPG	1	3.1/59	(93,212)
The data reported in the reporting template was not referring to the final FQR data, resulting in the differences in value reported by KKKS with the value reported by SKK Migas	1	3.1/9	1,930
TOTAL	2		(91,282)

Source: EITI Indonesia Data Analysis 2014

4.1.2 Reconciliation between KKKS and the Directorate General of Oil and Gas

Table 4.3 Reconciliation between KKKS and DG of Oil and Gas in 2014

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	PSC Contractor	DG of Oil and Gas	Initial Differences	PSC Contractor	DG of Oil and Gas	Final Differenc	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	(7)=(6)/(4)
NON-TAX							
Total Lifting – Oil (Barrel)	287,937,187	285,809,584	(2,127,603)	287,078,468	287,078,467	(1)	-
Total Lifting – Gas (MSCF)	2,670,424,998	2,465,343,816	(205,081,182)	2,346,883,125	2,465,343,816	118,460,691	5.05
Signature Bonus for contract extension (USD '000)	20,000	0	(20,000)	20,000	20,000	0	-

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available from Appendices 2.11 – 2.13.

Signature bonus for KKKS that were still exploration stage will not be reconciled, only bonus for contract extension that is being reconciled.

In general, the initial differences in Table 4.3 were caused by:

- There was a unification in the working area in the report of DG of Oil and Gas. As a result, the total lifting value recorded by DG of Oil and Gas was a consolidation from several PSC in each area.
- Incorrect data input to the reporting template

- Value reported by JOB as reporting entities was not based on its portion, instead it represents 100% consolidated value
- Differences in the conversion value for gas lifting from MBTU to MSCF between DG of Oil and Gas with KKKS
- Differences in data reported between KKKS and DG of Oil and Gas, for instance adjustment in gas lifting for 2014 was not reported by DG of Oil and Gas. DG of Oil and Gas conducted revision or correction upon adjustment of gas lifting in current year
- The data reported in the reporting template was not referring to the final FQR data, resulting in the differences in value reported by KKKS with the value reported by SKK Migas

General causes of post-reconciliation differences shown in table 4.3

General causes of post-reconciliation differences	Item	Appendix	Volume (MSCF)
1) Differences in gas lifting data due to different conversion value. The unit used for gas sales was MBTU, while the used in the reporting template was MSCGF. The DG of Oil and Gas used the average conversion value of 1,036, while KKKS used various conversion rate	29	3.1/6	18,140,167
		3.1/9	9,871,033
		3.1/11	(3,189)
		3.1/16	289,435,677
		3.1/18	3,842,446
		3.1/19	(73,528)
		3.1/20	34,8185,025
	3.1/22	5,025	

General causes of post-reconciliation differences	Item	Appendix	Volume (MSCF)
1) Differences in gas lifting data due to different conversion value. The unit used for gas sales was MBTU, while the used in the reporting template was MSCGF. The DG of Oil and Gas used the average conversion value of 1,036, while KKKS used various conversion rate	29	3.1/23	24,829,427
		3.1/24	(95,860)
		3.1/26	(260,304,000)
		3.1/27	(26,310,000)
		3.1/30	17,046
		3.1/33	(385,952)
		3.1/34	1,430,651
		3.1/37	5,683,534
		3.1/39	(34,625)
		3.1/42	1,529,737
		3.1/43	100,612
		3.1/44	(228,655)
		3.1/45	1,136,217
		3.1/46	(506,759)
		3.1/52	32,771
		3.1/58	1,333,524
	3.1/62	(68,715) 34,818	
	3.1/63	6,158 (3,071)	
	3.1/64	(3,180,365)	
	3.1/65		
	3.1/69		
2) There was a unification in the working area, where in the report, DG of Oil and Gas recorded based on actual lifting, while KKKS split the value based on area for each KKKS. The total lifting value recorded by DG of Oil and Gas was a consolidation from several PSC in each area.	3	3.1/12	9,784,293
		3.1/13	(14,350,738)
		3.1/57	(7,315)
Difference was found in the conversion value used by DG of Oil and Gas and KKKS			
3) Difference in the data recorded in KKKS with DG of Oil and Gas. Difference in the gas lifting data caused by adjustment for lifting correction in the previous period was recorded in current period, while correction in current period, incorporated in the next period by DG of Oil and Gas	13	3.1/2	10,125,031
		3.1/3	(1,418,642)
		3.1/7	(8,047,733)
		3.1/10	2,866,318
		3.1/15	1,065,395
		3.1/21	53,463
		3.1/32	1,415,971
		3.1/35	970,975
		3.1/36	237,102
		3.1/40	1,675,856
		3.1/47	(61,654)
		3.1/66	(49,441)
Difference was found in the conversion value used by DG of Oil and Gas and KKKS			
	3.1/68	1,523,307	

General causes of post-reconciliation differences	Item	Appendix	Volume (MSCF)
4) Gas lifting value recorded in DG of Oil and Gas data is a 100% consolidation of Operator and Partner data, while KKKS data is referring to PI in each JOB and JOA Difference was found in the conversion value used by DG of Oil and Gas and KKKS	2	3.1/53	39,531
		3.1/67	(24,964)
5) (2) and (3)	4	3.1/5	303,003,356
		3.1/59	(2,744,416)
		3.1/60	(251,212,732)
		3.1/70	(2,651,208)
TOTAL	51		118,460,691

Source: EITI Indonesia Data Analysis 2014

4.1.3 Reconciliation between KKKS and the Directorate General of Budgeting

Table 4.4 Reconciliation between KKKS and DG of Budget in 2014 (in Currency)

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	PSC Contractor	DG of Budget	Initial Differences	PSC Contractor	DG of Budget	Final Differences	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	
TAX							
C&D Tax – Operator	5,232,449	5,273,260	40,811	5,256,901	5,271,305	14,404	0.27
C&D Tax – Partner	2,085,528	2,033,592	(51,936)	2,075,000	2,039,445	(35,555)	(1.71)
NON-TAX							
Production Bonus	6,750	6,750	0	6,750	6,750	0	-
Over / (Under) Lifting – Oil and Gas	(254,480)	98,023	352,503	(441,190)	97,516	538,706	-122.10
Total		7,070,247	7,411,625	341,378	6,897,461	7,415,016	517,555

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available from Appendices 2.14– 2.16

In general, initial differences in Table 4.4 were caused by:

- Tax payment and/or payment of legal products (STP, SKPKB) reported by companies and are transferred to the state general treasury account (RKUN), was not recorded under DG of Budget
- Difference in tax payment record between KKKS and DG of Budget
- Mistake in reporting tax data and oil and gas over/under lifting
- Value reported by JOB as reporting entities was not based on its portion, instead it represents 100% consolidated value
- LNG over/under lifting that was settled through cargo mechanism and was not settled in cash, was not recorded under cash settlement in DG of Budget

General causes of post-reconciliation differences shown in table 4.4

General causes of post-reconciliation differences	Item	Appendix	USD Thousands
TAX			
Tax payment and/or payment of legal products (STP, SKPKB) reported by companies and are transferred to the state general treasury account (RKUN), was not recorded under DG of Budget	11	3.1/14	(64)
		3.1/23	(8,139)
		3.1/26	(6,059)
		3.1/26	(121)
		3.1/27	(551)
		3.1/34	(6,385)
		3.1/34	(10,048)
		3.1/42	(1,230)
		3.1/42	(606)
		3.1/45	(1,028)
3.1/54	(4)		
Difference in tax payment record between KKKS and DG of Budget	9	3.1/7	(47,349)
		3.1/9	(1,456)
		3.1/23	(9,744)
		3.1/24	9,744
		3.1/31	(3,049)
		3.1/32	3,070
		3.1/46	(145)
		3.1/59	(208)
		3.1/59	208

General causes of post-reconciliation differences	Item	Appendix	USD Thousands
The explanation and confirmation from reporting entities or DG of Budget were not submitted until the agreed deadline	10	3.1/3	5,311
		3.1/15	7,193
		3.1/15	22,133
		3.1/15	(507)
		3.1/15	(398)
		3.1/17	12,003
		3.1/18	14,844
		3.1/22	(1,035)
		3.1/34	1,619
		3.1/36	251
NON-TAX			
LNG over/under lifting that was settled through cargo mechanism and was not settled in cash, was not recorded under cash settlement in DG of Budget	8	3.1/2	(53,745)
		3.1/3	30,858
		3.1/5	282,346
		3.1/10	38,521
		3.1/16	(91)
		3.1/26	(1,703)
		3.1/27	(13)
		3.1/60	242,532
TOTAL	38		560,456

Source: EITI Indonesia Data Analysis 2014

4.2 Mineral and Coal Mining Companies for the Year 2014

4.2.1 Reconciliation between Mineral and Coal Companies and the Directorate General of Mineral and Coal (DG of Mineral and Coal)

Table 4.5 Reconciliation between Mineral and Coal Companies and DG of Mineral and Coal in 2014

State Revenue	Pre-Reconciliation				Post-Reconciliation			
	Mineral and Coal Company	DG of Mineral and Coal	Initial Differences	Initial Differences (%)	Mineral and Coal Company	DG of Mineral and Coal	Final Differences	Final Differences (%)
	(1)	(2)	(3) = (2)-(1)	(4)= (3)/(1)	(5)	(6)	(7)= (6)-(5)	(8)= (7)/(5)
Reported in IDR								
Royalty	1,624,324	1,828,867	204,542	12.59%	1,642,774	1,828,867	186,092	11.33%
PHT	1,533,739	1,472,306	(61,432)	-4.01%	1,569,503	1,472,306	(97,196)	-6.19%
Total in IDR	3,158,063	3,301,174	143,110	4.53%	3,212,277	3,301,174	88,896	2.77%
Reported in USD								
Royalty	973,127	1,009,967	36,840	3.79%	1,003,101	1,009,967	6,865	0.68%
PHT	1,157	1,207,070	50,027	4.32%	1,209,064	1,207,070	(1,993)	-0.16%
Total in USD	2,130,171	2,217,038	86,867	4.08%	2,212,166	2,217,038	4,872	0.22%

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available from Appendices 2.18–2.19

In general, initial differences in Table 4.5 were caused by:

- Incomplete or incorrect data input in the reporting template
- Data reported are not using cash basis

- Double counting recorded in the DG of Mineral and Coal database due to conversion from USD to IDR
- Inaccuracy in the labelling of mineral and coal companies in the DG of Mineral and Coal data record

General causes of post-reconciliation differences shown in table 4.5

General causes of post-reconciliation differences	Item	Appendix	USD Thousands	IDR Millions
Inaccurate allocation of non-tax revenue (<i>Penerimaan Negara Bukan Pajak/PNBP</i>) between royalty, PHT and Land rent	9	3.2/1*	207	122,503
		3.2/10*	1,065	-
		3.2/15*	(1,494)	-
		3.2/21*	(1,241)	-
		3.2/63*	(15)	35
		3.2/79*	4	26
		3.2/1**	(217)	(122,503)
		3.2/10**	(1,517)	-
Timing difference (companies report the payment at year-end, DG Minerals and Coal record the revenue at the beginning of the following year),	2	3.2/99*	353	-
		3.2/112*	(126)	-
Data is not recorded in DG of Mineral and Coal report, although the company kept the NTPN	1	3.2/114*	(75)	358
Insignificant differences (below 5%)	49	3.2/107*	60	-
		3.2/108*	39	-
		3.2/11*	214	-
		3.2/110*	-	(0.000176)
		3.2/115*	(100)	-
		3.2/116*	(14)	-
		3.2/118*	37	-
		3.2/12*	(0.08)	-
		3.2/13*	(0.01)	-
		3.2/18*	413	-
		3.2/19*	2,124	(0)
		3.2/2*	36	-
3.2/20*	198	-		

General causes of post-reconciliation differences	Item	Appendix	USD Thousands	IDR Millions
Insignificant differences (below 5%) (continued)	49	3.2/22*	(54)	-
		3.2/23*	(206)	-
		3.2/24*	(163)	-
		3.2/25*	(0.091)	-
		3.2/3*	(373)	-
		3.2/31*	(0.09)	-
		3.2/33*	(0.121)	-
		3.2/36*	(0.05)	-
		3.2/40*	(167)	-
		3.2/45*	169	-
		3.2/50*	-	474
		3.2/51*	-	484
		3.2/66*	3636	-
		3.2/68*	(153)	-
		3.2/7*	30	3,154
		3.2/70*	(130)	-
		3.2/80*	185	-
		3.2/81*	-	-
		3.2/88*	(99)	1,766
		3.2/92**	(214)	-
		3.2/11**	(0.064)	-
		3.2/12**	2,637	-
		3.2/14**	(11)	(5,749)
		3.2/16**	(6,248)	(0.000001)
		3.2/18**	5,546	-
		3.2/19**	18533	-
		3.2/2**	7	-
		3.2/20**	1.446	-
		3.2/21**	(295)	-
		3.2/22**	(191)	-
		3.2/23**	(120)	-
		3.2/24**	(0.091)	-
		3.2/25**	(0.09)	-
3.2/31**	(0.121)	-		
3.2/33**	(0.025)	-		
3.2/6**	342	-		
As per agreed deadline, the reporting entities did not provide clarification on discrepancy of royalty and PHT	24	3.2/100*	677	-
		3.2/101*	381	7,960
		3.2/14*		5,749

General causes of post-reconciliation differences	Item	Appendix	USD Thousands	IDR Millions
As per agreed deadline, the reporting entities did not provide clarification on discrepancy of royalty and PHT (continued)	24	3.2/16*	25036	0.000002
		3.2/28*	5	-
		3.2/32*	3,843	-
		3.2/34*	2,008	-
		3.2/37*	(731)	-
		3.2/4*	(2,526)	40,188
		3.2/52*	316	-
		3.2/53*	-	3,979
		3.2/55*	203	-
		3.2/58*	2,032	-
		3.2/73*	1,810	-
		3.2/8*	71160	428
		3.2/85*	3	-
		3.2/9*	(102)0	(1,175)
		3.2/94*	1,260	157
		3.2/28	(3,342)	-
		3.2/32	(2,346)	-
		3.2/4**	154	37,317
		3.2/7**	(197)	7,343
	(*) Royalty		3.2/8**	(133)
(**) PHT		3.2/9**	4,872	88,896
TOTAL	85			

Source: EITI Indonesia Data Analysis 2014

As can be observed from the data above, there are 85 companies that have been classified based on its general causes after reconciliation process.

The total exceeded the amount of reporting companies for the reason that one company can have issues in more than one item, both royalty and PHT

4.2.2 Reconciliation between Mineral and Coal Companies and the Directorate General of Tax (DG Tax)

Table 4.6 Reconciliation between Mineral and Coal Companies and the DG of Tax in 2014

State Revenue	Pre-Reconciliation				Post-Reconciliation			
	Mineral and Coal Company	DG of Tax	Initial Differences	Initial Differences (%)	Mineral and Coal Company	DG of Tax	Final Differences	Final Differences (%)
	(1)	(2)	(3)=(2)-(1)	(4)= (3)/(1)	(5)	(6)	(7)= 6)-(5)	(8)= (7)/(5)
Reported in IDR								
Income Tax (PPh art. 25 and 29)	2,343,109	2,553,939	210,829	9.00%	2,463,548	2,684,729	221,180	8.98%
Reported in USD								
Income Tax (PPh art. 25 and 29)	946,976	970,843	23,866	2.52%	979,686	1,003,530	23,844	2.43%

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available on Appendix 2.20

In general, initial differences in Table 4.6 were caused by:

- Incomplete or incorrect initial reporting
- Data reported are not using cash basis
- Entities had not reported legal product payment (STP, SKPKB, SKPKBT, Income tax (PPH) and PPh article29)
- Book-entry settlement by companies, where it includes taxes paid prior to 2014

General causes of post-reconciliation differences shown in table 4.6

General causes of post-reconciliation differences	Item	Appendix	USD Thousands	IDR Millions
As per agreed deadline, the reporting entities did not provide clarification on discrepancy on Corporate Income Tax	15	3.2/110	-	506913
		3.2/116	-	27,560
		3.2/25	(2,599)	0.1
		3.2/32	-	158,948
		3.2/37	0	(12,422)
		3.2/40	-	3,666
		3.2/45	-	483
		3.2/50	-	5,301
		3.2/52	-	26,355
		3.2/53	-	(14,111)
		3.2/55	-	43,787
		3.2/58	(4)	17,357
		3.2/67	-	1
		3.2/72	-	-
3.2/80	-	-		
Insignificant differences (below 5%)	13	3.2/104	4,256-	-
		3.2/107	(0.01)	-
		3.2/11	-	-
		3.2/118	-	220
		3.2/15	-	0.15
		3.2/2	-	16
		3.2/22	-	1,396
		3.2/68	-	(122)
		3.2/79	-	0.45
		3.2/81	-	(464)
		3.2/85	-	(34)2
3.2/90	-	1,094		
3.2/99	-	-		

General causes of post-reconciliation differences	Item	Appendix	USD Thousands	IDR Millions
Insignificant differences (below 5%) (continued)	13	3.2/104	4,256	-
		3.2/107	-	-
		3.2/11	(0.01)	-
		3.2/118	-	220
		3.2/15	-	0.15
		3.2/2	-	16
		3.2/22	-	1,396
		3.2/68	-	(122)
		3.2/79	-	0.45
		3.2/81	-	(464)
		3.2/85	-	(34)
3.2/90	-	2		
3.2/99	-	1,094		
Companies did not provide receipt of payment (<i>Nomor Transaksi Penerimaan Negara/NTPN</i>) for clarification by DG Tax	1	3.2/12	-	(12,879)
Companies did not submit letter of tax disclosure authorization (related to Corporate Income Tax)	7	3.2/100	-	-
		3.2/101	-	-
		3.2/28	-	-
		3.2/3	-	-
		3.2/6	-	-
		3.2/88	-	-
Companies did not disclose payment of tax penalty on Corporate Income Tax	5	3.2/14	6	0.1
		3.2/18	18,369	72,948
		3.2/21	-	655
		3.2/7	3,815	1
		3.2/9	-	1
TOTAL	31		23,844	221,180

Source: EITI Indonesia Data Analysis 2014

4.2.3 Reconciliation between Mineral and Coal Companies and the Directorate General of Budget (DG of Budget)

Table 4.7 Reconciliation between Mineral and Coal Companies and the DG of Budget in 2014

State Revenue	Pre-Reconciliation				Post-Reconciliation			
	Mineral and Coal Companies	DG of Budget	Initial Differences	Initial Differences (%)	Mineral and Coal Companies	DG of Budget	Final Differences	Final Differences (%)
	(1)	(2)	(3)= (2)-(1)	(4)= (3)/(1)	(5)	(6)	(7)= (6)-(5)	(8)= (7)/(5)
Reported in IDR								
Dividend	936,173	936,197	0.024	0.003%	936,197	936,197	-	0%

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available from Appendices 2.21.

As can be observed in Table 4.7 above, there is a difference between PT Aneka Tambang (Persero) Tbk record and the DG of Budget, due to manual calculation by multiplying total dividend with listed government's shares.

After reconciliation process, there difference between what was reported by PT Aneka Tambang (Persero) Tbk with the amount received by the government through DG of Budget is eliminated.

4.2.4 Reconciliation between PT Bukit Asam (Persero) Tbk (PT BA) and PT Kereta Api Indonesia (Persero) (PT KAI)

Table 4.8 Reconciliation between PT BA and PT KAI in 2014

State Revenue	Pre-Reconciliation				Post-Reconciliation			
	PTBA	PTKAI	Initial Differences	Initial Differences (%)	PTBA	PTKAI	Final Differences	Final Differences (%)
	(1)	(2)	(3)=(2)-(1)	(4)=(3)/(1)	(5)	(6)	(7)=(6)-(5)	(8)=(7)/(5)
Reported in IDR								
Transportation Fee	1,528,998	1,687,364	158,365	10%	1,528,998	1,528,998	0	0%
Reported in USD								
Transportation Fee	65,807	72,813	7,005	11%	65,807	65,807	0	0%

Source: EITI Indonesia Data Analysis 2014

The recap on the comparison is available on Appendix 2.22

In general, initial differences in Table 4.8 were caused by differences in the data reported by both PT BA and PT KAI. PT BA reported the data based on payment date where it includes correction in the year of 2014 and tax payment of 2%.

While PT KAI reported based on the value and date of contract which was exclusive from correction and tax payment of 2%.

After being reconciled, the difference is eliminated to 0% for both IDR and USD transaction.

5 Non-Reconciled State Revenues



Based on the Scoping Study and the Implementation Team decision, then state revenues below the level of materiality are not required to be reconciled with Government Agencies' data and only required to be reported by the companies.

In oil and gas sector, there is two types of state revenue, i.e. state revenue managed by SKK Migas and received by DG Budget, and state revenue presented from one side of companies. State revenue presented from one side of companies are:

- Signature Bonus for signing new contract
- Property Tax
- Local Tax and Levies
- Value Added Tax (VAT)
- Corporate Social Responsibility (CSR)
- Firm Commitment
- Transportation Services (for SOE)

Differences between the state revenues recorded by SKK Migas and DG Budget are caused by:

- Values recorded by DG Budget include premium, whereas SKK Migas do not recognize premium
- Difference in recording between SKK Migas and DG Budget

The differences are then followed up by performing confirmation and discussions with both government entities. Table 5.1 to Table 5.2 show the final result after the reconciliation, as well as the causes of the difference

On the other hand, mineral and coal sector presents non-reconciled state revenues as follows:

- Land rent
- Property Tax
- Local Tax and Levies
- Direct payments to Local Government
- Corporate Social Responsibility (CSR)
- Borrow to Use Permit for Forest Area (IPPKH)
- Domestic Market Obligation (DMO)
- Production Data Mineral and Coal
- Sales Data Mineral and Coal

Specifically for the data 'Payment for Transportation Fee', originally it is included as data presented on one side of the company. However, due to PT Bukit Asam (Persero) Tbk. exceeds the level of materiality (i.e. above 1%) of the total state revenue from mineral and coal sector, this revenue stream shall be reconciled with the government/State Owned Enterprise's record.

5.1 Oil and Gas Company Year 2014

5.1.1 State Revenue Managed by SKK Migas and Received by DG Budget

The reconciliation results between SKK Migas and Directorate General of Budget year 2014 are presented in Table 5.1 below:

Table 5.1 Reconciliation between SKK Migas and Directorate General of Budget Year 2014 (in Currency)

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	SKK Migas	DG Budget	Initial Differences	SKK Migas	DJA	Final Differences	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	
NON TAX							
Government Lifting – Oil							
• Export	1,286,651			1,286,651			
• Domestic	13,275,206	14,491,665	70,192	13,275,206	14,568,360	(6,503)	(0)
Government Lifting– Gas							
• Export	3,940,651			3,940,651			
• Domestic	2,697,196	6,608,758	29,089	2,697,196	6,637,846	(0)	(0)
Total	21,199,704	21,100,423	99,281	21,199,704	21,206,206	(6,503)	(0)

Source: EITI Indonesia Data Analysis Year 2014

The recap on the comparison is available from Appendices 2.17-2.18

In general, the initial differences shown in Table 4.1 were caused by:

- Values recorded by DG Budget includes premium, whereas in the calculation of the profit sharing, SKK Migas did not record premium
- There is net-off of the differences in DG Budget's record because the data is recorded based on actual lifting, while

SKK Migas recorded its lifting in accordance with the proportion specified in the contract for Unitized Working Area and JOB/JOA

- Difference recording of government lifting data

General causes of post-reconciliation differences shown in Table 5.1 are shown in the table in the next page.

Table 5.2 Description of Differences in State Revenue Data between SKK Migas and DG Budget

General causes of post-reconciliation differences	Item	Appendix	USD Thousands
The difference between the government lifting oil between SKK Migas and DG Budget is because DG Budget data is based on oil shipments report year 2014 which includes premium	4	3.1/9	(33)
		3.1/14	(47)
		3.1/23	(4,936)
		3.1/58	(1,487)
Total	4		6,503

Source: EITI Indonesia Data Analysis Year 2014

5.1.2 State and Local Revenue Report Presented One Side of Companies

Non-reconciled state revenues in oil and gas sector in 2014 are comprised of Signature Bonus for signing new contract, property tax, local tax and levies, value added tax (VAT), corporate social

responsibility, transportation services and firm commitment.

These values are presented in Table 5.3 below.

The overview of each company is available in Appendices 2.19 to 2.20.

Table 5.3 Oil & Gas Sector Non-Reconciled State Revenue 2014

Item	IDR (millions)	USD (thousands)
Signature Bonus		9,000
Property Tax	16,782,727	
Local Taxes and Levies	56,145	
Value Added Tax	12,184,750	
CSR:		
1. Company Infrastructure Utilization		33
2. Community Empowerment		2,225
3. Community Service		5,909
4. Education Enhancement		3,268
5. Infrastructure Development		2,692
CSR Total		14,129 ^{*)}
Transportation Services (for SOEs)		127,790
Firm Commitment		2,500
Total	29,023,622	139,290

^{*)} The difference between the sum of the values are more or less caused by rounding

Source: EITI Indonesia Data Analysis Year 2014

Table 5.4 Production Data Oil and Gas

Product Category (Oil/Gas)	Volume (BBLs/MSCF)
Oil	287,903,730 BBLs
Gas	2,999,522,140 MSCF

Source: EITI Indonesia Data Analysis Year 2014

The overview of each company is available in Appendix 2.21

5.2 Mineral and Coal Company Year 2014

In accordance with the EITI Standard 2016 4.1, all the firms that made payments worth of material as

approved by the MSG are obliged to report the payments.

Reception of payments that is considered material by the MSG but remained below the limit of materiality are presented in Table 5.5 as follows:

Table 5.5 Minerals and Coal Sector Non-Reconciled State Revenue 2014

Item	IDR (millions)	USD (thousands)	Ton (millions)
Land Rent	24,512	5,730	
Property Tax	457,006	-	
Local Taxes and Levies	744,528	48,333	
Direct Payment to Local Government	333,992	356	
CSR			
a. Company Infrastructure Utilization	708	-	
b. Community Empowerment	85,235	13,324	
c. Community Service	167,292	71,877	
d. Education Enhancement	21,743	272	
e. Infrastructure Development	50,089	11,783	
Infrastructure Provision	44,866	31,690	
Borrow to Use Permit for Forest Area (IPPKH)	576,224	-	
Domestic Market Obligation			43
Total	2,506,196	183,369	43

Source: EITI Indonesia Data Analysis Year 2014

It is shown in Table 5.5 that the non-reconciled state revenues for mineral and coal sector in year 2014 reached IDR 3.9 trillion, while for the USD

reached USD 249 million. And for the DMO of coal, the volume reached 2.2 million tons in 2014.

Table 5.6 Production and Sales Data of Mineral and Coal Sector

Product Category (Coal/Mineral)	Volume (ton)		Sales Value	
	Production	Sales	Millions Rupiah	Thousands USD
Coal	324,981,820	339,498,309.18	28,198,646	16,997,420
Mineral	884,073,749	821,911,490.74	12,213,759	7,599,245
Total	1,209,055,570	1,161,409,799.92	40,412,406	24,596,665

Source: EITI Indonesia Data Analysis Year 2014



6 Extractive Industry Revenue Sharing Distribution



EITI Standard 2016, point 5.2 stated that the extractive industry revenue fund transfer from central government to local government in which is regulated by law must be elaborated in the EITI Report.

6.1 Sharing Revenue Allocation from Central Government to Local Government

In Law No. 33/2004 about fiscal balance between central government and local government, the state revenue from taxes and natural resources will be allocated to local government in the form of fiscal balance.

Furthermore, the Government Regulation No. 55/2005 about fiscal balance stated that fiscal balance is fund transfer from APBN to local government, in the form of Revenue Sharing (known as DBH), General Allocation Fund (known as DAU) and Special Allocation Fund (known as DAK).

Revenue Sharing is a fund from APBN Revenue which is allocated to the local government. The fund is based on a predefined percentage to support local government in regards to decentralization.

The source of Revenue Sharing is state revenue from taxes and natural resources. Then the revenue would be shared with local government based on predefined percentage. The realization amount of Revenue Sharing of local government is affected by 2 factors:

1. The realization of domestic revenue performance in shared APBN
2. The Laws that regulate percentage for producing region

Revenue Sharing for Natural Resources

Based on Government Regulation No. 55/2005, there are several state revenues for sharing:

Table 6.1 State Revenues for Revenue Sharing

Revenue Sharing Taxes	Revenue Sharing for Natural Resources
Property Tax (PBB)	Forestry
Taxpayers (WPOPDN) and Income Tax Law Article 21	Mineral and Coal Mining
	Fishery
	Oil and Natural Gas
	Geothermal

Source: PP 55/2005

Oil and gas revenue sharing and general mining revenue sharing in extractive industry have the biggest composition in Natural Resources Revenue Sharing allocation.

In 2013-2014 budgeting, the revenue sharing for extractive industry tend to increased.

Table 6.2 Realization of Revenue Sharing in Extractive Industry

In billion Rupiah

Year	Oil	Gas	General Mining	Total Allocation
2013	15.531	13.799	11.637	40.967
2014	24.072	18.838	16.426	54.335

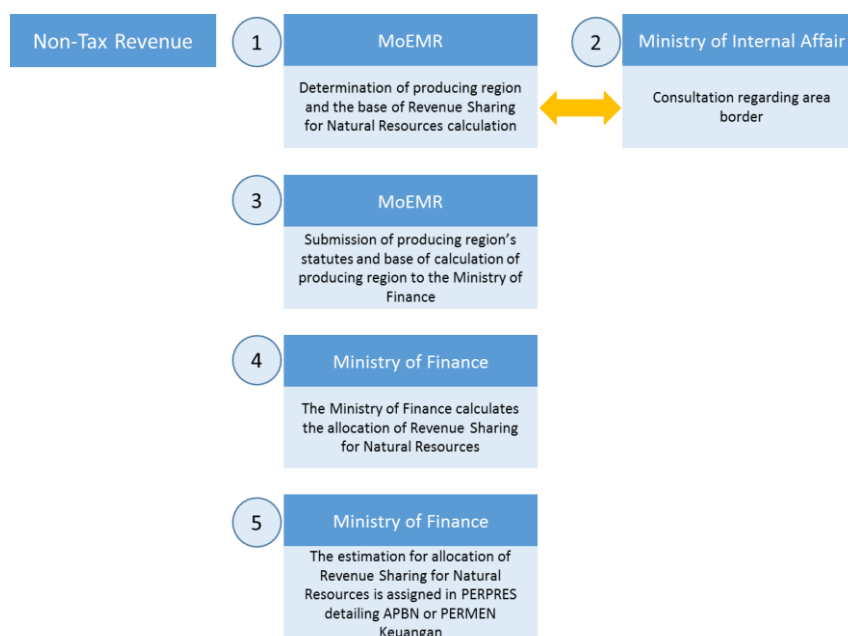
Source: Ministry of Finance

From 2013 to 2014, Revenue Sharing realization for general mining has increased to 41%, Revenue Sharing realization for oil has decreased to 55% and gas has decreased to 37% from year 2013 realization. Revenue Sharing allocation is regulated by Government Regulation No. 55/2005. The article 28 stated that the Revenue Sharing realization is done quarterly through data reconciliation between central government and producing region except Revenue Sharing Natural Resources for Fisheries.

6.2 Sharing Revenue Natural Resources Allocation

Several ministries such as Ministry of Energy and Mineral Resources (MoEMR), Ministry of Internal Affairs and Ministry of Finance are involved in Revenue Sharing for Natural Resources allocation process. The allocation process includes the producing region and the estimated Revenue Sharing for Natural Resources allocation.

Figure 6.1 the Estimation Process of Revenue Sharing for Natural Resources Allocation



Resource: Directorate General of Financial Balance

Below is the detail process of Revenue Sharing of Natural Resources allocation:

1. Determination of producing region and the base of Revenue Sharing for Natural Resources calculation

Ministry of Energy and Mineral Resources (MoEMR), after consulting with the Ministry of Internal Affairs, determines the producing region and base of Revenue Sharing Natural Resources calculation 60 days at the latest before the new budgeting year

2. Determination of producing region for Natural Resources located at border area

The Ministry of Internal Affairs determined the natural resources producing area based on consideration from MoEMR 60 days at the latest after receiving the consideration from MoEMR

3. Submission of statutes

MoEMR submits the statuses of producing region and basis of calculation of producing region to the ministry of finance

4. Calculation of Revenue Sharing allocation for Natural Resources

The Ministry of Finance calculates the allocation of Revenue Sharing for Natural Resources

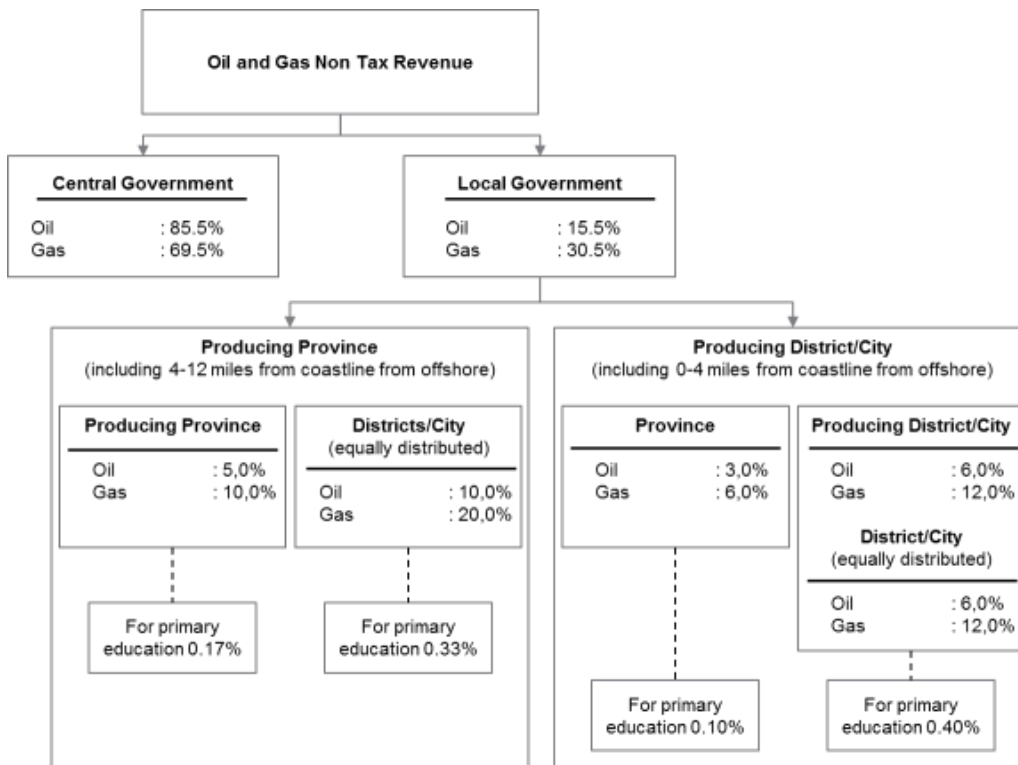
5. Determination of Revenue Sharing Oil and Gas allocation estimation for Local Government

The Revenue Sharing Natural Resources allocation estimation is assigned in Perpres detailing APBN or Finance Ministry Regulation

6.2.1 Scheme of Oil and Gas Revenue Sharing

The Figure 6.2 below is the scheme for Revenue Sharing percentage oil and gas based on Government Regulation 55/2005.

Figure 6.2 Oil and Gas Revenue Sharing



Resource: Government Regulation 55/2005

The Revenue Sharing percentage oil and gas scheme is regulated by the Law No. 33/2004 and Government Regulation 55/2005. From total oil and gas Non-Tax Revenue, 15.5% is allocated for oil and 30.5% is allocated for gas. The percentage is the amount allocated from central government to local government. If the offshore working area oil and gas is within 0-4 miles from the coastline, thus the Revenue Sharing is part of district producing region. If the offshore working area oil and gas is within 4-12 miles from the coastline, thus the Revenue Sharing is part of province producing region. If the offshore working area is beyond 12 miles from coastline, thus all of the Revenue Sharing will be part of Central Government.

Earmarked for special program

The oil and gas Revenue Sharing allocated 0.5% of revenue for education development in the local area. **Revenue Sharing scheme based on Special Autonomy Law (UU Otonomi Khusus)** In Indonesia, there are 3 special autonomy provinces: Aceh Province, Papua Province and West Papua Province.

With the special autonomy law, these 3 provinces have different revenue sharing calculation from other provinces in Indonesia.

The oil and gas revenue in the special autonomy provinces is allocated with ratio of 70% from central government to local government. Hence, provinces under special autonomy receive additional of 54.5% from oil revenue sharing and 39.5% from gas revenue sharing in comparison with other provinces. For further details, please see Table 6.3 Revenue Sharing Scheme for the Special Autonomous Region.

The Law No. 21/2001, article 36 required Papua Province to allocate oil and gas Revenue Sharing with minimum of 30% for education and minimum of 15% for health and nutrition improvement. Meanwhile, Aceh Qanun No.2/2008 required Aceh Province to allocate minimum of 30% oil and gas Revenue Sharing for education.

Table 6.3 Revenue Sharing Scheme for Special Autonomy Law

Source: Analyzed Revenue Sharing Data

Commodity	% for region under special autonomy arrangement	Additional share for special autonomy province	Province as producing region		District/City as producing region		
			Province	Other districts	Province	Producing district/city	Other districts
Oil	70%	54.5%	5%	10%	3%	6%	6%
Gas	70%	39.5%	10%	20%	6%	12%	12%

6.2.2 Mineral and Coal Mining Revenue Sharing Scheme

Government Regulation No.55/2005, article 15b defined the source of mining Revenue Sharing are:

- a. Land-rent; and
- b. Royalty

Mining revenue from producing area will be shared 20% for Central Government and 80% for Local Government.

The 80% revenue will be shared within the province, producing district, and other districts in the province.

Please see Table 6.4 below. In the revenue sharing process, the producing area will receive a bigger portion from other districts in the province.

Table 6.4 Mining Revenue Sharing Scheme

Revenue Sharing Type: General Mining	% For Local Govt.	Portion (%)		
		Province	Producing District	Other Districts within Province
A. Land Rent Producing District	80	16	64	-
B. Land Rent Producing Province	80	80	-	-
C. Royalty Producing District	80	16	32	32
D. Royalty Producing Province	80	26	-	54

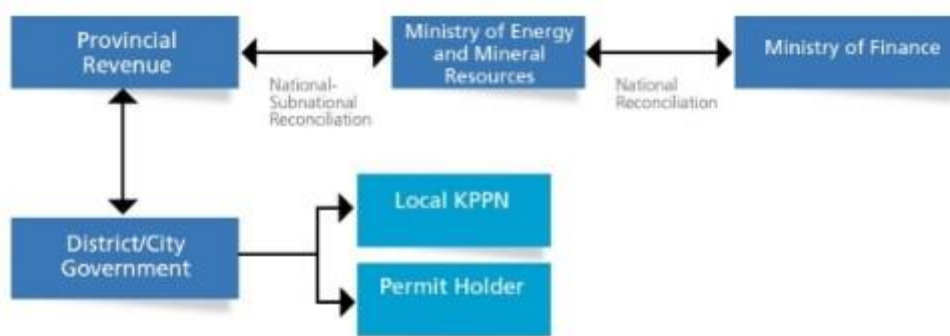
Source: Law No. 33/2004 and Government Regulation No. 55/2005

Mineral and Coal Mining Revenue Sharing Reconciliation Flow

Figure 6.3 below shows the flow of reconciliation for mining revenue sharing.

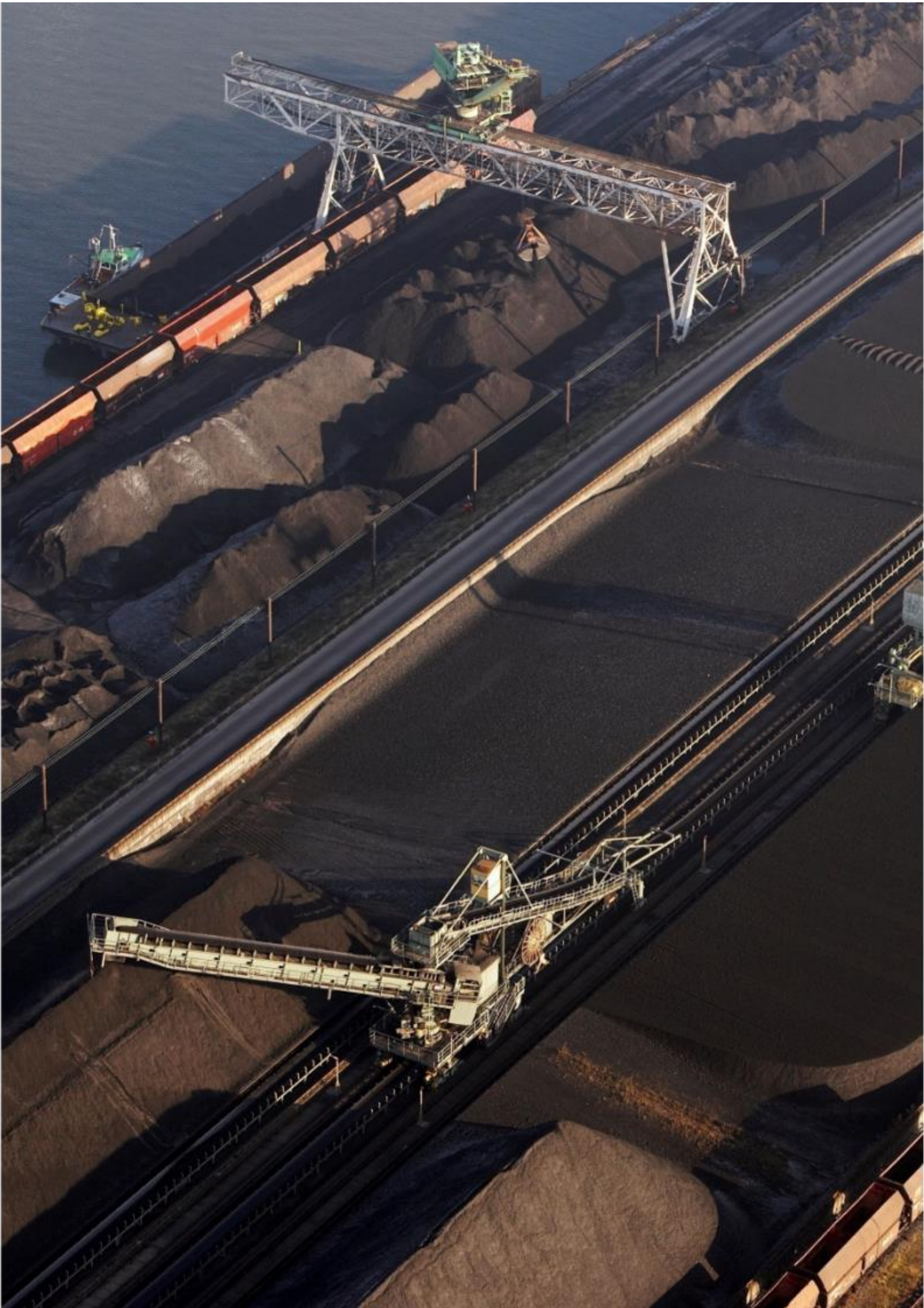
The entities involved are government from district area, province area, MoEMR and Ministry of Finance.

Figure 6.3 Mineral and Coal Mining Revenue Sharing Reconciliation Flow



Source: <http://eiti.ekon.go.id/>

Mining Revenue Sharing reconciliation is done at central to central level (Ministry of Finance and MoEMR) and central to local (Province to MoEMR).



7 Audit and Assurance Procedure



Reporting Companies

- Presidential Regulation No. 26/2010 Article 14 Paragraph 2c stated that report/ information provided by companies for the purpose of EITI reporting shall be based on audited financial statements done by independent auditor.
- The signature bonus, production bonus, and corporate and dividend tax information provided by companies in EITI report were based on cash basis approach. Other information were based on accrual approach.
- The extractive companies in Indonesia have applied Indonesia Financial Accounting Standard (known as SAK) which was adopted from International Financial Reporting Standard (IFRS) since 2009. Based on IFRS, financial statement of extractive companies are based on accrual basis approach.
- The financial statement of companies in Indonesia must be audited by an independent auditor if the company falls into one of the categories below:
 - Managing total assets of above IDR 25 billion –regulated by Industry and Trade Minister Regulation
 - Managing total assets of minimum IDR 50 billion – regulated by Limited Liability Company Act (Law No. 40/2007)
 - Engaged in the banking, insurance, stock brokerage, fund management, and pension fund management sectors as well as listed companies or bonds issuing companies

- Auditing standard applied by independent auditor in Indonesia is the Professional Standards of Public Accountants (known as SPAP) issued by the Indonesian Institute of Certified Public Accountants (known as IAPI). SPAP is complied with International Standards on Auditing (ISA) issued by The International Auditing and Assurance Standards Board (IAASB).

Government Agencies/Institution

- Presidential Regulation No. 26 of 2010, Article 14 Paragraph 2a and 2b regarding data and information stated that: (2a) the Government, Oil and Gas Upstream Business Activities Regulatory Body shall refer to Central Government Financial Statements (known as LKPP) reviewed by the Financial and Development Supervision Agency (BPKP); and (2b) Local Government shall refer to Local Government Financial Statements (LKPD) reviewed by the BPKP as internal auditor of the government.
- Financial statements of government agencies/institutions are based on cash basis approach to recognize revenues and expenditure, which means it matches the flow of revenues and expenditure for the year. On the other hand, the approach used to recognize assets, liabilities, and fund equities in financial statements of government agencies/institutions is accrual basis. The "Cash towards Accrual" approach is complied with GR No.24/2005 in which referred to International Public Sector Accounting Standards (IPSAS) with due observance to Indonesian regulatory framework and conditions. The regulation was amended with GR No. 71/2010 on Government Accounting Standards (SAP), which referred to accrual basis accounting, and would be applicable starting in Fiscal Year 2015 at the latest.
- The accounting standard applied by Indonesia Audit Board (known as BPK) in financial statement of government agencies/institutions and SOEs is State Finances Auditing Standards (known as SPKN), while BPKP applied Government of Indonesia's Internal Audit Standards (SAIPI). Both standards also cover the internal control monitoring. The audit result by BPK is in the form of audit opinion and the audit result by BPKP is in the form of recommendation.
- SKK Migas and Government auditors (BPKP, BPK, and DG Tax) conducted annual audit on PSC Contractors who are in the production stage. The scope of audit are oil and gas lifting, cost recovery, and compliance with accounting policies as well as other policies relevant to upstream operations.
- There were fairly significant differences on accounting basis used by PSCs, Indonesian SAK, and IFRS, especially in terms of the presentation of intangible costs in exploration and mining activities as well as well development in the case of dry hole.
- Oil and gas lifting and cost recovery are critical in PSC to determine the share between government and PSC Contractors over FTP, oil and gas production, and taxable income of PSC Contractors

Based on the above considerations, the conclusions are:

- The audit result conducted by SKK Migas and government auditors on annual report of PSC Contractors were able to provide adequate assurance and determine the government's share over lifting as well as corporate and dividend tax.

- The audit result conducted by BPKP as the internal auditor of government on financial statements of governmental agencies were recommendations and not audit opinions.
- As the external auditor of government, BPK is responsible to assess the management and accountability of state finances by the central government, local government, other state institutions, Bank Indonesia, SOEs, Public Service Agencies, local SOEs, and other agencies who managed the state finances. BPK, with regards to its responsibility, has the authority to determine audit subject matters, to plan and execute audit, to decide on the time frame and audit method that complied with SPKN. BPK has the authority to compile and publish audit report stating its opinion on the audited financial statements.
- In general, oil and gas companies that were identified as samples in the EITI Report 2014 were large and medium-scale companies that managed total assets of over IDR25 billion. Thus, these companies fell into category of companies that must be audited by an independent auditor. The policy of mandatory audit by an independent audit was seen positively. The policy also may provide adequate assurance on financial information prepared by extractive companies through the Reporting template submitted to EITI's Implementing Team and IA for reconciliation.
- In addition, for the purposes of reconciliation with its holding company (mainly international companies), the large and medium-scale extractive companies in Indonesia were audited by top local Public Accountant Office affiliated with international Public Accountant Office. The companies who are subjected to audit by independent auditors, typically implemented the Good Corporate Governance in its business operation

There were differences between audit standards applied by BPK, BPKP, and SKK Migas with the International Auditing Standards. Nevertheless, the standards of BPK, BPKP, and SKK Migas were still, to some extent, coherent with the International Standards of Supreme Audit Institutions (ISSAI) from The International Organization of Supreme Audit Institutions (INTOSAI). The audit standards have been designed in reference to International Auditing Standards with adjustments to accommodate specific audit needs that might differ from audit on public companies. In some aspects, these standards were more extensive than the international standards, while varying in other aspects.

Reconciliation Process

EITI Team and Independent Administrator listed down the population of Oil and Gas companies and Mineral and Coal mining companies and then chose the sample of companies for EITI Report 2014. For the oil and gas company sampling, all companies in the production phase are included in the reconciliation process for EITI Report 2014. On the other hand, the mineral and coal mining company samples are the 120 mining companies who are part of 80% taxpayer at mining sector and also paid more than IDR 25 billion royalty to the state. The sample companies included in EITI 2014 filled the reporting form sent by the Independent Administrator.

Based on the form submitted by the sample companies, Independent Administrator (IA) team did the reconciliation process by comparing the company payment report with the state revenue record. For oil and gas sector, the company payment report is compared with the record by DG Tax, DG Mineral and Coal, and DG Budget. Then the IA analyzed the discrepancy and asked for confirmation from reporting entities and government entities. For mining sector, EITI team and IA team with approval from MSG decided that the discrepancy less than 5% is considered immaterial. The reconciliation and analysis result of discrepancy are explained in the Reconciliation Report.

In the reconciliation process, data in the Reporting Templates EITI 2014 from participating entities (private and government agencies) were attached with the assertion from senior management. The assertion reassured that the information was adequate and accurate; and also comply with the financial statements of reporting entities, which had been presented in accordance with Indonesia accounting standards as well as generally accepted government accounting standards. The financial statements were audited by independent auditors based on applicable general and government audit procedures, and the management also provided sufficient assurance for their compliance with laws and regulations that prevailed.

To obtain further assurance on the quality of financial information provided by reporting entities, the Implementing Team required all Reporting Templates EITI 2014 to be signed by senior management, i.e. Financial Director or authorized Financial Officer. Throughout reconciliation process, all reporting templates submitted by reporting entities to IA have included statement from senior management and signature of authorized financial officer.

8 Findings and Recommendations



8.1 Follow up Action on Recommendation from EITI Report 2012-2013

Pursuant to EITI International Standard Year 2016, IA requires to comment on the recommendation implementation made from the previous report. The following table lists the follow-up actions on recommendations stated in EITI Indonesia Reconciliation Report for Year 2012-2013

Table 8.1 Follow Up on Recommendations from EITI Indonesia Reconciliation Report Year 2012 - 2013

Findings	Recommendation Year 2012-2013	Implementation in Current Report
Some information is not publicly available	<ul style="list-style-type: none"> ▪ Promote transparency of key information as put forward in EITI standard ▪ Implementing team to defines “beneficial owner” so that the information can be accommodated in the future reporting format 	<ul style="list-style-type: none"> ▪ Information related to contract’s content and regulation for oil and gas for each block and mining still cannot be disclosed publicly by the Government. The only available information is the draft of oil and gas contract that consists of rights and obligations between Government and Contractors ▪ Need to develop an agreement for certain information in contract that can be disclosed publicly

Findings	Recommendation Year 2012 - 2013	Implementation in Current Report
		<ul style="list-style-type: none"> ▪ Cadaster information for oil and gas sector has been managed by MEMR- data center and technology information (PUSDATIN) during the report development and is free of charge. While cadaster information for mining sector already existed in the same website but not yet publicly accessible ▪ EITI Secretariat has made plans to develop roadmap to realize the “beneficial owners” transparency that is planned to commenced on 2017 by sorting out definition of “beneficial owners” in Indonesia
<p>Difficulty and delay in obtaining data and information</p>	<ul style="list-style-type: none"> ▪ Implementing Team to be more involved and contributed in providing data and information ▪ Optimizing the process of monitoring and evaluation by involving Ministry Home Affairs and parties that have similar initiatives such as Korsup Mineral and Coal Corruption Eradication Commission (KPK) ▪ Reporting format and forms have been agreed upon at the time of finalization of the Scoping Study 	<ul style="list-style-type: none"> ▪ Implementation Team has been involved and supported in providing data and information ▪ Implementation Team may also formally engaged Ministry of Home Affairs and Investment Coordinating Board (BKPM) in its membership ▪ In this year of implementation, the team has greatly helped with fast response in data retrieval, when request is suggested to be forwarded to Law Enforcement such as Corruption Eradication Commission (KPK), KSP and National Development Planning Agency (BAPPENAS). In the future, the same approach can also be done to speed up the data retrieval process
<p>Report by corporate entities</p>	<ul style="list-style-type: none"> ▪ Encourage the establishment of technical regulations governing the reporting of mineral and coal entities to Local Government, then from Local Government to Central Government 	<ul style="list-style-type: none"> ▪ In the implementation, the applicable law and regulation, in this case the Law no. 23 Year 2014 on Local Government, which the reporting process of mineral and coal entities to the Local Government and the reporting from Local Government to the Central Government is not effective ▪ Transitional authority of a mining license as mentioned in the point above, from District/ City to the Provincial Government led to a delay in reporting by corporate entities

Findings	Recommendation Year 2012 - 2013	Implementation in Current Report
Disclosure of tax data	<ul style="list-style-type: none"> ▪ For the Head of Steering Committee or Head of EITI requests the Minister of Finance to give written permission for Directorate General of Tax to reveal Corporate Income Tax (PPh) data of the reporting entities 	<ul style="list-style-type: none"> ▪ The administration process of preparing letter from Head of Steering Committee or Head of Implementation Team to Minister of Finance is not working ▪ In the implementation, the representatives of Ministry of Finance provide data access using the authorization from mineral and coal companies
Scoping Study	<ul style="list-style-type: none"> ▪ Necessary to be included in the Scoping Study, the materiality limit differences to be clarified, for example 5% in accordance with the disclosure of financial statements required by the Financial Services Authority (OJK) 	<ul style="list-style-type: none"> ▪ Has been implemented as recommendations
Gas unit in the Reporting Format	<ul style="list-style-type: none"> ▪ The upcoming reporting form is using MBTU and MSCF as unit measurement ▪ Reporting format must provide data of conversion rate, both for MBTU to MSCF and Ton to MSCF (For LPG) 	<ul style="list-style-type: none"> ▪ There are many companies that does not include gas volume in MBTU or conversion rate ▪ Forms filled by Directorate General of Oil and Gas presents volume and amount (USD)
Incorrect record of account in mineral and coal sector	<ul style="list-style-type: none"> ▪ Socialization depositing non-tax revenues (PNBP) to taxpayers (Waba) and Local Government ▪ Implementation of the payment system and integrated reporting so that there is no difference between the recording of the General Accounting System (SAU) and the Institution Accounting System (SAI) 	<ul style="list-style-type: none"> ▪ There are still improper recording of non-tax revenues (BNBP) in mineral and coal sector such as: <ul style="list-style-type: none"> • Remittance of royalties by the company are recorded as PHT by Directorate General of Mineral and Coal and so in depositing PHT

8.2 Findings and Recommendation of EITI Report Year 2014

In accordance with the EITI standards in 2016, IA is expected to compose recommendation in order to enhance the reporting process in the future, including recommendations of audits practices to conform to international standards. This section outlines improvement suggestions and feedback for the implementation of EITI in Indonesia and for the preparation of EITI report in the next period.

This recommendation is expected to be a reference for the Steering Committee, Implementation Team and IA in the next period in preparing EITI report. The report will be used as a basis of reference and discussion among the wider public, including entities in the extractive sector and relevant government agencies that will improve the governance of the extractive industry itself.

1. There is no standardization in measuring the impact of expenditures in social, economic and environmental responsibilities (CSR)

Background

To meet the EITI standard 2016, provision 6.1-Social expenditure by extractive companies and 6.3-The contribution of the extractive sector to the economy.

Observation

Assessment on impact of social, economic and environmental responsibilities towards the improvement of the economic and social community of working area.

Implication

IA can only identify the amount of expenditures of extractive sector companies for social, economic and environmental responsibilities without making any analysis related to its impact on the surrounding community.

Recommendation

- Required to create a method and standard to measure the impact of social, economic and environmental responsibilities of extractive sector companies towards the improvement of economic and social community.
- Reform template EITI Reconciliation Report for the next period that includes information on the impact of social, economic and environmental responsibilities.

2. Update of corporate data is not performed, especially in the mining sector

Background

Preparation of EITI Report Indonesia has been implemented since 2009 but still a lot of mining companies' data that are inaccurate

Observation

Based on the implementation of Indonesia EITI Report 2014 in particular Reconciliation Report, there is a problem in distributing EITI Report template either by mail or email which is undelivered to the reporting entities.

Implication

- IA received many return mails that is undelivered to the reporting entities or undelivered email due to the email address is not registered
- IA searched for address, email, telephone number of companies either through EITI Secretariat, Directorate General of Mineral and Coal, Local Government, online website and IA company database
- Socialization is conducted several times
- Reconciliation and clarification process and reconciliation reporting are overdue.

Recommendation

EITI Secretariat always perform update on contact details data of reporting company in accordance to the latest EITI Report.

3. Implementation of EITI Report should not be performed at the entity's annual report preparation

Background

Companies are experiencing difficulties in meeting the reporting deadlines due to their financial reporting obligations and/or external audit processes that being conducted at the same time.

Observation

There are several objections by the reporting entities in submitting the reconciliation report in accordance to the deadlines requested.

Implication

- Overdue submission of EITI form from entities result in the delay in the completion of EITI Reconciliation Report
- Difficulties in meeting the sources for clarification.

Recommendation

- Consider the schedule of the implementation of Indonesia EITI Report preparation for the next period.

4. Guidelines on EITI form filling and form template for reporting entities need to be updated

Background

- Mistakes in EITI form filling for oil and gas sector reporting entities where most of the mistakes were caused by wrong FQR data retrieval
- Limitations on recording system of payment (tax) in the Directorate General of Treasury, Ministry of Finance, which is only based on the money inflow to the country
- Difference in the conversion rate from MMBTU to MSCF unit in reporting the gas volume between entities and Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources.

Observation

- Guidelines on EITI form filling for reporting entities are lack of details, where only contained general instructions such as explanation of each section in the form and number format
- Reporting entities face difficulties in mapping the information in the FQR used in EITI form filling.
- In relation to the payment to the country (tax) in the current year, there is a difference between reporting entities and the government agencies. Moreover, it is difficult to issue state revenue data for each of the entity
- Each entity uses different gas conversion rate from MMBTU to MSCF unit due to the different quality/grade of the gas.

Implication

- Filing incomplete and/or inaccurate form by the PSC
- Unable to reconcile data with Directorate General of Treasury
- There are significant differences of the gas data between entities and Directorate General of Oil and Gas caused by Directorate General of Oil and Gas used average conversion rate of MMBTU to MSCF unit for gas of 1.036.

Recommendation

- Guidelines of EITI form filling for reporting entities can be made more detail up to the elaboration of EITI form filling with the FQR
- Perform update on the EITI form for reporting entities to make reconciliation be easier and quicker
- Add column for filling *NTPN* number for reconciliation with Directorate General of Treasury
- Data forms filled by Directorate General of Oil and Gas presents the volume and amount **(USD) and the data being reconciled is in USD.**

5. Sample of province for revenue sharing fund (DBH) is always the same

Background

The principle of distinctiveness of a district that is in line with transparency requires a more thorough provinces sample

Observation

Since the year 2012 until 2014, the provinces sample for DBH are: East Java, Riau and East Kalimantan.

Implication

Less illustrates the distribution of DBH nationally which is in line with the contribution of the extractive industries of the area.

Recommendation

EITI Secretariat should assess the selection of different province sample each year for the DBH data to illustrate the transparency comprehensively.

Note:

EITI Implementation Team need to further discuss each of the recommendation in the EITI Report and perform joint monitoring of the implementation of the recommendations.

