

28<sup>TH</sup> EITI BOARD MEETING, NAYPYITAW, 14-15 OCTOBER 2014

**Validation Committee**

27 September 2014

Board paper 28-5-B

# Secretariat Review: Indonesia

*For decision*

Subject to any comments from the EITI Indonesia Implementation Team, the Validation Committee recommends to the EITI Board that Indonesia is designated compliant with the EITI Requirements.

# SECRETARIAT REVIEW: INDONESIA

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## Recommendation

Subject to any comments from the EITI Indonesia Implementation Team, the Validation Committee makes the following recommendation to the Board:

*The EITI Board designates Indonesia as Compliant with the EITI Requirements as of 15 October 2014. In accordance with the EITI Standard:*

- *Indonesia must be revalidated within three years i.e. Validation will commence on 15 October 2017 or earlier upon request of the MSG. Validation will be conducted in accordance with the EITI Standard.*
- *Stakeholders in the process may call for a new Validation at any time within that period if they think the process needs reviewing. Where valid concerns exist that a country has become compliant with the EITI requirements, but its implementation of the EITI has subsequently fallen below the required standard, the Board reserves the right to require the country to undergo a new Validation.*
- *In accordance with the EITI Standard, Indonesia is expected to produce EITI reports annually. EITI reports should cover data no older than the second to last complete accounting period. Indonesia is required to produce the 2012 EITI Report by 31 December 2014 in accordance with the EITI Standard.*
- *In accordance with Requirement 7.2, Indonesia is required to publish an annual report on the previous year's activities, detailing progress in implementing the EITI. The annual report for 2014 should be published by 1 July 2015.*

*In taking this decision, the Board takes note of the complexity of the Indonesian mining sector and the challenges related to tax confidentiality. The Board recognized that Indonesia had taken steps to address these issues, including by issuing waiver letters, develop an inter-ministerial Decree with the aim of addressing the delays that have affected EITI implementation to date, and full government disclosure of all revenues from the oil, gas and mining sector in accordance with EITI requirement 11 (EITI Rules) and Requirement 4.2 (EITI Standard). The Board calls upon the government of Indonesia to increase the coverage of reconciliation of payments and revenues from the mining sector and will monitor progress towards comprehensive reconciliation in the 2012 and 2013 EITI Reports.*

*The Board congratulates the Government of Indonesia and the EITI Indonesia Implementation Team for its efforts to achieve compliance with the EITI Requirements. In accordance with the transitional arrangements, Indonesia is requested to transition to the EITI Standard as soon as possible, including ensuring timely EITI reporting in accordance with EITI Requirement 2.*

# SECRETARIAT REVIEW: INDONESIA

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# SECRETARIAT REVIEW: INDONESIA

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## 1 Executive Summary

In October 2013, the EITI Board established five corrective actions required for Indonesia to achieve compliance with the EITI requirements in accordance with the EITI Rules (2011)<sup>1</sup>. The Indonesian EITI Implementation Team (MSG) published the 2010/2011 EITI Reports in June 2014 and subsequently in August 2014 invited the International Secretariat to assess whether the remaining EITI requirements have been met.

The Secretariat has completed a draft review and finds that the MSG has ensured that all payments and revenues from the oil and gas sector are fully disclosed. The oil and gas sector generates the majority of extractive industry revenue in Indonesia. The 2011 oil and gas reconciliation captures 99.5% of all payments and revenues. The overall coverage, including oil, gas and mining is 91.38 %. However, the Secretariat finds that there are concerns related to the comprehensiveness of the reconciliation of payments and revenues in the mining sector. Specifically, the Secretariat notes that a key challenge has been to identify which companies make material payments in the mining sector for the following reasons:

- There are a total of 11 037 active mining licenses and contracts in Indonesia. As of April 2014, 10 922 of these are Mining Business Licenses (IUPs) issued mainly by local governments<sup>2</sup>. In addition, there are 74 active Coal Contracts of Work (CCoW), and 41 active Mineral Contracts of Work (CoW)<sup>3</sup>. CoWs and CCoWs were introduced in the 1960s as a framework for foreign investment in the mining sector. They set out tax rates, royalty rates and other terms governing the exploration and exploitation of coal and minerals. With the introduction of the new Mining Law in 2009, all CoWs and CCoWs are due to be converted to IUPs upon expiration of the contract, unless an extension is negotiated. While the payments from the many small IUPs collectively generate significant revenues, the payments are mostly individually immaterial and are not practically feasible to reconcile. In addition, the central government has limited oversight over IUPs issued at local level and there is no central record keeping system of all payment data related to subnational IUPs.
- According to Law 28/2007 on Tax, the Directorate General of Taxes under the Ministry of Finance is bound by confidentiality legislation that does not permit the Directorate to release tax payer information without the permission of the taxpayer. The Directorate collects corporate income tax from all mining companies. Corporate income tax constituted the largest revenue stream in the mining sector in 2011 (72 % of total mining revenue).
- Given that disaggregated data on corporate income tax can only be released upon submission of a

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<sup>1</sup> Annex A – EITI Board decision on Indonesia 17 October 2013, available from <http://eiti.org/files/EN-Minutes-from-the-25th-EITI-Board-meeting-Abidjan.pdf>.

<sup>2</sup> <http://www.esdm.go.id/berita/mineral/43-mineral/6786-sukhyar-dari-10922-iup-yang-clear-and-clean-6042-iup.html>

<sup>3</sup> As of December 2012. Due to a moratorium on licensing, no CCoW or CoW licenses have been issued since then. <http://eiti.ekon.go.id/en/category/download/lain-lain/>

waiver letter from the mining companies, and it was not practically feasible to ask 11 037 companies to submit waiver letters, EITI Indonesia had to develop an alternative methodology for identifying and targeting the mining companies that are likely to be the largest tax-payers. The approach agreed by the MSG resulted in an EITI Report that captures 67.8 % of payments and revenues from mining. The overall coverage of the 2011 reconciliation including oil, gas and mining is 91.38 %.

Notwithstanding these challenges, the Secretariat notes that the government and the MSG have taken a number of steps to address the situation:

- The government has published the aggregate figure on total corporate income tax and other revenues received from mining in its annual audited [Central Government Financial Report \(LKPP\)](#)<sup>4</sup>, and a reference to this data is included in the EITI mining report. In accordance with requirement 4.2(b) and 5.3(c) of the EITI Standard, full government disclosure ensures that the coverage of the reconciliation and any gaps is transparently disclosed. It also responds to the suggestion in Requirement 11(b) of the 2011 EITI Rules that 'where a number of small operators pay revenues which are individually not material, but collectively material, the MSG may wish to request that the government discloses the combined benefit streams from such small operators'.
- An inter-ministerial Decree is expected to be signed shortly, which will require the Ministry of Finance and the Ministry of Energy and Mineral Resources to provide the list of tax payers and royalty payers for the purpose of EITI reporting. This will enable EITI Indonesia to identify the largest tax payers and engage them in the EITI reporting process. The draft Decree also stipulates that these ministries can compel companies to support transparency efforts (i.e., to respond to requests to complete reporting templates and provide other information for EITI reporting). Finally, the decree provides for greater participation from local governments in the EITI process. In the Secretariat's view, these efforts ensure compliance with requirement 11.c.i-iii which states that the government is required to "introduce/amend legislation/relevant regulations/ agreements making it mandatory that companies report as per the EITI Criteria and the agreed reporting templates" and requirement 11.c.iv which requires that "where companies are not participating, the government is taking generally recognised (by other stakeholders) steps to ensure that these companies report by an agreed (with stakeholders) date".

Noting these factors, including the overall coverage of 91.38% the Secretariat's preliminary assessment is that all remedial actions have been completed and the outstanding requirements have been met.

## 2 Introduction

Indonesia was admitted as an EITI candidate on 19 October 2010 and it published its first EITI report in May 2013, covering 2009. In June 2014, Indonesia published the [2010/2011 oil and gas report](#), and the [2010/2011 mining report](#). These reports disclose data from 225 oil, gas and mining operations in Indonesia, including production volumes and tax data disaggregated by project. Furthermore, the government has disclosed the revenues received from the sale of its production share collected in-kind as well as the transfers of extractive industry revenue to local government in accordance with Indonesia's revenue-sharing formulas for the extractive sector.

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<sup>4</sup> For further information about the audits of LKPP reports, please see section 4.6.

The [Validation report](#) for Indonesia was received on 17 July 2013. On 16 October 2013 the EITI Board concluded that Indonesia had made meaningful progress in implementing the EITI but that compliance with the EITI requirements had not been achieved. The EITI Board gave Indonesia until 15 January 2015 to complete five remedial actions. Following the publication of the 2010 and 2011 EITI Reports in June 2014<sup>5</sup>, Deputy of Energy and Mineral Resources Montty Girianna on behalf of the EITI Indonesia MSG wrote to the International Secretariat on 22 July 2014 noting that the MSG considered that all remedial actions had been completed<sup>6</sup>.

The remedial actions agreed by the Board related to requirements 5, 9, 11, 14 and 15:

1. *The government and Multi-Stakeholder Group should take decisive action to address the delays that have characterized EITI implementation to date. The Multi-Stakeholder Group should agree and publish a detailed (time-bound and costed) work plan that addresses:*
  - i. *the publication and dissemination of the EITI Reports for 2010 – 2013 with a view to ensuring regular and timely EITI reporting (requirement 5e);*
  - ii. *the recommendations from the 2009 EITI Report and from the Validator; and*
  - iii. *the corrective actions highlighted below. In accordance with the transitional procedures for the EITI Standard, Indonesia is expected to agree and publish a workplan for 2014 by 31 December 2013.*
2. *The MSG is required to agree a clearer definition of “material payments and revenues” and incorporate this definition into the reporting templates and procedures for the next EITI Report. This should specifically address the procedures for identifying all companies that have made material payments, and the coverage of material payments to regional and local governments (Requirement 9).*
3. *Future EITI reports should clearly demonstrate that all entities that make or receive material payments are participating in the reporting process (requirement 11). The Board highlights the suggestion in requirement 11(b) that 'where a number of small operators pay revenues which are individually not material, but collectively material, the MSG may wish to request that the government discloses the combined benefit streams from such small operators', (see also requirement 4.2(b) in the EITI Standard).*
4. *In accordance with the agreed definition of materiality (see point 2, above), the Multi-Stakeholder Group should ensure that all material payments by companies to government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 14. The EITI Report should clearly state if any companies failed to participate in the reporting process, and assesses whether*

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<sup>5</sup> On 18 March, the Board granted Indonesia an extension of the deadline for the publication of the 2010 and 2011 EITI report until 30 June 2014.

<sup>6</sup> Annex B – Letter from Deputy of Energy and Mineral Resources Montty Girianna, 22 July 2014, available from <http://eiti.org/internal/validation-committee>

*this is likely to have had a material impact on the stated figures. (see also requirement 5.3(c) and 5.3(d) in the EITI Standard));*

- In accordance with the agreed definition of materiality (see point 2, above), the Steering Committee should ensure that all material revenues received by the government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 15). The EITI Report should clearly state if any government entities failed to participate in the reporting process, and assesses whether this is likely to have had a material impact on the stated figures. (see also requirement 5.3(c) and 5.3(d) in the EITI Standard);*

*Furthermore, the Multi-Stakeholder Group should ensure that the agreed approach for assuring the data submitted by companies and government entities is implemented, and that any gaps or weaknesses in reporting to the Independent Administrator are comprehensively disclosed in the must be disclosed in the EITI Report.*

*The Secretariat Review will be undertaken in accordance with the EITI Rules. In addressing these corrective actions, the MSG is encouraged to take steps towards achieving compliance with the EITI Standard. In accordance with the transitional procedures for the EITI Standard, Indonesia is required to publish a 2013 annual activity report by 1 July 2014.*

### **3 Indonesia's response to the Board decision**

EITI Indonesia undertook a number of activities to address the five corrective measures agreed by the Board and comply with the unmet requirements (5, 9, 11, 14 and 15). The MSG has submitted evidence that these corrective actions had been undertaken as part of the 2010/2011 EITI reporting process. Specifically, the MSG has:

- Developed a workplan that addresses the remedial actions requested by the Board, and set out a schedule for the 2010-2013 EITI Reports. The MSG has also followed up on the recommendations from the 2009 EITI Report and Validation. A new [workplan](#) with objectives and priorities for the remainder of 2014 and 2015 was approved by the MSG on 9 September.
- Produced a [scoping note](#) to establish which revenue streams were material and consequently which companies and government entities should be covered in the EITI report. The scoping note was revised to address the weaknesses in the 2009 EITI Report identified in Indonesia's Validation. The International Secretariat and the World Bank provided extensive support to the MSG on refining the scope and exploring options for increasing the comprehensiveness of the report. Based on the findings of the scoping study, Indonesia agreed a definition of materiality and established materiality thresholds.
- Ensured that all oil and gas companies that made payments considered material reported. The coverage of the oil and gas report compared to total revenues from the oil and gas sector was 99.5 % of total revenue.
- Made progress towards comprehensive EITI reporting on the mining sector, including taking steps to address delays and confidentiality issues.
- Ensured that all government entities that received material revenues reported and that the government fully disclosed all revenues from the sector.

- Ensured that the agreed approach for assurance of company and government data has been implemented.

The MSG's summary report on Indonesia's response to the corrective actions, including supporting evidence is available in Annex C. Based on the above, the EITI International Secretariat proceeded with a Secretariat Review. The terms of reference for the review are presented in Annex D. The International Secretariat conducted a desk review in August-September 2014. During the review, stakeholders in Indonesia were consulted and given an opportunity to share their views. The draft Secretariat Review was circulated to the Implementation Team on 16 September.

## 4 Secretariat review of remedial actions and assessment of requirements

The EITI Board agreed five remedial actions and tasked the Secretariat with reassessing compliance with Requirements 5, 9, 11, 14 and 15.

### 4.1 Remedial Action 1

*The government and Multi-Stakeholder Group should take decisive action to address the delays that have characterized EITI implementation to date. The Multi-Stakeholder Group should agree and publish a detailed (time-bound and costed) work plan that addresses:*

- the publication and dissemination of the EITI Reports for 2010 – 2013 with a view to ensuring regular and timely EITI reporting (requirement 5e);*
- the recommendations from the 2009 EITI Report and from the Validator; and*
- the corrective actions highlighted below. In accordance with the transitional procedures for the EITI Standard, Indonesia is expected to agree and publish a workplan for 2014 by 31 December 2013.*

#### Validator's findings

In the assessment of this requirement, the validator noted that "There were significant delays in issuing the 2009 EITI Report for the reasons outlined above. The report has been issued and there is an action plan in place to issue the second EITI Report covering 2010 and 2011 before 31 December 2013. Achieving this will be challenging given past performance and the short timeframe to complete. Other than the requirement 5(e), the requirement has been met" (Validation report, p.27).

The validator argued that the following challenges caused delays: difficulties in reaching agreement on a Terms of Reference that meet the government's procurement requirements, agreement on a price standard for the reconciler, securing the approval of the World Bank at key junctures, dealing with internal processes in the coordinating Ministry of Economic Affairs, reluctance of the Tax Office to release confidential tax information, and personnel changes within the EITI Secretariat and leadership (Validation report, p.25-26).

#### Progress since Validation

##### (i) Actions undertaken to address delays with implementation

The MSG has undertaken actions to address delays affecting implementation to date. Indonesia has bureaucratic and time consuming national procurement processes. Recognising that the EITI process



would have to fit within the existing systems, EITI Indonesia has attempted to limit the number of procurement processes by commissioning two reporting cycles at the same time. 2010 and 2011 data was collected in one reporting cycle and one procurement process. The same is being planned for the 2012 and 2013 EITI Reports. The Ministry in charge of EITI implementation has also assigned one of their civil servants, a procurement officer, to work with the national EITI secretariat.

In July 2014, President Susilo Bambang Yudhoyono ordered the National Development Planning Board (Bappenas) and Presidential Working Unit for the Supervision and Management of Development (UKP4) to assess, choose and prepare between three and five top priorities for each ministry to be completed within the remaining 100 days of his administration. One of the tasks assigned to the Ministry of Finance, Ministry of Energy and Mineral Resources, Ministry of Home Affairs and the Coordinating Ministry of Economic Affairs was to develop a joint Decree that will require the release of tax data for EITI reporting purposes and compel mining companies to participate in EITI reporting. It is expected that this decree will ensure a more efficient reporting process and address some of the legal challenges causing delays with implementation to date. The decree has been approved, but is awaiting sign off by the incoming Minister of Energy and Mineral Resources<sup>7</sup>.

(ii) Regular and timely EITI reporting, including dissemination

Indonesia had an original deadline of 31 December 2013 to publish the 2010 and 2011 EITI Reports. On 10 December 2013, the MSG requested a six months extension of the reporting deadline citing administrative delays in disbursements from the World Bank MDTF, challenges posed by the size and complexity of Indonesia's extractives sector, and the need to address the corrective actions related to reporting established by the Board in October 2013. Having assessed the extension request, the Board granted an extension with a new deadline of 30 June 2014<sup>8</sup>. In the letter conveying the Board's decision, the EITI Chair noted that: "In taking this decision, the Board noted the size and complexity of Indonesia's extractives sector and the need to address the Board's recommendations for strengthening EITI reporting as highlighted in Indonesia's recent Validation. Nevertheless the continuous delays with EITI implementation in Indonesia remain concerning. I call on the Indonesian government and the Indonesia EITI multi-stakeholder group to take the necessary measures to ensure that future EITI Reports are published on time." The 2010 and 2011 EITI reports were published on 12 June 2014. The reports are currently being disseminated. Four public events will take place in the period September-November 2014. EITI Indonesia has also developed a [data visualisation tool](#) that makes use of EITI data to show producing areas, revenues generated and revenue allocations.

Indonesia has a deadline of 31 December 2014 to publish the 2012 EITI report in accordance with the EITI Standard. This report is delayed and will likely be published in June-August 2015 alongside the 2013 EITI Report. However, EITI Indonesia is planning to compile a short interim report summarizing publicly available information on the extractive sector in 2012. This will include disaggregated revenue data for each PSC, aggregated mining figures, information about the legal framework, production data, oil and

<sup>7</sup> Jero Wacik, Minister of Energy and Mineral Resources, resigned from his post on 5 September. A replacement has not yet been announced.

<sup>8</sup> Board paper 26-3-B Reporting deadline extension requests; Minutes from the 26<sup>th</sup> EITI Board meeting available from [http://eiti.org/files/Minutes\\_from\\_26th\\_EITI\\_Board\\_meeting-Oslo\\_Final.pdf](http://eiti.org/files/Minutes_from_26th_EITI_Board_meeting-Oslo_Final.pdf).

gas tenders, information related to Pertamina's involvement in the oil and gas sector, mining license holders and mineral license applications.

(iii) Follow-up on recommendations from the 2009 EITI Report and the validator's report

The recommendations from the 2009 EITI Report and validation were considered and addressed in preparing for the 2010 and 2011 EITI report<sup>9</sup>. The 2014/2015 workplan includes an activity aimed at follow up on the recommendations from the 2010/2011 report.

(iv) Addressing the remedial actions requested by the EITI Board, and 2014 workplan

On 11 July 2014, EITI Indonesia organised a focus group discussion to identify and generate recommendations for the new workplan covering 2014-2015. In addition to the members of the MSG, representatives from other government institutions such as the Corruption Eradication Commission (KPK), the President's Delivery Unit (UKP4), PWYP and other stakeholders took part in the discussions. The workplan contains objectives ("priority targets"), activities, timeline and costings. Objectives include greater transparency in oil and gas production data, reporting on cost recovery, disclosure of mining production and sales data, integration of EITI reporting in government systems such as the State Revenue Module (mining) and the Integrated Operational System (oil and gas), increasing engagement with regional governments, and activities to further public debate about the governance of the extractive sector. Subsequent to the 11 July meeting, EITI Indonesia has invited further comments and input to the workplan via email. The workplan was agreed by the MSG on 9 September 2014.

As noted in section 3 above and in Annex C, the MSG undertook a range of activities to address the remedial actions requested by the EITI Board. Most of the remedial actions were related to the 2010 and 2011 EITI Report. A timeline for the publication of the 2010 and 2011 EITI Reports was first developed in January 2013, and has been subject to regular reviews, discussions and updates in 2013 and 2014.

### Secretariat's Assessment

The International Secretariat's assessment is that in accordance with the remedial actions requested by the Board, the MSG has:

- Developed a workplan that includes a timeline for the publication and dissemination of the EITI Reports for 2010 – 2013. The Secretariat notes that the 2012 EITI report is delayed and that EITI Indonesia is likely to submit an extension request. However, the 2011 EITI report was published by the deadline set by the EITI Board. Thus, EITI Indonesia is in compliance with the requirement for timely EITI reporting;
- Considered the recommendations from the 2009 EITI Report and validation;
- Addressed the remedial actions requested by the Board; and
- Agreed new objectives for implementation in 2014 and 2015, in accordance with requirement 1.4.a of the EITI Standard.

In accordance with requirement 5 of the EITI Rules:

- A workplan for 2014/2015 has been agreed and is available on the [EITI Indonesia website](#).

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<sup>9</sup> Annex F, available from <http://eiti.org/internal/validation-committee>.

- The workplan includes measurable and time bound targets, objectives, activities, actions and responsible parties.
- With regards to capacity building, the workplan includes capacity building activities mainly targeting local governments and IUPs in order to ensure that these actors become better engaged in the EITI process.
- The workplan does not contain a list of companies operating in the extractive sector, but an overview of license holders in the hydrocarbon and mining sectors are available from the [EITI Indonesia website](#).
- The workplan includes funding sources and cost estimates.

While the MSG has taken steps to catch up with EITI reporting, there are still concerns about the delays with the reporting process. The Secretariat takes note of the efforts to address legal and procedural challenges that have caused delays with EITI reporting to date through the development of the inter-ministerial Decree. The Secretariat also notes that although the forthcoming 2012 EITI Report remains delayed, the MSG has a plan for compiling and publishing contextual information about the sector and revenues from oil, gas and mining that is already in the public domain by the end of the year. The plans for covering data from two financial years, i.e. 2012 and 2013, in the next EITI report will ensure that Indonesia has caught up on the backlog of EITI reports by June 2015. **Noting these efforts, the International Secretariat's assessment is that the remedial action requested by the Board has been completed and that requirement 5 of the EITI Rules is met.**

## 4.2 Remedial Action 2

*The MSG is required to agree a clearer definition of "material payments and revenues" and incorporate this definition into the reporting templates and procedures for the next EITI Report. This should specifically address the procedures for identifying all companies that have made material payments, and the coverage of material payments to regional and local governments (Requirement 9).*

### Validator's findings

In the assessment of requirement 9, the validator noted that "certain material revenue streams and payments were not addressed in the scoping note. The MSG has undertaken to address local fees in future reports (...) The MSG defined materiality in the scoping note. The methodology used to calculate materiality was not clearly explained in the scoping note" (Validation report, p.45). The validator concluded that the requirement was met. The EITI Board disagreed with the validator's conclusion noting that "in the absence of reliable data regarding total government revenues, there is insufficient evidence to conclude that all material oil, gas and mining payments by companies and all material oil, gas and mining revenues received by the government have been disclosed to the reconciler" (Board paper 25-5-B, p. 6).

### Progress since Validation

The MSG undertook preliminary scoping work in the period January-March 2013 to inform the 2010/2011 EITI Reports and the reporting templates. An initial scoping note was approved by the MSG on 14 March 2013. The TOR for the Independent Administrator was also agreed at this meeting. However, subsequent to the EITI Board decision in October 2013 that Indonesia had not achieved

compliance due to concerns about the comprehensiveness of the 2009 EITI Report, the MSG decided that further adjustments to the scope of the 2010/2011 EITI Reports were needed. The final [scoping note](#) report was approved by the MSG on 28 January 2014. Based on this work, the MSG agreed the definition of materiality, i.e. the revenue streams considered material and reporting thresholds, the reporting entities, and the EITI reporting templates.

(i) Scope of the 2011 oil and gas report: Definition of material revenue streams, reporting thresholds and reporting entities

According to the scoping note, the MSG identified and agreed on a total of six revenue streams considered material and to be reconciled in the 2011 oil and gas report:

1. Government share of equity oil (in-kind as well as monetized value)
2. Government share of equity gas (in-kind as well as monetized value)
3. Revenue from crude oil (the difference between the monetized value of crude oil provided by operators in terms of domestic marked obligation (DMO) and the DMO fee, which is the compensation paid by the government to the operators for the DMO).
4. Bonuses: signature bonus (contract extension) and production bonuses
5. Oil income tax
6. Gas income tax

In addition, the MSG agreed that the government would unilaterally disclose revenues from signature bonuses (contract signing) and that Pertamina would disclose any NOC dividends paid to the government. The government would also disclose other non-revenue related transactions associated with PSCs such as over- and underlifting adjustments, DMO and DMO fees; intra-governmental transfers such as land and building tax, VAT, and local tax and retribution; and aggregate figures on total revenues received from oil and gas. The revenue streams in the oil and gas sector were identified through reviews of relevant laws (Law 17/2003 on State Finance; Law 33/2004 on Fiscal Balance; Law 20/1997 on Non Tax Revenue; Law 28/2007 on Tax; Law 28/2009 on Local Tax and Retribution; Law 22/2001 on Oil and Gas), 2010 and 2011 National Budgets (APBN), 2010 and 2011 Local Transfer Financial Reports (LKTD); 2010 and 2011 Central Government Financial Reports (LKPP), as well as 2010 and 2011 Annual Reports from PT Pertamina (Persero) and SKK Migas. A description of the material and immaterial revenue streams are included in the scoping note.

In terms of reporting thresholds, the MSG agreed that all producing oil and gas companies should be covered regardless of the size of their individual payments. The MSG agreed that companies involved in exploration activities would not be covered because these companies do not make material payments beyond signature bonuses, which would be unilaterally reported by the government. The MSG estimated that this approach would capture 100 % of the total revenues that the government received from oil and gas in 2011. 71 oil and gas operators and 99 non-operating oil and gas companies were identified by the MSG to make payments against the material revenue streams, bringing the total number of reporting entities to 170. On the government side, the MSG identified three reporting entities: SKK Migas, the Directorate General of Oil and Gas, and the Directorate of Non-Tax Revenues.

(ii) Scope of the 2011 mining report: Definition of material revenue streams, reporting thresholds and reporting entities

The MSG identified and agreed on a total of four revenue streams considered material and to be reconciled in the 2011 mining report:

1. Royalties
2. Sales Revenue Share (production share after royalty)
3. Dividends
4. Corporate income tax

In addition, the MSG agreed that the companies would unilaterally disclose payments for dead rent, forestry fees, land and building tax, and other taxes and levies (regional taxes), and that the government would provide aggregate figures on total revenues received. The revenue streams in the mining sector were identified through reviews of relevant laws (Law 17/2003 on State Finance; Law 33/2004 on Fiscal Balance; Law 20/1997 on Non Tax Revenue; Law 28/2007 on Tax; Law 28/2009 on Local Tax and Retribution; Law 4/2009 on Minerals and Coal), 2010 and 2011 National Budgets (APBN), 2010 and 2011 Local Transfer Financial Reports (LKTD); 2010 and 2011 Central Government Financial Reports (LKPP), as well as 2010 and 2011 Annual Reports from PT Aneka Tambang Tbk, PT Timah Tbk and PT Bukit Asam Tbk. A description of the material and immaterial revenue streams are included in the scoping note. Based on a review available government data on revenues from the mining sector in 2011, these eight revenue streams identified as material for the 2011 mining report generated 99.9 % of total mining revenue in 2011:

<b>Material revenue streams</b>	<b>Gov't revenue 2011 (IDR trn)*</b>	<b>% of total revenue from mining (2011)</b>
Corporate income tax (mining)	71,17	71,46 %
Royalties	16,11	16,18 %
Sales Revenue Share	7,87	7,90 %
Dividends	3,35	3,36 %
Forestry fees	0,43	0,43 %
Land and building tax	0,40	0,40 %
Dead rent	0,26	0,26 %
Regional taxes	-	<1%
<b>Coverage</b>	<b>99,59</b>	<b>100,00 %</b>

\* Data disclosed in the [2011 Central Government Financial Report \(LKPP\)](#)

Having established the material revenue streams in the mining sector, the MSG went on to identify the companies that made material payments against these revenue streams in 2011. There are a total of 11 037 mining operations in Indonesia. 10 922 of these are small operators holding Mining Business Licenses (IUPs) issued by local governments<sup>10</sup>. While the payments from these small operators collectively generate significant revenues, the payments are individually immaterial material and not

<sup>10</sup> <http://eiti.ekon.go.id/en/category/download/lain-lain/>

practically feasible to reconcile. Therefore, in order to ensure that the mining companies that generate material revenues were included in the reconciliation process, the MSG decided to establish reporting thresholds. Reporting thresholds are usually established by identifying the companies that generate the largest share of total revenues. This was not possible in Indonesia due to legal restrictions preventing the release of disaggregated corporate income tax data.

In the absence of a list of the major tax payers in 2011, the MSG based its decision on materiality thresholds for mining companies on data from the 2009 and 2010 EITI report using the following approach:

1. All companies whose payments cumulatively constituted 70 % of total mining revenues in 2009 would be considered material for the 2010 report. Since mining comprised 16% of extractive industry revenue in 2009, and all oil and gas companies were considered material regardless of the size of their individual payments, the MSG estimated that capturing 70% of mining revenue in the 2010 reconciliation would ensure that the 2010 reconciliation would cover 95% of total extractive industry revenues in Indonesia. In addition, in order to capture any new companies that had begun operations in 2010, any company paying more than IDR 25 bn (US\$ 2.5 m) in royalties was requested to report. A total of 53 companies met this threshold in 2010.
2. For the 2011 report, the MSG asked the 53 companies that were considered material in 2010 to report. In addition, another 30 companies that had begun production in 2011 and paid more than IDR 25 bn (US\$ 2.5 m) in royalties in 2011 were requested to report, bringing the total number of reporting companies to 83 in 2011.

On the government side, the MSG identified three reporting entities: the Directorate General of Tax, the Directorate of Minerals and Coal, and the Directorate General of Budget.

(iii) Coverage of material payments to regional and local governments

According to the MSG, there are no direct extractive industry related payments from oil and gas companies to local governments. All payments are made to the central level. Non-tax revenue such as the government's share of production, fees and bonuses is then transferred to local governments in accordance with revenue sharing formulas. The MSG agreed that these transfers would be disclosed in the 2011 EITI Report.

In the mining sector, there is a similar revenue sharing mechanism with local governments. 80 % of royalties and dead rent collected at central level is transferred to local governments. These transfers would be disclosed in the 2011 EITI report. In addition, mining companies make some payments directly to local governments. These local levies are set out in the Law on Local Tax and Retributions and include underground water tax, surface water tax, and heavy equipment and vehicle tax. The central government does not possess any data related to these payments, but the MSG estimates them to amount to less than 1% of total government revenues from mining. In the 2009 EITI report, mining companies were voluntarily asked to report on local fees. 24 of the 68 mining companies reported these payments, collectively amounting to US\$48.6 m. On this basis, the MSG decided not to include a reconciliation of direct subnational payments in the 2011 EITI Report because these payments are

considered immaterial and the central government has limited authority to compel the regional governments to participate in the EITI. However, as with the 2009 EITI Report, mining companies were asked to unilaterally report any fees paid to local governments. Recognizing the benefits of increasing transparency at subnational levels, the MSG also decided to conduct a 'pilot' where the two largest producing subnational entities - Province of East Kalimantan and the Regency of Kutai Kartanegara – would disclose how much they received in direct payments from oil, gas and mining companies as well as transfers.

### Secretariat's Assessment

The International Secretariat's assessment is that in accordance with the remedial actions requested by the Board:

- The MSG has agreed a definition of "material payments and revenues" and incorporated this definition into the reporting templates and reconciliation process for the 2010/2011 oil, gas and mining reports. The review of the revenue streams covered in the EITI Report against the revenue streams reported in the annual Central Government Financial Reports (LKPP) gives assurance that no material revenue streams have been omitted from the scope of the report.
- The MSG agreed reporting thresholds for oil, gas and mining companies. The thresholds for oil and gas companies ensured that 100% of revenues from oil and gas were disclosed. With regards to the mining sector, the thresholds established do not guarantee that all companies making material payments have been captured. However, given the legal constraints preventing access to tax data the rationale behind the approach for establishing reporting thresholds for mining companies is understandable.
- The MSG agreed an approach for coverage of direct subnational revenue flows and transfers in accordance with Requirement 9(e): "In agreeing a definition of "material payments and revenues", it is a requirement that the multi-stakeholder group clearly establishes whether payments to regional and local governments are material. Where material, the multi-stakeholder group should take steps to ensure that the reconciliation of company payments to sub-national government entities and the receipt of these payments are incorporated into the EITI reporting process. The multi-stakeholder group may wish to consider extending the scope of the EITI reporting and reconciliation process to transfers between national and subnational tiers of government, particularly where such transfers are mandated by a national Constitution or statute."

**The International Secretariat's assessment is that the remedial action requested by the Board has been completed and that requirement 9 of the EITI Rules is met.**

### 4.3 Remedial Action 3

*Future EITI reports should clearly demonstrate that all entities that make or receive material payments are participating in the reporting process (requirement 11). The Board highlights the suggestion in requirement 11(b) that 'where a number of small operators pay revenues which are individually not material, but collectively material, the MSG may wish to request that the government discloses the*

*combined benefit streams from such small operators', (see also requirement 4.2(b) in the EITI Standard).*

### Validator's findings

The validator provided insufficient evidence that this requirement had been met. The validator noted the failure of 20 PSA partners to submit tax data (Validation report, p. 49). However, the EITI Board pointed out that the validator had not recorded the total number of companies that did not participate in the reporting process and assessed the impact on the comprehensiveness of the report. In the absence of a clear definition of materiality and thresholds, the EITI Board concluded the requirement was not met.

### Progress since Validation

#### (i) 2011 oil and gas report – company participation

Of the 170 oil and gas entities identified as making material payments, 159 reported. 11 non-operators did not report. However, the government unilaterally disclosed data on the revenues received from these entities. Ten of the entities had not paid any tax during the period covered by the EITI report. One company – KNOC Sumatra Ltd - had paid US\$ 9 million in 2011, which represented 0.02 % of total extractive sector revenue in 2011 (0.03 % of total oil and gas revenue).

#### (ii) 2011 mining report – company participation

Of the 83 mining companies identified as making material payments, 71 were included in the 2011 reconciliation. A cut-off date of 16 May 2014 for submission of reporting templates was agreed to ensure that the report could be finalised by the deadline of 30 June 2014. The MSG undertook several activities to ensure that these mining companies reported, including issuing letters both from the central government and from the local governments that had issued the license. EITI Indonesia also published the names of the non-reporting companies in local newspapers as a means of urging them to report. However, in the final report data from 12 companies was still missing:

- Nine companies failed to submit reporting templates by the deadline. The government unilaterally reported disaggregated royalty amounts paid by these companies, which amounted to US\$ 39 m (2.5 % of total royalties from mining according to the LKPP report). The remaining revenues from these companies were not disclosed by the government for tax confidentiality reasons. Thus, it is not possible to establish whether the omission of revenues from these nine companies have materially affected the comprehensiveness of the EITI report.
- Three companies – Kayan Putra Utama Coal, Bangun Banua Persada Kalimantan and Kartika Selabumi Mining - submitted reporting templates, but failed to submit the information requested by the Directorate General of Tax to release the corporate income tax data from the government. The total (disaggregated) payments by these companies have been disclosed in the EITI Report and amount to US\$ 73 m, which represents 0.16 % of total extractive sector revenue (0.1 % of total mining revenue).

In accordance with the remedial action established by the Board, the 2011 mining report includes information provided by the government on total revenues received from the mining sector. While the



coverage of the reconciliation of payments and revenues from mining only includes 67.87 % of total mining revenue, the coverage of the whole reconciliation exercise (oil, gas and minerals) is 91.38 %.

Revenue streams	Gov't revenue (EITI Report) (IDR)	Total gov't revenue (LKPP) (IDR)	Coverage EITI report/total gov't revenue (%)
<b>Total revenues mining</b>	<b>67 304 759 000</b>	<b>99 160 000 000</b>	<b>67,87 %</b>
<i>By revenue stream:</i>			
Royalty + Sales Revenue Share	21 317 080 000	23 980 000 000	88,90 %
Income tax	42 442 230 000	71 570 000 000	59,30 %
Dividend	3 346 292 000	3 350 000 000	99,89 %
Land rent	199 157 000	260 000 000	76,60 %
<b>Total revenues oil and gas</b>	<b>285 618 041 130</b>	<b>287 063 842 758</b>	<b>99,50 %</b>
<b>Total revenues oil, gas and mining</b>	<b>352 922 800 130</b>	<b>386 223 842 758</b>	<b>91,38 %</b>

(iii) 2011 oil, gas, and mining report – government participation

All central government entities identified as receiving material revenues from oil, gas and minerals reported.

With regards to coverage of subnational revenue flows, the oil, gas and mining reports include detailed disclosures of the transfers from central to local governments. The data is disaggregated by province, regency and city, and by revenue stream.

Disclosures from the two pilot regions show that the province of East Kalimantan collected US\$ 12.4 million in direct taxes from oil, gas and mining companies in 2011. These include underground water tax, surface tax, heavy equipment tax and vehicle tax. The regency of Kutai Kartanegara collected a total of US\$ 219 944 in payments from oil and gas companies at district level, and US\$ 10 505 in payments from mining companies at district level.

### Secretariat's Assessment

The International Secretariat's assessment is that in accordance with the remedial actions requested by the Board, the MSG has:

- Ensured that all government entities receiving material revenues participated in the EITI reporting process.
- Ensured that all oil and gas companies making material payments reported. The failure of KNOG Sumatra Ltd to report did not materially affect the comprehensiveness of the 2011 EITI report as the payments only represent 0.02 % of total extractive sector revenue.
- Made substantial progress towards comprehensive reporting by mining companies that make material payments. It is not possible to establish whether the omission of revenues from the nine companies that failed to submit reporting templates by the deadline has materially affected the EITI Report. While the coverage of the reconciliation of the oil, gas and mining

report is 91.38 % of payments and revenues from the extractive sector, only 67.8 % of payments and revenues from the mining sector are reconciled. Thus it is also not possible to ascertain whether there are any large companies that contribute materially towards the remaining 32.2% of mining revenue. The MSG has undertaken additional work seeking to demonstrate that all large companies have been covered (Annex E). It shows that of the companies covered in the 2011 mining report, only 11 companies contribute more than 1 % in corporate income tax. The cumulative tax contribution of these 11 companies is 54.4 % of total income tax from mining companies in 2011. Similarly, only 17 companies contribute more than 1 % in royalties. The cumulative royalty contribution of these 17 companies is 68.8% of total mining royalties collected by the government in 2011. The data also shows that although a few companies make proportionally very high corporate tax payments relative to royalties, companies usually pay less corporate tax than royalties, even though the overall amount of corporate tax is higher. This provides a reasonable basis for the MSG's claim that all large companies have been covered, but not one that the International Secretariat can definitively verify without additional data.

Requirement 11.b states that *“Where a number of small operators pay revenues which are individually not material, but collectively material, the MSG may wish to request that the government discloses the combined benefit stream from such small operators”* (EITI Rules, p.23). The government of Indonesia has disclosed the combined benefits streams from all oil, gas and mining companies in both the oil and gas, and the mining report. Requirement 11.c goes on to state that *“the government is required to do one of the following:*

*i. introduce/amend legislation making it mandatory that companies report as per the EITI Criteria and the agreed reporting templates;*

*ii. introduce/amend relevant regulations making it mandatory that companies report as per the EITI Criteria and the agreed reporting templates;*

*iii. negotiate agreements (such as Memoranda of Understanding and waiver of confidentiality clauses under production sharing agreements) with all companies to ensure reporting as per the EITI Criteria and the agreed reporting templates; and*

*iv. where companies are not participating, the government is taking generally recognised (by other stakeholders) steps to ensure that these companies report by an agreed (with stakeholders) date.*

In accordance with requirement 11b and 11c iv, EITI Indonesia has taken steps to develop a Decree addressing legal obstacles to disclosure of disaggregated tax data as well as mandating oil, gas and mining companies to participate in the EITI reporting process. Noting these actions, **the International Secretariat’s assessment is that the remedial action requested by the Board has been completed and that requirement 11 of the EITI Rules is met.**

#### 4.4 Remedial Action 4

*In accordance with the agreed definition of materiality (see point 2, above), the Multi-Stakeholder Group should ensure that all material payments by companies to government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 14). The EITI Report should clearly state if any companies failed to participate in the reporting process, and assesses whether this is likely to*

*have had a material impact on the stated figures. (see also requirement 5.3(c) and 5.3(d) in the EITI Standard).*

### Validator's findings

The validator noted that three mining companies did not report, and that 23 companies did not provide complete information for the 2009 EITI report due to issues with tax authorisations (Validation report, p.62). In addition, 23 PSA partners failed to submit reporting templates. The validator concluded that the requirement was met. The EITI Board disagreed with this assessment.

### Progress since Validation

As established in the assessment of remedial action 3 above:

- One oil and gas entity identified as making material payments failed to submit its reporting template. Revenues from this company have been disclosed by the government, amounting to 0.02 % of total extractive sector revenue.
- Nine mining companies identified as material payers failed to submit reporting templates. While the government has disclosed the royalties received from these companies, it has not disclosed taxes received. Thus it is not possible to ascertain whether the omissions have materially affected the comprehensiveness of the EITI report.

Discrepancies in the 2011 EITI report are small and largely due to technical challenges such as lack of supporting documentation for payments effectuated, use of accrual rather than cash based accounting etc. However, discrepancies in the report indicate that:

- PT Kimco Armindo did not report to have paid any corporate income tax, while the government reported to have received US\$ 477 890 in corporate income tax.
- PT Nusantara Termal Coal did not report to have paid any corporate income tax, while the government reported to have received US\$ 63 in corporate income tax.
- PT Teguh Sinarabadi did not report to have paid any corporate income tax, while the government reported to have received US\$ 61 409 in corporate income tax.
- WMP Malacca Strait S.A did not report to have paid any corporate income tax, while the government reported to have received US\$ 2 620 000 in corporate income tax;
- Kangean Energy Indonesia Ltd did not report to have paid any over lifting, while the government reported to have received US\$ 52 000 for over lifting;
- EMP Benty Ltd did not report to have paid any over lifting, while the government reported to have received US\$ 2000 for over lifting.

By the time of the cut-off date for the publication of the 2011 EITI Report, the reconciler had not received the necessary information from these reporting entities to establish whether the discrepancies were due to omissions in the reporting templates, or caused by other technical challenges. The discrepancies are nevertheless negligible compared to overall revenues reported.

As noted under remedial action 2, mining companies were asked to unilaterally report on any direct payments to local government even if these were estimated to be immaterial. The reconciler collected this data, but did not include it in the EITI report as it was only reported by the largest mining companies. As noted in the MSG's response to the corrective actions (Annex C), these payments amounted to IDR 902 125 m in 2011 (appx. US\$ 19 m), or 0.07% of total revenue from the mining sector. Disaggregated data is available from the EITI Indonesia Secretariat.

### Secretariat's Assessment

It is not possible to confirm that all material payments by companies to government have been disclosed to the reconciler and incorporated in the EITI report. However, noting the steps undertaken by the MSG to address the challenges related to coverage of payments from the mining sector as set out in the assessment of remedial action 3 above, **the International Secretariat's assessment is that the remedial action requested by the Board has been completed and that requirement 14 of the EITI Rules is met.**

### 4.5 Remedial Action 5

*In accordance with the agreed definition of materiality (see point 2, above), the Steering Committee should ensure that all material revenues received by the government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 15). The EITI Report should clearly state if any government entities failed to participate in the reporting process, and assesses whether this is likely to have had a material impact on the stated figures. (see also requirement 5.3(c) and 5.3(d) in the EITI Standard).*

### Validator's findings

The validator noted that "there were instances where the Directorate General of Taxation did not report all tax paid by the Companies" and that "the 2009 report does not disclose the value of the total amounts received by the government for Minerals and Coal. Accordingly, users of the report are unable to determine if amounts received by the reporting entities provide sufficient coverage." (Validation report, p.66).

### Progress since Validation

As established in the assessment of remedial action 3 above three mining companies submitted reporting templates, but failed to submit the information requested by the Directorate General of Tax to release the corporate income tax data from the government. For tax confidentiality reasons, the government has therefore not fully disclosed the corporate income tax paid by these companies. The three companies have reported to have paid a total of US\$ 2 million in corporate income tax in 2011, which is 0.004% of total extractive sector revenue (0.03% of total mining revenue).

In addition, discrepancies in the report indicate that the government did not report to have received any corporate and dividend tax from the company JOB Pertamina-Golden Spike Energy Indonesia Ltd, while this company reported to have paid US\$ 894 000 in corporate income tax in 2011 (0.002% of total extractive sector revenue). By the time of the cut-off date for the publication of the 2011 EITI Report, the reconciler had not received the necessary information from this company to establish whether the discrepancies were due to omissions on behalf of the government, or caused by other technical

challenges

### Secretariat's Assessment

The government has fully disclosed all revenues from the extractive sector, either as part of the reconciliation or unilaterally. **The EITI International Secretariat's assessment is that the remedial action requested by the Board has been completed and that requirement 15 of the EITI Rules is met.**

### 4.6 Other recommendations

*Furthermore, the Multi-Stakeholder Group should ensure that the agreed approach for assuring the data submitted by companies and government entities is implemented, and that any gaps or weaknesses in reporting to the Independent Administrator are comprehensively disclosed in the EITI Report.*

### Validator's findings

With regards to assurance of company data, the Validator noted that "the minutes of MSG meetings record only limited discussions on how company reports are to be based on accounts audited to international standards on auditing" and that "(...) there is no evidence that the information provided in the reporting templates was subject to audit other than when companies confirmed that this occurred." (Validation report, p. 52-54). The validator also noted that in a number of cases the agreed procedure was not followed, for example where companies did not utilize the 'standard wording' and that "the extent of non-compliance was not quantified in the 2009 EITI report." (Validation report, p.53).

With regards to assurance of government data, the validator noted that "(...) there is no evidence that the specific data submitted by the Government Reporting entities to the Reconciler was subject to audit." (Validation report, p. 56).

Subsequent to the validation mission, the MSG agreed a technical paper setting out its approach for addressing data assurance in the 2010 and 2011 Report, taking into account the procedures outlined in the EITI Standard. On this basis the EITI Board concluded that requirements 12 and 13 were met, but tasked this secretariat review with verifying that the agreed procedures have been implemented.

### Progress since Validation

#### (i) Assurance of company data

The 2011 oil, gas and mining report outlines the prevailing legal framework on auditing of company data and the approach agreed by the MSG. In summary:

- Indonesian companies apply Indonesian accounting standards which are consistent with IFRS since 2009.
- The financial statements of companies in Indonesia must be audited by an independent auditor if companies meet at least one of the following criteria: (1) The company has total assets above IDR 25 bn; (2) The company is engaged in public fund management.

The report notes that in general oil, gas and mining companies participating in the EITI report are large and medium scale entities with assets above IDR 25 bn. Accordingly they meet the above criteria that their financial statements should be audited an independent auditor.

For the purpose of the 2010/2011 mining report, the MSG agreed that mining companies should sign the following attestation when submitting the reporting template: "I certify that the contents of the above information [in reporting template] is correct and in accordance with the financial statements which have been audited by public accounting firm or an independent auditor". All companies but Newmont signed the attestation without amendments. Newmont changed the attestation to read "I certify that the content of the above information is correct based on cash basis." In addition to the attestation, the MSG required that all report submissions be signed by the Director of Finance or Authorized Financial Officer. All reporting entities complied with this requirement.

For the purpose of the 2010/2011 oil and gas report, the MSG agreed that oil and gas entities should sign the following attestation when submitting the reporting template: "I certify that the contents of the above information is correct, independent and consistent with the mechanism set out in the PSC and has been reported in the final Financial Quarterly Report; and that the financial statements have been audited by public accounting firm or an independent auditor". This was signed by all companies, although four companies – BP Muturi Holding BV, BP Wiriagar Ltd, Kangean Energy Indonesia Ltd, and PT SPR langgak - amended the attestation by deleting the wording "the financial statements have been audited by public accounting firm or an independent auditor". In addition to the attestation, the MSG requested that all reporting templates had to be signed by the Director of Finance or Authorised Financial Officer. This was complied with by all entities.

(ii) Assurance of government data

The 2011 oil, gas and mining report outlines the prevailing legal framework on auditing of government data and the approach agreed by the MSG. In summary:

- Central government entities and SKK Migas report their information based on Financial Statements of Central Government (LKPP) that have been reviewed by Indonesia's Financial Development and Supervisory Agency (BPKP and the State Auditor (BPK).
- Regional governments report their information based on Financial Statements of Regional Government that have also been reviewed by BPKP.
- BPKP apply Government Functional Oversight Standards when auditing government entities. This includes an opinion on compliance with prevailing statutory provisions and an opinion on internal control, but does not generate an audit opinion.
- BPK audits the LKPP reports in accordance with State Financial Auditing Standards. The results of these audits are published on the [BPK's website](#). The audit standard applied by BPK is an audit standard that is codified in the State Financial Auditing Standards (SPKN). The SPKN applies Public Accountant Professional Auditing Standards. BPK is a member of the International Organisation of Supreme Audit Institutions (INTOSAI).

For the purpose of the 2010/2011 oil, gas and mining report, the MSG agreed that government entities should sign the following attestations when submitting the reporting template: "I/We certify that the 2010 and 2011 EITI data submissions are correct and consistent with the principles and generally accepted auditing standards and in accordance with the standard government auditing procedures". This was complied with by all government entities apart from the Directorate General of Tax. The EITI

report notes that “information (from DG Tax) was submitted in official letters which implicitly stated correctness and consistency in accordance with the generally accepted accounting principles” (2010/2011 EITI mining report, p.9). Reported tax receipts were generated by the Directorate’s information system, and the Modul Penerimaan Negara, which is part of the budget and treasury system for recording receipts.

In addition, the MSG required that all report submissions be signed by the Director of Finance or Authorized Financial Officer. All reporting entities complied with this requirement.

### Secretariat’s Assessment

The MSG has ensured that the agreed approach for data assurance has been implemented and that any gaps or deviations from the assurances requested by the MSG are disclosed in the EITI Report.

## 5 Conclusion

The Board decision stipulated that five remedial actions should be completed in order for Indonesia to achieve Compliance. The International Secretariat’s assessment is that the remedial actions have been satisfactorily completed and that the outstanding requirements are met.

### **Annex A – EITI Board decision on Indonesia 17 October 2013**

Available from <http://eiti.org/files/EN-Minutes-from-the-25th-EITI-Board-meeting-Abidjan.pdf>.

### **Annex B – Letter from Deputy of Energy and Mineral Resources Montty Girianna, 22 July 2014**

Available from <http://eiti.org/internal/validation-committee>

### **Annex C – EITI Indonesia summary report on corrective actions**

Available from <http://eiti.org/internal/validation-committee>

### **Annex D – Terms of reference for the Secretariat Review of Indonesia**

Available from <http://eiti.org/internal/validation-committee>

### **Annex E – Royalty/tax comparison mining**

Available from <http://eiti.org/internal/validation-committee>

### **Annex F – Actions undertaken to address recommendations from the 2009 report and validation**

Available from <http://eiti.org/internal/validation-committee>