3

INDONESIA EITI REPORT

2012 - 2013

RECONCILIATION REPORT

COORDINATING MINISTRY FOR ECONOMIC AFFAIRS OF
THE REPUBLIC OF INDONESIA

EITI INDONESIA
Extractive Industries Transparency Initiative

COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
OF THE REPUBLIC OF INDONESIA

INDONESIA EITI REPORT 2012 - 2013
RECONCILIATION REPORT

VOLUME THREE

KAP Sukrisno, Sarwoko dan Sandjaja
KMK RI No.: 665/KM.1/2013

EITI INDONESIA
Extractive Industries Transparency Initiative

TABLE OF CONTENTS

TABLE OF CONTENTS	i
LIST OF TABLES	iii
LIST OF FIGURES	iv
LIST OF ABBREVIATIONS AND DEFINITIONS	v
Report of Independent Accountants on the Implementation of Agreed Upon Procedures	1
TERMS OF REFERENCE	2
EXECUTIVE SUMMARY	12
State Revenue Streams by Industry Type	12
Major Revenue Contributors	13
Reconciliated State Revenues	14
Non-Reconciliated State Revenues	16
Infrastructure Provision and Barter Arrangement	16
Corporate and Social Responsibility (CSR)	17
Transportation	17
Subnational Payments	17
Extractive SOEs	18
Entities within Scope of Reconciliation	18
Non-Complying Companies	19
Revenue Sharing Fund	19
1 OVERVIEW	**21**
1.1 EITI Overview	21
1.2 EITI Implementation in Indonesia	23
1.3 Transparency of National and Subnational Revenues Generated from Extractive Industry	24
2 SCOPE OF RECONCILIATION	**25**
2.1 State Revenues	25
2.1.1 Reconciliated State Revenues	25
2.1.2 Non-Reconciled State Revenues	27
2.1.3 Extractive Industry-Generated State Revenues	28
2.1.4 Infrastructure Provision and Barter Arrangement	33
2.1.5 Corporate Social Responsibility (CSR)	33
2.1.6 Transportation	34
2.1.7 Extractive SOEs	36
2.1.8 Direct Subnational Payments	37
2.1.9 Other State Revenues	39
2.2 Scope of Companies	40
2.2.1 Oil and Gas Sector	41
2.2.2 Mineral and Coal Sector	43
3 METHODOLOGY	**45**
3.1 Method of Reconciliation	46
3.2 Reconciliation Activities and Areas of Focus	47
3.2.1 Designing Reporting Template	48
3.2.2 Reporting Template Distribution to Companies and Government Agencies	48
3.2.3 Non-Complying Companies	50
3.2.4 Reconciliation Process	53
3.2.5 Data Collection Challenges	54
3.2.6 Data Confidentiality	54
3.2.7 Absence of Consequences for Non-Complying Companies	54

4 RECONCILIATION RESULTS 55

4.1 Oil and Gas Companies in 2012 56

4.1.1 Reconciliation between Oil and Gas Contractors (KKKSs) and SKK Migas 56

4.1.2 Reconciliation between Oil and Gas Contractors (KKKSs) and the Directorate General of Oil and Gas (DG Oil and Gas) 58

4.1.3 Reconciliation between Oil and Gas Contractor (KKKS) and the Directorate General of Budgeting (DG Budget) 60

4.1.4 State Revenue Managed by SKK Migas and Received by the Directorate General of Budgeting (DG Budget) 61

4.2 Oil and Gas Contractors in 2013 63

4.2.1 Reconciliation between Oil and Gas Contractor (KKKSs) and SKK Migas 63

4.2.2 Reconciliation between Oil and Gas Contractors (KKKSs) and the Directorate General of Oil and Gas (DG Oil & Gas) 65

4.2.3 Reconciliation between Oil and Gas Contractors (KKKSs) and the Directorate General of Bugeting (DG Budget) 67

4.2.4 State Revenue Managed by SKK Migas and Received by the Directorate General of Budgeting (DG Budget) 69

4.2.5 National and Subnational Revenue Report Presented from One Side of Contractors 70

4.3 Mining Companies in 2012 71

4.3.1 RekReconciliation between Mining Companies and the Directorate General of Mineral and Coal (DG Mineral and Coal) 71

4.3.2 Reconciliation between Mining Companies and the Directorate General of Taxation (DG Tax) 72

4.3.3 Reconciliation between Mining Companies and the Directorate General of Budgeting (DG Budget) 73

4.3.4 Reconciliation between PT Bukit Asam (Persero), Tbk. and PT Kereta Api 74

4.4 Mining Companies in 2013 74

4.4.1 Reconciliation between Mining Companies and the Directorate General of Mineral and Coal (DG Minerals and Coal) 74

4.4.2 Reconciliation between Mining Companies and the Directorate General of Taxation (DG Tax) 76

4.4.3 Reconciliation between Mining Companies and the Directorate General of Budgeting (DG Budget) 77

4.4.4 Reconciliation between PT Bukit Asam (Persero), Tbk. and PT Kereta Api 77

4.4.5 State Revenue Report Presented from Companies' Side 77

5 SHARING REVENUE FUND FROM THE EXTRACTIVE INDUSTRY FROM THE NATIONAL TO SUBNATIONAL GOVERNMENTS 79

5.1 Land and Building Tax (PBB), and Regional Tax and Levy Payments (PDRD) 79

5.2 Revenue Sharing Fund from the National Government to Subnational Governments 80

5.2.1 The Oil and Gas Revenue Sharing Scheme 80

5.2.2 The Mining Revenue Sharing Scheme 82

5.2.3 Producing Areas 84

6 AUDIT AND ASSURANCE PROCEDURE 85

7 FINDINGS AND RECOMMENDATIONS 89

BIBLIOGRAPHY 97

LIST OF TABLES

Table 1	Revenue Streams from Oil and Gas Sector	26
Table 2	Revenue Streams from Mineral and Coal Sector	27
Table 3	Royalty Tariff of Mineral Companies	32
Table 4	CSR of Oil and Gas Companies	34
Table 5	CSR of Mineral and Coal Companies	34
Table 6	Revenues from Oil and gas Transport Services	35
Table 7	Transportation Fees Received by PT Kereta Api Indonesia	36
Table 8	Mining SOEs Payment to State's Treasury Account	37
Table 9	Direct Subnational Payments from Mineral and Coal Company	38
Table 10	KKKS Holders Reconciliated	41
Table 11	Distribution of KKKS by Operations Areas	41
Table 12	Mineral and Coal Companies Reconciliated	43
Table 13	Distribution of Mineral and Coal Companies by Operations Areas	43
Table 14	Report Submission Progress, Oil and Gas Sector	49
Table 15	Report Submission Progress, Mining Sector	50
Table 16	Non-Complying Companies	50
Table 17	List of Non-Complying Mining Companies	52
Table 18	Visits to Reporting Entities	53
Table 19	Reconciliation between KKKS and SKK Migas in 2012 (in Currency)	56
Table 20	Reconciliation between KKKS and SKK Migas in 2012 (in Volume)	57
Table 21	Reconciliation between KKKS and the DG Oil and Gas in 2012	58
Table 22	Reconciliation between KKKSs and the DG Budget in 2012	60
Table 23	Reconciliation between SKK Migas and the DG Budget in 2012	61
Table 24	Reconciliation between KKKS and SKK Migas in 2013 (in Currency)	63
Table 25	Reconciliation between KKKS and SKK Migas in 2013 (in Volume)	64
Table 26	Reconciliation between PSC holder and the DG Oil and Gas in 2013	65
Table 27	Reconciliation between KKKS and DG Budget in 2013	67
Table 28	Reconciliation between SKK Migas and the DG Budget in 2013	69
Table 29	State Revenue Unreconciled in the Oil and Gas Sector	70
Table 30	Reconciliation between Mining Companies and the DG Mineral and Coal, 2012	71
Table 31	Reconciliation between Mining Companies and the DG Tax, 2012	72
Table 32	Reconciliation between Mining Companies and the DG Budget, 2012	73
Table 33	Reconciliation between PT Bukit Asam and PT Kereta Api, 2012	74
Table 34	Reconciliation between Companies and the DG Minerals and Coal, 2013	74
Table 35	Reconciliation between Mining Companies and the DG Tax, 2013	76
Table 36	Reconciliation between Mining Companies and the DG Budget, 2013	77
Table 37	Reconciliation PT Bukit Asam and PT Kereta Api, 2013	77
Table 38	State Revenue Unreconciled in the Mining Sector	78
Table 39	Data on Mining Production and Sales	78
Table 40	Revenue Sharing Fund with Special Autonomous Scheme	81
Table 41	Sharing of Revenue from General Mining	82
Table 42	Oil and Gas Revenue Sharing Fund Disbursement	82
Table 43	Revenue Sharing Allocation	84
Table 44	Producing Asset	84
Table 45	Recommendations from EITI Indonesia Reconciliation Report for Oil and Gas Sector in 2010-2011, and Recommendations Follow-up in Reporting Cycle 2012-2013	89
Table 46	Recommendations from EITI Indonesia Reconciliation Report for Mineral and Coal Sector in 2010-2011, and Recommendations Follow-up in Reporting Cycle 2012-2013	90

LIST OF FIGURES

Figure 1	Oil & Gas Total Lifting, 2012	13
Figure 2	Oil & Gas Total Lifting, 2013	13
Figure 3	Mineral and Coal Companies as Major Contributors in 2012 and 2013	14
Figure 4	EITI International Standard	22
Figure 5	EITI Implementation Milestone in Indonesia	23
Figure 6	Flow of Revenues in Foreign Currencies	30
Figure 7	Flow of Oil and Gas Revenues in IDR	31
Figure 8	Sequence of the Third EITI Indonesia Reporting	46
Figure 9	Flow of Reconciliation Report Development	47
Figure 10	Scheme for Oil and Gas Revenue Sharing	80
Figure 11	Flow Mechanisms for Depositing and Proposing Revenue Sharing	83
Figure 12	Flow of Reconciliation of Revenue Sharing Fund from Mining	83

LIST OF ABBREVIATIONS AND DEFINITIONS

Accrual Basis — An accouting 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.

APBN — *Anggaran Pendapatan dan Belanja Negara*
The Indonesia State Budget

AuP — Agreed upon Procedures

Barel — Unit oil and condensate equivalent to 42 US gallons or 158.99 liters at 60 ° F (sixty degrees Fahrenheit)

BI — *Bank Indonesia*
Indonesia Central Bank

BPK — *Badan Pemeriksa Keuangan*
Indonesia Audit Board

BPKP — *Badan Pengawasan Keuangan dan Pembangunan*
Financial and Development Supervision Agency

BPMIGAS — *Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi*
Indonesia Upstream Oil and Gas Regulatory Body

Cash Basis — An accouting method in recognizing income and or expense when cash is received and or when cash is disbursed by company / reporting entity.

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 feedstock for refineries and other petrochemical industries.

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.

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.

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.

CSR — Corporate Social Responsibility

DBH SDA — *Dana Bagi Hasil Sumber Daya Alam*
Sharing Revenue Fund from Natural Resources

Development Bonus — Bonus that will be paid by the KKKS to the government at the time of first commercial development of an area of work in accordance with Cooperation Contract

DHPB — *Dana Hasil Penjualan Batubara*
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 calorie

DG Mineral and Coal — Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources (MoEMR)

DG Oil and Gas — Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources (MoEMR)

DG Tax — Directorate General of Taxation, Ministry of Finance (MoF)

DG Budget — Directorate General of Budgeting, Ministry of Finance (MoF)

DG Treasury — Directorate General of Treasury, Ministry of Finance (MoF)

DG Fiscal Balance — Directorate General of Fiscal Balance, Ministry of Internal Affairs

Dit. PNBP — *Direktorat Penerimaan Negara Bukan Pajak*
Directorate of Non Tax Revenue, DG Budget, Ministry of Finance (MoF)

Dividend — Distribution of profits from the company's net income generated in a given period to the shareholders who are entitled under the approval of the General Meeting of Shareholders

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
EITI	Extractive Industries Transparency Initiative
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)
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: 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
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
GOI	Government of Indonesia
GR	Government Regulation
IA	Independent Administrator, designed to compose Indonesia EITI Report 2012-2013
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
IDR	Rupiah (Rp), Republic of Indonesia currency
Impementing Team	*Tim Pelaksana* Multi Stakeholder Group (MSG), which is implementing the EITI, where membership in accordance to Presidential Decree No. 26 Year 2010 Section 10 (described on page 24)
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
IUP	*Izin Usaha Pertambangan* Mining Business Permit
IUPK	*Izin Usaha Pertambangan Khusus* Special Mining Business Permit, is permit to operate mining business in special mining business area
Joint Lifting	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
KAP	*Kantor Akuntan Publik* Public Accountant Firm

KK	*Kontrak Karya* Contract of Work (CoW), is an agreement between the Government of the Republic of Indonesia with Indonesian legal entity in the context of foreign investment to conduct mineral mining
KP	*Kuasa Pertambangan* Mining Authority is the authority granted to entities / individuals to carry out mining operations
KKKS	*Kontraktor Kontrak Kerja Sama* 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
KKS	*Kontrak Kerja Sama* Cooperation contract is a contract form of cooperation in the Upstream oil and gas production sharing scheme
KESDM	*Kementerian Energi Sumber Daya dan Mineral* Ministry of Energy and Mineral Resources (MoEMR)
Land Rent	Contributions to be received by State in return for the opportunity general survey, exploration or sxploitation in a work area.
Lifting	A number of crude oil and / or gas that is sold or divided at the point of delivery (custody transfer point).
LKPP	*Laporan Keuangan Pemerintah Pusat* Government of Indonesia Financial Statements
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.
MSCF	Thousands Standard Cubic Feet. is 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.
MSG	Multi Stakeholder Group – see Implementing Team
Offshore	Oil operations over the mainland
Onshore	Oil operations in mainland
Operator	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.
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.
Partner	Participating Interest holder in the PSC other than PSC Operator
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.
PBB	*Pajak Bumi dan Bangunan* Tax calculated based on the area of land and buildings constructed on it. PBB to be paid by the taxpayer in accordance Payable Tax Notification Letter issued by the Tax Office
PDRD	*Pajak Daerah dan Restribusi Daerah* Local Taxes and Levies

PHT	*Penjualan Hasil Tambang* Sales Revenue Share is obligation of CCoW holder pursuant to the contract. PHT is difference between DHPB (13,5% of coal revenue value) deducted by royalty (3 s/d 7% from coal sales value depending on coal calorific)
PKB	*Perjanjian Kerjasama Batubara,* Coal Cooperation Agreement, are the agreement scheme involving a company in the area of coal mining
PKP2B	*Perjanjian Kerjasama Pengusahaan Pertambangan Batubara* Coal Contract of Work (CCoW) Agreement between the Government of the Republic of Indonesia with Indonesian legal entity in the context of foreign investment or domestic investment to coal mining
PNBP	*Penerimaan Negara Bukan Pajak* Non-tax Revenue
PNBP use of forest	Non-tax revenues derived from the use of forest land for development outside forestry activities in lieu of land compensation
PPN	*Pajak Pertambahan Nilai* Value Added Tax (VAT)
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
PSC	Production Sharing Contract
Reconcilition	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 can not be solved
Reporting Entity	In the context of this report, the reporting entity is a company / KKKS and Government Agencies
Royalty	Exploration and Exploitation Fees from authority power in production contribution of mining on the results of exploration opportunities / exploitation
SAT	*Standar Atestasi* Atestation Standard
SDA	*Sumber Daya Alam* Natural Resources
Scoping Study	EITI 2012-2013 scoping study prepared by Ernst & Young as a preliminary study to define scope for EITI 2012 -2013 report.
Secretariat	Secretariat of EITI
Signature Bonus	Contractor pays bonus to the Government after signing of the PSC no later than 30 days
SKK Migas	*Satuan Khusus Kegiatan Usaha Hulu Minyak dan Gas Bumi* Special Taskforce for Upstream Oil and Gas Business Activities
SKPKB	*Surat Ketetapan Pajak Kurang Bayar* 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
SKPKBT	*Surat Ketetapan Pajak Kurang Bayar Tambahan* Tax assessments that determines the addition of a predetermined amount of tax
SOE	State-Owned Enterprise/Company
STP	Surat Tagihan Pajak Letter to the tax bill and / or administrative sanctions in the form of interest and / or penalties
SSBP	Surat Setoran Bukan Pajak Non Tax Slip
Technical Team	A Small Team that represents the Implementing Team
USD or Dollar US	United State Dollar currency
Year 2012 and 2013	In this report, referring to the calendar year 2012 and 2013

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Report of Independent Accountants on the Implementation of Agreed Upon Procedures

(Report No.068/OPN/KAP SSS/2015 dated October 24, 2015)

To the Head of Extractive Industry Transparency Implementing Team
Coordinating Ministry for the Economic Affairs

We have performed the procedures agreed with you solely to assist you based on our Contract Agreement No.PKK-066/IA/PPK/EITI/5/2015, dated May 25, 2015 with respect to information disclosed in the reporting templates of some identified companies in the sector of extractive industries and their related government agencies in Indonesia, for the years of 2012 and 2013. Our engagement was undertaken in accordance with Indonesian Standard on Attestation Services, SAT. Section-500, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information, published by The Indonesian Institute of Certified Public Accountants (IAPI). The relevancy or sufficiency of such procedures will be the responsibility of the user of this report. Accordingly, we will not give any representation about the relevancy or sufficiency of such agreed-upon procedures for this report or for any other purposes (The Terms of Reference/TOR/ or Agreed-Upon Procedures is presented in the appendices of this report).

The agreed-upon procedures (or TOR) as presented in the appendices of this report were performed in accordance with the third implementation of the Extractive Industries Transparency Initiative (EITI) in Indonesia, and are ultimately the preparation of the Financial Reconciliation Report between the payments reported by some identified companies in the sector of extractive industries, and the related revenues reported by their related government agencies in Indonesia, for the years of 2012 and 2013.

Our actual findings from this engagement were presented in the appendices of this report. We do not perform any audit or review procedures in accordance with Indonesian auditing and review standards on the reporting templates. Because the procedures do not constitute either an audit or a review made in accordance with Indonesian Standards on Auditing and Review engagements, we do not express any assurance on the information detailed in the reporting template based on the said standards. Had we performed additional procedures, or had we performed an audit or review procedures on the financial information as reported in the reporting template in accordance with such audit or review standards, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information only, and is not to be used for any other purpose or to be distributed to any other parties.

In addition, this report relates only to information disclosed in the reporting templates submitted by some identified companies in the sector of extractive industries and their related government agencies in Indonesia, and does not extend to the financial statement of each entity taken as a whole.

Jakarta, October 24, 2015

DR. Iman Sarwoko CPA., CA.
(Registered Public Accountant : No. AP.0758)

TERMS OF REFERENCE

I. Background

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors. It has a robust yet flexible methodology for disclosing and reconciling company payments and government revenues in implementing countries.

EITI implementation has two core components:

- **Transparency**: oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled by an Independent Administrator, and published in annual Transparency Reports alongside contextual and other information about the extractive sector.
- **Accountability**: a multi-stakeholder group with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI Report, and promote the integration of EITI into broader transparency efforts in that country.

The EITI Standard encourages multi-stakeholder groups 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. It is a requirement that the multi stakeholder group or MSG approves the terms of reference for the Independent Administrator (requirement 5.2), drawing on the objectives and agreed scope of the EITI as set out in the workplan. The MSG's deliberations on these matters should be in accordance with the MSG's internal governance rules and procedures (see requirement 1.3g). 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 is perceived by the multi-stakeholder group to be credible, trustworthy and technically competent (Requirement 5.1). The multi-stakeholder group and Independent Administrator should addresses any concerns regarding conflicts of interest. The Independent Administrator's report will be submitted to the Implementing Team for approval and made publically available.

The requirements for implementing countries are set out in the EITI Standard.

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. This is realized in the first and the second EITI Indonesia reports. The first report contains revenues conveyed to and collected by the state in calendar year 2009; the second, 2010 and 2011.

The implementation of the Initiative is overseen by a multi-stakeholder Implementation Team, appointed by Presidential Regulation 26/2010 on Transparency of Local and National Extractive Industry Revenues. In this document, the Transperency Implementation Team is at times referred to as EITI Indonesia's Multi Stakeholder Group (MSG).

II. Objectives of the Assignment

On behalf of the Government of Indonesia and the Transparency Implemention 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 2012 and 2013 (the 3rd Report) in accordance with the EITI Standard.

III. Target

Promoting transparency of extractive industries, in accordance with good governance and sustainable development principles as regulated in Presidential Regulation 26/2010 on Transparency of State Revenue and Local Revenue from Extractive Industry.

IV. Activity Location

The main work will be conducted in Jakarta. Data may need to be collected from head office of companies or production units located, with estimation in 20 resource rich districts/municipalities. Actual visits to these areas of production units are conditional, and will take place only if required.

V. 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 the Deputyship of Energy and Mineral Resources in the Coordinating Ministry for Economis Affairs.

VI. Scope of services, tasks and expected deliverables

The work of the Independent Administrator has five phases (see figure 1). The Independent Administrator's responsibilities in each phase are elaborated below.

Based on previous EITI Indonesia Reports the Implementing Team's expectation is that scoping of the 3rd Report will cover: a) a minimum of 19 types of payments; b) a minimum of 155 oil, gas and mining production units; and c) all related government agencies. The scope can potentially be expanded during early assignment, referring to data highlighted in Annex 2.

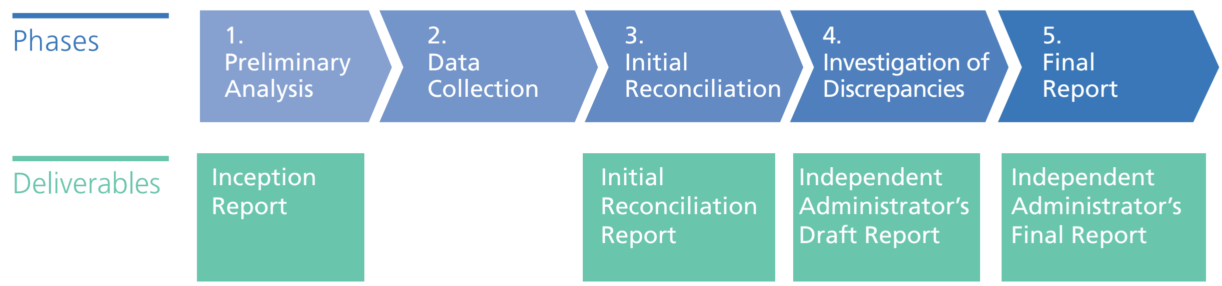
The scope of works and deliverables for each phase, as shown in Figure 1, is elaborated as follows.

Note: word "Requirement" (e.g. Requirement 4.1) on the following description refers to the EITI Standard published by EITI International in 2013. The EITI Standard can be accessed from link http://eiti.ekon.go.id/the-eiti-standard/.

Phase 1 – Preliminary analysis and Inception Report

1.1 The Independent Administrator's Inception Report should include relevant background information, including the governance arrangements and tax policies in the extractive industries. The two major sources of information upon which the Independent Administrator may draw in order to secure relevant background information are the scoping work performed by an independent consultant (which will be completed by January 2015)and previous EITI Indonesia reports covering the 2009, 2010 and

Overview of the 3rd EITI Reporting process and deliverables



2011 calendar years. (A list of this and other relevant documentation is provided in Annex 2).

1.2 The Independent Administrator should work with the MSG to agree on the procedures for incorporating and analyzing contextual and other non-revenue information in the EITI Report. The procedures should ensure that information is clearly sourced and attributed. Additional information on the MSG's proposed approach to collating contextual information is discussed in Annex 1 to this Terms of Reference, including any specific tasks that the Independent Administrator is expected to undertake in this regard.

1.3 The Independent Administrator should review the payments and revenues to be covered in the EITI Report as recommended in the scoping work performed by an independent consultant, and in accordance with EITI Requirement 4. The inception report should clearly indicate the MSG's decisions on:

- The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).
- The sale of the state's share of production or other revenues collected in-kind in accordance with Requirement 4.1(c).
- The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1(d).
- The coverage of social expenditures in accordance with Requirement 4.1(e), including but not limited to corporate social responsibility (CSR) funds paid to government or local communities as regulated in Law 40/2007 article 74.
- The coverage of transportation revenues in accordance with Requirement 4.1(f).
- The level and type of disaggregation of the EITI Report in accordance with Requirement 5.2(e).

1.4 The Independent Administrator should review the companies and government entities that are required to report as defined in Annex 1 and in accordance with EITI Requirement 4.2. The inception report should:

- Identify and list the companies that make material payments to the state and will be required to report in accordance with Requirement 4.2(a).
- Identify and list the government entities that receive and/or record material payments and will be required to report in accordance with Requirement 4.2(a).
- Identify 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 4.2(b)).
- Confirm the MSG's position on disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.2(c).
- Confirm the MSG's position on the materiality and inclusion of sub-national payments in accordance with Requirement 4.2(d).
- Confirm the MSG's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e).

1.5 The Independent Administrator should provide advice to the MSG on the reporting templates based on the agreed benefit streams to be reported and the reporting entities (1.3 – 1.4 above) as produced by the independent scoping consultant (in the form of draft reporting templates). It is recommended that the templates include a provision requiring companies to report "any other material payments to government entities" above an agreed threshold. The Independent Administrator should revise and improve the draft reporting templates and seek MSG approval of those revisions and improvements. The Independent Administrator will be mandated to distribute the final reporting templates (see point 2.1).

1.6 The Independent Administrator should consider the findings of the independent scoping consultant in examining the audit and assurance procedures in companies and government entities participating in the EITI reporting process in accordance with Requirement 5.2(b), including the examination of the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards.

1.7 The Independent Administrator should provide advice to the MSG on what information the MSG should require to be provided to the Independent Administrator by participating companies and government entities to assure the credibility of the data in accordance with Requirement 5.2(c). The Independent Administrator should then employ her/his professional judgment to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator should document the options considered and the rationale for the assurances to be provided. 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 wish to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme 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 Independent Administrator should exercise judgment and apply appropriate international professional standards in developing a procedure that provides a sufficient basis for a comprehensive and reliable EITI Report.

1.8 The Independent Administrator should provide advice to the MSG on agreeing appropriate provisions relating to safeguarding confidential information.

1.9 The Independent Administrator should document the results from the inception phase in an inception report for consideration by the MSG addressing points 1.1 – 1.8 above. Where necessary the inception report should highlight any unresolved issues or potential barriers to effective implementation, and possible remedies for consideration by the MSG.

Phase 2 – data collection

2.1 The Independent Administrator is mandated by the MSG to distribute the reporting templates after they have been finalized and approved by the MSG (see point 1.5) and collect the completed forms and associated supporting documentation, as well as any other contextual or other information requested to be collected by the EITI Standard and the MSG, directly from the participating reporting entities. The government (ie, the EITI Indonesia Secretariat) will provide contact details for the reporting entities and assist the Independent Administrator in attempting to ensure that all reporting entities participate fully.

The Independent Administrator should propose a mechanism of data collection to ensure the integrity of information transmitted to the Independent Administrator by reporting parties. The mechanism should be written in the form of template distribution and collection guidelines. The national EITI Secretariat will assist with template distribution and data collection.

2.2 At the direction of the MSG, the Independent Administrator may be tasked to provide advice on ensuring that the request for data includes appropriate guidance to the reporting entities, including on where to seek additional information and support.

2.3 The Independent Administrator is authorized by Coordinating Ministry of Economic Affairs to contact the reporting entities directly to clarify any information gaps or discrepancies.

2.4 The Independent Administrator in close consultation with the MSG is mandated to prepare a contingency plan to anticipate reporting entities that are unable or unwilling to complete or return reporting templates in a timely manner.

2.5 The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing procedures that provide a sufficient basis for a comprehensive and reliable EITI Report.

Phase 3 – initial reconciliation and Initial Reconciliation Report

3.1 The Independent Administrator should compile a database or spreadsheet with the 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.

3.3 The Independent Administrator should prepare an Initial Reconciliation Report based on the reported (unadjusted) data for consideration by the MSG in accordance with the agreed scope.

3.4 The Independent Administrator should identify any discrepancies above the agreed margin of error established at a fixed percentage of total revenues by the MSG. Total revenues is defined here to mean the total amount of extractive industry revenues reported to EITI Indonesia by either the industry or government reporting parties.

3.5 With respect to other data collected by the Independent Administrator or provided to the Independent Administrator by the government or reporting entities: the Independent Administrator will compile the data and prepare an initial report based on the other information in the format agreed by the MSG for reporting this information.

Phase 4 – investigation of discrepancies and draft of Third Report

4.1 The Independent Administrator is mandated to contact the reporting entities in seeking to clarify any discrepancies in the reported data.

4.2 The Independent Administrator should prepare a draft 3rd Report that comprehensively reconciles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the Implementing Team and included in the Inception Report.

4.3 The draft Third 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 each revenue stream, related materiality definitions and thresholds (Requirement 4.1).

c. Include an assessment on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.

d. Based on the government's disclosure of total revenues as per Requirement 4.2(b), indicate the coverage of the reconciliation exercise.

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 Third EITI Report, including the names of 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 (Requirement 5.3(d)).

f. Document whether 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 (Requirement 5.3(e)).

4.4 Where previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures (Requirement 5.3(e)). 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.

4.5 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 Report

5.1 The Independent Administrator should organize revisions following recommendations from the MSG on the draft report.

5.2 The Report should be written in two languages, Indonesian and English. The authoritative version will be the report in the Indonesian language.

5.3 The Independent Administrator should produce electronic data files that can be published together with the final Report. The Independent Administrator should provide machine readable files and/or code or tag EITI Reports and data files.

5.4 The Independent Administrator should get approval for the final report from the Implementation Team. The final report is finished when it has been endorsed by the MSG.

5.5 The Independent Administrator will publish/make public their final report only upon the instruction of the MSG. The MSG will endorse the report prior to its publication. Where stakeholders other than the Independent Administrator wish to include additional comments in, or opinions on, the EITI Report, the authorship should be clearly indicated.

5.6 Following approval by the MSG, the Independent Administrator is mandated to submit summary data from the Third EITI Report electronically to the EITI International Secretariat according to the standardized reporting format available from the International Secretariat (Requirement 5.3(b).

VII. Materials/equipment/personnel from Project Officer

Materials/equipment/personnel to be provided by the Project Officer of EITI Indonesia will include:

1. Administrative suport and payment verification;
2. Scoping study for the 2012/13 report that has been approved by the MSG, which will also include draft reporting templates that should be reviewed and amended if necessary, and then distributed to companies.

VIII. Qualifications for the Independent Administrator

The reconciliation of company payments and government receipts must be undertaken by an Independent Administrator applying international professional standards (requirement 5.1). It is a requirement that the Independent Administrator is perceived by the Implementing Team to be credible, trustworthy and technically competent.

The Independent Administrator will need to demonstrate:

- Expertise in accounting, auditing and financial analysis and experience in the oil, gas and mining sectors in Indonesia.

- 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.

Bidders must follow (and show how they will apply) the appropriate professional standards for the reconciliation / agreed-upon-procedures work in preparing their report. 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 mitigated if not avoided.

The candidate of Independent Administrator shall offer a team of qualified experts, meeting the requirements specified in the Terms of Reference (TOR).

An Engagement Partner is required as the firm's representative for the assignment; while the management of day to day activities of the whole team of experts of the firm will be carried out by a Project Manager assigned by the firm. He/she will be in charge of relations of the Independent Administrator with the Secretariat. The experts of the Independent Administrator who should play the main role in fulfillment of activities under this Terms of Reference are determined as the Key Experts.

Key Experts should ensure fulfillment of services under this Terms of Reference. The Project Manager shall be responsible for assurance of fulfillment of services, submission of work products/deliverables, and coordination of activities of experts other than those listed below.

Other Experts. The Independent Administrator should 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 fulfillment of activities under this assignment.

Qualifications and numbers of experts are as follows:

- Three (3) Partner, with a minimum of an undergraduate education; and at least 10 years' experience working in the accounting, auditing, and/or financial analysis
- One (1) Project Manager, with a minimum of an undergraduate education; at least 6 years' experience working in accounting, auditing, and/or financial analysis; and experience working in the oil, gas, and mining sector
- Two (2) Sector Specialist with expertise in the oil, gas and mining sector; and at least 10 years' experience working in the field
- Three (3) Senior Analysts with a minimum of an undergraduate education; and at least 5 years' experience working in accounting, auditing, and/or financial analysis
- Three (3) Analysts with a minimum of an undergraduate education, and at least 3 years' experience working in accounting, auditing, and/or financial analysis.

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

IX. Inception Report

It is expected that the Inception Report will comprise the following:

- Relevant background information, including the governance arrangements and tax policies in the extractive industries, as reported in the findings/results of the scoping work;
- The Independent Administrator's review of the conclusions and recommendations from previous EITI Reports and Validations;
- The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).
- The sale of the state's share of production or other revenues collected in-kind in accordance with Requirement 4.1(c).

- The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1(d).
- The coverage of social expenditure in accordance with Requirement 4.1(e).
- The coverage of transportation revenues in accordance with Requirement 4.1(f).
- The level and type of disaggregation of the EITI Report in accordance with Requirement 5.2(e).
- List of the companies that make material payments to the state and report in accordance with Requirement 4.2(a), that is elaborated in brief profile of reporting companies, including types of contract/license, ownership (shareholders and group, if any), production volume, province and district of production, particular condition (e.g: onshore/offshore);
- List of the government entities that receive and/or record material payments and report in accordance with Requirement 4.2(a) that is elaborated in brief profile of central government reporting entities who recorded and/or collect the revenues from extractive companies;
- If any, the barriers to full government disclosure of total revenues received for each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.2(b)).
- The MSG's position on disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.2(c).
- The MSG's position of the materiality and inclusion of sub-national payments in accordance with Requirement 4.2(d).
- The MSG's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e).
- Reporting templates based on the agreed benefit streams, to distribute. The reporting templates should include what has been agreed by the MSG refers to Requirements 4.1 (b) on revenue streams, (c) on sale of the state's share of production, (d) infrastructure provisions, and (e) social expenditures;
- Provisions relating to safeguarding of confidential information;
- If any, unresolved issues or potential barriers to effective implementation, and possible remedies.

X. Data Collection and Initial Reconciliation Report

The Data Collection and Initial Reconciliation Report comprises the following:

a. Data Collection Summary:
   - Description of method of data collection used to ensure the integrity of information;
   - List of technical persons in charge and contact persons from each company and government entity that filled out the reporting templates, in the form of a spreadsheet that includes: names, street addresses, phone and fax numbers, and e-mail addresses;
   - Lists of entities which have reported and fully completed templates, entities that have reported, but not provided fully completed templates, and entities that have not reported at all, including attestations submitted by the reporting entities and whether it includes a confirmation letter from the companies' external auditor;
   - Description of complications and difficulties encountered in the distribution and collection of templates, and steps being taken to address the challenge posed by companies or government entities that decine to report;

b. Initial Reconciliation Report:
   - Tables that consist of recapitulations of figures reported by all reporting entities, in Excel format;
   - Tables including, but not limited to:
     » Tables that consist of figures for each benefit stream reported by each company compared with figures reported by corresponding government entities; the

amount of discrepancy between each pair of figures; adjustments to one or both sides after a verification process has taken place; any remaining unreconciled discrepancies; a short explanation how each discrepancy was solved, or why it was not solved.

» Tables for each oil and gas production unit on the value of government lifting, of over/under lifting, and of the Domestic Market Obligation (DMO) fee; the columns that consist of any discrepancies found between the reports of these two government agencies, any adjustment made after inquiring into these discrepancies; any remaining unreconciled discrepancies; and a short explanation of how each discrepancy was solved, or why it was not solved.

» Tables that consist of recapitulation of production volumes of oil, gas, minerals and coal for each reporting company;

» Tables recapitulating oil and gas deductions for each production unit;

» Relevant tables according to points 3.1 to 3.5, and 3.6 for each SOE (sourced from its consolidated financial statements or other relevant documents);

» Relevant tables according to point 4.1.c on sale of the state's share of production or other revenues collected in-kind, point 4.1.e on social expenditures (including CSR funds), point 4.2.c on SOEs (sourced from its consolidated financial statements and benefit streams in annex 1), and point 4.2.d on subnational payments;

» Tables of revenues originating from each oil, gas, mineral and coal reporting unit that were subsequently shared with each provincial and district government, via the central government's revenue sharing mechanism;

» Tables that recapitulate local revenues paid by mining companies to entities at the local level including Local Government.

XI. Draft Report

The draft report should (as point out in 4.3 above):

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 each revenue stream, related materiality definitions and thresholds (Requirement 4.1).
c. Include an assessment from the Independent Administrator on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
d. Based on the government's disclosure of total revenues as per Requirement 4.2(b), indicate the coverage of the reconciliation exercise.
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 for 2012 and 2013, 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 (Requirement 5.3(d)).
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 (Requirement 5.3(e)).
g. 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.
h. Recommendations on strengthening the template Terms of Reference for Independent Administrator services in accordance with the EITI Standard.

XII. Final Independent Administrator's Report The final report should:

a. Include revisions of the draft as recommended by the MSG;
b. Be approved by the MSG;
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, 5 (five) compact disks, and 5 (five) hardcopies. The final report with executive summary will also be made in a form that is easy to read in, and reproduce from, a CD in the format of pdf, word, and excel. It should be as machine readable files and/or coded or tagged EITI Reports and data files in the format of Excel (.xlsx) and CSV (.csv).
f. Include summary data to be sent electronically to the International Secretariat according to the standardized reporting format available from the International Secretariat (Requirement 5.3(b).
g. The report will have a single color map or series of color maps showing the location of each oil and gas production unit, and mineral and coal unit.

XIII. Reporting completion and time schedule for deliverables

The assignment is expected to commence in January 2015, culminating in the finalisation of the EITI Report by October 24, 2015. The proposed schedule is set out below:

Signing of contract	Week 4, May 2015
Inception Report	Week 2, June 2015
Data collection & initial reconciliation	Week 2 June until week 2 July 2015
Initial Reconciliation Report	Week 3, September 2015
Draft Report	Week 1, October 2015
Final Report	Week 3, October 2015

XIV. Language

This TOR is written in two languages, Indonesian and English, with the English version as reference.

EXECUTIVE SUMMARY

State Revenue Streams by Industry Type

Revenues from oil and gas sector in 2012 amounted to Rp332.14 trillion, which contributed 24.1% of total state revenues. In 2013, oil and gas sector generated Rp326.78 trillion and contributed 22.7% to total state revenues.

State Revenues 2012 and 2013 from Oil and Gas Sector

Type of Revenue	2012 (in trillion Rupiah)	2013 (in trillion Rupiah)
TAX INCOME		
Oil and Gas Revenue Tax	83.46	88.75
Land and Building Tax (PBB)	19.79	20.94
NON TAX INCOME		
Oil Revenue	144.72	135.33
Natural Gas Revenue	61.11	68.30
Revenue from Upstream Activities	13.06	13.46
TOTAL OIL AND GAS REVENUES	**322.14**	**326.78**
TOTAL STATE REVENUES	**1,338.11**	**1,438.89**
Revenue Ratio	24.1 %	22.7 %

Source: LKPP 2013

The mineral and coal sector in 2012 contributed Rp87.58 trillion revenues, or 6.5% to total state revenues. The amount increased in 2013, totaling to Rp125.57 trillion and accounted for 8.7% to total state revenues.

State Revenues 2012 and 2013, Mineral and Coal Sector

Jenis Penerimaan	2012 (dalam Triliun Rupiah)	2013 (dalam Triliun Rupiah)
TAX	63.10	96.57
NON TAX		
Royalty	15.51	18.03
Sales Revenue Share (PHT)	8.14	9.79
Land Rent	0.36	0.59
Revenue from Forest Utilization	0.47	0.59
TOTAL MINING REVENUES	**87.58**	**125.57**
TOTAL STATE REVENUES	**1,338.11**	**1,438.89**
Revenue Ratio	6.5 %	8.7 %

Source: Scoping Study

Major Revenue Contributors

Based on Scoping Study, the biggest oil lifting is delivered by Chevron (as a group) with production share of 43% in 2012 and 42% in 2013. For gas, ConocoPhilips (as a group) generates the highest gas lifting of 20% in 2012 and 19% in 2013.

Chart 1 and 2 below illustrate the total oil and gas lifting in 2012 and 2013:

Figure 1 Oil & Gas Total Lifting, 2012

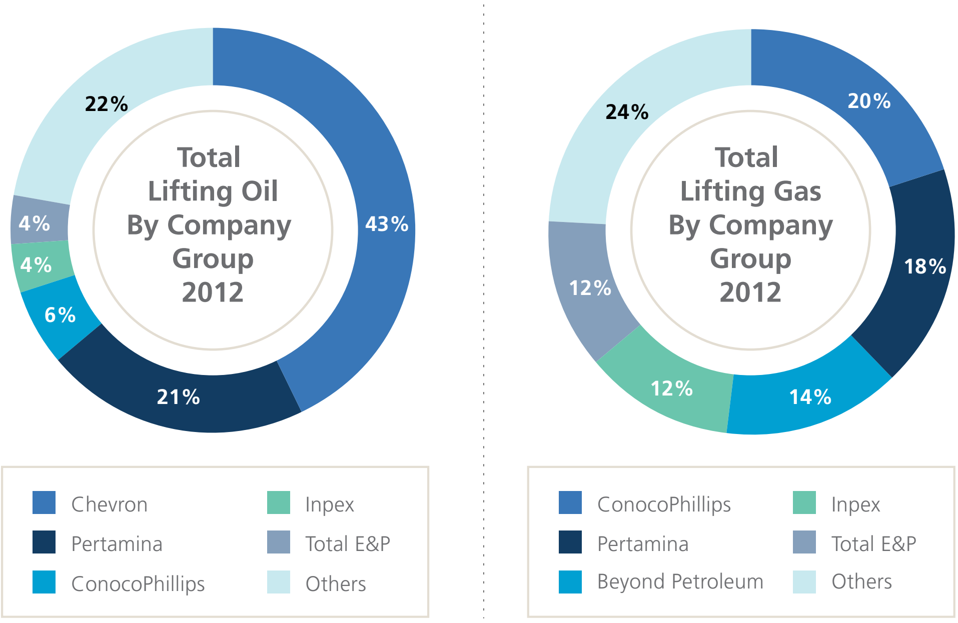
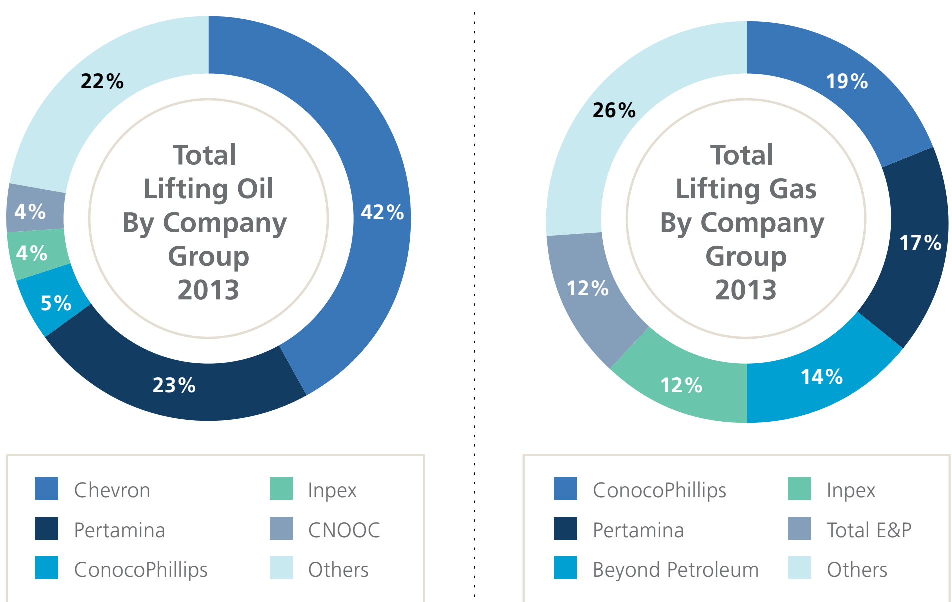


Figure 2 Oil & Gas Total Lifting, 2013

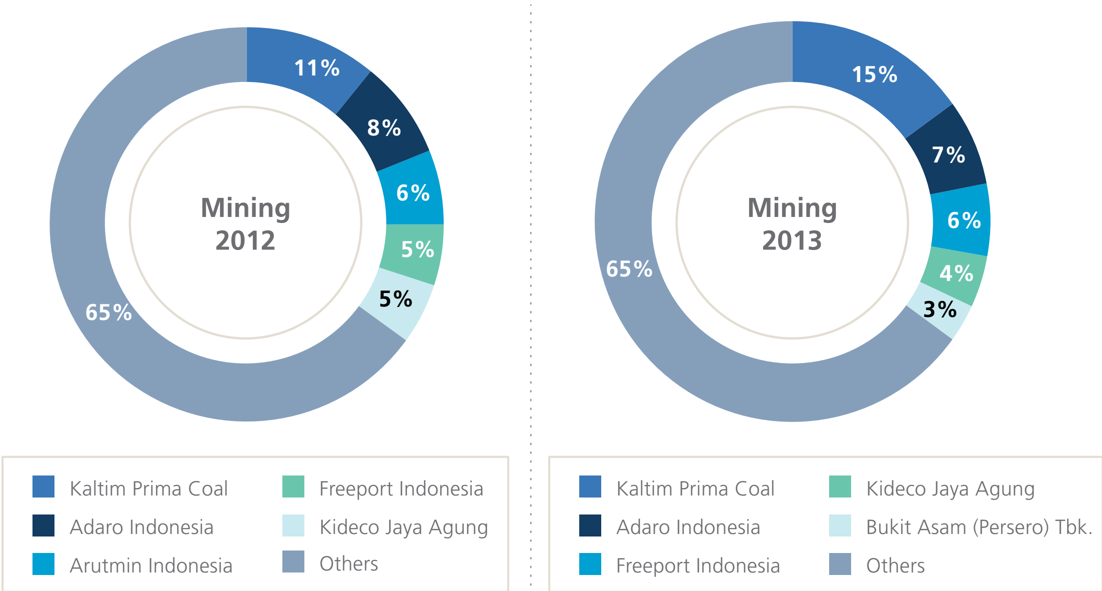


Source: EITI Indonesia Data analysis 2012-2013

In mineral and coal sector, there were 5 main royalty contributors that accounted for 35% of the total royalty in 2012 and 2013, with PT Bukit Asam (Persero), Tbk as the only SOE in the top-five 2013 contributors.

Figure 3 presents largest royalty contributors in 2012 and 2013.

Figure 3 Mineral and Coal Companies as Major Contributors in 2012 and 2013



Source: EITI Indonesia Data Analysis 2012-2013

Reconciliated State Revenues

Based on term of reference (TOR) and Scoping Study, types of state revenues streams reconciliated are:

- Corporate and Dividend Tax (oil and gas sector)
- Government Lifting and DMO received in kind (oil and gas sector)
- Signature Bonus and Production Bonus (oil and gas sector)
- Royalty, PHT, Corporate Income Tax and Dividend paid in cash to State's treasury account (mining sector)
- SOE transportation services received by SOE (mining sector)

Total tax revenue reconciliated from oil and gas sector in 2012 and 2013, as reported, was USD 8.85 billion and USD 8.04 billion, respectively. Reconciliated non-tax revenue was USD 26.93 billion in 2012 and USD 23.60 billion in 2013.

The results of oil and gas reconciliation showed significant declined between the beginning amount (before adjustments) and end amount (after adjustments) to total reconciliation value. In 2012, initial difference was around 0.08% to 14.28% to reconciliated amount, while ending difference after reconciliation was at a range between 0.001% and 2.32%. In 2013, initial was around 0.005% to 234.07% to reconciliated amount, while ending difference after reconciliation was at a range of 0.005% to 3.83%.

Based on team analysis, the ending differences was caused by, among others:

- Payment error of Corporate Tax and Dividend payment which paid not to the State Treasury at the bank perception but directly to the State Treasury at Bank Indonesia that have not been recorded as revenues for 1 company in 2012. This difference has been confirmed by IA to DG Treasury and confirmed that it had accepted by the State Treasury.
- Deposit on legal obligation (Tax Collection Notice/ STP, Tax Underpayment Notice/SKPKB) not to the State Treasury account at the Bank perception but directly to the State Treasury at Bank Indonesia that have not been recorded as revenues for 9 companies in 2012 and 9 companies in 2013. This difference has been confirmed by IA to DG Treasury and confirmed that it has been accepted by the State Treasury.
- Correction of tax payment in 2004-2007 from Directorate Upstream – PT Pertamina (Persero) to Directorate PNBP/DG Budget which is not included in the list of reporting entities in 2013.
- Correction of GOI oil and gas lifting of previous year includes premium. This is identified in 13 companies in 2012 and 11 companies in 2013.
- Correction of GOI oil and gas lifting due to adjustments (correction) of previous year lifting that are made in the current fiscal year. This is identified in 4 companies in 2012 and 7 companies in 2013.
- Payment from TAC which is a non-reporting entity for 1 company in 2012.
- Until the dateline, the confirmation from 6 reporting entities in 2012 and 8 entities in 2013 have not been acquired.

In accordance with submitted reports, total reconciliated tax revenues from mining sector were Rp5,897 billion and USD2,442 million in 2012 and Rp4,435 billion and USD 1,307 million in 2013. Reconciliated non-tax revenues, including dividend, were Rp3,792 billion and USD 1,930 million in 2012 and Rp4,037 billion and USD 2,093 million in 2013.

A number of companies did not return reporting template and authorization letter for tax disclosure. In total, during the period of this report, 21 companies failed to return reporting format – consisting of 6 companies in 2012, 9 companies in 2013, and 6 companies in both 2012 and 2013. Meanwhile, 7 companies in 2012 and 11 companies in 2013 did not submit authorization letter. Consequently, reconciliation process failed to cover the entire companies in this report. Based on data from DG Minerals and Coal, royalty and Sales Revenue Share (PHT) payments from the 21 companies in 2012 and 2013 accounted for 2.52% and 3.02% of the total reconciliated non-tax revenues from the mining sector. Meanwhile, the share of Corporate Income Tax of companies that did not provide authorization letter could not be identified; without authorization letter, data/ information disclosure on tax payments of the companies was not feasible.

Reconciliation in the mining sector showed significant decrease between the initial differences (before adjustments) and end difference (after adjustments) to the total reconciliated amount. In 2012, initial difference was approximately at a range of 0.78% to 6.90% of total reconciliated amount, while end difference after reconciliation was at a range of 0.47% to 4.92% of total reconciliated amount. In 2013, initial difference was between 0.43% and 21.38% and end difference was between 0.02% and 2.32%.

Our analysis identified a number of factors that cause end differences:

- Timing difference (companies report at year's end, while the DG Mineral and Coal record in the following year). This is identified in 5 companies in 2012 and 4 companies in 201
- Inconsistency of distribution of Royalty and PHT stated in the DG Mineral and Coal's report and company report. This is identified in 1 company in 2012 and 3 companies in 2013
- DG Mineral and Coal wrongly allocated/verified payments of 2 companies in 2012
- Income tax payment of 1 company in 2012 and in 2013 is made on behalf of the company's group
- Up until the determined deadline, 20 companies in 2012 and 34 companies in 2013 fail to provide clarification on some inconsistencies found in the data.

Non-Reconciliated State Revenues

State revenue streams from oil and gas sector that are outside reconciliation scope according to Term of Reference and Scoping Study are:

Oil and Gas Sector:

- Signature Bonus – bonus for the signing of new contracts reported by DG Oil and Gas
- Land and Building Tax reported by DG Budget
- Value Added Tax reported by DG Budget
- Local Taxes and Levies reported by DG Budget
- CSR reported by KKKS

Mineral and Coal Sector:

- Land rent reported by companies
- Land and Building Tax reported by companies
- Local Taxes and Levies reported by companies
- Direct subnational payments reported by companies
- CSR reported by companies
- Infrastructure provision
- Forestry fee
- Domestic Market Obligation

Infrastructure Provision and Barter Arrangement

Oil and gas industry in Indonesia applies Production Sharing Contract (PSC), where PSC holder is the party authorized by the state to carry out natural resources exploration and exploitation activities. The state remains as the ultimate owner and maintains its right over natural resources. The ownership of equipment purchased and imported by Contractors for the purpose of contract execution and utilized in operational activities belongs to the state at the time the equipment enters or lands in import port. This ownership is recognized in LKPP.

All oil and gas contracts in Indonesia in 2012 and 2013 followed this PSC mechanism. All assets utilized by PSC holders in Indonesia for their operational activities belonged to the state, and this included infrastructure built during operational process.

In the mineral and coal sector, among other companies included in the 2012 and 2013 reconciliation processes, only one company, i.e. PT Adimitra Baratama Nusantara that fulfilled the government's requirement under mining contract/permit to provide infrastructure. PT Adimitra Baratama Nusantara constructed underpass with project value of Rp18,296 million in 2012 and Rp23,917 million in 2013. The value of this intrastructure project was less than 1% of the state's total revenues from mining sector, and was therefore not reconciliated.

In general, Indonesian extractive sector does not recognize barter concept and arrangement.

Corporate and Social Responsibility (CSR)

The presence of a company should also benefit local communities. With that in mind, the government has issued several regulations to ensure the performance of corporate responsibilities. Companies demonstrate their commitment to community and the environment through community empowerment programs.

In reporting CSR programs, this report refers to program classification in the 2012 Accountabiity Report of Governnment Agency Performance from the Ministry of EMR:

1. Community Relations – religious, social, cultural, sports activities
2. Community Service – disaster relief and donation/charity/philanthropy
3. Community Empowerment – health, education, economy, and agriculture.
4. Infrastructure Development – places of worship, public facilities, health facilities, and so forth
5. Environmental management

CSR fund in the oil and gas sector was initially under cost recovery provision, however The Presidential Regulation 79/2010 stipulates that:

- Cost of community empowerment program for PSC holders at exploration stage can be recognized as cost recovery
- PSC holders may no longer recognize the cost of community empowerment program as cost recovery once they enter production stage.

In the mineral and coal sector, Act 40 of 2007 on Limited Liabilites Company stipulates social responsibility without specifying the amount of funds allocated for community empowerment. The responsibility to develop and execute community empowerment programs is also stated in Act No 4 of 2009 on Mineral and Coal Mining that governs IUP and IUPK holders.

CSR funds are disclosed in corporate reports; the reports were unilateral and reconciliation was not feasible.

In total, CSR funds expended by extractive companies (covered in this report) were in the amount of Rp439,506 million and USD165,531 in 2012 and Rp380,467 million and USD 131,763 in 2013 in oil and gas and mining sectors, respectively.

Transportation

EITI Standard point 4.1.f requires the disclosure of revenues received by SOEs from the transportation of extractive goods.

Based on data, the cost of coal transportation that PT Bukit Asam (Persero) Tbk paid to PT Kereta Api Indonesia (Persero) in total was over 1% of the total state revenues in the mining sector. As this constituted significant revenues, this report reconciled the amount. In 2012, PT Kereta Api Indonesia (Persero) received Rp1,822,169 million and Rp1,812,104 million in 2013.

PT Pertamina (Persero) also received transportation fees (toll fee) from PSC holders, PGN, and other companies for the transmission of oil and gas through pipe network owned by PT Pertamina (Persero). This report did not reconcile the amount given that it was less than 1% of the total state revenues from oil and gas sector. Toll fee paid in 2012 amounted to USD 99,827 and USD 128,686 in 2013.

Subnational Payments

According to EITI Standard 4.2.d, all material subnational payments are to be disclosed and reconciliated.

Subnational payment occurs in the mineral and coal sector, where companies make direct payments to subnational government. In addition to taxes stipulated in the by laws, company payments follow formal agreement between the company and the subnational government. The Implementing Team agreed that direct subnational payments should be included in the companies' reporting formats, but not reconciliated, as the reports were unilateral.

The amount of Regional Taxes and Retribution (PDRD) paid by extractive companies (covered in this report) was Rp655,298 million and USD 48,334 in 2012 and Rp732,492 million and USD 46,480 in 2013.

Direct subnational payments from mining companies (covered in this report) pursuant to their formal agreements was Rp600,486 million and USD 4,803 in 2012 and Rp413,797 million and USD 4,830 in 2013.

Extractive SOEs

SOEs are profit-driven business enterprises that are wholly or partially owned by the state. There are 4 extractive SOEs in Indonesia, namely PT Pertamina (Persero), PT Aneka Tambang (Persero) Tbk., PT Bukit Asam (Persero) Tbk. dan PT Timah (Persero) Tbk.

PT Pertamina (Persero) is the only SOE in the oil and gas sector and is the second largest production contributor in the country (see Figure 1 and 2).

Entities within Scope of Reconciliation

This report identified extractive companies based on the share of contribution of each company to total state revenues from extractive industry. The report engaged Independent Consultant (Ernst & Young Jakarta – Scoping Study) to select the companies. In the oil and gas sector, this report covered all companies in production stage, which meant that 100% of oil and gas companies that were carrying out production activities were requested to join this reporting. In mining sector, mineral and coal, companies that this report covered consisted of two groups of companies: companies that contributed to 80% of revenues from corporate income tax in the mineral and coal sector, and companies that paid over Rp25 billion royalty to the state (contributing 81.67% and 84.65% of the state revenues from royalty in 2012 and 2013, respectively).

Implementing Team has agreed that the threshold of revenues materiality for reconciliation is 1% of the total state revenues from each extractive sector.

Based on the Scoping Study verified by IA and Implementing Team, there were 158 oil and gas companies that meet the threshold (67 operators and 91 non-operators) in 2012 and 76 companies in the mineral and coal sector (62 coal companies and 14 mineral companies). In 2013, there were 174 companies from oil and gas sector (72 operators and 102 non operators) and 99 mineral and coal companies (69 coal and 30 mineral companies).

In the mineral and coal sector, this report identified companies covered only in 2012 report (10 companies), in 2013 report (33 companies), and in both 2012 and 2013 reports (66 companies). In total, there were 109 companies that were asked to submit reports. One company was excluded from reconciliation scope given its business nature as mining operator (non IUP holder).

Government entitites covered in the reconciliation report were DG Tax, DG Budget, DG Oil and Gas, DG Minerals and Coal and SKK Migas. State revenues presented unilaterally (not included in the reconciliation process) were from DG Fiscal Balance, Riau Provincial Government, East Kalimantan Provincial Government and East Java Provincial Government.

Non-Complying Companies

There were a total of 174 oil and gas companies in reconciliation report, comprising 72 operators and 102 partners. However, 10 partners failed to report. These partners accounted for 1.09% and 0.37% of the total tax revenues from oil and gas sector in 2012 and 2013, respectively.

In mineral and coal sector, of 108 companies, 21 failed to report. Based on information from DG Mineral and Coal, royalties and sales revenue share from these companies made up 2.52% and 3.02% of total royalties and sales revenue share in 2012 and 2013, respectively (compared to entire companies covered in this report).

Revenue Sharing Fund

Revenue Sharing Fund (DBH) of natural resources is regulated by Government Regulation No. 55 of 2005. The source of DBH is non-tax state revenues (PNBP) paid to the central government and reported in the State Budget (ABPN). PNBP is distributed to resources-producing regions using certain percentage. DBH is utilized to fund the regions' needs with regards to decentralization.
Natural resources DBH streams in Indonesia are:

a. Oil production;
b. Natural gas production;
c. General mining (including mineral and coal);
d. Geothermal production;
e. Forestry activities;
f. Fishery activities.

For the purpose of this report, we identified natural resources DBH from the production of oil and gas, natural gas, and general mining (including mineral and coal). The central government distributed DBH in the amount of Rp59.5 trillion and Rp40.9 trillion in 2012 and 2013, respectively.

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01 OVERVIEW

Production Facility - BP Tangguh

Extractive activities are exploration for and discovery of natural resources at their sources, namely crude oil, natural gas, minerals, and coal. Extractive industry is broadly categorized into two sub-sectors: upstream and downstream. Upstream sector includes activities that focus on exploration and exploitation. Exploration activities are series of activities to obtain geological information in order to identify and estimate the volume of deposits. Exploitation activities are series of activities to produce oil, gas, coal, and other minerals, which include drilling/mining, construction of transport facilities, storage, processing, and separating, and refining.

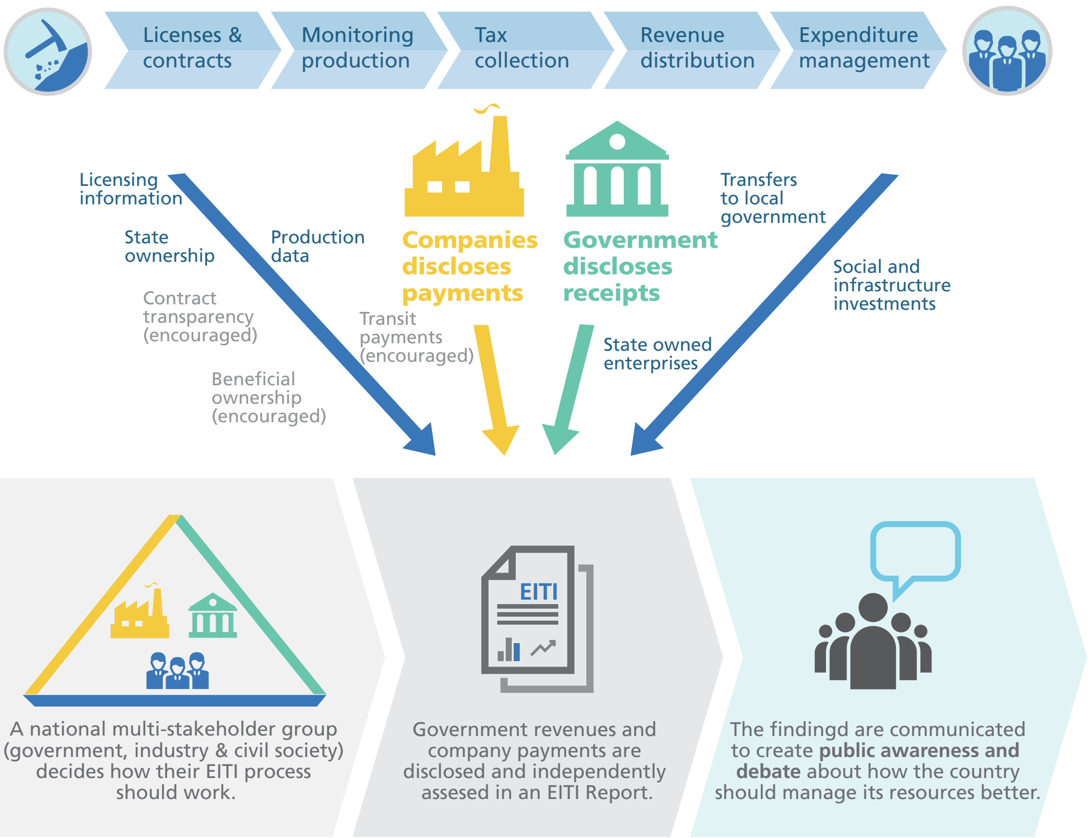
In the meantime, activities in the downstream sector mostly deal with the process of refining, quality enhancement, development of added value, transporting, storing, and/or trading. This report focuses on upstream activities and covers on oil, gas, minerals, and coal, which is in accordance to the definition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

This section describes the 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 subnational revenues from extractive industry.

1.1 EITI Overview

Extractive Industries Transparency Initiative (EITI) is a global standard that contains principles to promote transparency and accountability of natural resources management by requiring oil, gas, and general mining companies to disclose their payments to the government, and the government to disclose the payments they receive from the 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[1].

Figure 4 EITI International Standard



Source: EIT Standard

EITI has two of the following fundamental concepts[2] as illustrated in Figure 4.

1. Transparency: Extractive companies report their payments to the government and the government reports what it receives. The numbers are reconciled by an independent team and the result is reported and published in the annual EITI report, complemented with contextual report on extractive industry.
2. Accountability: a Multi-Stakeholder Group (MSG) comprising government, private company/state-owned enterprise/company (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.

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[3].

[1] https://eiti.org./eiti
2 Coordinating Ministry for Economic Affairs of the Republic of Indonesia, Independent Administrator Appointment Contract, Appendix A, page 1
[3] https://eiti.org./board

The benefit of EITI for the government is improved effectiveness and efficiency of extractive industry governance, so that all citizens may also gain benefit from state and subnational revenues contributed by natural resources. For companies, implementing EITI will give clarity of information and increase public's trust on their responsibilities in complying with all governmental regulations and policies on extractive industry. For communities and society at large, EITI provides reliable information so that public can demand accountable management of revenues from extractive industry.

To be an EITI candidate country, a country needs to go through 4 steps of application and publishes EITI report within 18 months after its acceptance as candidate country. To be an EITI compliant country, a candidate country needs to undergo 2.5 years of validation process. Cited from EITI website, August 2015 data, there are 48 EITI implementing countries, and 31 are EITI compliant countries.

Get more information on EITI Standard on https://eiti.org/document/standard

1.2 EITI Implementation in Indonesia

The initiative to implement EITI in Indonesia came in 2007 when Minister of Finance at the time, Sri Mulyani, expressed her support to EITI to a representative of Transparency International Indonesia. Having 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 (MoEMR) further discussed Presidential Regulation needed for EITI. In 2010, President of Republic of Indonesia Soesilo Bambang Yudhoyono signed Presidential Regulation 26/2010 concerning transparency of state and subnational revenues from extractive industry.

Figure 5 EITI Implementation Milestone in Indonesia

Source: Data Analysis

In October 2010, Indonesia was officially an EITI candidate country after publishing two EITI reports; the first report covered 2009 data and second report covered 2010 and 2011 data. The reports contained details of reconciliation of state revenues paid by extractive companies in Indonesia.

Indonesia became EITI compliant country in October 2014 and was the first ASEAN country to receive the status. Nonetheless, the status is currently being deferred as Indonesia is lagging behind the publication and submission of EITI 2012 report, which was supposed to be published in 2014 in accordance with EITI International Standard point 2.2.

1.3 Transparency of National and Subnational Revenues Generated from Extractive Industry

Information transparency on state and subnational revenues for revenue streams from the extractive industry is specifically stipulated under Presidential Regulation 26/2010, which defines extractive industry and state and subnational extractive revenues, formation of Transparency Team, and the structure and responsibilities of Transparency Team. The Transparency Team is tasked to implement transparency in the management of state and subnational extractive revenues. To perform this responsibility, the Team may seek information, additional data, input, and/or consult with agencies of the central and subnational 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 Committeeare:

1. Minister of Energy and Mineral Resources (Minister of EMR)
2. Minister of Finance;
3. Minister of Home Affairs;
4. Head of Financial and Development Supervision Agency (Badan Pengawas Keuangan dan Pembangunan/BPKP);
5. Prof. Dr. Emil Salim, the President's Advisor of Economic and Environmental Affairs, representing the public

Steering Committee formulates general policies, provides direction to Implementing Team, establishes the work plan of Transparency Team, and evaluates transparency with regards to state and subnational extractive revenues.

Meanwhile, the MSG as Implementing Team consists of representatives from the Coordinating Ministry for Economic Affairs, MoEMR, Ministry of Finance, Ministry of Home Affairs, BPKP, Special Taskforce for Upstream Oil and Gas Business Activities in Indonesia (SKK Migas), PT Pertamina (Persero), subnational government representatives, representatives from associations of mining and oil and gas companies, and NGO representatives. Implementing Team reports to the Steering Committee.

Implementing Team is tasked to develop 3-year work plan of Transparency Team, develops reporting format, selects persons to perform reconciliation, disseminates result of reconciliation, and formulates Steering Committee report to the President, and other tasks from the Steering Committee.

02
SCOPE OF RECONCILIATION

Terminal Facility LNG Badak

2.1 State Revenues

As reported in LKPP, state revenues are classified as tax and non-tax state revenues (PNBP). This report focused on state revenues from extractive industry (oil, gas and mining). In 2012 and 2013, oil and gas and mining sectors made up 30.6% and 31.4% of total state revenues, respectively.

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

2.1.1. Reconciliated State Revenues

Presidential Regulation No. 26 of 2010 on Transparency of State and Subnational Revenues from Extractive industry requires extractive companies – oil, gas and 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 revenues. In this report, reconciled revenues 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 built upon a Scoping Study approved by Implementing Team. The threshold was not applied when tracking differences – meaning all discrepancies found during reconciliation process were analyzed and explained.

The following table lists revenue streams reconciliated from oil and gas sector for both tax and non-tax (EITI Standard 4.1.b):

Table 1 Revenue Streams from Oil and Gas Sector

Revenue Streams	Description	Reporting Entity
Tax Revenues		
Corporate Income Tax (PPh), including Dividend Tax	Income tax is imposed on Tax Subjects for the income they receive or obtain during fiscal year	Companies and DG Budget – Directorate of Non-Tax State Revenues
Non-Tax Revenues		
Domestic Market Obligation (DMO)	DMO: contractor's obligation to participate in fulfilling domestic oil and gas demand. Contractor receives DMO fees according to the price stipulated in the agreement.	Companies and Government/SKK Migas
Government Lifting of Oil & Gas	Government's in-kind lifting which is done upon shipping coordinator meeting with PSC holder to determine contractor and government	PSC Holders - Government/SKK Migas and DG Budget – Non-Tax State Revenues Directorate
Over/(Under) Lifting	Over lifting: lifting of oil and gas by either party in volume that exceeds lifting rights stipulated in PSC. Conversely, under lifting is lifting of oil and gas by either in volume that is less than lifting rights stipulated in PSC.	PSC Holders - Government/SKK Migas
Signature Bonus	Bonus paid by contractor at the time of PSC signing for both new contract or contract extention	Companies and DG Oil and Gas under MoEMR
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 - Non-Tax State Revenues Directorate

Source: EITI Indonesia Data Analysis 2012-2013

The following table lists revenue streams reconciliated from mining sector for both tax and non tax:

Table 2 Revenue Streams from Mineral and Coal Sector

Revenue Streams	Description	Reconciliation
Tax Revenues		
Corporate Income Tax	Income Tax is imposed on Tax Subjects for the income they receive or obtain during fiscal year.	Companies and DG Tax - Ministry of Finance
Non-Tax Revenues		
Dividend	Dividend paid by SOEs to the government	Companies and DG Budget – Non-Tax State Revenues Directorate
Production Fee/Royalty from Mineral and Coal Mining	Royalty in mining sector refers to charges imposed on mining products and payable by holders of exploration IUP or production IUP upon sales of commodities.	Companies dan DG Minerals and Coal – MoEMR
Sales Revenue Share (PHT)	Sales Revenue Share (PHT) refers to charges imposed on CCoW holders. PHT is calculated using formula of Fund of Coal Sales Revenue (DHPB) of CCoW (13.5%) less royalty tariff	Companies dan DG Minerals and Coal – MoEMR
Transportation Fees	Payment for commodity transport fees from PT. Bukit Asam (Persero), Tbk. to PT. Kereta Api Indonesia (Persero)	Companies and PT Kereta Api Indonesia

Source: EITI Indonesia Analysis 2012-2013

2.1.2 Non-Reconciled State Revenues

According to EITI Standard 4.2.b, reveues under materiality threshold are reported unilaterally (non-reconciliated).

Other state revenues from oil and gas and mining sector that were reported unilaterally by either the government or companies and not reconciliated are:

Oil and Gas Sector:

1. Signature Bonus from new contract signing
2. Land and Building Tax (PBB)
3. Value Added Tax (VAT)
4. Local Taxes and Levies (PDRD)
5. Corporate Social Responsibility and Environment (CSR)
6. Transportation Fee (only for SOEs)

Mineral and Coal Sector:

1. Land Rent
2. Land and Building Tax (PBB)
3. Local Taxes and Levies (PDRD)
4. Direct Subnational Payments
5. Corporate and Social Responsibility (CSR)
6. Infrastructure Provision
7. Forest Utilization Fees – PNBP

2.1.3 Extractive Industry-Generated State Revenues

EITI 4.1.c Standard requires reporting of sales of government's share received as in-kind. In oil and gas sector, Indonesia receives in-kind share under Government Lifting and DMO mechanism.

Oil and Gas Sector

Pursuant to Act 2/1997, PSC Holders in production/lifting stage contribute to state revenues managed by DG Budget – Directorate of Non Tax Revenue.

SKK Migas controls operations through its authority to approve work and budget plan, field development plan, and monitor progress of plan execution.

State revenues 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 tax

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, chemical manufacturing, and so forth.

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

c. Corporate Income Tax and Dividend Tax

There are three LNG plants in Indonesia; two were built in 1970, namely Badak and Arun. Operations of Arun and Badak LNG facilities are carried out by Indonesian companies established specifically for that purpose. The third refinery, LNG Tangguh, is an asset of a PSC holder and operated by a joint venture company under share mechanism.

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 "net back", distributed to contractor and the government according to share basis stipulated 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.

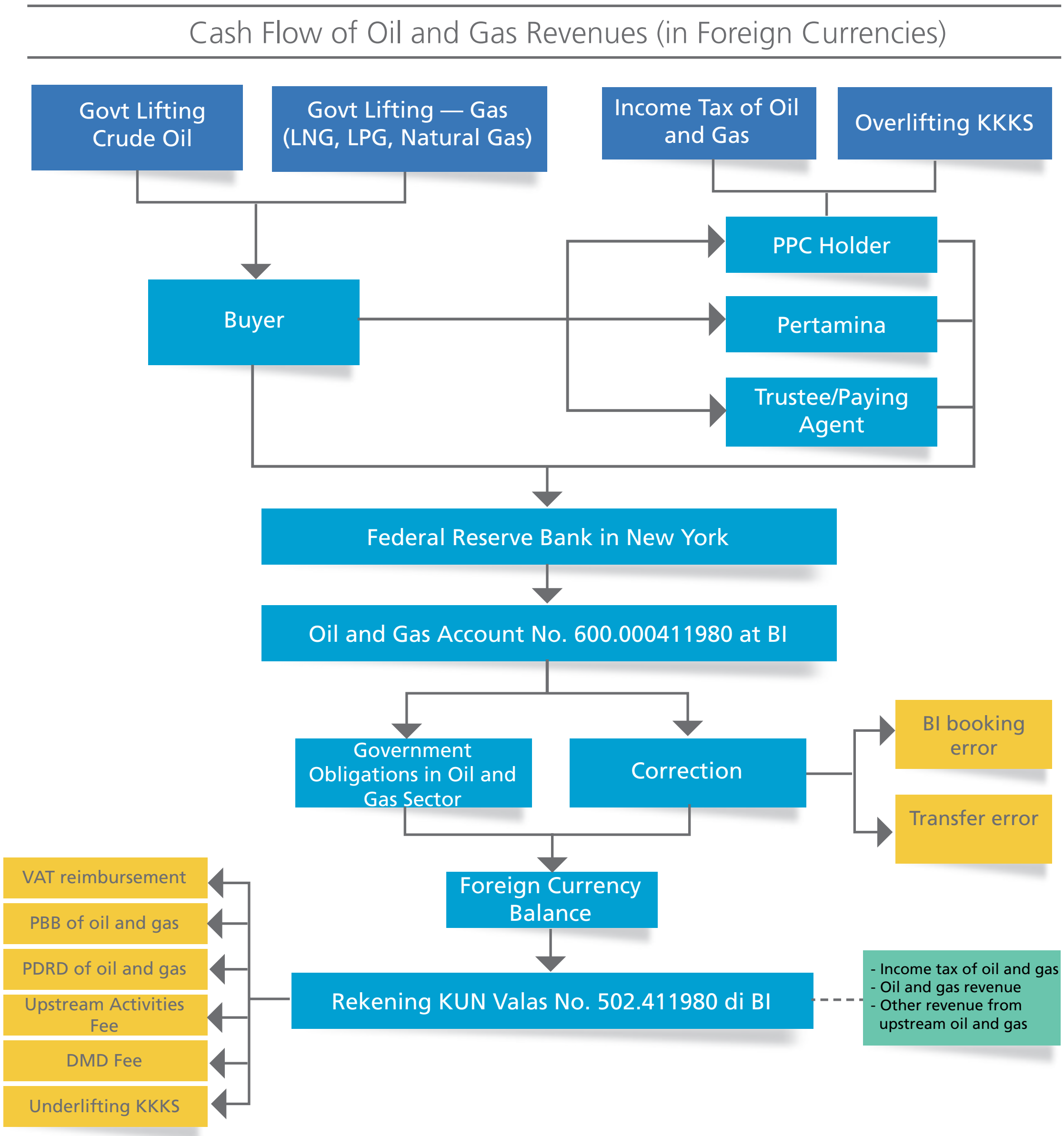
The government documented all tax and non-tax revenues paid to state's treasury account. In terms of PNBP, to reflect actual oil and gas revenues during a certain period, the calculation had to take into account a number of deductions. The following figure illustrates the flow of oil and gas PNBP and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

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, PBB of oil and gas, PDRD of oil and gas, fee of oil and gas upstream activities, DMO Fee, and PSC holder underlifting settlement (if any). Remaining balance will be transferred to state's treasury cccount, at account number 502.411980 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.

Figure 6 Flow of Revenues in Foreign Currencies

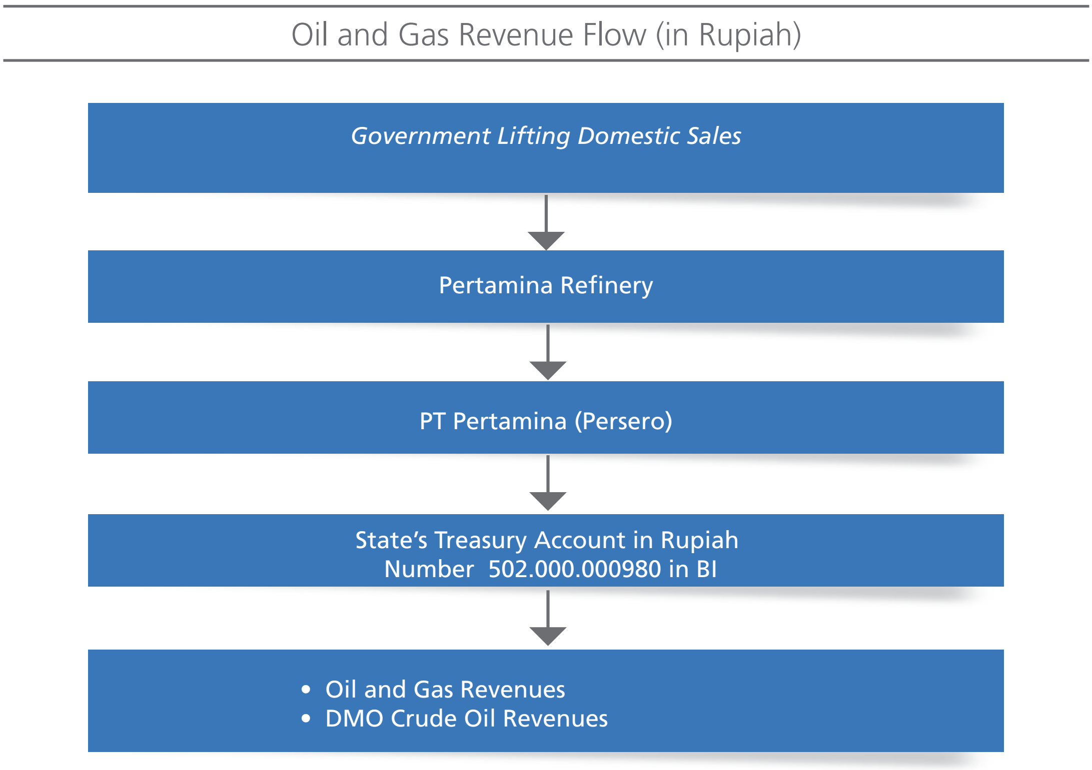


Source: EITI Indonesia Oil and gas Sector Reconciliation Report, 2010-2011

Oil and Gas Revenues in IDR

PSC holders delivered government's share of oil lifting and DMO to Pertamina refineries (domestic refinery). Pertamina transferred payment to the state's treasury account 502.000.000980 at Bank Indonesia.

Figure 7 Flow of Oil and Gas Revenues in IDR



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

Mining Sector

State revenues in the mining sector derived from tax and non-tax reveues 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 (PPh)

Tax revenues in mining sector consist of corporate income tax paid to the state's treasury account. Regular tax tariff as stipulated in regulations apply to IUP holders, while CoW and CCoW holders refer to tax tariff applicable in the contracts.

Non-tax state revenues are derived from:

1. **Royalty**

   Mineral

   Royalty payment is charged to CoW 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 in table 3 below, unless noted otherwise:

Table 3 Royalty Tariff of Mineral Companies

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 CCoW and IUP holders:

Open cut mining operation

Calorie	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

Calorie	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

Souce: GR No. 9 Year 2012

Sales Revenue Share (PHT)

Sales Revenue Share (PHT) is imposed on CCoW holders. The formula to calculate PHT is 13.5% of Coal Production Fund Contribution less royalty tariff.

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

2.1.4 Infrastructure Provision and Barter Arrangement

EITI Standard 4.1.d 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 the mining sector, of all companies covered in reconciliation report 2012 and 2013, only one company, namely PT Adimitra Baratama Nusantara that applied under infrastructure provision which the company provides infrastructure as stipulated in mining contract/ permit. PT Adimitra Baratama Nusantara constructed underpass with project value amounting to Rp18,296 million in 2012 and Rp23,917 million in 2013. Given that the value of infrastructure was less than 1% of state revenues, it was only reported unilaterally by the company (not reconciliated).

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 stipulates 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 stipulated 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 (LAKIP) 2012, which are:

1. Communit relations programs – religious, social, cultural, sports, youth programs
2. Community services programs – aid/ donation to communities impaced by disasters or communities in need
3. Community empowerment programs – programs aimed to enhance livelihood and quality of education and health

4. Social infrastructure projects – construction of houses, places of worship, hospitals, roads, bridges, and other facilities
5. Environmental maintenance activities

Based on Scoping Study and decision of Implementing Team, CSR funds are not reconciliated and reporter unilaterally by 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 that can be communities or community institutions.

Detailed report on CSR funds of each company covered by this report is presented under Table 29/Appendix 7.1 for oil and gas sector and Table 40/Appendix 7.2 for mining sector.

Oil and Gas

The following table illustrated CSR funds disbursed in 2012-2013 based on oil and gas company reports 2012-2013:

Table 4 CSR of Oil and Gas Companies

In Thousand USD

Activities	Year	
	2012	2013
Community Relations	3,267	4,538
Community Service	397	253
Community Empowerment	1,680	1,553
Infrastructure Development	1,994	2,091
Environmental Management	252	385
TOTAL	7,590	8,820

Source: EITI Indonesia Data Analysis 2012-2013

List of companies that disbursed CSR funds is available under Appendix 7.1.

Mineral and Coal

The following table illustrated CSR funds disbursed in 2012-2013 based on mineral and coal company reports 2012-2013:

Table 5 CSR of Mineral and Coal Companies

In Million Rupiah

Activities	Year	
	2012	2013
Community Relations	136,406	109,778
Community Service	42,836	62,082
Community Empowerment	1,539,947	1,260,883
Infrastructure Development	218,685	226,437
Environmental Management	4,593	5,429
TOTAL	1,942,467	1,664,609

Source: EITI Indonesia Data Analysis 2012-2013

List of companies that disbursed CSR funds is available under Appendix 7.3 and 7.4.

2.1.6 Transportation

EITI Standard 4.1.f requires the disclosure of transportation-related revenues generated by commodity transportation services received by SOEs as transport provider. This disclosure includes types of transported commodity, route, and name of SOEs as well as applicable taxes, transport fees, and commodity volume.

Implementing Team has agreed that transportation-related revenues amounted to over 1% of state revenues - the threshold of materiality determined in Scoping Study - in either oil and gas or mineral and coal sector would be reconciliated.

Oil and Gas

PT Pertamina (Persero) received transportation revenues (toll fee) for oil and gas commodities. In 2012, toll fee amounted to USD 99,827 and USD 128,686 in 2013. These amounts did not exceed 1% of state revenus and therefore were not reconciliated.

Table 6 Revenues from Oil and gas Transport Services

In Thousand USD

Company Name	Year 2012	Year 2013
OIL		
TAC-BMW Meruap	2,624	5,827
Mont'D Or Oil Tungkal Ltd	524	1,114
TAC – EMP Gelam	309	737
TAC Babat Kukui Energie	227	1,220
PT Geo Energi KSO	221	544
GAS		
Kangean Energy Indonesia Ltd.	45,363	75,599
Medco EP Indonesia	10,933	9,715
PGN Persero, Tbk.	24,908	19,163
PUSRI	8,947	8,761
PT PKT	5,771	6,006
Total	99,827	128,686

Source: EITI Indonesia Data Analysis 2012-2013

Mineral and Coal

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), Tbk to PT Kereta Api Indonesia (Persero), the total amount paid has exceeded the 1% treshhold and was therefore reconciliated.

PT Bukit Asam (Persero), Tbk entered into coal transport agreement with PT Kereta Api Indonesia (Persero) for two transport routes:

1. Tanjung Enim - Tarahan.

   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 Tarahan, Lampung.

   Pursuant to agreement signed on 14 December 2011, transport tariff applied in 2012 was Rp383 (full amount)/ton/kilometer exclusive of VAT. Agreement signed on 10 August 2012 revised the tariff base to Rp369.47 (full amount)/ton/kilometer, exclusive of VAT.

   The applicable tariff in 2013 in accordance with agreement signed on 4 January 2013 was Rp383.47 (full amount)/ton/kilometer, exclusive of VAT. The tariff was revised based on a minute of meeting dated 8 November 2013 to Rp390.66 (full amount)/ton/kilometer, execlusive of VAT.

2. **Tanjung Enim - 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.

Pursuant to agreement signed on 14 December 2011, transport tariff applied in 2012 was Rp493 (full amount)/ton/kilometer exclusive of VAT. Minutes of Meting dated 10 August 2012 revised the tariff base to Rp375.35 (full amount)/ton/kilometer, exclusive of VAT.

The applicable tariff in 2013 in accordance with agreement signed on 4 January 2013 was Rp497.35 (full amount)/ton/kilometer, exclusive of VAT. The tariff was revised based on a minute of meeting dated 8 November 2013 to Rp506.72 (full amount)/ton/kilometer, execlusive of VAT.

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

In terms of volume, in 2012 PT Kereta Api Indonesia (Persero) transported 11,934,040 tons of coal and 12,819,595 tons in 2013. Although the volume increased from 2012 to 2013, however fees paid and received declined. This decline was driven by tariff adjustment from PT Kereta Api Indonesia (Persero) that amounted to more than Rp52 billion.

Table 7 Transportation Fees Received by PT Kereta Api Indonesia

In Million Rupiah

Year	PT Bukit Asam (Persero)	PT Kereta Api Indonesia	Difference
2012	1,822,170	1,822,170	-
2013	1,812,104	1,812,104	-

Source: EITI Indonesia Data Analysis 2012-2013

After the numbers were reconciled, we found no discrepancies between transport fees payments made and received by PT Bukit Asam (Persero), Tbk. and PT Kereta Api Indonesia (Persero).

2.1.7 Extractive SOEs

EITI Standard 4.2.c requires the report to explain roles of SOEs in the flow of state revenues.

Governed by Law No.19/2003 on SOE, 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 – speficially for listed SOEs, State Finances Act, and Examination and Oversight Act.

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

a. to contribute to the national economic growth in general and particularly to state revenue;
b. to seek profit;
c. to deliver public benefits in the form of the procurement of quality and adequate goods and/or services to fulfil public needs;
d. to be the pioneer of business activities that cannot be implemented by the private sector and cooperatives;
e. 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 ekstraktif 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.

Given the context of this report, there are four extractive SOEs covered by 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. In 2012, its total oil lifting was 66,590,475 barrels and total gas lifting was 429,574,495 msfc; in 2013, Pertamina generated 67,301,845 barrels of oil and 419,867,641 mscf of gas. PT Pertamina (Persero) is also the largest dividend contributor among other SOEs. In 2012, Pertamina paid Rp7,257,043 million of dividend and Rp7,795,000 in 2013. Pertamina has a number of subsidiaries, namely PT Pertamina Hulu Energi, PT Pertamina EP, and PT Pertamina EP Cepu. These subsidiaries contributed to the government's oil and gas lifting. Combined, they contributed corporate and dividend tax in the amount of USD 5.03 billion in 2012 and USD 4.75 billion in 2013, or 15.1% and 15.2% of the total reconciliated revenues in the oil and gas sector.

Payment from mining SOEs in this report consisted of royalty, income tax, land and building tax, land rent, transport fee, and forestry fee as detailed in Table 8.

Other than the above payments, SOEs in mineral and coal sector also pay annual dividend, detailed under Appendix 2.21 and 4.21.

2.1.8 Direct Subnational Payments

EITI Standard 4.2.d requires disclosure of direct subnational payments.

Payments made directly by companies to subnational government are categorized into:

1. Payments stipulated by Local Regulation ("Perda")
   Subnational payments in the form of local taxes are mandatory contribution by individuals or companies. Other form of payments is regional tax retribution as imposed on services or certain permits. Law No.28/2009 governs the types of taxes imposed by Provincial and District/ Municipality government. Subnational government is prohibited from imposing taxes other than stipulated by law.

   Taxes applicable in extractive industry are Ground Water Tax, Rod 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 for Building Construction Permit (IMB).

Table 8 Mining SOEs Payment to State's Treasury Account

In million Rupiah

Year	PT Bukit Asam (Persero)	PT Aneka Tambang (Persero)	PT Timah (Persero)
2012	3,866,431	959,690	483,901
2013	3,286,839	798,597	292,240

Source: EITI Indonesia Data Analysis 2012-2013

Oil and gas companies pay PDRD to the central government and payment is transferred to subnational government pursuant to Production Sharing Contract (detailed explanation in Chapter 4), while mining companies pay PDRD directly to subnational government (see Appendix 7.2).

2. Payments resulting from agreement between companies and subnational government

Payments made directly to subnational government refer to commitments that have been made by mining companies. These payments reflected companies' participation and contribution to sustanaible regional development.

In 2012 and 2013, based on formal agreement with subnational government, mining companies paid Rp646,778 million and Rp464,246 million, respectively. These amounts were not reconciliated as they did account for more than 1% of state's revenues from mineral and coal sector and only reported unilaterally by companies.

A number of companies covered in this report did not have any contracts with subnational government; therefore their subnational payments were not captured.

Table 9 Direct Subnational Payments from Mineral and Coal Company

In million Rupiah

Company Name	Year 2012	Subnational Govt	Year 2012	Subnational Govt
PT Kideco Jaya Agung	2,921	East Kalimantan Regency	3,447	East Kalimantan Regency
PT Tanjung Alam Jaya	2,356	-	1,216	-
PT Freeport Indonesia	235,692	-	35,166	-
PT Newmont Nusa Tenggara	85,735	West Sumbawa Regency	91,157	West Sumbawa Regency
PT Nusa Halmahera Minerals	173,742	North Halmahera Regency, North Maluku Utara Province	132,416	North Halmahera Regency, North Maluku Utara Province
PT Vale Indonesia	1,577	East Luwu Regency	6,766	East Luwu Regency
PT Baradinamika Mudasukses	500	Tarakan Municipality	-	-
PT Bukit Asam (Persero) Tbk.	44,500	South Sumatera Province, Lahat Disrict, Muara Enim Regency	44,750	South Sumatera Province, Lahat Disrict, Muara Enim Regency
PT Bukit Baiduri Energi	98	Kutai Kartanegara Regency	-	
PT Indomining	25	Kutai Kartanegara Regency	65	Kutai Kartanegara Regency
PT Tunas Inti Abadi	26,213	Tanah Bumbu Regency	28,848	Tanah Bumbu Regency

Company Name	Year 2012	Subnational Govt	Year 2012	Subnational Govt
PT Aneka Tambang	41,535	East Kalimantan Regency	70,437	East Kalimantan Regency
PT Bukit Timah	386	Pangkal Pinang Municipality	118	Pangkal Pinang Municipality
PT Gane Permai Sentosa	9,314	South Halmahera Regency	6,359	South Halmahera Regency
PT Ifishdeco	-	-	8,618	-
PT Tambang Timah	3,589	Riau Islands Province, Karimun Regency	4,978	Riau Islands Province, Karimun Regency
PT Timah (Persero) Tbk	18,595	Central Bangka Tengah, South Bangka, East Belitung, Bangka, West Bangka, Belitung Regencys	25,624	Bangka and West Bangka Regency, Pangkal Pinang City
PT Trimegah Bangun Persada	-	South Halmahera Regency	4,047	South Halmahera Regency
PT Nuansacipta Coal Investment	-	-	234	Samarinda City
TOTAL	**646,778**		**464,246**	

Source: EITI Indonesia Data Analysis 2012-2013

2.1.9 Other State Revenues

The following section lists state revenue streams from extractive companies covered by this report, but not reconciliated. Data on total amount and payment value by company are available in Chapter 4 and Appendices 7.1, 7.2, and 7.3.

1. Signature Bonus from new contract signing

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

2. Land and Building Tax (PBB)

   Pursuant to tax legislation, PBB is imposed on land and building where tax object is located.

3. Valued-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 PNBP Directorate and is taken into account to substract state's share of revenues.

4. Land Rent

   Land rent applies in areas managed by holders of CoW, CCoW, and IUP. The tariff is determined based on the phase of operations.

   Tariff for CoW and CCoW started from USD 0.05/hectare and up to USD 4/hectare, depending on the phase of mining activities and generation of contract. Tariff for IUP started from USD 500 (around USD 0.05)/hectare up to Rp25,000 (around USD2.5)/hectare.

5. Forest Utilization Fee.

   All non-forestry companies operating in areas that the government has delineated as forest area (pursuant to GR No. 2/2008), must pay Forest Resources Provision (PSDH) and Reforestation Fund (DR). Around 90% of revenues from these streams came from mining companies.

2.2 Scope of Companies

To select extractive companies for the purpose of this report, the team assessed contribution of each company to total state revenues generated from extractive industry. The selection of companies was also aligned with Scoping Study report and approved by the Implementing Team (EITI Standard 4.2.a).

In oil and gas sector, all oil and gas companies in production phase were covered by and asked to participate in this report. In mining sector, the companies that this report identified were a mix between companies that contributed 80% of total income tax revenues from mining sector and companies that paid royalty in the amount of Rp25 billion and above (these companies contributed 81.67% and 84.65% of royalties paid in 2012 and 2013, respectively).

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

Based on Scoping Study verified by IA and Implementing Team, there were 158 oil and gas companies that met the threshold (67 operators and 91 non-operators) in 2012 and 76 companies in the mineral and coal sector (62 coal companies and 14 mineral companies). In 2013, there were 174 companies from oil and gas sector (72 operators and 102 non operators) and 99 mineral and coal companies (69 coal and 30 mineral companies).

In the mineral and coal sector, this report identified companies covered only in 2012 report (10 companies), in 2013 report (33 companies), and in both 2012 and 2013 reports (66 companies). In total, there are 109 companies that need to submit reports. In total, there were 109 companies that were expected to submit their reports.

HESS, Ujung Pangkah - East Java

One company, PT Anugerah Bara Kaltim, was excluded given its status only as mining operator (non IUP holder). Implementing Team agreed upon this decision in a meeting held of 21 July 2015.

Government entitites covered in the reconciliation report were DG Tax, DG Budget, DG Oil and Gas, DG Mineral and Coal and SKK Migas. State revenues presented unilaterally (not included in the reconciliation process) were from DG Fiscal Balance, Riau Provincial Government, East Kalimantan Provincial Government and East Java Provincial Government.

Complete list of companies in this report is presented under Appendix 1.

2.2.1 Oil and Gas Sector

Table 10 KKKS Holders Reconciliated

Year	Operator	Partner	Total
2012	67	91	158
2013	72	102	174

Source: EITI Indonesia Data Analysis 2012-2013

Table 11 Distribution of KKKS by Operations Areas

Operations	Operator	
	2012	2013
Aceh Province	3	3
Jambi Province	5	5
Riau Province	9	10
Riau Islands Province	2	2
North Sumatera Province	2	2
South Sumatera Province	8	8
Lampung / DKI Jakarta Province	1	1
West Java Province	1	1
Central/East Java Province	1	1
East Java Province	8	8
East Kalimantan Province	6	8
North Kalimantan Province	1	1
Central Sulawesi Province	1	1
South Sulawesi Province	1	1
Maluku Province	2	2
West Papua Province	5	5
Jambi / South Sumatera Province	0	1
Indonesia	1	1
Total	**57**	**61**

Source: EITI Indonesia Data Analysis 2012-2013

As presented in Table 10 and 11, this report covered 57 operations fields/blocks and 67 operators in 2012. The number did not correspond since there were partners that administered their reports as operator, namely:

1. PT Pertamina Hulu Energi (9 companies) – reporting as Operator given its 50% ownership over JOB/JOA operations area and sharing between government and contractor, i.e. 32,7731 for the government and 67,2269% for PHE contractor.
2. Indonesia Oil and gas Ltd. (1 company) – provided report as Operator over 50% of Inpex's share in Mahakam field and 50% of Inpex' share in Attaka field pursuant to Pertamina Letter No.1911/Keu/BKKA/77 dated 10 May 1977

In 2013, the report covered 61 operations fields/blocks and 72 operators, given that some partners reported as operators, namely:

1. PT Pertamina Hulu Energi (9 companies) – reporting as Operator given its 50% ownership over JOB/JOA operations area and sharing between government and contractor, i.e. 32,7731 for the government and 67,2269% for PHE contractor.
2. Indonesia Petroleum Ltd. (1 company) – provided report as Operator over 50% of Inpex's share in Mahakam field and 50% of Inpex' share in Attaka field pursuant to Pertamina Letter No.1911/Keu/BKKA/77 dated 10 May 1977
3. PT Medco E&P Indonesia, operating South and Central Sumatera block, and as per 28 November 2013 started as operator for 2 blocks – South Sumatera and Kampar (with addition of 1 PSC Holder).

Anoa - AGX Platform, Natuna Sea - Premier Oil

2.2.2 Mineral and Coal Sector

Table 12 Mineral and Coal Companies Reconciliated

Year	PKP2B	IUP-BB	KK-M	IUP-M	Total
2012	31	30	4	10	75
2013	31	38	6	24	99

Source: Scoping Study

Table 13 Distribution of Mineral and Coal Companies by Operations Areas

Operations Area	PKP2B		IUP-BB		KK-M		IUP-M		Total	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Provinsi Jawa Barat	-	-	-	-	-	-	1	1	1	1
Provinsi Sumatra Selatan	-	-	1	1	-	-	-	-	1	1
Provinsi Bangka Belitung	-	-	-	-	-	-	6	6	6	6
Provinsi Riau	1	-	-	-	-	-	-	1	1	1
Provinsi Kepulauan Riau	-	-	-	-	-	-	-	1	-	1
Provinsi Kalimantan Selatan	11	10	5	6	-	1	-	1	16	18
Provinsi Kalimantan Tengah	2	2	2	1	-	-	-	1	4	4
Provinsi Kalimantan Timur	17	19	22	30	-	-	-	-	39	49
Provinsi Kalimantan Barat	-	-	-	-	-	-	1	2	1	2
Provinsi Sulawesi Tengah	-	-	-	-	-	-	1	1	1	1
Provinsi Sulawesi Tenggara	-	-	-	-	-	-	-	6	-	6
Provinsi Sulawesi Utara	-	-	-	-	-	1	-	-	-	1
Provinsi Sulawesi Sel/ Tengg/ Teng	-	-	-	-	1	1	-	1	1	2
Provinsi Maluku Utara	-	-	-	-	1	1	1	3	2	4
Provinsi Nusa Tenggara Barat	-	-	-	-	1	1	-	-	1	1
Provinsi Papua	-	-	-	-	1	1	-	-	1	1
Total	**31**	**31**	**30**	**38**	**4**	**6**	**10**	**24**	**75**	**99**

Source: Scoping Study

There was no differences between total mineral and coal companies captured in the Scoping Study and captured in reconciliation report.

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03
METHODOLOGY

Zamrud Field, Siak - BOB CPP

Method of Reconciliation

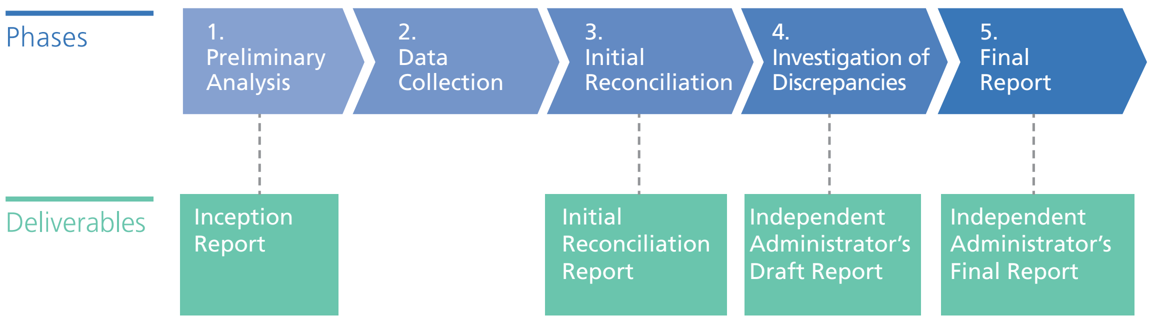
IA gathered and reconciled data of payment made and received by business entities and the government. Reconciliation process was undertaken in five of the following sequence:

1. Preliminary data analysis and procedure – entailing planning of entity scope, reporting format design, and identifying procedures that would be employed when executing reconciliation.
2. Information dissemination, data collection (including circulating reporting template to all reporting entities), data request, and data acceptance according to template and within established timeline
3. Reconciliation – comparing information from two sides of the entities, i.e. companies and government entities.
4. Confirmation – verifying and tracking data to related entities to clarify gaps and differences. This sequence included data compilation of all data in monetary and volume units.
5. Result analysis and formulation of IA reconciliation report

Communications between IA and reporting entities – companies 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 5.1.). IA gathered details on data or complementing documents by employing various means of communications – phone/email, or meeting and visits (if necessary) to relevant reporting entities.

Figure 8 summarized the sequence of IA's activities:

Figure 8 Sequence of the Third EITI Indonesia Reporting



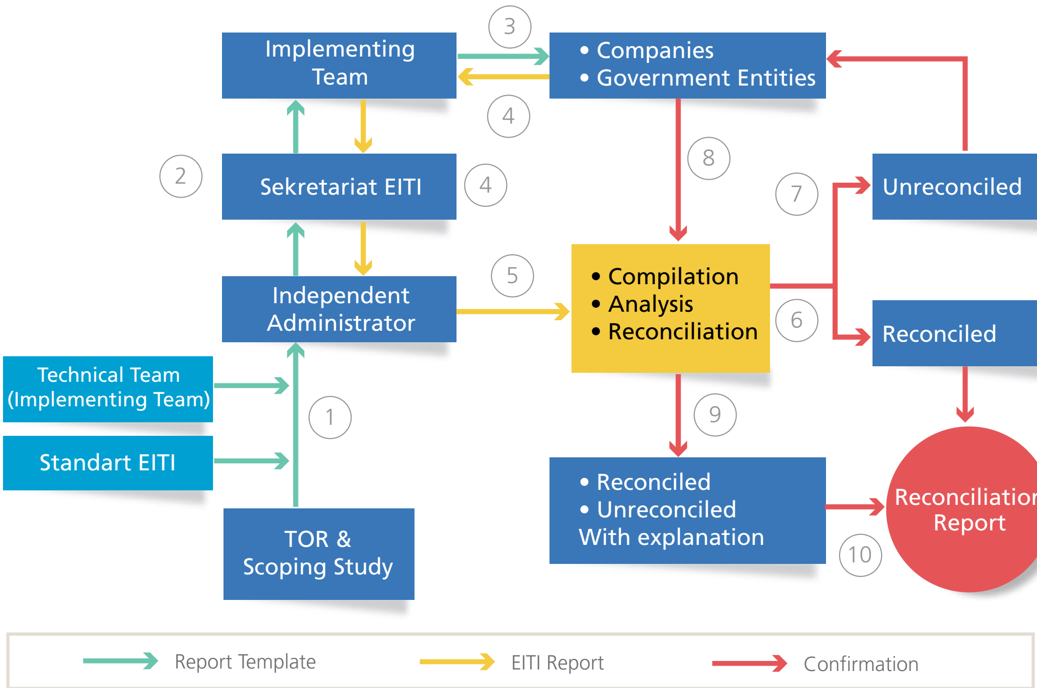
IA was responsible to undertake each sequence described above.

3.2 Reconciliation Activities and Areas of Focus

The purpose of reconciliation was to compare payments made by companies in oil and gas and mineral and coal sector with revenues received by the state through five government agencies. IA must analyzed and provided reasoning for any discrepancies identified in this process.

Subsequent to IA's appointment by the Coordinating Ministry for Economic Affairs on 25 May 2015, IA verified company data listed in the Term of Reference (TOR) together with relevant agencies, namely SKK Migas and DG Mineral and Coal.

Figure 9 Flow of Reconciliation Report Development



In details, the flow of Reconciliation Report development was as follows:

1. IA verified reporting template provided in TOR and Scoping Study in accordance to EITI Standard and consultation with Technical Team (Implementing Team).
2. Verified reporting template submitted for approval from Implementing Team.
3. Implementing Team distributed reporting template to reporting entities.
4. Reporting entities returned EITI's reporting template to Implementing Team, addressed to Transparency Team Secretariat.
5. IA compiled and analyzed reports, followed with reconciliation process.
6. Result of reconciliation was captured in Reconciliation Report.
7. Clarified discrepancies with reporting entities.
8. Re-compiled and re-analyzed clarification provided by reporting entities.
9. Result of compilation and analysis grouped into 'uniformed data' and 'data with discrepancies' which are complemented with explanation.
10. Presentation of reconciliaton result.

3.2.1 Designing Reporting Template

In order to determine appropriate reporting template, IA had reviewed the template presented in Scoping Study conducted by E&Y and made a number of adjustments to comply with EITI Standard. Template adjustments were consulted with relevant agencies and submitted to Implementing Team for approval on 12 June 2015.

Adjustments made for oil and gas sector template were:

1. Integration of Corporate Tax and Dividend Tax that were previously separated.
2. Addition of total oil lifting line item in currency (EITI Standard 3.5)
3. Addition of tax payment categories (penalties, last year payment) and DMO fee (corrected or last year payment)
4. Addition of CSR item (EITI Standard 4.1.e)

Adjustments made for mineral and coal sector template were:

1. Table B (data reconciliation of coal companies):
    - Summary table for Sales Revenue Share, under section G (appendices)
2. Table C (unreconciled data):
    - Changed 'other subnational revenues' into 'direct subnational payments'.
3. Table D (production and sales volumes):
    - Cash basis to accrual basis reporting as agreed by EITI Technical Team
    - Addition of sales volume presentation in ton and currency
4. G.3 (Corporate Income Tax):
    - Omission of "tax period" column, given that reconciliation utilized cash base approach. Subsqeuently, the corresponding "month" column was changed into "paid in".
    - Separation of USD and IDR columns for total amount.
5. Addition of line for total amount in all tables.

Reporting template was communicated to reporting entities, scheduled on 15-16 June 2015 for mineral and coal companies and on 8 July 2015 for oil and gas companies. The mineral and coal companies meeting was attended by 94 participants, representing 68 companies or 63% of reconciled companies; oil and gas companies meeting was attended by 73 participants, representing 117 companies or 67% of reconciled companies.

3.2.2 Reporting Template Distribution to Companies and Government Agencies

To distribute reporting template, IA had to acquire data i.e. company address, email, contact number, and person in charge. IA gathered the data by:

- Submitting request to SKK Migas and DG Mineral and Coal
- Company website inquiry
- Annual report inquiry
- Examining data from subnational government
- Examining data from operators to garner partner company information in oil and gas sector

Data extracted from DG Tax required original authorization letter from companies. IA gradually submitted authorization letter to expedite reconciliation process.

Subsquent to Implementing Team approval on reporting template on 12 June 2015, IA immediately prepared formal letter to distribute the template to companies and government entities. Distribution letter also stated 15 July 2015 as date of latest submission for all reporting companies. These letters, formally issued by the Coordinating Ministry for Economic Affairs, were distributed on 1 July 2015 to oil and gas companies and on 7 July 2015 to mineral and coal companies.

Considering the significant lag of submission, a technical meeting organized by Implementing Team on 21 August 2015 decided to move the date of latest submission to 31 August 2015. However, templates returned by 31 August 2015 were still not adequate; EITI Indonesia Secretariat invited 33 oil and gas and mining companies on 2 October 2015 to confirm this lack of submission, yet the meeting was only attended by 1 oil and gas company and 2 mineral and coal companies.

Table 14 and 15 below illustrated the progress of report submission until 5 October 2015, which Implementing Team has determined as the final date of submission.

Table 14 Report Submission Progress, Oil and Gas Sector

Progress Status of Government Entities as of:	Reporting Entities	Report Submitted	Delayed	Percent of Report
15 July 2015	7	1	6	14%
31 August 2015	7	4	3	57%
5 October 2015	7	7	-	100%

Source: EITI Indonesia Data Analysis 2012-2013

Progress Status of PSC Holders Operators as of:	Reporting Entities	Report Submitted	Delayed	Percent of Report
15 July 2015	72	47	25	65%
31 August 2015	72	72	-	100%

Source: EITI Indonesia Data Analysis 2012-2013

Progress Status of Partners as of:	Reporting Entities	Report Submitted	Delayed	Percent of Report
15 July 2015	100	32	68	32%
31 August 2015	100	89	11	89%
5 October 2015*	102	92	10	90%

*As decided by Implementing Team in meeting on 29 September 2015 with consideration to additional partners

Source: EITI Indonesia Data Analysis 2012-2013

Table 15 Report Submission Progress, Mining Sector

Progress Status of Government Entities as of:	Reporting Entities	Report Submitted	Delayed	Percent of Report
15 Juli 2015	7	-	7	0%
31 Agustus 2015	7	4	3	57%
5 Oktober 2015*	7	7	-	100%

Progress Status of Companies as of:	Reporting Entities	Report Submitted	Delayed	Percent of Report
15 Juli 2015	109	26	83	24%
31 Agustus 2015	108	65	43	60%
5 Oktober 2015*	108	87	21	81%

* As decided by Implementing Team in meeting on 21 July 2015 with consideration to companies exempted from reporting (non-IUP holders)

3.2.3 Non-Complying Companies

Of the total 174 oil and gas companies in reconciliation report, 10 PSC holder partners fail to report. However, after comparing total of tax revenues from oil and gas sector with taxes paid by non-reporting companies, the amount was deemed insignificant to reconciliation. Table 16 below lists the name of companies that failed to submit their reports.

Table 16 Non-Complying Companies

PSC Name	Block	Reason for Not Reporting	DG Budget Reported (C and D Tax) 2012 (in Thousand USD)	DG Budget Reported (C and D Tax) 2013 (in Thousand USD)
1. EMP ONWJ Ltd.	Offshore North West Java (ONWJ)	no response	25,461	24,524
2. Risco Energy ONWJ / Salamander	Offshore North West Java (ONWJ)	transfer of ownership	4,376	1,244
3. Hess	Natuna Sea Block A	transfer of ownership	63,321	3,472
4. PT Imbang Tata Alam	Malacca Strait	no response	-	-
5. PT Surya Kencana Perkasa	Tonga	no response	-	-
6. PT Petross Petroleum Production	Tonga	no response	-	-
7. Gulf Petroleum Investment Co.	Seram Non Bula	no response	-	-
8. Lion International Investment Ltd.	Seram Non Bula	no response	-	-
9. Fuel X Tungkal	Tungkal	no response	-	-
10. Orchard Energy Sumatra BV / Risco Energy SES	South East Sumatra	transfer of ownership	4,413	328
TOTAL			**97,571**	**29,568**
TOTAL OF REVENUE TAX			**8,947,066**	**8,063,804**
PERCENTAGE			**1.09%**	**0.37%**

Source: EITI Indonesia Data Analysis 2012-2013

Examining the background of 10 non-complying companies, this report identified three following contexts:

1. Transfer of ownership of two companies, i.e. Risco Energy/Salamander and Orchard Energy BV/Risco Energy to Kupfec in 2013. The new owner was not able to provide 2012 tax data as it was the responsibility of previous owner. The new owner provided only supporting payment data of previous owner and complemented with tax receipts verified with DG Budget.
2. Transfer of ownership of Hess to Pertamina Hulu Energi (PHE) in 2013. The new owner was not able to provide 2012 tax data as it was the responsibility of previous owner. The new owner provided only supporting payment data of previous owner and complemented with tax receipts verified with DG Budget.
3. 7 companies failed to submit their reports until the end of reporting deadline

In mining sector, from a total of 108 companies identified for reconciliation, a total of 21 companies failed to report and therefore this report could not identify the amount of Royalty, PHT, and Corporate Income Tax. Based on information from DG Minerals

Gas Plant - VICO

and Coal, these companies made up 2.52% and 3.02% of Royalty and PHT payments of all companies covered by this report in 2012 and 2013, respectively (see Table 17). It was concluded that the unreconciled values were not significant.

Some notes on reconciliation of corporate income tax are:

1. Based on Scoping Study, the amount of Corporate Income Tax for reconciliation was Rp63 trillion and Rp96 trillion for 2012 and 2013, respectively.
2. Directorate of Taxation Potential, Compliance, and Revenues – DG Tax confirmed via letter Number S-436/PJ.08/2015 dated 15 October 2015 that corporate income tax for reconciliation was in the amount of Rp33.5 trillion and Rp19.7 trillion. The amounts were significantly lower given that Scoping Study had included tax revenues other than corporate income tax. Addressing the discrepancy, Implementing Team agreed on 5 October 2015 to use numbers from the directorate as basis of corporate income tax reconciliation.
3. Total corporate income tax calculated from companies that submitted their reports for 2012 and 2013 data were Rp29.4 trillion and Rp18.1 trillion, or 88% and 92% of total reconciled value.
4. Observing points a, b, and c above, the percentages of unreported corporate income tax to total reconciled amounts were 13% and 8%.

Table 17 List of Non-Complying Mining Companies

Name of Mining Company	Province	Reason for Not Reporting	DG Mineral & Coal Reported (Royalty dan Sales Revenue Share) 2012	2013
1. PT Riau Baraharum	Riau	no response	33,869	-
2. PT Sumber Kurnia Buana	South Kalimantan	no response	89,646	-
3. PT Sebuku Iron Lateritic Ores	South Kalimantan	no response	-	25,402
4.PT Bara Alam Utama	East Kalimantan	no response	39,258	40,648
5.PT Bhumi Rantau Energi	South Kalimantan	reluctant to report	54,709	62,516
6.PT Energi Batubara Lestari	Central Kalimantan	no response	30,714	43,697
7.PT Gema Rahmi Persada	East Kalimantan	no response	38,864	-
8.PT Karya Gemilang Limpah Rejeki	Central Kalimantan	no response	30,777	-
9.PT Kayan Putra Utama Coal	East Kalimantan	no response	94,561	236,611
10. PT Padang Anugerah	East Kalimantan	no response	26,711	-
11.PT Tunas Muda Jaya	East Kalimantan	no response	-	30,560
12.KUD Gajah Mada	South Kalimantan	no response	26,800	25,085
13.PT Bukit Merah Indah	Riau	no response	-	29,625
14.PT Citra Silika Mallawa	Southeast Sulawesi	no response	-	31,091
15.PT Fajar Mentaya Abadi	Central Kalimantan	closed	-	80,378
16.PT Gunung Sion	Riau Islands	no response	-	33,139
17.PT Serumpun Sebalai	Bangka Belitung	no response	-	26,016
18.PT Stargate Pasific Resources	Southeast Sulawesi	no response	-	29,617
19.PT Telaga Bintan Jaya	Riau Islands	no response	-	28,324
20.PT Tinindo Inter Nusa	Bangka Belitung	no response	34,932	-
21.PT Tujuh SW	Bangka Belitung	closed	27,692	36,969
TOTAL			**528,533**	**759,678**
TOTAL OF REVENUE			**21,013,917**	**25,149,591**
PERCENTAGE			**2.52%**	**3.02%**

Source: EITI Indonesia Data Analysis 2012-2013

From 21 mining companies that failed to submit their reports, the team made the following notes:

1. PT Fajar Mentaya Abadi was no longer operating by virtue of letter of Kotawaringin Timur Head of Regency No.188.45/476/HUK-DISTAMBEN/2014 on Revocation of Mining Business Permit of the Operations of PT Fajar Mentaya Abadi dated 2 December 2014
2. PT Tujuh SW was no longer operating by virtue of deed of Affirmation of the Dissolution of Limited Partnership ("CV") Company Tujuh SW from notary Wahyu Dwi Cahyono, SH, M.kn as per 6 September 201 3
3. PT Bhumi Rantau Energi sent official email stating its decline to report
4. Remaining 18 companies failed to submit their reports until the end of deadline

3.2.4 Reconciliation Process

The purpose of reconciliation conducted by IA was not to perform audit. Information completeness and accuracy was gathered based on statement made by senior management from reporting entities (declared in written and signed). Chapter 5 on Audit Procedure discussed this process in more details.

Assessing the data that came in from government and business entities, IA would take follow-up inquiries for any discrepancies found by requesting for details and supporting data from reporting entities. To that end, IA would contact the entities via email and telephone, or make a visit to the entities' offices.

For the purpose of reconciliation and data collection, IA visited a number of government and business entities, detailed in the following table:

Table 18 Visits to Reporting Entities

Oil and gas	Time
Pre-Reconciliation	
Government entities, e.g. SKK Migas, DG Oil and Gas, DG Budget	June 2015
Post-Reconciliation	
PHE Office	August 2015
SKK Migas	September 2015
Invited and visited DG Budget – Dir. PNBP	September 2015
Mining	
Pre-Reconciliation	
Government entities, e.g. DG Treasury and DG Tax	Juni 2015
Government entity: DG Minerals and Coal	August 2015
Government entities: Mining and Energy Office – Central Kalimantan	September 2015
Company offices in Jakarta, Central Kalimantan, South Sumatera, and Bangka Belitung.	August – September 2015

Post-Reconciliation	
DG Tax	July - September 2015
Invited DG Treasury and DG Minerals and Coal	September 2015
Visited PT Bukit Asam	September 2015

Source: EITI Indonesia Data Analysis 2012-2013

3.2.5 Data Collection Challenges

IA faced a number of difficulties in terms of data collection, especially with regards to goverment bureaucracy. Following Implementing Team meeting on 12 June 2015, which approved reporting template for EITI 2012-2013, IA expected the format to be distributed by 18 June 2015. However, DG Minerals and Coal did not issue formal letter to mining companies until 7 July 2015, with submission deadline on 15 July 2015. The other challenge was data disclosure by DG Tax which took around 2 months after authorization letter was submitted.

In addition to procedural challenges, the voluntary nature of report submission by reporting entities also had a downside for IA, specifically in terms of data collection, where there was no formal penalty mechanism in place for companies that did not return reporting templates.

3.2.6 Data Confidentiality

Article 34 under General Taxation Law (KUP) stipulated concerning confidentiality of taxpayer's data. In the interest of data collection required for this report, this policy hampered data gathering process on mining companies – specifically tax-related data.

DG Tax, with consideration to the law, required for original authorization letter from companies and copy of company deed to be submitted to enable data disclosure. This procedure slowed data provision from DG Tax given the time needed to gather the documents. In addition, some companies declined to provide the necessary requirements.

3.2.7 Absence of Consequences for Non-Complying Companies

Company participation in EITI reporting is voluntary in nature, and failure to provide data would not result in any penalties. Some companies, particularly from mining sector, used this as an excuse especially since there was no institution in mining sector that had the power to enforce EITI report submission.

04
RECONCILIATION RESULTS

Production Facility - PetroChina

Grasberg Mining, PT Freeport Indonesia

When the initial reconcilitation process was started, by comparing the total state revenue recorded by government entities for values reported by corporate entities, there were significant differences because:

- The unit written in the report was not consistent with the unit required by the reporting template. The entities did not follow guidelines on reporting that had been given. For instance, they were asked to fill in the numbers in mscf and USD, but they filled in the numbers in mmscf and thousand USD.
- They filled in using accrual-based accounting, while according to the reporting template, they were asked to use cash-based accounting. Consequently, the results were inconsistent with the comparator entity.
- They made errors in inputting data, including inputting currency in the volume unit column
- Data provided was non-finalised FQR data, while government entities used the latest data.
- Data provided was incomplete
- Companies used the old reporting template and thereby additional data needed for reporting was not available
- They inputted the wrong currency.
- There made a mistake in dividing between royalties and PHTs. The DG Minerals and Coal had not allocated royalty and mining product sale payments for each company due to the lack of information in the proof of deposit.
- Companies had not reported legal product payment (STP, SKPKB, SKPKBT, period PPh and Article 29 PPh).

The differences were addressed through confirmation and discussions with, and visits to government and corporate entities. Table 19 to 39 shows the final results after reconciliation with explanation about the causes of the differences.

4.1 Oil and Gas Companies in 2012

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

A recap on the comparison is available from Appendices 2.1 to 2.5
In general, the initial differences shown in Table 19 were caused by:

- Failure to fill out the reporting template using the final FQR data
- The use of the old reporting template
- Differences in cost recovery calculations between SKK Migas and KKKS
- Differences in profit sharing calculations

Table 19 Reconciliation between KKKS and SKK Migas in 2012 (in Currency)

in USD Thousand

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	KKKS (1)	SKK Migas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	SKK Migas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Total Lifting of Oil	33,914,331	35,305,658	1,391,327	35,305,658	35,305,658	-	-
Total Lifting of Gas	26,033,509	26,942,080	908,571	27,246,718	27,246,718	-	-
Domestic Market Obligation Fee	1,435,098	1,430,886	(4,212)	1,431,736	1,431,520	(216)	0.02
Over/(Under) Lifting of Oil	373,740	273,350	(100,390)	344,157	352,339	8,182	2.32
Over/(Under) Lifting of Gas	130,827	164,546	33,719	130,069	130,384	315	0.24
Total	**61,887,505**	**64,116,520**	**2,229,015**	**64,458,338**	**64,466,619**	**8,281**	**0.01**

Source: EITI Indonesia Data Analysis 2012–2013

General causes of post-reconiclitation differences shown in Table 19	Item	Appendix	USD Thousand
• Differences in DMO requirement calculations between SKK Migas and PSC holders. Contractors' obligations were fulfilled by calculating the government's obligations to contractors (offsetting).	1	3.1/21	(216)
• Different cost recovery in profit-sharing calculations between SKK Migas and PSC holders. Contractors' obligations were fulfilled by calculating the government's obligations to contractors (offsetting).	9	3.1/5 3.1/13 3.1.13 3.1/14 3.1/59 3.1/59 3.1/60 3.1/70 3.1/70	1,999 304 (337) 713 157 332 2,141 101 320
• Different mechanisms used for profit-sharing calculation. Contractors' obligations were fulfilled by calculating the government's obligations to contractors (offsetting).	1	3.1/21	2,767
TOTAL	11		8,281

Table 20 Reconciliation between KKKS and SKK Migas in 2012 (in Volume)

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	KKKS (1)	SKK Migas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	SKK Migas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Government Lifting of Oil (Barrel)	177,959,211	179,727,474	1,768,263	179,733,566	179,733,566	-	-
Government Lifting of (MSCF)	542,980,072	593,216,099	50,236,027	582,930,485	582,930,485	-	-
Domestic Market Obligation (Barrel)	25,636,734	25,712,562	75,828	25,688,134	25,712,827	24,693	0.10
Total	**746,576,017**	**798,656,135**	**52,080,118**	**788,352,185**	**788,376,878**	**24,693**	**0.003**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 2.6 to 2.8.

In general, the initial differences shown in Table 20 were caused by:
- Failure to fill out the reporting template using the final FQR data
- Different in conversion unit to convert LPG and LNG into gas
- Errors in filling in units in the reporting template
- Differences in profit-sharing calculations

General causes of post-reconciliation differences shown in Table 20	Item	Appendix	USD Thousand
• There was disputable calculation between SKK Migas and KKKS, but KKKS agreed to calculate the DMO volume in accordance with SKK Migas calculation and make correction in 2015.	1	3.1/21	24,693
TOTAL			**24,693**

4.1.2 Reconciliation between Oil and Gas Contractors (KKKSs) and the Directorate General of Oil and Gas (DG Oil and Gas)

Table 21 Reconciliation between KKKS and the DG Oil and Gas in 2012

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	KKKS (1)	DG Oil and Gas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	DG Oil and Gas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Total Lifting of Oil (Barrel)	314,300,404	314,305,913	5,509	314,302,234	314,305,913	3,679	0.001
Total Lifting of Gas (MSCF)	2,002,831,970	2,389,212,121	386,380,151	2,403,191,958	2,389,212,121	(13,979,837)	0.58
Signature Bonus for Contract Extension (USD '000)	-	-	-	-	-	-	-
Total	**2,317,132,374**	**2,703,518,034**	**386,385,660**	**2,717,494,192**	**2,703,518,034**	**(13,976,158)**	**0.52**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 2.9 to 2.11.

A signature bonus for KKKSs that were in the exploration stage was not reconciled and data from the DG Oil and Gas indicated a deposit of USD 28,700 thousand in 2012.
In general, the initial differences shown in Table 21 were caused by:

- Failure to fill out the reporting template using the final FQR data
- Different in conversion rate to convert LPG and LNG into gas
- Errors in filling in units in the reporting template
- Different oil/gas lifting data

General causes of post-reconciliation differences shown in Table 21	Item	Appendix	Volume
• Differences in oil/gas lifting data existed because data from the DG Oil and Gas was based on an oil shipment report (A0 report) specifying adjustments to lifting in the previous periode corrections to the 2012 lifting in the 2013 A0 Report, while data from KKKSs was on oil and gas lifting in 2012.	8	3.1/2	74
		3.1/8	1,565
		3.1/24	7,992
		3.1/36	(264)
		3.1/42	3,455
		3.1/47	188
		3.1/69	3,783,392
		3.1/71	(498)
• There was a net off oil value of the Central Block with a total oil value of the Mahakam Block and a net off gas value of Tangguh/Muturi with Berau and Wiriagar, TEPI Mahakam and the Exxon Block	13	3.1/5	59,756
		3.1/5	316,410,563
		3.1/12	(39,322,063)
		3.1/13	42,527,849
		3.1/16	242,392,403
		3.1/26	(231,613,844)
		3.1/27	(23,409,854)
		3.1/59	(172,445)
		3.1/59	(5,517,657)
		3.1/60	(294,047,983)
		3.1/67	(93,618)
		3.1/70	(172,445)
		3.1/70	(5,517,657)
• Different gas lifting data due to different conversion rates. The unit used for gas sales was MMBTU, while the unit used in the EITI reporting template was mscf. The DG Oil and Gas used the average conversion rate of 1.1, while KKKS used a different conversion rates, depending on the type of the gas.	38	3.1/2	1,716,806
		3.1/3	97,274
		3.1/6	15,505,486
		3.1/7	(31,873,536)
		3.1/9	(4,713,470)
		3.1/10	(9,125,489)
		3.1/15	2,247,857
		3.1/18	(1,590,973)
		3.1/19	(37,763)
		3.1/20	85
		3.1/22	(19,909)
		3.1/23	18,869,845
		3.1/24	674,782
		3.1/28	(1,418,843)
		3.1/29	307,479
		3.1/30	(28,830)
		3.1/33	(470,980)
		3.1/34	(3,009,144)
		3.1/36	(6,647)
		3.1/37	(4,152,232)
		3.1/38	(11,713)
		3.1/39	(190,049)
		3.1/40	(662,496)
		3.1/42	890,553
		3.1/43	7,622
		3.1/44	1,046,035
		3.1/45	(511,914)
		3.1/46	(2,281,291)
		3.1/47	(852,068)
		3.1/52	3,647
		3.1/53	136,648
		3.1/57	(1,016)
		3.1/58	59,039
		3.1/62	(37,763)
		3.1/63	1,665,722
		3.1/65	18,631
		3.1/66	(159,330)
		3.1/68	(1,664,989)

General causes of post-reconciliation differences shown in Table 21	Item	Appendix	Volume
• Different oil/gas lifting data existed because data from the DG Oil and Gas was based on the 2012 Oil Shipment Report (A0 Report) recording lifting based on the B/L (actual lifting) document. In the event of a unitisation field or JOB, KKKS recorded lifting by share according to the unitisation or JOB contract (e.g. 50:50).	7	3.1/7 3.1/9 3.1/19 3.1/58 3.1/60 3.1/62 3.1/68	72,567 (240,285) 83,432 (5,644) 285,059 82,850 (113)
TOTAL	**66**		**(13,976,158)**

4.1.3 Reconciliation between Oil and Gas Contractor (KKKS) and the Directorate General of Budgeting (DG Budget)

Table 22 Reconciliation between KKKSs and the DG Budget in 2012

in USD Thousand

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	KKKS (1)	DG Budget (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	DG Budget (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
TAX							
Oil and Gas Operators' C&D Tax	7,086,684	6,371,201	(715,483)	6,700,930	6,693,350	(7,580)	0.11
Oil and Gas Partners' C&D Tax	2,252,000	1,813,007	(438,993)	2,278,001	2,156,145	(121,856)	5.65
NON-TAX							
Production Bonus	3,000	3,750	750	3,750	3,750	-	-
Total	**9,341,684**	**8,187,958**	**(1,153,726)**	**8,982,681**	**8,853,245**	**(129,436)**	**1.46**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 2.12 to 2.14.

In general, the initial differences shown in Table 22 were caused by:

- Tax payment to the account of the DG Tax, rather than to the account of the Dit. of PNBP/DJA
- Incomplete reporting that did not follow the instructions

General causes of post-reconciliation differences shown in Table 22	Item	Appendix	USD Thousand
• Errors in depositing payments. Instead of depositing to State Treasury Account at Bank Perception, KKKS mistakenly deposited to State Treasury Account at Bank Indonesia	1	3.1/34	(86,608)
• Legal product (STP, SKPKB) payments reported by companies and deposited to State Treasury Account at Bank Indonesia	9	3.1/9 3.1/10 3.1/23 3.1/42 3.1/42 3.1/42 3.1/42 3.1/42 3.1/47	(4,206) (15,941) (16,379) (2,369) (3,187) (9) (1,397) (10) (10)
• Deposits for TAC Poleng.	1	3.1/69	2,940
• Until the deadline that had been set, confirmation was not obtained from companies.	6	3.1/14 3.1/14 3.1/22 3.1/36 3.1/43 3.1/58	(156) (1,429) (742) (253) (310) 630
• Net off differences between PP Oil and PC Jabung.	2	3.1/23 3.1/23	2,224 (2,224)
TOTAL	**19**		**(129,436)**

4.1.4 State Revenue Managed by SKK Migas and Received by the Directorate General of Budgeting (DG Budget)

Table 23 Reconciliation between SKK Migas and the DG Budget in 2012

in USD Thousand

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	SKK Migas (1)	DG Budget (2)	Initial Difference (3) = (2)-(1)	SKK Migas (4)	DG Budget (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Government Oil Lifting							
• Export	2,356,591	20,242,558	23,499	2,356,699	20,242,558	23,391	0.12
• Domestic	17,862,468			17,862,468			
Government Gas Lifting							
• Export	5,250,777	7,633,442	(77)	5,250,777	7,633,442	221	0.003
• Domestic	2,382,742			2,382,444			
Total	**27,852,578**	**27,876,000**	**23,422**	**27,852,388**	**27,876,000**	**23,612**	**0.08**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 2.15 to 2.16

Ini general initial differences shown in Table 23 were the same as the final differences. SKK Migas only made:
- a correction to the oil export figure
- a correction to the gas domestic figure

General causes of pos-reconciliation differences shown in Table 23	Item	Appendix	USD Thousand
• Different GOI oil lifting figures between SKK Migas and DG Budget because the DG Budget data was based on the 2012 oil shipment report (including the premium).	13	3.1/1	8,239
		3.1/2	(2,823)
		3.1/5	2,873
		3.1/6	2,571
		3.1/7	(203)
		3.1/9	190
		3.1/10	574
		3.1/12	56
		3.1/13	(22)
		3.1/14	7,021
		3.1/23	171
		3.1/58	47
		3.1/60	5,461
• Different GOI oil and gas lifting figures between SKK Migas and DG Budget because the DG Budget data was based on the 2012 oil shipment report, including corrections to the 2012 lifting made in the 2013 oil shipment Report (the A0 Report).	4	3.1/18	(1,107)
		3.1/42	347
		3.1/71	(5)
		3.1/69	221
• Net off values between KKKSs' working area	10	3.1/5	(1,417,605)
		3.1/30	(75,713)
		3.1/32	75,713
		3.1/30	(219)
		3.1/32	219
		3.1/38	140
		3.1/40	(140)
		3.1/48	(1,592)
		3.1/49	1,592
		3.1/60	1,417,605
TOTAL	**27**		**23,612**

4.2 Oil and Gas Contractors in 2013

4.2.1 Reconciliation between Oil and Gas Contractor (KKKSs) and SKK Migas

Table 24 Reconciliation between KKKS and SKK Migas in 2013 (in Currency)

in USD Thousand

State Revenue	Pre-Reconsiliation			Post-Reconciliation			%
	KKKS (1)	SKK Migas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	SKK Migas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Total Lifting of Oil	29,966,150	31,333,441	1,367,291	31,333,441	31,333,441	-	-
Total Lifting of Gas	24,878,217	26,246,330	1,368,113	26,246,329	26,246,329	-	-
Domestic Market Obligation Fee	1,217,798	1,224,647	6,849	1,224,647	1,224,647	-	-
Overlifting/ (Underlifting) of Oil	381,612	220,235	(161,377)	381,198	381,216	18	0.005
Overlifting/ (Underlifting) of Gas	(2,345)	(3,991)	(1,646)	(4,143)	(3,990)	153	3.83
Total	**56,441,432**	**59,020,662**	**2,579,230**	**59,181,472**	**59,181,643**	**171**	**0.0003**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 4.1 to 4.5.

In general the initial differences shown in Table 24 were caused by:

- Failure to fill out the reporting template using the final FQR data.
- The use of the old reporting template
- Different in cost recovery calculations between SKK Migas and PSC holder
- Different in profit sharing calculations

General causes of post-reconciliation differences shown in Table 24	Item	Appendix	USD Thousand
• Different cost recovery figures in profit-sharing calculations between SKK Migas and KKKS for oil and gas production. Contractors' obligations were fulfilled by calculating the government's obligations to contractors (offsetting)	4	5.1/12 5.1/13 5.1/12 5.1/13	9 9 143 10
• Different mechanisms for overlifting/(underlifting) settlement with KKKSs' Medco	2	5.1/28 5.1/31	2,538 (2,538)
TOTAL	**6**		**171**

Table 25 Reconciliation between KKKS and SKK Migas in 2013 (in Volume)

State Revenue	Pre-Reconsiliation			Post-Reconciliation			%
	KKKS (1)	SKK Migas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	SKK Migas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Government Lifting of Oil (Barrel)	160,918,253	161,438,451	520,198	161,441,148	161,441,148	-	-
Government Lifting of Gas (MSCF)	1,067,871,458	610,286,225	(457,585,233)	599,343,313	599,343,313	-	-
Domestic Market Obligation (Barrel)	24,432,588	24,519,779	87,191	24,620,394	24,620,394	-	-
Total	**1,253,222,299**	**796,244,455**	**(456,977,844)**	**785,404,855**	**785,404,855**	**-**	**-**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 4.6 to 4.8.

In general, the initial differences shown in Table 25 were caused by:
- Failure to fill out the reporting template using the final FQR data.
- Different conversion rate to convert LPG and LNG into gas
- Errors in filling in units in the reporting template

General causes of post-reconciliation differences shown in Table 25	Item	Appendix	USD Thousand
No differences	-	-	-
TOTAL	**-**	**-**	**-**

4.2.2 Reconciliation between Oil and Gas Contractors (KKKSs) and the Directorate General of Oil and Gas (DG Oil & Gas)

Table 26 Reconciliation between PSC holder and the DG Oil and Gas in 2013

State Revenue	Pre-Reconsiliation			Post-Reconciliation			%
	KKKS (1)	SKK Migas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	SKK Migas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Total Lifting of Oil (Barrel)	298,307,633	298,432,033	124,400	298,374,390	298,432,033	57,643	0.02
Total Lifting of Gas (MSCF)	8,575,063,700	2,357,703,962	(6,217,359,738)	2,406,327,046	2,357,703,962	(48,623,084)	2.06
Signature Bonus for Contract Extension (USD '000)	200	-	(200)	200	200	-	-
Total	**8,873,371,533**	**2,656,135,995**	**(6,217,235,538)**	**2,704,701,636**	**2,656,136,195**	**(48,565,441)**	**1.83**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the differences is available from Appendices 4.9 to 4.11.

A signature bonus for PSC holder that was in the exploration stage was not reconciled and data from the DG Oil and Gas reported a deposit of USD 15,700 thousand in 2013.
In general the initial differences shown in Table 26 were caused by:

- Failure to fill in the reporting template using the final FQR data.
- Different in conversion rate to convert LPG and LNG into gas
- Errors in filling in units in the reporting template
- Different in cost recovery calculations between SKK Migas and KKKSs
- Different in profit sharing calculations

General causes of post-reconciliation differences shown in Table 26	Item	Appendix	Volume
• Differences in the gas lifting data were caused by different conversion rates. Gas sales used 'MMBTU' as the unit, while the EITI reporting template was filled out using 'mscf'. The DG Oil and Gas used an average conversion rate of 1.1, while PSC holders used different conversion rates, depending on the type of the gas.	38	5.1/2	10,255,355
		5.1/3	(5,971,737)
		5.1/6	7,486,967
		5.1/7	(19,818,387)
		5.1/9	(6,917,055)
		5.1/10	11,231,943
		5.1/11	(4,536)
		5.1/15	8,438,341
		5.1/18	(413,719)
		5.1/19	(145,166)
		5.1/20	16,373
		5.1/22	(27,518)
		5.1/23	19,368,946
		5.1/24	(179,440)
		5.1.28	(10,203)
		5.1/29	3,277,830
		5.1/30	5,744
		5.1/32	(3,431,583)
		5.1/33	(992,248)
		5.1/34	(3,239,544)
		5.1/35	(396,225)
		5.1/37	(7,274,511)
		5.1/40	(1,531,996)
		5.1/42	911,424
		5.1/43	11,313
		5.1/44	(618,145)
		5.1/45	(538,084)
		5.1/46	(2,241,593)
		5.1/47	(879,471)
		5.1/52	5,536
		5.1/57	7,088
		5.1/58	270,853
		5.1/62	(145,166)
		5.1/63	16,373
		5.1/65	(27,518)
		5.1/66	11,313
		5.1/68	142,169
		5.1/69	2,652,551
• Differences in the oil/gas lifting data existed because data from the DG Oil and Gas was based on the 2013 Oil Shipment Report (A0 Report) specifying adjustments to lifting in the previous period and corrections to the 2013 lifting in the 2014 A0 Report, while data from KKKSs constituted oil lifting in 2013.	10	5.1/6	(13,586)
		5.1/7	22,403
		5.1/24	3,755
		5.1/36	264
		5.1/36	(6,758)
		5.1/38	(918)
		5.1/39	(244,849)
		5.1/42	(3,455)
		5.1/60	115,498
		5.1/71	498
• Differences in the oil/gas lifting data existed because data from the DG Oil and Gas was based on the 2012 Oil Shipment Report (A0 Report) recording lifting based on the B/L (actual lifting) document. In the event of a unitisation field or JOB, KKKSs recorded lifting by share according to the unitisation or JOB contract (e.g. 50:50).	4	5.1/9	36,767
		5.1/58	46,497
		5.1/62	(26,687)
		5.1/68	(55,644)
• DG Oil & Gas data, including lifting from the production test. 100% of the outcomes of the production test belong to the state. PSC holders did not report lifting from the production test during the calculation of profit sharing between the government and contractors.	2	5.1/19	45,630
		5.1/41	1,192

General causes of post-reconciliation differences shown in Table 26	Item	Appendix	Volume
• *The net off between KKKSs and the different conversion rates.*	17	5.1/5	139,638
		5.1/5	251,778,645
		5.1/12	19,222,062
		5.1/13	(19,418,138)
		5.1/16	247,027,016
		5.1/26	(247,047,887)
		5.1/27	(24,969,816)
		5.1/29	226,780
		5.1/31	(62,012)
		5.1/32	(164,766)
		5.1/53	139,082
		5.1.59	(127,569)
		5.1/59	(3,720,810)
		5.1/60	(276,869,560)
		5.1/67	(96,617)
		5.1/70	(3,720,810)
		5.1/70	(127,568)
• Differences between the A0 Report and the FQR	1	5.1/47	188
TOTAL	**72**		**(48,565,441)**

4.2.3 Reconciliation between Oil and Gas Contractors (KKKSs) and the Directorate General of Bugeting (DG Budget)

Table 27 Reconciliation between KKKS and DG Budget in 2013

in USD Thousand

State Revenue	Pre-Reconsiliation			Post-Reconciliation			%
	KKKS (1)	SKK Migas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	SKK Migas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
TAX							
Oil and Gas Operators' Income Tax	6,124,019	5,572,801	(551,218)	5,723,546	5,851,912	128,366	2.19
Oil and Gas Partners' Income Tax	2,294,900	2,008,749	(286,151)	2,324,766	2,182,324	(142,442)	6.53
NON-TAX							
Production Bonus	26,500	26,500	-	26,500	26,500	-	-
Total	**8,445,419**	**7,608,050**	**(837,369)**	**8,074,812**	**8,060,736**	**(14,076)**	**0.17**

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 4.12 to 4.14.

In general the initial differences shown in Table 27 were caused by:
- Tax payment to the account of the DG Tax, rather than to the account of the Dit. PNBP or the Directorate-General of Budgeting (DJA).
- Corrections to the previous years' taxes made by the Upstream Directorate, Pertamina (were not included in the reconciliation).
- Incomplete reporting that did not follow the instructions

General causes of post-reconciliation differences shown in Table 27	Number of items	Appendix	USD Thousand
• Legal product (STP, SKPKB) payments reported by companies and deposited to State Treasury Account at Bank Indonesia.	9	5.1/10 5.1/14 5.1/15 5.1/23 5.1/23 5.1/34 5.1/42 5.1/58 5.1/69	(91,915) (1) (448) (12,733) (11,823) (19,019) (14) (2,692) (27)
• Corrections to taxes between 2004 and 2007 by the Upstream Directorate, Pertamina (not included in the reconciliation) for JOB before the PHE Holding was established.	1	4.12	129,271
• Net off between KKKSs	3	.1/29 5.1/31 5.1/32	359 (55) (304)
• Until the deadline that had been set, confirmation was not obtained from companies.	8	5.1/14 5.1/14 5.1/15 5.1/15 5.1/15 5.1/22 5.1/34 5.1/69	(36) 321 (168) (70) (88) (905) 1,071 (4,800)
TOTAL	**22**		**(14,076)**

4.2.4 State Revenue Managed by SKK Migas and Received by the Directorate General of Budgeting (DG Budget)

Table 28 Reconciliation between SKK Migas and the DG Budget in 2013

in USD Thousand

State Revenue	Pre-Reconsiliation			Post-Reconciliation			%
	KKKS (1)	SKK Migas (2)	Initial Difference (3) = (2)-(1)	KKKS (4)	SKK Migas (5)	Unreconciled Difference (6) = (5)-(4)	(7)=(6):(5)
NON-TAX							
Government Lifting of Oil							
• Export	2,118,621	17.000.881	(15,164)	2,116,468	17,000,881	(13,108)	0.08
• Domestic	14,897,424			14,897,521			
Government Lifting of Gas							
• Export	4,822,284	7,423,089	(614)	4,822,284	7,423,089	-	-
• Domestic	2,601,419			2,600,805			
Total	24,439,748	24,423,970	(15,778)	24,437,078	24,423,970	(13,108)	0.05

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available from Appendices 4.15 to 4.16.

In general, the initial differences shown in Table 28 were caused by:

- A premium for oil sales recorded by DG Budget
- Corrections to the previous years

General causes of post-reconciliation differences shown in Table 28	Number of items	Appendix	USD Thousand
• Different GOI oil lifting figures between SKK Migas and DG Budget because the DG Budget data was based on the 2013 oil shipment report (including the premium).	11	5.1/1 5.1/5 5.1/6 5.1/10 5.1/12 5.1/13 5.1/16 5.1/26 5.1/27 5.1/41 5.1/58	3,144 1,545 467 68 12 54 163 543 54 12 120
• Different GOI oil lifting figures between SKK Migas and DG Budget because the DG Budget data was based on the 2013 oil shipment report, including corrections to lifting in the previous period and corrections to the 2013 lifting made in the 2014 oil shipment report (the A0 Report).	7	5.1/2 5.1/9 5.1/23 5.1/42 5.1/47 5.1/60 5.1/71	(4,928) 191 (14,040) (348) (4) (166) 5

General causes of post-reconciliation differences shown in Table 28	Number of items	Appendix	USD Thousand
• Net off values between KKKSs' working areas.	10	5.1/5 5.1/10 5.1/12 5.1/14 5.1/30 5.1/32 5.1/30 5.1/32 5.1/35 5.1/60	(1,325,523) (31,248) (5,000) 5,000 (47,950) 47,950 (61) 61 31,248 1,325,523
TOTAL	28		**(13,108)**

4.2.5 National and Subnational Revenue Report Presented from One Side of Contractors

Table 29 State Revenue Unreconciled in the Oil and Gas Sector

Description	2012	2013
Land and Building Tax/PBB (IDR Million)	14,394,500	15,438,789
Regional Tax and Levy/PDRD (IDR Million)	46,532	97,816
Value Added Tax (IDR Million)	6,963,798	9,385,488
CSR (in USD thousand) :		
1. Community Relations	3,267	4,538
2. Community Empowerment	1,680	1,553
3. Community services	397	253
4. Infrastructure develoment	1,994	2,091
5. Environment management	252	385

Source: EITI Indonesia Data Analysis 2012–2013

A recap from every contractor/company is available in Appendix 7.1.

4.3 Mining Companies in 2012

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

Table 30 Reconciliation between Mining Companies and the DG Mineral and Coal, 2012

in IDR Million and USD Thousand

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
	Mining Company	DG Mineral and Coal	Initial Difference	Mining Company	DG Mineral and Coal	Unreconciled Difference	
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(6)	(7)=(6)-(5)	(8)=(7):(6)
Reported in USD							
Royalty	1,105,504	1,095,687	(9,817)	1,109,030	1,086,664	(22,366)	2.05
PHT	845,526	833,295	(12,231)	847,758	843,026	(4,732)	0.56
Total in USD	1,951,030	1,928,982	(22,048)	1,956,788	1,929,690	(27,098)	1.40
Reported in IDR							
Royalty	1,569,692	1,617,009	47,317	1,577,061	1,607,493	30,432	1.89
PHT	279,539	270,023	(9,516)	279,539	279,539	-	-
Total in IDR	1,849,231	1,887,032	37,801	1,856,600	1,887,032	30,432	1.61

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available in Appendices 2.17 and 2.18.
In general, the initial differences shown in Table 30 were caused by:

- Incomplete or incorrect initial reporting.
- Incorrect currency used in payments.
- Mistakes in dividing between royalties and PHTs.
- The use of accrual-based accounting in the reporting template.
- Failure to allocate royalty and PHT payments by the DG Mineral and Coal to each company due to the lack of information in the proof of deposit.
- Failure by the DG Minerals and Coal to record revenue from royalties and PHTs due to the absence of the proof of deposit.

General causes of post-reconciliation differences shown in Table 30	Number of Companies	Appendix	USD Thousand	IDR Million
• Timing differences (companies' deposits were made in the end of year, while the DG Minerals and Coal recorded the deposits in the beginning of the next year).	6	3.2/2	(425)*	-
			(722)**	-
		3.2/3	(4,610)*	-
		3.2/4	(3,630)*	-
			(3,370)**	-
		3.2/15	(7,500)*	-
			(5,000)**	-
		3.2/20	(35)*	-
			(33)**	-
		3.2/71	(56)*	-
• Royalty and PHT division in the report prepared by the DG Minerals and Coal is different from that in companies' reports	1	3.2/30	(3,934)*	-
			3,934**	-
• The DG Mineral and Coal incorrectly allocated/verified companies' deposits.	2	3.2/63	20*	275*
		3.2/72	26*	-
• Until the deadline that had been set, the reporting entities did not provide confirmation or explanation about the differences.	6	3.2/7	1,333*	-
			1,133**	-
		3.2/12	11*	-
		3.2/22	(1,236)*	-
			(2,220)**	-
		3.2/25	910*	-
			1,546**	-
		3.2/39	(1,465)*	30,157
		3.2/67	(1,886)*	-
TOTAL	**15**		**(27,098)**	**30,432**

(*) Royalty
(**) PHT

4.3.2 Reconciliation between Mining Companies and the Directorate General of Taxation (DG Tax)

Companies' Income Taxes

Table 31 Reconciliation between Mining Companies and the DG Tax, 2012

in IDR Million and USD Thousand

State Revenue – Companies' Income Tax	Pre-Reconciliation			Post-Reconciliation			%
	Mining Company	DG Tax	Initial Difference	Mining Company	DG Tax	Unreconciled Difference	
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(6)	(7)=(6)-(5)	(8)=(7):(6)
Reported in USD							
Companies' Income Tax	2,451,647	2,432,099	(19,548)	2,453,582	2,442,127	(11,455)	0.46
Reported in IDR							
Companies' Income Tax	5,475,049	5,881,782	406,733	5,607,030	5,897,183	290,153	4.92

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available in Appendix 2.19.
In general, the initial differences shown in Table 31 were caused by:

- The use of accrual-based accounting in the reporting form.
- Incomplete or incorrect initial reporting.
- Failure to report legal product (STP, SKPKB, SKPKBT, period PPh and Article 29 PPh) payments by companies.
- Book-entry settlement by companies, including taxes paid prior to 2012.

General causes of post-reconciliation differences shown in Table 31	Number of Companies	Appendix	USD Thousand	IDR Million
• Income tax payment was addressed to a group of companies.	1	3.2/32	5	-
• Until the deadline that had been set, the reporting entities did not provide confirmation or explanation about the differences.	17	3.2/4	-	67,956
		3.2/5	6,537	197
		3.2/7	-	17,751
		3.2/11	(20)	-
		3.2/12	5,202	-
		3.2/14	(214)	43,286
		3.2/22	486	-
		3.2/25	-	88,850
		3.2/28	-	7,251
		3.2/30	(23,451)	-
		3.2/48	-	7,625
		3.2/50	-	23,335
		3.2/51	-	1
		3.2/52	-	21,793
		3.2/57	-	429
		3.2/58	-	7,830
		3.2/62	-	3,850
TOTAL	**18**		**(11,455)**	**290,153**

4.3.3 Reconciliation between Mining Companies and the Directorate General of Budgeting (DG Budget)

Dividends

Table 32 Reconciliation between Mining Companies and the DG Budget, 2012

in IDR Million

Company	Currency	Pre-Reconciliation			Post-Reconciliation			%
		Mining Company (1)	DG Budget (2)	Initial Difference (3) = (2)-(1)	Mining Company (4)	DG Budget (5)	Unreconciled Difference (6) = (5)-(4)	
Bukit Asam	IDR	1,049,380	1,049,380	-	1,049.380	1,049,380	-	-
Aneka Tambang	IDR	564,137	564,137	-	564,137	564,137	-	-
Timah	IDR	291,454	291,454	-	291,454	291,454	-	-
TOTAL	**IDR**	**1,904,971**	**1,904,971**	**-**	**1,904,971**	**1,904,971**	**-**	**-**

Source: EITI Indonesia Data Analysis 2012–2013

There is no difference in the total dividends paid by companies and received by the government between before and after reconciliation.

4.3.4 Reconciliation between PT Bukit Asam (Persero), Tbk. and PT Kereta Api

Table 33 Reconciliation between PT Bukit Asam and PT Kereta Api, 2012

in IDR Million

in IDR Million	Pre-reconciliation			Post-Reconciliation		
	PT Bukit Asam (1)	PT KAI (2)	Perbedaan Awal (3) = (2)-(1)	PT Bukit Asam (4)	PT KAI (5)	Perbedaan Akhir (6) = (5)-(4)
Transportation Fee	1,878,599	1,718,063	(69,536)	1,822,170	1,822,170	-

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available in Appendix 2.22.

In general, the initial difference shown in Table 33 existed because PT Bukit Asam provided data according to payments made including corrections in 2012, while PT KAI provided data according to contracts without corrections and taxation.

After reconciliation, there was no differences between the two state-owned companies.

4.4 Mining Companies in 2013

4.4.1 Reconciliation between Mining Companies and the Directorate General of Mineral and Coal (DG Minerals and Coal)

Table 34 Reconciliation between Companies and the DG Minerals and Coal, 2013

in IDR Million and USD Thousand

State Revenue	Pre-Reconciliation			Post-Reconciliation			%
(1)	Mining Company (2)	DG Mineral and Coal (3)	Initial Difference (4)=(3)-(2)	Mining Company (5)	DG Mineral and Coal (6)	Unreconciled Difference (7)=(6)-(5)	(8)=(7):(6)
Reported in USD							
Royalty	1,197,457	1,240,127	42,670	1,213,481	1,235,638	22,157	1.79
PHT	843,337	848,664	5,327	847,557	857,682	10,125	1.18
Total in USD	2,040,794	2,088,791	47,997	2,061,038	2,093,320	32,282	1.54
Reported in IDR							
Royalty	1,676,309	1,709,644	33,335	1,660,580	1,667,313	6,733	0.40
PHT	860,600	815,644	(44,956)	857,743	857,873	130	0.01
Total in IDR	2,536,909	2,525,288	(11,621)	2,518,323	2,525,186	6,863	0.27

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available in Appendix 4.19.

In general, the initial differences shown in Table 34 were caused by:

- Incomplete or incorrect initial reporting.
- Incorrect currency used in payments.
- Mistakes in dividing between Royalties and PHTs.
- The use of accrual-based accounting in the form.
- Failure to allocate Royalty and PHT payments by the DG Mineral and Coal to each company due to the lack of information in the proof of deposit.
- Failure by the DG Mineral and Coal to record revenue from Royalties and PHTs due to the absence of the proof of deposit.

General causes of post-reconciliation differences shown in Table 34	Number of companies	Appendix	USD Thousand	IDR Million
• Timing differences (Companies reported deposites in the end of the previous year, while the DG Mineral and Coal recorded in 2013)	4	5.2/3	5,000*	-
		5.2/4	3,630*	-
			3,370**	-
		5.2/16	7,500*	-
			5,000**	-
		5.2/21	35*	-
			33**	-
• Royalty and PHT division in the report prepared by the DG Mineral and Coal is different from that in companies' reports	3	5.2/5	(385)*	-
			385**	-
		5.2/14	-	(130)*
			-	130**
		5.2/55	(48)*	-
• Until the deadline that had been set, the reporting entities did not provide confirmation or explanation about the differences.	17	5.2/2	(632)**	-
		5.2/6	4,589*	-
			235**	-
		5.2/9	(265)*	-
			150**	-
		5.2/12	779*	-
		5.2/14	(65)*	-
			88**	-
		5.2/26	469**	
		5.2/30	1,164*	-
			1,027**	-
		5.2/40	(1,764)*	-
		5.2/43	8	-
		5.2/47	-	151*
		5.2/54	132*	233*
		5.2/69	26*	-
		5.2/74	-	7,215*
		5.2/78	1,890*	-
		5.2/83	-	(768)*
		5.2/88	-	32*
		5.2/91	(69)*	-
Total	**24**		**32,282**	**6,863**

(*) Royalty

(**) PHT

4.4.2 Reconciliation between Mining Companies and the Directorate General of Taxation (DG Tax)

Companies' Income Taxes

Table 35 Reconciliation between Mining Companies and the DG Tax, 2013

in IDR Million and USD Thousand

State Revenue – Companies' Income Tax	Pre-Reconciliation			Post-Reconciliation			%
	Mining Company	DG Tax	Initial Difference	Mining Company	DG Tax	Unreconciled Difference	
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(6)	(7)=(6)-(5)	(8)=(7):(6)
Reported in USD							
Companies' Income Tax	1,282,352	1,249,321	(33,031)	1,276,966	1,307,342	30,376	2.32
Reported in IDR							
Companies' Income Tax	4,387,820	3,614,275	(773,545)	4,381,419	4,434,872	53,453	1.20

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available in Appendix 4.21.

In general, the initial differences shown in Table 35 were caused by:
- The use of accrual basis accounting in the form.
- Incomplete or incorrect initial reporting.
- Failure to report legal product (STP, SKPKB, SKPKBT, period PPh and Article 29 PPh) payments by companies.
- Book-entry settlement by companies, including taxes paid prior to 2013.

General causes of post-reconciliation differences shown in Table 35	Number of companies	Appendix	USD Thousand	IDR Million
• Income tax payment was addressed to a group of companies.	1	5.2/32	12	-
• Until the deadline that had been set, the reporting entities did not provide confirmation or explanation about the differences.	25	5.2/2	409	-
		5.2/4	-	8,051
		5.2/6	-	11,058
		5.2/7	-	204
		5.2/12	38,626	-
		5.2/14	(86)	(270)
		5.2/25	-	474
		5.2/28	-	32,941
		5.2/40	-	(19,580)
		5.2/52	-	2,256
		5.2/54	-	1,100
		5.2/55	-	(18)
		5.2/57	-	(13,765)
		5.2/59	(8,585)	486
		5.2/60	-	(518)
		5.2/64	-	421
		5.2/65	-	10,421
		5.2/67	-	1
		5.2/68	-	1,962
		5.2/75	-	(5,551)
		5.2/78	-	1,175
		5.2/85	-	837
		5.2/88	-	25,317
		5.2/90	-	(2,919)
		5.2/91	-	(628)
TOTAL	**26**		**30,376**	**53,453**

4.4.3 Reconciliation between Mining Companies and the Directorate General of Budgeting (DG Budget)

Dividends

Table 36 Reconciliation between Mining Companies and the DG Budget, 2013

in IDR Million

Company	Currency	Pre-Reconciliation			Post-Reconciliation			%
		Mining Company (1)	DG Budget (2)	Initial Difference (3) = (2)-(1)	Mining Company (4)	DG Budget (5)	Unreconciled Difference (6) = (5)-(4)	
Bukit Asam	IDR	1,079,747	1,079,747	-	1,079,747	1,079,747	-	-
Aneka Tambang	IDR	291,948	291,948	-	291,948	291,948	-	-
Timah	IDR	140,262	140,262	-	140,262	140,262	-	-
TOTAL	**IDR**	**1,511,957**	**1,511,957**	**-**	**1,511,957**	**1,511,957**	**-**	**-**

Source: EITI Indonesia Data Analysis 2012–2013

There is no difference in the total dividends paid by companies and the total dividends received by the government between before and after reconciliation.

4.4.4 Reconciliation between PT Bukit Asam (Persero), Tbk. and PT Kereta Api

Table 37 Reconciliation PT Bukit Asam and PT Kereta Api, 2013

in IDR Million

	Pre-Reconciliation			Post-Reconciliation		
	PT Bukit Asam (1)	PT KAI (2)	Initial Difference (3) = (2)-(1)	PT Bukit Asam (4)	PT KAI (5)	Unreconciled Difference (6) = (5)-(4)
Transportation Fee	1,818,587	1,864,863	46,276	1,812,104	1,812,104	-

Source: EITI Indonesia Data Analysis 2012–2013

A recap on the comparison is available in Appendix 4.22.

In general, the initial differences shown in Table 37 existed because PT Bukit Asam provided data according to payments made including corrections in 2013, while PT KAI provided data according to contracts without corrections and taxation. After reconciliation, there was no difference between the two-state companies.

4.4.5 State Revenue Report Presented from Companies' Side

Building upon the Scoping Study and a decision made by the Implementing Team, reconciliation is not needed for the following state revenue. Rather, it is done only from one side of the companies.

Table 38 State Revenue Unreconciled in the Mining Sector

in IDR Million and USD Thousand

Reporting Item	2012			2013		
	IDR	USD	Tonne	IDR	USD	Tonne
Regular Fee	20,307	5,039	-	21,116	5,816	-
Land and Building Tax (PBB)	359,790	-	-	380,692	-	-
Regional Tax and Levy (PDRD)	608,766	48,334	-	634,676	46,480	-
Direct Payment to the Local Government	600,486	4,803	-	413,797	4,830	-
CSR:			-			-
1. Community relations	101,134	3,660		76,797	3,158	
2. Community empowerment	240,448	134,831		162,815	105,129	
3. Community services	12,182	3,180		11,169	4,874	
4. Infrastructure development	83,014	14,077		126,182	9,598	
5. Environment management	2,728	193		3,504	184	
Infrastructure Provision	3,584	1,526	-	3,411	2,061	-
Fee of Forest Utilisation	350,150	3	-	368,963	-	-
DMO	-	-	44,398,363	-	-	53,448,032

Source: EITI Indonesia Data Analysis 2012–2013

Table 39 Data on Mining Production and Sales

2012	Volume (million tonnes)		Selling Value	
	Production	Sale	IDR (Million)	USD (Thousand)
Coal	297	299	18,422,363	20,780,331
Mineral	615	579	1,331,087	6,710,776
Total	912	878	19,753,451	27,491,107
2013				
Coal	336	340	17,800,275	19,458,531
Mineral	977	855	1,685,092	7,491,457
Total	**1,313**	**1,195**	**19,485,367**	**26,949,988**

05
SHARING REVENUE FUND FROM THE EXTRACTIVE INDUSTRY FROM THE NATIONAL TO SUBNATIONAL GOVERNMENTS

EITI Standard 4.2.e stipulates that transfer of income resulted from the extractive industry from the national to subnational governments governed by laws must be elaborated in EITI reporting.

For the scope of this report (the oil-gas and mineral-coal sectors) there are two types of revenue the subnational received from the national government.


Offshore Platform - Total Indonesie

5.1 Land and Building Tax (PBB), and Regional Tax and Levy Payments (PDRD)

These PBB and PDRD payments only apply to the oil and gas sector because according to GR No. 79/2010 on Returnable Operational Costs and Treatment of Income Taxes from the Upstream Oil and Gas Business Sector oil and gas companies are required to pay indirect taxes (property taxes, regional taxes and levies, VATs) to the state treasury, but may consider them as cost recovery. This stipulation applies to oil and gas cooperation contracts entered into after the issuance of this Government Regulation. The 'assume and discharge' concept, however, remains applicable to oil and gas cooperation contracts entered into before the issuance of GR No. 79/2010, in which the national government had to immediately pay the indirect taxes to subnational governments.

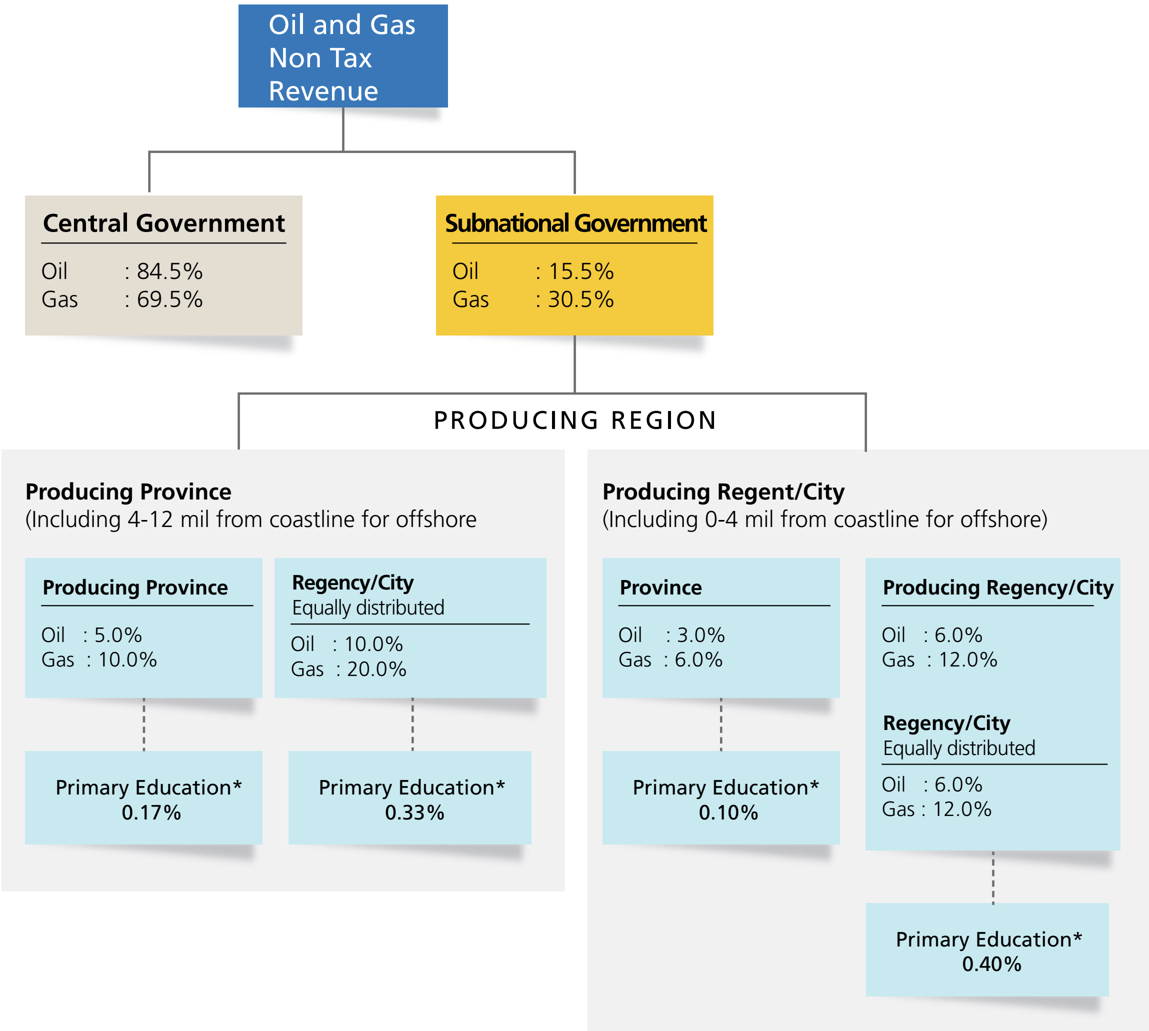
The list of oil and gas companies whose direct taxes are paid by the national government to subnational governments is presented in Appendices 2.17 and 4.17.

5.2 Revenue Sharing Fund from the National Government to Subnational Governments

5.2.1 The Oil and Gas Revenue Sharing Scheme

The following is a scheme for the calculation of revenue sharing from oil and gas:

Figure 10 Scheme for Oil and Gas Revenue Sharing



Source: GR No. 55/2005

Oil and gas DBH scheme mirrors the scheme stipulated by Law No. 33/2004 and GR No. 55/2005. From oil and gas non-tax revenue (PNBP), 15% from oil and 30% from gas are transferred to subnational government as oil and gas DBH. The PNBP shared to subnational government is only PNBP from blocks operating within 12 miles from the coastline, while PNBP generated by operations located more than 12 miles from the coastline is entirely allocated to central government. Shared PNBP is further divided to producing regions – province or regency/city– as illustrated by Figure 10.

Specific allocation (earmarked) for certain programs

Additional 0.5% oil and gas DBH can be provided for specific allocation (earmarked), i.e. primary education funding in that region

Wellhead - Kangean Energy

Sharing Scheme Pursuant to Special Autonomy Law

Table 40 Revenue Sharing Fund with Special Autonomous Scheme

Commodity	% for region under special autonomy arrangement	Additional share for special autonomy province	Province as producing region		Regency/City as producing region		
			Province	Regency/ City in the province	Province	Producing Regency/ City	Regency/ City in the province
Oil	70%	55%	5%	10%	3%	6%	6%
Gas	70%	40%	10%	20%	6%	12%	12%

Pursuant to Special Autonomy Law, there are two provinces granted with status as Special Autonomy Region, namely Aceh, Papua and West Papua[4]. These provinces are entitled to higher percentage of oil and gas share compared to other regions.[5]

The share of oil and gas non tax revenue of those provinces is 30% for central government and 70% for subnational government. Hence, provinces under special autonomy receive additional of 55% from oil non tax revenue and the remaining 15% is distributed according to scheme in Figure 25. Meanwhile for gas non tax revenue, provinces under special autonomy receive additional of 40% and the remaining 30% distributed in according to scheme in Figure 10. Oil and gas DBH for special autonomy regions summarize in Table 40.

Art. 36 Law No. 21/2001 required Papua and West Papua Provinces to allocate oil and gas DBH minimum of 30% for education and minimum of 15% for health and nutrition improvement.

Meanwhile Aceh Province required to allocate minimum of 30% oil and gas DBH for education

4 Currently, oil and gas natural resources are only situated in West Papua. Statement cited from Head of Sub-Directorate, Fiscal Balance DG, during EITI Journalist Workshop. Bogor, 7 September 2015.

5 Presentation of Head of Sub-Directorate, Fiscal Balance DG (Q&A session) on Natural Resources Policy. EITI Journalist Workshop. Bogor, 7 September 2015. Oil and gas shared only to West Papua at the moment.

5.2.2 The Mining Revenue Sharing Scheme

Subnational share from royalty and land rent is 80%. Table 41 presents the share for producing regions and non-producing regions.

Table 41 Sharing of Revenue from General Mining

Type of Revenue Sharing from General Mining	% for Subnational Government	Share (%)		
		Province	Producing Regency/ City	Other Regency/ City in the province
A. Land Rents in Producing Regency/City	80	16	64	-
B. Land Rents in Producing Province	80	80	-	-
C. Royalties in Producing Regency/ City	80	16	32	32
D. Royalties in Producing Province	80	26	-	54

Source: Law No. 33/2004 and GR No. 55/2005

Elaboration about the disbursement of the revenue sharing can be seen in the reconciliation reports for 2012–2013.

Revenue-sharing fund reports were obtained from the DG Fiscal Balance, the Ministry of Finance, the Republic of Indonesia, containing data on the allocation and realisation of revenue sharing from oil, gas, and general mining. This data was presented from one perspective and not reconciled.

Revenue sharing fund is disbursed quarterly. Disbursement in the first and second quarters is based on estimation, while in the third and fourth quarters the disbursement is based on realisation numbers. Indonesia's EITI Report does not show the amount transferred every quarter, but only annual oil and gas revenue sharing realisation numbers in 2012 and 2013.

The disbursement is based on oil and gas revenue estimation and realisation in the ongoing year, every quarter as shown in the Table below. The revenue shared is disbursed through transfer from the national government's account to each subnational government's account.

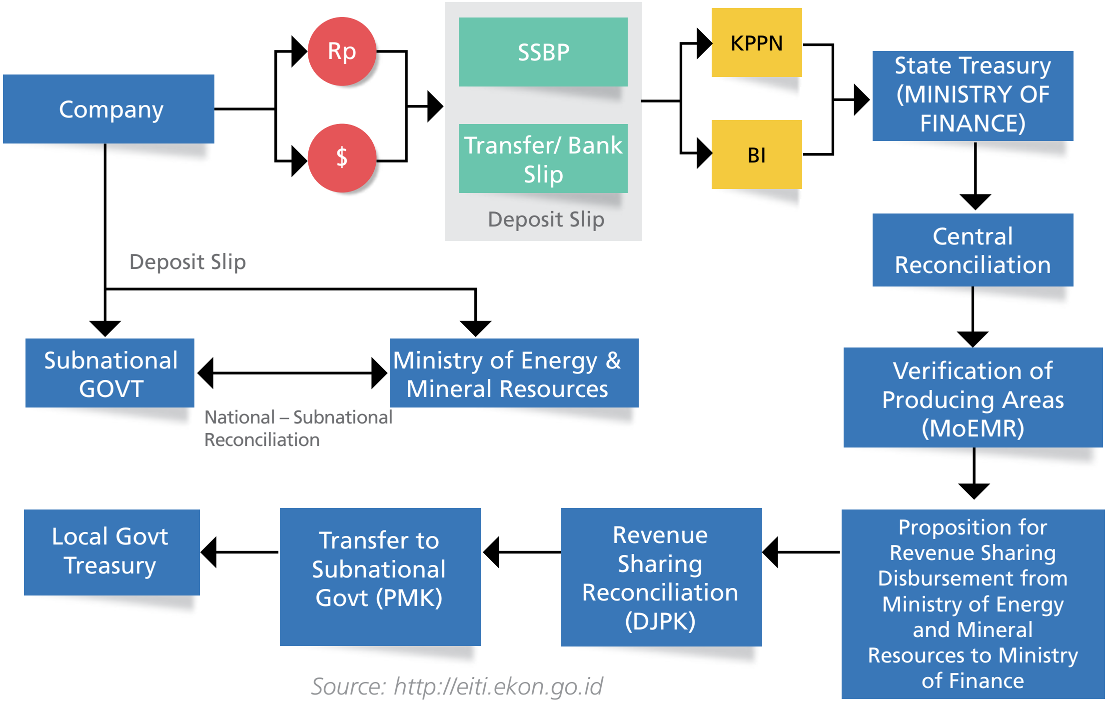
Table 42 Oil and Gas Revenue Sharing Fund Disbursement

Quarter	Realisation Period	Share Disbursed	Disbursement Time
I	Not considering realisation	20% of the estimated allocation	March
II	Not considering realisation	20% of the estimated allocation	June
III	December to May	Realisation minus disbursement in the first and second quarters	September
IV	December to August	Realisation minus disbursement from the first to third quarters	December
V	December to November	Realisation minus disbursement from the first to fourth quarters	February (the next year)

Source: The Directorate General of Fiscal Balance

Mechanisms for depositing and proposing revenue sharing are as follows:

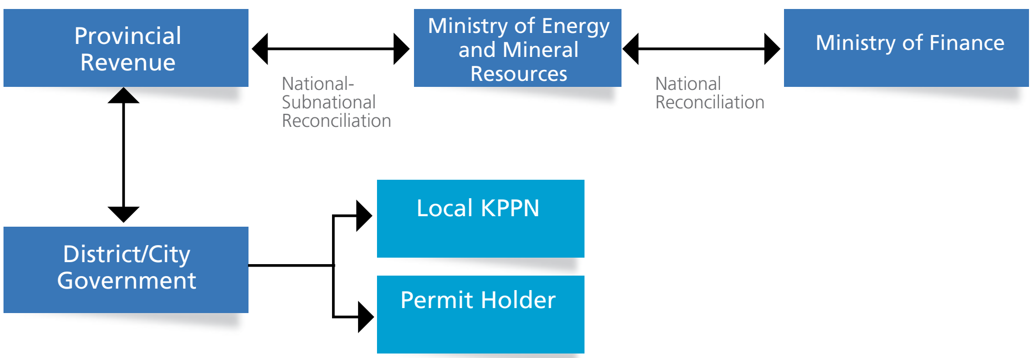
Figure 11 Flow Mechanisms for Depositing and Proposing Revenue Sharing



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

After oil and gas revenue sharing that will be disbursed to each province/regency/city has been calculated, the data set from the government (represented by BP Migas, the Ministry of Home Affairs, the DG Oil and Gas, the DG Budget and the DG Fiscal Balance) and that from the producing area are reconciled. This is in line with the mandate of Article 28 of GR No. 55/2005 stipulating that natural resource revenue sharing realisation is calculated quarterly through data reconciliation between the government and the producing areas. The reconciliation result is reported in the reconciliation notes which will be a basis for oil and gas revenue sharing disbursement to the treasury account of the province/regency/city that receives the oil and gas revenue sharing.

Figure 12 Flow of Reconciliation of Revenue Sharing Fund from Mining



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

Explanation about Oil and Gas Revenue Sharing in Appendix 6

Numbers resulted from the calculation of oil and gas non-tax state revenue to be shared by producing area in Appendix 6 are calculation realisation numbers for each area based on non-tax state revenue realisation for 2012 and 2013. Furthermore, numbers in the subnational treasury are the realisation of natural resource revenue sharing disbursement in 2012 and 2013, and thereby it is possible for differences to exist, called 'overdisbursement/ underdisbursement'.

The aforementioned differences are classified as follows:

- Overdisbursement in the previous years covered for underdisbursement in 2012 and 2013, including potential deduction from the disbursed amount due to overdisbursement of other types of revenue sharing in the previous year.
- The underdisbursed amount in the previous years was disbursed in 2012 and 2013.
- The fifth quarter realisation or the 2011 escrow account was disbursed in February 2012 and the fifth quarter realisation or the 2012 escrow account was disbursed in February 2013.
- Underdisbursed natural resource revenue sharing in 2012 and 2013 was disbursed in the next years.

Table 43 Revenue Sharing Allocation

in IDR Million

Year	Oil	Gas	General Mining	Total
Allocation	26,486,848	20,573,996	12,508,311	59,569,155
	15,530,937	13,799,052	11,636,719	40,966,708

Source: Data of the DG Fiscal Balance, 2012–2013

A recap on receiving provinces/regencies/cities is available in Appendices 6.1 and 6.2.

5.2.3 Producing Areas

Based on a meeting held by the implementing team, three provinces have been selected as samples for producing areas that reported their revenues from the extractive industry. They are East Kalimantan, East Java, and Riau.

This revenue is reported from the government's one side and thereby does not need to be reconciled:

Table 44 Producing Areas

in IDR MIllion

Revenue Source	East Kalimantan Province		East Java Province		Riau Province	
	2012	2013	2012	2013	2012	2013
Revenue Sharing from Oil	904,024	767,139	70,763	231,260	2,524,924	2,210,039
Revenue Sharing from Gas	3,069,422	2,245,642	41,001	27,318	380	698
Revenue Sharing from Oil and Gas	-	-	-	-	245,857	356,630
Revenue Sharing from Royalties	1,251,863	1,395,943	-	-	5,783	4,076
Revenue Sharing from Regular Fees	8,424	9,504	-	-	837	752
Property Taxes in the Mineral and Coal Sector	-	-	-	-	197	322
Property Taxes P3	407,813	475,969	-	-	-	-
Local revenue (PAD)	76,180	84,961	-	-	818,827	725,616
Revenue based on agreements	-	-	-	-	-	-
TOTAL	5,717,726	4,979,158	111,764	258,578	3,596,805	3,298,133

Source: Data of Provincial Revenue Departments, 2012–2013

A recap on each province's reporting shown in Table 44 can be seen in Appendix 8.

06 AUDIT AND ASSURANCE PROCEDURE

Production Facility - PetroChina

Reporting Companies

- Article 14 paragraph 2c of Presidential Regulation No. 26/2010 stipulates that report/ information provided by companies for the purpose of EITI reporting shall be based on the companies' financial statements audited by independent auditor.
- The information produced by companies in EITI report on signature bonus, production bonus, and corporate and dividend tax was presented using cash basis approach, and accrual approach for other information.
- Companies operating Indonesia have applied Indonesia Financial Accounting Standards (SAK) since 2009. SAK adopted International Financial Reporting Standard/IFRS, in which case financial statements of extractive companies were presented using accrual basis approach.
- Financial statements of companies in operating in Indonesia that fit one of the following categories must be audited by independent auditors:
  - (i) Managing total assets of above Rp25 billion – stipulated by Industry and Trade Minister Regulation
  - (i) Managing total assets of minimum Rp50 billion – stipulated by Limited Liability Company Act (Act Number 40 of 2007)
  - (i) Engaged in the banking, insurance, stock brokerage, fund management, and pension fund management sectors as well as listed companies or bonds issuing companies.
- Audit standard that prevailed in Indonesia was the Professional Standards of Public Accountants (SPAP) issued by the Indonesian Institute of Certified Public Accountants (IAPI). Independent auditors complied with the standards. SPAP has adhered to international auditing standard, Internasional Standards on Auditing (ISA) issued by The International Auditing and Assurance Standards Board (IAASB).

Government Agencies/Institutions

- Article 14 paragraph 2a and 2b in Presidential Regulation Number 26 of 2010 regarding data and information stipulated that: (2a) the Government, Oil and Gas Upstream Business Activities Regulatory Body shall refer to Central Government Financial Statements (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 followed cash basis approach to recognize revenues and expenditure, i.e. it matched the flow of revenues and expenditure for the year, and followed accrual basis to recognize assets, liabilities, and fund equities. This "Cash towards Accrual" approach complied with GR No. 24/2005 that referred to International Public Sector Accounting Standards (IPSAS) with due observance to Indonesian regulatory framework and conditions. This regulation was amended by 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 Indonesia Audit Board (BPK) examined financial statements of government agencies/institutions using State Finances Auditing Standards (SPKN), while BPKP applied Government of Indonesia's Internal Audit Standards (SAIPI). Both standards listed compliance with applicable laws and regulations as well as implementation of internal control in their audit scope. At the end of an audit, BPK would produce its opinion, while BPKP produced audit recommendations.
- SKK Migas and Government auditors (BPKP, BPK, and DG Tax) conducted annual audit on producing of KKKSs. Scope of audit entailed oil and gas lifting, cost recovery, and compliance with accounting policies as well as other policies relevant to KKKS, laws and regulations on cost recovery, and compliance with regulations on upstream operations.
- There were fairly significant differences on accounting basis used by KKKS, 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 were critical components under KKKS to determine the share of the government and KKKSs over FTP, oil and gas production, and taxable income of KKKSs.

Based on the above considerations, the conclusions are:

- The results of audit conducted by SKK Migas and government auditors over annual report of KKKSs were able to provide adequate assurance and determine the government's share over lifting as well as corporate and dividend tax.
- The results of audit conducted by BPKP as the government's internal auditor over financial statements of government's agencies were recommendations and not audit opinions.
- As the government's external auditor, BPK was responsible to assess the management and performance of responsibilities over the state's finances exercised by the central government, local government, other state institutions, Bank Indonesia, SOEs, Public Service Agencies, local SOEs, and other agencies that managed the state's finances. BPK, with regards to its responsibility, had the authority to determine audit subject matters, to plan and execute audit, to decide on the timeframe and audit method that complied with SPKN, and to compile and published audit report stating its opinion on the audited financial statements.
- In general oil and gas companies that were identified as samples in this EITI report (see Appendix B) were large and medium-scale companies that managed total assets of over Rp25 billion. These companies were well in the category that required their financial statements to be audited by independent auditor. This was seen as a positive aspect and was conducive to providing adequate assurance on financial information provided by extractive companies in their Reporting template submitted to EITI's Implementing Team and IA for reconciliation.
- In addition, large and medium-scale extractive companies have been audited by top local Public Accountant's Office (KAP) affiliated with international KAPs for the purpose of financial statements consolidation with their holding companies (the majority of which were international companies). These companies, subject to audit by independent auditors, in general have also implemented good corporate governance in their operations.

There were differences between audit standards applied by BPK, BPKP, 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)

Gas Gathering Station - Medco E&P

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 that the international standards, while varying in other aspects.

The data that we received from participating entities (private and government agencies) in Reporting Template and reconciled for EITI 2012 and 2013 were accompanied by senior management statement that asserted the adequacy and accuracy of information. Submitted to IA, the statement assured that the data were consistent with 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, for EITI report 2012-2013 the Implementing Team required all templates 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.

07 FINDINGS AND RECOMMENDATIONS

Pursuant to EITI International Standard Year 2013 point 5.3.f, IA requires to comment on the recommendation implementation made from the previous report.

The following table lists the recommendations made for EITI Indonesia Reconciliation Report for Oil and Gas Sector in 2010-2011.

Table 45 Recommendations from EITI Indonesia Reconciliation Report for Oil and Gas Sector in 2010-2011, and Recommendations Follow-up in Reporting Cycle 2012-2013

Name of Revenue Streams	Previous Report Recommendations	Follow-up in current report
Revenues in Currency		
Corporate income tax, including oil and gas dividend	Reporting format and guidelines should be designed and socialized appropriately to avoid errors in completing reporting format.	IA has conducted format design and socialization before reporting cycle, ensuring improved reporting quality.
Over/under lifting of oil/gas	To use volume base instead of currency	Analysis shows that this is at the moment impractical given that the payment is made in currency
DMO fees	To use volume base instead of currency	Analysis shows that this is at the moment impractical given that the payment is made in currency
Bonus	Payment should comply with regulation – 30 days after billing	KKKS has implemented the obligation according to provision
In kind revenues		
Volume information	• Need to understand how to complete reporting format • Completing guidelines • Need to add columns for LPG and LNG	IA has conducted format design and socialization before reporting cycle, ensuring improved reporting quality.
Others		
Relations between reconciliated oil and gas revenues of the state with DBH	To ensure full public transparency, reconciliation process needs to link revenues covered in the report with DBH	Several barriers to include this in IA Scoping Study are: 1. Components that deduct revenues (VAT on reimbursement, land & building tax, PDRD, and fee on upstream activities) that are not covered in reconciliation 2. Different currencies
Non-renewable natural resources and sustainable development	Future report needs to reveal DBH utilization, which is initially distributed to preserve and maintain non-renewable resources and to safeguard sutainable development	Based on Scoping Study and Term of Reference (TOR), this revenue stream is not included in the 2012-2013 EITI scope.

The following table lists the recommendations made for EITI Indonesia Reconciliation Report in 2010-2011 for mining sector.

Table 46 Recommendations from EITI Indonesia Reconciliation Report for Mining Sector in 2010-2011, and Recommendations Follow-up in Reporting Cycle 2012-2013

Name of Revenue Streams	Previous Report Recommendations	Follow-up in current report
Royalty & PHT	• Emphasize to mining companies that proof of payment must include clear and accurate information, especially on the detail of Coal Production Contribution (DHPB) into royalty and PHT to avoid error in payment distribution to producing regions from government agencies. • Reporting format must be completed with completion guidelines detailing types of payment that need to be reported. • Reporting format needs to be disseminated beforehand to ensure that information on payment of current year, payment on previous year, or penalty/find uses cash basis approach	IA has conducted format design and socialization before reporting cycle, ensuring improved reporting quality
Corporate Income Tax	• Reporting format must be completed with completion guidelines detailing types of payment that need to be reported, complemented with the instruction to fill the information in single currency, either IDR or USD, following the currency that the company uses in its accounting. • Differences due to error in identifying payment of periodic Corporate Income Tax as royalty should be followed up with reporting entities.	IA has conducted format design and socialization before reporting cycle, ensuring improved reporting quality
Civil society members	• Other than the involvement of reconciliator and EITI secretariat, representatives of civil society also need to be present in the process of technical clarification with reporting entities (government, companies) and relevant agencies • Verification process regarding the follow up and EITI reconciliation settlement needs to be explained transparently. Updates should be provided to Implementing Team with support from EITI secretariat.	Carried out in workshops/ socialization session with technical team, discussion, and Focused Group Discussion (FGD)

II. Findings and Recommendations on current EITI report (2012 – 2013)

EITI Standard point 5.3.f also requires IA to make recommendations for the EITI's current activities including auditing practices recommendation in order to improve future reports, and for strengthening the reporting process in the future, and it is also a part to bring them into line with EITI's International Standard.

This section contains recommendations that outline some input and feedback to improve EITI implementation in Indonesia as well as suggestions to improve EITI future reports. The recommendations are expected to be utilized by Steering Committee, Implementing Team, and IA in order to formulate EITI report that can become reference and source of public discussion. EITI report should be able to help the Indonesian public to understand the country's extractive industry, which will eventually lead to better extractive industry governance.

1. Some information is not publicly available

Background Statement

EITI standard requires and encourages public accessibility of information of extractive industry maintain by government agencies. The standard requires EITI implementing countries to publish cadastral information on: i. license holder(s); ii. coordinates of the license area; iii. date of application, date of award and duration of the license; and iv. in the case of production licenses, the commodity being produced. The standard also requires disclosure of bid applicants and recommends disclosure registery of beneficial ownership, as well as registery of contracts and licenses[6].

Observation

Upstream oil and gas

- Informasi on coordinates[7] are only provided in Inameta, a paid application.
- DG Oil and Gas has not been able to disclose list of bid applicants
- EITI Report 2012-2013 discloses names of direct participating interest, however it is not yet discerned whether the ownership also translates into beneficial ownership
- General provisions in contracts are publicly accessible. DG Oil and Gas argues that contract is confidential as it is a legal agreement between two parties. For full access to the contracts, the public can submit formal request for disclosure, a mechanism pursuant to Public Information Disclosure Act (Law No. 14/2008).

Mining sector

- Cadastral information is accessible by the Central Government (KPK, relevant ministries/institutions) and subnational government that hold username and password ranted through formal request mechanism. The public can access this information through DG Minerals and Coal office by printing the mining business area per regency or by printing specific mining business area if interested party holds mining permit decision letter and concession coordinates.
- DG Minerals and Coal did not hold bidding process in 2012-2013
- EITI Report 2012-2013 report names mining concessions' direct owners, however it is not yet discerned whether the ownership also translates into beneficial ownership.
- General provisions in contracts are publicly accessible. For full access to the contracts, the public can submit formal request for disclosure, a mechanism pursuant to Law No. 14/2008.

6 EITI Standard defines that disclosure of provisions under contracts is the disclosure of the full text of contracts/licenses, full text of annex or addendum, and full text of contract amendment.

7 "Inameta Platinum" is a paid system that provides coordinates and historical background of operational areas. See section 3.5.

Implication

Some materials that can be utilized as source of public discourse is limited.

Recommendations

- Promote transparency of key information as put forward in EITI standard through study, multi stake holder agreement, of regulatory amendment.
- List of beneficial ownership is understandably difficult to acquire and compile given that corporate ownership is commonly set in complex layers. As a start, this report recommends that the Implementing Team defines "benefit owner" so that this information can be accommodated in future reporting format.

Production Facility - Total Indonesie

2. Extracting Data and Information Can be Difficult and Slow

Background Statement

As explained, the purpose to develop EITI report is to provide reference for the public and shaping better understanding on reconciliation process. EITI report also seeks to provide a basis for public discourse concerning the improvement of Indonesian extractive governance. To this purpose, it is pivotal that the public obtains information and clarification from parties that are directly involved in the extractive governance.

Observation

The team frequently faces difficulty in obtaining data and confirmation due to, among others:

- Red tape challenge that hinders the process of gathering data and information
- Data on mining license issued by subnational government (governors, Regents/mayors)
- Data and information presentation from reporting entities inconsistent with reporting format

Implication

The progress of EITI Report 2012-2013 development was not as expected; there was not enough time to perform analysis and some of information may need further explanations.

Recommendations

- Implementing Team is expected to be more involved and to take more active role in providing data and information as well as to give comprehensive explanation and confirm elements in EITI report.
- Optimize monitoring and evaluation process by involving the Ministry of Home Affairs and other agencies that undertake similar tasks, e.g. the KPK's coordination-supervision over mining sector.
- Reporting format and form should already be agreed when finalizing Scoping Study.

3. Submission from Reporting Companies

Background Statement

Company report is voluntary and binding sanction is not in place for entities that fail to report.

Observation

- Total reporting companies that submit report is 252 companies out of 282 targeted companies, or account for 89%. In oil and gas sector, 164 companies submit their reports out of 174 targeted companies, or 94% - consisting of 72 operators (100%) and 92 partner companies (90%). Meanwhile, in mining sector, out of the targeted 108 companies, only 87 companies submit their reports or 81%. They consist of 5 Mineral CoW Holders (83%), 16 Mineral IUP holders (64%), 33 Coal CCoW holders (94%, and 33 Coal IUP holders (79%).
- The above percentage between oil and gas companies and mining companies is uncomparable, especially considering that there are around 11,000 mining IUPs and taking into account the following conditions:
  1. The authority to manage oil and gas sector lies with the Central Government, while the authority of mining sector has been decentralized to subnational government pursuant to Law No. 32/2004 on Subnational Government (now Law No. 23/2014 on Subnational Government). Therefore, the Central Government exerts very limited control on mining licenses issued by subnational government. Further, there are no penalties for companies which have been granted IUP from local government yet failed to report to the Minister of Energy and Mineral Resources c.q DG Minerals and Coal.
  2. The scope of extracted commodities in the mining sector is vast – e.g. coal (coal and asphalt), metallic mineral (gold, silver, copper, tin, bauxite, nickel, lead, managanese, zinc, iron, etc.), non-metal (loam, diamond, quartz sand, sulfur, talc, mica, gypsum, limestone for cement, zeolite, etc.), and rocks (andesite, volcanic rock, sandstone, overburden, sand, holystone, chalcedony, etc.)
  3. Coal and metallic mineral extractive activities are generally in large-scale operations; nonmetal activities are medium to large-scale operations, while the extraction of rocks is in small-scale operations. However, there are small-scale operations run by smallholders under People's Mining License (Izin Pertambangan Rakyat/ IPR), with each concession cover 0.1 to 10 hectare that can exploit all types of extracted commodities.

Implication

Report content is not as expected due to missing reports

Recommendations

Advocate for the formulation of technical legal instrument that stipulates reporting obligation of mining companies to subnational government, and subnational government to the central government.

4. Tax Disclosure

Background Statement

Tax disclosure provided by DG Tax takes a lengthy process. Art. 34 General Provisions and Tax Procedures (Ketentuan Umum dan Tata Cara PerpajakanKUP) Act prohibits the disclosure of taxpayers identities, unless companies attach Letter of Authorization (LoA) signed by an authorized official as registered in their company deeds.

Observation

- LoA and company deed requirements are the main barriers in reconciliation process. Companies hesitate to provide these documents. Without any formal consequences, companies have room to refuse producing LoA and company deed.
- DG Tax provides annual tax data instead of monthly data, while companies provide IA monthly tax data. This causes IA to experience difficulty in analysing the bulk of annual data.

Implication

- Reconciliation process took longer than expected.
- Companies fail to provide comfirmation due to limited timeframe.

Recommendations

For smoother reconciliation process, Chair of Steering Committee or Chair of Implementing Team should submit request to the Minister of Finance to provide written approval for the DG Tax to disclose Corporate Income Tax taxpayers' data.

5. Scoping Study

Background Statement

Materiality threshhold on discrepencies that require further inquiry is not yet defined

Observation

- Scoping Study has not defined materiality threshold on discrepancy that can be exempted from reconciliation
- Materiality threshold is needed to ensure better reconciliation process and so that inquiry on discrepencies can be prioritized

Implication

IA must inquire all identified discrepencies (regardless of the amount). Considering the timeframe, in consequence there may be major number of discrepencies that have not been verified.

Recommendations

- Future Scoping Study needs to define materiality threshold for discrepencies, e.g. 5%, which follows the threshold of financial statements disclosure required by the Financial Services Authority.
- Scoping Study needs to delineate the level of data segregation and comprehensiveness that EITI report requires.

6. Gas Unit Presented in Reporting Format

Background Statement

Differences in identifying gas volume.

Observation

- Natural gas at production phase is recorded using mscf unit and mbtu when traded as commodity
- Conversion of unit from mbtu to mscf leads to inconsistent results depending on the gas composition
- Companies use real conversion, while the government uses average conversion
- Differences of LPG rate conversion between companies and the government

Implication

Inconsistencies during reconciliation due to mixed results of conversion

Recommendation

- Reporting format should applies both mbtu and mscf
- Reporting format should also require data on conversion rate both for mbtu to mscf and ton to mscf conversion (for LPG)

7. Accounting Errors in Mining Sector

Background Statement

DBH distribution for mining sector consists of royalty and landrent. PNBP streams from mining sector consist of landrent, royalty, and sales revenue share. Revenues allocated to DBH are landrent and royalty. Definition of each revenue stream is as follows:

- Land rent is the payment that the government receives as compensation for allowing activities of general assessment, exploration, and exploitation to take place in a working area. Account code for land rent is 421311.
- Royalty is production fee paid by mining concession owners over commodities extracted from exploitation activities. Account code for royalty is 421312.
- Sales revenue share/PHT is Coal Production Contribution (13.5%) less Royalty. This type of revenue stream is only imposed on contractors of PKP2PB and is not calculated in DBH. Account code for PHT is 421313.

Observation

- Accounting errors still occur in the General Accounting System (Sistem Akuntansi Umum/SAU) of the Ministry of Finance given that taxpayers – IUP holders, CoW holders, and CCoW fail to make correct PNBP payment, e.g.:

1. Companies pay PNBP from mining sector using bank deposit slip that is no longer applicable and cause error input by bank tellers.
2. Companies neglect to write account code on deposit slip and cause bank tellers to wrongly input PNBP account data that will be captured by SAU.
3. Companies' error in writing royalty account code as landrent or PHT codes, or vice versa, causing errors in SAU.

- Account correction in SAU for the errors has been performed

Implications

- PNBP accounting system incompatibility between MoF's SAU and DG Minerals and Coal's Agency Accounting System (Sistem Akuntansi Instansi/SAI). SAU applies system-based accounting, while SAI uses payment slips submitted to DG Minerals and Coal by companies or subnational government (Revenue & Energy Office and Revenue Office). Given the incompatibility, DBH cannot be immediately distributed due to irreconcilable accounting and recognition in SAU and SAI.
- Account correction and reconciliation with the MoF takes more time and procedure, which causes delay in DBH distribution from the central government to subnational government.

Recommendations

- Educating companies and subnational government on PNBP payment
- To create integrated payment and reporting system to eliminate SAU-SAI differences.

Notes:

Implementing Team needs to further discuss all recommendation items in EITI Report. The team also needs to monitor follow-up actions of the recommendations.

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INDONESIA EITI REPORT 2012-2013
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