



KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN
REPUBLIK INDONESIA

TERMS OF REFERENCE (TOR)

*INDEPENDENT ADMINISTRATOR (IA)
FOR PRODUCE REPORT OF EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE INDONESIA
CALENDER YEAR 2015*

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)
INDONESIA
2017

TERMS OF REFERENCE (TOR)

FOR INDEPENDENT ADMINISTRATOR (IA)

1. Background

The Extractive Industries Transparency Initiative (EITI) is a globally developed standard to that promotes transparency and accountability of extractive industry sector activities (petroleum, natural gas, minerals and coal). This standard aims to create conditions of transparency and accountability that are a manifestation of good governance practice.

The initiative has a robust yet flexible methodology for disclosing and reconciling company payments and government revenues in the EITI implementing countries.

EITI implementation has two core components:

- **Transparency:** their payments to the government, and the government opens the receipts' information. The figures are reconciled by an Independent Administrator, and published in annual Transparency Reports alongside other contextual information about the extractive industry 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 the EITI implementing countries.

The EITI standard encourages multi-stakeholder groups to explore innovative approaches in order to extend the implementation of EITI; encouraging EITI reports to be more extensive and complete; encouraging public understanding of extractive sector revenue; and promotes high standards of transparency and accountability in the public eye, in government operations, as well as in the business world.

One of the EITI requirements is that a multi-stakeholder group (MSG) approves the Terms of Reference-TOR for the Independent Administrator (Requirement 1.4 EITI Standard), drawing on objectives and agreed scope of the EITI as set out in the workplan.

EITI requires that the Independent Administrator must be a credible, trustworthy, and technically competent public consultant (Requirement 4.9 of the EITI Standard). MSG and Independent Administrator should address any concerns regarding conflicts of interest. The EITI report prepared by Independent Administrator will be submitted to the Implementing Team for approval and made publically available.

EITI implementing countries follow the procedures and requirements set forth in the EITI Standards.

EITI Implementation in Indonesia

Indonesia was ratified as the EITI candidate country in October 2010. Since becoming a member of EITI International, Indonesia has published 4 EITI Indonesia reports, the first report of the calendar year 2009, the second report of the calendar year 2010-2011, the third calendar year 2012-2013, and the fourth report calendar year 2014. This fourth report of EITI Indonesia officially submitted to the EITI International Council in Oslo, Norway and published on the EITI Indonesia website: www.eiti.ekon.go.id on February 28, 2017.

EITI in Indonesia is implemented based on Presidential Regulation No. 26/2010 on Transparency of State Revenue and Regional Income derived from Extractive Industries. The provisions of Article 3

paragraph (1) of Presidential Regulation 26/2010 states that extractive industry transparency is implemented by a Transparency Team consisting of a Steering Committee and an Implementation Team consisting of representatives of government; representatives of oil & gas and mining companies; representatives of local governments; as well as representatives of civil society (MSG).

2. Objectives of the assignment

On behalf of the Government of Indonesia and the Transparency Implementation Team, the Coordinating Ministry for Economic Affairs seeks a competent and credible firm, free from conflicts of interest, to provide Independent Administrator services in accordance with the EITI Standard. The objective of the assignment is to produce an EITI Report for calendar year 2015 (the 5th EITI Report) in accordance with the EITI International Standard (2016 EITI Standard).

3. Name and Organization of the Official in Charge of Making Commitments

The Official in Charge of Making Commitments (Pejabat pembuat Komitmen – PPK) of EITI Indonesia activities is Agus Haryanto, Head of Extractive Industries of Mineral, Keasdepan Extractive Industries, the Deputyship of Energy and Mineral Resources in the Coordinating Ministry for Economic Affairs.

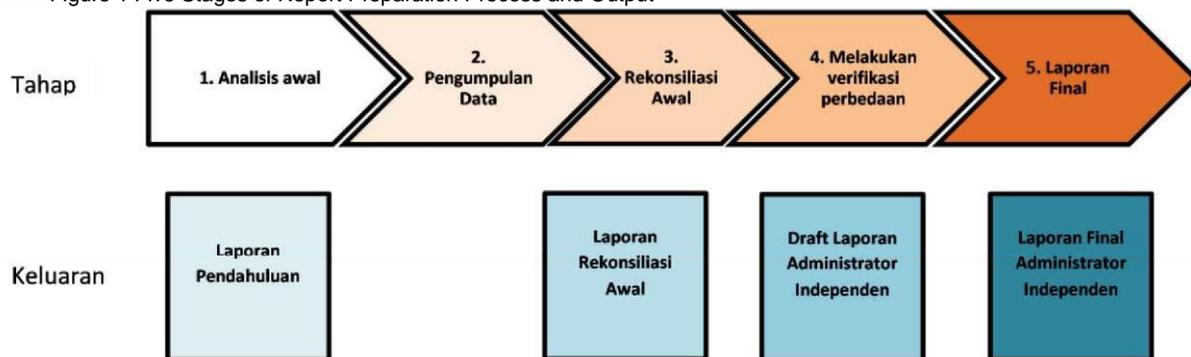
4. Scope of services, tasks and expected deliverables

The Implementing Team provides that the scope of the 2015 EITI Report includes a) Contextual Information on extractive industry governance and b) Reconciliation of state revenues from extractive industries.

The work of the Independent Administrator (IA) has five phases shown in Figure 1.

Every phase and activity of the meeting which is attended by Independent Administrator, IA Party is obliged to make recordings and minutes of the meeting result and deliver the result to the Secretariat of EITI Indonesia.

Figure 1 Five Stages of Report Preparation Process and Output



This EITI Standard can be downloaded at the following link <http://eiti.ekon.go.id/the-eitistandard/>

4.1. Phase 1 – Preliminary analysis and Inception Report

- a. The Inception Report includes relevant basic information on the governance of extractive industries in Indonesia, including the results of the EITI Indonesia 2015 Scope Report study, which has been defined in the previous report of EITI Indonesia prepared by the Secretariat of EITI Indonesia.

List of documents and relevant information can be seen in the "Study Results Scope of EITI Report of 2015".

- b. The Independent Administrator prepares **procedures and analysis of contextual information as well as other non-revenue information for the Inception Report**. Procedures must be approved by the Implementing Team. The procedure should ensure that the information is clearly sourced and attributed. Such information as well as the specific duties which will be performed by the Independent Administrator are included in Appendix "Study Results Scope of EITI Report of 2015".
- c. Independent Administrators need to review "Study Results of Scope of EITI Report 2015" as approved by the Implementing Team taking into account the following points:
 - i. Identify all payment and revenue that will be included in the EITI Indonesia report in accordance with requirements for the EITI implementing countries point 4 along with the corporate and government entities required to report as approved by the Implementing Team.
 - ii. Assisting the Implementing Team in understanding audit procedures for government entities and participating companies in reporting. Includes explaining the applicable laws and regulations, and the reforms that are planned or being undertaken by the government. The report should also discuss the findings of previous EITI Reports that MSG should follow up as improvements to extractive industry governance.
 - iii. Identify and list related authorized government agencies over the data and information required for the data collection and reconciliation process.
 - iv. Identify any barriers to full government disclosure of total revenues received from each of the benefits streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds.
 - v. Review and provide advice regarding the Scoping Study result report form to MSG regarding the revenue stream and the reporting entity. IA may revise and amend the reporting form through the approval of the Implementing Team.
 - vi. Declare the position of the Implementing Team regarding disclosure and payments reconciliation to and from the SOE companies.
 - vii. Declare the position of the Implementing Team regarding materiality related to the deposit from the company to the local government.
 - viii. Declare the position of the Implementing Team regarding materiality related to transfers to local governments.
- d. In this regard, IA is required to create an Inception Report which contains information such as:
 - i. Clear definitions of materiality, acceptance thresholds and revenue streams to be incorporated into reports as agreed upon by MSG. (Requirement 4.1).
 - ii. The proceeds from the sale of the production of the government part, the volume and value of sales of oil, gas, mineral and coal (in kind) which has been agreed by the Implementing Team. (Requirement 4.2).
 - iii. Provisions related to infrastructure and exchange agreements of goods or services by exploration and production of oil, gas and mining products. (Requirement 4.3)
 - iv. Transport revenue from the transportation of oil, gas and mining products that have significant or material value. (Requirement 4.4)
 - v. Roles and transactions related to state-owned enterprises (SOEs) including business relationships of oil, gas and other mining companies operating in Indonesia with SOE, and transfers from/to other SOEs. (Requirement 4.5)

- vi. Direct payments by companies to local governments, e.g. local taxes regulated in local regulations. (Requirement 4.6)
- vii. Level of data disaggregation. The published EITI report is expected to include information up to the smallest or detailed units so as to produce a thorough analysis of the extractive sector. (Requirement 4.7)
- viii. Quality and validity of data. The published EITI report should refer to international audit standards from data collection, reconciliation and presentation of data in reports. (Requirement 4.9)

4.2. Phase 2 – Data Collection

- a. The Independent Administrator is assigned by the Implementing Team to distribute the reporting templates after the form has been finalized by the Implementation Team (see item 1.5); collect the completed forms and associated supporting documentation, as well as any other contextual or other information requested to be collected by the International EITI Standards. The collection is conducted directly from the Reporting Entity. The Government will provide contact details for the reporting entities to ensure that all reporting entities participate fully.
- b. 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, when required, will assist with template distribution and data collection.
- c. The Independent Administrator is tasked with preparing a form-filling guide for the Reporting Entity, including data requests and additional information required.
- d. The Independent Administrator is authorized by the Coordinating Ministry for Economic Affairs to contact the reporting entities directly to obtain clarity on information gaps or discrepancies.
- e. Independent Administrator in consultation with the Implementing Team shall prepare contingency plans to anticipate reporting entities that are unable or unwilling to complete or return the reporting form in a timely manner.
- f. Independent Administrators must assess and apply international professional standards in carrying out the procedures to provide a sufficient basis for the preparation of comprehensive and reliable reports.

4.3. Phase 3 – Initial reconciliation and Initial Reconciliation Report

- a. The Independent Administrator shall prepare a database, may be a spreadsheet, containing the data and information provided by the Reporting Entities.
- b. The Independent Administrator undertakes a thorough reconciliation of the information disclosed by the Reporting Entity, identifying any discrepancies (including offset differences in accordance with the agreed scope).
- c. The Independent Administrator prepares an Initial Reconciliation Report based on data and information from the Reporting Entity pursuant to point b above for discussion by the Implementing Team.
- d. The Independent Administrator shall identify any difference above the margin of error against a certain percentage of total revenue, as agreed by the Implementing Team. Total revenue is the total amount of extractive industry revenues reported to EITI Indonesia by either the industry reporters or government agencies.

- e. If there are other data collected by the Independent Administrator or given to the Independent Administrator by the government or Reporting Entities, the Independent Administrator will compile the data and prepare an initial report in a clear and understandable format by the Implementing Team.

4.4. Phase 4 - Verify the differences and draft of the Independent Administrator Report

- a. The Independent Administrator is mandated to contact the Reporting Entities in an attempt to seek clarity on the difference or discrepancies that arise in the reported data.
- b. The Independent Administrator shall prepare a Third Stage Report which thoroughly contains the reconciliation of data and information of the Reporting Entities, identifies any discrepancies, and reports on contextual information and other matters as determined by the Implementing Team.
- c. The draft of Independent Administrator Report shall include the following:
 - i. A description of the methodology adopted in reconciling corporate deposits with government revenues, and an explanation of the application of international professional standards.
 - ii. Description of each revenue stream, related materiality definition and threshold (Requirement 4.1).
 - iii. An assessment of the extent and completeness of the data presented, including an informative summary of the work performed by the Independent Administrator along with the limitations of the assessment provided.
 - iv. The scope of reconciliation activities is based on government data on total revenue.
 - v. Assessment of whether all companies and government agencies included in the scope have provided the requested data and information. Any discrepancies in the delivery of information to the Independent Administrator should be written down in the report, including names of entities that failed comply with the agreed procedures, and an assessment of whether such conditions will have a material impact on the extent of the completeness of the report.
 - vi. Documentation of the Reporting Entities is one that has audited 2015 financial statements. If the audited financial statements of the reporting entity have been published, it should be submitted on how to access the audit report.
- d. If previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures. The Independent Administrator should make recommendations for strengthening the reporting process in the future.
- e. 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 in the future.

4.5. Phase 5 – Final Report

- a. The Independent Administrator shall revise the recommendations of the Implementing Team on the draft report.
- b. The report should be written in two languages, Indonesian and English. If there is any difference, then the reference version is a report in the Indonesian language.
- c. The Independent Administrators must create electronic data files that can be published together with the Final Report. The Independent Administrators must submit files that can be processed by machine readable and/or reportable code and data files that can be processed in computer machine (using Excel format (.xlsx) and CSV format (Comma Separated Value),

and according to the format of the data portal extractive managed by the EITI Secretariat and the template format determined by the International EITI Secretariat.

- d. The report is considered complete when it has been approved by the Implementing Team.
- e. If another party wishes to provide a response or opinion to the report, then the source should be clearly written.
- f. After the Implementing Team approves the Final Report, the Independent Administrator is required to submit electronic report summary data to the International EITI Secretariat based on the standard reporting format provided by the International EITI Secretariat

Materials/Equipment/Personnel from PPK

To carry out the assignment, the materials / equipment / personnel to be provided by EITI Indonesia's PPK include:

- a. Administrative support and payment verification;
- b. Scoping study result that has been approved by the Implementing Team, which will also include draft reporting templates that should be verified and revised if necessary, and then distributed according to number 4.2 above.

5. Qualifications for the Independent Administrator

The reconciliation of company payments and government receipts must be undertaken by the Independent Administrator applying international professional standards (Requirement 4.9). EITI requires the Implementing to appoint the Independent Administrator who is credible, trustworthy and has technical competence.

The Independent Administrator must have the following qualifications:

- Expertise in accounting, auditing and financial analysis and experience in the oil, gas and mining sectors in Indonesia, within the last three years.
- 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.
- Broad knowledge of extractive industry governance in Indonesia and internationally, current issues and challenges facing extractive industries, openness demands, governance improvements and extractive industries' contribution to the welfare of the people.

Bidders must follow 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. This should be stated in the proposal, including a statement of how the conflict of interest can be overcome, and if so, how it can be anticipated.

Estimated qualification and minimum number of experts required, as follows:

- Two (2) Partners (one person as the main partner), with a minimum of an undergraduate education; and at least 15 years working experience in the accounting, auditing, and/or financial analysis, and at least one Partner is experienced in extractive industry governance;
- Two (2) Managers, with a minimum of an undergraduate education; at least 10 years working experience in accounting/auditing/financial analysis, and development economics especially in extractive industry governance;

- Three (3) Senior Staffs, with a minimum undergraduate education, and 7 years working experience in accounting/audit/financial analysis, and development economics especially extractive industry governance;
- Three (3) Staffs, with minimum undergraduate education, and 4 years working experience in accounting/auditing/financial analysis, and development economics especially extractive industries.

6. Reporting Requirements and Time Schedule for Deliverables

6.1. Inception Report

The Introduction report contains the following information:

- a. Contextual information on governance arrangements and tax and levy policies in the oil and gas sector as well as mineral and coal mining, with reference to the study results of the Indonesian EITI Report Scope of the Year 2015;
- b. Review of the conclusions and recommendations of the EITI Indonesia 2014 Report;
- c. The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).
- d. The sale of the state's share of production or other revenues collected in-kind in accordance with Requirement 4.1(c).
- e. The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1(d).
- f. The coverage of social expenditure in accordance with Requirement 4.1(e).
- g. The coverage of transportation revenues in accordance with Requirement 4.1(f).
- h. The level of the detail of the EITI Report in accordance with Requirement 5.2(e).
- i. List of the companies that make material payments (significant) to the state and which is designated as the Reporting Entities, 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);
- j. List of the government entities that receive and/or record material payments and which is designated as the Reporting Entities 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 revenue streams from extractive companies;
- k. 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)).
- l. The Implementing Team's position on disclosure and reconciliation of payments to and from state owned enterprises (SOE) in accordance with Requirement 4.2(c).
- m. The Implementing Team's position of the materiality and inclusion of sub-national payments in accordance with Requirement 4.2(d).
- n. The Implementing Team's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e).
- o. Reporting templates based on the agreed benefit streams, to distribute.
- p. Provisions relating to safeguarding of confidential information
- q. Other unresolved or possible obstacles in the effective implementation of transparency, and possible solutions to such barriers.

6.2. Data Collection and Initial Reconciliation Report

The Data Collection and Initial Reconciliation Report comprises the following:

- a. Data Collection Report
 - i. Description of method of data collection used to ensure the integrity of information;

- ii. 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;
- iii. 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
- iv. Statement signed and stamped by the company; and a statement sheet from the company's external auditor, if any;
- v. 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 decline to report;

b. Initial Reconciliation Report

- i. Tables that consist of recapitulations of figures reported by all reporting entities, in Excel format;
- ii. Tables including, but not limited to:
 - Tables that consist of figures for each revenue 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 if any, the short explanation 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 4.3.a to 4.3.e above for each SOE
 - Relevant tables according to: (a) Requirement 4.1(c) of the sale of the state's share of production or other revenue collected in-kind; (b) Requirements 4.1(e) on social expenditures (including CSR funds); (c) Requirement 4.2(c) of SOE; and (d) Requirements 4.2(d) of deposits to regions;
 - 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 of local revenues paid by companies to entities at the local level including Local Government.
 - All information relating to oil and gas, mining and coal industry governance as required by EITI Standard 2016, additional information identified in the Study Results of the Scope of the EITI Report of 2015 and other information set out in the meeting of the Implementation Team.

6.3. Independent Administrator's Draft Report

The draft report, as point out in 4.4.c above, should include the following:

- a. Describe the methodology adopted for the reconciliation of company payments and government revenues, and explanation about 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. The scope of reconciliation activities is based on government data on total revenue as per Requirement 4.2(b).
- 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. Documentation of the reporting companies and government entities is one that has audited 2015 financial statements. If the audited financial statements have been published, This Report should include information on how to access the audit report (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 to the International EITI Board to strengthen the template Terms of Reference for Independent Administrator services in accordance with the EITI Standard.
- i. Result of analysis and descriptive explanation of all contextual information as required in EITI Standard 2016, Scope of EITI Indonesia 2015 Report and decision of Implementation Team Meeting

6.4. Final Independent Administrator's Report

The final report should:

- a. Include revisions of the draft as recommended by the Implementing Team;
- b. Be approved by the Implementing Team;
- c. Make an easy-to-read executive summary
- 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 and 25 (twenty-five) sets of hard copy of Complete Report, consisting of 20 (twenty) sets of complete report books in Indonesian language version, 5 (five) sets of complete report book in English version, and 150 (one hundred and fifty) hardcopy books of executive summary, consisting of 120 executive summary books in Indonesian language version and 30 executive summary books in English version.
- f. The final report file consists of two formats: Word (.docx) and PDF (.pdf). Particularly for parts that contain data, files are created in machine-readable formats such as (Excel format (.xlsx) and CSV (.csv); and files are also created in a format that is ready to print (In-design).
- g. Collecting reconciliation report data and creating reconciliation report data in compliance with extractive industry portal template data format, and International EITI Standard template.
- h. Contains data summaries based on the standard reporting format provided by the International Secretariat (Requirement 5.3 (b)). A summary of this data will be sent electronically to the International Secretariat;
- i. 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.
- j. Other things such as Layout format, paper size, paper type, font size, margin, image etc. in the report book must be approved by the EITI Secretariat of Indonesia.

6.5. Reporting completion and time schedule for deliverables

This assignment is expected to last for 4 (four) months beginning in August 2017, and ends after the finalization is expected until December 2017.