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PROGRESSIVE UPDATE ON THE NEC DECISION 91/2017 ON DIRECTIVES [ACTION ITEMS] GIVEN TO SPECIFIC AGENCIES TO IMPLEMENT FOR THE PURPOSES OF EITI REPORTING -FY 2019 EITI REPORT

Date: 22nd September 2020
Venue: Department of Finance Meeting Room
Start Time: 2pm – 3:00pm

Attendees: DoF [Mai Kuraya, Mathew Konzel, Charles Ikitai & Filbert Wohuengu],
and the PNGEITI National Secretariat Team [Oliver Maingu, & Sarita Peai]

Scribe: Sarita Peai

Chairing: Oliver Maingu, Stakeholder Engagement Officer – PNGEITI NS

Minutes

Discussion items:

Mr. Oliver Maingu formally opened the meeting with the opening remarks and the main agenda for discussions then followed suit.

i. Department of Finance [DoF] Updates

DoF contribution to EITI Reporting is specifically on trust accounts as per NEC Decision No. 91/2017, which directed DoF to report on monies received from mining and petroleum projects that are held in trust accounts. This is also inclusive of future generation trust and set up database to effectively monitor the trust accounts in accordance with Section 15 of the *Public Finance Management Act 1995*. NEC also directed DoF to ensure payments are improved and modernised to electronic systems to avoid fraud, corruption and human error.

The main discussion was basically to get an update on the implementation of the NEC directives and mitigation strategies on how to overcome challenges/issues encountered during the implementation of these directives.

Some of the trust accounts have been reviewed especially the petroleum trust accounts.

In terms of keeping transactions electronically for payments, DoF has been running cheques on Integrated Financial Management System [IFMS]. For entities that are not on IFMS the payments are made in Cheques. Nevertheless, in terms of the receipting part of it, that is where Department of Petroleum & Energy [DPE] comes in and [they are lagging] they receive receipts however they do not upload the receipts into IFMS.

DPE is on IFMS but does not have access to the receipting module where the receipts [royalty payments and development levies from developers] can be uploaded onto IFMS]. Mismatch of figures occur when reconciliation is made due to the aforementioned purpose. DoF only make payments whilst DPE receipts on their end or DoF/Government is only the transition point.

For the payments coming in from the developer, for LNG is electronically from US to Singapore to BPNG. DoF is not sure whether DPE has been receiving documents of the payments made. DoF only see the amount of money sitting in the trust account and when request comes for payment, DoF just facilitate. Bank of PNG system has to be linked to the DPE database to track the flow of receipts and payments and other related data for the purposes of EITI. DoF has also some internal issues, which hinders the progress of this action item.

IFMS forms have been given to DPE officer/s to fill in order for IFMS administration to give them access to specific workplaces/revenue/receipting model package to upload the receipts DPE receives. Once DPE is given access to this particular workplace, then they can upload the receipts as and when received on their end. They can also run their reconciliation on their end or DoF can also run the reconciliation on its end, either way can be possible.

At the moment, DoF does the reconciliation basing on the extracted bank statements. The other thing is the trust instruments for all the trust accounts for petroleum are under DPE. Hence, DPE is responsible to keep records. DoF is only doing the payments, and DPE should not rely on DoF to do the bank reconciliations. DoF had stopped doing bank reconciliation in 2012 when this function was transferred to DPE.

DoF process only the cheques/run the payment from DPE's grants. DPE makes all the payouts. Therefore, DPE must have these records in file, which is lacking from their end.

DoF also made mentioned that they cannot speak on the mining trust account and the mining future generation funds because those accounts are under the Department of Treasury [DoT]. They referred us to the Extractive Industry Branch, Sectoral Policy Division of DoT to get this information. DoF is not also involved in mining MOA/MOU, hence they have no say with regards to Mining Trust Accounts. The parties to these MOA's/MOU's have been between the State Solicitor's Office, DoT and the landowners. DoF has been somehow left out of this and has no direct oversight on this. There is a high need for clarity to be provided by DoT in this area. DoF only knows information on petroleum projects trust accounts because they work together. Mining royalty payments do not go through DoF.

Resolution:

- ***PNGEITI Team to meet with DoT [extractive branch] to get clarity concerning Mining Trust Accounts & Future Generation Funds.***

- *Petroleum Trust Account information should be with DPE as they make payments to landowners/royalty payments and receive receipts from the developers, DoF only facilitates the transaction process.*

With no other businesses for discussion, Mr. Maingu thanked the DoF team for their participation and the meeting was closed at 3:00pm.



Stakeholder Engagement Officer
Mr. Oliver Maingu
Chairperson