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Validation File Note: 1/2020

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Meeting: Meeting with PNGEITI Technical Working Group on the 2018 PNGEITI Report and 2020 Validation Exercise

Purpose: The PNGEITI National Secretariat, under the oversight of the PNGEITI MSG has called for a follow-up meeting for the TWG to convene and review; firstly, follow-up on some of the issues identified in the 2018 PNGEITI report that needed further clarity from the reporting entities; secondly, review progress of some of the action items (1st validation outcome) which the 2018 report tries to address; and thirdly, plan how these items will be addressed in the lead up to the second validation in 2020.

Venue : Dixie's Bungalow, 17 Mile – Central Province.

Time : 09:00am to 04:30am

Attendees:

National Secretariat

- Mr. Lucas Alkan, Head of National Secretariat
- Mr. Christopher Tabel, Deputy Head of National Secretariat
- Mr. Swartz Buf, Research & Data Analysis Officer
- Mr. Oliver Maingu, Stakeholder Engagement & Outreach Coordinator
- Ms. Sonia Kenu-Becks, Media Officer

Ok Tedi Mining Limited (OTML)

- Ms. Ursula Pagiran, Tax Supervisor, Accounting

Internal Revenue Commission (IRC)

- Ms. Ketty Masu, a/Assistant Commissioner, Policy & Advise
- Mr. Albert Kenny, Policy Officer, Policy & Advise

Department of Finance (DoF)

- Mr. Mai Kuraya, Senior Revenue Policy Officer, Non-Tax Revenue
- Mr. Samson Deka, Accountant, Trust Accounts Branch

Department of Treasury (DoT)

- Ms. Christy Tende, Assistant Analyst, Extractives Industry Branch

Kumul Petroleum Holdings Limited (KPHL)

- Mr. Mr. Osbourne Karmie, Government Relations Officer
- Mr. Marcom Negints, Government Affairs Advisor

Mineral Resources Authority (MRA)

- Mr. Arnold Lakamanga, Manager (Marketing & GIS Information)
- Mr. Louie Kawale, TIMS Administrator

Department of Petroleum & Energy (DPE)

- Mr. Channan Kumalau, Director Special Projects & Head DoP-EITI Team
- Mr. Samuel Tobung, Engineer, Engineering Division

Mineral Resources Development Company (MRDC)

- Mr. Jason Mokola, Manager, Accounts

Department of National Planning & Monitoring (DNPM)

- Ms. Freda Duma, Policy Officer
- Ms. Eileen Saiyomina, Senior Policy Officer

Auditor General's Office (AGO)

- Mr. Lemeki Ila, Deputy Auditor General, Commercial & Statutory Authorities

Ernst & Young (EY)

- Mr. Leonard Catalon, Manager, Assurance

Conservation & Environment Protection Authority (CEPA)

- Ms. Edwinah Irale, Revenue Officer
- Ms. Susan Yakip, Revenue Officer

Discussion Summary:

Action Item (EITI Requirements)	Discussion (Notes)
<p>Licence Allocation (Requirement 2.2)</p> <p>Rating – Inadequate</p>	<ul style="list-style-type: none"> ✓ Improved reporting in the 2018 PNGEITI FY report. Disclosure of licence allocation – Appendix B (mining tenements awards/extended 2018). https://portal.mra.gov.pg ✓ Appendix C & D includes disclosure of petroleum licences as reported by DPE. Full disclosure of licences (awards/extension) is required. Petroleum license information also captured in Chp8 of the report. ✓ Non-existence of online database with DPE continues to be a hurdle. ✓ As a follow-on from the last TWG workshop (24th Oct, 2019)) MRA & DPE are in discussion regarding this. That is, for MRA technical experts to assist DPE in publicly disclosing petroleum licences on MRA data portal. ✓ MRA & DPE met recently and agreed that DPE to meet with the Secretary to fast track internal process (memo) for line branch/divisions to have the necessary data ready to be offloaded to MRA for disclosure. Positive feedback on meet with new Secretary for Department of Petroleum & Energy (DPE). DPE officials to follow-up and continue dialogue with Secretary. ✓ On a positive note, DPE officials advised that their website now up and running www.petroleum.gov.pg. JICA, through the JICA-PNGEITI project, will continue to work with DPE on this. ✓ DPE advised that JICA will be assisting DPE with purchase of hardware system required to establish a central database system. ✓ DPE is hoping to have its own database system similar to that of MRA in the near future. At the moment, DPE database – revenue, production and licencing, are still standalone. ✓ Timing is an issue in terms of meeting the EITI requirement (public disclosure) in time for the second validation. However, DPE is still optimistic in meeting this deadline. As an alternate approach, MRA stands ready to assist DPE in disclosing the licence data on its data portal. ✓ MRA is hopeful to have the data, especially petroleum tenements (licence mapping) uploaded prior to validation. ✓ Improved rating is expected in the coming validation.

<p>Licence Register (Requirement 2.3)</p> <p>Rating – Meaningful</p>	<p><i>*Discussions same as above.</i></p> <ul style="list-style-type: none"> ✓ <i>Non-existence of online database with DPE continues to be a hurdle.</i> ✓ <i>As a follow-on from the last TWG workshop (24th Oct, 2019)) MRA & DPE are in discussion regarding this. That is, for MRA technical experts to assist DPE in publicly disclosing petroleum licences on MRA data portal.</i> ✓ <i>Positive feedback on meet with new Secretary for Department of Petroleum & Energy. DPE officials to follow-up and continue dialogue with Secretary.</i> ✓ <i>On a positive note, DPE officials advised that their website now up and running www.petroleum.gov.pg. JICA, through the JICA-PNGEITI project, will continue to work with DPE on this.</i> ✓ <i>DPE advised that JICA will be assisting DPE with purchase of hardware system required to establish a central database system. DPE is hoping to have its own database system, similar to that of MRA in the near future. At the moment DPE database – revenue, production and licencing, are still standalone.</i> ✓ <i>Timing is an issue in terms of meeting the EITI requirement (public disclosure) in time for the second validation. However, DPE is still optimistic in meeting this deadline.</i> ✓ <i>As an alternate approach, MRA stands ready to assist DPE. MRA is hopeful to have the data, especially petroleum tenements (licence mapping) uploaded prior to validation.</i>
<p>State Participation (Requirement 2.6)</p> <p>Rating – Meaningful</p>	<ul style="list-style-type: none"> ✓ <i>More detailed information included in 2018 report. However, IA is still requesting for more detailed information, especially on quasi-fiscal expenditures from SOEs and Trustees to be included as Appendix for the 2018 PNGEITI report.</i> ✓ <i>Timeliness and disclosure of audited financial statement for SOEs and govt. agencies continue to affect comprehensiveness and disclosure in reporting.</i> ✓ <i>As a follow-on from the last TWG workshop (24th Oct, 2019) the National Secretariat is embarking on a scoping study for SOE operations (as agreed by MSG). TWG and NS are hopeful of getting the proposed SOE Scoping Study commence soon.</i> ✓ <i>Advert calling for Expression of Interest (EOI) for the SOE Scoping Study has already gone out in media (newspapers) and also posted on the PNGEITI website http://www.pngeiti.org.pg/jobs/expression-of-interest-soe</i>

	<p><i>study/ NS to start processing the applications in the coming weeks.</i></p> <ul style="list-style-type: none"> ✓ <i>Study is expected to take about 5-6 months to complete (starting in April 2020) with the implementation expected to commence in 2021.</i>
<p>Production Data (Requirement 3.2)</p> <p>Rating – Inadequate</p>	<ul style="list-style-type: none"> ✓ <i>Some information included in the 2018 report as reported by DPE and MRA, as well as other reporting entities.</i> ✓ <i>For improvement – production data should be part of the reporting entity's internal process (reconciliation). By year-end or early following year, everything is reconciled.</i> ✓ <i>MRA indicated that reconciliation process is very difficult and lengthy process and needs a bit more time to complete. The reason being that currently they normally do their reconciliation towards the end of year and it's always a difficult task as most employees are on break by then. Thus, affecting the quality of data submitted for EITI reporting purposes.</i> ✓ <i>Also, MRA indicated that extractive companies normally uses FIFO approach for its employees hence resulting in communication breakdown between MRA and the companies during different stages of reporting and reconciliation.</i> ✓ <i>There exists a variance in volumes produced and volumes exported – the data varies – needs disclosure.</i> ✓ <i>Time left for data reconciliation by reporting entities is very limited. MRA made suggestions to start collating data earlier than usual, as more time is needed to fully reconcile.</i> <p><i>Way Forward:</i></p> <ul style="list-style-type: none"> ✓ <i>MRA suggested that NS to circulate template for reporting agencies to report/reconcile instead of waiting for IA to come in.</i> ✓ <i>TWG agreed for NS to engage IA early for the coming FY (2019) report.</i> ✓ <i>Key personnel from some reporting entities have moved on. Hence, TWG suggests for IA/NS to conduct more training for officials (reporting entities) on how to populate templates.</i>
<p>Export Data (Requirement 3.3.)</p> <p>Rating – Meaningful</p>	<ul style="list-style-type: none"> ✓ <i>Data reported in the 2018 report. There are still some variances, which can be reconciled and updated prior to validation. IA to consult concerned reporting entities on this.</i>

	<ul style="list-style-type: none"> ✓ <i>Timing issue with reporting by entities and MRA. MRA indicated that they need time to fully reconcile their data with extractive companies' data.</i> ✓ <i>Suggestion by TWG members for possible policy amendments to ensure companies to report production value for mineral commodities to MRA. However, this will require amendments to Mining Act – a lengthy process.</i> ✓ <i>Table 60 of the 2018 FY Report is missing data from some mining companies – OTML (Mt. Fubilan Mine), Simberi Gold Ltd (Simberi Mine), Niuminco Edie Creek Ltd (Edie Creek Mine), and Morobe Consolidated Goldfields (Hidden Valley).</i> ✓ <i>MRA indicated that the data are in the template submitted. IA to update table and include as Appendix.</i> <p><i>Way Forward</i></p> <ul style="list-style-type: none"> ✓ <i>TWG proposed for MSG to explore options where regulatory bodies like DPE and MRA can request the necessary data like production values where there would be no restrictions for companies to report.</i> ✓ <i>MRA suggested that NS to circulate template for reporting agencies to report/reconcile instead of waiting till the later part of the year to engage the IA.</i> ✓ <i>TWG agreed for National Secretariat to engage IA early for the coming FY report.</i> ✓ <i>IA anticipates consistent/improved rating.</i>
<p>Comprehensiveness <i>(Requirement 4.1)</i></p> <p>Rating – Inadequate</p>	<ul style="list-style-type: none"> ✓ <i>IA indicated that there is improvement in compliance and reporting by entities in the 2018 report</i> ✓ <i>'Known' removed in the definition of revenue. This removes the perception that there are certain revenue streams not reported/considered in the EITI reports.</i> ✓ <i>Suggestion by IRC to amend the reporting template to include requirement for reporting entities (and their subsidiaries) to include their Tax Identification Number (TIN). This will enable IRC to retrieve correct company information from their system to ensure correct reporting by IRC.</i> ✓ <i>CEPA to consult Deloitte to further clarify variances as well the data reported in 2018 report. Updates to be provided to IA for inclusion in the Appendix.</i>

	<ul style="list-style-type: none"> ✓ Mine closure bond fees not collected by CEPA at the moment due to internal administration issues (instruments not in place). CEPA to provide update to IA. ✓ Need further discussion with CEPA on what fees they are collecting at the moment as well as those that they are not collecting. This is to ensure improved reporting from CEPA in the coming report.
<p>SOE Transactions (Requirement 4.5)</p> <p>Rating – Meaningful</p>	<ul style="list-style-type: none"> ✓ Discussion and issues identified are in line with discussions/notes highlighted in 'requirement #2.6 State Participation'. ✓ NS to process the applications received from bidders for the SOE Scoping Study in the coming weeks. The study expected to start in April and will take about 5-6 months to complete with the implementation to commence in 2021.
<p>Direct Subnational Payments (Requirement #4.6)</p> <p>Rating - Inadequate</p>	<ul style="list-style-type: none"> ✓ 2018 template and the report included unilateral reporting by reporting entities. 'Reconciliation' part of the subnational transfer to be included in 2019 report onwards (Provincial & Local Level Govts. and LO groups). ✓ Phase II – National Secretariat to meet with Australian High Commission for possible funding as well as assisting with the piloting with interest provincial govts. ✓ Materiality threshold criteria – all subnational payments and transfers should be reported through EITI process to promote greater transparency and accountability in management of extractive revenues, ✓ Suggestion for reporting obligation (both revenue and expenditures) to be considered within the MOAs/ MOUs, UBSAs, etc. at the initial stages of a project negotiations/ agreements.
<p>Data quality (Requirement #4.9)</p> <p>Rating – inadequate</p>	<ul style="list-style-type: none"> ✓ This continue to be an issue. ✓ Although there has been an improvement in compliance in submitting signed templates (91%), not all data included are audited. <p>Way Forward</p> <ul style="list-style-type: none"> ✓ For future EITI reporting purposes, NS and IA to engage with AGO to look into areas of revenue testing by AGO for govt. agencies in the extractive sector. ✓ MSG and NS (in consultation with JICA expert team) to look into possibility of including AGO within the scope of the JICA support project to PNGEITI (second phase).

<p>Distribution of Extractive Industry Revenues (Requirement #5.1)</p> <p>Rating – Inadequate</p>	<ul style="list-style-type: none"> ✓ Suggestion by IRC to amend the reporting template to include requirement for reporting entities (and their subsidiaries) to include their Tax Identification Number (TIN). This will enable IRC to retrieve correct company information from their system to ensure correct reporting by IRC. ✓ IA has commended MRDC for its involvement in the 2018 report, especially in disclosing information relating to funds it manages. ✓ Treasury included its reports on payments and transfers for Special Support Grants (SSG) in the 2018 report. SSGs are State payments and not a direct resource sector payment from developer.
<p>Subnational Transfers (Requirement #5.2)</p> <p>Rating – Inadequate</p>	<p>*Discussions are similar as outlined for requirement #4.6, direct subnational payments.</p> <ul style="list-style-type: none"> ✓ Improved disclosure in the 2018 report ✓ 2018 template and the report included unilateral reporting by reporting entities. 'Reconciliation' part of the subnational transfer to be included in 2019 report onwards (Provincial & Local Level Govts. and LO groups). - ✓ Phase II – NS to meet with Australian High Commission for possible funding as well as assisting with the piloting with interest provincial govts.
<p>Mandatory Social Expenditures (Requirement #6.1)</p> <p>Rating – Meaningful</p>	<ul style="list-style-type: none"> ✓ Included in report – per reporting entity. The report is now in sectors as amended in the template. ✓ Improvement made in the 2018 report.
<p>SOE Quasi-Fiscal Expenditures (Requirement #6.2)</p> <p>Rating - Inadequate</p>	<ul style="list-style-type: none"> ✓ To be included as part of the SOE scoping study ✓ Discussion and issues identified are in line with discussions/notes highlighted in requirement #2.6 'State Participation' and requirement #4.5 'SOE Transactions'. ✓ NS to process the applications received from bidders for the SOE Scoping Study in the coming weeks. The study expected to start in April and will take about 5-6 months to complete with the implementation to commence in 2021. ✓ Study expected to start in April and will take about 5-6 months to complete with the implementation to commence in 2021

<p>Outcomes and Impact of Implementation (Requirement #7.4)</p> <p>Rating – Meaningful</p>	<ul style="list-style-type: none"> ✓ <i>The IA has made several recommendations included in the report for the MSG, TWG and NS to take note of.</i> ✓ <i>TWG and NS have taken note of the recommendations and will work with IA and relevant reporting entities to address them going forward.</i> ✓ <i>NS and IA to look into ways to assist MSG, TWG and reporting entities adapt in reporting for the 2019 report using the 2019 EITI Standard. JICA, through the JICA expert team, is willing to assist NS in this regard.</i>
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File note prepared by:

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