

# What is the process for developing PNG's EITI report content?

Inception report for PNG's 2015 and 2016 EITI Reports

PNG EITI

19 July 2017

The better the question. The better the answer.  
The better the world works.



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## Inception report for PNG's 2015 and 2016 EITI Reports

19 July 2017

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Thank you for the opportunity to work with the Papua New Guinea (PNG) Extractive Industries Transparency Initiative (EITI) National Secretariat, the Multi-stakeholder Group (MSG), and the PNG Government in relation to the preparation of PNG's third and fourth EITI reconciliation reports (the '2015 EITI report' and "2016 RITI Report"). We have now completed Phase 1 of the services, relating to the preparation of PNG's EITI Inception Report (the 'Inception report'), which confirms material revenue streams and reporting entities and sets out the procedures for integrating and analysing the content for the 2015 and 2016 EITI reports.

This inception report has been prepared in accordance with the Terms of Reference for the Independent Administrator, and the contracts between Ernst & Young and the PNG EITI National Secretariat, dated 9 June 2017, and as discussed with members of the MSG throughout the course of the work. This inception report confirms the agreed approach to the 2015 and 2016 reporting process, incorporating feedback from the MSG provided after the scoping workshop. The process set out in this document will be followed to produce the content of the 2015 and 2016 PNG EITI reports.

The nature and content of the information we have provided has necessarily reflected the specific scope and limitations of our engagement, the amount and accuracy of information provided to us and the timescale within which the data was required. Certain areas for further follow-up have been communicated to you.

We appreciate the cooperation and assistance provided to us during the course of our work. Should you have any questions in relation to our report, please do not hesitate to contact either Madhu Nair or Pieter Steyn on +675 305 4100 for clarification at any time.

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Sincerely,

Madhu Nair  
Country Managing Partner  
Ernst & Young

Dr Matthew Bell  
Oceania Managing Partner, Sustainability



*"We hope that the dissemination of these reports will stimulate discussion on the management of the sector, assist in better governance and create greater trust between local communities, Government and industry."*

Prime Minister Hon. Peter O'Neill CMG MP  
at the 14th Papua New Guinea Mining and  
Petroleum Investment Conference

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## Inception Report for PNG's 2015 and 2016 EITI Reports

### Executive summary

#### 1 Executive summary

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- 3 Statement of materiality - companies and government entities required to report
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This inception report outlines the agreed recommendations for delivering PNG's third EITI Report covering the 2015 and 2016 calendar year reporting periods.

The following recommendations made in the scoping study were agreed by the MSG as the approach for delivering this EITI report for PNG.

#### Payments and revenues to be covered in the report:

- ▶ The focus of the MSG and IA will again be on improving the accuracy, robustness and completeness of largely the same revenue streams included in the 2014 EITI Report.
- ▶ Additional efforts will be made to improve the consistency of reporting information regarding cash basis reporting, infrastructure tax credits, equity distributions and quasi-fiscal expenditures. This will be incorporated in the relevant reporting templates and in training provided to the reporting entities.
- ▶ Licence/tenement/approvals fee information will be requested from CEPA as well as DPE and MRA. Fee information should be aggregated to project/company level where possible.
- ▶ Sub-national payments will not be included in the data for reconciliation. If any relevant information is available, it can be included in the relative narrative section of the report. It is recommended that the sub-national payments scoping study be conducted in parallel, with outcomes feeding into the EITI report for 2015 and 2016.



#### Companies and government entities required to report:

- ▶ Material reporting companies will be defined as those that had interests in operations that were producing saleable commodities in 2015 and/or 2016.
- ▶ Discussion surrounding the revenue streams flowing from exploration companies will be included in the contextual information section of the report.

#### Required audit and assurance processes:

- ▶ For quality assurance, the same approach implemented for the 2014 Report will be used for the 2015/16 report, but with additional efforts made to engage directly with the Auditor General's office to get up to date information on the status of audits of government figures. Requests for bank receipts of transactions to nominated accounts for certain revenue streams will be requested as required.

#### Procedures for integrating and analysing non-revenue, contextual information:

- ▶ There will be an increased focus on including information regarding the award *and* transfer of tenements and licenses and on improved disclosure of production data.
- ▶ Contextual reporting templates for SOEs will request more specific and consistent information regarding the transfer of funds between SOEs and the State, including information on each change in ownership during each reporting period.
- ▶ Template for MRA will reference directive from the NEC to make Memorandum of Agreements (MOAs) publicly available so that information from these can be included in the 2015/16 Report.
- ▶ The report will provide additional context to how the PNG LNG benefit sharing agreement works in practice.

- ▶ Report will use the EITI International definition of beneficial ownership. Questions based on the EITI's model beneficial ownership declaration form will be used in the relevant data reporting templates to request beneficial ownership data from reporting entities. This information will be supplemented with publically available information as was done for the 2014 report.

#### Project planning and execution:

- ▶ The timeline for the completion of each of the remaining phases of the data collection and reporting process for the 2015 and 2016 reporting periods is included in Appendix 5 of this report.
- ▶ The data templates have been developed reflecting the agreed recommendations from the scoping study included in this inception report and the requirements identified in the terms of reference for this engagement. The IA will distribute the reporting templates to each reporting entity via the PNG EITI mailbox.
- ▶ The IA will follow up with individual reporting entities as required during the reporting phase to answer questions and track down any clarifications that are required to investigate discrepancies.
- ▶ The MSG have agreed that the contextual information for the 2015 and 2016 reporting periods will be reported in one, consolidated report. Separate sections will be included in the report for the reconciliation of material revenue streams for each of the reporting periods.
- ▶ This report will be completed and submitted to the MSG during mid November so that it can be finalised and published in time to undergo the validation process with the International Secretariat in early 2018.

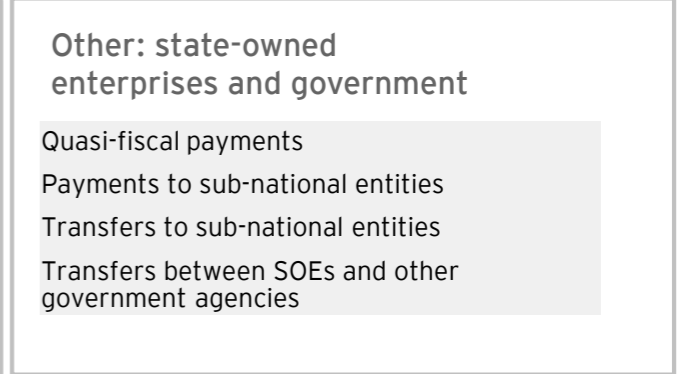
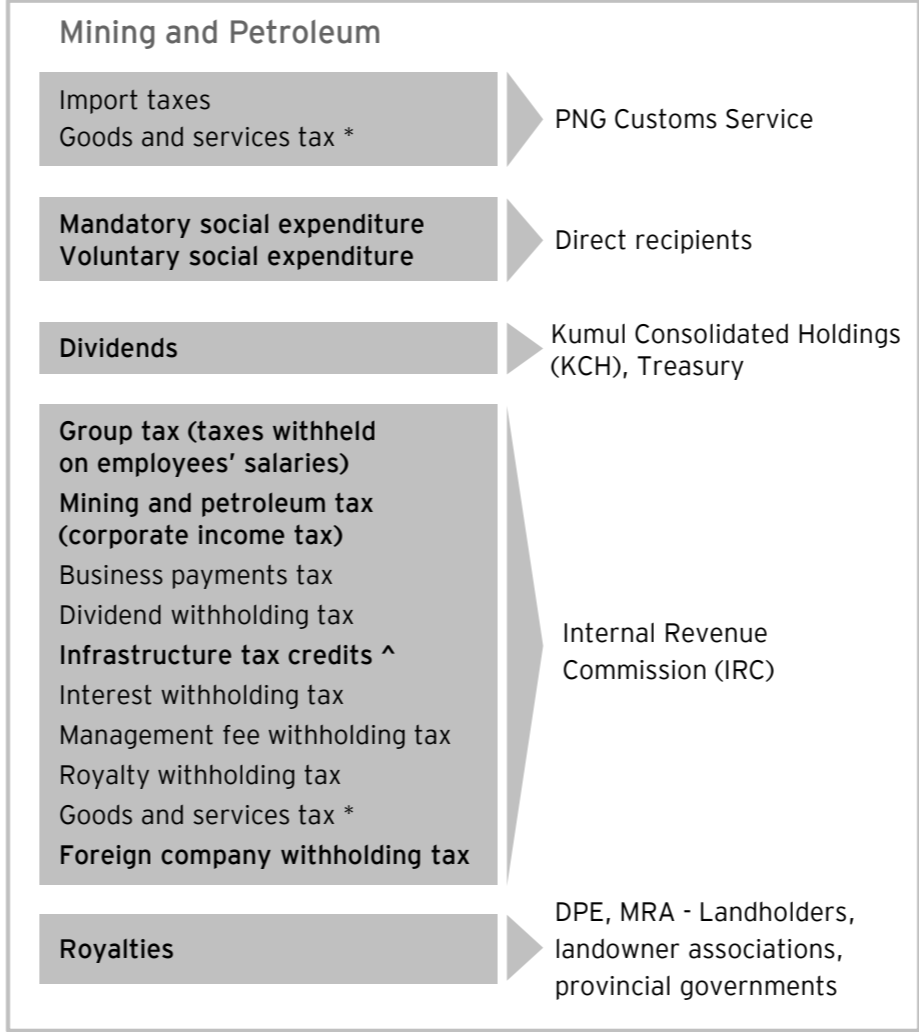
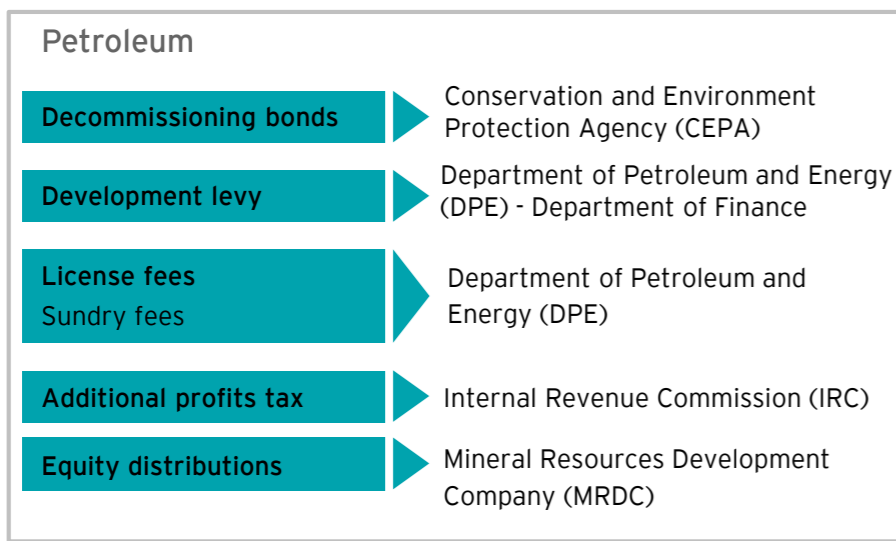
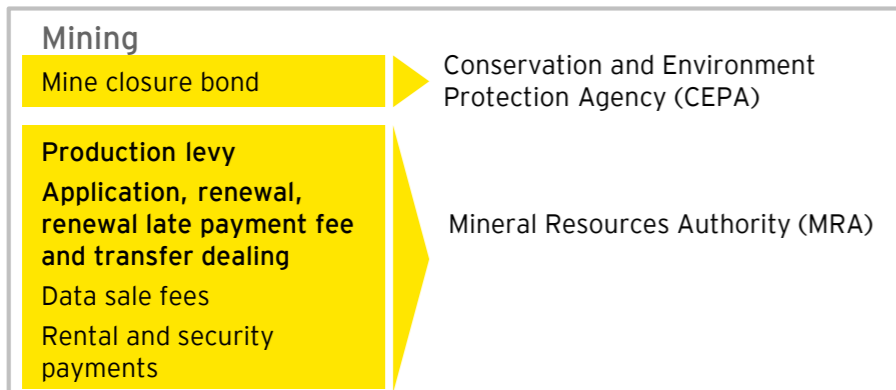


# Inception Report for PNG's 2015 and 2016 EITI Reports

## Statement of materiality - payments and revenues to be covered in the reports

- 1 Executive summary
- 2 Statement of materiality - payments and revenues to be covered in the reports**
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The revenue streams from the extractive sector, together with the receiving entity are outlined in this diagram. The revenue streams identified as material to be included in the 2015 and 2016 PNG EITI Reports have been identified in bold.



The quantitative threshold applied to define materiality was all revenue streams that contribute 2% or more to the total known revenue received by the government from the mining and oil and gas sectors. Two percent is within the range usually applied in auditing financial accounts and is broadly consistent with materiality thresholds used for other EITI-compliant countries. Lowering the materiality threshold further would not have significantly increased coverage of the report. Additionally, we have included those revenue streams that are below this quantitative threshold, but which are considered potentially material based on our qualitative definition of materiality.

The list of material revenue streams and approach for reporting in the 2015 and 2016 EITI Reports are included in the statement of materiality table in Appendix 1.



Notes  
**Bold** = material revenue streams  
 \* = IRC and customs  
 ^ = reported to IRC & DNPM



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Entities including mining, oil and gas companies are considered material reporting entities if they had interests in operations that were producing saleable commodities in 2015 and/or 2016.

We will continue to work with the MRA and DPE to confirm if any other Production Development Licence (PDL), Special Mining Lease (SML) or Mining Lease (ML) operators or JV partners were producing during 2015 or 2016 and need to be added to these lists.

Our preliminary assessment outlines the following reporting entities, identified on a project basis.

Oil and Gas Project	Oil and gas operator	Oil and gas JV partners	Notes
Oil projects	Oil Search Limited	ExxonMobil PNG Limited Santos JX Nippon Oil and Gas Exploration Corporation SOEs and landowners	Need to confirm JV partner list with DPE
PNG LNG	ExxonMobil PNG Limited (a subsidiary of Exxon Mobil Corporation)	Oil Search Santos JX Nippon Oil and Gas Exploration Corporation SOEs and landowners	Need to confirm JV partner list with DPE

The scope for the material reporting entities was agreed by the MSG for the 2014 report to include all mining and oil and gas companies which had interests in operations that were producing saleable commodities during the reporting period.

**The MSG agreed:** that the same definition again be used to define the material reporting companies for the 2015 and 2016 report. Discussion surrounding the revenue streams flowing from exploration companies will be included in the contextual information section of the report.

Mining Project	Mining operator	Mining JV partners	Notes
Ok Tedi Mine - SML 1 (O)	Ok Tedi Mining Limited	Mineral Resources OK Tedi No. 2 Limited	
Porgera Joint venture SML 1 (P)	Barrick Niugini Limited Zijin Mining Group Company Joint operators	MRDC (managing funds for Mineral Resources Enga Limited (MREL 5%)	Zijin Mining Group Company Joint operator from 31 August 2015
Lihir Mine - SML 6	Newcrest 100% owner of Lihir Gold Ltd		
Hidden Valley Mine - ML 151	Harmony	Newcrest (50%) until 19 Sept 2016 Harmony (50%) until 19 Sept 2016	Harmony became 100% owner of Hidden Valley in 2016
Kurumbukari Mine - Ramu Nickel Project - SML 8	MCC Ramu NiCo Ltd	Highlands Pacific (100% owner - Ramu Nickel Ltd 8.56% MRDC (managing funds for Mineral Resources Madang Limited 2.5% and Mineral Resources Ramu Limited 3.94%)	
Tolukuma Mine - ML 104	Petromin (up to October 2015 then Asidokona Mining Resources Pte Ltd of Singapore)		Petromin PNG Holdings Limited was restructured to become Kumul Mineral Holdings in 2016
Simberi Mine - ML 136	St. Barbara 100% owners of Simberi Gold Co. Ltd		
Edie Creek Mine - ML 144	Niuminco Edie Creek Ltd	Mincor Resources NL 1%	
Kainantu Mine - ML 150	K92 Mining Inc. -commenced production in 2016		To be added for 2016 report section
HGZ Mine Mt Crater - ML 510	Crater Gold -commenced production in 2016		To be added for 2016 report section
Solwara - ML 154	Nautilus Minerals		Not yet producing but will provide contextual information



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State owned entities (SOEs) play a key role in managing and distributing PNG's wealth, and therefore the transparent disclosure of their processes for managing funds, and transferring funds to beneficiaries (landowners, subnational governments, etc.) is critical to a comprehensive EITI report. The SOEs in PNG during the 2015 and 2016 reporting periods are summarised below:

State owned entities	
Kumul Consolidated Holdings (KCH)	Independent Public Business Corporation (IPBC) prior to August 2015, Most SOEs in PNG are owned by a trust, the General Business Trust (GBT). The IPBC (now Kumul Consolidated Holdings) manages the GBT, with the dual role of trustee and SOE owner monitor.
Kumul Petroleum Holdings Limited (KPH)	The Kumul Petroleum Holdings Limited Authorization Act 2015 was passed in June 2015. The legislation not only changed the name of National Petroleum Company of PNG Limited (NPCP Holdings Ltd) to Kumul Petroleum Holdings Ltd (KPH) but also authorised it as the State nominee for all commercial matters relating to oil and gas projects. Since July 2016, the new entity, KPH, also holds Eda Oil Ltd (including subsidiary Kumul LNG Ltd) and Eda LNG Ltd, transferred from KMH (previously Petromin).
Kumul Mineral Holdings (KMH)	Prior to Jan 2016, Petromin PNG Holdings Limited Until July 2016, held Eda Oil Ltd (including subsidiary Kumul LNG Ltd) and Eda LNG Ltd. Owned and operated Tolukuma Gold Mine until October 2015 when it was sold to Asidokona Mining Resources Pty Ltd of Singapore.
Ok Tedi Mining Limited (OTML)	Ok Tedi Mining Limited (OTML) is a State-owned company that operates an open-pit copper, gold and silver mine located in the Star Mountains of Western Province.
Mineral Resources Development Company Limited (MRDC)	100 per cent state-owned enterprise, established by an act of Parliament. MRDC acts as a trustee shareholder for beneficiary landowners and provincial governments. Under the PNG Oil and Gas Act, the MRDC is responsible for managing petroleum royalties, future generation and community infrastructure trust funds. Report on equity distributions.

Government entities are material reporting entities if they received payments from the companies and SOEs in 2015 and/or 2016. Companies that do not receive payments, but keep records of payments are also included in the list of material government entities. The material government entities and the main payments they receive, manage or report are listed below:

Government entities	
Internal Revenue Commission (IRC)	Mining and petroleum tax (corporate income tax), Group tax, Infrastructure tax credits, additional profits tax, foreign company/contractor withholding tax
Mineral Resources Authority (MRA)	Production levy, royalties and tenement fees, rents and security payments.
Department of Treasury	Development levy (Keep records of payments), Dividends from SOEs
Department of Finance	Development levy (Trust Branch administers any payments out of trust accounts to Provincial Governments)
Department of Petroleum and Energy (DPE)	Royalties, development levy, licence fees
Department of National Planning and Monitoring (DNPM)	Infrastructure tax credits
Conservation and Environment Protection Authority (CEPA)	Decommissioning and mine closure bonds, licence fees
Bank of PNG	Receipt of royalty payments from DPE, gold and silver export bonds (MRA)
Department of Mineral Policy and Geo-hazard Management (formerly the Department of Mining)	To request information on dividend payments made by Ok Tedi to Western Province Peoples Dividend Trust Fund (from Terms of Reference document)



## Inception Report for PNG's 2015 and 2016 EITI Reports

### Required audit and assurance procedures

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We expect that reporting entities should continue to improve the level of quality assurance over submitted reporting templates.

For the 2014 EITI Report, the MSG and the Independent Administrator agreed to strengthen the wording of the Data Validation Statement in the template to include the following wording:

*On behalf of (Insert Company Name) I confirm that the reported amounts are materially consistent with (Insert Company Name)'s audited financial statements for the 2014 calendar year.*

Initial examination of the audit and assurance procedures in reporting entities, has found that the majority of reporting companies have had their financial statements for the reporting period audited to international standards. Ok Tedi has also had its financial statements audited to international standards.

However, most of the government entities have not had their accounts audited for the 2015 and 2016 reporting periods. It has been noted that during 2016, the Auditor General's website was taken off-line so additional investigation will be required to ascertain the status of the audit of Government accounts for the 2015 and 2016 reporting periods.

As the EITI reporting process is maturing in PNG, it is important that the quality and robustness of underlying data continues to improve. The process of collecting data for both 2015 and 2016 concurrently, and the short timeframes involved may, however, put pressure on reporting entities to implement any additional quality assurance requirements for the current reporting cycles.

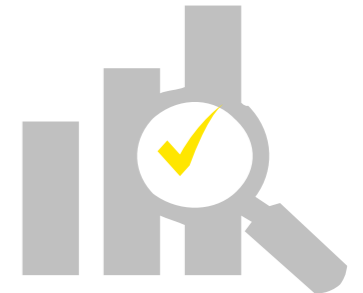
**The MSG agreed:** that the same approach implemented for the 2014 Report be used for the 2015 and 2016 reports, but with additional efforts made to engage directly with the Auditor General's office to get up to date information on the status of audits of government figures

A range of options are available to strengthen quality assurance requirements in a staged approach over time including, for example:

1. Requiring reporting entities to submit a letter from their independent auditors, together with their reporting templates, confirming that reported amounts are materially consistent with the financial statements for the relevant calendar year.
2. Encouraging reporting entities to implement a higher level of assurance where possible.
3. Implementing mandatory minimum level of assurance, such as:
  - Selected agreed upon procedures, conducted by the reporting entity's independent auditor.
  - A review (limited assurance) over the data reported under EITI
  - Reasonable assurance over the data reported under EITI

**The MSG agreed:** that for entities that have not had their financial accounts externally audited for the reporting periods, notice be given for reporting entities that additional quality assurance requirements will be requested for the 2017 EITI Report.

**The MSG agreed:** to request bank receipts of transactions to nominated accounts for certain revenue streams as required for the 2015 and 2016 reports.



Examination of audit and assurance procedures for the 2015 and 2016 reporting periods is included in Appendix 2.



*Requirement 4.9 of the EITI standard (2016) requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards.*





## Inception Report for PNG's 2015 and 2016 EITI Reports

### Procedures for integrating and analysing non-revenue, contextual information

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Additional contextual information to be included in the 2015 and 2016 EITI Reports is discussed in this section of the inception report. The table developed by the MSG in relation to non-revenue information to be provided in the EITI report is included in Appendix 3.

The following items from the table in Appendix 3 have been identified to make increased contextual disclosures in the 2015 and 2016 EITI Reports:

1. **Award and transfer of tenements and licenses:** The level of detail surrounding the allocation of tenements and licences was greatly increased in the 2014 Report. We recommend extending further the detail included in relation to the award and transfer of tenements and licences in the 2015 and 2016 Reports (Requirement 2.2). Specifically, more contextual information surrounding the approvals process.

**The MSG agreed:** additional detail around CEPA's involvement in the approvals process should also be included in the 2015 and 2016 reports.

**The MSG agreed :** engaging early with DPE to access information about award and transfer of licences and also request MRA to supply information in regard to transfer as well as award of tenements that took place in each reporting period.

2. **State participation:** We will again request that SOE's provide contextual information regarding financial relationships with government, changes in ownership and terms attached to the SOEs equity stake.

**The MSG agreed:** that the contextual reporting templates be updated to request a more specific information regarding the transfer of funds between SOEs and the State, how the SOEs are funded (specifically, Ok Tedi and MRDC) and detailed descriptions including valuations and revenues from each change in ownership during each reporting period.

**The MSG agreed to:** Include mapping of revenue flows received and paid for each SOE.

3. **Increased disclosure of contract information and access to benefits sharing agreements for each project:** The EITI Standard (2016) states in Requirement 2.4 that EITI implementing countries are encouraged to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals. No further information was available regarding contract and licence requirements for the 2014 report however, the recent directive from the NEC will potentially facilitate more information being available to include in the 2015 and 2016 reports.

**The MSG agreed:** that the MSG confirm the timeframe for MRA and State Solicitor to act on the directive from the NEC to make Memorandum of Agreements (MOAs) publicly available so that information from these agreements can be included in the 2015 and 2016 Reports.

**The MSG agreed:** that a case study be included in the 2015 report to provide additional context to how the PNG LNG benefit sharing agreement works in practice.

4. **Improved disclosure of production data:** Implementing countries are required to disclose exploration, production and export data for the year covered by the report, including total production volumes and the value of production by commodity and, where relevant, by state/region. Improved disclosure of this information was included in the 2014 report.

**The MSG agreed:** that the data templates be updated to clearly request production and export volumes *and* values for *each* commodity.

**The MSG agreed:** to obtain further advice from EITI International as to what extent disclosures of Exploration information is required given confidentiality provisions.



## Inception Report for PNG's 2015 and 2016 EITI Reports

### Procedures for integrating and analysing non-revenue, contextual information - Beneficial ownership

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The terms of reference document (p.11) states that for the purpose of the 2015 and 2016 EITI reports, the IA should:

- ▶ Propose a definition of BO for adoption by the MSG.
- ▶ Propose the disclosure of details on the identity of the beneficial owners.
- ▶ Propose an approach for assuring the BO assurance for adoption by the MSG.
- ▶ Reflect the MSG's decision on the definition of BO, the details to be disclosed about the identity of the assurance process in the EITI's model BO template.
- ▶ Develop guidelines to reporting companies on how to identify their beneficial owners and complete the reporting template.
- ▶ Distribute the BO template to the companies included in the scope of the EITI Report, collect data and follow up on any missing or incomplete submissions.
- ▶ Compile the data in an open data format (xlsx or cvs)
- ▶ Present the findings in the EITI Report, noting for each of the companies in the scope of the report: the name of the BOs of each company, details about their identity, and information about how ownership is exerted. Where legal owners have been disclosed, this should be clearly distinguished from beneficial ownership.
- ▶ Provide comments on the comprehensiveness and reliability of the BO information, and present recommendations for improving beneficial ownership reporting in the future, apart from the list of activities identified in the BO Roadmap.

These tasks identified in the terms of reference document, are all included within the Beneficial Ownership Roadmap that has been completed as required by the EITI Standard.

According to the roadmap document, many of the required tasks will commence while the 2015 and 2016 Reports are being compiled however, none will be complete during this period.

The roadmap notes that even the initial steps of agreeing on a specific definition of 'Beneficial Owner' or 'Politically Exposed Persons' are yet to be completed.

For the 2014 Report, high level information regarding beneficial ownership was requested in the reporting template and additional information was sourced through publically available information.

#### Definition of Beneficial Ownership:

The Beneficial ownership roadmap identifies that there is an existing definition for Beneficial ownership in the PNG Anti-Money Laundering and Counter Terrorist Financing Act 2015:

"beneficial owner" means a natural person who -

- (a) has ultimate control, directly or indirectly, of a customer; or
- (b) ultimately owns, directly or indirectly, the customer;

The roadmap also states that consulting parties were content with the existing definition by EITI International:

*"A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity."*

**The MSG agreed:** that the MSG use the EITI International definition of beneficial ownership for the 2015 and 2016 reports and then include the final definition in the 2017 report when the roadmap actions are further progressed.

**The MSG agreed:** that until PNG's BO requirements have been formalised through the roadmap process, questions based on the EITI's model beneficial ownership declaration form be used in the relevant data reporting templates to request beneficial ownership data from reporting entities. This information can be supplemented with publically available information where available as was done for the 2014 report.

*"By 2020, all EITI countries have to ensure that companies that apply for or hold a participating interest in an oil, gas or mining license or contract in their country disclose their beneficial owners."*

*The EITI Standard also requires public officials - also known as Politically Exposed Persons (PEPs) to be transparent about their ownership in oil, gas and mining companies."*

**EITI - Beneficial ownership - Revealing who stands behind the companies.**



## Inception Report for PNG's 2015 and 2016 EITI Reports

### Reporting templates and safeguarding confidential information

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The draft reporting templates have been completed for each of the company, SOE and Government reporting entities, incorporating the recommendations approved in the Scoping Study and requested in the Terms of Reference.

Training sessions for reporting entities were held shortly after the workshop to clarify the reporting process and timelines.

The team members from the Independent Administrator who will be assisting with the delivery of this engagement are included in Appendix 4.

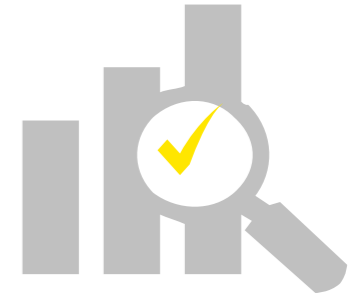
#### Next Steps:

The timeline for the completion of each of the remaining phases of the reporting process for the 2015 and 2016 reporting periods is included in Appendix 5.

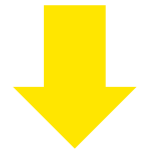
Following the finalisation of the Inception Report, the IA will distribute the reporting templates to each reporting entity via the PNG EITI mailbox.

The IA will follow up with individual reporting entities as required during the reporting phase to answer questions and track down any clarifications that are required to investigate discrepancies.

The MSG have agreed that the contextual information for the 2015 and 2016 reporting periods will be reported in one, consolidated report. Separate sections will be included in the report for the reconciliation of material data from each of the reporting periods.



Dedicated communication channels for the collection of data have been established.



#### Dedicated communication channels for data collection:

Email: [png.eiti@pg.ey.com](mailto:png.eiti@pg.ey.com)

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## Inception Report for PNG's 2015 and 2016 EITI Reports

### Appendix 1 - Statement of Materiality table

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Revenue Stream	Type	Definition	Government recipient	Estimated value of total extractive industry revenue (2014 EITI Report)	Process for inclusion in 2015 and 16 EITI Reports	To be reconciled ?
<b>Corporate Income Tax (Mining and Petroleum Tax)</b>	<b>Mining, Oil &amp; Gas</b>	As defined by the Income Tax Act 1959. The rates of income taxation on extractive industries in PNG range from 30 to 50 per cent.	Internal Revenue Commission (IRC)	PGK 796,917,439	Reconcile with IRC, Require early and timely circulation of IRC tax waiver letter to improve level of reconciliation.	Yes
<b>Royalties</b>	<b>Mining, Oil &amp; Gas</b>	Royalty for petroleum companies is calculated at 2% of well-head value. For resources is it calculated at 2% of the net proceeds of sale of minerals (net smelter return or f.o.b. export value, whichever is appropriate).	DPE and MRDC, MRA (MRA receives receipt of payments made to beneficiaries - State, provinces, landowner groups, other trusts)	PGK 221,374,350	Reconcile, Engage early in the reporting process with MRA and DPE, investigate potential to access Benefit Sharing Memorandum of Agreements (MOA) held by the MRA to provide additional context to this revenue stream. Include information regarding the royalty payment process and relevant information from the various benefits sharing agreements. To request bank receipts of transactions to nominated accounts.	Yes
<b>Equity distributions</b>	<b>Oil &amp; Gas</b>	Payments received by SOEs (MRDC) as a percentage of profits received from joint ventures, in proportion to ownership stake.	Mineral Resources Development Company (MRDC)	(Clarification required)	Request companies to - Please disclose any equity distribution payments made to MRDC for State/landowner / provincial government interests in resources projects, adding a new line for each. For MRDC - Please disclose sources (JV name and & holding) and amounts, adding a new line for each	Yes
<b>Production Levy</b>	<b>Mining</b>	The production levy applicable to mining projects is calculated at 0.25 per cent (or up to 0.5 per cent at the Mining Minister's discretion) of Free on Board (FOB) production sales,	MRA	PGK 21,688,186	Reconcile data from mine operators with data from MRA	Yes
<b>Dividends</b>	<b>Mining, Oil &amp; Gas</b>	Payments to the state in respect of equity held on behalf of the state. Dividends are declared by the Board of Directors and calculated on a per share basis (dividend rate). For example the Board might declare a 1.25 PGK per share. The dividend paid will be the number of shares multiplied by the dividend rate.	Department of Treasury and Department of Mineral Policy and Geo-hazard Management (formerly the Department of Mining) Kumul Consolidated Holdings (previously IPBC)	(Clarification required)	Engage early with state-owned enterprises to improve reconciliation of this data in 2015 and 2016 Reports Liaise with Ok Tedi to identify the dividends that were paid to the State (Treasury) in 2015 and 2016. - reconcile with Treasury. Liaise with MRDC to identify dividends received and then distributed. Attempt to reconcile with data from companies and provincial governments where relevant. Liaise with Department of Mineral Policy and Geohazard Management and Fly River Provincial Government (if contact details can be provided by MSG) on the payments of dividends from Ok Tedi to Western Province Peoples Dividend Trust Fund. liaise with Highlands Pacific and Oil Search to identify the dividends paid to Kumul Consolidated Holdings Limited (KCHL)	Yes - Partial
<b>Development Levy</b>	<b>Oil &amp; Gas</b>	Calculated at 2% of well-head value. Development levies are paid by companies to DPE, who deposit them into a trust account held by the Dept. of Finance who administers payments to the relevant local or provincial government.	DPE, Trust Branch within the Department of Finance	PGK 16,369,437	Reconcile payments made by Oil and Gas Companies with receipts from DPE Liaise with Trust branch within the Department of Finance to confirm what payments have been made out of the trust accounts. If contacts are available for Provincial governments (through MSG) attempt to confirm what revenues have been received.	Yes - Partial
<b>Infrastructure Tax Credits (ITC) (Infrastructure provisions and barter arrangements in accordance with Requirement 4.3)</b>	<b>Mining, Oil &amp; Gas</b>	A deduction from corporate income tax made by companies for infrastructure projects implemented on behalf of the Government. Resource companies are allowed a full credit for the cost of any approved infrastructure developments which they undertake for the benefit of the community in which they operate (or other areas). The deduction is limited to the lesser of 0.75% (reduced from 2% from Jan 2001) of assessable income or tax payable for the year.	Department of National Planning and Monitoring, and IRC	(Clarification required)	Liaise with Department of National Planning and Monitoring to verify the companies that undertook ITC related activities in 2015 and 2016 and confirm with IRC Early discussions will be planned with DNPM and IRC to confirm process for capturing data for the relevant reporting periods.	Yes



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### Appendix 1 - Statement of Materiality table

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Revenue Stream	Type	Definition	Government recipient	Estimated value of total extractive industry revenue (2014 EITI Report)	Process for inclusion in 2015 and 16 EITI Reports	To be reconciled?
Group Tax	Mining, Oil & Gas	Taxes withheld on employee salaries	Internal Revenue Commission (IRC)	PGK 723,650,131	Unilateral, Data to be declared by IRC - Require early and timely circulation of IRC tax waiver letter to improve completeness of reporting. Will request that IRC submit one, complete reporting template when all companies have returned tax waivers to avoid version control issues.	No
Mandatory Social Expenditure (In accordance with Requirement 6.1)	Mining, Oil & Gas	Mandatory social expenditure refers to social payments by companies that are mandated by law or the contract with the government that governs the extractive investment. This may include development contracts, compensation agreements or benefit sharing memorandum of agreements that cover payments such as compensation, infrastructure or services such as health and education. They are separate to the development levy or production levy. Mandatory social payments are agreed between the state and/or landowners and operators on a case-by-case basis, as allowed for under the Mining Act and Oil & Gas Act.	Paid by reporting companies to direct recipients	PGK 281,160,039	Unilateral. Data to be declared by Companies. A description of how the companies define voluntary and mandatory payments will also be requested. If access is given to benefit sharing agreement information, additional contextual information will be included in the report.	No
Foreign Company/Contractor withholding tax	Mining, Oil & Gas	Broadly, this tax applies when a non-resident contractor is engaged by a PNG resident to perform a contract for prescribed purposes. The foreign contractor is liable for tax on 25% of the gross contract value at the non-resident tax rate of 48%. The effective tax rate is 12% in such circumstances.	IRC	PGK 88,799,868	To liaise with IRC to provide contextual information where required. To be unilaterally disclosed by the IRC	No
<b>Additional Profits Tax</b>	<b>Oil &amp; Gas</b>	Applicable to gas projects only; tax of 7.5% on positive cash flows exceeding a 17.5% accumulation rate; and 10% on positive cash flows exceeding a 20% accumulation rate.	IRC	PGK 0	Additional profits tax should also be included if received in relation to the PNG LNG project in 2015 or 2016. - Note: IRC states not received for 2015 or 2016 To be requested by companies and reconciled with data from the IRC	Yes
Licence/tenement fees (application, renewal and late), rents and security payments, data sale fees, sundry fees (DPE)	Contextual	Fees to MRA including Exploration Licence, Mining Lease, Alluvial Mining Lease, Lease for Mining Purpose, Mining Easement. Fees to DPE including Petroleum Development Licence, Application for PDL, Petroleum Retention Licence, Application for PRL, Petroleum Prospecting Licence, Application for PPL, Petroleum Processing Facility Licence, Application for PPFL.	DPE, MRA and CEPA	PGK 1,329,638	Licence fee information will be requested from CEPA as well as DPE and MRA. Licence fee information should be aggregated to project/company level if possible.	No
Voluntary Social Expenditure (In accordance with Requirement 6.1)	Mining, Oil & Gas	Voluntary (or discretionary) social expenditure refers to any payments to government or third parties over and above mandatory social payments. This may include, for example, sponsorships and voluntary contributions to health and education programs.	Paid by reporting companies to direct recipients		Request information from companies and SOE's and also include any additional information reported in company annual reports.	No
<b>Share of sales</b>	<b>Oil &amp; Gas</b>	Sales proceeds derived from the joint marketing of LNG	State partners in PNG LNG project		Will engage with PNG LNG operator and JV partners to understand the best way to included this information in the reporting process.	Yes
Goods and services tax, Import tax	Contextual		Customs		Need to get contact details for customs to supply this data. To be unilaterally disclosed by Customs.	No
Assessable income	Contextual	Assessable income is the gross income before deductions.	NA		Contextual - Unilateral - Request data from companies to provide a reference point for other revenue streams reported by each company Need to confirm if this is also reported by IRC.	No



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Revenue Stream	Type	Definition	Government recipient	Estimated value of total extractive industry revenue (2014 EITI Report)	Process for inclusion in 2015 and 16 EITI Reports	To be reconciled?
Quasi-fiscal payments (Requirement 6.2)	Contextual	Quasi-fiscal expenditure encompasses payments for social services, public infrastructure, fuel subsidies and national debt servicing. There may be some overlap between the projects funded by the infrastructure tax credits and quasi fiscal expenditure.	Paid by SOEs		Contextual - To include additional commentary in data template for SOE's requesting information regarding quasi-fiscal expenditures. To be discussed in the training session for reporting entities to provide clarification.	No
Sub-national payments	Contextual	Payments made directly to sub-national government entities.	Regional and local governments		Contextual - To be unilaterally disclosed by company or SOE where available.	No
Sub-national transfers	Contextual	Transfers between national and sub-national government entities	Regional and local governments		Contextual - These are to be discussed in the relevant contextual information sections of the report including information from MRDC that includes payments to some provincial and local governments.. If any progress is made on the sub-national payments scoping study, additional information may be able to be included in the 2015 and 2016 reports.	No
Mine closure and decommissioning bonds	Contextual		CEPA		To liaise with CEPA to provide contextual information where required. To be unilaterally disclosed by the CEPA	No
Business payments tax, Dividend withholding tax, Interest withholding tax, management fee withholding tax, Royalty withholding tax	Contextual		IRC		To liaise with IRC to provide contextual information where required. To be unilaterally disclosed by the IRC	No



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Parent Company	Operator in PNG	Year audited	Qualifications/comments	Source
<b>Barrick Gold Corporation</b> (95% until 31 Augusts 2015, then 47.5% Joint Operation JO)	Porgera Mine - Barrick (Niugini) Ltd	2015, 2016	Both audited by PwC. No qualifications noted.	<a href="http://barrick.q4cdn.com/808035602/files/annual-report/Barrick-Annual-Report-2015.pdf">http://barrick.q4cdn.com/808035602/files/annual-report/Barrick-Annual-Report-2015.pdf</a> <a href="http://barrick.q4cdn.com/808035602/files/annual-report/Barrick-Annual-Report-2016.pdf">http://barrick.q4cdn.com/808035602/files/annual-report/Barrick-Annual-Report-2016.pdf</a>
<b>Zijin Mining Group</b> (47.5% JO from 31 August 2015)	Porgera Mine - Joint operator with Barrick (Niugini) Ltd from 31 August 2015	2015, 2016	Both audited by EY. No qualifications noted.	<a href="http://www.zijinmining.com/upload/file/2016/10/26/63b8c7f9d2a742c8a581e765cb77c6d7.pdf">http://www.zijinmining.com/upload/file/2016/10/26/63b8c7f9d2a742c8a581e765cb77c6d7.pdf</a> <a href="http://www.zijinmining.com/upload/file/2017/05/08/65aac8c4d4634c0e889a8231eb056da3.pdf">http://www.zijinmining.com/upload/file/2017/05/08/65aac8c4d4634c0e889a8231eb056da3.pdf</a>
<b>Newcrest</b>	Lihir Gold Ltd	2014 FY 2015 FY 2016 FY	All audited by EY. No qualifications noted. Annual reports for each financial year are published in Sept/Oct. The second half of the 2016 calendar year data will be contained in the 2017 Annual Report - not yet audited or published.	<a href="http://www.newcrest.com.au/media/annual_reports/FINAL_Annual_Report_2014_72dpi_web.pdf">http://www.newcrest.com.au/media/annual_reports/FINAL_Annual_Report_2014_72dpi_web.pdf</a> <a href="http://www.newcrest.com.au/media/agm/NCM_Annual_Report_2015.pdf">http://www.newcrest.com.au/media/agm/NCM_Annual_Report_2015.pdf</a> <a href="http://www.newcrest.com.au/media/annual_reports/2016_Annual_Report.pdf">http://www.newcrest.com.au/media/annual_reports/2016_Annual_Report.pdf</a>
<b>Metallurgical Corporation of China Ltd. (MCC)</b>	MCC Ramu NiCo Ltd	2015	Audit by Deloitte. No qualifications noted. 2016 report not yet published	<a href="http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0405/LTN201604051843.pdf">http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0405/LTN201604051843.pdf</a>
<b>Harmony Gold Mining Ltd</b>	Harmony Gold Mining Ltd	2014 FY 2015 FY 2016 FY	Audit by PwC. No qualifications noted. The second half of the 2016 calendar year data will be contained in the 2017 Annual Report - not yet audited or published.	<a href="https://www.harmony.co.za/investors/reporting/annual-reports">https://www.harmony.co.za/investors/reporting/annual-reports</a>
<b>Asidokona Mining Resources Pty Ltd</b>	Tolukuma Gold Mines Limited	Not available	Company was incorporated/registered on 22 July 2015. There are no public reports available from this company.	Not available
<b>St Barbara LTD</b>	Simberi Gold Co. Ltd	2014 FY 2015 FY 2016 FY	Audit by KPMG. No qualifications noted. The second half of the 2016 calendar year data will be contained in the 2017 Annual Report - not yet audited or published.	<a href="http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2014__web_.pdf">http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2014__web_.pdf</a> <a href="http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2015.pdf">http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2015.pdf</a> <a href="http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2016.pdf">http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2016.pdf</a>
<b>New Guinea Gold</b>	Sinivit Mine	Not available	No public reports available	Not available
<b>Niuminco Group Limited</b>	Niuminco Edie Creek Ltd	2015 FY	Audit by PwC. No qualifications noted. No audited reports for 2016 or 2017 FY	<a href="http://www.niuminco.com.au/docs/NIU%20Annual%20Report%202015_FINAL.pdf">http://www.niuminco.com.au/docs/NIU%20Annual%20Report%202015_FINAL.pdf</a>
<b>K92 Mining Inc.</b>	K92 Mining Inc.	Not available	Investor presentation - no audited annual report found.	<a href="http://www.k92mining.com/">http://www.k92mining.com/</a>
<b>Crater Gold</b>		2016	Audited by BDO East Coast Partnership and BDO Papua New Guinea (Auditors of Anomaly Limited) - no Qualifications noted	<a href="http://goa.live.irmau.com/irm/PDF/2588_0/AnnualReporttoshareholders">http://goa.live.irmau.com/irm/PDF/2588_0/AnnualReporttoshareholders</a>
<b>ExxonMobil</b>	ExxonMobil PNG Limited (PNG LNG project operator)	2015 2016	Audit by PwC. No qualifications noted.	<a href="http://cdn.exxonmobil.com/~media/global/files/investor-reports/2016/2015_Financial_Statements.pdf">http://cdn.exxonmobil.com/~media/global/files/investor-reports/2016/2015_Financial_Statements.pdf</a> <a href="http://cdn.exxonmobil.com/~media/global/files/investor-reports/2017/2016_financial_statements.pdf">http://cdn.exxonmobil.com/~media/global/files/investor-reports/2017/2016_financial_statements.pdf</a>
<b>Oil Search</b>		2015 2016	Audit by Deloitte. No qualifications noted.	<a href="http://www.oilsearch.com/_data/assets/pdf_file/0018/1566/OSH_AR16-a3d8b18e-1b65-4a66-a4a0-34826fa5db87-2.PDF">http://www.oilsearch.com/_data/assets/pdf_file/0018/1566/OSH_AR16-a3d8b18e-1b65-4a66-a4a0-34826fa5db87-2.PDF</a> <a href="http://www.oilsearch.com/_data/assets/pdf_file/0016/7045/HC_OSF_AR16_Interactive_v01A.pdf">http://www.oilsearch.com/_data/assets/pdf_file/0016/7045/HC_OSF_AR16_Interactive_v01A.pdf</a>



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Parent Company	Operator in PNG	Year audited	Qualifications/comments	Source
Independent Public Business Corporation - Now Kumul Consolidated Holdings		2012	Qualification and several issues raised:  2013 accounts have been submitted for audit *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf</a>
Mineral Resources Development Company Limited		2010	Qualification and several issues raised:  2011 accounts were completed but not submitted for audit 2012 accounts are in progress	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf</a>
National Petroleum Company of Papua New Guinea - Now Kumul Petroleum Holdings		2010	Qualification and several issues raised;  2011 accounts had been submitted for audit; more recent accounts had not been submitted 'despite repeated reminders' *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf</a>
Petromin PNG Holdings - Now Kumul Mineral Holdings	Tolukuma Gold Mines Limited	Not available	The 2014 annual report was the last published by Petromin PNG Holdings. Kumul Mineral Holdings Limited have not published an annual report. Tolukuma Gold Mine was sold to Asidokona Mining Resources Pty Ltd	Not available
	Ok Tedi Mining Ltd	2016 (no 2015 report)	Audit by PwC. No qualifications noted. Re-opened after 7 month suspension due to dry weather (August 2015-February 2016) Indirect economic impacts (taxes and levies, dividends, royalties, Tax Credit Scheme (TCS), goods purchased in PNG, payments to PNG contractors, local training costs and salaries and wages) limited assurance by Materiality Counts	<a href="http://www.oktedi.com/media-items/publications/annual-review/488-2016-annual-review/file">http://www.oktedi.com/media-items/publications/annual-review/488-2016-annual-review/file</a>





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Government entity	Year audited	Qualifications/comments	Source
Internal Revenue Commission	2012	'Audit indicated that there were significant weaknesses in the control framework. The controls activities, such as delegations, authorisations, reconciliations, data processing, segregation of duties and system access were not sufficiently robust to prevent defect or correct errors or fraud.' *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf</a> p. 151 - No longer available online
Minerals Resource Authority	2010	'Because of the significance of the matters described in the basis for Disclaimer of Opinion, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.'	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf</a> p. 57 - No longer available online
Department of Treasury	2013-12	'The results of my audit indicate that overall, there were notable weaknesses in the control framework. The control activities, such as delegation, authorisation, reconciliations, data processing, segregation of duties, system access, management monitoring, etc. were not sufficiently robust to prevent, detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.' *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf</a> p. 90 - No longer available online
Department of Finance	2012	'notable weaknesses in the control framework. The control activities, such as delegation, authorisation, reconciliation, data processing, segregation of duties, system access and management monitoring were not sufficiently robust to prevent, detect or correct errors or fraud.' *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf</a> p. 141 - No longer available online
Department of Petroleum and Energy	2012	'The results of my audit indicate that overall, there were significant and serious weaknesses in the control framework. The control activities such as delegations, authorisations, reconciliations, segregation of duties, system access and management were not sufficiently robust to detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.' *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf</a> p. 197 - No longer available online
Department of National Planning & Monitoring	2012	'The results of my audit indicate that there were significant weaknesses in the control framework. The control activities were not sufficiently robust to prevent, detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.' *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf</a> p. 163 - No longer available online
PNG Customs	2012	'my audit indicated that there were weaknesses noted in the control framework' *No change from 2013 report	<a href="http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf">http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf</a> p. 226 - No longer available online



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### Appendix 3 - Non-revenue information to be provided in the EITI report - Identified by MSG in the terms of reference

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Non-revenue information to be provided in the EITI Report	Work to be undertaken by the Independent Administrator	Work to be undertaken by the MSG/others
Legal framework and fiscal regime in accordance with EITI Requirement 2.1.	Summary of the PNG fiscal and taxation regime covering the mining, oil and gas sector and a general overview of the relevant laws and regulations governing these sectors. The IA will be required to liaise with the Departments of Treasury, Petroleum and Energy, Mineral Policy and Geo-hazards Management and the IRC, MRA and other relevant agencies in providing this description. Refer to the PNGEITI 2013 and 2014 Reports for reference.	No work will be required from MSG/others
An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1.	The IA will be required to use the 2013 to 2016 scoping study reports, the first and second PNGEITI Reports, the Beneficial Ownership Study Report and Roadmap, and other documents such as the Tax Review Report and also liaise with the Departments of Petroleum and Energy, Mineral Policy and Geo-hazards Management and Mineral Resources Authority and any other relevant agencies to obtain information and provide an overview on the extractive industries, including an update on exploration activities in PNG. Refer to the PNGEITI 2013 and 2014 Reports for reference.	No work will be required from MSG/others
Information about the contribution of the extractive industries to the economy in accordance with EITI Requirement 6.3	Where there are information gaps in the scoping study report on the points listed below and agreed to by the MSG, the IA is expected to fill these in by liaising with the Department of Treasury, Bank of Papua New Guinea and industry companies to establish the contribution to the PNG economy in the reporting period. Such information to include: >Size of extractive industries and as a percentage of GDP, including an estimate of the informal sector >Total government revenues generated by the extractive industries (taxes, royalties, bonuses, fees and other payments) in absolute terms and as a percentage of total government revenues. >Exports from extractive industries in absolute terms and as a percentage of total exports. >Employment in the extractive industries in absolute terms and as a percentage of the total employment Regions/provinces where production is concentrated.	MSG members and government agencies to provide assistance with respect to reviewing information collected by the IA
Production and export data in accordance with EITI Requirement 3.2 and 3.3	The IA is expected to use the information from the 2013 to 2015 scoping study reports and the first two and third PNG EITI Reports to disclose production data for 2016 in the PNGEITI Report. The production data should include: >Total production volumes and the value of production by commodity and by region/provinces >Total export volumes and the value of exports by commodity and province of origin. Where there is gap in the information, the IA is expected to liaise with MRA and DPE to verify the information.  <b>*Additional contextual information will be requested to address this requirement for the 2015/16 report - see page 9 of Inception Report.</b>	No work will be required from MSG/others
Information regarding state participation in the extractive industries in accordance with EITI Requirement 2.6 and 6.2.	The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings, Mineral Resources Development Company (MRDC) and Kumul Consolidated Holdings (former IPBC) to provide an explanation on their prevailing rules and practices regarding the financial relationship between the Government (e.g., transfer of funds between the State and SOEs), retained earnings, reinvestment. Further background information can be obtained from 2013, 2014 and 2015 PNGEITI Reports. The IA is also expected to liaise with Department of Treasury on the third party funding arrangements for mining, oil and gas projects including the PNG LNG project. The IA is expected to assess the level of disclosure and provide options to the MSG in the preliminary report. The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings, Kumul Mineral Holdings MRDC and Kumul Consolidated Holdings (KCH) and other relevant State entities to provide their quasi-fiscal expenditures such as payments for social services, public infrastructure, fuel subsidies and national debt servicing for the year 2016. The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings, Kumul Consolidated Holdings, Kumul Mineral Holdings, MRDC and other relevant State agencies including Treasury, MRA, and DPE on level of beneficial ownership (BO) in mining, oil and gas companies operating within the country's oil, gas and mining sector, including those held by SOEs subsidiaries and joint ventures and any change of ownership during the reporting period.  <b>*Additional contextual information will be requested to address this requirement for the 2015/16 report - see page 9 of Inception Report.</b>	MSG members and government agencies to provide assistance as able with respect to reviewing information collected by the IA
Information about the distribution of revenues from the extractive industries in accordance with EITI Requirement 5.1.	The IA is expected to use the initial 2013 - 2016 scoping study reports and the PNGEITI 2013, 2014 and 2015 Reports as a foundation, and where there are information gaps liaise with the Departments of Treasury to identify revenues (cash or in-kind) that are recorded in the National Budget. The IA is expected to use the scoping study reports and the PNGEITI 2013, 2014 and 2015 Reports to identify revenues that are not reported in the budget and where there are information gaps liaise with the Departments of Treasury, Finance, Petroleum and Energy and Mineral Resources Authority.	MSG members and government agencies to provide assistance as able with respect to reviewing information collected by the IA



## Inception Report for PNG's 2015 and 2016 EITI Reports

### Appendix 3 - Non-revenue information to be provided in the EITI report - Identified by MSG in the terms of reference

- 1 Executive summary
  - 2 Statement of materiality - payments and revenues to be covered in the reports
  - 3 Statement of materiality - companies and government entities required to report
  - 4 Required audit and assurance procedures
  - 5 Procedures for integrating and analysing non-revenue, contextual information
  - 6 Reporting templates and safeguarding confidential information
- Appendices

Non-revenue information to be provided in the EITI Report	Work to be undertaken by the Independent Administrator	Work to be undertaken by the MSG/others
Any further information requested by the MSG on revenue management and expenditures in accordance with EITI Requirement 5.3.	The IA is expected to use the information in the PNGEITI 2013, 2014 and 2015 Reports to address Requirement 5.3 and where there are information gaps liaise with relevant government agencies and SOEs to verify.	MSG members and government agencies to provide assistance as able with respect to reviewing information collected by the IA
Information about license holders in accordance with EITI Requirement 2.3.3, and the allocation of licenses in accordance with EITI Requirement 2.2.4	<p>The IA is expected to use the information in the scoping report and the PNGEITI 2013, 2014 and 2015 Reports to address Requirement 2.2 and 2.3. Where such information gap exists, the IA is expected to consult with MRA, Environment and Conservation Protection Authority (CEPA) and DPE to address the gaps.</p> <p>The IA is expected to consult MRA and DPE to meet these requirements.</p> <p>Where there is need for improvement, the IA should make recommendations to the MSG.</p> <p><b>*Additional contextual information will be requested to address this requirement for the 2015/16 report - see page 9 of Inception Report.</b></p>	MSG members and government agencies to provide assistance with respect to reviewing information collected by the IA
Any information requested by the MSG on beneficial ownership (BO) in accordance with EITI Requirement 2.5.5	<p>For the purpose of this report, the IA should:</p> <ul style="list-style-type: none"> <li>&gt;Propose a definition of BO for adoption by the MSG.</li> <li>&gt;Propose the disclosure of details on the identity of the beneficial owners.</li> <li>&gt;Propose an approach for assuring the BO assurance for adoption by the MSG.</li> <li>&gt;Reflect the MSG's decision on the definition of BO, the details to be disclosed about the identity of the assurance process in the EITI's model BO template.</li> <li>&gt;Develop guidelines to reporting companies on how to identify their beneficial owners and complete the reporting template.</li> <li>&gt;Distribute the BO template to the companies included in the scope of the EITI Report, collect data and follow up on any missing or incomplete submissions.</li> <li>&gt;Compile the data in an open data format (xlsx or cvs)</li> <li>&gt;Present the findings in the EITI Report, noting for each of the companies in the scope of the report: the name of the BOs of each company, details about their identity, and information about how ownership is exerted. Where legal owners have been disclosed, this should be clearly distinguished from beneficial ownership. Provide comments on the comprehensiveness and reliability of the BO information, and present recommendations for improving beneficial ownership reporting in the future, apart from the list of activities identified in the BO Roadmap.</li> </ul> <p><b>*See page 10 of Inception Report</b></p>	For the purpose of the 2016 report, the MSG will: · Consider and agree the recommendations by the IA with regards to the definition of BO, the details to be disclosed about the identity of the BO, and the approach for BO data assurance.
Any information requested by the MSG on contracts in accordance with EITI Requirement 2.4.6	<p>The IA should assess the possibility of contract disclosure in the next report and highlight impediments and options to address this impediments. The contracts include Project Agreements, UBBSA, LBBSAs or any MOUs relating to petroleum projects and Mining Development Contracts or MOAs as well as compensation agreements relating to water access, environmental disturbances etc.</p> <p><b>*Additional contextual information will be requested to address this requirement for the 2015/16 report - see page 9 of Inception Report.</b></p>	No work will be required from MSG/others
Other contextual information as agreed by the MSG	In addition to the above the MSG may want to include other contextual information relevant to PNGEITI.	MSG inputs may be required in the report



# Inception Report for PNG's 2015 and 2016 EITI Reports

## Appendix 4 - IA team members

- 1 Executive summary
- 2 Statement of materiality - payments and revenues to be covered in the reports
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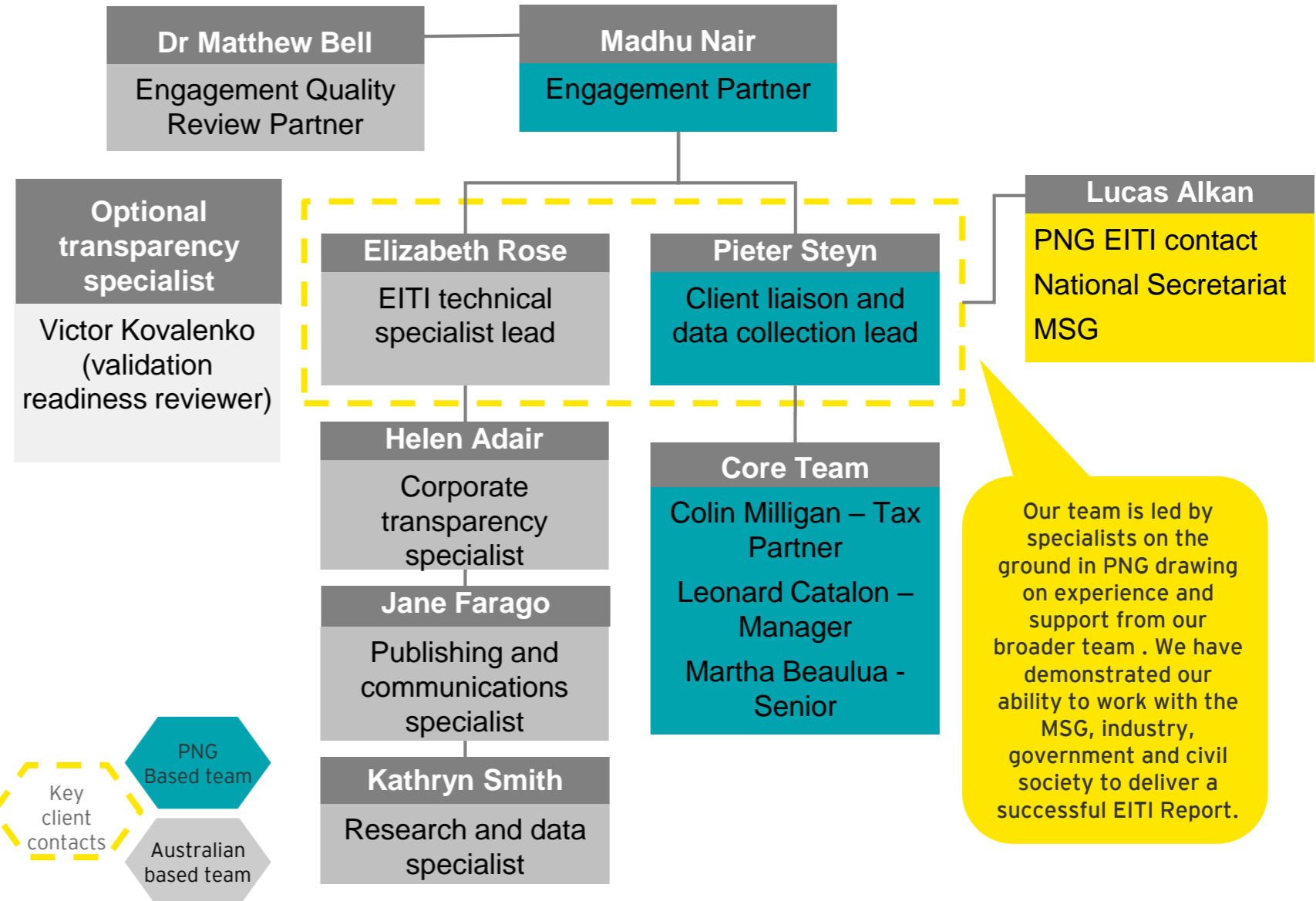
We have brought together the right team for this project to support the PNG EITI National Secretariat and the MSG in delivering the third EITI report for PNG.

Our two key points of contact will be Pieter Steyn and Elizabeth Rose. Pieter is based in EY's Port Moresby office and is supported by a strong local team on the ground to lead the data collection phase of the engagement. Elizabeth will be the project's technical lead, drawing on her in-depth experience delivering the previous two PNG EITI Reports.

Our team members have contributed to the delivery of the preceding PNG EITI reports and are ready to begin work immediately on this engagement.

Across our team we have a depth and breadth of experience in:

- PNG governance of natural resources and transparency issues
- PNG legal and tax framework
- Accounting and reconciliation of financial and non-financial reporting in the extractive industries
- Data management, quality assurance
- Publishing and communicating complex information



Our team is led by specialists on the ground in PNG drawing on experience and support from our broader team. We have demonstrated our ability to work with the MSG, industry, government and civil society to deliver a successful EITI Report.



# Inception Report for PNG's 2015 and 2016 EITI Reports

## Appendix 5 - Timeframe for completing tasks

- 1 Executive summary
- 2 Statement of materiality - payments and revenues to be covered in the reports
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Work step	Tasks	Week beginning																	Election - Polling 24 June - 8 July										
		5-Jun-17	12-Jun-17	19-Jun-17	26-Jun-17	3-Jul-17	10-Jul-17	17-Jul-17	24-Jul-17	31-Jul-17	7-Aug-17	14-Aug-17	21-Aug-17	28-Aug-17	4-Sep-17	11-Sep-17	18-Sep-17	25-Sep-17		2-Oct-17	9-Oct-17	16-Oct-17	23-Oct-17	30-Oct-17	6-Nov-17	13-Nov-17	20-Nov-17	27-Nov-17	
	Program Management Plan and Post Award Conference	x	x																										
<b>1. Preliminary Analysis</b>																													
1.1	Review scope (reporting entities and revenue streams) and additional contextual information including challenges and recommendations from the BO Report and Roadmap, level/types of assurances needed, availability of benefit sharing agreement information. Agree an approach for rolling out training to the reporting entities.	x	x	x	x																								
1.2	Refine reporting templates	x	x	x	x	x	x																						
1.3	Develop training materials for EITI reporting entities				x																								
1.4	Submission of Scoping Report, Draft Reporting Templates and Inception Report				x	x																						14-Jun	
1.5	Submission of Final Scoping and Inception Report	x				x																						26-Jun	
<b>2. Data Collection</b>																													
2.1	Send out data templates to reporting entities					x	x	x																					
2.2	Conduct training sessions for EITI reporting entities					x																							
2.3	Liaise with EITI reporting entities to guide them through completion of EITI reporting templates as required	x	x	x		x	x	x	x	x	x	x	x	x	x														
<b>3. Initial Reconciliation</b>																													
3.1	Compile a database of contextual and financial information					x	x	x	x	x	x	x	x	x	x														
3.2	Reconcile information disclosed by reporting entities against that provided by government entities							x	x	x	x	x	x	x	x													28-Aug	
3.3	Complete Initial Reconciliation																											8-Sep	
3.4	Meet with the MSG to walk through initial reconciliation report																												
<b>4. Investigation of Discrepancies</b>																													
4.1	investigation of discrepancies identified																												
<b>5. Final Report</b>																													
5.1	Preparation of initial Draft PNGEITI Report																												
5.2	Submission of Initial Draft PNGEITI Report																											23-Oct	
5.3	Submission of Revised Draft PNGEITI Report																											1-Nov	
5.4	Submission of Final PNGEITI Report																											16-Nov	
5.5	Report Published																											30-Nov	
5.6	Submit Evaluation Report																												

We have proposed a timeline that still meets all the timeframes outlined in the terms of reference.

Deadline for data collection

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