



Report of the Auditor-General on the Accounts of the Government Printing Office for the year ended 31December 2015





**An Assurance Audit Report of the Auditor General on the Financial
Statements of the Government Printing Office for the year ended 31
December, 2015**

4 December 2018

The Honourable Job Pomat, MP
The Speaker of National Parliament
Parliament House
WAIGANI
National Capital District

Dear Sir,

In accordance with the provisions of *Section 214* of the *Constitution of the Independent State of Papua New Guinea*, I forward herewith a copy of my report signed on 4th December 2018 upon the inspection and audit of the financial statements of the Government Printing Office for the year ended 31 December 2015.

Yours sincerely,



GORDON KEGA, CPA
Acting Auditor-General

AUDITOR-GENERAL'S REPORT ON THE GOVERNMENT PRINTING OFFICE

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1. Executive Summary

Results of Operations

The Government Printing Office recorded K1.7m in net profit in 2015, a 211% increase over the 2014 result and an above average industry performance for the financial period. This is attributable to a constant stream of revenue from the printing and subcontracting functions as mandated by the Government and the 26% cost reduction in the period under review.

Expansion/Development programs

The Printing Office is under reform with the view of developing a proper Governance framework for the proposed Government Printing Authority. This reform will necessitate the redefinition of powers and functions of the Government Printer, the Office, and importantly, consolidate its extended services to the Provincial and Local Level Governments.

Other operational expansion and development plans include the acquisition of new and improved printing equipment to withstand more refined Printing needs and a robust and functional Information, Communication and Technology support services.

2. Enabling Entity Legislation

Functional Responsibilities/Mandate

The Government Printing Office is established under the *Printing of Laws Act (Chapter 333)*. Its primary functions are to provide timely service to the Government, the Legislature, the Judicial and Executive Arms of Government, the Public Service, State Owned Agencies and the Private Sector. Its vision to be a State Service Authority solely dedicated to providing premium quality printing and publishing services utilizing innovative technology to serve the Government as the cornerstone for democratic values and perseverance.

Functional Structure

The functions of the Government Printing Office are located within the Department of the Prime Minister and National Executive Council as a business arm of the Department. The Printing Office operates under the Office of the Chief Secretary to whom the Government Printer reports directly to.

3. Policies and Budget

Corporate Plan

The Government Printing Office is the agency responsible for all state printing requirements which aims to provide a quality and fail-free service at an affordable price. By ensuring a competitive edge, the Printing Office has prioritised these key business objectives for implementation in line with its five (5) year Corporate Plan (2014-2018).

- To build and maintain a Reputation for Printing and Delivering Quality Products and Services on a Timely Basis;
- Promote Prudent Financial Management;
- Management and Best Practices;
- Pursue and Maintain Innovative and Effective Sales and Marketing Strategies;
- Adopt Innovative Information & Communication Technology; and
- Ensure Effective Management of Assets and Print Technology.

These key business objectives are strategically aligned to the core functions of Production/ Graphics/Pre-Press, Finance & Human Resources Management, Sales & Marketing, Publications and Information Technology within the Government Printing Office.

The strategies for achieving corporate objectives are delineated with desirable outcomes and considered Key Performing Activities within the responsible Division. Annual work plans are derived from these key activities which each Division responsible is programed to achieve. Regular management meetings are convened to addresses the progress on the implementation, monitoring and achievement corporate objectives and goals.

Budget

The recurrent budget for the Printing Office is made up of only the Personnel Emolument Components from which submissions are being made through the Department of the Prime Minister and the National Executive Council to the Department of Finance and Treasury.

Budget allocations under the Printing Office of K4,794,000 was facilitated through the annual budget cycle in 2015.

Other operational expenses funded by the Office are budgeted for internally and actual expenditures are being monitored against budget ceilings on a regular basis.

Policies

Since the appointment of the current Government Printer, the Corporate Service Division had been formulating their operational and accounting policies and other occupational health, safety and workplace Policies. Generic compliances are placed on Public Finances Management, General Orders and Accounting Standards for the management over the past periods.

4. Role and Mandate of Auditor General

The responsibilities of the Auditor-General are specified in *Section 214* of the Constitution, *Sections 3, 4 and 8* of the *Audit Act, 1989 (as amended)* and *Section 63(4)* of the *Public Finances (Management) Act, 1995*. Subject to these laws, the Auditor-General has complete discretion in the performance or exercise of the mandated functions or powers.

5. Audit Scope and Nature

Audit Scope

The audit was conducted in accordance with the *International Standards on Auditing* and the promulgated best business practices.

Nature of audit

The engagement is an assurance audit engagement in compliance with the *Audit Act, 1989 (as amended)* and *Public Finances (Management) Act, 1995*.

Period of reporting

The period of reporting covers for the financial year ended 31 December 2015 from which the audit had been in arrears and completed and issued in the 2018/2019 Audit Cycle.

6. Results of Audit

Audit Opinion

The Audit report in accordance with the provisions of the *Audit Act, 1989 (as amended)* on the financial Statements of the Printing for the year ended 31 December 2015 was issued on 10 September 2018. The report contained a **Disclaimer of Opinion**.

“BASIS FOR DISCLAIMER OF OPINION

Limitation on the Scope of my Audit

Opening Balances

I issued a disclaimer of opinion in respect of the year ended 31 December, 2014 and prior years as I was unable to satisfy myself as to the accuracy of the opening balances. I was also unable to quantify the effects of misstatements, if any, which might have a bearing on the results of the operations of the Office. Since the opening balances of 2014 enter into the determination of the balances reported in 2015 financial statements, I was unable to place reliance on the closing balances stated in the financial statements and the reliability of the financial records maintained by the Office for 2015.

Cash at Bank – K3,297,491

My examination of the Cash at Bank account and its related records revealed that the preparation of the financial statements including monthly bank reconciliations were outsourced to an accounting firm. My review of the bank reconciliations and their related records revealed the following;

- Bank Reconciliations were not timely prepared and reviewed by independent senior officers for both the GPO Trust Account and the Operating Account.
- The Operating Account of the Government Printing Office had not been properly reconciled in the year under review. The reconciled bank reconciliation balance of K3,168,682 did not agree with the cashbook balance of K3,001,493, resulting in a variance of K167,189.
- Further, I noted that the bank reconciliation was not itself reconciled to the general ledger. As a result, cheques totalling K125,640 which were cleared during the year were incorrectly shown as unrepresented cheques at year end.

Consequently, I was unable to confirm the accuracy of the bank balance of the main Operating Account disclosed in the financial statements at year end.

Trade Debtors – K5,626,864

My review of the Trade Debtors account for the Printing Office revealed that the Printing Office does not have a properly maintained Debtors Control Account for the period under review. Further, I noted that there were inconsistencies between the Debtors Control Account and the amount stated in the original source documents (invoices). The periodic reconciliation between these records is an important internal control measure. As a result, I noted the following;

- More than K5.8 million debtors were still outstanding from all credit sales as at December 2015.
- Paid invoices totaled K307,235 were still captured in the reconciliation and were not cleared at year end.
- Invoices totaled K174,121 were incorrectly captured in the debtors control account with particulars different from the original source documents.
- Invoices totaled K160,089 representing cancelled jobs were not removed from the debtors control account.
- Invoices totaled K816,260 which were cancelled and reissued as new invoices were not correctly reflected in the debtors control account.

The management in its response stated that some correcting entries were made however, I was not provided with the details to ascertain the accounts that were affected and their ending balances. As such, I was unable to satisfy myself as to the accuracy and completeness of the trade debtors balance disclosed at year end.

Property, Plant and Equipment – K4,417,685

My review of the fixed assets and capital expenditures for the year ended 31 December, 2015 revealed that the Printing Office had not fully complied with Part 32 of the Financial Management Manual by not maintaining an updated Fixed Assets Register.

The following discrepancies were observed;

- No proper stock take was carried out to update the Assets Register and fairly state the assets value for the year under review.

- No proper reconciliations were done between the general ledger and the Fixed Assets Register.
- Assets (cannon printing Equipments) totalled K25,188 purchased in 2004 and 2007 were either not in the custody of the Printing Office or had been disposed.
- Tangible assets recorded in the Assets Register were not tagged and labelled with serial numbers. Consequently, I was unable to physically verify and locate the assets totalled K825,284.

As such, I was unable to ascertain and conclude on the accuracy, valuation and existence on the written down value of K4,417,685 for Property, Plant and Equipment and their associated depreciation charge of K864,435 disclosed in the financial statements at year end.

Revenue – K10,256,013

My review of the revenue account and its related supporting documents revealed that there were no timely reconciliations done between the general ledgers and the Inward Cashbook Register (ICR) for proper recording and disclosure at year end.

Consequently, I noted a variance of K437,598 between the general ledger and financial statements balance of K11,588,732, and the Inward Cashbook Register balance of K11,151,134 provided to me. The final accounts disclosed revenue as K10,256,013 resulting in an unexplained difference of K1,312,612. As such, I was unable to conclude on the accuracy and completeness of the revenue balance of K10,256,013 disclosed in the financial statements.

Provision for Long Service and Recreation Leave

The Government Printing Office did not disclose long service and recreation leave provisions for the permanent staff in its financial statements. There were no records in relation to personnel leave credits that was maintained by the Printing Office. Without such records, I was unable to ascertain whether payments in relation to leave credits were properly accounted for in the financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of Government Printing Office for the year ended 31 December, 2015.”

Audited Financial Statements

The Audited Financial Statements are attached with this report.

Significant matters of Concern

My report to the Ministers under *Sections 8(2) of the Audit Act, 1989 (as amended)* on the inspection and audit of the accounts and records of the Printing Office for the year ended 31 December 2015 was issued on 10 September 2018. The report contained the following observations:

Financial Procedural Manual

My review of the Printing Office's reporting framework revealed that there was a draft Financial Procedural Manual compiled for its staff to carry out tasks in accordance with the procedures and guidelines that is applicable to the Printing Office. However, I noted that this draft Procedural Manual did not capture all processes within the Printing Office like the fixed assets, bank accounts, staff advances and staff workplace policies. I also noted that this Manual was not adequately communicated down to all operational and administration staff. It would be in the best interest of the management to compile a Manual to incorporate all necessary accounting and reporting processes of the Printing Office.

Management responded that the draft Manual was circulated to management for final input including my comments. Once this process is completed, the final draft would be forwarded to Departmental Head for endorsement.

Land Acquisition – K2,595,424

I noted that the management had taken the corrective actions to comply with the requirements of Public Finances Management, Act and rectify the procedural errors that were overlooked at the time of acquiring twenty (20) portions of un-serviced blocks of land (Section 480, Allotments 31-50, Hohola) purposely for its Staff Housing Scheme. I recommended that the Printing Office expedite the process of obtaining the land titles for the Staff Home Ownership Scheme for the benefit of staff employed by the Printing Office.

Motor Vehicle – Toyota Prado (BED 986)

My review and examination of the motor vehicles recorded in the Fixed Assets Register and disclosed in the financial statements revealed that the Printing Office purchased the above motor vehicle at a cost of K293,740 in 2014 through cheque number 5821. I was not provided with the payment details and the registration documents. Further, audit physical inspection procedures could not be performed as the vehicle had been forcefully possessed by the former Government Printer in February 2015 during his resignation.

I brought this issue to the attention of management and it responded as follows;

“It was the official vehicle for the former Government Printer and is still registered under Government Printing Office and pending outright purchase by the former Printer”.

Inventory

My review of the Assets of the Government Printing Office again revealed that the inventory component had not been disclosed as a Current Asset in the financial statements for the year under review. The International Accounting Standards 2 requires a proper valuation and disclosure of inventory as an asset in the statement of financial performance of an entity. I recommended management to do a stock take at year end and disclose the inventory in the financial statements at year end.

Expenditure

My review of the expenditure revealed that there had been a number of payments made without proper supporting documents. I noted that payments totalled K346,275 had been done without proper delivery dockets.

I recommended Management to ensure that proper procurement processes are followed as per the *Public Finances (Management) Act, 1995 (as amended)* when procuring for goods and services. Management concurred with my recommendation and agreed to take corrective action.

7. Entity Comments, Responses

Responses from the client to the issues that have been raised are also included and form part of the report under *section 8(2) and 8(4) of the Audit Act, 1989 (as amended)*.

8. Stakeholder Expectation

The benchmark the Printing Office would have on the stakeholders and their expectation is inclined to the mandated responsibilities and how effectively and efficiently this is discharged. Requirements by the *Public Finances Management Manual (Part 13, Division 2, Subsections 8-12)* stipulate that all printing requirements by the government should be directed first to the Government Printing Office. For the period under review this requirement had been partially fulfilled due to Operational and Administrative constraints.

9. Recommendations

Specific recommendations proposed to the Printing Office have been reproduced and form part of the audit report.

Attachment: A

Audit report on the Government Printing Office in accordance with *section 8(4)* of the *Audit Act, 1989* as amended.

Attachment: B

Audit report on the Government Printing Office in accordance with *section 8(2)* of the *Audit Act, 1989* as amended.

Attachment: C

The 2015 Audited Financial Statements
