

Report of the AUDITOR-GENERAL - 2010

On the Public Account *of* Papua New Guinea

Part I

- **Public Account of Papua New Guinea**
-



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28 June, 2013

The Hon. Theo Zurenuoc, MP
Speaker of the National Parliament
Parliament Haus

WAIGANI

National Capital District

Dear Mr. Speaker,

Under the authority of Section 214 of the Constitution of the Independent State of Papua New Guinea, I have the honour to transmit to the National Parliament Part I of my Report for the year 2010.

My report embodies the results of audit of the transactions for the year as reflected in the detailed statement of the receipts and expenditures of the Public Account of Papua New Guinea for the financial year ended 31 December, 2010, submitted to me for audit, on which I have expressed my opinion.

Yours sincerely,



PHILIP NAUGA
Auditor-General

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FOREWORD

This report, prepared under Section 214 of the Constitution of Papua New Guinea is Part I of my Annual Report to Parliament. Part I is divided into Sections A, B and C structured as follows:.

Section “A” provides:

the Audit Opinion on the Public Accounts which represent the financial statements of the Government of Papua New Guinea.

Section “B” contains my observations

on the Government’s financial statements. A broad range of internal control issues were raised as part of the final audit phase. These matters were consistent with issues reported in previous years. In general, the results again demonstrate that internal controls require significant improvements and regular monitoring.

Section “C” presents appendices

for which I had made reference to in my audit report.

SECTION “A”

INTRODUCTION TO THE ANNUAL REPORT

1.0 INTRODUCTION

Section 214 of the *Constitution of the Independent State of Papua New Guinea* requires the Auditor-General to inspect and audit, and to report at least once in every fiscal year (as provided by an Act of the Parliament) to the Parliament on the Public Accounts of Papua New Guinea and on the control of and on transactions with or concerning the public moneys and property of Papua New Guinea, and such other functions as are prescribed by or under a Constitutional Law. These functions have been amplified by the *Audit Act, 1989*.

Section 7, sub-section 2A, of the *Audit Act, 1989* requires the Auditor-General's report to specify:

- a) whether the financial statements, to which the report relates, are based on proper accounts and records;
- b) whether the financial statements, to which the report relates, are in agreement with the accounts and records and whether they show fairly the financial operations for the period for which they cover and the state of affairs as at the end of that period;
- c) whether the receipt and payment and investment of moneys and the acquisition and disposal of assets during the year have been in accordance with the *Public Finances (Management) Act, 1995*, and
- d) such other matters arising out of the financial statements, to which the report relates as he considers should be reported.

2.0 PARTS OF THE ANNUAL REPORT

In accordance with the above requirements, audits are carried out and the findings are reported to the National Parliament in four Parts:

Part I – This Part of my Annual Report for 2010 is presented in three sections:

- Section "A" presents the Public Account, which the Minister for Finance has, in terms of Section 3 of the *Public Finances (Management) Act, 1995* caused to be prepared and provided to me for audit. My audit opinion on these financial statements precedes them in Section "A". The audited financial statements and my audit opinion were provided to the Minister for Finance on event date. The financial statements appearing after the audit opinion in Section "A" of this report includes first three pages and last three pages of Statement "L". The reason for this is that Statement "L" contains disaggregated details of the total of *K8,893 million of expenditure appearing in Statement "B"* and is too large for integration into this Report. The details together with my audit opinion report on the Public Account would appear in the Department of Finance's annual publication.
- Section "B" of this report contains significant matters arising as a result of my audit on each of the statements "A" to "J" and "L" of the Public Account of Papua New Guinea. My opinion in Section "A" and audit findings in Section "B" should be read in conjunction with the respective financial statements of the Public Account.
- Section "C" provides appendices for additional reference.

Part II - covers the audit findings, conclusions and recommendations on my audit of National Government Departments, instrumentalities and agencies.

Part III - reports on the results of the audits of Provincial and Local-level Governments, business arms of Provincial Governments and their subsidiary corporations.

Part IV - covers findings, conclusions and recommendations from audits of public bodies and their subsidiaries, State owned companies and State share-holdings in other companies.

Coordinated Effort for Timely Reporting

In my last report on the audit of the 2009 Public Account, I explained that the delay in signing the report had been caused by the lateness of the delivery of the draft financial statements and the continual and frequent changes to the statements. The delay in the completion and publication of this Report on the audit of 2010 Public Account was merely awaiting management responses for the 2010 management letter submitted to Department of Finance. Responses were received up until the time of printing this report.

The Department of Finance was yet to submit the 2011 Financial Statements to me for audit. Once submitted the audits will be completed within an appropriate time frame because the Secretary of Finance and I are working closely together to develop a strategy for the more timely submission of the Public Account and completion of the audit – this includes working closely with Government departments so that the information provided to the Department of Finance is timely, accurate and reliable.

**AUDIT OPINION ON
THE PUBLIC ACCOUNT
OF PAPUA NEW GUINEA
FOR THE YEAR 2010**

**INDEPENDENT AUDIT REPORT ON THE PUBLIC ACCOUNT OF THE GOVERNMENT
OF PAPUA NEW GUINEA FOR THE YEAR ENDED 31 DECEMBER, 2010**

To the Minister for Finance

I have audited the accompanying financial statements of the Public Account of the Government of Papua New Guinea for the year ended 31 December, 2010. The financial statements comprise:

- Statement A Statement of Public Account Balances;
- Statement B Consolidated Revenue Fund Receipts and Expenditure; Trust Fund -
- Statement C Receipts and Expenditure;
- Statement D Statement of Sources and Application of Funds;
- Statement E Trust Fund - Particulars of Investments;
- Statement F Statement of Direct Investments, Capital Contributions and Equity Option Rights;
- Statement G Statement of Public Debt;
- Statement H Statement of On-Lending;
- Statement I Statement of Loans Guaranteed by Government;
- Statement J Receipts Classified under Heads of Revenue Estimates; and Expenditure
- Statement L Classified under Appropriation Divisions;

Responsibilities for Preparation of the Financial Statements

Section 3 (1) of the *Public Finances (Management) Act, 1995* places responsibility on the Minister for Finance for the supervision of the finances of the Independent State of Papua New Guinea so as to ensure that a full accounting is made to the Parliament of all transactions involving public moneys. Under Section 3 (3) of the *Act*, the Minister is also required as soon as practicable after the end of each fiscal year, to cause the preparation of a detailed statement of the receipts and expenditure of the Public Account during the fiscal year, and have it sent to the Auditor-General to be audited.

The Secretary of the Department of Finance, as the Head of the Department responsible for financial management, has control and direction of all matters relating to the management of the financial affairs of the State. The Financial Instructions, issued by the Secretary of the Department of Finance in accordance with Section 117 of the *Act*, provides the basis for the preparation and presentation of the National Government Accounts. The Secretary of the Department of Finance, as the Chief Accountable Officer is, therefore, responsible, for the preparation and presentation of the Public Account of PNG and the information contained therein. The *Act* also makes the Secretary of the Department of Finance responsible for the efficient management of the financial affairs of the State.

The Heads of Departments of the Public Service are responsible for the efficient management of their Departments, maintaining proper accounting records, taking measures to safeguard the collection and custody of public moneys and assets, ensuring expenditure is properly authorised and applied for the purpose for which it is appropriated and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility of the Auditor-General

Section 214 of the *Constitution of the Independent State of Papua New Guinea* requires the Auditor-General to inspect and audit, and to report at least once in every fiscal year to the Parliament on the public account of the Independent State of Papua New Guinea, and on the control of and on transactions with or concerning the public moneys and property of the Independent State of Papua New Guinea.

Section 7 (2A) of the *Audit Act, 1989* requires that the Auditor-General reports on:

- (a) *Whether the financial statements, to which the report relates, are based on proper accounts and records;*
- (b) *Whether the financial statements, to which the report relates, are in agreement with the accounts and records and whether they show fairly the financial operations for the period which they cover and the state of affairs as at the end of that period;*
- (c) *Whether the receipt and payment and investment of moneys and the acquisition and disposal of assets during the year have been in accordance with the Public Finances (Management) Act, 1995; and*
- (d) *Such other matters arising out of the financial statements, to which the report relates, as the Auditor-General considers should be reported.*

The audit of the Public Account for 2010 was planned and performed in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit involved performing test procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The nature of an audit is influenced by factors such as the use of professional judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. I have considered the risks, based on those assessments, on the internal controls relevant to the preparation and fair presentation of the financial statements in designing audit procedures considered appropriate in the circumstances.

It is my responsibility to form an independent opinion, based on my audit, on these financial statements prepared on a cash basis and to report in accordance with the requirements of the *Audit Act, 1989*.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph below, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1.0 LIMITATION OF SCOPE ON PUBLIC ACCOUNT BALANCES

The Public Account of the National Government consists of the Consolidated Revenue Fund (CRF) and the Trust Fund. The Statement of Public Account Balances (Statement A) shows the balance of the Public Account as at 31 December 2010 as K2.23 billion. This comprised the CRF deficit balance of K29.39 million and the Trust Fund balance of K2.26 billion.

I was unable to confirm the stated year end balance of the Public Account for reasons explained in the following paragraphs:

1.1. Consolidated Revenue Fund Transactions – Statement “A”

The aggregate balance of the CRF stated as K29.39 million deficit was made up of the surplus of K40.56 million realized in 2010 and the accumulated deficit balance of K69.95 million brought forward from 2009. I could not confirm the accuracy of the CRF deficit balance of K29.39 million as correct due to the errors, uncertainties and the material limitation of scope in the audit efforts to verify the brought forward overdrawn balance, as expressed in my previous audit reports.

I was also unable to verify the accuracy of the surplus of K40.56 million due to the following reasons:

- **Cash Adjustment Account (A Non-Bank Adjustment Account)**

The Cash Adjustment Account has been maintained solely for the adjustments of accruals (receivables and payables) at year-end. Contrary to that purpose, audit of prior years confirmed that significant value of receipts and expenditure has been processed through this account. In 2010, receipts totaling *K713 million* and expenditure totaling *K720 million* were processed through this account and facilitated in PGAS. These transactions were not adjustments of accruals.

Such an adjustment account is not a requirement in the method of accounting adopted for the Public Account and the existence of this account poses great risks of significant value of receipts and expenditure getting improperly processed through it and the relevant ledgers not properly updated to reflect the accurate balances.

- **Variances in Revenue between Department and Public Account Records**

Statements “B” and “J” disclosed taxation revenue as K4.67 billion whereas the revenue summary report from IRC showed K4.74 billion as the total taxation revenue. The revenue from Bureau of Customs disclosed in the statements at K1.78 billion also differed from the total of K1.92 billion shown in the revenue summary report from IRC.

The net variance of K210 million for these two revenue sources represents 2.3% of the total CRF Receipts of K8.93 billion. Reporting of similar differences is likely to continue in the future as no clear explanation was given about the causes and the possible remedy.

- **Inability to Confirm Validity of Expenditures**

The Public Account disclosed K8.89 billion as the total expenditure in 2010. Out of that, K4.2 billion representing 47% of the total expenditure was the expenditure incurred by the National Departments. Audit of the individual agencies confirmed that a significant amount of their expenditure was charged to wrong votes due to incorrect expenditure codes and transfers being processed through journal entries to vote items for which funds were not appropriated. Further, funds attributable to cancelled cheques were incorrectly transferred to Trust Funds Suspense Account No.2 instead of crediting the respective vote items.

I was therefore unable to confirm if the expenditure disclosed in the Public Account includes an accurate representation of the expenditure by National Departments in 2010.

1.2 Expenditure Exceeding Appropriation – Statement “B”

Although the aggregate expenditure of K8.89 billion reported in Statement “B” was within the Revised Appropriation of K10.26 billion, expenditure control at the individual agency level was not satisfactory. In 2010, twenty nine (29) State Agencies altogether spent K1.02 billion compared to K960.45 million of appropriation resulting in excess-expenditure of K59.55 million. This excess-expenditure was absorbed by the savings of K437.09 million in the Development Budget Appropriation from 24 State Agencies and further savings of K30 million in the revised Recurrent Budget from 21 Agencies where only K1.05 billion was expended from the appropriation of K1.08 billion.

Expenditure of K59.55 million by 29 Agencies in excess of their respective appropriation is a breach of the *PF(M) Act, 1995* and the *Appropriation Act, 2009*.

1.3 Trust Fund – Statement “C”

- **Lack of trust account monthly reconciliations**

The Trust Fund balance of K2.26 billion at the end of 2010 decreased by K710 million from 2009. Sections 14 and 19 of the *PF(M) Act, 1995* requires Trustees/Departments to submit monthly returns of receipts and payments of trust accounts, together with the bank reconciliations, and annual trust account financial statements at year end to the Department of Finance.

In 2010, bank reconciliations for the month of December for only 23 out of 229 trusts with bank accounts were made available for review. Further, none of the Department/Trustees submitted the bank reconciliations for their trust accounts within 14 days of the close of each month to Department of Finance. Payments made were also contrary to Trust Instruments and surplus funds available in the trust accounts were not invested as required by the *PF(M) Act, 1995*. All these indicates the lack of compliance by the Trustees/Departments with the *PF(M) Act, 1995*. In the absence of complete returns and reconciliation of trust accounts, I was unable to verify the correctness of the closing balance of the Trust Fund.

- **Operation of Trust Fund Suspense Account No. 2 (A Non-Bank Trust Account)**

The Trust Fund Suspense Account No 2 continued to be operated in 2010 despite it being revoked on 19th July 2006. The same Trust Account maintained throughout the Provinces was intended to account for transactions relating to bail monies and child maintenance monies. Over the years, receipts and payments of material amounts have been facilitated through the account. In 2010, K88.83 million was receipted and K75.56 million was paid, resulting in a surplus of K13.27 million. With the opening balance of K1.05 million the year-end balance of the trust account was K14.32 million surplus.

Contrary to the requirements of the *PF(M) Act, 1995* and the intended purpose to maintain this account as a non-bank Trust Account, the prevailing practice of processing transactions other than those relating to its purpose seemed to have been regularised.

Consequently, I could not verify the validity of the payments processed through this account in 2010, the impact of that on the correctness of the balance in Statement "C" and ultimately the Public Account balance.

- **Trust Account Expenditure in Breach of Trust Instruments**

Statement "C" disclosed K2.13 billion as total expenditure made out of 283 Trust Accounts in 2010. With the opening balance of K2.97 billion and the total receipts of K1.42 billion, the closing balance at the end of 2010 was K2.26 billion.

The audit of the accounts and records of the National Departments and Agencies confirmed instances of trust accounts not on the accounting system (PGAS) and therefore not included in Statement "C". These Departments were Department of Petroleum and Energy, Department of Community Development and Department of Transport to name a few.

1.4 Trust Fund Investments - Statement "E"

The non disclosure of Insurance Deposit Trust Account in Statement "E" is misleading. Over the years, the deposits made by the Insurance Companies were invested in the names of the respective Insurance Companies by the Office of the Insurance Commissioner and held outside the Insurance Deposit Trust Account. This is in breach of Section 27 (1&2) of the Insurance Act, 1995 as insurance deposit funds were not held in the Insurance Deposit Trust Account and invested.

1.5 Direct Investments – Statement "F"

Statement "F" disclosed the State's direct investment, capital contributions and equity option rights in various companies and public bodies totalling K5.77 billion. While the values of the investments disclosed in Statement "F" are generally based on the financial statements prepared by the investment entities, the true value of the investments may be considerably mis-stated as the assets of many of the investment entities have not been revalued for some years. In addition, the reliability of amounts reported as investments is affected by the number of entities' financial statements that have either been in arrears or have been qualified.

A formal Investment Register to assist with the tracking of all State's investments was also not maintained. Consequently, I could not confirm the amount of the direct investments disclosed in the Public Account as being true and fair.

1.6 Public Debt - Statement "G"

Statement G is a Statement of Public Debt. This statement shows what the government owes to other parties in 2010. Statement G reflects a total of K6.9 million being owed to the government of Papua New Guinea.

1.7 Lending - Statement "H"

Statement H is a statement of lending. This statement reflects what is owed to the government by other parties. As at 31 December, 2010 the government was owed K119.6 million as per the statement.

1.8 Register of Guarantees – Statement “I”

I have reported over the years that, a Register of Guarantees had not been maintained by the Department of Treasury. This was also true again in 2010. In the absence of such a Register, I could not determine the full extent of guarantees given by the State nor was I able to carry out appropriate audit checks to determine whether significant commitments could become due and payable.

1.9 Over-expenditure – Statement “L”

Statement “L” revealed that, whilst individual Departments and Agencies’ expenditure from the Recurrent Budget exceeded the Appropriation by K24.7 million, the expenditure made out of the Development Budget was within appropriation. The savings (under-expenditure) in the Development Budget were then used to absorb the excess expenditure under the Recurrent Budget. The total under-expenditure, ultimately, when compared to the Revised Appropriation of K10.26 billion amounted to K1.38 billion.

I have noted a similar observation in relation to Statement “B” in paragraph 1.2 above.

- **Period 13 Journal Entries**

The funds transferred through journal entry adjustments raised in Period 13 (year- end) totalled K3.2 billion, a decrease of K2.29 million (or 41.7%) compared to K5.49 billion in 2009. The transfer of a significant amount of public funds through journal entries, particularly in Period 13, poses serious concerns in relation to proper maintenance of ledger accounts, the cashbooks and the bank reconciliations. It also requires the communication of the adjustments to the concerned State Agencies for similar adjustments in their respective books of accounts. Traditionally, journal entries are a means of making adjustments to correct errors and the use of these journal entries for such transfers is not a substitute of proper accounting.

2.0 ACCOUNTS AND RECORDS

2.1 Losses and Deficiencies

The Public Account reported the losses and deficiencies of the Public Monies at only K29,488 (four (4) Departments) for the year 2010. Also, noted in the Annexure 1 is the disclosure of the prior year losses and deficiencies totaling K135,417 which were brought to account only in 2010.

I could not confirm the completeness of the information in this Annexure. The results of my audit of the accounts and records of 18 National Departments for 2010 revealed that a number of Departments did not maintain proper and updated records of assets, or registers of losses and deficiencies. I also noted that periodic stock-takes were not conducted in most Departments. A significant number of Departments did not maintain proper and updated records of assets and as a result were unable to accurately report the assets lost or stolen.

In view of the unacceptable state of the records on assets and the spread of State assets across the Departments and Agencies of Government, it was not possible for me to determine the full extent of the misstatement in *Annexure 1*.

2.2 Separate Bank Accounts for Non-Bank Trust Accounts

Statement "C" of the Public Account disclosed a total of 50 General Trust Accounts which do not have separate bank accounts. These trust accounts are operated through the main Waigani Public Account (WPA). The use of such non-bank trust accounts creates the risk of improper access of funds from the WPA without being properly authorised and having a fully documented audit trail. Unless due care is exercised, there is a potential risk of posting the corresponding entries in the Consolidated Revenue Fund (CRF) account into incorrect non-bank trust accounts. My finding on the Cash Adjustment Account and the Trust Fund Suspense Account No. 2, provide examples of the risks in the existence of the non-bank accounts.

Although assurance was provided that the non-bank trust account situation would be remedied by the year 2010, the matter still remain unresolved.

2.3 Departmental Records

As the Public Account's Financial Statements are derived from the transactions generated by the National Government Departments, the results of the audits of the Departments have an impact on the final balances reflected in the Public Account. There were significant control weaknesses and compliance failures identified during the audit of major Departments which affect the overall correctness of the Public Account balances:

- There was a high rate of non-compliance with procurement and payment procedures. Quotation registers were not maintained, payment vouchers were not examined for completeness and accuracy prior to processing the payments, and a large proportion of payments were made on pro-forma invoices which were not supported by tax invoices; and
- Significant weaknesses in payment and acquittal of advances were noted out of 18 Departments audited, as reported in my 2010 Part II Report on National Government Departments and Agencies:
 - The requirement of Part 20 of the *Financial Management Manual* was breached in that registers of advances were either not maintained or were not regularly updated;
 - I also noted very slow rates of recovery of salary advances which means that the funds that should be in the custody of the State are in the custody of individuals; and
- Assets registers were either nonexistent or they were not properly maintained in the 18 Departments that were audited. In excess of K2.68 million assets were identified as unrecorded, thus maintaining an assets register helps to ensure that the assets are adequately safe guarded and valued.

3.0 LEGAL AND REGULATORY REQUIREMENTS

In addition to the scope limitation and deficiencies in the accounts and records noted above, I also wish to report breaches of the *Constitution of the Independent State of Papua New Guinea*, the *Appropriation Act, 2009*, the *Public Finances (Management) Act, 1995* and the *Public Service (Management) Act, 1995*.

3.1 The Application of the Budgetary Control Framework

General

Statement “B” discloses, in part, actual expenditure against appropriated funds. Separate Appropriations are required for the National Parliament, the Judiciary, Recurrent Expenditure and Development Expenditure. It is the role of the Parliament, through the *Appropriation and Supplementary Appropriation Acts*, and other laws, to appropriate expenditure as required by Section 211(2) of the *Constitution of the Independent State of Papua New Guinea* which states:

“No moneys of or under the control of the National Government for public expenditure or the Parliament and the Judiciary for their respective services, shall be expended except as provided by this Constitution or by or under an Act of the Parliament”.

There were deficiencies in the application of the budgetary control framework as shown in the following paragraphs.

Directions for reallocation of Funds issued by Secretary of Treasury under the Appropriation Acts.

All Directions issued by the Secretary for Treasury under the Appropriation Acts for the reallocation of funds under the respective budgets for expenditure must be made available to the Auditor General. This requirement under the *Appropriation Acts* is mandatory as it forms the legal authority and basis for the transfer of funds from one allocation to another.

Despite the existence of this authority, no such Directions were made available to my Office for the past few years including the year 2010. In the absence of the statutory approval/Directions from the Secretary for Treasury, the legitimacy of the transfers could not be validated in accordance with the requirement of the *Appropriation Acts*.

3.2 Trust Accounts

Section 17 of the *PF(M) Act, 1995* requires that:

“Moneys may be paid out of a Trust Account only;

- (a) for the purposes of the Account or as authorized by law; and*
- (b) if a sufficient credit is available in the Account”.*

Statement “C” discloses the closing balances for trust accounts forming the Trust Fund. In the 2010 financial year, the following breaches of the *PF(M) Act, 1995* occurred:

- 57 Trust Accounts that were revoked by the Minister for Finance in prior years, continued to be operated in 2010 contrary to the requirements of the *PF(M) Act, 1995*, and ended with a closing balance of K51.95 million in total;
- Moneys were expended contrary to the purposes of the accounts, as discussed earlier; and

- Four (4) non-bank trust accounts were overdrawn by an aggregate of K14.67 million as at 31 December, 2010. Among these were three (3) of the revoked trust accounts that have continued to be operated which account for K8.82 million of the overdrawn balance.

3.3 **Quarterly and Annual Financial Reports**

As required by Section 5 of the *PF(M) Act, 1995* and detailed under Part 2, Section 17, of the Guidelines on Financial Management, Departmental Heads shall submit a quarterly report on the financial management of the Department after the end of each quarter and an Annual Report, including overall assessment of the department at the end of each fiscal year to the Secretary, Department of Finance.

I have identified significant non-compliance with this legal requirement in my 2010 audit of the accounts and records of National Government Departments and Agencies. Of the 18 Departments that I audited, 13 of them (*Departments*) had not complied with the requirement to submit quarterly and annual financial reports.

The Cash Management and Expenditure Control Division within the Department of Finance is responsible for monitoring, reviewing and analysing the quarterly and annual financial management reports. With the exception of the monitoring of the National Departments' bank reconciliations now carried out by the Division, it was not evident that monitoring of other financial management related issues have been monitored. That, in my view is one of the most important overall oversight responsibilities of the Department of Finance over financial management in State Agencies. This important role is also specified in the Department of Finance's Corporate Plan.

DISCLAIMER OF OPINION

Because of the significance of the matters described above, and my inability to obtain sufficient and appropriate audit evidence, I am unable to express an opinion on the Public Account of the Government of Papua New Guinea for the year ended 31 December, 2010.

OTHER MATTERS

In accordance with the *Audit Act 1989*, I also have a duty to report on other significant matters arising out of the financial statements, to which the report relates. The following are other matters of significance:

Preparation of the Public Account

The Minister for Finance (through the Secretary, Department of Finance) is required to prepare the Public Account "as soon as practicable" after the end of the fiscal year. At present, the *PF(M) Act, 1995* does not provide a specific time frame for preparation of the Public Account and submission to the Auditor-General.

Since I have been the Auditor-General, I have been concerned about the amount of time taken to prepare and finalise the Public Account, and for the audit to be done in a reasonable time frame. The extended delays in the years up to and including 2010 have adversely affected my ability to report to the National Parliament in a timely way. If the audits of Public Account are not finalized within six months after the end of the financial year, the usefulness of information in the Public Account and the audit report diminishes through further passage of time.

I recommend that the *PF(M) Act, 1995* be amended to require the Public Account to be submitted for audit by 31 March of the year following the end of each fiscal year, so that the Auditor-General is in a position to complete his audit by 30 June.

Annual Management Reports

Division 4, Section 32 (1) (a), of the *Public Service (Management) Act, 1995* requires each Departmental Head, by 31 March in each year, to prepare a report on the attainment of the planned objectives of the Department for the year ending 31 December preceding.

Further, *Public Service General Order 8.12* requires Departmental Heads to forward a report on the work and achievements of the Department in relation to the Corporate and Annual Management Plans to the Secretary, Department of Personnel Management.

During the course of the audit, the Department of Personnel Management confirmed that only one Department had submitted these reports for 2010. Moreover, the Department of Personnel Management has not acted on this non-compliance or taken any follow up action.

Significant non-compliance with Legislations and Accounting Principles

I report the following significant non-compliance matters:

- The Public Account of the Government of Papua New Guinea, the records and their transactions were not kept in the manner as provided for in the Finance Instructions;
- The receipts, payments, investment of moneys, the acquisition and disposal of assets during the period covered by the financial statements have *not been in accordance* with the *Public Finances (Management) Act, 1995*;
- Moneys were spent in excess of the appropriation limit and also without valid appropriation resulting in *breaches* of the *Constitution of Papua New Guinea*; and
- The Directions from the Secretary for Treasury for budget transfers under all Appropriations Acts for 2009 were not made available to my Office and therefore the legitimacy of the transfers could *not be validated in accordance with the requirements* of the Appropriation Acts.



PHILIP NAUGA

Auditor-General

28 June, 2013

ANNEXURE - FINANCIAL STATEMENTS

**2010 PUBLIC ACCOUNT
STATEMENTS “A”
TO “J” AND “L”**


**- RECORD OF LOSSES
AND DEFICIENCIES OF
PUBLIC MONIES**

**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
STATEMENT OF PUBLIC ACCOUNT BALANCES
AS AT 31 DECEMBER 2010**

STATEMENT A

	Notes	2010 K'000	2009 K'000
Consolidated Revenue Fund	4	(29,386)	(69,946)
Trust Fund (Statement C)	13	2,261,970	2,970,275
Public Account Total Funds		2,232,583	2,900,328
BANK BALANCES			
Bank of Papua New Guinea	16.1	(152,463)	177,053
Bank of South Pacific	16.2	2,333,144	2,547,407
ANZ Bank	16.3	37,425	144,071
Westpac Bank	16.4	7,045	24,339
May Bank	16.5	7	98
Investment Trusts Bank South Pacific		6,941	6,859
		2,232,099	2,899,827
FINANCE OPERATING ACCOUNTS			
Advances	6	624	638
Cash In Transit	6	(140)	(137)
		484	501
		2,232,583	2,900,328

This statement should be read in conjunction with the accompanying notes.



STEVEN GIBSON, ML
Secretary
Department of Finance



SAMSON METOFA
Acting First Assistant Secretary
Accounting Frameworks and
Standards Division
Department of Finance



NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICY

1.1 Cash Basis of Accounting

The accounting policies and practices followed in the preparation of the 2010 Public Accounts are based on requirements stipulated in the *Public Finances (Management) Act 1995* and associated Finance Instructions.

The 2010 Public Accounts are prepared on a Cash Basis. Receipts and payments are only recognised when cash is received or disbursed.

1.2 Recognition of Receipts and Payments

Receipts are recognised at the time the money is recorded in the accounting system.

Payments made by cheque are recognised when the cheque is raised in the accounting system.

Amounts due to the National Government of Papua New Guinea (the Government) from third parties that remain uncollected at year end are not recognised in the Public Accounts but are disclosed in Note 7 *Payables and Receivables*.

Assets, including investments, acquired during the year are recognised as expenditure in the year payment is made. No assets, other than cash, are shown in the Public Accounts. The Government's investments, capital contributions and option rights in certain entities are disclosed in Statement F.

Liabilities owed by the Government are not recognised in the Public Accounts. Some liabilities are disclosed in Note 7 *Payables and Receivables*.

Contributions-in-kind provided to the Government by foreign governments and aid organisations are recognised as grant revenue in the Public Accounts at the point the contribution-in-kind is received. Costs associated with contributions-in-kind, which are incurred by foreign governments and aid organisations, are recognised as expenditure when the contribution is received.

Data on non cash contributions made by commercial entities under concessional tax arrangements or agreements with the Government is not available and these contributions are not recognised in the Public Accounts.

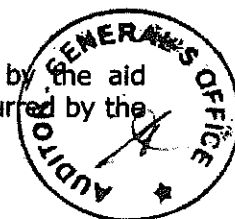
1.3 Valuation of items reported in the Statements

1.3.1 Cash at Bank (Statements A, D and E)

Reported in the cash at bank values is the balance of the cashbook unless otherwise noted. In some instances, cash at bank figures reported in these statements is the bank balances as per the relevant bank statement. Note 16 *Bank Balances*, provides information on which accounts are valued using bank balances.

1.3.2 Non Cash Grants (Statements J, L and B)

Non cash grants are valued on the basis of written confirmations provided by the aid provider. Grants are brought to account at the Kina equivalent of the costs incurred by the



donor in providing the non cash grant.

1.3.3 Investments (Statement F)

Investment valuations are determined using the following methods, in priority order:

- Method A: (1st priority) Listed public companies are valued on the basis of share prices as at 31 December 2010.
- Method B: (2nd priority) Independent valuations (no more than 3 years old) performed by qualified valuers.
- Method C: (3rd priority) Net asset value published in audited financial statements.
- Method D: (4th priority) Net asset value published in unaudited financial statements.
- Method E: (5th priority) Where no current year valuation is available previous year valuations are used.

The valuation method used for each investment is indicated in Statement F.

1.3.4 Foreign Currency Loans (Statements B, G and I)

Loan balances and loan drawdowns and repayments that are denominated in a foreign currency are converted to a Kina equivalent based on the mid rate exchange rate applicable at the time for the currency in question. Exchange rates are supplied by the Bank of Papua New Guinea.

1.4 Rounding of amounts presented in the Statements

The amounts presented in these statements are expressed to the nearest Kina unless stated otherwise. Because amounts are rounded to the nearest Kina, any discrepancies between totals and the sums of components are due to rounding.

NOTE 2 BUDGET ESTIMATES OF REVENUE AND EXPENDITURE (Statements B, J and L)

Original revenue and expenditure estimates figures are taken from the 2010 Budget Appropriation Acts. Additional estimates figures in Statements B and J are taken from supplementary budget acts. Section 3/4 transfers in Statement B reflect the reallocation of appropriations authorised by the Secretary of Treasury. Revised revenue and expenditure estimates on Statement B and J reflect the estimates contained in the original appropriation Acts plus the Supplementary Appropriation Acts plus or minus the effects of any transfers authorised by the Secretary of Treasury.

Original revenue and expenditure budget figures in Statement L are taken from the 2010 Appropriation Acts and the Supplementary Appropriation Acts. Section 3/4 transfers in Statement L reflect the reallocation of appropriations authorised by the Secretary of Treasury. Revised expenditure estimates in Statement L reflect estimates contained in the original appropriation Acts plus the Supplementary Appropriation Acts plus or minus the effects of any transfers authorised by the Secretary of Treasury.



NOTE 3 2010 APPROPRIATIONS (*Statement B*)**3.1 Reconciliation of Appropriations**

The reconciliation of the Appropriation Acts to the Revised Appropriation figures shown in Statement B is as follows.

	Original	Sect 3/4	Revised
	K'000	K'000	K'000
Parliament	86,018	18,700	104,718
Judiciary	50,224	-	50,224
Recurrent	6,728,905	-20,067	6,708,838
Development	3,393,833	1,372	3,395,205
TOTAL	10,258,980	5	10,258,985

3.2 Transfers between services

In previous audit opinions for the Public Accounts the Auditor General expressed the view that the transfer of Recurrent Budget Appropriations to the Parliament, Judiciary and Development projects was in breach of the provisions of Sections 24 and 25 of the *Public Finances (Management) Act 1995*. The Department of Treasury notes that, for the avoidance of doubt, sections 3 and 4 of the *Appropriation (Recurrent Expenditure 2009) Act 2007* specifically authorise the transfer of Recurrent Budget Appropriations to activities of the Parliament, Judiciary and Development Budget.

NOTE 4 CONSOLIDATED REVENUE FUND BALANCE (*Statement A*)

As at 31 December 2010, the Consolidated Revenue Fund had an accumulated deficit of K29,386,476. This comprises a surplus of K40,559,782 for the 2010 fiscal year and an accumulated deficit of K69,946,258 carried forward from the 2009 fiscal year.

	31 December 2010	31 December 2009
	Kina	Kina
Accumulated Opening Balance	(69,946,258)	72,289,482
Add: Surplus/(Deficit) for the year	40,559,782	(142,235,740)
Closing balance	(29,386,476)	(69,946,258)



NOTE 5 PAYMENTS EXCEEDING APPROPRIATIONS (*Statements B and L*)

In 2010 payments exceeded legal appropriations for some items of expenditure. The reasons for these overspends are:

Development Grants by donors

Appropriations for development grants may be exceeded where:

- (i) Donors spend more than originally estimated for a specified project. Grant expenditures are at the discretion of the donor agency. Where donors spend more than budgeted on a project, actual expenditures recorded in Statement B and L, which include these donor expenditures, may exceed budgeted expenditures.
- (ii) Grant expenditures are made in a foreign currency. Where expenditures are made in a foreign currency they are converted to a Kina equivalent for the purposes of bringing them to account in these statements. Exchange rate movements may affect the Kina equivalent of the amount spent.

Departmental Payments

Departmental payments may exceed appropriations because payroll costs exceed budget appropriations. The Government's fortnightly payroll will be processed even where insufficient appropriation is available to cover the cost of the payroll.

Statutory Institution Grants

Over payments of grants resulted from payroll cost processing. The National Government provides a payroll service to a number of statutory institutions by processing and disbursing the payroll for the institutions. Payroll costs paid on behalf of the institution are subsequently recovered by charging the costs to the appropriation for the government grant to the institution. Where the cost of the payroll exceeds the value of the grants available, the National Government is unable to fully offset the cost of the institutions payroll resulting in an overspend.



NOTE 6 FINANCE OPERATING ACCOUNTS

The balance of K483,743 for Finance Operating Accounts is made up of the following:

	31 December 2010	31 December 2009
Permanent Advances	Kina	Kina
Konedobu	(15,945)	(22,982)
Lae	24,447	9,617
Rabaul	615,365	651,454
Total Permanent Advances	623,867	638,089
Cash in Transit		
Konedobu	(3,373)	80
Lae	(6,268)	(6,268)
Rabaul	(488,693)	(488,693)
Goroka	358,210	358,210
Total Cash in Transit	(140,124)	(136,671)
Total	483,743	501,418

NOTE 7 PAYABLES AND RECEIVABLES

Under the Cash Basis of accounting, receivables and payables are no longer recognised, however, this information is reported in the following payable and receivable notes.

7.1 Salary related items

Amounts due to the Government for public servant salary and wages advances, and due by the Government for outstanding disbursements of salary deductions at the beginning and end of the year were as follows:

	31 December 2010	31 December 2009
Item	Kina	Kina
Salary Advances (receivable)	1,107,734	1,107,734
Returned salaries	(9,474,650)	(9,542,099)
Outstanding disbursements (payable)	30,646,927	28,591,149
Total	22,280,011	20,156,784



7.2 Statutory Bodies

Amounts due to the Government by Statutory Bodies at the beginning and end of the year were as follows:

	31 December 2010	31 December 2009
Debtors (receivables)	Kina	Kina
Tourism Promotion Authority	4,909,551	4,812,943
National Museum and Art Gallery	12,458,555	11,230,245
Judiciary Services	30,752,090	25,170,926
PNG National Forest Authority	1,930	-
National Institute of Standards & Industrial Technology	695,709	456,243
National Training Council	(197,231)	49,448
PNG Sports Foundation	5,554,491	-
National Narcotics Bureau	6,242,887	4,946,994
National Agriculture Quarantine & Inspection Authority	5,349,543	5,278,529
Civil Aviation Safety Authority	14,728,798	14,684,201
Magisterial Services	5,166,777	5,332,391
National Youth Commission	1,915,608	1,932,998
Total	87,578,707	79,631,809

7.3 Unfunded Superannuation

Since 1991, the State has been required to contribute 8.4 percent of an employee's salary to a superannuation fund managed by Nambawan Super Limited (NSL). In the past, the government has not provided the full contribution to NSL on an ongoing basis as the liability has accrued. This has led to an accumulation of unfunded superannuation liabilities which the government must meet when employees exit the fund. The liability is indexed to the annual growth rate of NSL's investment returns. This liability totalled K2,060 million at 31 December 2010.

7.4 Superannuation Contribution Arrears

(i) From 2009 onwards under the *Superannuation (General Provisions) Act 2000*, the government is required to remit the full 8.4% employee superannuation contribution to NSL on an ongoing basis as the liability accrues. At 31 December 2010, the government was behind in this obligation by K93.4 million. This amount is included in the unfunded superannuation liability of K2,036 million.

(ii) Unfunded superannuation contributions must be met by the government when employees exit the fund. NSL pays the total benefit to the member and the government reimburses NSL. At 31 December 2010, the government was in arrears on these payments to NSL in the order of K106.6 million. The arrears of K106.6 million was paid in full in 2011.



7.5 Other Payables

Amounts due by the Government to Provinces, Local Level Governments and other third parties at the beginning and end of the year were as follows:

	31 December 2010	31 December 2009
Creditors (payables)	Kina	Kina
IRC unrepresented cheques	422,500	422,500
Local Level Gov't Grants (various)	-	570,162
District Support Grants	6,560,600	7,810,600
Special support Grant (Fly River)	-	3,000,000
PNG Ports Corporation Grants	2,700,000	2,700,000
National Road Authority	15,100	15,100
Constitution Law Reform Commission	310,269	310,269
National Research Institute	-	150,100
Mineral Resource Authority Grant	-	1,788,800
Other	375	191,426
Total	10,008,844	16,958,957

NOTE 8 DIFFERENCE BETWEEN STATEMENT B AND L

Statement L is printed directly from the system and it is not possible to remove these payables and receivables but they have been adjusted to Statement B in accordance with the cash basis of reporting.

NOTE 9 CONSOLIDATED REVENUE FUND – INVESTMENTS (STATEMENT F)

9.1 Value of Investments

The investments presented in Statement F reflect those assets held by the State in commercial entities or independent public bodies. This does not include equity or other assets held by the State in other public bodies, such as statutory authorities.

During the year the following movements in the value of the portfolio occurred:



	31 December 2010 Kina	31 December 2009 Kina
Opening investment as at 1 January	5,670,648,364	6,342,238,491
Prior year adjustment	1,509,652,631	95,481,282
Adjusted investment as at 1 January	7,180,300,995	6,437,719,773
Investment values variations	1,166,153,345	(767,071,409)
Closing investment as at 31 December	8,346,454,340	5,670,648,364

The net increase in the value of investments held during 2010 was K1,166,153,345. This increase is attributable to increases in the values of companies vested in the General Business Trust (K667,949,754) and increases in the value of investments in Bougainville Copper Limited, Ok Tedi Mining Limited, Petromin PNG Holdings Limited and Bank of Papua New Guinea (K498,203,591).

Prior year comparative investment values reported in the 2009 year are based on the latest available information. Where values reported in the 2009 accounts have been updated, this change in value has been identified as a prior year adjustment.

Of the **8,346,454,340** of investments detailed in Statement F:

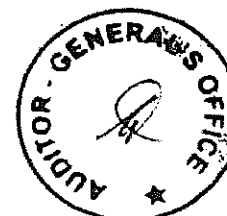
- K4,799,056,918 (57%) is valued using Method A (share price at 31 December 2010);
- K1,891,366,667 (23%) is valued using Method B (independent valuations no more than 3 years old performed by qualified valuers);
- K1,521,543,215 (18%) is valued using Method C (net asset value published in audited financial statements);
- K134,487,540 (2%) is valued using Method E (no current year valuation available - previous year valuation used).

Note that 1.3.3 "*Investments*" provides guidance on the valuation methods used to value investments.

9.2 Revaluations of majority State Owned Enterprises

In 2009, the IPBC engaged Deloitte Touche Tohmatsu, KPMG and PricewaterhouseCoopers to undertake independent valuations of the majority State Owned Enterprises. These valuations were undertaken to assist the IPBC in its annual impairment testing of investment in these State Owned Enterprises as required by International Accounting Standard 36 "Impairment of Assets".

Two valuations were undertaken; value in use and fair value less cost to sell. Value in use is determined using a discounted cash flow methodology. Depending on the nature of the Enterprise, the methodology used for determining fair value less cost to sell has been capitalisation of earnings, discounted cash flow, net assets approach or a consideration of all three approaches.



The IPBC has reported the investment value as fair value for all majority State Owned Enterprises in the 2009 financial statements of the General Business Trust. With the exception of the PNG Waterboard, fair value has also been reported in Statement F.

PNG Waterboard

The fair value for PNG Waterboard has been assessed as (K233,030,000) and value in use as (K85,400,000). In both cases the negative valuations result from significant capital expenditure through to 2015. Value in use takes into consideration the grants received from government whereas this is not included in the fair value calculation.

As the Government does not intend to dispose of the PNG Waterboard, the value adopted in Statement F is value in use (K85,400,000).

As no updated State Owned Enterprise valuations have been received for the 2010 financial year, the 2009 valuations have been carried over.

9.3 Dividends received by the General Business Trust

Dividends totalling K76,066,600 were received by the General Business Trust in 2010 (2009: K59,856,532) as follows:

	2010	2009
	Kina	Kina
Unlisted Investments		
PNG Forest Products Pty Ltd	1,300,000	1,300,000
Listed Investments		
Bank of South Pacific Limited	54,393,985	23,563,813
Oil Search Limited	20,372,615	33,889,217
New Britain Palm Oil Limited	-	1,103,502
Total Dividends	76,066,600	59,856,532

9.4 Ok Tedi Mining Limited

Shares in Ok Tedi Mining Limited (OTML) were vested in the IPBC, however the vesting notice is in conflict with the agreement between OTML and the State of PNG that states that the shares are to be held by the State of PNG. In these accounts the value of OTML shares is reflected against direct holdings by the State of PNG, not under the investments vested with the IPBC.

Note that the PNG Government owns 30 percent of OTML. However, the Government only has direct control over the proceeds from half of this, that is, 15 percent due to Minerals Resources Development control of 10% of OTML and landowner commitments of 5%. Therefore, only the value for the 15 percent directly controlled by the State is reported in Statement F.

9.5 National Petroleum Company PNG

The net assets of National Petroleum Company PNG were negative (K37,137,167) in 2009 because the company is not yet earning any revenue. Up until such time when revenue



starts flowing into the business, the net assets will remain negative. As no updated valuation was received for the 2010 financial year, the 2009 valuation has been carried over.

9.6 Oil Search Limited

Oil Search Limited shares held in the General Business Trust are now reported under "Oil Search – Escrow Account". This will be used to finance the State's equity in the PNG LNG project.

9.7 Bank of South Pacific Limited

Prior to the sale on 30 July 2010, IPBC had a total of 1,071,082,400 shares in BSP. On 30 July 2010, IPBC disposed of 227,966,436 shares for a total amount of K143,618,854.68 to IFC. The net gain realised on this sale was K128,697,062.

As a result of the sale, the percentage shareholding in BSP by the State also declined from 23.49% to 17.61%.

9.8 Kula Palm Oil Limited

The value of the State's investment in Kula Palm Oil Limited significantly increased from K21,911,123 to K105,989,889. This significant increase is attributable to increases in biological assets (plantations, livestock, etc) and inventories. In April 2010, New Britain Palm Oil Limited acquired an 80% interest in Kula Palm Oil Limited.

NOTE 10 PUBLIC DEBT (STATEMENT G)

Section 35 of the *Public Finances (Management) Act 1995* provides authority for the Government to borrow funds. Borrowing of funds or raising debt is guided by the medium term debt strategy which is aligned to the medium term fiscal strategy.

10.1 Medium term debt strategy and risk management

The objective of the Government's medium term debt strategy 2009-2012 is to minimise the cost of debt consistent with the Government's tolerance for financial risk. This objective supports the medium term fiscal strategy and medium term development strategy.

There are three key means through which this objective can be improved: maintaining debt at sustainable levels; reducing financial risks to prudent levels; and developing the Government inscribed stock, bill and loan markets.

Maintaining debt at sustainable levels

PNG debt sustainability will need to be improved through: growth in the economy, improvements in the public sector management and governance, prudent management of public debt and other liabilities and assets, and through reducing reliance on high-risk simple debt securities.

The State has a foreign currency debt rating of B plus. This means the rating agencies believe that whilst it currently has the capacity to meet financial commitments, PNG is vulnerable to adverse business, financial and economic conditions. One of the factors that prevented an improvement in the rating was an increased use of off-budget borrowing and



expenditure.

Analyses indicate that due to the high level of State liabilities, further significant increases in debt would be imprudent. Therefore, the Government aims to keep Central Government debt at or below 30.0 per cent of GDP. In the event that debt increases above this level, the Government will use budget surpluses and windfall revenue to reduce its liabilities.

Reducing financial risks

Foreign Currency Risk

The Government aims to maintain foreign currency debt at around 40.0 per cent of the total Central Government debt portfolio by restricting the amount of new foreign currency loans it enters into. In addition, where it is appropriate on a risk return basis, the Government may borrow domestic funds to retire foreign-currency debt.

Interest Rate Risk

The Debt Strategy aims to increase the net amount of fixed-rate Inscribed Stock by K0.2 billion over the next five years, and decrease Treasury Bills from about K1.5 billion as at the end of 2010 to about K0.5 billion in 2015.

Developing Government inscribed stock, bill and loan market

Treasury is continuing with incremental improvements in processes underpinning the Kina denominated inscribed stock, bill and loan market to a standard that meets investors and other stakeholders expectation.

10.2 Balance of public debt

Borrowing and Public Debt are detailed on Statement G. The balance of Government Debt outstanding at 31 December 2010 was K6,896,533 million as follows:

	K'000	K'000
Opening balance of debt at 1 January 2010		6,984,021
Add: Prior Year Adjustment		(1,222)
Adjusted Opening balance of debt at 1 January 2010		6,982,798
Add: Additional borrowings	1,225,287	
Add: Adjustments for exchange rate movements	9,182	
Less: Repayments of Principal	1,320,734	
Closing balance of debt at 31 December 2010		6,896,533
Net decrease in public debt during 2010		86,265



10.3 Debt related principal and interest payments

	Statement G	Statement B	Difference
	K'000	K'000	K'000
Principal payments	1,320,734	1,320,158	576
Interest payment, commitment & other charges	353,681	357,031	(3,350)
	1,674,415	1,677,189	(2,774)

The above differences in principal and interest payments between Statement G and Statement B are a result of timing differences whereby the cash payments occurred at a different point in time to the debt maturity terms and write-offs of state loans that are shown in Statement H rather than Statement G.

NOTE 11 PUBLIC LENDING

Section 38 of the *Public Finances (Management) Act 1995* provides authority for the Government to loan funds to third parties and to impose interest and fees for loans made.

Lending by the Government to other parties is detailed in Statement H.

NOTE 12 LOANS GUARANTEED BY GOVERNMENT

Section 37 of the *Public Finances (Management) Act 1995* allows the Government to make guarantees for the principal and interest repayments on loans made by third parties to Statutory Bodies and other borrowers.

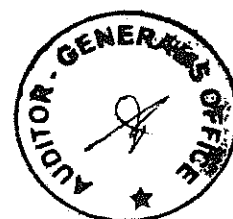
Loans guaranteed by the Government for which there existed a contingent liability at 31 December 2010 are listed in Statement I.

NOTE 13 TRUST FUND BALANCE

	31 December 2010	31 December 2009
	Kina	Kina
Accumulated Opening Balance	2,970,274,596	3,914,030,585
Add: 2010 Receipts	1,417,100,407	2,287,107,179
Less: 2010 Payments	(2,125,405,412)	(3,230,863,168)
Closing Balance at year end	2,261,969,591	2,970,274,596

13.1 Invested Trusts (STATEMENT A and E)

The balance of invested trusts reported in Statements A and E is K6,941,415. At 31 December 2010, funds which were received but not yet invested are:



	Kina
District Court Trust Account	18,410
Total	18,410

These funds are not included in the invested trust balances reported in Statement A and E. Rather they are included in the Receiver of Public Monies account which is reported in the Bank of Papua New Guinea balance in Statement A. Once these funds are invested, they will transfer from the Receiver of Public Monies account and form part of the invested trust balances.

13.2 Invested Trusts: Insurance Deposit

Under S27(1) and (2) of the *Insurance Act 1995* it is a condition of license for insurers to maintain with the government a deposit which is to be invested in trust for the insurer with all interest earned paid to the insurer. Whilst there are deposits made by the insurers these are currently not held in trust rather they are in the name of the insurance company. As a result, the government does not control these deposits and therefore the value of these deposits are not reported in Statement E.

The Ministerial determination requires re-insurers and insurers to provide a deposit of K300,000 and brokers K50,000. From 2011 onwards, the Government will require these deposits to be held in trust which will result in these deposits being recorded Statement E.

NOTE 14 LOSSES AND DEFICIENCIES

Section 62(1) of the *Public Finances (Management) Act 1995* and Parts 28-32 of the Financial Instructions set out the legal requirements for the reporting of losses of public money and property. Losses of public money and property totalling K29,487.77 are detailed in the Statement of Losses and Deficiencies of Public Monies at Appendix 1.

NOTE 15 TEMPORARY FINANCING OF THE PUBLIC ACCOUNT

Under Section 55(2) of the *Central Banking Act 2000*, the Bank of Papua New Guinea may grant temporary advances to the government in respect of temporary deficiencies of revenue due to cashflow mismatches including when there is insufficient cash held in the Waigani Public Accounts to fund the operations of government. As at 31 December 2010, there were no temporary advances outstanding (Nil in 2009).



NOTE 16 BANK BALANCES

The following tables' record cash at bank for all official National Government bank accounts except where the year end cashbook balance for a bank account could not be proven by a bank reconciliation. Where an appropriate bank reconciliation does not exist the balance recorded in these tables is the bank statement balance. Accounts valued using actual bank reconciliation balances are indicated with the word "yes" in the "Bank Bal" column in the tables below.

**16.1 Bank of Papua New Guinea**

BANK OF PAPUA NEW GUINEA	Bank Bal	31 December 2010	31 December 2009
		Kina	Kina
SYDNEY OFFICE OPERATING ACCOUNT		-	-
RECEIVER OF PUBLIC MONIES A/C - WAIGANI		(1,026,582)	3,255,070
WAIGANI PUBLIC ACCOUNT		568,994,047	131,560,164
KONEDOBU BANK ACCOUNT		-	-
HIGHER EDUCATION DRAWING ACCOUNT		(39,669,443)	(27,810,789)
DEPT OF WORKS RECEIVER OF PUBLIC MONEYS		-	-
NEW DCA DRAWING ACCOUNT.		17,799	17,799
NEW DEFENCE DRAWING ACCOUNT.		1,002,945	(10,633,980)
NEW DAL DRAWING ACCOUNT.		(611,459)	(404,854)
NEW HEALTH DRAWING ACCOUNT.		(919,469)	9,995,291
NEW POLICE DRAWING ACCOUNT		(3,469,908)	(766,697)
NEW EDUCATION DRAWING ACCOUNT		(21,287,050)	(14,471,377)
NEW WORKS DRAWING ACCOUNT.		(9,823,981)	(11,415,605)
NEW FOREIGN AFFAIRS DRAWING ACCOUNT.		(1,058,470)	(6,419,394)
NEW CIS DRAWING ACCOUNT.		(1,835,293)	(116,663)
NEW DPM DRAWING ACCOUNT.		(2,480,062)	(1,995,656)
NEW LANDS DRAWING ACCOUNT.		(2,959,172)	(3,670,502)
NEW TRANSPORT DRAWING ACCOUNT.		(5,262,209)	(4,356,186)
NEW MINING DRAWING ACCOUNT.		(406,759)	158,572
NEW PRIME MINISTERS DRAWING ACCOUNT.		(10,038,157)	(6,110,977)
NEW DPA DRAWING ACCOUNT.		1,391,817	953,237
FINANCE SALARIES DRAWING ACCOUNT		(35,603,366)	(32,573,533)
AGRIC & LIVESTOCK DEPT PIP DRAWING A/C		566,496	508,818
COMMERCE & INDUSTRY DRAWING A/C		470,705	232,864
ATTORNEY GENERAL DRAWING A/C		(733,490)	(2,263,012)
ENVIRONMENT AND CONSERVATION		(1,476,274)	(1,949,915)
HOME AFFAIRS & YOUTH DRAWING A/C		(304,478)	(2,100,099)
ELECTORAL COMMISSION DRAWING A/C		(1,685,543)	264,676
OFFICE OF THE GOVERNOR GENERAL		34,222	(456,770)
INDUSTRIAL RELATIONS DRAWING A/C		(531,815)	(1,898,012)
CENTRAL PROVINCE RPM OPERATING A/C		1,004,458	872,526
CENTRAL PROVINCE OPERATING A/C		7,344,018	7,639,210
CONSUMER AFFAIRS COUNCIL		306,515	306,515
PNG INSTITUTE OF PUBLIC ADMIN.		(571,487)	(304,053)
NATIONAL INTELLIGENCE ORGANISATION		49,369	72,577
NATIONAL PLANNING OFFICE		(55,876,993)	(42,067,657)

Notes to and forming part of the Public Accounts

FINANCE DRAWING BANK ACCOUNT		(542,578,737)	(77,539,413)
DEPARTMENT OF PETROLEUM & ENERGY		2,003,613	(324,917)
OFFICE OF RURAL DEVELOPMENT		(12,382,552)	(8,914,578)
OFFICE OF HIGHER EDUCATION		(251,676)	(1,866,396)
Internal Revenue Commission Drawing A/C		(2,776,323)	-
PNG Immigration & Citizenship Services		(568,361)	-
OFF. of the Public Prosecutor Drawing AC		(113,391)	-
Public Enterprises Drawing A/C		(919,931)	-
BSP EFTPOS Receipts A/C		52,161	-
PUBLIC CURATORS BANK ACCOUNT		2,347,704	3,073,671
LAND ACQUISITION TRUST ACCOUNT	Yes	39,302	39,302
NATIONAL VALUE ADDED TAX TRUST ACCOUNT		2,846,244	2,515,292
PNG-ADB Micro Finance Project GoPNG	Yes	1,326,927	1,152,607
COMM.WATER TRANSPORT T/A	Yes	701,437	602,306
Govt's Gas Pipeline Project Equity Finan	Yes	-	-
Outstanding Special Support Grants (Pre	Yes	7,550,000	61,550,000
Govt's Fund. Commit.&Dev. - PNG Gas Pipe	Yes	600,000	1,800,000
National Roads Authority Fund T/A		2,487,207	5,964,274
Cooperative Societies Establishment T/A	Yes	2,000,150	102,209
Madang Marine Park Development T/A	Yes	78,188	13,789,033
Rural Electrification Project T/A	Yes	601,699	19,601,699
Konebada Petroleum Park T/A	Yes	-	50,000,000
National Infrastructure Dev. Program T/A	Yes	3,283,006	123,720,440
Land Reform Program T/A	Yes	200,000	3,700,000
Infrastructure Development (UBSA) Account	Yes	87,000,000	-
Coastal Vessels Account	Yes	-	-
PNG High Impact Infrastructure Projects	Yes	-	-
MOA Outstanding Liabilities Trust A/C	Yes	100,000,000	-
TOTAL BANK OF PAPUA NEW GUINEA		(152,462,506)	177,052

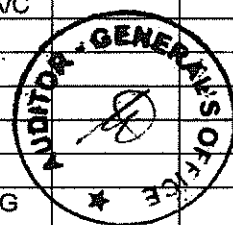


16.2 BANK SOUTH PACIFIC

BANK SOUTH PACIFIC	Bank Bal	31 December 2010	31 December 2009
		KINA	KINA
E.H. PROVINCE RPM OPERATING A/C		542,881	253,423
E.N.B. PROVINCE RPM OPERATING A/C		178,945	(7,028)
EAST SEPIK PROVINCE RPM OPERATING A/C		98,753	215,723
ENGA PROVINCE RPM OPERATING A/C		36,468	811
GULF PROVINCE RPM OPERATING A/C		233,625	263
MADANG PROVINCE RPM OPERATING A/C		141,353	26,887
MANUS PROVINCE RPM OPERATING A/C		50,674	26,543
MILNE BAY PROVINCE RPM OPERATING A/C		85,343	1,491
MOROBE PROVINCE RPM OPERATING A/C		604,839	193,542
NEW IRELAND PROVINCE RPM OPERATING A/C		151,877	164,457
N.S. SOLOMONS PROVINCE RPM OPERATING		48,146	28,021

Notes to and forming part of the Public Accounts

ORO PROVINCE RPM OPERATING A/C		592,438	422,162
SANDAUN PROVINCE RPM OPERATING A/C		183,220	(130,057)
SIMBU PROVINCE RPM OPERATING A/C		23,952	49,198
S. HIGHLANDS PROVINCE RPM OPERATING A/C		294,352	188,760
WESTERN PROVINCE RPM OPERATING A/C		-716,595	485,639
W. HIGHLANDS PROVINCE RPM OPERATING A/C		194,978	368,926
W.N.B. PROVINCE RPM OPERATING A/C		131,442	4,062
E.H. PROVINCE OPERATING A/C		4,444,394	1,523,511
E.N.B. PROVINCE OPERATING A/C		1,643,841	2,361,291
EAST SEPIK PROVINCE OPERATING A/C		26,510,639	7,743,315
ENGA PROVINCE OPERATING A/C		482,930	440,274
GULF PROVINCE OPERATING A/C		122,422,987	88,136,004
MADANG PROVINCE OPERATING A/C		1,301,853	392,232
MANUS PROVINCE OPERATING A/C		2,864,276	6,587,103
MILNE BAY PROVINCE OPERATING A/C		-1,211,883	(382,859)
MOROBE PROVINCE OPERATING A/C		2,185,764	2,193,246
NEW IRELAND PROVINCE OPERATING A/C		2,480,871	4,962,985
NORTH SOLOMONS PROVINCE OPERATING A/C		2,023,241	619,602
ORO PROVINCE OPERATING A/C		16,943,653	18,703,363
SANDAUN PROVINCE OPERATING A/C		2,699,855	3,667,551
SIMBU PROVINCE OPERATING A/C		4,883,273	1,830,351
S.H. PROVINCE OPERATING A/C		3,190,746	2,608,927
WESTERN PROVINCE OPERATING A/C		-4,761,851	48,241,127
WESTERN HIGHLANDS PROVINCE OPERATING A/C		-1,872,324	5,668,249
WEST NEW BRITAIN PROVINCE OPERATING A/C		8,045,613	781,687
NCDC OPERATING A/C		151,352	151,352
Madang Province RPM Account		0	25,468
Jacksons Airport RPM A/C		-3,858,237	(7,004,924)
Department of Treasury		1,379,343	(124,789,820)
Gulf Prov. Electo. Comm. Operating A/C		76,462	76,462
Central Prov. Electo. Comm. Operating A/C		198,203	181,803
N.C.D Electoral Comm. Operating A/C		251,802	251,802
Milne Bay Prov. Electo. Comm. Operating A		198,203	122,940
MANUS PROVINCE OPERATING A/C		380,783	384,152
MILNE BAY PROVINCE OPERATING A/C		76,975	-
MOROBE PROVINCE OPERATING A/C		138,600	-
NEW IRELAND PROVINCE OPERATING A/C		8,500	-
NORTH SOLOMONS PROVINCE OPERATING A/C		3,490	3,486
ORO PROVINCE OPERATING A/C		-3,514	-
SANDAUN PROVINCE OPERATING A/C		3,151	1,148
SIMBU PROVINCE OPERATING A/C		4,059	505
S.H. PROVINCE OPERATING A/C		156	-
WESTERN PROVINCE OPERATING A/C		141,752	103,752
WESTERN HIGHLANDS PROVINCE OPERATING A/C		27,593	593
WEST NEW BRITAIN PROVINCE OPERATING A/C		16,400	-
NCDC OPERATING A/C		15,900	-
Madang Province RPM Account		691,035	728,573
Jacksons Airport RPM A/C		-54,318	-
Department of Treasury		-194,864	(230,223)



Notes to and forming part of the Public Accounts

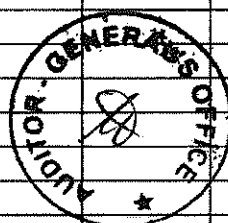
Gulf Prov. Electo. Comm. Operating A/C	-20,671	-
Central Prov. Electo. Comm. Operating A/C	12,487	14,419
N.C.D Electoral Comm. Operating A/C	22,339,263	10,328,410
Milne Bay Prov. Electo. Comm. Operating A	509,885	237,176
MANUS PROVINCE OPERATING A/C	40,207	14,514
MILNE BAY PROVINCE OPERATING A/C	83,591	4,830
MOROBE PROVINCE OPERATING A/C	26,373,491	10,025,069
NEW IRELAND PROVINCE OPERATING A/C	457,228	387,775
NORTH SOLOMONS PROVINCE OPERATING A/C	59,040	54,465
ORO PROVINCE OPERATING A/C	115,857	218,028
SANDAUN PROVINCE OPERATING A/C	1,006,387	619,243
SIMBU PROVINCE OPERATING A/C	54,937	61,583
S.H. PROVINCE OPERATING A/C	1,145,189	782,676
WESTERN PROVINCE OPERATING A/C	3,896	33,378
WESTERN HIGHLANDS PROVINCE OPERATING A/C	942	1,043
WEST NEW BRITAIN PROVINCE OPERATING A/C	2,642,036	
NCDC OPERATING A/C	321,499	622,767
Madang Province RPM Account	4,717,754	4,697,889
Jacksons Airport RPM A/C	8,487,723	2,340,048
Department of Treasury	6	352
Gulf Prov. Electo. Comm. Operating A/C	0	4
Central Prov. Electo. Comm. Operating A/C	0	196,801
N.C.D Electoral Comm. Operating A/C	0	546,457
Milne Bay Prov. Electo. Comm. Operating A	6,029,277	6,339,990
MANUS PROVINCE OPERATING A/C	18,522,397	23,096,158
MILNE BAY PROVINCE OPERATING A/C	16,904	16,904
MOROBE PROVINCE OPERATING A/C	257,945	595,230
NEW IRELAND PROVINCE OPERATING A/C	180	16,844
NORTH SOLOMONS PROVINCE OPERATING A/C	12,218	10,661
ORO PROVINCE OPERATING A/C	1,397,315	2,672,191
SANDAUN PROVINCE OPERATING A/C	44,293	4,125
SIMBU PROVINCE OPERATING A/C	2,898,280	6,435,261
S.H. PROVINCE OPERATING A/C	1,691	11,507
WESTERN PROVINCE OPERATING A/C	164,733	164,733
WESTERN HIGHLANDS PROVINCE OPERATING A/C	0	300,668
WEST NEW BRITAIN PROVINCE OPERATING A/C	1,950,916	1,350,054
NCDC OPERATING A/C	5,731	5,806
Madang Province RPM Account	144,722	157,682
Jacksons Airport RPM A/C	488,244	71,659
Department of Treasury	0	12,653
Gulf Prov. Electo. Comm. Operating A/C	85,644	384,582
Central Prov. Electo. Comm. Operating A/C	2,134	309,385
N.C.D Electoral Comm. Operating A/C	606,897	606,897
Milne Bay Prov. Electo. Comm. Operating A	402,157	847,285
MANUS PROVINCE OPERATING A/C	20,486,045	35,162,884
MILNE BAY PROVINCE OPERATING A/C	0	1,420
MOROBE PROVINCE OPERATING A/C	0	4,561
NEW IRELAND PROVINCE OPERATING A/C	29,376	31,046,224
NORTH SOLOMONS PROVINCE OPERATING A/C	79,667	79,759

Notes to and forming part of the Public Accounts

ORO PROVINCE OPERATING A/C		151,614	193,671
POLICE AIR WING		1,360,081	1,360,081
FINANCIAL MANAGEMENT IMPROVEMENT PROG.T/		3,220	3,313
TARGETED COMM.DEVELOP.PROG.SECRETARIATE		13,711	13,804
MINING MEMORANDUM OF AGREEMENT PROJECT		47,874	47,969
PNG/NEW ZEALAND SCHOOL JOURNAL		431,827	431,772
INSURANCE COMMISSIONER TRUST ACCOUNT		2,133,625	1,053,742
CORRECTIONAL SERVICES SAP HOUSE PROJECT		161,903	161,903
KENABOT SUB-DIVISION		286,721	327,348
GOVERNMENT PRINTING OFFICE.		402,157	-
ADB-S/H SUPPORT SERV.PILOT PROJ.IMPREST		41,457	212
NCD-S/H SUPPORT SERV.PILOT PROJ.C/PART		62	157
EHP-S/H SUPPORT SERV.PILOT PROJ.C/PART		456,194	456,289
Simbu Rural Electrification GoPNG		0	36,508
Defence Force Commercial Support		25,850,822	44,759,325
Works Suspense Outside Operations		8,382,240	419,806
Employment Oriented Skills Dev. GoPNG		0	304,359
Employment Oriented Skills Dev. ADB 1706		1,373,635	830
Road Maintenance & Upgrading GoPNG		2,124,221	3,088
Road Maintenance & Upgrading ADB 1709 Im		100	868
National Events Council		5,953	17,975
PNG Incentive Fund Imprest Account		108,085	1,191
PNG Highlands Highway Rehabilitation Pro		301,158	301,253
PNG Highlands Highway Rehabilitation Pro		2,731,132	4,788,904
National Road Maintenance Policy		3,098,599	2,575,061
Yumi Yet Bridges for Rural Development		522,414	213,155
NATIONAL AIDS COUNCIL		749,453	749,554
Defence Force Rebuilding Programme		23,206	23,307
Manus Processing Center		4,555,879	4,564,320
Defence Force Commercialisation Progrmme		2,018,898	2,091,816
PNG-ADB Micro Finance Project Imprest		635,475	2,147,119
Rehab.of Marine Time Nav. Aids Sys -ADB		908,550	860,345
Rehab.of Marine Time Nav. Aids Sys. GoPN		33,984	130,040
Road Maint. & Rehab. Proj. Special Accou		2,018,898	
Road Maint. & Rehab. Proj. (GoPNG Counte		2,655	2,745
Road Maint. & Rehab. Proj. (ENB PG Count		67	200,634
Road Maint. & Rehab. Proj. (Manus PG Cou		20,861	12,633
Central Prov. Govt. Dept. of Works - Dra		521,349	521,349
ENB Prov. Govt. Dept. of Works - Drawing		9,533	-
Manus Prov. Govt. Dept. of Works - Drawi		20,063,378	26,243,354
Oro Prov. Govt. Dept. of Works - Drawing		0	133,540
WNB Prov. Govt. Dept. of Works - Drawing		588,688	2,088,210
Prepared Communities Grant Trust		2,672,392	1,128,653
National Disas. Center Operational TA		298,673	62,659
Public Sector Reform Program Trust		286,466	413,573
Northern Australian Quarantine Insp. Str		46,749	53,260
Sepik Highway Trust		144,787	74,054
Walium Oil Palm TA		22,809,903	17,376,497

Notes to and forming part of the Public Accounts

Plant and Transport Board (PTB) TA		209,593	70,989
Prov. Towns Water Supply Sanitation Proj		8,937,016	9,390,478
NHC Housing Development Project		2,355,529	1,744,355
Bougainville Governance & Implement. Fun		1,339	1,432
Lae Sieng Trust Account		0	102,636
Prov. Towns Water Supply & Sanitaion - ADB 1812		1,118,066	1,118,167
Illegal Immigration Trust Account		23,199	23,300
Population Policy Trust Account		2,489	2,489
PNG Ozone Depleting Substance (ODS) Phas		41,732,490	1,872,774
District Roads, Sea & River Trans. Impro		3,613,065	-
Comm.Water Transp T/F - US Dollar T/A		15,040,268	-
COMM.WATER TRANSP PROJECT - GOPNG T/A		6,441,485	-
COMM.WATER TRANSP PROJECT - IMPREST T/A		93,510	370,083
Education Capacity Prog. Imprest Trust		3,480,785	1,391,215
Basic Education Dev. Proj. GOPNG TA		48,179,531	-
Education Capacity Building Prog. GOPNG		33,152	33,247
FMIP Prov. Capacity Building Imprest TA		830,294	827,516
PNG Educ. Reg. for Delivery (PRIDE) Proj		11,262,471	32,149,394
National Programme		233,335,869	280,460,147
Work Permit Trust Account		9,346	31,736
European Union Support Prog Gopng T/A		6,341,954	7,374,501
Key Roads for Growth & Maint. Proj. AUSA		11,315,531	15,130,528
Basic Education Dev. Project Imprest T/A		17,354,157	23,754,928
SHP Gov't Emergency - Main		40	40
SHP Gov't Emergency Subsidiary		58	58
Manam Disaster Resettlement Trust A/C		0	51,388
Manam Disaster Humanitarian Impl. Trust		6,523	97,775
Bougainville Resource Capacity Trust A/C		2,487,207	5,964,274
Konebada Petroleum Royalty Trust A/C		341	2,678,431
Hides Petroleum Royalty Trust		841,877	1,825,435
Central Moran Petroleum Dev. Levy T/A		9,351	9,439
Moran Petroleum Royalty T/A		324,396,031	249,633,098
Financial Management Training trust A/C		278,340,673	271,313,666
Lihir Integrated Benefits Package T/A		0	56,355,872
Kutubu Petroleum Royalty T/A		77,499,705	-
PNG Education Payroll Project TA		171,317	174,593
AUSAID GRANT IMPREST ACCOUNT		460,253	52,654
Gov't's Funding of Rehab. of Higher Educ		37,383	89,287
Gov't's Funding of Rehab. of Transp. Sect		259,553	402,621
Gov't's Funding of Rehab. of NBC Infrastr		594,373	550,851
Hosp. & Health Care Centre Rehab. Trust		6,708	213,608
Rehab. of Houses for Nurses Trust A/C		3,555	26,206
Rehab. of Housing for Police Trust A/C		331,256	330,159
Child Maintenance Trust A/C		40,243	1,016,240
Bail & Court Ordered Compensation Trust		5,361,630	433,259
Outstanding Contractual Commit. for DDP		191,016	664,077
Cape Rodney Agric. Development T/A		35,669	16,089,608
National Roads Authority Fund T/A		355,318,314	1,008,738,236
Fisheries & Marine Resource T/A		14,022,811	14,059,303
Personal Income Tax Auto.Boug.Govt T/A		14,994,111	19,073,365



Notes to and forming part of the Public Accounts

Revenue & Company Tax ABG T/A	635,475	3,244,416
Western Prov. CMCA Dividend T/A	6,834,966	3,769,749
Western Prov. non CMCA Dividend T/A	88,117,067	132,516,255
Log Export Dev. Levy Trust A/C	108,155	-
Log Export Development Withholding Trust	1,254,205	
L&JS Justice & Attorney General Imprest	19,240	746,708
L&JS Judiciary Services Imprest A/C	13,252,129	3,574,265
L&JS Ombudsman Commission Imprest A/C	98,244	293,858
L&JS Royal PNG Police Constab. Imprest A	102,879	484,115
L&JS Magisterial Services Imprest A/C	31,342	281,993
L&JS Correctional Services Imprest A/C	50,398,508	50,234,568
L&JS E/H Lands Prov. Administration Impre	38,754	38,703
L&JS Nat.Plann. & Rural Dev. Imprest A/C	328,497	-
ENBP Sub-National Strategy T/A	1,008,960	-
Sub National Strategy T/A	1,001,991	532,408
Central Prov. Sub-National Strategy T/A	94	-
Highlands Highway Rehabilitation T/A	9,868	38,812
District Services Improvement T/A	104,039	416,140
Urbanization Pilots T/A	8,257,479	-
Institutional Housing Pilot T/A	27,780	-
Housing Development Pilot T/A	633,583	
National Aids Council Secretariat	190,715	-
Transport Sector Support Program A/C	2,774,856	
Governor General's HIV/AIDS Trust Accoun	134,505	
RPNGC Communication Infrastructure Trust Account	113,341	100
LAE CITY ROADS REHABILITATION TRUST A/C	1,916,548	-
LAW & JUSTICE SERV. WAIGANI - AUSAID	530	-
LAW&JUSTICE SERV. BOUGVIL. ADMINISTRATIO	423,395	-
RMRP HEADQUARTERS - Drawing A/C	87,000,000	-
Bougainville Weapons Disposal Trust Accou	19,999,985	-
Central City Trust Account	14,999,985	-
Petroleum O/Standing Commit trust 2008(M	11,999,985	-
Nat. Plann.Committee Task Force T/A (NPC)	450,303	-
Smallholder Agricul. Dev. Prj Credit T/A	13	-
HIES Project Trust Account	4,502,091	-
Nungwaia-Bongos Integrated Lrg scl Agri	2,076,437	-
TOTAL BSP BANK	2,333,144	2,547,504,683

16.3 ANZ BANK

ANZ BANK	Bank Bal	31 December 2010	31 December 2009
		Kina	Kina
POLICE MESSING TRUST ACCOUNT	Yes	33,091	60,748
Mining Sector Institutional Strengthenin	Yes	1,295	1,336
Mining Sector Institutional Strengthenin	Yes	38,019	37,877
CENTRAL SUPPLY & TENDERS BOARD.	Yes	4,337,280	3,894,400
Central Fund Board of Management	Yes	15,040,268	817,077
ElementaryTeacher Education Support Program	Yes	0	40,226
Kutubu Petroleum Royalty T/A	Yes	0	42,182,530
Govt's Funding of Airport Repairs & Upgr	Yes	0	57,869

Notes to and forming part of the Public Accounts

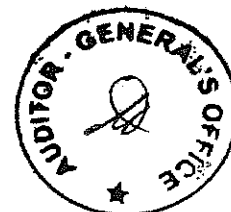
Govt's Funding of Kubalia High Sch. Reha	Yes	0	647
Govt's Funding of O/Standing Personal Be	Yes	0	45,582,189
Govt's Funding of Rehab. of Law&Justice	Yes	0	3,500,229
Govt's Funding of Dev. of Strategic Dist	Yes	0	708,364
Govt's Funding of Rehab. of Nat. Parl. I	Yes	3,409,537	5,066,430
Govt's Funding of Resettlement of Volcan	Yes	5,357,811	7,250,205
Gobe Landowners Benefit T/A	Yes	5,719,007	5,812,020
Hides Petroleum Royalty Trust			3,425,334
Central Moran Petroleum Dev. Levy T/A			15,040,358
Moran Petroleum Royalty T/A			5,163,478
PNGIMR-Gates Foundation Partnership Trea			244,061
EHP Sub-National Strategy T/A		1,370,136	1,351,229
RPNGC Communication Infrastructure Trust			359,815
Mining Sec.Inst.Streng.Tech.Assis.Prjct		581,344	947,970
Mining Sec.Inst.Streng.Tech.Ass.Project I		1,536,955	2,526,997
TOTAL ANZ BANK		37,424,741	144,071,390

16.4 WESTPAC Bank

	Bank Bal	31 December 2010 Kina	31 December 2009 Kina
WESTPAC BANK			
PNG CONSTABULARY BAND TRUST		8438	
AGRICULTURAL PROTECT.QUARANTINE PROJ.T/A	Yes	2,485,311	-
PNG NWS- TWP/ ARM Trust.		185,661	144,891
Govt's Funding of Dev. of the Agric. Sec	Yes	1,980	18,268,559
Govt's Funding of Rehab. of Educ. Sect.	Yes	-	-
CoI - Department of Finance	Yes	1,069,786	1,723,823
ENB Cocoa Pod Borer T/A		3,293,893	4,199,184
TOTAL WESTPAC BANK		7,045,068	24,336,458

16.5 Maybank

	Bank Bal	31 December 2010 Kina	31 December 2009 Kina
MAYBANK			
Cape Rodney Agric. Development T/A	Yes	6,523	97,775
TOTAL MAYBANK		6,523	97,775



GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
CONSOLIDATED RECEIPTS FUND-RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDING 31 DECEMBER 2010

STATEMENT B

RECEIPTS	BUDGET				ACTUAL RECEIPTS	
	2010 Original K'000	2010 Additional K'000	2010 Section 3/4 K'000	2010 Revised K'000	2010 ACTUAL K'000	2009 ACTUAL K'000
DEPARTMENTAL RECEIPTS (Group 1)						
DEPARTMENT OF FINANCE & TREASURY	35,000	-	0	35,000	(27,651)	48,794
DEPARTMENT OF FOREIGN AFFAIRS	12,500	-	-	12,500	20,849	20,524
JUDICIARY SERVICES	250	-	-	250	187	168
MAGISTERIAL SERVICES	1,400	-	-	1,400	1,168	1,177
DEPARTMENT OF ATTORNEY-GENERAL	82	-	-	82	70	19
DEPARTMENT OF CORRECTIONAL SERVICES	355	-	-	355	259	4,615
DEPARTMENT OF POLICE	3,000	-	-	3,000	2,902	3,939
DEPARTMENT OF DEFENCE	315	-	-	315	402	401
DEPARTMENT OF EDUCATION	2	-	-	2	630	2
DEPARTMENT OF HEALTH	350	-	-	350	242	291
DEPARTMENT OF COMMUNITY DEVELOPMENT	520	-	-	520	422	360
DEPARTMENT OF ENVIRONMENT AND CONSERVATION	1,400	-	-	1,400	3,300	2,043
DEPARTMENT OF AGRICULTURE AND LIVESTOCK	60	-	-	60	45	69
DEPARTMENT OF LANDS AND PHYSICAL PLANNING	23,000	-	-	23,000	23,908	21,896
DEPARTMENT OF PETROLEUM AND ENERGY	3,000	-	-	3,000	2,943	6,401
DEPARTMENT OF TRANSPORT	4,500	-	-	4,500	5,482	4,350
DEPARTMENT OF COMMERCE AND INDUSTRY	26	-	-	26	51	47
DEPARTMENT OF INDUSTRIAL RELATIONS	20,000	-	-	20,000	17,173	13,532
DEPARTMENT OF WORKS & IMPLEMENTATION	540	-	-	540	5,522	823
TOTAL DEPARTMENTAL RECEIPTS	106,300	-	0	106,300	57,905	129,452
GENERAL RECEIPTS (Group 2)						
TAXATION	4,029,700	-	-	4,029,700	4,668,801	3,520,175
CUSTOMS	1,705,600	-	-	1,705,600	1,776,635	1,454,903
RECEIPTS FROM ASSETS	292,200	-	0	292,200	302,705	639,076
TOTAL GENERAL RECEIPTS	6,027,500	-	0	6,027,500	6,748,141	5,614,153
SERVICE RECEIPTS (Group 3)						
FOREIGN LOANS	6,000	-	-	6,000	1,301	3,589
KINA LOANS	-	-	5,431	5,431	5,431	3,300
TOTAL SERVICE RECEIPTS	6,000	-	5,431	11,431	6,732	6,889
TOTAL INTERNAL RECEIPTS	6,139,800	-	5,431	6,145,231	6,812,778	5,750,494
GRANTS (Group 4)	1,353,898	-	-	1,353,898	898,220	768,518
TOTAL RECEIPTS	7,493,698	-	5,431	7,499,129	7,710,998	6,519,012
BORROWINGS (Group 5)						
GENERAL LOANS	1,878,050	-	-	1,878,050	1,125,149	1,089,091
INTERNATIONAL AGENCY LOANS	268,935	-	-	268,935	97,545	81,377
TOTAL BORROWINGS	2,146,985	-	-	2,146,985	1,222,693	1,170,468
TOTAL RECEIPTS	9,640,683	-	5,431	9,646,114	8,933,691	7,689,479



GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
CONSOLIDATED RECEIPTS FUND-RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDING 31 DECEMBER 2010

STATEMENT B

RECURRENT PAYMENTS	BUDGET				ACTUAL PAYMENTS	
	2010 Original K'000	2010 Additional K'000	2010 Section 3/4 K'000	2010 Revised K'000	2010 ACTUAL K'000	2009 ACTUAL K'000
NATIONAL DEPARTMENTS						
NATIONAL PARLIAMENT	86,018	-	18,700	104,718	111,534	95,368
OFFICE OF GOVERNOR-GENERAL	2,606	-	2,120	4,726	5,155	6,065
DEPARTMENT OF PRIME MINISTER & NEC	58,734	-	32,366	91,100	94,114	70,340
NATIONAL STATISTICAL OFFICE	4,793	-	258	5,051	5,888	5,389
OFFICE OF BOUGAINVILLE AFFAIRS	1,598	-	1,000	2,598	2,868	1,693
DEPARTMENT OF FINANCE	19,093	-	1,281	20,374	20,172	23,659
DEPARTMENT OF TREASURY	12,610	-	396	13,006	11,719	13,434
REGISTRAR FOR POLITICAL PARTIES	5,514	-	-	5,514	5,406	5,340
PNG CUSTOMS SERVICE	12,392	-	3,011	15,403	13,565	-
INFORMATION TECHNOLOGY DIVISION	14,967	-	(393)	14,574	11,989	11,611
FIRE SERVICES	17,810	-	-	17,810	17,993	15,926
PNG IMMIGRATION AND CITIZENSHIP SERVICES	5,826	-	-	5,826	5,265	2,676
INTERNAL REVENUE COMMISSION	37,428	-	900	38,328	35,787	53,739
DEPARTMENT OF FOREIGN AFFAIRS AND TRADE	56,210	-	676	56,885	57,776	62,431
OFFICE OF THE PUBLIC PROSECUTOR	1,445	-	(347)	1,099	1,106	-
PNG INSTITUTE OF PUBLIC ADMINISTRATION	5,711	-	-	5,711	5,379	5,669
DEPARTMENT OF PERSONNEL MANAGEMENT	11,366	-	-	11,366	11,319	10,800
PUBLIC SERVICE COMMISSION	3,482	-	300	3,782	4,118	3,612
OFFICE OF THE PUBLIC SOLICITOR	7,770	-	-	7,770	7,794	6,628
JUDICIARY SERVICES	50,224	-	-	50,224	55,858	53,321
MAGISTERIAL SERVICES	28,170	-	-	28,170	28,033	26,885
DEPARTMENT OF ATTORNEY-GENERAL	32,705	-	3,647	36,352	39,104	35,554
DEPARTMENT OF CORRECTIVE INSTITUTIONAL SERVICES	65,386	-	2,531	67,918	68,461	62,521
PROVINCIAL TREASURIES	31,661	-	(170)	31,491	32,270	36,527
DEPARTMENT OF POLICE	210,043	-	2,134	212,177	221,033	211,184
DEPARTMENT OF NATIONAL PLANNING AND MONITORING	12,582	-	-	12,582	12,736	10,903
ELECTORAL COMMISSION	17,746	-	10,000	27,746	27,557	13,529
NATIONAL INTELLIGENCE ORGANISATION	3,391	-	40	3,431	3,511	3,258
PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	10,524	-	5,400	15,924	15,237	15,437
DEPARTMENT OF DEFENCE	115,558	-	39	115,597	125,859	118,285
DEPARTMENT OF EDUCATION	160,355	-	99,993	260,348	255,026	245,272
OFFICE OF HIGHER EDUCATION	36,304	-	1,484	37,788	37,397	36,635
PNG NATIONAL COMMISSION FOR UNESCO	1,527	-	-	1,527	1,629	1,186
DEPARTMENT OF HEALTH	217,396	-	(3,635)	213,761	205,710	166,819
HOSPITAL MANAGEMENT SERVICES	302,009	-	4,712	306,720	303,317	290,147
DEPARTMENT OF COMMUNITY DEVELOPMENT	8,936	-	1,218	10,154	10,367	10,887
NATIONAL VOLUNTEER SERVICES	1,201	-	(1,148)	53	53	777
DEPARTMENT OF ENVIRONMENT AND CONSERVATION	9,708	-	1,864	11,572	12,021	12,612
DEPARTMENT OF AGRICULTURE AND LIVESTOCK	13,669	-	-	13,669	17,517	15,135
DEPARTMENT OF LANDS AND PHYSICAL PLANNING	27,814	-	2,362	30,176	28,576	14,547
DEPARTMENT OF MINERAL POLICY AND GEOHAZARDS	6,746	-	-	6,746	7,210	6,190
DEPARTMENT OF PETROLEUM AND ENERGY	11,638	-	-	11,638	12,138	12,223
DEPARTMENT OF PUBLIC ENTERPRISES	3,000	-	-	3,000	2,788	-
DEPARTMENT OF INFORMATION AND COMMUNICATION	3,157	-	(89)	3,068	3,175	5,114
DEPARTMENT OF TRANSPORT	23,072	-	-	23,072	19,886	17,343
DEPARTMENT OF COMMERCE AND INDUSTRY	10,894	-	1,227	12,121	12,660	14,207
DEPARTMENT OF INDUSTRIAL RELATIONS	8,194	-	5,000	13,194	13,887	13,053
NATIONAL TRIPARTITE CONSULTATIVE COUNCIL	1,011	-	-	1,011	788	751
DEPARTMENT OF WORKS AND IMPLEMENTATION	57,868	-	-	57,868	66,870	104,803
OFFICE OF RURAL DEVELOPMENT	5,726	-	-	5,726	5,423	4,911
CENTRAL SUPPLY & TENDERS BOARD	2,232	-	-	2,232	2,347	2,020
OFFICE OF TOURISM ARTS AND CULTURE	1,500	-	-	1,500	1,502	-
TOTAL NATIONAL DEPARTMENTS	1,857,320	-	196,876	2,054,195	2,078,892	1,956,417
TRANSFERS, ONLENDING & MISC EXP						
STATUTORY INSTITUTION GRANTS	269,351	-	15,450	284,801	291,168	271,109
PROVINCIAL GOVERNMENTS	983,217	-	1,000	984,217	1,061,093	1,045,781
MISCELLANEOUS PAYMENTS	1,141,222	-	(145,924)	995,298	992,274	725,636
WRITE OFFS	-	-	-	-	-	2,381
DEBT SERVICES - Principal Repayments	2,614,038	-	(68,768)	2,545,270	1,677,189	1,176,042
DEBT SERVICES - Interest and Loan Related Fees	-	-	-	-	-	443,942
TOTAL TRANSFERS, ONLENDING & MISC EXP	5,007,828	-	(198,242)	4,809,585	4,021,724	3,664,891
TOTAL RECURRENT PAYMENTS	6,865,147	-	(1,367)	6,863,780	6,100,616	5,621,308



GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
CONSOLIDATED RECEIPTS FUND-RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDING 31 DECEMBER 2010

STATEMENT B

DEVELOPMENT PAYMENTS	BUDGET				ACTUAL PAYMENTS	
	2010 Original K'000	2010 Additional K'000	2010 Section 3/4 K'000	2010 Revised K'000	2010 ACTUAL K'000	2009 ACTUAL K'000
NATIONAL DEPARTMENTS						
NATIONAL PARLIAMENT	274	-	-	274	-	161
OFFICE OF GOVERNOR-GENERAL	-	-	-	-	-	800
DEPARTMENT OF PRIME MINISTER & NEC	91,100	-	-	91,100	45,928	6,230
NATIONAL STATISTICAL OFFICE	84,484	-	(13,708)	70,776	51,910	-
DEPARTMENT OF FINANCE	97,487	-	(32,300)	65,187	61,795	31,528
DEPARTMENT OF TREASURY	1,852	-	-	1,852	1,014	400
DEPARTMENT OF FOREIGN AFFAIRS AND TRADE	1,079	-	5,000	6,079	5,162	927
PNG INSTITUTE OF PUBLIC ADMINISTRATION	500	-	-	500	500	-
DEPARTMENT OF PERSONNEL MANAGEMENT	32,800	-	(21,237)	11,563	10,910	13,333
DEPARTMENT OF CORRECTIVE INSTITUTIONAL SERVICES	22,300	-	-	22,300	22,300	-
DEPARTMENT OF POLICE	12,200	-	-	12,200	12,200	-
DEPARTMENT OF NATIONAL PLANNING AND MONITORING	1,148,717	-	62,438	1,211,155	1,100,314	538,767
ELECTORAL COMMISSION	13,480	-	-	13,480	11,862	14,601
PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	74,118	-	(100)	74,018	67,495	69,964
DEPARTMENT OF DEFENCE	-	-	-	-	-	25,151
DEPARTMENT OF EDUCATION	220,818	-	(1,400)	219,418	146,694	143,116
OFFICE OF HIGHER EDUCATION	15,319	-	(900)	14,419	3,300	900
DEPARTMENT OF HEALTH	220,437	-	(1,400)	219,037	145,791	111,072
DEPARTMENT OF COMMUNITY DEVELOPMENT	82,948	-	-	82,948	53,645	20,824
DEPARTMENT OF ENVIRONMENT AND CONSERVATION	10,443	-	(1,412)	9,031	7,555	13,113
DEPARTMENT OF AGRICULTURE AND LIVESTOCK	7,689	-	-	7,689	1,160	7,009
DEPARTMENT OF LANDS AND PHYSICAL PLANNING	9,560	-	1,300	10,860	1,779	8,143
DEPARTMENT OF MINERAL POLICY AND GEOHAZARDS	7,949	-	(2,560)	5,389	5,052	3,879
DEPARTMENT OF PETROLEUM AND ENERGY	4,768	-	13,830	18,598	15,355	39,120
DEPARTMENT OF INFORMATION AND COMMUNICATION	5,000	-	100	5,100	5,099	5,000
DEPARTMENT OF TRANSPORT	21,326	-	-	21,326	12,784	8,346
DEPARTMENT OF COMMERCE AND INDUSTRY	29,420	-	-	29,420	7,200	9,959
DEPARTMENT OF WORKS AND IMPLEMENTATION	324,593	-	-	324,593	314,428	340,290
OFFICE OF RURAL DEVELOPMENT	27,250	-	-	27,250	27,250	28,837
CENTRAL SUPPLY & TENDERS BOARD	-	-	150	150	145	-
TOTAL NATIONAL DEPARTMENTS	2,567,911	-	7,801	2,575,712	2,138,625	1,441,471
TRANSFERS, ONLENDING & MISC EXP						
STATUTORY INSTITUTION GRANTS	615,969	-	(7,129)	608,840	451,303	267,686
PROVINCIAL GOVERNMENTS	209,953	-	(2,600)	207,353	199,287	501,250
TREASURY AND FINANCE - MISCELLANEOUS	-	-	3,300	3,300	3,300	-
TOTAL TRANSFERS, ONLENDING & MISC EXP	825,922	-	(6,429)	819,493	653,890	768,936
TOTAL DEVELOPMENT PAYMENTS	3,393,833	-	1,372	3,395,205	2,792,515	2,210,407
TOTAL PAYMENTS	10,258,980	-	5	10,258,985	8,693,131	7,831,715
EXCESS OF RECEIPTS (PAYMENTS)	(618,297)	-	5,426	(612,871)	40,560	(142,236)

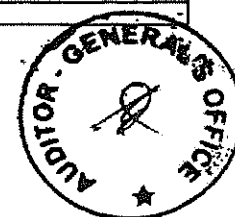
This statement should be read in conjunction with the accompanying notes.



GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
RECEIPT AND PAYMENTS OF THE TRUST FUND
FOR THE PERIOD ENDED 31ST DECEMBER 2010

STATEMENT C

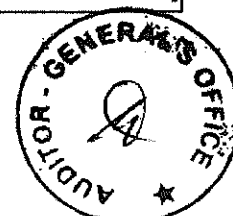
PARTICULARS	Status as at 31-Dec-10		OPENING BALANCE 1 January 2010	RECEIPTS	PAYMENTS	CLOSING BALANCE 31 December 2010
			K'000	K'000	K'000	K'000
COLLEGE OF EXTERNAL STUDIES	Active		5	79	-	84
DPI COLLEGE TRUST	Active		14	8	(10)	12
PUBLIC CURATORS TRUST	Active		3,074	391	(1,117)	2,348
REGISTRAR OF NATIONAL COURT TRUST	Active		10,328	12,011	-	22,339
SHERIFFS TRUST ACCOUNT	Active		237	273	-	510
PNG CONSTABULARY BAND TRUST	Active		3	6	(1)	8
ADMIN COLLEGE TRUST ACCOUNT	Active		15	26	-	40
PUBLIC SOLICITORS TRUST ACCOUNT	Active		388	69	-	457
CORRECTIONAL SERVICES	Active		10,025	16,715	(366)	26,373
ACCOUNTANT REGISTRATION BOARD	Active		54	5	-	59
LAND ACQUISITION TRUST ACCOUNT	Active		39	-	-	39
ELECTORAL COMMISSIONERS TRUST ACCOUNT	Active		218	64	(166)	116
HEALTH DEPT. PROJECT T/A	Active		619	387	-	1,006
POLICE MESSING TRUST ACCOUNT	Active		61	-	(28)	33
POM GENERAL HOSPITAL FEES T/A	Active		62	-	(7)	55
ANGAU MEMORIAL HOSPITAL FEES T/A	Active		783	363	-	1,145
BIODIVERSITY STUDIES T/A	Active		33	-	(29)	4
NATIONAL WOMEN'S CREDIT CHEME T/A	Revoked	2006	1	-	(0)	1
NAT. DISASTER & EMERG. GEN. TRUST ACC.	Revoked	2006	-	2,642	-	2,642
2KR AID TRUST ACCOUNT	Active		623	-	(301)	321
ATT.GEN. OFFICE LIBRARY TRUST A/C	Active		4,698	21	(1)	4,718
SPECIAL POLICE OPERATION TRUST ACCOUNT	Active		2,340	7,798	(1,650)	8,488
AGRICULTURAL PROTECT.QUARANTINE PROJ.T/A	Active		-	2,485	-	2,485
AUSAID PROJ.OVERHEAD CHARGERS IMPREST A/	Active		197	(197)	-	-
AUSAID TRANS.SECTOR PROGRAMME AID IMP A/	Active		546	(546)	-	-
AUSAID TRANS.SECT.PROG.GOV.T.SUPPORT T/A	Active		6,340	8	(319)	6,029
Health Sector Development Project	Active		-	-	-	18,522
Health Sector Development Program(GOPNG)	Revoked	2006	17	-	-	17
HEALTH SECTOR DEVELOP.PROG.GOPNG FUND T/	Active		23,096	(18,522)	(4,574)	-
MANUS PROV.EMERGENCY FUND TRUST ACCOUNT	Active		-	-	-	-
WNB PROV.EMERGENCY FUND TRUST ACCOUNT	Active		595	1,311	(1,649)	258
WESTERN PROV.EMERGENCY FUND TRUST ACCT.	Active		-	-	-	-
CENTRAL PROV.EMERGENCY FUND TRUST ACCT.	Active		-	1,630	(1,630)	-
TARGETED COMMUNITY DEVELOP.PROGRAM T/A	Active		17	-	(17)	0
NATIONAL APPRENTICESHIP TESTING BOARD	Active		11	2	-	12
A/GENERAL LEGAL FEES & BRIEF OUTS	Active		2,672	67	(1,342)	1,397
POLICE AIR WING	Active		4	40	(0)	44
FINANCIAL MANAGEMENT IMPROVEMENT PROG.T/	Active		6,435	227	(3,764)	2,898
TARGETED COMM.DEVELOP.PROG.SECRETARIATE	Active		12	-	(10)	2
MINING MEMORANDUM OF AGREEMENT PROJECT	Active		165	-	-	165
PNG/NEW ZEALAND SCHOOL JOURNAL	Revoked	2007	301	-	(301)	-
INSURANCE COMMISSIONER TRUST ACCOUNT	Active		1,350	607	(6)	1,951
CORRECTIONAL SERVICES SAP HOUSE PROJECT	Active		6	-	(0)	6
KENABOT SUB-DIVISION	Active		158	0	(13)	145
GOVERNMENT PRINTING OFFICE	Active		72	417	-	488
CENTRAL SUPPLY & TENDERS BOARD	Revoked	2005	3,894	443	-	4,337
NATIONAL VALUE ADDED TAX TRUST ACCOUNT	Active		2,515	331	-	2,846
ADB-S/H SUPPORT SERV.PILOT PROJ.IMPRES	Active		13	-	(13)	-
NCD-S/H SUPPORT SERV.PILOT PROJ.C/PART	Active		385	-	(299)	86
EHP-S/H SUPPORT SERV.PILOT PROJ.C/PART	Active		309	-	(307)	2
FMIP PROJECT	Active		-	-	-	-
Simbu Rural Electrification GoPNG	Revoked	2005	607	-	-	607
Defence Force Commercial Support	Revoked	2005	847	453	(898)	402
Works Suspense Outside Operations	Active		35,163	56,035	(70,712)	20,486
Employment Oriented Skills Dev. GoPNG	Active		1	-	(1)	-
Employment Oriented Skills Dev. ADB 1706	Active		5	-	(5)	-



**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
RECEIPT AND PAYMENTS OF THE TRUST FUND
FOR THE PERIOD ENDED 31ST DECEMBER 2010**

STATEMENT C

PARTICULARS	Status as at 31-Dec-10		OPENING BALANCE 1 January 2010	RECEIPTS	PAYMENTS	CLOSING BALANCE 31 December 2010
			K'000	K'000	K'000	K'000
Road Maintenance & Upgrading GoPNG	Active		31,046	92,082	(123,099)	29
Road Maintenance & Upgrading ADB 1709 Im	Active		80	(0)	(0)	80
National Events Council	Active		194	-	(42)	152
Mining Sector Institutional Strengthenin	Revoked	2007	1	-	(0)	1
Mining Sector Institutional Strengthenin	Revoked	2007	38	0	-	38
PNG Incentive Fund Imprest Account	Active		1,360	-	-	1,360
PNG NWS - TWP/ ARM Trust	Active		145	41	-	186
Tech. Assistance Facility for Inst. Stre	Revoked	2005	19	94	(113)	-
PNG Highlands Highway Rehabilitation Pro	Active		3	(0)	(0)	3
PNG Highlands Highway Rehabilitation Pro	Active		14	(0)	(0)	14
National Road Maintenance Policy	Active		48	-	(0)	48
Yumi Yet Bridges for Rural Development	Revoked	2006	432	0	-	432
NATIONAL AIDS COUNCIL	Active		1,054	1,510	(431)	2,134
Central Fund Board of Management	Active		817	14,223	-	15,040
Defence Force Rebuilding Programme	Active		162	-	-	162
Defence Force Commercialisation Progrmme	Revoked	2005	-	402	-	402
PNG-ADB Micro Finance Project GoPNG	Revoked	2007	1,153	1,285	(1,111)	1,327
PNG-ADB Micro Finance Project Imprest	Revoked	2005	0	41	-	41
Rehab.of Marine Time Nav. Aids Sys -ADB	Active		0	-	(0)	0
Rehab.of Marine Time Nav. Aids Sys. GoPN	Revoked	2005	456	-	(0)	456
Road Maint.&Rehab.Proj.Special Account (Active		37	487	(524)	-
Road Maint.&Rehab.Proj.(GoPNG-Counterpar	Active		44,759	31,944	(50,852)	25,851
Road Maint.&Rehab.Proj.(ENB Prov.Gov. Co	Active		420	3,514	4,448	8,382
Road Maint.& Rehab. Proj.(Counterpart Fu	Active		-	521	(521)	-
Road Maint.&Rehab.Proj.(Manus Prov. Gov.	Active		304	(320)	16	-
Road Maint.& Rehab. Proj.(WNB Prov. Gov.	Active		-	2,245	(2,245)	-
Central Provincial Government: Dept. of	Active		1	11,036	(9,664)	1,374
ENB Provincial Government: Dept. of Work	Active		3	2,121	-	2,124
Manus Provincial Government: Dept. of Wo	Active		1	-	(1)	0
Morobe Provincial Government: Dept. of W	Active		-	-	-	-
Oro Provincial Government: Dept. of Work	Active		18	-	(12)	6
WNB Provincial Government: Dept. of Work	Active		1	107	-	108
ELEMENTARY TEACHER EDUCATION SUPPORT PRO	Revoked	2006	40	-	(40)	-
Prepared Communities Grant Trust	Revoked	2007	301	-	(0)	301
National Disas. Center Operational TA	Active		4,789	-	(2,058)	2,731
Talasea,Hoskins,Kaplura and Ania TA	Active		-	-	-	-
Public Sector Reform Program Trust	Active		2,575	581	(58)	3,099
Northern Australian Quarantine Insp. Str	Active		213	309	-	522
PNG Biosafety Framework TA	Active		-	-	-	-
Sepik Highway Trust	Active		750	-	(0)	749
Wallum Oil Palm TA	Active		23	-	(0)	23
Plant and Transport Board (PTB) TA	Active		4,564	10,068	(10,076)	4,556
Prov. Towns Water Supply Sanitaion Proj.	Active		2,092	-	(73)	2,019
Low Cost Community Awareness and Health	Active		-	-	-	-
NHC Housing Development Project	Active		2,147	-	(1,512)	635
Bougainville Governance & Implement. Fun	Active		860	11,950	(11,902)	909
Lae Sieng Trust Account	Active		130	-	(96)	34
Prov. Towns Water Supply & Sanitaion - A	Active		-	2,019	-	2,019
Lorengau Town Water Supply GOPNG C/Part	Active		-	-	-	-
Illegal Immigration Trust Account	Active		3	-	(0)	3
Population Policy Trust Account	Active		201	-	(201)	0
PNG Ozone Depleting Substance (ODS) Phas	Active		13	8	-	21
District Roads, Sea & River Trans. Impro	Active		521	-	-	521
Comm.Water Transport T/Fund - PNG Kina T	Active		602	99	-	701
Comm.Water Transp T/F - US Dollar T/A	Active		-	10	-	10
Comm.Water Transp Project - GoPNG T/A	Active		26,243	-	(6,180)	20,063
Comm.Water Transp Project - Imprest T/A	Active		134	-	(134)	-



GOVERNMENT OF PAPUA NEW GUINEA
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FOR THE PERIOD ENDED 31ST DECEMBER 2010

STATEMENT C

PARTICULARS	Status as at 31-Dec-10		OPENING BALANCE	RECEIPTS	PAYMENTS	CLOSING BALANCE
			1 January 2010			31 December 2010
			K'000	K'000	K'000	K'000
Education Capacity Prog. Imprest Trust	Active		2,088	33,966	(35,466)	589
Basic Education Dev. Proj. GOPNG TA	Active		1,129	2,047	(503)	2,672
Education Capacity Building Prog. GOPNG	Active		63	390	(154)	299
Infrastr. of Rural Primary Educ. Faci. G	Active		-	-	-	-
FMIP Prov. Capacity Building Imprest TA	Active		414	-	(127)	286
PNG Educ. Reg. for Delivery (PRIDE) Proj	Active		53	-	(7)	47
Tolukuma Development Trust Account	Active		-	-	-	-
National Programme	Active		74	296	(225)	145
Environment Protection Trust Account	Active		-	-	-	-
Work Permit Trust Account	Active		17,376	42,108	(36,675)	22,810
European Union Support Prog Gopng T/A	Active		71	139	-	210
Key Roads for Growth & Maint. Proj. Ausa	Active		9,390	321	(775)	8,937
Western Province People's Dividend T/A	Active		-	-	-	-
Basic Education Dev. Project Imprest T/A	Active		1,744	26,670	(26,059)	2,356
Gov't Gas Pipeline Project Equity Finan	Active		-	-	-	-
Outstanding Special Support Grants (Pre	Active		61,550	-	(54,000)	7,550
SHP Gov't Emergency - Main	Active		1	-	(0)	1
SHP Gov't Emergency Subsidiary	Active		103	-	(103)	-
Manam Disaster Resettlement Trust A/C	Active		1,118	-	(0)	1,118
Manam Disaster Humanitarian Impl. Trust	Active		23	-	(0)	23
Bougainville Resource Capacity Trust A/C	Active		2	-	-	2
Establish. of Seized Goods Proceeds Trus	Active		-	-	-	-
Konebada Petroleum Royalty Trust A/C	Active		1,873	39,860	-	41,732
Hides Petroleum Royalty Trust	Active		3,425	1,846	(1,658)	3,613
Central Moran Petroleum Dev. Levy T/A	Active		15,040	34,292	(34,292)	15,040
Moran Petroleum Royalty T/A	Active		5,163	7,938	(6,660)	6,441
Financial Management Training trust A/C	Active		370	-	(277)	94
Uhir Integrated Benefits Package trust	Active		1,391	2,090	-	3,481
Kutubu Petroleum Royalty T/A	Active		42,183	50,561	(44,564)	48,180
Manus Processing Center	Active		327	-	(41)	287
PNG Education Payroll Project TA	Active		33	-	(0)	33
AUSAID GRANT IMPREST ACCOUNT	Active		828	3	-	830
Gov't Funding of Dev. of the Agric. Sec	Active		18,269	-	(18,267)	2
Gov't Funding of Airport Repairs & Upgr	Active		58	-	(58)	-
Gov't Funding of Kubalia High Sch. Reha	Active		1	-	(1)	-
Gov't Funding of O/Standing Personal Be	Active		45,582	-	(45,582)	-
Gov't Funding of Rehab. of Educ. Sect.	Active		-	1,217	(1,217)	-
Gov't Funding of Rehab. of Higher Educ	Active		32,149	586	(21,473)	11,262
Gov't Funding of Rehab. of Law&Justice	Active		3,500	-	(3,500)	-
Gov't Funding of Dev. of Strategic Dist	Active		708	-	(708)	-
Gov't Funding of Rehab. of Nat. Parl. I	Active		5,066	-	(1,657)	3,410
Gov't Funding of Rehab. of Transp. Sect	Active		280,460	40,303	(87,428)	233,336
Gov't Fund. Commit.&Dev. - PNG Gas Pipe	Active		1,800	-	(1,200)	600
Gov't Funding of Resettlement of Volcan	Active		7,250	1,406	(3,298)	5,358
Gov't Funding of Rehab. of NBC Infrastr	Active		32	6,310	(6,333)	9
Hosp. & Health Care Centre Rehab. Trust	Active		7,375	4,441	(5,474)	6,342
Rehab. of Houses for Nurses Trust A/C	Active		15,131	-	(3,815)	11,316
Rehab. of Housing for Police Trust A/C	Active		23,755	-	(6,401)	17,354
Child Maintenance Trust A/C	Active		0	-	-	0
Bail & Court Ordered Compensation Trust	Active		0	-	-	0
Outstanding Contractual Commit. for DDP	Revoked	2007	51	-	(51)	-
Ausaid Transp.Sect.Support Program-Inter	Active		-	-	-	-
PNGIMR-Gates Foundation Partnership Trea	Active		244	-	(244)	-
Cape Rodney Agric. Development T/A	Active		98	-	(91)	7
Gobe Landowners Benefit T/A	Active		5,812	10,023	(10,116)	5,719
National Roads Authority Fund T/A	Active		5,964	86	(3,563)	2,487
Cocoa Pod Borer Emergency T/A	Active		-	-	-	-



GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
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FOR THE PERIOD ENDED 31ST DECEMBER 2010

STATEMENT C

PARTICULARS	Status as at 31-Dec-10	OPENING BALANCE 1 January 2010 K'000	RECEIPTS K'000	PAYMENTS K'000	CLOSING BALANCE 31 December 2010 K'000
Fisheries & Marine Resource T/A	Active	2,678	322	(3,000)	0
Teacher Education Training T/A	Active	-	-	-	-
PNG Pub.Sec.W/force Dev. Initiative Trus	Active	-	-	-	-
Personal Income Tax Auto.Boug.Govt T/A	Active	1,825	-	(984)	842
Revenue & Company Tax ABG T/A	Active	9	0	(0)	9
Western Prov. CMCA Dividend T/A	Active	249,633	74,763	-	324,396
Western Prov. non CMCA Dividend T/A	Active	271,314	145,498	(138,471)	278,341
Nat. Projects Implementation Comm. Trust	Active	-	2,896	(2,896)	-
Log Export Dev. Levy Trust A/C	Active	56,356	13,766	(70,122)	-
Log Export Development Withholding Trust	Active	-	77,500	-	77,500
L&JS Justice & Attorney General Imprest	Active	175	-	(3)	171
L&JS Judiciary Services Imprest A/C	Active	53	408	-	460
L&JS Ombudsman Commission Imprest A/C	Active	89	-	(52)	37
L&JS Royal PNG Police Constab. Imprest A	Active	403	-	(143)	260
L&JS Magisterial Services Imprest A/C	Active	551	44	-	594
L&JS Correctional Services Imprest A/C	Active	214	-	(207)	7
L&JS E/H Lands Prov. Administration Impre	Active	26	-	(23)	4
L&JS Nat.Plann. & Rural Dev. Imprest A/C	Active	330	1	-	331
EHP Sub-National Strategy T/A	Active	1,351	632	(613)	1,370
ENBP Sub-National Strategy T/A	Active	1,016	182	(1,158)	40
Sub National Strategy T/A	Active	433	5,393	(464)	5,362
Central Prov. Sub-National Strategy T/A	Active	664	175	(648)	191
Highlands Highway Rehabilitation T/A	Active	16,090	13,800	(29,854)	36
District Services Improvement T/A	Active	1,008,738	-	(653,420)	355,318
Urbanization Pilots T/A	Active	14,059	10	(46)	14,023
Institutional Housing Pilot T/A	Active	19,073	18,438	(22,517)	14,994
Housing Development Pilot T/A	Active	3,244	3,244	(5,853)	635
Nat. Projects Implementation Committee T	Active	-	-	-	-
Govt of Japan Non Project Grant Aid GoPN	Active	-	-	-	-
National Aids Council Secretariat	Active	3,770	3,065	-	6,835
Health Sector Improvement Program	Active	-	-	-	-
Transport Sector Support Program A/C	Active	132,516	22,660	(67,059)	88,117
Governor General's HIV/AIDS Trust Accoun	Active	-	108	-	108
Communication Infrastructure Trust Acco	Active	360	894	-	1,254
LAE CITY ROADS REHABILITATION TRUST A/C	Active	747	-	(727)	19
LAW & JUSTICE SERV. WAIGANI - AUSAID	Active	3,574	9,678	-	13,252
LAW&JUSTICE SERV. BOUGVIL. ADMINISTRATIO	Active	294	-	(196)	98
RMRP GULF PROV GOVT-Village Contract A/C	Active	-	1	(1)	-
RMRP GULF PROV GOVT-Drawing A/C	Active	-	-	-	-
RMRP GULF PROV GOVT Contribution	Active	-	-	-	-
RMRP HEADQUARTERS - Drawing A/C	Active	484	-	(381)	103
Cooperative Societies Establishment T/A	Active	102	1,922	(24)	2,000
Madang Marine Park Development T/A	Active	13,789	-	(13,711)	78
Rural Electrification Project T/A	Active	19,602	-	(19,000)	602
Konebada Petroleum Park T/A	Active	50,000	-	(50,000)	-
National Infrastructure Dev. Program T/A	Active	123,720	(11,314)	(109,124)	3,283
Land Reform Program T/A	Active	3,700	-	(3,500)	200
Kokoda Development Package T/A	Active	-	-	-	-
CoI - Department of Finance	Active	1,724	1,070	(1,724)	1,070
Mining Sec.Inst.Streng.Tech.Assis.Prjct	Active	948	-	(367)	581
Bougainville Weapons Disposal Trust Accou	Active	282	-	(251)	31
Central City Trust Account	Active	50,235	164	-	50,399
Mining Sec.Inst.Streng.Tech.Ass.Projct I	Active	2,527	-	(990)	1,537
Petroleum O/Standing Commit trust 2008 (Active	39	0	-	39
Nat. Plann.Committee Task Force T/A (NPC	Active	-	328	-	328
Smallholder Agricul. Dev. Prj Credit T/A	Active	-	1,009	-	1,009
PNG Gas Commercialisation working grp T/	Active	-	-	-	-



STATEMENT C

GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
RECEIPT AND PAYMENTS OF THE TRUST FUND
FOR THE PERIOD ENDED 31ST DECEMBER 2010

PARTICULARS	Status as at 31-Dec-10		OPENING BALANCE 1 January 2010	RECEIPTS	PAYMENTS	CLOSING BALANCE 31 December 2010
			K'000	K'000	K'000	K'000
EAST NEW BRITAIN PROV GOVT - SETA	Active		-	-	-	-
EAST SEPIK PROV GOVT - SETA	Active		(0)	0	-	-
ENGA PROV GOVT - SETA	Revoked	2006	-	-	-	-
FLY RIVER PROV GOVT - SETA	Active		(0)	0	-	-
GULF PROV GOVT - SETA	Active		-	-	-	-
MADANG PROV GOVT - SETA	Active		-	-	-	-
MANUS PROV GOVT - SETA	Active		-	-	-	-
MILNE BAY PROV GOVT - SETA	Active		-	-	-	-
MOROBE PROV GOVT - SETA	Active		-	-	-	-
NEW IRELAND PROV GOVT - SETA	Active		-	-	-	-
NORTH SOLOMONS PROV GOVT - SETA	Active		(0)	0	-	-
ORO PROV GOVT - SETA	Active		63	-	-	63
SANDAUN PROV GOVT - SETA	Active		-	-	-	-
SIMBU PROV GOVT - SETA	Active		-	-	-	-
SOUTHERN HIGHLANDS PROV GOVT - SETA	Active		(0)	0	-	-
WESTERN HIGHLANDS PROV GOVT - SETA	Active		9	-	-	9
WEST NEW BRITAIN PROV GOVT - SETA	Active		-	-	-	-
COMMUNITY SCHOOLS TEACHERS HOUSING	Revoked	2006	(0)	0	-	-
MINING & PETROLEUM TRUST	Active		1,865	-	-	1,865
PROV MINERAL PETROLEUM ROYALTY	Revoked	2006	(1,343)	-	-	(1,343)
NEW ZEALAND AID TRUST ACCOUNT	Active		-	-	-	-
EUROPEAN ECONOMIC COMMUNITY	Active		(0)	0	-	-
CIVIL AVIATION TRUST ACCOUNT	Active		93	-	-	93
WORKERS COMPENSATION TRUST ACCOUNT	Active		(5,998)	3,245	(3,838)	(6,591)
NON-VOCABULARY STORES TRUST ACCOUNT	Active		-	-	-	-
PNG DEFENCE FORCE CIVIL ACTION	Active		-	-	-	-
WORKS PROV GOVT PROJECTS TRUST	Active		(0)	0	-	-
PROV GOVT COMPUTER PROJECT	Active		(0)	0	-	-
PLACER PACIFIC INVESTIGATION	Active		136	-	-	136
HEALTH DEPARTMENT PROJECTS TRUST	Active		(0)	0	-	-
TIMBER ROYALTIES TRUST ACCOUNT	Revoked	2006	(86)	-	-	(86)
MIGRATION SERVICES FEES TRUST ACCOUNT	Active		-	-	-	-
REFORESTATION LEVY T/A	Active		1,432	-	-	1,432
MODLION HOSPITAL TRUST ACCOUNT.	Active		-	-	-	-
NONGA BASE HOSPITAL TRUST ACCOUNT.	Active		-	-	-	-
BOUGAINVILLE REHABILITATION TRUST ACCT.	Revoked	2006	29	-	-	29
DPM INFORMATION TECHNOLOGY TRAINING ROOM	Active		(0)	0	-	-
NONGA BASE HOSPITAL FEES T/A	Active		-	-	-	-
GOROKA HOSPITAL FEES TRUST ACCOUNTS	Active		(0)	0	-	-
WORKS-DIV. OF SUPPLY RETRENCHMENT T/A	Active		-	-	-	-
KUNDIAWA HOSPITAL FEES TRUST ACCOUNT	Revoked	2006	-	-	-	-
MENDI HOSPITAL FEES TRUST ACCOUNT	Active		(0)	0	-	-
KIMBE HOSPITAL FEES TRUST ACCOUNT	Active		(0)	0	-	-
KAVIENG HOSPITAL FEES TRUST ACCOUNT	Active		-	-	-	-
LORENGAU HOSPITAL FEES TRUST ACCOUNT	Active		-	-	-	-
KEREMA HOSPITAL FEES TRUST ACCOUNT	Active		(0)	0	-	-
POPONDETTA HOSPITAL FEES TRUST ACCOUNT	Active		-	-	-	-
ALOTAU HOSPITAL TRUST ACCOUNT	Active		-	-	-	-
DARU HOSPITAL TRUST ACCOUNT	Active		-	-	-	-
KIUNGA HOSPITAL TRUST ACCOUNT	Active		(0)	0	-	-
BORAM HOSPITAL FEES TRUST ACCOUNT	Active		-	-	-	-
VANIMO HOSPITAL FEES TRUST ACCOUNT	Active		(0)	0	-	-
NATIONAL EDUCATION TRUST ACCOUNT	Active		537	5,039	(2,977)	2,599
S/HIGHLANDS PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
ORO PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
ENB PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-



**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
RECEIPT AND PAYMENTS OF THE TRUST FUND
FOR THE PERIOD ENDED 31ST DECEMBER 2010**

STATEMENT C

PARTICULARS	Status as at 31-Dec-10		OPENING BALANCE 1 January 2010 K'000	RECEIPTS K'000	PAYMENTS K'000	CLOSING BALANCE 31 December 2010 K'000
Border Development Authority Trust A/C	Active		-	-	-	-
HIES Project Trust Account	Active		532	5,880	(5,411)	1,002
ENB Cocoa Pod Borer T/A	Active		4,199	225	(1,130)	3,294
Nungwaia-Bongos Integrated Lrg scl Agri	Active		-	0	-	0
Sandaun Prov. Sub-National Strategy T/A	Active		39	-	(29)	10
Milne Bay Prov. Sub-National Strategy T/	Active		416	-	(312)	104
Lae Port Dev.Proj. GOPNG Counterpart Fun	Active		-	8,257	-	8,257
Lae Port Dev.Proj. ADB 2399 PNG Imprest	Active		-	-	-	-
Lae Port Dev.Proj. ADB 2398 PNG Imprest	Active		-	1,315	(1,315)	-
Eastern H/Land Prov. Government Project T	Active		-	1,900	(1,872)	28
Support to Auditor General's Office (SAG	Active		-	634	-	634
Life Skills Teacher Training T/A	Active		-	967	(776)	191
Smallholder Agri.Dev.Proj.(SADP)-GoPNG f	Active		-	2,775	-	2,775
Strengthening of Provincial and LL Govt'	Active		-	135	-	135
Productive Partnerships in Agri. Project	Active		0	113	-	113
Civil Aviation Development Investment Pr	Active		-	1,917	-	1,917
Wewak Aquaculture Prawn Project Account	Active		-	1	-	1
Bougainville Kina for Kina Scheme Accoun	Active		-	1,116	(693)	423
Public Service Program T/A	Active		-	2,194	(118)	2,076
MOA Outstanding Liabilities Trust A/C	Active		-	100,000	-	100,000
			2,929,184	1,250,483	(1,977,259)	2,202,408
ALIENATED LANDS COMPENSATION FUND	Active		153	-	-	153
CHILD WELFARE	Revoked	2006	5	27	(18)	14
CONTRACT RETENTION FUND	Active		(0)	0	-	-
CUSTOMS OFFICERS OVERTIME	Active		4,671	955	(1,198)	4,428
RESERVED	Active		3,195	0	-	3,196
DEVELOPMENT BANK	Active		133	-	-	133
DUTY DEPOSIT	Active		-	-	-	-
LANDING BOND	Active		-	-	-	-
PROJECT TRUST ACCOUNT	Active		-	-	-	-
NATIVE MONIES TRUST	Active		-	-	-	-
PLANT & TRANSPORT TRUST	Active		-	-	-	-
SAVINGS BANK (PNGBC) TRUST	Active		-	-	-	-
SCHOOL EQUIPMENT TRUST	Active		-	-	-	-
SUSPENSE - HOUSING COMMISSION	Active		1,775	-	-	1,775
SUSPENSE ACCOUNT NO. 2	Revoked	2006	1,048	88,830	(75,555)	14,323
SUSPENSE ACCOUNT NO. 2 - PROV GOVT	Revoked	2006	2,575	67,088	(63,935)	5,727
TENDER DEPOSITS	Active		(0)	0	-	-
UNCLAIMED MONIES	Active		20,617	764	(21)	21,360
VOCABULARY STORES TRUST ACCOUNT	Active		(0)	0	-	-
WORKS SUSPENSE OUTSIDE TRUST	Active		(0)	0	-	-
WORKS TRANSFERRABLE COSTS TRUST	Active		-	-	-	-
NATIONAL LIBRARY & ARCHIVES TRUST ACCT.	Active		492	78	-	570
CENTRAL PROV GOVT - SETA	Active		-	-	-	-
EASTERN HIGHLANDS PROV GOVT - SETA	Active		-	-	-	-

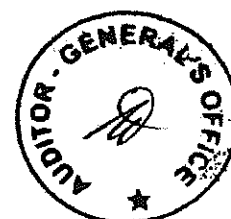


STATEMENT C

GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
RECEIPT AND PAYMENTS OF THE TRUST FUND
FOR THE PERIOD ENDED 31ST DECEMBER 2010

PARTICULARS	Status as at 31-Dec-10		OPENING BALANCE 1 January 2010 K'000	RECEIPTS K'000	PAYMENTS K'000	CLOSING BALANCE 31 December 2010 K'000
WNB PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
MADANG PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
MOROBE PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
NEW IRELAND PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
MANUS PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
GULF PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
E/HIGHLANDS PROVINCE SCHOOL SUBSIDY T/A	Active		(0)	0	-	-
W/HIGHLANDS PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
WESTERN PROVINCE SCHOOL SUBSIDY T/A	Active		-	0	(0)	0
MILNE BAY PROVINCE SCHOOL SUBSIDY T/A	Active		(0)	0	-	-
ENGA PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
EAST SEPIK PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
SANDAUN PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
N/SOLOMONS PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
CENTRAL PROVINCE SCHOOL SUBSIDY T/A	Active		-	-	-	-
SIMBU PROVINCE SCHOOL SUBSIDY T/A	Revoked	2006	1	1	-	1
KUTUBU PETROLEUM ROYALTIES T/A	Revoked	2006	8,646	-	-	8,646
GOBE TRUST ACCOUNT	Revoked	2006	722	-	-	722
SOHANO HOSPITAL FEES TRUST	Active		-	-	-	-
ENGA HOSPITAL FEES TRUST	Active		-	-	-	-
LALOKI HOSPITAL FEES TRUST	Active		-	-	-	-
MT HAGEN HOSPITAL FEES TRUST	Active		-	-	-	-
PORT MORESBY GENERAL HOSPITAL FEES TRUST	Active		-	-	-	-
Moran Trust	Revoked	2006	(6,653)	-	-	(6,653)
Central Moran Petrol Dev Proj Dev Levy	Active		-	-	-	-
Non-Bank Interest Holding Trust	Active		-	-	-	-
Central Moran Petrol .Dev. Proj. Dev. Le	Active		-	-	-	-
			34,117	166,026	(147,542)	52,601
MOTOR VEHICLE DEALERS DEPOSITS	Active		230	6	(9)	226
DCTA - CONTROL ACCOUNT	Active		2,912	262	(281)	2,893
RSCTA - CONTROL ACCOUNT	Active		3,515	288	(315)	3,489
BOOKMAKERS SECURITY DEPOSIT TRUST	Active		316	35	-	352
			6,974	591	(605)	6,960
	Note 13		2,970,275	1,417,100	(2,125,405)	2,261,970

Trust revoked however bank account not yet closed
 Transactions to close the trust occurred in 2009. Trust will no longer be reported in statement C from 2010
 Trust revoked however bank account not yet closed
 Bank account not yet closed
 Trust revoked in error, being reinstated
 Trust revoked however bank account not yet closed
 Active account. Trust instrument to be reinstated
 Bank account not yet closed
 Bank account not yet closed
 Balance to be investigated
 Bank account not yet closed
 Transactions to close the trust occurred in 2009. Trust will no longer be reported in statement C from 2010
 Trust still in operation. Ongoing need to be determined and if required, trust instrument to be reinstated
 Trust still in operation. Ongoing need to be determined and if required, trust instrument to be reinstated
 Bank account not yet closed
 Account being investigated to determine if Trust instrument is to be reinstated
 Account being investigated to determine if Trust instrument is to be reinstated



**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
RECEIPT AND PAYMENTS OF THE TRUST FUND
FOR THE PERIOD ENDED 31ST DECEMBER 2010**

STATEMENT C

PARTICULARS	Status as at 31-Dec-10	OPENING BALANCE	RECEIPTS	PAYMENTS	CLOSING BALANCE
		1 January 2010			31 December 2010
		K'000	K'000	K'000	K'000

Account being investigated to determine if Trust instrument is to be reinstated

Balance to be investigated

Account still in use, requires investigation

Account is being used to process child welfare and bail monies for which there is an ongoing need. Strategy to be developed to enable a trust to be opened which will allow collection and payment of these transactions at the provincial or national level

Balance requires investigation to determine reasons for use

Balance to be investigated and transferred to relevant trust account

Balance arose in 2008. Needs to be investigated and written off

Balance arose in 2007. Needs to be investigated and written off

Incorrect posting. Balance need to be written off

To be reconciled and transferred to trust account with bank account

Balance needs to be reconciled and transferred to relevant trust account with bank account

Balance needs to be reconciled and transferred to relevant trust account with bank account # 498



STATEMENT D

GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE PERIOD ENDED 31 DECEMBER 2010

	2010 K'000	2009 K'000
SOURCES OF FUNDS		
Total receipts as per Statement B	8,933,691	7,689,479
Decrease in Advance	14	-
Decrease in Cash In Transit	3	334
Trust Receipts as per Statement C	1,417,100	2,287,107
	10,350,809	9,976,921
APPLICATION OF FUNDS		
Total payments as per Statement B	8,893,131	7,831,715
Increase in Advances	-	304
Increase in Cash In Transit	-	-
Trust Payments as per Statement C	2,125,405	3,230,863
	11,018,537	11,062,882
Increase / (Decrease) in Cash	(667,728)	(1,085,961)
Increase / (Decrease) in Cash & Bank Balance is made up of:		
Increase / (Decrease) in Balance with Bank of Papua New Guinea	(329,516)	(503,053)
Increase / (Decrease) in Balance with Bank of South Pacific	(214,361)	(457,909)
Increase / (Decrease) in Balance with ANZ BANK	(106,646)	(114,577)
Increase / (Decrease) in Balance with Westpac Bank	(17,294)	(5,193)
Increase / (Decrease) in Balance with May Bank	7	
Increase / (Decrease) in Trust Fund Investment bank accounts	82	(5,230)
Increase / (Decrease) in Bank Balances	(667,728)	(1,085,961)

This statement should be read in conjunction with the accompanying notes.



STATEMENT E

GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
TRUST FUND - PARTICULARS OF INVESTMENTS
AS AT 31 DECEMBER 2010

Investment Description	Closing Balance K	Interest Rate %	Term of Maturity
MOTOR CAR LICENSED DEALERS TRUST			
- BSP Term Deposit 1001310793	226,315	2.25%	180 days
TOTAL	226,315		
BOOKMAKERS SECURITY DEPOSIT TRUST			
- BSP Savings Account 1000565580	293,809	varies	on demand
- BSP Term Deposit 1001317414	57,847	5.50%	365 days
TOTAL	351,655		
DISTRICT COURT TRUST			
- BSP (PNGBC) - Various Saving Accounts	2,874,928	varies	on demand
TOTAL	2,874,928		
REGISTRAR OF SUPREME COURT TRUST ACCOUNT			
- BSP Term Deposit 1000591441	9,325	2.00%	90 days
- BSP Term Deposit 1000591445	10,176	2.00%	90 days
- BSP Term Deposit 1000591447	10,176	2.00%	90 days
- BSP Term Deposit 1000591449	12,715	3.00%	90 days
- BSP Term Deposit 1000949585	127,357	3.00%	180 days
- BSP Term Deposit 1001173473	560,338	2.00%	180 days
- BSP Term Deposit 1001173506	136,340	2.00%	180 days
- BSP Term Deposit 1001173849	91,081	6.25%	365 days
Sub-Total	957,508		
- BSP Savings Accounts (Various)	2,531,007	varies	on demand
TOTAL	3,488,515		
GRAND TOTAL	6,941,414		



GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
STATEMENT OF INVESTMENTS, CAPITAL CONTRIBUTIONS AND OPTION RIGHTS
AS AT 31 DECEMBER 2010

Table 1. Statement of direct investments, capital contributions and equity option rights as at 31 December 2010

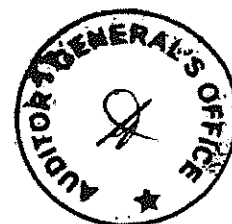
Particulars	% owned by GoPNG	Value as at 31 Dec 2010	Basis of 2010 valuation	Value as at 31 Dec 2009	Basis of 2009 valuation
Bougainville Copper Limited 76,430,809 shares at K4.35 per share as at 31 December 2010	19.06	332,307,865	A	105,827,274	A
Coffee Industry Corporation Limited	25.00	4,403,840	E	4,403,840	E
Mineral Resources Development Company Limited	100.00	1,882,838	E	1,882,838	E
Ok Tedi Mining Limited (see note 10.3)	15.00	415,634,700	C	365,843,700	C
Pacific Forum Line Limited	28.90	14,385,695	E	14,385,695	E
Petromin PNG Holdings Limited	100.00	304,770,000	E	304,770,000	E
Total		1,073,384,938		797,113,347	

Table 2. Statement of initial capital contributions and equity for statutory authorities as at December 2010

Particulars	% owned by GoPNG	Value as at 31 Dec 2010	Basis of 2010 valuation	Value as at 31 Dec 2009	Basis of 2009 valuation
Bank of Papua New Guinea	100.00	126,952,000	E	126,952,000	E
Total Investments in the General Business Trust (see Table 3 and Note 9)	100.00	5,839,178,798		5,917,958,481	
Net Assets of Independent Public Business Corporation (IPBC)	100.00	(1,270,320,626)	E	(1,270,320,626)	C
Total		4,695,810,172		4,774,589,855	
Total Government Investments		5,769,195,110		5,571,703,202	

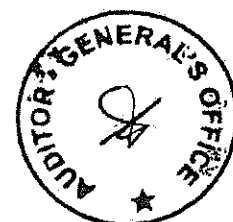
Table 3. Statement of investments vested in the General Business Trust managed by Independent Public Business Corporation as at 31 December 2010


Particulars	% owned by GoPNG	Value as at 31 Dec 2010	Basis of 2010 valuation	Value as at 31 Dec 2009	Basis of 2009 valuation
UNLISTED INVESTMENTS					
Independently Audited State-Owned Enterprises					
Air Niugini Limited	100.00	225,800,000	B	225,800,000	B
Eda Ranu Limited	100.00	70,500,000	B	70,500,000	B
Motor Vehicle Insurance Limited (MVIL)	100.00	195,300,000	B	195,300,000	B
National Development Bank (formerly Rural Development Bank Ltd)	100.00	110,600,000	B	110,600,000	B
PNG Ports Corporation Limited (formerly PNG Harbours Board Ltd)	100.00	286,000,000	B	286,000,000	B
PNG Power Limited	100.00	542,800,000	B	542,800,000	B
PNG Waterboard	100.00	(85,400,000)	B	(85,400,000)	B
Post PNG Limited	100.00	94,300,000	B	94,300,000	B
Telikom PNG Limited	100.00	447,300,000	B	447,300,000	B
Total Independently Audited State-Owned Enterprises		1,887,200,000		1,887,200,000	



Other Unlisted Investments					
Aquarius No. 21	100.00	841,555	D	943,218	C
BSP (Ex. MVIL)	100.00	98	E	98	C
Cape Rodney Estates Pty Ltd 200,000 shares	100.00	174,000	E	174,000	C
Finance Pacific Ltd	100.00	1	E	1	C
Gogol Reforestation Co Pty Ltd 98,001 shares	49.00	(54,357)	E	(54,357)	C
Government Printing Office	100.00	1	E	1	C
Government Stores	100.00	13,951,200	E	13,951,200	C
Higaturu Transport Pty Ltd 600,000 shares	100.00	-	E	-	C
Investment Corporation of PNG	100.00	8,660,957	E	8,660,957	C
Kagamuga Natural Products Co Pty Ltd	100.00	1,145,000	E	1,145,000	C
Livestock Development Corporation Ltd 200,000 shares	100.00	2,177,341	E	2,177,341	C
National Petroleum Company PNG (formerly Kroton No. 2 Limited)		(37,137,167)	E	(37,137,167)	C
Niugini Insurance Corporation Limited	100.00	(4,348,860)	E	(4,348,860)	C
Open Bay Timber Pty Ltd 443,000 shares	20.00	-	E	-	C
Kula Palm Oil 14,661,995 shares	20.00	105,989,889	D	21,911,123	C
Port Moresby Private Hospital Ltd	100.00	38,538,047	D	11,335,478	C
PNG Dams Limited	100.00	88,148,200	D	89,746,031	C
PNG Forest Products Pty Ltd 788,000 shares	20.00	9,731,600	E	9,731,600	C
Telikom PNG (Prime Minister)	100.00	10	E	10	C
Total Other Unlisted Investments		227,817,515		118,235,674	
TOTAL UNLISTED INVESTMENTS		2,115,017,515		2,005,435,674	
LISTED INVESTMENTS					
Bank of South Pacific Limited 843,115,964 shares at K0.77 per share as at 31 December 2010	17.61	649,199,292	A	910,420,040	A
Highlands Pacific Limited 30,158,821 shares at K0.90 per share as at 31 December 2010	4.40	27,142,939	A	29,555,645	A
Oil Search Limited - Escrow Account (See Note 9.6) 196,604,177 shares at K15.33 per share as at 31 December 2010	14.97	3,013,942,033	A	2,949,062,655	A
New Britain Palm Oil Limited 1,349,682 shares at K25.10 per share as at 31 December 2010	0.93	33,877,018	A	23,484,467	A
TOTAL LISTED INVESTMENTS		3,724,161,283		3,912,522,807	
TOTAL ASSETS HELD IN GENERAL BUSINESS TRUST		5,839,178,798		5,917,958,481	

This statement should be read in conjunction with the accompanying notes.

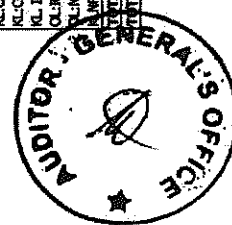




STATEMENT H

GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
STATEMENT OF ON LENDING
AS AT 31 DECEMBER 2010

LOAN REFERENCE	PURPOSE OF LOANS	CLOSING BALANCE AS AT 31.12.09 (K'000)	ADJUSTMENT S FROM PREVIOUS YEARS (K'000)	OPENING BALANCE AT 01.01.10 (K'000)	BORROWING 2010 (K'000)	PRINCIPAL REPAYMENT 2010 (K'000)	EFFECT OF MOVEMENTS IN EXCHANGE RATES INCREASE/(DE- CREASE) (K'000)	BAD DEBTS WRITTEN OFF IN 2010	BALANCE AT 31.12.10 (K'000)	PROVISION FOR BAD DEBTS (K'000)	INTEREST PAYMENTS & COMMITMENT FEES 2010 (K'000)	INTEREST RATES %
PROVINCIAL GOVERNMENTS												
KL-GALIC	GOROKA LOCAL GOVERNMENT COUNCIL	40	-	40	-	-	-	-	40	-	-	6.40
KL-MOTUKOTABU	MOTU KOTABU INTERIM ASSEMBLY	100	-	100	-	-	-	-	100	-	-	-
KL-MDC	NATIONAL CAPITAL DISTRICT COMMISSION	5,920	-	5,920	-	-	-	-	5,920	-	-	6.50
KL-MWB PROV GOVT.	WEST NEW BRITAIN PROVINCIAL COMMISSION	60	-	60	-	-	-	-	60	-	-	-
KL-BNGA PROV GOVT.	POZERA MINING AGREEMENT	200	-	200	-	-	-	-	200	-	-	-
KL-SIMBU PROV GOVT.	SIMBU PROVINCIAL GOVERNMENT	480	-	480	-	-	-	-	480	-	-	-
TOTAL PROVINCIAL GOVERNMENTS												
		6,800	-	6,800	-	-	-	-	6,800	-	-	-
NATIONAL INVESTORS SCHEME LOANS												
NIS-LOBOBU	COCOA DEVELOPMENT MUDA	710	-	710	-	-	-	(710)	-	(710)	-	11.50
NIS-MELDAS	SUPERMARKET YOMBA	90	-	90	-	-	-	(90)	-	(90)	-	8.00
NIS-NGP	COCOA DEVELOPMENT	41	-	41	-	-	-	(41)	-	(41)	-	7.50
NIS-MILGINT	MILGINT MILLS	230	-	230	-	-	-	(230)	-	(230)	-	11.00
NIS-MANUK	COCOA DEVELOPMENT WINGNAU	460	-	460	-	-	-	(460)	-	(460)	-	11.50
NIS-PURUSA	CARDAMON & COFFEE	220	-	220	-	-	-	(220)	-	(220)	-	7.50
NIS-SEA PARK	SEA PARK PTY LTD	300	-	300	-	-	-	(300)	-	(300)	-	9.75
NIS-SOGERI	RUBBER DEVELOPMENT SOGERI	1,460	-	1,460	-	-	-	(1,460)	-	(1,460)	-	7.50
NIS-STOLUP	KIRE OF AIR CRAFT	70	-	70	-	-	-	(70)	-	(70)	-	10.25
NIS-TROPICAL	TOURIST DRIVING VESSEL	40	-	40	-	-	-	(40)	-	(40)	-	18.25
NIS-TAGA	UPGRADING PLANT EQUIPMENT	90	-	90	-	-	-	(90)	-	(90)	-	8.00
NIS-ULANOMA	WHOLESALE BUSINESS	190	-	190	-	-	-	(190)	-	(190)	-	9.25
NIS-ULABO	TIMBER EXPORT SAGARAI	450	-	450	-	-	-	(450)	-	(450)	-	14.00
NIS-ULU	COCOA DEVELOPMENT	570	-	570	-	-	-	(570)	-	(570)	-	11.50
NIS-WONSOP	SOAP MANUFACTURING	280	-	280	-	-	-	(280)	-	(280)	-	12.25
NIS-YAKUSA	YAKUSA CATTLE RANCH	160	-	160	-	-	-	(160)	-	(160)	-	7.50
NIS-ZIPASING	CATTLE RANCH MADJUMI	70	-	70	-	-	-	(70)	-	(70)	-	8.00
TOTAL NATIONAL INVESTORS SCHEME LOANS												
		5,431	-	5,431	-	-	-	(5,431)	-	(5,431)	-	-
PNG PORTS CORPORATION LIMITED												
CL-PT ADB 468	LAE PORTS PROJECT ADB 468	14,746	(200)	14,946	-	-	-	-	14,946	-	-	10.00
TOTAL PNG PORTS CORPORATION LIMITED												
		14,746	(200)	14,946	-	-	-	-	14,946	-	-	-
TELECOM PNG LIMITED												
CL-PT 102	PTC FRENCH PROTOCOL CREDIT	482	-	482	-	-	(31)	-	291	-	10	3.00
CL-TEL EEC	EEC REGIONAL TELECOM-GENSHU	9,211	-	9,211	-	-	(1,112)	7,802	7,802	-	30	1.80
CL-TEL II	3RD TELECOM PROJECT 3154	-	-	-	-	-	-	-	-	-	-	3.00
TOTAL TELECOM PNG LIMITED												
		9,693	-	9,693	-	-	(1,142)	7,802	8,093	-	47	-
PNG WATER BOARD												
CL-CTB	3RD URBAN WATER SUPPLY PROJECT - CHIAO TUNG BANK	17,938	-	17,938	-	-	-	-	17,938	-	-	VAR
CL-ADB 1211	3RD URBAN WATER SUPPLY PROJECT - ADB 1211	30,254	-	30,254	-	-	-	-	29,655	-	-	3.50
TOTAL PNG WATER BOARD												
		48,193	-	48,193	-	-	-	-	47,593	-	-	-
OTHER LOANS												
KL-DFCO	DISCIPLINARY FORCES CANTEN ORGANIZATION	10	-	10	-	-	-	-	10	-	-	10.00
KL-MB BMD 2608	MELINE BAY ESTATE BMD 2608	1,602	-	1,602	-	-	-	-	1,566	-	-	LIBOR + 5.00
KL-SOCCOA BOARD	COCOA BOARD STATE LENDING	19,940	-	19,940	-	-	-	-	19,940	-	-	1.00
KL-SOCCOA HOTEL	COMMUNITY HOSTEL RABAU	20	-	20	-	-	-	-	20	-	-	1.00
KL-BMD 3109	HOUSING RE-DISCOUNT FACILITY	51	-	51	-	-	-	-	51	-	-	7.43
KL-EDCC - ADB 1024	INDUSTRIAL CENTRE DEVELOPMENT CORPORATION - ADB 1024	4,000	-	4,000	-	-	-	-	4,000	-	-	6.50
KL-EDCCB	POLYMER TREE CROP	4,280	-	4,280	-	-	-	-	4,280	-	-	2.00
KL-AFA - ADB 1925	COASTAL WATER FISHERIES MANAGEMENT DEVELOPMENT PROJECT	12,481	-	12,481	-	-	-	-	12,481	-	-	-
TOTAL OTHER LOANS												
		42,284	-	42,284	-	-	-	-	42,284	-	-	-
TOTAL LENDING												
		127,146	(200)	127,346	-	-	(1,142)	2,371	119,643	(5,431)	47	-



STATEMENT I

**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
STATEMENT OF GOVERNMENT GUARANTEED LOANS
AS AT 31 DECEMBER 2010**

Borrowers	Loan Details	Foreign Currency	Original Amount Guaranteed Foreign Currency ('000)	Balance Outstanding as at 31 Dec 2010		
				Foreign Currency ('000)	Exchange Rate	Kina (K'000)
DOMESTIC BORROWINGS						
Various Individuals	Credit Guarantee Scheme	N/A	N/A	N/A	N/A	376
TOTAL DOMESTIC BORROWINGS						376
OVERSEAS BORROWINGS						
Pacific Aviation Safety Office	PASO Loan Guarantee	SDR	258	258	0.2458	1,051
Mineral Resources Development Company Ltd & Mineral Resources Lihir Pty Ltd	Finance Contract Agreement - 26.04.95	EUR	21,000	15,997	0.2452	65,241
Mineral Resources Development Company Ltd & Mineral Resources Lihir Pty Ltd	Finance Contract Agreement - 28.06.96	EUR	25,000	6,632	0.2452	27,047
Teikom PNG Limited	Agreement 27.07.95	USD	26,282	6,543	0.3785	17,287
Independent Public Business Corporation, Petromin PNG Holdings Limited and Mineral Resources Development Company Limited	Completion Guarantees for PNG LNG Project Debt	USD	2,100,000	2,100,000	0.3785	5,548,217
TOTAL OVERSEAS BORROWINGS			2,172,540	2,129,430		5,658,842
TOTAL GOVERNMENT GUARANTEED LOANS						5,659,218



RUN DATE 01/11/2011

STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENT'S REVENUE

REVENUE HEAD 106 DEPARTMENT OF FINANCE & TREASURY

RECEIPTS HEAD	RECEIPTS SUB HEAD			
	2010 ESTIMATE	2010 REVISED ESTIMATE	2010 RECEIPTS	2009 RECEIPTS
01 RECOVERIES FROM FORMER YEARS'	31,258,000	31,258,000	-44,273,827	44,907,172
02 DISPOSAL OF ASSETS	100,000	100,000	274,076	68,175
07 RECOVERIES FROM NATIONAL DEVELOPMENT	1,000	1,000	0	0
08 RECOVERIES FROM UTILITY CHARGES	1,000	1,000	0	183
09 COMPUTER SERVICE CHARGES	1,000	1,000	0	0
10 SALE OF HOUSES UNDER SALE OR MORTGAGE	5,000	5,000	0	2,000
11 35% SHARE OF POOL HOUSING RENTAL	15,000	15,000	14,920	12,078
12 CREDIT GUARANTEE SCHEME	1,000	1,000	0	0
13 UNCLAIMED MONIES	10,000	10,000	0	1,482
14 SUB-LEASE OF OFFICE ACCOMMODATION	5,000	5,000	0	0
15 STATISTICAL SERVICES-SALE OF PUBLICATION	1,000	1,000	0	0
18 INSURERS' AND BROKERS' LICENCES	100,000	100,000	85,000	120,000
19 RENT OF RESERVED HOUSING	1,000	1,000	0	0
20 TREASURY INSTITUTIONAL HOUSES-PROVINCES	1,000	1,000	0	0
23 PAYROLL COMMISSION	2,000,000	2,000,000	2,610,094	2,497,215
24 MOBILE PHONE LICENCES	0	100	4,266,667	0
99 SUNDRY RECEIPTS	1,500,000	1,500,000	9,372,258	1,385,102
REVENUE HEAD TOTAL for:	35,000,000	35,000,100	-27,650,812	48,793,605
			DEPARTMENT OF FINANCE & TREASURY	



RUN DATE 01/11/2011

STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENT'S REVENUE

REVENUE HEAD 117 DEPARTMENT OF FOREIGN AFFAIRS

		2010		2009	
		2010	REVISED	2010	2009
		ESTIMATE	ESTIMATE	RECEIPTS	RECEIPTS
RECEIPTS HEAD					
RECEIPTS SUB HEAD					
02 PASSPORTS		1,500,000	1,500,000	1,696,434	2,032,374
03 MIGRATION SERVICES		11,000,000	11,000,000	19,152,509	18,491,184
REVENUE HEAD TOTAL for:		12,500,000	12,500,000	20,848,943	20,523,558
DEPARTMENT OF FOREIGN AFFAIRS					

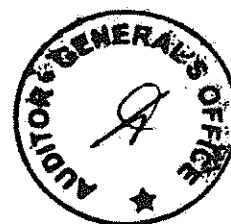
RUN DATE 01/11/2011

STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 113 JUDICIARY SERVICES

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 SALE OF DOCUMENTATION		10,000	10,000	13,535	1,144
02 FILING AND SEARCH FEES - BILLS OF SALE		40,000	40,000	26,911	40,072
03 FILING AND SEARCH FEES - OTHER		90,000	90,000	63,736	57,541
04 FINES - CRIMINAL		100,000	100,000	80,116	66,139
05 SHERIFF'S FEES AND POUNDAGE		5,000	5,000	170	307
06 JUDICIAL FINES		5,000	5,000	2,551	2,983
REVENUE HEAD TOTAL for: JUDICIARY SERVICES		250,000	250,000	187,019	168,196



RUN DATE 01/11/2011

STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENT'S REVENUE

REVENUE HEAD 124 MAGISTERIAL SERVICES

RECEIPTS HEAD		2010		2010		2009	
		ESTIMATE		REVISED		RECEIPTS	
RECEIPTS SUB HEAD		ESTIMATE		ESTIMATE		RECEIPTS	
01	DISTRICT COURT FINES	1,000,000		1,000,000	796,238	781,905	
02	DISTRICT COURT REGISTRATION FEES	200,000		200,000	222,959	219,687	
03	FORFEITURE OF COURT BAILE	28,000		28,000	102,732	49,727	
04	SALES OF FORFEITURE GOODS TO STATE	62,000		62,000	10,348	25,375	
05	EXECUTION FEES	10,000		10,000	10,421	6,562	
99	SUNDRY RECEIPTS	100,000		100,000	25,705	93,381	
REVENUE HEAD TOTAL For: MAGISTERIAL SERVICES		1,400,000		1,400,000	1,168,403	1,176,637	



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 125 DEPARTMENT OF ATTORNEY-GENERAL

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 ESTATE AND COMMISSION FEES		50,000	50,000	51,220	13,895
02 DECEASED ESTATE (ADMINISTRATION FEE)		5,000	5,000	4,912	0
03 COMMISSIONER OF OATH FEE		1,500	1,500	12,910	0
04 RENTALS FROM INSTITUTIONAL HOUSES		25,000	25,000	0	0
99 SUNDRY RECEIPTS		500	500	998	0
REVENUE HEAD TOTAL for: DEPARTMENT OF ATTORNEY-GENERAL		82,000	82,000	70,040	18,895



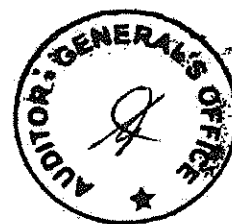
RUN DATE 01/11/2011

STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 126 DEPARTMENT OF CORRECTIONAL SERVICES

	2010		2009	
	ESTIMATE	REVISED	RECEIPTS	RECEIPTS
RECEIPTS HEAD				
RECEIPTS SUB HEAD				
01 RENTAL FROM INSTITUTIONAL HOUSES	354,500	354,500	259,500	4,615,285
99 SUNDRY RECEIPTS	500	500	-200	0
REVENUE HEAD TOTAL for: DEPARTMENT OF CORRECTIONAL SERVICES	355,000	355,000	259,300	4,615,285



RUN DATE 01/11/2011

STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 128 DEPARTMENT OF POLICE

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 ARMS PERMITS		500,000	500,000	876,014	1,020,487
02 ACCIDENT REPORTS		1,200,000	1,200,000	74,774	1,068,997
03 DRIVING TESTS		120,000	120,000	182,827	139,984
04 CHARACTER CHECKS		114,000	114,000	304,676	207,214
05 CRIME REPORTS		15,000	15,000	13,715	13,240
06 RENTAL FROM INSTITUTIONAL HOUSING		750,000	750,000	1,051,026	1,085,631
07 RECOVERY OF UTILITY CHARGES		1,000	1,000	10	210
99 SUNDRY RECEIPTS		300,000	300,000	399,181	403,255
REVENUE HEAD TOTAL for: DEPARTMENT OF POLICE		3,000,000	3,000,000	2,902,223	3,939,018



RUN DATE 01/11/2011

STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 134 DEPARTMENT OF DEFENCE

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED	RECEIPTS	RECEIPTS
01 RENTAL FROM INSTITUTIONAL HOUSING		310,000	310,000	401,387	400,330
99 SUNDRY RECEIPTS		5,000	5,000	296	479
REVENUE HEAD TOTAL FOR: DEPARTMENT OF DEFENCE		315,000	315,000	401,683	400,809



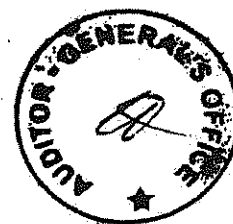
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 135 DEPARTMENT OF EDUCATION

	2010		2009	
	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
RECEIPTS SUB HEAD				
99 SUNDRY RECEIPTS	2,000	2,000	630,262	1,878
REVENUE HEAD TOTAL for: DEPARTMENT OF EDUCATION	2,000	2,000	630,262	1,878



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 140 DEPARTMENT OF HEALTH

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	RECEIPTS	RECEIPTS
03 RENTAL FROM INSTITUTIONAL HOUSING		6,000	6,000	1,555		2,805	
06 BOARD AND LODGING FEES		4,000	4,000	3,859		5,059	
07 MEDICAL SUPPLIES		250,000	250,000	19,245		3,008	
08 MEDICAL BOARD		40,000	40,000	32,292		31,606	
99 SUNDRY RECEIPTS		50,000	50,000	185,071		248,999	
REVENUE HEAD TOTAL for:	DEPARTMENT OF HEALTH	350,000	350,000	242,022		291,477	



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PUBLIC ACCOUNTS FOR THE GOVERNMENT OF PAPUA NEW GUINEA

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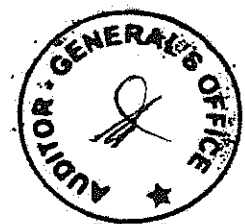
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENT'S REVENUE

REVENUE HEAD 142 DEPARTMENT OF COMMUNITY DEVELOPMENT

		RECEIPTS SUB HEAD			
RECEIPTS HEAD		2010		2010	2009
		ESTIMATE	REVISED	RECEIPTS	RECEIPTS
		ESTIMATE			
02 CENSORSHIP FEES		150,000	150,000	114,333	144,354
03 CIVIL REGISTRATION FEES		370,000	370,000	307,224	212,386
99 SUNDRY RECEIPTS		0	0	0	3,713
REVENUE HEAD TOTAL for: DEPARTMENT OF COMMUNITY DEVELOPMENT		520,000	520,000	421,557	360,453



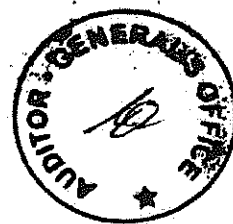
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENT'S REVENUE

REVENUE HEAD 145 DEPARTMENT OF ENVIRONMENT AND CONSERVATION

RECEIPTS HEAD	RECEIPTS SUB HEAD			
	2010 ESTIMATE	2010 REVISED ESTIMATE	2010 RECEIPTS	2009 RECEIPTS
01 WILDLIFE LICENCES	11,000	11,000	6,060	6,476
02 WILDLIFE LEVY	36,000	36,000	63,073	23,328
03 PARKS LODGING AND GATE FEES	1,500	1,500	808	320
04 PESTICIDE PERMIT FEES	3,000	3,000	1,700	360
05 WATER DISCHARGE PERMIT FEE	1,034,000	1,034,000	1,972,335	1,735,224
06 ODS PERMIT FEE	1,000	1,000	0	924
07 WATER ABSTRACTION PERMIT FEE	10,000	10,000	878,554	8,143
08 WATER INVESTIGATION PERMIT FEE	1,000	1,000	500	900
09 IMPACT ASSESSMENT FEE	300,000	300,000	320,000	286,000
12 HYDRO SURVEY FEES	2,000	2,000	54,580	1,225
99 SUNDRY RECEIPTS	500	500	1,946	365
REVENUE HEAD TOTAL for:	1,400,000	1,400,000	3,299,556	2,043,265



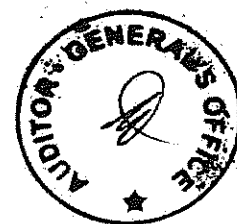
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 147 DEPARTMENT OF AGRICULTURE AND LIVESTOCK

RECEIPTS HEAD	RECEIPTS SUB HEAD			
	2010 ESTIMATE	2010 REVISED ESTIMATE	2010 RECEIPTS	2009 RECEIPTS
01 RENTAL FROM INSTITUTIONAL HOUSING	55,000	55,000	45,167	48,170
99 SUNDRY RECEIPTS	5,000	5,000	265	21,254
REVENUE HEAD TOTAL 147: DEPARTMENT OF AGRICULTURE AND LIVESTOCK	60,000	60,000	45,432	69,424



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 152 DEPARTMENT OF LANDS AND PHYSICAL PLANNING

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 LAND LEASE RENTAL		22,065,700	22,065,700	22,530,117	30,305,839
02 LICENCE FEES AND ROYALTY PAYMENTS		40,000	40,000	85,015	56,949
03 SALE OF ALLOTMENTS		20,000	20,000	252,386	32,030
04 SURVEY FEES		25,000	25,000	32,970	42,124
05 SURVEYORS' REGISTRATION		300	300	5,365	5,326
06 VALUATION FEES		20,000	20,000	14,995	26,337
07 VALUERS' REGISTRATION		3,000	3,000	6,385	3,150
08 OBJECTION FEES		1,000	1,000	0	500
09 SALE OF MAPS		60,000	60,000	66,060	87,877
11 LODGEMENT FEES		40,000	40,000	53,236	59,057
13 PHYSICAL PLANNING REGULATIONS FEES		30,000	30,000	57,878	55,222
99 SUNDRY RECEIPTS		695,000	695,000	803,580	1,221,771
REVENUE HEAD TOTAL for: DEPARTMENT OF LANDS AND PHYSICAL PLANNING		23,000,000	23,000,000	23,907,997	21,896,182



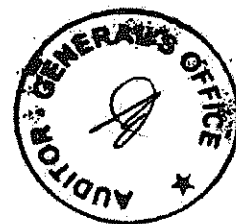
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENT'S REVENUE

REVENUE HEAD 155 DEPARTMENT OF PETROLEUM AND ENERGY

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 PETROLEUM PROSPECTING LICENCES		2,980,000	2,980,000	2,929,400	6,377,507
99 SUNDRY RECEIPTS		20,000	20,000	13,847	23,148
REVENUE HEAD TOTAL for: DEPARTMENT OF PETROLEUM AND ENERGY		3,000,000	3,000,000	2,943,247	6,400,655



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 159 DEPARTMENT OF TRANSPORT

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 MOTOR REGISTRATION		4,000,000	4,000,000	4,415,478	3,482,799
02 MOTOR TRADE LICENSING		100,000	100,000	121,000	119,443
03 COMMERCIAL VEHICLE LICENSING		120,000	120,000	268,265	355,467
05 VEHICLE INSPECTION FEES		160,000	160,000	17,515	112,725
07 MATERIALS AND SERVICES		50,000	50,000	148,165	75,315
09 COASTAL TRADING LICENCES		50,000	50,000	171,581	0
99 SUNDRY RECEIPTS		20,000	20,000	338,904	204,386
REVENUE HEAD TOTAL for: DEPARTMENT OF TRANSPORT		4,500,000	4,500,000	5,481,908	4,350,135



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENT'S REVENUE

REVENUE HEAD 161 DEPARTMENT OF COMMERCE AND INDUSTRY

RECEIPTS HEAD	RECEIPTS SUB HEAD			
	2010 ESTIMATE	2010 REVISED ESTIMATE	2010 RECEIPTS	2009 RECEIPTS
02 IMPORT AND EXPORT TRADE LICENCES	20,000	20,000	41,527	39,470
03 RENTAL FROM INSTITUTIONAL HOUSING	3,000	3,000	4,140	4,140
04 CONTRACTORS' REGISTRATION FEES	2,000	2,000	5,231	3,567
05 APPLICATION FEES	500	500	295	55
99 SUNDRY RECEIPTS	500	500	55	0
REVENUE HEAD TOTAL for:	26,000	26,000	51,248	47,232

DEPARTMENT OF COMMERCE AND INDUSTRY



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

GROUP 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 162 DEPARTMENT OF INDUSTRIAL RELATIONS

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 TRADE LICENCES		200,000	200,000	12,641	35,537
02 INDUSTRIAL SAFETY		2,390,000	2,390,000	507,473	595,750
03 WORK PERMITS		16,850,000	16,850,000	16,079,663	12,161,768
04 AGENT EMPLOYMENT LICENCES		190,000	190,000	234,980	391,650
05 INFLAMMABLE LIQUID		365,000	365,000	332,740	341,645
06 INDUSTRIAL ORGANISATION FEES		3,500	3,500	2,810	3,320
99 SUNDRY RECEIPTS		1,500	1,500	2,680	2,540
REVENUE HEAD TOTAL for: DEPARTMENT OF INDUSTRIAL RELATIONS		20,000,000	20,000,000	17,172,987	13,532,210



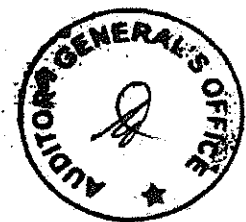
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 1 NATIONAL DEPARTMENTS REVENUE

REVENUE HEAD 164 DEPARTMENT OF WORKS & IMPLEMENTATION

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
02 BOARD AND LODGING FEES		0	0	0	13,730
03 BUILDING PERMIT FEES		104,000	104,000	141,930	110,047
04 RECOVERY OF DESIGN SERVICE CHARGES		3,000	3,000	50	0
05 RECOVERY OF LAND ACQUISITION CHARGES		30,000	30,000	0	11,635
06 RECOVERY OF ROADS & BRIDGES DESIGN		3,000	3,000	1,000	1,400
07 SCIENCE AND TECHNOLOGY FEES		100,000	100,000	64,875	144,425
99 SUNDRY RECEIPTS		300,000	300,000	5,314,115	541,563
REVENUE HEAD TOTAL for: DEPARTMENT OF WORKS & IMPLEMENTATION		540,000	540,000	5,521,970	922,800
GROUP TOTAL for: NATIONAL DEPARTMENTS REVENUE		106,300,000	106,300,100	57,904,985	129,451,704



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 2 GENERAL REVENUE

REVENUE HEAD 170 INTERNAL REVENUE COMMISSION

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01 INCOME TAX - INDIVIDUALS		1,420,200,000	1,420,200,000	1,505,240,637	1,241,792,222
02 INCOME TAX - COMPANIES		1,107,700,000	1,107,700,000	1,235,609,260	1,121,384,741
03 DIVIDEND WITHHOLDING TAX		180,500,000	180,500,000	199,027,790	244,416,910
04 MINING AND PETROLEUM TAXES		1,088,800,000	1,088,800,000	1,499,934,099	693,050,272
05 BOOKMAKERS' TURNOVER TAX		8,040,000	8,040,000	389,064	23,896
06 STAMP DUTIES		76,310,000	76,310,000	48,878,758	0
07 ROYALTIES TAX		12,340,000	12,340,000	7,646,616	0
11 COURT FINES		30,000	30,000	7,501	0
12 DEPARTURE TAX		3,870,000	3,870,000	7,130,778	0
13 TRAINING LEVY		1,800,000	1,800,000	1,312,181	0
14 GAMING MACHINE TURNOVER TAX		102,900,000	102,900,000	83,896,440	83,056,279
15 INTEREST WITHHOLDING TAX		25,000,000	25,000,000	33,031,132	0
99 SUNDRY RECEIPTS		2,210,000	2,210,000	46,697,524	136,450,732
REVENUE HEAD TOTAL for: INTERNAL REVENUE COMMISSION		4,029,700,000	4,029,700,000	4,668,800,780	3,520,175,052



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 2 GENERAL REVENUE

REVENUE HEAD 172 BUREAU OF CUSTOMS

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED	ESTIMATE	RECEIPTS
01 IMPORT DUTIES		168,100,000	168,100,000	188,645,046	143,731,415
02 EXCISE DUTY		417,100,000	417,100,000	384,888,706	354,727,156
03 EXPORT TAX		122,300,000	122,300,000	173,633,712	108,719,963
05 VALUE ADDED TAX		835,700,000	835,700,000	788,130,013	703,000,000
06 EXCISE DUTIES ON IMPORT		156,300,000	156,300,000	211,281,311	139,190,933
99 SUNDRY RECEIPTS		6,100,000	6,100,000	30,052,174	5,533,294
REVENUE HEAD TOTAL for: BUREAU OF CUSTOMS		1,705,600,000	1,705,600,000	1,776,534,962	1,454,902,761



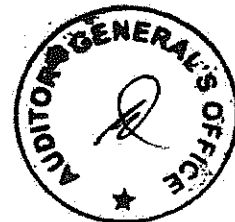
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 2 GENERAL REVENUE

REVENUE HEAD 173 REVENUE FROM ASSETS

	RECEIPTS SUB HEAD			
	2010 ESTIMATE	2010 REVISED ESTIMATE	2010 RECEIPTS	2009 RECEIPTS
02 DIVIDENDS	55,000,000	55,000,000	302,259,880	0
05 MINING & PETROLEUM DIVIDENDS	230,200,000	230,200,000	0	139,075,603
06 INJECTIONS FROM TRUST ACCOUNTS	0	0	0	500,000,000
07 INTEREST FROM TRUST ACCOUNTS	7,000,000	7,000,000	0	0
08 INTEREST FROM WEA	0	100	445,568	0
REVENUE HEAD TOTAL for: REVENUE FROM ASSETS	292,200,000	292,200,100	302,705,448	639,075,603
GROUP TOTAL for: GENERAL REVENUE	6,027,500,000	6,027,500,100	6,748,141,190	5,614,153,416



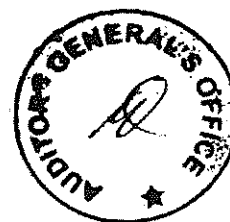
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 3 LOANS SERVICE RECEIPTS

REVENUE HEAD 175 LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	RECEIPTS	RECEIPTS
533 INDUSTRIAL CENTERS DEVELOPMENT CORPORATI	ICDC ADB 1024	130,000	130,000	0	0	0	0
540 NATIONAL WATER AND SEWERAGE BOARD	CTB URBAN WATER SUPPLY	150,000	150,000	0	0	0	0
540 NATIONAL WATER AND SEWERAGE BOARD	02 ADB 1211 UPGRADING OF WATER SUPPLY	200,000	200,000	0	0	0	0
547 OFFICE OF CLIMATE CHANGE AND DEVELOPMENT	02 PTC FRENCH PROTOCOL TREASURY	17,000	17,000	9,646	9,646	0	0
547 OFFICE OF CLIMATE CHANGE AND DEVELOPMENT	04 PTC EEC GERERU	100,000	100,000	46,221	46,221	0	0
547 POST AND TELECOMMUNICATION CORPORATION	02 PTC FRENCH PROTOCOL TREASURY	0	0	0	0	21,257	21,257
547 POST AND TELECOMMUNICATION CORPORATION	04 PTC EEC GERERU	0	0	0	0	88,641	88,641
548 PNG HARBOURS BOARD	03 PNGHB ADB 468	1,300,000	1,300,000	0	0	0	0
999 OTHER AGENCIES AND ORGANISATIONS	MILNE BAY ESTATES - IBRD	103,000	103,000	0	0	167,914	167,914
REVENUE HEAD TOTAL for: LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,		2,000,000	2,000,000	55,869	55,869	277,812	277,812



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 3 LOANS SERVICE RECEIPTS

REVENUE HEAD 177 LOAN SERVICE RECEIPTS: KINA, INTEREST

		2010		2010		2010	
		ESTIMATE		REVISED		RECEIPTS	
RECEIPTS HEAD						RECEIPTS	
999 OTHER AGENCIES AND ORGANISATIONS		0		5,431,000		5,431,000	
						3,300,000	
REVENUE HEAD TOTAL for:		0		5,431,000		5,431,000	
						3,300,000	

LOAN SERVICE RECEIPTS: KINA, INTEREST



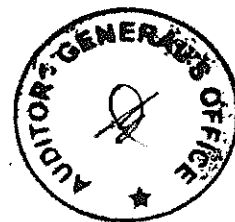
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 3 LOANS SERVICE RECEIPTS

REVENUE HEAD 179 LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010		2009	
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
540 NATIONAL WATER AND SEWERAGE BOARD	CTB URBAN WATER SUPPLY	311,800	311,800	0	0
540 NATIONAL WATER AND SEWERAGE BOARD	02 ADB 1211 UPGRADING OF WATER SUPPLY	450,300	450,300	0	0
547 OFFICE OF CLIMATE CHANGE AND DEVELOPMENT	03 PTC FRENCH PROTOCOL TREASURY	338,200	338,200	160,808	0
547 OFFICE OF CLIMATE CHANGE AND DEVELOPMENT	04 PTC EEC GEREHU	403,100	403,100	296,422	0
547 POST AND TELECOMMUNICATION CORPORATION	03 PTC FRENCH PROTOCOL TREASURY	0	0	0	315,603
547 POST AND TELECOMMUNICATION CORPORATION	04 PTC EEC GEREHU	0	0	0	558,490
584 EAST SEPIK PROVINCIAL GOVERNMENT	03 PNGSB ADB 468	1,400,000	1,400,000	0	0
999 OTHER AGENCIES AND ORGANISATIONS	MILNE BAY ESTATES - IERD	1,096,600	1,096,600	787,889	2,437,233
REVENUE HEAD TOTAL for: LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,		4,000,000	4,006,000	1,245,119	3,311,326
GROUP TOTAL for: LOANS SERVICE RECEIPTS		6,000,000	11,431,000	6,731,988	6,889,138



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

GROUP 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010	2010	2010	2009
				ESTIMATE	REVISED	RECEIPTS	RECEIPTS
					ESTIMATE		
201 NATIONAL PARLIAMENT		SUPPORT TO NATIONAL PARLIAMENT		0	0	0	161,374
201 NATIONAL PARLIAMENT		02 PARLIAMENT & LEGISLATIVE PROCESSES		274,000	274,000	0	0
203 DEPARTMENT OF PRIME MINISTER & NEC		02 ENHANCED CORPORATION PROGRAM		67,898,000	67,898,000	0	0
203 DEPARTMENT OF PRIME MINISTER & NEC		03 INTERNATIONAL CONFERENCE CENTRE PROJECT		300,000	300,000	0	300,000
203 DEPARTMENT OF PRIME MINISTER & NEC		04 CONFLICT PREVENTION AND NATION BUILDING		5,213,000	5,213,000	0	5,930,280
203 DEPARTMENT OF PRIME MINISTER & NEC		05 ECONOMIC & PUBLIC SECTOR PROGRAMME		9,989,000	9,989,000	37,952,513	0
204 NATIONAL STATISTICAL OFFICE		03 DEMOGRAPHIC & HEALTH SURVEY		7,159,000	7,159,000	335,165	0
204 NATIONAL STATISTICAL OFFICE		04 DEVELOPMENT STATISTICS PARTNERSHIP		9,081,000	9,081,000	2,892,352	0
204 NATIONAL STATISTICAL OFFICE		05 IMPROVING ECONOMICS & SOCIAL STATISTICS		2,244,000	2,244,000	489,589	0
206 DEPARTMENT OF FINANCE		05 PNG-AUST. TREASURY TWINNING PROJECT		0	0	0	486,186
206 DEPARTMENT OF FINANCE		12 PROVINCIAL CAPACITY BUILDING PROJECT		2,497,000	2,497,000	2,623,377	2,921,489
206 DEPARTMENT OF FINANCE		13 SUPPORT TO ECONOMIC & PUBLIC SECTOR		7,264,000	7,264,000	3,935,125	0
206 DEPARTMENT OF FINANCE		14 EPSG TWINNING SCHEMES 2009/10		3,405,000	3,405,000	3,396,581	0
208 DEPARTMENT OF TREASURY		SUPPORT OF PEER (ADBTA)		1,402,000	1,402,000	563,760	0
217 DEPARTMENT OF FOREIGN AFFAIRS AND TRADE		03 TRADE RELATED ASSISTANCE		1,079,000	1,079,000	161,561	784,970
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		05 DEMOCRATIC GOVERNANCE PROGRAM		2,270,000	2,270,000	3,062,663	21,973,512
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		06 INTERGRADED POPULATION & DEVELOPMENT PIN		0	0	0	11,371,381
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		07 NAO SUPPORT PHASE III		0	0	0	3,417,521
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		09 STRATEGIC PARTNERS AND MGMT PROGRAM		3,405,000	3,405,000	0	0
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		10 EDF NAO INSTITUTIONAL CAPACITY PROJECT		1,500,000	1,500,000	1,500,000	0
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		12 NON-STATE ACTORS SUPPORT PROGRAM		8,390,000	8,390,000	1,277,036	6,392,023
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		14 INCENTIVE FUND		12,259,000	12,259,000	5,602,919	684,063
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		17 POPULATION POLICY		1,509,000	1,509,000	0	0
229 DEPARTMENT OF NATIONAL PLANNING AND MONI		19 PNG DISASTER RISK MANAGEMENT SUPPORT		2,747,000	2,747,000	1,054,316	0



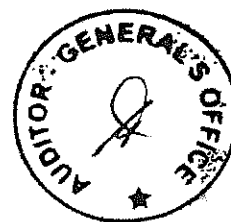
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010	2010	2010	2009
				ESTIMATE	REVISED	RECEIPTS	RECEIPTS
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	20	SMALL ACTIVITIES SCHEME	0	0	0	350,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	22	RURAL DEVELOPMENT & PLANNING	574,000	574,000	774,632	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	23	SUPPORT TO ODI FELLOWS	227,000	227,000	5,169	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	24	SUPPORT FOR DEVELOPMENT PLANNING (ADBTA)	631,000	631,000	183,565	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	27	YOUNG LEADERS AND GROUP TRAINING	0	0	0	875,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	28	RURAL DEVELOPMENT PROGRAM - DEVELOPMENT	0	0	0	24,237
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	29	COUNTRY PROGRAM SUPPORT PROJECT	40,606,000	40,606,000	0	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	33	INTEGRATED COMM.DEV'T-URBAN SETTLEMENT	2,000	2,000	8,346	500,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	36	GRASSROOTS DEV'T PARTNERSHIP PROGRAM	19,000	19,000	20,000	480,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	38	LAW & JUSTICE SECTOR SUPPORT PROGRAM	68,104,000	68,104,000	60,535,112	38,010,555
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	58	SMALL PROJECT SCHEME	553,000	553,000	0	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	61	CHURCHES PARTNERSHIP PROGRAM	16,141,000	16,141,000	8,713,384	3,913,043
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	68	BRIS KANDA LOCAL LEVEL ECONOMIC DEV'T	1,738,000	1,738,000	0	1,200,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	71	CIVIL SOCIETY ORG SUPPORT PROJECT	4,267,000	4,267,000	0	2,000,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	74	ECONOMIC & PUBLIC SECTOR REFORM	0	0	0	5,010,694
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	76	PROGRAM SUPPORT COSTS	0	0	0	15,008,125
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	78	SUSTAINABLE LIVELIHOODS	0	0	0	3,545,691
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	79	ADB SOCIAL MARKETING FOR CONDOMS	2,124,000	2,124,000	0	1,000,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	81	AID COORDINATION	4,239,000	4,239,000	0	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	84	PRIVATE ENTERPRISE PARTNERSHIPS PACIFIC	434,000	434,000	0	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	85	GENDER PA PROGRAMME	1,200,000	1,200,000	0	1,000,000



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010	2010	2010	2009
				ESTIMATE	REVISED	ESTIMATE	RECEIPTS
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	86	PNG VOLUNTEER SUPPORT	454,000	454,000	218,697	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	87	MDG JOINT PROGRAMME	0	0	0	4,168,727
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	88	FOREIGN INVESTMENT ADVISORY SERVICES	1,135,000	1,135,000	0	543,478
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	90	PROGRAMME MANAGEMENT	0	0	0	80,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	91	HUMAN RIGHTS	549,000	549,000	0	329,953
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	92	TAX CREDITS & TCS ADMINISTRATION	60,000,000	60,000,000	0	0
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	96	ADVISORY SUPPORT FACILITY PHASE II	26,334,000	26,334,000	19,989,212	36,200,634
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	98	UN PROGRAMME COORDINATION ADMINISTRATION	571,000	571,000	0	425,000
229	DEPARTMENT OF NATIONAL PLANNING AND MONI	99	CHILD PROTECTION	5,487,000	5,487,000	0	0
230	ELECTORAL COMMISSION	02	ELECTORAL SUPPORT PROJECT-PHASE 2	13,480,000	13,480,000	11,861,780	14,600,708
232	PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	02	DISASTER MANAGEMENT PROJECT	1,372,000	1,372,000	0	2,295,445
232	PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	09	DISTRICT GOVERNANCE	1,200,000	1,200,000	0	1,000,000
232	PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	10	DISASTER MANAGEMENT	0	0	0	2,111,986
232	PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	11	SUB-NATIONAL STRATEGY (PP11)	53,403,000	53,403,000	52,908,238	56,280,484
232	PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	12	PROVINCIAL PLANNING AND MANAGEMENT	4,546,000	4,546,000	0	4,106,438
232	PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	13	STRENGTHENING OF DISTRICTS AND LG'S	8,597,000	8,597,000	9,597,000	772,213
235	DEPARTMENT OF EDUCATION	20	PNG/NZ SCHOOL JOURNAL DEVELOPMENT	457,000	457,000	0	0
235	DEPARTMENT OF EDUCATION	22	POPULATION EDUCATION (UNFPA)	0	0	0	2,232,121
235	DEPARTMENT OF EDUCATION	27	EDUCATION SECTOR DEVELOPMENT	2,400,000	2,400,000	1,952,379	380,812
235	DEPARTMENT OF EDUCATION	28	BEP PREIMPLEMENTATION PHASE	22,701,000	22,701,000	35,312,656	43,083,493



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Group 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010	2010	2010	2009
				ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
235 DEPARTMENT OF EDUCATION	32 EDUCATION CAPACITY BUILDING			48,785,000	48,785,000	40,710,772	44,821,051
235 DEPARTMENT OF EDUCATION	47 SHORT TERM TRAINING & WORK ATTACHMENT			360,000	360,000	0	0
235 DEPARTMENT OF EDUCATION	48 IN COUNTRY TRAINING			1,733,000	1,733,000	2,273,184	1,000,000
235 DEPARTMENT OF EDUCATION	49 SCHOOLS JOURNAL PROJECT			0	0	0	400,000
235 DEPARTMENT OF EDUCATION	59 EDUCATION TRAINING AND HRD PROGRAMME			100,000,000	100,000,000	44,430,534	33,817,724
235 DEPARTMENT OF EDUCATION	61 EDUCATION SECTOR TECHNICAL SUPPORT			341,000	341,000	0	0
235 DEPARTMENT OF EDUCATION	69 NZDS/STTA PRE-AWARD MANAGEMENT			354,000	354,000	488,289	400,000
235 DEPARTMENT OF EDUCATION	70 EDUCATION SWAP			0	0	0	1,000,000
235 DEPARTMENT OF EDUCATION	71 HUMAN RESOURCE TRAINING			3,000,000	3,000,000	0	3,000,000
235 DEPARTMENT OF EDUCATION	72 ENHANCING QUALITY IN TEACHING (TV PROG)			5,000	5,000	5,023	300,000
235 DEPARTMENT OF EDUCATION	73 CADETSHIP PROGRAM			0	0	0	100,000
235 DEPARTMENT OF EDUCATION	74 UN ASSISTANCE TO EDUCATION SECTOR			3,174,000	3,174,000	0	0
235 DEPARTMENT OF EDUCATION	75 CAREERS IN DEVELOPMENT PROGRAMME			674,000	674,000	716,545	0
235 DEPARTMENT OF EDUCATION	76 VSO EDUCATION PROGRAMME			443,000	443,000	642,165	0
235 DEPARTMENT OF EDUCATION	77 PROCUREMENT & DISTRIBUTION OF SCHOOL			15,891,000	15,891,000	751,992	0
236 OFFICE OF HIGHER EDUCATION	INTERIM SUPPORT THE PNG HIGHER EDUCATION			11,419,000	11,419,000	0	0
240 DEPARTMENT OF HEALTH	18 TERTIARY HEALTH SERVICES PHASE 11			0	0	0	170,437
240 DEPARTMENT OF HEALTH	26 HEALTH SECTOR IMPROVEMENT PROG (HEIP)			8,926,000	8,926,000	19,108,914	4,000,000
240 DEPARTMENT OF HEALTH	34 EU FEASIBILITY STUDY-RURAL WATER SUPPLY			30,000,000	30,000,000	64,818	1,717,757
240 DEPARTMENT OF HEALTH	36 MATERNAL & CHILD HEALTH PROJECTS			1,200,000	1,200,000	0	0
240 DEPARTMENT OF HEALTH	46 REPRODUCTIVE HEALTH			0	0	0	8,389,670
240 DEPARTMENT OF HEALTH	53 HEALTH SECTOR RESOURCE FUND DESIGN			0	0	0	30,270,907
240 DEPARTMENT OF HEALTH	56 CAPACITY BUILDING SERVICE CENTRE			34,011,000	34,011,000	39,509,854	39,383,868
240 DEPARTMENT OF HEALTH	58 PNG HEALTH SECTOR PROCUREMENT SUPPORT			3,848,000	3,848,000	0	0



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010	2010	2010	2009
				ESTIMATE	REVISED	ESTIMATE	RECEIPTS
240 DEPARTMENT OF HEALTH	67	CHINESE MEDICAL TEAM		2,000,000	2,000,000	0	2,000,000
240 DEPARTMENT OF HEALTH	68	NZ AID HIVAIDS INITIATIVE		1,200,000	1,200,000	5,415,866	1,000,000
240 DEPARTMENT OF HEALTH	69	SPECIAL MEDICAL EQT SUPPLY PROG (PACELF)		1,000	1,000	2,000	440,000
240 DEPARTMENT OF HEALTH	70	SAVE THE CHILDREN PARTNERSHIP		0	0	0	2,500,000
240 DEPARTMENT OF HEALTH	71	DISTRICT TOWNS WATER SUPPLY		0	0	0	2,388,066
240 DEPARTMENT OF HEALTH	72	LEPROSY MISSION HEALTHY COMMUNITIES		1,221,000	1,221,000	1,011,224	400,000
240 DEPARTMENT OF HEALTH	74	HEALTH RESPONSE TO HIV SECTOR		10,216,000	10,216,000	8,346,563	4,396,562
240 DEPARTMENT OF HEALTH	75	HIVAIDS MANAGEMENT		7,440,000	7,440,000	0	3,321,816
240 DEPARTMENT OF HEALTH	76	SPECIAL MEDICAL EQUIPMENT SUPPLY (BPI)		0	0	0	592,500
240 DEPARTMENT OF HEALTH	77	OXFAM NZ SACIR		1,264,000	1,264,000	566,981	600,000
240 DEPARTMENT OF HEALTH	78	UN ASSISTANCE TO HEALTH SECTOR		32,479,000	32,479,000	0	0
240 DEPARTMENT OF HEALTH	79	HIV/AIDS TREATMENT		5,305,000	5,305,000	0	0
240 DEPARTMENT OF HEALTH	80	PNG CHOLERA OUTBREAK		2,270,000	2,270,000	2,325,320	0
240 DEPARTMENT OF HEALTH	81	HEALTH SECTOR SUPPORT (ADETA)		2,384,000	2,384,000	866,313	0
242 DEPARTMENT OF COMMUNITY DEVELOPMENT	08	SPORT & DEVELOPMENT IN PNG		1,687,000	1,687,000	0	0
242 DEPARTMENT OF COMMUNITY DEVELOPMENT	12	GENDER BASED VIOLENCE		4,868,000	4,868,000	2,283,811	922,130
242 DEPARTMENT OF COMMUNITY DEVELOPMENT	13	WOMEN IN LEADERSHIP		3,929,000	3,929,000	0	1,485,053
242 DEPARTMENT OF COMMUNITY DEVELOPMENT	14	OTHER CHINESE EDUC. COMMUNITY DEV'T PROJ		3,000,000	3,000,000	0	3,000,000
242 DEPARTMENT OF COMMUNITY DEVELOPMENT	15	STRONGIM PIPOLO STRONGIM NESEN (SPSM)		26,215,000	26,215,000	15,145,363	0
245 DEPARTMENT OF ENVIRONMENT AND CONSERVATION	11	ENVIRONMENTAL MANAGEMENT & SUSTAINABLE		1,920,000	1,920,000	0	0
245 DEPARTMENT OF ENVIRONMENT AND CONSERVATION	12	KOKODA TRACK INITIATIVE		23,000	23,000	0	0
247 DEPARTMENT OF AGRICULTURE AND LIVESTOCK	16	PNG-IED-PANDEMICS & EID PROGRAMME		1,026,000	1,026,000	486,856	0
247 DEPARTMENT OF AGRICULTURE AND LIVESTOCK	22	RURAL ECONOMIC DEVELOPMENT		486,000	486,000	0	0
247 DEPARTMENT OF AGRICULTURE AND LIVESTOCK	23	SSEP		1,662,000	1,662,000	671,028	500,000



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010	2010	2010	2009
				ESTIMATE	REVISED	ESTIMATE	RECEIPTS
247	DEPARTMENT OF AGRICULTURE AND LIVESTOCK	24	ISP	0	0	0	1,000,000
247	DEPARTMENT OF AGRICULTURE AND LIVESTOCK	26	SMALL HOLDER RICE PROMOTION PROJECT	1,000	1,000	2,074	0
247	DEPARTMENT OF AGRICULTURE AND LIVESTOCK	27	DOMESTIC RICE PRODUCTION	0	0	0	300,000
252	DEPARTMENT OF LANDS AND PHYSICAL PLANNING		LAND MOBILISATION PROJECT	0	0	0	2,272,298
252	DEPARTMENT OF LANDS AND PHYSICAL PLANNING	03	NATIONAL LAND DEVELOPMENT PROGRAMME	9,560,000	9,560,000	478,813	0
254	DEPARTMENT OF MINERAL POLICY AND GEOHAZA	02	RABAU VOCANOLOGICAL OBSERVATORY TWINNI	949,000	949,000	616,015	878,700
255	DEPARTMENT OF PETROLEUM AND ENERGY	06	POWER SECTOR DEVELOPMENT (ADBTA)	4,768,000	4,768,000	1,524,886	0
259	DEPARTMENT OF TRANSPORT	26	INFRASTRUCTURE DEVELOPMENT PROGRAM	0	0	0	386,770
259	DEPARTMENT OF TRANSPORT	30	PNG INFRASTRUCTURE POLICY DEV'T & REVIEW	1,508,000	1,508,000	19,019,060	140,992
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	22	HIGHLANDS MAINTENANCE (KER)	20,410,000	20,410,000	0	0
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	40	JICA HIGHLANDS H/WAY BRIDGE REPLACEMENT	0	0	0	250,000
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	42	MARKHAM BRIDGE CONSTRUCTION	9,032,000	9,032,000	8,789,339	200,000
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	45	PNG TRANSPORT SECTOR SUPPORT PROGRAM	127,936,000	127,936,000	131,880,257	0
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	47	USINO JUNCTION-YAMAGI ROAD PROJ. (RAMU)	20,000,000	20,000,000	0	20,000,000
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	48	KEY ROADS FOR GROWTH	0	0	0	607,076
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	49	PNG TRANSPORT SECTOR SUPPORT PROG (TSSP)	0	0	0	96,336,582
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	52	ROAD AUTHORITY DEVELOPMENT	1,963,000	1,963,000	0	0
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	53	NATIONAL TRANSPORT (ADB TA)	3,963,000	1,963,000	1,031,300	0
264	DEPARTMENT OF WORKS AND IMPLEMENTATION	54	HRRIP (ADB TA)	1,402,000	1,402,000	0	0
505	NATIONAL RESEARCH INSTITUTE	02	PNG RESEARCH & COMMUNICATIONS (AUSAID)	939,000	939,000	2,789,142	0
506	NATIONAL TRAINING COUNCIL	03	NZ TERTIARY STUDY AWARDS	3,161,000	3,161,000	3,017,717	2,000,000
506	NATIONAL TRAINING COUNCIL	05	PNG AUSTRALIA TARGETTED TRAINING PROJECT	2,724,000	2,724,000	0	35,630,864
506	NATIONAL TRAINING COUNCIL	06	AUSTRALIAN DEVELOPMENT SCHOLARSHIPS	11,782,000	31,782,000	20,166,326	5,851,518
506	NATIONAL TRAINING COUNCIL	08	SCHOLARSHIPS PNG	5,902,000	5,902,000	13,383,447	0



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD				2010		2010		2009	
						ESTIMATE	REVISED	ESTIMATE	RECEIPTS	RECEIPTS	RECEIPTS
						2010	2010	2010	2010	2010	2010
						ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
509	BORDER DEVELOPMENT AUTHORITY (BDA)					2,524,000	2,524,000	86,842	0	16,820	0
512	UNIVERSITY OF PAPUA NEW GUINEA					0	0	0	0	1,732,673	0
512	UNIVERSITY OF PAPUA NEW GUINEA					4,540,000	4,540,000	0	0	0	0
512	UNIVERSITY OF PAPUA NEW GUINEA					781,000	781,000	0	0	0	0
519	NATIONAL AIDS COUNCIL SECRETARIAT					53,975,000	53,975,000	57,973,398	0	0	0
519	NATIONAL AIDS COUNCIL SECRETARIAT					64,552,000	64,552,000	67,535,878	43,379,400	0	0
519	NATIONAL AIDS COUNCIL SECRETARIAT					5,986,000	5,986,000	9,151,081	0	0	0
519	NATIONAL AIDS COUNCIL SECRETARIAT					3,440,000	3,440,000	0	0	0	0
519	NATIONAL AIDS COUNCIL SECRETARIAT					5,133,000	5,133,000	9,491,315	0	0	0
519	NATIONAL AIDS COUNCIL SECRETARIAT					30,000	30,000	160,221	0	0	0
520	INSTITUTE OF MEDICAL RESEARCH					4,935,000	4,935,000	5,271,479	3,780,095	0	0
524	INDEPENDENT PUBLIC BUSINESS CORPORATION					1,122,000	1,122,000	0	0	0	0
525	NATIONAL BROADCASTING COMMISSION					8,312,000	8,312,000	7,039,405	9,742,204	0	0
535	MINERAL RESOURCES AUTHORITY					10,500,000	10,500,000	10,500,000	10,148,642	0	0
540	NATIONAL WATER AND SEWERAGE BOARD					1,655,000	1,655,000	0	0	155,965	0
551	PNG NATIONAL FISHERIES AUTHORITY					0	0	0	0	0	0
551	PNG NATIONAL FISHERIES AUTHORITY					7,604,000	7,604,000	7,400,057	200,009	0	0
553	FRESH PRODUCE DEVELOPMENT COMPANY					3,319,000	3,319,000	2,250,122	0	0	0
557	PNG NATIONAL FOREST AUTHORITY					469,000	469,000	0	0	0	0
562	NATIONAL AGRICULTURE RESEARCH INSTITUTE					4,541,000	4,541,000	5,844,156	4,891,304	0	0
562	NATIONAL AGRICULTURE RESEARCH INSTITUTE					781,000	781,000	0	0	0	0
562	NATIONAL AGRICULTURE RESEARCH INSTITUTE					16,298,000	16,298,000	20,545,397	26,979,475	0	0



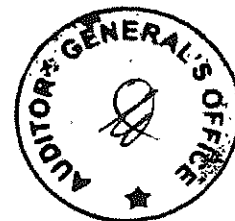
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 4 GRANTS

REVENUE HEAD 185 GRANTS

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010	2010	2010	2009
				ESTIMATE	REVISED	RECEIPTS	RECEIPTS
574 NATIONAL CAPITAL DISTRICT	03 URBAN YOUTH EMPLOYMENT PROJECT			736,000	736,000	0	0
574 NATIONAL CAPITAL DISTRICT	04 NCD SPORTS & FITNESS EQUIPMENT			800,000	800,000	0	0
575 MILNE BAY PROVINCIAL GOVERNMENT	02 TROBRIAND ISLAND ECO-TOURISMS (ADDBTA)			469,000	469,000	0	0
579 WESTERN HIGHLANDS PROVINCIAL GOVERNMENT	02 HAGEN AGRICULTURE PROJECT (FEASIBILITY S			1,500,000	1,500,000	0	4,000,000
582 MOROBE PROVINCIAL GOVERNMENT	04 LAE PORT LIVELIHOOD & SOCIAL IMPROVEMENT			59,000	59,000	0	0
584 EAST SEPIK PROVINCIAL GOVERNMENT	03 WEWAK STADIUM FEASIBILITY STUDY			0	0	0	7,700,000
588 EAST NEW BRITAIN PROVINCIAL GOVERNMENT	09 SAMPON DAY CLINIC PROJECT IN ENBP			540,000	540,000	0	0
590 AUTONOMOUS BOUGAINVILLE GOVERNMENT	45 COMMUNITY POLICING			4,103,000	4,103,000	4,800,514	2,000,000
590 AUTONOMOUS BOUGAINVILLE GOVERNMENT	50 B/VILLE GOVERNANCE IMPLEMENTATION FUND			2,371,000	2,371,000	3,000,000	1,000,000
590 AUTONOMOUS BOUGAINVILLE GOVERNMENT	60 BOUGAINVILLE BRIDGES			30,631,000	30,631,000	29,868,147	400,000
REVENUE HEAD TOTAL for: GRANTS				1,353,898,000	1,353,898,000	898,219,504	768,517,704
GROUP TOTAL for: GRANTS				1,353,898,000	1,353,898,000	898,219,504	768,517,704



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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 5 FINANCING

REVENUE HEAD 188 BORROWING: DOMESTIC

RECEIPTS HEAD		RECEIPTS SUB HEAD		2010		2010		2009	
				ESTIMATE	REVISED ESTIMATE	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
01	INSCRIBED STOCK	3	TOTAL BORROWING	252,800,000	252,800,000	355,000,000	355,000,000	425,450,000	425,450,000
02	TREASURY BILLS	3	TOTAL BORROWING	1,625,250,000	1,625,250,000	770,148,850	770,148,850	663,641,000	663,641,000
REVENUE HEAD TOTAL for: BORROWING: DOMESTIC				1,878,050,000	1,878,050,000	1,125,148,850	1,125,148,850	1,089,091,000	1,089,091,000



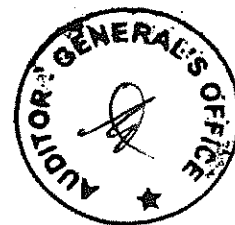
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STATEMENT J (DETAIL) FOR PERIOD 31 December 2010

Group 5 FINANCING

REVENUE HEAD 193 BORROWING: CONCESSIONAL, FOREIGN CURRENCY

RECEIPTS HEAD	RECEIPTS SUB HEAD	2010				2009			
		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	ESTIMATE	RECEIPTS	RECEIPTS	RECEIPTS
229 DEPARTMENT OF NATIONAL PLANNING AND MONI	05 MICROFINANCE /EMPLOYMENT	0	0	0	0	0	0	222,823	0
247 DEPARTMENT OF AGRICULTURE AND LIVESTOCK	05 PRODUCTIVE PARTNERSHIP FOR AGRICULTURE	5,000,000	5,000,000	0	0	0	0	0	0
259 DEPARTMENT OF TRANSPORT	37 ADB COMMUNITY WATER TRANSPORT	10,818,000	10,818,000	2,244,495	2,244,495	3,574,670	3,574,670	3,574,670	3,574,670
261 DEPARTMENT OF COMMERCE AND INDUSTRY	PACIFIC MARINE INDUSTRIAL ZONE (PMIZ)	22,220,000	22,220,000	0	0	0	0	0	0
264 DEPARTMENT OF WORKS AND IMPLEMENTATION	02 WORLD BANK ROAD REHAB MAINT PROJECT	16,060,000	16,060,000	22,518,807	22,518,807	37,683,824	37,683,824	37,683,824	37,683,824
264 DEPARTMENT OF WORKS AND IMPLEMENTATION	03 ADB ROAD MAINTENANCE & UPGRADE PROJECT	15,000,000	15,000,000	0	0	0	0	0	0
264 DEPARTMENT OF WORKS AND IMPLEMENTATION	05 ADB ROAD REHABIL (5 H/LANDS PROVINCES)	25,000,000	25,000,000	65,395,663	65,395,663	39,895,137	39,895,137	39,895,137	39,895,137
509 BORDER DEVELOPMENT AUTHORITY (BDA)	PILOT BORDER TRADE	3,000,000	3,000,000	0	0	0	0	0	0
514 UNIVERSITY OF GOROKA	DORMITORY EXTENSION	11,800,000	11,800,000	0	0	0	0	0	0
524 INDEPENDENT PUBLIC BUSINESS CORPORATION	LAE PORT DEVELOPMENT	35,000,000	35,000,000	1,492,248	1,492,248	0	0	0	0
524 INDEPENDENT PUBLIC BUSINESS CORPORATION	POM SEWERAGE PROJECT	30,000,000	30,000,000	0	0	0	0	0	0
530 INVESTMENT PROMOTION AUTHORITY	MICROFINANCE /EMPLOYMENT	4,660,000	4,660,000	0	0	0	0	0	0
535 MINERAL RESOURCES AUTHORITY	WB SECTOR INST. STRENGTHENING TA PROJECT	18,182,000	18,182,000	1,095,526	1,095,526	0	0	0	0
559 PNG OIL PALM INDUSTRY CORPORATION	03 SMALLHOLDERS AGRICULTURE DEV'T PROJECT	18,695,000	18,695,000	850,282	850,282	0	0	0	0
565 CIVIL AVIATION SAFETY AUTHORITY	09 CIVIL AVIATION (SECTOR) DEVELOPMENT	25,500,000	25,500,000	3,947,549	3,947,549	0	0	0	0
567 NATIONAL ROAD AUTHORITY	H/LANDS CORE ROADS NETWORK IMPROV/MAINT	23,000,000	23,000,000	0	0	0	0	0	0
584 EAST SEPIK PROVINCIAL GOVERNMENT	SKGV WEWAK STORMWATER DRAINAGE PROJECT	5,000,000	5,000,000	0	0	0	0	0	0
REVENUE HEAD TOTAL for: BORROWING: CONCESSIONAL, FOREIGN CURRENCY		268,935,000	268,935,000	97,544,570	97,544,570	81,376,514	81,376,514	81,376,514	81,376,514
GROUP TOTAL for: FINANCING		2,146,985,000	2,146,985,000	1,222,693,420	1,222,693,420	1,170,467,514	1,170,467,514	1,170,467,514	1,170,467,514



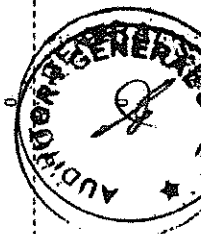
GRAND TOTAL

9,640,683,000	9,646,114,200	8,933,691,087	7,689,479,476
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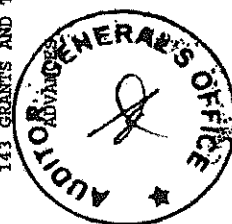
***** END OF REPORT *****



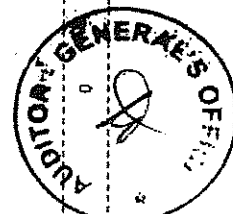
ITEM	DESCRIPTION	APPROPRIATION 2010	TRANSFER ADJ. 2010		SECTION 3	REVISED AUTHORISATION	EXPENDITURE 2010	VARIATION UNDER
			SECTION 4	DECREASE				
			INCREASE					OVER
DEPARTMENT: 571 FLY RIVER PROVINCIAL GOVERNMENT								
RECURRENT								
FUNCTION: 01 ADMINISTRATIVE SERVICE								
ACTIVITY/PROJECT: 109 ADMINISTRATION GRANT								
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITIES	141,000	0	0	0	141,000	141,000	0
	ADMINISTRATIVE SERVICE	141,000	0	0	0	141,000	141,000	0
ACTIVITY/PROJECT: 110 OTHER SERVICE DELIVERY FUNCTION GRANT								
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITIES	141,000	0	0	0	141,000	141,000	0
	ADMINISTRATIVE SERVICE	141,000	0	0	0	141,000	141,000	0
	ADMINISTRATIVE SERVICE	282,000	0	0	0	282,000	282,000	0
FUNCTION: 02 ADVANCES								
ACTIVITY/PROJECT: 103 PRIMARY PRODUCTION FUNCTION GRANT								
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITIES	618,100	0	0	0	618,100	618,100	0
	ADVANCES	618,100	0	0	0	618,100	618,100	0
ACTIVITY/PROJECT: 201 STAFFING GRANT								
111	SALARIES AND ALLOWANCES	10,971,600	0	0	0	10,971,600	10,238,990	732,610
	ADVANCES	10,971,600	0	0	0	10,971,600	10,238,990	732,610
ACTIVITY/PROJECT: 202 TEACHERS SALARIES (TSC)								
111	SALARIES AND ALLOWANCES	22,153,300	0	0	0	22,153,300	21,793,543	359,757
	ADVANCES	22,153,300	0	0	0	22,153,300	21,793,543	359,757
ACTIVITY/PROJECT: 203 PUBLIC SERVANTS LEAVE PARES								
114	LEAVE PARES	229,300	0	0	0	229,300	229,300	0



ITEM	DESCRIPTION	APPROPRIATION 2010	TRANSFER ADJ. 2010		SECTION 3	REVISED AUTHORISATION	EXPENDITURE 2010	OVER OR VARIATION UNDER
			SECTION 4 INCREASE	DECREASE				
ADVANCES		229,300	0	0	0	229,300	229,300	0
ACTIVITY/PROJECT: 204 TEACHERS LEAVE FARES								
114 LEAVE FARES		904,400	0	0	0	904,400	904,400	0
ADVANCES		904,400	0	0	0	904,400	904,400	0
ACTIVITY/PROJECT: 205 VILLAGE COURTS ALLOWANCES								
112 WAGES		170,200	0	0	0	170,200	170,200	0
ADVANCES		170,200	0	0	0	170,200	170,200	0
ACTIVITY/PROJECT: 206 HEALTH FUNCTION GRANT								
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORI		879,100	0	0	0	879,100	879,100	0
ADVANCES		879,100	0	0	0	879,100	879,100	0
ACTIVITY/PROJECT: 207 EDUCATION FUNCTION GRANT								
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORI		893,500	0	0	0	893,500	893,500	0
ADVANCES		893,500	0	0	0	893,500	893,500	0
ACTIVITY/PROJECT: 208 TRANSPORT/INFRASTRUCTURE/MAINT. GRANT								
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORI		1,409,000	0	0	0	1,409,000	1,409,000	0
ADVANCES		1,409,000	0	0	0	1,409,000	1,409,000	0
ACTIVITY/PROJECT: 209 VILLAGE COURTS FUNCTION GRANT								
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORI		127,600	0	0	0	127,600	127,600	0
ADVANCES		127,600	0	0	0	127,600	127,600	0



ITEM	DESCRIPTION	TRANSFER ADJ. 2010		SECTION 3	REVISED AUTHORISATION	EXPENDITURE 2010	OVER OR VARIATION UNDER
		APPROPRIATION 2010	SECTION 4 INCREASE DECREASE				
ADVANCES		38,356,100	0	0	38,356,100	37,263,733	1,092,367
FUNCTION: 03 ADVISORY							
ACTIVITY/PROJECT: 101 BAMU LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITY		100,900	0	0	100,900	100,900	0
ADVISORY		100,900	0	0	100,900	100,900	0
ACTIVITY/PROJECT: 102 GOGODALA LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITY		298,500	0	0	298,500	298,500	0
ADVISORY		298,500	0	0	298,500	298,500	0
ACTIVITY/PROJECT: 103 LAKE MURRAY LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITY		120,900	0	0	120,900	120,900	0
ADVISORY		120,900	0	0	120,900	120,900	0
ACTIVITY/PROJECT: 104 KIUNGA LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITY		130,900	0	0	130,900	130,900	0
ADVISORY		130,900	0	0	130,900	130,900	0
ACTIVITY/PROJECT: 105 KIUNGA URBAN LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITY		201,600	0	0	201,600	201,600	0
ADVISORY		201,600	0	0	201,600	201,600	0
ACTIVITY/PROJECT: 106 NINGERUM LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITY		131,000	0	0	131,000	131,000	0
ADVISORY		131,000	0	0	131,000	131,000	0
ACTIVITY/PROJECT: 107 NOMAD LOCAL LEVEL GOVERNMENT							



ITEM	DESCRIPTION	TRANSFER ADJ. 2010			SECTION 3	REVISED AUTHORISATION	EXPENDITURE 2010	VARIATION	UNDER OVER
		APPROPRIATION 2010	INCREASE	DECREASE					
DEPARTMENT: 568 LIVESTOCK DEVELOPMENT CORPORATION									
DEVELOPMENT									
AFFAIRS: 3 ECONOMIC AFFAIRS									
PROGRAMME FUNCTION: 1 AGRICULTURE AND RENEWABLE NATURAL RESOUR									
MAIN PROGRAMME: 01 AGRICULTURE AND LIVESTOCK SERVICES									
PROGRAMME: 1 LIVESTOCK EXTENSION SERVICES									
PROGRAMME ACTIVITY/PROJECT: 203 LIVESTOCK DEVELOPMENT PROJECT									
135	OTHER OPERATIONAL EXPENSES	1,500,000	0	0	0	1,500,000	1,500,000	0	
136	TRAINING (ALL TRAINING IRRESPECTIVE OF	500,000	0	0	0	500,000	500,000	0	
225	CONSTRUCTION, RENOVATION AND IMPROVEME	1,000,000	0	0	0	1,000,000	1,000,000	0	
LIVESTOCK DEVELOPMENT PROJECT									
		3,000,000	0	0	0	3,000,000	3,000,000	0	
LIVESTOCK EXTENSION SERVICES									
		3,000,000	0	0	0	3,000,000	3,000,000	0	
AGRICULTURE AND LIVESTOCK SERVICES									
		3,000,000	0	0	0	3,000,000	3,000,000	0	
AGRICULTURE AND RENEWABLE NATURAL RESC									
		3,000,000	0	0	0	3,000,000	3,000,000	0	
ECONOMIC AFFAIRS									
		3,000,000	0	0	0	3,000,000	3,000,000	0	
DEVELOPMENT									
		3,000,000	0	0	0	3,000,000	3,000,000	0	
LIVESTOCK DEVELOPMENT CORPORATION									
		3,000,000	0	0	0	3,000,000	3,000,000	0	



ITEM	DESCRIPTION	APPROPRIATION		TRANSFER ADJ. 2010-		SECTION 3	REVISED AUTHORISATION	EXPENDITURE 2010	VARIATION	OVER OR UNDER
		2010		INCREASE	DECREASE					
DEPARTMENT: 569 INDEPENDENT CONSUMER AND COMPETITION COM										
RECURRENT										
AFFAIRS: 4 MULTI-FUNCTIONAL EXPENDITURE										
PROGRAMME FUNCTION: 2 OTHER MULTI-FUNCTIONAL EXPENDITURE										
MAIN PROGRAMME: 01 MISCELLANEOUS MULTI-FUNCTIONAL SERVICES										
PROGRAMME: 1 CONSUMER WELFARE AND FAIR TRADING										
PROGRAMME ACTIVITY/PROJECT: 101 MANAGEMENT AND ADMINISTRATIVE SERVICES										
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORI	1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
	MANAGEMENT AND ADMINISTRATIVE SERVICES	1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
CONSUMER WELFARE AND FAIR TRADING										
		1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
MISCELLANEOUS MULTI-FUNCTIONAL SERVICE										
		1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
OTHER MULTI-FUNCTIONAL EXPENDITURE										
		1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
MULTI-FUNCTIONAL EXPENDITURE										
		1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
RECURRENT										
		1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
INDEPENDENT CONSUMER AND COMPETITION C										
		1,916,900	750,000	0	0	0	2,666,900	2,666,900	0	
TOTAL PROGRAMME BUDGETING										
		9,065,810,500	1,347,024,732	1,345,419,632	0	0	9,067,415,600	7,615,706,829	1,451,708,771	



	APPROPRIATION 2010	TRANSFER ADJ. 2010		SECTION 3	REVISED AUTHORISATION	EXPENDITURE 2010	OVER OR VARIATION UNDER
		SECTION 4	DECREASE				
		INCREASE					
GRAND TOTAL EXPENDITURE	10,258,980,200	1,354,131,332	1,354,126,232	0	10,258,985,300	8,876,086,900	1,382,898,400

***** END OF REPORT *****



STATEMENT "L"..... (Auditor's Note)

Statement "L".....Revised Figures

The full statement "L" was not received from the Department of Finance. What is presented here are the actual pages received, first three (3) pages numbered 1,2,3 and the last three (3) pages numbered 615,617 and 619 to show the fact that statement has been audited and the audit observations on the statement are reported in Section "B" of this report.

Refer to attached letter from Department of Finance dated 26 April 2013.





DEPARTMENT OF FINANCE
ACCOUNTING FRAMEWORKS & STANDARDS DIVISION

Telephone: 328 8605
Facsimile: 328 8024
Email: acctingframeworks@finance.gov.pg

2nd Floor, Vulumindi Haus
PO Box 710, WAIGANI
National Capital District

26th April 2013

JOSEPH FELIX WAK
Acting Deputy Auditor-General
Office of the Auditor General
PO Box 423
WAIGANI
National Capital District

Dear Acting Deputy-Auditor General,

RE: TMS 705 MISSING PAGES – STATEMENT L

I am writing in response to your query regarding the missing pages of TMS 705 - PIND. These pages, 616 and 618 are blank pages in the TMS 705 (Statement L) report, not even the page numbers are showing. I have copied TMS 130 on a flash drive to upload on to your computer.

Attached are reprinted TMS 705 pages 1, 2, 3 and 615,617,619.

Yours sincerely

SAMSON METOFA
Acting First Assistant Secretary
Accounting Frameworks & Reporting Standards



Annexure 1



DEPARTMENT OF TREASURY
Financial Accountability & Inspections Division

TELEPHONE: (675) 312 8747
FACSIMILE: (675) 312 8798
LEVEL 2, VULUPINDI HAUS, WAIGANI DRIVE

P.O. BOX 1983
BOROKO, NCD
PAPUA NEW GUINEA

Date: 17 August 2011
Our Ref: FIS 13/26

First Assistant Secretary
Accounting Frameworks Division
Department of Finance
Vulupindi Haus,
WAIGANI
NCD

SUBJECT: STATEMENT OF LOSSES & DEFICIENCIES – FISCAL YEAR 2010

Attached is a Statement of Losses and Deficiencies compiled from the Register of Losses maintained by this Division on the cases reported by other Government Departments and Agencies.

As you may be aware, the Secretary for Treasury issued two Circulars in 2010 to all Heads of Government Agencies including Provincial Administrators to comply with the losses and deficiencies reporting requirements as set out in the Financial Instructions.

The response has been very poor with only five (5) out of ninety eight (98) Government Agencies responding. The five Agencies included the ICCC, IRC, NTC, Department of Finance and Department of Prime Minister and NEC. The ICCC reported nil losses for year 2010 while the Department of Prime Minister and NEC and the National Training Council also reported losses from 2006 and 2007 respectively and are listed under Prior Years losses.

Forwarded for inclusion in the 2010 Public Accounts Report.


Matatia Saroa
First Assistant Secretary

cc: Auditor General
Auditor General's Office
TISA Haus, WAIGANI



RECORD OF LOSSES & DEFICIENCIES OF PUBLIC MONEYS

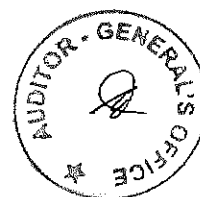
FISCAL YEAR 2010

DEPARTMENT	OFFICE/DIVISION	LOCATION/DATE LOSS OCCURRED	AMOUNT OF LOSS (K)	AMOUNT RECOVERED (K)	BRIEF DESCRIPTION OF THE LOSS AND ACTIONS TAKEN
Internal Revenue Commission (IRC)	Internal Affairs	Gabagaba Village 22/01/2010	99.00	Nil	The mobile phone got spoilt when it fell into a hot frying pan. The loss had been written off.
Internal Revenue Commission (IRC)	Tax Audit/SME Audit	RH Hyper Mart Gordons 04/01/2010	1,813.64	Nil	The officer left the lap top inside his mini bus while he went into the shop. When he returned he realized that the lap top was missing together with his bag. The officer had been recommended for a surcharge.
Department of Labour and Industrial Relations	National Training Council	National Training Council Office 25/03/2010	5,495.13	Nil	The office lap top was removed by some unknown person from the office of the Assistant Director HRD. Internal investigation conducted proved unsuccessful.
Department of Finance	East Sepik Provincial Treasury Office	Provincial Treasury Cash Office Between May 2010 & October 2010.	22,080.00	Nil	Cash received for various fines and court bails were not receipted and banked by the Paying and Receiving Officer but fraudulently applied to her own use. Officer referred to the Departmental Head for a possible surcharge.
		TOTAL	K29,487.77	K0.00	



PRIOR YEARS

DEPARTMENT	OFFICE/DIVISION	LOCATION/DATE LOSS OCCURRED	AMOUNT OF LOSS (K)	AMOUNT RECOVERED (K)	BRIEF DESCRIPTION OF THE LOSS AND ACTION TAKEN
Department of Prime Minister and NEC	Office of the Secretary	Port Moresby 18/02/2006	60,517.00	Nil	The car was driven by the Executive Officer when it was involved in an accident which was beyond repair. The loss has been written off.
Department of Labour and Industrial Relations	National Training Council	Rain Bow Market (Gerehu) 27 May 2007	74,900.00	3,000.00	The vehicle was driven by the Assistant Director Finance and Administration when he was held up and the vehicle stolen from him. K3,000.00 recovered from the A/S - F&A and the balance written off.
		TOTAL	K135,417.00	K3,000.00	



SECTION “B”

OBSERVATIONS BY THE AUDITOR-GENERAL ON THE GOVERNMENT’S FINANCIAL STATEMENTS AND THE PUBLIC ACCOUNT

4.0 INTRODUCTION

I was not able to express an opinion on the government's financial statements due to material limitation of scope. I have expressed a disclaimer of opinion, meaning that I was not able to obtain sufficient appropriate audit evidence and was unable to express an opinion on the financial statements.

The financial statements of the Government for the year ended 31 December 2010, and my audit opinion on them, are also disclosed in Part 2 of the Public Account of Papua New Guinea when published by the Department of Finance. I have also reproduced a copy of my opinion in section "A" of this Report. In this section, I present additional information and comments on the government's financial statements and my audit opinion.

The Government's financial statements convey a summarised financial overview of its various activities. The overview includes:

- appropriation of funds to be available, received and expended by the State;
- receipts and expenditure for the year;
- cash position at the end of the year;
- borrowings and investments by the State;
- losses by the State; and
- on Lending and Guarantees given by the State.

My opinion tells readers about two matters. First, that the Public Account of the Government of Papua New Guinea was not kept in a manner provided by legislation. Second, receipts and payments and investment of moneys and the acquisition and disposal of assets during the period covered by the financial statements have not been done in accordance with the legislation. I have stated that I am unable to form an opinion for the reasons as stated in paragraph 5.2.3 below.

5.0 BACKGROUND INFORMATION ON MY AUDIT OPINION

In giving my opinion on the Government's financial statements, it is important to understand that I am not guaranteeing the absolute accuracy of the statements. Every year, the Government enters into millions of transactions involving many millions of kina. Errors occur, and some may go undetected. When I audit the Government's statements, I seek reasonable assurance that they do not contain errors, the total effect of which would be material enough to mislead the reader.

5.1 Mandate for my Audit of the Government's Financial Statements

The mandate for my audit of the Government's financial statements is contained in Section 214 of the *Constitution of Papua New Guinea* (the Constitution). Section 214 requires the Auditor-General to audit the public account of Papua New Guinea annually and report to Parliament. Pursuant to this requirement, my Office has traditionally audited each of the Statements and reported on them to Parliament.

5.2 An Overview of my Audit Report

My audit opinion on the Government's financial statements consists of four paragraphs followed by three reservations. The opening paragraph details the scope of the audit and identifies the financial statements that I have examined and reported on. The second paragraph is referred as the "Responsibilities for Preparation of the Financial Statements". The next paragraph is titled "Responsibility of the Auditor-General". The fourth paragraph, commonly called the "Opinion" paragraph, contains my conclusions about the government's financial statements.

The Introduction Paragraph

The introduction paragraph begins by listing the financial statements covered by my opinion. These financial statements, and the information they convey, are summarised below:

Financial Statements	Information Conveyed
• Statement “A”	<i>Statement of Public Account Balances.</i> This is the Statement of cash position for the Government at year-end;
• Statement “B”	<i>Consolidated Revenue Fund - Receipts and Expenditure.</i> This Statement summaries the receipts and expenditure for the year;
• Statement “C”	<i>Trust Fund Receipts and Expenditure.</i> This Statement shows the list of monies held by the Government for other persons or purposes;
• Statement “D”	<i>Statement of Sources and Application of Funds.</i> This Statement shows the details of the sources and application of funds during the year;
• Statement “E”	<i>Trust Fund - Particulars of Investments.</i> This Statement shows details of Trust Account funds/monies that have been invested;
• Statement “F”	<i>Statement of Direct Investments, Capital Contributions and Equity Option Rights.</i> The purpose of this Statement is to show the Government’s investments and ownership in companies and statutory authorities;
• Statement “G”	<i>Statement of Public Debt.</i> This Statement shows what the Government owes to other parties;
• Statement “H”	<i>Statement of Lending.</i> This Statement aims to show what is owed to the Government by other parties;
• Statement “I”	<i>Statement of Loans guaranteed by Government.</i> This Statements shows the value of commitment of the Government to lenders of monies for loan recovery in the event of re-payment default by borrowers;
• Statement “J”	<i>Receipts classified under Heads of Revenue Estimates.</i> The Statement shows details or receipts as summarised in Statement ‘B’; and
• Statement “L”	<i>Expenditure classified under Appropriation Division.</i> The Statement shows the details of expenditure as summarised in statement ‘B’.

Statements "A", "B", "C", "E", "J" and "L" are maintained by the Department of Finance's accounting system. Statements "D", "F", "G", "H" and "I" are Memorandum statements that are drawn from the accounting system, but are nevertheless financial statements in their own right that convey financial information to users and the public.

There are certain accounts, records and registers and procedures that also relate to the Public Account that I find necessary to audit because of their importance in the accounting system that produces the Public Account. I have included these also where necessary in my report.

It is important to note that my audit opinion relates only to these accounts and related notes as presented in the Public Account of Papua New Guinea.

Paragraph on Responsibilities for Preparation of the Financial Statements

This paragraph explains the responsibilities of the Minister for Finance, the Secretary of the Department of Finance and Heads of Public Services Departments.

The Minister for Finance is responsible for the supervision of the finances of Papua New Guinea and for causing the preparation of a detailed statement of the receipts and expenditure of the Public Account and to send it to the Auditor-General to be audited. The Minister is also required to ensure that Parliament is informed of all transactions involving public monies.

The Secretary of the Department of Finance is responsible for the management of the financial affairs of the Government of Papua New Guinea. The Secretary is also responsible for the preparation and presentation of the Public Account and for the information contained therein.

Heads of Departments of the Public Service are responsible for the efficient management of their departments, including for maintaining proper accounting records and ensuring that expenditure is properly authorised and applied for the purpose for which it was appropriated.

Paragraph on my Responsibility

This paragraph states that the audit work on the government's financial statements has been conducted according to the International Standards on Auditing. I use these standards and practices to ensure that my audit is conducted with appropriate rigour and professionalism.

The main objective of the audit was to ensure that the reported financial statement balances are in agreement with the accounts and records and to ensure they show fairly the financial operations during the period and the state of affairs at the end of that period. The audit of the Public Account included a verification of the balances reflected in the Statements with those appearing in the Main Appropriation Ledger and Trust Ledgers. Verification of some balances required obtaining confirmations from third parties.

The result of the audits performed at various departments and agencies that generate a significant portion of the expenditure and revenue has also been considered.

In addition, I have performed test of controls, to assess the accuracy, completeness and reliability of accounts from which balances are generated for the financial statements. This audit was not required to search specifically for fraud and therefore the audit cannot be relied upon to disclose all such matters. However, the audit was planned and executed so that I can have a reasonable expectation of detecting material misstatements resulting from irregularities, including fraud.

5.2.3 The Opinion Paragraph

The opinion paragraph contains my conclusions about two matters. Firstly, whether the financial statements were based on proper accounts and records and secondly, whether the financial statements presented fairly the government's financial position, results of operations and the financial requirements.

As has happened in the last four years, I am unable to form an opinion on the Government's 2010 financial statements for the reasons set out in the three reservations as explained below.

Reservation 1 Limitation of Scope

I noted during the course of my audit, a number of qualification areas that limited my scope of audit. These limitations significantly affect and limited my audit coverage that I could not satisfy myself to the extent to which I could form an opinion on the financial statements.

Reservation 2 Accounts and Records

I also noted during the course of my audit that there was a lack of records and poor controls in the maintenance of records to account and vouch for the accuracy and completeness of records. I listed three qualification areas under this reservation in my opinion paragraph to the readers to explain this situation.

Reservation 3 Legal and Regulatory matter

In addition to the scope limitations and accounts and records, which give rise to a number of qualification areas, I also reported breaches of the Constitution and the *PF (M) Act, 1995* and other relevant legislations. I listed three qualification areas under this reservation to the readers to explain this situation.

5.3 Materiality and Audit Assurance

In determining my audit of the government's financial statements, I consider two main factors that determine the nature and extent of the work required. The first of these is called "materiality". This represents a threshold: if total errors fall below this threshold, the financial statements present information fairly; if they exceed this threshold and are not corrected, I refer to them in reservations to my opinion. The second factor is called "*audit assurance*". This represents how certain I want to be that my audit will reveal total errors that equal or exceed the materiality threshold.

At the conclusion of the audit, I determine whether the effect of uncovered errors in the financial statements would mislead those who use the statements. If the effect would be to mislead, I include a reservation in my audit opinion.

In conducting my audit, I cannot be 100 percent certain that it will reveal all errors in the financial statements that, individually or in total, may be material. The size and complexity of the government, as well as cost considerations, make it impractical for me to examine all or even most of the K8.89 billion worth of individual expenditure transactions and K8.93 billion worth of individual revenue transactions entered into during the year. It is also impractical for me to examine all or most of the individual transactions pertaining to the Trust Fund. Statement "C" – Receipts and Payments of the Trust Fund, disclosed K1.42 billion in receipts and K2.13 billion in expenditure during the year 2010.

What I can do is verify samples of transactions and account balances, determine whether significant financial controls within the government are working and can be relied on to produce complete and accurate data, and carry out other procedures – such as confirming year-end balances with third parties and performing analysis - to identify anomalies in the reported data.

What this comes down to is exercising professional judgment about how much auditing is required to provide reasonable assurance to users of the statements that they can rely on the reported results and not be misled.

5.4 Auditing for Compliance and Parliamentary Authorities

As part of my audit of the Government's financial statements, I examine and verify compliance with parliamentary authorities to spend, borrow, and raise revenues. I do this to the same level of materiality and audit assurance as that established for my audit of the government's overall financial position, results of operations, and financial requirements. However, this level of materiality is significantly higher than that of many of the authorities being audited.

For example, a spending authority is granted by Parliament in Appropriation Acts, commonly called votes. Many departments are responsible for several votes, whose size and complexity vary greatly. Funding in these vote ranges in total from a few thousand kina to several millions of kina. It would be impractical for me to audit each vote every year to a level of materiality appropriate to its size.

I have performed verifications of most departments and agencies. The result of this work is included in Part II of my annual report to Parliament.

6.0 THE ROLE OF THE PUBLIC ACCOUNT OF PAPUA NEW GUINEA

Important features of the Papua New Guinea system of government depend in part on the availability of good financial information. The Public Account is a major source of annually reported financial information.

The features of the Papua New Guinean system of government depend in part on the availability of good financial information and these are:

- consent of the governed;
- an executive entrusted with powers;
- imposed limits on the executive's use of its powers; and
- oversight of executive actions.

Government in Papua New Guinea is based on consent, formally given by representatives in Parliament through the annual appropriations of supply, approval in principle of the budget and passage of specific legislative proposals. Information on the intended benefits, costs and financial effects of government proposals is needed before Parliament gives its consent. Subsequently, periodic reporting of financial information is needed to compare actual costs, tax burdens and other financial effects with those intentions and for which consent was given.

An effective system of governance provides for a strong Executive entrusted with greater power. The historical reasons for a strong Executive are several, including the belief that legislation cannot be formulated to foresee every eventuality; consequently, the executive is entrusted to exercise discretion in the application of laws. Reports of the actual costs and financial effects of government activities are needed to assess whether, from a financial point of view, Executive discretion was appropriately exercised.

Limits on the use of Executive authority are a constitutional strategy to protect individuals' liberty from abuse of the powers of the State. Some limits are financial (for example, the system of parliamentary appropriation) and financial records are needed to show whether the executive had complied. Another important limit is jurisdiction; for example, the Parole Board has sole authority to decide who is released on parole. The practice of granting separate appropriations for the National Judiciary and National Parliamentary services facilitates the control imposed by jurisdictional limits and promotes financial accountability of the Speaker, Minister and public service managers.

The oversight of the Executive in Papua New Guinea is performed by the parliamentarians, the public and interest groups. Parliamentary oversight is as extensive as Members of Parliament make it. Some oversight is accomplished through news media. The possibility of review helps deter behaviour such as unfairness, fraud, waste, extravagance, embezzlement and misappropriation.

The Government should take the initiative to provide basic information in the Public Account that will help the system of governing operate properly. But Parliament must also demand good information.

The Department of Finance has embarked on a project of improving the central accounting and reporting systems, and on departmental systems. The Government is identifying and pursuing opportunities for improvement and Parliamentarians can have a voice in these deliberations.

7.0 THE NEED FOR A CONCISE ANNUAL FINANCIAL REPORT

Publication of a comprehensive but concise annual financial report, similar to annual reports published by corporations in the private sector, would help parliamentarians and others obtain a complete picture of Government without getting buried in massive amount of detail.

At present, the financial statements are presented in the Public Account of Papua New Guinea which is massive in proportion, not easily understood, and the approach is not focused on presenting the Government's financial information.

My staff are working with the Department of Finance staff to identify approaches to improve the presentation of the Public Account and move the presentation and disclosure of the Public Account toward Financial Reporting under the cash Basis of Accounting issued by the International Federation of Accountants. However, other users of the statements should also be consulted to address their requirements.

In the following paragraphs I consider in more detail my audit observations on the government's financial statements and the Public Account.

8.0 AUDIT RESULTS

Finance has put considerable effort into improving the year-end preparation process of the financial statements. This included both improved documentation that supported and validated the financial statements balances as well as maintaining constructive relationship with the audit team. Finance has also acted on some previous audit findings and implemented audit recommendations.

It is pleasing to note the co-operation between Finance and AGO staff in resolving most of the issues identified during the course of the audit. The efforts made by the Finance Department in identifying all operating trust accounts including the common ground that has developed in the approach to getting Departmental Heads to also co-operate in this exercise, and to comply with legislative requirements is commendable. This Office realizes that, to obtain high level of assurance in this area may take some time but the efforts to achieve this aim are continuing.

However, the number and the magnitude of the audit issues identified in the course of the audit indicate that overall, there are significant weaknesses in the control environment. At present, the control activities, such as delegations, authorisations, reconciliations, data processing, and system access, are not sufficiently robust to prevent, detect or correct error or fraud.

9.0 AUDIT OBSERVATIONS

9.1 Statement "A"

Statement "A" is intended to present the Cash and the Fund positions of the State as at year end, represented by Cash and Reserves. The Statement shows the Cash and Fund positions of the State at the reporting date and is similar to a Balance Sheet of a commercial entity. Shown below are the movements in the Fund position for the reporting year in comparison to the previous year:

Fund Position	2010 K'000	2009 K'000	Increase (Decrease) K'000
CRF Balance b/f	(29,386,476)	(69,946,258)	40,559,782
Trust Fund (Statement "C")	2,261,969,591	2,970,274,596	(708,305,005)
Public Accounts Total Funds	2,232,583,115	2,900,328,338	(667,745,223)

The checks conducted on the bank balances and the Finance Operating Accounts balances disclosed in Statement "A" that form the Cash position have agreed to the underlying records. And the total Cash position of K2,232,583,115 agrees to the Fund position.

Included in the Statement was an account known as Cash Adjustment Account, an account operated by Department of Finance (DoF) intended to facilitate receivables and payables as at year end. However, the account was used to include unrepresented cheques, and facilitated receipts and payments of monies too. This and other audit issues identified during the audit of the Statement are detailed below. The audit findings have largely remained unresolved for the last three years.

BANK BALANCES

9.1.1 Bank Reconciliations

A bank reconciliation represents an independent verification by management to ensure that bank transactions recorded in the bank statements reconcile to the cashbook. Performing bank reconciliations periodically (monthly) ensures that receipts and payments are accurately processed, cashbook or bank errors are identified and misappropriation or fraud is detected timely. A bank account reconciliation is a key control in assisting Management to identify anomalies or errors in the payment and receipting processes and assist the Management to discharge its accountability requirements. Bank Reconciliations need to be prepared within a reasonable period to ensure anomalies or errors have been identified and appropriate action taken.

9.1.2 National Departments, Provincial and Local Level Government

Under Part 3 – Public Accounts Division 1 Section 4.7 of the Financial Instructions states that:

“It is a mandatory requirement that all Heads of Government Departments and Statutory Authorities reconcile their bank accounts on a monthly basis. Bank balances should be reconciled against the Cashbook balances and the reconciled Cashbook balances should be agreed with the Appropriation Ledger for National Government Departments, Provincial Governments and Local-level Governments transactions. All copies of the Bank Reconciliation Statements should be forwarded to Public Accounts Division of the Department of Finance, no later than 14 days of the close of each month. Failure to comply with the above may necessitate withholding further issuance of Warrant Authorities”.

A review was undertaken to determine the extent to which the Departments and Agencies are complying with the requirements and the extent to which the Department of Finance monitors compliance with set guidelines and Financial Instructions.

➤ National Government Departments

- It was noted that not all Departments are submitting their bank reconciliation statements within 14 days after the close of each month as stated in the *Public Finances (Management) Act, 1995*.
- Based on the Performance Rating Report prepared by Department of Finance dated 14/02/11, 23 National Departments had not submitted their bank reconciliations for 31 December, 2010. The delay ranges from one (1) month to one year for 21 Departments while one (1) goes as far as four (4) years back. *(Refer to Appendix '1')*.

➤ Provincial Governments and Local Level Governments

- Based on the Performance Summary Report for March 2011, five (5) Provincial Governments had not submitted their Bank reconciliations for 31/12/10 in respect of the Provincial Treasury Account, Provincial Government Operating Accounts and the RPM operating accounts. The details are as shown below:

	Provincial Government	Last Bank Reconciliation Received
1	Western Highlands	August 2010
2	Southern Highlands	December 2009
3	Oro	May 2010
4	Western	August 2010
5	New Ireland	November 2010

- Although, 12 Provincial Governments had submitted their bank reconciliations on a timely bases, the overall rating indicates that six (6) are in the range of extremely poor and weak and are of very high risk of fraud, misuse and abuse of funds in the provincial accounts.

Whilst the Auditor-General's Office (AGO) acknowledges the efforts made by Department of Finance to address this issue of bank reconciliation, it is the responsibility of the Heads of Departments of the National and Provincial Government to ensure that they adhered to the recommendations issued by the Accounting Frameworks and Standards Division (AFSD). AFSD has to now take tougher action thus to have in place a control mechanism for better management of the Government accounts as a whole.

➤ District Services Improvement Project (DSIP)

As a mandatory requirement, the Department responsible for the administration of DSIP Funds is to report to the Department of Finance on the physical and financial status of the DSIP. All District Administrations are also required to submit their monthly bank reconciliations within the prescribed times for compliance purposes.

Based on the Performance Rating and Review Report produced by Department of Finance for the month ending December 2010, the following key issues were raised in the management of DSIP Funds.

- Most Districts demonstrated lack of capacity to spend the transferred funds for their intended purposes, resulting in large accumulation of idle funds at various DSIP sites. In total, K411 million was held at various DSIP bank accounts across the country;
- Very little supervision and monitoring is evident over DSIP expenditures by the Department of Finance.
- The bank reconciliation statements furnished for audit revealed that there was a serious problem in the understanding of and preparing of this statement.

In general, compliance in this regard has been poor. Financial reports and acquittals from the Department responsible has been delayed and the submission of bank reconciliations from the districts had been untimely and irregular with significant quality issues.

9.1.3 Trust Accounts

Section 19 (2 & 3), of the *Public Finances (Management) Act, 1995 (as Amended)*, requires that an estimate of receipts & payments expected to be made into and withdrawn from the Account are to be submitted before commencement of each fiscal year and monthly bank reconciliations to be submitted no later than 14 days after the close of each month to Accounting Frameworks and Standards Division of Department of Finance. The Division is to ensure compliance on monthly and annual reporting by all Departments and Agencies.

A review of the status report on the Bank Reconciliation Statement for all the Trust Accounts comprising the Waigani Public Account noted that:

- Not a single Department is submitting their Trust Account(s) bank reconciliation statements within 14 days as of the close of each month in accordance with the *Public Finances (Management) Act, 1995 (as Amended)*;
- As at the time of audit in July 2011, AGO could not confirm the actual number of bank reconciliations received by Department of Finance due to these not being filed properly; and
- Out of twelve (12) Departments' operating Trust Accounts tested in 2010 on the **audit of Trust Accounts**, six (6) Trust Accounts were not operated on the Departments' PGAS Ledger System.

The AGO acknowledges that the Accounting Frameworks and Standards Division of the Department of Finance has in place the control and review procedures and has been advising the Agencies to submit their bank reconciliation statements for the years not submitted. However, this requirement has not been complied with by the Departments.

Conclusion

We acknowledge the progress made by the Department of Finance on the reconciliation of the PGAS and TMS Ledgers with Cash at bank balances. **However, in the absence of bank reconciliations at year end, little reliance can be placed on the accuracy of the cashbook balances of the respective Departments' Drawing Accounts and ultimately the Consolidated Revenue Fund.** Bank reconciliations are a key control in assisting Management to identify anomalies or errors in the payments and receipting processes and assist Department of Finance to discharge its accountability requirements. Also the preparation of monthly bank reconciliations minimises the risk of misappropriation or fraud through timely follow ups.

Recommendation

*With proper reporting and monitoring processes being developed, the Department of Finance would ensure compliance with Laws, Policies, Procedures, and Codes of Conduct; and measure performance against the Objectives in the Corporate and Operational Plans. The Department has a variety of measures allowable under the existing legislation to reinforce the legal compliance such as withholding warrant authorities. **The Department of Finance should not hesitate to enforce such penalties for defaulting Departments and Agencies.***

Department of Finance Comment

Not responded

ACCRUALS ADJUSTMENT ACCOUNT

9.2 Cash Adjustment Account

The Cash Adjustment Account (**Account Code 310-03**) is intended to be used by Department of Finance strictly for the purpose of accrual adjustment transactions at month end and year end particularly receivables and payables.

Observations

Though the Cash Adjustment account was strictly to be used for accrual adjustments, AGO over the years ascertained in audits that, the Department of Finance had drawn *cheques for payments out of the Account* after transferring substantial credits into the Account through journal entries. Both the receipt (credits) and payments (debits) made out of this Account are deemed improper and questionable.

Payments Contrary to Cash Adjustment Account

A total of thirty two (32) payments made aggregating K511,568,685 were noted to be contrary to the purpose of the account (Accrual Adjustments only). (*Refer to Appendix '2'*)

AGO has strongly recommended since our 2006 Audit Report that, the Department of Finance consider closing the Cash Adjustment Account. However there has been no positive action taken in respect of our recommendation.

The effect of the inappropriate use of the Cash Adjustment Account results in funds in the Waigani Public Account being depleted to the extent that these funds are accessed without proper budgetary process, thus contravening the *Appropriation Act, 2009* and the *Public Finances (Management) Act, 1995 (as Amended)*.

Conclusion

The receipts and payments were inappropriately processed through the Cash Adjustment Account therefore are deemed as processed outside the *Appropriation Act*, thus is in breach of the *Appropriation Act, 2009*, and the *Public Finances (Management) Act, 1995 (as Amended)*.

In view of the Government's adoption of the Cash Basis of Accounting, accounts to cater for accruals should not exist. This was pointed out in our 2005 Management Letter. The Department's response then was:

"In the 2006 year Finance intends to adopt IFAC accounting standard – 'Financial Reporting under the Cash Basis of Accounting' that details the preparation of cash based government accounts. It is expected that at that point the core Public Accounts Statements will be produced on a pure cash basis and that additional information about payables and receivables will be included in the notes to the accounts."

As the Cash Adjustment Account was allowed to exist and operated this far and used by Department of Finance to facilitate non-accrual transactions, it is deemed to be one among those other core factors that convinced the Public Accounts Committee to make adverse comments against the Department in the print media (*The Notional* for 18/03/10).

Recommendation

The Department of Finance has to ensure that the Cosh Adjustment Account is used strictly for its intended purposes. Further;

- Proper reconciliations should be prepared and presented in the Notes portraying the balances of the Cosh Adjustment Account as shown in the PGAS Ledger so that the total of receipts and payments are clearly portrayed for the users of the financial statement to see the extent to which the Department of Finance had facilitated non-accrual transactions.
- That the specific inappropriate expenditures charged to Cash Adjustment account between the years 2006 to 2010 be referred to the Finance Inspectors and the Internal Auditors of the Department for further investigation.

Department of Finance Comment

- Reconciliation of cash adjustment based on the general ledger (includes payment/receipts in the PGAS) is always provided to the Auditor-General's Office.
- The Department welcomes the recommendation of the AGO for Finance Inspectors to audit payment out of the Cash Adjustment Account.
- Based on the recommendation of the Auditor-General's Office the account has been closed on 31 December 2011.

FINANCE OPERATING ACCOUNTS

9.3 Permanent Advances & Cash in Transit

Observations

The balances of permanent advance and cash in transit accounts disclosed in Note 6 of the revised Statement "A" are as follows:

Finance Operating Accounts	2010	2009
<i>Permanent Advances</i>	(K)	(K)
Konedobu	-15,945	-22,982
Lae	24,447	9,617
Rabaul	615,365	651,454
Total	623,867	638,089
<i>Cash in Transit</i>		
Konedobu	-3,373	80
Lae	-6,268	-6,268
Rabaul	-488,693	-488,693
Goroka	358,210	358,210
Total	-140,124	-136,671
Grand Total	483,743	501,418

Although, the year end balances of the permanent advances and cash in transit have agreed to the TMS- 130 Type 1 ledger, the transactions that comprised the permanent advance and cash in transit accounts is a concern to the AGO. The fact of the matter is that, the four (4) permanent advance accounts were used to record the permanent advances given to operate the four (4) Area Finance Offices in the four (4) Regions some years back. ***As these Area Finance Offices are no longer operational, the accounts should have been closed.***

Also, the meaning of the term "Cash in Transit" in accounting context represents cash actually in transit and anticipated to be cleared once received. Strictly in that context, reporting negative cash in transit balances is misleading.

AGO acknowledges the work that has been done by DoF for the 2010 accounts whereby transactions processed through the permanent advance and cash in transit accounts were analysed and necessary adjustment effected to be disclosed in the 2011 Public Account Financial Statements.

Conclusion

As other types of transactions are processed through the permanent advance and cash in transit accounts, the names of these accounts are deemed to mislead the reader/user of the Financial Statements. Department of Finance should either close off these accounts, or rename the two accounts to best fit the types of transactions that are allowed and processed through the respective accounts.

Recommendation

Department of Finance has to scrutinize the transactions processed through the permanent advance and cash in transit accounts and initiate necessary adjustments to close the accounts. The presentation of these accounts in the Public Account Financial Statement is likely to mislead the readers/users of the Financial Statement. Alternatively, Department of Finance could rename the two accounts to best fit the types of transactions that are facilitated through the respective accounts.

Department of Finance Comment

This is a Department issue. According to the Provincial and District Financial Management Division (PDFM), all Permanent Advances and Cash in Transit Accounts should have been closed. The Department will look to get to the bottom of these issues. The East New Britain Province for one acknowledges that they are still using this account as of last year.

NOTE 7: PAYABLES AND RECEIVABLES

9.3.1 Superannuation Contribution Arrears (Note 7.4)

Observations

Note 7.4 of the Statement reported an unfunded Superannuation liability of K2,036 million as at 31 December, 2010. This agreed to the audited financial statement of Nambawan Super Limited for that year (2010) which included the payment of K106.6 million made by the State as *State share* disclosed in Note 7 of the superannuation company's financial statement.

9.3.2 National Superannuation Fund (Nasfund)

No information was disclosed in the Notes or in the 2010 Financial Statements as *State share/Grant* for the National Superannuation Fund (Nasfund) by the State. However, the 2010 Independent Audited Financial Statements for Nasfund reported a total liability of K22 million by the State as at 31 December, 2010. In 2009, the State Grant outstanding was K26 million.

Recommendation

The Department of Finance should look into the National Superannuation Fund (Nasfund) State shares/Grant as per above and take appropriate action where necessary.

Department of Finance Comment

Not responded.

10.0 Statement "B"

Statement "B" represents the summary of the Receipts and Expenditures of the Consolidated Revenue Fund. This Statement shows the operating results and is similar to a Profit and Loss Statement of a commercial entity.

The Statement was verified with related Statements "A", "J" and "L" and the related notes. The receipts and payment balances including the opening and closing balances disclosed in the Statement have agreed to the underlying records and ledgers. A summary of all these balances are shown below:

CRF Fund Movements	Original Appropriation K'000	Revised Appropriation K'000	Actual K'000
Total Receipts	9,640,683	9,646,114	8,933,691
Total Payments	10,258,980	10,258,985	8,893,131
Surplus/(Deficit) Budget	(618,297)	(612,871)	
Excess Receipts (Payments)			40,560

The excess receipts of K40,560 was appropriately accounted in Statement "A" as reported in paragraph 1.0 above.

Expenditure Exceeding Appropriation – Statement "B"

Although the aggregate expenditure of K8.89 billion reported in Statement "B" was within the Revised Appropriation of K10.26 billion, expenditure control at the individual agency level was not satisfactory. In 2010, twenty nine (29) State Agencies altogether spent K1.02 billion compared to K960.45 million of appropriation resulting in excess-expenditure of K59.55 million. This excess-expenditure was absorbed by the savings of K437.09 million in the Development Budget Appropriation from 24 state Agencies and a further savings of K30 million in the revised Recurrent Budget from 21 Agencies where only K1.05 billion was expended from the appropriation of K1.08 billion.

11.0 Statement "C"

Statement "C" reports on Trust Funds managed by the State on behalf of donor organisations, special projects and funds set aside for the benefit of individuals, groups and organisations. Shown below is a summary of the movement of the balances in the Trust Fund Accounts for the reporting year with comparative balances from 2009:

Trust Fund Position	2010 K'000	2009 K'000	Increase (Decrease) K'000
Balance b/f	2,970,275	3,914,031	(943,756)
Add: Receipts	1,417,100	2,287,107	(870,007)
Less: Payments	2,125,405	3,230,863	(1,105,458)
Closing Balance	2,261,970	2,970,275	(708,305)

Both the opening and closing balances of the Trust Funds were appropriately accounted for in Statement "A" as reported in paragraph above.

11.1 Types of Trust Accounts and their Operations

There are essentially two types of Trust Accounts, those with separate bank accounts and those that are operated within or through the Waigani Public Account referred to as non-bank Trust Accounts.

The balances of the various Trust Accounts disclosed in the Statement are a mix of cashbook and bank balances. This is because the Department of Finance is still in the process of identifying all the Trust accounts that are currently in operation, and secondly, the various Heads of Government Departments and Agencies had not been complying with two important legislative requirements. These are:

- o *Section 19, Sub-section 4(d) of the Public Finances (Management) Act, 1995 (as amended)* details the requirement to submit Financial Statements of account at 31 December each year; and
- o Section 14, Sub-section 4(c) of the same Act details the requirement to submit a monthly return of receipts and payments together with the bank reconciliation.

The Departmental Heads did not ensure that these legal requirements were adhered to.

It is important to note that improvements have been made by the Department of Finance in the monitoring and follow up on these Returns. However, it is noted that very few Government Departments are actually complying with these requirements.

Not all bank reconciliations as at 31 December, 2010 were submitted to the Department of Finance for compliance purposes by the administering agencies. As per the bank reconciliations spreadsheet provided on the 5 of August, 2011 by the Department of Finance, a total of 214 out of 227 trust account reconciliations were still outstanding. This was 94% of the total trust account bank reconciliation for the 2010 financial year.

All submitted bank reconciliations as at 31 December, 2010 were not filed away properly. A sample of 23 bank statements was verified to confirm the year-end balances that were reported in the statement.

Of the twenty three (23) trust accounts checked, the following were noted;

- 11 bank reconciliation statements did not agree with the closing bank balances reported in Statement ‘C’; and
- Third party bank confirmations were requested from the various banking institutions (BPNG, BSP, ANZ, Westpac Bank and Maybank) to provide the year-end balances of the trust accounts. Only two (2) banks (BPNG & ANZ) responded with their bank balances whilst the other three (3) remained outstanding. A comparison of the balances provided by the two (2) banks with that of TMS 130 (which are reported in Statement C) noted the following:-

i. Bank of Papua New Guinea (BPNG)

- o The balances reported in Statement C were overstated in 10 instances totalling K381,089,336.
- o Audit noted that the Public Curator’s Office had two (2) different trust accounts where one of the trust accounts, (Public Curator’s Insolvency Trust Account) was not reported in Statement C. Details as shown below:

No	Trust Account Name	Trust Number	Trust Account No.	Bank Confirm Balance (K)	TMS 130	Overstated/ Understated
1	Public Curator’s Trust Account	8	4356-6342	1,574,003	2,347,704	773,701
2	Public Curator’s Insolvency Trust A/c	unknown	4356-6336	531,451	Not reported	531,451

ii. Australia and New Zealand Banking Limited (ANZ Bank)

- o The balances reported in Statement “C” by the bank were understated in three (3) instances totaling K62,357, whilst in one instance, the Statement C balance was overstated by K2,679,382.
- Audit noted that even though the bank reconciliation statements were furnished, they were not filed properly. In this regard, most of the Trust Accounts operated with separate bank accounts and the Trust ledger balances for these accounts disclosed in Statement “C” could not be verified in audit and confirmed as the 2010 year end reconciled cashbook balances.

Conclusion

AGO was unable to ascertain in audit as to whether the transactions were in accordance with the Trust Instruments and relevant legislative requirements, and or to validate the correctness of the total reported Trust Account balances operated with separate bank accounts due to the limitations noted above.

Recommendation

The Department of Finance should also continue to pursue actions with the concerned Departmental Heads so that the required reports are furnished. This could include sending written requests to Departmental Heads with specified reference made to their responsibilities as required under the Public Finances (Management) Act, 1995 (as Amended).

The AGO also recommends that the Department of Finance should have in place a proper filing system for the Trust Accounts - bank reconciliation statements for easy referencing and for audit purposes.

It is also recommended that proper reconciliations are done between its bank balances and the TMS 130 balances.

Department of Finance Response

- *First notice was sent out to agencies for compliance at the end of 2012. A handful of agencies complied. Most agencies have not complied yet. Second reminder will be sent out soon followed by suspension notices.*
- *In terms of filing we are short staffed. Although we have plans to really organise our system. In the meantime we retrieve bank statements from the banks' upon request.*

11.2 Overdrawn Trust Accounts

Observation

It was noted from the statement that a total of four (4) Trust accounts had negative closing balances during the year under review with a total sum of K14,673,000. Further, all four (4) General Trusts without Bank Accounts were overdrawn continuously since 2008, as detailed below:

Details of the same trust accounts overdrawn in 2010.

General Trust Without Bank Accounts		Status as at 31 Dec.2010	Opening Balance.	Receipts	Payments	Closing Balance
			1/1/2010			31/12/2010
			K'000	K'000	K'000	K'000
64	Prov Mineral Petroleum Royalty	Revoked 2006	(1,343)	-	-	(1,343)
74	Workers Compensation T/A.	Active	(5,998)	3,245	(3,838)	(6,591)
82	Timber Royalties Trust Account	Revoked 2005	(86)	-	-	(86)
136	Moran Trust	Revoked 2006	(6,653)	-	-	(6,653)
Total			(14,080)	3,245	(3,838)	(14,673)

No	Year	Total Overdrawn (K)
1	2008	(17,993,000)
2	2009	(14,080,000)
3	2010	(14,673,000)
Total		(46,746,000)

The above accounts have not only been overdrawn but were operated without being authorised with the exception of the Workers Compensation payments because they were all revoked. The Moran Trust was revoked in 2006 due to alleged fraud involving the Waigani Public Account where funds were drawn in excess causing overdraft.

Conclusion

There was a breach of Section 17 (b) of the *Public Finances (Management) Act, 1995 (as Amended)* where payments had been charged against Trust Accounts that had insufficient funds. Also there was a breach of the Appropriation Acts as the overdrawn balances in the non bank Trust Accounts represents funds accessed in the WPA bank account and depleted/used without any Appropriation Act being passed by Parliament. Overall, there was a lack of compliance with the *PFM Act, Financial Instructions and the Appropriation Acts* which exposed the Government to the risk of loss of Public Monies in WPA bank account through misappropriation or fraud via the use of non bank Trusts Accounts.

Recommendation:

AGO recommends that;

- *Non bank trust accounts that are continuously overdrawn be closed;*
- *Department of Finance should continue to give priority to strengthening Trust Account management including streamlining processes for the formal closure of Trust Accounts that are not required along with bank accounts, and to formalise new trust Instruments for Trust Accounts found to be legitimate; and*
- *Department of Finance also needs to consider taking appropriate action against those Departments and Agencies that continue to operate Trust Accounts without sufficient funds, and should engage Finance Inspectors to specifically follow up on Trust management and compliance issues.*

Department of Finance Response

- *Non bank trust accounts continuously overdrawn will be closely monitored and controlled.*
- *We have already taken measures to revoke and close all unused trust accounts. We have cleared most of them.*

11.3 Revoked Trust Accounts

11.3.1 Operations of Revoked Trust Accounts

It was noted that 57 Trust Accounts with funds totalling K51,952,000 that were revoked in the last four (4) years were still in use and as a result were disclosed in Statement "C". *The last public accounts (2009) reported a total of 28 revoked trust accounts totaling K13 million. This public account (2010) shows that the number of revoked trusts being reported had doubled as detailed in Appendix '3'.*

The manner in which both the trust accounts with and without bank accounts being continued to be operated after being revoked is not only unauthorised but exposed these accounts to potential abuse through facilitation of irregular transactions that may not be detected. The intention for Department of Finance, particularly Senior Management to allow these Trust Accounts to continue to exist despite being revoked some years back is of a concern to AGO.

The *Public Finances (Management) Act, 1995 (as Amended)* prohibits the payment out of Trust Accounts that have insufficient funds, however, this was not observed in the case of three (3) non bank Trust Accounts with overdrawn closing balances included in the above listing – General Trusts without bank accounts.

Conclusion

The intention for Department of Finance particularly Senior Management to allow these Trust Accounts to continue to exist despite being revoked some years back is unwarranted and the continued operation of the bank accounts for the revoked bank operated Trust Accounts are deemed improper. On the whole, there is a lack of compliance with the *PFM Act* and Financial Instructions which exposes the Government to the risk of loss of Public Monies through misappropriation or fraud.

Audit sighted letters that were written to the various financial institutions for the closure of these trust accounts but these were not closed. All the above revoked trust accounts are being operated as active accounts and transactions have been transacted through these accounts.

Recommendation

Department of Finance should take immediate actions to remove the revoked Trust Accounts from the system as the validity for these Accounts to exist were removed upon the time of revocation. The bank accounts for these Trust Accounts must be closed off and the cash balances standing to the credit of these accounts transferred to the WPA bank account.

Department of Finance Response

We have already informed the IFMS Division to deactivate the revoked trusts. Unfortunately they cannot be deleted from the system but the system has the capacity to deactivate these accounts so it does not show in the reports.

11.3.2 Operation of Revoked Trust Fund Suspense (TFS) Account No. 2

The operation of the Trust Fund Suspense Account No. 2 (Account Code 360-31) has to be in line with its Trust Instrument and related trust legislation. This Trust Account is maintained throughout the 19 Provinces of PNG and is intended to account for transactions relating to bail monies and child maintenance. However, over the years, the receipts and payments had increased substantially indicating that material amounts of transactions were being administered through the Account to serve purposes other than as intended. **The Trust Instrument for this account was revoked on 19 July, 2006. Despite the revocation, the Account was still active and in use up to the reporting year 2010.**

Examination of the TMS Ledger revealed that the opening balance in 2010 was K1.05 million with a reported receipt of K88.83 million and K75.56 million in payments resulting in a surplus fund of K14.32 million at year end.

However, examination of the Summary PGAS Ledger printout revealed the following balances:

Balance brought forward 01/01/10	K269,406,589 OD
Add: Payments	K 1,011,073
Less: Receipts	<u>K 1,156,813</u>
Closing balance 31/12/10	<u>K269,552,329 OD</u>

Perusal of the detailed expenditures and receipts of the PGAS Ledger printouts have ascertained that the transactions processed during the year under review were all genuine transactions except for four (4) payments that need to be clarified and these are listed below:

No	Date	Cheque No.	Payee	Transaction Details	Amount (K)
1	13/07/2010	908343	IRC (Custom 2075)	O/T tax for Customs officers	431
2	15/12/2010	915609	Paymaster(Customs Haus)	O/T tax for Customs officers	30,060
3	20/12/10	916035	Suambundu Mech Repair	Corporate & Management Plan Books	26,785
4	21/12/10	916054	Spicta Travel Agency	R/Leave (B. Michael & family) Pom-Mendi-Pom	7,146
	Total				64,422

The Department of Finance has to explain the reason for facilitating the above four (4) payments out of Trust Fund Suspense Account No. 2 as they do not form the transactions as intended for in that account.

In view of the Trust Fund Suspense Account operated with overdrawn balances through the PGAS Ledgers, it is improper to charge the four transactions of significant values aggregating K64,421 to that account as it will not assist to reduce the overdrawn balance.

In prior years audits, AGO identified that the account not only included child maintenance and bail money transactions during the year, but also facilitated material amount of **receipts** and **payments** of monies including **journal entries** that were referred to Department of Finance for explanation as they did not form the transactions as intended for that account.

The financial implications on the processing of transactions in TFS Account No. 2 as a non-bank Trust Account resulting in the overdrawn closing balance is that, actual cash in the WPA Bank account aggregating K64,421 were accessed and depleted/expended as at 31 December, 2010 without proper budgetary allocations made through the Appropriation Act.

Further, following continuous reporting over the years by AGO for TFS Account No. 2 to be closed off, the Department of Finance created two (2) General Trusts with separate bank Accounts namely, Child Maintenance Trust Account (Tno.531) and Bail & Court Ordered Compensation Trust Account (Tno-532). However, no further action was taken by the Department to explain as to how these accounts should be operated.

Conclusion

There is a breach of *PFM Act* where the revoked Trust Fund Suspense Account No. 2 continues to be operated without any formal authority. Further, as the Trust Fund Suspense Account No. 2 has continued to be used by Department of Finance to facilitate transactions other than bail monies and child maintenance transactions, it is appropriately deemed to be one among those other core factors such as the *Cash Adjustment Account*, that convinced the Public Accounts Committee to make adverse comments against the Department in 2009 in the print media (*The National* for 18/03/10).

Inquiry into the Part One Report of the Auditor-General for the financial year 2008 by the Permanent Parliamentary Committee on Public Accounts in March, 2013 revealed that the Trust Fund Suspense No.2 is still being used to date despite being revoked. There is no legal basis for this Trust Account being in operation since 1999.

Recommendation

Department of Finance should:

- *Continue to give priority to strengthening Trust Account management including streamlining processes for the formal closure of Trust Accounts and their bank accounts, and to formalise new Trust Instruments for revoked Trust Accounts that appear to be legitimate.*
- *Consider taking appropriate action against those Departments and Agencies that continue to operate Trust Accounts without valid Trust Instruments. Also, Department of Finance can use the Finance Inspectors to specifically follow up on Trust Accounts management and compliance issues.*
- *Ensure that Trust Fund Suspense Account No. 2 is strictly used for the intended purposes.*

Department of Finance Response

Priority has been given to strengthen trust account management. We are also monitoring the list of active and valid trust accounts to avoid usage of revoked trust accounts.

11.3.3 Trust Instruments Not Sighted

Trust Instruments for 13 Trust Accounts as reported in the prior year audit report were still not sighted since the 2007 Public Accounts. *(Refer to Appendix '4').*

In the absence of Trust Instruments, Audit was unable to establish the legality in the establishment of the above Trust Accounts, thus was also unable to ascertain whether these Trust Accounts were genuine or correctly established.

Conclusion

Without the sighting of the relevant Trust Instruments, the audit validation of the concerned Trust Accounts disclosed in Statement "C" is incomplete.

Recommendation

Department of Finance should make it its business and take stock of all the existing Trust Accounts and keep only those that had been sanctioned by valid Trust Instruments and up-date the Trust Accounts Register.

Department of Finance Response

We are working closely with the agencies and the banks to retrieve copies of instruments not sighted in the files as and when the need arises.

11.3.4 Recording of Trust Accounts Transactions

Payments not in accordance with the Trust Instruments

The AGO has undertaken a comprehensive review of the Trust Accounts' transactions for 2010 in a number of Departments and Agencies. Consistent with the audit findings from previous years, the Departments and Agencies are failing to ensure that collection of Trust Accounts receipts and payments are managed in accordance with the requirements as stated in the Trust Instruments. The six (6) largest Departments that deal with significant number of Trust Accounts and do not maintain proper records and adhere to proper procedures when making payments from the Trust Accounts are:

- Department of Petroleum and Energy;
- Department of Police;
- Department of Education;
- Department of Lands and Physical Planning;
- National Judiciary Staff Services; and
- Department of Agriculture & Livestock.

The funds for Trust Accounts maintained by these Departments were instead used to meet expenses of recurrent nature such as domestic & overseas travels, expenses for staff overseas studies, purchase of vehicles & computers and payments of wages for casual staff.

Details of these findings are reported in the 2010 Auditor-General's Part II Report.

Trust Accounts not Held on the Government PGAS Accounting System

According to Departmental records maintained, it was noted that 24 new Trust Accounts were opened in 2010. Of these trust accounts, four (4) trust instruments were not sighted. In addition, all 24 trust accounts were not disclosed in Statement "C" in 2010,

On that same note, it was revealed from the Trust Instruments checked that a total of 21 trust accounts established between 2008 – 2009 were also not reported in Statement "C". *Refer to Appendix '5'* for details of the total 45 Trust Accounts.

This clearly indicates the possibility of the trust accounts that are not operated through the PGAS ledger system not being captured and reported in Statement "C". When records are not maintained within the PGAS ledger system, the monitoring of expenditure and the enforcement of compliance and related control tasks by Department of Finance cannot be effectively enforced.

Signatories to the Trust Account

The review conducted on the Trust Accounts for a number of Departments revealed that, the Officers that were appointed to become signatories to the Trust Accounts were not appointed in conformity to established process through formal authorisation documents in place, to become signatories to the Trust Accounts to execute transactions on behalf of the respective Agency.

The Trust Instruments should be further investigated and put through a legal test to ascertain whether these were drawn up in accordance with the legal requirements specified under the PFM Act and operated over the years.

Conclusion

The monitoring, reviewing and reporting of irregularities by Department of Finance are virtually impossible especially when the Trust Accounts are maintained outside the PGAS system. And where payments are made by Officers that were not duly appointed through proper financial delegation process, such payments are deemed to be viewed as payments made contrary to the Trust Instruments and represent breaches of the PFM Act.

Recommendation

AGO recommends that Department of Finance should implement sanctions under the PFM Act to Departments/Accountable Officers that continue to:

- *Make payments contrary to the Trust Instruments;*
- *Fall in arrears in the submission of monthly bank reconciliations; and*
- *Operate the accounts outside the PGAS ledger system.*

The Secretary of Finance has to discharge his responsibility to suspend the operation of a Trust Account until such time he is satisfied that there is a full compliance with the provisions of the Public Finances (Management) Act, 1995.

The Department of Finance should also ensure the validity of appointed signatories to the Trust Accounts at the time of drawing and approving of the Trust Instrument. Furthermore, a general review should be undertaken on all the Trust Accounts operated to determine the validity of the provisions governing their operations.

Department of Finance Response

Not responded

12.0 Statement “D”

Statement “D” discloses the details of the Sources and Application of Funds for the financial year ending 31 December, 2010. It provides the actual movement of cash as it is received and used during the year.

The Statement was verified with related Statements “A”, “B” and “C”. The movements (increases/decreases) in the Sources and Application of Funds were agreed with the balances reported at the beginning of the year as well as at year end.

Shown below is a summary of the movement in the Sources and Application of Funds for the reporting year contrasted to that of the previous year:

Sources & Application of Funds	2010 K'000	2009 K'000	Increase/ (Decrease) K'000
Total Sources of Funds	10,350,809	9,976,921	373,888
Total Application of Funds	11,018,537	11,062,882	(44,345)
Net Increase (Decrease) in Funds	(667,728)	(1,085,961)	418,233
Represented By:			
BPNG Bank Balance	(329,516)	(503,053)	173,537
BSP Bank Balance	(214,361)	(457,909)	243,548
ANZ Bank Balance	(106,646)	(114,577)	7,931
May bank Bank Balance	7	0	7
Westpac Bank Balance	(17,294)	(5,193)	(12,101)
Trust Fund Investment Bank Accounts	82	(5,230)	5,312
Total Increase/(Decrease) in Bank Balances	(667,728)	(1,085,961)	418,233

Funds aggregating K11,018,537 million was applied against K10,350,809 million resulting in a net decrease of K667,728 million in the State's Fund. These had resulted in a corresponding decrease of K667,728 million in the Bank balances for the year under review and were appropriately accounted for in Statement "A" as ascertained in audit.

13.0 Statement "E"

Statement "E" discloses the details of fund/monies from the Trust Accounts invested by the Government and held as at 31 December 2010.

Shown below are the movements of the balances in the Trust Fund Investments Accounts for the reporting year contrasted to the balances for 2009 as disclosed in the 2010 Financial Statement:

Trust Fund Investment Position	2010 K	2009 K	Increase/ (Decrease) K
Motor Car Licensed Dealers Deposit Trust	226,315	220,756	5,559
Bookmakers Security Deposits Trust	351,655	346,307	5,348
Dist Court Trust Savings Account	2,874,928	2,819,533	55,395
Supreme Court Trust Deposits	3,488,515	3,472,014	16,501
Insurance Deposits Trust	Not Disclosed	Not Disclosed	-
Closing Balance	6,941,413	6,858,610	82,803

The observations made in respect of each category of the Trust Fund Investments listed in the above table are discussed in the paragraphs that follow which necessitate for the Statement to be revised.

Findings

13.1 Differences in both the Bank and Cashbook Balances

The figures disclosed in Statement "E" were agreed to the bank figures as shown in the TMS Type 4 ledgers. However, comparing the bank (Type 4) figures against the cashbook (Type 7) revealed differences in respect of four (4) Trust Fund Investment accounts which are shown below:

No.	TNO	Description	Closing Balance at 31/12/2010		Variance (K)
			Bank (Type 4) (K)	Cash Book (Type 7) (K)	
1	2	Motor Vehicle Dealers Deposit	220,756	230,056	-9,300
2	9	DCTA-Control Acc.	2,740,795	2,699,959	40,836
3	19	Insurance Deposit Trust Account	Not Disclosed	Not Disclosed	-
4	34	RSCTA – Control Acc.	3,425,075	3,488,515	-63,440
5	46	Bookmakers Security Deposit	Not Disclosed	30,000	-30,000
		Total	6,386,626	6,448,530	-61,904

The differences as ascertained in audit as shown in the above table are discussed in the paragraphs below:

13.1.1 Motor Vehicle Dealers Deposit Trust Account

The difference of K9,300 noted in the Motor Vehicle Dealers Deposit Trust Account as shown in the above table represents:

- K6,300 yet to be deposited and is in CRF; and
- K3,000 is the permanent difference as described by Department of Finance.

The Department of Finance did not maintain a Register to record the deposits made by all Motor Vehicle Dealers operating in the Country. As a result, it was not possible to verify in audit the amount deposited with the State and interests earned over the years.

And in the absence of a Register, it will be difficult for the Department of Finance to keep track of those Dealers that paid up and those that have not or partly paid. Also in cases where a refund claim is lodged by a Dealer, the claim has to be verified against the Register to know the amount that should be refunded.

Conclusion

As no Register was maintained by Department of Finance to record the deposits made by all Motor Vehicle Dealers operating in the Country, it was not possible to verify in audit the amount deposited with the State and interests earned over the years. And in the absence of a Register, it will be difficult to keep track of those Dealers that paid up and those that have not paid. Also in cases where a refund claim is lodged by a Dealer, the claim has to be verified against the Register to know the amount that should be refunded so that correct amount is refunded.

Recommendation

The Department should maintain a Register immediately to record all the Motor Vehicle Dealers that are operating in the Country and ensure that all have deposited with the State the amount required to be deposited.

Management Response

Not responded

13.1.2 District Court Trust Accounts (DCTA)

The variance in the closing balance of K40,836 is derived from the following;

Type 4:	K2,740,795
Type 7:	<u>-K2,699,959</u>
	<u>K 40,836</u>

The detailed information pertaining to the data base for DCTA was not furnished to audit and it was explained that the data base was unreliable hence, the bank statement closing balances were reported instead.

Conclusion

With the above irregularity identified in respect of DCTA, audit doubts the reliability of the DCTA balances provided to audit on whether these are complete, accurate and included all the Beneficiaries.

Recommendation

As AGO cannot place reliance on the current system used in maintaining DCTA, it is proper that the system be either upgraded or replaced with a new system so that the State keeps proper records for third parties funds held in District Court Trust Accounts.

Management Response

At the moment we are using excel spreadsheet to store our records. We are working closely with the district court to come up with a better system to monitor these records so that our records reconcile with the District Court records.

13.1.3 Insurance Deposits Trust Account

Under Section 27 (1&2) of the *Insurance Act, 1995*, it is a condition of licensing that the Insurance Companies are to pay the Government an insurance deposit which will be invested by the Government in its Trust Fund Investments and all interest earned are to be paid to the respective Insurance Companies.

Over the years, the deposits made by the Insurance Companies were invested in the names of the respective Insurance Companies by the Office of the Insurance Commissioner and held outside the Insurance Deposit Trust Account. This is in breach of Section 27(1 & 2) of the *Insurance Act, 1995* as insurance deposit funds were not held in the Insurance Deposit Trust Account and invested.

As a result, the Insurance Deposit Trust Account was not disclosed over the years due to the insurance deposit funds being held outside the Trust Account.

The non disclosure of any balance under the Insurance Deposit Trust Account in Statement "E" is misleading as it is not reported in the 2010 Public Account. AGO could not verify further due to the 2010 Insurance Deposits Trust report not being made available.

No	Type of Operators	Rate	No. of Insurance Companies	Total (K)
1	Reinsurer	Not disclosed	Not disclosed	Not disclosed
2	Insurers	-do-	-do-	-do-
3	Brokers	-do-	-do-	-do-
	Total	-do-	-do-	-do-

Conclusion

Statement "E" has to be revised in view of the observation made in respect of the Insurance Deposit Trust Account to include the value of total insurance deposits received and invested in the names of the respective Insurance Companies by Office of the Insurance Commissioner and held there as at the end of 2010.

Recommendation

The Department of Finance to introduce a Register to record all the Insurance deposits held and also record interest due and payable to the Insurance Companies from time to time.

Management Response

The register was already in place and records of the insurers, re-insurers and brokers owing and already paid are updated.

Note: *This information was however, not furnished for AGO review at the time of audit.*

13.1.4 Registrar of Supreme Court Trust Account (RSCTA)

The difference of K51,170 noted under RSCTA was explained in the accompanied notes as a result of timing and permanent differences.

The detailed information pertaining to the data base for RSCTA was not furnished to audit and it was explained that the data base was unreliable hence; the bank statement closing balances were reported instead.

Conclusion

With the above irregularity identified in respect of RSCTA, Department of Finance has indicated that the data base maintained is unreliable and needs to be updated. The observations made are of concern to audit and cast doubt on the reliability and completeness of information provided of the RSCTA.

Recommendation

As AGO cannot place reliance on the current system used in maintaining RSCTA, it is proper that the system be either upgraded or replaced with a new system so that the State keeps proper records for third parties funds held in the Registrar of Supreme Court Trust Account.

Management Response

Not responded

13.1.5 Bookmakers Deposit Trust Account

There was no movement in the Bookmakers Deposit Trust Account for the year 2010. From the figures provided, the following audit observations made in the 2009 Public Account Report still remains.

The variance of K30,000 represents a refund of bond fee made to Kongo Motors out of the Department of Finance Drawing Account and to date the money has not been reimbursed by the Bookmakers Deposit Trust Account into the Drawing Account, thus resulting in the difference between 'types 4 and 7' TMS Ledgers. The difference is described as a timing difference, yet to be reimbursed.

Further, it was noted that, on 1 January, 2007 the *Bookmaking Act, 1974* and *Gaming Act, 1959* were amalgamated into one Act known as *Gaming Control Act, 2007*. The gaming control Board then took the responsibility of issuing Bookmakers license fees which normally were collected by IRC. Hence, this fees normally collected by IRC ceased at the end of 2007 and from 2008 onwards, the fees were collected by the National Gaming Control Board.

It was ascertained in audit that, all documents pertaining to the Bookmakers were maintained by the National Gaming Control Board, thus Department of Finance maintained no records except the ledgers for the Bookmakers Deposit Trust Account.

Conclusion

The difference between the bank (Type 4) and cashbook (Type 7) TMS ledgers revealed that, the Department of Finance has not conducted reviews constantly to ensure that any differences identified are adjusted immediately.

Recommendation

Immediate action should be taken to clear the K30,000 difference noted between the bank (Type 4) and the cashbook (Type 7) TMS ledgers. And maintain constant liaison with the National Gaming Control Board so that the Bookmakers Deposit Trust Account is up-dated constantly.

Management Response

Not responded

14.0 Statement “F”

Statement “F” summarises the State’s direct investments, capital contributions and equity option rights held in various Companies, Public Bodies and other Organisations including those managed by

Independent Public Business Corporation (IPBC). The investments disclosed in the Statement have agreed to relevant and underlying records.

14.1 Investment Register

As a follow up on the 2009 audit recommendation, it is commendable to note that the Secretary for the Department of Treasury had written to all State owned Companies on 16 February, 2011 requesting for the 2010 Annual Reports to be furnished. The information provided will be used to improve on the maintenance of the Investment Register for all State’s Investments. However, AGO recommends that the following are also vital information and needs to be captured in the Investment Register.

- Current names of the Institutions and Entities in which the State hold shares;
- Name of the registered Shareholder(s) (as shown in the share certificate);
- Date of acquisition of the shares;
- Share certificate number and the number of shares acquired by the State as listed in that certificate; and
- Cost of the shares and details of bonus issues if any (for each share certificate listed).

Though it is commendable to note the positive action taken, AGO wishes to remind that, the issue remains unresolved since reported in 2006.

Conclusion

The Department of Treasury should make it as one of its prime function and duty to ensure that all Investments made by the State are brought under its control and recorded in the Investment Register, to enable full disclosure in Statement “F” of the Public Account Financial Statement every year.

Recommendation

The Department of Treasury needs to expedite the process to make improvements into the introduced Investment Register. The Secretary of Finance should liaise with the Secretary for Treasury to ensure that above is done.

Management Response

Not responded

15.0 Statement "G"

Statement "G" sets out the borrowings made by the State together with the repayments of principle and interest paid to the lending Agencies. The Statement also shows net gains and losses caused by fluctuations in currency exchange rates.

The Register (Monitoring Forms) has been used as the primary record to verify the receipts and payments recorded in Statement "G".

15.1 Differences in Treasury Bills Reported Amounts and Confirmations

A comparison of the summary of 2010 financial transactions pertaining to Treasury Bills movements as disclosed in Statement "G" against the bank confirmation are as follows:

Description	Statement "G" (K)	Bank Confirmation (K)	Variance (K)
Opening Balance 01/01/10	1,766,440,000	1,766,440,000	0
Add: Borrowings/issues	770,149,000	2,462,550,000	-1,692,401,000
Less: Payments	978,399,000	2,670,800,000	-1,692,401,000
Closing Balance 31/12/10	1,558,190,000	1,558,190,000	0

The differences in respect of borrowings and repayments of Treasury Bills as shown above were not explained in the notes accompanying Statement "G" as explanatory notes to the users of the Financial Statement.

Conclusion

The reconciliation of Treasury Bills transactions remain unresolved since reported in the 2007 Audit Report due to methodology issues and the lack of reconciliation prepared by Department of Treasury from its records against that of Bank of Papua New Guinea's (BPNG) records.

Recommendation

AGO recommends for Department of Treasury and Department of Finance to revisit 2007 audit recommendations and that:

- Both the Departments of Finance and Treasury, Finance Evaluation Division (FED) should meet and discuss with a view to resolving the reconciliation difficulties including the formalization of an acceptable format for use in the accounting entries which will enable recording of complete stock and value of Treasury Bills.*
- A proper reconciliation of Treasury Bills and Inscribed Stock should be periodically prepared to ensure that all Treasury Bills & Inscribed Stock with their values at any point in time are reconciled with the Bank of PNG records.*

Department of Treasury Response

The difference in respect of borrowings and repayment of Treasury Bills as shown in the table above is mainly due to methodological reasons.

Departments of Treasury and Finance capture the NET VALUE of Treasury Bills (TB) transactions (issuances & redemptions) on a weekly basis while Bank of Papua New Guinea records the full value. This has been the practice since 2005 when Department of Treasury began to make recommendations for issuances and redemptions of Treasury Bills through the Public Debt Committee (PDC).

An illustration on how Bank of PNG and Departments of Treasury & Finance reccords the Treasury Bills transactions are provided on Annexure 'A'. Annexure A shows all weekly transactions of Treasury Bills according to Treasury's records against Bank of PNG. An example, on how Treasury and Bank of PNG record a particular transaction can be given as follows; As per the TB auction results (Annexure 'B'), on 2nd of April 2010, a total of K44,991,150 Face Value TB was maturing and during the same week, a total of K148,760,000 was to be issued as recommended by PDC for Government cash flow requirement. Bank of PNG would record two (2) transactions in their books as follows; (1) Retirement/Maturity of K44,991,150 and Issuance of K148,760,000. However, Treasury as well as Finance through Waigani Public Accounts (WPA) would record only the NET EFFECT of this transaction which is the difference between the amount issued (K148,760,000) and the amount matured (K44,991,150) which is in this case amounts to K103,769,000. This is called NET Issuance of K103,769,000.

At the end of the year, the outstanding balance still reconciles with one another as can be seen from the above table.

16.0 Statement "H"

Statement "H" summarises the State's negotiated loans that are then on-lent to Statutory Bodies and other Organisations. The observations made are discussed in the paragraph that follows.

16.1 Companies with Loans not Settled for Over 30 Years

As reported in 2009 Public Account Report, it was noted that Finance Evaluation Division (FED) of Treasury Department had conducted a research on the status of deregistered companies and determined that no further actions could be taken but to write off the outstanding loans.

A total of K8.7 million was earmarked for the write-offs for National Investors Scheme (NIS) on lent loans. Of this amount K3.3 million was written off in 2009 and a balance of K5.4 million, although appropriated for write off, was still outstanding.

Audit noted that as at 31 December 2009, irrecoverable loans that were yet to be written off totaled K5.4 million. A journal entry (JE A07# 06/2010) was approved and passed in August 2010 to write off the irrecoverable loans. This amount had been cleared as reported in Statement "H".

16.2 Loans Register

Finance Evaluation Division (FED) of Treasury Department is yet to maintain a loans register for loans issued to Statutory Bodies and other organisations. Because of this issue, audit was unable to confirm the completeness of transactions pertaining to Statement “H”.

Recommendation

Audit has noted that despite last year’s recommendation for the department to revive the loans register, the department has still not maintained one. Therefore the department should make it a priority to have a loan register to help with better managing lending to third parties.

Management response

Financial Management Division of Department of Treasury has done away with manual loan registers and ever since been keeping all data pertaining to loans in the Commonwealth Secretariat-Debt Recording & Management System (CS-DRMS).

17.0 Statement “I”

Statement “I” details the Loans Guaranteed by the State in respect of borrowings made by both Government and Non-Government Entities.

17.1 Register of Guarantees not maintained

- There is still no Register of Guarantees maintained at Finance Evaluation Division (FED) of Treasury Department. In the absence of such a Register, the completeness of the information disclosed in Statement “I” cannot be ascertained in audit.

Recommendation

The Department of Treasury has to develop and maintain a Register of Guarantees to assist with better management of all loans guaranteed by the State. This issue was reported in previous years but continues to remain unresolved up to 2010.

Department of Treasury Comment

The Department of Treasury, through its Structural Policy and Investment Division (SPID) is yet to provide a return response to this query.

Note: Finance will seek to readdress this issue with SPID.

18.0 Statement “J”

Statement “J” summarises the receipts collected by various Government Departments by vote and item level. The total of the receipts collected by each Department is then summarised in Statement “B”.

18.1 Revenue Collections

The audit verifications conducted on Statement “J” had ascertained variances between three (3) Departmental revenue records and Statement “J” figures and these are detailed below:

(a) Internal Revenue Commission

The Taxation revenue of K4,668.8 million disclosed in Statement “J” is understated by K67.2 million as the revenue summary report from IRC reported K4,736.0 million.

(b) Bureau of Customs

The revenue of K1,776.6 million from Customs disclosed in Statement “J” is understated by K138.6 million as the revenue summary report from Customs reported K1,915.2 million.

(c) Department of Lands & Physical Planning

In the case of Department of Lands & Physical Planning, the total revenue of K23,907,997 disclosed in Statement “J” is overstated by K93,659 as the revenue figure of the Department was K23,814,338.

Conclusion

The above are significant variations noted between Statement “J” and the three (3) mentioned Departments’ figures. *The errors reported in Statement “J” figures will impact on Statement “B” and the fund position in Statement “A”.*

Recommendation

The Department of Finance should ensure that revenue records of IRC, Bureau of Customs and Lands & Physical Planning are reconciled and adjustments are made to correct variations.

The revenue procedures at the Department of Lands & Physical Planning should be reviewed so that the Government’s budget recognizes the total of ‘demand notices’ raised to lease Holders. Department of Finance should ensure that all revenues received are correctly updated in the TMS ledgers and correctly disclosed in Statement “J”.

Department of Finance Comment

The Department's response through the Revenue Division is that;

- *Both (a) and (b) revenue collection is administered by the Internal Revenue Commission (IRC) whilst the Department of Finance administers revenues that are generated by the Department of Lands & Physical Planning.*
- *Therefore, according to the Non Tax Revenue Division TMS database the figure K23,907,997 was the aggregated collection for the fiscal year 2011 against its annual revenue projection of K23,000,000. There was an over collection (+variance) by K907,997 for that period.*

18.2 Unrealistic Forecast of Revised Revenue Estimates

The upward revision of the original revenue estimates lacks justification as there were significant shortfalls between the revised estimates and the actual revenue received for the year 2010 as shown below:

Group #	Description	Original Estimate (K)	Revised Estimate (K)	Actual Receipts (K)	Variance (Shortfalls) (K)
Group 3	Revenue from Loan Service	6,000,000	11,431,000	6,731,988	-4,699,012
Group 4	Receipts Revenue from Grants	1,353,898,000	1,353,898,000	898,219,504	-455,678,496
Group 5	Revenue from Borrowings-	<u>2,146,985,000</u>	2,146,985,000	<u>1,222,693,420</u>	<u>-924,291,580</u>
	Domestics	<u>3,506,883,000</u>	<u>3,512,314,000</u>	<u>2,127,644,912</u>	<u>-1,384,669,088</u>

AGO noted that there was no need to revise the original revenue estimates upwards during the Revised Budget enactment as actual revenue in the above three (3) listed revenue heads still were below the original estimates. And it reveals that the increase of K5,431,000 million (K6,000,000 –K11,431,000) made to the original revenue estimates are deemed excessive and unrealistic. This indicates the lack of being realistic in the preparation of revision to the original estimates resulting in a shortfall in actual revenue by K1,384,669,088 million. Had the upward revision not made to the original revenue estimates, the shortfall in actual revenue would have been only K1,379,238,088 million a reduction of K5,431,000 million. (i.e.K1,384,669,088 - K5,431,000= K1,379,238,088).

Conclusion

The Departments have not exercised due care in revising the original revenue estimates upward that had not materialised and portrays that there was no need to revise the original estimates upward during the Revised Budget enactment.

Recommendation

The forecasting of original and revised revenue estimates must be done more realistically so that the variations are kept at a minimum thus facilitating more effective budget planning.

Management comment

The Department agrees with the Auditor-General's Office assessment regarding unrealistic forecast in the revising of the original estimates upward during the Revised Budget enactment. It will take due care when revising estimates to Original Revenue Estimates, this will also be taken up by the Treasury Department.

19.0 Statement “L”

Statement “L” summarises the expenditures from the various Government Departments. The total expenditures for each Department is then summarised in Statement “B” under the respective Department names.

19.1 Incorrect Disclosure of the Original Appropriation Figures in Statement “L”

19.1.1 Recurrent Expenditure

The difference noted in the disclosure of Original Appropriation figures for Department of Finance - Miscellaneous Expenditure in Statement “L” is shown below:

Code	Description	Original Appropriation per Appropriation Act 2009 (Recurrent Expenditure 2010)	Statement L (TMS 705)	Variance
207	Department of Treasury and Finance - Miscellaneous Expenditure	522,921,900	1,141,221,900	(618,300)

19.1.2 Development Expenditure

Furthermore, 43 government departments and agencies incorrectly reported their original appropriation amounts resulting in a net variance of K835. Even though the amount may not be material nevertheless the legal requirement is breached.

Conclusion

Although the above amount of K835 may be immaterial, AGO commends both the Departments of Treasury and Finance in implementing controls to reduce the disclosure of incorrect appropriations in the 2010 Public Account when compared to previous audit reports.

In addition, The Miscellaneous Vote No 207 of the Department of Treasury and Finance, as noted in the above Table had a variance of K618,000 which was due to the differences between the Original Appropriation figures under the Recurrent Expenditure 2010 and the Statement L.

Recommendation

Both the Departments of Treasury and Finance should urgently implement controls to conform to all appropriate authority and relevant laws and disclose correct information in the Public Accounts Financial Statements. And due care should be exercised to conform to Appropriation limits as set out in the relevant Appropriation Acts.

Department of Finance and Treasury Comment

Not responded.

Observations

Over the last couple of years AGO had been reporting breaches of the Constitution, the *Appropriation Acts* and the *PFM Act* as a result of expenditure exceeding the appropriation limit and unauthorized transfers made between recurrent and development budget.

The review of 2010 budget allocations and expenditure indicate that, the Appropriations for National Parliament and Judiciary were over-expended by K6,700,000 as shown below:

19.2 Recording of Warrant Authorities and Expenditures

Appropriation Act 2009 for 2010 Expenditures	Original Appropriation K'000	Section % K'000	Revised Appropriation K'000	Actual Expenditure K'000	Variance (Over)/Under K'000
National Parliament	86,018,200	18,700,000	104,718,200	111,418,200	-6,700,000
Judiciary	50,224,300	0	50,224,300	50,224,300	0
Total	136,242,500	18,700,000	154,942,500	161,642,500	-6,700,000

Similarly the 2010 Appropriations under Recurrent and Development Budgets were under-expended by K1,389,601,330 resulting in a total net "surplus" of K1,382,898,400 as shown below:

Appropriation Act 2009 for 2010 Expenditures	Original Appropriation (K)	Section 3/4 (K)	Revised Appropriation (K)	Actual Expenditure (K)	Variance (Over)/Under (K)
Recurrent	6,728,904,700	(20,066,800)	6,708,837,900	5,921,927,237	786,910,663
Development	3,393,833,000	1,371,900	3,395,205,900	2,792,515,233	602,690,667
Total	10,122,737,700	(18,694,900)	10,104,043,800	8,714,442,470	1,389,601,330
Grand Total	10,258,980,200	5,100	10,258,985,300	8,876,086,900	1,382,898,400

The financial implications of the above are that, the over-expenditure of K6,700,000 made by National Parliament was absorbed by the under-expenditure of K1,389,601,330 made under the Recurrent and Development Budgets resulting in a net under-expenditure of K1,382,898,400.

Further, the following issues were identified:

19.2.1 Breach of Section 2 of the Appropriation Act for Development Expenditure

Section 2 of the *Appropriation (National Development Expenditure 2010) Act, 2009* was breached in that, Development Budget funds aggregating K199,355,000 allocated under seven (7) Departments and Agencies were over-expended by K23,752,430 as shown below:

No	Description	Original Appropriation (K)	Revised Appropriation (K)	Actual Expenditure (K)	Expenditure in excess of Revised Appropriation (K)
1	National Research Institute	939,000	939,000	2,789,142	(1,850,142)
2	National Aids Council Secretariat	82,194,000	81,394,000	97,164,495	(15,770,495)
3	Institute Of Medical Research	9,935,000	9,935,000	10,271,479	(336,479)
4	National Agriculture Research Institute	26,510,000	26,510,000	31,279,553	(4,769,553)
5	Southern Highlands Province	15,022,000	15,022,000	15,294,100	(272,100)
6	Madang Provincial Government	2,750,000	2,750,000	3,000,000	(250,000)
7	Autonomous Bougainville Government	62,805,000	62,805,000	63,308,661	(503,661)
	TOTAL	200,155,000	199,355,000	223,107,430	-23,752,430

The Development Budget expenditure incurred in excess of the Revised Appropriation amounts *as shown in the above Table* contravened Section 2 of the *Appropriation (National Development Expenditure 2010) Act, 2009*, thus the seven (7) Departmental Heads have to be asked to explain to justify the over-expenditures.

19.2.2 Actual Expenditures Exceeding Warrant Authorities

The Department of Treasury explained in the past audits that, there are “*built-in system controls*” whereby the system will prevent payments from being effected where insufficient balances exist in the appropriation/warrant authority. Despite this explanation, over-expenditures by fifty eight (58) Departments and Agencies incurred in excess of Warrant Authorities of K233,433,977 were processed without being rejected by the “*built-in system controls*” (Refer to Appendix '6').

19.2.3 Over Expenditure of Item 111 by Departments

Notes to and forming part of Public Account explained the causes of over payments. The table in *Appendix '7'* lists 40 Departments and Agencies where expenditures under item 111 exceeded the appropriation amount by K125,106,796.

The causes for over expenditure under Item 111 by the listed Departments and Agencies are explained in *Note 5 of the Financial Statement*. That is, “*The Government’s fortnightly payroll will be processed even where insufficient appropriation is available to cover the cost of the payroll*”. (Refer to Appendix '7').

Findings

In view of the magnitude of over expenditure aggregating K125.1 million, the Department of Finance needs to explain the cause for the Item 111 over expenditure to reach such a level.

Conclusion

The listed Departments and Agencies have not taken heed of the legal framework of the Governments' financial management systems. It is important that strict controls are implemented to avoid breach of legal requirements, i.e. the *Appropriation Act, 2009 and PFM Act, 1995*.

19.3 Salary Refunds Receivable from Statutory Bodies

Observation

Warrant Authorities for Statutory Bodies are issued on a monthly basis and the amount released depends on the Government's cash flow positions. These Warrant Authorities are issued by Department of Treasury to Assistant Secretary – Cash Management of the Department of Finance, who then retains the salary component and the allocations on all other vote items for expenditures, are released to the Statutory Bodies.

Though the salaries components of the Warrant Authorities are required to be retained by Department of Finance, the Statutory Bodies insist that they need more funds to meet the Agencies running costs hence, with constant pressures from the CEOs of these Statutory Bodies, the funds retained for salaries were also released. With such situations happening constantly, the concerned Statutory Bodies have accumulated so much salary costs that need to be repaid back to Department of Finance.

The Department of Finance should ensure that it retains the Salary component of the Warrant Authorities for Statutory Bodies like what it does with Government Departments' warrants in order to avoid the accumulation of such receivable which will continue to increase from year to year.

Findings

Audit could not verify the overpayment of grants resulted from payroll cost processing for Statutory Bodies due to the non-availability of appropriate payroll records although requested through Department of Finance to be provided.

Conclusion

An integral part of control that the Department of Finance is entrusted to exercise is to retain the Salary component of the allocations for the Departments and Statutory Bodies to ensure that funds allocated in this head of expenditure are not over-expended. However, the relaxing of controls by Department of Finance in this area had resulted in creating the situation wherein the Statutory Bodies have owed the State. However, audit could not confirm the total over-expended as at 31 December, 2010 due to payroll records not being provided when requested during audit. This issue was raised in the previous audit report and still remains unresolved.

Department of Finance Comment

All payroll records are available through our payroll Section. The General Ledger also provides payment records made to each agency.

20.0 OTHER MATTERS

20.1 Receiver of Public Monies (RPM) Account

The National Government's monies collected at the Provincial level are deposited into the Receiver of Public Monies (RPM) bank accounts maintained with the Bank South Pacific (BSP) and transferred periodically through direct bank transfer into the Waigani Public Account (WPA) maintained with Bank of PNG.

The collections made at Finance through Finance Cashier Branch (FCB) – Waigani and Central Province RPM are banked into the Bank of PNG RPM bank accounts and transferred periodically into WPA bank account (the State's main bank account) also maintained with Bank of PNG.

With reference to *Part 10 of the Public Finance Management Manual* pertaining to Revenue Management and Division 3 on Revenue Collections, the audit observations made in regard to the Receiver of Public Monies collections are discussed below.

- i) **RPM Accounts that reported Negative Balances in 2010**
Audit noted that three (3) RPM Operating Accounts recorded negative balances as at 31 December, 2010. Details as shown below:

No	TNO	Description	2010 Balance (K)
1	7	RPM A/C - Waigani	(1,026,582)
2	105	Western Province RPM Operating A/C	(716,595)
3	145	Jackson's Airport	(3,858,237)

Audit was informed that the negative balances were due to reconciling items such as the items in Bank Statement not in cash book and items in Cash Book but not in bank statement.

- ii) **Payments made out of RPM Accounts.**

In three (3) instances, payments totaling K1,137,756 were made out of three (3) RPM Operating Accounts during the year under review. Details as shown below:

The RPM account (Receiver of Public Monies) is a Depository Account only, that holds monies in the Provinces and remits to the CRF. No payments are supposed to be made from these records. Therefore, a total payment of K1,137,756 out of the three Provincial RPM accounts needs to be explained.

No	Description	(K)
1	East New Britain	386,806
2	Simbu	95,350
3	Western Highlands	655,600
	Total	K1,137,756

Department of Finance Comment

Auditor General's Office should and must know that, in most cases balance of cashbook in a General Ledger differs from the cash book balance of a subsidiary ledger because of the presence of reconciling items.

20.1.2 Finance Cashier Branch (FCB) - RPM Account

The Financial Management Manual, Division 7-Banking of Collections Paragraph 25.1 states that *"An accountable officer should daily or at prescribed intervals, pay all collections into a Government Account with a bank approved for the purpose or to an accountable officer designated for the purpose"*.

Delays in Banking

Audit tested 47 Collector Statement samples for the months of January, June and December 2010, out of which in 25 Collector Statements there were delays in banking of monies collected ranging from two (2) to 15 days. This is a breach of *Public Finances (Management) Act, 1995*.

As noted in our previous audit and again in our current audit, the management indicated that delays in banking were mainly due to security reasons as it is not safe to do banking daily.

Recommendation

Management should take heed of the Public Finances (Management) Act, 1995 and do daily banking except weekends when banks are close for business.

Department of Finance Comment

The Division is keen in daily banking of collections, however because of logistic support problem as well as security reasons, delays in banking is inevitable.

20.2 Secretary's Advance

The Secretary's Advance mechanism is one in which the Executive is entrusted with powers under the *Public Finances (Management) Act, 1995* and the *Appropriation Act, 2009* to exercise its discretion to transfer funds to meet unforeseen circumstances. The unforeseen circumstances are as follows:

- **New Service:** Where there is no appropriation to meet expenditure for a particular service, allocation of funds to meet the expenditure on it is obtained from the Secretary's Advance [Referred to as *Section 25 of Part V of the Public Finances (Management) Act, 1995* or *Section 3 of the Recurrent & Development Appropriation Acts*]; and
- **Existing Service:** Where there is insufficient appropriation to meet expenditure on services already included in the approved estimates, additional allocation may be obtained either from the savings under other services or from the Secretary's Advance [Referred to as *Section 24 of Part V of the Public Finances (Management) Act, 1995* or *Section 4 of the Recurrent & Development Appropriation Acts*].

Amounts Appropriated to facilitate Section 3 Transfers for new services

There were no funds appropriated as Secretary's Advance in the Original Appropriation under the Recurrent Budget for facilitating Section 3 transfers for new services as shown below:

Secretary Advances	Recurrent (K)	Development (K)	Total (K)
Section 3 Transfers	Nil	Nil	Nil
Section 4 Transfers	Nil	Nil	Nil
Total	Nil	Nil	Nil

Sections 3 & 4 Transfers made to existing services

Despite having nil appropriations, funds aggregating K788,160,517 were transferred through Sections 3 & 4 transfers between existing services in both the recurrent and development budget allocations resulting with transfers totaling K788,160,517 as shown below:

Secretary's Advances	Recurrent (K)	Development (K)	Total (K)
Section 3 Transfers	Nil	177,100,047	177,100,047
Section 4 Transfers	611,060,470	Nil	611,060,470
Total	611,060,470	177,100,047	788,160,517

20.2.1 Inconsistencies with Legislation

Section 211 of the Constitution of Papua New Guinea sub-section two stipulates that, *"No moneys of or under the control of the National Government for Public Expenditure or the National Parliament and the Judiciary for their respective services, shall be expended except as provided by this Constitution or by or under an Act of Parliament"*.

- AGO noted that the *Supplementary (Appropriation) Bill 2010*, that was drafted on the 12 November 2010 had instructions for funds appropriated at K653,300,000 for additional disbursements. It also contained an instruction to reduce K75,000,000 from the *Appropriation (Recurrent Expenditure 2010) Act, 2009* to be incorporated. As a result, a net increase in Appropriation at K618,300,000 was made into effect.
- As required under Section 211 of the Constitution of Papua New Guinea, an Act of Parliament had to be enacted in order to legalise the instructions stipulated in the *Supplementary (Appropriation) Bill, 2010*. Thus, in this instance, the lack of a *Supplementary (Appropriation) Act* defies any authority instilled through the Bill. The AGO deem the *Supplementary (Appropriation) Bill 2010* as an unauthorised legislation. The Secretary's Advance should have been appropriated for, under Section 3 of the *Recurrent Expenditure Act, 2010, if enacted*.
- No funds were appropriated under the *Appropriation (Recurrent Expenditure 2010) Act 2009* for Section 3 transfers that relate to funding New Services incurred in the financial year ending 2010. Appropriation for Secretary's Advance in 2010 to transfer under Section 4 of the *Recurrent Expenditure Budget* was K611,060,470 and Section 3 of the *National Development Expenditure Budget* was K177,100,047 (as tabulated above) and these were limits set to fund new and existing services in the financial year ending 2010. Thus, no limits or specific allocation were appropriated to fund New Services, therefore, it defeats the purpose of having Secretary's Advance to restrict its use to fund unforeseen expenditures only.

Section 2 of the *Appropriation (National Parliamentary Service 2010) Act, 2009*, specifies that a grant of K274,350 was to be sourced from a donor agent and parked in the Consolidated Revenue Fund (CRF) to fund National Development Projects in the National Parliament. But in the event that the donation does not eventuate, no funds should have been paid out from the CRF, thus, this privilege would have lapsed come 31 December, 2010. Any fund paid directly out of the CRF regarding this issue is deemed by AGO as incorrect.

- AGO noted that as per Statement "B", a sum of K274,000 was appropriated for the mentioned purpose but the actual expense incurred was underspent at K161,000. This is a breach on legislation specified in Section 2 of the *Appropriation (National Parliament Services 2010) Act, 2009*. Thus, funds have been made out directly from the CRF without prior input from the donor.

Recommendation

AGO recommends that the Department of Treasury should call for enactment of Supplementary Budgets to be passed by Parliament to be in conformity with the requirements stipulated in the Constitution of Papua New Guinea and the respective Appropriation Acts rather than resorting to excessive use of the Secretary's Advance to facilitate the transfer of funds. The Secretary's Advance should be allocated specific limit of funds to be restricted to meet unforeseen expenditures only as intended.

Management Response

In response to Auditor-General's Office queries regarding Section 3, Secretary's Advance, the Treasury Department, wishes to advice that as per Section 3 (Adjustment of Appropriation through the Secretary's Advance for new activities and between activities) of the Appropriation (Recurrent Expenditure 2010) Act 2009, the Secretary's Advance was allocated 20 million in 2010 under Treasury and Finance Miscellaneous Division 207, vote 207 4201 - 135.

20.2.2 Movement of Funds between Recurrent & Development Budgets

Adjustment of Appropriation Between New and Existing Services through Section 3 Transfers.

There was no Appropriation allocated for Secretary's Advance specified under Section 3 of the *Appropriation (Recurrent Expenditure 2010) Act, 2009*. Thus, a sum of K611,060,470 was technically allowed under Section 4 for the purpose of Adjustment of Appropriation as Between Activities but specifications as to whether it was intended to fund both New Services and re-allocations between existing Services or only for New Services were not determined.

Summary of Section 3 Transfers

Appropriations	Section 3+ (K)	Section 3- (K)	Variance (K)
Recurrent	1,987,300	689,687,300	2,300,000
Development	0	-2,300,000	-2,300,000
Total	691,987,300	691,987,300	0

As shown in the table above, a net of K2.3 million was transferred out of the *Appropriation (National Development Expenditure 2010) Act, 2009* through Section 3 transfers to the *Appropriation (Recurrent Expenditure 2010) Act, 2009* and this is in conformity. Thus, provisions regarding Appropriation Acts allow increases in the Recurrent Expenditure Budget with funds transferred from the National Development Expenditure Budget.

Adjustment of Appropriation between Existing Services only through Section “4” Transfers

Summary of Section 4 Transfers

Appropriations	Section 4+ (K)	Section 4- (K)	Variances (K)
Recurrent	1,191,001,432	1,194,668,232	-3,666,800
Development	163,129,900	159,458,000	3,671,900
Total	1,354,131,332	1,354,126,232	5,100

As per the above table, a net transfer of K3,666,800 was made out of the *Appropriation (Recurrent Expenditure 2010) Act 2009* through Section 4 transfers to fund projects within the *Appropriation (National Development Expenditure 2010) Act ,2009*. Further, a net transfer of K3,671,900 was made within the *Appropriation (Development Expenditure 2010) Act, 2009* through Section 4 transfers to fund projects within itself [the *Appropriation (National Development Expenditure 2010) Act, 2009*]. *These had resulted with a final net increase of K5,100 made to the Development Budget allocations and had caused the total Development Budget of K3,393,558,210 in 2010 to increase to K3,393,563,310.*

The increase of K5,100 as disclosed in Statement “B” is not proper as it was not made through an Act of Parliament but through Section 4 transfer effected in the Secretary’s Advance allocations, thus breached provisions of the Appropriation Acts.

Budget Movement Summary 2010

Though no funds were appropriated in the 2010 Original Budget under Secretary’s Advance for New Services, funds were transferred into and out of the Secretary’s Advance vote through Sections 3 and 4 transfers in that year as shown in the table below:

Secretary’s Advance Vote	Increase (K)	Decrease (K)	Variances (K)
Section 3 Transfers	691,987,300	691,987,300	0
Section 4 Transfers	1,354,131,332	1,354,126,232	5,100
Total			<u>5,100</u>

The observations made from the transfers into and out of the Secretary’s Advance as shown above are detailed below:

- An additional amount of K5,100 was made available in the Secretary’s Advance through Section 4 transfers. This amount was subsequently transferred to the Development Budget through Section 4 transfers as reported earlier above.

Conclusion

AGO has reported over the years on the breach of the *Appropriation Acts* for the transfers of funds from National Development Expenditure Appropriation to Recurrent Expenditure Appropriation has been adhered to in 2009. However, the increase of K5,100 made to the Development Budget through Section 4 transfers was not proper as it was not done through an enactment of an Appropriation Act but through Section 4 transfers.

Recommendation

Any increase made to the overall budget ceiling must be enacted through an Appropriation Act of Parliament.

Management Response

Treasury also understands that an additional K5,100 may have been transferred to the Development budget under Section 4 transfers. In light of provisions provided by Section 3 of the Appropriation Act 2009, this additional transfer may be due to an oversight by technical officers.

20.2.3 Directions

Section 6 of the *Appropriation (Recurrent Expenditure 2010) Act 2009*, states that copies of each Direction under Sections 3 and 4 shall be made available to the Auditor General's Office as soon as practicable after the end of each quarter of the financial year ending 31 December, 2010.

However, copies of such Directions were not made available to the Auditor General's Office (AGO) as required. Also it was a surprise to note that, the Budgets Division of the Department of Treasury failed to maintain copies of these instruments. A review of the Directions maintained at the Department of Treasury revealed that, the file was incomplete in that 230 of the total of 433 Directions issued were missing.

This legal requirement has not been adhered to over the years up to and including 2010. The reporting of this legal requirement over the years in AGO's Reports was not taken seriously by Department of Treasury.

Recommendation

We recommend that the Directions are properly filed and kept away neatly in sequential order and emphasize the importance of the compliance of Section 6 of the Appropriation (Recurrent Expenditure) Acts that has not been adhered to over the years including 2010.

Management Response

Furthermore Treasury understands that in the past keeping of records for Appropriation Transfers may have been lax, however the budget division has taken a concerted effort to improve procedures and working systems for timely reporting of Appropriation transfers not only to the Office of the Auditor General but also to the public via the Department of Treasury website as required by the Appropriation Act of 2012.

20.2.4 Appropriations into Trust Accounts

It was noted that, funds aggregating K568 million for a total of ten (10) Trust Accounts were appropriated in Schedule 2 of the *Appropriation (National Development Expenditure 2010) Act, 2009* whilst K552.3 million for 20 Trust Accounts were appropriated in Schedule 2 of the *Supplementary (Appropriation) Bill 2010. (Refer to Appendix '8')*.

The following irregularities were noted in respect of the Trust Accounts.

- Only three of the ten Trust Accounts funded through Schedule 2 of the *Appropriation (National Development Expenditure 2010) Act, 2009* were established and were active at the time of our audit in July 2011 whilst the others were not established; and
- Also only four of the twenty Trust Accounts funded through Schedule 2 of the *Supplementary (Appropriation) Bill 2010*, were established and active at the time of audit whilst the others were not established.

Conclusion

AGO is unable to understand the reason for the twenty three (23) trust accounts not being established despite funds aggregating K345 million were appropriated through both the Recurrent and the Development Budgets to be operated through these Trust Accounts in 2010. And explanations are required on where these funds were held in the absence of the establishment of these trust accounts.

Recommendation

AGO recommends that proper financial management procedures be adhered to in terms of establishing Trust Accounts to hold public funds. The two observations above have verified that breaches have been incurred by not establishing the Trust Accounts first before utilising the funds allocated to them. Thus, the expense of funds is deemed to be not proper.

Management Response

The Department through the Trust Branch have always established trust instrument for government programs given appropriation through trust. However, treasury at times directly warrants funds to agencies and departments. Hence, we are unable to establish trust instruments for those appropriations as funds don't come through trust branch.

20.3 Miscellaneous Expenditure - Vote 207

Governmental Office Allocation Rentals, Court Cases and Workers Compensation Payments are administered by the Corporate Services Division of the Department of Finance. All documents and records are maintained at the respective offices where they originate from. For Government Office Allocation Rentals and lease agreements are kept at the Department of Personnel Management – Office Allocation Committee, while Court Cases are kept at the Solicitor General's Office and Workers Compensations are kept at the Office of Workers Compensation.

Claims are submitted for payment after all procedures have been complied with and then forwarded to the officer in charge at the Department of Finance for processing of payment for the respective category. Further checks and verifications are carried out by officers in charge at Department of Finance before cheques are raised for payments to be made. Audit was centred on the controls and procedures in place as well as assessing the reliability of the financial data for the year 2010.

The Original Appropriation (Recurrent Expenditure) for Miscellaneous Vote 207 in 2010 was K522,921,900. However, a total of K985,326,814 was expended during the year, which resulted in an over expenditure of K462,404,914. The observations made during the audit are discussed in the paragraphs that follow;

20.3.1 Sections 3 and 4 Transfers in Miscellaneous - Vote 207

The Sections 3 and 4 transfers made to Appropriations in the miscellaneous vote 207 as ascertained in audit are detailed below:

The Budget movement register records revealed the following:

	(K)	(K)	(K)
Original Appropriation			10,258,980,000
Add: Transfers (Recurrent)			
3+	691,987,300		
3-	<u>689,687,300</u>	2,300,000	
4+	1,191,001,432		
4-	<u>1,194,668,232</u>	-3,666,800	
Transfers (Development)			
3+	0		
3-	<u>2,300,000</u>	- 2,300,000	
4+	163,129,900		
4-	<u>159,485,000</u>	3,671,900	<u>5,000</u>
Revised Appropriation as per Movement Registers			<u>10,258,985,000</u>

The total Original Budget of K10,258,980,000 increased improperly by K5,000 to K10,258,985,000 through Section 4 transfers and described as being the Revised Appropriation figure in the movement

register. This is clearly portrayed in the above analysis. Further, as stated in paragraph 12.2.2 the total Development Budget was improperly increased by K2.3m through Section 4 transfers and this has a flow-on effect on the overall Budget as portrayed above

AGO is of the view that, due to numerous transfers of funds through the use of Sections 3 and 4 transfers, there is a possibility of inflating the total Original Budget figure in the process. And this is exactly what had happened in this case where the Original Budget has inflated by K5,000.

20.3.2 Procurement and Payment Procedures in Miscellaneous Vote 207

An examination of sample of 150 payment vouchers totaling **K14,169,597** were selected and examined and the following irregularities were noted.

- A sample of 50 Government Office Allocation Rental payments totalling K7,665,300 which were randomly selected and examined have noted the following irregularities:
 - All 50 payment vouchers had no cover letter from the Office Allocation Committee notifying that all payments were approved by the committee as rentals. This showed that there was no control in all payments made at the Department of Finance as rentals which increased the risk of fraud;
 - *A follow up on the 2008 audit report, which AGO reported that the Department of Finance (Inspections Division) should take legal action against Megellan Properties for receiving rental payments of over K5,000,000 for unoccupied office space. However, no legal action was taken to recover and yet a payment of K190,000 was made to Megellan Properties on 21/04/09 as outstanding office space rental which was reported in 2009AGO Audit Report. During the follow up of this issue, audit noted that no action was taken.*
- A sample of 23 randomly selected Lease Agreements were requested through the Government Office Allocation Officer to be made available for audit verification and audit established the following status of these Lease Agreements: The observations made are as follows:
 - Of the 23 Lease Agreements requested, 20 were furnished for audit inspection whilst three (3) were not furnished.
 - Examination of the 20 Lease Agreements furnished;

Only two (2) Lease Agreements were signed by the Minister or Secretary of Department of Lands and Physical Planning (or his Delegate) while 18 were not signed. This showed that the legality of these lease agreements was invalid as there was no legal contract between the state and the property owners.

Audit noted that the issue of who holds the responsibility to authorise and to approve by signing the Lease Agreement had resulted in 18 Lease Agreements not being signed and even the expired Lease Agreements were not renewed while rental payments were continually paid every month which was not legal. Thus, as there was no legal Lease Agreement signed between the State and the respective Landlord the risk of fraud and misappropriation of public funds increased.

- Four (4) of the lease agreements had expired but they were not renewed even though payments were done in 2010.

Management Response

Rental lease agreements are the responsibility of the Government Office Allocation Committee (GOAC). The department of Finance facilitates payments based on the lease agreements. All fifty (50) payment vouchers had no cover letter from the GOAC notifying that, all payments made at Department of Finance as rentals which increase the risk of fraud. The response to this statement is that as long as there is an existing lease agreement signed between the State and the Landlord the invoices are sent to Finance to process payments. All new claims are always referred to the GOAC for payment before being processed. Expired lease agreements are referred to GOAC, and rental claims would not be processed until GOAC advises for payment. For those 50 payments alluded above, instructions were issued by the GOAC to process payments while the GOAC, State Solicitor and the Lands Department sort out the transfer function on the execution of lease agreements.

A follow up on the 2008 audit report, regarding legal action against Megellan Properties for receiving rental payments of over K5,000,000 for unoccupied office space. The Department response is:

- o Non-renewal of expired lease agreements by the state is a pending issue raised with the GOAC. The committee has been reviewing the lease agreements to come up with a standard lease for all state leases.*
- o Legal Action to recoup K5,000,000 rental paid to Megellan for unoccupied office space has been referred to the Police Fraud Squad.*
- o The K190,000 paid to Megallen Properties was made with the consent of the GOAC. The tenants (Land Transport) without the approval of the GOAC moved to a new office whilst the office items were still in the Megellan Properties. Payments have to be made to unlock the property to remove the office items.*

Audit noted 18 lease agreements not being signed and the expired Lease Agreements were not renewed while rental payments were continually paid every month. The GOAC were aware of the unsigned Lease Agreements and also about the expired Lease Agreements as the issue of who holds the responsibility to authorize and approve were being addressed between the department of Lands, GOAC and the Attorney General's Office. The GOAC actually advised the Department to process payments through the GOAC Manager. Despite Lease agreements not yet signed, Government Agencies were still operating from the leased properties and payments have to be made to ensure that government services are not hindered.

The Department of Finance Secretary and his delegate is a member of GOAC and the issue of all lease agreements renewed upon expiry and all rentals paid are based on terms of the lease agreements endorsed by the GOAC. When the issue of who should sign the lease agreement has been shorted out, all payments will now be strictly controlled. "No signed Lease agreement no payment" unless sanctioned with specific instruction and approval of the GOAC.

- A sample of 50 Court Case payment vouchers totaling K5,337,978, were randomly selected and vouched. The following discrepancies were observed:*
 - o A total of nine (9) payment vouchers totaling K2,371,826 were not made available for audit review as in Appendix "10".*

- o Two (2) payments totaling K598,558 were not recorded in the Court Claims Register as ascertained during the audit. The details are as follows:

Management Response

Finance agrees with the Auditor-General's Office conclusion and recommendation in regards to Court Case payments. Filing and recording of vouchers should be fundamental to any office operation and Finance is no exception.

Finance notes the recommendation.

- A review of the payment procedures in relation to Workers Compensation Payments made based on a selection of 50 payment vouchers randomly selected totaling K1,166,319 noted the following irregularities:
 - o In 19 instances, payment vouchers for payments totaling K587,949 were not sighted at the time of audit.
 - o In two (2) instances, payments totaling K45,000 had no pay-slips attached for proof that payees were public servants and the details are listed below.
 - o In two (2) instances, payments totalling K7,553 were made without any supporting documents attached and even the Consent Award was not attached. Only FF3 and FF4 were attached, which justifies that there was a control weakness in maintaining the files and they are listed as follows:
 - o A review of the payment procedures conducted at the Department of Finance have ascertained that, no register was maintained to record all claims that are received from the Office of Workers Compensation and the details of payments when made too, were not recorded and kept.
 - o A file for the appointed Financial Delegates' names and their specimen signatures were not maintained by the Officers in charge at the Department of Finance.

Management Response

The Audit findings of payment vouchers missing at the time of audit and also payment without supporting documents is being noted and the Management has taken steps to address this issue. This weakness is incompetence on the part of the personnel involved in the process.

The accounts Payable branch has been moved to a new Division under new management thus weaknesses identified in the Audit findings is being addressed. The Department has been restructured and will be recruiting competent and reliable officers to replace the complacent ones. We have already moved incompetence officers out of the Accounts payable and will recruit new and competent staff under the new management.

20.4 Losses and Deficiencies

Observation

The Public Account Financial Statement shows that, Losses and Deficiencies amounting to K29,488 were accumulated by the State as at 31 December 2010. The observations made by AGO from the Departmental audits across line Departments indicate that, the reporting of losses by the Departments to Department of Finance is unsatisfactory. Unless regular reporting as required by the *PF(M) Act, 1995 (as Amended)* is strictly enforced across line Departments and Agencies, the losses sustained by the State will continue to be understated. There was a disclosure of prior year losses and deficiencies totaling K135,417 brought to account only in 2010. *(Refer Annexure 1)*

AGO commends the action taken by Department of Treasury to issue Treasury Circular No. 2/2010 dated 18/02/10 to all Heads of Departments for compliance on the requirements to Report Losses and Deficiencies appropriately.

Conclusion

On the whole, in view of the broader network of assets and infrastructure owned, serviced and operated by the National Government throughout the Country, the disclosure of total loss amount of only K29,488 is materially understated and is misleading to the users of the Financial Statement as it does not fairly represent the actual situation as at 31 December, 2010.

Recommendation

More attention is required to ensure that all losses and deficiencies sustained by all Government Departments and Agencies are taken stock of and disclosed in the Public Account's Financial Statement to reflect the actual situation at year end. Copies of Loss Reports should be forwarded to the Auditor General's Office as required.

Department of Finance Comment

The Department agrees with the Auditor-General's Office recommendation. Only seven (7) agencies responded to Circulars issued by the Department and the actual amounts reported were included in the statement of Losses and Deficiencies (Appendices 2). Responses to the circular by agencies were very poor. As part of its attempt to improve the situation, the Department through its Financial Accountability and Inspections Division made an undertaking to include Losses and Deficiencies inspection in its annual work program. Circular No. 1-2013 has been issued by the Secretary and is currently being distributed to all agencies. This will be immediately followed by routine inspection visits to the Internal Audit Units in the Departments by Finance Inspectors to determine the current state of affairs then provide assistance required on site. The visits commenced as of 4th March 2013.

20.5 Internal Audit

From the AGO perspective, the Internal Audit is an important component of the system of internal controls. Because of similarities in the nature and scope of activities performed by Internal and External Auditors, especially in the Public Sector, there are significant efficiencies to be achieved if External Auditors are able to rely on the work of Internal Auditors and vice versa. An effective internal audit program should facilitate External Audit to place greater reliance on the work of Internal Audit, thereby making better use of overall audit resources.

Observation

The Finance Internal Auditors are currently not following up on issues specifically reported in the Public Accounts Financial Statements. The Internal Audit does not undertake periodic reviews to ensure that bank reconciliations of the banks accounts managed by Finance including Trust Accounts, Advances and Drawing Accounts are being performed timely.

There are legislative compliance matters that the Internal Audit should be assessing to provide assurance to Management that Finance is complying with the *PFM Act, 1995 (as Amended)*, Finance Instructions and other relevant Legislations.

Recommendation

The Secretaries of the Departments of Finance and Treasury should conduct a review of the Departments of Finance and Treasury Inspections and Internal Audit Branches with a view to effectively utilize the resources available in those Branches.

The number and magnitude of control weaknesses reported by the AGO in recent years should influence the commencement of regular periodic reviews by the Internal Audit to ensure that bank reconciliations of the bank accounts managed by Department of Finance including Trust Accounts, Advances and Drawing Accounts are being performed timely. In addition, the internal audit should regularly report on the risk and occurrence of legislative non-compliance to the Secretaries.

Department of Finance Comment

While we agree with the audit observation, Internal Audit has made significant progress in trying to address the issues noted in your report.

A risk analysis has been undertaken by the Division and Annual Internal Audit Plans have been formulated based on the outcome of these analyses for the period 2011 and 2012. As of 2011, our annual internal audit plan is applying "Risk Based Approach" covering the risk areas of the Department. Our Three Year Rolling Plan has commenced in 2011 and this is final year of implementation. A new three year rolling audit plan will be developed at the end of this year.

Some of the auditable areas covered under the plans are:

- 1. 207 Expenditure as a whole and selected functions like Pensioners' Payment and Office Accommodation.*
- 2. Cash Offices*
- 3. Procurement*
- 4. Accounts Payable*
- 5. Trust Management*
- 6. Advances (2009)*

As a result of audit on advances, pay deductions have been undertaken in 2010/11 and recovered well over K300,000. As a result of our audit, new advances are not issued to officers if previous ones are not acquitted. Other Management's actions to improve on this issue is still in progress.

With the implementation of Public Sector Audit Program (PSAP) in the Department, all our audit/investigation reports are tabled in the Finance Audit Committee meetings where effective implementation of the recommendations is pursued through the committee.

Audit on Payroll and IT functions have been co sourced to KPMG due to the technical nature of the functions and currently in progress. Two of our officers are engaged in this audit as "on the - job training".

Internal Audit under current management is taking appropriate actions to cover the functional areas that are of high risk as highlighted in your report. Our risk based plan is covering this area.

Lately AGO officers tasked to undertake either departmentals (DoF) or Public Accounts audit have not visited our office to discuss the issues identified that concerns the audit division. If audit division was involved in the exit interview, issues identified could have been answered. External auditors while we appreciate its independency, we must work together for a common purpose.

The notion of effective utilization of audit resources in internal audit unit of Finance and inspection division in Treasury can be reviewed to establish the fact sheet of effectiveness and productivity of both agencies. Also the review will further assist both Secretaries to know whether the audit resources like manpower are properly utilized or underutilized and whether the performance from both audit functions are satisfactory or below par.

20.6 Separate Bank Accounts for Non-Bank Trust Accounts from CRF

Observation

At present, some non-bank Trust Accounts and the main account for the Government are operated through a single bank account called the Waigani Public Account that records both the CRF and non-bank Trust Accounts Funds. The risk of incorrect posting is increased as the debit to the CRF account can be offset by a credit entry to a non-bank Trust Account. This also creates opportunity for the CRF to be depleted by allowing or facilitating unapproved transactions through these non-bank trust accounts as was the case in **Trust Fund Suspense Account No. 2** and the **Cash Adjustment Account** in the years up to and including 2010.

The Department of Finance indicated that, reconciliations were conducted on a periodic basis to correct this.

However, for control purposes, the AGO emphasizes that the bank accounts for CRF and non-bank Trust Accounts are separated for effective control.

The risk of error, misappropriation, fraud or spending in excess of funds available is increased where bank accounts for the CRF and non-bank Trust Accounts are not separated.

Recommendation

The AGO recommends that Department of Finance reviews the existing policy in relation to maintaining a single bank account for the management of CRF and non-bank Trust Accounts, with a view to improve accountability by reinforcing separate bank accounts for CRF and non-bank Trust Accounts. Alternatively, some consideration should be given on reducing / closing a number of revoked Trust Accounts operated through CRF / Waigani Public Account.

Department of Finance Comment

The Auditor-General's Office observation has some merit in it especially with the risk of error, misappropriation, fraud or spending in excess of funds available is increased where bank accounts for the CRF and non-bank Trust Accounts are not separated.

Finance takes note of the Auditor-General's Office recommendation.

20.7 Period 13 Journal Entries

Observation

The Journal entries raised in Period 13 and posted during that period for the 2010 financial year aggregated to K3,197,534,232. Examination of the TMS 310 Report for Period 13 journal entry adjustments revealed that adjustments were made to the expenditure & revenue votes and the Trust Accounts.

The year-end adjustments should be kept to a minimal. A continuous increase in the journal adjustments from year to year at year ends reflects badly on the Organisation as it reveals the weaknesses that exist in that system. It is appropriate that the Department of Finance should seriously exercise due care to review and contain such adjustments to a minimal.

The audit review in 2010 indicated no difference to that of 2009 in that:

- ❖ Officers approving journal entries do not exercise due care and diligence and as a result duplicate journal entries of material amounts were processed. Such inappropriate actions cast doubt on the whole process;
- ❖ The raising of duplicate journal entries appears to be an on-going issue. The Management of Finance needs to exercise strict control to contain this activity otherwise the problem will continue to exist;
- ❖ Some responsible Officers in Finance do not carry out their duties effectively throughout the year resulting in journal entries of significant amounts being passed as adjustments during and after the end of financial years to transfer unspent funds into **Trust Fund Suspense Account No.2**, which is contrary to the *PFM Act* requirement that all unspent funds lapse at year end; and
- ❖ **Journal entries relating to period 13 adjustments were still being raised after the cut off period of 31st May 2011.**

The final effect of the post balance journal transactions is that, there is an increase in expenditure figures between Period 12 and 13. This is largely due to the PGAS and TMS records not being reconciled at the end of each month, with items that make up the discrepancies corrected during Period 13. The issues observed in audit are:

- ❖ **The Departments' actual expenditures at year end were distorted by adjustments made by Finance Department through Period 13 journal entries and the concerned Departments were not aware that the increase/decrease adjustments were made against their expenditure figures;**
- ❖ The aforementioned journal adjustments have defeated the budgetary process as actual expenditures were manipulated by Department of Finance and reported in Statement "L";
- ❖ There is a risk that the transfer may not be correct;

- ❖ This in turn could facilitate irregular activities; and
- ❖ The large number of errors not corrected during the year cause delays in the preparation of the Public Account's Financial Statement.

The AGO also identified instances where the narrations of transactions for the journal entries were not always accurate and descriptive to provide an audit trail and often there was a lack of cross referencing to the original entry or source document leaving no audit trail.

Conclusion

The lack of adequate audit trail increases the risk of error, misappropriation or fraud that may not be detected timely. Also lack of adequate audit trail results in additional resources and time spent in correcting errors.

The controls over Period 13 journal entries including the need for Donors to provide interim Financial Statements relating to Donor funding, need to be enhanced.

Recommendation

All journal entries raised to transfer expenditure and receipts should be referred to and properly authorized by the responsible Departments and Agencies (not solely done by Dept of Finance without consultation).

- ❖ *Department of Finance should be monitoring the monthly reconciliation of PGAS to TMS for the Departments' transactions to ensure that the variations are promptly corrected;*
- ❖ *All clearing accounts should be reconciled by Department of Finance each month and outstanding items promptly cleared;*
- ❖ *Consideration be given to encourage Donors to provide expenditure reports on their funding of development projects before the end of the financial year. If this is not practical, interim statements/reports could be provided;*
- ❖ *That Finance Department reinforce the policy of proper cross referencing of journals by staff involved in preparing and authorising journal entries;*
- ❖ *The accuracy of journal postings should be subject to periodic independent verification by the Internal Audit and Compliance Branch of the Department of Finance; and*
- ❖ *The disclosure of expenditures in Statement "L" should be the actual Departmental expenditures rather than being manipulated through Period 13 journal adjustments.*

Department of Finance Comment

Not responded

20.8 Departmental Audits

In drawing conclusions in relation to the Audit Opinion on the Public Account, it is necessary to consider the common observations made in the Management Letters issued by AGO to the various Government Departments audited in the 2010 financial year.

Explanations for each of the issues are discussed below along with the risks associated with each of them and the applicable recommendations.

Summary of Departmental Audit Observations In 2010

A total of eighteen (18) departments and agencies were audited in the 2010 audit cycle. However, not all areas selected for audit were covered in all departments and agencies as noted in observations summarised below.

Audit Item	Observation	Para Ref
Financial & Annual Management Reporting (AMR)	Of the 18 Depts and Agencies audited, 13 have not submitted their Financial reports to Department of Finance, only 1 submitted their AMR to Department of PM & NEC instead of DoF/DPM while 4 were not covered in the cycle.	20.8.1
Budgetary Control	Of the 18 Depts and Agencies audited, the monitoring of expenditure had not been undertaken.	20.8.2
Bank Reconciliation	Of the 18 Depts and Agencies audited, 12 were current while 6 were incomplete and delayed ranging between 1 - 10 months in 2010.	20.8.3
PGAS and TMS Ledgers	Of the 18 Depts and Agencies audited, no expenditure reconciliation was carried out by the 18 departments.	20.8.4
Payments Procedures	Of the 18 Depts and Agencies audited, AGO undertook detailed testing in 7 departments which revealed that the amount related to missing documents was in excess of K3.5 million. 1 out of the 7 departments did not provide any paid vouchers at all for 2010. Eleven (11) departments indicated major weaknesses in the internal control systems such as excessive expenditures in private car hires, entertainment and food, consultancy payments, mobile phones and prepaid cards and overseas studies.	20.8.5
Asset Management	Of the 18 Depts and Agencies audited, 7 were not covered. Major weaknesses were indicated by 11 agencies where acquisition of assets in excess of K2.68 million was identified as unrecorded and periodic stock takes or physical verification were not conducted. Controls in respect of management of vehicle fleets were non-existent.	20.8.6
Salaries and Wages	Of the 18 Depts and Agencies audited, 14 depts were not covered in this audit cycle. 4 departments did not perform any payroll reconciliations and relied heavily on DoF records. Of the 14 depts, personnel employee records were not updated regularly while there were no annual/training plans in 7 depts. Casual employees employed by 1 dept was well over-due for review.	20.8.7
Un-acquitted Advances	Of the 18 Depts and Agencies audited, major weaknesses were indicated in all 18 departments with detailed testing resulted in unacquitted advances aggregating over K17.9 million in travel advances and over K2,255,000 in salary advances in 2 depts. Unrecorded advances of K 322,000 in 6 depts. Second advances were issued that aggregated to K798,005 in 7 departments.	20.8.8

20.8.1 Financial Reporting

There were significant non-compliances in financial Reporting in that, the National Government Departments have either failed to prepare and submit Quarterly and Annual Financial reports to Department of Finance and or the Annual Management reports to Department of Personnel Management.

As required under Section 5 of the *Public Finances (Management) Act, 1995* Departmental Heads shall submit a report on Financial Management quarterly after end of each Quarter and an Annual Report, including overall assessment of the Department at the end of each Fiscal Year to the Secretary responsible for Financial Management.

Of a total of 18 Departments and Agencies audited, 13 have not submitted these reports to Department of Finance.

In addition, as stipulated in Division 4 Section 32 (a) of the *Public Service (Management) Act, 1995* which reads:

"Each Departmental Head shall by 31 March in each year, prepare a report on the attainment of the planned objectives of his Department for the year ending 31 December preceding."

It is further elaborated in Public Service General Order 8.12 that the Departmental Head should forward to the Secretary, Department of Personnel Management a report on the work and achievements of his Department in relation to the Corporate and Annual Management Plans.

Only one (1) out of the 18 Departments and Agencies that were audited had submitted its report but to the Department of PM & NEC instead of DPM and DoF.

20.8.2 Budgetary Controls

An effective financial management environment is demonstrated by strong integration of budgeting with the entity's corporate plan, priorities and external accountabilities. As the Appropriations represent the primary source of revenue for all Agencies, the Department's efficient cash management and budgetary controls depend on accurate information on availability and funds requirement, as well as a reliable procedure for tracking variances from its records against Department of Finance's records, in order to ensure that:

- Monthly reconciliations of Departmental expenditures against Department of Finance's ledgers are done to eliminate any differences before finalising the Public Account;
- Funds transferred by way of Warrant Authorities agreed with the funds recorded at the audited Departments' PGAS ledgers;
- The differences noted are communicated with Department of Finance and are resolved on a timely basis;
- Funds are spent within the budgetary allocation; and
- All unspent funds at year end with the Departments are allowed to lapse.

It was ascertained in the audits that, the controls in the Departments and Agencies relating to the cash flow management and budgetary controls were generally inadequate. The weaknesses noted are as follows:

- In the 18 Departments and Agencies audited, the monitoring of expenditure has not been undertaken. For example, the Agencies did not employ a Budget Officer to be responsible for budgetary & cash flow management and no cash flow statements were prepared on a regular basis to report on significant shortfalls or surpluses realised/anticipated and to provide reliable information to enable the Secretary to make informed financial decisions. Such lack of monitoring resulted in significant variances in actual spending against available funds in the 18 audited Departments and Agencies. Of these, in 11 Agencies actual expenditure exceeded the warrant authorities by more than K204.8 million. The above mentioned practice exposes the Public Account to the risk that funds could be spent in excess of the appropriation limit, which will result in breaches of the *Appropriation Acts*, the *Public Finances (Management) Act, 1995* and the *Constitution*;
- There were cases noted where expenditures were intentionally charged to incorrect Vote items as well as being manipulated through the use of journal entries. There were also instances noted where funds were transferred between divisions and functions as at 31 December, 2010 made contrary to the *2009 Appropriation Acts*; and
- On several occasions, the Departments and Agencies did not exercise compliance to Section 27 of the *Public Finances (Management) Act, 1995* with regard to management and utilization of unspent funds at year end. Unspent funds were on occasions either transferred to Trust Accounts or cheques were drawn in favour of the Department before the end of the year. These cheques were subsequently cancelled and journalised in 2010 debiting the bank and crediting different expenditure votes. These in turn inflated the Appropriations and expenditures in the respective Votes for 2010 to that extent and defeats both the 2009 and 2010 financial years *Appropriation Acts*.

20.8.3 Bank Reconciliations

Bank reconciliations represent an independent verification by Management to ensure that the cashbook transactions reconcile to the bank statements. By performing bank reconciliations periodically (monthly) ensures that receipts and payments are accurately processed, bank errors are identified against the cashbook, transactions not recorded in the cashbook are identified against bank statements, and misappropriation or fraud is detected timely.

During the Departmental audits, significant unreconciled items were noted and these attest to reducing the level of assurance that can be placed on the accuracy of the Department's cash position at any given point in time. The observations made are as follows:

- The status of the bank reconciliations prepared were current in only 12 out of 18 Departments audited;

- One Agency had its last reconciliation prepared back in January 2010. However, according to the 2010 Department of Finance Performance Rating Report (*Refer to Appendix 1*), bank reconciliation for one department was back dated to 2006 as previously reported in the 2009 Part I Report.
- An extract of information based on the examination of the more recent bank reconciliations prepared by 18 Departments and Agencies revealed that:
 - Cheques aggregating K172,337 that were cancelled by the Department of Community Development in 2009 were fraudulently presented to the bank. This fraudulent act should be investigated and the Officers responsible should be referred for prosecution. Such situations of fraudulent activities are common in the Departments where bank reconciliations are not up to date as these cannot be detected early and actioned. Stale cheques were supposed to be written back into the cashbook the moment these were identified as stale. However, the Office of Rural Development reported stale cheques of K5,683,371 that were stale since 2000 through to 2009. This indicates the lack of bank reconciliation knowledge demonstrated by the Officer preparing the bank reconciliations. It also reflected badly on the Management of the Department as it had not taken appropriate action to review and rectify immediately.
 - In some instances the reconciliations were not reviewed and certified by Senior Officers to attest to the accuracy and fairness of the statements prepared before being forwarded to the Management.

Though bank reconciliations are an integral part of Management information to be used in the financial decision making, the bank reconciliations prepared appear to be of sub-standard and lack quality thus attesting to work of Officers not qualified and adequately trained to perform the task proficiently. Also Management of certain Departments seem to have not given serious thought to the review of the bank reconciliations prepared for their Departments to take appropriate actions to rectify items requiring Management attention such as presenting of cancelled cheques, stale cheques into the cashbook.

20.8.4 PGAS and TMS Ledgers

The present accounting systems were not fully integrated into a centralised financial reporting system. There were three (3) sub accounting systems in use and these were:

- PGAS Departmental Accounting System;
- ALESCO Payroll System; and
- TMS (Treasury Management System) used by Department of Finance.

As not all Departments have their own PGAS accounting systems (self accounting status), these Departments piggy back to other major systems (eg. posted through the Department of Finance PGAS). The primary reporting system which was used to compile the Public Account Financial Statements was the TMS. The integration between the Systems was through manual journal entry adjustments.

At any point of time there was likely to be an imbalance between the financial accounting systems, PGAS and TMS. If there were any differences between the two records, journal entries should be raised by the Departments to make the necessary adjustments ensuring that both records have the same information correspondingly.

No expenditure reconciliations were carried out on a monthly basis between records of Department of Finance and the individual Departments and Agencies in 2010. This was the case in all the 18 Departments/Agencies audited. Material variances in each Department and Agency running into millions of Kina remained uncleared as at year end.

The non-preparation of this very important reconciliation has a significant impact in the balancing of the General Ledger of the Public Account of PNG. Particularly the financial information captured on the main Public Account may not be a true and fair representation of the processed data sourced from various Departments and Agencies records.

20.8.5 Procurement and Payment Procedures

Strong controls over purchases ensures that the quality of goods or services supplied were acceptable and are actually received in good order. The receipt of goods/services and maintenance of inventory levels will provide assurance to Management that service levels can be maintained.

It was noted in most cases that there was an extremely high rate of non-compliance with procurement and payment procedures. In majority of Departments and Agencies, there were no procurement plans or quotation registers maintained. It was observed that stationeries were not stored properly and inventory cards were not maintained. Most importantly, the monitoring of quality and quantity of goods and services received was not properly performed.

Other significant issues observed were:

- Claim vouchers received were not examined for completeness and accuracy of claims prior to processing the payments;
- Claim vouchers received were not certified to confirm the legitimacy of claims prior to processing the payments;
- In some cases Financial Delegates had approved expenditures in excess of their delegated financial limits;

- In seven (7) Departments that AGO undertook detailed testings, the amounts relating to missing documentation was in excess of K3.5 million. *Of these seven (7) departments, one (1) department did not even provide any of the 2010 paid vouchers when enquired by Auditors to test check. No clear indication was given on the nature of the records and their whereabouts until the end of the audit.*

Audit views that due to a department's negligence in not keeping records properly, the total amount mentioned relating to missing paid vouchers was sure to be in-excess of the stated amount of K3.5m;

- Payments to Suppliers were often made on pro-forma invoices and without required quotations; and
- In a number of Departments and Agencies, excessive expenditures were noted to have occurred, such as private car hire by Senior Management when vehicles were available in the Agency's car pool. The Finance Instructions which prohibit the use of private hire in the National Capital District were not adhered to. In addition, there were excessive payments for entertainment and food, consultancy payments, mobile phone prepaid cards and overseas studies.

The weaknesses as noted exposed the State to the risk of:

- Unauthorised purchases;
- Over-commitment of funds without due consideration to cash flows;
- Uneconomical purchasing practice;
- Fraud (kick backs/secret commissions);
- Use of purchase orders without proper approval;
- Purchasing of inferior or expensive goods and services;
- Consultancies being engaged at no benefit to the State; and
- Non-compliance with Purchasing Procedures e.g. Tendering Guidelines that can lead to uneconomical buying practices.

To minimise these risks, the Department of Finance can play a coordinating role and ensure that all Departments liaise with CSTB and establish a regime, in accordance with the *PFM Act*, that continually monitors and analyses procurement to provide assurance that:

- Legislative compliance is monitored and in instances where there are breaches, corrective actions are taken swiftly;
- Procurement guidelines are adhered to; and
- Departmental staff are aware of their procurement obligations.

20.8.6 Asset Management

As the Departments spent significant amounts of funds every year on the purchase of assets such as computers & accessories, office furniture & equipment and motor vehicles, it is the responsibility of the Departmental Head to account for and safeguard State assets.

The proper control and management of the assets register is important in safeguarding assets. From the audits of the 18 Departments and Agencies it was evident that:

- o Asset registers were either non-existent or were not maintained properly. The lack of registers exposes the entities assets to improper control over their use leading to physical deterioration;
- o Periodic stock takes or physical inspections were not conducted in 11 Agencies to determine the accuracy of assets on hand. This increases the risk of loss, theft or fraud;
- o The acquisitions of assets in excess of K2.68 million were identified as unrecorded assets. And the Auditors also observed that, the documentation for purchases,(especially motor vehicles) were missing or incomplete;
- o There was lack of records of portable and attractive items such as mobile phones and laptops. The purchase of mobile phones was made based on requests and subject to Head of Department's approval. In some Agencies, the listing of staff who were entitled to mobile phones was not maintained and no policy was sighted;
- o Controls in respect of the management of vehicle fleets were nonexistent. Custodianship of assets was not documented and identified to officers in possession, nor any review conducted on the current arrangement to ensure that the vehicles did exist. In two (2) Agencies, no log books or vehicle history cards were maintained for the Government vehicles. Log books were maintained by two (2) other agencies however, were not updated nor even carried out any inspection at all; and
- o Contrary to Motor Traffic Regulations, vehicles registered with private number plates and tinted glasses were in operation. In many instances fuel consumption was found to be excessive.

General Conclusion

The Total Net Worth Value of Assets maintained or owned/used on behalf of the Government of Papua New Guinea and the Country as a whole has not been determined as yet due to the “Total Valuation of ALL Assets” at all Levels not been ascertained properly and or, not recorded.

Department of Finance Comment

The Department does have a manual Asset Register maintained at the Head Quarters. However under the Integrated Financial Management System (IFMS), there is a software module configured in the system to capture Asset code from the payment process and load the information into the Asset Management Register.

Due to capacity problems, this module which is on trial after the IFMS rolled out to the pilot Agencies located at Vulupindi Haus, has not been utilized. Under the departmental restructure a separate position of Asset management Officer has been created to have an officer who will be responsible for the proper control and management of the department's assets.

20.8.7 Salaries and Wages

Human resource management processes encompass the day to day management and administration of employee entitlements and payroll functions. The salaries and wages costs within the Government Departments represent one of the single largest items of expenditure. On average, direct salaries comprise around 20% of the annual recurrent budget of the State. This represents a significant area of risk thus Management should ensure that these costs are carefully controlled and monitored and that those responsible for payroll functions have the necessary skills and knowledge to effectively execute their functions.

Given the significance of employee expenses, and the fact that by their nature some employees entitlement calculations can be inherently prone to human error, Departments and Agencies need to have adequate control mechanisms in place to capture and process employee data and related payments. In addition, key controls should include appropriate approval and review processes.

The common problems identified across the Departments and Agencies were:

- Although the payroll was processed centrally by the Information Technology Division (ITD) of the Department of Finance for Public Servants, it was the responsibility of the Departmental Head to ensure its accuracy and completeness. It was observed from the examination of four (4) Departments and Agencies that, there was no payroll reconciliation performed by all the HR Divisions throughout the year 2010. The Agencies did not maintain their own ledger records but relied on Department of Finance records. The lack of this key control could facilitate fraudulent payroll activities where payments processed outside the system could not be easily detected in the absence of independent records and reconciliation. There were a number of audit reports produced by the Concept Payroll Division that were available to Departments and Agencies to monitor payroll and in particular to detect fraudulent activities. These audit reports were available online to agencies and also provided each fortnight by the Department of Finance following the processing of payrolls. The reports were a key control to effectively monitor payroll activities and to detect fraud. It was observed that generally, these reports were not accessed by Departments to validate payroll information input at the Department of Finance payroll level;
- The AGO observed that in one (1) Department, 53 casuals were employed for a specific period of time only however had continued working on a fulltime basis and the results of their performance is well overdue for review. Such practice led to exceeding the casuals' staff ceiling (the number of funded positions) or had facilitated nepotism and had caused significant budgetary disorders. These casuals and part time employees were not employed against approved position numbers and even no approvals were obtained from the Secretary of DPM prior to employment. The failure to comply with proper selection processes could result in bias selection and employment;
- One (1) of the important aspects of the human resource function is to maintain records that demonstrate compliance with applicable human resource statutory and regulatory requirements, agency policy and agreements with other parties. Up to date records in respect of individual employees are vital and should be properly maintained. It was observed from the examination of six (6) Departments and Agencies that, the records of salary history cards were not updated on a regular basis with recreational leave details, HDA, sick leave and tax declaration forms;
- *AGO noted in one (1) Department that the ten percent (10%) leave fare deduction was not deducted from the payroll against twenty one (21) officers which aggregated to K101,614. Cases were also noted where the ten percent (10%) leave fare deduction was rejected by the payroll system due to the fifty percent (50%) deduction threshold imposed on the payroll being exceeded;*
- It was observed that there were no Five (5) Year Training Plans, Annual Training Plans or Training Policies in place in the audit of seven (7) Departments. Training was done on an adhoc basis;
- For employees employed on contracts, Contract Review Committees were non-existent or not effective as evident in the two (2) audited Agencies wherein noted that, Employment Agreement for Contract Officers were not reviewed and renewed on time. Contract documents for Senior Officers should be reviewed to avoid unauthorised payments and gratuity payments are paid strictly to officers bound by the contract agreements and only through the payroll. The AGO noted that in all Agencies contract Officers continued to receive salaries and allowances for over a year in most instances while awaiting renewal of their Employment Agreements; and
- As a general observation, the AGO noted that personnel files were not kept in a satisfactory manner. These files were left lying around on the floor area rather than in a secure environment. There was a risk of loss of payroll and personnel information or documents in the files damaged due to unauthorised Staff having access to payroll and personnel information.

20.8.8 Un-acquitted Advances

With reference to Part 20 of the Financial Management Manual, all Overseas and Domestic travel advances paid are to be recorded in the register of advances and controlled and managed by the Financial Delegates. In addition, no second advance is to be made when the first advance is outstanding/yet to be acquitted. Furthermore, the Financial Delegates should be reviewing the register of advance to make sure that all advances are acquitted upon due dates. The payments of advances are monitored to ensure that the Officers took the trips as intended and were entitled to those advances.

Although, the advances paid were not material amounts in respect of the payments made out of the Public Account, due to the significance of the issues identified such as virtually non-existent controls, management overriding the controls and potential for fraudulent activities occurring, the AGO had examined in detail all the areas of advance management. The following significant issues were identified:

- In 18 Agencies audited, unacquitted advances in 2010 amounted to over K17.9 million. There was no proper recovery action taken either through reminder letters sent or salary deductions effected to acquit/recover the outstanding advances. In eight (8) Agencies, 239 second advances were paid to Staff members despite the first advance totalling K798,005 remained unacquitted;
- Three (3) Agencies had unacquitted salary and cash advances amounting to K2,254,967 in 2010. It was also noted that, there were additional unacquitted cash advances accumulating from previous years. And there were many instances identified where Officers that had resigned were not held accountable by Management to acquit their unacquitted advances from their final payouts. Even the Agencies had no limit set on the amount of cash advances to be given leading to instances where the amount of cash advance given to employees exceeded the value of their annual salaries;
- AGO observed that, there were practices of Agencies paying significant amounts to Paymaster as cash advances. The cheques for such payments were normally cashed by the Paymaster and paid to Officers that were the recipients. Such practice could lead to fraud as there was no documentation/audit trail such as completing an “order to pay agent” form authorising the Paymaster to be paid. Even such payment can lead to confusion as to who should be responsible to acquit resulting in such payments not being acquitted;
- There was no segregation of duties as AGO have ascertained that, any staff member working at the Accounts Section can attend to the recording and paying of advances at any time. Such practice can lead to advance records distorted; and
- Management of advances was very poor and there was no assurance over the completeness of the recorded balances. AGO identified advances of K321,567 not recorded in nine (9) Agencies alone.

SECTION “C”

APPENDICES

APPENDICES

Appendix "1"

Department of Finance - Performance Rating Report for National Government Departments Bank Reconciliations

No.	Department	Last Bank Reconciliation Received
1	Agriculture & Livestock	October 2010
2	Agriculture PIP	April 2010
3	Commerce & Industry	October 2010
4	Community Development	November 2010
5	Correctional Services	October 2010
5	Defence	November 2010
6	Education General	January 2010
7	Environment & Conservation	April 2010
8	Finance Drawing A/C (FCB)	June 2010
9	Treasury	November 2010
10	Foreign Affairs & Trade	September 2010
11	Governor- General	July 2010
12	Labour & Industrial Relations	December 2006
13	Lands & Physical Planning	October 2009
14	National Intelligence Organisation	March 2010
15	National Planning Office	May 2009
16	Office of Higher Education	April 2010
17	Office of Rural Development	September 2010
18	Personnel Management	November 2010
19	Petroleum and Energy	August 2010
20	PNGIPA	September 2010
21	Provincial Affairs & LLG	April 2010
22	Public Prosecutor	October 2010

Appendix “2”

Payments to Cash Adjustment Account

#	Date	Cheque No.	Transaction Description	Amount (K)
1	12/02/10	903098	Toyota Land riser for Police operation	181,461
2	15/02/10	903134	Proposed Conference Training centre	873,000
3	10/03/10	903772	Office Supplies –Boroko Police Station	4,931
4	18/03/10	903961	Re-issue of Chq 901819 –Dec 2009	108,527
5	19/03/10	904023	Re-issue of Chq 901819 –Inv#BM318130095	15,600
6	13/04/10	905022	Reimbursement payment	146,442
7	26/04/10	905507	Purchase of 3 bedroom houses Gerehu 3B	740,000
8	26/04/10	905508	Purchase of 10 bedroom houses Gerehu 3B	2,800,000
9	26/04/10	905509	Purchase of 10 bedroom houses Gerehu 3B	2,800,000
10	26/04/10	905510	Purchase of PM’s Official car	290,000
11	26/04/10	905513	Being re-issuant of cheque from NADP	150,000
12	28/05/10	906854	U/pmt of contractual entitlements – Police	122,615
13	02/07/10	908038	Consultancy Fees from NADP	50,000
14	02/07/10	908037	Request to fund Kiriwina Show	250,000
15	02/08/10	909046	Payment of O/S Security services	250,000
16	10/08/10	909326	O/S funding for Jiwaka Women’s Assoc	250,000,000
17	10/08/10	909327	O/S funding	250,000,000
18	10/08/10	909329	O/S funding for WHP Women’s Assoc	250,000
19	10/08/10	909328	O/S funding for Jiwaka Women’s Assoc	250,000
20	27/08/10	910036	Financial Assistance – Simbu NBC	20,000
21	24/09/10	910846	Financial Assistance	200,000
22	24/09/10	910847	Financial Assistance	100,000
23	01/10/10	910847	Pmt of O/S wages & allowances	241,542
24	06/10/10	911182	Pmt of O/S balance for office partition	207,566
25	23/11/10	913615	Outstanding payments	220,994
26	25/11/10	913698	O/S Wages for employees of SH Prov Govt	29,640
27	25/11/10	913695	Wages Tax for employees of SH Prov Govt	15,960
28	01/12/10	914984	O/S Pmt of office partition & renovation	280,181
29	31/12/10	916507	Ex-Gratia payments	467,997
30	31/12/10	916633	Purchase of Lucas Mill Units	235,002
31	31/12/10	916634	Purchase of Motor vehicles	117,227
32	31/12/10	916507	Payment of fees and charges	150,000
Total				<u>511,568,685</u>

Appendix "3"

Operations of Revoked Trust Accounts

No	PARTICULARS		Status as at 31-Dec	Opening Balance	Receipts	Payments	Closing Balance
				1/1/2010			31/12/2010
				K'000			K'000
GENERAL TRUSTS WITH BANK ACCOUNTS							
1	51	National Women's Credit Scheme T/A **	Revoked/2006	1	-	(0)	1
2	52	Nat. Disaster & Emerg. Gen. T/A. **	Revoked/2006	-	2,642	-	2,642
3	152	Health Sector Development Program **	Revoked/2006	-	18,522	-	18,522
4	154	Health Sector Development Program(GOPNG)**	Revoked/2006	17	-	-	17
5	171	Central Province Emergency Fund	Revoked/2005	-	1,630	(1,630)	-
6	209	PNG/New Zealand School Journal **	Revoked/2007	301	-	(301)	-
7	247	Central Supply & Tenders Board **	Revoked/2005	3,894	443	-	4,337
8	270	Simbu Rural Electrification GoPNG**	Revoked/2005	607	-	-	607
9	272	Defence Force Commercial Support**	Revoked/2005	847	453	(898)	402
10	280	Mining Sector Institutional Strengthening **	Revoked/2007	1	-	(0)	1
11	281	Mining Sector Institutional Strengthening **	Revoked/2007	38	0	-	38
12	381	Tec. Assist. Facility for Inst. Strengthening	Revoked/2005	19	94	(113)	-
13	403	Yumi Yet Bridges for Rural Development **	Revoked/2006	432	0	-	432
14	411	Defence Force Commercialisation Programme	Revoked/2005	-	402	-	402
15	412	PNG-ADB Micro Finance Project GoPNG **	Revoked/2007	1,153	1,285	(1,111)	1,327
16	413	PNG-ADB Micro Finance Project Imprest **	Revoked/2005	0	41	-	41
17	416	Rehab. of Marine Time Nav. Aids Sys. GoPNG **	Revoked/2005	456	-	(0)	456
18	437	Elementary Teacher Educ. Support Project T/A **	Revoked/2006	40	-	(40)	-
19	442	Prepared Communities Grant Trust **	Revoked/2007	301	-	(0)	301
20	446	Northern Australian Quarantine Insp. Strat. (NAQS)	Revoked/2007	213	309	-	522
21	463	District Roads, Sea & River Trans. Improv. Pro.	Revoked/2006	521	-	-	521
22	533	Outstanding Contractual Commit. for DDP Trust A/C	Revoked/2007	51	-	(51)	-
	TOTAL			8,894	25,822	(4,144)	30,571
GENERAL TRUSTS WITHOUT BANK ACCOUNTS							
23	3	Child Welfare**	Revoked/2006	5	27	(18)	301
24	4	Contract Retention Fund	Revoked/2006	(0)	0	-	-
25	15	Landing Bond	Revoked/2005	-	-	-	-
26	18	Native Monies Trust	Revoked/2005	-	-	-	-
27	31	Suspense Account NO. 2**	Revoked/2006	213	309	-	522
28	32	Suspense Account NO. 2 -- Prov Govt**	Revoked/2006	521	-	-	521
29	33	Tender Deposits	Revoked/2006	(0)	0	-	-
30	35	Vocabulary Stores Trust Account	Revoked/2006	(0)	0	-	-

31	36	Works Suspense Outside Trust	Revoked/2006	(0)	0	-	-
32	46	East Sepik Prov Govt – SETA	Revoked/2006	(0)	0	-	-
33	48	Fly River Prov Govt – SETA	Revoked/2006	(0)	0	-	-
34	55	North Solomons Prov Govt – SETA	Revoked/2006	(0)	0	-	-
35	59	Southern Highlands Prov Govt SETA	Revoked/2006	(0)	0	-	-
36	62	Community Schools Teachers Housing	Revoked/2006	(0)	0	-	-
37	64	Provincial Mineral Petroleum Royalty	Revoked/2006	(1,343)	-	-	(1,343)
38	72	European Economic Community	Revoked/2006	(0)	0	-	-
39	78	Works Prov Govt Projects Trust	Revoked/2006	(0)	0	-	-
40	79	Prov Govt Computer Project	Revoked/2006	(0)	0	-	-
41	81	Health Department Projects T/A	Revoked/2006	(0)	0	-	-
42	82	Timber Royalties T/Account	Revoked/2005	(86)	-	-	(86)
43	91	Bougainville Rehabilitation T/Acct	Revoked/2006	29	-	-	29
44	92	DPM Information Technology Training Room	Revoked/2006	(0)	0	-	-
45	94	Goroka Hospital Fees T/Acct	Revoked/2006	(0)	0	-	-
46	97	Mendi Hospital Fees T/Act	Revoked/2006	(0)	0	-	-
47	98	Kimbe Hospital Fees T/Acct	Revoked/2006	(0)	0	-	-
48	101	Kerema Hospital Fees T/Acct	Revoked/2006	(0)	0	-	-
49	105	Kiunga Hospital T/A	Revoked/2006	(0)	0	-	-
50	107	Vanimo Hospital Fees T/A	Revoked/2006	(0)	0	-	-
51	119	E/Highlands Prov School Subsidy	Revoked/2006	(0)	0	-	-
52	121	Western Prov School Subsidy	Revoked/2006	-	0	(0)	0
53	122	Milne Bay Province School Subsidy	Revoked/2006	(0)	0	-	-
54	128	Simbu Prov. School Subsidy T/A	Revoked/2006	1	1	-	1
55	129	Kutubu Petroleum Royalties T/A	Revoked/2006	8,646	-	-	8,646
56	130	Gobe Trust Account	Revoked/2006	722	-	-	722
57	136	Moran Trust	Revoked/2006	(6,653)	-	-	(6,653)
TOTAL				4,943	155,945	(139,508)	21,380
GRAND TOTAL				13,836	181,767	(143,652)	51,952

Key:

** Twenty nine (29) action items that came with these accounts in Statement C of 2009 Public Accounts are still outstanding.

Three (3) Trust accounts were disclosed as active in Statement C 2009 but were reported in 2010 as revoked as of 2005, 2006 & 2007; there was no documentation provided for proof.

24 Trust accounts without bank accounts were added back in the 2010 Public Accounts.

Appendix "4"

Follow up of 2009 Trust Investments not sighted

Trust Instruments not sighted in 2009 Public Accounts					2010 follow up of 2009 Trust Investments not sighted as at 07/07/2011
No.	Particulars		Status as at 31/12/2009		
	GENERAL TRUSTS WITH BANK ACCOUNTS			Year	
1	247	Central Supply & Tenders Board	Revoked	2005	No
2	380	PNG NWS – TWP/ ARM Trust	Active	-	No
3	382	PNG Highlands Highway Rehab. Pro	Active	-	No
4	383	PNG Highlands Highway Rehab. Pro	Active	-	No
5	483	Basic Education Dev. Project Imprest T/A	Active	-	No
6	513	AUSAID Grant Imprest Account	Active	-	No
GENERAL TRUSTS WITHOUT BANK ACCOUNTS					
7	30	Suspense – Housing Commission	Active	-	No
8	34	Unclaimed Monies Trust Account	Active		No
9	64	Prov Mineral Petroleum Royalty	Revoked	2006	No
10	74	Workers Compensation Trust Account	Active		No
11	91	Bougainville Rehabilitation Trust Account	Revoked	2006	No
12	136	Moran Trust	Revoked	2006	No
13	137	Central Moran Petrol Dev Proj Levy	Revoked	2006	No

Appendix "5"

Trust Accounts not reported in Statement 'C'

No	Trust A/C #	Date Established	Description
YEAR 2008 = 3 TRUST ACCOUNTS			
1	578	18-April-08	Road Maintenance & Rehabilitation Project-Gulf Provincial Government Drawing Account
2	579	18-April-08	Road Maintenance & Rehabilitation Project-Gulf Provincial Government (Counterpart Funds) Trust Account
3	595	09-Dec-08	Small Holder Agriculture Development Project (SADP) Special Account
YEAR 2009 = 18 TRUST ACCOUNTS			
4	570	04-06-09	Health Service Improvement Program Parent Trust Account
5	594	27-Feb-09	National Planning Committee (NPC) Task Force Trust Account
6	596	09-Mar-09	PNG Gas Commercialization Coordination Working Group Trust Account
7	603	19-Jan-09	Lae Port Development Project GoPNG Funds Trust Account
8	604	19-Jan-09	Lae Port Development Proest ADB 2399-PNG (OCR) Trust Imprest Account
9	612	29-Oct-09	Highlands Region Road Improvement Investment Program Project (1) Loan ADB 2496 Trust - Imprest Account
10	613	29-Oct-09	Highlands Region Road Improvement Investment Program Project (1) Loan ADB 2497 Trust - Imprest Account
11	614	29-Oct-09	Highlands Region Improvement Investment Program Project (1) - GoPNG Counter Funds Trust Account
12	615	17-Nov-09	Law and Justice Sector Program (Subsidiary) - Public Solicitor Trust Imprest Account
13	622	04-Dec-09	Business Growth Trust Account
14	623	04-Dec-09	Waigani Office Redevelopment Trust Account
15	624	04-Dec-09	Infrastructure Development (UBSA) Trust Account
16	625	04-Dec-09	National Planning Capacity Building Trust Account
17	627	04-Dec-09	Business Development Trust Account
18	628	04-Dec-09	Social Development Program Trust Account
19	649	09-Nov-09	Morobe Mining Affected Communities Trust Account
20	650	09-Nov-09	Morobe Mining Landowners Trust Account
21	651	09-Nov-09	Morobe Mining Future Generation Trust Account
YEAR 2010 = 24 TRUST ACCOUNTS			
22	494	06-Oct-10	Seized Goods Proceeds Trust Account
23	568	02-Nov-10	Government of Japan Non Project Grant Aid Counterpart Funds Trust Account
24	587	26-Jan-10	Brown River and Kokoda Region Trust Imprest Account
25	617	25-Feb-10	Ramu Nickle/Colbalt Mine Project Land Disputes Trust Account
26	618	25-Feb-10	PNG Rural Communication Project Trust Imprest Account
27	619	25-Feb-10	PNG Urban Youth Development Project Trust - Imprest Account
28	629	6/01/2010	PNG Independence Fellowship Scheme Trust Account
29	630	22-Apr-10	Economic Corridor Implementation Agency (ECIA) Trust Account
30	632	28-May-10	PDL2 - Kutubu (Foe Landco) LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
31	633	28-May-10	PDL2 - Kutubu (Kusua Landco) LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
32	634	28-May-10	PDL2 - Kutubu (Moran Landco) LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
33	635	28-May-10	PDL2 - Kutubu (Mubi Valley Landco) LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
34	636	28-May-10	PDL2 - Kutubu (Unidentified Landco) LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
35	639	28-May-10	PDL9 - Juha LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
36	640	28-May-10	Pipeline (PDL2-PRL 12 Pipeline Elbow Landco) - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
37	641	28-May-10	Pipeline (Gulf/SHP Border Landco) - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
38	642	28-May-10	Pipeline (Gulf/SHP Border to Kaiam Crossing Landco) - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
39	643	28-May-10	Pipeline LBBSA (Kaiam Crossing to Omati Landfall Landco) - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
40	644	28-May-10	Pipeline (Angore to Muruba River Landco) - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
41	645	28-May-10	Pipeline (Muruba River to PDL5 Landco) - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
42	646	28-May-10	Pipeline (PDL5 to Kamari Creek Landco) - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
43	647	28-May-10	Pipeline LBBSA - PNG LNG (Kido Pipeline buffer Zone Landco - LBBSA - PNG LNG Landowners Business Development Grants Trust Account.
44	648	10-Dec-10	PNG LNG High Impact Infrastructure Projects Trust Account
45	659	17-Sept-10	Hubert Murray Highway Section Trust Account.

Appendix "6"

Actual Expenditures Exceeding Warrant Authorities

No.	Agency	Warrant Authority (K)	Actual Expenditure (K)	Expenditure Exceeding Warrant (K)
1	Office of Governor-General	4,526,400	5,149,888	-623,488
2	Department of Prime Minister & NEC	68,524,600	94,016,089	-5,491,489
3	National Statistical Office	4,670,800	5,882,045	-1,211,245
4	Office of Bougainville Affairs	2,597,600	2,865,112	-267,512
5	Fire Services	17,470,900	17,974,800	-503,900
6	Internal Revenue Commission	27,381,900	35,771,194	-8,367,983
7	PNG Institute of Public Administration	4,249,000	5,372,957	-1,123,957
8	Department of Personnel Management	7,110,500	11,306,773	-4,196,273
9	Public Service Commission	3,780,400	4,114,160	-333,760
10	Office of the Public Solicitor	7,770,200	7,785,784	-15,584
11	Department of Attorney-General	35,445,500	39,063,357	-3,617,857
12	Department of Corrective Institutional s	64,376,300	68,390,236	-4,013,936
13	Provincial Treasuries	26,596,300	32,236,387	-5,640,087
14	Department of Police	201,784,229	220,803,897	-19,019,668
15	Department of National Planning and Monitoring	8,654,924	12,722,382	-4,067,458
16	Electoral Commission	25,018,500	27,528,764	-2,510,264
17	National Intelligence Organisation	3,271,900	3,507,164	-235,264
18	Provincial and Local Government Affairs	15,000,900	15,221,686	-220,786
19	Department of Defence	114,940,500	125,728,167	-10,787,667
20	Department of Education	254,121,910	254,761,677	-639,767
21	Office of Higher Education	37,346,600	37,358,418	-11,818
22	PNG National Commission for UNESCO	711,500	1,627,448	-915,948
23	Department of Health	197,397,600	205,496,931	-8,099,331
24	Hospital Management Services	296,055,600	303,002,505	-6,946,905
25	Department of Community Development	9,838,200	10,355,874	-517,674
26	Department of Environment and Conservation	9,691,500	12,008,175	-2,316,675
27	Department of Agriculture and Livestock	13,436,400	17,498,456	-4,062,056
28	Department of Lands and Physical Planning	28,314,000	28,546,528	-232,528
29	Department of Mineral Policy and Geo-h	4,228,200	7,202,036	-2,973,836
30	Department of Petroleum and Energy	11,076,800	12,125,616	-1,048,816
31	Department of Public Enterprises	396,100	2,785,321	-2,389,221
32	Department of Information and Community Develop.	3,067,000	3,171,837	-104,837
33	Department of Transport	17,763,100	19,865,085	-2,101,985
34	Department of Commerce and Industry	10,986,600	12,647,159	-1,660,559
35	Department of Industrial Relations	11,360,500	13,872,766	-2,512,266
36	Department of Works and Implementation	57,036,700	66,800,548	-9,763,848
37	Office of Rural Development	5,256,500	5,417,082	-160,582
38	Central Supply & Tenders Board	1,671,700	2,344,874	-673,174
39	University of Goroka	12,545,100	12,545,100	-14,477,970
40	Constitutional and Law Reform Commission	2,303,100	2,303,100	-2,605,729
41	National Institute of Standards & Industry	2,658,900	2,658,900	-2,774,900
42	Cocoa Coconut Institute Ltd	5,416,600	5,416,600	-6,061,800
43	Gulf Provincial Government	25,140,700	26,099,267	-957,715
44	Oro Provincial Government	29,415,700	31,851,421	-2,435,721
45	Southern Highlands Province	72,908,100	92,362,057	-19,442,478
46	Enga Provincial Government	49,770,000	57,422,082	-7,649,667
47	Western Highlands Provincial Government	63,141,800	75,513,923	-12,372,123
48	Simbu Provincial Government	51,325,700	55,202,800	-3,876,816
49	Eastern Highlands Provincial Government	64,921,500	70,725,650	-5,798,941
50	Morobe Provincial Government	86,587,700	89,749,889	-3,161,619
51	Madang Provincial Government	60,808,500	71,660,418	-10,848,482
52	East Sepik Provincial Government	63,172,300	71,248,558	-8,076,258
53	Sandaun Provincial Government	43,233,900	45,849,585	-2,614,829
54	Manus Provincial Government	21,995,400	23,003,618	-551,330
55	New Ireland Provincial Government	32,738,000	33,926,472	-1,188,472
56	East New Britain Provincial Government	56,534,300	59,385,662	-2,850,912
57	West New Britain Provincial Government	46,235,100	47,913,991	-1,678,891
58	Autonomous Bougainville Government	58,938,700	63,568,020	-4,629,320
	Total	2,482,718,963	2,690,736,291	-233,433,977

Appendix "7"

Over Expenditures under Item 111

No	Description	Item 111 – Salaries & Allowances		Variance +(-) K
		Warrant Authorised	Actual Expenditures	
1	Office of Governor- General	702,900	1,118,498	-415,598
2	Department of Prime Minister & NEC	27,896,100	30,939,498	-3,043,398
3	National Statistics Office	2,722,700	3,263,155	-540,455
4	Office of Bougainville Affairs	629,200	877,103	-247,903
5	Department of Finance	7,614,100	7,733,457	-199,357
6	Fire Services	7,798,400	8,033,247	-234,847
7	Internal Revenue Commission	13,758,200	13,858,547	-100,347
8	Department of Foreign Affairs & Trade	11,244,300	13,531,035	2,286,735
9	Public Service Commission	1,698,500	2,019,950	-321,450
10	Office of The Public Solicitor	3,062,268	3,076,793	-14,525
11	Department of Attorney-General	13,015,200	15,305,636	-2,290,436
12	Provincial Treasuries	20,590,800	21,594,607	-1,003,807
13	Department of Police	112,728,900	121,897,758	-9,168,858
14	Department of National Planning & Monitor	6,279,900	7,241,550	-961,650
15	National Intelligence Organisation	1,163,900	1,215,932	-52,032
16	Department of Defence	50,314,800	59,201,667	-8,886,867
17	PNG Nat'l Commission for UNESCO	943,800	1,064,811	-121,011
18	Department of Community Development	4,309,800	4,536,101	-226,301
19	Department of Mineral Policy & Geo-Hazard	3,320,600	3,701,738	-381,138
20	Department of Petroleum & Energy	4,434,900	4,916,473	-481,573
21	Department of Information & Communication	634,300	739,392	-105,092
22	Department of Commerce and Industry	4,044,200	4,617,630	-573,430
23	Department of Industrial Relations	3,999,300	4,977,299	-977,999
24	Department of Works and Implementation	23,191,400	31,842,830	-8,651,430
25	Central Supply and Tenders Board	669,100	817,179	-148,079
26	Oro Provincial Government	20,818,400	22,629,021	-1,810,621
27	Southern Highlands Province	58,916,500	78,358,977	-19,442,477
28	Enga Provincial Government	38,892,000	46,548,468	-7,656,468
29	Western Highlands Provincial Government	45,969,900	58,342,024	-12,372,124
30	Simbu Provincial Government	37,828,300	41,705,116	-3,876,816
31	Eastern Highlands Provincial Government	46,872,700	52,671,740	-5,799,040
32	Morobe Provincial Government	70,295,600	72,801,119	-2,505,519
33	Madang Provincial Government	40,140,900	50,989,383	-10,848,483
34	East Sepik Provincial Government	40,490,900	48,567,158	-8,076,258
35	Sandaun Provincial Government	29,515,600	30,961,329	1,445,729
36	Manus Provincial Government	14,942,100	15,493,430	-551,330
37	New Ireland Provincial Government	26,456,200	27,644,672	-1,188,472
38	East New Britain Provincial Government	44,861,800	47,712,712	-2,850,912
39	West New Britain Provincial Government	33,600,000	35,278,890	-1,678,890
40	Autonomous Bougainville Government	32,531,600	36,180,939	-3,649,339
	Total	932,195,000	908,900,068	-125,106,796

Appendix "8"

Appropriations into Trust Accounts

#	Name of Trust Account	Appropriation	Status of Trust Accounts	Funds for Trust Accounts not Established
<i>Development Budget</i>		(K)		(K)
1	District Services Improvement Program Trust Account	178,000,000	Active with Bank Account	
2	Infrastructure Development (UBSA) Trust Account	120,000,000	Not Established	120,000,000
3	Business Development (UBSA) Trust Account	60,000,000	Not Established	60,000,000
4	Coastal Vessels Trust Account	50,000,000	Not Established	50,000,000
5	Rehabilitation of Transport Infrastructure Trust Account	40,000,000	Not Established	40,000,000
6	Rural Electrification Trust Account	40,000,000	Active with Bank Account	
7	National Roads-Missing Links Trust Account	40,000,000	Not Established	40,000,000
8	Coastal Fisheries Trust Account	20,000,000	Not Established	20,000,000
9	Waigani Office Redevelopment Trust Account	15,000,000	Not Established	15,000,000
10	Land Reform Program Trust	5,000,000	Active with Bank Account	
	Total Trust Funds	568,000,000		345,000,000
<i>Supplementary Budget</i>		(K)		(K)
1	Outstanding Liabilities Trust Account	100,000,000	Not Established	100,000,000
2	Highlands Highway Rehabilitation Trust Account	100,000,000	Active with Bank Account	
3	Hubert Murray Highway Upgrading Project Trust Account	70,000,000	Not Established	70,000,000
4	Transport Sector-Lae City Roads Subsidiary Account	50,000,000	Active with Bank Account	
5	Transport Sector-District Roads Account	50,000,000	Active with Bank Account	
6	Provincial Services Improvement Program Trust Account	40,000,000	Not Established	40,000,000
7	PNG LNG High Impact Infrastructure Projects Trust Accounts	40,000,000	Not Established	40,000,000
8	Regional Finance & District Administrators Offices Establishment T/A	30,000,000	Not Established	30,000,000
9	ILG & Issues Committee Trust Account	20,000,000	Not Established	20,000,000
10	Business Growth Centres Trust Account	20,000,000	Not Established	20,000,000
11	National Parliament Infrastructure Rehabilitation Trust Account	10,000,000	Not Established	10,000,000
12	Mobile Police Barracks Trust Account	5,000,000	Not Established	5,000,000
13	REDD Program Trust Account	3,300,000	Not Established	3,300,000
14	Incentive Fund Support Trust Account	3,000,000	Not Established	3,000,000
15	Department of Finance-Audit and Legal Team Support Trust Account	2,000,000	Not Established	2,000,000
16	Corrective Institutional Services-Prison Industries Program Trust Account	2,000,000	Not Established	2,000,000
17	Mining Legal Cost Trust Account	2,000,000	Not Established	2,000,000
18	Mining Office Rehabilitation Trust Account	2,000,000	Not Established	2,000,000
19	Cooperative Societies Establishment Trust Fund	2,000,000	Active with Bank Account	
20	Vararata National Park Rehabilitation Trust Park	1,000,000	Not Established	1,000,000
	Total Trust Funds	552,300,000	=	350,300,000

**I. OVERVIEW OF THE GOVERNMENT ACCOUNTING SYSTEM,
ACCOUNTING PRINCIPLES AND CONCEPTS**

1. Government accounts are maintained on cash basis. Receipts and expenditure are brought to account only when money is actually collected or when a payment is made. Cost of goods and services received in one year is brought to account in the year of payment and not spread over the years during which they may be used. Similarly, if revenue receivable in one year is not actually received in that year, its accounting will be deferred until it is received.
2. A distinguishing feature of the Government financial system is the concept of fund entities, which is derived from the fact that the legislature controls public finances. According to the fund entities concept, government revenues and loans accumulate under a fund and withdrawals therefrom to meet expenditure are strictly governed by authorisation by Parliament through structured channels. If an obligation incurred during a year is not met during or before the close of the year, it has to be carried forward and met from next year's Parliamentary authorisation, and cannot be met from unspent revenues of the year in which the obligation was incurred. Parliamentary authorizations or appropriations are annual but there are special dispensations within the concept to allow for revolving fund operations of a quasi-commercial nature, usually under trustee arrangements. Under these arrangements, Parliamentary appropriations, either for start-up assistance in the form of initial working capital or budget subsidies for operations, are paid into a separate fund and the balances under this fund are carried forward from year to year. Monies raised by such activities which get paid into the fund are subject to vigorous control as normal public expenditure.
3. If an expenditure is incurred on a service in one year and a recovery is made or a refund is received or a cheque is returned not delivered to the payee in relation to that expenditure in the subsequent year, the recovery, refund or the value of the cheque banked will be credited to Revenue (Appropriation of Former Years) in the subsequent year's account. Thus, if an airline ticket is purchased in 2009 and if a refund is obtained from the airline company in 2010 because the ticket was not utilised, refund will be credited to Revenue in 2010. Similarly, if salary is overpaid erroneously in one year and is recovered in the next year, the recovery will be credited to Revenue. No attempt shall be made to raise the budgeted allocations by crediting to the expenditure votes, recoup of overpayments, refunds received and other recoveries for services paid for in the previous years.
4. If expenditure is incurred in one year and recovery is made or refund is received or cheque is returned without delivery to the payee in respect of that expenditure within the same year, the recovery, refund or value of cheque banked will be credited to the expenditure vote thereby adding to the availability of funds.
5. No refund of revenue shall be made by charging the revenue. All refunds have to be made charging the expenditure votes for Refunds included under *Appropriation Act*.
6. Offshore loans received in kind under which international agencies pay suppliers directly for services or goods supplied, by treating them as part of the loan to the Government, must be brought into account both as loans (revenue ledger) and as expenditure.

II FINANCIAL AND MEMORANDUM ACCOUNTS

7. Since Government accounts are on a cash basis it is imperative that subsidiary accounts are maintained to provide a complete view of the assets and liabilities of the Government and are also kept reconciled to the financial accounts as far as possible. The following are the major memorandum records that are subsidiary to the financial accounts:
- (a) Uniform register showing the date of purchase of each item of capital nature (classified under the subcategory 210, 220 and 230 with over K1,000 in value and with normal life of more than one year) its cost price, description, distinctive (serial and model) number, date of final disposal and method of disposal;
 - (b) Debtors' accounts showing the name and address of each debtor, amount due, of cash, amount received, receipt number and other useful information;
 - (c) Vendors' accounts showing accounts received from suppliers (or personal claims) and registered for payment, particulars of payments, if not paid then state the stage at which it is pending; and
 - (d) Advances Ledger showing payments either charged to votes or to Advances account analysed by name and address of the advance holder, amount, date of advance, when acquitted, refund amount (if any) received, date of final acquittal of an advance.

TRUST FUNDS RELEVANT LEGISLATIVE REQUIREMENTS

Public Finances (Management) ACT, 1995

Section 16 Payments into Trust Accounts, states:

(1) *There shall be paid to the credit of a Trust Account: -*

- (a) *all moneys appropriated for the purpose of the Account;*
- (b) *all moneys received from any dealing with any articles purchased or produced, or for work paid for, with moneys standing to the credit of the Account;*
- (c) *all moneys paid by any person for the purposes of the Account; and*
- (d) *amounts appropriated as Government contribution to a project which is partly funded by an international agency, whether by way of loan or grant.*

Section 18 states that “*Subject to Subsection (1), transfers of funds from Consolidated Revenue Fund to Trust Fund are prohibited unless a special transfer is authorized by an Appropriation Act*”.

Section 19 (2) states that “*A Departmental Head of a Department responsible for a Trust Account shall ensure the proper management and operation of that account, and Section 19 (4)(c)] shall maintain such records pertaining to the Account as are required by the Departmental Head of the Department responsible for financial management and shall submit to him within seven days after the end of each month, details of transactions on the account; and (d)shall, at the end of each fiscal year, submit to the Departmental Head of the Department responsible for financial management, a Statement of the account for the preceding year.*

Finance Instruction

PART 12—TRUST FUND AND TRUST ACCOUNTS

1. Trust Fund

The Trust Fund is part of the Public Account according to Section 10 of the *Public Finances (Management) Act, 1995*. All public moneys are payable into either the Trust Fund or the Consolidated Revenue Fund depending on the nature of the receipt.

The Trust Fund consists of a number of trust accounts established under Section 15 of the *Public Finances (Management) Act, 1995*. The aggregate of the balances in the individual trust accounts constitutes the Trust Fund balance. Public moneys are payable into the Trust Fund only if such payments are within the specific scope of any individual trust account; otherwise such moneys must be paid into the Consolidated Revenue Fund.

2. Categories of Trust Accounts

Trust Accounts have been established to account for the following types of transactions or funds:

- (i) Moneys held in trust for third parties;

- (ii) Revolving or working capital funds provided for certain Government, commercial or trading operations; and
- (iii) Suspense or other transitory transactions which are to be held in special accounts until they are transferred to the final accounts.

The Trust Accounts have been divided into the following categories in the Trust Funds Account Code for accounting purposes:

- Category (a): Finance Operating Trust Accounts
- Category (b): General Trust Accounts:
 - (i) with bank account; and
 - (ii) without bank account.
- Category (c): Investment Trust Accounts
- Category (d): Project Trust Accounts

The balances standing to the credit of the Category (c) trust accounts must be invested, whereas investment is discretionary in the case of Category (b).

Finance Operating Trust Accounts

These are asset or clearance accounts and are of 2 types:

- (i) With separate Bank accounts - the Waigani Public Account (WPA), Operating Accounts of Provinces, Drawing Accounts of self-accounting national departments are examples; and
- (ii) Non-bank Accounts - Examples are the Permanent Advances, Other Advances, Bank Transfer to WPA, Cash In Transit, and Salaries Clearance Account. Assets represented by balances in these trust accounts are represented by a corresponding liability reflected in balances in the Consolidated Revenue Fund and the General Trust Fund Account.

General Trust Accounts:

General Trust Fund Accounts may be categorised into two (2) types:

- (i) those with separate bank accounts (Trust Accounts of Public Curator, Registrar of National Court, Public Solicitors, General Hospital Welfare, World Bank, ADB, Correctional Services, Stabex Entitlement, Police Messing, POM General Hospital Fees are examples of these trust accounts), and
- (ii) those without separate bank accounts and which operate through Waigani Public Account (Plant & Transport Trust, Vocabulary Stores Trust, Trust Account for each Provincial Government, Trust Account for Hospital Fees are examples of this type of trust).

The liability for balances in the first category (General Trust Fund Accounts with bank accounts) is represented by moneys held in separate bank accounts for these trust accounts. Similarly the liability for trust account balances in the second category (General Trust Fund Accounts operating through the Waigani Public Account) is represented by a corresponding balance held in the WPA.

Investment Trust Accounts

Amounts paid into trust accounts such as Motor Vehicle Dealer's Deposits, Mineral Resource Stabilisation Fund, National Emergency Fund must be invested. The liability represented by account balances in these trust fund accounts is represented by cash balances held in the bank accounts under the category "Trust Investment Accounts".

3. Basis of Trust Accounts

Trust Accounts (other than Finance Operating Trust Accounts) are created either by trust instruments signed by the Minister for Finance or specific provision in a law.

Where a trust account is created under a trust instrument, the terms of the trust will govern receipts, payments, investments and income from investments, in relation to that trust account.

4. Establishment of Trust Accounts

Section 15 of the *Public Finances (Management) Act, 1995* provides that Trust Accounts may be established as directed by the Minister or prescribed by any other law.

- to receive moneys held by the State as trustee;
- to receive the proceeds of commercial or trading activities carried on by any arm, agent or instrumentality of the State; and
- for such other purpose as may be approved by the Minister.

According to Section 19(2) and (3), a Departmental Head responsible for a Trust Account shall ensure the proper management and operation of that Account. The Departmental Head before the commencement of each fiscal year submit to Secretary for Finance, in the prescribed form an estimate of receipts and payments expected to be made into and withdrawn from the Account.

As a general rule, Departments will not be allowed to open trust accounts where the normal appropriation and revenue accounts under the Consolidated Revenue Fund (with suitable memorandum records, where necessary) would suffice.

Where the need for opening a trust account is specifically felt, the implementing agency will address the Department of Finance giving the following details:

- (a) Special advantage in opening the trust account;
- (b) Purposes for which the trust account will be used;
- (c) Sources of revenue;
- (d) Specific objects on which moneys from the Account will be spent; and
- (e) Persons (name and designation) authorizing to operate the account.

If the Department of Finance is satisfied, a trust instrument will be drawn up in consultation with the originating Department and the State Solicitor and submitted to the Minister for Finance for consideration and approval.

Departmental Head responsible for a particular Trust Account will submit within seven days after the end of each month, details of transactions of the Trust Account.

5. Banking Arrangements and Rendition of Account

Normally trust accounts, being part of the Public Accounts will not be allowed special banking arrangements. Instead, receipts and payments will be accounted for by Provincial and District Treasuries or Department of Finance in Port Moresby.

However, in special cases (such as projects substantially financed by contributions from foreign countries or agencies and where the contributors require such a facility or where projects are likely to be converted into statutory authorities after a period), there is no objection to allowing a special banking facility.

Where a special bank account is to be opened for a trust account, the following requirements should be kept in view:

- (a) A bank account may be opened at the Bank of Papua New Guinea or any commercial bank, but no account should be opened without specific prior approval from the Department of Finance; and
- (b) Implementing agencies should ensure that a Statement of cash account is submitted to the Public Account of the Department of Finance for each month not later than seven days after the end of the month; unless a different period is allowed under the trust instrument. The receipts and payments during the period and the closing balance should be accompanied by bank reconciliation statements. This is necessary for incorporation of the trust transactions in the monthly and quarterly statement of Public Account compiled by the Department of Finance.

6. Payment into Trust Accounts

The following moneys will be paid into a trust account:

- (a) Moneys appropriated for the purpose of the trust account;
- (b) Sale proceeds of assets purchased from the trust account and other receipts which are allowed by the trust instrument to be credited to the trust account;
- (c) All moneys paid by any person for the purpose of the trust account specifically provided for in the trust instrument.

7. Payments out of Trust Account

Moneys may be paid out of the trust account only:

- (a) for the purposes of the trust account or as authorised by a law;
- (b) if there is sufficient credit balance in the account; and
- (c) in accordance with the estimate of receipts and payments submitted by the departmental head for each fiscal year to the Secretary, Finance and as approved by the latter.

8. Trust Accounts Reconciliation

It is the responsibility of Departmental Heads to ensure that all Trust Accounts under their control are reconciled on a monthly basis with copies sent to Public Accounts Division, Department of Finance no later than 14 days of the close of each month.

Failure to comply with the provisions of the *Public Finances (Management) Act, 1995* and the conditions of the Trust Instrument may result in actions being taken as stated below.

9. Moneys at Credit of Trust Account not to Lapse

Moneys standing to the credit of a Trust Account at the end of a fiscal year shall not lapse at the end of that fiscal year and will be carried forward to the next year.

10. Management of Trust Accounts

As a general rule, where a trust account has been established to meet the specific needs of a Department, the Head of that Department is responsible to ensure proper management and operation of that account in accordance with Section 19 of the *Public Finances (Management) Act, 1995*.

11. Suspension of Trust Accounts

The Secretary for Finance at his discretion under Section 19(5) of the *Public Finances (Management) Act, 1995* may:

- Suspend the operation of a Trust Account where the provisions of the *Public Finances (Management) Act, 1995* are not complied with, or
- Take over the responsibility for the operation of that Account, or
- Close the operation of the Account where there has been no attempt made to reconcile the Account.

12. Transfer to Consolidated Revenue Fund

The Secretary for Finance in consultation with the Departmental Head responsible for the Trust Account may authorize the transfer of any surplus in that Trust Account to the Consolidated Revenue Fund.

13. Control of Trust Expenditure

Section 19 of the *Public Finances (Management) Act, 1995* prescribes that before the commencement of each fiscal year, the Head of the respective implementing agency with the management of Trust Account shall submit to the Secretary, Finance an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year. These estimates should be submitted in the form prescribed by the Secretary, Finance.

The provisions relating to Appropriation, Minister's Warrant, Warrant Authorities and Cash Fund Certificates, do not apply to Trust Account operations. However, the requirements of commitment control and all other requirements set out in this and other sections and parts of the Manual will fully apply to expenditure drawn from trust accounts.

These requirements relate to purchase of goods and services and stores procedures. To comply with this provision and requirements, the head of the implementing agency responsible for the management of each Trust Account should make suitable purchasing arrangements.

Heads of implementing agencies responsible for Trust Accounts should appoint agency officers to take decisions on expenditure from Trust Accounts and lay down the financial limits up to which requisitions for expenditure from trust accounts can be approved by agency officials. The financial limits will vary according to the purposes viz. capital purchase, capital works, maintenance and other expenditure activities. Where the amount of an individual transaction exceeds the authorised limit of the agency it should be referred to appropriate Section 32 officer for approval.

Financial Delegates entrusted with commitment control and other duties, and authorized to make payments and implement expenditure decisions taken by Section 32 officers in respect of expenditure from the Consolidated Revenue Fund may be entrusted with same or similar responsibilities in respect of expenditure from the Trust Account. Heads of agencies responsible for Trust Accounts should take a decision in this respect or make suitable alternative arrangements.

Section 19(4) of the *Public Finances (Management) Act, 1995* prescribes that the Head of an implementing agency responsible for a Trust Account shall maintain such records pertaining to the Account as are prescribed, and submit them at the end of each fiscal year to the Secretary for Finance. Heads of implementing agencies may delegate this responsibility and designate officers who shall maintain the prescribed records. However, the responsibility to submit records at the end of each fiscal year to Secretary, Finance be delegated and the prescribed records should be submitted no later than 2 months after the expiry of each fiscal year.

14. Use of Finance Forms

Expenditure of moneys from Trust Accounts is to be processed on the prescribed Finance Forms such as Requisitions for Expenditure, ILPOC, and General Expenses (FF3, FF4, FF4A) and related forms, with the following modifications:

- (a) The name of the Trust Account and Code should be indicated in place of the Vote Number;
- (b) The column for Cash Fund Certificate Number will be left blank; and
- (c) The officer or officers authorized to draw money from a trust account in terms of a trust instrument or appropriate law (or an officer approved for the purpose by the Department of Finance, in other cases) will sign in the place meant for the Financial Delegate's signature.

Official receipts (FF132) are to be issued for moneys received to the credit of a trust account.

15. Paying Office Procedure

A Paying Office, before authorizing a payment from a Trust Account, should satisfy itself that there is sufficient credit in the relevant trust account. Where a Trust Account ledger is maintained solely in a Paying Office, the Paying Office should refer to the ledger balance before authorizing payment. If transactions relating to a Trust Account takes place in more than one Paying Office, authorizing officers should ascertain the balance in the Trust Account from the Trust Section of the Department of Finance and Treasury by telephone or other expeditious means.

16. Investments

Investments are made from Trust Accounts by the Department of Finance if the terms of the trust provide for investment and in other cases, if there is surplus cash balance. Such investments are part of the Trust Fund.

Income from the investments will be credited to the appropriate Trust Account if so required under any law or a trust instrument. Otherwise, it will be paid into the Consolidated Revenue Fund.

17. Unclaimed Trust Fund Moneys

According to Section 20 of the *Public Finances (Management) Act 1995*, all moneys standing to the credit of the Trust Fund that have remained unclaimed for not less than six years after they have become payable shall be paid to the Consolidated Revenue Fund. Generally, unclaimed moneys are held under the Unclaimed Moneys Fund Trust Account in terms of the *Unclaimed Moneys Act (Chapter 326)* and this trust account should be reviewed quarterly and action taken to transfer the unclaimed moneys to revenue.

18. Closing of Trust Accounts

Trust Accounts should be reviewed periodically and where they are not required for the purposes for which they were established, a report should be made to the Minister for Finance under Section 21(1) of the *Public Finances (Management) Act, 1995*.

After obtaining the Minister's approval for closing of a Trust Account, the Department responsible for the Trust Account should take steps to meet all the liabilities as expeditiously as possible. The balance left in the account should be dealt with according to any direction in the trust instrument and if there is no direction, the balance should be proposed for transfer to Consolidated Revenue Fund.

ACKNOWLEDGMENT

I would like to thank my staff in undertaking the audit work that is reflected in this report. Their efforts have ensured the financial statement audit work program is on track and enabled preparing this report.

The co-operation and the assistance rendered by all Heads of Departments and their staff are also acknowledged.

Finally, I would also like to thank the Chairman of the Parliamentary Public Accounts Committee and his staff for their continued interest and support for my office.

SIGNED AT WAIGANI THIS TWENTY EIGHT DAY OF JUNE, YEAR TWO THOUSAND AND THIRTEEN.


PHILIP NAUGA
Auditor-General