



# **Report of the Auditor - General**



**EAST NEW BRITAIN PROVINCIAL GOVERNMENT 2016**



# **Report of the Auditor-General**

**On the  
Financial Statements of the  
East New Britain Provincial Government  
for the year ended 31<sup>st</sup> December, 2016**



## OFFICE OF THE AUDITOR-GENERAL

30 April 2019

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

Dear Mr Speaker,

In accordance with the provisions of *Section 214* of the *Constitution of the Independent State of Papua New Guinea*, I have the honor to present to the National Parliament my Report on the accounts of East New Britain Provincial Government for the fiscal year ended 31 December, 2016.

Yours sincerely,



**GORDON KEGA MBA, CPA**  
*Acting Auditor-General*



**AUDITOR-GENERAL'S REPORT ON THE  
EAST NEW BRITAIN PROVINCIAL GOVERNMENT  
2016**

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**ACRONYMS & GLOSSARY OF TERMS**

<b>Acronyms</b>	<b>Glossary of Terms /Definition</b>
AGO	Auditor-General's Office of Papua New Guinea
AROs	Authorized Requisitioning Officers
BPDCL	Barakopo Plantation Development Corporation Ltd.
Constitution	The Constitution of the Independent State of Papua New Guinea
CS&TB	Central Supply and Tenders Board
DSP	Development Strategic Plan
DSIP	District Services Improvement Program
ENBDCL	East New Britain Development Corporation Ltd
ENBPG	East New Britain Provincial Government
ENBPA JPP-BPC	East New Britain Provincial Administration Joint Provincial Planning & Budget Priority Committee
ENBPGOA	East New Britain Provincial Government Operating Account
ENBPGGOA	East New Britain Provincial Government Grant Operating Account
HSIPA	Health Services Improvement Program Account
IBD	Interest Bearing Deposit
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
KRAs	Key Result Areas
MPs	Members of Parliament
MTDS	Medium Term Development Strategies
MTDP	Medium Term Development Plan
NEFC	National Economic and Fiscal Commission
NGOs,	Non-Government Organisations
OL	Organic Law on Provincial and Local-level Governments
PFMA	Public Finances Management Act 1995
PGAS	Provincial Government Accounting System
PGs & LLGs	Provincial Governments and Local-level Governments
PNG	Papua New Guinea
PS&TB	Provincial Supply and Tenders Board
PSIP	Provincial Services Improvement Program
PSDP	Provincial Strategic Development Plan
PTOA	Provincial Treasury Operating Account
RPMA	Receiver of Public Monies Account





## **1.0 EAST NEW BRITAIN PROVINCIAL GOVERNMENT**

### **1.1 Executive Summary**

The Services Improvement Program(SIP) was designed for an holistic approach to service delivery in the province. The key principles of the SIP encompass greater ownership, affordability, sustainability and optimum resource utilization among others. Underpinning the key principles is the Government's Policy on "*Achieving National Equity in Development through the Strengthening of Basic Service Infrastructure*" consistent with the principles of the MTDP (2010-2015), DSP (2010-2030) and Vision 2050. The audit of both the PSIP and DSIP in East New Britain remains to be brought up to current provided there is sufficient program budgetary support as the PSIP is in arrears for up to four years. DSIP audits for Gazelle, Kokopo and Rabaul Districts are in arrears for nine years while Pomio District is five years in arrears.

The Provincial Government five - year Corporate Plan and ten-year Strategic Development Plan had been developed and linked together with emphasis on the Strategic Result Areas, purposely to achieve the provincial government's vision of sustainable social and economic development with equitable service delivery to the people of East New Britain focussed on:

- Governance and Management;
- Health;
- Economic Development;
- Education;
- Social Development;
- Infrastructure;
- Land Mobilization;
- HIV/AIDS Response; and
- Disaster Response

The Provincial Government's Vision Statement under the ten-year Strategic Development Plan specifically stresses the necessity to strengthen the ability of the people as the 'drivers' of development thus empowering them as an essential vehicle to growth and in order for the province to develop in a sustainable manner. The core business of the provincial government is therefore:

- to create a policy environment for the creation of employment opportunities for the people of East New Britain;
- to provide the parameters for planning and programming at the sectorial level on a mid-term basis; and
- to influence the way all other stakeholders are doing their businesses in the province.

### **Individual Report to Parliament**

Readers of this Report should note that with effect from 2019, Part III of my Report to the Parliament will no longer be an annual compendium report as in the past. This means that the results of audits of all agencies and entities including Provincial Governments and Local-level Governments will be reported separately and individually so as to fast-track the reports to parliament on a timely manner. For East New Britain Province, the provincial

government's report for the year ended 31 December, 2016 is the first under the new approach.

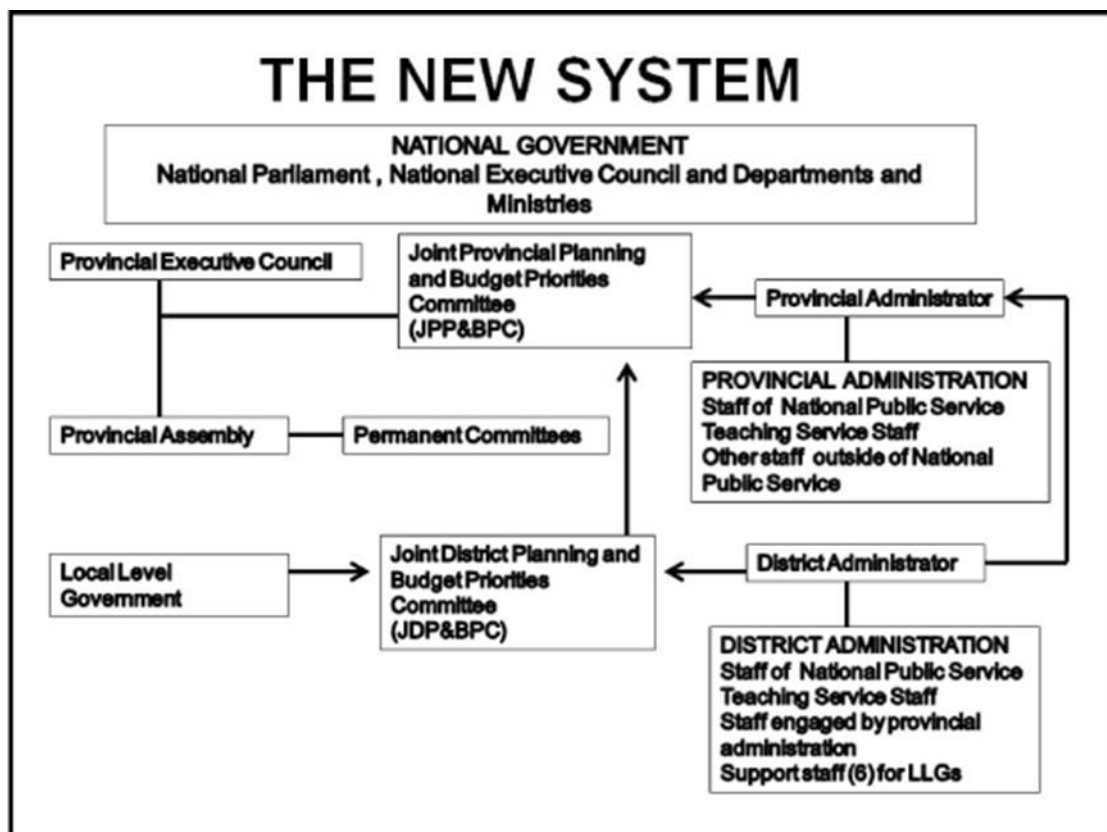
### Making this Report publicly available

The citizens of Papua New Guinea as well as any interested parties may have access to this Report through the AGO website ([www.ago.gov.pg](http://www.ago.gov.pg)) once it has been tabled in the Parliament.

## 1.2 Enabling Entity Legislation

The East New Britain Provincial Government was established under the *Organic Law on Provincial Governments and Local-level Governments (Organic Law) 1995* and *Provincial Governments Administration Act 1997*, the main governing and administrative legislations. As with all provincial governments, the ENBPG is responsible for local education, industry and business development, development and maintenance of roads and parks, refuse collection and disposal, health, environmental protection, economic promotion and tourism among others as its functional responsibilities within the province. The provincial government is administratively structured as in *Figure 1* below.

**Figure 1: Provincial Government Political Structure**



*Source: Provincial Administration Information*

### 1.3 Policies, Budget and Corporate Plan

#### 1.3.1 Corporate Plan

Corporate governance is the way in which an organisation is managed and governed in order to achieve its objectives. Essentially therefore, the development priorities of the ENBPG are necessarily directed by the five-year Corporate Plan, a plan that sets out the strategies, milestones and desired outcomes along with progress review practices and change management policies, and identifies the resources available to deliver the stated aims and objectives of the provincial government. The Corporate Plan with other associated plans are reviewed for their effectiveness in assessing the outcomes of the KRAs during the implementing period.

The East New Britain Provincial Government Corporate Plan 2011-2013 was revised to incorporate a five-year Corporate Plan (2015-2019) to effectively implement the development priorities as outlined in the Provincial Government's ten-year Provincial Strategic Development Plan (2011 to 2021) with specific KRAs of:

- |                                |                               |
|--------------------------------|-------------------------------|
| (i) Governance and Management; | (vi) Infrastructure           |
| (ii) Health                    | (vii) Land Mobilization       |
| (iii) Economic Development     | (viii) HIV/AIDS Response; and |
| (iv) Education                 | (ix) Disaster Response        |
| (v) Social Development         |                               |

I was not provided with evidence to suggest the Provincial Administration had conducted periodic reviews to assess and evaluate the implementation and achievements of goals and objectives as set out in the Corporate Plan as well as the Provincial Strategic Development Plan (2011 – 2021).

In my next report to Parliament, I intend to address issues surrounding the implementation, monitoring and evaluation of the Corporate Plan and its key achievement including the performance of the Budget for the year ended 31 December, 2017.

#### 1.3.2 Policies

Provincial governments are required by *Public Finance Management Act (PFMA)* to ensure that internal revenue and expenditure policies and guidelines are in place so that revenues raised and/or granted and expenditures incurred are consistent with the policy guidelines and within budget appropriations accompanied by a reliable accountability reports thereto. To this end, the ENBPG had relevant policies and guidelines in place which included those on assets management; financial support or grants to public authorities, non-profit organisations and institutions; and advances management to name a few. However, strictly adhering to the policies and guidelines or an effective implementation of these policies had continued to be a problem areas.

#### 1.3.3 Budget and Reporting

Appropriations represent the primary source of revenue for most provincial governments as with other government agencies. One of the key audit tests or reviews on ENBPG budget

was to ensure that the expenditures were within the appropriation limit so that expenditure accurately reflects anticipated final budget outcomes in the national budget system.

The East New Britain Provincial Assembly passed ‘The Appropriation Act 2016’ and certified the same on the 23<sup>rd</sup> of December, 2015 thereby authorizing the estimates of revenue and expenditure of K221,994,100 which included the National Government Grants totaling K194,137,100 for the year ended 31 December, 2016.

My review of postings of the appropriations in the expenditure ledger reports revealed a material overstatement by K18,266,600 in the ledgers against the budget documents initial appropriation total of K221,994,100. I was not provided an approved and certified copy of any revised budget to verify the reported current appropriation although there were quarterly budget revisions done by the Senior Executive Management and authorized by the Provincial Administrator to process the Budget Appropriation adjustments in the PGAS.

## **2.0 AUDITOR–GENERAL**

### **2.1 Role of the Auditor–General**

Section 214 of the *Constitution of the Independent State of Papua New Guinea (Constitution)* provides for the Auditor-General to inspect, audit and report to the National Parliament on the Public Accounts of Papua New Guinea (PNG) and on the control of and on transactions with or concerning the public moneys and property of PNG as his primary functions. The *Organic Law on Provincial Governments and Local-level Governments (Organic Law)* further extends these provisions to cover Provincial Governments. The functions have been further amplified by the *Audit Act, 1989 (as amended)*.

### **2.2 Mandate of Auditor-General**

*Sections 3, 4 and 8 of the Audit Act, 1989 (as amended)* read in conjunction with *Section 63(4) of the PFMA, 1995 (as amended) 2016* and *Section 74 of the Organic Law* provides for the Auditor-General to inspect and audit accounts, money and property of provincial governments, properties of a public body set up by provincial governments including their subsidiary corporations. *Section 7 of the Audit Act 1989 (as amended)* provides for the Auditor-General to report to the Parliament on the results of audits undertaken.

### **2.3 Audit Scope and Nature of Audit**

#### **2.3.1 Audit Objective**

The audit of ENBPG for the year ended 31 December, 2016 was planned and performed in accordance with the *International Standards of Supreme Audit Institutions (ISSAI)* as promulgated by the *International Organization of Supreme Audit Institutions (INTOSAI)* with the objectives of:

- to obtaining reasonable assurance on the integrity and reliability of its financial statements and other information contained therein, to determine compliance to disclosure requirements issued under *Finance Instructions*; the effectiveness of the internal controls systems in place; and determining the extent of compliance with applicable laws, regulations and directives. The audit procedures applied were intended

to reveal system weaknesses, which could result in losses or errors, frauds and mismanagement of public funds; and

- to objectively inform the stakeholders about the performance of the provincial government during the year under review; reliability and effectiveness of its corporate governance; status of its current and future development programs, if any; and control weaknesses as well as the steps being undertaken to improve its performance for better service delivery.

### **2.3.2 Audit Scope**

In performing the statutory audit responsibility, the limited resources of this Office were directed primarily to the evaluation of internal controls system together with such other examinations as were considered necessary to examine the performance of financial operations. The audit included review of financial statements and budgetary controls, ascertain correctness of cash & bank balances; examination on a sample basis, the revenue and paid accounts in general; review of expenditures associated with grants and subsidies, capital works and maintenance, assets management, cash advances; review effectiveness of the Provincial Supply & Tenders Board; the Corporate Governance arrangements and internal controls in place during the year under review at the time the audit was conducted.

### **2.3.3 Nature of Audit**

Compliance with relevant legislation is of paramount importance in safeguarding the State's assets. As such, the audit of the East New Britain Provincial Government included reviews and tests to ascertain whether key provisions of the *Public Finances (Management) Act, 1995 (as amended)* 2016 (PFMA) and *Audit Act, 1989 (as amended)* had been adhered to.

The nature of an audit is generally 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. The audit is not required to search specifically for fraud and therefore, cannot be relied upon to disclose all such matters. However, the audit of East New Britain Provincial Government for the year ended 31 December, 2016 was planned and executed so that I can have a reasonable expectation of detecting material misstatements resulting from irregularities, including fraud.

### **2.3.4 Period of Reporting**

The audit inspection in respect of the financial statements, and accounts and records of ENBPG for the fiscal year ended 31 December, 2016 as required under *Section 113 (5) of the Organic Law on Provincial Governments and Local Level Governments*, read in conjunction with *Section 16 of the Audit Act, 1989 (as amended)* was conducted in July 2017. The management had not responded to the issued management letter queries and a qualified audit report was issued subsequently to the Minister for Inter-Government Relations.

## **2.4 Audit of Service Delivery (DSIP & PSIP)**

The Services Improvement Program (SIP – DSIP & PSIP) was designed for a holistic approach to service delivery, involving all stakeholders including Members of Parliament, National Departments and agencies, Provincial Administrations, District Administrations

and the recipients themselves (the people), taking into account the principles of ownership, affordability, sustainability and leadership. Underpinning the key principles is the Government's Policy of "*Achieving National Equity in Development through the Strengthening of Basic Service Infrastructure*" consistent with the Principles of the Medium Term Development Plan (MTDP 2010-2015), DSP (2010-2030) and Vision 2050.

In 2013, the National Government allocated additional K5 million per district to each of the 22 Provinces in Papua New Guinea through the 2013 Budget. The East New Britain Provincial Government therefore, had in its discretion, a total PSIP budget allocation of K40m in respect of the four Districts for the financial years 2013 and 2014.

The latest audit of Provincial Services Improvement Program (PSIP) for East New Britain was conducted for the years 2013 and 2014 with the Management Letter issued in 2016 and reported to Parliament thereafter.

The District Services Improvement Program (DSIP) audits in respect of Gazelle, Kokopo and Rabaul Districts for the periods February 2008 to December 2009 and February 2008 to July 2009 respectively were completed and the results reported in 2009 Auditor-General's Part 3 Report to Parliament while DSIP audit for Pomio District for the years 2012-2013 was completed and the results reported in 2013/2014 DSIP Report.

Subsequent to these reports, a separate DSIP Performance or Value for Money Audit for Gazelle District for the years 2007-2016 was completed in November 2017. The results of the audit was under review at the time of preparing this Report in March, 2019.

## **2.5 Dispensation of Audits**

*Section 6(1a) and 16(4) of the Audit Act 1989 (as amended) state thus: "The Auditor-General may, in his discretion, dispense with the whole or any part of the detailed inspection and audit of any accounts, moneys and property referred to in Subsection (2)."*

The dispensation of provincial government audits in certain extreme cases had been necessary to reduce cost of man – hours on audits in arrears and to effectively appropriate limited manpower and financial resources available to me. I am happy to state however, that the audits of ENBPG had been done consistently on a current basis for number of years hence, the issue of audits in arrears and therefore, the dispensation of audits is irrelevant in the instance.

### **2.5.1 Report to Parliament**

Provisions under the Organic Law as well as the Audit Act require that I furnish before 30<sup>th</sup> April of the following year, audit reports on the accounts of Provincial Government to the Minister for Inter-Government Relations, the Minister responsible for Finance matters, the ENBPG and the National Economic and Fiscal Commission. Section 7 of the *Audit Act 1989 (as amended)* provides that I report to Parliament on the results of audits undertaken as to:

- Whether the financial statements, to which the report relates, are based on proper accounts and records;
- Whether the financial statements are in agreement with the accounts and records and whether they show fairly the financial operations for the period;



- 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(PFMA)*; and
- Such other matters arising out of the financial statements, to which the report relates, as the Auditor-General considers should be reported.

To meet these requirements both the financial attestation and regularity or compliance audits were planned and performed to express an audit opinion on the fairness of the financial statements, including compliance with disclosure requirements under *Finance Instructions*. Regularity audit on the other hand was performed with the main objective of ascertaining that the expenditure had been applied for the purposes for which they had been authorised and that the expenditure conformed to the authority which governs it.

### **2.5.2 Resource Constraints**

As mentioned in my previous reports, my Office had continued to experience challenges of performing timely audits due to limited budgetary and manpower resources.

## **3.0 RESULTS OF AUDIT**

### **3.1 Audit Opinion**

Financial statements audits are an independent examination of the financial accounting and reporting by the provincial governments. The results of the audit are expressed in an audit report, which expresses the auditor's opinion on whether the financial statements as a whole and the information contained therein, fairly reflect the results of the provincial government's operations and financial position.

The Audit Report in accordance with the provisions of the *Audit Act, 1989(as amended)* on the Financial Statements of ENBPG for the year ended 31 December, 2016 was issued in February, 2018 to the Minister for Inter-Government Relations as mentioned in paragraph 2.5.1 above. The Report contained a **Qualified Audit Opinion**.

### **3.2 Financial Statements**

The East New Britain Provincial Government is required under Section 63(4) of the *Public Finances (Management) Act, 1995 (as amended) 2016 (PFMA)* and the *Audit Act 1989 (as amended)* to submit its financial statements to the Auditor-General before 30<sup>th</sup> June each year for a mandatory audit of the accounts and records and report to Parliament in accordance with *Part II of the Audit Act 1989 (as amended)*.

I have audited the accompanying financial statements of ENBPG for the year ended 31 December, 2016 and reported to the Minister responsible in accordance with *Part II, Section 7, Subsections (1) and (2) of the Audit Act 1989 (as amended)*. The financial statements comprised:

- a) Statement 'A' – Statement of Provincial Account Balances;



- b) Statement 'B' – Summary of receipts and payments, with details of receipts as per Statement 'J' and details of expenditure as per Statement 'K';
- c) Statement 'E' – Statement of Financial Investments;
- d) Statement 'F' – Statement of Direct Investment, Capital Contribution, Equity, Options and Right;
- e) Statements 'G', 'H' and 'I' – Statements in respect of Lending, Borrowings and Loans Guaranteed;
- f) Appendices 1 – 6 forming part of the financial statements; and
- g) Notes to and forming part of the financial statements.

Statements 'A', 'B', 'C', 'E', 'J' and 'K' are maintained by the provincial government's accounting system. Statements 'D', 'F', 'G', 'H', 'I' and Appendices 1 to 6 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.

Relevant comments on the provincial government's financial statements are presented in *Attachments 'A'* of this Report – *Basis for a Qualified Audit Opinion*. The content and details of the financial statements are however, too bulky for the purposes of this Report. Copies however, can be provided on a need basis.

### 3.2.1 Responsibility for the Financial Statements

The Provincial Administrator is the Chief Executive Officer and the Administrative Head in the East New Britain Provincial Government. The Provincial Administrator is responsible for the preparation and presentation of the financial statements and the information contained therein in accordance with the Finance Instructions issued under Section 117 of the *Public Finances (Management) Act 1995*, and the *Organic Law on Provincial Governments and Local Level Governments*. I am happy to state that the ENBPG is among the few who had consistently prepared and submitted the financial statements on a timely manner for audit.

As the Chief Executive Officer, the Provincial Administrator is also responsible for the efficient management of administrative services and for keeping proper accounting records, safeguarding the assets of the Provincial Government and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## 4.0 MATTERS OF CONCERN

I have noted and reported by way of Management Letter to the Provincial Administrator and my report to the Minister concern in accordance with the provisions of the *Audit Act, 1989(as amended)* number of issues in the areas of corporate governance and other control weaknesses as highlighted in *Attachment 'B'* of this report which may be referred to for details.

## 5.0 ENTITY COMMENTS AND RESPONSES

The audit observations arising from my review of the financial statements and discrepancies noted with the internal control environment relating to East New Britain Provincial

Government for the year ended 31 December, 2016 had been communicated by way of Management Letter to the Provincial Administrator following the completion of the audit in November, 2017 with the expectation of a written responses. The Management Letter is a formal correspondence which contains details of all audit issues together with recommendations for remedial actions for improvement by the provincial government. Advices received to-date however, indicated that the written responses were still in progress at the time of preparing this Report in March, 2019.

## **6.0 FOLLOW UPS**

The audit of the financial statements and accounts and records of East New Britain Provincial Government for the year ended 31 December, 2016 had been completed with both the Management Letter and the Audit Opinion Report issued in November, 2017 and February, 2018 respectively.

Verification of the management's actions on the audit recommendations for improvements particularly in terms of the internal control environment is a necessary procedure to ensuring that the control weaknesses have actually been rectified. The follow up actions may include a review of the management letter responses, enquiry at the entry interview at the commencement of the subsequent years' audits and/or physically sighting or observing the actions taken to date. In the absence of the management letter responses from the East New Britain Provincial Administration, I intend to employ the latter two follow-up actions in 2019 in conjunction with the audit of the 2017 and 2018 financial statements.

## **7.0 STAKEHOLDERS' EXPECTATIONS**

The East New Britain Province owes a great deal to NGOs, private sector entities and donor agencies for its social and economic development. Every year, millions of Kina's worth of resources are poured in by the stakeholders, including the National government through annual budget support grants either directly or indirectly to the province thus have the right to know where and how the resources have been used and of course, the outcomes thereof. Tangible development and materialisation of the service delivery objectives of the stakeholders consistent with the National Government's Medium Term Development Strategies (MTDS) remain the core expectation of all stakeholders. To this end, my audit plays a vital role in ensuring compliance, accountability and transparency by the provincial government.

Consistent with the stakeholders' expectations, I have carried out audit of the provincial government consistently within the limits of the resources available to me as mandated to provide some form of assurance to the stakeholders and the people of East New Britain that the resources provided to the East New Britain Provincial Government have been efficiently, effectively and economically used and that the provincial government, had to the best of its ability, lived to the stakeholders' expectations of effective service delivery in an accountable and transparent manner.

## **8.0. RECOMMENDATIONS**

Effective internal controls are fundamental to the government agencies meeting their operational, financial and service delivery responsibilities, and the East New Britain Provincial Government was no exception. Similarly, sound financial management and accountability reporting demonstrate the provincial government's commitment to transparency and good governance. As such, the audit of financial statements and accounts and records of the provincial government with the resultant Management Letter and audit report to that effect, is a part and partial of the overall corporate governance strategy. The contents of the Management Letter to the provincial government necessarily included economic and financial implications as well as the recommendations for improvements to the issues raised.

My review of the financial statements and the audit of the accounts and records of ENBPG for the year ended 31 December, 2016 had resulted in a number of audit observations with related audit recommendations that were provided to the Provincial Administration by way of a Management Letter for improvement and appropriate remedial actions of which a summary of five (5) major audit observations are restated in the paragraphs below.

### **8.1 Financial Statements**

The total yearend cash balance of K22,675,603 disclosed in Statement 'A', has been noted as inaccurate and misleading due to the following reasons:

- a) The balance also included a dormant account balance of K4,422,292 which merely represented the unreconciled cashbook balance at the time when the account was closed and was not supported by actual cash balance held in bank;
- b) Although, the closing total cash balance of K22,675,603 was in agreement with the respective account trial balances, there were material errors and omissions noted in Statements 'J' and 'K' which may have affected the accuracy of the bank and cashbook balances at year end; and
- c) The accumulative opening fund balance of K15,820,940 had contained inherited errors from prior years that had remained unadjusted.

I recommended to the Provincial Finance Manager through the Provincial Administration to ensure that Statement 'A' is appropriately reviewed and adjusted in conjunction with audit observations made in relation to revenue and expenditure Statements 'J' and 'K' to show correctly the Provincial Account Balance as at 31 December, 2016; that other associated statements and appendices are reviewed for accuracy of information and that all necessary records and registers are maintained for all legal purposes.

### **8.2. Cash & Bank Balances**

Although monthly bank reconciliations for the provincial government and grant operating accounts were up to date, stale cheques continued to be stated as un-presented; further, no documentary evidence of authoritative approval for the operation of the Administrative Expense Account sighted, and that the replenishment of funds to the bank account not supported with appropriate supporting documents in the form of acquittals.

I recommended the Provincial Treasury Office to ensure that cheques not presented after one year should become stale on the date drawn and their status be changed immediately with appropriate journal entries passed to reflect the changes and that proper approval is obtained from appropriate authorities to operate the Administrative Expense Account and proper acquittals are provided prior to replenishment.

### **8.3. Paid Accounts**

My sample audit tests of fifty payments totaling K10,967,072 from both the Provincial Government Operating Account and Grant Account (716 & 288) Expenditure Vote Series revealed number of discrepancies including the following:

- a) A consultant contractor engaged on the “Kokopo – Tokua Corridor Subject Development Plan Review” contract was paid in excess of K81,345 against the approved and agreed fixed contract amount of K4,961,000 GST inclusive;
- b) Instances of Certifying Officer failing to sign off payments totalling K123,023 to confirm the validity, accuracy and genuineness of the claims;
- c) Noted eleven instances of payment vouchers and requisitions for expenditure (FF3) totalling K61,934 not signed by the appropriate Financial Delegate to confirm the validity and accuracy of commitment and expenditure of funds; and

I recommended, in view of the above discrepancies that the Provincial Treasury, as the custodian of the public monies appropriated for the Province, take all and necessary steps to ensure that internal controls do exist and are effective and that relevant provisions of the *Public Finances (Management) Act 1995* and all other authoritative financial procedures and instructions issued from time to time by Department of Finance, are strictly adhered to so as to prevent risks of mismanagement of public funds and irregular practices.

### **8.4 Capital Works and Maintenance**

My audit sample test of thirty payments relating to capital works and maintenance totaling K9,474,379 had revealed instances of non-adherence to proper procurement procedures; expenditures on routine maintenance works lacked supporting documents; expenditures exceeding PS&TB threshold limit and lack of CS&TB facilitation of tender processes; and missing payment vouchers, to name a few.

I recommended the Division of Technical Services to participate effectively in monitoring and coordination of capital works and maintenance programs that are funded by the Provincial Government to ensure that funds are utilized on intended purposes and also to ensure that the extent of work undertaken on capital and maintenance projects meets the specifications and scope of work and that there is value for money.

### **8.5 ENB Provincial Assembly and PEC Meeting Minutes**

The Provincial Assembly and Provincial Executive Council (PEC) Meeting Minutes are records of the meetings of the highest decision making bodies in the province which involves the use of the Province’s budget for the year.

I was not provided a complete list of Provincial Executive Council (PEC) and Provincial Assembly Meeting Minutes for the year under review and as such, I was unable to ascertain relevant information in respect of significant resolutions and decisions by the Provincial Assembly and PEC with financial implications. I recommended therefore, that the Provincial Administration ensured all meeting minutes and resolutions are safely maintained and readily available for independent audit reviews.

## **9.0 WAY FORWARD**

Audit plays an important role in assisting the provincial government achieving its development goals as encompassed in the Provincial Strategic Development Plan by encouraging good governance, transparency and accountability in the implementation of its development policies and practices. The provincial government is therefore, encouraged to take on board or put in place practical measures to implement audit recommendations particularly related to areas of internal controls environment.

Establishing a mechanism for regular internal review and coordinated implementation of development policies and practices for instance, would ensure a more rigorous response and that better information is available when audit recommendations are followed up as this may also lead to more timely and focused actions. Furthermore, the provincial government is considerably reliant on the national government and other stakeholders for its annual budget support for social and economic development aspirations. As such, more public reporting of implementation should be an opportunity for the provincial government to highlight achievements and so, provide transparency to stakeholders.

Except for timely responses to the Management Letter issued, the East New Britain Provincial Government is commended for consistency and proactivity in preparation and submission of its financial statements for audit and I hope this continues in the subsequent years. This has greatly resulted in the timely completion of the audit and issuance of the report as required by the relevant legislations.

## **10.0 ATTACHMENTS**

As stated elsewhere in the above paragraphs, *Attachments 'A' and 'B'* form part of this Report which may be referred to for details.

## Attachment A

### Basis for a Qualified Audit Opinion

#### 1. Financial Statements

##### Presentation

Finance Instructions 4/2000 issued under *Section 117* of the *Public Finances (Management) Act, 1995* prescribes the format for the preparation and presentation of the financial statements for Provincial Governments. The financial statements of East New Britain Provincial Government for the year ended 31 December, 2016 fully complied with the formats prescribed by Finance Instructions.

##### Disclosure Errors

I noted the following disclosure errors which could have material effect on the accuracy and completeness of the East New Britain Provincial Government Account balances and consequently, the financial position of the Provincial Government as at 31 December, 2016:

##### Cash Balances

- (a) The East New Britain Provincial Government cash and bank balance of K22,675,603 included an old operating account balance of K4,422,292. The old operating account balance merely represented an un-reconciled cashbook balance at the time when the account was closed and was not supported by actual cash balance held in bank account as this account was dormant since 2009. I have reported the same since 2014 and the Provincial Government commented then that the “*old Cash Book amount of K4,422,292 was rendered on write off/on and was approved by the Finance Secretary on the 3rd of December 2014 however, the First Assistant Secretary Finance, Reporting and Compliance Division was yet to make a decision on correct accounting treatment to confirm the removal of the old cash Book*”. I sighted no evidence to suggest that the provincial government had resolved the issue with the Department of Finance; and
- (b) The balance of the Provincial Revenue Fund of K23,869,525 could not be confirmed as correct due to errors and material misstatements of operating surplus as discussed under the paragraphs on Receipts and Payments for the year ended 31 December, 2016.

##### Receipts and Payments

The East New Britain Provincial Government reported its total revenue and expenditure as K57,925,906 and K49,877,321 respectively with an operating surplus of K8,048,585. The accuracy of the revenue and expenditure and therefore, the correctness of the operating surplus as at 31 December, 2016 could not be confirmed due to the following issues:



- (a) The total actual revenue of K57,925,906 included Staffing Grant, Teachers' Salaries, Public Servants Leave Fares and Teachers Leave Fares totaling K104,222 only while the IFMS 2233 report (from Department of Finance) disclosed total warrant authority amounts as K8,444,000 for Staffing Grants, K21,694,000 for Teachers' Salaries, K500,000 for Public Servants Leave Fares and K1,100,000 for Teachers Leave Fares with K31,738,000 in total. I observed the amount of K104,222 represents total expenses and had been incorrectly disclosed as receipts as well. Further, the amount of K104,222 had been materially misstated by K104,117,778 as a result of disclosure error in actual amounts rather than in thousands. These amounts were also not taken up in the respective revenue ledgers although provided for in the Annual Appropriation Act;
- (b) The total actual expenditure (Recurrent) of K17,604,482 reported under Division 288 is not in agreement with the trial balance total of K17,500,260 and expenditure vote summary total of K17,450,258. The Division 288 total of K17,604,482 is inclusive of IFMS 2233 – Personnel Emoluments of K104,222,000 which was erroneously stated in statement "K" as K104,222 thus, resulting in a material misstatement by K104,117,778. Further, the expenditure vote summary and expenditure transaction detail reports show nil expenditure under vote item 288.1100.9473.226 whilst Statement "K" disclosed total Recurrent expenditure of K50,000 under this vote item; and
- (c) The actual development expenditures from 288 Series totalling K17,590,610 for the year had not been disclosed in Statement "K" as the expenditures of these funds were taken up in the National Government Agencies Database and administered through the Provincial Treasury Operating Account. As a result, the actual expenditure in respect of the development funds have not been incorporated in this Statement although the provisions for these expenditures are provided in the ENB Provincial Government's 2016 Annual Appropriation Act.

### Investments

I noted the following observations in relation to the investments held as well as the investment transactions of the Provincial Government during the year:

- (a) Statement 'E' showed the Provincial Government held short term financial investments in Interest Bearing Deposit (IBD) account as K62, 293 with interest at year end. The Provincial Government had disclosed this investment in 2015 as K62,531. The statement had not disclosed movements, if any, during the year. The balance of the financial investment however, had not been disclosed in Statement 'A'. I was unable to verify the accuracy, completeness, existence and ownership of the reported investments balance at year end in the absence of investment register and other related records.
- (b) As reported in my previous reports, the East New Britain Provincial Government held other longer term investments totaling K2,689,252 represented by 100% shares in East New Britain Development Corporation Ltd valued at K2,159,139 and K530,113 in Barakopo Plantation Development Corporation Ltd. The statement had not disclosed movements, if any, during the year. In the absence of audited financial statements of the investment companies as well the investment register and other related records required to be held by the Provincial Government, I was unable to verify the accuracy,

completeness, existence and ownership of the above reported investments balance at year end; Further, the Provincial Government had received and accounted for dividends totaling K109, 240 from its long term investments in Gazelle International Hotel. Though the proceeds were adequately reported in Statement 'J', the details including principle investment were not disclosed in Statements 'F', 'E' and 'A'; and

- (c) As stated in my previous years audit reports, the Provincial Government paid K5.5 Million to a Fishery Project Developer, New Britain Resources Development Company as initial part payment to acquire its fifty-one percent (51%) shareholding with the Company. The National Fisheries Authority was to have issued twenty (20) fishing licenses under the project agreement. I observed then that the fishing licenses and share certificates have not been obtained due to legal proceedings by the National Fisheries Authority against the project developer, the Provincial Government and the State. I was not provided documents to ascertain at the time of the audit in June 2017 whether or not the Provincial Government had acquired the share certificates and fishing licenses and whether the investment was still viable in view of the legal issues surrounding the fishery project.

### Fixed Assets

The East New Britain Provincial Government had reported its fixed assets as K70, 681, 932 as at 31 December, 2016 with an opening balance of K69,564,553, additions of K14,907,397 and disposals of K13,790,017. Purchases during the year under review totaling K1,404,280 however, had not been recorded in the updated fixed asset register. Consequently, I am unable to verify the completeness and accuracy of the value of assets owned and under the custody of the East New Britain Provincial Government for the year ended 31 December 2016.

### Un-acquitted Advances

*Appendix 6* to the financial statements had disclosed the opening un-acquitted advances relating to the payments of travelling allowances and cash advances as K413,605 with further payments and acquittals made during the year totaling K246,546 and K353,139 respectively and a closing un-acquitted balance of K307,011 as at 31 December, 2016. My review of the expenditure ledger reports had however, revealed payments of travel allowances and cash advances during the year totaling K1,167,774 while the manual advances register maintained by Provincial Treasury Office and *Appendix 6* showed the respective amounts paid as K1,058,412 and K246,546. Consequently, I am unable to rely on the completeness and accuracy of payments of travel allowances and cash advances during the year and the total un-acquitted advances disclosed in the Appendix to the financial statements.

### Trust Accounts

The East New Britain Provincial Government had operated twelve (12) non-bank trust accounts with a total overdrawn closing balance of K1,193,923 as at 31 December 2016. I was not provided evidence of Trust Instruments and other related documents to ascertain legality, validity and the appropriateness of the transactions effected through these trust accounts during the year.



## 2. Significant Control Weaknesses

A sample audit test of fifty (50) payments totaling K10,967,072 from both Provincial Government Operating Account and Grant Account (716 & 288) Expenditure Vote Series to ascertain compliance to standard procurement procedures had revealed the following significant control weaknesses in the East New Britain Provincial Government's records and processes:

- As stated in previous years' audit reports, the Section 32 Officers continued to fail to disclose their designations, financial limits and date of approval on the Requisitions for Expenditure (FF3) when approving requisitions to incur expenditure. Consequently, I could not satisfactorily verify whether the approvals were within their delegated financial limits. Furthermore, the Instrument of Appointment for officers appointed as Authorized Requisitioning Officers (ARO) and Section 32 Officers as well as their specimen signatures and designated financial limits required to be kept by the Provincial Treasury Office was not made available for my review;
- Various payments totaling K123,023 were not signed by the Certifying Officer to confirm the validity, accuracy and genuineness of the claims submitted for payment;
- Noted eleven (11) instances of payment vouchers and Requisitions for Expenditure (FF3) totaling K61,934 not signed by the appropriate Financial Delegate to confirm the validity and accuracy of commitment and expenditure of funds;
- Noted two instances of expenditure approvals by acting Provincial Disaster Coordinator and acting Advisor (Finance and Revenue) of K39,633 and K37,248 respectively to certain entities in excess of their delegated financial limits of K10,000 and K25,000 respectively. Further, the Requisition for Expenditure (FF3) relating to a payment of K37,248 was not approved by the appropriate Section 32 Officer;
- My review of the expenditure records and Contract Agreement relating to contract payments associated with Kokopo – Tokua Corridor Subject Development Plan Review revealed total expenditure of K5,042,345 contrary to the agreed contract value of K4,961,000, an excessive payment by K81,345. The contractor was paid two installments of K4,323,000 in 2015 and K719,345 in 2016;
- The Provincial Government had paid a total of K2,213,774 during the year on rental of properties (Office Spaces). Lease Agreements for eight (8) Landlords and/or Property Owners were not provided for my review to ascertain the validity and accuracy of payment of rentals totaling K1,258,549. Further, I observed the Division of Finance and Revenue had not taken up occupancy of an office space despite having paid rentals totaling K427,115 during the year;
- I could not ascertain the validity of eight (8) claims for payment totaling K5,826,442 due to missing payment vouchers and supporting documents;
- The acting Provincial Administrator had granted approval for an advance payment of vehicle allowance for six (6) months totalling K24,000 to the acting Deputy Provincial Administrator (Corporate Services) citing loan arrears with the financier of his vehicle as the reason. I noted however, the acting Deputy Provincial Administrator had neither


provided a Statement of Account nor a Notification Letter from the financier to justify his request for advance payment of vehicle allowance;

- Payments to private contractors engaged on routine maintenance works totaling K748,310 lacked relevant supporting documents such as minor works contract agreements and job completion certificates. Consequently, I was unable to verify the validity of the contract engagements as well as to ascertain whether the works carried out were in accordance with the scope of works after being inspected and certified by a competent Technical Officer of the Provincial Government and that the payments to the contractors were proper;
- KK Connections Limited was paid K6,997,939 for its engagement on the construction of New Britain Highway in excess of Provincial Supply and Tenders Board (PS&TB) threshold limit of K5,000,000. My review of the PS&TB Meeting Minutes revealed no evidence to suggest the PS&TB had deliberated and referred the capital works project to the Central Supply and Tenders Board to facilitate the tender processes;
- PBU Limited was paid K45,000 for work carried out on the construction of drainage at Kenabot, Kokopo town. The signed contract agreement dated 30 April, 2016 submitted with the claim as supporting document for payment however, showed the project title as Randigi River Training and Emergency Repair Works – Randigi, Utmei to Lasul Road, Gazelle District which had no relevance to the drainage work at Kenabot;
- Kokopo Plant Hire Limited was paid two cheques totaling K83,469 for drainage repair work carried out along Kuradui to Navunaram road contract (*Contract No. MWCRW414-5-22-KPH/14A16*). My review of relevant supporting documents revealed the contract was awarded by the ENBPA JPP-BPC Tender Evaluation Committee for a contract sum of K285,618 dating back to 14th June, 2014 while the signed Contract Agreement was not dated. The ENBPA Provincial Project Management Team (PPMT) also passed a Resolution No. 60032015 in its meeting No.03/2015 endorsing the awarding of contract to the contractor. The acting Advisor (Technical Services) stated in a letter dated 07 December, 2016 to the Accountant, Provincial Treasury Office that the work was completed in 2014 and to pay the claim accordingly. The claims however, lacked other relevant supporting documents such as the job completion certificates duly certified by a competent Technical Officer of the Provincial Government; and
- Payments of grants/subsidies and financial assistances in lump sum from various expenditure votes/divisions totaling K8,428,194 to non-profit organizations, public authorities, churches, health centers/aid posts, schools, business arms, small/medium enterprises and individuals seriously lacked evidences of accountability reports by the recipients nor were there records to indicate that the Provincial Government had sought such reports. Further, I observed payments other than grants and financial assistances such as travel and incidental allowances, overtime allowances, vehicle hires, fuel supplies, office stationeries, utilities, accommodation and others totaling K3,030,532 were incorrectly charged and paid from vote item 143 intended for grants and subsidies expenditures.

### **“Qualified Audit Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Audit Opinion paragraphs, the financial statements of East New Britain Provincial Government for the year ended 31 December, 2016:

- i. Give a true fair view of the financial position and the results of its operations for the year then ended;
- ii. The financial statements have been presented in accordance with the *Public Finances (Management) Act, 1995*, International Public Sector Accounting Standards (IPSAS) and other legislations; *and*
- iii. The controls exercised by the Provincial Government are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of moneys and acquisition and disposal of public property and incurring of liabilities have been in accordance with the Public Finances (Management) Act and other legislations”.



PHILIP NAUGA  
Auditor-General

06 February, 2018

## Attachment B

### Other Control Weaknesses

The control environment includes established governance and management functions for effective control and monitoring activities. Control activities are policies and procedures required to ensure effective implementation of the management directives and that organisational objectives are achieved. Monitoring activities are processes to ensure effectiveness of the internal control in place.

In performing the statutory audit responsibilities, the evaluation of internal controls, together with such other examinations considered necessary to assess the performance of financial operations of the provincial government, with a view to assessing the reliability and integrity of financial data and determining the extent of compliance with applicable laws, regulations and directives was the primary focus of my audit.

The audit of the provincial government was not required to search specifically for fraud and therefore, cannot be entirely 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.

#### Details of Control Issues

The effectiveness of the internal controls in respect of delegations, authorisations, reconciliations, record keeping and adequacy of registers, were generally not sufficiently robust to prevent, detect or correct error or fraud. My review of control activities focused on number of areas including the following:

- Corporate Governance;
- Appropriation and Budget Control;
- Revenue and receivables;
- Cash Management
- Assets Management;
- Provincial Supply & Tenders Board;
- Grants & Subsidies;
- Capital Works & Maintenance;
- Advances Management.

#### 1.0 Corporate Governance

The corporate governance environment was assessed to ascertain whether the provincial government's operations control environment included measures that contribute positively to sound corporate governance.

##### *Internal Audit*

The Internal Audit Unit (IAU) is a key administrative function that oversees the effectiveness of other functions and internal controls within the administration. An effective Internal Audit Unit provides assurance and instils integrity in the internal controls that management established to rely on. The Internal Audit Unit of the ENBPG is manned by the Chief Internal Auditor with the assistance of three (3) support staff.

- The Internal Audit Unit (IAU) had prepared an Annual Work Plan for the 2016 financial year. However, a copy of the said Annual Work Plan, if any, was not made available for my review;
- The IAU did not fully function during the year under review due to lack of adequate resources including funding and equipment such as computers, laptops and printers hence, a lot of audit activities were not carried out.

### ***Corporate Plan***

The Provincial Administration had reviewed its Corporate Plan 2011-2013 and re-planned over the span of five (5) years (Corporate Plan 2015-2019) to effectively implement ENBP's development priorities as outlined in the Provincial Government's ten (10) year Provincial Strategic Development Plan (PSDP) 2011 to 2021. The five (5) year Corporate Plan of the Provincial Government was developed and linked to the ENB PSDP focusing on nine (9) Strategic Results Areas of Governance and Management; Health; Economic Development; Education; Social Development; Infrastructure; Land Mobilization; HIV/AIDS Response; and Disaster Response with a view to enable the Provincial Administration to advance in delivering and maintaining government services to the people of East New Britain.

I was however, not provided evidence to suggest the Provincial Administration had conducted periodic reviews to assess and evaluate the implementation and achievements of goals and objectives as set out in the Corporate Plan as well as the Provincial Strategic Development Plan (2011 – 2021).

### ***ENB Provincial Assembly and PEC Meeting Minutes***

The Provincial Assembly and Provincial Executive Council (PEC) Meeting Minutes are records of the meetings of the highest decision making bodies in the province which involves the use of the Province's budget for the year. The audit request for a complete list of Provincial Executive Council (PEC) and Provincial Assembly Meeting Minutes had not been responded to and as such, I was unable to ascertain relevant information in respect of significant decisions with financial implications made by the Provincial Assembly and Provincial Executive Council (PEC) respectively during the year under review.

## **2.0 Appropriation and Budgetary Control**

Appropriations represent the primary source of revenue for most Provincial and Local-level Governments. One of the key audit tests was to ensure that the expenditures were within the appropriation limit so that expenditure for each agency accurately reflects anticipated final budget outcomes in the National budget system.

The audit review of postings of the Initial and Current Appropriation in the expenditure ledger reports revealed total initial appropriation of K240,260,700 not consistent with the total initial appropriation of K221,994,100 per the Budget Document, resulting in an overstatement in the ledger by K18,266,600. Audit was not provided an approved and certified copy of revised budget, if any, for audit to verify the current appropriation total of K236,986,500 although there were quarterly budget revisions done by the Senior Executive Management and authorized by the Provincial Administrator to process the Budget Appropriation adjustments in the PGAS.

### 3.0 Revenue & Receivables

My examination of records and documents relating to revenue collection, banking and safe custody of public monies revealed following issues:

- The Provincial Government recorded a net shortfall totaling K173,774,900 in the anticipated National Government Grants of K199,129,500 due to under collections in two (2) grant revenue heads totaling K327,600 and non-receipt of estimated Administrative Support Grants under various Former Years Functional Grants totaling K11,711,600 and Development Grants under Rural LLG Grants, Gazelle District Water Supply-Former Years, Program (PSIP) Grants, District Improvement Initiative Grant, LLGSIP Grants and Provincial Services Improvement Program (PSIP) - Former Years totaling K75,375,800. Public Servants and Teachers' Salaries estimate totaling K87,524,600 was retained at Department of Finance and expended while there was receipts of anticipated Administrative Support Grants under the various functional grants totaling K1,164,700, (*Refer Annexure 1*);
- Review of the revenue ledgers revealed that the Provincial Government had materially misstated the Provincial Special Intervention Program (PSIP) funds receipt of K8,150,000 for the year 2016 as a result of posting of the receipt of funds under 288 National Functions database, although the appropriation of K20,000,000 was made in the Provincial Government Budget. The PSIP funds were paid through the PTOA as per Finance Instruction and not through the PGGA and therefore the grant receipt was not posted to the appropriate revenue head and consequently is not disclosed in Statement "J"; and
- The revenue ledgers showed the Provincial Government short-collected its estimated internal revenues totaling K2,716,583 in respect of six internal revenue sources with no revenue collection made in respect of four internal revenue sources with their annual estimates totaling K5,557,000 while over collection of revenue were noted in respect of five internal revenue sources totaling K2,883,667 thus, resulting in a net shortfall of K5,389,916 from internal revenues recorded for the year.

### 4.0 Cash Management

Although monthly bank reconciliations for the PG and grant operating accounts were up to date, stale cheques continued to be stated as un-presented; Further, no documentary evidence of authoritative approval for the operation of the Administrative Expense Account sighted, and that the replenishment of funds to the bank account not supported with appropriate supporting documents in the form of acquittals.

### 5.0 Assets Management

Effective asset management and usage would contribute to better services delivery while proper assets control and monitoring prevents fraudulent use of assets for personal gains and thefts. The East New Britain Provincial Government held extensive portfolios of fixed assets and audit appreciates the efforts put in by the Division of Finance and Revenue's Property and Assets Unit in updating the Fixed Assets Register on a current basis. My review of the Fixed Assets records had revealed the following issues:



- The updated Fixed Assets Register showed the additions during the year as K14,907,397 did not agree with the additions as per the Master Assets Register total of K5,604,385 indicating a lack of proper maintenance of assets registers;
- The reported fixed assets opening balance of K69,564,553 and therefore, the closing balance of K70,681,932 are inaccurate in view of the erroneous entry of a figure K13,766,677 instead of K13,289 pertaining to a transaction involving a Land Cruiser in 2015. The consequent overstatement of K13,753,388 however, had not been adjusted in the 2016 opening balance resulting in an inaccurate and unreliable closing balance; and
- As reported in 2015 that the Provincial Government had paid a total of K117,097 to Kumulsoft Ltd to acquire a fixed assets register database and three Officers from Property & Assets Unit attended a three weeks Assets Database Workshop conducted by Kumulsoft in Port Moresby. However, the 2016 records of Assets were still captured and reported using the Microsoft Excel program due to the database program from Kumulsoft not been fully paid for to enable all updated records of data to be fully migrated into the database.

## 6.0 Provincial Supply & Tenders Board

The following observations made in respect of the Provincial Supply and Tenders Board Meetings held during the year:

The meeting minutes had indicated that the Provincial Supply and Tenders Board had approved and awarded contracts worth over K12,213,337 as tabulated in table three below. I noted however, the copy of Meeting Minutes in respect of Meeting No.02/2016 was not signed by PS&TB Chairman to authenticate the correctness and legality of the decisions made in the meeting.

### *Contracts approved by Provincial Supply and Tenders Board*

PS&TB Meet. No	PS&TB Dec No.	Contractor	Description of Contract Awarded	Contract Value (K)
01/2016	01/2016	Waira Limited	Ko/ Bus/College Admin Office	2,300,252.00
01/2016	02/2016	Vision Engineering Limited	Construction - Pomio District H/Qtrs	4,851,647.06
01/2016	03/2016	Department of Works	Boisen H/Sch Redev Program Phase 2	2,100,000.00
01/2016	04/2016	Emulson Supplies Limited	ENBPA Training Bid Strategy	215,000.00
02/2016	07/2016	Last Born Enterprises	D/storey c/rm - G/BH/Sch	498,520.00
02/2016	08/2016	Divulcan limited	D/storey c/rm - Warangoi H/ Sch	480,000.00
02/2016	10/2016	Focus S/Ltd, O/Center & Ko/Empow	Team ENB - Uniforms & sports Equip	1,224,918.00
02/2016	10/2016	Tzen Niugini Ltd	Cons of infras – Bitapaka High School	543,000.00
			<b>Total</b>	<b>12,213,337.06</b>

## **7.0 Grants & Subsidies**

The ENBPG through its annual budget allocations had continued to provide financial support to the Public Authorities and Non-Profit Organisations and institutions that contribute to the delivery of basic government services to the people of East New Britain. However, Accountability Reports from recipients were poorly monitored by the Provincial Government to ensure that grants/financial assistance received were used on the purpose intended, except for the Local Level Governments who had disclosed the receipts and expenditure of grants in their annual financial statements. The absence of guidelines or requirements for usage of grant funds also, may have contributed to lack of and/or monitoring of grants and subsidy funds being paid.

Management response to 2014 audit observation was that in future, the funding under institutional strengthening paid as grants and subsidies will be fully acquitted through a template that would be developed and will be attached in future audit reports. I noted, however, that this has not been implemented in 2015 and 2016 as well.

## **8.0 Capital Works & Maintenance**

A sample audit test of thirty (30) payments relating to capital works and maintenance totaling K9,474,379 had revealed the following discrepancies;

- The majority of selected sample of payments for minor works contracts under vote item 128 (*Routine Maintenance*) were below K500,000 which required only three (3) written quotations from suppliers. The audit examination of the payment vouchers revealed in most instances, the Technical Services Division had not adhered to proper procurement procedures by obtaining the required three (3) written quotations to determine the most economical prices for the required services.

## **9.0 Advances Management**

Audit noted that excessive incidental allowances were claimed by Officers from both the Provincial Administration and the Provincial Treasury during the year 2016 which amounted to K453,257. Officers were claiming incidental allowances when attending workshops, trainings or doing other official duties within the Province and also their Districts of permanent locations which is contrary to *Public Service General Orders section 13.96* which states that, an Officer who travels to another work location on duty within the same Province, that includes travel between Districts and travel within the same district or local government area during a normal working day, shall not be eligible to be advanced for Travel Allowance.



