



Report of the Auditor-General on the Accounts of the University of Goroka for the year ended 31 December 2015



**An Assurance Audit Report of the Auditor General on the Financial
Statements of the University of Goroka for the year ended 31 December,
2015**





AUDITOR GENERAL'S OFFICE
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OFFICE OF THE AUDITOR-GENERAL

31 January 2019

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

Dear Sir,

SUBJECT: UNIVERSITY OF GOROKA -2015 REPORT

In accordance with the provisions of *Section 214* of the *Constitution of the Independent State of Papua New Guinea*, I forward herewith a copy of my report signed on 31st January 2019 upon the inspection and audit of the financial statements of the University of Goroka for the year ended 31 December 2015.

Yours faithfully,

GORDON KEGA, CPA
Acting Auditor-General



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1. Executive Summary

Results of Operations

The University of Goroka recorded a K3.7m in net profits in 2015, an improvement from a net deficit of K1.4m in the preceding year. This had been inclined to a general increase (13%) in revenue and cost reductions in the Administration, Utilities and Personnel Emolument expenditures.

Expansion/Development programs

The University, through its operational working groups, have been set to achieve certain objectives and mandated responsibilities all pointed to the development and expansion. The University aspires to maintain fully functional divisions to better achieve set targets and goals.

The major operational expansion and development plans include the improvement of facilities in Manifor, Lufa District, Eastern Highlands Province in partnership with the Department of Agriculture and Livestock and relevant stakeholders to pave way for the Science and Agricultural programs of the University.

2. Enabling Entity Legislation

Functional Responsibilities/Mandate

The University of Goroka was established under the University of Goroka Act 1997. This Act came into operation on 1 January 1997. Under this Act, the Goroka Campus of the University of PNG was transferred to the University of Goroka together with all staff and students, buildings and grounds, equipment, teaching and research facilities, and other assets and liabilities both within and outside the Campus.

The objectives of the University are dedicated to the pursuit, advancement and dissemination of knowledge, understanding and wisdom; the paying of particular attention to the human resource development and other development needs of PNG; and endeavouring to achieve academic and professional excellence to meet those needs through teaching, research and community service.

Functional Structure

The University of Goroka was established under the University of Goroka Act 1997 from which its functions and powers have been enacted. The University is regulated and

operational under the Department of Higher Education, Science and Research and has, registered under the *Companies Act*, a wholly owned subsidiary company; the Unigor Consultancy Limited.

3. Policies and Budget

Corporate Plan

The University of Goroka is in pursuit to be PNG's leading University committed to the development of a climate of excellence, recognized as a source of innovation in teaching and learning and to lead the region of research, scholarship and community development towards nation building. The vision and mission of the University, through its Corporate Plan (2013-2017) is aligned with the *PNG Vision 2050*, *PNG Development Strategic Plan 2010-2030* and the *PNG Medium Term Development Plan 2011-2015*.

Through this vision, the University has prioritised these objectives as core values for implementation in line with its five (5) year Corporate Plan (2013-2017);

- Providing education that is accessible, equitable and empowering for all;
- Promoting excellence in teaching, research, scholarship and community service;
- Sustaining and promoting diverse Pacific cultural heritage;
- Forging collaborations and partnerships with other institutions and organizations in the region beyond;
- Producing creative and dynamic agents of constructive change; and
- Recognizing competent and competitive staff from within and abroad;
- Upholding harmonies relationships between and among all sectors of the community;
- Promoting gender equity, equal opportunity and universal Human Rights;
- Practicing principles of good governance, accountability and transparency; and
- Upholding Christian principles.

These key business objectives are strategically aligned to the core functions of the administration and operations within the University.

Council meetings are convened to addresses the progress on the implementation, monitoring and achievement corporate objectives and goals.

Budget

The 2015 Budget appropriation ceilings were set by the department of Treasury at K21.2m recurrent government grants. Personal Emoluments took up 87%, while the remaining was

made up of the Goods and Services (6%) and Utilities (7%). Capital Formation had not been included for in the year under review.

Policies

Operational policies and procedures formulate standards by which the University must operate and clearly delineates requirements under the Public Finances Management and the Public Services Management. The policies that have been sanctioned by the council and are effective include the *Housing Policy, Manual and Procedural of HR Division, Staff Performance Appraisal Policies, Staff Development Policy, Terms and Conditions of Employment of Non-citizens and the accounting Policy and Procedural Manual.*

4. Role and Mandate of Auditor General

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

5. Audit Scope and Nature

Audit Scope

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

Nature of audit

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

Period of reporting

The period of reporting covers for the financial year ended 31 December 2016 from which the audit had been in arrears and completed and issued in the 2018/2019 Audit Cycle.

6. Results of Audit

Audit Opinion

The Audit report in accordance with the provisions of the *Audit Act, 1989 (as amended)* on the financial Statements of the University for the year ended 31 December 2015 was issued on 21 September 2018. The report contained a **Disclaimer of Opinion**.

“BASIS FOR DISCLAIMER OF OPINION

Opening Balances

The 2014 audit report was issued with a Disclaimer of Opinion due to Limitation of Scope arising from inability to obtain satisfactory accounting records, source documentations and reconciliations to satisfy myself as to the accuracy and completeness of opening balances of Fixed Assets, Cash at Bank, Equity and Cash flows. I was unable to perform sufficient audit procedures to satisfy myself as to the accuracy or completeness of the opening balances. Consequently, I was unable to quantify the effects of any material misstatements in the opening balances that might have consequential effects on the balances stated in financial statements of the University for the year ended 31 December, 2015.

Accounting System

During my review of the accounting system of the University for the year ended 31 December 2015, I noted the following:

- The University has four main bank accounts with standalone MYOB accounting system running in isolation. In addition, separate accounting systems (MYOB) terminals were set up to process payroll, payables, receivables and for general accounting tasks. All these separate terminals were not integrated and as such data need to be reposted into the main four (4) accounting systems;
- Staff of the University’s bursary division lacked sufficient knowledge in the use and application of the MYOB accounting system;
- The raising of general journals were not properly approved before posted into the MYOB;
- There were numerous incorrect postings and accounting treatments noted in the accounting system; and
- MYOB payroll function was not fully operational as noted at the time of the audit resulting in payroll officers using both excel and MYOB for the payroll processing.

Due to the absence of a properly integrated accounting system and processes with the inefficiencies and weaknesses noted in the Bursary division, I was unable to conclude on the accuracy and completeness of the data captured in the accounting system and the consequent balance derived from, and disclosed in the financial statements.

Statement of Cash flows

My review of the consolidated statement of cash flows revealed that the University has not properly prepared individual statements for its accounts. I was not provided with cash flow workings and supporting schedules to verify the balance disclosed at year end. Further, adjustment of K8,646,209 relating to variance noted between the cash balances disclosed in the balance sheet and consolidated statement of cash flows could not be validated due to lack of supporting documents. As a result, I was unable to conclude on the accuracy of the cash flows computation and the correctness of the cash balance disclosed in the statement of cash flows for the year ended 31 December 2015.

Statement of Changes in Equity

The consolidated statement of changes in equity of the University for the year ended 31 December 2015 contains numerous material variances between the financial statement and general ledger opening and closing balances for the Grant and Internal Revenue accounts respectively. No explanation for the variances and subsequent adjustments were provided for my verification. As such, I was unable to satisfy myself as to the accuracy and correctness of the equity balance derived and disclosed at year end.

Cash at Bank – K14,415,652

During my review of the cash balance and the administration and controls surrounding the bank reconciliation process, I noted several weaknesses such as lack of competencies, lack of timely preparation and review of monthly bank reconciliations to unexplained material differences in the bank reconciliation statements. I noted debit and credit bank adjustments of K676,275 and K873,237 respectively in the Grant account while the Internal Revenue account has adjustments of debits and credits of K584,621 and K147,010 each. No satisfactory explanations for variances were provided to me. As a result, I was unable to validate the cash balance of K14,415,652 disclosed at year end.

Special Purpose Account and Fixed Term Deposit

Disclosed in the consolidated financial statements and the accounts of the University are Fixed Term Deposits and Special Purpose Account balances of K553,475 and K865,822 respectively. I was unable to confirm the existence and correctness of the respective balances due to lack of independent bank confirmation and proper investment schedules maintained by the University.

Fixed Assets – K35,577,525

During my review of the fixed assets of the University, I noted the following weaknesses and inefficiencies:

- As at 31 December 2015, the University did not have an updated and complete Fixed Assets Register;
- There was no clear policy formulated by the University in relation to the acquiring of assets, capitalization and the disposal;
- The University has not conducted a complete stock-take on its fixed assets for a number of years up to 31 December, 2015. Assets were not counted and tagged with asset numbers for verification and control; and
- No revaluation exercise was carried out on all the land and buildings owned and in its custody to reflect the current market rate values.

Due to the above recurring issues, I was unable to place any reliance on the effectiveness of the internal controls surrounding the management of the fixed assets of the University. Consequently, I was unable to conclude on the valuation, correctness and existence of the fixed assets amounting to K35,577,525 as at 31 December 2015.

Work-In-Progress – K56,156,032

I noted that Work-In-Progress (WIP) balance was disclosed as K56,156,032 in the financial statements at year end. My review revealed that there were no proper schedules and records detailing the amounts classified under work-in-progress apart from the MYOB listings. There was no correlation between the source of funding and for which the funds were used for (earmarked projects) during the year. Further, the ongoing projects and projects continued from prior years cannot be traced to the funding source. As a result, I was not able to ascertain and confirm whether the balance representing the Work-In-Progress was fairly stated in the financial statements.

Deferred Income – K69,842,307

Deferred income was disclosed in the financial statements at K69,842,307, an increase of K12,357,078 compared to the year 2014 balance of K57,485,229. During my review, I noted that the University did not have proper schedules and records of transactions (journal entries) to substantiate this balance. This issue was brought to the attention of the management in prior years however, not much attention was given by the University to have proper schedules and records relating to PIP grants and deferred income. As a result, I was unable to determine whether the above balance was fairly stated and disclosed in the financial statements.

Tuition & Other Fees – K13,908,041

The University derives its funding from two (2) main sources. The National Government recurrent and project grants and tuition fees collected from students. During my review, I noted serious discrepancies relating to proper maintenance of records and accountability of tuition fee income. A total of K6,543,760 debit balance was noted in the general ledger without proper explanation and supporting documents. A further K2,613,757 could not be ascertained due to missing journals. I also noted that financial records for the tuition fees were not properly maintained by the University. Consequently, I could not verify whether the balance disclosed as K13,908,041 was fairly stated at year end.

Staff Entitlements – K1,344,560

Staff entitlements was disclosed at K1,344,560, a decrease of K2,397,273 compared to year 2014 balance of K3,741,833. During my review, I was not able to confirm the movement noted as supporting documents and explanation requested were not provided for my verification. As such, I was unable to confirm and comment on the fairness of the balance representing staff entitlement of K1,344,560.

DISCLAIMER OF OPINION

In my opinion, because of the existence of the limitation of scope on my work as described in the Basis for Disclaimer of Opinion paragraphs, and the effects of such adjustments, if any, that might have been determined to be necessary had the limitations not existed, I am unable to and do not express an opinion on the financial statements of the University for the year ended 31 December 2015.”

Audited Financial Statements

The Audited Financial Statements are attached with this report under *Attachment 'C'*.

Significant matters of Concern

My report to the Ministers under *Sections 8(2) of the Audit Act, 1989 (as amended)* on the inspection and audit of the accounts and records of the University for the year ended 31 December 2015 was issued on 24 September 2018. The report contained the following observations:

Corporate and Strategic Plans

I was not provided with copies of either the corporate or strategic plans covering the current and subsequent years though requested. Corporate and Strategic plans are documented processes that represent an organisation's goals, objectives and future work activities. The plan outlines or sets the platform to which desired outcome or milestone are to be achieved. It also guides the management in its decision making and ensures that scarce resources are effectively managed.

In the absence of approved corporate and strategic plans, I was not able to comment on whether the Council and the Management had managed the affairs of the University based on established plans.

Operational Policy Manuals

My review revealed that the operational and procedural manuals used by the University in 2015 were out-dated and not applicable for use given the demands and changes in technology and development. In the absence of clearly designed and approved policy manuals and guidelines, there is a high risk of abuses and malpractices to take place within the University. As a result, I was unable to measure and comment on the standards of operations in relation to the systems and controls and whether uniform procedures were followed in respective divisions/schools/sections. I raised this issue in my prior year report as well.

I brought this issue up and recommended the University to revisit the outdated policies and ensure to have new ones in place. Management responded to my comments as follows:

“The new management team has set in place working taskforce groups that are assigned to review all existing policies and manuals. Most of the working groups have completed their assigned tasks and reports would be presented before the Council in the December 2017 final meeting”.

Non-Compliance with the Public Finances (Management) Act, 1995

The Public Finances (Management) Act, 1995 Section 63(2) and 63(4) requires the University to furnish to the Minister before 30 June each year, a performance and management report of its operations for the year ending 31 December preceding, together with financial statements. Before furnishing financial statements to the Minister, the University shall submit them to the Auditor-General who shall report to the Minister. However, the University has not prepared and submitted its financial statements for the year ended 31 December, 2015 to my Office on a timely basis to enable me to complete the audit on time for tabling the report in the Parliament before 30 June, 2016. Accordingly, the University breached Section 63(2) and 63(4) of the Public Finances (Management) Act, 1995. I have repeatedly brought this non-compliance issue to the attention of the University's Management for their necessary action.

Internal Audit Function

During my review on the internal audit division of the University, I noted that the University did not fully utilize the division to review various processes and systems and to provide necessary recommendation for the management to improve on the internal control weaknesses noted during my prior year audits. There were no internal audit reports provided for my review. As a result, I was not able to comment on whether internal processes were systematically and timely reviewed by the internal audit division and whether management was timely informed of the weaknesses.

I brought this to the attention of the management that the lack of performance and inefficiencies in the internal audit function encourages system break-downs and weak internal controls may result in mismanagement and abuse of public resources.

Inefficiencies in the Accounting System

During my review, I noted severe breakdown and inefficiencies in terms of record maintenance, identification and classification of transactions and posting into the accounting system (MYOB). Numerous classification and posting errors were noted in the accounting system. The weaknesses noted were the result of incompetent work force and lack of qualified staff in the University's employment.

I raised this issue and recommended the University to provide more training and recruit qualified accountants to ensure proper accounting system is maintained. In its response, the management advised that it would employ qualified accountants in the future.

Payroll System

During my review, I noted the following weaknesses in the payroll system:

- There was no computerized payroll system used by the University in 2015 and prior years, instead all payroll computations and data storage were processed and maintained using the excel spreadsheet;
- The MYOB payroll system was not fully operational due to technical and competency issues noted;
- No payroll summary per pay period was printed and filed for confirmation of the salary expenses entries posted on a fortnightly basis into the general ledgers apart from the net amount paid to staff;
- The University did not maintain a Staff Advances Register and did not have a staff advance policy in place; and
- High staff turnover in the accounts and payroll sections.

Due the above observations, I was not able to place any reliance on the effectiveness of the internal controls surrounding the payroll function of the University in 2015.

Incorrect Tax Administration

During my review of the personnel costs, I noted that some contract officers of the University were paid contract allowances through cheques without calculating and deducting tax as required by the Income Tax Act, 1959 (as amended). Further, staff being provided accommodations were not properly taxed using the prescribed tax rates.

I brought these issues to the attention of the management recommending them to cease these practices immediately.

Lack of Proper Acquittal of Travel Advances

My review of travel and subsistence expenses for the year revealed that payments amounting to K1,879,863 were not acquitted by concerned staff of the University during the year. Of the amount, K239,398 was related to the normal operational travels while K1,640,465 for teaching practice.

Further, there was no Travel Advances Register maintained by the University in 2015 and prior years resulting in breaches of the Public Finances (Management) Act (PFMA).

I reminded management to comply with the requirements under the Public Finances (Management) Act, 1995 and the Financial Management Manual Part 20 paragraphs 11.2 and 12.10 about the acquittal of cash advances.

Procurements Lacking Three (3) Written Quotations

My examination revealed that payments totalling K947,083 were executed without obtaining the required three (3) written quotations from three (3) different suppliers nor Minor Contract Agreement was drawn. As such, the University has not complied with the Public Finances (Management) Act, 1995 and Financial Instructions 2/2013 (point 5.1) which requires that “Purchases for amounts between K5001 and K500,000, three written quotations are required however, for purchases between K50,000 – K500,000 in addition to three (3) written quotations, a Minor Contract Agreement executed by the Head of the procuring Agency is required”. Consequently, I was unable to place any reliance on the effectiveness of the internal controls surrounding the procurement of goods and services in 2015.

I brought this issue to the management and was advised that they would ensure to comply with the above requirement of the PFMA.

Lack of Proper Supporting Documentation

I was unable to ascertain the validity and accuracy of payments totalling K808,532 and whether goods and services were received and value for money achieved due to lack of supporting documentations such as proper receipts, invoices or delivery dockets. Further, I could not place reliance on the effectiveness of the internal controls surrounding the procurement process of the University.

Management responded to my observation as follows:

“As highlighted, in the future we will improve in that area and ensure important source documents such as invoices, receipts/deposit slips and delivery dockets, after payment have been made, are attached to ascertain the validity and accuracy of the payments”.

Payments for Signing Cheques perceived as Extra Duties

On two occasions, payments were made to senior officers of the University for signing of cheques and for other duties perceived as outside their job description. The amount authorized and paid in these instances amounted to K10,000. I noted this practice in my prior year audits and advised the management to cease all forms of such payments that are deemed improper that constitute abuse of public resources.

Council Expenses

I was not able to validate and ascertain the appropriateness and authenticity of payments totalling K113,360 made to council members in 2015 due to lack of proper council meeting minutes. As such, I conclude that the internal controls surrounding council expenses were very weak.

I raised this issue and recommended management to maintain proper records of council meeting minutes, stipends, sitting allowances and other related expenses of the Council.

7. Entity Comments, Responses

Responses from the client to the issues that have been raised are also included and form part of the reports issued under *section 8(2) and 8(4) of the Audit Act, 1989 (as amended)*. Copies of the reports to the minister are detailed in *Attachments 'A' and 'B'*.

8. Stakeholder Expectation

The point of reference the University would have on the stakeholders and their expectation is inclined to the mandated responsibilities and how effectively and efficiently this is discharged. The objects of the University stipulated in *Section 5 the University of Goroka Act, 1997*, require the University to “*be dedicated to the pursuit, advancement and dissemination of knowledge, understanding and wisdom and pay particular attention to the human resource development and other development needs of Papua New Guinea and shall endeavour to achieve academic and professional excellence to meet those needs through teaching, research and community service.*”

This requirement had been partially fulfilled due to Operational and Administrative constraints and unforeseen circumstances beyond the control of the University for the Year under review.

9. Recommendations

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

Attachment: A

2015 Audit report on the University of Goroka in accordance with *section 8(4)* of the *Audit Act, 1989* as amended.

Our Reference: 30-83-4

The Honourable Pila Niningi, MP

Minister for Higher Education, Research, Science & Technology

Office of the Minister

PO Parliament Haus

WAIGANI, NCD

**INDEPENDENT AUDIT REPORT ON THE ACCOUNTS OF THE
UNIVERSITY OF GOROKA
FOR THE YEAR ENDED 31 DECEMBER 2015**

In accordance with *Section 8(4) of the Audit Act, 1989 (as amended)*, I have audited the accompanying financial statements of the **University of Goroka** for the year ended **31 December, 2015** as set out on pages 3 to 13, which comprise the balance sheet as at 31 December, 2015, the income and expenditure statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of the University is responsible for the preparation and fair presentation of the financial statements in accordance with *International Financial Reporting Standards, Section 63(4) of Public Finances (Management) Act, 1995* and other statutory requirements. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the financial statements that are free from material misstatements, whether due to fraud or error.

Responsibility of the Auditor-General

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the *Audit Act*, and *International Standards on Auditing*. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Opening Balances

The 2014 audit report was issued with a Disclaimer of Opinion due to Limitation of Scope arising from inability to obtain satisfactory accounting records, source documentations and reconciliations to satisfy myself as to the accuracy and completeness of opening balances of Fixed Assets, Cash at Bank, Equity and Cashflows. I was unable to perform sufficient audit procedures to satisfy myself as to the accuracy or completeness of the opening balances. Consequently, I was unable to quantify the effects of any material misstatements in the opening balances that might have consequential effects on the balances stated in financial statements of the University for the year ended 31 December, 2015.

Accounting System

During my review of the accounting system of the University for the year ended 31 December 2015, I noted the following:

- The University has four main bank accounts with standalone MYOB accounting system running in isolation. In addition, separate accounting systems (MYOB) terminals were set up to process payroll, payables, receivables and for general accounting tasks. All these separate terminals were not integrated and as such data need to be reposted into the main four (4) accounting systems;
- Staff of the University's bursary division lacked sufficient knowledge in the use and application of the MYOB accounting system;
- The raising of general journals were not properly approved before posted into the MYOB;
- There were numerous incorrect postings and accounting treatments noted in the accounting system; and
- MYOB payroll function was not fully operational as noted at the time of the audit resulting in payroll officers using both excel and MYOB for the payroll processing.

Due to the absence of a properly integrated accounting system and processes with the inefficiencies and weaknesses noted in the Bursary division, I was unable to conclude on the accuracy and completeness of the data captured in the accounting system and the consequent balance derived from, and disclosed in the financial statements.

Statement of Cashflows

My review of the consolidated statement of cashflows revealed that the University has not properly prepared individual statements for its accounts. I was not provided with cashflow workings and supporting schedules to verify the balance disclosed at year end. Further, adjustment of K8,646,209 relating to variance noted between the cash balances disclosed in the balance sheet and consolidated statement of cashflows could not be validated due to lack of supporting documents. As a result, I was unable to conclude on the accuracy of the cashflows computation and the correctness of the cash balance disclosed in the statement of cashflows for the year ended 31 December 2015.

Statement of Changes in Equity

The consolidated statement of changes in equity of the University for the year ended 31 December 2015 contains numerous material variances between the financial statement and general ledger opening and closing balances for the Grant and Internal Revenue accounts respectively. No explanation for the variances and subsequent adjustments were provided for my verification. As such, I was unable to satisfy myself as to the accuracy and correctness of the equity balance derived and disclosed at year end.

Cash at Bank – K14,415,652

During my review of the cash balance and the administration and controls surrounding the bank reconciliation process, I noted several weaknesses such as lack of competencies, lack of timely preparation and review of monthly bank reconciliations to unexplained material differences in the bank reconciliation statements. I noted debit and credit bank adjustments of K676,275 and K873,237 respectively in the Grant account while the Internal Revenue account has adjustments of debits and credits of K584,621 and K147,010 each. No satisfactory explanations for variances were provided to me. As a result, I was unable to validate the cash balance of K14,415,652 disclosed at year end.

Special Purpose Account and Fixed Term Deposit

Disclosed in the consolidated financial statements and the accounts of the University are Fixed Term Deposits and Special Purpose Account balances of K553,475 and K865,822 respectively. I was unable to confirm the existence and correctness of the respective balances due to lack of independent bank confirmation and proper investment schedules maintained by the University.

Fixed Assets – K35,577,525

During my review of the fixed assets of the University, I noted the following weaknesses and inefficiencies:

- As at 31 December 2015, the University did not have an updated and complete Fixed Assets Register;
- There was no clear policy formulated by the University in relation to the acquiring of assets, capitalization and the disposal;
- The University has not conducted a complete stock-take on its fixed assets for a number of years up to 31 December, 2015. Assets were not counted and tagged with asset numbers for verification and control; and
- No revaluation exercise was carried out on all the land and buildings owned and in its custody to reflect the current market rate values.

Due to the above recurring issues, I was unable to place any reliance on the effectiveness of the internal controls surrounding the management of the fixed assets of the University. Consequently, I was unable to conclude on the valuation, correctness and existence of the fixed assets amounting to K35,577,525 as at 31 December 2015.

Work-In-Progress – K56,156,032

I noted that Work-In-Progress (WIP) balance was disclosed as K56,156,032 in the financial statements at year end. My review revealed that there were no proper schedules and records detailing the amounts classified under work-in-progress apart from the MYOB listings. There was no correlation between the source of funding and for which the funds were used for (earmarked projects) during the year. Further, the ongoing projects and projects continued from prior years cannot be traced to the funding source. As a result, I was not able to ascertain and confirm whether the balance representing the Work-In-Progress was fairly stated in the financial statements.

Deferred Income – K69,842,307

Deferred income was disclosed in the financial statements at K69,842,307, an increase of K12,357,078 compared to the 2014 balance of K57,485,229. During my review, I noted that the University did not have proper schedules and records of transactions (journal entries) to substantiate this balance. This issue was brought to the attention of the management in prior years however, not much attention was given by the University to have proper schedules and records relating to PIP grants and deferred income. As a result, I was unable to determine whether the above balance was fairly stated and disclosed in the financial statements.

Tuition & Other Fees – K13,908,041

The University derives its funding from two (2) main sources. The National Government recurrent and project grants and tuition fees collected from students. During my review, I noted serious discrepancies relating to proper maintenance of records and accountability of tuition fee income. A total of K6,543,760 debit balance was noted in the general ledger without proper explanation and supporting documents. A further K2,613,757 could not be ascertained due to missing journals. I also noted that financial records for the tuition fees were not properly maintained by the University. Consequently, I could not verify whether the balance disclosed as K13,908,041 was fairly stated at year end.

Staff Entitlements – K1,344,560

Staff entitlements was disclosed at K1,344,560, a decrease of K2,397,273 compared to 2014 balance of K3,741,833. During my review, I was not able to confirm the movement noted as supporting documents and explanation requested were not provided for my verification. As such, I was unable to confirm and comment on the fairness of the balance representing staff entitlement of K1,344,560.

DISCLAIMER OF OPINION

In my opinion, because of the existence of the limitation of scope on my work as described in the Basis for Disclaimer of Opinion paragraphs, and the effects of such adjustments, if any, that might have been determined to be necessary had the limitations not existed, I am unable to and do not express an opinion on the financial statements of the University for the year ended 31 December 2015.



GORDON KEGA, CPA

Acting Auditor-General

21 September, 2018

Attachment: B

2015 Audit report on the University of Goroka in accordance with *section 8(2)* of the *Audit Act, 1989* as amended.

Our Reference: 30-83-4

The Honourable Pila Niningi, MP

Minister for Higher Education, Research, Science & Technology

Office of the Minister

PO Parliament Haus

WAIGANI, NCD

**INDEPENDENT AUDIT REPORT ON
UNIVERSITY OF GOROKA
FOR THE YEAR ENDED 31 DECEMBER 2015**

In accordance with *Section 8(2) of the Audit Act, 1989 (as amended)*, I have inspected and audited the accompanying accounts and records and the financial transactions and records relating to the assets and liabilities and assets in the custody of the **University of Goroka** for the year ended **31 December 2015**.

My report in terms of *Section 8(4) of the Audit Act, 1989 (as amended)*, on the University's financial statements was forwarded to you under separate cover on even date and contained a Disclaimer of Opinion. In addition to the Disclaimer of Opinion on the financial statements, I wish to draw your attention to the following significant matters.

OTHER MATTERS

Corporate and Strategic Plans

During my review, I was not provided with copies of either the corporate or strategic plans covering the current and subsequent years. Corporate and Strategic plans are documented processes that represent an organisation's goals, objectives and future work activities. The plan outlines or sets the platform to which desired outcome or milestone are to be achieved. It also guides the management in its decision making and ensures that scarce resources are effectively managed.

In the absence of approved corporate and strategic plans, I was not able to comment on whether the Council and the Management had managed the affairs of the University based on established plans.

Operational Policy Manuals

My review revealed that the operational and procedural manuals used by the University in 2015 were out-dated and not applicable for use given the demands and changes in technology and development. In the absence of clearly designed and approved policy manuals and guidelines, there is a high risk of abuses and malpractices to take place within the University. As a result, I was unable to measure and comment on the standards of operations in relation to the systems and controls and whether uniform procedures were followed in respective divisions/schools/sections. I raised this issue in my prior year report as well.

I brought this issue up and recommended the University to revisit the outdated policies and ensure to have new ones in place. Management responded to my comments as follows:

"The new management team has set in place working taskforce groups that are assigned to review all existing policies and manuals. Most of the working groups have completed their assigned tasks and reports would be presented before the Council in the December 2017 final meeting".

Non-Compliance with the *Public Finances (Management) Act, 1995*

The *Public Finances (Management) Act, 1995* Section 63(2) and 63(4) requires the University to furnish to the Minister before 30 June each year, a performance and management report of its operations for the year ending 31 December preceding, together with financial statements. Before furnishing financial statements to the Minister, the University shall submit them to the Auditor-General who shall report to the Minister. However, the University has not prepared and submitted its financial statements for the year ended 31 December, 2015 to my Office on a timely basis to enable me to complete the audit on time for tabling the report in the Parliament before 30 June, 2016. Accordingly, the University breached Section 63(2) and 63(4) of the *Public Finances (Management) Act, 1995*. I have repeatedly brought this non-compliance issue to the attention of the University's Management for their necessary action.

Internal Audit Function

During my review on the internal audit division of the University, I noted that the University did not fully utilize the division to review various processes and systems and to provide necessary recommendation for the management to improve on the internal control weaknesses noted during my prior year audits. There were no internal audit reports provided for my review. As a result, I was not able to comment on whether internal processes were systematically and timely reviewed by the internal audit division and whether management was timely informed of the weaknesses.

I brought this to the attention of the management that the lack of performance and inefficiencies in the internal audit function encourages system break-downs and weak internal controls may result in mismanagement and abuse of public resources.

Inefficiencies in the Accounting System

During my review, I noted severe breakdown and inefficiencies in terms of record maintenance, identification and classification of transactions and posting into the accounting system (MYOB). Numerous classification and posting errors were noted in the accounting system. The weaknesses noted were the result of incompetence work force and lack of qualified staff in the University's employment.

I raised this issue and recommended the University to provide more training and recruit qualified accountants to ensure proper accounting system is maintained. In its response, the management advised that it would employ qualified accountants in the future.

Payroll System

During my review, I noted the following weaknesses in the payroll system:

- There was no computerized payroll system used by the University in 2015 and prior years, instead all payroll computations and data storage were processed and maintained using the excel spreadsheet;
- The MYOB payroll system was not fully operational due to technical and competency issues noted;
- No payroll summary per pay period was printed and filed for confirmation of the salary expenses entries posted on a fortnightly basis into the general ledgers apart from the net amount paid to staff;
- The University did not maintain a Staff Advances Register and did not have a staff advance policy in place; and
- High staff turnover in the accounts and payroll sections.

Due the above observations, I was not able to place any reliance on the effectiveness of the internal controls surrounding the payroll function of the University in 2015.

Incorrect Tax Administration

During my review of the personnel costs, I noted that some contract officers of the University were paid contract allowances through cheques without calculating and deducting tax as required by the *Income Tax Act, 1959 (as amended)*. Further, staff being provided accommodations were not properly taxed using the prescribed tax rates.

I brought these issues to the attention of the management recommending them to cease these practices immediately.

Lack of Proper Acquittal of Travel Advances

My review of travel and subsistence expenses for the year revealed that payments amounting to K1,879,863 were not acquitted by concerned staff of the University during the year. Of the amount, K239,398 was related to the normal operational travels while K1,640,465 for teaching practice. Further, there was no Travel Advances Register maintained by the University in 2015 and prior years resulting in breaches of the Public Finances (Management) Act (PFMA).

I reminded management to comply with the requirements under the *Public Finances (Management) Act, 1995* and the *Financial Management Manual Part 20 paragraphs 11.2 and 12.10* about the acquittal of cash advances.

Procurements Lacking Three (3) Written Quotations

My examination revealed that payments totaling K947,083 were executed without obtaining three (3) written quotations from three (3) different suppliers nor Minor Contract Agreement was drawn. As such, the University has not complied with the *Public Finances (Management) Act, 1995* and *Financial Instructions 2/2013 (point 5.1)* which requires that "*Purchases for amounts between K5001 and K500,000, three written quotations are required however, for purchases between K50,000 – K500,000 in addition to three (3) written quotations, a Minor Contract Agreement executed by the Head of the procuring Agency is required*". Consequently, I was unable to place any reliance on the effectiveness of the internal controls surrounding the procurement of goods and services in 2015.

I brought this issue to the management and was advised that they would ensure to comply with the above requirement of the PFMA.

Lack of Proper Supporting Documentation

During my review, I was unable to ascertain the validity and accuracy of payments totaling K808,532 and whether goods and services were received and value for money achieved due to lack of supporting documentations such as proper receipts, invoices or delivery dockets. Further, I could not place reliance on the effectiveness of the internal controls surrounding the procurement process of the University.

Management responded to my observation as follows:

"As highlighted, in the future we will improve in that area and ensure important source documents such as invoices, receipts/deposit slips and delivery dockets, after payment have been made, are attached to ascertain the validity and accuracy of the payments".

Payments for Signing Cheques perceived as Extra Duties

I noted instances where payments were made to senior officers of the University for signing of cheques and for other duties perceived as outside their job description. The amount authorized and paid noted was K10,000. I noted this practice in my prior year audits and advised the management to cease all forms of such payments that are deemed improper that constitute abuse of public resources.

Council Expenses

During my review of the Council expenses for the year, I was not able to validate and ascertain the appropriateness and authenticity of payments totaling K113,360 made to council members in 2015 due to lack of proper council meeting minutes. As such, I conclude that the internal controls surrounding council expenses were very weak.

I raised this issue and recommended management to maintain proper records of council meeting minutes, stipends, sitting allowances and other related expenses of the Council.

A handwritten signature in blue ink, appearing to read 'Gordon Kega'.

GORDON KEGA, CPA
Acting Auditor-General

21 September, 2018

Attachment: C

The 2015 Audited Financial Statements



UNIVERSITY OF GOROKA

ADJUSTED

FINANCIAL STATEMENT

FOR THE YEAR

ENDING 31st DECEMBER, 2015

By: Professor Musawe Sinebare (PhD)
Vice Chancellor
Date: 25th May, 2018



UNIVERSITY OF GOROKA
Financial Statements
For the year ended 31 December, 2015

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THE UNIVERSITY OF GOROKA

Financial Statements

For the Year Ended 31st December, 2015

INFORMATION OF THE UNIVERSITY

1. Vision

"To improve and sustain the livelihood of the critical masses through education"

2. Mission

"The University of Goroka shall pursue, advance, disseminate and apply knowledgeable as well as understanding and wisdom for its students, staff and the communities it serves as well as the nation."

3. Establishment and Objects of the University

The University of Goroka is a National Higher Learning Institution established by an Act of Parliament in 1997 and was opened in 1998.

The Act states the objectives of the University as: dedication to the pursuit, advancement and dissemination of knowledge, understanding and wisdom; the paying of particular attention to the human resource development and other development needs of Papua New Guinea; and endeavoring to achieve academic and professional excellence to meet those needs through teaching, research and community service. In provisions of the Act of the University, it enshrines the University as having the power to implement the objectives of the University.

4. Program - Academic Activities

- a PhD Program
- b Honours Program
- c Masters in Education
- d Post Graduate Diploma
- e Post Graduate Certificates
- f Bachelors Degree Programs
- g Diploma Programs, PVTE, PGDE

5. Interim Council Members of the University

- a Mr. Joseph Sukwianomb - *Chancellor*
- b Professor Musawe Sinebare - *Vice Chancellor*
- c Mr. Lawrence Titimur - *Members Nominee*
- d Dr. Alfred Tivinarlik - *Members Nominee*
- e Dr. Julie Kaman - *Members Nominee*
- f Ms. Gayle Tatsi - *Members Nominee*
- g Mr. Leslie Hoffman - *Members Nominee*
- h Mr. Steven Rere - *Members Nominee*
- i Mr. Chris Asa - *Members Nominee*
- j Mr. Miri Setae - *Members Nominee*



THE UNIVERSITY OF GOROKA

DECLARATION BY MANAGEMENT

In our opinion, the Balance Sheet Statement, Statement of Income and Expenditure, Cash-flow Statement, Statement of changes in Equity together with the Notes to the Financial Statements of the University of Goroka have been drawn up so as to show fairly, the financial position and performance for the year ended 31st December, 2015.

Except as disclosed, we are of the opinion that:-

- a) the results of the University's operations for the year have not been materially affected by items, transactions or events of an abnormal nature;
- b) no material circumstances have arisen which would render any amounts shown in the statements misleading.
- c) The current assets of the University are expected to be realised in the the normal course of business at least the value at which they are included in the statements.
- d) Fixed assets at the value shown in the Financial Statements were in existence as at 31st December, 2015.

Professor Musawe Sinebare (PhD)
Vice Chancellor

Date 25/05/18

Mr. Donald Gumbis
Acting Bursar

Date 25.05.18



UNIVERSITY OF GOROKA
CONSOLIDATED BALANCE SHEET
As at 31 December, 2015

| <u>ACCOUNT HEAD</u> | <u>NOTE</u> | <u>2015</u> <u>Kina</u> | <u>2014</u> <u>Kina</u> |
|---------------------------------------------|-------------|----------------------------|----------------------------|
| <u>Non Current Asset</u> | | | |
| Fixed Assets | 3 | 35,577,525 | 36,646,791 |
| Work In Progress - Dormitory (PIP) | 10 | 56,156,549 | 51,954,032 |
| <u>Total Non Current Asset</u> | | <u>91,734,074</u> | <u>88,600,823</u> |
| <u>Current Assets</u> | | | |
| Cash at Bank | 5 | 14,415,652 | 12,221,167 |
| Debtors | 6 | 1,449,079 | 59,787 |
| Cash on Hand | | - | - |
| Investment- Fixed Term Deposits | 4 | 553,475 | 548,546 |
| <u>Total Current Assets</u> | | <u>16,418,206</u> | <u>12,829,500</u> |
| <u>Total Assets</u> | | <u>108,152,280</u> | <u>101,430,323</u> |
| <u>Current Liabilities</u> | | | |
| Sundry Creditors | 7 | 6,473,788 | 5,182,994 |
| Staff Entitlements | 8 | 1,170,528 | 1,878,985 |
| <u>Total Current Liabilities</u> | | <u>7,644,316</u> | <u>7,061,979</u> |
| <u>Non Current Liabilities</u> | | | |
| Deffered Income | 9 | 69,842,307 | 57,485,229 |
| Furlough Leave | 8 | 174,032 | 1,862,848 |
| <u>Total Non Current Liabilities</u> | | <u>70,016,339</u> | <u>59,348,077</u> |
| <u>Total Liabilities</u> | | <u>77,660,655</u> | <u>66,410,056</u> |
| <u>Net Assets</u> | | <u>30,491,626</u> | <u>35,020,268</u> |
| <u>Equity</u> | | | |
| Accumulated Capital | | 3,490,746 | 26,257,665 |
| Accumulated Surplus /(Deficit) | | 13,023,799 | (5,214,480) |
| Asset Revaluation Reserve | | 13,977,083 | 13,977,083 |
| <u>Total Equity</u> | | <u>30,491,626</u> | <u>35,020,268</u> |

This statement is to be read in conjunction with the notes to the respective accounts





UNIVERSITY OF GOROKA
Consolidated Statement of Equity
As at 31st December, 2015

| Particulars | Capital/Fund | Asset Revalue Reserve | Accumulated Retained Surplus/ (Deficit) | 2015 | 2014 |
|--------------------------------------|---------------------|-----------------------|-----------------------------------------|---------------------|---------------------|
| | | | | Total Equity | Total Equity |
| Bal Jan 2013 | Kina | Kina | Kina | Kina | Kina |
| Net Capital | 22,461,023 | 13,977,083 | 8,759,953 | 45,198,059 | 34,454,590 |
| <i>Grant Account</i> | 28,545,906 | 13,977,083 | (8,788,638) | 33,734,351 | 36,610,596 |
| <i>Internal Revenue Account</i> | (6,084,883) | - | 2,754,576 | (3,330,307) | |
| <i>PIP Account</i> | | | 14,838,837 | 14,838,837 | |
| <i>Menifor Account</i> | | | (44,822) | (44,822) | |
| <i>Adjusted Balance</i> | - | - | - | - | (2,156,006) |
| Surplus/(Deficit) at year end | - | - | 4,263,845 | 4,263,845 | (489,903) |
| <i>Grant Account</i> | | | 3,411,470 | 3,411,470 | (1,754,421) |
| <i>Internal Revenue Account</i> | | | 1,212,468 | 1,212,468 | 969,677 |
| <i>SPA Account</i> | | | 720,109 | 720,109 | 1,004,088 |
| <i>PIP Account</i> | | | (849,623) | (849,623) | (664,426) |
| <i>Menifor Account</i> | | | (230,579) | (230,579) | (44,822) |
| <i>DFL Account</i> | | | - | - | - |
| Surplus/(Deficit) Prior 2012 | - | - | - | - | 15,503,263 |
| <i>PIP Account</i> | - | | | - | 15,503,263 |
| Equity Funds Held | 9,318,738 | - | - | 9,318,738 | 7,404,343 |
| <i>Grant Account</i> | 2,470,297 | | | 2,470,297 | 228,210 |
| <i>Internal Revenue Account</i> | 1,243,125 | | | 1,243,125 | - |
| <i>SPA Account</i> | (2,210,198) | | | (2,210,198) | (639,382) |
| <i>PIP Account</i> | 7,815,515 | | | 7,815,515 | 7,815,515 |
| Accumulated Funds | 4,530,857 | - | - | 4,530,857 | 7,982,830 |
| <i>Grant Account</i> | 1,944,594 | | | 1,944,594 | 2,169,978 |
| <i>Internal Revenue Account</i> | (1,726,382) | | | (1,726,382) | (538,054) |
| <i>SPA Account</i> | 1,717,760 | | | 1,717,760 | 713,672 |
| <i>PIP Account</i> | 2,194,929 | | | 2,194,929 | 5,237,279 |
| <i>Menifor Account</i> | 399,955 | | | 399,955 | 399,955 |
| Historical Balance | (32,819,872) | - | - | (32,819,872) | (29,834,854) |
| <i>Grant Account</i> | (4,594,311) | | | (4,594,311) | (1,750,322) |
| <i>Internal Revenue Account</i> | 429,377 | | | 429,377 | (3,375,613) |
| <i>SPA Account</i> | 638,150 | | | 638,150 | 63,122 |
| <i>PIP Account</i> | (29,293,089) | | | (29,293,089) | (24,772,042) |
| Balance at 31 December 2014 | 3,490,746 | 13,977,083 | 13,023,799 | 30,491,627 | 35,020,268 |

Note

Please refer to the respective budgets and accounts for their detailed Financial Situation.



UNIVERSITY OF GOROKA
Consolidated Statement of Income & Expenses
For the year ended 31 December, 2015

| INCOME | Notes | 2015 | 2014 |
|---------------------------------------------------------------|-------|--------------------------|---------------------------|
| | | Kina | Kina |
| Government Grants | | 21,247,000 | 17,569,100 |
| <u>Internal Revenue</u> | | | |
| Tuition & Other Fees | | 13,908,041 | 11,664,105 |
| Other Income | | 2,931,663 | 4,220,446 |
| <u>Total Internal Revenue</u> | | <u>16,839,704</u> | <u>15,884,551</u> |
| <u>Total Income</u> | | <u>38,086,704</u> | <u>33,453,651</u> |
| <u>LESS: EXPENDITURES</u> | | | |
| School of Education | | 209,712 | 194,734 |
| School of Humanities | | 182,327 | 199,312 |
| School of Science | | 176,390 | 194,677 |
| TVET Institute | | 74,968 | 136,368 |
| Core Learning Centre | | 785,722 | 1,027,541 |
| Support Service | | 6,687,189 | 5,196,718 |
| Building & Estate | | 479,113 | 429,034 |
| Security | | 10,307 | 29,482 |
| Administration | | 2,807,184 | 3,474,107 |
| Utilities | | 2,365,182 | 2,089,325 |
| Property Rental | | 652,911 | 784,878 |
| Professional Fees | | 597,217 | 460,560 |
| Personnel Emolument | | 16,540,855 | 18,276,578 |
| Employment Expenses | | 133,530 | 114,144 |
| Other | | 155,456 | 97,455 |
| Talisma Project | | - | - |
| Student Dormitory (PIP) | | - | 3,088 |
| <u>Total Expenditure (Academic & Non-Academic)</u> | | <u>31,858,063</u> | <u>32,708,001</u> |
| <u>Net Surplus/(Deficit) Before Depreciation</u> | | <u>6,228,641</u> | <u>745,650</u> |
| Depreciation of Fixed Asset | | 2,454,325 | 2,194,819 |
| <u>Total Expenditures</u> | | <u>34,312,388</u> | <u>34,902,820</u> |
| <u>Net surplus/(deficit) After Depreciation</u> | | <u>3,774,316</u> | <u>(1,449,169)</u> |

This statement is to be read in conjunction with the notes to the respective accounts





UNIVERSITY OF GOROKA
Consolidated Statement of Cash Flow
For the year ended 31st December, 2015

| Particulars | Notes | 2015 Kina | 2014 Kina |
|-------------------------------------------------------------------|-------|--------------------|--------------------|
| <u>Cash Flow from operating Activities</u> | | | |
| Excess of expenditure over income | | 3,774,316 | 1,449,169 |
| Special Purpose Account Net Profit | | | - |
| Depreciation (Non Cash Adjustment) | | 2,454,325 | 2,194,819 |
| Non-cash adjustments | | | |
| Operating surplus/(deficit) before working Capital changes | | 6,228,641 | 3,643,988 |
| Decrease/(increase) in debtors and other receivables | | 1,389,292 | (284,215) |
| (Decrease)/increase in sundry creditors | | 1,290,794 | (985,338) |
| Increase Staff Entitlement | | (708,457) | 1,070,578 |
| Net Cash flow from operating activities | | 8,200,271 | 3,445,013 |
| <u>Cashflow from Investing Activities</u> | | | |
| Interest and dividends on investments | | | |
| Purchase of equipment and fixed assets | | 1,317,422 | (2,572,000) |
| Work in Progress Additions | | (4,202,517) | (6,947,384) |
| Net Cash Flow from Investing Activities | | (2,885,095) | (9,519,384) |
| <u>Cashflow from Financing Activities</u> | | | |
| PIP Deferred Income | | 12,357,078 | - |
| PIP Current Year Cash Held for Purchase of Fixed Assets | | | |
| SPA Cash on Consolidation | | | |
| Net CashFlow from Financing Activities | | 12,357,078 | - |
| Net (Decrease)/Increase in cash & cash Equivalent | | 17,672,253 | (6,074,371) |
| Cash at the beginning of the year | | 15,561,810 | 21,636,181 |
| Cash at the end of the year | | 20,876,985 | 15,561,810 |
| Adjustment to incorporate FTD and COH | | - | - |
| Cash at the end of the year | | 20,876,985 | 15,561,810 |

This statement is to be read in conjunction with the notes to the respective accounts





UNIVERSITY OF GOROKA
Notes to and forming part of the Financial Statements
For the year ended 31 December, 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Period of Account

The period of account covered by the financial statements is from 1 January to 31 December of each year.

b) Statement of Compliance

The financial statements of the University of Goroka ('the university') have been prepared in accordance with the applicable requirements of the International Financial Reporting Standards and International Accounting Standards and other applicable requirements of Universities.

c) Basis of Preparation

The financial statements have been prepared primarily on historical cost basis and do not take account changing money values or, except where stated, current valuations of non-current assets.

d) Deferred Income

Cash Donations and Public Investment Program grants are credited to determined income and debited to bank account. At outlay of cash, deferred income is credited while the relevant expenditure cost is debited. This treatment is in accordance with *International Accounting Standards (IAS20)*. Unspent funds are carried as deferred income until spent on approved projects.

e) Property, Plant & Equipment

Land and buildings are measured at fair value. Fair Value is determined on the basis of a five year term independent valuation prepared by external valuation experts, based on open market value. The fair values are recognised in the financial statements of the University Universities, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and building is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and building is charged as an expense in profit or loss to the extent that it exceeds that balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.





UNIVERSITY OF GOROKA
Notes to and forming part of the Financial Statements
For the year ended 31 December, 2015

e) Property, Plant and Equipment (cont'd)

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to the revaluation reserve.

Depreciation is provided on property, plant and equipment, including buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful life, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful life used in the calculation of depreciation:

| | | |
|---|-------------------------------|-----|
| o | Buildings | 2% |
| o | Motor Vehicles | 25% |
| o | Library Books | 20% |
| o | Office Furniture & Equipment | 33% |
| o | Plant and Laboratory Equipmen | 25% |
| o | Land | 0% |

f) Cash and cash equivalent

Cash and cash equivalents comprise cash balances and call deposits, bank overdrafts that are repayable on demand and form an integral part of the University's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cashflows.

g) Trade and Other Payables

Trade and other payables are stated at cost.

h) Trade and other Receivables

Trade and other receivables are stated net of provisions

i) Taxation

Deferred tax (Group tax and GST)

Deffered tax is accounted for using the group tax and GST balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.





UNIVERSITY OF GOROKA
Notes to and forming part of the Financial Statements
For the year ended 31 December, 2015

i) Taxation (cont'd)

Deferred tax (Group tax and GST)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses amount tax offsets can be utilised.

Group tax and GST for the period

Current Group tax and GST are recognised as an expense for the income statement, except when it relates to items credited or debited directly to adjustments in the equity, in which case the deferred tax, for example, provision for employee benefits, is also recognised directly in equity, or where it arises from the initial accounting in the determination.

Income Tax

The university is specifically exempted from Income tax under Section 25(a) of the Income Tax Act 1960 as amended.

j) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured in their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the university in respect of services provided by employees up to reporting date. Superannuation Contribution: The University contributes the employers and employees for its staff to defined and established superannuation funds and are expensed when incurred.

k) Revenue

Revenue is mainly the Governments grants, Public Investment Program, Tuition Fees and Sponsors Fees and other Income including interest on investments.

l) Prior Year Adjustments/Reclassification of Accounts

Prior year amounts have been reclassified to correspond to current year classifications where relevant. This reclassification has not led to any adjustment to retained earnings or to net assets, otherwise where and when appropriate.





UNIVERSITY OF GOROKA
Notes to and forming part of the Financial Statements
For the year ended 31 December, 2015

m) General Fund

References to General Fund pertain to funds of a recurrent nature to be applied to recurrent purposes and normal operations of the University.

n) Special Purpose Accounts

Special purpose accounts are funds entrusted to the custody of the University for application against specific purposes. These accounts include faculties, departments, students book allowances, etc. Certain of these funds are trust funds, their use governed by Trust Deeds.

o) Superannuation

The University of Goroka operates a superannuation plan for national contract staff. Employer contributions payable for the year are charged to revenue.

p) Financial Instruments/Fixed Term Deposits

Investments/IBDs are recognised and derecognised on trade dated where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transactions costs.

Other financial assets are classified into the following specified categories: financial 'at fair value through profit or loss', 'held to maturity' investments, 'available for sale' financial assets, and loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade receivables, loans, and other receivables, are recorded at amortised cost less impairment.

Financial Instruments are elaborated and detailed in note 2 to the financial statements.

2. FINANCIAL INSTRUMENTS

a) Financial Risk Management Objectives

The University's Bursary and the Council manage the financial risks relating to the operations of the University. The University does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

b) Significant accounting policies

Details of the significant accounting policies and methods adopted in respect of each class of financial asset and financial liability are disclosed in *note 1* to the financial statements.

c) Liquidity risk management

The University manages liquidity risk by maintaining adequate reserves, banking and other facilities by continuously monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities.



UNIVERSITY OF GOROKA
Notes to and forming part of the Financial Statement
For the year ended 31 December, 2015

3. Fixed Assets- Consolidated

| | Land Kina | Building Kina | Office Furnt Kina | Plant & Equip Kina | Motor Kina | House Hold Kina | Library Kina | Total Kina |
|----------------------------------------|------------------|-------------------|----------------------|-----------------------|------------------|--------------------|------------------|-------------------|
| Year 2015 | | | | | | | | |
| Cost c/fwd | 1,817,228 | 45,763,684 | 4,843,935 | 3,993,248 | 2,356,363 | 2,052,453 | 4,084,980 | 64,911,891 |
| Additional Grant Acc | | | 195,124 | | 0 | | | 195,124 |
| Additional IR Acc | | | 223,040 | | 456,470 | 10,435 | 67,634 | 757,579 |
| Additional PIP Acc | | | 73,382 | | 0 | 358,971 | | 432,353 |
| Total Additional | 0 | 0 | 491,546 | 0 | 456,470 | 369,406 | 67,634 | 1,385,056 |
| Total Assets Cost at | 1,817,228 | 45,763,684 | 5,335,481 | 3,993,248 | 2,812,833 | 2,421,859 | 4,152,614 | 66,296,947 |
| b/fwd | - | 13,520,568 | 3,670,238 | 3,993,249 | 1,879,656 | 1,285,049 | 3,916,341 | 28,265,102 |
| Deprn Rate | | 2% | 33% | 25% | 25% | 33% | 20% | |
| Charge in Grant Acc | - | 915,274 | 216,937 | 1 | 24,877 | 14,524 | 16,029 | 1,187,642 |
| Charge in IR Acc | | 0 | 176,211 | 0 | 228,888 | 26,345 | 31,226 | 462,670 |
| Charge in PIP Acc | - | - | 326,810 | 0 | 32,888 | 444,315 | 0 | 804,013 |
| Total Depre. Charge | - | 915,274 | 719,958 | 1 | 286,653 | 485,184 | 47,255 | 2,454,325 |
| Accumulated Depn | - | 14,435,842 | 4,390,196 | 3,993,250 | 2,166,309 | 1,770,233 | 3,963,596 | 30,719,427 |
| Dec 2014 | 1,817,228 | 31,327,842 | 945,285 | 1 | 646,523 | 651,626 | 189,018 | 35,577,525 |
| Year 2014 | | | | | | | | |
| Cost c/fwd | 1,817,228 | 45,763,684 | 3,755,680 | 3,993,248 | 1,897,283 | 1,027,788 | 4,032,848 | 62,287,759 |
| Additional Grant Acc | | | 196,617 | | 0 | | | 196,617 |
| Additional IR Acc | | | 322,304 | | 459,080 | 60,225 | 52,132 | 893,741 |
| Additional PIP Acc | | | 569,334 | | 0 | 964,440 | | 1,533,774 |
| Total Additional | 0 | 0 | 1,088,255 | 0 | 459,080 | 1,024,665 | 52,132 | 2,624,132 |
| Total Assets Cost at | 1,817,228 | 45,763,684 | 4,843,935 | 3,993,248 | 2,356,363 | 2,052,453 | 4,084,980 | 64,911,891 |
| Accumulated Depn b/fwd | - | 12,605,294 | 2,994,805 | 3,993,248 | 1,698,828 | 903,926 | 3,874,181 | 26,070,283 |
| Deprn Rate | | 2% | 33% | 25% | 25% | 33% | 20% | |
| Charge in Grant Acc | - | 915,274 | 219,693 | 1 | 33,169 | 21,677 | 20,036 | 74,883 |
| Charge in IR Acc | | | 153,146 | 0 | 114,770 | 33,591 | 22,124 | 323,631 |
| Charge in PIP Acc | - | - | 302,594 | 0 | 32,889 | 325,855 | 0 | 661,338 |
| Total Depre. Charge | - | 915,274 | 675,433 | 1 | 180,828 | 381,123 | 42,160 | 2,194,819 |
| Accumulated Depn at 31 Dec 2014 | - | 13,520,568 | 3,670,238 | 3,993,249 | 1,879,656 | 1,285,049 | 3,916,341 | 28,265,102 |
| Net Book Value at 31 Dec 2014 | 1,817,228 | 32,243,116 | 1,173,697 | -1 | 476,706 | 767,404 | 168,639 | 36,646,791 |



UNIVERSITY OF GOROKA
Notes to and forming part of the Financial Statements
For the year ended 31 December, 2015

| Note | Account Head | Vote | | | | | | 2015 | 2014 |
|------|----------------------------------------|--------|------------------|------------------|----------------|------------------|----------------|----------|-------------------|
| | | | Grant Acc | IR Acc | SPA Acc | PIP Acc | Menifor Acc | DFL Acc | Total |
| | | | Kina | Kina | Kina | Kina | Kina | Kina | Total |
| 4. | Investment - Fixed Term Deposits | | | | | | | | |
| | General Fund - ANZ Bank | 1-3010 | 239,654 | | | | | | 239,654 |
| | SPA - Westpac Bank | 1-3020 | 278,820 | | | | | | 278,820 |
| | SPA - Bank South Pacific | 1-3030 | 35,000 | | | | | | 35,000 |
| | Total | | 553,475 | - | - | - | - | - | 553,475 |
| 5. | Cash at Bank | 1-1110 | 3,920,140 | 1,826,538 | 865,822 | 7,676,598 | 124,554 | - | 14,413,652 |
| | Petty Cash | 1-1170 | 1,000 | 1,000 | | | | | 2,000 |
| | | 1-1130 | | | | | | | - |
| | | 1-1140 | | | | | | | - |
| | Total Cash at Bank | | 3,921,140 | 1,827,538 | 865,822 | 7,676,598 | 124,554 | - | 14,415,652 |
| | Cash on Hand | 1-1160 | - | - | - | - | - | - | - |
| | Total | | 3,921,140 | 1,827,538 | 865,822 | 7,676,598 | 124,554 | - | 14,415,652 |
| 6. | Sundry Debtors | | | | | | | | |
| | Debtor | 1-1205 | 100,970 | 1,329,879 | - | - | | | 1,430,849 |
| | Soft Loan | 1-1710 | 18,230 | | | | | | 18,230 |
| | Total | | 119,200 | 1,329,879 | - | - | - | - | 1,449,079 |
| 7. | Sundry Creditors | | | | | | | | |
| | Trade Creditors | 2-1201 | 397 | 501,977 | - | | | | 502,374 |
| | Salary Creditors | 2-1202 | - | | | | | | - |
| | Provision for Accounting Fees | 2-1203 | - | | | | | | - |
| | GST Paid | 2-1330 | - | | | | | | - |
| | Salary Deduction Payable | 2-1414 | - | | | | | | - |
| | Group Tax Payable (IRC) | 2-1430 | - | 3,249,671 | | | | | 3,249,671 |
| | POSF | 2-1501 | - | | | | | | - |
| | Payable to Grant | 2-1711 | - | 100,970 | | | | | 100,970 |
| | School Fee Refund | 2-1810 | - | 2,584,565 | | | | | 2,584,565 |
| | Total | | 397 | 6,437,183 | - | - | - | - | 6,437,580 |
| | Payable to Internal Revenue (IR) Acc | 2-2300 | - | | | | | | - |
| | Payable to IR (Tax) | 2-2400 | - | | | | | | - |
| | Payable to IR- Salary Deduction (2014) | 2-2302 | - | | | | | | - |
| | Payable to IR- Salary Deduction (2015) | 2-2302 | 36,208 | | | | | | 36,208 |
| | Total Payroll Liabilities | | 36,208 | - | - | - | - | - | 36,208 |
| | Total Liabilities | | 36,605 | 6,437,183 | - | - | - | - | 6,473,788 |





UNIVERSITY OF GOROKA
Notes to and forming part of the Financial Statements
For the year ended 31 December, 2015

| Note | Account Head | Vote | Grant Acc | IR Acc | SPA Acc | PIP Acc | Menifor Acc | DFL Acc | 2015 | 2014 |
|------|---------------------------------|--------|------------------|--------|---------|-------------------|-------------|---------|-------------------|-------------------|
| | | | | | | | | | Total | Total |
| | | | Kina | Kina | Kina | Kina | Kina | Kina | Kina | Kina |
| 8 | Staff Entitlements | 2-3500 | | | | | | | | |
| | Annual Leave | 2-3520 | 462,065 | | | | | | 462,065 | 324,043 |
| | Leave Fares | 2-3530 | 81,517 | | | | | | 81,517 | 212,115 |
| | Gratuities | 2-3540 | 626,946 | | | | | | 626,946 | 1,342,827 |
| | Furlough Leave | | 174,032 | | | | | | 174,032 | 1,862,848 |
| | Total | | 1,344,560 | - | - | - | - | - | 1,344,560 | 3,741,833 |
| 9 | Deferred Income | | | | | | | | | |
| | Public Investment Program (PIP) | | | | | | | | | |
| | Balance C/Forward | 2-4011 | | | | 17,685,229 | | | 17,685,229 | 17,685,229 |
| | Addition during the year-2010 | 2-4012 | | | | 14,000,000 | | | 14,000,000 | 14,000,000 |
| | Transfer of Fixed Assets & WIP | 2-4013 | | | | (2,000,000) | | | (2,000,000) | (2,000,000) |
| | Additional During the Yr-2011 | 2-4014 | | | | 4,000,000 | | | 4,000,000 | 4,000,000 |
| | Additional During the Yr-2012 | 2-4015 | | | | 15,800,000 | | | 15,800,000 | 15,800,000 |
| | Additional During the Yr-2013 | 2-4016 | | | | 8,000,000 | | | 8,000,000 | 8,000,000 |
| | Additional During the Yr-2015 | 2-4017 | | | | 12,357,078 | | | 12,357,078 | - |
| | Balance at 31 December | | - | - | - | 69,842,307 | - | - | 69,842,307 | 57,485,229 |
| 10 | Work-In-Progress | 1-2000 | | | | | | | | |
| | New Students Dormitory - PIP | | | | | | | | | |
| | Balance C/Forward-Prior 2012 | 1-2414 | | | | 37,573,177 | | | 37,573,177 | 37,573,177 |
| | Addition during the year-2013 | 1-2415 | | | | 7,433,471 | | | 7,433,471 | 7,433,471 |
| | Addition during the year-2014 | 1-2421 | | | | 6,947,384 | | | 6,947,384 | 6,947,384 |
| | Addition during the year-2015 | 1-2422 | | | | 4,202,517 | | | 4,202,517 | - |
| | Progress Total | | - | - | - | 56,156,549 | - | - | 56,156,549 | 51,954,032 |

11 Contingent Liabilities

At 31 December 2012, new students dormitory project was undertaken by the University and treated as 'Work-in-Progress'. The Architect and Building Consultant to the project, 'Frameworks Architects Limited', has appointed a contractor to commence construction. The University is of the view that no further liability exists at date of this report.





AUDITOR GENERAL'S OFFICE
PAPUA NEW GUINEA