



**Auditor-General's Report**

**On the Accounts**

**of Eastern Highlands Provincial Health**

**Authority for the years ended**

**31<sup>st</sup> December, 2014 & 2015**





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## OFFICE OF THE AUDITOR-GENERAL

3 July, 2020

**The Honourable Job Pomat, MP**  
The Speaker of 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 honour to present to the National Parliament my Report on the accounts of Eastern Highlands Provincial Health Authority for the fiscal years ended 31<sup>st</sup> December, 2014 and 2015.

Yours sincerely,

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





**AUDITOR-GENERAL'S REPORT ON THE EASTERN HIGHLANDS PROVINCIAL HEALTH  
AUTHORITY 2014 & 2015**

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## ACRONYMS & GLOSSARY OF TERMS

Acronyms	Glossary of Terms/Definition
AGO	Auditor-General's Office
CEO	Chief Executive Officer
EHPHA	Eastern Highlands Provincial Health Authority
GoPNG	Government of Papua New Guinea
IAS	International Accounting Standards
IAU	Internal Audit Unit
IFA	International Federation of Accountants
ISA	International Standards on Auditing
KRAs	Key Result Areas
MP	Member of Parliament
PFMA	Public Finances (Management) Act, 1995 ( <i>as amended</i> )
PGAS	Provincial Government Accounting System
PHA	Provincial Health Authority
PNG	Papua New Guinea

## EXECUTIVE SUMMARY

### *Purpose*

Pursuant to *Section 7 (3) of the Audit Act, 1989* (as amended) which requires the Auditor-General to report to Parliament on the results of audits undertaken, this Report of the Auditor-General on *Eastern Highlands Provincial Health Authority Accounts for the years ended 31 December, 2014 & 2015* summarizes the audit finding arising from my review of the PHA's Financial Statements and Internal Control Environment. My audit findings and recommendations have been communicated to the Authority by way of Management Letters followed by my Audit Opinion Reports to the Minister for Health and HIV/AIDS and Finance Minister issued on 25<sup>th</sup> May 2020.

### *Financial Performance Results*

The financial performance results for the two years ended 31 December, 2015 and 2014 are illustrated in **Figure 1** below:

- The financial performance results for 2015 & 2014 were a surplus of K2,747,859 slightly less however, to that of 2014 by K4,492,885 and a surplus of K7,240,744 a huge improvement from 2013 deficit of K929,585.
- Overall annual financial performance results as at 31 December, 2015 & 2014 were surplus fund balances of K9,390,040 and K9,180,450 respectively, an increase of K209,590 in the current year.

**Figure 1: Financial Performance Results (as per the Financial Statements)**

	<u>2015 (K)</u>	<u>2014 (K)</u>	<u>Variance (K)</u>
Total Revenue	45,990,725	48,894,453	2,903,728
Less: Total Expenditure	43,242,866	41,653,709	1,589,157
Operating Results	2,747,859	7,240,744	4,492,885
Add: Accumulated Fund Balance	9,115,255	1,939,706	7,175,549
<b>Operating Results as at 31 December</b>	<b>9,390,040</b>	<b>9,180,450</b>	<b>209,590</b>
 <b>Cash Balance as at 31 December</b>	 <b>9,390,040</b>	 <b>9,180,450</b>	 <b>209,590</b>

Readers of this Report should note that the PHA's 2014-2015 report is the first and the last presented as an Individual Report and will not be included in my overall 2020 Part III Report to the National Parliament. This means that the results of the subsequent financial years' audits for the EHPHA will be issued as an annual compendium report as in the past.

This Report will be available through the AGO website ([www.ago.gov.pg](http://www.ago.gov.pg)) once it is tabled in Parliament.

## 1.0 EASTERN HIGHLANDS PROVINCIAL HEALTH AUTHORITY

### 1.1 Enabling Entity Legislation

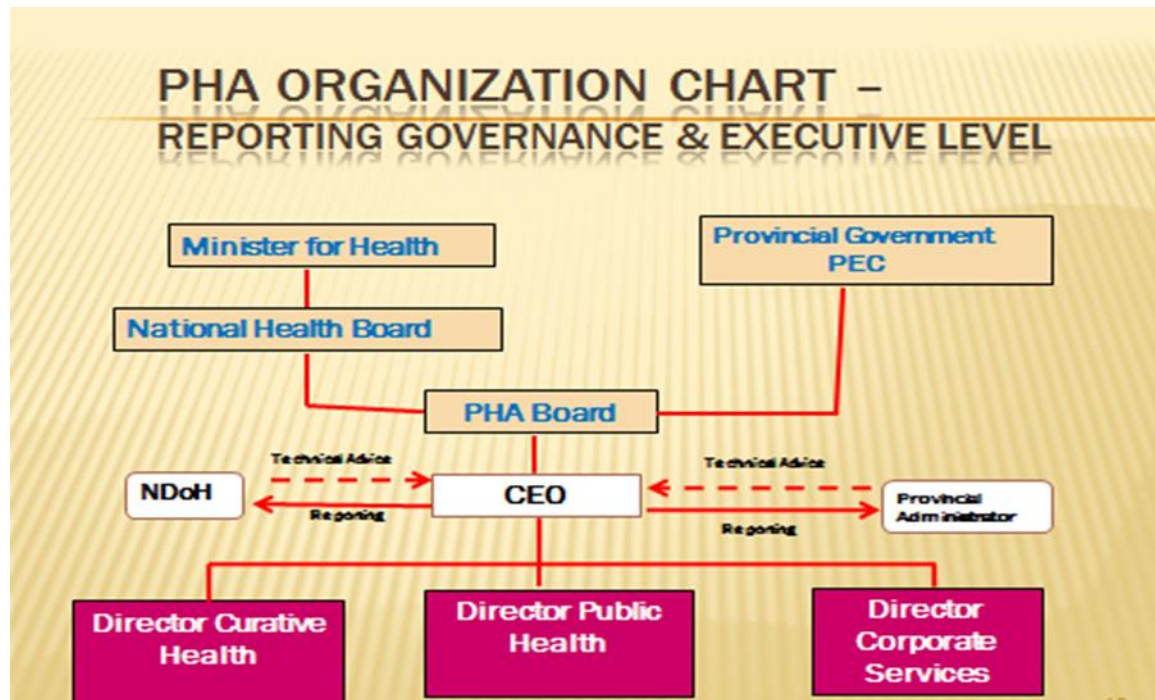
On the 24<sup>th</sup> June, 2012 the Goroka General Hospital was established as Eastern Highlands Provincial Health Authority (EHPHA), and all functions of the Hospital were integrated under the *Provincial Health Authorities Act, 2007* which regulates the services and functions of the Provincial Health Authority, the Board, the CEO and appointment of Officers.

In partnership with the Eastern Highlands Provincial Government the EHPHA is mandated under the *Health Administration Act, 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

### 1.2 Functional Responsibilities or Structure

The EHPHA organization structure includes both a Corporate Management Structure and Corporate Governance Structure. The Corporate Management Structure comprises of the Curative Health Services, Public Health and Corporate Services.

The EHPHA has a fully functional Board in place appointed by the National Executive Council. The Board comprises of the Chairman, Deputy Chairman and appointed representatives and other relevant and associated committees who report to the Board on matters of risks and responsibilities assigned to them. The PHA's Board of Governance and Organizational Management Structure were designed to operate as shown in the diagram below.



### 1.3 Policies and Budget

#### *Vision, Mission and Values*

Working together with the spirit of teamwork to attain the PHA's vision, mission and values as stated below remains to be the EHPHA's priority:

- **Vision** – creating healthy, vibrant and prosperous communities.
- **Mission** – to serve the public righteously and working beyond all boundaries.
- **Values** – embracing Righteousness (Leadership, Good Governance); Truth (Accountability, Transparency, Integrity, Quality); Love (Passion, Collaboration); and Peace (Decision making and commitment) as the guiding pillars to realizing the PHA's vision.

#### **Corporate Governance**

Corporate Governance is the way in which an organisation is controlled and governed in order to achieve its objectives. The EHPHA Corporate Plan for the period 2015 to 2020 embraces the eight (8) Key Result Areas (KRAs) of the National Health Plan (2011-2020) that is aimed at aligning the country's health system as shown below.

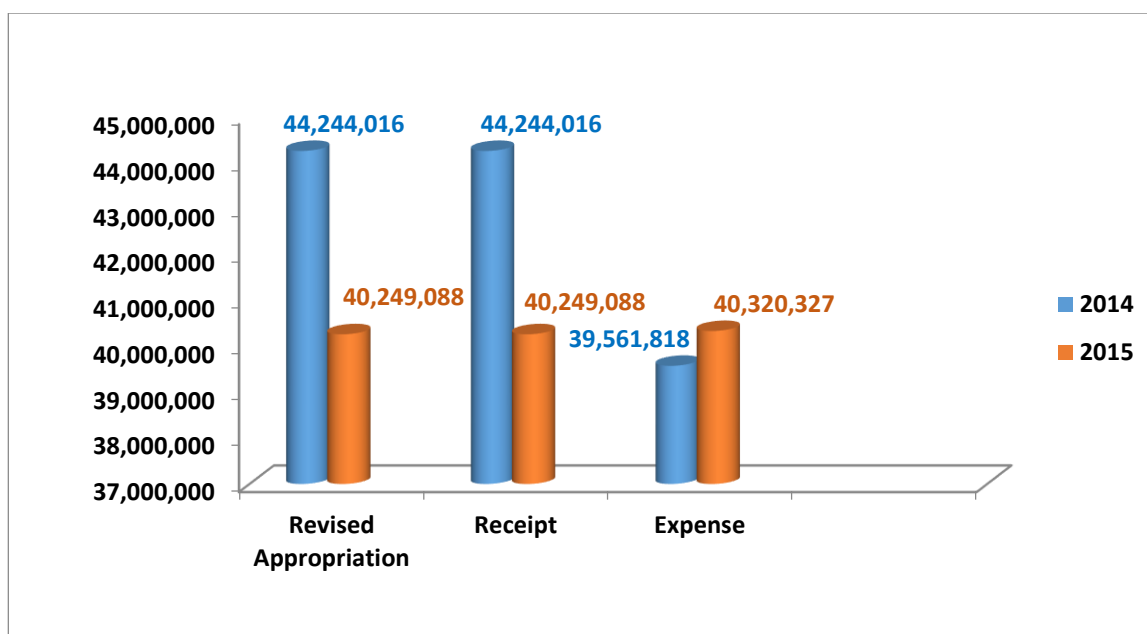
KRA 1	•IMPROVE SERVICE DELIVERY
KRA 2	•STRENGTHEN PARTNERSHIP AND COORDINATION WITH STAKE HOLDERS
KRA 3	•STRENGTHEN HEALTH SYSTEMS AND GOVERNANCE
KRA 4	•IMPROVE CHILD SURVIVAL
KRA 5	•IMPROVE MATERNAL HEALTH
KRA 6	•REDUCE THE BURDEN OF COMMUNICABLE DISEASES
KRA 7	•PROMOTE HEALTHY LIFESTYLE
KRA 8	•IMPROVE PREPAREDNESS FOR DISEASE OUTBREAKS AND EMERGING POPULATION HEALTH ISSUES

#### **Policies**

The EHPHA has in place its Annual Implementation Plans, Corporate and Strategic Health Services Development Plans and work-related Policies consistent with the *Provincial Health Authority Act 2007*, *PFMA Act, 1995 (as amended)* and *General Orders*.

#### **Budget**

The following graph shows the budget performance during the financial years ended 31<sup>st</sup> December, 2014 and 2015.



The EHPHA has a total of 261 health facilities in the province, out of which 145 are operational as detailed in the table below.

Categories of Health Facilities distribution by districts										
Districts	Prov. Hosp	Rural Hospital	District Health Centers	Health Sub Centers	Urban Clinics	Day Clinics	Institutional Clinics	Aid Posts		Total
								Total	Closed	
Dauro	-	-	1	3	-	-	-	16	9	20
Goroka	1	-	-	-	3	1	4	12	5	21
Bena	-	-	-	2	-	2	1	15	6	20
Ungai	-	-	-	-	-	-	-	-	-	-
Henganofi	-	-	1	3	-	2	-	31	27	37
Kainantu	-	1	-	2	-	1	1	23	17	28
Okapa	-	1	-	3	-	5	-	32	24	41
Lufa	-	-	1	3	-	3	-	26	13	33
O/Wonera	-	-	1	9	-	6	1	44	15	61
<b>Total</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>25</b>	<b>3</b>	<b>20</b>	<b>7</b>	<b>199</b>	<b>116</b>	<b>261</b>

## 2.0 AUDITOR-GENERAL

### 2.1 The Role and Mandate of the Auditor-General

The responsibilities of the Auditor-General are specified in *Section 214* of the *National Constitution*, *Sections 3, 4 and 8* of the *Audit Act, 1989 (as amended)*, *Section 39* of the *Provincial Health Authority Act 2007* and *Section 63(4)* of the *Public Finances (Management) Act, 1995 (as amended) 2016 (PFMA)*. Subject to these laws, the Auditor-General has complete discretion in the performance or exercise of the mandated functions or powers.

### 2.2 Report to Parliament

Provisions under the *Audit Act* require that I furnish before 30<sup>th</sup> April of the following year, an audit report to the Minister in accordance with Part II of the *Audit Act 1989 (as amended)* on the accounts of all bodies set up by an Act of the Parliament, or by executive or administrative act of the National Executive, for governmental or official purposes and 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.

### 2.3 Audit Scope and Nature of Audit

#### *Audit Objective*

The audits of EHPHA's financial statements for the years ended 31 December, 2014 and 2015 were planned and performed in accordance with the *International Standards on Auditing (ISA)* as promulgated by the *International Federation of Accountants (IFA)* with the objectives of:

- obtaining reasonable assurance on the integrity and reliability of its financial statements and other information contained therein, to determine compliance with 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, fraud and mismanagement of public funds; and
- informing stake-holders on the performance of the PHA during the years under review; evaluating the reliability and effectiveness of its corporate governance; status of its current and future development programs, if any; and ascertaining significant control



weaknesses as well as the remedial actions taken to improve its performance for better service delivery.

### ***Audit Scope***

The 2014 and 2015 audits of the accounts and records of EHPHA were directed primarily at the evaluation of internal control systems together with such other examinations as were considered necessary. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and included compliance with provisions of Section 62 of the *Public Finances (Management) Act, 1995* and with other relevant financial instructions issued from time to time.

The audit included reviews of the financial statements, budgetary controls, verification of cash and bank balances; examination on a sample basis, of the revenue, paid accounts and procurement management; capital works and maintenance, assets management, cash advances, personnel emoluments, and review of corporate governance in terms of effectiveness of the PHA Board and internal audit, and other operational matters.

### ***Nature of Audit***

The engagement is an assurance audit. Compliance with relevant legislation is of paramount importance in safeguarding the public resources. As such, the audit of the EHPHA for the years ended 31 December, 2014 and 2015 included reviews and tests to ascertain whether key provisions of the *Public Finances (Management) Act, 1995* and *Audit Act, 1989 (as amended)* had been adhered to.

The nature of an audit is influenced by factors such as the use of professional judgment and the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. The audits of the EHPHA for the years ended 31<sup>st</sup> December, 2014 and 2015 however, were not required to search specifically for fraud and therefore the audits cannot be relied upon to disclose all such matters. Nevertheless, the audits of the PHA were planned and executed so that I can have a reasonable expectation of detecting material misstatements resulting from irregularities, including fraud.

### ***Period of Reporting***

This audit report covers the financial years ended 31 December 2014 and 2015. The audits were in arrears hence, were completed and now reported in the 2019/2020 Audit Cycle.

## **3.0 RESULTS OF AUDIT**

### **3.1 Audit Opinions**

Financial statements audits are an independent examination of the financial accounting and reporting of PHAs. The results of the examination are presented 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 PHA's operations during the year and financial position at yearend.



The audit reports on the Financial Statements of Eastern Highlands Provincial Health Authority for the years ended 31 December, 2014 and 2015 were issued on 25<sup>th</sup> May 2020. Both reports contained ***Qualified Opinion***. The details of the basis of the ‘Qualified Opinions’ are presented on ***Appendices A & C*** of this Report.

### 3.2 Audited Financial Statements

PHAs are required to prepare their financial statements in accordance with the *Finance Instructions 2/2004* – Financial Statement Format for Non-Trading Public Bodies. The EHPHA Financial Statements for the fiscal years ended 31 December, 2014 & 2015 were prepared on a Cash Basis of Accounting in accordance with the *International Public Sector Accounting Standards (IPSASs)*. I have audited the financial statements and accounts and records of EHPHA for the years ended 31 December, 2014 and 2015 and reported to the Minister responsible in accordance with Section 8(4) of the *Audit Act 1989 (as amended)*.

Overall, the Fund and corresponding Cash Balances of K9,115,255 and K6,863,114 for the respective years were overstated by K101,263 being unrepresented cheque amount erroneously taken up in income and expense statement rather than bank reconciliation statement.

The financial statements among others, comprised:

- Management Declaration
- Consolidated Statement of Receipts and Payments
- Statement of Receipts and Payments for Operating Account
- Statement of Receipts and Payments for Trust Account
- Notes to and Forming Part of the Financial Statements

The PHA’s audited financial statements for the years 31 December, 2014 and 2015 are presented in ***Appendices B & D*** of this Report.

### 3.3 Other Significant Matters

In accordance with section 8(2) of the *Audit Act 1989* I have a duty to report on significant matters arising out of the inspection and audit of any accounts and records and financial transactions in respect of each financial period for which financial statements are prepared and to which the report relates. The audit observations arising from my review of the financial statements and discrepancies noted with the internal control environment relating to the EHPHA for the years ended 31 December, 2014 and 2015 had been communicated to the management of the PHA by way of a Management Letter, a formal correspondence containing details of all audit issues together with recommendations for remedial actions for improvement. I have observed similar issues in 2014 and 2015 audits hence, only the 2015 issues are presented. I draw attention to these issues:

### 3.3.1 Budgetary Control

- Although the National Government Grants had instances of under and over expenditures but generally within annual budget, the Health Authority however, did not provide the relevant Appropriation Act and quarterly budget review documents to substantiate its budgetary control process;
- The PHA had collected and expended a total of K6,006,637 and K3,187,542 respectively during the year from Internal Revenue (User Pay Fees) without any evidence of a prepared annual budget for purposes of monitoring its revenue and expenditure performance; and
- The Provincial Health Authority is required to have monthly and quarterly budget reviews as part of budgetary control purposes to help monitor and maintain control over the receipt, payments and cash management. I sighted no evidence to suggest that such reviews were done during the financial year under review.

### 3.3.2 Revenue Collection and Banking

- Instances of missing Collector Statements, prolonged banking delays and under-banking of internal revenue collections; and
- Absence of independent spot checks on daily collections, receipting and banking by senior accounting officer or management had resulted in instances of staff actually borrowing cash illegally from the revenue office.

### 3.3.3 Payment of Accounts & Procurement Management

#### *Procedural Deficiencies*

Procurement Register not maintained to register verbal and written quotations and that payment vouchers not stamped 'PAID' to avoid chances of duplicate payments.

#### *Missing Payment Vouchers*

Audit unable to ascertain the validity and authenticity of payments totalling K639,436 in 55 instances due to missing paid vouchers.

#### *Hospital Transport, Fuel, Motor Vehicle Hires, and Maintenance*

The EHPHA had expended over K425,700 on its transport related activities during the year under review. The following had been observed:

- The EHPHA had no Transport Policy in place to manage and control the operations of its fleet of vehicles nor a fleet register made available for audit verification;

- A damaged brand new Blue Range Rover left unattended to at a certain workshop for repair not supported by police and hospital reports to ascertain the cause of the damage and the person responsible;
- No proper reconciliation summary report on fuel consumption available to substantiate the validity of the fuel expenses totaling K187,651;
- The PHA had no vehicle log book to record daily mileage usage to prevent unnecessary movements of the Health Authority's motor vehicles;
- Audit noted 5 vehicles sitting idle at the car park and near the incinerator house and are due for Board of Survey' disposal, however no attempts were made by the hospital to dispose them. The risk of parts going missing is very high as such it is advised that the vehicles should be disposed as soon possible.
- A payment to Niufana and Mufana for vehicle hire on separate cheques at K4,550 each were observed to be an intentional duplicate payment. Review of the related documents revealed no evidence to indicate the existence of an entity named "Niufana Hire Car". Audit review further revealed that the letter 'M' in Mufana was altered to Niufana whilst all other details remained the same as Mufana's invoice details.

### ***Rental Payments***

Rental payments for the rented accommodation for the senior officers, doctors and nurses during the year amounted to K1, 758,996. Review of these payments revealed the following issues:

- The EHPHA had no Housing Policy detailing the guidelines and control procedures involve in the EHPHA housing matters. Furthermore, there was lack of proper rental payment reconciliations with payroll confirmation and housing allowances paid through the payroll hence, a high risk of payment of rentals to ineligible staff for certain categories of accommodation;
- A certain payment totaling K12,000 made to Siane Surgical Service being advance payment of rental for three months ended 31<sup>st</sup> March, 2016 observed as contrary to the Director Corporate Service (DCS) disapproval of claim thus, bypassing the DCS instruction;

### ***Stationary and General Stores Payments***

Payments in relation to stationary and general stores during the amounted to K305,922. Review of these payments revealed the following issues:

- No evidence of stock control measures in place relating to purchases of the non-clinical items from stationaries, cleaning detergents, cleaning equipment, inks, tonner and cartridges as confirmed by the officers from the general stores and supply section of the hospital which supposed to be the central area of keeping all non-clinical supplies for the hospital. Consequently, I was unable to verify the movement of stocks at the hospital stores section due to lack of proper stock ledgers; and

- A duplication of the role of the General Stores in that sections or departments were purchasing for their own office stationaries and supplies needs.

#### ***Payment of Hospital Kitchen Ration***

Payments in respect of Hospital Kitchen Ration during the year amounted to K424,130. Review of these payments as well as the observations and inspection conducted on the maintenance of stock ledgers revealed however, that there had been no proper register maintained to monitor movement of stock and stock on- hand which may result in rations going missing or stolen without any trace. Further, verification of the Meal Menu for the patients noted as lacking nutrition which may not be helpful for recovery process of patients in the hospital.

#### ***Public Utilities***

Payments made in respect of utilities (rates, water, phone bills, electricity, gas and networks) during the year amounted to K772,388. Claims verification had been noted as a serious weakness thus, exposing EHPHA to the risk of duplication, overpayment and fraudulent activities.

#### ***Tax – IRC***

At the time of audit in November of 2016, I noted that the EHPHA had a total tax liability of K629,665 with IRC comprising of K288,941 and K340,724 for 2015 and 2016 financial years respectively.

### **3.3.4 Capital Works & Maintenance**

My examination of the procurements incurred under infrastructure rehabilitation, building, renovation and maintenance improvement projects identified the following issues:

- most rehabilitation and maintenances improvements projects were engaged in 2013 and rolled over to 2014 and 2015 were in progress with no other major new or additional projects. Seven (7) projects were funded from the PSIP and PIP funds administered by the EHPHA with total allocation of K3,020,520 less the payments to-date of K1,049,125 and the balance of K1,971,395 to be paid progressively; and
- the contractor payment schedule and ledger reconciliation was adequately maintained and updated with regards to the progressive payments. However, I did not sight evidence of STB involvement, minutes of board meetings, COI's issued if any, engineer's project progressive and inspection reports. In the absence of these records I could not ascertain whether payments to contractors were done in compliance with government standard procurement procedures.

### **3.3.5 Fixed Assets Management**

My review of the fixed assets register and other related documents revealed the following matters:

- A proper analysis of fixed assets such as washing machines, desk tops & laptops, and furniture & equipment purchased during the year could not be extracted from Attaché's

Expenditure Program due to the limitation of the Program in printing the detailed description;

- No evidence of a comprehensive assets register maintained as also reported in the previous years, a Vehicle Fleet Listing and Vehicle Policy and records of any stock-take conducted were available at the date of the audit in November 2016 for audit review. Consequently, I was unable to ascertain whether adequate controls were exercised by the EHPH over the assets under its custody during the year.

### **3.3.6 Advances Management**

My review and examination of records and related documents pertaining to the management of advances revealed the following matters:

- Details as well as the total amount expended on advances during year could not be ascertained due to the limitation of the Attaché Software Program as indicated elsewhere above; and
- Travel Advances Registers and acquittal files not properly maintained thus, contravening Part 20 of the *Public Finances Management Act*.

### **3.3.7 Salaries & Wages**

My review of salaries and wages revealed the following issues:

- Audit noted an over-expenditure of K5, 927,804 due to unbudgeted payments in salaries and allowances against the Appropriation of K23,700,000. A breakup of the total expenditure of K29, 627, 804 for 2015 could not be provided as information to that effect was not produced by the NDoH Payroll Section;
- Staff personnel files not properly updated nor maintained with salary history cards, contract documents and employees data information;
- Leave & Gratuity registers and Salaries & Wages Tax Declarations records not adequately maintained nor updated to effectively monitor the expenditures when due;
- Wages for the short term Contract Officers engaged during the impasse amounted to more than K100, 000 per fortnight may not have been budgeted for, nor reviewed to avoid unnecessary depleting of funds against other vital services; and
- Twenty nine instances of payments totalling K207, 291 noted to have been made to the Hospital Pay-mistress during the year. Further examination of the of payments revealed the following other issues of concern:

- (i) Separate payments of K10,002 and K13, 094 being for overtime (OT) lacked the required supporting documentations such as authorized approved list of staff, approved rates for calculation of OT and evidence of collection of monies by concerned staffs; and
- (ii) Payments totalling K27, 447 to various staff being for under payments of base salaries noted to have been paid out of the Internal Revenue Funds rather than through the Salaries & Wages. Audit sighted no evidence of reimbursements to the internal revenue fund.

### 3.3.8 Board Meeting Minutes

I noted that board meetings were carried out as required and its meeting minutes were observed. However, few of the meeting minutes were unsigned thus invalidating the legality of the meeting minutes. No matters of significance with financial implications were noted.

### 3.3.9 Internal Audit

The Eastern Highlands Provincial Health Authority did not establish an Internal Audit Unit during the 2015 financial year. As a result no internal audit was done on the accounts of PHA nor the Internal Audit Committee established to enforce the audit recommendations from the Auditor General's Office.

### 3.3.10 Corporate Governance

The Eastern Highlands Provincial Health Authority has developed a Corporate Plan for the period 2015-2020 that established long term objectives, set priorities and targets. However, no comments could be made on the effectiveness of its Corporate Plan at date of the audit in November 2016 as DPM was still in the process of INPUT and ENDORSEMENT of the HA's Corporate Plan.

### 3.3.11 Other Operational Matters

My inspection of the EHPHA's physical environment and structural setup revealed following issues:

#### *Pharmacy*

Medical supplies, particularly drugs are supplied from the Lae Area Medical Store to the hospital medical store, to the dispensary and eventually to the wards and the outpatient. Lack of proper stock control to monitor the flow of drugs and medical supplies whilst maintaining adequate stock level at any given point in time however, noted as major concern.

#### *Hospital Kitchen*

- No proper stock control over purchases, storage and issuance of rations.
- Kitchen area un-hygienic hence, needs regular cleaning.
- The adequacy and type of stocks on hand at any one time may not be sufficient and appropriate to providing the required nutritional meals to patients.

- Only a single and a same personnel responsible for the keys to the main kitchen door and the inner rations store room posing the risk of stocks going missing is high.
- The kitchen area in need of a general maintenance and renovation work.

### ***Biomedical Equipment***

Old, damaged and non-functioning equipment in dire need of urgent replacement.

### ***Hospital Water Supply***

The EHPHA shares the same Goroka Town water supply system managed by the Goroka Town Authority. As such, in the event of water rationing, the PHA is faced with limited or no water supply for its patients, doctors and nurses hence, a need for a proper and adequately maintained emergency water supply alternatives including Tufa Tanks.

## **4.0 ENTITY COMMENTS AND RESPONSES**

After the completion of my field audits, I normally issue Management Letters to the Provincial Health Authorities for management to respond accordingly to issues that I have found to be inconsistent, unlawful, non-compliant and incorrectly disclosed in the Financial Statement.

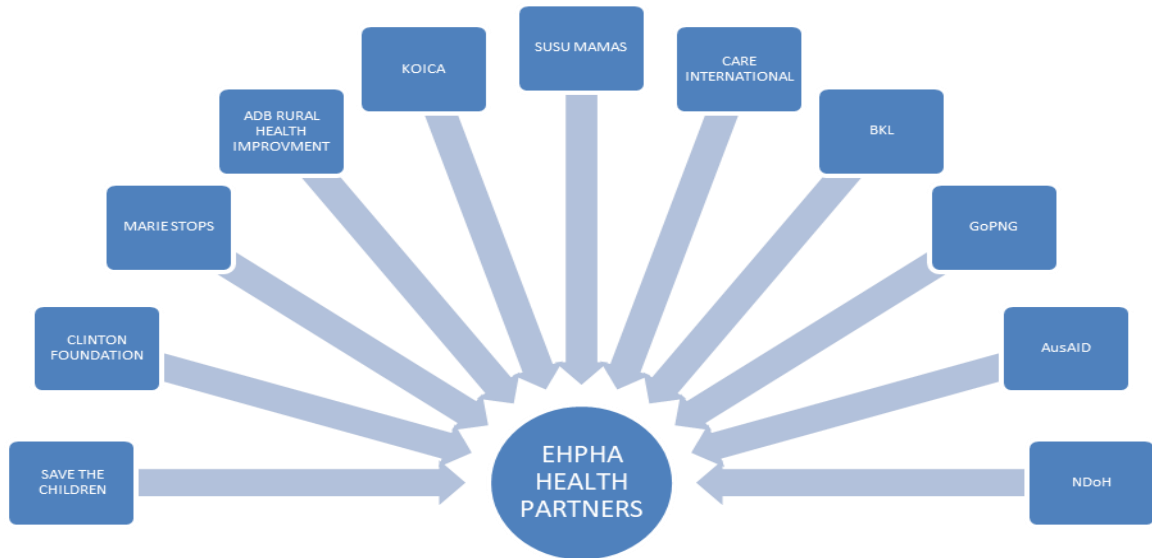
To be reasonable and impartial this avenue facilitates management responses so that Parliament is acquainted accordingly in relation to the lapses that may have been committed in the respective financial years. I have reported by way of Management Letters, the results of my audits on the financial statements and accounts and records of EHPHA for the years under review to the Chief Executive Officer on 29<sup>th</sup> February, 2017. As at the time of preparing this Report in June, 2020 the Management had not responded to my audit queries and recommendations for improvement.

## **5.0 FOLLOW UP ACTION**

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. I intend to follow up on the management's implementation of the audit recommendations by way of a review of the management letter responses, enquiry at the entry interview at the commencement of the subsequent years' audits and/or physically verifying the actions taken to date in conjunction with the audits of the 2016, 2017, 2018 and 2019 financial statements.

## **6.0 STAKEHOLDERS EXPECTATIONS**

As in the past, EHPHA had been heavily reliant on the National Government and other stakeholders for its budget support during the years under review. For instance, the government grants for 2014 & 2015 amounted to K77,710,828 whilst other stakeholders provided K6,782,276. As such, the PHA owes a great deal to the Government of Papua New Guinea (GoPNG) and other donor agencies as stakeholders for its specific and general health service delivery responsibilities to the people of Eastern Highlands. The stakeholders thus have the right to know where and how the resources have been used and of course, the outcomes thereof.



With strong stakeholder support, service delivery as envisaged by the National Government are achievable singlehandedly. EHPHA has embarked on strengthening its stakeholder relationships with effective oversight mechanisms to further its goals and objectives to provide the best health deliverables to the people of Eastern Highlands Province.



The PHA has a strong stakeholder support over the years as indicated in the table below.

PARTNERSHIP SUPPORT		
No	Name	Description
01	Save the children	PASHIP - STI HIV/AIDS, Goroka, Sighere, KTU, Daulo
02	Clinton Foundation CHAI	ART project in the province – Goroka Hospital
03	Marie Stops	Family health services support – Family Planning
04	ADB Rural Health Improvement	Community Health Post – Okapa & Kainantu District 2013 - 2017
05	Koica	Asaro Health Center Re-Location. 2013
06	BKL	Kainantu Health Facility maintenance
07	Susu Mamas	FHS support - Nutrition
08	Care International	Maternal health - O/Wonenara district.

## 7.0 AUDIT RECOMMENDATIONS

Effective internal controls are fundamental to the government agencies meeting their operational, financial and service delivery responsibilities, and the EHPHA was no exception. Similarly, sound financial management and accountability reporting demonstrate the Health Authority's commitment to transparency and good governance. As such, the audits of financial statements and accounts and records of the PHA for the years ended 31 December, 2014 and 2015 with the resultant management letters and audit reports to that effect, were part and partial of the overall corporate governance strategy. The contents of the Management Letters necessarily included economic and financial implications as well as the recommendations for improvements to the issues raised, a summary of which is provided in **Appendix 'E'** of this Report.

## 8.0 WAY FORWARD

Audit plays an important role in assisting PHA achieving its health plans by encouraging good governance, transparency and accountability in the implementation of its National Health policies and practices. The EHPHA is therefore, encouraged to take on board or put in place practical measures to implement the audit recommendations related to areas of internal controls environment. Establishing a mechanism for regular internal review and coordinated implementation of health 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.

As noted in paragraph 6 above, the EHPHA is considerably reliant on the national government and other donor agencies for its annual support grants for both its curative health services and the implementation of National Health policies and programs in the

province. As such, more public reporting of implementation should be an opportunity for the PHA to highlight its achievements and so, provide transparency to stakeholders. Additionally, the PHA is encouraged to maintain consistency and proactive in timely preparation and submission of its financial statements for audit.

## **9.0 APPENDICES**

As stated under Paragraph 3 above, *Appendices 'A', 'B', 'C' 'D' and 'E'* form part of this Report.

**Appendix A** - EH PHA 2014 Audit Opinion

**Appendix B** - EH PHA 2014 Certified Financial Statements

**Appendix C** - EH PHA 2015 Audit Opinion

**Appendix D** - EH PHA 2015 Certified Financial Statements

**Appendix E** - Summary of Audit Recommendations

## 9.1 Appendix A: EHPHA 2014 Audit Opinion



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### OFFICE OF THE AUDITOR-GENERAL

#### INDEPENDENT AUDIT REPORT ON THE ACCOUNTS OF EASTERN HIGHLANDS PROVINCIAL HEALTH AUTHORITY FOR THE YEAR ENDED 31 DECEMBER, 2014

##### To the Minister for Health

I have audited the accompanying financial statements of the Eastern Highlands Provincial Health Authority for the year ended 31 December, 2014. The financial statements comprise:

- Board of Management Certification;
- Statement by Acting Chief Executive Officer;
- Statement Income and Expense for Operating Account (Goroka Hospital);
- Statement of Income and Expense for Trust Account;
- Statement Income and Expense for Operating Account (EH PHA);
- Consolidated Statement of Receipts and Payments;
- Statement of Accumulated Funds;
- Schedule of Capital Assets, Receivables and Expenditure Arrears; and
- Accounting Policies and Other Explanatory Notes

##### Responsibility for the Financial Statements

The Chief Executive Officer 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*.

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

##### Responsibility of the Auditor-General

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

Level 6  
TISA Investment Haus  
Kumul Avenue, NCD

*Auditing* **IMPACT**

P.O Box 423  
WAIGANI, NCD  
Papua New Guinea

Page 1 of 1

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

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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for this report.

### **Basis for Qualified Opinion**

#### **1. Financial Statement**

My review of the financial statement of Eastern Highlands Provincial Health Authority (EHPHA) for the year ended 31 December, 2014 revealed the following disclosure issues:

- Because of the inherited errors carried forward from previous year (2013) which were not corrected in the current year's accounts, I was not able to satisfy myself as to the completeness and accuracy of the opening Accumulated Fund Balances of K1,939,705. Since this opening balance would affect the determination of the financial position and the cash flows of the EHPHA in the current year, I was unable to determine whether adjustments to the respective cashbooks, financial position and the cash flows, might have been necessary for the year ended 31 December, 2014.
- The accompanying fixed assets and receivable schedules attached to the financial statements showed assets and receivables in total as K45,890,663 and K11,100 respectively. The accuracy of these amounts however, could not be confirmed as the related records were not available for my verification at the time of audit; In the absence of appropriate registers and other related records, I am unable to verify the completeness, existence and accuracy and value of the fixed assets and the receivables at the year end.

## 2. Significant Control Weaknesses

My review of the internal controls in place at the EHPHA during the year under review revealed the following matters:

- The review of the Department of Health appropriation documents revealed the Provincial Health Authority's budget appropriation as K44,244,016. I was however, not provided the relevant *Appropriation Act* and quarterly budget review documents, if any, to ascertain the effectiveness of its budgetary control processes exercised during the year;
- Summaries of user fee collections were not furnished to confirm completeness of total user fees and other internal revenues as reported, and that evidence of independent checks on daily collections, receipting and banking were not sighted;
- Fourteen payments totaling K611,387 could not be verified due to missing paid vouchers;
- Payments and procurement processes were generally noted as weak hence, require improvement and compliance to procurement and financial procedures as per the *Public Finances (Management) Act, 1995* and other relevant Acts and Instruction governing the operations of the PHA;
- Fixed assets acquired during the year, if any, were not recorded in the register thus reflecting a general lack of proper maintenance of the fixed assets register;
- Travel Advances Registers and acquittal files were not properly maintained which is in breach of Part 20 of the *Public Finances (Management) Act, 1995*. As such controls over the payments and acquittal of advances could not be ascertained;
- Staff personnel files were not properly updated and maintained where salary history cards; salaries/tax wages forms, contract documents and employees' bio data information were either not compiled properly or missing; and
- Internal Audits were not conducted by the Authority or the National Department of Health to ensure probity and integrity of the Authority's systems and processes to safe guard against loss, misuse and abuse.



### Qualified Opinion

In my opinion, except for the effects of the matters referred to in the qualification paragraphs above, the financial statements of the Eastern Highlands Provincial Health Authority for the year ended 31 December, 2014:

- (a) give a true and fair view of the financial position and the results of its operations for the year then ended in accordance with the Finance Instructions; and
- (b) with exception of instances of non-compliance described under Other Matters, the financial statements have been prepared in accordance with the Finance Instructions issued under the *Public Finances (Management) Act 1995*.

### Other Matters

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

- The Trust Instrument of the Trust Account of the EHPHA requires that the Chief Executive Officer furnish to the Department of Treasury its Annual Estimates of Revenue and Expenditure by June each year for the following year. This requirement has not been complied with.



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

25 May 2020

9.2 Appendix B: EHPHA 2014 Certified Financial Statements



**PROVINCIAL HEALTH**  
**AUTHORITIES**

**DIVISION 244**  
**FINANCIAL REPORT 2014**

**EASTERN HIGHLANDS**  
**PROVINCIAL HEALTH**  
**AUTHORITY**

**Prepared: 25<sup>th</sup> May, 2016**

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Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

**EASTERN HIGHLANDS PROVINCIAL HEALTH AUTHORITY BOARD OF  
MANAGEMENT CERTIFICATION**

We have prepared the enclosed Financial Statements for the year ended 31<sup>st</sup> December 2014 from the books and records of the Eastern Highlands Provincial Health Authority as a statutory requirement under the Public Finances (Management) Act 1995, the Public Hospital's Act (Amended) 1995, the Provincial Health Authority Act 2007, and in accordance to the normal Accounting and Audit requirements.

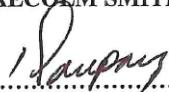
We understand that the Income and Expense Statements give a true and fair representation of the financial position of the hospital and the results of its operations for the year ended 31<sup>st</sup> December 2014.

At the signing of the statement, we are not aware of any circumstances, which would render any particulars included in the statement to be misleading or inaccurate.

**CHAIRMAN**

  
.....  
**MALCOLM SMITH KELA**

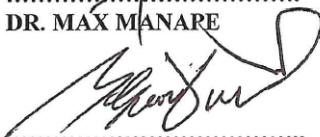
**ACTING CHIEF EXECUTIVE OFFICER**

  
.....  
**DR. LEONARD NUMU KAUPA**

**DIRECTOR PUBLIC HEALTH  
SERVICES**

  
.....  
**DR. MAX MANARE**

**DIRECTOR CORPORATE SERVICES**

  
.....  
**MICHAEL SINGIP**

Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

---

**STATEMENT BY ACTING CHIEF EXECUTIVE OFFICER**

I, Dr. Leonard Numu Kaupa, being the acting Chief Executive Officer of Eastern Highlands Provincial Health Authority, do hereby state in my opinion that the accompanying Income and Expense Statements are drawn up so as to give the result of the operations of the hospital for the year ended 31<sup>st</sup> December 2014.

Be advised that due to the merger under the new PHA reform the financial arrangement of the hospital has now come under the EHPHA administration. As such for 2014 all government grants/warrants have now being diverted to the new EHPHA account # 1009154244 from the former hospital operating account #1000751376. The former Goroka General Hospital Fees Trust Account #1000751354 has now being renamed EHPHA Fees Trust Account. Accordingly, you will note that all operations have being moved from the old operating account (1000751376) to the new account (1009154244).

Please note that the old hospital operating account #1000751376 was closed in September 2014. The remaining balance of K65,193.63 was transferred to the trust account #1000751354.

The financial statements for all three accounts for the fiscal year 2014 are now presented for audit.

However, as the statements are not audited I express no opinion on whether the accounts present a true and fair view of the position and no warranty of accuracy and or reliability is given.



.....  
**DR. LEONARD NUMU KAUPA**  
27<sup>TH</sup> MAY 2015

Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

Goroka Provincial Hospital FINANCIAL STATEMENTS			
OPERATING ACCOUNT # 1000751376 Income and Expense Statement for End of December 2014			
	Notes	2014	2013
<b>Opening Balance:</b>		<b>65,316</b>	<b>19,210</b>
<b>Operating Revenue</b>			
National Government Grants		-	-
Other Income		-	-
<b>Total Operating Revenue</b>		<b>-</b>	<b>-</b>
<b>Less: Revenue Expenses</b>			
111 - Salaries & Allowances		-	-
112 - Wages		-	5,793
113 - Overtime		-	-
114 - Leave Fares		-	(11,559)
116 - Contract Officer's Education Benefits		-	-
121 - Travel & Subsistence		-	(2,320)
122 - Public Utilities		-	-
123 - Office Materials & Supplies		-	-
124 - Operational Materials & Supplies		-	(5,970)
125 - Transport & Fuel		-	(500)
126 - Administrative Consultancy Fees		-	-
127 - Rental of Property		-	(12,483)
128 - Routine Maintenance		-	-
135 - Other Operational Expenses	122	(18,415)	-
136 - Training		(650)	-
141 - Retirement Benefits, Pension, & Gratuity		-	-
142 - Membership fees & Subscription		-	-
<b>Sub-total:</b>		<b>122</b>	<b>(46,106)</b>
<b>Less: Capital Expenditure</b>			
221 - Purchases of Office Furniture & Equipment		-	-
222 - Purchase of Vehicles		-	-
223 - Feasibility Studies, Project Prep, etc		-	-
224 - Purchase of Plant, Equipment & Machinery		-	-
225 - Construction, Renovation & Improvement		-	-
226 - Substantial & Specific Maintenance		-	-
<b>Sub-total:</b>		<b>-</b>	<b>-</b>
<b>TOTAL OPERATING EXPENSES:</b>		<b>122</b>	<b>(46,106)</b>
<b>Surplus Transfer to Trust Account</b>	8	<b>65,194</b>	<b>-</b>
<b>Net Surplus (Deficit)</b>		<b>(65,316)</b>	<b>46,106</b>
<b>Closing Bank Balance:</b>		<b>(0)</b>	<b>65,316</b>

*Note – This is the old operating account for the hospital. The account was closed in September 2014 and its remaining funds of K65,193.63 transferred to the Trust Account #1000751354.*





Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

Eastern Highlands Provincial Health Authority  
FINANCIAL STATEMENTS

HOSPITAL FEES TRUST ACCOUNT #1000751354  
Income and Expense Statement for End of December 2014

	Notes	2014	2013
<b>Opening Balance:</b>		<b>1,300,965</b>	<b>2,748,921</b>
Add: Total of 2013 Unpresented Cheques		-	101,263
<b>Adjusted Opening Balance:</b>		<b>1,300,965</b>	<b>2,850,184</b>
<b>Internal Revenue</b>			
Patient Fees	9	70,845	247,526
Admin Fees		32,718	936,673
Rental Fees		45,868	55,296
Donations		-	-
Other Income	10	4,501,006	777,980
<b>Total Operating Revenue</b>		<b>4,650,438</b>	<b>2,017,475</b>
<b>Less: Internal Revenue Expenses</b>			
(i) Cleaning Materials & Agents		24,963	13,979
(ii) Fees Collection Materials		26,390	28,538
(iii) Maintenance of Assets		1,914	88,381
(iv) Purchase of Capital Assets		-	-
(v) Purchase of drugs on emergency basis		2,896	96,828
(vi) Other operational materials:			
<b>Note:</b>			
1. Utilities		260,223	80,650
2. Kitchen Rations		182,118	108,816
3. Patient Referrals & Repatriations		1,705	17,998
4. Materials & Supplies		32,000	56,906
5. Wages		694,838	672,606
6. Transport & Fuel		26,826	21,660
7. Others		291,951	530,993
<b>Sub-total:</b>		<b>1,545,822</b>	<b>1,717,355</b>
<b>Less: Capital Expenditure</b>			
221 - Purchases of Office Furniture & Equipment		21,872	2,364
222 - Purchase of Vehicles		-	-
224 - Purchase of Plant, Equipment & Machinery		-	-
225 - Construction, Renovation & Improvement		-	-
226 - Substantial & Specific Maintenance		524,075	1,846,975
<b>Sub-total:</b>		<b>545,947</b>	<b>1,849,339</b>
<b>TOTAL OPERATING EXPENSES:</b>		<b>2,091,769</b>	<b>3,566,694</b>
<b>Net Surplus (Deficit)</b>		<b>2,558,668</b>	<b>(1,549,219)</b>
<b>Closing Bank Balance:</b>		<b>3,859,633</b>	<b>1,300,965</b>



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENTS

OPERATING ACCOUNT # 1009154244 Income and Expense Statement for End of December 2013			
	Notes	2014	2013
<b>Opening Balance:</b>		<b>573,425</b>	<b>(104)</b>
<b>Operating Revenue</b>			
National Government Grants	3	37,905,057	36,295,255
Other Income		6,338,959	21,000
<b>Total Operating Revenue</b>		<b>44,244,016</b>	<b>36,316,255</b>
<b>Less: Revenue Expenses</b>			
111 - Salaries & Allowances	4	30,865,457	29,274,355
112 - Wages		1,528,686	463,110
113 - Overtime		209,929	161,840
114 - Leave Fares		371,380	279,628
116 - Contract Officer's Education Benefits		-	-
121 - Travel & Subsistence		229,771	125,912
122 - Public Utilities	5	738,517	921,081
123 - Office Materials & Supplies		228,034	117,150
124 - Operational Materials & Supplies	6	1,268,018	1,040,191
125 - Transport & Fuel		314,650	174,715
126 - Administrative Consultancy Fees		-	-
127 - Rental of Property		1,261,016	982,472
128 - Routine Maintenance		153,303	137,993
135 - Other Operational Expenses	7	1,383,278	1,112,955
136 - Training		124,759	105,870
141 - Retirement Benefits, Pension, & Gratuity		66,687	788,487
142 - Membership fees & Subscription		1,980	-
<b>Sub-total:</b>		<b>38,745,465</b>	<b>35,685,758</b>
<b>Less: Capital Expenditure</b>			
221 - Purchases of Office Furniture & Equipment		448,882	50,019
222 - Purchase of Vehicles		282,525	-
223 - Feasibility Studies, Project Prep, etc		-	-
224 - Purchase of Plant, Equipment & Machinery		84,946	6,950
225 - Construction, Renovation & Improvement		-	-
226 - Substantial & Specific Maintenance		-	-
<b>Sub-total:</b>		<b>816,353</b>	<b>56,969</b>
<b>TOTAL OPERATING EXPENSES:</b>		<b>39,561,818</b>	<b>35,742,727</b>
<b>Surplus Transfer to Trust Account</b>	8	-	-
<b>Net Surplus (Deficit)</b>		<b>4,682,198</b>	<b>573,529</b>
<b>Closing Bank Balance:</b>		<b>5,255,623</b>	<b>573,425</b>

Note: - This newly opened EHPHA account had closing balance of K5,255,623 at end of 2014.





Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

Eastern Highlands Provincial Health Authority  
FINANCIAL STATEMENTS

CONSOLIDATED REPORT  
Income and Expense Statement for End of December 2014

Notes	2014	2013
<b>Opening Balance:</b>		
1. Operational Account (GPH)	65,316	19,210
2. Trust Account (EHPHA)	1,300,965	2,748,920
2.1 Add: Total of 2013 Unpresented Cheques	-	101,263
3. Operational Account (EHPHA)	573,425	(104)
<b>TOTAL OPENING BALANCE:</b>	<b>1,939,706</b>	<b>2,869,289</b>
<b>Operating Revenue</b>		
1. National Government Grants (GPH)	-	-
2. Others (GPH)	-	-
3. Patient Fees (EHPHA)	69,403	247,526
4. All Others (EHPHA)	4,581,034	1,769,949
5. National Government Grants (EHPHA)	37,905,057	36,295,255
6. Others (EHPHA)	6,338,959	21,000
<b>TOTAL OPERATING REVENUE:</b>	<b>48,894,454</b>	<b>38,333,731</b>
<b>Less: Operating Expenses</b>		
1. Operating Expenses (GPH)	122	(46,105)
2. Trust Expenses (EHPHA)	2,091,769	3,566,694
3. Operating Expenses (EHPHA)	39,561,818	35,742,727
<b>TOTAL OPERATING EXPENSES:</b>	<b>41,653,710</b>	<b>39,263,316</b>
<b>Transfer to Trust Accounts:</b>	<b>65,194</b>	<b>-</b>
<b>Surplus (Deficit)</b>		
1. Operating Account (GPH)	(122)	46,105
2. Trust Account (EHPHA)	2,558,668	(1,549,219)
3. Operating Account (EHPHA)	4,682,198	573,528
<b>Net Surplus (Deficit)</b>	<b>7,240,744</b>	<b>(1,503,114)</b>
<b>Closing Bank Balances:</b>		
1. Operating Account (GPH)	-	65,315
2. Trust Account (EHPHA)	3,859,633	1,300,964
3. Operating Account (EHPHA)	5,255,622	573,425
<b>CONSOLIDATED CLOSING BANK BALANCE:</b>	<b>9,115,255</b>	<b>1,939,704</b>

**Note to table:**

The above table is prepared based on figures derived from the Goroka Provincial Hospital old Operating Account (page 3), EHPHA Fees Trust Account (page 4), and EHPHA Operating Account (page 5) Income and Expenditure Statements, therefore this should be read in conjunction with the respective pages for details.



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

Eastern Highlands Provincial Health Authority (EHPHA) 2014 APPROPRIATION								
Item	Item Description	Appropriation	Item Transfers		Total	Appropriation		Revised
			To	From		Surplus	Shortfall	Appropriation
								2014
								2015
111	Salary & Allowances	21,647,600	-	-	21,647,600	9,217,857	-	30,865,457
112	Wages	524,200	1,004,486	-	1,528,686	-	-	1,528,686
113	Overtime	100,000	109,929	-	209,929	-	-	209,929
114	Leave Fares	486,700	-	115,000	371,700	-	-	371,700
116	Contract Officers Educ. Benefit	-	-	-	-	-	-	-
141	Gratuity, Retirement, Pensions	433,800	-	367,000	66,800	-	-	66,800
	<b>Personnel Emoluments</b>	<b>23,192,300</b>	<b>1,114,415</b>	<b>482,000</b>	<b>23,824,715</b>	<b>9,217,857</b>	<b>-</b>	<b>33,042,572</b>
121	Travel & Subsistence	100,000	129,771	-	229,771	-	-	229,771
122	Utilities	1,750,000	-	1,011,400	738,600	-	-	738,600
123	Office Materials & Supplies	100,000	128,034	-	228,034	-	-	228,034
124	Operational Material & Supplies	500,000	688,018	-	1,268,018	-	-	1,268,018
125	Transport & Fuel	150,000	164,650	-	314,650	-	-	314,650
126	Administrative & Consultance Fees	-	-	-	-	-	-	-
127	Rental of Properties	978,200	282,816	-	1,261,016	-	-	1,261,016
128	Routine Maintenance	150,000	3,303	-	153,303	-	-	153,303
135	Other Operational Expenditure	360,000	1,003,278	-	1,383,278	-	-	1,383,278
136	Training	100,000	24,759	-	124,759	-	-	124,759
142	Membership Fees, Subs & Contrib's	15,000	-	13,000	2,000	-	-	2,000
	<b>Goods &amp; Services</b>	<b>4,303,200</b>	<b>2,424,629</b>	<b>1,024,400</b>	<b>5,703,429</b>	<b>-</b>	<b>-</b>	<b>5,703,429</b>
221	Office Equipment	80,000	397,162	-	477,162	-	28,300	448,862
222	Purchase of Vehicles	140,000	142,525	-	282,525	-	-	282,525
223	Feasibility Studies, Project Prep, Etc	-	-	-	-	-	-	-
224	Purchase of Plant Equip & Machry	1,000,000	-	915,000	85,000	-	-	85,000
225	Const/Renovation	-	-	-	-	-	-	-
226	Substantial & Specific Maintenance	-	-	-	-	-	-	-
	<b>Capital Formation</b>	<b>1,220,000</b>	<b>539,707</b>	<b>915,000</b>	<b>844,707</b>	<b>-</b>	<b>28,300</b>	<b>816,407</b>
	Other Income	-	-	1,087,351	(1,087,351)	6,338,959	-	5,251,608
	Transfers to Trust Account	-	-	-	-	-	-	-
	Opening Bank Balance:	-	-	570,000	(570,000)	-	-	(570,000)
	<b>TOTAL</b>	<b>28,715,500</b>	<b>4,078,751</b>	<b>4,078,751</b>	<b>28,715,500</b>	<b>15,556,816</b>	<b>28,300</b>	<b>44,244,016</b>
Total Appropriation:								<b>40,749,280</b>

The appropriation for EHPHA item 111 (Salaries & Allowances) is never remitted to EHPHA. It is kept by Finance and paid through the Alesco payroll system. Where there are appropriation short falls the EHPHA management seeks the Board's approval for the transfer of funds from surplus items to depleted items. In 2014, a total of K4,078,751 internal transfer was made.

A total of K596,364 was an additional funding sent by Department of Finance (DoF). However, there were no warrant copies verifying the purpose of this funding so it was treated as Other Income. There was also a funding of K5,000,000 from DoF for the redevelopment of Goroka Hospital and the deposit of K731,000 Free Health Care Subsidy from NDoH which were also taken as Other Income.

There are surpluses where Head Quarters spent extra funds on EHPHA operations especially for item 111, and there are also shortfalls where the government remits less than what is appropriated for the year or the hospital overspends during the year. This year an additional K15,556,816 was allocated of which K9,217,857 was allocated under item 111 while K6,338,959 was treated as Other Income. A total of K28,300 was the outstanding warrant for item 221 (Office Equipment).





Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

STATEMENT OF ACCUMULATED FUNDS AS AT 31ST DECEMBER 2014

	2014 (K)	2013 (K)
<b>OPERATING FUND (GPH):</b>		
Accumulated funds as at 31 January 2014	65,316	19,210
Excess of Payments over Receipts for the year	- 65,316	46,105
	- 0	65,316
<b>TRUST FUND (EHPHA):</b>		
Accumulated funds as at 31 January 2014	1,300,965	2,850,183
Excess of Receipts over Payments for the year	2,558,668	- 1,549,219
	3,859,633	1,300,964
<b>OPERATING FUND (EHPHA):</b>		
Accumulated funds as at 31 January 2014	573,425	- 104
Excess of Receipts over Payments for the year	4,682,198	573,528
	5,255,623	573,425
<b>TOTAL ACCUMULATED FUNDS AS AT 31 DECEMBER 2014</b>	<b>9,115,256</b>	<b>1,939,705</b>
<b>REPRESENTED BY:</b>		
<b>OPERATING FUND (GPH)</b>		
Cash at Bank	- 0	65,316
<b>TRUST FUND (EHPHA)</b>		
Cash at Bank	3,859,633	1,300,964
<b>OPERATING FUND (EHPHA)</b>		
Cash at Bank	5,255,623	573,425
<b>TOTAL FUNDS</b>	<b>9,115,256</b>	<b>1,939,705</b>

Note: Refer to Consolidated Table on page 6.





Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

**Schedule of Assets**

	As at 31/12/2014	
	EHPHA Others	Hospital
Land & Building		31,872,266
Biomedical Equipment		9,718,421
Furniture & Fittings		1,068,614
Plant & Equipment		1,257,272
Information Technology		731,082
Motor Vehicles		1,243,008
<b>Total:</b>		<b>45,890,663</b>

**Schedule of Receivables**

As at 31/12/2014		
Medical Debtors		-
Staff Debtors - Other than Cash Advances		-
Canteen Rental Debtor		-
Staff Housing Rental Debtors		-
Staff Debtors - Salary & Cash Advances		11,100
Bond & Security Fees Deposits		-
<b>Total:</b>		<b>11,100</b>

**Expenditure Arrears**

As at 31/12/2014		
House Rental Landlords		-
Utilities		-
Other Commercial		-
Goroka General Hospital Board of Management		-
Goroka General Hospital Staff		-
Local Farmers		-
State of Papua New Guinea		-
<b>Total:</b>		<b>-</b>

**Notes to Schedules:**

1. The above Table of Schedules reflects ONLY Goroka Hospital's Assets. However, a proper valuation of the entire EHPHA, including the hospital, is yet to be done.
2. Only Land & Building is appreciated by 2% on 2013 figure while all others are depreciated by 2% on 2013 figure. All new additions in 2014 are added to the changed figures.
3. All debts from 2011 backwards have being treated as bad debts.
4. EHPHA had no outstanding arrears as at end of 2014.



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note

1. STATEMENT OF ACCOUNTING POLICIES

The Financial Statement presented in this report only consist of Income (Revenue) and Expenses (Expenditure) Statements of Eastern Highlands Provincial Health Authority (EHPHA) accounts being the old Hospital Operational and Trust Accounts established by the National Finance and Planning Minister Instruments of 1995 (Operational Account), 22<sup>nd</sup> June 1998 (Hospital Fees Trust Account). A new account was created for the EHP Health Authority in 2012 under the PHA Act 2007.

The Financial Statements have been drawn up in accordance with the provisions of the Public Hospitals (Amended Act) 1995, the Financial Management Act 1995, the PHA Act 2007 and other mandatory professional reporting requirements.

A Profit and Loss Statement and Balance Sheet is not report because of the nature of the operation of EHPHA due to the infancy of its accounting system where profit, valuation of Assets, liability and equity are not possible to be determined. Besides EHPHA operates on cash accounting method and is government owned and funded. However, accumulated funds, investments, current assets and liabilities could be done.

a) Cash Accounting

In view of the infancy in assuming full financial autonomy and the incomplete process for establishing a Financial Manual and Reporting to an Accrual bases, these statements have been prepared on the cash accounting basis, incomes and expenses are recognized when cash is received and expended. The Accounts receivable and payable at year end have not been taken into account

b) Reconciled Statements

The Statements reported are based on the cash book balances and opening balances zeroed for beginning for each year.

c) Income Tax

EHPHA is understandably exempted from the requirements to pay Income Tax in view of its Public Institution status for non-profit fee for services to the community.

2. FIXED ASSETS

All fixed assets for the entire province could not be determined at this stage. Based on previous data, fixed assets for the hospital, except the land of the hospital, were in existence at the time of the formation of the board were transferred by the department of Health to the former hospital Board. These have not been brought to account due to the cash basis accounting and the non - availability of their details and values. Acquisitions of assets have been recorded as expenditures during the year and as such no depreciation is provided for.

Values disclosed are estimates provided which will be substantiated by professional valuers as an whenever proper valuation of the entire assets of EHPHA is done in future.



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

3. NATIONAL GOVERNMENT GRANT

This only includes grants received through government warrants deposited directly into the EHPHA Operational Account. This is used for the entire provinces operational expenses such as goods and services, salaries and wages, and capital formation.

The national Government grant is disclosed as

	2014	2013
	K	K
Personnel Emoluments (a)	32,410,157	30,733,255
Goods & Services	4,303,200	4,542,000
Capital Formation	1,191,700	1,020,000
Other Income	6,338,959	21,000
	<b>44,244,016</b>	<b>36,316,255</b>

Salaries and wages for public servants are included as National government grants as it is controlled and managed by the Department of Treasury at Waigani and paid from headquarters and as such it is treated as income.

4. SALARIES AND ALLOWANCES

This refers strictly to public servants salaries and allowances. This is not given to EHPHA to manage but retained and paid directly by the Department of Treasury & Corporate Affairs. The Budgetary appropriation and expenditure as per our source documents are given below:

Salaries & Allowances - Item 111

2014 Appropriation	2014 YTD Expenditure	Year End Balance
<b>21,647,600</b>	<b>30,865,457</b>	<b>(9,217,857)</b>

An additional funding of (K9,217,857) was used to pay for the Salaries & Allowances for public servants. The breakup of the total is given below according to the ordinary pay and different allowances:

	2014
	K
Ordinary pay	18,906,867
Clinical Allowance	620,018
Domestic Market Allowance	1,480,644
On Call Allowance	2,264,956
Overtime Allowance	554,841
Rental Allowance	422,788
Shift Allowances	3,379,581
Uniform Allowance	276,280
Radiation/Gratuity & Other Allowances	1,561,460
Nursing Service Allowance	1,398,022
<b>TOTAL:</b>	<b>30,865,457</b>



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

5. PUBLIC UTILITIES EXPENSES

	2014 (K)	2013 (K)
Electricity	572,650	684,801
Water & Sewerage	9,172	9,399
Telephone/Postage	62,443	48,236
Fuel & Gas	88,080	128,204
Others	6,172	50,441
<b>TOTAL:</b>	<b>738,517</b>	<b>921,081</b>

6. OPERATIONAL MATERIALS & SUPPLIES

	2014 (K)	2013 (K)
Lab Chemicals	2,505	67,805
Security	170,537	214,952
Catering	388,789	370,325
Cleaning	70,557	65,318
Ward Linen/Supplies	-	15,106
Pharmacy & Medical	505,444	298,036
Tools & Equipment	102,143	4,932
Others	28,043	3,717
<b>TOTAL:</b>	<b>1,268,018</b>	<b>1,040,191</b>

7. OTHER OPERATIONAL EXPENSES

	2014 (K)	2013 (K)
Referral/Repatriation of Patients	101,455	28,318
Bank Charges		11,224
Board Stipends & Other Allowances	371,019	302,351
Union Awards	-	302,070
Funeral Expenses	9,250	10,000
Others	901,554	458,992
<b>TOTAL:</b>	<b>1,383,278</b>	<b>1,112,955</b>



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

8. TRANSFER OF SURPLUS FUNDS

No transfer of funds was made in 2014 for the EHPHA Operating Account. Only K65,136 was transferred from the old hospital operating account to the trust account in September 2014.

9. PATIENT/USER FEES

	2014 (K)	2013 (K)
Outpatient Department	5	76
Specialist Consultation Clinics	849	9,325
Pathology	525	3,327
X-Ray	854	3,648
Accident & Emergency	5,622	47,186
Pharmacy	3,893	35,158
Public Inpatient	24,434	63,516
Intermediate Inpatient	21,415	56,807
Dental	11,807	26,767
Private Practice Fees	1,442	1,564
Banking Differences	-	152
<b>TOTAL:</b>	<b>70,845</b>	<b>247,526</b>

10. OTHER INCOME

	2014 (K)	2013 (K)
<b>1. Projects Funded by Clinton Foundation</b>		
a) ART/VCT Pilot Project	453,000	587,416
<b>2. UPNG Clinical School</b>	22,536	-
<b>3. Family Health Services</b>	13,000	-
<b>4. PSIP Funds (2013 &amp; 2014)</b>	3,637,452	-
<b>5. Transfer from Operating Account (GPH)</b>	65,194	920,000
<b>6. Provincial Treasury</b>	-	29,766
<b>7. Others</b>		
a) Housing	45,868	55,296
b) Administration Fees	32,718	13,148
c) Allied Health Workers Award	-	78,000
d) Reimbursement from Operating Account	215,906	0
e) Miscellaneous	164,763	86,477
f) Banking Differences	-	154
<b>TOTAL:</b>	<b>4,650,437</b>	<b>1,769,949</b>





Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2014

Disclosed in the ledgers as

	2014 (K)	2013 (K)
Patient Fees	70,845	247,526
All Other Income	4,579,593	1,769,949
	<b>4,650,438</b>	<b>2,017,475</b>

A separate ledger is created and maintained for any donor/partner funded projects and Development Projects funded by the National Government.



## 9.3 Appendix C: EHPHA 2015 Audit Opinion



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### OFFICE OF THE AUDITOR-GENERAL

#### INDEPENDENT AUDIT REPORT ON THE ACCOUNTS OF EASTERN HIGHLANDS PROVINCIAL HEALTH AUTHORITY FOR THE YEAR ENDED 31 DECEMBER, 2015

##### To the Minister for Health

I have audited the accompanying financial statements of the Eastern Highlands Provincial Health Authority for the year ended 31 December, 2015. The financial statements comprise:

- Board of Management Certification;
- Statement by Acting Chief Executive Officer;
- Statement of Income and Expense for Operating Account (EH PHA);
- Statement of Income and Expense for Hospital Fees Trust Account;
- Consolidated Statement of Receipts and Payments;
- Statement of Accumulated Funds;
- Schedule of Capital Assets, Receivables and Expenditure Arrears; and
- Notes to and forming part of the Financial Statements

##### Responsibility for the Financial Statements

The Chief Executive Officer 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*.

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

##### Responsibility of the Auditor-General

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

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

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Kumul Avenue, NCD

*Auditing* **IMPACT**

P.O Box 423  
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Papua New Guinea

Page 1 of 1



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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for this report.

#### **“Basis for Qualified Opinion**

##### **1. Financial Statement**

My review of the financial statements of the Eastern Highlands Provincial Health Authority for the year ended 31 December, 2015 revealed the following disclosure issues:

- As reported in 2014 report, because of the inherited errors carried forward from prior years which were not corrected in the subsequent and current years' accounts, I was not able to satisfy myself as to the completeness and accuracy of the opening Accumulated Fund Balances of K9,115,256. Since this opening balance would affect the determination of the financial position and the cash flows of the Provincial Health Authority in the current year, I was unable to determine whether adjustments to the respective cashbooks, financial position and the cash flows, might have been necessary for the year ended 31 December, 2015.
- The accompanying fixed assets and receivable schedules attached to the financial statements showed assets and receivables as nil and K12,500 respectively. The accuracy of these disclosures however, could not be confirmed as the related records were not available for my verification at the time of audit. In the absence of appropriate registers and other related records, I am unable to verify the completeness, existence and accuracy and value of the fixed assets and the receivables at the year end.

##### **2. Significant Control Weaknesses**

My review of the internal controls in place at the Eastern Highlands Provincial Health Authority during the year under review revealed the following matters:

- The review of the Department of Health appropriation documents revealed the Provincial Health Authority's revised budget appropriation and actual expenditure as K40,249,088 and K40,320,327 respectively. I was however, not provided the relevant Appropriation Act and quarterly budget review documents, if any, to ascertain the effectiveness of its budgetary control processes exercised during the year;

- Summaries of user fee collections were not furnished to confirm completeness of total user fees and other internal revenues as reported, and that evidence of independent checks on daily collections, receipting and banking were not sighted;
- There were significant undue delays in banking of internal revenue collections. I noted for instance, collections in May totaling K3,743 were deposited in September 2015, a five (5) months delay;
- Instances of Fifty-five (55) payments totaling K639,436 could not be verified due to missing paid vouchers;
- Various roll-over projects from prior years were noted to have been in progress incurring a total expenditure of K1,049,125 during the year under review. I noted however, no evidence of STB involvement, related board meeting minutes, COIs, if any, copies of engineers' progress reports and completion certificates to validate the expenditure incurred;
- Payments and procurement processes were generally noted as weak hence, require improvement and compliance to procurement and financial procedures as per the *Public Finances (Management) Act 1995*, and other relevant Acts and Instructions governing the operations of the PHA;
- Fixed assets acquired during the year, if any, were not recorded in the register thus reflecting a general lack of proper maintenance of the fixed assets register;
- Travel Advances Registers and acquittal files were not properly maintained which is in breach of Part 20 of the *Public Finances (Management) Act 1995*. As such controls over the payments and acquittal of advances could not be ascertained;
- Staff personnel files were not properly updated and maintained where salary history cards; salaries/Tax wages forms, contract documents and employees' bio data information were either not compiled properly or missing; and
- Internal Audits were not conducted by the Authority or the National Department of Health to ensure probity and integrity of the Authority's systems and processes to safeguard against loss, misuse and abuse.

**Qualified Opinion**

In my opinion, except for the effects of the matters referred to in the basis for qualified opinion paragraphs above, the financial statements of the Eastern Highlands Provincial Health Authority for the year ended 31 December, 2015:

- (a) give a true and fair view of the financial position and the results of its operations for the year then ended in accordance with the Finance Instructions; and
- (b) the financial statements have been prepared in accordance with the *Finance Instructions 2/2004* issued under the *Public Finances (Management) Act 1995*".



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

25 May 2020

9.4 Appendix D: EHPHA 2015 Certified Financial Statements



**PROVINCIAL HEALTH**  
**AUTHORITIES**

**DIVISION 244**  
**FINANCIAL REPORT 2015**

**EASTERN HIGHLANDS**  
**PROVINCIAL HEALTH**  
**AUTHORITY**

**Prepared: 25<sup>th</sup> May, 2016**

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Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2015

**EASTERN HIGHLANDS PROVINCIAL HEALTH AUTHORITY BOARD OF  
MANAGEMENT CERTIFICATION**

We have prepared the enclosed Financial Statements for the year ended 31<sup>st</sup> December 2015 from the books and records of the Eastern Highlands Provincial Health Authority as a statutory requirement under the Public Finances (Management) Act 1995, the Public Hospital's Act (Amended) 1995, the Provincial Health Authority Act 2007, and in accordance to the normal Accounting and Audit requirements.


We understand that the Income and Expense Statements give a true and fair representation of the financial position of the hospital and the results of its operations for the year ended 31<sup>st</sup> December 2015.

At the signing of the statement, we are not aware of any circumstances, which would render any particulars included in the statement to be misleading or inaccurate.

**CHAIRMAN**

  
.....  
**MALCOLM SMITH KELA**

**ACTING CHIEF EXECUTIVE OFFICER**

  
.....  
**JOSHUA SOSO, MBA**


**DIRECTOR CURATIVE HEALTH  
SERVICES**

  
.....  
**DR. POMUSO WARIMA**

**DIRECTOR PUBLIC HEALTH  
SERVICES**

  
.....  
**DR. MAX MANARE**

**DIRECTOR CORPORATE SERVICES**

  
.....  
**MICHAEL SINGIP**



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2015

**STATEMENT BY ACTING CHIEF EXECUTIVE OFFICER**


I, Mr. Joshua Soso, MBA, being the acting Chief Executive Officer of Eastern Highlands Provincial Health Authority, do hereby state in my opinion that the accompanying Income and Expense Statements are drawn up so as to give the result of the operations of the hospital for the year ended 31<sup>st</sup> December 2015.

Be advised that due to the merger under the new PHA reform the financial arrangement of the hospital has now come under the EHPHA administration since 2013. As such starting 2014 all government grants/warrants have now being diverted to the new EHPHA account # 1009154244 from the former hospital operating account #1000751376. The former Goroka General Hospital Fees Trust Account #1000751354 has now being renamed EHPHA Fees Trust Account. Accordingly, you will note that all operations have being moved from the old operating account (1000751376) to the new account (1009154244).

Since the old operating account under the former hospital regime has being closed in 2014, you will now find only the financial statements for the new EHPHA operational account number 1009154244 and the renamed trust account number 1000751354.

The financial statements for two accounts for the fiscal year 2015 are now presented for audit.

However, as the statements are not audited I express no opinion on whether the accounts present a true and fair view of the position and no warranty of accuracy and or reliability is given.

  
JOSHUA SOSO, MBA (MR.)  
29<sup>TH</sup> APRIL 2016



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2015

Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENTS

OPERATING ACCOUNT # 1009154244			
Income and Expense Statement for End of December 2015			
	Notes	2015	2014
<b>Opening Balance:</b>		<b>5,255,623</b>	<b>573,425</b>
<b>Operating Revenue</b>			
National Government Grants		39,805,771	37,905,057
Other Income		443,317	6,338,959
<b>Total Operating Revenue</b>		<b>40,249,088</b>	<b>44,244,016</b>
<b>Less: Revenue Expenses</b>			
111 - Salaries & Allowances		29,627,804	30,865,457
112 - Wages		2,664,713	1,528,686
113 - Overtime		195,316	209,929
114 - Leave Fares		356,989	371,380
116 - Contract Officer's Education Benefits		-	-
121 - Travel & Subsistence		496,434	229,771
122 - Public Utilities		784,843	738,517
123 - Office Materials & Supplies		297,043	228,034
124 - Operational Materials & Supplies		1,186,420	1,268,018
125 - Transport & Fuel		425,779	314,650
126 - Administrative Consultancy Fees		-	-
127 - Rental of Property		1,708,916	1,261,016
128 - Routine Maintenance		165,815	153,303
135 - Other Operational Expenses		1,762,287	1,383,278
136 - Training		312,990	124,759
141 - Retirement Benefits, Pension, & Gratuity		264,399	66,687
142 - Membership fees & Subscription		-	1,980
<b>Sub-total:</b>		<b>40,249,746</b>	<b>38,745,465</b>
<b>Less: Capital Expenditure</b>			
221 - Purchases of Office Furniture & Equipment		70,579	448,882
222 - Purchase of Vehicles		-	282,525
223 - Feasibility Studies, Project Prep, etc		-	-
224 - Purchase of Plant, Equipment & Machinery		-	84,946
225 - Construction, Renovation & Improvement		-	-
226 - Substantial & Specific Maintenance		-	-
<b>Sub-total:</b>		<b>70,579</b>	<b>816,353</b>
<b>TOTAL OPERATING EXPENSES:</b>		<b>40,320,324</b>	<b>39,561,818</b>
<b>Surplus Transfer to Trust Account</b>	8	<b>5,000,000</b>	-
<b>Net Surplus (Deficit)</b>		<b>(5,071,237)</b>	<b>4,682,198</b>
<b>Closing Bank Balance:</b>		<b>184,386</b>	<b>5,255,623</b>



Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2015

Eastern Highlands Provincial Health Authority  
FINANCIAL STATEMENTS

HOSPITAL FEES TRUST ACCOUNT #1000751354  
Income and Expense Statement for End of December 2015

	Notes	2015	2014
<b>Opening Balance:</b>		<b>3,859,633</b>	<b>1,300,965</b>
<b>Internal Revenue</b>			
Patient Fees	9	42,889	70,845
Admin Fees		143,356	32,718
Rental Fees		42,235	45,868
Donations		-	-
Other Income	10	5,778,157	4,501,006
<b>Total Operating Revenue</b>		<b>6,006,637</b>	<b>4,650,437</b>
<b>Less: Internal Revenue Expenses</b>			
111 - Salaries & Allowances		757,760	24,963
112 - Wages		86,480	26,390
113 - Overtime		50,541	1,914
114 - Leave Fares		5,200	-
116 - Contract Officer's Education Benefits		-	2,896
121 - Travel & Subsistence		41,529	-
122 - Public Utilities		273,807	-
123 - Office Materials & Supplies		1,950	260,223
124 - Operational Materials & Supplies		351,685	182,118
125 - Transport & Fuel		37,654	1,705
126 - Administrative Consultancy Fees		-	32,000
127 - Rental of Property		24,900	694,838
128 - Routine Maintenance		23,745	26,826
135 - Other Operational Expenses		452,311	291,951
136 - Training		-	-
141 - Retirement Benefits, Pension, & Gratuity		-	-
142 - Membership fees & Subscription		-	-
<b>Sub-total:</b>		<b>2,107,562</b>	<b>1,545,822</b>
<b>Less: Capital Expenditure</b>			
221 - Purchases of Office Furniture & Equipment		-	21,872
222 - Purchase of Vehicles		-	-
224 - Purchase of Plant, Equipment & Machinery		10,570	-
225 - Construction, Renovation & Improvement		65,000	-
226 - Substantial & Specific Maintenance		1,004,410	524,075
<b>Sub-total:</b>		<b>1,079,980</b>	<b>545,947</b>
<b>TOTAL OPERATING EXPENSES:</b>		<b>3,187,542</b>	<b>2,091,769</b>
<b>Net Surplus (Deficit)</b>		<b>2,819,095</b>	<b>2,558,668</b>
<b>Closing Bank Balance:</b>		<b>6,678,728</b>	<b>3,859,633</b>





Eastern Highlands Provincial Health Authority (EHPHA)  
FINANCIAL STATEMENT  
2015

Eastern Highlands Provincial Health Authority  
FINANCIAL STATEMENTS

CONSOLIDATED REPORT  
Income and Expense Statement for End of December 2015

Notes	2015	2014
<b>Opening Balance:</b>		
1. Operational Account (GPH)	-	65,316
2. Trust Account (EHPHA)	3,859,633	1,300,965
3. Operational Account (EHPHA)	5,255,623	573,425
<b>TOTAL OPENING BALANCE:</b>	<b>9,115,255</b>	<b>1,939,705</b>
<b>Operating Revenue</b>		
1. National Government Grants (GPH)	-	-
2. Others (GPH)	-	-
3. Patient Fees (EHPHA)	42,889	69,403
4. All Others (EHPHA)	5,698,748	4,581,034
5. National Government Grants (EHPHA)	39,805,771	37,905,057
6. Others (EHPHA)	443,317	6,338,959
<b>TOTAL OPERATING REVENUE:</b>	<b>45,990,725</b>	<b>48,894,453</b>
<b>Less: Operating Expenses</b>		
1. Operating Expenses (GPH)	-	122
2. Trust Expenses (EHPHA)	2,922,542	2,091,769
3. Operating Expenses (EHPHA)	40,320,324	39,561,818
<b>TOTAL OPERATING EXPENSES:</b>	<b>43,242,866</b>	<b>41,653,709</b>
<b>Transfer to Trust Accounts:</b>	<b>5,000,000</b>	<b>65,194</b>
<b>Surplus (Deficit)</b>		
1. Operating Account (GPH)	-	(65,316)
2. Trust Account (EHPHA)	2,819,095	2,558,668
3. Operating Account (EHPHA)	(71,237)	4,682,198
<b>Net Surplus (Deficit)</b>	<b>2,747,858</b>	<b>2,493,353</b>
<b>Closing Bank Balances:</b>		
1. Operating Account (GPH)	-	-
2. Trust Account (EHPHA)	6,678,728	3,859,633
3. Operating Account (EHPHA)	184,386	5,255,623
<b>CONSOLIDATED CLOSING BANK BALANCE:</b>	<b>6,863,114</b>	<b>9,115,255</b>

**Note to table:**

The old hospital operating account (GPH) was closed in 2014 after transfer of its final balance of K65,194. It is shown just for comparison purpose.



Eastern Highlands Provincial Health Authority (EHPHA)  
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EASTERN HIGHLANDS PROVINCIAL HEALTH AUTHORITY								
2015 APPROPRIATION								
Item	Item Description	Appropriation	Item Transfers To From	Total	Appropriation Surplus Shortfall	Revised Appropriation 2015	Revised Appropriation 2016	
111	Salary & Allowances	23,700,000	- 2,958,467	20,741,533	8,886,271 -	29,627,804	26,781,000	
112	Wages	570,000	1,594,413 -	2,164,413	600,300 -	2,664,713	644,100	
113	Overtime	193,000	64,124 -	257,124	- 61,808	195,316	216,090	
114	Leave Fares	386,000	50,423 -	436,423	- 79,434	356,989	436,160	
116	Contract Officers Educ. Benefit	-	- -	-	- -	-	-	
141	Gratuity, Retirement, Pensions	480,500	- 115,543	364,957	- 100,558	264,399	542,965	
	Personnel Enrolments	25,329,500	1,708,960 3,074,010	23,964,450	9,386,571	33,109,221	28,622,335	
121	Travel & Subsistence	580,000	97,234 -	677,234	- 180,800	496,434	665,400	
123	Office Materials & Supplies	230,000	112,243 -	342,243	- 45,200	297,043	259,900	
124	Operational Material & Supplies	700,000	535,720 -	1,235,720	- 49,300	1,186,420	791,000	
125	Transport & Fuel	280,000	237,579 -	517,579	- 91,800	425,779	316,400	
135	Other Operational Expenditure	1,000,000	966,667 -	1,966,667	- 206,400	1,762,267	1,130,000	
136	Training	250,000	156,190 -	406,190	- 93,200	312,990	282,500	
	Goods & Services	3,040,000	2,107,653	5,147,653	- 666,700	4,480,953	3,435,200	
142	Membership Fees, Subs & Contrib's	-	- 40,200	(40,200)	40,200 -	-	-	
	Grants, Subsidies & Subscriptions	-	- 40,200	(40,200)	40,200 -	-	-	
122	Utilities	1,250,000	- 422,367	827,633	- 42,800	784,833	1,412,500	
127	Rental of Properties	1,580,000	235,416 -	1,815,416	- 106,500	1,708,916	1,785,400	
128	Routine Maintenance	100,000	93,915 -	193,915	- 26,100	165,815	113,000	
	Utilities, Rentals, & Property Costs	2,930,000	329,331 422,367	2,836,974	- 177,400	2,659,574	3,310,900	
221	Office Equipment	80,000	21,679 -	101,679	- 31,100	70,579	90,400	
222	Purchase of Vehicles	-	- -	-	- -	-	-	
223	Feasibility Studies, Project Prep, Etc	-	- -	-	- -	-	-	
224	Purchase of Plant Equip & Machry	200,000	- 116,500	83,500	- 83,500	-	226,000	
225	Const/Renovation	-	- -	-	- -	-	-	
226	Substantial & Specific Maintenance	-	- -	-	- -	-	-	
	Capital Formation	280,000	21,679 116,500	165,179	- 114,600	70,579	316,400	
	Other Income	-	- 443,317	(443,317)	443,317 -	(0)	-	
	Prepayments	-	- -	-	- -	-	-	
	Transfers	-	- 71,239	(71,239)	- -	(71,239)	-	
	TOTAL	31,579,500	4,167,623 4,167,623	31,579,500	9,870,088 1,200,500	40,249,087	35,684,835	

35,684,835

The appropriation for EHPHA item 111 (Salaries & Allowances) is never remitted to EHPHA. It is kept by Finance and paid through the Alesco payroll system. Where there are appropriation short falls the EHPHA management seeks the Board's approval for the transfer of funds from surplus items to depleted items. In 2015, a total of K4,167,623 internal transfer was made.

A total of K9,870,088 was an additional funding sent by Department of Finance (DoF). It comprises of K8,886,271 for Salaries & Allowances, K500,300 for Wages, K40,200 for Membership Fees, and K443,317 for Other Income. Other Income comprises of a warrant of K407,400 which had no warrant copy to show its breakup which was treated as other income. The other component is K35,917 Miscellaneous Income.



Eastern Highlands Provincial Health Authority (EHPHA)  
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STATEMENT OF ACCUMULATED FUNDS AS AT 31ST DECEMBER 2015

	2015 (K)	2014 (K)
<b>OPERATING FUND (GPH):</b>		
Accumulated funds as at 31 January 2015	-	65,316
Excess of Payments over Receipts for the year	-	65,316
	-	-
<b>TRUST FUND (EHPHA):</b>		
Accumulated funds as at 31 January 2015	3,859,633	1,300,965
Excess of Receipts over Payments for the year	2,819,095	2,558,668
	<u>6,678,728</u>	<u>3,859,633</u>
<b>OPERATING FUND (EHPHA):</b>		
Accumulated funds as at 31 January 2014	5,255,623	573,425
Excess of Receipts over Payments for the year	- 5,071,237	4,682,198
	<u>184,386</u>	<u>5,255,623</u>
<b>TOTAL ACCUMULATED FUNDS AS AT 31 DECEMBER 2014</b>	<u><b>6,863,114</b></u>	<u><b>9,115,256</b></u>
<b>REPRESENTED BY:</b>		
<b>OPERATING FUND (GPH)</b>		
Cash at Bank	-	-
<b>TRUST FUND (EHPHA)</b>		
Cash at Bank	6,678,728	3,859,633
<b>OPERATING FUND (EHPHA)</b>		
Cash at Bank	184,386	5,255,623
<b>TOTAL FUNDS</b>	<u><b>6,863,114</b></u>	<u><b>9,115,256</b></u>

Note: Refer to Consolidated Table on page 5.





Eastern Highlands Provincial Health Authority (EHPHA)  
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Schedule of Assets

	As at 31/12/2015	
	EHPHA Others	Hospital
Land & Building		
Biomedical Equipment		
Furniture & Fittings		
Plant & Equipment		
Information Technology		
Motor Vehicles		
<b>Total:</b>		-

Schedule of Receivables

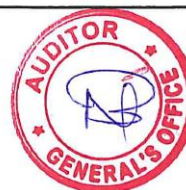
As at 31/12/2015		
Medical Debtors		-
Staff Debtors - Other than Cash Advances		-
Canteen Rental Debtor		-
Staff Housing Rental Debtors		-
Staff Debtors - Salary & Cash Advances		12,500
Bond & Security Fees Deposits		-
<b>Total:</b>		12,500

Expenditure Arrears

As at 31/12/2015		
House Rental Landlords		-
Utilities		-
Other Commercial		-
Goroka General Hospital Board of Management		-
Goroka General Hospital Staff		-
Local Farmers		-
State of Papua New Guinea		-
<b>Total:</b>		-

Notes to Schedules:

1. A proper valuation of all assets of EHPHA is yet to be done. As such no value is disclosed for this years' report. Figures provided for former years were only reflecting those of the hospital.
2. All debts from 2011 backwards have being treated as bad debts.
3. EHPHA had no outstanding arrears as at end of 2015.



Eastern Highlands Provincial Health Authority (EHPHA)  
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note

1. STATEMENT OF ACCOUNTING POLICIES

The Financial Statement presented in this report only consist of Income (Revenue) and Expenses (Expenditure) Statements of Eastern Highlands Provincial Health Authority (EHPHA) accounts being the old Hospital Operational and Trust Accounts established by the National Finance and Planning Minister Instruments of 1995 (Operational Account), 22<sup>nd</sup> June 1998 (Hospital Fees Trust Account). A new account was created for the EHP Health Authority in 2012 under the PHA Act 2007.

The Financial Statements have been drawn up in accordance with the provisions of the Public Hospitals (Amended Act) 1995, the Financial Management Act 1995, the PHA Act 2007 and other mandatory professional reporting requirements.

A Profit and Loss Statement and Balance Sheet is not report because of the nature of the operation of EHPHA due to the infancy of its accounting system where profit, valuation of Assets, liability and equity are not possible to be determined. Besides EHPHA operates on cash accounting method and is government owned and funded. However, accumulated funds, investments, current assets and liabilities could be done.

a) Cash Accounting

In view of the infancy in assuming full financial autonomy and the incomplete process for establishing a Financial Manual and Reporting to an Accrual bases, these statements have been prepared on the cash accounting basis, incomes and expenses are recognized when cash is received and expended. The Accounts receivable and payable at year end have not been taken into account

b) Reconciled Statements

The Statements reported are based on the cash book balances and opening balances zeroed for beginning for each year.

c) Income Tax

EHPHA is understandably exempted from the requirements to pay Income Tax in view of its Public Institution status for non-profit fee for services to the community.

2. FIXED ASSETS

All fixed assets for the entire province could not be determined at this stage. Based on previous data, fixed assets for the hospital, except the land of the hospital, were in existence at the time of the formation of the board were transferred by the department of Health to the former hospital Board. These have not been brought to account due to the cash basis accounting and the non - availability of their details and values. Acquisitions of assets have been recorded as expenditures during the year and as such no depreciation is provided for each asset. Values for assets cannot be properly determined at this stage while we continue to wait for professional valuers to do a proper valuation of the entire assets of EHPHA.





Eastern Highlands Provincial Health Authority (EHPHA)  
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**3. NATIONAL GOVERNMENT GRANT**

This only includes grants received through government warrants deposited directly into the EHPHA Operational Account. This is used for the entire provinces operational expenses such as goods and services, salaries and wages, utilities, rentals & property costs, and capital formation.  
The national Government grant is disclosed as

	2015	2014
	K	K
Personnel Emoluments (a)	34,474,271	32,410,157
Goods & Services	5,166,100	4,303,200
Capital Formation	165,400	1,191,700
Other Income	443,317	6,338,959
	<b>40,249,088</b>	<b>44,244,016</b>

Salaries and wages for public servants are included as National government grants as it is controlled and managed by the Department of Treasury at Waigani and paid from headquarters and as such it is treated as income.

**4. SALARIES AND ALLOWANCES**

This refers strictly to public servants salaries and allowances. This is not given to EHPHA to manage but retained and paid directly by the Department of Treasury & Corporate Affairs. The Budgetary appropriation and expenditure as per our source documents are given below:

**Salaries & Allowances - Item 111**

2015 Appropriation	2015 YTD Expenditure	Year End Balance
23,700,000	29,627,804	(5,927,804)

An additional funding of (K5,927,804) was used to pay for the Salaries & Allowances for public servants. Unlike the former years, the full breakup of the total expenditure of K29,627,804 for 2015 cannot be disclosed as no information to that effect was produced by the Payroll section in NDoH despite several requests. Only the annual figure and the overtime figures can be extracted from the FIN03 A lesco reports provided by NDoH.



Eastern Highlands Provincial Health Authority (EHPHA)  
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	2015 K	2014 K
Ordinary pay	0	18,906,867
Clinical Allowance	29,073,023	620,018
Domestic Market Allowance	0	1,480,644
On Call Allowance	0	2,264,956
Overtime Allowance	554,780	554,841
Rental Allowance	0	422,788
Shift Allowances	0	3,379,581
Uniform Allowance	0	276,280
Radiation/Gratuity & Other Allowances	0	1,561,460
Nursing Service Allowance	0	1,398,022
<b>TOTAL:</b>	<b>29,627,804</b>	<b>30,865,457</b>

5. PUBLIC UTILITIES EXPENSES

	2015 (K)	2014 (K)
Electricity	658,204	572,650
Water & Sewerage	19,767	9,172
Telephone/Postage	58,513	62,443
Fuel & Gas	30,484	88,080
Others	17,874	6,172
<b>TOTAL:</b>	<b>784,843</b>	<b>738,517</b>

6. OPERATIONAL MATERIALS & SUPPLIES

	2015 (K)	2014 (K)
Lab Chemicals	12,555	2,505
Security	165,460	170,537
Catering	452,104	388,789
Cleaning	90,664	70,557
Ward Linen/Supplies	-	-
Pharmacy & Medical	438,194	505,444
Tools & Equipment	13,570	102,143
Others	13,872	28,043
<b>TOTAL:</b>	<b>1,186,420</b>	<b>1,268,018</b>



Eastern Highlands Provincial Health Authority (EHPHA)  
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7. OTHER OPERATIONAL EXPENSES

	2015 (K)	2014 (K)
Referral/Repatriation of Patients		101,455
Bank Charges		
Board Stipends & Other Allowances		371,019
Union Awards		-
Funeral Expenses		9,250
Others		901,554
<b>TOTAL:</b>	<b>-</b>	<b>1,383,278</b>

8. TRANSFER OF SURPLUS FUNDS

No transfer of funds was made in 2015 for the EHPHA Operating Account.

9. PATIENT/USER FEES

	2015 (K)	2014 (K)
Outpatient Department	2	5
Specialist Consultation Clinics	129	849
Pathology	35	525
X-Ray	351	854
Accident & Emergency	1,380	5,622
Pharmacy	11	3,892
Public Inpatient	13,510	24,434
Intermediate Inpatient	13,163	21,415
Dental	14,309	11,807
Private Practice Fees	-	-
Banking Differences	-	-
<b>TOTAL:</b>	<b>42,889</b>	<b>69,403</b>



Eastern Highlands Provincial Health Authority (EHPHA)  
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**10. OTHER INCOME**

	2015 (K)	2014 (K)
<b>1. Projects Funded by Clinton Foundation</b>		
a) ART/VCT Pilot Project	470,557	453,000
<b>2. UPNG Clinical School</b>	-	22,536
<b>3. Family Health Services</b>	-	13,000
<b>4. PSIP Funds (2013 &amp; 2014)</b>	-	3,637,452
<b>5. Transfer from Operating Account (GPH)</b>		65,194
<b>6. PIP Fund Transferred from Operating Account</b>	5,000,000	-
<b>7. Others</b>		
a) Housing	42,235	45,868
b) Administration Fees	143,356	32,718
c) 2014 Cancelled cheque No. 8725	265,000	-
d) Reimbursement from Operating Account		215,906
e) Miscellaneous	42,600	360,360
f) Banking Differences	-	-
<b>TOTAL:</b>	<b>5,963,748.00</b>	<b>4,846,034</b>

Disclosed in the ledgers as:

	2015 (K)	2014 (K)
All Fees	42,889	69,403
All Other Income	5,963,748	4,581,035
	<b>6,006,637</b>	<b>4,650,438</b>

A separate ledger is created and maintained for any donor/partner funded projects and Development Projects funded by the National Government.



## **9.5 Appendix E: EHPHA 2014 & 2015 Summary of Audit Recommendations**

Management Letters (MLs) for the years under review containing audit recommendations for improvement were issued to the CEO on 29<sup>th</sup> February, 2017. The MLs contained similar audit recommendations hence, only the 2015 recommendations are reported as follows:

### ***Budgetary Control***

PHA to ensure that a budget for Grants and Internal Revenue is achievable and expenditures complied with budgetary appropriations with adequate monitoring by way of budget review reports.

### ***Revenue Collection and Banking***

- Ensure surprise checks on the collections and banking;
- Related official receipts, collector statements, bank deposit slips, till rolls and till collection summary sheet to be properly filed and kept for management and audit purposes;
- Posting of collector statements to the cash book and revenue ledgers must be done regularly and on a timely manner; and
- Borrowing of cash from the cashier's office should be discouraged.

### ***Cash and Bank***

Ensure cash books are reliably maintained for a reliable and accurate cash position at any given time for management and audit purposes.

### ***Payment of Accounts & Procurement Management***

- Management ensure that relevant procurement procedures are strictly adhered to when processing payments;
- Missing payments vouchers to be located and properly filed and kept in a safe place for management and audit purposes;
- Proper reconciliation to be done on procurement of goods and services to avoid duplicate and over payments; and
- Management to ensure timely Tax remittances to IRC to avoid likelihood of legal proceedings.

### ***Capital Works & Maintenance***

- Ensure proper and effective coordination, monitoring and implementation of initiated projects supervised by the Provincial Works Division and that all required reports are updated and maintained; and
- Engineer's and Project Manager's reports are produced at every phase of the construction to warrant release of next lot of payments to ensure quality of work and timely completion of projects.



***Assets Management***

- Ensure a complete and comprehensive Assets Register as required by Financial Instructions is maintained for all classes of fixed assets in the custody of the PHA;
- A proper BOS must be conducted for disposal of obsolete items; and
- A Vehicle Policy be documented for proper control of the fleet of motor vehicles.

***Advances Management***

Management to ensure that cash advances for accommodation, airfares and vehicle hire are discouraged with adherence to good practice, establish a register of advances and strictly comply with the acquittal procedures.

***Salaries & Wages***

- The Provincial Health Authority to ensure strict compliance with the Public Finances (Management) Act, 1995 (as amended) 2016 (PFMA) and the General Orders in all matters of personnel emoluments;
- Contract officers' employment agreements are properly documented and filed;
- Gratuity and Leave registers are properly updated and maintained to avoid duplicate or late payments to the employees;
- Ensure payments made through the Pay-mistress/Paymasters are ceased as these pose high risk of malpractice and misapplication of funds. All approved payments to be made through the staff's accounts; and
- PHA to consider engaging and/or the use of an Intensive Alesco Audit software program to ensure allowances are paid to genuinely recipients.

***Board Meeting Minutes***

Management to ensure that all Board meeting minutes are well documented, appropriately signed off, filed and safely kept for all legal purpose.

***Internal Audit***

Due to the amalgamation of the Hospital Board and the Provincial Health functions, there is an urgent need for establishment of an Internal Audit Unit and Audit Committee to meaningfully contribute to the efforts of good governance within the operation of the PHA.

***Other Operational matters***

- Board and Management to address issues affecting the kitchen area as noted by the audit;
- Board to establish a working committee to check all the bio-medical equipment in the hospital and identify items to be replaced. Obviously doctors and nurses would want to work with new and reliable equipment and not to create false hope to patients by using unworthy equipment on them;
- Board and Management to seriously address the water issue by connecting all tanks to the gutter system to catch rain water to ensure there is constant supply of water; and
- The EHPHA Board to make it their business and priority to take stock of all Health Centres in the remote districts and LLGs and attend to the urgent and priority needs of the rural and remote health centres in the province for the benefit of the people of Eastern Highlands.