



# **REPORT OF THE AUDITOR-GENERAL**

## **Enga Provincial Health Authority Accounts**

**For the years ended 31 December, 2015 & 2016**



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## OFFICE OF THE AUDITOR-GENERAL

14 September, 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 Enga Provincial Health Authority for the fiscal years ended 31 December 2015 and 2016.

Yours sincerely,

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

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**ACRONYMS**

<b>AGO</b>	Auditor-General's Office
<b>AIP</b>	Annual Implementation Plan
<b>CEO</b>	Chief Executive Officer
<b>EPHA</b>	Enga Provincial Health Authority
<b>GO</b>	General Orders, Public Service General Orders are issued under the Public Service Management Act, 1995
<b>IAS</b>	International Accounting Standards
<b>IAU</b>	Internal Audit Unit
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>ISSAI</b>	International Standards of Supreme Audit Institutions ( <i>Issued by INTOSAI</i> )
<b>JICA</b>	Japanese International Development Corporation Agency
<b>KRA</b>	Key Results Areas
<b>MTDS</b>	Medium Term Development Strategies
<b>PFMA</b>	Public Finances (Management) Act, 1995 (as amended)
<b>PGAS</b>	Provincial Government Accounting System
<b>PHA</b>	Provincial Health Authority
<b>PNG</b>	Papua New Guinea
<b>WHO</b>	World Health Organisation



## EXECUTIVE SUMMARY

### *Purpose*

Pursuant to *Section 7* of the *Audit Act, 1989* (as amended) which requires the Auditor-General to report to Parliament on the results of audits undertaken, this Report concludes on the audit results arising from my review of Enga Provincial Health Authority (EPHA) financial statements and internal control environment pertaining to the fiscal years of 2015 and 2016. Two separate audits were carried out for the two financial year's accounts and the audit findings and recommendations have been communicated to the Authority by way of Audit Management Letters for which EPHA Management responded accordingly. My overall conclusion on the audit findings for both years resulted in Disclaimer Audit Opinions issued to the Minister for Health and HIV & AIDS and Finance Minister in the month of May, 2020.

### *Financial Performance Results*

I noted significant errors on the financial statements compiled for the 2016 and 2015 fiscal years respectively and therefore I am unable to confirm the accuracy and completeness of the year-end accumulated surplus fund balances of K8,941,055 and K2,704,804 reported for the two consecutive years.

Also, the accumulated year-end fund balances for the 2015 and 2016 fiscal years did not agree with the year-end corresponding cash balances of K1,574,559 and K6,700,838 resulting to unexplained variances of K1,130,245 and K2,240,217 respectively. **Figure 1** below outlines a summary of the 2015 and 2016 financial statements data.

***Figure 1: Financial Performance Results 2015 & 2016***

	2016 'K'	2015 'K'	Variance 'K'
Total Revenue	35,455,322	20,171,405	15,283,917
Less: Total Expenditure	<u>29,219,071</u>	<u>18,968,441</u>	<u>10,250,630</u>
<b>Operating Results (current year)</b>	<b><u>6,236,251</u></b>	<b><u>1,202,964</u></b>	<b><u>5,033,287</u></b>
Add: Accumulated Fund Balance	<u>2,704,804</u>	<u>1,501,840</u>	<u>1,202,964</u>
<b>Results as at 31 December, 2016</b>	<b><u>8,941,055</u></b>	<b><u>2,704,804</u></b>	<b><u>6,236,251</u></b>
<b>Cash Balances as at 31 December, 2016</b>	<b><u>6,700,838</u></b>	<b>1,574,559</b>	<b><u>5,126,279</u></b>
<b>Variance (Fund &amp; Cash Balances)</b>	<b><u>2,240,217</u></b>	<b>1,130,245</b>	<b><u>1,109,972</u></b>

Based on the above comparison, I noted the following results:

- When comparing individual year's financial performance, EPHA's operations for the 2016 fiscal year revealed an operating surplus fund balance of K6,236,251, indicating a significant increase by K5,033,287 from the previous year's surplus balance of K1,202,964.
- EPHA's overall financial performance as at 31 December, 2016 resulted with an operating surplus fund balance of K8,941,055, from the previous year's surplus balance of K2,704,804, revealing an increase in the accumulated fund balance by K6,236,251.

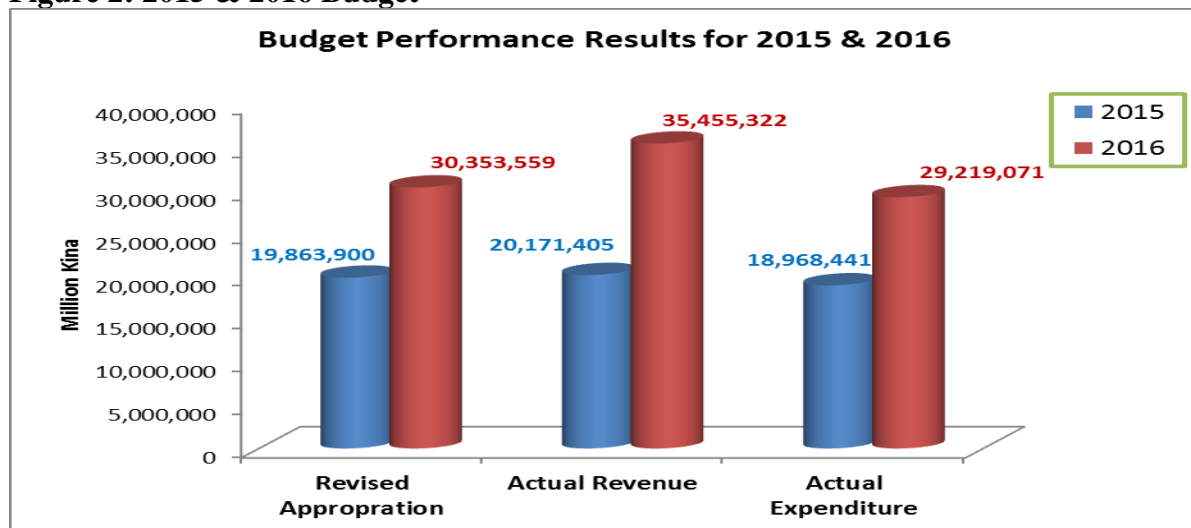
### ***Organization's Performance Results as Against Key Health Indicators***

As at 31 December, 2016, EPHA was in its third year of existence as a Provincial Health Authority since the signing of the *Health Partnership Agreement* on the 6<sup>th</sup> June, 2013 followed by formal declaration as a Health Authority on 28<sup>th</sup> April, 2014. The Organization Corporate Plan (2015–2020) underpins the organization's effort to roll out the reform initiative of the National Government to strengthen the health system in order to improve health services delivery, health outcomes and ultimately the quality of life for the people of Enga Province. Generally, the reform has improved the organization's performance as according to key health indicators.

### ***Budget Performance Results***

My comparison of the revised estimates against actual revenue receipts and expenditure incurred for the two fiscal years respectively, revealed significant amounts of variances as shown in **Figure 2** below:

**Figure 2: 2015 & 2016 Budget**



As per the above comparison, the total revised appropriation of K30,353,559 for the 2016 fiscal year was increased by K10,489,659 from the 2015 annual estimate of K19,863,900. However actual revenue of K35,455,322 exceeded the revised appropriation by K5,101,763 while total annual expenditure of K29,219,072 was within the budgeted appropriation limit.

### ***EPHA Facilities***

The Enga PHA has a total of eighty-one (81) health facilities operating in the province and includes the Provincial General Hospital, District Hospitals, Health Centres, Health Sub-Centres, Community Health Posts, and Aid Posts. All these facilities are co-ordinated through strategic planning, with resources allocated accordingly and monitoring of these facilities, are tracked through annual implementation plans.

### ***Making the Report publicly available***

The Audit Findings resulting from the audit of EPHA Accounts for the fiscal years ended 2015 and 2016 are consolidated and presented as an Individual Report and will be made available through the AGO website ([www.ago.gov.pg](http://www.ago.gov.pg)) once it is table in Parliament.

## **1.0 ENGA PROVINCIAL HEALTH AUTHORITY**

### **1.1 Enabling Entity Legislation**

#### *Provincial Health Authority Act, 2007*

Since the interception of the *Organic Law on Provincial and Local Level Governments* (OLPLLG), every district took ownership of health services delivery. However, as years went by health service delivery deteriorated with health indicators worsening while infrastructure maintenance upkeep failed resulting in theft and abuse due to fragmented health systems in the provinces.

*The Provincial Health Authority Act, 2007 (PHAA)* was enacted by the National Parliament in 2007 with the intention to create a unified entity for purposes of managing and delivering integrated health services to the people at the provincial level. *The Provincial Health Authority Act, 2007* removes the impediments and barriers in the delivery of health services which caused separation of roles and responsibilities between public hospitals and provincial health services. This new law allows for the unification of the two systems and for the establishment of a single authority on health in every province.

#### *Provincial Health Partnership Agreement*

Pursuant to Section 7 (2) of the *Provincial Health Authorities Act, 2007*, the Provincial Health Partnership on Streamlining of Health Services was created. The legislation requires that in order for PHAs to be fully implemented, a Provincial Partnership Agreement between the Provincial Governor and Health Minister is signed with necessary operational guidelines to be developed as guiding principles for implementing the Agreement. Some of these necessary arrangements are in the areas of administration, financing, budgeting, assets transfers, staff appointment, personnel management, implementation and monitoring.

#### *Establishment of EPHA*

Enga Provincial Hospital was established as a Provincial Health Authority in 2014 under the *Provincial Health Authorities Act, 2007* and in partnership with the Enga Provincial Government, the authority was 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 Policies and Budget**

#### *Policies*

Policies are formulated from the Corporate Plan. Generic compliances are placed on the *Provincial Health Authority Act, 2007*, *Health Administration Act, 1997*, *Public Finance Management Act* and General Orders.

### *PHAs Budget*

PHA's budget are funded by Provincial Governments appropriation of such monies as are appropriated by the Provincial Government for the delivery of public health services and for the fulfilment of services and policy functions as adopted and such other delegated functions by the province to the Provincial Health Authorities and National Government funding through Department of Health such as development partners' contributions, donor funding and private sector contributions through Health Sector Services Improvement Program (HSSIP) Trust Accounts, for the fulfilment of services and policy functions on the PHAs.

### 1.3 Corporate Plan

Corporate Governance is the way forward in which the organization is controlled and governed in order to achieve its objectives. The EPHA five (5) year Corporate Plan (2015-2020) is the first corporate plan for the organization since the establishment of the PHA reforms in the Enga Province.

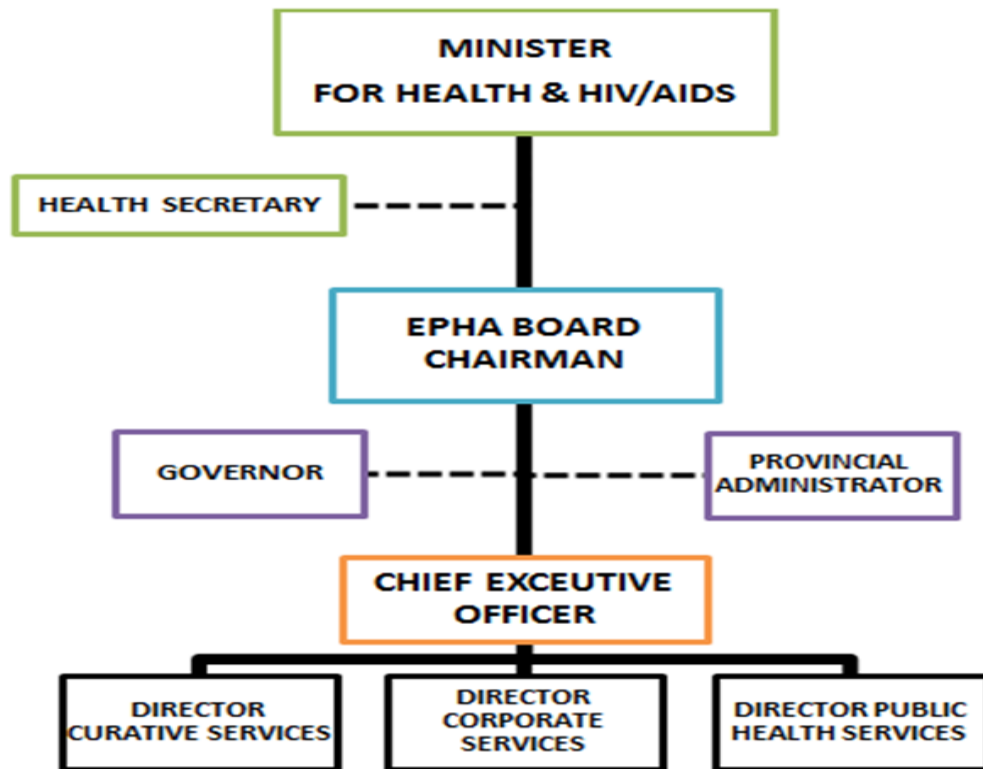
EPHA's Annual Implementation Plan is aligned to achieve ten (10) Key Results Areas (KRA). Refer **Figure 3** below.

**Figure 3: Key Result Areas**

KRA 01	• LEADERSHIP & GOVERNANCE
KRA 02	• PUBLIC PARTNERSHIP PARTNERSHIPS ENGAGEMENTS
KRA 03	• HUMAN RESOURCE MANAGEMENT
KRA 04	• BUDGET & FINANCIAL MANAGEMENT
KRA 05	• INFORMATION MANAGEMENT & REPORTING
KRA 06	• PHYSICAL ASSETS & INFRASTRUCTURE MANAGEMENT
KRA 07	• MEDICAL SUPPLIES MANAGEMENT
KRA 08	• DISTRICT HEALTH SERVICES IMPROVEMENT
KRA 09	• QUALITY PATIENT CARE
KRA 10	• DISASTER & RISK MANAGEMENT

### 1.4 Organization Structure

The Organization Structure is made up of the Corporate Management Structure and Corporate Governance Structure. Corporate Management Structure comprises of Curative Health Services, Public Health and the Corporate Services. To effectively guide and direct administrative functions of the Corporate Management Structure, EPHA has in place, a Board of Governance Committee, Sub-Committees; and Senior Executive Management. Refer **Figure 4** below:

**Figure 4: EPHA Organization Structure**

The board comprise of the Chairman, Deputy Chairman and appointed representatives with three major committees namely the Health Services, Health Partnership and Resources Management Committee. The framework adopted ensures that the respective committees report accordingly to the Board on matters of risk and prudential management of each faculty of the Authority. The committees also have many sub-committees such as: Finance, Building & Assets, Planning & Budgets, HR Training & ICT, Patient Care, Credentials, Medical Appointments, Emergency & Disaster, and Human Research & Ethics.

## **2.0 AUDITOR-GENERAL**

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

Section 214 of the *Constitution* of the Independent State of Papua New Guinea (the National Constitution) prescribes that the primary functions of the Auditor-General are to inspect, audit and report to the National Parliament on the Public Accounts of Papua New Guinea (PNG) and on the control of and on transactions with or concerning the public monies and properties of Papua New Guinea.

The functions have been amplified by the *Audit Act, 1989 (as amended)*. Section 39 of the *Provincial Health Authorities Act, 2007* extends the audit provisions that the accounts of the Board of a Provincial Health Authority shall be audited in accordance with Part 3 of the *Audit Act, 1989 (as amended)*.

### **2.2 Audit Scope**

The audit of the accounts and records of EPHA was directed primarily at the evaluation of internal controls, together with such other examinations considered necessary. The audit procedures applied were intended to reveal system weaknesses, which would result in losses or errors, fraud and mismanagement of public funds.

Moreover, the audit was directed to examine the reliability and integrity of the Financial Statement presented and other information produced and determining the extent of compliance with applicable laws, regulations and directives. In addition, internal controls pertaining to receipts and receivables, payments, purchases and payables, stores and supplies, cash and banking, budget, payroll, advances and assets owned and in the custody of the EPHA were appraised accordingly.

### **2.3 Nature of Audit**

The nature of 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. The audit is not required to search specifically for fraud and therefore the audit cannot be relied upon to disclose all such matters. However, all audits are planned and executed in such a manner so that I can have reasonable expectation of detecting material misstatements resulting from irregularities including fraud.

Compliance with relevant legislation is of paramount importance in safeguarding the State's assets. My audits included reviews and tests to ascertain whether key provisions of the *Public Finance Management Act, 1995 (as amended 2016)* and various Finance Instructions have been adhered to.

### **2.4 Period of Reporting**

The audit inspection of EPHA Financial Statements, accounts and records relates to the fiscal years of 2015 and 2016 respectively and the Management Letter Reports issued to the Provincial Health Authority. The audit was in arrears hence, was completed and now reported in the 2019/2020 Audit Cycle.

### 3.0 RESULTS OF AUDIT

#### 3.1 Disclaimer Audit Opinions

Because of the significance of matters described in my Audit Opinion Reports for the two years, I was not able to obtain sufficient appropriate audit evidence and accordingly, I am not able to express an opinion on the financial statements of EPHA for the years ended 31 December, 2015 and 2016 respectively.

The Audit Opinion Reports for the 2015 and 2016 audits were issued to the Minister for Health and HIV & AIDS and Finance Minister on 15 May, 2020 and 18 May, 2020 in accordance with the provisions of *Audit Act, 1989 (as amended)*. **Refer Attachment A for copy of Audit Opinion Report.**

#### 3.2 Financial Statements

Provincial Health Authorities are required to prepare their financial statements in accordance with the *Finance Instructions 2/2004* (Financial Statement Format for Non-Trading Public Bodies). The EPHA Financial Statements for the fiscal years ended 31 December, 2016 and 2015 were prepared on a Cash Basis of Accounting in accordance with the *International Public Sector Accounting Standards (IPSASs)*. **Refer Attachment B for the Audited Financial Statement.**

#### 3.3 Significant Control Issues

My review of the internal controls for the two fiscal years concluded that there were significant weaknesses in the control environment. Specific areas of major concerns are related to, budgetary controls, maintenance of cashbooks & monthly bank reconciliations, procurement procedures, paid accounts, salaries and wages management, assets management and internal audit. The paragraphs below provide detail discussions on such controls:

##### 3.3.1 Budgetary Control

Financial capacity remains a major factor affecting PHAs ability to fully implement budgeted programs and activities, I also noted other issues which affects PHAs budgets discussed in the paragraphs below;

- a) PHAs including EPHA have no direct control over their own budget because certain portions of the budgeted appropriations are not remitted directly to PHAs operating accounts, however channel through other agencies such as the Health Functional Grants remitted through Provincial Governments Operating Accounts and Salaries and Allowances (item 111) appropriation is retained and paid by the Department of Finance through the Alesco Payroll System;

I also noted potential revenue sources such as, PSIP, DSIP, LLGSIP Funds, Donor Funds and Christian Health Services Grant are not captured in the PHA's budget which concludes that health services management and delivery at the provinces are still not fully amalgamated into one single system of management and reporting;



- b) The release of budget appropriations to PHA either through Warrants (NDoF) or CFCs (NDoH) is often untimely and unpredictable which results in disruptions to health service delivery, hinders PHAs capacity to implement plan activities and contributes substantially to inefficiencies; and
- c) *Free Health Care Policy* came into effect on 24 February, 2014. There are concerns about implementation of the policy in terms of its effectiveness, implementation schedule, and lack of indicators to determine both the extent of financial protection through the policy and the coverage of health care services. Despite the name of the new policy, primary health care services have officially been free in Papua New Guinea since 1975. Nevertheless, due to a lack of reliable financing, health facilities do, in practice, charge user fees as these are often the only source of operational revenue.

### 3.3.2 Cash Books & Bank Reconciliation

Provincial hospital's integration to PHA status experienced the common problem of maintaining proper cash books and compiling accurate monthly bank reconciliations. I noted the following issues with EPHA books of accounts maintained for the year ended 31 December, 2016:

- a) The cashbooks for both the operating and trust accounts in 2015 were maintained manually on the excel spreadsheet. Subsequently in 2016, transactions of the main operating account was transferred to PGAS whilst the trust account cash book was still maintained in the excel spread sheet. I noted with concern that the main operating account cash book did not capture total National Government Grant of K4,026,804 for the 2015 fiscal year and K7,817,827 for the 2016 fiscal year;

In regard to PGAS operations, I noted that the necessary requirements for the system setup and proper training of PHA Staffs had not been conducted prior to initially operating the system. Further, the absence of Technical Staffs equipped with PGAS accounting knowledge and experience was a major oversight which led to complications in operating the PGAS System; and

- b) Monthly Bank Reconciliations for both accounts were compiled using the *Book to Bank method* whereby the cash book balances were reconciled to the bank balance, however due to incompleteness of the cash books maintained which were updated from the bank statements, the independency of the revenue data used in the bank reconciliation was compromised and therefore disclosure of the reconciled cash balances in the Financial Statement could not be ascertained for accuracy and completeness.

### 3.3.3 Procurement Procedures

I noted that EPHA had in place a procurement process, however compliance with PFMA was not strictly adhered to basically because the organization had no Procurement Policy Manual developed specifically to arrange its procurement process in line with provisions of the PFMA requirements such as, establishment of positions within PHA's staff organization structure to allow for the appointment of



expenditure procurement officers and also obtain legislative provision to delegate the CEO's Financial Authority approval powers. Instances of non-compliances with procurement processes included:

- a) No proper payroll system existed for processing of wages for casuals, however instead lump-sum cheques were drawn to the Paying Officer who cashed the cheques to enable cash payments; and
- b) Fourteen (14) payments totalling K287,782 being for office supplies, hardware materials and food rations, were made on External Order (EO) which implies that goods & services were obtained on credit. Purchases by EO bypass the required procurement process of obtaining quotations and determining the rate of goods and services charged.

### **3.3.4 Salaries and Wages Management**

I observed the following major issues over the processing of salaries and wages for the year under review:

- a) Fortnightly Payroll checks on the Salaries and Allowances processed through the Alesco Payroll System were not done. Consequently, the management was not able to take stock of the variations in the payroll for each period and therefore exposing potential risk to irregularities occurring within the PHA payroll without detection; and
- b) EPHA had no payroll system for processing casual wages instead the normal expenditure process of issuing cheques was used. Also the Salary and Wages Taxes (SWT) were not calculated and remitted to IRC for the wages earned by casual employees as well as the overtime earned by the PHA staff during the two years.

### **3.3.5 Assets Management**

My review of the Fixed Assets Register revealed that the Enga PHA had an extensive portfolio of fixed assets that had not been effectively managed nor appropriately safeguarded. Since the transitional period from 2013 up to the time of audit in 2020 the Authority did not maintain a proper, complete and accurate asset register to record the details and movements of assets under its custody, and was yet to establish a comprehensive consolidated fixed assets register. Furthermore, a clear direction from the Board and Senior Executive Management for a survey/stocktake to be done on all health facilities and the related fixed assets throughout the province to compile a consolidated assets register is lacking.

### **3.3.6 Advances Management**

There is a breakdown in the internal control system of payments and monitoring of the usage and acquittals of travel related expenses and cash advances paid to the staff of Enga PHA during the two years. The cash advance registers maintained were incomplete and associated records such as acquittals and reminder notices were not evidenced to have been maintained.

### **3.3.7 Internal Audits**

Internal audit is an internal control measure for good governance and accountability. The Internal Audit Unit (IAU) is a key administrative function that oversees the effectiveness of other functions and internal controls within the administration. An effective IAU provides assurance and instills integrity in the internal controls that management established to rely on. I noted that the Enga PHA did not have an IAU during the two periods under review. Further, the National Department of Health IAU did a review and assessment on the internal controls and systems of Enga PHA for the years 2015 to 2017, however no reports been produced yet.

## **4.0 ENTITY COMMENTS AND RESPONSES**

After the completion of my audits, I normally issue Management Letters to the PHAs for their management to respond to issues that I have found to be inconsistent, unlawful, non-compliant and incorrectly disclosed in the Financial Statements for the years ended.

In the case of Enga PHA, it had responded accordingly and satisfactorily to the issues that I have raised and I am pleased with the level of support I received during the audit of the financial statements for the years ended 31 December, 2015 and 2016.

## **5.0 FOLLOW UPS**

I plan to follow up on the recommendations from my 2015 and 2016 financial year inspections and Enga PHA's response to my Management Letters, and report the status accordingly in my next Audit Report to Parliament.

## **6.0 STAKEHOLDERS EXPECTATIONS**

I am consoled to report that the EPHA through the board and its management had captured and addressed the stakeholder expectations in terms of health service deliverables as one of its Key Result Areas (KRAs) in its Corporate Plan. The EPHA major stakeholders include the Provincial Government, the Districts & LLGs in the province, the Civil Societies, Church Health Agencies, Development Partners, National Agencies, Private Sector and the people of Enga at large.

Without the strong stakeholder support, service delivery as envisaged by the National Government remains to be frustrated and EPHA has embarked on strengthening its stakeholder relationship with effective oversight mechanisms including my Office's participating in ensuring good governance and accountability to achieve desired goals and objectives in providing the best health deliverables to the people of Enga Province.

## 7.0 RECOMMENDATIONS

- **Organized Finance & Accounts Branch** - EPHA need a properly organized Finance & Accounts Branch to allow for systematic flow of accounting processes in maintaining the books of accounts. Also EPHA needs the services of an accountant with adequate support staffs and convenient accounting software to incorporate all financial data and information in one central data base.
- **Budgetary Control** – EPHA budget at present faces many challenges in regard to implementation, monitoring and reporting because health sector funds to the province are not fully controlled and managed by the authority. It is therefore recommended that all budgeted appropriations for health services in provinces should be managed by one central agency.

Also the authority should install a convenient system of recording budget data and information for ease of reference in compiling annual budgets, recording budget reviews and revisions and accurate record keeping of budget documents.

- **Cash Books and Bank Reconciliation**–The cash books and bank reconciliation balances reported at year-end of 2015 and 2016 respectively were materially misstated by the accumulated errors inherited from prior years. It is recommended that the cash books maintained for the years starting from 2014 to 2016 should be properly analyzed to identify errors, omission and misstatements so the appropriate adjustments can be effected to correct the cash books and bank reconciliation balances.
- **Procurement Compliance with PFMA** - The EPHA had not developed a Procurement Policy Manual to arrange the current procurement process in line with provisions of the PFMA requirements such as establishment of positions within PHA's staff structure to allow for the appointment of expenditure procurement officers and also obtain legislative provision to delegate the CEO's Financial Authority approval powers. The management should design a Procurement Policy Guideline to guide its procurement processes in line with the *Public Finance Management Act, 1995*.
- **Assets Management** – Effective assets management controls within government agencies normally do not exist because of ignorance to recognize that these assets provide an essential pathway for delivering services. EPHA is strongly recommended to appoint an officer to take charge of all assets and to ensure that all asset items transferred by the Enga Provincial Government and National Department of Health to EPHA including properties and facilities at the districts and local level governments are properly managed.
- **Salaries and Wages Management** – Salaries and Wages expenditure consumes a large portion of PHAs annual expenditure appropriation, it is therefore very important that proper internal control mechanisms exist to ensure proper management of the salaries and wages expenditure.

## 8.0 WAY FORWARD

The establishment of PHAs in the provinces come with numerous challenges and therefore it is of paramount importance that frontline agencies and parties involved with the PHA establishment must demonstrate commitment to work in partnership to pursue reforms in the health sector is addressed to improve service delivery against the backdrop of increasing demand due to increasing population, rising diseases, decreasing resources for health and pressures associated with health workforce shortage.

My audits contribute an important part in assisting PHAs operations by encouraging good governance, transparency and accountability in executing their mandated roles and responsibilities. The EPHA is therefore encouraged to seriously comply with the audit recommendations and where necessary establish the required internal control measures for improvement.

## 9.0 APPENDICES

As stated in the above paragraphs, *Appendices 'A', 'B' and 'C'* form part of this Report.

**Appendix A** is the Enga PHA 2015 Audit Opinion

**Appendix B** is the Enga PHA 2015 Certified Financial Statement

**Appendix C** is the Enga PHA 2016 Audit Opinion

**Appendix D** is the Enga PHA 2016 Certified Financial Statement

## Appendix A is the Enga PHA 2015 Audit Opinion



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### OFFICE OF THE AUDITOR-GENERAL

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

##### To the Minister for Health

I was required to audit the accompanying financial statement of the Enga Provincial Health Authority (EPHA) for the year ended 31 December, 2015. The financial statement comprise of:

- Board & Management Declaration
- Consolidated Statement of Receipts and Payments
- Statement of Receipts and Payments of Operational Funds
- Statement of Receipts and Payments of Trust Fund
- Notes to and forming part of the Financial Statement

##### Responsibility of the Management for the Financial Statement

The Chief Executive Officer is responsible for the fair presentation of the financial statement and the information contained therein in accordance with the Finance Instructions issued under Section 117 of the *Public Finances (Management) Act 1995 (PFMA)*.

The Chief Executive Officer is responsible for the efficient management of administrative services, 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

My responsibility is to express an opinion on the financial report based on conducting the audit in accordance with *International Standards on Auditing*. Because of the matter(s) described in the Basis for Disclaimer of Opinion paragraph. However, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

**Basis for Disclaimer Opinion****1. Financial Statement**

I am unable to confirm the accuracy and completeness of the Financial Statement disclosures for the year due to significant errors, omissions, and discrepancies on the accounting books and records maintained as discussed below;

**Accumulated Opening Fund Balance**

Because of a Disclaimer Audit Opinion issued in respect of the year ended 31 December, 2014 and because of the variance on the opening fund balance of K1,501,840 from the previous year's closing fund balance of K1,445,971. I was not provided any explanation for the difference and therefore I was not able to obtain sufficient information to satisfy myself as to the completeness and accuracy of the opening fund balance. Since the opening balance would affect the determination of the financial position and cash flow of EPHA in the current year, I am unable to determine whether adjustments to the related cashbooks, ledger accounts and bank reconciliations might have been necessary for the year ended 31 December, 2015.

**Consolidated Fund & Cash Balance**

The Consolidated Fund Balance of K2,704,804, comprised of the operating account balance of K2,012,175 and hospital fees trust account balance of K692,629. The related cash books were not adequately maintained and bank reconciliations preparations were inconsistent and untimely. Consequently, I am unable to verify and confirm the correctness of the Consolidated Fund and Cash Balances and the impact these limitations may have on the account balances and subsequent financial position of the EPHA as at 31 December, 2015.

**Rollover Funds**

Rollover Fund balances of K1,133,200 for the main operating account and K471,100 for the trust account were stated, however because of inadequate maintenance of the ledger accounts and insufficient information and data provided on these funds, I am unable to verify and confirm the accuracy of the total rollover funds balance of K1,604,300 as at 31 December, 2015.

**Salaries & Allowances (Item 111)**

The total revenue and expenditure component of Salaries and Allowances managed through the Alesco Payroll System are stated as K12,972,400 respectively. These totals relates to the budgeted appropriation and not actuals. The relevant reports was not provided by the Alesco Payroll System and therefore I was unable to verify and confirm actual revenue released and actual expenditure incurred against Salaries and Allowances appropriation for the year under review.



### Fixed Assets

The EPHA has an extensive portfolio of fixed assets that has not been effectively managed nor appropriately safeguarded against theft. The authority is yet to consolidate a central Fixed Assets Register to incorporate all assets of the provincial hospital and districts and local level government health centres. There was no clear direction from the Board and Senior Executive Management for a survey/stocktake to be done on all health facilities and their related fixed assets throughout the province to compile a consolidated assets register. As a result, I was unable to conclude on the total value and existence of assets owned by the Authority as at 31 December, 2015.

### Schedules of Advances & Liabilities

I was unable to confirm and verify figures disclosed on the Schedules of Advances and Liabilities due to inadequate maintenance of related registers.

## 2.0 Significant Control Weaknesses

I have noted significant control weaknesses in the EPHA's records and processes as stated below;

- a) Cash Books were not adequately maintained and therefore incomplete in providing accurate information on transactions that occurred during the year. Also application of the proper accounting was not applied. Consequently, National Government Grant remittance totaling K4,026,804 were not captured in the main operating account cash book.
- b) No proper payroll system existed for processing of wages instead lump-sum cheques were drawn to the Paying Officer who cashed the cheques to enable cash payments. I was not provided sufficient information to determine the appropriateness of wages expenditure of K725,905 for the year.
- c) The EPHA at present does not have a Procurement Policy Manual specifically designed to align its procurement processes to comply with the *PFMA* and establishment of positions within the PHA's staff structure to allow for appointment of procurement officers and also obtain legislative authority to delegate the CEO's Financial Authority powers to the Directors. Consequently, this resulted to issues of non-compliance with *PFMA*.

### Disclaimer of Audit Opinion

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion*, I was not able to obtain sufficient appropriate audit evidence and consequently I do not express an opinion on the Financial Statement of Enga Provincial Health Authority for the year ended 31 December, 2015.

**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.

- a) *Section 62(1) of the Public Finances (Management) Act, 1995* requires all public bodies to keep proper accounts and records of its transactions and affairs, and to develop adequate controls over their assets and liabilities. Enga Provincial Health Authority did not maintain proper books of accounts and records and consequently breached *Section 62(1) of the Public Finances (Management) Act, 1995*.
  
- b) *Finance Instruction 2/2004* under *Section 117 of the Public Finances (Management) Act 1995* states the prescribed format for the preparation and presentation of the financial statements for Public Bodies. Declaration by the Management was not signed by Board of Governance Chairman as required and therefore I could not determine whether the Enga Provincial Health Authority Board accepted responsibility and ownership of the 2015 financial statement disclosures.



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

15 May 2020



Appendix B: 2015 Certified Financial Statements

**2015 AUDITED FINANCIAL REPORT**

**ENGA PROVINCIAL HEALTH AUTHORITY**  
**AUDITED FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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2015 AUDITED FINANCIAL STATEMENTS

Declaration by the Management

In accordance with a resolution of the Board of the Enga Provincial Health Authority, being reasonable for approving the annual accounts, we stated that:

- a) The accompanying Financial Statements of the Enga Provincial Health Authority have been drawn up so as to give a true and fair view of the receipts and payments of the Authority for the year ended 31 December 2015.
b) This report has been prepared in accordance with the Finance Instructions 2/2004 issued under Section 117 of the Public Finances (Management) Act 1995 and International Public Sector Accounting Standard - Financial Reporting Under the Cash Basis of Accounting.
c) We certify that all records and books of accounts have been properly maintained.
d) We certify that the Statements of Receipts and Payments for the Year Ended 2015 is correct.
e) As at the date of this Statement there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

Declared at .....Enga Provincial Health Authority .....

This 20th Day of February, 2015

Chairman - Amb. Evan Paki

Chief Executive Officer - Mr. A'aron Lui



Handwritten signature of Mr. A'aron Lui in blue ink.

Handwritten initials 'SV' in blue ink.

## 2015 AUDITED FINANCIAL STATEMENTS

**ENGA PROVINCIAL HEALTH AUTHORITY  
OPERATING ACCOUNT  
Statement of Receipts and Payments  
For the year ended 31<sup>st</sup> December 2015**

Item	Description	Notes	2015	2014
			K	K
	<b>Receipts</b>			
111	Staff Salaries & Allowances		12,972,400.00	8,378,700.00
601	National Gov't Grants to Operating Account		5,372,916.95	6,240,800.00
605	Donations		30,000.00	0.00
607	2014 Rollover Funds		1,133,200.00	0.00
<b>609</b>	<b>Total Operating Revenue</b>		<b>19,508,516.95</b>	<b>14,619,500.00</b>
	<b>Operating Expenditure</b>			
111	Salaries & Allowances		12,972,400.00	8,378,700.00
112	Wages (Casuals)		725,904.75	868,249.63
113	Overtime		81,526.24	104,378.89
114	Leave fares		142,746.40	217,357.00
121	Travel & Subsistence		300,909.37	284,886.30
122	Utilities		481,543.48	292,337.02
123	Office Materials & Supplies		107,936.25	101,827.42
124	Operating Materials & Supplies		598,359.50	364,576.56
125	Transport & Fuel		463,476.53	384,391.97
126	Administrative Consultancy		0	0.00
127	Rental of Property		532,690.00	651,793.14
128	Routine Maintenance		606,914.68	474,288.14
135	Other Operating Expenses		617,137.66	500,574.74
136	Training		271,312.30	265,900.00
141	Retirement Benefits/ Pensions		0	0.00
142	Membership Fees/ Contributions		9,420.00	0.00
143	Grants & Subsidies to Other Govt. Org.		0.00	0.00
221	Office Equip, Furniture's & Fittings		145,927.70	139,931.68
222	Purchased of Vehicles		154,635.47	
224	Medical Equip, Plant and Machinery		90,454.91	660,988.68
225	Construction, Renovation & Improvement		271,924.02	0.00
<b>500</b>	<b>Total Operating Expenditures</b>		<b>18,575,219.26</b>	<b>13,690,181.17</b>
	<b>Excess of Payments over Receipts</b>		<b>933,297.69</b>	<b>929,318.83</b>
	<b>Statement of Accumulated Funds Available</b>			
	Balance b/forward prior year		1,078,877.83	149,559.00
	Increase/(Decrease) in Cash		933,297.69	929,318.83
	<b>Cash at end year Balance</b>		<b>2,012,175.52</b>	<b>1,078,877.83</b>
	Cash at Bank - Operating - 7001110894		1,288,680.74	1,023,007.61
	Variance		723,494.78	55,870.22



## 2015 AUDITED FINANCIAL STATEMENTS

**ENGA PROVINCIAL HEALTH AUTHORITY  
TRUST ACCOUNT  
Statement of Receipts and Payments  
For the year ended 31<sup>st</sup> December 2015**

Item	Description	Notes	2015	2014
			K	K
	<b>Revenue</b>			
607	Patient Fees		191,788.00	166,471.00
607	Other Receipts		0.00	0.00
607	2014 Rollover Funds		471,100.00	0.00
<b>609</b>	<b>Total Revenue</b>		<b>662,888.00</b>	<b>166,471.00</b>
	<b>Expenditure</b>			
112	Wages		0.00	0.00
121	Travel & Subsistence		0.00	0.00
123	Office Materials & Supplies		0.00	0.00
124	Operating Materials & Supplies		169,055.07	191,969.82
127	Rental of Property		0.00	0.00
128	Routine Maintenance		0.00	0.00
135	Other Operating Expenses		224,166.88	120,902.60
136	Training		0.00	0.00
221	Office Equip, Furniture's & Fittings		0.00	0.00
222	Purchased of Vehicles		0.00	0.00
224	Medical Equip, Plant and Machinery		0.00	0.00
<b>500</b>	<b>Total Expenditures</b>		<b>393,221.95</b>	<b>312,872.42</b>
	<b>Excess of Payments over Receipts</b>		<b>269,666.05</b>	<b>-146,401.42</b>
	<b>Statement of Accumulated Funds Available</b>			
	Balance b/forward prior year		422,962.58	569,364.00
	Increase/(Decrease) in Cash		269,666.05	-146,401.42
	<b>Cash at end year Balance</b>		<b>692,628.63</b>	<b>422,962.58</b>
	Cash at Bank - Trust Account - 1000874509		285,878.05	422,963.17
	Variance		406,750.58	-0.59





## 2015 AUDITED FINANCIAL STATEMENTS

**Notes to and forming part of the Financial Statements for the year ended 31<sup>st</sup> December, 2015.****1. ACCOUNTING POLICIES.****(a) Basis of Preparation.**

The financial statements have been prepared in accordance with Cash Basis of International Public Sector Accounting Standards (IPSAS). Financial Reporting is under the Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period relating to the Public Finances (Management) Act, 1995.

**(b) Reporting Entity.**

The financial statement is for Enga Provincial Health Authority Board of Management as a Non-Trading Public Body. The financial statement encompasses the reporting entity as specified in the Public Finance (Management) Act, 1995.

Enga Provincial Health Authority Board of Management's principal activity is to provide hospital based health care services to its constituents.

**(c) Payments by other government entities.**

Enga Provincial Health Authority Board of Management benefits from payments made by the National Government and other government entities on its behalf such as Department of Health.

- Total Revenue - K18,825,291.55
- Expenditure - K18,968,441.21

**(d) Payments by external parties.**

Enga Provincial Health Authority Board of Management also benefits from payments made by external parties for goods and services. These payments do not constitute cash receipts or payments of Enga Provincial Health Authority Management, but do benefit the hospital through organizations such as interest groups, faith based organizations, non-governmental and donor agencies.

**(e) Reporting Currency.**

The reporting currency is in PNG Kina.

**(f) Taxation.**

The Hospital is exempted from paying all types of taxes, including income tax. This is in accordance with Income Tax Act 1959, Section 24 in view of Exemption of Public Authorities.

**2. CASH.**

Cash comprises cash on hand and demand deposits and cash equivalents. Demand deposits and cash equivalent comprise balances with banks and investments in short term money market instruments.

Cash is included in the Statements of Cash Receipts and Payments and comprises the following:



## 2015 AUDITED FINANCIAL STATEMENTS

**(a) Cash On Hand:**

Balances with Bank:

- Enga Provincial Health Authority Operating Account - K1,288,680.74
- Enga General Hospital Trust Account - K285,878.05

**(b) Short-Term Investment:**

- EPHA has Nil Short-Term Investments in 2015.

**3. APPROPRIATION.**

The Authority benefits from the payments made by Department of Finance and these constitute cash receipts and payments of the Authority, which have been appropriated through National Budget such as Salaries & Allowances (Item 111) and Operational Grants.

The Authority also benefits from hospital patient fees, donations and other receipts.

- National Gov't Grant - is the Annual Appropriation from the National Government for each fiscal year.
- Permanent Employee Salaries & Allowances (Item 111) - are normally paid directly from National Gov't Payroll (Finance Department).
- Health Functional Grants - were controlled by the Enga Provincial Government in 2015.
- Other Provincial Assistance - from the Enga Provincial Gov't for the year 2015 is Nil.
- Other Operating Revenue - we did have collections of housing rentals but only few staff were paying that, apart from security fines.
- Patient Fees & Charges - please refer to the Revenue Summary Table for more detailed information.

**(a) Salaries & Allowances.**

There was an increase in appropriation for Salaries & Allowances for the staff both Enga Provincial Hospital with the other district health facilities after merging as reflected in the budget from 2014 to 2015. The Salary & Allowance receipts amounted to K12,972,400.00 (Appropriation) as at 31<sup>st</sup> December, 2015. All Salaries & Allowances grant is controlled by the Department of Finance.

2015	2014
<b>K12,972,400.00</b>	<b>K8,378,700.00</b>

**(b) Donations.**

Cheque Payment of K30,000.00 from Right Honorable, Mr. Robert Ganim, MP for Wabag Open.

**(c) 2014 Rollover Funds.**

The 2014 rollover funds have been taken up as receipts for 2015 financial year.

Operating Account	Trust Account	Total
K1,133,200.00	K471,100.00	<b>K1,604,300.00</b>



## 2015 AUDITED FINANCIAL STATEMENTS

**(d) Patient Fees/Charges.**

User Fees/Charges paid by patients for services provided by the hospital deposited into the hospital's Trust Account.

Monthly Revenue Fees/Charges Collected during year 2015.

Month	2015	2014
January	12,082.00	10,080.00
February	17,632.00	7,934.00
March	19,121.00	13,667.00
April	17,183.00	13,777.00
May	20,526.00	15,202.50
June	15,855.00	19,605.50
July	10,751.00	18,423.50
August	10,938.00	13,704.00
September	17,102.00	13,231.50
October	18,769.00	17,596.00
November	16,249.00	12,649.00
December	15,580.00	10,601.00
<b>Total</b>	<b>191,788.00</b>	<b>K166,471.00</b>

**4. UTILITIES.**

The major expenditure component of the below Item was for electricity and telephone bills. Other minor ones were also included such as posting, paging/radio, telephone connection and water & sewerage.

2015	2014
<b>K481,543.48</b>	<b>K292,337.02</b>

**5. OPERATING MATERIALS & SUPPLIES.**

This comprises of payments from both the Operating and Trust Accounts as captured on the Statements of Receipts and Payments.

Operating Materials & Supplies	Operational Account	Trust Account	Total
2015	598,359.50	169,055.07	<b>K767,414.57</b>
2014	364,576.56	191,969.82	<b>K556,546.38</b>

**6. OTHER OPERATING EXPENSES.**

This comprises of payments from both the Operating and Trust Accounts as captured on the Statements of Receipts and Payments.

Other Operating Expenses	Operational Account	Trust Account	Total
2015	617,137.66	224,166.88	<b>K841,304.54</b>
2014	500,574.74	120,902.60	<b>K621,477.34</b>





## 2015 AUDITED FINANCIAL STATEMENTS

**7. CAPITAL FORMATION EXPENDITURES.**

This comprises of payments from Office Equipment/Furniture & Fittings, Purchased of Vehicles, Medical Equipment/Plant & Machinery and Construction/Renovation & Improvement from Consolidated Statement of Receipts and Payments.

**(a). Office Equipment, Furniture & Fittings.**

2015	2014
<b>K145,927.70</b>	<b>K139,931.68</b>

**(b). Purchased of Vehicle.**

2015	2014
<b>K154,635.47</b>	<b>K0.00</b>

**(c). Medical Equipment, Plant & Machinery.**

2015	2014
<b>K90,454.91</b>	<b>K660,988.68</b>

**(d). Construction, Renovation & Improvement.**

2015	2014
<b>K271,924.02</b>	<b>K0.00</b>

**8. VARIANCES**

The variance figures have appeared in both accounts are mainly due to prior year balances.

<b>Operating Account</b>	<b>Trust Account</b>	<b>Total</b>
-K622,618.62	K406,750.58	<b>-K215,868.04</b>

**9. SCHEDULE OF ASSETS (Asset Movements).**

Asset Group	Historical Cost	Purchase/Dispose Value	Balance
Land Landscape Formation & Buildings	K0.00	K0.00	K0.00
Medical Equipment	K0.00	K0.00	K0.00
Office Furn, Fittings & Equ	K0.00	K0.00	K0.00
Tools & Equipment	K0.00	K0.00	K0.00
Plant & Machinery	K0.00	K0.00	K0.00
Motor Vehicles	K0.00	K0.00	K0.00
Housing Furniture	K0.00	K0.00	K0.00
Miscellaneous	K0.00	K0.00	K0.00
<b>Total</b>	<b>K0.00</b>	<b>K0.00</b>	<b>K0.00</b>

In 2015, we were in transition period coupled with shortage of staff, thus no proper asset registers were maintained regarding updating of asset registers and asset movements. As a matter of fact, we do have asset registers for most of the assets by concerned respective sectional heads. We are currently working

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## 2015 AUDITED FINANCIAL STATEMENTS

on a consolidated one for Enga PHA which will be provided and disclosed together with the asset movements respectively in the 2019 Financial Statements and onwards.

**10. SCHEDULE OF RECEIVABLES.**

Receivable Details	Operating Acct.	Trust Acct.
Medical Debtors	K0.00	K0.00
Staff Debtors - other than Cash Advance	K0.00	K0.00
Staff House Rental Debtors	K0.00	K0.00
Staff Debtors - Salary & Cash Advance	K0.00	K0.00
Bond & Security Fees	K0.00	K0.00
<b>Total</b>	<b>K0.00</b>	<b>K0.00</b>

We did not have any debtors thus there is nothing we can disclose in the 2015 Financial Statements.

**11. SCHEDULE OF UNACQUITTED ADVANCES.**

Advance Group	Operating Acct.	Trust Acct.
Cash Advance	K51,910.00	K10,415.84
Travelling Advance	K0.00	K0.00
Salary Advance	K0.00	K0.00
<b>Total</b>	<b>K51,910.00</b>	<b>K10,415.84</b>

We believe that some of the advances (cash advances, travelling advances & salary advances) in 2015 were acquitted but due to transition period and shortage of staff in our Accounts Section, it seems that the records have not been updated. Our Accounts staff are currently instructed to verify on the same so that we will disclose a correct unacquitted advance figures in 2019 Financial Statements and onwards.

**12. SCHEDULE OF LIABILITIES.**

Creditors Details	Operating Acct.	Trust Acct.
House Rental Landlords	K0.00	K0.00
Other Commercials	K0.00	K0.00
<b>Total</b>	<b>K0.00</b>	<b>K0.00</b>

In 2015, we were still in transition period coupled with shortage of staff in Accounts Section, thus no proper liability registers were maintained. As a matter of fact, we do have liabilities especially in terms of monthly accommodation rentals and with our service providers (using EPHA external orders) like fuel service stations, supermarkets and others. We are currently working on them so for 2019 audit and onwards, we will disclose liability figures in the Financial Statements.



## Appendix C: 2016 Audit Opinion - Disclaimer of Audit Opinion



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### OFFICE OF THE AUDITOR-GENERAL

#### INDEPENDENT AUDIT REPORT ON THE ACCOUNTS OF ENGA PROVINCIAL HEALTH AUTHORITY FOR THE YEAR ENDED 31 DECEMBER, 2016

##### To the Minister for Health

I was required to audit the accompanying financial statement of the Enga Provincial Health Authority (EPHA) for the year ended 31 December, 2016. The financial statement comprise of:

- Board & Management Declaration
- Consolidated Statement of Receipts and Payments
- Statement of Receipts and Payments of Operational Funds
- Statement of Receipts and Payments of Trust Fund
- Notes to and forming part of the Financial Statements

##### Responsibility of the Management for the Financial Statement

The Chief Executive Officer is responsible for the fair presentation of the financial statement 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, 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

My responsibility is to express an opinion on the financial report based on conducting the audit in accordance with *International Standards on Auditing*. Because of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

## Basis for Disclaimer Opinion

### 1. Financial Statement

I am unable to confirm the accuracy and completeness of the disclosures presented in the Financial Statement for the year ended 31 December 2016 due to significant errors, omissions, and discrepancies noted on the accounting books and records maintained as noted below:

#### Opening Fund and Cash Balances

Because of a Disclaimer Audit Opinion issued in respect of the year ended 31 December, 2015 and because of other limitations on the scope of my audit as noted below, I was not able to satisfy myself as to the completeness and accuracy of the opening cash and fund balances. Since these balances would affect the determination on the financial position and cash flow of Enga Provincial Health Authority in the current year, I am unable to determine whether adjustments to the related books of accounts might have been necessary for the year ended 31 December 2016.

#### Consolidated Fund & Cash Balance

The Consolidated Fund Balance was stated as K8,941,055, while the corresponding cash balance was stated as K6,700,838 resulting to a difference of K2,240,216. I was not provided any documentation or necessary explanation for the variance. Further, I noted that the related cash books were not adequately maintained and bank reconciliations preparations were inconsistent and untimely. Consequently, I am unable to verify and confirm the correctness of the Consolidated Fund and Cash Balances and the impact those limitations may have on the account balances and subsequent financial position of the Enga Provincial Health Authority as at 31 December, 2016.

#### Rollover Funds

Rollover Fund balances of K683,700 for the main operating account and K285,900 for the trust account were stated, however because of inadequate maintenance of the ledger accounts and insufficient information of transactions data provided on these funds, I am unable to verify and confirm the accuracy of the total rollover funds balance of K969,600 as at 31 December, 2016.

#### Salaries & Allowances (Item 111)

The total revenue and expenditure component of Salaries and Allowances managed through the Alesco Payroll System are stated as K21,636,200 respectively. These totals relate to the budgeted appropriation and not actuals. The relevant reports were not provided by the Alesco Payroll System and therefore I was unable to verify and confirm actual revenue released and actual expenditure incurred against Salaries and Allowances appropriation for the year under review.



## Fixed Assets

The EPHA has an extensive portfolio of fixed assets that has not been effectively managed nor appropriately safeguarded against theft. The authority is yet to consolidate a central Fixed Assets Register to incorporate all assets of the provincial hospital and districts and local level government health centres. There was no clear direction from the Board and Senior Executive Management for a survey/stocktake to be done on all health facilities and their related fixed assets throughout the province to compile a consolidated assets register. As a result, I was unable to conclude on the total value and existence of assets owned by the Health Authority as at 31 December, 2016.

## Schedules of Un-acquitted Advances & Liabilities

The schedules of Cash Advances and Liabilities showed K86,455 and K'nil' respectively in the notes to the financial statements. The Health Authority did not adequately maintain an Advance Register and the creditors ledger although there were outstanding liabilities for rentals and other external orders. In the absence of the related records I was unable to confirm and verify the accuracy and completeness of these balances.

## 2.0 Significant Control Weaknesses

I have noted significant control weaknesses in the EPHA's records and processes as stated below:

- a) Cash Books were not adequately maintained and therefore incomplete in providing accurate information on transactions that occurred during the year. Furthermore, the application of proper accounting to update the cash books and ledger accounts was not applied. Consequently, National Government Grant remittance of K7,817,827 was not captured in the cash book for the operating account.
- b) No proper payroll system existed for processing of wages instead lump-sum cheques were drawn to the Paying Officer who cashed the cheques to enable cash payments. I was not provided sufficient information to determine the appropriateness of wages expenditure totaling K442,866 for the year.
- c) The Enga PHA had no Procurement Policy Manual in place, specifically designed to align its procurement processes to comply with the PFMA requirements and establishment of positions within the PHA's staff structure to allow for appointment of expenditure procurement officers and also obtain legislative authority to delegate the CEO's Financial Authority powers to the Directors. Consequently this resulted to issues of non-compliance with PFMA.

### Disclaimer of Audit Opinion

Because of the significance of the matters described above, I am not able to obtain sufficient appropriate audit evidence and consequently I do not express an opinion on the Financial Statements of Enga Provincial Health Authority for the year ended 31 December, 2016.

### 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.

- a) *Section 62(1) of the Public Finances (Management) Act, 1995* requires all public bodies to keep proper accounts and records of its transactions and affairs, and to develop adequate controls over their assets and liabilities. Enga Provincial Health Authority did not maintain proper books of accounts and records and consequently breached *Section 62(1) of the Public Finances (Management) Act, 1995*.
- b) *Finance Instruction 2/2004* under *Section 117 of the Public Finances (Management) Act 1995* states the prescribed format for the preparation and presentation of the financial statements for Public Bodies. Declaration by the Management was not signed by Board of Governance Chairman as required and therefore I could not determine whether the Enga Provincial Health Authority Board had accepted responsibility and ownership of the 2016 financial statement disclosures.



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

18 May 2020

Appendix D: 2016 Certified Financial Statements

**2016 AUDITED FINANCIAL REPORT**

**ENGA PROVINCIAL HEALTH AUTHORITY**  
**AUDITED FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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2016 AUDITED FINANCIAL STATEMENTS

**Declaration by the Management**

In accordance with a resolution of the Board of the Enga Provincial Health Authority, being reasonable for approving the annual accounts, we stated that:

- a) The accompanying Financial Statements of the Enga Provincial Health Authority have been drawn up so as to give a true and fair view of the receipts and payments of the Authority for the year ended 31 December 2016.
- b) This report has been prepared in accordance with the Finance Instructions 2/2004 issued under Section 117 of the Public Finances (Management) Act 1995 and International Public Sector Accounting Standard - Financial Reporting Under the Cash Basis of Accounting.
- c) We certify that all records and books of accounts have been properly maintained.
- d) We certify that the Statements of Receipts and Payments for the Year Ended 2016 is correct.
- e) As at the date of this Statement there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

Declared at .....Enga Provincial Health Authority .....

This 20th Day of February .....2016

.....  
Chairman - Amb. Evan Paki      Chief Executive Officer - Mr. A'aron Luai





## 2016 AUDITED FINANCIAL STATEMENTS

**ENGA PROVINCIAL HEALTH AUTHORITY  
CONSOLIDATED  
Statement of Receipts and Payments  
For the year ended 31<sup>st</sup> December 2016**

Item	Description	Notes	2016	2015
			K	K
	<b>Consolidated Revenue</b>			
111	Staff Salaries & Allowances	3a	21,636,200.00	12,972,400.00
601	National Gov't Grants to Operating Account		7,627,511.00	5,372,916.95
607	Patient Fees	3d	254,245.00	191,788.00
607	Other Receipts & Donations	3b	4,967,766.00	30,000.00
607	2015 Rollover Funds	3c	969,600.00	1,604,300.00
<b>699</b>	<b>Total Operating Revenue</b>		<b>35,455,322.00</b>	<b>20,171,404.95</b>
	<b>Operating Expenditure</b>			
111	Staff Salaries & Allowances		21,636,200.00	12,972,400.00
112	Wages		442,865.50	725,904.75
113	Overtime		0.00	81,526.24
114	Leave Fares		102,695.80	142,746.40
121	Travel & Subsistence		289,519.39	300,909.37
122	Utilities	4	343,385.71	481,543.48
123	Office Materials & Supplies		101,264.95	107,936.25
124	Operating Materials & Supplies	5	780,559.02	767,414.57
125	Transport & Fuel		390,479.83	463,476.53
126	Administrative Consultancy		4,096.60	0.00
127	Rental of Property		545,761.61	532,690.00
128	Routine Maintenance		185,521.26	606,914.68
135	Other Operating Expenses	6	2,795,719.99	841,304.54
136	Training		180,177.60	271,312.30
141	Retirement Benefits/ Pensions		0.00	0.00
142	Membership Fees/ Contributions		0.00	9,420.00
143	Grants & Subsidies to Other Govt. Org.		1,063,529.81	0.00
221	Office Equip, Furniture & Fittings	7a	34,347.45	145,927.70
222	Purchased of Vehicles	7b	179,561.26	154,635.47
224	Medical Equip, Plant & Machinery	7c	67,870.10	90,454.91
225	Construction, Renovation & Improvement	7d	75,515.62	271,924.02
<b>500</b>	<b>Total Operating Expenditures</b>		<b>29,219,071.50</b>	<b>18,968,441.21</b>
	<b>Excess of Payments over Receipts</b>		<b>6,236,250.50</b>	<b>1,202,963.74</b>
	<b>Statement of Accumulated Funds Available</b>			
	Balance b/forward prior year		2,704,804.15	1,501,840.41
	Increase/(Decrease) in Cash		6,236,250.50	1,202,963.74
	<b>Cash at end year Balance</b>		<b>8,941,054.65</b>	<b>2,704,804.15</b>
	Cash at Bank - Operating Account - 7001110894		4,600,552.88	1,288,680.74
	Cash at Bank - Trust Account - 1000874509		2,100,285.52	285,878.05
			<b>6,700,838.40</b>	<b>1,574,558.79</b>
	Variance	8	2,240,216.25	1,130,245.36

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## 2016 AUDITED FINANCIAL STATEMENTS

**ENGA PROVINCIAL HEALTH AUTHORITY  
OPERATING ACCOUNT  
Statement of Receipts and Payments  
For the year ended 31<sup>st</sup> December 2016**

Item	Description	Notes	2016	2015
			K	K
	<b>Receipts</b>			
111	Staff Salaries & Allowances		21,636,200.00	12,972,400.00
601	National Gov't Grants to Operating Account		7,627,511.00	5,372,916.95
607	Other Receipts & Donations		1,514,900.00	30,000.00
607	2015 Rollover Funds		683,700.00	1,133,200.00
<b>609</b>	<b>Total Operating Revenue</b>		<b>31,462,311.00</b>	<b>19,508,516.95</b>
	<b>Operating Expenditure</b>			
111	Salaries & Allowances		21,636,200.00	12,972,400.00
112	Wages (Casuals)		442,865.50	725,904.75
113	Overtime		0.00	81,526.24
114	Leave fares		102,695.80	142,746.40
121	Travel & Subsistence		289,519.39	300,909.37
122	Utilities		343,385.71	481,543.48
123	Office Materials & Supplies		101,264.95	107,936.25
124	Operating Materials & Supplies		757,140.47	598,359.50
125	Transport & Fuel		390,479.83	463,476.53
126	Administrative Consultancy		4,096.60	0
127	Rental of Property		545,761.61	532,690.00
128	Routine Maintenance		185,521.26	606,914.68
135	Other Operating Expenses		802,973.89	617,137.66
136	Training		180,177.60	271,312.30
141	Retirement Benefits/ Pensions		0	0
142	Membership Fees/ Contributions		0.00	9,420.00
143	Grants & Subsidies to Other Govt. Org.		1,063,529.81	0
221	Office Equip, Furniture's & Fittings		34,347.45	145,927.70
222	Purchased of Vehicles		179,561.26	154,635.47
224	Medical Equip, Plant and Machinery		67,870.10	90,454.91
225	Construction, Renovation & Improvement		75,515.62	271,924.02
<b>500</b>	<b>Total Operating Expenditures</b>		<b>27,202,906.85</b>	<b>18,575,219.26</b>
	<b>Excess of Payments over Receipts</b>		<b>4,259,404.15</b>	<b>933,297.69</b>
	<b>Statement of Accumulated Funds Available</b>			
	Balance b/forward prior year		2,012,175.52	1,078,877.83
	Increase/(Decrease) in Cash		4,259,404.15	933,297.69
	<b>Cash at end year Balance</b>		<b>6,271,579.67</b>	<b>2,012,175.52</b>
	Cash at Bank - Operating - 7001110894		4,600,552.88	1,288,680.74
	Variance		1,671,026.79	723,494.78



## 2016 AUDITED FINANCIAL STATEMENTS

**ENGA PROVINCIAL HEALTH AUTHORITY  
TRUST ACCOUNT  
Statement of Receipts and Payments  
For the year ended 31<sup>st</sup> December 2016**

Item	Description	Notes	2016	2015
			K	K
	<b>Revenue</b>			
607	Patient Fees		254,245.00	191,788.00
607	Other Receipts		3,452,866.00	0.00
607	2015 Rollover Funds		285,900.00	471,100.00
<b>609</b>	<b>Total Revenue</b>		<b>3,993,011.00</b>	<b>662,888.00</b>
	<b>Expenditure</b>			
112	Wages		0.00	0.00
121	Travel & Subsistence		0.00	0.00
123	Office Materials & Supplies		0.00	0.00
124	Operating Materials & Supplies		23,418.55	169,055.07
127	Rental of Property		0.00	0.00
128	Routine Maintenance		0.00	0.00
135	Other Operating Expenses		1,992,746.10	224,166.88
136	Training		0.00	0.00
221	Office Equip, Furniture's & Fittings		0.00	0.00
222	Purchased of Vehicles		0.00	0.00
224	Medical Equip, Plant and Machinery		0.00	0.00
<b>500</b>	<b>Total Expenditures</b>		<b>2,016,164.65</b>	<b>393,221.95</b>
	<b>Excess of Payments over Receipts</b>		<b>1,976,846.35</b>	<b>269,666.05</b>
	<b>Statement of Accumulated Funds Available</b>			
	Balance b/forward prior year		692,628.63	422,962.58
	Increase/(Decrease) in Cash		1,976,846.35	269,666.05
	<b>Cash at end year Balance</b>		<b>2,669,474.98</b>	<b>692,628.63</b>
	Cash at Bank - Trust Account - 1000874509		2,100,285.52	285,878.05
	Variance		569,189.46	406,750.58



## 2016 AUDITED FINANCIAL STATEMENTS

**Notes to and forming part of the Financial Statements for the year ended 31<sup>st</sup> December, 2016.****1. ACCOUNTING POLICIES.****(a) Basis of Preparation.**

The financial statements have been prepared in accordance with Cash Basis of International Public Sector Accounting Standards (IPSAS). Financial Reporting is under the Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period relating to the Public Finances (Management) Act, 1995.

**(b) Reporting Entity.**

The financial statement is for Enga Provincial Health Authority Board of Management as a Non-Trading Public Body. The financial statement encompasses the reporting entity as specified in the Public Finance (Management) Act, 1995.

Enga Provincial Health Authority Board of Management's principal activity is to provide hospital based health care services to its constituents.

**(c) Payments by other government entities.**

Enga Provincial Health Authority Board of Management benefits from payments made by the National Government and other government entities on its behalf such as Department of Health.

- Total Revenue - K35,455,322.00
- Expenditure - K29,219,071.50

**(d) Payments by external parties.**

Enga Provincial Health Authority Board of Management also benefits from payments made by external parties for goods and services. These payments do not constitute cash receipts or payments of Enga Provincial Health Authority Management, but do benefit the hospital through organizations such as interest groups, faith based organizations, non-governmental and donor agencies.

**(e) Reporting Currency.**

The reporting currency is in PNG Kina.

**(f) Taxation.**

The Hospital is exempted from paying all types of taxes, including income tax. This is in accordance with Income Tax Act 1959, Section 24 in view of Exemption of Public Authorities.

**2. CASH.**

Cash comprises cash on hand and demand deposits and cash equivalents. Demand deposits and cash equivalent comprise balances with banks and investments in short term money market instruments.

Cash is included in the Statements of Cash Receipts and Payments and comprises the following:





2016 AUDITED FINANCIAL STATEMENTS

**(a) Cash On Hand:**

Balances with Bank:

- Enga Provincial Health Authority Operating Account - K4,600,552.88
- Enga General Hospital Trust Account - K2,100,285.52

**(b) Short-Term Investment:**

- EPHA has Nil Short-Term Investments in 2016.

**3. APPROPRIATION.**

The Authority benefits from the payments made by Department of Finance and these constitute cash receipts and payments of the Authority, which have been appropriated through National Budget such as Salaries & Allowances (Item 111) and Operational Grants.

The Authority also benefits from hospital patient fees, donations and other receipts.

- National Gov't Grant - is the Annual Appropriation from the National Government for each fiscal year.
- Permanent Employee Salaries & Allowances (Item 111) - are normally paid directly from National Gov't Payroll (Finance Department).
- Health Functional Grants - were controlled by the Enga Provincial Government in 2016. They only remit grants to EPHA by way of cheque payments depending on their cash flow situation. The detailed amounts will be disclosed on note form separately.
- Other Provincial Assistance - grants were given by Enga Provincial Gov't in year 2016 for specific projects. The detailed amounts will be disclosed on note form separately.
- Other Operating Revenue - we did have collections of housing rentals but only few staff were paying that, apart from security fines.
- Patient Fees & Charges - please refer to the Revenue Summary Table for more detailed information.

**(a) Salaries & Allowances.**

There was an increase in appropriation for Salaries & Allowances for the staff both Enga Provincial Hospital with the other district health facilities after merging as reflected in the budget from 2015 to 2016. The Salary & Allowance receipts amounted to K21,636,200.00 (Appropriation) as at 31<sup>st</sup> December, 2016. All Salaries & Allowances grant is controlled by the Department of Finance.

2016	2015
<b>K21,636,200.00</b>	<b>K12,972,400.00</b>

**(b) Other Receipts.**

Other receipt amounts consist of Health Function Grant (HFG) and other grants for specific projects and health programs/activities. The total amount of K4,967,766.00 was a consolidated figures from both Operating and Trust Accounts. The details of the same are as follows;

Particulars	Bank Account	Amount
Health Function Grant	Operating Acct	K1,514,900.00
<b>Sub-Total</b>		<b>K1,514,900.00</b>
EPG Grant - Laiagam D/Hospital Redevelopment	Trust Acct	K1,191,900.00

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## 2016 AUDITED FINANCIAL STATEMENTS

NDoH Grant - Free Health Care Grant from GoPNG	Trust Acct	K591,004.00
Mapai Charity Foundation Grant for purchase of CHP Lands	Trust Acct	K71,262.00
EPG Grant - Ambulance purchase - Laokopenda H/Centre	Trust Acct	K282,800.00
HFG reimbursement to Trust Acct	Trust Acct	K46,100.00
EPG Grant - Purchase of 5x MCH Vehicles for the Districts	Trust Acct	K1,269,800.00
<b>Sub-Total</b>		<b>K3,452,866.00</b>
<b>GRAND TOTAL</b>		<b>K4,967,766.00</b>

**(c) Schedule of 2015 Rollover Funds.**

The 2015 rollover funds have been taken up as receipts for 2016 financial year. The details of the same are as follows;

Item	Description	Amount
<b>OPERATING ACCOUNT</b>		
112	Wages	50,000.00
121	Travel & Substance	50,000.00
122	Utilities	50,000.00
123	Office Materials & Supplies	20,000.00
124	Operating Materials & Supplies	50,000.00
125	Transport & Fuel	50,000.00
127	Rental of Property	50,000.00
135	Other Operational Expenses	80,000.00
136	Training	50,000.00
143	Grants & Subsidies to Other Govt. Org. <b>(HFG-Public Health)</b>	183,700.00
225	Construction, Renovation & Improvement	50,000.00
<b>Sub-Total</b>		<b>683,700.00</b>
<b>TRUST ACCOUNT</b>		
124	Operating Materials & Supplies	130,940.00
135	Other Operational Expenses	154,930.00
<b>Sub-Total</b>		<b>285,900.00</b>
<b>2015 TOTAL ROLL-OVER FUNDS</b>		<b>969,600.00</b>

**(d) Patient Fees/Charges.**

User Fees/Charges paid by patients for services provided by the hospital deposited into the hospital's Trust Account.

2016	2015
<b>K254,245.00</b>	<b>K191,788.00</b>

**4. UTILITIES.**

The major expenditure component of the below Item was for electricity and telephone bills. Other minor ones were also included such as posting, paging/radio, telephone connection and water & sewerage.

2016	2015
<b>K343,385.71</b>	<b>K481,543.48</b>





## 2016 AUDITED FINANCIAL STATEMENTS

**5. OPERATING MATERIALS & SUPPLIES.**

This comprises of payments from both the Operating and Trust Accounts as captured on the Statements of Receipts and Payments.

Operating Materials & Supplies	Operational Account	Trust Account	Total
2016	757,140.47	23,418.55	<b>K780,559.02</b>
2015	598,359.50	169,055.07	<b>K767,414.57</b>

**6. OTHER OPERATING EXPENSES.**

This comprises of payments from both the Operating and Trust Accounts as captured on the Statements of Receipts and Payments.

Other Operating Expenses	Operational Account	Trust Account	Total
2016	802,973.89	1,992,746.10	<b>K2,795,719.99</b>
2015	617,137.66	224,166.88	<b>K841,304.54</b>

**7. CAPITAL FORMATION EXPENDITURES.**

This comprises of payments from Office Equipment/Furniture & Fittings, Purchased of Vehicles, Medical Equipment/Plant & Machinery and Construction/Renovation & Improvement from Consolidated Statement of Receipts and Payments.

**(a). Office Equipment, Furniture & Fittings.**

2016	2015
<b>K34,347.45</b>	<b>K145,927.70</b>

**(b). Purchased of Vehicle.**

2016	2015
<b>K179,561.26</b>	<b>K154,635.47</b>

**(c). Medical Equipment, Plant & Machinery.**

2016	2015
<b>K67,870.10</b>	<b>K90,454.91</b>

**(d). Construction, Renovation & Improvement.**

2016	2015
<b>K75,515.62</b>	<b>K271,924.02</b>

**8. VARIANCES**

The variance figures have appeared in both accounts mainly due to prior year balances.

Operating Account	Trust Account	Total
K324,913.39	K569,189.46	<b>K894,102.85</b>



## 2016 AUDITED FINANCIAL STATEMENTS

**9. SCHEDULE OF ASSETS (Asset Movements).**

Asset Group	Historical Cost	Purchase/Dispose Value	Balance
Land Landscape Formation & Buildings	K0.00	K0.00	K0.00
Medical Equipment	K0.00	K0.00	K0.00
Office Furn, Fittings & Equ	K0.00	K0.00	K0.00
Tools & Equipment	K0.00	K0.00	K0.00
Plant & Machinery	K0.00	K0.00	K0.00
Motor Vehicles	K0.00	K0.00	K0.00
Housing Furniture	K0.00	K0.00	K0.00
Miscellaneous	K0.00	K0.00	K0.00
<b>Total</b>	<b>K0.00</b>	<b>K0.00</b>	<b>K0.00</b>

In 2016, we were still in transition period coupled with shortage of staff, thus no proper asset registers were maintained regarding updating of asset registers and asset movements. As a matter of fact, we do have asset registers for most of the assets by concerned respective sectional heads. We are currently working on a consolidated one for Enga PHA which will be provided and disclosed together with the asset movements respectively in the 2019 Financial Statements and onwards.

**10. SCHEDULE OF RECEIVABLES.**

Receivable Details	Operating Acct.	Trust Acct.
Medical Debtors	K0.00	K0.00
Staff Debtors - other than Cash Advance	K0.00	K0.00
Staff House Rental Debtors	K0.00	K0.00
Staff Debtors - Salary & Cash Advance	K0.00	K0.00
Bond & Security Fees	K0.00	K0.00
<b>Total</b>	<b>K0.00</b>	<b>K0.00</b>

We did not have any debtors thus there is nothing we can disclose in the 2016 Financial Statements.

**11. SCHEDULE OF UNACQUITTED ADVANCES.**

Advance Group	Operating Acct.	Trust Acct.
Cash Advance	K86,455.00	K9,190.20
Travelling Advance	K0.00	K0.00
Salary Advance	K0.00	K0.00
<b>Total</b>	<b>K86,455.00</b>	<b>K9,190.20</b>

We believe that some of the advances (cash advances, travelling advances & salary advances) in 2016 were acquitted but due to transition period and shortage of staff in our Accounts Section, it seems that the records have not been updated. Our Accounts staff are currently instructed to verify on the same so that we will disclose a correct unacquitted advance figures in 2019 Financial Statements and onwards.



## 2016 AUDITED FINANCIAL STATEMENTS

**12. SCHEDULE OF LIABILITIES.**

<b>Creditors Details</b>	<b>Operating Acct.</b>	<b>Trust Acct.</b>
House Rental Landlords	K0.00	K0.00
Other Commercials	K0.00	K0.00
<b>Total</b>	<b>K0.00</b>	<b>K0.00</b>

In 2016, we were still in transition period coupled with shortage of staff in Accounts Section, thus no proper liability registers were maintained. As a matter of fact, we do have liabilities especially in terms of monthly accommodation rentals and with our service providers (using EPHA external orders) like fuel service stations, supermarkets and others. We are currently working on them so for 2019 audit and onwards, we will disclose liability figures in the Financial Statements.

