



Part IV

Report of the Auditor-General 2023

on the Accounts of Public Authorities and Statutory Bodies established
under the Act of Parliament and Government Owned Companies
established under the Companies Act

-
- Public Bodies and their Subsidiaries
 - National Government Owned Companies
 - National Government Shareholdings in Other Companies

OFFICE OF THE AUDITOR-GENERAL

27 September 2024

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

Dear Mr Speaker,

In accordance with the provisions of Section 214 of the Constitution of the Independent State of Papua New Guinea, I forward herewith a copy of my report signed on 27th September 2024 upon the inspection and audit of the financial statements of the Public Bodies and their subsidiaries and National Government owned companies for tabling in the National Parliament. This Report (Part IV) also contains information on companies in which the Government does not hold majority interest. Section D of this Report contains information on the status of certain entities whose audits have been in arrears.

Yours sincerely,



GORDON KEGA MBA, CPA
Auditor-General

2023 AUDITOR-GENERAL'S REPORT – PART IV

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GENERAL

A. FOREWORD

My Annual Report to the National Parliament for the 2023 financial year is presented in four Parts. Part I deals with the Public Accounts of Papua New Guinea (PNG), Part II deals with National Government Departments and the Provincial Treasury Offices, whilst Part III deals with the audit of the Provincial Governments and Local-level Governments and associated entities.

Part IV (this Part) of my Report deals with Public Bodies and their Subsidiaries, Government Owned Companies and National Government's shareholdings in Other Companies.

This Report is divided into four sections:

- Section A deals with Public Bodies and their subsidiaries;
- Section B deals with National Government owned companies;
- Section C deals with the Companies in which the National Government has minority shareholdings; and
- Section D is an additional section which provides details of entities that have audits which have been in arrears due to non-submission of financial statements.

The audit findings contained in Sections A and B of this Report have been reported to management of the respective entities and to the responsible Ministers.

A.1 Audit and Delivery of Government Program

I have carried out audits of Public Bodies and their Subsidiaries and other audits as mandated. These Public Bodies entities are tasked to deliver government services to the people of Papua New Guinea.

Although my report provides opinions on the financial affairs of these entities, other audit procedures performed by my Office give a picture of effective delivery of government policies and programs particularly by the public sector and their contribution to the Medium Term Development Plan III 2018-2022 by attaining an inclusive sustainable economic growth through the following key result areas:

- Increase Revenue and Wealth Creation;
- Quality Infrastructure;
- Sustainable Social Development;
- Improved Law, Justice and National Security;
- Improved Service Delivery;
- Improved Governance;

- Responsible Sustainable Development; and
- Sustainable Population.

In addition, my audit findings that have been repeatedly highlighted show slow progress in making improvements to governance structures and public accountability mechanisms in relation to expending public finances. Without strong governance support, service delivery as envisaged by the National Government risks falling short of its objectives.

Besides the audit of financial statements, I have extended my audit programs into the audit of service delivery, performance audit and major public work projects to enhance my Office's ability to deliver reports to Parliament on how well and effective the government programs are being delivered.

B. AUTHORITY TO AUDIT

B.1 Constitution

Under *Section 214(2)* of the *Constitution of the Independent State of Papua New Guinea*, I am required to inspect and audit all bodies set up by Acts of the Parliament, or by Executive or Administrative Act of the National Executive for governmental or official purposes unless other provisions are made by law in respect of their inspection and audit.

I am also empowered under *Section 214(3)* if I consider it proper to do so, to inspect and audit and report to the Parliament on any accounts, finances or property of a body, in so far as they relate to, or consist of, or are derived from public moneys or property of Papua New Guinea.

B.2 Audit Act

By virtue of *Section 214(4)* of the *Constitution*, the *Audit Act 1989*, which became effective from 1 May 1989, provides more details of my functions under *sub-sections (1), (2) and (3)* of the *Constitution*. The *Audit Act* that was derived from the *Constitution* elaborates the functions and the duties of the Auditor-General. This Act was amended in 1995 and the relevant provisions of the amended Act are explained below.

B.2.1 Auditing and Reporting Requirements

In *Section 8, Sub-sections 2 and 4* of the *Audit Act* were amended to include provisions governing the auditing and the reporting requirements of public bodies including government owned companies incorporated under the *Companies Act 1997*.

B.2.2 Matters of Significant Importance

Under *Section 8(2)* of the Act, I am required to inspect and audit the accounts and records of financial transactions and the records relating to the assets and liabilities of these public bodies and their subsidiaries, and to report to the Minister vested with the responsibility for the public body and the Minister in charge of Finance any irregularities found during the inspection and audit.

B.2.3 Audit Opinion on Financial Statements

Section 8(4) of the *Audit Act* requires me to audit the financial statements of the public bodies and to report an opinion to the aforementioned Ministers on:

- *Whether the financial statements are based on proper accounts and records;*
- *Whether the financial statements are in agreement with those accounts and records; and*
- *Whether they show fairly the financial operations for the period which they cover and the state of affairs at the end of that period.*

B.3 Public Finances (Management) Act, 1995 (as amended)

The submission of the financial statements of statutory bodies for audit is required under *Section 63(1) and (3)* of the *Public Finances (Management) Act, 1995 (as amended)*. The *Section* requires each statutory body to prepare and furnish to its Minister before end of fourth calendar month from close of a fiscal year, a report on its operations for the year ended 31 December preceding, together with financial statements in respect of that year duly audited by me.

The Minister is then required to table the report on the operations and the financial statements, together with my report on the financial statements, at the first meeting of the Parliament after receiving them.

B.4 Companies Act 1997

I am required to audit National Government owned Companies and their Subsidiaries under the provisions of the *Companies Act 1997*. Though these companies are registered under the *Companies Act 1997*, my responsibility to audit them is by virtue of *Section 63* of the *Public Finances (Management) Act (PFMA)* and *Section 3* of the *Audit Act*.

C. AUDIT OF PUBLIC BODIES

C.1 Scope of Audit

The full scope of my audit responsibility in respect of Public Bodies covers the Statutory Bodies and their subsidiaries, National Government owned companies and their subsidiaries, and the companies in which the government holds minority interest.

Presently, the limited resources available to my Office are directed primarily towards financial attestation and compliance or regularity audit of Public Bodies. Due to resource constraints, I have not been able to venture into the audits of information systems. However, a section has been tasked with the audit of information systems per the recent organisational restructure.

C.2 Audit Objectives

Under the *Companies Act*, I am required to ascertain whether proper accounting records have been kept; whether the financial statements comply with generally accepted accounting practice; and whether those financial statements give a true and fair view of the matters to which they relate. The Act also requires me to report the instances of non-compliance with these requirements. More details on the audit responsibilities under the *Companies Act* are provided in **Section B** of this Report which covers the National Government owned companies and their subsidiaries.

C.3 Reporting Framework

My audits are conducted in accordance with the International Standards on Auditing to provide reasonable assurance that the financial statements are free of material misstatements. The audit procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, evaluation of accounting policies and significant accounting estimates, and ensuring that the financial statements are presented fairly and in accordance with the *International Financial Reporting Standards (IFRS)* and statutory requirements.

D. APPOINTMENT AND USE OF AUTHORISED AUDITORS

Section 8(5) of the *Audit Act* empowers me to employ registered company auditors to assist me in undertaking my constitutional duties, where such assistance is required.

During the period covered in the Report, I engaged a number of registered company auditors to perform audits of numerous Statutory Bodies and National Government owned companies under my direction and on terms and conditions set by me.

E. EXECUTIVE SUMMARY

E.1 Report Coverage

This Report covers the audit reports issued by my Office on the audits of Public Bodies and their Subsidiaries, Government Owned Companies, and National Government's shareholdings in Other Companies during the period **July 2023 to June 2024 (2023/2024 Audit Cycle)**. The Report covers the audits of these entities' financial statements for a number of years, not just 2023.

In **2023** there were **131 public entities** subject to audit by my Office, consisting of **63 Public Bodies** and their **22 Subsidiaries** and **15 National Government Owned Companies** and their **31 Subsidiaries**.

I am also responsible for reporting on the audits of **2 Companies**, in which the National Government has minority shareholding. These entities are audited by private company auditors and are reported under **Section C** of this Report.

E.2 Consistency in Audit Findings Over a Number of Years

The Report's findings are consistent with those in my previous years' reports that have highlighted my concerns over the number of entities that do not submit current year financial statements for audit, and the overall poor state of the financial management structure in most public entities whose statements are subject to my audit and inspection.

The overall purpose of financial statements is to provide information about the financial position, performance and cash flows of an organisation. The information is useful to a wide range of stakeholders and the financial statements constitute a formal record of the financial and business activities of an organisation. As such, the financial statements are a core component of an organisation's governance and accountability. Non-submission of the financial statements for audits in a timely manner greatly limits the ability of stakeholders to monitor performance and make informed decisions regarding the organisation.

Financial management in the public sector is the establishment and maintenance of policies, processes and procedures to achieve effective and efficient management of public funds in such a manner as to achieve the objectives of the organisation. It consists of planning, organising, directing, monitoring and controlling the monetary resources of an organisation. Unfortunately, many organisations continue to indicate they are incapable of managing their financial affairs.

Weaknesses with financial management are contributing to significant wastage of financial resources and indicate a serious lack of transparency and accountability. Ultimately these weaknesses adversely impact upon the delivery of services to the citizens of PNG.

E.3 Submission of Current Year Financial Statements

Section 63(1) and (3)(a) of the PFMA requires ‘...a statutory body to prepare and furnish to the Finance Departmental Head before end of fourth calendar month from close of a fiscal year, a performance and management report of its operations for the year ended 31 December preceding, together with financial statements to enable the Finance Minister to present such report and statements to the Parliament...’

Before submitting the financial statements to the Minister, Section 63(3)(c) requires a statutory body to submit the financial statements to the Auditor-General and for the Auditor-General to report to the Minister in accordance with Part II of the Audit Act.

Despite these legislative requirements, **85 entities** had not submitted their **2023 financial statements** to be audited in addition to **222 financial statements for 2022** and prior years not been submitted for audit (**Refer Table A**). As compared to last year, the situation has deteriorated during this cycle.

The details of the audits in arrears and those entities whose financial statements have been outstanding for a number of years are shown in **Attachment ‘B’**.

Table A

STATUS OF AUDITS AS AT 30 JUNE 2024 (END OF 2023/2024 CYCLE)

Year	Audits Completed	Audits Substantially Completed	Audits in Progress	Audits to Commence Shortly	Financial Statements not Submitted	Non-Operational Entities/ Ceased Companies	Total 2022/2023	Total 2021/2022
2023	4	0	19	17	85	8	133	
2022	24	9	15	22	52	7	129	120
2021	22	7	13	12	39	6	99	121
2020	17	8	1	11	30	6	73	97
2019	10	6	3	10	30	1	60	77
2018	5	8	1	7	23		44	52
2017	2	5	1	6	18		32	35
2016	1	3	2	4	9		19	20
2015	1	1	-	3	6		11	13
2014	1	1	-	1	5		8	9
2013	-	-	-	1	5		6	6
2012	-	-	-	1	3		4	4
2011	-	-	-	1	1		2	2
2010	-	-	-	1	1		2	2
Total	87	48	55	97	307	28	622	558

Table A above shows that **190 audits** were either completed, substantially completed or still in progress as at 30 June 2023. The details are graphically depicted in **Attachment ‘C’**, which also includes the arrears of prior years.

Table A also shows that of the **133 current year audits (2023)**, only **4** were completed, with **19 audits** either substantially completed or in progress. A further **17 audits** were to commence shortly. Graphical description of the status of current year 2023 audit units (excluding arrears) is given in **Attachment ‘A’**. The list of entities is at **Schedule ‘A’ (i), (ii), (iii), (iv) & (v)**.

E.4 Type of Audit Opinions Issued

In the period covered (July 2023 to June 2024) by the audit, **87 audit reports were issued**. Of the **87 audit reports issued, 39 were unqualified, 25 were qualified, and 23 were Disclaimer Opinions**. The details are captured in **Attachment 'D'**.

Types of Audit Opinions issued for each entity over the period of ten years from **2013 to 2023** are detailed in **Attachment 'E'**.

Audit reports issued for certain entities have more than one year covered during the period. The recent audit report of these entities is reproduced in this Report. Further information on other years audit reports can be obtained from the minister responsible, the entity or this office.

E.5 Key Findings

The key findings from the audits centered primarily on the non-submission of the financial statements, non-compliance with the Salaries and Conditions Monitoring Committee (SCMC) regulatory mechanisms for salaries and wages, lack of basic accounting records, inadequate capacity and competence of staff and ineffective internal control systems. Other issues noted are also highlighted in paragraph **E.9**.

- *Bank reconciliations not being prepared in a timely manner or not at all;*
- *Transactions not having the required supporting documents;*
- *Fixed asset registers not being properly kept or maintained and improper and inconsistent valuation of assets;*
- *Physical count of assets/stock-take not being carried out properly and no proper procedures being followed in the acquisition and disposal of assets;*
- *Failure to comply with IFRS/IAS in the preparation of financial statements and breach of public finances management and other statutory provisions;*
- *Travel and other allowances not being fully acquitted;*
- *Non-remittance of taxes to IRC (Group Tax & GST);*
- *Accounting, administrative and procedural manuals not being provided;*
- *Employment contracts, salaries and contract gratuities calculations not available; and*
- *Lack of knowledge, understanding and training in Integrated Financial Managements System (IFMS) in producing general purpose financial statements.*

E.6 Non-Submission of Financial Statements

As stated earlier, *Section 63(3)* of the *PFMA* requires each statutory body to prepare and furnish to its Minister on or before end of fourth calendar month from close of a fiscal year, a report on its operations for the year ended 31 December preceding together with financial statements in respect of that year duly audited by me for tabling in Parliament.

This legislative requirement has not been strictly adhered to by most respective public entities' management. To comply with this requirement, the financial statements are required to be submitted to my Office on or before 30 April each year for my audit and inspection. However, out of **131 public entities** only **40 (31%)** entities have submitted their financial statements for 2023 (**Refer Schedule A (i), (ii), (iii) & (iv)**) for my audit and inspection up to the time of preparing this Report. A total of **85** entities have failed to comply with this provision (**Refer Schedule A (v)**). The public entities referred to above exclude the **2 Companies** with minority Government shareholdings.

The non-compliance of the public entities mentioned above has resulted in:

- *My Office not being able to report adequately on the accountability of the use of public resources in a timely manner;*
- *A build-up of audits in arrears; and*
- *The non-tabling of Annual Reports on performance and management of entities by the minister responsible to the Parliament (per PFMA).*

Responsibility for Submission of Financial Statements

An entity's management is responsible for preparing and presenting financial statements for my audit and inspection. It is also the responsibility of management and those charged with governance to ensure that an adequate and effective internal control system is maintained to ensure that complete and accurate financial statements are produced on a timely basis.

Recommendation

My Office recommends the rigorous enforcement of the provisions of Section 63 of the PFMA and a legislative requirement be established to make the renewal of contracts of Chief Executive Officers subject to submission of financial statements and implementation and maintenance of prudent financial management.

This recommendation is to help achieve financial management accountability and good governance in the public sector. During the cycle, **58** entities have audit units in arrears totaling **222**. Details of audits that have gone into arrears due to non-submission of financial statements since 2013 are given below in **Table B** and **Schedule 'B (iv)'**.

Table B
2022 AND PRIOR YEARS
FINANCIAL STATEMENTS NOT SUBMITTED

No.	Section	Para. No.	Entity	Year	No. of Audits
1	A	3	Border Development Authority and its Subsidiary	2018 & 2019	2
2	A	3A	Papua New Guinea Maritime Transport Limited	2013 to 2022	10
3	A	5	Climate Change and Development Authority	2022	1
4	A	6B	Cocoa Stabilisation Fund	2021 & 2022	2
5	A	7	Cocoa Coconut Institute of Papua New Guinea	2017 & 2018	2
6	A	8	Coffee Industry Corporation Limited and its Subsidiaries	2022	1
7	A	8A	Coffee Industry Fund	2022	1
8	A	8B	Kofi Management Services Limited	2022	1
9	A	8C	Patana No. 61 Limited	2022	1
10	A	9	Conservation and Environment Protection Authority	2020, 2021 & 2022	3
11	A	13	Industrial Centers Development Corporation	2019, 2020, 2021 & 2022	4
12	A	14	Internal Revenue Commission.	2020 to 2022	3
13	A	16A	Papua New Guinea Coconut Extension Fund	2022	1
14	A	16B	Papua New Guinea Coconut Research Fund	2022	1
15	A	20	National Agriculture Quarantine & Inspection Authority	2019, 2020, 2021 & 2022	4
16	A	23	National Broadcasting Corporation	2021 & 2022	2
17	A	24A	National Capital District Botanical Enterprises Limited	2013 to 2022	10
18	A	26	National Economic and Fiscal Commission	2019 to 2022	4
19	A	30	National Housing Corporation and its Subsidiary	2021-2022	2
20	A	30A	National Housing Estate Limited	2015 to 2022	8
21	A	32	National Maritime Safety Authority	2021 & 2022	2
22	A	37	National Volunteer Service	2017 to 2022	6
23	A	39	Office of the Insurance Commissioner	2019 to 2022	4
24	A	40	Office of the Public Trustee of Papua New Guinea	2020 to 2022	3
25	A	45	Papua New Guinea Forest Authority	2019 to 2022	4
26	A	46	Papua New Guinea Immigration and Citizenship Services Authority	2021 & 2022	2
27	A	49	Papua New Guinea National Institute Standard Industrial Technology	2022	1
28	A	50	Papua New Guinea Sports Foundation	2021 & 2022	2
29	A	51A	National Analytical & Testing Services Limited.	2020 to 2022	3
30	A	51B	Unitech Development and Consultancy Company Limited	2020 to 2022	3
31	A	52	Parliamentary Members' Retirement Benefit Fund	2021 to 2022	2
32	A	53	PNG Road Fund	2022	1
33	A	57	Security Industries Authority	2022	1
34	A	61	University of Goroka and its Subsidiaries	2018-2022	5
35	A	61A	Unigor Consultancy Limited	2019 to 2022	4
36	A	61B	Unigor Humi Catering Limited	2019 to 2022	4
37	A	612	University of Natural Resources & Environment	2016 to 2022	7
38	A	63	University of Papua New Guinea and its Subsidiaries	2018 to 2022	5
39	A	63A	Unisave Limited	2012 to 2022	11
40	A	63B	Univentures Limited	2012 to 2022	11
41	A	64	Western Pacific University	2019 to 2022	4
42	B	66A	Air Niugini Cargo Limited	2017 to 2022	6
43	B	66B	Air Niugini Properties Limited	2018 to 2022	5
44	B	66C	Business Travel Centre Limited	2017 to 2022	6
45	B	66D	Link-PNG Limited	2016 to 2022	7
46	B	68D	Kumul Gas Foreland 239 B.V	2017, 2018 & 2019	3
47	B	68E	Kumul Gas Foreland 261 B.V	2017 to 2019	3
48	B	68F	Kumul Gas Foreland 268 B.V.	2017 to 2019	3
49	B	68G	Kumul Gas Foreland 269 B.V.	2017 to 2019	3
50	B	68H	Kumul Gas Niugini B.V.	2017 to 2022	6
51	B	69	Kumul Telikom Holdings Limited and its Subsidiaries	2018 to 2022	5

No.	Section	Para. No.	Entity	Year	No. of Audits
52	B	70	Livestock Development Corporation Limited	2021 & 2022	2
53	B	71	Mineral Resources Development Company Limited	2021 & 2022	2
54	B	73	National Airports Corporation Limited and its Subsidiaries	2022	1
55	B	73A	Airports City Development Limited	2022	1
56	B	73B	Airport Investments Limited	2022	1
57	B	74	Niusky Pacific Limited	2016 to 2022	7
58	B	83	Gogol Reforestation Company Limited	2010 to 2022	13

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Arrears Reduction Strategies

During the last Audit Cycle, I took steps as in the past to remind various entities of their responsibilities to submit the financial statements on a timely basis. These steps include but are not limited to the following:

- Issuance of reminder letters to entities on a regular basis until the submission of the financial statements;
- My officers visited various entities and held meetings with the Chief Executive Officers regarding non-submission of the financial statements and drew their attention to their responsibilities under the *PFMA* and the resultant breach of that Act;
- List of outstanding financial statements were forwarded to the Public Accounts Committee for their necessary action; and
- Senior officers of the Division attended various audit committee meetings during the cycle and emphasised the importance of bringing the audits up to date. My officers attended the following audit committee meetings during the past audit cycle:
 - *Internal Revenue Commission;*
 - *Civil Aviation Safety Authority of PNG;*
 - *University of Papua New Guinea;*
 - *PNG Customs Service;*
 - *Papua New Guinea University of Technology;*
 - *National Housing Corporation;*
 - *National Capital District Commission;*
 - *Tourism Promotion Authority; and*
 - *Small Medium Enterprise Corporation.*

I have set a goal to significantly reduce the audit in arrears situation and the entities listed under **Attachment ‘F’** indicate the arrears cleared during the audit cycle. This reduction largely reflects the collective efforts of all my staff members to better manage the audits in arrears.

This can only be achieved by timely submission of financial statements and cooperation of the entities’ management to clear the arrears.

E.7 Non-Compliance with the Salaries and Conditions Monitoring Committee Act (SCMC)

The SCMC was established as the regulatory mechanism for salaries and wages in the public sector. Despite the regulatory mechanism in place, some public bodies do not comply with the provisions of this Act because of legislative changes in their constituent Acts. As a result, these bodies pay salaries and allowances without any monitoring from this Committee. Consequently, they have contravened *Section (3)* of the *SCMC Act* which stipulates:

- “(a) *The provisions of this Act apply notwithstanding anything in any other law relating to the determination of salaries and conditions or employment of employees of a public authority; and*
- (b) *Whereby or under any law, power is given to a public authority, to determine or vary the salaries and conditions of employment of employees of the public authority, that power shall be exercised subject to this Act.”*

E.8 Non-Compliance with the Audit Act 1989

Some entities owned by the State have amended their enabling Acts and other legal provisions to exclude my Office from performing the audit of those entities and appointed their own auditor’s contrary to the *Audit Act* and the *Constitution*. The following state-owned entities have appointed their own Auditors:

- *Fresh Produce Development Agency;*
- *Kumul Minerals Holding Limited (formerly Petromin Limited);*
- *Mineral Resources Development Company;*
- *National Development Bank Limited;*
- *Niusky Pacific Limited (formerly PNG Air Services Limited);*
- *Ok Tedi Mining Limited; and*
- *PNG Sustainable Development Program Limited.*

E.9 Lack of Basic Accounting Records and Inadequate Control Systems

As reported in previous years, during the course of audits I noted serious deficiencies in accounting and record keeping practices and compliance to internal controls. These deficiencies, which contributed to the limitation on the scope of my audit procedures, included:

- Bank, Creditors and other reconciliation statements not being prepared in a timely manner or not being prepared at all;
- Transactions not having supporting documentation;
- Fixed Assets Registers not being properly kept or maintained;
- Assets stock-take not being carried out resulting in no proper transfer and consistent valuation of assets;
- Property being acquired or disposed of without proper procedures being followed and lack of timely recovery and disposal of Assets;
- Failure to comply with International Financial Reporting Standards in the preparation of the financial statements;

- Breach of *Public Finances (Management) Act 1995 (as amended)* and other statutory provisions;
- Entities paying housing allowances and Board members allowances without tax;
- Accounting, administrative and procedural manuals not being available;
- Ineffective or no internal audit functions;
- Liabilities as at the wind-up could not be verified of their validity and completeness;
- No proper control mechanisms within the revenue and expenditure cycle;
- No proper control, monitoring and recovery of staff Advances and Trade Debtors;
- Issues surrounding Information Technology (IT) Systems;
- Human Resource, Accountant and Financial Consultant capabilities; and
- Ineffective budget controls.

The above factors contributed to the limitations on the scope of my audits which have been reported in accordance with *Section 8(2) of the Audit Act, 1989 (as amended)* and resulted in the issuance of Types of Opinion in respect of reports issued during the year, as shown in **Attachment ‘D’**.

E.10 Poor Financial Management

Over a number of years, I have expressed my concern about public bodies’ poor accounting records, weaknesses in internal controls and management information systems, and non-compliance with legislative requirements and the International Financial Reporting Standards. I also consider that a large number of Chief Executive Officers do not pay sufficient attention to financial management in their entities.

In my view, the concept of effective, prudent and efficient financial management remains to be comprehended and effectively implemented by a significant number of Chief Executive Officers.

E.11 Recommendations for Improvement

Consistent with comments in previous years’ Reports, I will report to the Parliament in future that proper accounting records and adequate internal control systems must exist in all public entities subject to my audit.

For that to be achieved, I believe that Chief Executive Officers are required to exercise proper leadership that provides an environment where there is:

- *Timely submission of financial statements;*
- *Improved record keeping and documentation;*
- *Maintenance and provision of quality information;*
- *Effective implementation of internal control systems;*
- *Sound financial management implemented and adopted by qualified and experienced accountants;*
- *Implementation of my audit recommendations; and*
- *Regular, adequate and timely training on IFMS accounting system.*

E.12 Improvement Strategies

In my view, for improvement to occur:

- Chief Executive Officers must employ well trained and professionally qualified accounting staff to manage the financial affairs of the organisation;
- Chief Executive Officers must understand the value of and how to implement a strong governance framework and their performance should be regularly assessed against implementation of the framework;
- Parliament must increase its reviews of the management of public entities and provide Chief Executive Officers with incentives to improve their management structures;
- Appointing Boards that are result oriented and service driven; and
- Regular performance reviews on entities and those charged with governance.

E.13 Project Audits

My Office is also responsible for performing audits of donor funded projects undertaken by various state-owned entities and government departments. These projects are co-funded by the state. The Projects are funded by the donor agency by way of loan and the state undertake to repay the loan with interest, based on the loan agreement entered into with the donor agency.

All projects funded are under loan agreement with Asian Development Bank (ADB), World Bank (WB), Japan International Cooperation Agency (JICA), European Union (EU) and International Fund for Agricultural Development (IFAD) programs. It covers Works and Implementation, Water and Sanitation programs, Climate and Maritime Safety programs, Energy Sector programs and Social and Economic Sector Development programs.

The details of the loan and type of opinion issued during the audit cycle and progress of various project audits as at 30 June 2024 are disclosed in **Schedule ‘F’**.

E.14 Creation, Amalgamation and Abolishment of Entities

Over the years I have been observing a number of entities being created and later abolished, amalgamated or restructured. The challenges faced by my Office is that soon after creation, amalgamation or winding-up/abolishment, whether through Acts of Parliament or executive directives, these entities do not communicate to my Office for me to exercise my mandated responsibilities. Most of the times, I am placed in situations where I could not determine the actual efforts and resources put into creation of such entities and unfortunately could not do the same when the entities wind-up or cease to exist by decisions of the executive government. The cost and benefits of such actions at this stage could not be correctly ascertained by me.

E.15 Challenges Faced by My Office

During the year and prior years, my office had faced a lot of challenges which had affected much of my mandatory duties. One which has limited my responsibilities is lack of sufficient funding. Despite being a Constitutional office, my request for appropriate budget funding are not honoured and as a result, the funding received is not sufficient to cater for my operations, which impacts on my Constitutional responsibilities.

E.16 Structure of the Report

This Report is structured as follows:

Section A – Public Bodies and Their Subsidiaries;

Section B – National Government Owned Companies and Their Subsidiaries;

Section C – National Government Shareholdings in Other Companies; and

Section D – Problem Audits (Audits in Arrears).

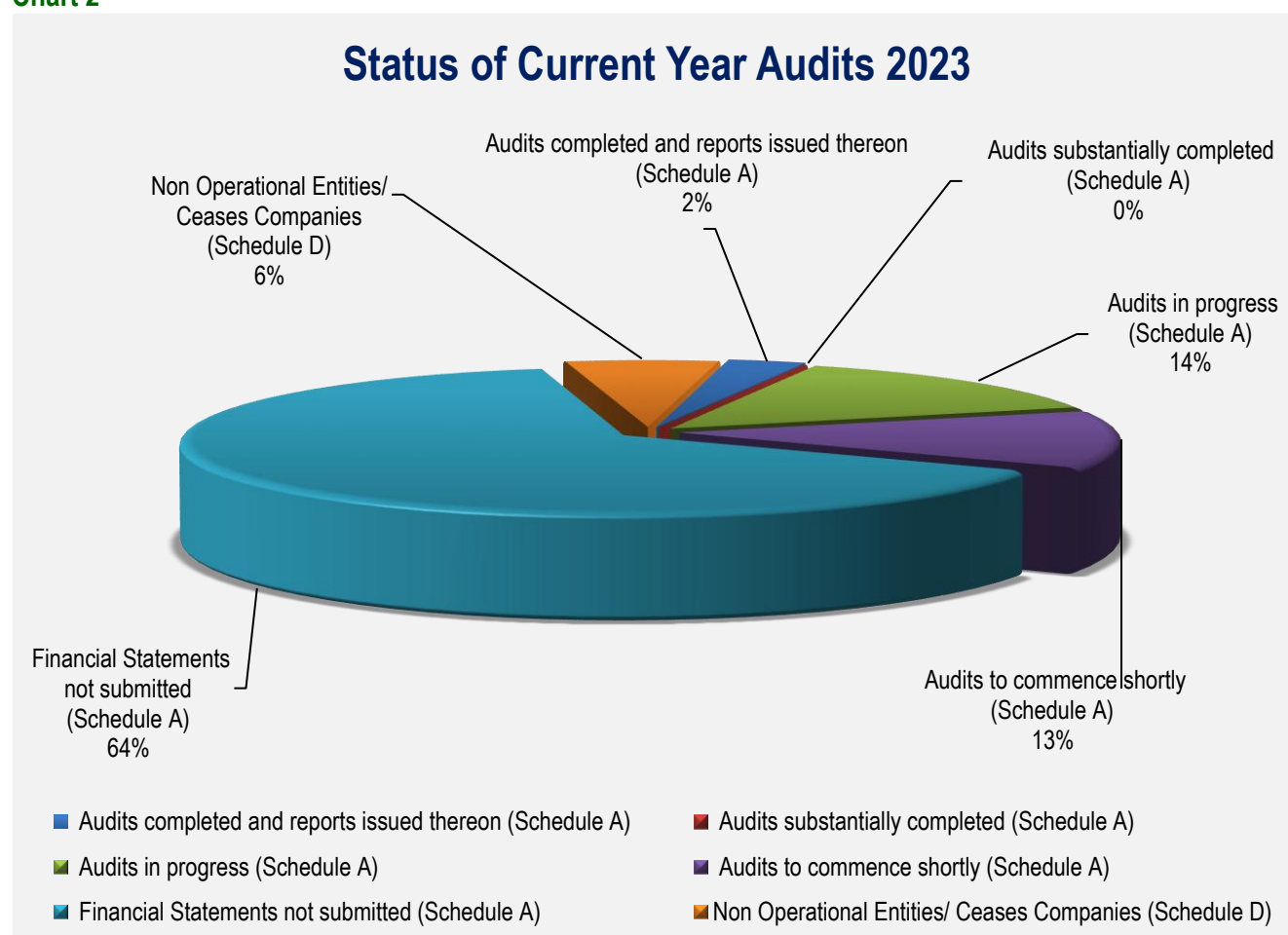
ATTACHMENT 'A'

STATUS OF CURRENT YEAR AUDITS 2023 BY ENTITIES

Table 2

No.	Status of Current Year Audits	Number of Entities	
		2023/2024	2022/2023
1	Audits completed and reports issued thereon (Schedule A)	4	3
2	Audits substantially completed (Schedule A)	0	3
3	Audits in progress (Schedule A)	19	21
4	Audits to commence shortly (Schedule A)	17	13
5	Financial Statements not submitted (Schedule A)	85	80
6	Non-Operational Entities/ Ceases Companies (Schedule D)	8	8
		133	120

Chart 2



Please refer to details in Schedule 'A' on Pages 371 to 373 and Schedule 'D' on Page 379.

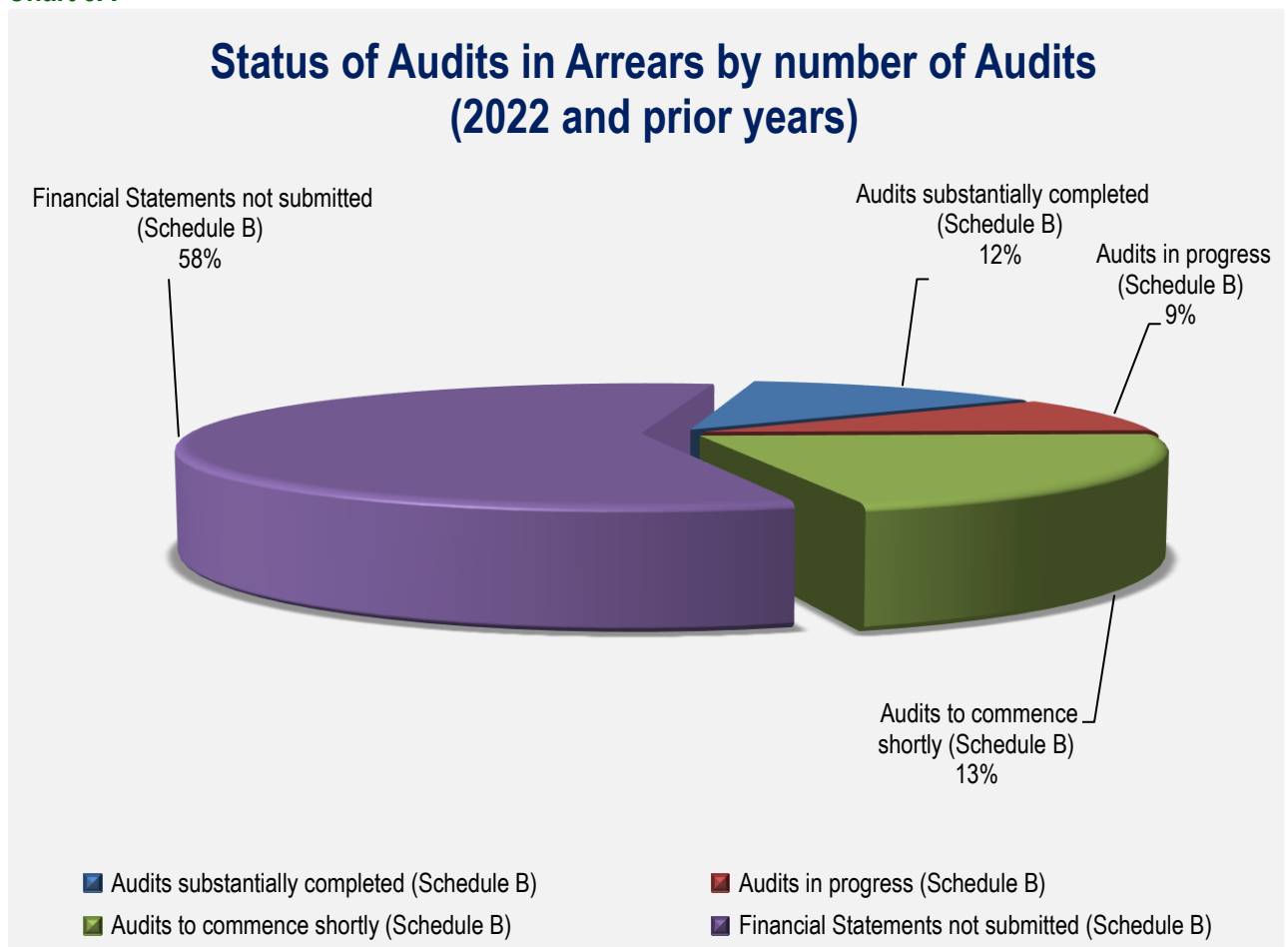
ATTACHMENT 'B'

STATUS OF AUDITS IN ARREARS BY NUMBER OF AUDITS (2022 AND PRIOR YEARS)

Table 3A

No.	Status of Audits in Arrears by No. of Audits (2022 and Prior Years)	Number of Audits	
		2023/2024	2022/2023
1	Audits substantially completed (Schedule B)	48	47
2	Audits in progress (Schedule B)	36	52
3	Audits to commence shortly (Schedule B)	80	51
4	Financial Statements not submitted (Schedule B)	222	183
		386	333

Chart 3A

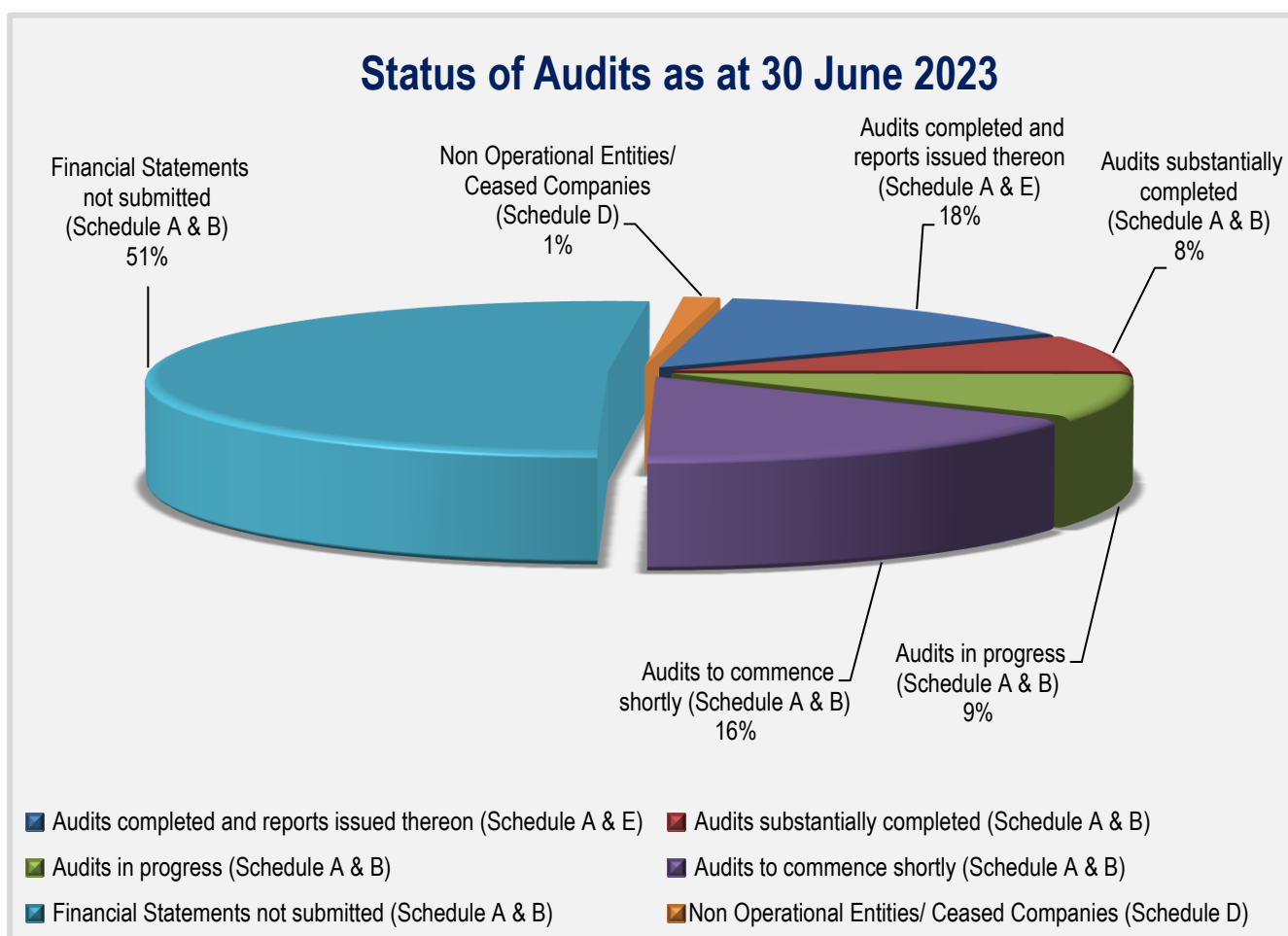


Please refer to details in Schedule 'B' on Pages 374 to 376.

ATTACHMENT 'C'

STATUS OF AUDITS AS AT 30 JUNE 2023

No.	Status of Audits	Number of Audits	
		2023 Report	2022 Report
1	Audits completed and reports issued thereon (Schedules A & E)	87	100
2	Audits substantially completed (Schedules A & B)	48	50
3	Audits in progress (Schedules A & B)	55	73
4	Audits to commence shortly (Schedules A & B)	97	64
5	Financial Statements not submitted (Schedules A & B)	307	263
6	Non-Operational Entities/Ceased Companies (Schedule D)	8	8
		602	558



Please refer to details in Schedules 'A', 'B' and 'E' on Pages 371 to 373, 374 to 376 and 380 to 382 respectively.

ATTACHMENT 'D'

TYPES OF AUDIT OPINIONS ISSUED

(i) UNQUALIFIED OPINION

No.	Section	Para No.	Entity	Year(s)	No. Audits Issued
1	A	6B	Cocoa Stabilisation Fund	2019 & 2020	2
2	A	12	Independent Consumers and Competition Commission	2020	1
3	A	16	Kokonas Industri Koporesen and its Subsidiaries	2021	1
4	A	16A	Papua New Guinea Coconut Extension Fund	2021	1
5	A	16B	Papua New Guinea Coconut Research Fund	2021	1
6	B	17	Kumul Consolidated Holdings and its Subsidiaries	2022	1
7	B	17A	General Business Trust	2022	1
8	B	17B	Kumul Technology Development Corporation Limited	2022	1
9	B	17C	PNG Dams Limited	2022	1
10	A	21	National Agricultural Research Institute	2021 & 2022	2
11	A	25	National Cultural Commission	2022	1
12	A	43	Papua New Guinea Accident Investigation Commission	2022 & 2023	1
13	A	52	Papua New Guinea University of Technology and its Subsidiaries	2019	1
14	A	57	Security Industries Authority	2021	1
15	A	60	Tourism Promotion Authority	2021	1
16	B	68	Kumul Petroleum Holdings Limited and its Subsidiaries	2021	1
17	B	68B	Kumul Energy Limited	2019 to 2021	3
18	B	68C	Kumul Exploration (Asia) Limited	2021	1
19	B	68H	Kumul Lending Co. Pte Limited	2021	1
20	B	68I	Kumul LNG Limited	2021	1
21	B	68K	Kumul Petroleum (Investments) Limited	2021	1
22	B	68M	Kumul Petroleum (Kroton) Limited	2021	1
23	B	68M	Kumul Petroleum (Pipeline) Limited	2021	1
24	B	68N	Kumul Petroleum (Tech and Advisory) Limited	2021	1
25	B	68O	Kumul Petroleum Marketing Pte Limited	2021	1
26	B	68P	Kumul Security Agent Limited	2021	1
27	B	72	Motor Vehicles Insurance Limited and its Subsidiaries	2022	1
28	B	73A	Airports City Development Limited	2019 & 2020	2
29	B	73B	Airport Investments Limited	2019 & 2020	2
30	B	76	PNG DataCo Limited	2022 & 2023	2
31	B	79A	DATEC (PNG) Limited	2022	1

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(ii) QUALIFIED OPINION

No.	Section	Para No.	Entity	Year(s)	No. Audits Issued
1	A	2	Bank of Papua New Guinea	2022	1
2	A	4	Civil Aviation Safety Authority of Papua New Guinea	2023 & 2022	2
3	A	5	Climate Change and Development Authority	2020	1
4	A	6	Cocoa Board of Papua New Guinea and its Subsidiaries	2019 & 2020	2
5	A	6A	Cocoa Pod Borer Project Fund	2019 & 2020	2
6	A	11	Independent Fellowship Trust	2022	1
7	A	18	Legal Training Institute	2021	1
8	A	22	National AIDS Council Secretariat	2022	1
9	A	29	National Gaming Control Board and its Subsidiary	2017	1
10	A	29A	National Gaming Control Board Community Benefit Fund Trust.	2017	1
11	A	34	National Research Institute	2018 to 2020	3
12	A	36	National Training Council	2022	1
13	A	42	Ombudsman Commission of Papua New Guinea	2020 & 2021	2
14	A	48	Papua New Guinea Maritime College	2022	1
15	B	68A	Eda Oil Limited	2020 & 2021	2
16	B	78	Post (PNG) Limited	2022	1
17	B	80	Water PNG Limited	2022	1
18	B	82	Bougainville Copper Limited	2023	1

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(iii) DISCLAIMER OPINION

No.	Section	Para No.	Entity	Year(s)	No. Audits Issued
1	A	5	Climate Change and Development Authority	2021	1
2	A	8	Coffee Industry Corporation Limited and its Subsidiaries	2020	1
3	A	8A	Coffee Industry Fund	2020	1
4	A	8B	Kofi Management Services Limited	2020	1
5	A	8C	Patana No. 61 Limited	2020	1
6	A	14	Internal Revenue Commission.	2018	1
7	A	23	National Broadcasting Corporation	2018	1
8	A	24	National Capital District Commission and its Subsidiaries	2020 & 2021	2
9	A	40	Office of the Public Trustee of Papua New Guinea	2014,2015 & 2016	3
10	A	51A	National Analytical & Testing Services Limited.	2018 & 2019	2
11	A	51B	Unitech Development and Consultancy Company Limited	2018 & 2019	2
12	B	66	Air Niugini Limited and it's Subsidiaries	2022	1
13	B	73	National Airports Corporation Limited and its Subsidiaries	2020	1
14	B	77	PNG Power Limited	2022	1
15	B	79	Telikom (PNG) Limited and its Subsidiaries	2022	1
16	B	79B	Kalang Advertising Limited	2022	1
17	B	79C	Media Niugini Limited (EMTV)	2022	1
18	B	79E	PNG Directories Limited	2022	1

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ATTACHMENT 'E'

COMPARATIVE AUDIT OPINIONS ISSUED (2013 – 2023)

No.	Section	Para. No.	Entity	Comparative Years											
				2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
1	A	2	Bank of Papua New Guinea		Q	Q	Q	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
2	A	3	Border Development Authority											D	
3	A	3A	Papua New Guinea Maritime Transport Limited			No Reports Issue since 2013									
4	A	4	Civil Aviation Safety Authority of Papua New Guinea	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	
5	A	5	Climate Change and Development Authority			D	Q	Q	Q	Q	D	D	D	D	
6	A	6	Cocoa Board of Papua New Guinea				Q	Q	Q	Q	Q	Q	Q	Q	
7	A	6A	Cocoa Pod Borer Project Fund				Q	Q	Q	Q	Q	UQ	UQ	UQ	
8	A	6B	Cocoa Stabilisation Fund						UQ	UQ	UQ	UQ	UQ	UQ	
9	A	7	Cocoa Coconut Institute Limited of Papua New Guinea								D	D	D	D	
10	A	8	Coffee Industry Corporation Limited				D	D	D	D	D	D	D	D	
11	A	8A	Coffee Industry Fund				D	D	D	D	D	D	D	D	
12	A	8B	Kofi Management Services Limited				D	D	Established in 2019						
13	A	8C	Patana No.61 Limited				D	D	D	D	D	D	D	D	
14	A	9	Conservation and Environment Protection Authority							Q	Established in 2017				
15	A	10	Government Printing Office			Q	Q	Q	Q	D	D	D	D	D	
16	A	11	Independence Fellowship Trust		Q	UQ	UQ	UQ	UQ	UQ	UQ	UQ	Q	Q	UQ
17	A	12	Independent Consumer and Competition Commission				UQ	UQ	UQ	UQ	UQ	Q	Q	UQ	
18	A	13	Industrial Centres Development Corporation						Q	Q	Q	Q	Q	Q	
19	A	14	Internal Revenue Commission						D	D	D	UQ	UQ		
20	A	15	Investment Promotion Authority			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
21	A	16	Kokonasi Industri Koporesen			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
22	A	16A	Papua New Guinea Coconut Extension Fund			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
23	A	16B	Papua New Guinea Coconut Research Fund			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
24	A	17	Kumul Consolidated Holdings		UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
25	A	17A	General Business Trust		UQ	UQ	Q	Q	Q	Q	Q	Q	Q	D	
26	A	17B	Kumul Technology Development Corporation Limited		UQ	UQ	UQ	Q	Q	Q	Q	D	D	D	
27	A	17C	PNG Dams Limited		UQ	UQ	UQ	UQ	UQ	UQ	UQ	Q	D	D	
28	A	18	Legal Training Institute			Q	Q	Q	Q	Q	Q	Q	Q	Q	
29	A	19	Mineral Resources Authority				Q	Q	Q	Q	Q	Q	Q	Q	
30	A	20	National Agriculture Quarantine and Inspection Authority						D	Q	Q	Q	Q	Q	
31	A	21	National Agricultural Research Institute		UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
32	A	22	National AIDS Council Secretariat		Q	UQ	UQ	Q	Q	UQ	UQ	Q	D	D	
33	A	23	National Broadcasting Corporation						D	D	D	D	D	D	
34	A	24	National Capital District Commission			D	D	Q	D	D	D	D	D	D	
35	A	24A	National Capital District Botanical Enterprises Limited						No Reports issued since 2013						
36	A	24B	Port Moresby Nature Park Limited				UQ	UQ	UQ	UQ	UQ	UQ	UQ	Q	
37	A	25	National Cultural Commission		UQ	UQ	Q	Q	Q	D	D	D	D	D	
38	A	26	National Economic and Fiscal Commission						UQ	UQ	Q	Q	Q	Q	
39	A	27	National Energy Authority				Established in 2021								
40	A	28	National Fisheries Authority				D	D	D	D	D	Q	Q	Q	
41	A	28A	Fisheries Capital Limited				Established in 2021								
42	A	29	National Gaming Control Board							Q	Q	Q	Q	Q	
43	A	29A	National Gaming Control Board Community Benefit Fund Trust							Q	Q	Q	Q	Q	
44	A	30	National Housing Corporation										D	D	
45	A	30A	National Housing Estate Limited			No Reports issued since 2010									
46	A	31	National Information and Communications Technology Authority (NICTA)						Q	Q	Q	D	D	D	
47	A	32	National Maritime Safety Authority				Q	UQ	UQ	UQ	UQ	UQ	Q	Q	
48	A	33	National Museum and Art Gallery			Q	UQ	UQ	Q	D	D	D	D	D	
49	A	34	National Research Institute				Q	Q	Q	Q	Q	UQ	UQ	UQ	

50	A	35	National Roads Authority					UQ	UQ	UQ	UQ	UQ	Q	Q
51	A	36	National Training Council		Q	Q	Q	Q	Q	Q	Q	Q	Q	Q
52	A	37	National Volunteer Service								Q	Q	Q	Q
53	A	38	National Youth Development Authority							D	D	D	D	D
54	A	39	Office of the Insurance Commissioner						D	Established in 2018				
55	A	40	Office of the Public Trustee of Papua New Guinea							D	D	D	D	
56	A	41	Oil Palm Industry Corporation										D	D
57	A	42	Ombudsman Commission of Papua New Guinea			Q	Q	Q	Q	Q	Q	UQ	Q	UQ
58	A	43	Papua New Guinea Accident Investigation Commission	UQ	UQ	UQ	UQ	Q	Q	UQ	UQ	UQ	UQ	UQ
59	A	44	Papua New Guinea Customs Service						Q	Q	Q	Q	Q	
60	A	45	Papua New Guinea Forest Authority									D	D	D
61	A	46	Papua New Guinea Immigration and Citizenship Service Authority							UQ	Q	D	D	Q
62	A	47	Papua New Guinea Institute of Medical Research			UQ	UQ	UQ	Q	Q	Q	D	D	D
63	A	48	Papua New Guinea Maritime College		Q	Q	Q	Q	Q	Q	Q	Q	D	D
64	A	49	Papua New Guinea National Institute of Standards and Industrial Technology					Q	Q	Q	Q	Q	Q	Q
65	A	50	Papua New Guinea Sports Foundation									D	D	D
66	A	51	Papua New Guinea University of Technology					UQ	UQ	UQ	UQ	UQ	Q	Q
67	A	51A	National Analytical and Testing Services Limited					D	D	Q	Q	Q	Q	Q
68	A	51B	Unitech Development and Consultancy Company Limited					D	D					A
69	A	52	Parliamentary Members' Retirement Benefits Fund								UQ	UQ	UQ	UQ
70	A	53	PNG Road Fund											
71	A	54	Road Traffic Authority			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ
72	A	55	Rubber Industry Development Board											
73	A	56	Securities Commission of Papua New Guinea					UQ	UQ	Established in 2019				
74	A	57	Security Industries Authority			UQ	UQ	UQ	UQ	UQ	Q	Q	Q	Q
75	A	58	Small and Medium Enterprises Corporation						Q	Q	Q	Q	Q	Q
76	A	59	Somare Institute of Leadership and Governance			Q	Q	Q	Q	Q	Q	Q	Q	Q
77	A	60	Tourism Promotion Authority			UQ	Q	Q	UQ	UQ	UQ	UQ	UQ	UQ
78	A	61	University of Goroka							D	D	D	D	D
79	A	61A	Unigor Consultancy Limited									D	D	D
80	A	61B	Unigor Humi Catering Limited									D	D	D
81	A	62	University of Natural Resources and Environment									A	D	Q
82	A	63	University of Papua New Guinea									D	Q	Q
83	A	63A	Unisave Limited											
84	A	63B	Univentures Limited											
85	A	64	Western Pacific University						UQ	UQ	UQ	UQ		
86	B	66	Air Niugini Limited		D	D	D	D	D	D	D	Q	Q	Q
87	B	66A	Air Niugini Cargo Limited											
88	B	66B	Air Niugini Properties Limited											
89	B	66C	Business Travel Centre Limited											
90	B	66D	Link-PNG Limited									UQ		
91	B	67	Kumul Agriculture Limited					D	A	A	A	A	A	
92	B	68	Kumul Petroleum Holdings Limited			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
93	B	68A	Eda Oil Limited			Q	Q	Q	UQ	UQ	UQ			
94	B	68B	Kumul Energy Limited			UQ	UQ	UQ						
95	B	68C	Kumul Exploration (Asia) Limited			UQ	UQ	UQ	UQ	UQ				
96	B	68D	Kumul Gas Foreland 239 B.V											No Reports Issued since 2016
97	B	68E	Kumul Gas Foreland 261 B.V											No reports issued since 2016
98	B	68F	Kumul Gas Foreland 268 B.V											No reports issued since 2016
99	B	68G	Kumul Gas Foreland 269 B.V											No reports issued since 2016
100	B	68H	Kumul Gas Niugini B.V											No reports issued since 2016
101	B	68I	Kumul Lending Co Pte Limited			UQ	UQ	UQ	UQ	UQ				
102	B	68J	Kumul LNG Limited			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
103	B	68K	Kumul Petroleum (Development) Limited								UQ	UQ	UQ	
104	B	68L	Kumul Petroleum (Investments) Limited			UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	

105	B	68M	Kumul Petroleum (Kroton) Limited			UQ	Q	Q	UQ	UQ	UQ			
106	B	68N	Kumul Petroleum (Pipeline) Limited			UQ	UQ	UQ	UQ	UQ	UQ			
107	B	68O	Kumul Petroleum (Tech and Advisory) Limited			UQ	UQ	UQ	UQ	UQ	UQ	UQ		
108	B	68P	Kumul Petroleum Marketing Pte Limited			UQ	UQ	UQ	UQ	UQ				
109	B	68Q	Kumul Security Agent Limited			UQ	UQ	UQ	UQ	UQ				
110	B	68R	NPCP Oil Company Pty Limited									No Reports Issued since 2014		
111	B	69	Kumul Telikom Holdings Limited									No Reports Issued since 2017		
112	B	70	Livestock Development Corporation Limited						A	A	A	A	A	A
113	B	71	Mineral Resources Development Company Limited				UQ	UQ	UQ	UQ	Q	D	D	D
114	B	72	Motor Vehicles Insurance Limited		UQ	Q	Q	Q	UQ	UQ	Q	Q	Q	Q
115	B	72A	Pacific MMI Insurance Limited		UQ	UQ	UQ					Included in 2020		
116	B	72B	Pacific Re Limited		UQ	UQ						Included in 2020		
117	B	73	National Airports Corporation Limited				D	D	D	D	Q	Q	Q	Q
118	B	73A	Airport City Development Limited				UQ	UQ	D	D	D	D	D	D
119	B	73B	Airports Investments Limited				UQ	UQ	UQ	UQ	UQ			
120	B	74	Niusky Limited									Q	Q	Q
121	B	75	Papua New Guinea Ports Corporation Limited		UQ	Q	Q	Q	Q	UQ	UQ	UQ	Q	Q
122	B	76	PNG DataCo Limited	UQ	UQ	UQ	UQ	UQ	UQ	UQ	Q	Q	UQ	
123	B	77	PNG Power Limited			D	D	D	D	D	D	D	D	D
124	B	78	Post (PNG) Limited			Q	Q	UQ	UQ	UQ	UQ	UQ	UQ	UQ
125	B	79	Telikom (PNG) Limited		D	D	D	D	D	D	D	D	Q	Q
126	B	79A	Bmobile (Solomon Island) Limited									No Reports Issued since 2017		
127	B	79B	DATEC (PNG) Limited		UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	UQ	
128	B	79C	Kalang Advertising Limited		D	D	D	Q	Q	Q	UQ	UQ	UQ	UQ
129	B	79C	Media Niugini Limited (EMTV)		D	D	D	D	D	UQ	UQ			
130	B	79E	PNG Directories Limited		D	D	D	D	Q	UQ	UQ	UQ	UQ	UQ
131	B	80	Water PNG Limited		Q	D	D	D	D	D	D	D	D	D
132	B	82	Bougainville Copper Limited	Q										
133	B	83	Gogol Reforestation Company Limited									No Reports Issued since 2009		

Keys:

UQ – Unqualified Opinion

Q – Qualified Opinion

D – Disclaimer Opinion

A – Adverse Opinion

ATTACHMENT 'F'

AUDITS IN ARREARS (2022 AND PRIOR YEARS) COMPLETED DURING
2023/2024 AUDIT CYCLE

No.	Section	Para No.	Entity	Audits Completed and Reports Issued	Total Units	Audits Substantially Completed	Total Units
1	A	2	Bank of Papua New Guinea	2022	1		
2	A	3	Border Development Authority and its Subsidiary			2014	1
3	A	4	Civil Aviation Safety Authority of Papua New Guinea	2022	1		
4	A	5	Climate Change and Development Authority	2020 & 2021	2		
5	A	6	Cocoa Board of Papua New Guinea and its Subsidiaries	2019 & 2020	2		
6	A	6A	Cocoa Pod Borer Project Fund	2019 & 2020	2		
7	A	6B	Cocoa Stabilisation Fund	2019 & 2020	2		
8	A	8	Coffee Industry Corporation Limited and its Subsidiaries	2020	1		
9	A	8A	Coffee Industry Fund	2020	1		
10	A	8B	Kofi Management Services Limited	2020	1		
11	A	8C	Patana No. 61 Limited	2020	1		
12	A	9	Conservation and Environment Protection Authority			2018	1
13	A	10	Government Printing Office			2022	1
14	A	11	Independent Fellowship Trust	2022	1		
15	A	12	Independent Consumers and Competition Commission	2020	1		
16	A	14	Internal Revenue Commission.	2018	1	2019	1
17	A	15	Investment Promotion Authority			2022	1
18	A	16	Kokonas Industri Koporesen and Its Subsidiaries	2021	1		
19	A	16A	Papua New Guinea Coconut Extension Fund	2021	1		
20	A	16B	Papua New Guinea Coconut Research Fund	2021	1		
21	A	17	Kumul Consolidated Holdings and its Subsidiaries	2022	1		
22	A	17A	General Business Trust	2022	1		
23	A	17B	Kumul Technology Development Corporation Limited	2022	1		
24	A	17C	PNG Dams Limited	2022	1		
25	A	18	Legal Training Institute	2021	1	2022	1
26	A	21	National Agricultural Research Institute	2021 & 2022	2		
27	A	22	National AIDS Council Secretariat	2022	1		
28	A	23	National Broadcasting Commission Limited	2018	1		
29	A	24	National Capital District Commission and its Subsidiaries	2020 & 2021	2	2022	1
30	A	25	National Cultural Commission	2022	1		
31	A	27	National Energy Authority			2021 & 2022	2
32	A	28	National Fisheries Authority			2021 & 2022	2
33	A	29	National Gaming Control Board and Its Subsidiaries	2017	1		
34	A	29A	National Gaming Control Board Community Benefit Trust Fund	2017	1		
35	A	34	National Research Institute	2018, 2019 & 2020	3	2021 & 2022	2
36	A	35	National Roads Authority			2020	1
37	A	36	National Training Council	2022	1		
38	A	38	National Youth Development Authority			2018-2022	5
39	A	40	Office of Public Trustee of Papua New Guinea	2014, 2015 & 2016	3		
40	A	42	Ombudsman Commission of Papua New Guinea	2020 & 2021	2	2022	1
41	A	43	Papua New Guinea Accident Investigation Commission	2022	1		
42	A	44	Papua New Guinea Customs Service			2019 to 2021	3
43	A	48	Papua New Guinea Maritime College	2022	1		
44	A	49	Papua New Guinea Institute of Standards & Industrial Technology			2020 & 2021	2
45	A	51	Papua New Guinea University of Technology & its Subsidiaries	2019	1	2020	1
46	A	51A	National Analytical & Testing Services Limited.	2018 & 2019	2		
47	A	51B	Unitech Development and Consultancy Company Limited	2018 & 2019	2		
48	A	52	Parliamentary Members' Retirement Benefit Fund			2017 to 2020	4
49	A	56	Securities Commission of Papua New Guinea			2021	1
50	A	57	Security Industries Authority	2021	1		
51	A	58	Small and Medium Enterprises Corporation			2019 & 2020	2
52	A	60	Tourism Promotion Authority	2021	1		
53	A	61A	Unigo Consultancy Limited			2016 to 2018	3
54	A	61B	Unigo Catering Service Limited			2016 to 2018	3
55	B	66	Air Niugini Limited and its Subsidiaries	2022	1		
56	B	68	Kumul Petroleum Holdings Limited and its Subsidiaries	2021	1		
57	B	68A	Eda Oil Limited	2020 & 2021	2		
58	B	68B	Kumul Energy Limited	2019 to 2021	3		
59	B	68C	Kumul Exploration (Asia) Limited	2021	1		
60	B	68 I	Kumul Lending Co. Pte Limited	2021	1		
61	B	68J	Kumul LNG Limited	2021	1		
62	B	68K	Kumul Petroleum (Development) Limited			2017 & 2018	2
63	B	68L	Kumul Petroleum (Investments) Limited	2021	1		
64	B	68M	Kumul Petroleum (Kroton) Limited	2021	1		
65	B	68N	Kumul Petroleum (Pipeline) Limited	2021	1		

No.	Section	Para No.	Entity	Audits Completed and Reports Issued	Total Units	Audits Substantially Completed	Total Units
66	B	68O	Kumul Petroleum (Tech and Advisory) Limited	2021	1		
67	B	68P	Kumul Petroleum Marketing Pte Limited	2021	1		
68	B	68Q	Kumul Security Agent Limited	2021	1		
69	B	68R	NCPC Oil Company Pty Limited			2015 to 2018	4
70	B	72	Motor Vehicles Insurance Limited and its Subsidiaries	2022	1		
71	B	73	National Airports Corporation Limited and its Subsidiaries	2020	1		
72	B	73A	Airports City Development Limited	2019 & 2020	2		
73	B	73B	Airport Investments Limited	2019 & 2020	2		
74	B	76	PNG DataCo Limited	2022	1		
75	B	77	PNG Power Limited	2022	1		
76	B	78	Post (PNG) Limited	2022	1		
77	B	79	Telikom (PNG) Limited and its Subsidiaries	2022	1		
78	B	79A	Bmobile (Solomon Island) Limited			2018, 2019 & 2020	3
79	B	79B	DATEC (PNG) Limited	2022	1		
80	B	79C	Kalang Advertising Limited	2022	1		
81	B	79D	Media Niugini Limited (EMTV)	2022	1		
82	B	79E	PNG Directories Limited	2022	1		
83	B	80	Water PNG Limited	2022	1		
					<u>83</u>		<u>48</u>

SECTION A

PUBLIC BODIES AND THEIR SUBSIDIARIES

1. FOREWORD

This Section of my Report deals with the audit of public bodies and their subsidiaries.

The auditing and reporting requirements of the public bodies and their subsidiaries are stipulated in *Section 8* of the *Audit Act*. My findings in that regard are detailed in paragraphs **2** to **64** of this part of my Report.

2. BANK OF PAPUA NEW GUINEA

2.1 INTRODUCTION

2.1.1 Legislation

The Bank of Papua New Guinea (BPNG) was established under the *Central Banking Act (Chapter 138)*. This Act was in operation until 16 June 2000 when it was repealed and replaced by the *Central Banking Act 2000*. Further amendments to the Principal Act were made under the *Central Banking (Amendment) Act 2021* and certified on 22 December 2021.

2.1.2 Objectives of the Bank

The main objectives of the Bank of PNG as stipulated in the new Act are to:

- formulate and implement the monetary policy with a view to achieving and maintaining price stability, promoting employment and economic growth, especially of the non-mineral and non-petroleum sector;
- formulate financial regulation and prudential standards to ensure stability and development of the financial system in PNG;
- promote an efficient national and international payments system; and
- provide efficient and responsive banking services to the Government.

2.1.3 Functions of the Bank

The primary functions of the Bank are to:

- issue currency;
- act as banker and agent of the Government;
- regulate banking, credit and other financial services as empowered by the Act or by any other law of the Independent State of PNG;
- manage the gold, foreign exchange and other international reserves of PNG;
- perform any function conferred on it by or under international agreement to which PNG is a party;
- perform any other functions conferred on it by or under any other law of PNG; and
- advise the Minister as soon as practicable where the Bank considers that a body regulated by the Central Bank is in financial difficulty.

2.1.4 Structural Reforms at the Bank

In addition to the *Central Banking Act*, three (3) other Acts were legislated in 2000 which gave additional responsibilities to the Bank. These other Acts are:

1. *Banks and Financial Institutions Act 2000*;
2. *Superannuation Act 2000*; and
3. *Life Insurance Act 2000*.

Each of these Acts provide additional responsibilities to the Bank.

2.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

2.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Bank's financial statements for the year ended 31 December 2022 was issued on 14 March 2024. The report contained a Qualified Opinion.

“QUALIFIED OPINION

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraphs below:

- (a) the financial statements of Bank of Papua New Guinea for the year ended 31 December 2022:
 - (i) give a true and fair view of the financial position and of its financial performance and cash flows for the year then ended; and
 - (ii) comply with the *International Financial Reporting Standards, Central Banking Act 2000 (as amended)* and other generally accepted accounting practice in Papua New Guinea; and
- (b) proper accounting records have been kept by the Bank as far as it appears from my examination of those records; and
- (c) I have obtained all the information and explanation that were required.

BASIS FOR QUALIFIED OPINION

Opening Balances

A qualified opinion was issued in relation to the financial statements of the Bank for the year ended 31 December 2021 pertaining to classification of Financial Instruments. I was unable to perform alternative procedures over the opening balances. Since the opening balances enter into the determination of the results of the operations, equity movements and the cash flows of the Bank for the year ended 31 December 2022, any adjustments necessary on such opening balances would have a consequential effect on the financial performance, equity movements and cash flows for the year ended 31 December 2022. I was unable to determine whether any such adjustments might be necessary for the year ended 31 December 2022 and associated corresponding figures.

Inscribed Stock

As disclosed in *Note 10* to the Financial Statements, the Bank has Inscribed Stock amounting to K2.377 billion at 31 December 2022 and K2.226 billion at 31 December 2021. The Bank has an accounting policy of carrying the Inscribed Stock at fair value through profit or loss. In my opinion, the Inscribed Stock meets the classification criteria of amortized cost, and accordingly the classification of Inscribed Stock does not comply with *IFRS 9 Financial Instruments*.

Had the Bank classified Inscribed Stock as measured at amortized cost, a carrying value of K1.989 billion would have been recorded at 31 December 2022 and K2.042 billion at 31 December 2021, after recognizing expected credit losses. Total equity would have been reduced by K390.6 million at 31 December 2022 and K140.9 million at 31 December 2021. In addition, the fair value revaluation gain on domestic investments recorded in the statement of profit or loss and other comprehensive income would have decreased by K263.4 million for the year ended 31 December 2022 and K55.3 million for the year ended 31 December 2021, interest income would have been increased by K1.0 million for the year ended 31 December 2022 and K7.7 million for the year ended 31 December 2021, credit loss expense would have decreased by K1.6 million for the year ended 31 December 2022 and K4.1 million for the year ended 31 December 2021 and the loss for the year would have been increased by K260.8 million for the year ended 31 December 2022 and K43.4 million for the year ended 31 December 2021.”

2.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Bank for the year ended 31 December 2022 was issued on 14 March 2024. The report contained the following significant issues:

Currency in Circulation

Disclosed in *Note 18* to the financial statements is currency in circulation liability amounting to K2.968 billion at 31 December 2022 and K2.654 billion at 31 December 2021. The currency in circulation liability does not include an allowance for balances of bank notes and coins in circulation that have been destroyed outside the Bank and therefore no longer represent legal tender. I was unable to obtain sufficient and appropriate audit evidence to support the carrying value of currency in circulation at 31 December 2022. Accordingly, I was unable to determine what adjustments might be necessary to the statements of financial position at 31 December 2022 and 31 December 2021, and the statements of profit or loss and other comprehensive income, statements of cash flows and statements of changes in equity for the year ended 31 December 2022, and for the corresponding period.

I have recommended the Bank to review and consider methodologies or processes for estimating amounts of currency in circulation that may never be returned to the bank representing obligations that ceased to exist. I understand through discussions and responses from the Bank that work is on-going to resolve this issue.

Valuation and Accounting for Properties

During my assessment of the measurement and valuation of properties, I noted that the Bank engaged three (3) separate independent external valuers to perform valuation of fifteen (15) properties owned by the Bank. The results of this exercise contained significant differences between the property values determined by these three (3) valuers for the same properties. In addition, I noted that the Bank's accounting policy does not contain consistent guidance on which valuation reports to be adopted and how to select the values to adopt for the properties. This leaves discretion to management to determine the values to adopt which might not be consistent and potentially create management bias in the selection of values to adopt.

I recommended management to update its policy to make use of single, qualified and reputable valuer or that if the current policy for three (3) valuers is to be maintained, update its accounting policy to provide guidance on the approach to adopt property valuations.

Management responded to my observation as follows:

“Finance and Accounting Department (FAD) to change its current Practice/Accounting Policy to utilise a single qualified, reputable and competent external valuer and FAD to update its accounting policy to include additional valuer to affirm reasonableness of the reported values in situation of disparities.”

Internal Controls over the Administration on Foreign Investments

During my testing of foreign investments, I noted the following issues:

- Several securities did not have authorizations given on the deal master sheet;
- In-house sale and maturities samples had significant variances between the deal master sheets and the Swift confirmations;
- There were missing security deal master sheets for the in-house acquisitions or purchase; and
- There were differences in deal date between the deal master sheet and the Swift reports for several securities.

I brought to the attention of the management the risks associated with the issues noted and, recommended that more stringent reviews are performed by the front office/middle office to limit errors on deals that are entered into Customers Relationship Management Software (CRMS). Management responded to my observations as follows:

“Back-Office to effectively implement existing controls by ensuring that all deal sheets are properly authorized by front/middle office before processing, maintain a Master register that captures all trade deals and be signed off by the manager daily and to recruit an officer to manage proper filing.”

General Information Technology Controls (ITGC)

During my review of ITGCs, I noted again as in my 2021 report weaknesses that requires management attention and improvement. Those that were identified were discussed in detail with the Bank and summarized as follows:

- Weak password configurations on the key business applications and network;
- Use of shared accounts with privileged access on key business systems;
- Untimely user access rights removal on key business systems;
- Lack of robust process to grant temporary access to third party vendors;
- Inaccurate interest income calculations due to CRMS data interface issues;
- Lack of monitoring of change logs and inability to provide audit evidence;
- Improper system decommissioning of OPICS system due to license expirations;
- Inaccurate completion of baseline forms for new users in the BPNG network and system;
- Lack of timely reviews and update of information security policies; and
- Lack of user acceptance testing and system interface testing documentation for CRMS.

Due to the nature of the Bank and its various systems being dependent on Information Technology platforms, I recommended management to ensure a robust IT environment within the Bank.

2.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the audit and inspection of the accounts and records and the examination of the financial statements of the Bank for the year ended 31 December 2023 was in progress.

3. BORDER DEVELOPMENT AUTHORITY AND ITS SUBSIDIARY

3.1 INTRODUCTION

3.1.1 Legislation

The Border Development Authority was established under the *Border Development Authority Act 2008*. This Act came into operation on 9 October 2008. However, this Act was repealed and the Border Development Authority was abolished by Parliament through *Border Development Authority (Repeal) Act 2019*.

3.1.2 Objectives of the Authority

The objectives of the Authority are to manage and fund development activities in the Border Provinces of PNG and to make provision for the functions and powers of the Authority and for related purposes.

3.1.3 Functions of the Authority

The functions of the Authority generally are to consult with relevant agencies and to supervise and co-ordinate all development activities in each of the border provinces and, without prejudice to the generality of the foregoing, are:

- the co-ordination of the planning and implementation of capital works, infrastructure and socio-economic programs in respect to:
 - education, health care, road networks, communications, transport system, electricity, water, sewerage and all activities relevant to the improvement of basic living standards in the border provinces;
 - liaison with public bodies, non-government organisations and private enterprise in identifying and negotiating sources of funding for short to medium-term activities;
 - the co-ordination of the development of specifications for contracts for all capital and infrastructure works and the advertising, evaluation and awarding of such contracts;
 - the supervision and monitoring of the implementation of all contracts relating to such capital and infrastructure works;
 - the transformation of border provinces into agro-financial sectors by developing their respective natural resources; and
 - the promotion of investors, both foreign and local, into the border provinces and to encourage and facilitate international cross-border and inter-border trade.

- the establishment of programs and regulatory framework for immigration including the monitoring of immigrants and immigrant activity along the border with respect to:
 - the establishment of proper state of the art offices and facilities for relevant government agencies, including customs, immigration, quarantine, police, defence force, such as security monitoring systems, communications, transport, electricity, water, sewerage, staff accommodation, computers and all other facilities that would be relevant to the administration of border activities;
 - the establishment of dialogue and co-operation with the respective cross-border authority or government for the prevention of diseases, drug trafficking, human smuggling, money laundering and other illicit activities; and
 - the development of long-term activities for the establishment of infrastructure and other facilities.
- such other functions as are likely to assist in the border administration activities.

3.1.4 Subsidiary of the Authority

The Subsidiary of the Authority is *Papua New Guinea Maritime Transport Limited*. Comments in relation to the Company are contained in paragraph 3A of this Report.

3.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, I noted that the Authority was abolished by Parliament in 2019. The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2014 has been completed, however, I was unable to evaluate the results and complete the report.

The Authority has submitted its financial statements for the years ended 31 December 2015, 2016 and 2017 for my inspection and audit. However, my efforts to conduct these audits were unsuccessful as the Authority's Office located at the NDB Building in Waigani was locked. In addition, my attempts to locate the current Office were unsuccessful.

The Authority has not submitted its financial statements for the years ended 31 December 2018 and 2019 for my inspection and audit.

Further, I was unable to establish whether proper procedures were followed to account and dispense or transfer assets and liabilities in the custody of the Authority back to the State or its nominated State agencies since its abolishment.

3A. PAPUA NEW GUINEA MARITIME TRANSPORT LIMITED (Subsidiary of the Border Development Authority)

3A.1 INTRODUCTION

3A.1.1 Legislation

The Papua New Guinea Maritime Transport Limited was incorporated under the *Companies Act* on 3 September 2009. The Company is wholly owned by the Border Development Authority.

I noted that the *Border Development Authority Act 2008* was repealed and therefore Border Development Authority was abolished by Parliament through *Border Development Authority (Repeal) Act 2019*.

3A.1.2 Function of the Company

The primary function of the Company is to take charge of the management and operations of seven vessels acquired and maintained by the Border Development Authority. The vessels are to serve the border provinces and other maritime provinces in the country.

3A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2013 to 2023 for my inspection and audit, despite numerous reminders.

Although the parent entity was abolished in 2019, I will continue to report on Papua New Guinea Maritime Transport Limited until this subsidiary Company is fully liquidated and deregistered from the Registrar of Companies.

4. CIVIL AVIATION SAFETY AUTHORITY OF PAPUA NEW GUINEA

4.1 INTRODUCTION

4.1.1 Legislation

The Civil Aviation Safety Authority (CASA) of Papua New Guinea was established on 1 January 2010 after the enactment of the *Civil Aviation Act 2000 (as amended)*.

4.1.2 Functions of the Authority

The principal functions of the Authority are to:

- undertake activities that promote safety in civil aviation at a reasonable cost;
- ensure the provision of air traffic services, aeronautical communications services and aeronautical navigation services; and
- ensure the provision of meteorological services and science.

4.2 AUDIT OBSERVATIONS

4.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Authority for the years ended 31 December 2022 and 2023 were issued on 31 January 2024 and 4 July 2024 respectively. The reports contained similar Qualified Opinions, hence, only the 2023 report is reproduced:

“QUALIFIED OPINION

In my Opinion except for the effect of the matter described in the Basis for Qualified Opinion paragraph below:

- (a) The financial statements of Civil Aviation Safety Authority for the year ended 31 December 2023;
 - (i) give a true and fair view of the financial position and the results of its financial performance and cash flows for the year ended on that date; and
 - (ii) the financial statements have been presented in accordance with the *International Financial Reporting Standards* and other generally accepted accounting practice in Papua New Guinea;

- (b) Proper accounting records have been kept by the Authority, as far as it appears from my examination of those records; and
- (c) I have obtained all the information and explanation required.

BASIS FOR QUALIFIED OPINION

Non-disclosure of Value of Land

Note 17 to the financial statements discloses the Authority's Property, Plant, and Equipment at a net book value of K6.8 million (2022: K7.7 million). The land and building of the Authority should have distinct values per the valuation report, however, I noted that no values were disclosed under the land.

Civil Aviation Safety Authority was granted the proposed Subdivision of Portion 2437, Granville (7mile) National Capital District (NCD). The NCD Physical Planning Board granted the approval under *Section 94* of the *Physical Planning Act*.

IAS 16, Property, Plant, and Equipment, paragraph 34, requires land and buildings to be revalued every three (3) or five (5) years. The non-valuation of land is a non-compliance of *IAS 16*.

I noted that the valuation done in 2018 covered only the buildings while the land on which those buildings are was not valued nor recorded in the Fixed Assets Register (FAR). As a result, I am unable to conclude on the appropriateness of the value of the fixed assets in the financial statements as of 31 December 2023.”

5. CLIMATE CHANGE AND DEVELOPMENT AUTHORITY (formerly Office of Climate Change and Development)

5.1 INTRODUCTION

5.1.1 Legislation

The Office of Climate Change and Development (OCC&D) was created on 22 March 2010 through *NEC Decision No. 54/2010*. On the same date, the NEC in its *Decision No. 53/2010* had noted and approved *NEC Decision No. 181/2009* which abolished the former Office of Climate Change and Environmental Sustainability (OCC&ES). The former OCC & ES was created in 2009 and operated under the Department of Environment and Conservation.

On 10 November 2011, the NEC through its *Decision No. 96/2011* had approved to rescind and amend *NEC Decision No. 53/2010, 54/2010 and 55/2010* and approved for the creation and establishment of *PNG Climate Change Authority (PNGCCA)*. However, SCMC in its meeting held on 22 May 2012 had withheld the submission of the organisational structure as the certified governing Act was not in place.

On 27 November 2012, the NEC approved to rescind whole of *NEC Decision No. 96/2011 of 10 November 2011*. As a result, establishment of the PNG Climate Change Authority was abandoned. However, on 28 July 2015, the National Parliament passed the *Climate Change (Management) Act 2015 (as amended)* and certified by the Acting Speaker of the National Parliament on 20 November 2015. The Climate Change and Development Authority came into existence on that date.

5.1.2 Objectives of the Authority

The objectives of the Authority are to provide a coordination mechanism at the national level for research, analysis and development of the policy and legislative framework for the management of climate change within the *Government's National Strategy on Climate-Compatible Development (CCD)* as per *NEC Decision No. 55/2010*.

5.1.3 Functions of the Authority

Major functional responsibilities of the Authority are:

- policy development:
 - adopt and incorporate national strategies and plans on climate change compatible development into the national development strategies and plans;
 - coordinate and facilitate the implementation of the National Strategy on Climate Compatible Development;
 - align national development policies and plans to ensure climate compatibility across different government departments;

- commission research and development to support the development of a comprehensive greenhouse gas inventory and a more comprehensive understanding of the impacts of climate change in the country; and
- formulate and refine the policy framework and legislation.
- coordination of projects and programs:
 - coordinate with relevant government departments, NGOs, Private Sectors and indigenous landowners (or local forest custodians) to implement and manage pilot projects, demonstration projects and programs.
- stakeholder management and consultation:
 - collaborate and coordinate with development partners to inform and improve upon the Government’s preliminary policy initiatives;
 - coordinate the development of a robust Measurement, Reporting and Verification (MRV) system and a fair and equitable benefit sharing mechanism to protect rights and interest of resource owners; and
 - communicate to the people of PNG the benefits (economic, social and environmental) arising from the implementation of the National Strategy for Climate Compatible Development.
- funding and international negotiations:
 - implement a national financial strategy in collaboration with development partners to build capacity for Reducing Emissions from Deforestation and Forest Degradation Plus Conservation, Sustainable Forest Management and Carbon Stocks Enhancement (REDD+) and other aspects of climate compatible development; and
 - support the Government of PNG with the international climate change negotiations and climate change funding in order to provide consistent and reliable data and finances to improve and sustain forest governance and livelihoods of the forest communities.

5.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

5.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Authority for the years ended 31 December 2020 and 2021 were issued on 19 September 2023 and 8 April 2024 respectively. The 2020 report contained a Qualified Opinion while the 2021 report contained a Disclaimer of Opinion, hence, only the 2021 report is reproduced:

“DISCLAIMER OF OPINION

Because of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs below, I was not able to obtain sufficient appropriate audit evidence and accordingly, I am unable to and do not express an opinion on the financial statements of the Climate Change and Development Authority for the year ended 31 December 2021.

BASIS OF DISCLAIMER OF OPINION

Limitation of Scope – Personnel Emoluments – K5,032,154

The Authority disclosed balances of K4,132,482 and K899,672 in the statement of cash receipts and payments as Personnel Emoluments paid by the Department of Finance through the Alesco Payroll and paid directly by the Authority. I was unable to perform the required audit procedures to ascertain the occurrence, validity, completeness and accuracy of these respective balances due to unavailability of the following documents:

- Alesco Payroll files;
- Staff Personal files;
- Employment Contracts for selected officers;
- Recruitment documents;
- Termination/Retirement and Resignation documents; and
- A requested sample of payment vouchers totaling K234,802 for payments made internally by the Authority.

As a result, I was not able to conclude on the occurrence, validity, accuracy and completeness of these respective Personnel Emoluments balances presented in the financial statements.

Limitation of Scope – Goods and Services – K3,931,228

I was not able to verify payments totalling K2,549,134 as the respective payment vouchers were missing and not provided for my verification. Included in this balance of unverified payments are travel and subsistence expenses amounting to K897,385 which constituted 71% of the total travel related costs paid by the Authority in 2021.

The absence of sufficient and appropriate supporting documentations had placed a scope limitation on my audit procedures. Consequently, I was not able to ascertain the occurrence and the validity of the above payments and conclude on the accuracy and completeness of the respective expenditure balances presented in the financial statements.

Limitation of Scope - Distinct Administration Expenses – K3,989,174

Disclosed in the Statement of Payments of Cash Receipts and its corresponding *Note 3d* is a new line item 'Distinct Administration Expenses' with a balance of K3,989,174. My examination of the related accounts and records revealed the following discrepancies:

- Payments totaling K245,141 related to expenditure in arrears, minister's office and revenue consultations accounts were missing and not provided for my review. Further, my review of a total of K227,650 payments relating to these aforementioned accounts lacked sufficient and appropriate supporting documents to enable me to test the validity, accuracy and completeness of related transactions and to subsequently draw my conclusions on; and
- Payments amounting to K1,700,088 worth of payments representing 69% of total Conference of the Parties (COP) Meeting expenditures were missing and not provided for my audit. In addition, a total of K711,423 worth of payments for COP Meetings that were verified were not backed with sufficient and appropriate documents including relevant acquittals.

In view of the above observations, I was not able to obtain sufficient and appropriate audit evidence to conclude on the occurrence, validity, accuracy and completeness of the balance of K3,989,174 disclosed as Distinct Administrative Expenses in the financial statements.

Limitation of Scope – Expenditure in arrears – K5,239,480

Disclosed in *Note 6* to the financial statements are expenditures in arrears totaling K5,239,480. I noted that the balance was reduced by K148,520 from the 2020 balance of K5,388,000. The Authority was also unable to provide sufficient supporting documentations in relation to the expenditure in arrears balance of K5,239,480 including amounts settled in 2021 for my review as well as properly disclose how these liabilities were incurred, who the creditors were and how these liabilities will be settled in due course.

Accordingly, I was unable to conclude on the accuracy, completeness and existence of the balance of expenditure in arrears as disclosed in *Note 6* to the financial statements as well as the balance of arrears paid in 2021.”

5.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Authority for the years ended 31 December 2020 and 2021 were issued on 19 September 2023 and 8 April 2024 respectively. The reports contained similar observations, hence, only the 2021 report is reproduced:

Governance Structure and Internal Control Environment

My review on the governance structure and internal control environment of the Authority revealed the following recurring observations:

- The Authority, since its inception has been operating without a Board to provide guidance over the exercise of its functions and powers consequently breaching *Part II, Division 2* of the *Climate Change (Management) Act 2015 (as amended)* which requires the establishment of a Board;
- An Internal Audit Unit has been included in the Authority's organizational structure. However, the unit has not been established to review various processes and systems and to provide necessary recommendations for the management to improve on the internal control weaknesses. The Internal Auditor position has remained vacant to date; and
- The Authority's existing operational and financial procedural manual was outdated and no longer in use. Further, it was generic and contents were not tailored to provide sufficient and clear guidance and procedures to management including its staff to carry out tasks in line with guidelines that are applicable to the Authority.

Due to the above observations, I was not able to gain comfort and conclude on the effectiveness of a good corporate governance structure including sound internal control environment within the Authority.

I informed the management to seriously look into the issues highlighted and start addressing the recommendations provided.

The management responded to all the observations highlighted in my management letter and agreed to implement my recommendations.

Bank Reconciliations

My review of the controls surrounding the cash management of the Authority revealed that there was no segregation of duties in the bank reconciliation function. There was no evidence of the preparer and the reviewer's name as well as the preparer's signature including the dates the reconciliations were prepared and reviewed to confirm that the reconciliations have been reviewed for accuracy and that the reconciliations were done in a timely manner. I also noted that the reconciliations were manually prepared using the excel spreadsheet.

As a result, I was not able to place reliance on the effectiveness of the controls over cash management function of the Authority.

I recommended the management to ensure persons responsible for preparing and reviewing the bank reconciliations should have their names, signatures and dates on the bank reconciliations to confirm reconciliations are accurately prepared and reviewed on a timely basis. I also suggested to the management to consider utilizing the bank reconciliation module available in MYOB accounting package.

Management concurred with my recommendations and agreed to take necessary corrective actions.

Petty Cash

I observed significant deficiencies on the internal controls surrounding the management and use of petty cash. There was no petty cash policy in place to determine the use and acquittal of petty cash advances including the petty cash float amount. In addition, the Authority did not maintain a petty cash register to properly account for the use and management of petty cash although a significant amount was expended as petty cash payments in 2021.

I cautioned management that cash is very liquid in nature and without stringent controls in place to safeguard its usage and management, there is a high risk of abuse and fraudulent activities taking place without being detected.

I further recommended the management of the Authority to consider having in place a petty cash policy and a register to safeguard the use and handling of petty cash. In addition, management should also ensure that petty cash custodians acquit advances previously received prior to requesting for replenishments.

Management took note of my recommendations and stated that the petty cash policy has been drafted and will be implemented soon.

Fixed Assets Management

I noted the following significant recurring control deficiencies in relation to the management of Fixed Assets of the Authority:

- **Non-Maintenance of Fixed Assets Register (FAR)**

Section 62(1) of Public Finance (Management) Act 1995 (as amended) and Financial Management Manual Instruction Part 32 require all public bodies to ensure that adequate control is maintained over its assets, or assets in its custody. However, the Authority has not maintained a Fixed Assets Register as the main control mechanism to capture the value and the ownership over all its assets posing a high risk of assets being misused or lost through theft. During the course of my audit, I was only provided with a motor vehicle inventory listing.

The lack of maintenance of a FAR signifies a major control deficiency over the Authority's asset management.

I recommended the Authority to seriously look into this recurring issue and have in place a Fixed Assets Register which should capture all the important particulars of assets such as purchase dates, asset number and value.

- **Fixed Assets Policy Manual**

The Authority over the years including 2021 did not have an approved fixed assets policy manual to guide the purchase, usage and management of the fixed assets. A policy on fixed assets should contain the procedures and guidelines such as:

- General information on how to classify and record fixed assets;
- Depreciation methods and rates if applicable;
- A set threshold where all items above certain monetary value should be capitalized and recorded in the fixed assets register and certain items expensed;
- The allocation of assets;
- Process of acquiring new assets and disposals; and
- Process involved in replacement of assets when damaged or stolen.

In the absence of an approved fixed assets policy, I was unable to comment on whether management has in place an effective internal control system over fixed assets under its custody and control.

I recommended that the Authority have in place an approved assets manual/policy to guide the management of its assets.

The management took note of my finding and informed me that an assets policy document has been produced awaiting management's approval for implementation.

- **Stock-Take**

As reported in my previous years' audits, there was still no periodic stock-take done on all fixed assets owned and controlled by the Authority during the year under review.

Without the appropriate stock-take verification exercise, assets that are obsolete, damaged or disposed may not be identified and recorded accurately.

I recommended management to ensure regular physical stock-take exercises are undertaken on all assets to properly identify the existence, conditions and subsequently report on their correct values.

The management took note of the recommendations and advised that an officer will be assigned to fully focus on the stock-take verification exercise.

Motor Vehicles provided to officers who were not entitled to

I noted that four (4) officers of the Authority were provided motor vehicles with fuel on a 24-hour basis even though their employment contracts did not attract this benefit. Further, I did not sight any approval correspondences from the Salaries and Condition Monitoring Commission (SCMC) or the Department of Personnel Management approving this benefit to the concerned officers.

As a result, I was not able to confirm the basis on which the above benefit was provided to these officers.

I sought explanation from the management and was advised that due to high operational responsibilities within the MD's Office and the Finance Branch, previous management gave the endorsement for the concerned officers to have the vehicles. However, the Authority will consider the decision going forward.

Payment of Vehicle Allowances to Officers Provided with Official Vehicles

My review of the employment-related benefits of staff of the Authority revealed that three (3) senior officers of the Authority were each provided with vehicles for twenty-four (24) hours use with fuel and were also paid vehicle allowances. Pursuant to the *General Order 9*, contract officers are to benefit either from the vehicle allowance or a motor vehicle provided by the Authority, not both. Accordingly, this could be viewed as double dipping in terms of benefits derived by the employees.

I recommended the Authority to immediately cease such improper practices and concerned officers be given the option on whether to forgo their vehicle allowances and be given a vehicle or vice versa.

Management subsequently informed me that the Authority has taken note of this issue and will implement my recommendation accordingly.

Other Receipts – Carbon Levy

Section 38 of the *Climate Change (Management) Act 2015 (as amended)*, requires that all levies received by the Authority should be paid to the Trust Fund (Climate Change & Green Growth Trust Fund). Further, under *Section 39(2)* of the Act, the Trust Fund shall be authorised to hold monies to provide grant and loan funding to finance any climate change related activities or programs in Papua New Guinea or other payments as approved by the Board. My audit noted that a total of K8 million was transferred by the Department of Finance as Carbon Levy, but was however, deposited into CCDA's main operating account to be used. Further, I was not provided with sufficient supporting documentations to conclude on whether the levies received were used for its intended purpose or not.

I recommended the Authority to consider establishing a Trust Fund in accordance with the requirements of *Section 38* of the *Climate Change (Management) Act 2015 (as amended)* and to properly account and monitor all Carbon Levies collected and its related spending as per *Section 39(2)* of the aforementioned Act.

Management responded that it has already written to the Department of Finance to assist with the set up of the various trust accounts for proper accounting and auditing purposes.

Internal Payments – Personnel Emoluments

My examination and review of salaries and allowances including wages for short-term contract officers as well as overtime and higher duty allowances paid internally by the Authority revealed the following discrepancies:

- There was no evidence of reviews done by Senior HR Personnel on the payroll calculation sheets prepared by the personnel officer for accuracy and to ensure that calculations and other supporting documents were in order before cheques were raised for payments/kundupe files sent to the bank;
- Salary and Wages Tax deducted for short term contract and casual staff of the Authority including deductions made for manual back payments for Higher Duty Allowances were not remitted to Internal Revenue Commission (IRC) breaching *Section 299G* of the *Income Tax Act 1959 (as amended)*; and
- Work time reports and attendance sheets for each pay period covered were not sighted to validate the actual hours worked.

Due to the above observations, I was not able to gain comfort over the effectiveness and adequacy of controls surrounding the Payments and Human Resources Management of the Authority.

I drew management's attention on the weaknesses identified and recommended for immediate remedial actions.

Bonus Payments

A total of K270,000 was paid to nine (9) officers of CCDA as bonuses of K30,000 each amounting to K270,000 of which K60,000 was subsequently reimbursed by two (2) officers reducing the balance to K210,000 as at the year end. In the absence of sufficient and appropriate supporting documentations, I was not able to ascertain the reasonableness of the bonus payments and/or verify against the set guideline/criteria the Authority used to base these payments in line with the terms and conditions as set by Salaries and Condition Monitoring Commission (SCMC) or the Department of Personnel Management.

I sought clarity from management on this issue and was advised as follows:

“The bonuses that were paid was under the instruction from the Revenue Team endorsed by the Secretary for DoF. It is a one-off payment to the officers who were involved in the revenue generation for CCDA for the first time. The documents concerning the bonuses is with the Finance team for further viewing. However, we appreciate the recommendations put forward for the future consideration.”

Travel Acquittals Register

The Authority did not maintain a travel acquittals register in 2021 and prior years to register and acquit for duty travel expenditures within the given timeframe breaching *Financial Management Manual Part 20 paragraph 11.2 and 12.10* respectively.

I reminded the management that although travel is necessary for the Authority to discharge its duties, it also provides opportunities or incentives for abuse and misappropriation to occur. Accordingly, I was unable to conclude on the design and implementation of the controls surrounding the management of travel related expenditures of the Authority.

I recommended the Authority to have in place a travel acquittal register and all staff on duty travel must acquit within the given timeframe as specified in the *Financial Management Manual*. Stringent penalties should be imposed on those officers who fail to acquit public funds advanced to them.

Payments lacking three (3) Quotations

My review of the expenditure accounts and records including the procurement process of the Authority revealed that payments totalling K230,607 were made without obtaining three (3) quotations from three (3) different suppliers. I did not sight any documented justification for choosing one particular supplier of goods/services as required by the *Financial Management Manual, Part 12, Div. 3 Para 9*.

I stressed to the Authority that non-adherence to standard procedures and processes is an indicative of an ineffective internal control system and recommended the Authority to comply with the requirements of *Financial Management Manual, Part 12, Div. 3 Para 9* in the procurement of goods and services.

5.3 STATUS OF FINANCIAL STATEMENTS

The Authority has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

6. COCOA BOARD OF PAPUA NEW GUINEA

6.1 INTRODUCTION

6.1.1 Legislation

The Cocoa Board of Papua New Guinea was established under the provisions of the *Cocoa Act 1981*.

6.1.2 Functions of the Board

The principal functions of the Board are to:

- control and regulate the growing, processing, marketing and export of cocoa and cocoa beans and the equalisation and stockholding arrangements within the cocoa industry;
- promote research and development programmes for the benefit of the cocoa industry; and
- promote the consumption of PNG cocoa beans and cocoa products.

6.1.3 Subsidiary of the Board

The Cocoa Coconut Institute Limited of PNG (*formerly PNG Cocoa and Coconut Research Institute*) was amalgamated with PNG Cocoa and Coconut Extension Agency Limited in 2003. The Institute is owned equally by the Cocoa Board and the Kokonas Industri Koporesen (KIK) of PNG. Comments in relation to the Cocoa Coconut Institute Limited of PNG are contained in paragraph 7 of this Report.

6.1.4 Project and Stabilisation Funds

The Board as a Trustee administers the *Cocoa Stabilisation Fund* as required under Part IV and VI of the *Cocoa Act 1981*. Further, the Board manages the *Cocoa Pod Borer Project Fund* as well. Comments in relation to the Funds are contained in paragraphs 6A and 6B of this Report respectively.

6.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

6.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Board for the years ended 31 December 2019 and 2020 were issued on 22 November 2023. The report contained similar Qualified Opinions; hence, only the 2020 report is reproduced:

“QUALIFIED OPINION

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the accompanying financial statements are;

- a) based on proper accounts and records; and
- b) in agreement with those accounts and records, and show fairly the state of affairs of the Board for the year ended 31 December 2020 and the results of its financial operations and cash flows for the year then ended.

BASIS FOR QUALIFIED OPINION

FIXED ASSETS – K3,277,215

My review of the fixed assets revealed that the Fixed Assets Register (FAR) provided by the Board was incomplete and was not properly maintained and updated. As a result;

- Projects’ assets were not captured in the Fixed Assets Register nor a separate Register maintained (Cocoa Nursery, Quality & Freight & Subsidy);
- Assets such as vehicles, Tractors, Motor Bikes and Laptops were not captured in the Fixed Assets Register;

As a result, I was unable to ascertain the accuracy, existence, valuation and completeness of the fixed assets balance disclosed as K3,277,215 at year end.”

6.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Board for the years ended 31 December 2019 and 2020 were both issued on 22 November 2023. Both reports contained similar comments, hence, only the 2020 report is reproduced:

Fixed Assets – Fixed Assets Register (FAR)

My review of the fixed assets revealed that the Fixed Assets Register (FAR) was incomplete as it was not properly updated and has not fully captured all the assets owned by the Board. The assets details such as asset numbers, acquisition date, assets value and custodian of the assets have not been properly maintained in the Fixed Assets Register. Further, I noted that the Board had not conducted a stock-take on its fixed assets for a number of years. I recommended the Management of the Board to do a full stock-take to update the Fixed Assets Register. The Management of the Board responded to my observation as follows:

“Management has taken note of this recurring issue and measures have been taken in 2021 much as possible to include project assets in the consolidated FAR maintained in Finance Section. Further, management has taken note of the audit requirements for FAR management policy by having it in place by 1st quarter 2024. Management has taken note and a stock take exercise was carried out in 2021. Appropriate measures are now in place to resolve the recurring issue with another stock take exercise to be carried out in 2023.”

Income

My review of the income of the Board revealed the following weaknesses:

- **Cocoa Fermentary Central Database**

I noted that the Board did not have a complete and central database of all the registered cocoa fermentaries in the country apart from the Registered Exporters, which was provided for my review. About ten percent (10%) of the total income disclosed during the year was generated from fermentary registrations and other related licenses. As a result, I was unable to ascertain the total number of registered fermentaries in the Country, their status, location and other statistics and, whether all fermentaries were registered and fees collected accordingly in 2020. I recommended that a complete central database of all fermentaries and other related licenses are created and maintained by the Board. The Management responded to my query as follows:

“Management has taken note of this audit issue. In the year of management letter responses, the Cocoa Industry Management Information System (CIMIS) is developed by our IT team. At the end of this year (2023) AGO will have the opportunity to see this system.”

- **Goods and Service Tax Payables**

During my review, I observed that the Board has not submitted the accumulated total of K3,911,694 GST payables for the year under review. In accordance with the *GST Act, 2003 (S.63-66)*, GST has to be remitted within 21 days for the preceding taxable and accounting periods. I recommended the Board to comply with the GST Act, 2003 by remitting GST Returns on time to avoid penalties. The Board management responded as follows:

“Management agrees with the audit finding and recommendation. Due to financial constraints in the year under review, Cocoa Board was not able to lodge returns with payments on a timely basis. Lodgments have been made to date.”

- **Group Tax Remittance**

I noted that the Board did not remit the group tax (salary & wages) to IRC on a timely basis which has resulted in the accumulation of the balance of group tax of K4,920,131 as at 31 December 2020. Consequently, the Board has not complied with the requirement of *Section 299G of the Income Tax Act, 1959 (as Amended)*. I recommended the Board to comply with the Income Tax Act and ensure that the group tax is remitted to IRC in the year salary and wages are earned and paid. The Management responded as follows:

“Due to the current financial constraints Cocoa Board was not able to lodge returns with payments on a timely basis to Internal Revenue Commission (IRC). Communication with IRC is ongoing in this regard and IRC has advised Accounts team to continue to lodge monthly SWT without payments so, Cocoa Board records at IRC are updated.”

Debtors and Prepayments

Staff Advance – K1,201,416

During my review of the Debtors and Prepayments, I observed that this account balance relates to Cash Advances given to officers on duty travel and advances in-relation to events organised by the Board. However, I noted that there was a significant increase during the year by K98,746 (8%) compared to prior year. I recommended the Management of the Board to ensure proper controls are put in place to manage the staff advances. Further, proper reconciliation should be done regularly to the staff advances to accurately and fairly state the balance in the financial statements at year end. The Management of the Board responded to my observation as follows:

“For those officers who left the Board, the Board of Directors have approved to write off their debts in meeting No.8 on the 11 September 2020.”

Personnel Files

During my review, I noted that staff personnel files were not maintained properly by the Board. There were no IRC tax declarations, birth certificates or statutory declarations to verify the dependents and Pay Variation Advise to keep track of movement in the Salaries and Allowances. No history cards were also maintained by the Board for each staff. As a result, I was unable to confirm the salary and allowances and the leave records from their personnel files. I brought this observation to the attention of the Management and they responded to my observation as follows:

“Management notes the audit findings and audit recommendations. HR team has initiated the updating of personnel files (salary and history cards) to be completed by 4th quarter 2023.”

Payments without three (3) Quotations and Public Tender

During my review of the expenditure, I observed that a payment totaling K216,064 was made without obtaining three (3) written quotations from different suppliers. As a result, the Board has not complied with the requirements of *Section 61 of the Public Finances (Management) (Amendment) Act, 2016* and *Financial Instruction 2-2013 subsection 5.2*. I brought this matter to the attention of the Board and the Management of the Board responded to my observation as follows:

“Management notes the audit findings and recommendations. Management will also establish agreements with our main suppliers so to avoid this issue from recurring. Going forward, we will ensure three (3) quotations are obtained for expenditure over K5,000. Three (3) quotes policy to be effective immediately.”

Travel Advance Acquittals

My review of travel and subsistence expenses for the year ended 31 December 2020 revealed lack of travel acquittals by concerned staff of the Board. There was a Travel Advances Register maintained by the Board in 2020, however, there was no proper acquittal forms, receipts and Airline Boarding pass maintained in the file.

It is a requirement as per the *Financial Management Manual Part 20 paragraph 11.2* that cash advanced to officers travelling overseas on official duty must acquit travel advances within 14 days of return from duty travel. At the same time *Part 20 paragraph 12.10* of the Finance Management Manual stipulates that advances to officers for domestic duty travels to be acquitted within 7 days of return from duty travel by submitting an acquittal form. This issue was also raised in my prior year audit report. I brought this matter to the attention of the Board and they responded to my observation as follows:

“Management is ensuring that the Travel Register is regularly updated and Travel Acquittal file will be in place before the next audit. Moving forward, Management has taken steps to rectify this by way of reassigning a fulltime clerk to oversee travels and also ensure that register for acquittals and travel are prepared on a timely manner.”

6.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Board has submitted its financial statements for the years ended 31 December 2021 and 2022 for my inspection and audit and arrangements were being made to commence the audits shortly.

The financial statements of the Board for the year ended 31 December 2023 have not been submitted for my inspection and audit.

6A. COCOA POD BORER PROJECT FUND

6A.1 INTRODUCTION

6A.1.1 Framework

The National Government has funded the Cocoa Pod Borer Project based on the Project Proposal for Cocoa Pod Borer Management Project submitted by the Cocoa Board of Papua New Guinea. The Project is administered by the Cocoa Board of Papua New Guinea and was implemented in 2010.

6A.1.2 Objectives of the Project Fund

The Principal objectives of the Project Fund are to:

- facilitate the impartation of skills and knowledge on better management practices that will result in the reduction of Cocoa Pod Borer (CPB) infestation to less than 10% of production and increase cocoa yields;
- introduce and/or enhance farmers' skills and knowledge in the combined use of basic CPB management via the five Golden rules and the Integrated Pest Disease Management Technology; and
- provide farmer support by way of making high yielding cocoa planting materials, tools, equipment and chemicals readily available or accessible to cocoa farmers which would enable effective adaption of good management practices.

6A.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

6A.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Fund for the years ended 31 December 2019 and 2020 were issued on 22 November 2023. The reports contained similar Qualified Opinions, hence, only the 2020 report is reproduced:

“QUALIFIED OPINION

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the accompanying financial statements are;

- a) based on proper accounts and records; and
- b) in agreement with those accounts and records, and show fairly the state of affairs of the Fund for the year ended 31 December, 2020 and the results of its financial operations and cash flows for the year then ended.

BASIS FOR QUALIFIED OPINION

Limitation of Scope – Debtors, Creditors and Differed Income

During my examination of Debtors and Prepayments, Trade Creditors and Accruals and Differed Income, I was not provided with schedules and supporting documents to confirm the account balances totalling K97,232, K70,242 and K394,212 respectively. As a result, I was unable to verify the balances disclosed in the financial statements as at 31 December 2020.”

6A.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Fund for the years ended 31 December 2019 and 2020 were issued on 22 November 2023. The reports contained similar observations, hence, only the 2020 report is reproduced:

Fixed Assets Register (FAR)

My review of the Project’s Fixed Assets Register (FAR) revealed that the Register was not properly maintained during the year under review. I noted that the FAR was incomplete as it did not include asset numbers, model and serial numbers of the different types of assets listed. For instance, registration numbers for the motor vehicles were not provided in the FAR and assets were not tagged for verification or easy identification. As a result, I was unable to place reliance on the controls surrounding the management of the fixed assets acquired and used by the Project during the period under review. The Management responded to comments as follows:

“The audit issue is noted. Assets Register for the project has not been improved or changed due to nil transactions on this account.”

Going Concern

The Cocoa Pod Borer Fund accounts and records have been prepared on a Going Concern basis during the year ended 31 December 2020. However, during my review, it was revealed that the fund account remained dormant during the year. I brought this query to the management and they responded as follows:

“Management has taken note the going concern issue. A disclosure has also been included on the financial statements. The Board has closed this account on the 26th of April, 2022.”

6A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Fund has submitted its financial statements for the years ended 31 December 2021 and 2022 for my inspection and audit and arrangements were being made to commence the audits shortly.

The Fund has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

6B. COCOA STABILISATION FUND **(Related Entity of Cocoa Board of PNG)**

6B.1 INTRODUCTION

6B.1.1 Legislation

The Cocoa Stabilisation Fund was established under *Section 19* of the *Cocoa Act 1981*. The Fund is administered by the Cocoa Board of PNG with the objective of establishing price stabilisation, price equalisation and stockholding arrangements within the cocoa industry.

6B.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

6B.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Fund for the years ended 31 December 2019 and 2020 were issued on 22 November 2023. The reports did not contain any qualification.

6B.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Fund for the years ended 31 December 2019 and 2020 were issued on 22 November 2023. The reports contained similar matter, hence, only 2020 report is reproduced:

Going Concern

The Cocoa Stabilization Fund accounts and records have been prepared on a Going Concern basis during the year ended 31 December 2020. However, my examination revealed that the Fund account remained dormant over the years. In response, the Management stated that the Board has decided to close this account on 26th of April 2022 based on the NEC decision.

6B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Fund has not submitted its financial statements for the years ended 31 December 2021 and 2022 for my inspection and audit.

The Fund Account was dormant over the years and closed on 26 April 2022 through resolution of the Cocoa Board of Papua New Guinea, in accordance with NEC decision.

7. COCOA COCONUT INSTITUTE LIMITED OF PAPUA NEW GUINEA

7.1 INTRODUCTION

7.1.1 Legislation

The Cocoa Coconut Institute Limited of Papua New Guinea (*formerly PNG Cocoa and Coconut Research Company Limited*) was amalgamated with PNG Cocoa and Coconut Extension Agency Limited in 2003. The Company is owned equally by the Cocoa Board of PNG and the Kokonas Industri Koporesen (KIK) of PNG.

7.1.2 Functions of the Company

The principal functions of the Company are to:

- conduct research into all aspects of Cocoa and Coconut growing and production and all aspects of the Cocoa and Coconut industries;
- promote research and beneficial programs for these industries;
- provide assistance to all persons and bodies engaged in any aspect of the Cocoa and Coconut industries;
- produce planting materials for the Cocoa and Coconut industries; and
- provide consultancy services.

7.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017 and 2018 for my inspection and audit. Numerous attempts have been made by my Office to obtain the outstanding financial statements but have been unsuccessful.

The management has advised that the Company had been liquidated and deregistered in 2018 with research and extension functions reverted to Kokonas Industri Koporesen and Cocoa Board of PNG respectively. Consequently, 2018 will be my final year of audit.

8. COFFEE INDUSTRY CORPORATION LIMITED

8.1 INTRODUCTION

8.1.1 Legislation

The Coffee Industry Corporation Limited (CICL) was incorporated under the *Companies Act* as a company limited by guarantee and was conferred with statutory powers relating to the control and regulation of the production, processing, marketing and export of coffee by the *Coffee Industry Corporation (Statutory Functions and Powers) Act 1991*. Under this Act, the undertakings of the Coffee Industry Board, the Coffee Development Agency and the Coffee Research Institute were, on 1 October 1991, transferred to and vested in the Coffee Industry Corporation Limited.

The members of the Corporation according to the Articles of Association are from the Growers Associations, the Coffee Exporters Association, the Plantation Processors Association, the Block Development Association, the Secretary - Department of Agriculture and Livestock, the Secretary - Department of Finance and the Secretary - Department of Trade and Industry. The liability of each member is limited to an amount not exceeding one hundred Kina.

8.1.2 Functions of the Corporation

The principal functions of the Corporation are to:

- engage in research, extension, promotion, marketing, administration, management and control of the coffee industry in PNG;
- act in the best interests of coffee producers; and
- promote development of the coffee industry in PNG.

8.1.3 Fund and Subsidiaries of the Corporation

The Corporation has a Fund and two subsidiary companies namely, *Coffee Industry Fund*, *Kofi Management Services Limited* and *Patana No.61 Limited*. Comments in relation to the Fund and the subsidiaries are contained in paragraphs 8A, 8B and 8C respectively of this Report.

8.2 AUDIT OBSERVATIONS

8.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Corporation for the year ended 31 December 2020 was issued on 26 April 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs below, I have not been able to obtain sufficient appropriate audit evidence and accordingly, I am unable to express an opinion on the financial statements of Coffee Industry Corporation Limited for the year ended 31 December 2020.

BASIS FOR DISCLAIMER OF OPINION

Opening Balances

My Report on the financial statements of Coffee Industry Corporation Limited for the year ended 31 December 2019 was a disclaimer of opinion. I was unable to ascertain the accuracy and validity of all the assets and liabilities accounts balances as at 31 December 2019. These disclaimed closing account balances have been taken up as opening balances for the financial year 2020. I was unable to perform alternate audit procedures to ascertain the validity and accuracy of the opening balances of all the assets and liabilities taken up at 1 January 2020.

Since the opening balances enter into the determination of the results of operations, cash flows and equity movements of the Company for the year ended 31 December 2020, any adjustment found necessary on the opening balances would have consequential effects on the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. I was unable to determine whether any such adjustment might have been necessary for the year ended 31 December 2020 or for the comparative financial period ended 31 December 2019.

Unreconciled Balances

At year-end, the cash and cash equivalent balance of K8,334,519 (2019: K4,336,732) and the trade and other payables balance of K6,430,410 (2019: K4,961,469) remained unreconciled. Had management performed the reconciliation of these balances, all transactions would have been captured. Due to the non-preparation of these reconciliations, I was unable to ascertain the financial impact of such unrecorded transactions and the extent it may have on the financial position, profit and loss account, cash flows and equity movement of the Corporation for the year ended 31 December 2020. I was unable to perform alternate audit procedures to ascertain the validity and completeness of these balances and transactions.

Property, Plant and Equipment

At year-end, CICL had written down value of property, plant and equipment at K13,755,422 (2019: K10,429,073). There was no physical verification performed on all the fixed assets to confirm their existence. Furthermore, there were no valuation exercises performed in the last 6 years to ascertain the fair value of the land and buildings at year-end. The book value of land and buildings as per *Note 9* at the year-end was K4,558,120 (2019: K4,639,678). I was unable to ascertain whether there was any impairment of the property, plant and equipment as at 31 December 2020.

Employee Provision

As at 31 December 2020, the employee provisions recorded in the financial statements were K139,173 and K6,524 for accrued long service leave and annual leave respectively. These balances have been carried forward since 2016. At year-end, these employee provisions have not been estimated and measured. Accordingly, the recorded and unrecorded liabilities were estimated to be material at year-end. I have not been provided with any further audit evidence for my test to confirm the validity, accuracy and completeness of these balances.

Taxes Payable

As at 31 December 2020, CICL had an unrecorded and unrecognized tax balance relating to salaries and wages taxes. Due to lack of documentations, I was unable to quantify the balance at year-end.

Non-consolidation of Subsidiaries

Coffee Industry Corporation Limited being a parent entity had not consolidated the financial statements of its subsidiaries, Kofi Management Services Limited and Patana No. 61 Limited. I noted that the shareholdings by CICL in these subsidiaries as at 31 December 2020 exceeded 50%. Under *International Financial Reporting Standards (IFRS 10)*, the consolidated financial statements for the Group is required, I could not determine the effects on the financial statements of the failure to consolidate.

EMPHASIS OF MATTER

Status of the Coffee Industry Corporation Limited

My review of the *Coffee Industry Corporation (Statutory Function and Powers) Act, 1991* confirms that, Coffee Industry Corporation is a *Corporation* and not a “*Limited Company*”. There has been no subsequent *Act* passed by the Parliament to corporatize the “Coffee Industry Corporation”.

Unless Parliament by an *Act* had amended the existing *Act* to corporatize the Coffee Industry Corporation, the word *Limited* used by the Corporation is not appropriate. I was not provided with the amended *Act* for me to determine the appropriateness of incorporating this Corporation under the *Companies Act 1997*.”

8.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Corporation for the year ended 31 December 2021 was in progress.

The Corporation has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

8A. COFFEE INDUSTRY FUND **(A subsidiary of Coffee Industry Corporation Limited)**

8A.1 INTRODUCTION

8A.1.1 Legislation

The *Coffee Industry Corporation (Statutory Functions and Powers) Act 1991* provided for the establishment of the Coffee Industry Fund (CIF). The main purpose of the Coffee Industry Fund is to stabilise the coffee industry by giving the Coffee Industry Corporation the financial ability to implement schemes relating to stabilisation and equalisation of coffee prices and stock holdings of coffee.

8A.2 AUDIT OBSERVATIONS

8A.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Fund for the year ended 31 December 2020 was issued on 26 April 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph below, I was not able to obtain sufficient appropriate audit evidence and accordingly, I am unable to and do not express an opinion on the financial statements of the Fund for the year ended 31 December 2020.

BASIS FOR DISCLAIMER OF OPINION

I was not provided with sufficient audit evidence to perform my audit procedures on the balances in the statement of financial position and transactions in the statement of comprehensive income. The Fund was created to cater for specific Government funding. However, administratively, the financial transactions were recorded and reported through the books of Coffee Industry Corporation, the custodian of the Fund.”

8A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Fund for the year ended 31 December 2021 was in progress.

The Fund has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

8B. KOFI MANAGEMENT SERVICE LIMITED **(A subsidiary of Coffee Industry Corporation Limited)**

8B.1 INTRODUCTION

8B.1.1 Legislation

Kofi Management Service Limited was incorporated under the *Companies Act* on 21 February 2014 by the Executive Management of Coffee Industry Corporation Limited (CICL). The Company is a 100% owned subsidiary of Coffee Industry Corporation Limited which commenced its full business operations in 2017.

8B.1.2 Objectives of the Company

The Company's prime objectives are to:

- manage and grow property portfolios in terms of property investment, development and improvement of current commercial properties in PNG;
- manage research developed coffee blocks into commercial plantation thus exporting coffee to international markets; and
- generate income with marginalised profit to support the recurrent budget of CICL.

8B.2 AUDIT OBSERVATIONS

8B.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2020 was issued on 26 April 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Opening Balances

In 2019, the transactions and result of operations of Kofi Management Service Limited (KMSL) were included and reported as part of Coffee Industry Corporation Limited (CICL), the parent entity, and not separately reported as required. Due to the disclaimer of opinion issued on the financial statements of CICL, the parent entity for the year ended 31 December 2019, I was unable to perform alternate audit procedures to ascertain the validity and accuracy of opening balances of the KMSL as at 1 January 2020.

Since the opening balances enter into the determination of the results of operations, cash flows and equity movements of the Company for the year ended 31 December 2020, any adjustment found necessary on the opening balances would have consequential effects on the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. I was unable to determine whether any such adjustment might have been necessary for the year ended 31 December 2020 or for the comparative financial period ended 31 December 2019.

Employee Provision

At year end, the employee provisions recorded in the financial statements were Nil for long service leave and annual leave respectively. At year end, the employee provisions have not been estimated and measured. Accordingly, the unrecorded liabilities may likely be material at year end. I have not been provided with any further audit evidence to verify these balances.

Biological Assets

KMSL owns and operates several coffee plantations. In the past, these plantations or biological assets have not been brought into account resulting in potential misstatement of KMSL financial statements. *International Financial Reporting Standards IAS 41 - Agriculture* provides guidance on the treatment and measurement of such biological assets. At year end, I was unable to quantify the value of these biological assets and the extent of impact to the financial statements had it been brought into account.

Property, Plant and Equipment

At year end, KMSL has written down value of property, plant and equipment at K1,465,635 (2019: K1,481,514). There was no physical verification performed on all the fixed assets to confirm their existence. Furthermore, there were no valuation exercises performed in the last 5 years to ascertain the fair value of the land and buildings at year end. The book value of land and buildings at year end was K1,365,550 (2019: K1,393,418). I was unable to ascertain whether there was any impairment of the property, plant and equipment at year end.

Revenue and Expenses

I was not provided with all audit evidences to perform my testing on revenue, expenses and payroll balances disclosed in the financial statements. Due to the non-provision of sufficient audit evidence, I was unable to perform alternate audit procedures to ascertain the validity and accuracy of expenses and payroll related balances incurred during the year.

As a result, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded balances and transactions, and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.”

8B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2021 was in progress.

The Company has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

8C. PATANA NO. 61 LIMITED **(A subsidiary of Coffee Industry Corporation Limited)**

8C.1 INTRODUCTION

8C.1.1 Legislation

Patana No. 61 Limited was incorporated under the *Companies Act*. The Company was acquired by the Coffee Industry Corporation Limited on 10 February 1994 and has a total issued capital of two ordinary shares of K1.00 each. The Company is wholly owned by the Coffee Industry Corporation Limited. The principal activity of the Company is to invest in property.

8C.2 AUDIT OBSERVATIONS

8C.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2020 was issued on 26 April 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of the Patana No. 61 Limited for the year ended 31 December 2020.

BASIS FOR DISCLAIMER OF OPINION

I was not provided with sufficient audit evidence to perform my audit procedures on the balances in the statement of financial position and transactions in the statement of comprehensive income. The accounting records of the Company have not been adequately maintained.”

8C.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2021 was in progress.

The Company has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

9. CONSERVATION AND ENVIRONMENT PROTECTION AUTHORITY

9.1 INTRODUCTION

9.1.1 Legislation

The *Conservation and Environment Protection Authority Act 2014* was Certified on 30 May 2014, establishing the Conservation and Environment Protection Authority (CEPA).

Prior to May 2014, the Conservation and Environment Protection Authority was operating as a Department of National Public Service.

9.1.2 Functions of the Authority

The functions of the Authority are to:

- do all things necessary for the conservation and protection of the environment in accordance with the environmental conservation laws and any policy directions of the Minister and the National Executive Council;
- co-ordinate with provincial and local-level governments and sub-national authorities to foster, manage and monitor environmental conservation strategies and programmes in the country;
- relation to land under the care, control and management of the Authority:
 - *to establish and maintain zoological and botanical parks and gardens;*
 - *to permit and assist zoological and botanical research; and*
 - *to construct buildings, walks, drives, fences, enclosures, dams, reservoirs, drains and other structures for or in connection with the purposes of the Authority;*
- impose and receive rents, fees, charges and bonds in respect of its functions under any environmental conservation law, including but not limited to providing services related to the approval and issue of environment permits and the investigation and audit of activities under the *Environment Act 2000*;
- promote Papua New Guinea's laws, regulations and policies relating to conservation and environment matters within the country and overseas;
- give advice to the Minister and maintain dialogue with other government agencies on environmental conservation laws and policies;
- encourage, accept, administer and allocate aid monies, whether from within the country or elsewhere, for purposes consistent with its objects;

- accept donations, gifts, devises and bequests made to the Authority and control, manage and develop those donations, gifts, devises and bequests in accordance with any conditions attached to them;
- where it considers it necessary or convenient to do so, to establish committees and similar bodies in relation to its functions, in accordance with regulations and to that effect; and
- perform such other functions and duties as may be conferred on it by the Authority's Act or any other law.

9.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2018 has been completed. Due to lack of cooperation from management, the signed financial statements were not furnished for me to finalize the reports.

The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2019 was in progress.

The Authority has not submitted its financial statements for the years ended 31 December 2020, 2021, 2022 and 2023 for my inspection and audit despite my repeated reminders.

10. GOVERNMENT PRINTING OFFICE

10.1 INTRODUCTION

10.1.1 Legislation

The Government Printing Office was established by the British Colonial Administration in 1888.

The functions of the Printing Office are empowered by *Section 252 of the Constitution, the Interpretation Act (Chapter 2)* and *Printing of the Laws Act (Chapter 333)*.

10.1.2 Objective of the Office

The main objective of the Government Printing Office is to provide efficient and quality printing services to the executive arm of the government, judicial arm of the government, government departments and various statutory bodies at an affordable cost.

10.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Office for the year ended 31 December 2022 has been completed and results were being evaluated.

The financial statements of the Office for the year ended 31 December 2023 has not been submitted for my inspection and audit.

11. INDEPENDENCE FELLOWSHIP TRUST

11.1 INTRODUCTION

11.1.1 Legislation

The Independence Fellowship Trust was established under the *Independence Fellowship Trust Act (Chapter 1040)*.

11.1.2 Objective of the Trust

The objective of the Trust is to benefit village development by making annual awards to selected citizens for the purposes of broadening their knowledge and experience, as well as implementing and encouraging that development.

11.1.3 Functions of the Trust

The functions of the Trust are to:

- make selections of candidates to receive the awards of fellowships;
- determine the number and value of awards; and
- invest the funds of the Trust.

11.2 AUDIT OBSERVATIONS

11.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Trust for the year ended 31 December 2022 was issued on 20 May 2024. The report contained a Qualified Opinion.

“QUALIFIED OPINION

In my opinion, except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph below:

- (a) the financial statements of the Trust are based on proper accounts and records; and
- (b) the financial statements are in agreement with those accounts and records, and show fairly the state of affairs of the Trust as at 31 December 2022 and the results of its financial operations for the year then ended.

BASIS FOR QUALIFIED OPINION

Payments– K3,648,398

The financial statements of the Trust disclosed payments totalling K3,648,398 for the year ended 31 December 2022. However, my review of the payments revealed that the payments were approved by the former Director who resigned in 2021 instead of being approved by the current acting Director. As a result, I was unable to gain satisfactory assurance on the total payments for the Trust as at 31 December 2022.”

11.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Trust has submitted its financial statements for the year ended 31 December 2023 for my inspection and audit and arrangements were being made to commence the audit shortly.

12. INDEPENDENT CONSUMER AND COMPETITION COMMISSION

12.1 INTRODUCTION

12.1.1 Legislation

The Independent Consumer and Competition Commission was established by the *Independent Consumer and Competition Commission Act 2002*. The Act came into operation in January 2003.

12.1.2 Functions of the Commission

The main functions of the Commission are to:

- perform such functions relating to price regulation, licensing, industry regulation and other matters as are conferred on the Commission by or under this Act or any other Act, including, without limitation, in relation to issuing, administering and enforcing regulator contracts under Part 3;
- promote and protect the *bona fide* interests of consumers in relation to the acquisition and supply of goods and services;
- make available information in relation to matters affecting the interests of consumers, including information with respect to the rights and obligations of persons under Papua New Guinea laws that are designed to protect the interest of consumers;
- investigate complaints concerning matters affecting or likely to affect the *bona fide* interests of consumers in relation to the acquisition of goods and services and to enforce compliance with laws relating to such matters;
- investigate complaints concerning market conduct and to enforce compliance with laws relating to market conduct in Papua New Guinea;
- make, monitor the operation of, and review from time to time, codes and rules relating to the conduct or operation of regulated entities;
- advise and make recommendations to the Minister in relation to any matter referred to the Commission by the Minister;
- advise and make recommendations to the Minister with respect to any matter connected with this Act or with respect to any matter connected to any other Act which confers functions on the Commission; and
- such other functions as may be conferred on the Commission by any other Act.

12.2 AUDIT OBSERVATIONS

12.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Commission for the year ended 31 December 2020 was issued on 20 May 2024. The report did not contain any qualification.

12.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Commission has submitted its financial statements for the years ended 31 December 2021 and 2022 for my inspection and audit and arrangements were being made to commence the audits shortly.

The Commission has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

13. INDUSTRIAL CENTRES DEVELOPMENT CORPORATION

13.1 INTRODUCTION

13.1.1 Legislation

The Industrial Centres Development Corporation was established under the *Industrial Centres Development Corporation Act 1990* which came into operation on 23 August 1990. The Corporation commenced trading on 5 January 1994.

13.1.2 Functions of the Corporation

The main functions of the Corporation are:

- overall planning and implementation of the Government's industrial centre development programme;
- preparation of feasibility studies in order to identify appropriate forms of industrial development;
- to identify therewith or otherwise, regions and sites in the country for industrial centres; and
- to do such supplementary, incidental or consequential acts, as are necessary for the development and promotion of industrial centres in PNG.

13.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Corporation has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit. However, I noted that the Corporation was abolished by Parliament in 2019 through the enactment of the *Special Economic Zones Authority Act 2019*. This Authority came into operation on 1st January 2020 by virtue of the *National Gazette No. G171*.

Despite the abolition of the *Industrial Centre Development Corporation Act 1990* the Corporation has continued to receive Public Funds through the budgetary Appropriations Act despite been repealed through the *Special Economic Zones Authority Act 2019 Act (as amended)*.

14. INTERNAL REVENUE COMMISSION

14.1 INTRODUCTION

14.1.1 Legislation

The *National Executive Council (NEC)* in its *Decision No: 419/2013* on 5 December 2013, approved that the Internal Revenue Commission (IRC) be transformed into an Independent Statutory Authority through a separate Act of Parliament.

In accordance with the *NEC Decision*, the *Internal Revenue Commission Act 2014* was certified on 5 August 2014. In September 2014, the Internal Revenue Commission started carrying out its operations as a Statutory Authority.

Prior to September 2014, the Internal Revenue Commission was operating as a Department of the National Public Service under the Department of Finance.

14.1.2 The Objective of the Commission

The objective of the Internal Revenue Commission is to raise revenue for the government from taxes imposed on income that is liable to be taxed under the taxation laws it administers. The Commission assesses and collects taxes, conducts tax education and awareness campaigns, and proposes tax administration reform measures to ensure that a conducive business environment is established for collecting right amount of taxes.

14.1.3 The Powers and Functions of the Commission

The powers and functions of the Internal Revenue Commission enable the Commissioner General to:

- administer and enforce the revenue laws;
- promote compliance with the revenue laws;
- take such measures as may be required to improve service provided to taxpayers with a view to improving efficiency and maximising revenue collection;
- take such measures as may be required to counteract tax fraud and other forms of tax evasion;
- advise the State on matters relating to taxation and to liaise with relevant stakeholders on such matters;
- represent the State internationally in respect of matters relating to taxation; and
- carry out such functions as are given to the Internal Revenue Commission under this Act or any other law.

14.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

14.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Commission for the year ended 31 December 2018 was issued on 6 June 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs below, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the accompanying financial statements of the Internal Revenue Commission for the year ended 31 December 2018.

BASIS FOR DISCLAIMER OF OPINION

Limitation of Scope – Administered Transactions

Disclosed in the Statement of Administered Accounts and the corresponding *Note 11* are Tax Collections, Transfers/Distributions, the year-end bank balances and tax debt over the years up to 31 December 2018. My review of the accounts and related records for the administered transactions revealed the following observations:

- The Commission adopts the IPSAS cash basis of accounting in the preparation of its financial statements. This method recognizes only cash transactions and as such the year-end cash at bank balances administered by IRC should equate to the sum total of the net tax collections after transfers/distributions and the beginning cash balances. However, during my review of the Statement of Administered Accounts, I observed an unreconciled difference of K1,354,801,000 between the Administered Account year-end cash balance of K1,459,147,000 and the administered year-end cash at bank amount of K104,346,000.
- The cash at bank balances for the Statement of Administered Accounts as well as the cash balances disclosed in *Note 11* for the thirty-four (34) bank accounts that administer various tax-related functions were derived from the bank statements apart from the cash books/Cash at Bank General Ledgers. I observed that this was due to unreliable/no bank reconciliations and lack of proper cash books maintained by the Commission.

Due to these discrepancies and the magnitude of transactions administered by the Commission, I was not able to satisfy myself on the completeness, accuracy and correctness of the balances of administered tax collections, transfers/distributions, tax in arrears and the year-end administered cash balances disclosed in the financial statements.”

14.2.2 Audit Observations reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Commission for the year ended 31 December 2018 was issued on 6 June 2024. The report contained the following observations:

Administered Bank Accounts and related reconciliations

Bank reconciliation is a key control mechanism which supports the detection of errors and instances of fraud and ensures that the bank records are reconciled with the cash book of the Commission. My evaluation of the administered bank accounts and related reconciliations revealed the following:

- Due to the incomplete cash book, the IRC Administrative Cash at Bank balance of K31,008,000 disclosed in *Note 11.2* of the Financial Statement was derived from the bank statement instead of cash book balance/reconciled cash balance.
- My re-performance of the 22 PGST Trust Accounts, ABG PIT Trust Account and Book Makers Turnover Tax Trust Account bank reconciliations for the month of December revealed variances between the cash at bank general ledger amounts used for reconciliation and the cash at bank general ledger balances in the accounting system (IFMS) for the accounts. I further observed that the Commission recognized and treated both cash book reversals and beginning cash balances as reconciling items (unmatched ledger book transactions) in the bank reconciliations. I was unable to gain assurance on the accuracy and completeness of the ending cash at bank balances for the respective PGST Trust Accounts, ABG PIT Trust Account and Book Makers Turnover Tax Trust Account as at 31 December 2018.
- The review of the controls surrounding the administered cash management of the Commission revealed that the bank reconciliations for the 22 PGST Trust Accounts and the NGST Trust Account for the month of December were not done in a timely manner as stipulated by the *Financial Management Manual Part 3, Section 4.7*. Reconciliations were performed six (6) months after the balance date.
- Transactions in relation to the bank fee charges and the interests earned on 22 PGST Trust Accounts held with the Bank of South Pacific have not been disclosed and captured in the Statement of Administered Accounts. Misstatements of such could potentially result in unreconciled cash at the end of the year in the statement of administered accounts.

I was not able to place reliance on the effectiveness of the internal controls surrounding the accounting and bank reconciliation process of the Commission. I drew management's attention to the timely preparation and review of bank reconciliations as a fundamental control activity. Weaknesses in this area can lead to erroneous and possible fraudulent transactions not detected promptly.

Direct and Indirect Tax Collections

My review of the collections for tax administered by the Commission revealed the following:

- Manual collector statements with discrepancies were further progressed into transfer advices and communicated to the Bank of PNG to facilitate transfers to the Waigani Public Accounts (WPA). Discrepancies noted included eighty (80) instances of variances totaling K89,535,977 between the SIGTAS Daily Collection Reports and the Manual Daily collector statements, and twenty-two (22) instances where erroneous recaptures amounting to K71,427,400 were disclosed in 22 daily collector statements and signed off as reviewed; and
- National GST totaling K1,047,251,240 in 2018 was collected at various ports by PNG Customs Services (PNGCS) and transferred to IRC. I was informed that the only supporting document received from PNG Customs is the weekly report in excel format containing collections and transfer details sent to IRC on an ad-hoc basis. I further observed that the Commission has no viewing access to the PNG Customs ASYCUDA Receipting System; and as a result, does not keep track of real-time Import GST collections at the respective ports. Further, my evaluation of Import GST transferred to IRC and disclosed in the 2018 PNG Customs Services audited Financial Statements revealed a variance of K6,167,284 between what was transferred and what was received.

I was unable gain comfort on whether there were proper reconciliations done between the respective records and discrepancies appropriately managed. I communicated to the management that I was unable to conclude on the accuracy and completeness of the Direct Tax Collections disclosed in the financial statement. The management took note of my recommendations and assured me that appropriate segregation be in place to administer direct tax collections and transfers.

Information Technology General Controls

My review of the Information Technology General Controls (ITGC) for the Commission revealed the following:

- IRC migrated data from the old tax administration system RAS to the new tax administration system SIGTAS when it was implemented in 2014. As disclosed in *Note 11(b)* to the financial statements, the data migration was not completed. I was not furnished with the Data Migration Plan and test results of the data migration exercise and was unable to perform the required testing to confirm the status of data migration and validate the completeness and accuracy of the data as at 31 December 2018. Further, I was also unable to validate the remaining data in RAS and assess its impact on the financial statement at the reporting date;

- No IT Risk Register was maintained by the Commission for the year 2018. Further based on my inquiry, ICT Management Meetings were held in 2018; however, minutes of the meetings were not maintained. Without any IT Risk Register in place, IRC would not be able to appropriately identify and manage any IT Risks to its IT Systems and data and can put the entity at a high risk of any cyber-attacks. Further, ICT Management meetings form an integral key control in the overall management of ICT within IRC. As such, documentation of such meetings is important to keep track of discussions and or any important ICT issues and risks that might have risen and could affect the continued operation of the entity; and
- Based on my assessment of SIGTAS, I observed that penalties charged to taxpayers can easily be waived in the system when the payment date is entered that corresponds to the due date or a payment date before the due date. This manipulation of the process can be performed by any processing officers or superiors. Despite compensating control requiring supervisors' approval, the payment date remains open and can be easily manipulated. Lack of system control over data entry leads to a high risk of penalties being waived without appropriate approvals and may ultimately result in loss of revenue collections by the Commission.

As a result, I was unable to place reliance on the reliability of the reports generated from SIGTAS and subsequently draw conclusions on the completeness and accuracy of the tax revenue balance disclosed in the Commission's financial statements. I brought these issues to the attention of the management and provided the necessary recommendations to rectify accordingly.

Fixed Assets – Stock Take

The Commission conducted a stock take and physical verification exercise on all its assets in 2018. The stock-take report was not provided for my verification and assessment of prior year recommendations. I was, therefore, unable to comment on the condition and existence of the assets including the accuracy of the amount disclosed by the Commission in the financial statements as at 31 December 2018.

I drew to the Management's attention on this issue and they responded as follows:

“The 2018 stock take report was not compiled at the time of actual stock counts hence no report available on file to provide for corroboration. Management, however, assures that this will not happen again in the subsequent stock takings and ensure proper report is compiled and signed off by respective officers involve in counting to affirm the existence.”

Rental of Property – Lease/Tenancy Agreements

My review revealed that payments amounting to K625,145 were for the rental of office space for regional offices.

Of this balance, I could not ascertain the validity of rentals pertaining to three (3) leases as tenancy lease agreements were either in draft or not furnished for my review.

In the absence of valid contractual documents binding the Commission and the respective landlords, I was unable to gain comfort over the validity and correctness of rental disbursements made against these contracts.

I recommended that the management should properly execute and maintain legal tenancy agreements for offices and properties rented to ensure payments are made only on legally binding agreements.

Insufficient Supporting Documents – Procurement

I was not provided with supporting documents such as delivery dockets and consignments to confirm the receipt of goods totaling K585,366 and 3 supplier quotations for purchases totaling K1,380,799 as prescribed by the *Financial Management Manual*. Without the required documentation, I was not able to confirm and verify whether supplied goods were received and the effectiveness of the internal controls surrounding the procurement process of the Commission.

I brought this to the attention of the management and management responded as follows:

“Management acknowledged that we have not been complying to obtain three (3) written quotations as required in approved Financial Policy and Accounting Procedural Manual – COA 3-02. In reference to this Issues CAO No 3-02-FM Annex A, Section 1, IRC Procurement is decentralized on a divisional basis. Therefore, every division has the responsibility to undertake their own purchasing of goods and services. Thus, ICT and FOM Divisions had made this purchase where failed to comply and obtain supporting purchasing documents as proof of expenditures and pass onto AP Finance for confirming, documentation, and filing. Management has noted audit implication and its recommendation, thus will ensure some purchase from respective Divisions shall have relevant supporting documents obtained, documented and filling moving forward.”

14.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Commission for the year ended 31 December 2019 was completed and awaiting management letter responses to issue the report.

The Commission has not submitted its financial statements for the years ended 31 December 2020, 2021, 2022 and 2023 for my inspection and audit.

15. INVESTMENT PROMOTION AUTHORITY

15.1 INTRODUCTION

15.1.1 Legislation and Objective of the Authority

The Investment Promotion Authority was established under the *Investment Promotion Act 1992*. The objective of the Act was to provide for the promotion of investment in the interests of national, social and economic development. This Act repealed the *National Investment and Development Act (Chapter 120)* and the *Investment Promotion Act 1991*.

15.1.2 Functions of the Authority

The principal functions of the Authority are to:

- provide information to investors in the country and overseas;
- facilitate the introduction of citizens and foreign investors to each other and to activities and investments of mutual benefits;
- provide a system of certification of foreign enterprises;
- advise the Minister on policy issues which relate to the Act; and
- maintain a register of foreign investment opportunities.

15.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2022 was completed and awaiting management letter responses to issue the audit report.

The Authority has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

16. KOKONAS INDASTRI KOPORESEN (Formerly Copra Marketing Board of PNG)

16.1 INTRODUCTION

16.1.1 Legislation

The (NEC) through its *Gazettal Notice No. G19* abolished the *Copra Marketing Board Act 1992* on 4 June 2002 and replaced it with *Kokonas Industri Koporesen Act 2002* which established the Kokonas Industri Koporesen (KIK). The new Act decentralised copra buying and selling in PNG and required KIK to only regulate the copra price in PNG.

16.1.2 Functions of the Koporesen

The principal functions of the Koporesen are to regulate and assist in the export and marketing of copra in the best interest of the copra producers of PNG and to administer the PNG Coconut Extension Fund and the PNG Coconut Research Fund.

16.1.3 Funds of the Koporesen

The *Kokonas Industri Koporesen Act, 2002* subsequently established PNG Coconut Extension Fund and PNG Coconut Research Fund. Comments in relation to these Funds are contained in paragraphs 16A and 16B respectively of this Report.

16.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

16.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Koporesen's financial statements for the year ended 31 December 2021 was issued on 17 January 2024. The report did not contain any qualification.

16.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Koporesen for the year ended 31 December 2021 was issued on 17 January 2024. The report contained the following observations.

Accounting System/Software

My review of the accounts and records of the Koporesen for the year ended 31 December 2021 revealed that the Koporesen uses Microsoft excel spreadsheet to calculate its payroll even though it has adopted the MYOB Accounting Package to maintain its accounts.

I noted that after the payroll is calculated using Microsoft excel spreadsheet, accounting entries are posted into the system after pay is processed. Calculation of payroll data is susceptible to mistakes and errors during the course of preparation in the spreadsheets. As a result, errors and mistakes are likely to occur and affect the fair presentation of balances at year end.

Bank Reconciliations

My review of the three (3) bank accounts maintained by the Koporesen revealed that the bank reconciliation statements were not prepared and reviewed on a timely basis. Further, I noted that the bank reconciliations for 2021 were prepared in 2022. As a result, I was unable to place reliance on the effectiveness of the controls surrounding the bank reconciliation function of the Koporesen. Further, there is likelihood of risk that errors or misstatements cannot be detected, reported and rectified on time.

Long Outstanding Trade Debtors – K230,875

My review of the Koporesen's trade debtors account revealed that a number of debtors totaling K230,875 which represents 16% of the total accounts receivable remained outstanding for over 90 days. I further noted that some of those long outstanding debts have been there dating back from 2010 to 2020. This indicates a very weak and ineffective control mechanism in place for debt collection.

I recommended management to investigate those long outstanding debts and make provisions for debts that are doubtful and write-off those deemed uncollectible and considered bad debts in accordance with the Koporesen's debt management collection policy.

Management agreed to take corrective action and make provisions in the subsequent year.

Fixed Assets Management

Section 62 of the *Public Finances (Management) Act, 1995 (as amended)* requires all public bodies to ensure that adequate control is maintained over its assets, or assets in its custody. However, my review of the Fixed Assets Register (FAR) revealed that there were variances between the FAR - soft copy and the FAR - hard copy. There were also minor variances between the Financial Statements fixed assets schedule in *Note 7* to the Financial Statements and the FAR - hard copy.

Management responded that a new Asset Maintenance and Management System had been installed and interfaced with MYOB to address these issues in 2022.

Payroll Review

My review of the Salaries and Wages for the contract officers revealed that their Housing and Motor Vehicles Allowances were not paid through payroll. I further noted that all other assessable allowances including SDMA/DMA were sacrificed to cater for their accommodation rentals. In addition, the accommodation allowances and Motor Vehicles Allowances were paid monthly through cheque payments to their respective business names. It is very obvious that such practice is basically to avoid tax. Further, I noted that the personnel files for the employees were not updated. No Salary History Cards and Leave records have been kept in the personnel files.

I have recommended the Koporesen that;

- All benefits including allowances are assessable for tax purposes and should be calculated and paid through the normal fortnightly salary for all staff;
- Personnel files should be updated and legal documents like birth certificates should be filed and the Salary and wages Tax declarations be updated on a timely basis; and
- Strictly adhere to the Income Tax Act and abstain from practices seen to be engineered to evade tax.

Management responded to my observations as follows:

“We note your observations on our payroll making specific emphasis on non-tax compliance with respect to payment of contractual allowances to contract officers. Management will take corrective action to ensure compliance with Income Tax Act commencing 2024. Management further note the weakness detected in our personnel files and corrective action will be taken commencing 2024”.

Leave Fares – K254,577

My review of the leave fares account revealed that all staff claim leave fares for all their dependents whom they have lodged in the Salary and Wages Declaration forms with IRC. They claim leave fares for their relatives such as parents, brothers, sisters, nephews and nieces. Further, I noted that a ten percent (10%) deduction has not been paid to the Koporesen after each leave fares taken.

Management had concurred with my findings and agreed to take corrective actions commencing 2024.

Cash Cheque Payments – K1,878,647

My review of the expenses revealed that the Koporesen disbursed a total of K1,878,647 under Pay Cash Cheque arrangements with the Bank (BSP). From audit tests on selected samples, it was noted that a total of K187,516 of these cash cheque payments did not have acquittals such as receipts, statements and formal memos attached with their payment vouchers. Cash cheque payments in relation to travel allowances, audit did not sight any form of confirmation of receipt of cash or deposit by the receiver.

I have recommended that all cheques disbursed by the Koporesen must be drawn to the name of the service provider and in terms of travel allowance, cheques be drawn and paid to the staff respective bank accounts. For operational purposes, when cash is to be given for contingency purposes, I have recommended staff to acquit in accordance with provisions in the *Public Finances (Management) Act, 1995 (as amended)*.

Management responded as follows:

“We noted your comments on encashment of cheques. However, the cash payments are made for genuine business transactions which are fully supported by supporting documents. KIK has commenced migrating most of its payments online in 2024 which will address the weakness”.

Travel Acquittal Register

Audit was not provided with a Travel Advance/Acquittals Register to trace and authenticate advances and travel expenses against acquittals. Improper and incomplete travel register is non-compliance to the *Public Finances Management Act* and the *Financial Management Manual and Instructions* where in Part 20 paragraph 14.1 instructs that a Travel Register be maintained to keep record of all travels authorized. Also, paragraph 11.2 requires travels and subsistence to be acquitted within 14 days of return from overseas travels whilst paragraph 12.10 instructs that travel and subsistence from domestic travels be acquitted within 7 days from the day of return.

Consultancy Services – K1,102,204

My review of consultancy fees revealed that an amount of K385,298 was paid to a Consultant. As per the consultancy agreement, he was engaged to provide inputs towards price support under the PIP-funded Price Support Program (PSP) to KIK and also to provide liasion and coordination between KIK, the Ministry and the Department of Agriculture and Livestock to meet monitoring and evaluation requirements of PSP implementation. However, I was unable to establish clear monthly KIK targets as against monthly deliverables achieved and invoiced for settlement.

Management responded as follows:

“In 2021, the Consultant was working with the Minister for DAL after which he was appointed to the Position of Secretary for the Department of Agriculture and Livestock. As per the Service Agreement, the Consultant was assisting the Minister in rolling out the Government’s Price Support Program. A separate funding of K600,000 for the assignment was received from the Department of National Planning and Monitoring”.

Disbursements without Proper Supporting Documentation

My review of the operational expenditures revealed that there had been payments worth K77,528 made without supporting documents such as; the three (3) required written quotation, acquittals and official letters/ memos.

I have recommended the management to ensure that proper procurement processes were performed in accordance with the *Public Finances (Management) Act, 1995 (as amended)*. All necessary financial records must be kept with all their supporting documents attached to ascertain legitimacy of the business transaction.

Management agreed to take corrective actions.

16.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Koporesen has submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit and arrangements were being made to commence these audits shortly.

16A. PAPUA NEW GUINEA COCONUT EXTENSION FUND

16A.1 INTRODUCTION

16A.1.1 Legislation

The *Copra Marketing Board (Amendment) Act 1997* provides for the establishment of the Papua New Guinea Coconut Extension Fund for the purpose of receiving levies and engaging in extension services and related programmes in accordance with the terms of the Act.

16A.1.2 Objective of the Fund

The objective of the Fund is to engage in extension services and related programs by itself or in co-operation with other persons or bodies for the benefit of the Copra Industry.

The Fund was administered by the Copra Marketing Board up to 3 June 2002 and has since been administered by Kokonas Industri Koporesen (KIK). KIK deducts a coconut extension levy of not more than 3% of the price per tonne and pays to the Extension Fund. The Extension Fund in turn pays this levy to the PNG Cocoa and Coconut Institute.

16A.2 AUDIT OBSERVATIONS

16A.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Fund's financial statements for the year ended 31 December 2021 was issued on 2 February 2024. The report did not contain any qualification. However, the report contained an Emphasis of Matter:

“EMPHASIS OF MATTER

Going Concern

I refer to *Note 1* of the Extension Fund's financial Statements which disclose that the Fund was abolished in 2017 and its extension functions and staff subsumed by the Kokonas Industri Koporesen commencing 2018. A registered liquidator would be appointed to formally liquidate PNG Cocoa Coconut Institute (PNGCCI) and deregistered from the register of companies. I will continue to report until PNGCCI is fully liquidated and deregistered and its related functions are formally transferred to KIK and Cocoa Board. My opinion is not modified in respect of this matter”.

16A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Fund has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

16B. PAPUA NEW GUINEA COCONUT RESEARCH FUND

16B.1 INTRODUCTION

16B.1.1 Legislation and Objective of the Research Fund

The Papua New Guinea Coconut Research Fund was established by the *Kokonas Industri Koporesen Act* following the repeal of the *Copra Marketing Board (Amendment) Act* and the cessation of the PNG Copra Research Fund. The Kokonas Industri Koporesen deducts a copra research fee of K4 per tonne of copra purchased from producers and pays it to the Research Fund. The Research Fund in turn, pays this levy to the Cocoa and Coconut Institute Limited of PNG.

16B.2 AUDIT OBSERVATIONS

16B.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Fund's financial statements for the year ended 31 December 2021 was issued on 2 February 2024. The report did not contain any qualification. However, the report contained an Emphasis of Matter:

“EMPHASIS OF MATTER

Going Concern

I refer to *Note 1* of the Research Fund's financial Statements which discloses that the Fund was abolished in 2017 and its research functions and staff subsumed by the Kokonas Industri Koporesen commencing 2018. A registered liquidator would be appointed to formally liquidate PNG Cocoa Coconut Institute (PNGCCI) and have it deregistered from the register of companies. I will continue to report until PNGCCI is fully liquidated and deregistered and its related functions are formally transferred to KIK and Cocoa Board. My opinion is not modified in respect of this matter.”

16B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Fund has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

17. KUMUL CONSOLIDATED HOLDINGS (Formerly Independent Public Business Corporation)

17.1 INTRODUCTION

17.1.1 Legislation

The Independent Public Business Corporation (IPBC) was established under the *Independent Public Business Corporation of Papua New Guinea Act 2002 (as amended)* which came into operation on 27 March 2002.

The above Act was amended through the *Independent Public Business Corporation of Papua New Guinea (Amendment) Act 2007* at which time the objectives and functions of the Corporation were changed.

A major impact of the amendments made was that the Corporation, the Trusts, the State Owned Enterprises or any other enterprises in which the Corporation, the Trusts or the State Owned Enterprise holds any interest shall not be subject to the *Public Finances (Management) Act*. The amended Act also excludes the Corporation from the application of the *Public Services (Management) Act 1995* and the *Salaries and Conditions Monitoring Committee Act 1988*. These amendments came into operation on 8 June 2007.

The Principal *Independent Public Business Corporation Act* was amended on 12 August 2015. The name of the Independent Public Business Corporation was repealed and replaced with Kumul Consolidated Holdings. The objectives and functions of the principal Act were not amended and all dividends declared by Kumul Consolidated Holdings shall be paid into the Sovereign Wealth Fund.

17.1.2 Objectives of the Holdings

The objectives of the Holdings are to:

- act as trustee of the Trust and hold assets and liabilities that have been vested in or acquired by it, on behalf of the State;
- act as a financial institution for the benefit of and the provision of financial resources and services to State Owned Enterprises and the State, where approved by the National Executive Council (NEC);
- enhance the financial position of the State or State Owned Enterprises; and
- enter into and perform financial and other arrangements that in the opinion of the Holdings have as their objective either:
 - the advancement of the financial interests of the State or State Owned Enterprises; or
 - the development of the State or any part thereof.

17.1.3 Functions of the Holdings

The main functions of the Holdings are:

- to administer the Trusts and monitor the performance of the assets of the Trusts in such manner as provided under this Act and shall perform such other functions as are required under this Act.
- without limiting the generality of *Section (1)* but subject to the provisions of this Act, the Holdings may:
 - undertake the function of holding and monitoring corporation for State owned assets and Majority State Owned Enterprises;
 - undertake the function of planning, coordinating and managing State assets, infrastructure and projects;
 - determine policies regarding:
 - the conduct of its affairs and the affairs of any of the Trusts; and
 - the administration, management and control of the Holdings and any of the Trusts;
 - borrow, raise or otherwise obtain financial accommodation in PNG;
 - advance money or otherwise make financial accommodation available to the State or State Owned Enterprises;
 - act as a central borrowing and capital raising authority for State Owned Enterprises;
 - act as agent for State Owned Enterprises in negotiating, entering into and performing financial arrangements;
 - provide a medium for the investment of funds of State Owned Enterprises;
 - manage or cause to be managed the Holdings financial rights and obligations; and
 - such other functions and duties as are prescribed by the Act or any other Act.

17.1.4 Trust of the Holdings

The Trust of the Holdings is the *General Business Trust*. Comments in relation to the Trust are contained in paragraph 17A of this Report.

17.1.5 Subsidiaries of the Holdings

The subsidiaries of the Holdings are *Kumul Technology Development Corporation Limited (formerly Port Moresby Private Hospital Limited)* and *PNG Dams Limited*. Comments in relation to these subsidiaries are contained in paragraphs 17B and 17C respectively of this Report.

17.2 AUDIT OBSERVATIONS

17.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Holdings for the year ended 31 December 2022 was issued on 22 December 2023. The report did not contain any qualification.

17.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Holdings for the year ended 31 December 2023 was in progress.

17A. GENERAL BUSINESS TRUST **(Trust under Kumul Consolidated Holdings)**

17A.1 INTRODUCTION

17A.1.1 Legislation

The General Business Trust was established under *Section 31* of the *Independent Public Business Corporation of PNG Act 2002 (as amended)* which came into operation on 20 June 2002.

The Kumul Consolidated Holdings (KCH) (formerly Independent Public Business Corporation of PNG) was appointed as Trustee of the Trust and all moneys belonging to the Trust shall be invested or dealt with by KCH in accordance with the *Act*.

At any time before or after the commencement date of the *Act*, the Minister responsible for privatisation matters may vest certain assets and liabilities in the Kumul Consolidated Holdings as Trustee of the Trust.

All the State Owned Enterprises and other investments owned by the State of PNG are vested in the Trust by the Minister responsible for privatisation as approved by the NEC from time to time.

17A.2 AUDIT OBSERVATION

17A.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Trust's financial statements for the year ended 31 December 2022 was issued on 22 December 2023. The report did not contain any qualification.

17A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Trust for the year ended 31 December 2023 was in progress.

17B. KUMUL TECHNOLOGY DEVELOPMENT CORPORATION LIMITED (A subsidiary of Kumul Consolidated Holdings)

17B.1 INTRODUCTION

17B.1.1 Legislation

This Company was initially registered under the *Companies Act* on 1 August 1994 with a name Negliw No. 81 Limited. On 30 September 1994, Negliw No. 81 Limited was acquired by the Motor Vehicles Insurance (PNG) Trust, now the Motor Vehicles Insurance Limited and on 20 March 1996 changed its name to Port Moresby Private Hospital Limited.

Port Moresby Private Hospital Limited was later transferred to the General Business Trust on 2 August 2002. Subsequently on 20 April 2016, the Company changed its name from Port Moresby Private Hospital Limited to Kumul Technology Development Corporation Limited.

17B.1.2 Objective of the Company

The objective of Kumul Technology Development Corporation Limited is to construct, furnish and equip a building to operate as a hospital.

17B.2 AUDIT OBSERVATION

17B.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2022 was issued on 22 December 2023. The report did not contain any qualification.

17B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

17C. PNG DAMS LIMITED

(Subsidiary of Kumul Consolidated Holdings)

17C.1 INTRODUCTION

17C.1.1 Legislation

PNG Dams Limited was incorporated under the *Companies Act* on 5 June 2002. This Company was established under *Section 3(1)* of the *Electricity Commission (Privatisation) Act 2002 (the 'Act')* by transferring to it the Sirinumu Dam and Yonki Dam from PNG Electricity Commission (ELCOM). This was gazetted through *Gazettal Notification No. G114* dated 16 July 2002. The Company was vested with the IPBC through the *Gazettal Notification No. G125* dated 2 August 2002.

PNG Dams Limited (the Company) owns the Sirinumu and Yonki Dams. These two dams were leased to PNG Power Limited as at 31 December 2021.

17C.1.2 Objective of the Company

The objective of the Company is to store water in the two dams for the controlled release of water from the storage for electricity generation.

17C.2 AUDIT OBSERVATION

17C.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2022 was issued on 22 December 2023. The report did not contain any qualification.

17C.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

18. LEGAL TRAINING INSTITUTE

18.1 INTRODUCTION

18.1.1 Legislation

The Legal Training Institute was established in 1972 under the *Post Graduate Legal Training Act (Chapter 168)*.

18.1.2 Functions of the Institute

The functions of the Institute are to provide practical training in law, the conduct and management of legal offices, trust accounts and related subjects for candidates for admission, to a standard sufficient to qualify them for admission to practice as lawyers under the Admission Rules as contained in the *Lawyers Act of 1986*.

18.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

18.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Institute for the year ended 31 December 2021 was issued on 20 May 2024. The report contained a Qualified Opinion:

“QUALIFIED OPINION

In my opinion, except for the effects of the matters referred to in the Basis for Qualified Opinion paragraphs below:

- (a) the financial statements of the Institute are based on proper accounts and records; and
- (b) the financial statements are in agreement with those accounts and records, and show fairly the state of affairs of the Institute as at 31 December 2021 and the results of its operations for the year then ended.

BASIS FOR QUALIFIED OPINION

Fixed Assets – K12,020,882

My review of the fixed assets revealed that the Institute had not maintained a complete and proper Fixed Assets Register (FAR) for the year under review. The assets owned by the Institute have not been tagged for easy identification and recording purposes. Further details such as purchase/acquisition dates and purchase values were not specified.

I also noted that the Institute had not carried out physical count of fixed assets over the years to ensure that assets have properly been recorded and in existence. As a result, I was unable to confirm the valuation, existence and accuracy of the fixed assets balance of K12,020,882 disclosed by way of notes in the financial statements.

Limitation of Scope – Salary and Wages – K2,863,180

My review of salary and wages of the Institute noted that the salary and wages files or Alesco payroll reports from the Department of Finance were not maintained and provided for my review. Consequently, I was unable to perform my audit procedures to determine the validity, completeness and accuracy of the salary and wages totaled K2,863,180 as reported in the financial statements.”

18.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2) of the Audit Act* on the inspection and audit of the accounts and records of the Institute for the year ended 31 December 2021 was issued on 20 May 2024. The report contained the following observations:

Accounting and Administration Procedural Manual

I noted that the Institute did not maintain a procedural manual for the staff to follow and adopt standardized procedures within the Institute for effective control purposes. In the absence of this manual, I was unable to establish whether the standard procedures were followed in the accounting, administration and other operational areas. Further, I was unable to establish whether the staff members carry out tasks in accordance with the prescribed procedures and guidelines applicable to the Institute.

Council Meeting Minutes

Section 6(3) of the Post Graduate Legal Training Act, 1972 requires the Council to keep minutes of meetings held. However, during my review, the Council meeting minutes were not provided for my verification. As a result, I was unable to comment on whether the Council convened meetings as required by the Act. Further, I was not able to state whether the important financial, operational and administrative decisions were collectively discussed, agreed and resolution passed accordingly.

Accounting System

I noted that the Institute’s accounts and records were prepared manually from the cash book and subsequently transferred to the spreadsheet to compile the financial statements. Further, due to financial statements being prepared based on manual cash book, I was unable to place sufficient reliance on the financial statements due to inadequate manual control system. I recommended management to put in place a proper accounting system (accounting software) appropriate for the Institute for proper accountability and good governance.

18.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Institute for year ended 31 December 2022 has been completed and awaiting management letter responses and signed financial statements to finalize the audit and issue the report.

The Institute has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

19. MINERAL RESOURCES AUTHORITY

19.1 INTRODUCTION

19.1.1 Legislation

The Mineral Resources Authority was established by the National Parliament under the *Mineral Resources Act 2005* on 9 November 2005. This Act came into force in January 2006 but the Authority commenced operations in June 2007.

19.1.2 Objectives of the Authority

The objectives of the Authority are to achieve stability, industry growth and a degree of assurance of future revenues from the mineral industry. More effective management of issues concerning landowners and their participation in the development process and allow for the development of a more settled investment climate and industry development.

19.1.3 Functions of the Authority

The functions of the Authority are to:

- advise the Minister on matters relating to mining and the management, exploitation and development of Papua New Guinea's mineral resources;
- promote the orderly exploration for the development of the country's mineral resources;
- oversee the administration and enforcement of the *Mining Act 1992*, the *Mining (Safety) Act (Chapter 195A)*, the *Mining Development Act (Chapter 197)*, the *Ok Tedi Acts* and the *Ok Tedi Agreement*, the *Mining (Bougainville Copper Agreement) Act (Chapter 196)* and the agreements that are scheduled to that Act, and any other legislation relating to mining or to the management, exploitation or development of PNG's mineral resources;
- negotiate mining development contracts under the *Mining Act* as agent for the State;
- act as agent for the State, as required, in relation to any international agreement relating to mining or to the management, exploitation or development of PNG's mineral resources;
- receive and collect, on its own account and on behalf of the State, any fee, levy, rent, security, deposit, compensation, royalty, costs, penalty, or other money, or other account payable under the *Mining Act*, the *Mining (Safety) Act*, the *Mining Development Act*, the *Ok Tedi Acts* and the *Ok Tedi Agreement*, the *Mining (Bougainville Copper Agreement) Act* and the agreements that are scheduled to that Act, or any other Act the administration of which is the responsibility of the Authority from time to time;

- on behalf of the State, to receive and collect from persons to whom a tenement has been granted under the *Mining Act* the security for compliance with the person's obligations under the Act required to be lodged with the Registrar, and to hold and such security received or collected;
- on behalf of the State, to administer and be responsible for the administration of any public investment program relating to mining;
- conduct systematic geoscientific investigations into the distribution and characteristics of PNG's mineral and geological resources, located on, within or beneath the country's land mass, soil, subsoil and the sea-bed;
- provide small scale mining and hydrogeological survey data services, and occupational health and safety community awareness programs;
- collect, analyse, store, archive, disseminate and publish (in appropriate maps and publications) on behalf of the State geoscientific information about PNG's mineral and geological resources;
- carry out such other functions as are given to the Authority by this Act or by any other law; and
- generally to do such supplementary, incidental, or consequential acts and things as are necessary or convenient for the Authority to carry out its functions.

19.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2021 was in progress.

The Authority has submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit and arrangements were being made to commence these audits shortly.

20. NATIONAL AGRICULTURE QUARANTINE AND INSPECTION AUTHORITY

20.1 INTRODUCTION

20.1.1 Legislation

The National Agriculture Quarantine and Inspection Authority (NAQIA) was established by the *National Agriculture Quarantine and Inspection Authority Act 1997*. This Act came into operation on 29 May 1997.

Under this Act, all assets used for Quarantine and Inspection Services (other than land held by the State) and previously held by the Department of Agriculture and Livestock which were necessary to be transferred to the Authority for the purposes of the Authority, were transferred to and became the assets of the Authority at commencement.

20.1.2 Objectives of the Authority

The main objectives of the Authority as mentioned in the Act are the conduct of quarantine and inspection of: any animal and species; any fish species; any plant species; any products derived from animals, fish and plants; and to prevent pests or diseases from entering in or going out of PNG.

20.1.3 Functions of the Authority

The functions of the Authority are to:

- advise the Ministry and the National Government on policy formulations and legislative changes pertaining to agriculture quarantine and inspection matters;
- monitor and inspect all imports of animals, fish and plants and their parts and products, including fresh, frozen and processed food to ensure that the imports are free from pests, diseases, weeds and any other symptoms;
- regulate and control all imports of animals, fish and plants and their parts and products, including fresh, frozen and processed food to ensure the imports are free from pests, diseases, weeds and any other symptoms;
- undertake all necessary actions to prevent arrival and spread of pests, diseases, contamination, weeds, and any undesirable changes pertaining to animals, fish and plants and their parts and products, including fresh, frozen and processed foods;
- monitor, inspect and control the export of animals, fish and plants and their parts and products to ensure that they are free from pests, diseases, weeds and any other symptoms;

- undertake all necessary actions to ensure that the export of animals, plants, fish and their parts and products are free from pests, diseases, weeds and any other symptoms so as to provide quality assurance to meet the import requirements of importing countries;
- issue permits, certificates and endorsements pertaining to imports and exports of animals, fish and plants and their parts and products to provide quality assurance and to ensure that they are free from pests, diseases, weeds and any other symptoms;
- inspect and treat vessels, aircraft, vehicles, equipment and machinery that are used in importing and exporting animals, fish and plants to ensure that they are free from pests, diseases, weeds and any other symptoms;
- regulate the movement of animals and plants from one part of the country to another to control and prevent the spread of pests, diseases, weeds and any other symptoms;
- undertake and maintain inspection and quarantine surveillance pertaining to pests, diseases, weeds and any other symptoms on animals, fish and plants within and on the borders of the country;
- monitor, assess and carry out tests on animals, fish and plants and their parts and products that are introduced into the Country, to ensure that they are free of pests, diseases, weeds and any other symptoms;
- liaise with other countries, international agencies and other organisations in developing policies, strategies and agreements relating to quarantine, quality and inspection matters in respect of animals and plants;
- provide quarantine and inspection information and services to individuals, agencies and other organisations within the Country and overseas in respect of animals and plants;
- levy fees and charges for any of the purposes of this Act and any regulations made there under;
- exercise all functions and powers and perform all duties which, under any other written law, are or may be or become vested in the Authority or are delegated to the Authority; and
- do such matters and things as may be incidental to or consequential upon the exercise of its power or the discharge of its functions under this Act.

20.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Authority has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite numerous reminders from my Office.

21. NATIONAL AGRICULTURAL RESEARCH INSTITUTE

21.1 INTRODUCTION

21.1.1 Legislation

The National Agricultural Research Institute (NARI) was established by the *National Agricultural Research Institute Act 1996*. This Act came into operation on 10 October 1996.

Under this Act, all monies allocated to or standing to the credit of the research division of the Department of Agriculture and Livestock and all assets used for research and research related functions previously held by the Department of Agriculture and Livestock prior to the operationalisation of the Act were transferred to the Institute to become the assets at commencement.

21.1.2 Objectives of the Institute

The main objectives of the Institute are to conduct and foster research into:

- any branch of biological, physical and natural sciences related to agriculture;
- cultural and socioeconomic aspects of the agricultural sector, especially of the smallholder agriculturalists; and
- matters relating to rural development, relevant to PNG.

21.1.3 Functions of the Institute

The primary functions of the Institute are to:

- generate and adapt agricultural technologies and resource management practices appropriate to the needs, circumstances and goals of smallholder agriculturalists;
- promote and facilitate applied and adaptive research in food crops, livestock, alternative cash crops, and resource management;
- promote the use of appropriate agricultural technologies and provide essential technical services to improve the productivity, income, nutritional status and food security, resource base and quality of life of rural households and communities;
- develop and promote ways of improving the output, quality, harvesting, post-harvesting, handling and processing and marketing of food crops, livestock produce and alternative crops;
- maintain and conserve the diversity of genetic resources for food and agriculture, act as custodian for these resources and promote the effective utilisation of these resources in the country;
- update and maintain the national inventory on soil resources and to develop, promote and maintain sustainable practices in agriculture;

- provide agricultural information services, extension service support and other such assistance packages to the agricultural sector and to provide liaison and access to international agencies that promote agricultural development;
- perform such other functions as are given to it under this Act or any other law;
- formulate national agricultural research policies, define sectoral research priorities and allocate funds and advise the Minister and the NEC on these matters; and
- generally, do all such things as may be incidental or consequential upon the exercise of its powers and the performance of its functions.

21.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

21.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the Institute's financial statements for the years ended 31 December 2021 and 2022 were issued on 23 January 2024 and 20 May 2024 respectively. The reports did not contain any qualification.

21.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Institute for the years ended 31 December 2021 and 2022 were issued on 23 January 2024 and 20 May 2024 respectively. The reports contained the following similar observations, hence only the 2022 report is reproduced:

Reporting Requirements under *Public Finances (Management) Act*

Under *Section 63* of the *Public Finances (Management) Act, 1995 (as amended)*, the Institute had delayed preparing and furnishing its financial statements prior to the end of the fourth calendar month. The Institute's 2022 financial statements were not finalised before 30 April 2023. As a result, management was not able to meet the deadline required by *PFMA*.

I recommended management to comply with *Section 63* of the *PFMA* by ensuring that its statutory financial statements are prepared and submitted on a timely basis.

Management concurred with my recommendation and stated that draft financial statements will be provided on time going forward.

Basis for Preparation of Financial Statements

My review of the overall presentation of financial statements revealed that there was no specific *Financial Reporting Framework (FRF)* adopted by the Institute that formed the basis of the overall presentation of the financial statements.

Financial Reporting Frameworks are set guidelines that determine how key components of the financial statements should be measured, recognized, presented and disclosed. They provide the foundation on which financial statements and/or annual reports are produced and also allows for how much information to be made available to the financial statements' users.

Quicken Accounting System/Software

The Quicken Accounting Software is a system designed specifically for small businesses and personal finances usage that requires frequent reconciliations in order to avoid errors or mistakes. The Institute has expanded its operations into other centres with a lot of transactions occurring monthly and annually but continues to use the Quicken Accounting Software over the years despite my audit recommendations in prior year audits to secure a new accounting software to cater for bigger operations.

I further noted that this Accounting System only allows for inputs of payments and receipts as per my walkthrough on how the system operates. The system itself cannot generate important reports like the Income Statement, Balance Sheet, Trial Balance and the General Ledger for reporting purposes. I also noted that in order for the Institute to produce its financial statements, recorded transactions in the system are manually extracted and transferred to excel spreadsheets and sorted manually to get the final figures as captured in the financial statements.

Management responded that a new accounting software is scheduled to be implemented in 2024.

Financial Management, Procurement and Budgeting Manual

I noted that the Institute's current Financial Management, Procurement and Budgeting Manual was drafted and issued in 2008. Since then there was no update made to the Manual to date, hence, most of the information including policies and procedures and rates of allowances remained out dated which audit could not place reliance on.

Although the Institute is currently adjusting to recent changes with best practices in place, these have to be documented into a new version of the Financial Management, Procurement and Budgeting Manual.

I recommended management to consider updating the Manual to match the current business practices of NARI in line with the *Public Finances (Management) Act, 1995 (as amended)*, Finance Management Manual, Board Fees & Allowances Act, General Orders, by-laws and other updated government laws and regulations.

Management responded that the Financial Management, Procurement and Budgeting Manual will be reviewed and updated in 2024.

Physical Verification and Update of Fixed Assets Register

The Institute owned Fixed Assets valued at K294,895,424 as at 31 December 2022. My review of the Fixed Assets Register revealed that the register had not been updated over the years capturing the proper accurate record of the Institute's assets as most of the items were found to be fully depreciated or having carrying value of less than K100. Without proper update of the Fixed Assets Register, the Institute will not know the exact number and value of assets and whether the assets are still in good condition or not or might be missing through theft or being disposed-off without the Institute's knowledge.

I recommended management to properly update the Fixed Assets Register and with Council's approval, dispose-off items that are found to be fully depreciated or obsolete.

Management responded as follows:

"The online Fixed Assets and Inventory Database Management System has been created with current records. These records will now be validated and updated through a physical stock take process. This will be completed during 2024."

Valuation of Land and Land Titles

My review of Original Owner's copy of the land titles owned by the Institute revealed that four (4) portions of land titles that vest under the Institute require valuation done in order to capture their values in the financial statements. They are allotments 114 and 115 in Tambul, WHP and Portion 121 in Tring, East Sepik Province and Portion 4439 of land at Kilakila with permanent establishments.

Long Outstanding Debtors

My review of Trade Debtors and Prepayments of the Institute for the year ended 31 December 2022 revealed that a total of K1,151,257 remained outstanding for more than a year dating back to 2016. I noted that some of these long outstanding debts are reimbursable expenses from projects and services provided which had not been recovered and remained uncollectible at year end.

Leave Fares

As per the *General Order 14.47*, it states, *"An officer shall pay to the State at the time of applying for payment of recreation leave fares, a contribution towards the cost of the fares which shall be calculated at ten per cent (10%) of his/her gross substantive fortnightly salary at the date immediately prior to proceeding on recreation leave."* However, I noted that this ten percent (10%) has not been paid to the Institute by officers who have taken their recreational leave fares.

Travel Acquittal Register

My review of the travel and subsistence expenses revealed that the Institute did not keep and maintain acquittal register for travel advances taken by the officers for the year ended 31 December 2022. As a result, I was unable to trace and substantiate the total amount of K548,736 travel and subsistence expenses incurred during the year.

In the absence of a Travel Acquittals Register and the related acquittals, I was unable to verify and confirm whether the travel related payments were made for the intended purposes. Consequently, the Institute had breached the *Public Finances (Management) Act, 1995 (as amended)* and the *Financial Management Manual Part 20 paragraphs 11.2 & 12.10* which require cash and travel advances to officers on official duty travel to be acquitted within 7 and 14 days for domestic and international travels respectively upon return.

Incorrect Treatment of Cost Recoveries

Included in the Other Income account are transactions for cost recoveries for costs incurred in relation to the projects. These are expenses incurred by the Institute on behalf of the donor projects which are then refunded by the donor project funds through internal transfers. My review revealed instances totaling K3,014,130 in relation to cost recoveries which were incorrectly treated as other income which resulted in Other Income balance being overstated in the general ledger and financial statements by the same amount. Consequently, I was not able to gain comfort on the accuracy and completeness of the Other Income balance presented in the financial statements.

I have recommended management to ensure all the cost recoveries, reimbursements and refunds are adjusted and a review on the accounting entries prior to posting to ensure proper treatments and entries are made to recognize the consolidation effect of the inter account transfers.

Management responded as follows:

“We will correct the treatment of Cost Recoveries for future years financial reports. The new accounting system that we are working on to establish will resolve this issue.”

In addition to the similar observations, the 2021 Report contained the following additional observations:

Appointment Process of Acting Director-General

As per *Section 21* of the *National Agricultural Research Institute Act 1996*, the Head of State, acting on advice given after considering recommendations by the Minister made after considering recommendations by the Council may, by notice in the National Gazette, appoint a suitably qualified person to be the Director General of the Institute.

Further, *Section 9 of the Regulatory Statutory Authorities* states that the Board/Council shall recommend to the Minister a suitable person to act for a period not exceeding three (3) months, from a pre-selected list of suitable persons endorsed by the Public Service Commission based upon an assessment of the prescribed minimum person specification. On receipt of a recommendation, the Minister shall recommend to the National Executive Council to make an acting appointment, and then the National Executive Council shall make the acting appointment.

My review of the Council meeting minutes revealed that the Council in its 57th meeting held at NARI Head Office on 4 December 2020 had nominated three (3) suitably qualified persons and have submitted the list of nominees to the Public Service Commission. The Public Service Commission deliberating on the recommendations of the Council, have endorsed Dr. Ramakrishna Akkinapally to be the Acting Director General through a letter dated 19 March 2021. However, after the former Council's term expired in February 2021, the then Minister for Sports and Higher Education, Research, Science and Technology, appointed Mr. Warea Orapa as the Acting Director General of the Institute which was Gazetted on 23 March 2021 for a period of three months or until such time a permanent appointment was made. Similarly, the current Council members have been appointed to act as the Interim Governing Council Members of the Institute. The Minister made the appointments based on the *Higher Education (General Provisions) (Amendment) Act 2020*. These changes have all happened after the former Council members term expired on 21 February 2021.

The proper appointment process of the Director General and members of the Council of the Institute (NARI) using the *National Agricultural Research Institute Act 1996* may have been breached.

I requested for an explanation for adopting the *Higher Education (General Provisions) (Amendment) Act 2020* in the appointment process rather than using the Institute's own Act, *National Agricultural Research Institute Act 1996*.

Management responded as follows:

"The appointment was made at Ministerial level. NARI Management had no say on this appointment because the term of NARI Council was expired at that time."

Fixed Asset Additions

My review of the fixed asset additions revealed that a new Toyota Land Cruiser 10-seater was purchased during the year. I noted that this particular vehicle was fully kitted which has costed the Institute a total of K242,740. In addition, I observed that the item was not provided in the Institute's Annual Budget nor discussed and minuted in a management meeting and brought before the Council for its endorsement. There was a transfer of funds and the motor vehicle was purchased from programmed and ongoing project funds which is a breach of the *Public Finances (Management) Act 1995 (as amended)*.

Further, it is observed that all motor vehicles owned by the Institute are Z plated as stipulated in the *Motor Traffic Regulations (Chapter 243)* with the exception of this vehicle which still has a white plate numbered - FAD 342.

Again, I noted that the Institute has a lot of motor vehicles as a result of its GoPNG PIP and donor funded research projects located at different centers in the country. In relation to that, I noted that when a donor funded food security research project comes to an end, all assets including motor vehicles purchased and used under that research project are transferred to the Institute which are disclosed in *Note 3* to the financial statements. Management responded to my observations as follows:

“The Motor Vehicle (FAD 342) was purchased for use by the Acting Director General. A vehicle was needed as the Toyota Land Cruiser Prado used by the previous Director General was no longer available. The choice of 10-seater Land Cruiser vehicle was according to the instruction of the Acting Director General, without reference to Management. The Council will be requested to provide guidance for future purchases for Director General use.”

Engagement of Consultant – K24,000

My review of the expenses revealed that a consultancy agreement was entered into between NARI and a Consultant. The consultant was engaged to provide specialist services relating to Inter-governmental liaison on behalf of NARI management with various key government departments, agencies, stakeholders and heads of departments.

I was unable to determine whether a proper review of the Institute’s current structure was done that established a gap and a need for a consultant and this was brought before the Council. My view of the Terms of Reference revealed that there may have been a duplication of functions currently performed by HR and the consultant. The consultant did not have a registered company/business name to operate as a consultant to enter into agreement with such government agencies. Further, a 10% withholding tax for non-provision of Certificate of Compliance had not been effected. I further noted that a vehicle had been hired for the consultant for 10 days at K3,300 for which was not specified in the contract.

Security Expenses – K714,014

My analysis of the expenditure revealed that there was a substantial increase in security expenses by K220,326 from prior year expense of K493,688. The increase was due to a new security firm engaged by the management when the previous security firm’s term expired in late 2021. My analysis of the previous firm’s October 2021 invoiced amount of K47,966 comparing with the current firm’s November 2021 invoice amount of K79,200 reveals that the new security company is charging twice the amount of the previous firm.

I noted that a new security contract was signed between NARI and Scope Limited for a contract value of K950,400 for twelve (12) months period. However, I noted that proper procurement processes required by the *Public Finances (Management) Act 1995 (as amended)* were not followed by NARI Management.

The Management in its response stated the following:

“Following the expiry of the previous security contract with Lae Security Services (LSS), a tender process was initiated. The tenders, including Scope Limited, were assessed by the Senior Managers (Manager Assets and Financial Controller) and a prioritized shortlist provided to Acting Director General.

The final selection and contract preparation were solely done by the Acting Director General without further consultation. The firm engaged, Scope Limited, was inadequately and inappropriately resourced and not able to provide the service as expected. Contract term of Scope Limited ended on December 2022 and was subsequently terminated.”

Legal Bills – K504,895

My analysis of the expenditure revealed that there was a substantial increase in legal bills expended for the year under review by K466,795 from prior year bill of K38,100.

Listed below are chronological events leading up to the payment of K504,895 to a single legal firm:

- On 23 March 2021, the then Minister for Sports and Higher Education, Research, Science and Technology under the *Higher Education (General Provision) (Amendment) Act 2020* suspended the former NARI Council together with its acting Director General and appointed an Interim NARI Council and the current acting Director General.
- On 18 April 2021, the Minister seeks approval from the Attorney General for a legal clearance for a nominated legal firm (Don Wapu Lawyers) to represent the Department and the Ministry.
- On 29 April 2021, the Attorney General was not given the opportunity to shop around for legal services at a lowest cost to the State but gave clearance for the named legal firm to proceed.
- On 14 May 2021, the legal firm correctly stated that their legal services started after the legal clearance or approval by the Attorney General on 29 April 2021 and concluded on 17 May 2021.

- Per the Memorandum of Fees dated 21 March 2021 or charge details of the legal firm, it revealed that the charges started on 8 March 2021 and ended on 17 May 2021.

It is therefore observed that;

1. The engagement of the legal services was done by the Minister prior to the date of termination and appointment of the former NARI Council and the then acting Director General.
2. The hours charged from 8 March 2021 to 28 April 2021 (202 hours @ K1,000 = K202,000) before the approval by the Attorney General should not be paid by the National Agricultural Research Institute.

Any State agency/entity that needs legal services has to be provided by the Attorney General's lawyers or briefed out to other private legal firms by the Attorney General. As such, the legal services provided before the approval or legal clearance by the Attorney General is seen as improper and a breach of the *Public Finances (Management) Act 1995 (as amended)* by the Minister, the Director General as CEO of the Institute and NARI Management.

Management responded to my findings as follows:

"The Lawyer was engaged by the office of the Minister for HERST. The Management was reluctant to pay the bills when requested as there was no itemized account of the service provided. The payment was made on instruction, following the notification of vetting by the Office of the Solicitor General."

Unnecessary Expenditures and Non-Acquittals

During my review of the expenditures, it revealed the following discrepancies:

- Payment of K31,221 for accommodation and meals at Western Pacific Guest House for Acting Director General and his two personal body guards for 50 nights from 25 March 2021 to 14 May 2021.
- Payment of K47,250 made to Peter Remosi Bus Services for hire car used by acting Director General from 25 March 2021 to 25 May 2021, though the former Director General's vehicle was available together with other admin vehicles.
- T/A of K1,200 and accommodation of K2,835 for an assistant who is not a staff of NARI who travelled with acting Director General to Tambul for commissioning of new Genset and then onto Kagua for delivery of rice seeds. Miscellaneous of K3,000 cash given to Acting Director General not acquitted of how this money was spent.

- T/A of K1,200 and accommodation of K2,512 for an assistant who is not a staff of NARI who travelled with acting Director General to Kagua and then onto Poroma for Launching of Potato Project by Fresh Produce Development Agency. Miscellaneous of K1,000 was not acquitted.
- Cash payment of K11,000 to acting Director General and his two personal body guards for a trip to his village in December 2021 for unknown projects were not acquitted.

Due to the above discrepancies, I was not able to ascertain the validity and correctness of the expenses incurred by the Institute. Further, such practice may deem misappropriation and misuse of public funds when acquittals are not provided for payments made to non-employees of the Institute. The Institute was in breach of the *Public Finances (Management) Act 1995 (as amended)*.

21.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Institute has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

22. NATIONAL AIDS COUNCIL SECRETARIAT

22.1 INTRODUCTION

22.1.1 Legislation

The National AIDS Council Secretariat was established under the *National AIDS Council Act 1997*. This Act was certified and became operational on 19 January 1998.

22.1.2 Objectives of the Council

The objectives of the Council are to take multi sectoral approaches with a view to:

- prevent, control and to eliminate HIV/AIDS transmission in PNG;
- organise measures to minimise the personal, social and economic impact of HIV/AIDS; and
- safeguard personal privacy, dignity and integrity in the face of the HIV/AIDS epidemic in PNG.

22.1.3 Functions of the Council

The functions of the Council include formulation, implementation, review and revision of national policy in accordance with its objects for the prevention, control and management of HIV/AIDS and to:

- make recommendations and provide guidelines on the related issues to the National Executive Council (NEC), Provincial Governments (PGs) and Local Level Governments (LLGs);
- foster, co-ordinate and monitor HIV/AIDS prevention, control and management strategies and programmes;
- accept, administer and account for the funds and other resources allocated to it;
- consult and co-ordinate with the appropriate state agencies and other persons and organisations on matters related to its activities;
- initiate, encourage, facilitate and monitor preparation and dissemination of information, counselling, care and legal services, research on or in relation to HIV/AIDS; and
- perform such other functions given to it under *Section 5* of this *Act* or any other law.

22.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

22.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Secretariat for the year ended 31 December 2022 was issued on 30 June 2024. The report contained a Qualified Opinion.

“QUALIFIED OPINION

In my opinion, except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph, the financial statements of the Secretariat:

- a) are based on proper accounts and records; and
- b) are in agreement with those accounts and records, and show fairly the state of affairs of the Secretariat for the year ended 31 December 2022 and the results of its financial operations for the year then ended.

BASIS FOR QUALIFIED OPINION

Limitation of Scope – Covid-19 Research Expenses – K4,127,624

Disclosed in the statement of cash receipts and payments and *Note 4* to the financial statements is the Covid-19 Research Expenses with a balance of K4,127,624. I was not able to verify all these payments as the respective payment vouchers were not provided for my verification resulting in scope limitation on my planned audit procedures.

Consequently, I was not able to obtain sufficient and appropriate audit evidence to ascertain the occurrence and the validity of these payments nor conclude on the accuracy and completeness of the Covid-19 Research Expenses balance presented in the financial statements.”

22.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Secretariat for the year ended 31 December 2022 was issued on 30 June 2024. The report contained the following observations:

Internal Control Environment - Policies and Procedures

Despite my prior years’ recommendations, I noted that motor vehicle, laptop computer and mobile phone policies were still in draft and awaiting endorsement by the Council while accounting and procurements procedural manuals are yet to be drafted.

I reminded the management that documented policies and procedures are vital in ensuring an effective internal control environment as they outline the key business processes and authorization requirements of an organization. I further recommended the management to ensure that draft policies are given priority for approval. Similarly, accounting and procurement manuals need to be compiled, approved and communicated to all levels of management for implementation and adherence.

The management noted my finding and stated that NACS conducts its business affairs and manages public funds and properties in accordance with the Public Finance Management Act, General Orders and other relevant laws; hence, risk of malpractice and abuse within NACS is minimized. However, going forward, NACS will ensure to formulate its Financial Procedural Manual based on PFMA and have the draft policies approved once the Council/Board members get appointed.

Internal Audit Unit

As reported in my prior years' audits, the Secretariat is yet to utilize the Internal Audit function to review various processes including the assessment and implementation of effective internal controls and anti-fraud measures to provide necessary recommendations to the management. I cautioned management that the lack of an internal audit function encourages system break-downs and weak internal controls which may result in mismanagement and abuse of public resources. I recommended the management to ensure the internal audit unit is utilized and an internal auditor is appointed as soon as practicable.

Management concurred with my finding and recommendation and advised that NACS's new organizational structure submitted to Salaries and Conditions Monitoring Committee has been cleared and forwarded to Secretary for Department of Personnel Management for approval. Once approved, NACS will advertise the positions for recruitment.

Fixed Assets

The Fixed Assets Register (FAR) is the main control mechanism that captures and shows the value and ownership of the assets of an organization. My review of the controls surrounding the fixed assets of the Secretariat revealed that the fixed assets register was maintained but not properly updated. As a result, the following weaknesses were noted:

- All assets were not tagged with customized NACS codes and captured in the FAR to enable my audit to locate and verify the existence of the assets;
- Certain assets recorded in the Register did not have either purchase date or purchase price; and

- No stock-take was carried out over the years including 2022 for all assets located at both head office and the respective provincial offices to accurately and fairly state the values of assets owned and controlled by the Secretariat.

Without a complete/updated fixed assets register, I was not able to place reliance on the Secretariat's effectiveness of the control surrounding the management of fixed assets. Further, assets that are obsolete, damaged, or disposed of may not be identified and recorded accurately in the absence of the stock take verification exercise.

Management in its responses stated as follows:

“Assets were tagged with NACS customized codes but the codes were not captured in the FAR. Going forward, we will carry out an exercise to state the asset codes against assets in the FAR. Several assets did not have details such as purchase price and purchase dates because these assets were bought a long time ago and these details could not be traced back; and

Stock-take exercise for the Provincial Offices was conducted in 2019 and in 2021 NACS commenced the stock-take exercise for the Head Office. Hence; the FAR will be updated accordingly once the process is complete.”

Long Over Due Staff Advances

The Secretariat disclosed its staff advance balance as K33,622 in *Note 7* to the financial statements at 31 December 2022. However, I noted that this balance was not recovered and remained outstanding for a number of years now and its collectability is in doubt. This issue was brought to management's attention on numerous occasions however, management is yet to take necessary actions.

I recommended the Secretariat to come up with options to collect those debt; otherwise consider writing the balance off after the Council's approval.

Management has since advised that submission for the write-off for the long outstanding staff advances was made to the Council and is still pending approval. Without the Council's approval for the write off, this balance cannot be omitted from records.

Incorrect Tax Administration

My review of salaries and allowances revealed that certain senior officers who were provided with motor vehicles with fuel on 24-hour basis were not taxed according to the prescribed rates. Hence, prescribed amounts for tax purposes have not been included in the fortnightly pay calculations in 2022 for assessment of income tax. The appropriate values for officers who are provided motor vehicles with fuel and without fuel in lieu of motor vehicle allowances paid are K125 and K95 respectively as described under salaries and wages tax table effective 1 January 2019.

I recommended management to review the payroll records to ensure prescribed taxable amounts are included in the fortnightly tax calculations for those staff that are provided with motor vehicles with fuel to avoid penalties imposed by IRC.

Recruitment Process

Based on the sample of 2022 recruits selected for testing to verify the effectiveness of NACS's recruitment process, I noted that: apart from the applicant's letter of interest, CV, offer letters and acceptance letters, other supporting documents such as published/ advertised positions, an applications register for all the applicants, selection criteria, and interview and evaluation forms for candidates and screening for criminal records such as police clearance forms could not be located in the new recruits' personnel files. Consequently, I was unable to confirm if hiring of officers was done through a proper recruitment process and all recruitment processes have been satisfied. I recommended the Secretariat to ensure in the future to comply with the established recruitment process.

The management responded as follows:

"In 2020, NACS advertised all its vacant positions in the two dailies and the officers were interviewed and the successful applicants were only recruited in 2022. Hence, there were no publication of vacant position in 2022. The successful applicants were recruited through interview and assessment against the selection criteria. But the interview assessment and selection criteria records have been unintentionally misplaced. The successful applicants were advised to produce police clearance forms. But they're yet to provide one due to lengthy que experienced in obtaining police clearance."

Leave Fares

My examination of the leave fare expenses revealed instances where there were no birth certificates for dependents attached together with the leave applications and payment vouchers to verify the age limits and legitimacy of dependents claimed by officers as required by *Section 14.41* of the *General Orders*. In addition, there were occasions where three (3) quotations were not obtained for leave fares paid to travel agents, instead leave fares were paid based on one quotation. As such, I was unable to comment on the effectiveness of internal controls surrounding the administration of leave fares paid during the year under review.

I recommended that NACS adheres to the existing internal controls when processing leave fares and apply strict measures for all staff to abide by.

Management concurred with my findings and advised that going forward there will be improvements in maintenance of birth certificates and NACS will ensure to obtain three quotations from travel agents prior to processing leave fare entitlements.

Travel Acquittal Register and Related Acquittals

The Travel Acquittal Register provided for my verification was incomplete as it did not capture and register all the travels undertaken during the year including their relevant acquittals. As a result, a total of K153,640 from the selected sample of travel and subsistence expenses could not be verified to the Acquittal Register and File. Furthermore, cash advances totaling K63,500 paid out as miscellaneous and focal persons allowances could not be reliably substantiated due to lack of related acquittals. Consequently, I was not able to validate whether cash allowances intended for focal persons/councilors had reached them and that miscellaneous expenses were used for its intended purpose.

Management concurred with my findings and advised that improvements will be made going forward and NACS will ensure to inform the recipients of cash advances that they're obliged to provide acquittal on the usage of cash. If cash advance is not acquitted there will be no second advances to the officers and NACS will impose restitution on unacquitted cash advances through salary deduction.

Expenditure Review

My review of the expenditure accounts and records of the Secretariat revealed that payment vouchers totaling K177,830 that were inspected were not properly filed with proper supporting documentations such as three (3) quotations for payments above K5,000, Invoices/Receipts to confirm the validity of the payments and delivery dockets/consignments to confirm if the actual goods purchased had been delivered to the Secretariat.

I brought this to the attention of the management and recommended the Secretariat to ensure that in the future adequate supporting documents should be filed properly and maintained in line with the requirements of *Section 62 (1) of the Public Finances (Management) Act 1995 (as amended)* and be readily made available for management and audit purposes.

Management concurred with my finding and advised that going forward, NACS will ensure to obtain these documents from suppliers and have them filed accordingly.

No Activity Completion Reports and Acquittals – Sponsorship for Awareness Programs

My examination of funding allocated to individuals and organizations for awareness programs (WAD and Christmas Activities) revealed instances where these support grants did not have acquittal reports as well as the activity/awareness completion reports attached with the payment vouchers to verify and confirm whether the funds released were used in achieving the purpose and objectives of the Secretariat and desirable outcomes were achieved. Management subsequently responded to this issue raised in my management letter and did provide some acquittals and activity reports thereafter.

However, going forward regular follow ups should be undertaken by management to ensure there is accountability of public funds provided for these activities.

Management agreed with my recommendations and responded that going forward, prior to releasing funding for HIV/AIDS awareness programs, NACS will ensure to inform the recipients that they are obliged to provide an acquittal report on the expenditure of fund for transparency as well as an HIV/AIDS awareness completion report indicating the outcome.

Covid-19 Research Expenditures

During my review, I noted that the National Executive Council in its Decision No.328/2020 approved a funding of K10.2 million for Niugini BioMed Ltd to undertake Covid-19 research in collaboration with other relevant institutions. Pursuant to this decision, the Treasury Department released K5 million out of the K10.2 million to the Department of Prime Minister and National Executive Council which was then transferred to NACS towards the end of November 2022. I further noted that a total of K4,727,623 representing 95% of the research funds was subsequently used up within the month of December 2022.

My audit noted the following observations in relation to the above expenditure:

- I was not provided with the NEC decision (No.328/2020) to confirm the purpose including important information like the guidelines on how the funds will be used and their intended outcome. I was only provided with a policy submission presumably signed off by the Prime Minister but did not contain the submission number, nor stamped to confirm the legitimacy of this document;
- All the payment vouchers for the Covid-19 Research Expenses were subsequently taken away by the National Fraud and Anti-corruption Directorate through a search warrant on alleged misappropriations into the K5 million COVID-19 Research Funds. Hence, I was not able to confirm the validity and appropriateness of these payments. Further, there were indications that misappropriation may have occurred, my procedures however were limited to the conduct of the statutory (financial) audit and did not confirm actual fraud which may be uncovered in a forensic investigation;
- I noted per the details of the payments in the cash book as well as in the policy submission to NEC that most of the payments were outstanding payments for services already rendered or goods supplied prior to receiving the funds from the state. In my view, such payments expose the State to the risk that payments were not made in accordance with the provisions of the *Public Finances (Management) Act 1995 (as amended)* and relevant GoPNG procurement procedures and guidelines resulting in the risk of misuse and abuse of public monies; and

- There was no evidence including any reports sighted to confirm whether the Covid-19 Research funding was used for the intended purpose and tangible outcomes achieved. As a result, I was not able to conclude on whether value for money was achieved on the public funds expended.

Due to the above shortcomings, I was not able to conclude on whether payments were legitimate expenditures made for the purpose of Covid-19 Research, made in accordance with the requirements of the GoPNG procurement processes and guidelines and were accurately recorded. Further, when records are not properly retained, there is a higher risk of fraudulent activities taking place and possible misrepresentation.

The management of the Secretariat responded to my observations as follows:

“The COVID-19 funds remitted to NACS dormant bank account was never intended for payment of NACS related operational/program activities rather it was intended for Niugini Biomed Limited to use this funding for COVID-19 research related activities. Accordingly, NACS was only facilitating payments requested by Niugini Biomed Limited management. Since the payments were never made for NACS operational/program activities, NACS cannot be held answerable for funds that were used by a separate /different entity (Niugini Biomed Limited). Consequently, it is only appropriate that the Auditor General’s Office conduct a separate audit into the expenditure of K5m COVID-19 research funding by Niugini Biomed Limited (a company established under the Companies Act) and determine as to whether Niugini Biomed Limited has expended the K5m COVID-19 research funding for intended purpose in compliance to applicable GoPNG established procurement processes/Public Finances Management Act.”

22.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Secretariat has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

23. NATIONAL BROADCASTING CORPORATION

23.1 INTRODUCTION

23.1.1 Legislation

The National Broadcasting Commission (NBC) was established under the *Broadcasting Commission Act (Chapter 149)*. This Act was amended in 1995 by the *National Broadcasting Commission (Change of Name and Corporate Structure) Act 1995*.

In terms of *Section 4* of the *Broadcasting Commission (Change of Name and Corporate Structure) Act No. 49 of 1995* the name of the Commission was changed to Corporation.

The *Amendment Act No.49 of 1995* came into operation on 23 April 1996 as per *Gazettal Notification No.G.32*.

23.1.2 Functions of Corporation

The principal functions of the Corporation are to provide balanced, objective and impartial broadcasting services and in so doing, to take in the interests of the community, all such measures as in its opinion are conducive to the full development of suitable broadcasting programs.

The Corporation's other functions are to:

- ensure that the services that it provides, when considered as a whole, reflect the drive for national unity and at the same time give adequate expression to the culture, characteristics, affairs, opinions and needs of the people of the various parts of the Country and in particular of rural areas;
- do all in its power to preserve and stimulate pride in the indigenous and traditional cultural heritage of PNG;
- take extreme care in broadcasting material that could inflame racial or sectional feelings; and
- co-operate with the Government in broadcasting social, political, economic and educational programs.

23.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

23.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Corporation's financial statements for the year ended 31 December 2018 was issued on 20 May 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of the National Broadcasting Corporation for the year ended 31 December 2018.

BASIS FOR DISCLAIMER OF OPINION

Opening Balances

My report on the Corporation’s financial statements for the year ended 31 December 2017 was a disclaimer of opinion in respect to cash at bank, trade and other receivables, property, plant and equipment, related party transactions, employee provisions, trade and other creditors, asset revaluation reserve and equity. There were no satisfactory audit procedures that I could otherwise perform to obtain reasonable assurance as to the correctness of the opening balances as at 1 January 2018. Since the opening balances enter into the determination of the financial performance, I was unable to determine whether adjustments might have been necessary in respect of the balances reported in the statement of financial position, cash flows and the related loss reported for the year.

Cash at Bank and on Hand – Negative K5,845,540

Note 5 to the financial statements disclose a balance of negative K5,845,540 representing cash at bank and on hand. My review of these accounts revealed the following:

- Opening balance issues carried forward from prior years have not been rectified in the period under review and continued to exist. Total opening balance of K6,392,092 that comprised of various bank accounts did not agree to the general ledger opening balance of K14,370,735 as at 1 January 2018 resulting in a variance of K7,978,643;
- The Corporation did not provide the bank reconciliations for all bank accounts held with the Bank of South Pacific for my verification of the balances reported;
- Petty cash balance of K171,760 was not supported by any underlying records or supporting documents. In addition, the limit of petty cash float according to *Clause 2.5 of the 2014 Financial Procedures Manual* is K3,000; and
- The year-end balance of the bank accounts totalling to K5,845,540 reported in *Note 5* of the financial statements included an amount of K199,581 that did not appear in the cash at bank transactions listing.

Accordingly, I was unable to confirm the accuracy, completeness and existence of the cash at bank and on hand balance presented in the Corporation's financial statements.

Trade and Other Receivables – K3,508,610

Note 8 to the financial statements disclose balances of K788,234 and K2,720,376 for trade debtors and other receivables respectively. I noted the following during my review:

- The opening balances for several ledger accounts that make up these balances had prior year issues which were not rectified. Eleven (11) accounts remained dormant without proper supporting documentations or explanation;
- A variance of K400,985 was noted between total aged listing report of K930,532 and the general ledger balance of K1,331,517;
- Several debtors dated back to 2012, 2013, 2014 and 2015 were still showing in the aged listing without being properly reconciled; and
- There was no debtor's policy put in place to specify the time frame to collect the debtors, how often to follow up with the debtors, and how and when to write off the debtors if the debts become bad.

As a result, I was unable to verify and confirm the completeness, existence and accuracy of the trade and other receivable balances in the Corporation's financial statements as at 31 December 2018.

Related Party – K3,458,567

My review of the related party accounts revealed that the government debtors and creditors' balances were K2,537,567 and K5,996,134 respectively which nets off to K3,458,567 as shown in *Note 9* to the financial statements. I also noted movement of K4,751,932 from the opening balance of K1,244,202. However, I was not provided with sufficient and appropriate audit evidence substantiating the increase of K4,751,932 nor the opening balance pertaining to government creditors.

Government debtors on the other hand, remained unreconciled with less attempts by the management in the collection of outstanding debts. Consequently, I was unable to conclude on the validity, accuracy and completeness of related party balance presented in the financial statements as at 31 December 2018.

Property, Plant and Equipment – K195,743,252

My review of the property, plant and equipment revealed the following issues:

- The Corporation did not maintain and provide a detailed Fixed Asset Register (FAR) showing movements during the year by asset class (e.g. opening, additions, disposals, transfers, revaluations, depreciation and closing balances). As such, I was unable to determine the completeness and accuracy of the year-end balance of K195,743,252 disclosed in *Note 7* to the financial statements;
- Total depreciation expense was reported at K4,627,173. There was no depreciation schedule nor appropriate supporting documentation provided to substantiate this amount;
- There was no movement in the total closing balance of property, plant & equipment in the Attaché system. The same closing balance amounted to K112,635,242 that comprised of series of general ledger accounts was carried forward from 2017 into 2018. Similarly, there was no movement in accumulated depreciation of K75,528,522. The system was not updated to reflect the correct ending balance of the fixed assets in the year of review because of the prevailing opening balance issue noted at the time of the implementation of the Attaché system; and
- The asset revaluation reserve account totaling K22,910,269 was also carried forward from previous years into the current year without appropriate supporting documentation.

In the light of the issues discussed above, I was unable to confirm the existence, completeness and accuracy of the balance of K195,743,252 reported under property, plant and equipment in the financial statement as at 31 December 2018.

Trade and Other Payables – K5,720,128

Note 10 to the financial statements disclose amounts of K1,161,274 and K4,558,854 for trade payables and other payables respectively. However, the Corporation did not provide necessary reconciliations and supporting documentations to substantiate the existence, completeness and the accuracy of these balances. As a result, I was unable to determine whether any material adjustments to the recorded balance of trade and other payables were required in the Corporation's financial statements at 31 December 2018.

Employees Provisions – K4,050,263

Employee provisions of K4,050,263 was reported in *Note 11* to the financial statements comprising of recreational and furlough leave. I noted that these balances were brought forward from prior year without accounting for movements in the current year.

This issue was raised in my prior years' reports, however, to date the management has not taken steps to resolve these issues. In the absence of proper accounting and reconciliations for movements in the current year, I was unable to ascertain the completeness, accuracy and validity of the employee provisions reported in the Corporation's financial statements. Accordingly, I was unable to determine whether any adjustments to the recorded balance of employee provisions in the Corporation's financial statements were required.

Group Tax Payable – K12,178,419

As at 31 December 2018, the Corporation disclosed in its statement of financial position K12,178,419 as group tax payable. Upon my review, the following issues were noted:

- The group tax payable has increased from K6,167,537 to K12,178,419 during the year under review without proper supporting documentation;
- The balance of K6,167,537 had been accumulated over the years since 2006. Sufficient and appropriate audit evidence was not provided to substantiate the existence, completeness and accuracy of this balance;
- The reconciliation provided by the Corporation indicated that a total of K2,901,651 related to 2015 (K2,466,432) and 2016 (K435,219) group tax payable was offset with the GST receivables of K2,901,651. However, the initial approval letter from IRC concerning this arrangement was not made available for verification;
- The ending balance as at 31 December 2018 per the reconciliation was K10,945,867 and as per the financial statement was K12,178,419 resulting in a difference of K1,232,552; and
- Late lodgment of tax returns and the accompanying payments with IRC will result in the imposition of significant penalties. The penalties include a flat rate of 20% charge on the amounts outstanding and a further 20% per annum on the amounts outstanding from the date when the taxes first became due.

Due to the above issues, I was unable to determine whether any adjustments to the recorded tax liability balance at 31 December 2018 were required.

Equity – K167,998,945

The following matters were observed during my review of issued capital, asset revaluation, retained earnings and accumulated losses:

- The issued capital shows a balance of K25,503,697 at the year end. However, I was not provided any documents to confirm the initial capital that was used to establish the National Broadcasting Corporation;

- The asset revaluation reserve in the general ledger was K22,910,269 whilst the asset revaluation reserve balance recorded in the financial statement was K172,611,818 resulting in a material variance of K149,701,549. In addition, there was a movement of K14,096,277 during the year which was not appropriately supported by documentary evidence; and
- Retaining earnings shows a balance of (K14,454,100) in financial statements for the year then ended while the general ledger recorded an aggregate balance of (K34,813,950) resulting in a difference of (K20,359,850). A summary of adjusting journal entries was not provided for audit reconciliation of the general ledger balance to the carrying balance in the financial statement. Therefore, it appeared that the general ledger account was not properly updated.

Due to the significant findings surrounding the equity balance in the statement of financial position as well as statement of changes in equity, I was unable to obtain sufficient and appropriate audit evidence to confirm the accuracy, valuation and completeness of the balances presented.

Capitalized Expenses

My review of the Corporation's expenses revealed that the Corporation capitalized several expenditure transactions relating to office material & supplies and operational material supplies totaling K1,199,372 in the general ledger. However, I was unable to identify the corresponding entries that made up this amount. In addition, documentary evidence was not provided to substantiate the occurrence, existence and the classification of these expenses."

23.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Corporation for the year ended 31 December 2018 was issued on 20 May 2024. The report contained the following observations:

General Ledger Integrity – General Ledger Reconciliation

The Corporation had not performed any monthly reconciliation of its entire general ledger accounts for better internal control purposes. These general ledger accounts were not reconciled and independently reviewed at month end resulting in unresolved balances carried forward from year to year. In addition, specific contributing issues noted including changes to some key finance positions, no independent review of accounting entries prior to posting into the accounting system (Attaché), lack of understanding of accounting issues, creation of new general ledger without proper approval and an unclear financial reporting structure.

I recommended the finance team to conduct a review on the general ledger accounts and ensure that reconciliations are done on a monthly basis.

Internal Controls

I noticed that the internal controls over financial reporting were appropriately designed and outlined in the *Financial Procedures Manual 2014*. Internal controls specified in the Financial Procedures Manual were to ensure that management has accurate, timely and complete information, including accounting records, in order to plan, monitor, reports business operations and make informed decisions. However, these controls have not been properly implemented by the finance team resulting in controls not operating effectively. While my audit procedures were not designed to investigate fraud in detail, I noted that the weaknesses encountered in internal controls could provide opportunity for fraudulent activities.

I recommended that the finance team strictly follow internal controls listed in the *Financial Procedures Manual 2014*.

Reporting Deadline of Financial Statements

The *Public Finances (Management) Act 1995 (as amended)*, Section 63(1) and 63(3) requires the Corporation to furnish to the Finance Departmental Head before 30 April each year, a performance and management report of its operations for the year ending 31 December preceding, together with financial statements. Before furnishing financial statements to the Finance Departmental Head, the Corporation shall submit them to the Auditor-General for audit. However, the Corporation had not prepared and submitted its financial statements for the year ended 31 December 2018 to my Office on time for me to complete the audit and table the report in the Parliament before 30 April 2019. Accordingly, the Corporation had breached Section 63(1) and 63(3) of the *Public Finances (Management) Act, 1995 (as amended) (PFMA)*.

Board Meeting Minutes

The Corporation did not provide board meeting minutes for the year under review. Therefore, I was unable to determine whether major decisions taken by the Board or Management were properly deliberated and approved and whether decisions reached were in the best interest of the Corporation. In addition, I could not determine that the board has exercised due care in making its decision on contracts, reserve expenditures, large operating expenditures and any write-offs of assets. Furthermore, significant issues that the board may have raised with the management and the responses received or action recommended could not be determined due to the absence of meeting minutes.

23.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Corporation for the year ended 31 December 2019 was in progress.

Financial Statements of the Corporation for the year ended 31 December 2020 has been submitted and arrangements were being made to commence the audit.

The Corporation has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

24. NATIONAL CAPITAL DISTRICT COMMISSION

24.1 INTRODUCTION

24.1.1 Legislation

The *National Capital District Government (Preparatory Arrangements) Act 1982* established the National Capital District Interim Commission. The purpose of this Act was to establish an interim government for the NCD and make preparatory arrangements for the establishment of a government for the NCD as required by *Section 4(4)* of the National Constitution. The *National Capital District Government (Preparatory Arrangements) (Amendment) Act 1986* came into operation in 1987.

The *National Capital District Commission Act 1990*, which became operational on 5 November 1990, established the NCD Commission. The introduction of this Act resulted in the amalgamation of Motu Koitabu Interim Assembly with the NCD Commission. Consequently, the assets, liabilities and the obligations of the Interim Assembly were absorbed by the Commission on the commencement date.

Amendments through the *National Capital District Commission (Amendment) Act 1992* which came into effect on 30 November 1992 resulted in the establishment of the Motu Koitabu Council. That was followed by the establishment of the system of government for the NCD through the *National Capital District Commission (Amendment) Act 1995* which came into operation on 19 July 1995. The NCD comprises the NCD Commission, the Motu Koitabu Council and Local-Level Governments in the NCD.

24.1.2 Function of the Commission

The function of the NCD Commission is to:

- control, manage and administer the NCD to ensure its welfare and that of the persons in its jurisdiction.

24.1.3 Subsidiaries of the Commission

The subsidiaries of National Capital District Commission are *National Capital District Botanical Enterprises Limited* and *Port Moresby Nature Park Limited*. Comments in relation to these subsidiaries are contained in paragraphs 24A and 24B of this Report.

24.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

24.2.1 Comments on Financial Statements

My reports to *Ministers* under *Section 8(4)* of the *Audit Act 1989 (as amended)* on the financial statements of the Commission for the years ended 31 December 2020 and 2021 were issued on 6 December 2023 and 20 May 2024 respectively. The reports contained similar Disclaimer of Opinions, hence, only the 2021 report is reproduced.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of the National Capital District Commission for the year ended 31 December 2021.

BASIS FOR DISCALIMER OF OPINION

Opening Balances

My report on the Commission’s financial statements for the year ended 31 December 2020 was a disclaimer of opinion in respect to cash at bank, receivables, fixed assets, capital roads & work in progress, investments, payables, bank loans, bank overdraft, provisions, asset revaluation reserve, revenues and operating costs. There were no satisfactory audit procedures that I could otherwise perform to obtain reasonable assurance as to the correctness of the opening balances. Since the opening balances enter into the determination of the financial position, the financial performance, changes in equity and cash flows, I was unable to determine whether adjustments might have been necessary in respect to the loss reported for the year ended 31 December 2021.

Cash and Cash Equivalentents – K7,953,974

The Commission disclosed cash at bank balance of K7,953,974. During my review of the bank reconciliations, I noted that the aggregate bank statement balance as at 31 December 2021 was K6,480,715 with un-presented cheques to the value of K56,706,577 relating to cheques which were drawn but yet to be released. Supporting documents for these cheques were not provided. In addition, bank reconciliations for the Commission’s two bank accounts were not provided for my review. Consequently, I was unable to perform audit procedures to satisfy myself as to the completeness, existence, and accuracy of bank and associated balances to which the un-presented cheques relate to. I was unable to determine whether any adjustments were necessary in respect of the Commission's financial position, financial performance and cash flows for the year ended 31 December 2021.

Receivables – K259,911,286

The receivables balance (net of provision) as at 31 December 2021 was disclosed at K259,911,286. I was unable to obtain sufficient appropriate audit evidence regarding the existence, valuation, accuracy, recoverability and related expected credit losses of the entire account's receivables balance. This has limited the scope of my audit procedures. Consequently, I was not able to determine whether adjustments might have been necessary in respect of the receivables and related revenue balances presented at the year-end.

Property, Plant and Equipment – K144,540,296

Property, plant and equipment balance as at 31 December 2021 was K144,540,296 as disclosed in *Note 5* to the financial statements. Additions for the year amounted to K18,310,044, disposals at K110,917,727, adjustment on cost valued at K116,316,705 and adjustment on depreciation amounted to K3,543,946. I was not provided with sufficient and appropriate information to verify and confirm the completeness, existence, and accuracy of these additions, disposals and adjustments. As such, I was unable to determine whether any adjustments might be necessary to the Commission's financial position as at 31 December 2021, and financial performance and cashflows for the year ended 31 December 2021.

Non-compliance with International Financial Reporting Standards (IFRS)

My review of the Commission's financial statements and the related records revealed that the Commission did not comply with several IFRS as discussed below.

a) International Accounting Standards (IAS) 16 – Property, Plant and Equipment

I noted that the Commission has an asset reserve account amounting to K1,302,213,189 as at 31 December 2021. However, per Commission's accounting policy, property, plant and equipment are subsequently measured using cost model. Land and buildings have not been revalued over a number of years to reflect the current market values. The last valuation was done in 1992. *International Accounting Standard (IAS) 16* requires land and buildings to be revalued every three or five years. *Paragraph 58* further states that land and buildings are separable assets and should be accounted for separately as buildings depreciate while land appreciates. Consequently, the Commission has not complied with *IAS 16*. As a result, I was unable to conclude whether the disclosed amount of K136,604,646 for land and buildings in *Note 5* to the financial statements was fairly stated.

b) IFRS 10 — Consolidated Financial Statements

Botanical Enterprises Limited and Port Moresby Nature Park Limited are two subsidiary Companies of the Commission. However, the Commission has not consolidated the financial statements of these companies as required by *IFRS 10- Consolidated Financial Statements* when an entity controls one or more other entities.

c) IAS 24 - Related Party Disclosures

The Commission has not applied the *IAS 24, Related Party Disclosures* for the year ended 31 December 2021. The standard requires an entity whose financial statements comply with IFRS to disclose related party relationships irrespective of whether there have been transactions during the year.

Capital Road and Works in Progress – K369,437,353

The capital road and work in progress as at 31 December 2021 was K369,437,353. The Commission adopted fair value method for the subsequent measurement of the assets. I was unable to obtain sufficient and appropriate audit evidence to ascertain whether these costs were related to the ongoing projects at year-end. As a result, I was unable to determine if it was appropriate to capitalize such costs and whether any material adjustments to the classification of the capital works in progress and expense balances in the Commission's financial statements at 31 December 2021 were required.

Investments – K22,212,147

The investments balance as at 31 December 2021 was K22,212,147. I was not provided with sufficient and appropriate information to verify and confirm the completeness, existence, and accuracy of this balance. As a result, I was unable to determine whether any adjustments to the recorded assets balances at 31 December 2021 and the revenue and resulting loss for the year in the Commission's financial statements were required.

Payables – K83,856,877

The payables balance as at 31 December 2021 was K83,856,877. Sufficient and appropriate audit evidence was not provided to support this balance. As such, I was unable to perform audit procedures to determine the accuracy, completeness and the validity of this balance. Consequently, I was unable to determine whether accounts payable and the related expenses reported in the Commission's financial statements as at 31 December 2021 were fairly stated.

Borrowings – Bank Loans – K222,334,433

The Commission's borrowings/bank loans as at 31 December 2021 as disclosed in *Note 10* to the financial statement was K222,334,433. However, I was not provided with sufficient and appropriate audit evidence to verify and confirm the accuracy, completeness and validity of this balance. As a result, I was unable to determine whether any adjustments to the recorded liability and the related expenses in the Commission's financial statements were required.

Bank Overdraft – K46,759,872

The bank overdraft as at 31 December 2021 was K46,759,872. Sufficient and appropriate audit evidence was not provided to support the validity of this balance. As a result, I was unable to perform audit procedures to verify and confirm the completeness, existence, and accuracy of this balance.

Asset Reserve – K1,302,213,189

The asset reserve balance at 31 December 2021 was K1,302,213,189. However, I was not provided with sufficient and appropriate information to confirm the completeness, existence, and accuracy of this balance. As a result, I was unable to determine whether any adjustments to the recorded values of assets and the equity balances reported in the financial statement were required.

Revenue – K444,567,353

During the financial year, the total revenue for land rates, garbage and sanitation rates, goods & services tax, bookmakers' tax, development grants and market fees amounted to K444,567,353 as disclosed in *Note 2* to the financial statements. Sufficient and appropriate audit evidence was not provided to support the completeness, cut-off and validity of the amounts. I was unable to determine whether adjustments might have been necessary in respect of the loss reported for the year or to what extent, if any, there may have been fraud or errors as a result of the failure to maintain appropriate supporting documentation for the revenue balances.

Operating Costs – K677,456,342

The operational costs for the year under review were stated at K677,456,342 as disclosed in *Note 3* to the financial statements. I was not provided with sufficient and appropriate information to confirm the completeness, occurrence and accuracy of these expenses. As a result, I was unable to determine whether adjustments might have been necessary in respect of the loss reported for the year or to what extent, if any, there may have been fraud or errors as a result of the failure to maintain appropriate supporting documentation for the expense balances.”

24.2.2 Audit Observations Reported to the Ministers

My reports to *Ministers* under *Section 8(2)* of the *Audit Act 1989 (as amended)* on the inspection and audit of the accounts and records of the Commission for the years ended 31 December 2020 and 2021 were issued on 6 December 2023 and 20 May 2024 respectively. The reports contained similar observations, hence, only the 2021 report is reproduced.

Management Information System (MIS)

My review of the Commission's management information system revealed that currently three (3) separate information technology (IT) systems are being used to support the entire accounting functions. Accpacc is used for maintaining general ledgers, fixed assets, accounts payable and procurement while ALESCO for payroll and, TARMIS for revenue and debtors. In addition, I noted the following issues:

- All transactions facilitated for by both ALESCO and TARMIS were posted by way of journal entries to Accpacc on a quarterly basis as they (Accpacc, ALESCO, TARMIS) are currently managed independently without any form of automated options for system interface;
- System generated trial balance was exported in excel where a number of material adjustments were put through manually and the resulting balances were used to prepare the financial statements;
- Monthly reconciliations for all the bank accounts and balance sheet items were not consistently performed and reviewed at month end;
- Reconciliations of revenue between TARMIS and Accpacc and management accounts were not consistently prepared and reviewed monthly;
- Aged debtors and creditors listings cannot be generated by both TARMIS and Accpacc respectively;
- Delays by human resource department in furnishing fortnightly salary calculations on time to accounts section stretches for 3 to 4 weeks at times and often lapses from one month to another; and
- A number of staff were not skilled with the right knowledge to be able to efficiently use all key functions of the current management information system.

When all financial data is not consolidated into one system, the accounting environment becomes more complex and quite challenging to operate in. This may increase the risk of errors and omissions especially when transferring transactions from one system into another. In addition, maintaining more than one set of system is not cost effective, more complex and the delay in updating data from both payroll and revenue (ALESCO and TARMIS) into Accpacc can potentially have a negative impact on the reliability and accuracy of monthly management accounts. Furthermore, potential existence of fraud may not be detected due to lack of proper management information system to produce timely and accurate report.

I recommended the management to prioritize the option of bringing on board the right infrastructure that is able to facilitate for a management information system that will accommodate all key accounting functions tailored to their specific needs.

Management responded to my observation as follows:

“It is agreed that all aspects of accounting function be centralized under the same system. However, a complete automation may require a longer period of time and more specialized technical support. We have commenced on interfacing the systems.”

Lack of Appropriate Account Maintenance and Disclosure

My review of the Commission’s maintenance of accounting records and disclosure of financial information in the financial statements in accordance with International Financial Reporting Standards (IFRS) revealed following weaknesses:

- **System versus manual trial balances**

The Commission maintained two separate trial balances from Accpac and excel (Manual) respectively and adjustments put through the manual trial balance. The Commission’s financial statements for the year ended 31 December 2021 does not reflect the actual balances from Accpacc. This resulted in material variances between the system generated trial balance and the manual trial balance. This may create opening balance differences from the financial statements to the Accpacc trial balance. Although management responded that the adjustments were done at financial statements level and the issues were addressed, the controls surrounding the maintenance of accounts were weak as the adjustments are yet to be reflected in the system.

- **Prior Year Adjustments**

The statement of changes in equity reflects a prior year fixed asset adjustment of K37,106,146. However, there was no appropriate disclosure in the financial statement on the nature of the adjustment in accordance with *International Accounting Standards (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors*. The Standard requires that prior year adjustments must be backed with appropriate disclosures in the financial statements relating to the nature of the adjustment and the details of the balances of the correction for each financial statements line item affected.

I have recommended for improvement with adjustments and will continue to monitor in my next audit.

Non-lodgment/Payment of Salaries and Wages Tax (SWT)

During my review, I noted that the Commission did not lodge any returns for the year 2021. The *Income Tax Act* requires lodgment and payment of SWT not later than the 7th day of each month on salaries and wages paid to the employees in the preceding month. The IRC by legislation levies penalties on overdue payments which is 20% of the principal amount outstanding.

I recommended management to ensure all returns are lodged and payments made within the deadlines prescribed to limit exposure to penalties.

Budget – Overspending Against Approved Budget

Whilst overall actual expenditure incurred in 2021 showed favorable response, vehicle hire expenses, security expenses, COVID-19 expenses, staff accommodation, vehicle maintenance and benefits paid to the political heads have exceeded their budget. Documentary evidence of the over expenditures concerned were not provided for my review and verification.

Goods and Services Tax Income

The previous regime of GST Collections and Distribution has been repealed and replaced through the GST Distribution Act 1999. However, I have not sighted any formal Agreement between Internal Revenue Commission (IRC) and the Commission highlighting the key basis establishing the foundation that specifically drives the tax distribution method IRC uses to pay NCDC the total of K26,155,916 at the end of every month. NCDC does not have the opportunity to independently verify and make an assessment on whether monthly GST income received from IRC represents fairly total collections paid to IRC from all operating businesses and service providers that are operating within its provincial boundaries.

In line with key provisions of the GST Distribution Act 1999, I recommended to the management of the Commission to initiate communication with IRC to establish collections data that entirely captures total GST collections in NCDC. Using this as basis, a comprehensive assessment to be done to determine whether an equitable share is received.

24.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Commission for the year ended 31 December 2022 was completed and results were being evaluated.

The Commission has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

24A. NATIONAL CAPITAL DISTRICT BOTANICAL ENTERPRISES LIMITED (A subsidiary of National Capital District Commission)

24A.1 INTRODUCTION

24A.1.1 Legislation

The NCD Botanical Enterprises Limited was incorporated under the *Companies Act* on 17 January 2000. The Company is wholly owned by National Capital District Commission (NCDC).

24A.1.2 Objective of the Company

The main objective of the Company is to take control over the operations of the Botanical Gardens.

24A.1.3 Functions of the Company

The Company's activities include the sale of flowers and conducting research relating to orchids and horticulture.

24A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended from 31 December 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit, despite numerous reminders.

I was advised by NCDC that the Company was deregistered. However, according to Investment Promotion Authority's (IPA) records, the Company was removed by serving Notice of Removal for failure to re-register on 5 December 2023. Unless I receive sufficient information on the removal, I will still report this Company in my report.

24B. PORT MORESBY NATURE PARK LIMITED

(A subsidiary of National Capital District Commission)

24B.1 INTRODUCTION

24B.1.1 Legislation

Port Moresby Nature Park Limited was incorporated on 1 December 2011 under the *Companies Act*. The Company is a subsidiary of the National Capital District Commission (NCDC).

In early 2012, a Deed of Trust was signed between Port Moresby Nature Park Limited (being the Trustee) and the National Capital District Commission (being the Settlor). The Trust Deed provided the intention of the Settlor (NCDC) to make Port Moresby Nature Park Limited a charitable body to be known as “*Port Moresby Nature Park Trust.*”

On 11 June 2012, the Port Moresby Nature Park Limited was granted status of a charitable body based on the nature of its business operations.

24B.1.2 Objective of the Company

The objective of the Company is to allow the residents and visitors to Papua New Guinea (PNG) enjoy a botanical and zoological experience consisting of the flora and fauna of PNG in a safe, secure setting in Port Moresby, for the purposes of education and for the purposes beneficial to the community, including:

- allowing persons, including residents of, and visitors to PNG, to enjoy the benefits of flora and fauna of PNG in a peaceful, well-ordered and secure recreational settings in the grounds of the Port Moresby Nature Park;
- encouraging a greater understanding of the cultural significance of the flora, fauna and environment of PNG;
- furthering the appreciation and learning of PNG in relation to the flora, fauna and environment of PNG;
- promoting the use of the Port Moresby Nature Park to stimulate interest and research into PNG flora, fauna and environment and assisting the conservation efforts of the Government of PNG and the National Capital District Commission (NCDC) in relation to the environment; and
- allowing students from any educational institute to gain practical training, education and research opportunities on specific terms.

24B.1.3 Functions of the Company

The functions of the Company include:

- encouraging, promoting and supporting the use of new and established technologies to make the unique natural environment of PNG more accessible to the public of PNG;
- promoting, assisting and initiating research in PNG into the study of PNG flora, fauna and the environment including the provision of such financial assistance as may be necessary to enable or assist such research;
- promoting, supporting and initiating research in PNG on the flora, fauna and environment of PNG and educating and informing different communities about the results of such research;
- providing a forum for information from international contributors from the global community for the purpose of educating the PNG public in relation to the flora, fauna and environment of PNG;
- doing such other lawful acts and things as are incidental to or conducive to the attainment of any of the foregoing activities; and
- generally:
 - carrying out fund raising schemes and charitable projects for the purpose of the Company, including exhibition and competitions; and
 - establishing, promoting and fostering workshops and other educational activities for the purpose of the Company.

24B.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2021 and 2022 were in progress.

The Company has not submitted its financial statements for year ended 31 December 2023 for my inspection and audit.

25. NATIONAL CULTURAL COMMISSION

25.1 INTRODUCTION

25.1.1 Legislation

The National Cultural Commission was established under the *National Cultural Commission Act 1994*. This Act came into operation on 15 November 1994, thereby repealing the *National Cultural Committee (Interim Arrangements) Act 1993*.

Under the Act, all assets held by and obligations and liabilities imposed on the former National Cultural Committee immediately before the operationalisation of the Act on that date were transferred to the Commission.

25.1.2 Functions of the Commission

The main functions of the Commission are to:

- perform the cultural functions of the former National Cultural Committee and in this connection, to assist and facilitate, preserve, protect, develop and promote the traditional cultures of the indigenous people of PNG;
- encourage the development, promotion and protection of the contemporary cultures of PNG;
- facilitate the marketing of selected and approved aspects of the cultures of PNG;
- co-ordinate with related Government and Non-Government agencies on cultural matters;
- co-ordinate cultural activities with provincial cultural bodies;
- liaise with Non-Government organisations on cultural matters; and
- liaise with international cultural organisations.

25.2 AUDIT OBSERVATIONS

25.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Commission for the year ended 31 December 2022 was issued on 24 May 2024. The report did not contain any qualification.

25.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Commission has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

26. NATIONAL ECONOMIC AND FISCAL COMMISSION

26.1 INTRODUCTION

26.1.1 Legislation

The National Economic and Fiscal Commission was established in April 1996 under the *National Economic and Fiscal Commission Act 1996* and *Section 117* of the *Organic Law on Provincial and Local-level Governments*.

26.1.2 Functions of the Commission

The main functions of the Commission are to:

- provide assessment and views on national macro and micro economic issues and their relevance on the overall development of rural and urban communities;
- consider and co-ordinate requests by Provincial Governments and Local-level Governments for foreign grants, loans and other financial assistance for development purposes;
- ensure that Provincial Governments and Local-level Governments obtain a fair share of the national wealth and make recommendations to the NEC on the allocation of grants to Provincial Governments and Local-level Governments;
- recommend suitable economic development strategies and sound fiscal management policies to the Minister responsible for financial matters;
- carry out cost and benefit analysis on the development of all natural resources and the impact of such development on national development and make such analysis available to the NEC;
- review public accounting and related practices;
- make yearly reports and recommendations to the NEC through the Minister responsible for financial matters;
- assist the Provincial and Local-level Service Monitoring Authority with assessments and views on the planning and implementation systems of the Provincial Governments and Local-level Governments;
- establish and maintain a gradation system for the purpose of classifying provinces and districts according to the stages of development of each;
- assist the Provincial and Local-level Service Monitoring Authority in carrying out its other functions; and
- provide advice to the Minister responsible for Provincial Government and Local-level Government (now Inter Government Relations) matters as and when required.

26.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Commission has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite numerous reminders.

27. NATIONAL ENERGY AUTHORITY

27.1 INTRODUCTION

27.1.1 Legislation

The National Energy Authority was established under the *National Energy Authority Act 2021*. The Act was certified on 10 June 2021 and the Authority became operational on 1 July 2021.

27.1.2 Functions of the Authority

The functions of the Authority are to:

- perform energy industry regulatory functions including recommending electricity and energy regulations, codes and guidelines;
- review the National Energy Policy 2017 - 2027 as and when required and formulate specific policies for various renewable and non-renewable energy sources;
- prepare implementation plans for the National Energy Policy 2017 - 2027 and specific plans for various renewable and non-renewable sources approved by the Government;
- develop programs for the implementation of specific policies and plans including the National Electrification Roll-Out Plan;
- recruit staff for technical and operational functions of the Authority;
- to develop and maintain a viable workforce of professional and technical personnel qualified and competent to discharge the functions and duties required of the Authority;
- prepare annual budgets and audits for the Board's approval;
- co-ordinate with provincial and local-level governments and district development authorities and other statutory authorities and private sector agencies to foster, manage and monitor energy resource development strategies and programs within the country;
- perform such other functions and duties as may be conferred on it by the *National Energy Authority Act* or any other law;
- establish and manage an Electricity Trust Fund for the National Electrification Roll-Out Plan;
- develop and implement community service obligations programs in collaboration with Government and Non-Government Organisations; and
- review Papua New Guinea's energy needs every five years.

27.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the years ended 31 December 2021 and 2022 has been completed and results were being evaluated.

The Authority has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

28. NATIONAL FISHERIES AUTHORITY

28.1 INTRODUCTION

28.1.1 Legislation

The National Fisheries Authority was established under the *Fisheries Management Act 1998*. This Act came into operation on 11 February 1999 and replaced the *Fisheries Act 1994*. Under this Act, all assets including monies held in trust accounts which were held or occupied by the National Fisheries Authority established under the *Fisheries Act* were transferred to and became assets of the Authority.

28.1.2 Functions and Powers of the Authority

- The primary functions and powers of the Authority are described as follows:
 - manage the fisheries within the fisheries waters in accordance with this Act, taking into account the international obligations of PNG in relation to tuna and other highly migratory fish stocks;
 - make recommendations to the Board on the granting of licences and implement any licensing scheme in accordance with this Act;
 - liaise with other agencies and persons, including regional and international organisations and consultants, whether local or foreign, on matters concerning fisheries;
 - operate research facilities aimed at the assessment of fish stocks and their commercial potential for marketing;
 - subject to the *Food Sanitation Act*, the *Commerce (Trade Descriptions) Act*, the *Customs Act*, the *Customs Tariff Act* and the *Exports (Control and Valuation) Act* control and regulate the storing, processing and export of fish and fish products;
 - appraise, develop, implement and manage projects, including trial fishing projects;
 - prepare and implement appropriate public investment programmes;
 - collect data relevant to aquatic resources;
 - act on behalf of the Government in relation to any domestic or international agreement relating to fishing or related activities or other related matters to which the Independent State of PNG is or may become a party;
 - make recommendations on policy regarding fishing and related activities;
 - establish any procedures necessary for the implementation of this Act, including tender procedures;
 - implement any monitoring, control, and surveillance scheme, including co-operation, agreements or arrangements with other States or relevant international, regional or sub-regional organisations, in accordance with this Act; and

- the Authority has, in addition to the powers otherwise conferred on it by this Act and any other law, full powers to do all things that are necessary or convenient to be done for or in connection with the performance of its functions and the achievement of its objectives.

28.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the years ended 31 December 2021 and 2022 were completed and results were being evaluated.

The Authority has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

28A. FISHERIES CAPITAL LIMITED

(A Subsidiary of National Fisheries Authority)

28A.1 INTRODUCTION

Fisheries Capital Limited is wholly (100%) owned by the National Fisheries Authority. It was incorporated on 8 June 2021 as a commercial entity under the Companies Act.

28A.1.1 FUNCTIONS OF THE COMPANY

The Company was established with the primary objective of supporting the National Fisheries Authority (NFA) in the implementation of its Fisheries Strategic Development Plan. A key focus of the Company's operations is to foster and encourage greater involvement and investment from local stakeholders within the fisheries sector. This entails promoting local participation in all aspects of the industry, from fishing and processing to distribution and export, and cultivating a sense of ownership among local communities to ensure long-term sustainability and economic benefits.

28A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has submitted its financial statements for the period ended 31 December 2022 and arrangements were being made to commence the audit shortly.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

29. NATIONAL GAMING CONTROL BOARD AND ITS SUBSIDIARY

29.1 INTRODUCTION

29.1.1 Legislation

The National Gaming Control Board (NGCB) was established under the *Gaming Control Act 2007*. The Act came into operation on 1 May 2007. The objective of the Act is to provide for the control of all forms of gaming; including lotteries, games and wagers, gaming machines and casinos and for their operations, and for related purposes. This Act has repealed the *Gaming Machine Act 1993*.

29.1.2 Functions of the Board

The principal functions of the Board are to:

- promote probity and integrity in gaming;
- maintain the probity and integrity of persons engaged in gaming in the country;
- promote fairness, integrity and efficiency in the operations of persons engaged in gaming in the country;
- reduce any adverse social impact of gaming;
- promote a balanced contribution by the gaming industry to general community benefit and amenity; and
- consider applications for and where appropriate grant permits and licenses under this Act and to control the operations of gaming machines as specified in this Act.

29.1.3 Fund Trust of the Board

National Gaming Control Board Community Benefit Fund Trust is the Fund of the Board. Comments in relation to the Fund are contained in paragraph 29A of this Report.

29.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

29.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Board's financial statements for the year ended 31 December 2017 was issued on 28 June 2024. The report contained a Qualified Opinion.

“QUALIFIED OPINION

In my Opinion except for the effects of the matters described in the Basis for Qualified Opinion paragraphs below:

- (a) the financial statements of National Gaming Control Board for the year ended 31 December 2017:
- (i) give a true and fair view of the financial position and the results of its financial performance and cash flows for the year ended on that date; and
 - (ii) the financial statements have been presented in accordance with the *International Financial Reporting Standards* and other generally accepted accounting practice in Papua New Guinea;
- (b) Proper accounting records have been kept by the Board, as far as it appears from my examination of those records; and
- (c) I have obtained all the information and explanation required.

BASIS FOR QUALIFIED OPINION

Property, Plant and Equipment – K34.01 Million

Note 13 to the financial statement disclosed the property, plant and equipment of the Board to the value of K34.01 million. Out of this, K24.7 million, about 73% of the property, plant and equipment is the value of Poker Machines. My review of the Poker Machines revealed the following discrepancies:

- The Board maintained a Poker Machine Register in the year which reflected 2,497 machines, whilst the depreciation schedule showed the potential existence of 2,600 machines;
- Number of Poker machines insured under Industrial Special Risk was 2255;
- No stocktake was carried out on poker machines during the year under review; and
- The Board has not prepared an impairment assessment to determine the recoverable value of the Poker Machines.

Consequently, I was unable to determine whether any adjustments to the carrying values of Poker Machines as at 31 December 2017 was required in the Board's financial statement. As a result, I was unable to confirm the existence, accuracy and valuation of Poker Machines and associated depreciation recorded in the financial statements.

Cash at Bank – K22.49 Million

Cash at bank totalling K22.49 million was disclosed in *Note 26* to the financial statements as at 31 December 2017. During my review, I noted that bank reconciliations were not prepared and reviewed on a timely basis.

This resulted in many stale and cancelled cheques not being investigated and reconciled accurately. In addition, evidence of cancelled cheques were not provided for my verification. As such, I was unable to determine whether any adjustments to the carrying value of cash at bank balance at 31 December 2017 was required. As such, I was unable to confirm the accuracy, existence and valuation of the cash at balance reported at year end.

Gaming Receivables – K14.47 Million

Gaming receivables were disclosed in *Note 10* to the financial statements at a value of K14.47 million. Upon my review, I noted that there were no proper and timely reconciliations carried out on these receivables. A number of adjusting entries posted at year end resulted in differences between main ledger and subsidiary accounts. In addition, I was unable to obtain sufficient and appropriate audit evidence on the balance of K13.46 million gaming revenue receivables disclosed in *Note 10* to the financial statements. As a result, I was unable to determine whether any adjustments to the carrying value of gaming receivables balance was required at 31 December 2017.

Trade Creditors – K34.41 Million

Trade creditors balance of K34.41 million was disclosed in *Note 14* to the financial statement. Included in this balance is an unallocated customer deposit of K1.1 million. Sufficient and appropriate audit evidence was not provided to support the existence, rights and obligations and the valuation of this balance. As a result, I was unable to determine whether any material adjustments will have an impact on the recorded liability balances at 31 December 2017.”

29.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Board for the year ended 31 December 2017 was issued on 28 June 2024. The report contained the following observations:

Distribution of Profits

Sections 163(1) & (2) and *172(4)* of the *Gaming Control Act 2007* requires the gaming machine permit holders and gaming machine operators to ensure that profits derived from operating gaming machines are deposit promptly and to take measures for non-compliance. However, I noted during my audit that the Board was not strictly enforcing *Sections 163(1) & (2)* and *Section 172(4)* of the *Gaming Control Act 2007* by monitoring the banking obligations of all relevant permits holders and disabling gaming sites who are in breach of these sections in accordance with the Act. I continue to observe this practice in my prior years’ audits.

I recommended again that strict monitoring has to be put in place and any deviations should be penalized.

Revenue

According to the general ledger accounts, the revenue collected from Text Lotto levies and annual license fees was K456,199. However, the financial statements showed this as K837,694, leaving an unexplained variance of K381,495. In the absence of proper monitoring/reporting system, I was unable to comment on the effectiveness of the internal controls surrounding the reconciliations and revenue recording process. This could lead to potential risk of fraud and material misstatements on the financial statements.

I recommended that management introduce a standard of operating procedures as well as a lottery monitoring system which can generate reports for prudent accountability and reporting.

Conflict of Interest

As reported in the past, provisions of the *Gaming Control Act 2007* permit NGCB as one of the four (4) Gaming Machine Operators in the country. I am of the view that this is a potential conflict of interest as one of the major players in the industry is also the regulator. This has the potential for non-compliance with provisions of the *Gaming Control Act 2007* as well as perceived bias against other players in the industry.

Surplus Income

As per *Section 25 of Gaming Control Act 2007*, “In January and July each year, the Board shall review the cost of carrying out its functions against income received for the purpose in six months prior to the month of review, and after taking into account anticipated income and expenditure for the ensuing six months, pay any surplus funds into the Community Benefit Fund Trust.” I did not sight evidence to confirm compliance with this provision of the Act.

Annual Reports

I noted that the Board did not comply with *Section 23(1) of Gaming Control Act 2007*, by not furnishing to the Minister a report on the progress and performance of the Board for the previous financial year then ended. Also, the Board did not adhere to *Section 23(4)* by not reporting to each provincial governments every six (6) months on the gaming activities conducted in the provinces. Similarly, the Board has not complied with the similar requirements under the *Public Finances (Management) Act, 1995 (as amended)* by not furnishing its financial statements and reports before the end of 30 April from the close of a fiscal year.

Weaknesses in Procurement Process

During my review, the following internal control and procurement weaknesses were noted:

- **Advertising & Public Relations – K1,115,714**

A company received payments totalling K488,554 for providing advertising and public relations related works. The same company was also paid K273,427 for arrangement of events to NGCB anniversary and supply of merchandise. I was unable to know whether proper procurement procedures were adhered to as no evidence of three (3) quotations, invoices or contracts and acknowledgement of delivery were available for my review.

I also noted that one of the directors and shareholder of this company was also a Trustee of NGCB's Community Benefit Fund Trust. This fact was not disclosed in the financial statements as per *International Accounting Standards (IAS) - 24 Related Party Disclosures* and/or a declaration of interest.

- **Legal Fees – K2,669,286**

As observed in past years, National Gaming Control Board continued to pay for legal fees when a legal position was approved as per the Department of Personnel Management (DPM) approved structure. Payments of legal fees were not appropriately supported by evidence of the scope of work done, their charged-out rates and whether the Board had reviewed the claims before the settlement.

29.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Board has submitted its financial statements for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit and arrangements were being made to commence these audits shortly.

29A. NATIONAL GAMING CONTROL BOARD COMMUNITY BENEFIT FUND TRUST (A subsidiary of National Gaming Control Board)

29A.1 INTRODUCTION

29A.1.1 Legislation

The Community Benefit Fund (CBF) was established under *Section 163(6)(a)* of the *Gaming Control Act 2007* on 1 May 2007 when the Act was passed and certified by the Parliament. The CBF commenced operations in 2008.

The *Gaming Control Act* authorises the Board of National Gaming Control Board (NGCB) to establish a “*Community Benefit Fund*” and shall open a trust account to be called the “*Community Benefit Fund Account*” in which payments of 14% of monthly gaming revenues are made into this account.

The Trust is managed and operated by a Board of Trustees comprised of the Chairman of the NGCB Board and four additional Trustees as members appointed by the Minister in the National Gazette, and in accordance with the terms of a trust deed that is settled by the Board.

29A.1.2 Objectives of the Fund Trust

The objectives of the Fund Trust are to:

- provide for and apply the income and capital of the Trust towards generally charitable purposes, including without limitation, the alleviation of poverty, the advancement of education, sports development and other purposes generally beneficial to the people of Papua New Guinea;
- undertake research into the problems associated with gambling activities including the social and economic impact of gambling on individuals, families and the communities at large; and
- promote community awareness and education in respect of problem gambling and the provision of counselling, rehabilitation and support services for problem gamblers and their families.

29A.1.3 Function of the Fund Trust

The principal function of the Fund Trust is to provide for and apply the income and capital of the fund towards generally charitable purposes, including but not exclusive of the following areas:

- provision and improvement of social welfare;
- development of sports and improvement of recreational facilities;

- improvement of education and learning tools (not including school fees);
- assistance to churches and religious groups;
- provision of medical assistance;
- assistance to education, health and law and order projects; and
- undertake research into problems on gambling and promote community awareness and education on negative aspects of gambling.

29A.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

29A.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Trust's financial statements for the year ended 31 December 2017 was issued on 28 June 2024. The report contained a Qualified Opinion.

“QUALIFIED OPINION

In my Opinion except for the effects of the matter described in the Basis for Qualified Opinion paragraph below:

- (a) the financial statements of National Gaming Control Board Community Benefit Fund Trust for the year ended 31 December 2017:
 - (i) give a true and fair view of the financial position and the results of its financial performance and cash flows for the year ended on that date; and
 - (ii) the financial statements have been presented in accordance with the *International Financial Reporting Standards* and other generally accepted accounting practice in Papua New Guinea;
- (b) Proper accounting records have been kept by the Board, as far as it appears from my examination of those records; and
- (c) I have obtained all the information and explanation required.

BASIS FOR QUALIFIED OPINION

Donations

In 2017, donations totalling K27.82 million was paid out and committed for various purposes. Of this amount, I noted that K27.5 million (99%) worth of donations and financial assistance were not supported with any form of acquittals or reports. Even the K335,000 (1%) recorded as acquitted was of poor quality and unsubstantiated.

I also noted that there were no follow ups or actual status established on prior period outstanding acquittals worth K159.3 million nor observe any form of tracking, monitoring and compliance system in place to ensure donations were utilised for intended purposes.

Consequently, I cannot confirm the validity of the respective payments as there were no confirmation if the payments made were for the intended purposes and whether the objectives of the payments were achieved. In addition, weak controls in following up on acquittals can create an environment for fraud, excessive wastage, misappropriation and misapplication of funds.”

29A.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Trust for the year ended 31 December 2017 was issued on 28 June 2024. The report contained the following observations:

Donations

As highlighted in my previous reports, acquittals of donations have been poorly managed or non-existent. Some of the key irregularities noted in respect of the donations made in the year including the following:

- No reconciliations between donations register to financial statements;
- Donations/financial assistance totaling K27.5 million were not supported by acquittal reports;
- There were no stringent approach applied by the Trust in following up on past acquittals totaling K159.3 million with no accountability;
- Certain payments made do not appear to meet the objectives or eligibility of the Trust Donations; and
- Donations were initially paid by the National Gaming Control Board and reimbursed by the Fund. This showed that donations made were only retrospectively approved by the Board of Trustees without proper screening of all requests.

Site Visits and Acquittals

In addition to the weaknesses noted above, my inspection to the sites in West New Britain, Western Highlands and Eastern Highlands revealed the following:

- a) K3 million funding was given to West New Britain (WNB) PNG Games organizing committee. Up until the time of travel, the Trust had not received any acquittals of the funds. I also observed that, some of the projects were abandoned while others left incomplete; and
- b) In Western Highlands Province, the Trust funded K150,000 for construction of Pabrabuk High School's two (2) girls' dormitories. My visit and interview with the Principal of Pabrabuk High School revealed that there was no construction and/or accounting records.

Trust Deed

My review of the Trust noted that there was no gazettal of the Trust Deed. As highlighted in the past audits, Trust deed also did not make any reference to *Public Finances (Management) Act 1995 (as amended)*, on who can apply for assistance, the acquittal needs, investments and accountability.

In addition, the delay in preparation of financial statements was also a breach of *clause 10.4(d)* of the Trust Deed.

29A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Fund has submitted its financial statements for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and 2023 and arrangements were being made to commence these audits shortly.

30. NATIONAL HOUSING CORPORATION

30.1 INTRODUCTION

30.1.1 Legislation

The *National Housing Commission Act (Chapter 79)* was repealed by the *National Housing Corporation Act 1990*. The assets and liabilities of the former National Housing Commission were transferred to the National Housing Corporation in March 1990.

30.1.2 Functions of the Corporation

The principal functions of the Corporation are to:

- improve housing conditions;
- provide adequate and suitable housing or letting to eligible persons;
- sell houses to eligible persons;
- make advances to eligible persons and approved applicants to enable them to become the owners of houses occupied by them;
- develop residential land by way of providing adequate services for human settlements;
- carry out and promote research or investigations into matters connected with urban development and human settlements; and
- maintain dwellings and associated buildings vested in the Corporation.

30.1.3 Subsidiary of the Corporation

The National Housing Corporation has a subsidiary company, *National Housing Estate Limited*. Comments in relation to National Housing Estate Limited are contained in paragraph 30A of this Report.

30.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the financial statements of the Corporation for the years ended 31 December 2015, 2016, 2017, 2018, 2019 and 2020 have been submitted for my inspection and audit. These audits have commenced but were substantially delayed due to lack of cooperation from the Corporation, however, arrangements were being made to recommence as soon as practicable.

The Corporation has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

30A. NATIONAL HOUSING ESTATE LIMITED **(A Subsidiary of National Housing Corporation)**

30A.1 INTRODUCTION

30A.1.1 Legislation

National Housing Estate Limited (NHEL) was incorporated on 28 September 2007 under the *Companies Act*. The incorporation of the company was based on the *National Executive Council (NEC) Decision No. 304/2006* in accordance with *Section 27* of the *National Housing Corporation Act 1990*.

Subsequently, the *NEC Decision No. 70/2007* endorsed its establishment as a Special Purpose Company of the National Housing Corporation.

The Company commenced its normal operations from 1 January 2010.

30A.1.2 Objective of the Company

The principal purpose of the Company is to manage certain National Housing Corporation owned properties for commercial development in Port Moresby, to generate income for the National Housing Corporation and to deliver its mandate.

30A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has submitted its financial statements for the years ended 31 December 2010, 2011, 2012, 2013 and 2014. However, the audits were being delayed due to lack of cooperation from the Company.

The Company has not submitted its financial statements for the years ended 31 December 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit.

The Company's records at Investment Promotion Authority revealed that the Company was in liquidation as of 23 November 2022. Unless I receive sufficient information on the deregistration, I will still report on this Company in my report.

31. NATIONAL INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

31.1 INTRODUCTION

31.1.1 Legislation and Objective of the Authority

The National Information and Communications Technology Authority (NICTA) was established on 1 November 2009 by the *National Information and Communications Technology Act 2009*. The Authority succeeds the PNG Radio Communications and Telecommunication Technical Authority (PANGTEL) which was established on 1 January 1997 as part of the Government's policy to corporatise the Post and Telecommunication Corporation (PTC) and to have it divided into three different organisations namely: Telikom PNG Limited, Post PNG Limited and PANGTEL.

NICTA is a government statutory authority, established to regulate the telecommunication industry in PNG.

Under the *Post and Telecommunication Corporation (Corporatisation) Act 1996* assets, rights and liabilities as well as employees of the Corporation were transferred to PANGTEL as per the allocation statement approved by the then Minister for Communications at the net book value recorded in the books of the Corporation as at 31 December 1996. In the same manner, the assets, rights and liabilities as well as employees of PANGTEL were transferred to NICTA by virtue of *Section 305* of the *National Information and Communications Technology Act*.

31.1.2 Functions of the Authority

The main functions or principal activities of the Authority are to exercise all licensing and regulatory functions in relation to the Information and Communications Technology Industry and perform all other functions as stated under *Section 9* of the *National Information and Communications Technology Authority Act 2009*.

31.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Authority has submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit and arrangements were being made to commence these audits shortly.

32. NATIONAL MARITIME SAFETY AUTHORITY

32.1 INTRODUCTION

32.1.1 Legislation

The National Maritime Safety Authority was established by the *National Maritime Safety Authority Act 2003*.

32.1.2 Functions of the Authority

The functions of the Authority are to:

- perform the functions and exercise the powers as are conferred upon it by this Act or under any other law;
- co-ordinate search and rescue operations for vessels in distress or lost at sea pursuant to the terms and conditions of a search and rescue plan prepared by the Minister, from time to time, and approved by the Authority;
- co-ordinate with other agencies and persons, including regional and international organisations and consultants, whether local or foreign, on matters concerning maritime safety, marine pollution prevention or search and rescue operations at sea;
- collect data relevant to maritime safety, marine pollution prevention and search and rescue operations at sea;
- act on behalf of the State in relation to any domestic or international agreement relating to maritime safety, marine pollution prevention or search and rescue operations at sea to which the State is or may become a party;
- make recommendations on policy to the Minister regarding maritime safety, marine pollution prevention and search and rescue operations at sea;
- provide consulting services, training and management services relating to any of its functions whether in PNG or overseas;
- where appropriate to consult with:
 - *other agencies of National Government;*
 - *Provincial Governments;*
 - *Local-level Governments; or*
 - *commercial, industrial and other relevant bodies and organisations, in relation to matters affecting them in the performance of its functions; and*
- generally to do such supplementary, incidental or consequential acts and things as are necessary or convenient for carrying out its functions.

32.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Authority has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

33. NATIONAL MUSEUM AND ART GALLERY

33.1 INTRODUCTION

33.1.1 Legislation

The National Museum and Art Gallery of Papua New Guinea was established under the provisions of the *National Museum and Art Gallery Act 1992*. This Act came into operation on 15 April 1992.

33.1.2 Functions of the Museum

The main functions of the Museum are to:

- protect and conserve the cultural and natural heritage of PNG;
- research and document the prehistory of PNG and manage the national archaeological collections, and monitor archaeological research in PNG;
- maintain the national register of traditional and archaeological sites;
- identify and maintain a register of national cultural property and monitor the collection and export of artefacts; and
- issue permits and perform other duties as required by the *National Cultural Property (Preservation) Act (Chapter 156)*.

33.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Museum has submitted its financial statements for the year ended 31 December 2022 for my inspection and audit and arrangements were being made to commence the audit shortly.

The Museum has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

34. NATIONAL RESEARCH INSTITUTE

34.1 INTRODUCTION

34.1.1 Legislation

The National Research Institute (NRI) was established under the *Institute of Applied Social and Economic Research Act (Chapter 165)*. The name of the Institute was changed from ‘PNG Institute of Applied Social and Economic Research’ to ‘National Research Institute’ following the approval of the NEC through its *Decision No. 42/90* of 7 March 1990.

The *Institute of Applied Social and Economic Research (Amendment) Act 1987* came into operation on 1 January 1988, and on this date, the promotion and cultural functions of the former Institute of PNG Studies; and functions to do with Educational Research for National and Provincial Departments of Education carried out by the former Educational Research Unit (UPNG), formed part of the National Research Institute.

34.1.2 Functions of the Institute

The functions of the Institute include:

- the promotion of research into PNG society and economy;
- the undertaking of research into social, political and economic problems of PNG in order to formulate practical solutions to such problems;
- where practicable, the provision, by agreement with the body concerned, of consultancy services to the Government and to Government Institutions;
- the promotion of the functions and objects of the Institute of PNG Studies; and
- research into all aspects of education for National and Provincial Departments of Education.

34.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

34.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Institute for the years ended 31 December 2018, 2019 and 2020 were issued on 31 January 2024. The reports contained similar Qualified Opinions, hence, only the 2020 report is reproduced:

“QUALIFIED OPINION

In my opinion, except for the effects of the matters referred to in the Basis for Qualified Opinion paragraphs below, the accompanying financial statements of the Institute;

- a) are based on proper accounts and records; and
- b) are in agreement with those accounts and records, and show fairly the state of affairs of the Institute as at 31 December 2020 and the results of its financial operations for the year then ended.

BASIS FOR QUALIFIED OPINION

Property, Plant and Equipment – K38,317,319

My review of the Property, Plant and Equipment revealed that the Institute had not maintained a Fixed Assets Register (FAR) in accordance with the *Public Finances (Management) Act, 1995 (as amended)* and the *Financial Management Manual Instructions*. I was unable to perform the necessary procedures to confirm the existence, valuation and condition of assets owned by the Institute as at balance date.

This issue was highlighted in my prior year reports however, the Institute is yet to implement my recommendations.

Accumulated Depreciation – K364,831

The Institute had not maintained proper schedules and worksheets to compute and record accumulated depreciation brought forward from prior year and charges due for the year under review. I observed that depreciation had been charged once a year on aggregate asset values in contrast to individual asset values and types as specified in “*Note 2(d)*”.

Consequently, I was unable to ascertain the correctness and accuracy over the depreciation and accumulated depreciation balances disclosed as at 31 December 2020.”

34.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Institute for the years ended 31 December 2018, 2019 and 2020 were issued on 31 January 2024. The reports contained similar observations, hence, only the 2020 report is reproduced:

Internal Control Weaknesses

Internal control weaknesses observed during my review are as follows:

- The Institute has been functioning without an operational and financial manual approved by the Council. Accordingly, I was not able to comment on the standards of the operations in relation to the systems and controls. Financial manuals and operational guidelines of the Institute are control mechanism that ensure consistent application of processes across all management levels. They are to be formally established, well documented and communicated to all levels and functions of organization to be used by all personnel in the routine operational activities; and
- The Institute had no Internal Audit Unit established in accordance with requirements under *Section 9(1)(a) and (f) of the Public Finances (Management) Act, 1995 (as amended)*. Internal audit is a proactive function that ensures operational efficiency, financial reliability, and proper asset safeguards. It provides independent assurance that an organization's risk management, governance and internal control processes are operating effectively.

The Management concurred with my findings on the Internal Audit Unit and responded as follows;

“The Management agrees that PNGNRI does not have the Internal Auditor in its current structure. However, the management has now provided a re-alignment and the restructure of PNGNRI organizational structure approved by Council to the Salaries and Conditions Monitoring Committee (SCMC) including this position. The PNGNRI has also submitted a budget package incorporating this position to the Treasury Department for the financial year 2023.”

Fixed Assets Register

The Institute is required by the *Financial Management Manual Instruction, Part 32* to ensure adequate control is maintained over assets. I observed that the Institute had not maintained a Fixed Assets Register with the appropriate supporting documentation in this regard.

In the absence of a proper and reliable system to manage and safeguard assets, records are susceptible to omissions, errors and are also prone to alteration and manipulation. In addition, there is a high risk of assets being misused or lost through theft.

Given the magnitude of the value of assets disclosed by the Institute, I recommended that the Management acquire and/or utilize a Fixed Asset Management System/Software to maintain its fixed assets data. The management concurred with my recommendations and commented as follows:

“PNGNRI did lose its Fixed Assets Register along the way when moving from the old office to the new office. Some of the source documents were also misplaced. However, we have now verified the existing files of Fixed Assets with our records and have recreated a Fixed Assets Register with all the listing for the new Financial Year going forward.”

Fixed Assets Policy

I observed that the Institute had no proper policy governing the purchase, capitalization, maintenance, usage and disposal of assets owned by the Institute. As a result, I was unable to comment on the effectiveness of controls surrounding the management of Property, Plant and Equipment and further assess the classification, measurement and disclosure of assets in the financial statements.

I drew management’s attention to this weakness and the Management concurred with my recommendation noting that:

“The Management agrees that PNGNRI did not have a Fixed Assets Policy. We have now drawn up a Fixed Assets Policy that has been approved by the Senior Management and to be endorsed by the PNGNRI Council at its final meeting in December 2022.”

Payroll System

The Institute has been manually computing and recording all pay summaries on excel spreadsheets per pay period over the years including the year under review. The data maintained in spreadsheets were not encrypted and if meddled could lead to errors or omissions that can go undetected. As a result, I was unable to rely on the integrity of financial data and the controls surrounding the administration of payroll expenses and other related disbursements.

Travel and Subsistence

The *Financial Management Manual and Instructions: Part 20, paragraph 14.1* stipulates that a Travel Register be maintained to keep record of all authorized travels. Further, *Paragraph 11.2* requires travels and subsistence to be acquitted within 14 days of return from overseas travels whilst *Paragraph 12.10* instructs that travel and subsistence for domestic travels be acquitted within 7 days from the day of return.

I observed that the Institute did not maintain a Travel Register with acquittal files for all duty travels and related expenses. I was unable to determine whether Travel and Subsistence expenses were disbursed in the prescribed manner.

I drew Management's attention to this weakness and the Management concurred with my recommendation and further stated that:

“PNGNRI has always kept its Travel Register, however, this was misplaced when moving from the old office to the new one. We have taken on board the comments and have prepared a Travel Register and we are using the register book to register all relevant travel-related transactions.”

34.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Institute for the years ended 31 December 2021 and 2022 has been completed and results were being evaluated.

The Institute has submitted its financial statements for the year ended 31 December 2023 for my inspection and audit and arrangements were being made to commence the audit shortly.

35. NATIONAL ROADS AUTHORITY

35.1 INTRODUCTION

35.1.1 Legislation

The National Roads Authority was established by the *National Roads Authority Act 2003* and came into operation in 2004.

35.1.2 Objectives of the Authority

The objectives of the Authority are to:

- raise funds for the maintenance of public roads;
- ensure the efficient preparation of effective annual road maintenance programmes; and
- ensure that all routine, specific and emergency maintenance of roads and road rehabilitation and reconstruction funded by the Authority are executed in a transparent, effective and efficient manner, in order to optimise the contribution of road assets to the economic and social development of Papua New Guinea.

35.1.3 Functions of the Authority

The functions of the Authority are to:

- establish and operate a Road Fund from road user charges, budget and other sources;
- establish resources to enable the Authority to perform its functions;
- maintain and manage updated data on asset conditions using the Road Asset Management System, Bridge Inventory and Bridge Maintenance and other approved systems;
- formulate and determine prioritised annual road maintenance plans and programmes using the Road Asset Maintenance System, Bridge Inventory and Bridge Maintenance and other approved systems to be supported by the road sector cost recovery revenues;
- establish annual road maintenance funding requirements in accordance with the future annual road maintenance plans;
- determine and implement road user charges in accordance with the financial resource requirements of the annual road maintenance plans;
- deliver the required routine, specific and emergency road maintenance in accordance with the maintenance service levels established for each class or type or road, through the contracting of independent contractors, to monitor and supervise the contracts as they are executed;

- deliver road improvement and road restoration when required, by undertaking the design studies necessary for the programmed road improvement or rehabilitation projects by:
 - *preparing corresponding construction plans, specifications, cost estimates, and the other documents required for the proper tendering of the programmed works;*
 - *monitoring and supervising the works as are executed, by such qualified consultants and/or contractors as are engaged; and*
 - *ensuring safety audits on design, construction, maintenance and safety aspects of road.*
- establish and sustain contract management capacity to ensure the validity of contracts and the effective management of contracts awarded for the execution of agreed road maintenance works and rehabilitation and reconstruction projects;
- ensure that all contracts are tendered through a transparent and competitive procedure to ascertain economic efficiency and sustainability in delivery of road maintenance and rehabilitation works;
- keep adequate records and to maintain a management information system which provides the Board and staff with accurate and timely information on commitments, expenditures and revenue for the purchase of consultancy and contracting services and other purchases and outlays;
- report publicly and transparently on collection of user charges, revenues, and in detail on the use of the revenues on the road maintenance programmes in accordance with internationally accepted accounting principles;
- establish environmental management capacity;
- provide a continuing programme of professional staff development and required skills training for non-professional staff; and
- construct, erect or affix signs or marks on road transport infrastructure in accordance with the *Motor Traffic Act (Chapter 243)*.

35.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the audit and inspection of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2020 has been completed and awaiting management letter response and signed financial statements to finalise the reports.

The fieldwork associated with the audit and inspection of the accounts and records and the examination of the financial statements of the Authority for the 4 months period ended 30 April 2021 was in progress.

The Authority ceased operation in 2020 following the revocation of the *National Roads Authority Act, 2023* as a result of the enactment of the *Road (Management and Fund) Act 2020*. The transition was fully completed on 30 April 2021, hence, the 4 months period ended 30 April 2021 will be my last audit report on the Authority.

36. NATIONAL TRAINING COUNCIL

36.1 INTRODUCTION

36.1.1 Legislation

The National Training Council was established under the *National Training Council Act 1991*. Although the Act came into operation on 5 December 1991, the Council formally began operating in April 1992 following its inauguration.

36.1.2 Objectives of the Council

The objectives of the Council are to:

- foster the comprehensive development of training with regard to the needs and the resources of the country;
- foster the co-ordination of training institutions so that the most effective use can be made of resources available for training which ensures increased productivity and capacity building in the workforce;
- make the benefits of training as widely as possible;
- plan and encourage the development of a system of training fitted to the requirements of the country and its people;
- establish, preserve and improve standards of training throughout the country;
- make the most effective use of the resources available for training related purposes in so far as this can be done by legislative and administrative measures; and
- generally augment and support the role and functions of the Commission for Higher Education as specified in the *Higher Education Act (Chapter 397)*.

36.1.3 Functions of the Council

The principal functions of the Council are to be responsible for supervising and managing the implementation of the National Training Policy and for monitoring, reviewing and revising the National Training Policy when necessary; to provide guidelines to the NEC, Provincial Government and the in-service Training Institution's Governing Councils on any issues related to training; and to formulate and publish guidelines on human resource requirements, localisation and indigenisation issues and related matters.

36.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

36.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Council's financial statements for the year ended 31 December 2022 was issued on 24 January 2024. The report contained a Qualified Opinion:

“QUALIFIED OPINION

In my opinion, except for the effects of the matters referred to in the Basis for Qualified Opinion paragraphs below:

- i. the financial statements of the Council are based on proper accounts and records; and
- ii. the financial statements are in agreement with those accounts and records, and show fairly the state of affairs of the Council as at 31 December 2022 and the results of its operations for the year then ended.

BASIS FOR QUALIFIED OPINION

Fixed Assets – K584,386

My review of the Councils' Fixed Assets management system revealed that the Council did not maintain a Fixed Assets Register. A Fixed Assets listing was kept in the Microsoft Database; however, it was not updated. Consequently, the fixed assets listing balance provided did not agree to the balance presented in *Note 10* to the financial statements.

As such, I could not reliably ascertain the completeness, accuracy and valuation of the fixed assets balance disclosed. In addition, it is a non-compliance to the *Public Finances (Management) Act, 1995 (as amended)*, where it requires in *Section 62*, for all public bodies to ensure that adequate control is maintained over its assets, or assets in its custody.

Disposals - Obsolete Assets – K381,968

My review of the Fixed Assets disposal disclosed in *Note 10* to the financial statements revealed that the Council had disposed-off K381,968 worth of assets. Further, I sighted a justification of K61,343 worth of assets disposed-off which deemed obsolete assets after stock-take and through *NTC Decision No.1101-1/2-2022*. Source documents for disposal of motor vehicle were provided, however, they did not have a valuation report to show for the amount of K208,907 being disposed-off. Moreover, assets worth K92,896 (exclusive of K61,343) which had been disposed under Office Furniture and Equipment did not have a disposal report or any supporting documents to show for.

Third Party Bank Confirmation

My request for the third-party external confirmation of the cash at bank balance at year-end from the client's banker (Bank of South Pacific) had not been received. Without the third-party Bank Confirmation, I was not able to ascertain the existence and rights/obligation assertions over the negative cash at bank balance of K751 as disclosed in the financial statements for the year ended 31 December 2022.

Missing Payment Vouchers – Scope Limitation

My review of operational expenditures revealed that payment vouchers totaling K22,490 had not been provided by the Council for my inspection and review. Missing payment vouchers imply a scope limitation on the application of all audit procedures. No proper maintenance of accountable documents by the Council is a breach of the *Public Finances (Management) Act, 1995 (as amended)*.

As a result, I was unable to substantiate the validity and authenticity of payments amounting to K22,490.

Accounting System and Opening Balances

My review of the accounting records and transactions of the Council's Cashbook revealed that the accounting and recording of transactions, events and accounts is manually maintained in excel spreadsheets. Further, I noted that the Council installed and used a new MYOB Accounting Software system which contains every transaction which has been recorded in the excel spreadsheet. However, it was revealed that the new accounting software does not generate the opening balances of cash and other accounts. Since the opening balances of 2021 enter into the determination of the balances reported in the 2022 financial statements, I was unable to place reliance on the closing balances stated in the financial statements and the reliability of the financial records maintained by the Council for the year ended 31 December 2022.”

36.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Council for the year ended 31 December 2022 was issued on 24 January 2024. The report contained the following observations:

Personnel Files Maintenance

My review of human resources and payroll management revealed that most of the personnel files for employees did not contain vital personnel information such as updated salary/wages declaration forms, updated dependents' declarations and identifications such as marriage certificates, birth certificates for children or statutory declarations for dependents.

Management concurred with my findings and would ensure staff files are updated and maintained with relevant important documents.

Leave Fares

My review of the leave fares account revealed that payments totalling K67,805 were made to staff during the year under review. Further, I noted that each staff who was entitled for an annual leave was paid K3,500 each for land and sea fares based on an internally approved policy.

However, the amount is still well above the normal rates as hire of vehicles per day is less than K1,000. Although payment is based on an approved internal policy, the *Public Services General Order* supersedes other policies.

Management agreed with my findings and would ensure adherence to the *General Orders 14.48*.

Payments Without Proper Supporting Documentation

My review of the operational expenditures revealed that total payments of K128,830 were made without supporting documents such as; three (3) written quotations, acquittals and official letters/ memos.

No proper maintenance of accountable documents by the Council is a breach of *Section 62, Subsection (2) of the Public Finances (Management) Act, 1995 (as amended)* which states that a public body or a subsidiary corporation to which this Act applies shall cause to keep proper accounts and records of its transactions and affairs, and shall do all things necessary to ensure that all payments out of its moneys are correctly made and properly authorized.

I recommended the Council to ensure that all necessary financial records be kept with all their supporting documents attached to ascertain legitimacy of the business transactions.

Management responded to my observation as follows:

“The NTC Management accepts the Audit recommendation and shall in future comply with the Financial Management Act process and procedures. Going forward, we will implement stricter controls to ensure that all payments are accompanied by the necessary documentation.”

Untimely Preparation of Bank Reconciliations

My review of the Bank account revealed that the bank reconciliations were not signed and dated by the preparer and the reviewer. As a result, I was unable to ascertain whether bank reconciliations were prepared on a timely manner and also, I was unable to determine whether there was segregation of duty.

Management agreed with my findings and would ensure to implement timely bank reconciliations.

36.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Council has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

37. NATIONAL VOLUNTEER SERVICE

37.1 INTRODUCTION

37.1.1 Legislation

The National Volunteer Service was established on 12 April 1990 under the *National Volunteer Service Act 1990*.

37.1.2 Functions of the Service

The principal functions of the National Volunteer Service are to promote a spirit of sacrifice and service to the people of PNG; to provide labour, skills, education and training to the community for development projects; to cooperate and assist National and Provincial Government agencies as well as other organisations whose goals include the development of the people of PNG, in achieving their plans and purposes; and to encourage and participate generally in the advancement of the development of PNG.

37.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Service has not submitted its financial statements for the years ended 31 December 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite numerous reminders.

38. NATIONAL YOUTH DEVELOPMENT AUTHORITY (Formerly National Youth Commission)

38.1 INTRODUCTION

38.1.1 Legislation

The National Youth Development Authority was established under the *National Youth Development Authority Act 2014*. This Act came into operation on 21 October 2014, thereby repealing the *National Youth Commission Act 1999*. The Authority commenced its operational activities under the new name on 1 January 2015.

Under the *National Youth Development Authority Act 2014*, all the assets, properties, rights, obligations and liabilities which immediately before the coming into operation of this Act were vested in or imposed on the Commission, are, on that coming into operation, transferred to and became the assets, properties, obligations and liabilities of the Authority.

38.1.2 Functions of the Authority

The functions of the Authority are to:

- advise the Ministry and the National Government on policy formulation and legislative changes pertaining to youth affairs;
- authorise, coordinate, implement and monitor youth development activities at the National, Provincial and Local-Levels;
- develop and provide policy and technical advice to the Provincial Governments and Local-Level Governments on matters pertaining to youth;
- establish standards, regulate and monitor the level of services and training offered to youth by Government and non-profit organisations;
- monitor the execution of National Youth Development Plans at the Provincial and District levels;
- empower and provide opportunities to enable youth to participate meaningfully in activities at the International, National and Local-Level;
- generate revenue and fund youth programs and activities;
- report to the Minister on any matters referred to it by the Minister from time to time;
- establish and maintain a strong youth network at the National, Provincial, District and Local-Level areas; and
- promote awareness and disseminate information on youth matters through its network.

38.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the years ended 31 December 2018, 2019, 2020, 2021 and 2022 have been completed and the results are being evaluated.

The financial statements of the Authority for the year ended 31 December 2023 has not been submitted for my inspection and audit.

39. OFFICE OF THE INSURANCE COMMISSIONER

39.1 INTRODUCTION

39.1.1 Legislation

The Office of the Insurance Commissioner was established under the *Insurance Act 1995*. The Trust Fund of the Insurance Commissioner was established in accordance with *Section 15* of the *Public Finances (Management) Act 1995 (as amended)*.

The Office of the Insurance Commissioner was funded by Treasury Department prior to 1998. In accordance with *Section 64C subsection 4(a)* and *(b)* of the *Insurance Act 1995*, the Office of the Insurance Commissioner became a self-funded organisation through 1% levy collected from the Insurers' and Brokers' annual revenue since 1998.

39.1.2 Function of the Insurance Commissioner

The main function of the Insurance Commissioner is to regulate the general insurance businesses in Papua New Guinea and administer the *Insurance Act 1995* and issue licenses to:

- Insurers;
- Brokers; and
- Loss adjusters.

39.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Office has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit, despite numerous reminders.

40. OFFICE OF THE PUBLIC TRUSTEE OF PAPA NEW GUINEA

40.1 INTRODUCTION

40.1.1 Legislation

The Office of the Public Curator of Papua New Guinea was established under the *Public Curator Act (Chapter 81)*. This Act was subsequently amended by the *Public Curator (Amendment) Act 2020* to change the name from “*Public Curator*” to “*Public Trustee*” and further renamed the “*Office of the Public Curator*” to the “*Office of the Public Trustee*”.

40.1.2 Functions of the Public Trustee

Without limiting the generality of the functions of the Public Trustee, the functions of the Public Trustee include the following:

- to administer and distribute a deceased’s estate in accordance with *Section 25* of the *Constitution*;
- to administer and distribute estates under the *Wills, Probate and Administration Act (Chapter 291)*;
- to administer a trust or an estate for a minor;
- to administer a trust or an estate for a missing person; and
- to administer an estate as directed by a Court.

40.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

40.2.1 Comments on the Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the Public Trustee’s financial statements for the years ended 31 December 2014, 2015 and 2016 were all issued on 20 May 2024. These reports contained Disclaimer of Opinions with similar qualifications, hence, only the 2016 report is reproduced:

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Office of Public Trustee for the year ended 31 December 2016.

BASIS FOR DISCLAIMER OF OPINION

Limitation of Scope – Opening Balances

My reports for the years ended 31 December 2009 to 2015 were disclaimed due to limitation on the scope of audit on opening balances. I was unable to confirm the opening balances resulting from non-submission of financial statements for the years ended 31 December 2004 to 2008. I was therefore, unable to satisfy myself as to the accuracy and completeness of the opening balances of term deposits, deceased estate accounts, minor & insolvency accounts and suspense accounts of Port Moresby, Lae and Rabaul.

Since these opening balances entered into the determination of the results of operations and cash flows of the Office of Public Trustee in 2016, I was unable to determine whether adjustments to the results of operations, receipts and payments might have been necessary for the year ended 31 December 2016.

Limitation of Scope – Accounting Records

The Office of Public Trustee did not maintain proper books of accounts in 2016 and in prior years. The financial statements were prepared from manually maintained records on excel spread sheets. The statements were prepared from incomplete and insufficient records without proper supporting reconciliations and documentations resulting in the limitation on the scope of my audit. As a result, it was impracticable for me to carry out all my planned audit procedures to determine the accuracy of the year end balances as disclosed in the financial statements.

Suspense Account – K17,773,063

My examination of this account revealed that the account has been maintained as a clearing account to keep track of proceeds from deceased individuals and transfers between various estate accounts pending reconciliation, proper identification and allocation to their respective estate accounts. However, I noted that proper, accurate and timely reconciliations were not done over the years to allocate these funds to their respective estate accounts to clear this Suspense account. In addition, the records in relation to this cumulative balance over the years were not made available to me for my examination and verification. Consequently, the beneficiaries to these estate accounts may have been denied of their rights to have access to these funds. Accordingly, I was unable to determine the validity and accuracy of this account as at year end.

Cash at Bank – K10,065,893

Bank and Deceased Estate Account Reconciliations

My review of the Office of Public Trustee's bank and deceased estates account reconciliations for Head Office and the Regional Offices revealed that the reconciliations had not been properly done. As a result, there was a significant material balance in the suspense (clearing) account that has been accumulated over the years totalling K17,773,063 which management had to reconcile and clear.

Receipts – K12,906,874

I noted during my review that a total of K12,906,874 was received and disclosed during the year under review. This amount was made up of deceased estates, commissions and fees, rentals from estate properties managed by the Regional Offices and repayment of advances during the year. Given that all receipts were not separately recorded, I was unable to distinguish the total funds available for distribution to beneficiaries, commission and fees charged by Public Trustee, rental fees for estate properties managed by the Regional Offices and repayment of advances.

Payments – K13,643,844

A cumulative total of K13,643,844 was paid during the year per the cash books of Head Office and Regional Offices under review. Since there was no separate schedule or ledger for each payment made, I was unable to distinguish between payments made to beneficiaries in relation to their respective deceased estate accounts, payments made in relation to the operations of the Regional Offices and the Head Office, advances made to beneficiaries with real estate accounts and costs incurred in relation to the maintenance of properties managed by the Regional Offices.

Deceased Estate Properties

I noted that the Office of Public Trustee was in possession of unrealised and personal properties of deceased estates that were identified and administered by the Office. These properties were not valued and disclosed by way of notes to the financial statements as the proceeds from the disposal of these assets would be properly identified and credited to their respective estate accounts or transferred (non-liquid form) to the beneficiaries at a later date. As such, I was unable to satisfy myself as to the completeness and accuracy of the final trust balances disclosed in the financial statements at year end.”

40.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Trustee for the years ended 31 December 2014, 2015 and 2016 were issued on 20 May 2024. The reports contained similar observations, hence, only the 2016 report is reproduced:

Trust Instruments (Deeds)

Trust Instruments and Deeds govern the operations of every trust account operated by any government agencies. However, my review of the Public Trustee's trust accounts revealed that there were no trust instruments or deeds maintained by the Public Trustee governing the operations of each trusts bank account. In the absence of trust instruments and deeds, the Trust funds are susceptible to misapplication, misuse and abuse.

Internal Control Weakness

My review of the general administration of the operating systems revealed that the internal control environment of the Office of Public Trustee was very weak. I observed that some key positions like the assistant estate officers, property officers and officers responsible for basic accounting functions have not been properly assessed in each region and filled. Consequently, a single officer was made to perform functions that could better be done by several officers. This has compromised the effective control mechanism as there was lack of segregation of duties. I brought this issue to the attention of the management for necessary actions and they concurred with my comments and added that they would take necessary steps to fill some positions.

Estate Register Management

My review of the estate register management revealed that the Office of Public Trustee had not adequately maintained a proper estate register for reconciling deceased estate files to their respective ledgers in accordance with *Section 29 (a), (b) and (c)* of the *Public Curator Act 1951 (as amended)*.

Despite maintaining a manual register, I could not establish; the total number of files brought forward from preceding years, the new files registered during the year, the files closed during the year and those files to be carried forward to the next year. I was also unable to verify the closed files with their unclaimed estate funds remitted to the Consolidated Revenue Fund (CRF) (if any) in compliance with *Section 18* of the *Public Curators Act 1951 (as amended)* which provides for non-claimable deceased estates for up to 6 years to be remitted to the CRF.

Software Application System

My review of the application systems revealed that the records of transactions are manually done and kept in Microsoft Excel Spreadsheet and Microsoft Access Database.

The recording of estate receipts and payments are maintained in the excel spreadsheets, while the transactions of individual estates are recorded in the Microsoft database, the e-tracker. There is no proper centralized accounting and management system for all the estate trusts accounts. The e-tracker is only used in the Head Office while Regional Offices use excel spreadsheets.

Furthermore, the e-tracker has no reporting functionality and is not reliable for reporting purposes. The manual accounting records in the excel cashbook had discrepancies which resulted in material overstatement of receipts and payments.

I recommended Management to source a suitable computer application software that will integrate deceased estate data from the regions as well as Head Office and produce timely reports. Management concurred with my comments and stated that, *“to replace the current system with an appropriate integrated system have not been fruitful due to funding constraints.”*

Deceased Estate and Corporate Trust Accounts

My review of the Deceased Estate Trust accounts maintained by the Regional Offices revealed that the accounts not only held and maintained records of the Deceased Estate accounts but also include the transactions of the Public Trustee’s Corporate Trust accounts. The income generated in terms of the commissions, administrative fees, interest charged on advance payments made to beneficiaries and other receipts for the year were not identified, dissected and properly recorded in separate ledgers in each region. As a result, I was unable to establish how much was generated as receipts for the Deceased Estate and Corporate Trust accounts during the year under review.

Management concurred with my finding and stated that, *“attempts have been made to install an Integrated Accounting Software Package at Head Office as well as Regional Offices but were facing setbacks due to financial constraints from budget appropriations.”*

Deceased Estate Trust Accounts vs. Cash at Bank/Cash Book

My review and examination of the estate files and the documents contained therein revealed that the cumulative estate balance as at year end is much higher than the actual cash at bank balance. This shows that the payments made to beneficiaries during each year were mostly from current estate monies that came in or registered during the year and not from carry over funds from preceding years as it supposed to be. This imbalance may have resulted from;

- Certain Deceased Estate funds received in another Public Trustee's bank account but their files registered and payments to beneficiaries made from the Regional Office,
- Deceased Estate Trust funds may have been used to pay for Regional and Head Office related expenses as no separate administration ledgers were maintained,
- Current Deceased Estate funds were advanced to staff, and
- Regional Estate funds were transferred to Head Office and using *Section 18* of the *Public Curators Act, 1951 (as amended)* which provides for non-claimable deceased estates for up to six (6) years to be remitted to the Consolidate Revenue Fund at the Department of Finance.

As a result, I was unable to determine the link between the actual estate cash balance per their files and the cash book balance at the end of each year.

Management responded to my observation as follows:

“This situation evolved prior to 2004 and the financial statements for 2004 to 2008 were not prepared and submitted to AGO to be audited by previous management and we do not have any financial records for 2004 to 2008. There may have been mismanagement and abuse of Deceased funds by responsible officers/management team or pure negligence due to shortage of manpower and understaffing or unqualified officers engaged in performing accounting duties.”

Incorrect charge of Administration Fees and Commissions

The income from commissions and estate fees revealed that the Public Trustee had not been charging commissions and administration fees as prescribed in the *Public Curator Regulation 1952, Section (1)* and *(2)* respectively. However, a 10 percent was charged on all estate proceeds by the Regional Offices as commissions and administration fees without any proper basis for charging that fee.

Consolidated Revenue Fund

Section 18 of the *Public Curator Act, 1951 (as amended)* provides for non-claimable deceased estates for up to six (6) years to be remitted to the Consolidated Revenue Fund at the Department of Finance. However, my review of the deceased estates revealed that the management had not maintained a separate register for such purposes and consequently had not forfeited such estates funds to the state. I have recommended the management to update the files annually and those non-claimable estates dated six (6) years and over should be remitted to the Consolidated Revenue Fund at the Department of Finance.

Upon remittance of estates to the Consolidated Revenue Fund, the estate files should be archived and furnished to Court for approval and authorization for estate file write-off from the Public Trustee's records.

Management responded that due to gross mismanagement and abuse of deceased funds by previous management, there is a huge deficit in the anticipated balances of all deceased files administered and actual cash balance in the deceased estate trust account.

Land & Building Valuation and Disclosure – Deceased Estate Properties

The *International Accounting Standard 16 (IAS 16)* states that an item of property, plant and equipment that qualifies for recognition shall be measured at its cost. *International Accounting Standard 1 (IAS 1)* also emphasizes additional disclosures sufficient to enable the users to evaluate the impact of particular transactions on the financial position of an entity. However, my review of the deceased estate properties maintained by the Public Trustee had not been valued and disclosed in the financial statements under review. Given the non-disclosure and inadequacy in the valuation of the properties managed by the Office, I was unable to confirm and comment on the valuation, accuracy, correctness and existence of the deceased estate properties for the year ended 31 December 2016.

General Control Environment of Deceased Estate Properties

My review of the Deceased Estate Properties maintained by the Public Trustee revealed a lack of management and coordination between the Properties Division and the Regional estate officers. Customary properties along with other properties without clear proof of ownership and acquisition had been captured under deceased estates by the estate officers without consultation from the properties division. Estate files also had no proper lease agreements, mediation documents for disputed assets and jointly owned properties, transfer documents for properties, valid sales agreements and valuation documents for properties managed by the Public Trustee. In the absence of such documents, I was unable to ascertain whether proper processes were followed in the administration of the deceased estate properties.

40.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Public Trustee has submitted its financial statements for the years ended 31 December 2017, 2018 and 2019 and arrangements were being made to commence these audits shortly.

The Public Trustee has not submitted its financial statements for the years ended 31 December 2020, 2021, 2022 and 2023 for my inspection and audit despite my repeated reminders.

41. OIL PALM INDUSTRY CORPORATION

41.1 INTRODUCTION

41.1.1 Legislation

The Oil Palm Industry Corporation was established by the *Oil Palm Industry Corporation Act 1992* which came into operation on 1 June 1992. Under the Act, all assets (other than land held by the State) and liabilities previously held or occupied by the Division of the Department of Agriculture and Livestock responsible for the provision of extension services to oil palm industry were transferred to the Corporation at commencement date.

41.1.2 Functions of the Corporation

The main functions of the Corporation are to:

- promote the development of the oil palm industry;
- encourage the increase in productivity by efficient provision of extension services to smallholders;
- provide advice and disseminate information and educate smallholders regarding oil palm production methods; and
- consult, liaise and collaborate with the State and other agencies involved in the oil palm industry.

41.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Corporation has submitted its financial statements for the years ended 31 December 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit and arrangements were being made to commence these audits shortly.

42. OMBUDSMAN COMMISSION OF PAPUA NEW GUINEA

42.1 INTRODUCTION

42.1.1 Legislation

The Ombudsman Commission was established under *Section 217* of the Constitution of the Independent State of Papua New Guinea. The principal objectives of the Commission are: to ensure that all governmental bodies are responsive to the needs and aspirations of the people; to help in the improvement of the work of governmental bodies and the elimination of unfairness and discrimination by them; to help in the elimination of unfair or otherwise defective legislation and practices affecting or administered by governmental bodies; and to supervise the enforcement of the Leadership Code.

42.1.2 Functions of the Commission

The functions of the Commission are to:

- investigate on its own initiative or on complaint by a person affected, any conduct on the part of any State or provincial or local governmental, or other governmental body or a member or officer or employee of any such body, any member of the personal staff of the Governor-General, Minister or the Leader or Deputy Leader of the Opposition, or any other body or person as may be declared by an Organic Law or an Act of Parliament, to which the Leadership Code applies;
- investigate any defects in any law or administrative practice appearing from any such investigation;
- investigate any case of an alleged or suspected discriminatory practice within the meaning of a law prohibiting such practices;
- any functions conferred upon it by *Part III Division 2 (Leadership Code)* of the National Constitution; and
- any functions conferred upon it by or under an Organic Law.

42.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

42.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Commission for the years ended 31 December 2020 and 2021 were issued on 31 August 2023 and 26 March 2024 respectively. The reports contained similar Qualified Opinions; hence, only the 2021 report is reproduced:

“QUALIFIED OPINION

In my opinion, except for the effects of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements of the Commission:

- a) are based on proper accounts and records; and
- b) are in agreement with those accounts and records, and show fairly the state of affairs of the Commission for the year ended 31 December 2021 and the results of its financial operations and cash flows for the year then ended.

BASIS FOR QUALIFIED OPINION

Opening and Comparative Balances

My report of the Commission for the year ended 31 December 2020 was qualified on the basis that I could not satisfy myself as to the accuracy, valuation, existence and completeness of the cash and expenditure accounts reported in the statement of receipts and payments and disclosed in the notes to the financial statements. The closing cash balance at 31 December 2020 was taken up as the opening balance at 1 January 2021, while the expenditure balances of 2020 was presented as comparative balances.

I was unable to perform alternative audit procedures to confirm the valuation, existence, accuracy and completeness of the 2020 closing cash balance taken up as the opening balance at 1 January 2021 and the accuracy of the comparative year expenditure amounts disclosed in the financial statements for the year ended 31 December 2021.

Accordingly, I could not determine whether any adjustments might be necessary on the opening balance and the accuracy of the cash balance stated as at 31 December 2021 and the comparative year's expenditure figures presented in the financial statements.

Cash at Bank – K24,938,846

My examination of the Commission's cash and cash equivalents accounts and their related records revealed the following:

- Bank reconciliations for the Main Operating Account for the twelve (12) months were not prepared and provided for my review. In the absence of the bank reconciliations, I was not able to perform my planned audit procedures to ascertain the accuracy and completeness of the cash at bank balance of K8,594,376 for the main operating account disclosed in the financial statements;
- Independent bank confirmation from the commercial bank (Bank of South Pacific) for the Main Operating Account, Admin Trust Account, Business Management Account and the four (4) Imprest Accounts for Regional Offices was not provided for my examination, limiting my scope to confirm the year-end balances and existence of bank accounts in the custody of the Commission; and

- An unreconciled difference of K70,558 was noted between the Statement of Cash Receipts and Payments year-end cash balance and the Cash at Bank amount of K24,938,846 as disclosed in *Note 5* to the financial statements. This balance was subsequently taken up as an adjustment in the Statement of Cash Receipts and Payments to reconcile for the year-end cash balance in the statement of receipts and payments to the cash at bank balance.

Due to the above, I was not able to ascertain the accuracy, completeness, valuation and existence of the cash at bank balance of K24,938,846 as reported in the Statement of Cash Receipts and Payments and its corresponding *Note 5* to the financial statements as at 31 December 2021.”

42.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Commission for the years ended 31 December 2020 and 2021 were issued on 31 August 2023 and 26 March 2024 respectively.

The reports contained similar observations, hence, only the 2021 report is reproduced:

Audit Committee and the Internal Audit Unit

Finance Instruction 2/2009 establishes internal audit units and audit committees including their respective scope and charter. *Section 7* of this Instruction requires all National Departments, Provincial Governments, Statutory Authorities and Public Bodies to adopt and comply with the provisions in the aforementioned instruction. My review of the Audit Committee as well as the Internal Audit Unit of the Commission revealed the following:

- *Section 3* in the *Appendix A* (Audit Committee Charter) of the Finance Instruction specifies the composition of the audit committee which shall include: The Agency Head, the Secretary of the Department of Finance (or his delegate), the Auditor General (or his delegate) and independent members appointed by the Finance Secretary, unless an alternate structure is approved by the Finance Secretary. However, I noted that the Commission’s audit committee comprised of only three (3) Members of the Commission (MoC). I was not provided with any directive/correspondences from the Secretary of the Department of Finance for the alternate structure, in this case approving the MoC to be the only Audit Committee members;
- *Section 6* in the *Appendix A* (Audit Committee Charter) of the Finance Instruction stipulates the responsibilities of the Audit Committee. *Sections 6.1.1* and *6.2.1* require the audit committee to review the financial report and the results of audit as well as the implementation of the findings of the Auditor-General.

However, I was not able to confirm whether this has been done since the establishment of the Audit Committee because similar audit findings and recommendations were brought to management's attention over the years and audit recommendations are yet to be implemented; and

- I requested but was restricted access to internal audit reports and as such I was not able to establish whether regular reviews on the effectiveness of risk management, control and governance processes were conducted and necessary recommendations provided for improvements. Further the Commission did not adhere to the requirement of the *Financial Management Manual Part 9, Division 1, paragraph 6* which stipulates that internal audit reports must be submitted to the Auditor General for his review during the audit.

As a result of the above findings, I was not able to gain comfort on the composition of the Audit Committee and further conclude on the effectiveness of the internal audit unit within the Commission.

I sought clarity from management on the issues highlighted above and was advised as follows:

“Members of the Commission (2018) decided that MoC will become the Ombudsman Commission Audit Committee due to the confidentiality of work OC does. Internal Audits performed for the year 2021/2022 were more operational in nature and not financial. All the financial reviews are left to the Auditor General’s Office to conduct. OC Internal Audit Unit supplied the AGO with copies of the OC Audit Charter and the Annual Audit Plan. MoC did not authorize the release of any OC Internal Audit Reports to external parties.”

Members of the Commission (MoC) Meeting Minutes

The Commission did not provide for my review the minutes of meetings convened by the Members of the Commission during the year despite numerous reminders.

In the absence, of the meeting minutes, I was unable to confirm if meetings were conducted at all during the year and were consistent with *Section 14* of the *Organic Law on Ombudsman Commission* in terms of meeting quorums, record keeping of minutes and to conclude that major decisions especially on the financial affairs of the Commission were effectively debated and resolutions appropriately passed.

I requested for the meeting minutes for my review and was advised the following:

“All meeting minutes and decisions are confidential and cannot be released, unless authorized by Secretary to the Commission and members of the Commission. However, meeting minutes relating to the Commission Budget Estimates will be provided to the Auditor General’s Office.”

Bank Reconciliations – Main Operating Account

The Commission did not perform any bank reconciliations for the Main Operating Account during the year under review. I cautioned the Commission in my management letter that bank reconciliation is a key control mechanism which helps to detect errors and instances of fraud and ensures that the bank records are reconciled with the IFMS Cash Book of the Commission, to report a correct ending bank balance.

In the absence of the monthly bank reconciliations, I was not able to place reliance on the effectiveness of the internal controls surrounding the cash management process of the Commission. This is a significant recurring control deficiency that the Commission is yet to rectify.

Management in its responses stated that a bank reconciliation and budget officer was recently recruited to commence the task of preparing the bank reconciliations.

Fixed Assets

Effective fixed assets management ensures proper accountability of public assets, prevents fraudulent use of assets thereby contributing towards better service delivery. I noted the following significant recurring issues in relation to the management of Fixed Assets of the Commission:

- The Commission did not maintain a Fixed Assets Register capturing all fixed assets acquired over the years to date;
- There was no fixed assets policy formulated by the Commission to guide the acquisition, capitalization and disposal of fixed assets; and
- No evidence was provided to substantiate that the Commission conducted routine annual stock-take of its fixed assets.

As a result, I was not able to place reliance on the controls surrounding the management and use of the fixed assets of the Commission and subsequently conclude on the accuracy of the fixed assets balance of K18,441,391 disclosed in *Note 4* to the financial statements.

I have over the years repeatedly reported these findings; however, the Commission is yet to address my recommendations.

Payments Lacking Service Agreements

My audit noted that a total of K231,997 contractual payments were made during the year. However, I was not provided with the service agreements despite audit requests to substantiate the basis of these payments made in 2021.

Consequently, I was not able to verify the basis of the payments made and comment on whether scope of work or services rendered is reasonable for the expenditures incurred.

I recommended the Commission to ensure that in the future a contract/service agreement is signed before any service/work is rendered.

The management acknowledged my finding and agreed to take corrective actions.

Operating and Capital Expenditures – Insufficient Supporting Documents

My review of the operating and capital expenditures incurred in 2021 revealed that there were a number of payments made without proper supporting documents. Payment vouchers totaling K1,036,090 that were examined were not supported by proper documents such as:

- Minutes/Memos justifying the basis of payments;
- Invoices to confirm the validity of the payments;
- Cash Collection Registers/Sheets signed off by recipient and dated as evidence of cash received for travel allowances and advances paid in cash;
- Three Quotes for purchases above K5,000 and below K500,000 as required by *Finance Instruction 2/2013*; and
- Delivery dockets as evidence that goods have been received.

Due to the above, I was not able to ascertain the occurrence and the validity of the above payments and to conclude on whether proper procurement processes were followed in the procurement of goods and services. I drew management's attention on these weaknesses and management responded to all the observations highlighted in my management letter and agreed to implement my recommendations.

42.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Commission for year ended 31 December 2022 was completed and awaiting management letter responses to finalise the report.

The Commission has submitted its financial statements for the year ended 31 December 2023 and arrangements were being made to commence the audit shortly.

43. PAPUA NEW GUINEA ACCIDENT INVESTIGATION COMMISSION

43.1 INTRODUCTION

43.1.1 Legislation

The *Papua New Guinea Accident Investigation Commission* was established under *Section 218 of the Civil Aviation Act 2000 (as amended)* and came into operation in January 2011.

43.1.2 Objective of the Commission

The principal purpose of the Commission is to determine the circumstances and causes of accidents and incidents with a view to avoiding similar occurrences in the future, rather than to ascribe blame to any person.

43.1.3 Functions of the Commission

- The principal function of the Commission is the investigation of aviation accidents and incidents;
- The Minister may, by notice in the National Gazette, direct the Commission to investigate any serious land or marine transport accident or incident;
- Where a direction is given under *Subsection (2)*, all references to an “*aircraft*” shall be read as a reference to the vehicle or vessel or other form of transport involved in the accident or incident to be investigated; and
- Without limiting the principal function under *Subsection (1)*, the Commission shall also have the following functions:
 - make such inquiries and investigations as it considers appropriate in order to ascertain the cause or causes of accidents or incidents;
 - co-ordinate and direct all such inquiries and investigations and to determine which other parties, if any, should be involved in the investigation;
 - prepare and publish findings and recommendations, if any, in respect of any such inquiries and investigation;
 - where requested by the Minister, to deliver a written report on each investigation to the Minister, including any recommendations for changes or improvements that it considers will ensure avoidance of accidents and incidents in the future;
 - co-ordinate and co-operate with other accident investigation organisations of Contracting States, including taking or collecting evidence on their behalf;

- request from the Authority or PNG Air Traffic Services (PNGATS) or any other person such information as it considers appropriate regarding any accident or incident that the Commission believes that it is required to investigate under this Act;
- perform any other function or duty conferred on the Commission under any Act or prescribed by regulations; and
- with the consent of the Minister, to provide consulting services, training and management services relating to any of its functions, whether in PNG or overseas.

43.2 AUDIT OBSERVATIONS

43.2.1 Comments on Financial Statements

My reports to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the Commission for the years ended 31 December 2022 and 2023 were issued on 7 March 2024 and 28 June 2024 respectively. The reports did not contain any qualification.

44. PAPUA NEW GUINEA CUSTOMS SERVICE

44.1 INTRODUCTION

44.1.1 Legislation

The National Executive Council (NEC) in its meeting on 24 July 2014, *Decision No: 216/2014* approved that the Papua New Guinea Customs Service be transformed from the National Public Service into an Independent Statutory Authority through a separate Act of Parliament.

In accordance with the NEC Decision, the *Papua New Guinea Customs Service Act 2014* was drafted and certified on 21 October 2014, establishing the Papua New Guinea Customs Service as a Statutory Authority.

Prior to November 2014, the Papua New Guinea Customs Service was operating as a Department of the National Public Service.

44.1.2 The Functions of the Service

The functions of the Papua New Guinea Customs Service are to:

- administer and enforce the customs laws;
- promote compliance with the customs laws;
- take such measures as may be required to improve service provided to importers and exporters with a view to improving efficiency and maximising revenue collection;
- take such measures as may be required to counteract customs fraud and other forms of duty evasion;
- advise the State on matters relating to customs and to liaise with relevant stakeholders on such matters;
- represent the State internationally in respect of matters relating to customs; and
- carry out such functions as are given to the Papua New Guinea Customs Service under this Act or any other law.

44.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Service for the years ended 31 December 2019, 2020 and 2021 have been completed pending management letter responses for the finalization of these reports.

The Service has submitted its financial statements for the years ended 31 December 2022 and 2023 and arrangements were being made to commence these audits shortly.

45. PAPUA NEW GUINEA FOREST AUTHORITY

45.1 INTRODUCTION

45.1.1 Legislation

The Papua New Guinea Forest Authority was established under the *Forestry Act 1991* which came into operation on 25 June 1992.

The Authority was formed by the amalgamation of the Department of Forests, the Forest Industries Council, the Provincial Divisions of Forestry, the Forestry College in Bulolo, the Timber Industry Training College and the Research Institute in Lae.

With the establishment of the Authority the following Acts were repealed: the *Forest Industries Council Act (Chapter 215)*; the *Forestry Act (Chapter 216)*; and the *Forestry (Private Dealings) Act (Chapter 217)*.

45.1.2 Objectives of the Authority

The prime objective of the Authority is to provide for and to give effect to the National goals and the directive principles regarding:

- management, development and protection of the Nation's forest resources and environment in such a way as to conserve and renew them as an asset for succeeding generations;
- maximisation of PNG's participation in the wise use and development of the forest resources as a renewable asset;
- utilisation of the Nation's forest resources to achieve economic growth, employment creation and increased "downstream" processing of the forest resources;
- encouragement of scientific study and research into forest resources so as to contribute towards a sound ecological balance, consistent with the national development objectives;
- increased acquisition and dissemination of skills, knowledge and information in forestry through education and training; and
- pursuit of effective strategies, including improved administrative and legal machinery, for managing forest resources and the management of National, Provincial and Local interests.

45.1.3 Functions of the Authority

The principal functions of the Authority are to:

- provide advice to the Minister on forest policies and legislation pertaining to forestry matters;
- prepare and review the National Forest Plan and recommend it to the NEC for approval;
- through the Managing Director, to direct and supervise the National Forest Service;
- negotiate Forest Management Agreements;
- select operators and negotiate conditions on which timber permits, timber authorities and licences may be granted in accordance with the provisions of the *Forestry Act*;
- subject to the *Customs Act, Customs Tariff Act and Exports (Control and Valuation) Act* to control and regulate the export of forest produce;
- oversee the administration and enforcement of the *Forestry Act* and any other legislation pertaining to forestry matters, and of such forestry policy as approved by the NEC;
- undertake the evaluation and registration of persons desiring to participate in any aspect of the forestry industry;
- act as agent for the State, as required, in relation to any international agreement relating to forestry matters; and
- carry out such other functions necessary to achieve its objectives or given to it under the Act or other relevant law.

45.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the years ended 31 December 2016, 2017 and 2018 were in progress. It has taken over two years for the audits to be finalized due to lack of cooperation from the Authority.

The Authority has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite my various reminders.

46. PAPUA NEW GUINEA IMMIGRATION AND CITIZENSHIP SERVICE AUTHORITY

46.1 INTRODUCTION

46.1.1 Legislation

The *Papua New Guinea Immigration and Citizenship Service Authority* was established under the *Immigration and Citizenship Service Act 2010*. This Act came into operation on 9 July 2010.

Under this Act, all assets used for the Authority services (other than land held by the State) which immediately before the coming into operation of this Act, were held by the Department of Foreign Affairs and Trade and which, by agreement between the Departmental Head of that Department and the Authority are necessary to be transferred to the Authority for the purposes of the Authority before coming into operation, transferred to and become assets of the Authority.

46.1.2 Objectives of the Authority

The objectives of the Authority are the following:

- the management, development and protection of the nation's interest in so far as the security of the nation is protected;
- elimination of corruption and increase in accountability;
- provision of a more flexible operational working environment;
- increased operational and management efficiency in financial management, accountability and performance management;
- provision of a mechanism for the achievement of best practice;
- provision of financial and administrative autonomy;
- increased levels of client service delivery;
- encouragement of study and research in areas which will contribute to the protection and security of the nation;
- increased acquisition and dissemination of skill, knowledge and information in immigration and citizenship through education and training;
- pursuit of effective strategies including improved administrative and legal machinery for managing immigration, citizenship and passport matters; and
- ensure the Authority retains its primacy and leadership role with regard to the provision of effective border control and security through the effective management of entry and stay of people in PNG.

46.1.3 Functions of the Authority

The functions of the Authority are to:

- perform the functions and exercise the powers conferred on an authorised person or an officer under the *Migration Act (Chapter 16)* or the *Passports Act (Chapter 17)*;
- assist the Minister responsible for the administration of the *Migration Act (Chapter 16)* and *Passport Act (Chapter 17)* in the performance of their functions under those Acts respectively;
- assist the Minister responsible for citizenship in the performance of his/her functions under Part IV of the *Constitution* and the *Citizenship Act (Chapter 12)*;
- collect fees, penalties and other revenue authorised under the *Migration Act (Chapter 16)*, *Passport Act (Chapter 17)* and *Citizenship Act (Chapter 12)*;
- administer the APEC Business Travel Card Scheme under the *Migration Act (Chapter 16)*;
- collect, monitor, secure and maintain information and technological systems to enable fully integrated and supported immigration, citizenship and passport operations;
- undertake development of legislation and policy to support the operations of the Authority and the effective administration of the *Migration Act (Chapter 16)*, *Passport Act (Chapter 17)* and the *Citizenship Act (Chapter 12)*;
- advise the Minister on policy issues which relate to this Act and the effective administration of the *Migration Act (Chapter 16)*, *Passport Act (Chapter 17)* and the *Citizenship Act (Chapter 12)*;
- exercise and carry out such functions and powers and perform all duties which under any other written law are or may be or become vested in the Authority or delegated to the Authority by this Act or any other law; and
- carry out such other duties as are necessary, supplementary, incidental to or consequential to achieve the objectives or the discharge of its functions under this Act.

46.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Authority has submitted its financial statements for the years ended 31 December 2018, 2019 and 2020 for my inspection and audit and arrangements were being made to commence the audits shortly.

The Authority has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

47. PAPUA NEW GUINEA INSTITUTE OF MEDICAL RESEARCH

47.1 INTRODUCTION

47.1.1 Legislation

The Papua New Guinea Institute of Medical Research was established by the *Institute of Medical Research Act (Chapter 166)* on 1 January 1980.

47.1.2 Functions of the Institute

The primary functions of the Institute are to conduct and foster research into any branch of medical science or biology, anthropological and sociological aspects of health, and matters relating to public health generally, that are of relevance to PNG.

47.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Institute has submitted its financial statements for the year ended 31 December 2022 and arrangements were being made to commence the audit shortly.

The Institute has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

48. PAPUA NEW GUINEA MARITIME COLLEGE

48.1 INTRODUCTION

48.1.1 Legislation

The Papua New Guinea Maritime College was established under the *Maritime College Act 1976 (Chapter 355)*. It was previously known as the Nautical Training Institute. However, by virtue of the *Nautical Training Institute (Change of Name) Act 1985* which became effective on 25 July 1985, the names of Nautical Training Institute and *Nautical Training Institute Act* were changed to Maritime College and *Maritime College Act 1976* respectively.

48.1.2 Functions of the College

The principal functions of the College are to provide training and other instructional facilities for the theoretical and practical training of persons in maritime skills and any other objects incidental or ancillary thereto.

48.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

48.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the financial statements of the College for the year ended 31 December 2022 was issued on 24 May 2024. The report contained a Qualified Opinion:

“QUALIFIED OPINION

In my opinion, except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph below:

- i) The financial statements are based on proper accounts and records; and
- ii) The financial statements are in agreement with those accounts and records, and show fairly the state of affairs of the College for the year ended 31 December 2022 and the results of its financial operations and cash flows for the year then ended.

BASIS FOR QUALIFIED OPINION

Valuation of Non-Current Assets – K13,756,141

I noted that since the establishment of the College, there was no valuation exercise carried out on its properties and other assets totaling K13,756,141 by an independent valuer to determine the fair values of the College assets.

Further, I noted that the College's assets recorded in the Fixed Assets Register did not have identification numbers or labels assigned to them. Without proper labelling of assets, the identification of fixed assets under the College's custody was difficult for my verification.

Further, the College had not carried out any stock-take on all its fixed assets over the years, thus, I was unable to carry out physical inspection to confirm certain fixed assets against the records to verify their existence. As a result, I was unable to comment on the existence and valuation of fixed assets disclosed in the financial statements."

48.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the College for the year ended 31 December 2022 was issued on 24 May 2024. The report contained the following observations:

1. Title Deeds of College Properties

During my review of the Land & Buildings, I noted that for nine (9) properties the College had no valid title deeds in place or was unable to locate the title deeds for my verification. As a result, I was unable to verify the College's ownership of the nine (9) properties. I brought this issue to the attention of the College Management and I was advised that the College Management is committed and had done a fairly good job in this pursuit.

2. Personal Emoluments

During my review of staff personal files, I noted that the employment contract for the Principal of the College was not signed. As a result, I was unable to substantiate and validate the salary and allowances paid to the Principal. I brought this matter to the attention of management in my previous audits and followed up during the current audit as well.

3. PNG Maritime College Board

Section 4 of the *Maritime College Act 1976* requires the College to have an established Board. *Section 11 (1) Subject to Subsection (2)*, the Board shall meet at the times and places the Chairman from time to time appoints, but in any case, not less frequently than once in every three months. Further, *Section 11 (4)* the Board shall cause minutes of its meetings to be kept.

However, during my review, I noted that no Board was in place as required by the Act during the year under review. As a result, no board meetings were held. I brought this matter to the attention of the College Management and I was advised that the Board of the College was illegally constituted for a long while.

The matter was raised by the Principal for clarity and redress at court to be rectified. The Principal had expressed need for a new Board soon after the court decision had been handed down with Department of Transport. Further, through the ministerial determination facilitated by NEC in 2021, the College's governance aspect is now with the Department of Higher Education, Research, Technology and Science (DHERST) to nominate and constitute a Board.

48.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the College has submitted its financial statements for the year ended 31 December 2023 for my inspection and audit and arrangements were being made to commence the audit shortly.

49. PAPUA NEW GUINEA NATIONAL INSTITUTE OF STANDARDS AND INDUSTRIAL TECHNOLOGY

49.1 INTRODUCTION

49.1.1 Legislation

The Papua New Guinea National Institute of Standards and Industrial Technology was established by the *National Institute of Standards and Industrial Technology Act 1993* and came into operation on 3 January 1994.

The *National Standards Act (Chapter 378)* and the *National Technical Standards Act (Chapter 379)* were repealed, and all funds standing to the credit of and on accounts operated under the authority of the repealed acts and all assets and liabilities owned or held by the bodies established under the repealed acts were transferred to and became the assets and liabilities of the Institute on the commencement of the new Act.

49.1.2 Objectives of the Institute

The objectives of the Institute are: to carry out scientific and technological research and to develop a National Standards System; to co-operate with international organisations of measurement and technical standards; to promote and undertake industrial integrated standardisation and quality assurance; and to enter into any agreement both within and outside PNG to further the objectives and functions of the Institute.

49.1.3 Functions of the Institute

The main functions of the Institute are to:

- safeguard PNG against the dumping and supply of unsafe, unhealthy and inferior or substandard products;
- establish and co-ordinate the National Standardisation System;
- provide education, training and industrial extension and consultative services to assist industries;
- promote public and industrial welfare, health and safety;
- recognise as testing authorities, bodies and institutions;
- establish a National Certification System of conformity;
- assist industries overcome technical barriers on its products and services to international trade; and
- assist industries to produce quality products and services.

49.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Institute for the years ended 31 December 2020 and 2021 have been completed and awaiting management letter responses to finalize the audits and issue the reports.

The Institute has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

50. PAPUA NEW GUINEA SPORTS FOUNDATION

50.1 INTRODUCTION

50.1.1 Legislation

The Papua New Guinea Sports Foundation was established by the *Papua New Guinea Sports Foundation Act 2005*. This Act was certified on 8 August 2006 and became operational on the same date and replaced the *Papua New Guinea Sports Commission Act 1992*.

Under this Act, all assets held or occupied by and all liabilities and obligations of the Papua New Guinea Sports Commission prior to the operation of this Act were transferred to and became assets and liabilities and obligations of the Foundation at commencement.

50.1.2 Objectives of the Foundation

The principal objectives of the Foundation are: to encourage the private sector to contribute to the funding of sports to supplement assistance by the government of Papua New Guinea; to provide leadership in the development of Papua New Guinea's performance in sports; and to encourage increased participation and '*Sport for All*' by Papua New Guineans in sports.

50.1.3 Functions of the Foundation

The principal functions of the Foundation are to:

- advise the Minister in relation to the development of sports;
- co-ordinate activities in Papua New Guinea for the development of sports and to develop and implement programs to promote equality of access to and participation in sports by all Papua New Guineans;
- develop and implement programs for the recognition and development of persons who excel, or who have the potential to excel in sports and persons who have the potential to achieve standards of excellence as sports coaches, umpires, referees or officials essential to the conduct of sports;
- initiate, encourage and facilitate research and development in relation to sports;
- undertake research and development related to sports science and sports medicine and to provide sports medicine services and sports science services to persons participating in programs of the Foundation;
- establish, manage, develop and maintain facilities for the purposes of the Foundation;

- collect and distribute information and provide advice on matters related to the activities of the Foundation;
- fostering co-operation in sports between Papua New Guinea and other countries and to provide access to persons from other countries to the resources, services and facilities of the Foundation;
- raise money through the National Sports Trust or by other means for the purposes of the Foundation and to administer and expend money appropriated by the Parliament or raised in accordance with and for the purpose of the Foundation;
- consult and co-operate with appropriate authorities of the National Government or the Provinces and Local-level Governments and with other persons, associations and organisations on matters related to the activities of the Foundation;
- provide advice on matters related to sports to the Papua New Guinea National Olympic Committee or other persons, bodies or associations; and
- co-operate with districts, provincial, national and international sporting organisations in aiming to foster a sporting environment that is free from the unsanctioned use of performance enhancing drugs and doping methods.

50.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Foundation has submitted its financial statements for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 for my inspection and audit and arrangements were being made to commence the audits shortly.

The Foundation has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

51. PAPUA NEW GUINEA UNIVERSITY OF TECHNOLOGY AND ITS SUBSIDIARIES

51.1 INTRODUCTION

51.1.1 Legislation and Objectives of the University

The Papua New Guinea University of Technology was established under the *University of Technology Act (Chapter 170)*. The University's aims are to provide tertiary educational facilities and to produce qualified men and women to contribute to the development of Papua New Guinea.

51.1.2 Functions of the University

The University's principal functions are to encourage and provide facilities for study, education and training of technological subjects and branches of learning at tertiary level, and to assist in research and the practical application of technological branches of learning.

51.1.3 Subsidiaries of the University

The University has two subsidiary companies; *National Analytical and Testing Services Limited* and *Unitech Development and Consultancy Company Limited*.

Comments in relation to the subsidiary companies are contained in paragraphs 51A and 51B of this Report respectively.

51.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

51.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the University's financial statements for the year ended 31 December 2019 was issued on 30 April 2024. The report did not contain any qualification.

51.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the University for the year ended 31 December 2019 was issued on 30 April 2024. The report contained the following observations:

Attaché Accounting Software

The University has been using the ATTACHE accounting software as its accounting system to maintain its general ledger and books of account. ATTACHE is a complex accounting and payroll software designed to manage the daily financial activities and also allows for the management of fixed assets and inventory in multiple locations/departments to be interfaced with the general ledger. However, I noted during my review of the 2019 operations that the system has not been fully utilized or well understood resulting in the following issues:

- a) The University's Fixed Asset Register (FAR) is currently being maintained using excel spreadsheets externally, rather than being automated by adding a fixed assets module to interface with the general ledger system. This is considered inappropriate for such a large and important institution with a wide range of property, equipment and other fixed assets.
- b) The University does not maintain an appropriate inventory schedule with itemized listing of items indicating quantities on hand and their unit costs or valuations.

I recommended the management to act immediately to address these by:

- a) Upskilling staff to be familiar with Attaché and its applications, or
- b) Changing to another software that is user-friendly and meets the Institution's daily operational requirements.

The management responded to my observation as follows;

“Attaché is a good controlled system and it has been used for many years. Our staff are given training on attaché for their area of operation. Now FAR is also migrated into Attaché. In future Unitech is going to install fully integrated software (like SAP) to integrate all functions.”

Month-End General Ledger Reconciliations and Review Processes

I noted in my review that balance sheet items or certain critical accounts had no proper schedules and were not reconciled in a timely manner. These accounts include;

- a. Petty Cash;
- b. Interest Bearing Deposit;
- c. Accounts Receivable;
- d. Property Plant and Equipment;
- e. Accounts Payable;

- f. GST Receivables and Group Tax;
- g. Other Accrual Accounts; and
- h. Work in Progress.

I advised management that the finance team must ensure that all reconciliations and supporting work papers are prepared on a monthly basis, are reviewed and signed off. I also advised that reconciling items identified should be investigated and corrective actions taken on a timely basis to ensure the integrity of balances recorded in the general ledgers.

Despite management comments in the prior year, the matter has not been resolved.

Monthly Review of Collectability of Receivables

I noted during the course of the audit that there was lack of timely review of the accounts receivable ledger to ensure appropriate adjustments are taken up correctly. Timely review and reconciliation is vital to monitor the accounts receivables and make provisions for long outstanding debtors.

In addition, the issue of lack of collectability was also noted in Timber Forestry College where K312,143 was carried forward and have been outstanding for a long time.

Lack of review on aged trade receivables to monitor impaired balances may result in the overstatement of trade receivable balances and management may be misled into believing that the contracted cash flows to be collected are much higher than they actually are. Management decisions may also be affected by placing reliance on incorrect information.

I advised management to review accounts receivable balances as part of each month end process to assess if there are indications that some balances may not be collected. Any amounts in doubt of collections should be provided for and monitored.

Maintenance of Fixed Assets Register

As at 31 December 2019, the Property, Plant and Equipment (PPE) of the University was valued at K454,687,694 (2018: K146,493,127). During my review, I noted that the Fixed Assets Register for the University was not properly maintained resulting in the following:

- Lumping up of values;
- Missing descriptions and categories of assets;
- Depreciation calculated on zero net book value;

- Assets with nil book value, no depreciation calculated on them and zero economic life still sitting in the Fixed Assets Register; and
- Several assets with no acquisition dates to determine useful life and calculation of depreciation.

The integrity of the asset register is compromised if the data required is incomplete or missing. Poorly maintained asset register denies custodians of assets the ability to effectively monitor and account for those assets. It also creates an opportunity for smaller, mobile items and desirable items to be susceptible to theft without timely detection.

I recommended management to immediately review its work processes and ensure the Fixed Assets Register is properly maintained to a reasonable level of accuracy and completeness to address the issues noted.

Fixed Assets – Physical Verification

The University did not effectively carry out physical verification of fixed assets at 31 December 2019 on its assets located in various areas of the campus as well as others outside of the campus including the Lae School of Nursing, Bulolo Forestry College and Service Unit.

Assets are at risk of not being in a good working condition, may be discarded at each department level or may not exist which would impact on the measurement of the recorded asset values.

I recommended management to plan and undertake physical verification exercise to ensure the fixed assets of the University are properly identified, registered and monitored.

Accounts Payable – Monitoring and Utilisation of Grants

I noted during my audit that the University's Project Department did not maintain a summary of grants and sponsorship funds indicating the amounts received from donors and sponsors and the amounts utilized in the required research or training. The obligations related to the grants will be misstated if the grants received for specific programs are not correctly treated.

I recommended that the University should prepare a detailed reconciliation schedule of the grants/sponsorship to accurately update funds that were already consumed or utilized on the specific research or training and also to ensure that grants are appropriately treated and updated in the general ledger (GL) on a timely basis.

Public Investment Program (PIP) Funds and Capital Work-In-Progress

The University has accessed funding under the PIP for the purpose of constructing a number of buildings including a messing facility. The funds were parked as deferred income and spent on the construction in phases. The total deferred income representing unspent funds relating to the PIP and other capital and research projects was K53.7 million as 31 December 2019. However, a project management plan incorporating the financial plans and key milestones for completion and timetable was not provided for my review. The project management plan is vital and should include:

- Financial budget and cost parameters;
- Delivery schedule or timetable; and
- Quality (fit for purpose) management procedures.

Consequently, I was unable to comment on the effectiveness of the internal controls surrounding the management of PIP funds and related work in progress.

I recommended the University's finance team and projects team to work together on the PIP capital budgets and develop monitoring tools to inform management of the project expenditure and the required resources to complete projects. Such monitoring tools should link the consumption of financial resources with the stages of project completion to ensure proper tracking and plan for anticipated expenditure variations.

Lack of Recognition of Group Tax Penalties

My review of the group tax payable indicated that the University's account with the Internal Revenue Commission (IRC) is comprised of the amounts payable for group tax as at the balance date. A comparison of recorded amounts with a statement from IRC indicated a K27.11 million variances as follows:

	Unitech (K)	IRC (K)	Difference (K)
Group Tax Payable	92,786,787	119,898,885	27,112,098

I noted that this variance relates to Internal Revenue Commission penalties against outstanding group tax assessment with IRC. The University did not recognize this penalty imposed as a result of non-compliance. Penalties arise as a result of non-compliance with the regulators creates an existing obligation in which the University will have to settle and therefore should be recognized in the University's books.

Statutory Financial Statements Audit

The University had not complied with *Section 63* of the *Public Finances (Management) Act 1995 (as amended) (PFMA)* to prepare and furnish its audited financial statements to the Finance Secretary prior to the end of the fourth calendar month. The University's 2019 financial statements were not prepared and submitted before 30 April 2020.

I recommended management to comply with the *PFMA* by strengthening the finance function and to prepare and furnish its statutory financial statements as required.

51.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the University for the year ended 31 December 2020 was completed and results were being evaluated.

The financial statements of the University for the years ended 31 December 2021 and 2022 have been submitted and arrangements were being made to commence these audits.

The University has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

51A. NATIONAL ANALYTICAL AND TESTING SERVICES LIMITED (A subsidiary of University of Technology)

51A.1 INTRODUCTION

The National Analytical and Testing Services Limited was initially incorporated as Champion No. 67 Limited on 10 March 2011. However, on 24 March 2011 the former Company name (Champion No. 67 Limited) was changed to what is now the National Analytical and Testing Services Limited.

The shareholders of the Company are Unitech Development & Consultancy Limited and Star Mountains Institute of Technology Limited, each holding 60% and 40% of the total issued shares respectively.

51A.1.1 Functions of the Company

The functions of the Company are to provide analytical, pathological and mineral testing services such as:

- analytical testing including tests for food, water, soil, mining or industrial waste;
- pathology testing relating to test for human diseases; and
- mineral (geo) testing involving testing for mineral compositions.

51A.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

51A.2.1 Comments on Financial Statements

My reports to the Ministers in accordance with the *Companies Act* on the Company's financial statements for the years ended 31 December 2018 and 2019 were issued on 30 April 2024. The reports contained similar Disclaimer of Opinions, hence, only the 2019 report is reproduced.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of the National Analytical and Testing Services Limited for the year ended 31 December 2019.

BASIS FOR DISCLAIMER OF OPINION

Opening Balance

My report on the financial statements of the Company for the year ended 31 December 2018 was a disclaimer of opinion in respect of trade and other receivables, property, plant and equipment, related party transactions, general journals and equity.

Since the opening balances enter into the determination of the financial position of the Company for the year ended 31 December 2019, any adjustment necessary on such opening balances would have a consequential effect on the financial performance and cash flows for the year ended 31 December 2019.

Journal Entries

My review of the general ledger accounts revealed that the Company passed various journal entries totaling K403,890 without proper supporting documentation. This has resulted in a limitation on the scope of my audit procedures as I was required to assess the significant inherent risk of management override of controls through the recording of fraudulent journal entries. I was unable to determine whether adjustments might have been necessary in respect of the loss reported for the year or to what extent, if any, there may have been fraud or errors as a result of the failure to maintain appropriate supporting documentation for journal entries.

Reconciliation of Accounts in the Statement of Financial Position

Due to lack of reconciliations on the balance sheet items such as accounts receivables and payables, employee provisions, equity, property, plant and equipment and lack of integrity of the general ledger, I was unable to confirm both the opening and year-end balances. As a result, I was unable to conclude on the accuracy and completeness of the balances presented in the financial statements at year-end.

Accounts Receivable – K686,440

The Company disclosed a balance of K686,440 as accounts receivable in the financial statements. However, there were no supporting documents to confirm the amounts presented resulting in a limitation of scope. As a result, I was unable to verify and confirm the accuracy and completeness of the accounts receivable balance disclosed in the financial statements.

Property, Plant and Equipment – K3,170,555

The Company disclosed a balance of K3,170,555 for property, plant and equipment in *Note 8* to the financial statements. Out of this, a total of K1,938,326 were in relation to a geo-chemical laboratory that was established at Malahang. However, the laboratory was no longer in operation and the laboratory equipments were removed from Malahang and stored in three locked containers. Storing of the equipment in a container for a long period of time may result in the equipment being damaged or becoming obsolete. I also could not perform physical verification tests on the assets as the Fixed Assets Register (FAR) was not properly maintained. Additionally, sufficient and appropriate documentation such as payment vouchers, contract agreements and evidence of work-in-progress was not provided to substantiate the amount of K1,107,802 presented in the annual statements.

These has resulted in the limitation on the scope of my audit procedures and as a result, I am unable to conclude on the existence of fixed assets and the accuracy and valuation of the balance presented in the financial statements as at 31 December, 2019.

Equity – PNG Sustainable Development Program (PNGSDP) – K3,000,000

The PNGSDP invested 40% in the Company’s share capital equivalent to the value of K3 million as disclosed in *Note 11* to the financial statements. However, there were no documentary evidence provided to confirm the shareholding. In addition, PNGSDP was abolished and is longer in operation. I was not informed of any measures taken by the Company to address the 40% ownership of the Company. As a result, I was unable to confirm the ownership and the validity of the shares and valuation of K3 million presented in the financial statements.”

51A.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the years ended 31 December 2018 and 2019 were issued on 30 April 2024. These reports contained similar observations, hence, only the 2019 report is reproduced:

Corporate Plan

My review on corporate governance revealed that the Company did not have a corporate plan in place to determine the Company’s internal capabilities and lay out strategies on how to use those capabilities to drive and improve the Company in meeting its goals and objectives. A corporate plan specifies:

- A vision statement to define objectives that will guide internal decision making;
- A mission statement to outline how the Company will achieve its business plans;
- List of Company’s resources and scope such as activities, programs, employees and assets;
- State the Company’s objectives along with how these objectives will be measured; and
- List of strategies the Company will use to achieve those objectives.

Without a corporate plan with its strategic directions, the Company may not fully achieve its objectives.

Management responded to my observation as follows:

“NATSL Management concurs that there never existed any formal corporate plan since its inception in October 2010. As a commercial laboratory, despite the lack of a corporate plan, the laboratory’s core function in chemical testing services have been achieved through its commitment to quality compliance vision statement and achieving the goals of International Organisation for Standardization (ISO) 1525 which governs all quality assurance and compliance certification. However, starting 11 February 2024 onwards, NATSL will be managed under the Unitech Enterprises Limited (UEL) structure which includes the Unitech Development and Consultancy Limited (UDCL) and other business interests. The UEL has developed a corporate plan 2023 to 2026 which covers NATSL and UDC. Under this plan 2024 business plans and budgets will be developed for 2024 onwards.”

Internal Control Environment

The Company did not have control mechanisms in place to ensure assets were protected, compliance with laws and regulations maintained, and the operations of the Company were efficiently and effectively managed. The Company should have in place appropriate control mechanisms such as:

- Rental agreements, inventory system, service agreements and routine timely bank reconciliations; and
- Stock provision policy, bad and doubtful debts provision policy, fixed assets policy, staff housing policy, staff performance appraisal policy, inventory and cost of sales policy, accounts receivable and payable policy, procurement policy, information technology general controls (ITGC) policy and others that may be necessary to suit the operations of the Company.

In the absence of clearly designed and approved control systems and policies, there is a high risk of abuse and malpractice to take place within the Company.

Management responded to my observation as follows:

“NATSL Management concurs that there is no policy to govern its assets and /or how these assets should be disposed off as and when written off. Under the UEL structure and UEL Corporate Plan, NATSL will have electronic assets, inventory and sales management system. The UEL will manage the accounting and human resource management functions as well. Further, written management policies are being developed as a prerequisite to the NATSL Business Plan 2024 and UEL Strategic Corporate Plan 2023-2026.”

Company Budget Documents

The Company did not have a budget in place for the year under review. A budget is an estimate of future income and expenses and it serves as a plan of action to achieve quantified objectives, standard for measuring performance and as a tool for coping with foreseeable adverse situations.

I cautioned management that without a proper budget, the Company may not have a clear direction to achieve its targeted revenue and may spend on unnecessary activities.

Board Meeting Minutes

My review of the board meeting minutes revealed that the Company's Board Secretary and the Chairman did not sign all the board meeting minutes for the four meetings held during the year. In the absence of signed board meeting minutes, I was unable to confirm whether the proceedings recorded were true and whether issues deliberated were in the best interest of the Company.

Cash at Bank – Preparation of Bank Reconciliations

The bank reconciliations for the Company's two (2) bank accounts and the master card account were not prepared, reviewed and verified by senior officers on a monthly basis. Instead, I was provided with system generated bank reconciliations for the month of December for the three bank accounts. Bank reconciliation is a key control mechanism which helps to detect errors and instances of fraud and embezzlement, reconciles bank with the cash book and to report a correct ending bank balance. Cash is very liquid in nature and the lack of independent review and timely preparation of bank reconciliations may result in errors and a high possibility of fraudulent activities to take place without being detected.

Cash on Hand Count Certificate

I noted that the Company maintained petty cash of K416 but was unable to provide its cash count certificate and monthly reconciliations. In addition, I was unable to independently ascertain cash balance of K416 as at 31 December 2019. Lack of monthly reconciliation and cash certificate indicates a weakness in the control procedure and therefore may expose the cash on hand balances to the risk of misappropriation and fraud.

Trade Receivables

The accounts receivable of the Company were not being reviewed on a regular basis to assess if the amounts recorded are collectible and whether they are impaired. I noted that the balance of K633,124 was a carried forward balance from 2011 up to 2018 and are not collectible. Subsequent testing also revealed that the same balances remain uncollectible in 2020 and 2021.

Therefore, this balance either be written off or a provision be made. Where the required provisions are not made to reflect the likely value to be realized from the collections, the management may be misled to believe the contracted cash flows to be collected are much higher than they actually are. The quality of management decision is also affected by the reliance placed on incorrect information.

I recommended management to review the accounts receivable as part of each month-end review process to assess if there are indications that some balances may not be collected and any amounts in doubt of collections should be provided for and monitored.

Stock Take

The Company had not conducted regular stock-take on its fixed assets for a number of years. Assets were not counted and tagged with asset numbers for verification and control.

In the absence of regular fixed assets stock-take and numbering, assets that are idle, misplaced or stolen cannot be identified by the Company. As a result, I was unable to place reliance on the effectiveness of the internal controls surrounding the management of fixed assets at year end.

Goods and Services Tax (GST) Returns

The Company did not remit monthly GST returns to Internal Revenue Commission (IRC) as required by *Section 65A of the Goods and Service Tax Act 2003* on the 21st day of the following month. As such, the Company did not comply with the above *Act* and may subject to the penalties under *Section 95 of the Goods and Service Act 2003*.

Similar situation was observed in the administration and remittance of salary and wages taxes.

Management responded to my observation as follows:

“Noted. In 2019, NATSL management addressed the non-compliance and had a meeting with Internal Revenue Commission (IRC) to establish an understanding. A tax payment schedule (inclusive of all other taxes) was set up and the Company was able to clear all outstanding GST returns dating back as far as 2013 and this plan is still in force.”

Payroll Review – Personnel File Maintenance

My review of the Company’s payroll management system revealed that personnel files for certain selected officers of the Company were not properly maintained. The following documents were not properly filed in respective personnel files;

- History cards to show the updated leave records;
- Salary cards to record the changes to the salary and allowances for each officer; and
- Salary and wages declaration forms and birth certificates for the purposes of leave fares and tax computations.

Cost of Sales

The Company recognized expenses that were incurred directly in the generation of revenue as cost of sales. However, there was no clear policy on the inventory and cost of sales to confirm the classification of goods purchased for the production and goods purchased for the normal operations of the Company.

Management responded to my observations as follows:

“Noted. The inventory GL was supposed to account for Sales Inventory alone. Instead, capital goods and supplies for office use were also accounted in the same account. Periodic stock takes were never done to account for Cost of Goods Sold thus resulting in inflated inventory GL amount overtime. There was difficulty to distinguish between sales inventory, capital goods inventory and office supplies inventory. The inventory write-off was to clear this mess and to re-establish a proper inventory system and policy.”

Procurement Management

My review of the procurement process revealed that the Company has not complied with its financial manual by approving and procuring goods and services valued at K46,695 without three (3) written quotations. Additionally, I could not vouch payments totalling K66,559 to confirm their appropriateness and whether proper procurement process were followed as the payment vouchers were not properly maintained.

51A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2020, 2021, 2022 and 2023 for my inspection and audit.

51B. UNITECH DEVELOPMENT AND CONSULTANCY LIMITED (A subsidiary of PNG University of Technology)

51B.1 INTRODUCTION

Unitech Development and Consultancy Limited was incorporated under the *Companies Act* and is wholly owned as a business arm of the PNG University of Technology.

51B.1.1 Function of the Company

The primary function of the Company is to carry on the business and activities of consultants, and to render management, industrial, commercial, financial, secretarial, public relations, industrial relations and other related services to any person, firm or corporation engaged in any business, trade or activity. The Company also carries on a business of insect farming.

51B.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

51B.2.1 Comments on Financial Statements

My reports to the Ministers in accordance with the provision of the *Companies Act* on the Company's financial statements for the years ended 31 December 2018 and 2019 were issued on 11 December 2023. These reports contained similar Disclaimer of Opinions, hence, only the 2019 report is reproduced:

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of the Unitech Development & Consultancy Limited for the year ended 31 December 2019.

BASIS FOR DISCLAIMER OF OPINION

Opening Balance

My report on the financial statements of the Company for the year ended 31 December 2018 was disclaimer of opinion in respect of land and building, Tent City property development, journal entries, trade and other receivables, employee provisions, contingent liabilities and consolidation of subsidiary accounts. Since the opening balances enter into the determination of the financial position of the Company for the year ended 31 December 2019, any adjustment necessary on such opening balances would have a consequential effect on the financial performance and cash flows for the year ended 31 December 2019.

As a result, I was unable to determine whether any such adjustment to the financial position, financial performance and cash flows of the Company might be necessary for the year ended 31 December 2019.

Land and Building – K7,894,232

I noted that the Company owns certain properties that generate revenue. These properties are held to earn rental income or derive capital gains and regarded as investment properties and should be treated in accordance with the *International Accounting Standard 40 – Investment Property*. The standard requires the Company to appropriately classify, recognize and measure the properties of such nature using the appropriate type of model that suits the Company. However, the Company had not reviewed the list of its capital assets it owns according to *International Accounting Standards (IAS 40) – Investment Property*. Consequently, I was unable to determine whether any adjustments to the carrying values of land and building balance as at 31 December 2019 and the depreciation charge for the year were necessary in the Company's financial position and the loss reported for the year.

Tent City Property Development

Out of the K7,894,232 for Land and Building, K5,540,000 worth of Land and Building relates to the land at Tent City Stage 1 (Allotments 1-27) and Stage 4 (Allotments 1-48) valuing at K1,740,000 and K3,800,000 respectively. However, my review revealed that the Company did not have titles over the land. Despite having no titles, the Company entered into a sales arrangement with PNG Customs for a housing scheme project. As at the time of the field audit, the project was confirmed to have stalled with the only two houses built in dilapidated state.

Had the Board and management followed due process and conducted due diligence surrounding the deal, the overall situation could have been avoided. Further, although there were indications that malfeasance may have been involved, my procedures were limited to the conduct of statutory audit and did not confirm actual fraud, which may be uncovered in a forensic investigation. Board and management of the Company have not conducted a proper investigation and those found to be involved are charged or money recouped.

Journal Entries

The Company has not retained supporting documentation for journal entries. This resulted in a limitation of scope of my audit procedures as I was required to assess the significant inherent risk of management override of controls through the recording of fraudulent journal entries. I was unable to determine whether adjustments might have been necessary in respect of the loss reported for the year or to what extent, if any, there may have been fraud or errors as a result of the failure to maintain appropriate supporting documentation for journal entries.

Employee Provisions – K92,442

Disclosed in *Note 13* to the financial statements was the employee provisions comprised of annual leave provisions balance of K18,736 and long service leave provisions balance of K73,706. I was not provided with sufficient appropriate audit evidence to verify and confirm the completeness, existence, and accuracy of the balances. Consequently, I was unable to determine whether any adjustments to the carrying values of employee provisions as at 31 December 2019 was necessary in the Company's financial position and the loss reported for the year.

Contingent Liabilities – Non-Compliance to International Accounting Standard (IAS) 37

Subsequent to the Tent City Properties Development deal, I established that there would still be disputes or litigation arising in the future. *International Accounting Standard (IAS 37)* requires disclosure of such possible contingencies that may arise and/or affect the Company in the future. My review of the board meeting minutes revealed that there are still disputes between the Company and the parties involved. Further, I noted a legal case between Niugini Express Development Limited (Plaintiff) builders of duplexes vs UDCL (Defendant). Despite the above indicators, the Company has not reported any contingency liabilities in its financial statements in accordance with the requirements of *International Accounting Standards 37*.

Consolidation of Subsidiary Accounts

The Company has a subsidiary National Analytical and Testing Services Limited. The accounts for the year ended 31 December 2019 did not include the effects of the subsidiary transactions. A deviation from the *International Financial Reporting Standards 10 "Consolidated Financial Statements"*.

51B.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the years ended 31 December 2018 and 2019 were issued on 11 December 2023. These reports contained similar observations, hence, only the 2019 report is reproduced:

Corporate Governance

My review of corporate governance revealed the following issues:

1. Functions and Objectives of the Company

The Unitech Development and Consultancy Limited's main objective is to offer professional advisory services using the University's expertise for research and technical assistance or services to government institutions, international agencies, commerce, industry and the wider community at cost effective and competitive rates.

The Company offer consultancies and short courses through academic departments of the University and related external counterparts. However, during my review, I noted that in recent years, the Company had been struggling to live up to its objectives resulting in decline in revenue generation in the area of consultancy and short courses. As a result, the Company may not be able to generate enough revenue to fund its operations and may wind up.

Management responded to my observation as follows:

“The UDC now (August 2023) started work to revamp and reestablish the core function of training and consultancy. UDC is now working with various departments in the University to coordinate and manage these services to the public.”

2. UDC Shareholders

UDC shareholders according to IPA company extract were former Chancellor and Vice Chancellor of the University of Technology. I therefore, could not determine the legal ownership nor ascertain whether benefits to shareholders were appropriately administered if any.

Management responded to my observation as follows:

“The UDC has been deregistered and this year (2023) we have liaised with IPA (Registrar of Companies) to get the Company reregistered. As per the University strategic direction, the UDC will be owned by Unitech Enterprises Limited (UEL) and UEL owned by the University. A shareholder’s resolution will be prepared and signed in the next shareholders meeting to be held on the 31 October 2023.”

3. Unitech Investment Holdings Limited (UIH Ltd)

In 2014, the UDC Board created Unitech Investment Holdings Limited (UIH Ltd) to act as a vehicle for investment to oversee the subsidiaries and will manage Land and Housing Development. Land identified as commercial land will be passed on to UIH Ltd. This Company was registered with IPA. However, no reports such as financial statements or operational activity reports were provided for my verification. As a result, I was unable to confirm whether the Company was in operation and transactions occurred nor establish the basis on which the Company was created as viable and in the best interest of the UDC and the University.

4. Annual Returns

During my review, I noted that the Board of UDCL did not comply with the *Section 215* of the *Companies Act 1997* which requires Board of Directors to submit annual returns to the Register of the Companies at least once in each calendar year within fourteen (14) days after the annual meeting of the Company.

This may lead to non-compliance and the Board of Directors may be liable to fines and penalties set out in the *Companies Act*.

Management responded to my observation as follows:

“The UDCL has been deregistered because of non-compliance. We are in liaison with IPA to get the Company reregistered and pay the penalties and lodge the outstanding annual returns. By 31 October 2023, all the outstanding annual returns will be lodged, late fees paid and also Director’s registry updated.”

Reporting Requirements under *Companies Act 1997*

Section 179 of the *Companies Act 1997* requires the Board of Directors of a company to prepare financial statements or accounts of a company within five (5) months after the balance date. I noted that the UDC Board and management did not comply with this requirement for the 2019 financial year. As a result, the Company has breached *Section 179* of the *Companies Act 1997*.

Cash at Bank – Bank Reconciliations

The bank reconciliations for the Company’s operating account was not prepared, reviewed and verified by concerned officers on a monthly basis. Instead, I was provided with system generated bank reconciliations. Bank reconciliation is a key control mechanism which helps to detect errors and instances of fraud and embezzlement, reconciles bank with the cash book and to report a correct ending bank balance. As a result, I was not able to place reliance on the effectiveness of the internal controls surrounding bank reconciliation function. Cash is very liquid in nature and the lack of independent review and timely preparation of bank reconciliations may result in errors and a high possibility of fraudulent activities taking place without being detected.

I recommended management to ensure appropriate internal controls are put in place as follows:

- a) One person prepares bank reconciliations in the MYOB system and the other person checks the accuracy;
- b) Do regularly bank reconciliations on monthly basis; and
- c) Persons responsible for preparing and reviewing must have names, their signatures and dates on the bank reconciliations to confirm reconciliations are correctly prepared and checked.

Trade Payables

The Company's Board and management wrote off K795,609 from the creditor's ledger due to no proper documentation. However, I assessed that all avenues were not exhausted including publication in the daily media before any management decision could be affected. I am of the view that in the event that creditors show up for payment in any given time, this could have an impact on the current cashflows of the Company. As such, I could not satisfy myself with the assessment and consequential effects on the cashflow after the writing-off the old aging creditors from the accounting records.

I recommended management to exhaust all avenues including publishing all creditors in the daily news allowing them a timeframe to respond with original documents as proof. After the given deadline and no responses from creditors then, they could deem unpayable and unpaid balances can be written-off.

Tax Remittance to Internal Revenue Commission (IRC)

My review of the Company's tax obligations revealed that the Company did not remit the following to IRC on a timely basis:

- Group Tax totaling to K812,181 were outstanding for the year under review. *Section 299G* of the *Income Tax Act 1959*, requires the Company to remit salary and wages tax to IRC within 7 days after month end and failure to remit will result in a penalty fee of 20% imposed for outstanding tax payable and an additional interest of 20% per annum on the amount unpaid;
- Company Income Tax Returns for the 2019 financial year. It is a requirement under the *Income Tax Act 1959* that Company tax returns must be lodged to IRC by 28 February after the end of the financial year; and
- GST Returns totaling K155,203 for the 2019 financial year. It is a requirement under this provision to lodge monthly GST returns to IRC by the 21st day after month end. Failure to remit GST returns on time will result in penalties imposed at a rate of 10% on the amount owing, and 20% calculated on an annual basis under *Section 85(1)* of the *Goods and Services Tax Act 2003*.

Due to above non-compliance, the Company had breached the respective provisions of the *Income Tax Act 1959* and *Goods and Services Tax Act 2003* and may be liable to the penalties.

Management responded to my observations as follows:

“Tax accounts being requested and reviews being done. All outstanding tax returns are being worked on and to be lodged off by 31 November 2023. A tax payment plan will be negotiated with IRC and payments will start after that.”

Superannuation Contributions

Section 78 (1) and (2) of the *Superannuation (General Provision) Act, 2000* requires the Company to remit within 14 days of the date of the calendar month the employer and employee contributions to an authorized super fund. My review on superannuation contributions for the Company revealed that the Company did not remit the superannuation contributions for its employees totalling K6,992 and remained outstanding as at 31 December 2019.

No timely remittance of superannuation can lead to members missing out on interest credits on the member's balance when dividends are declared. Further, the Company did not comply with the requirements of the *Superannuation (General Provisions) Act, 2000*.

Management responded to my observation as follows:

“Most employees are casuals and not permanent. However, with the UEL Corporate Management, all UDC staff will be made permanent and contributions to start including outstanding contributions to be paid off by 2023.”

Revenue

My review of revenue collection process revealed weaknesses in the internal control environment as follows:

- i) Bank reconciliation deposit schedule was not checked by an independent reviewer;
- ii) Segregation of duties was not effective;
- iii) No checks done by person(s) in charge of finance before postings;
- iv) Payments received from services provided by UDCL did not have copies of invoices in file to confirm and verify receipts;
- v) Receipts from bank statements did not have supporting documents to substantiate the amount recorded; and
- vi) No schedules or summary of revenue receipts and deposits maintained on a monthly basis.

I was unable to place reliance on the effectiveness of the internal controls surrounding the revenue collection process. Lack of proper internal controls poses a potential risk of misappropriation and fraud taking place without being detected.

Expenditure – Procurement Process

My review of procurement processes of the Company revealed weaknesses in the internal control environment as follows:

- i) Segregation of duties were found to be ineffective;
- ii) Cheque voucher and petty cash requisitions were not checked and verified before payments made;
- iii) Cheque vouchers were not posted in the MYOB system and stamped as “posted” and signed off by the responsible officer;
- iv) Cheque copies not attached with the vouchers for confirmation; and
- v) No signature of person verifying cheque vouchers before postings.

Due to weak internal controls noted above, I was unable to place reliance on the effectiveness of the internal controls surrounding the Company’s procurement process during the year under review. Lack of internal control pose very high risk of fraud and abuse.

Employee Costs (Payroll)

Payroll summaries for the year under review were incomplete as well as personnel files missing and not provided for audit. Consequently, I was unable to perform payroll tests to accurately verify the salary and wages paid and whether they were based on proper rates per the contract and hours worked. As a result, I was unable to place any reliance on the effectiveness of the internal controls surrounding the payroll management.

Management took note of my observation and responded as follows:

“Currently using spreadsheet with appropriate taxes deducted. UDC payroll in 2023 come in the UEL payroll system. All employees have signed off on the employment forms that details the terms and conditions and the by-laws of the employment with UDC.”

51B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2020, 2021, 2022 and 2023 for my inspection and audit.

52. PARLIAMENTARY MEMBERS' RETIREMENT BENEFITS FUND

52.1 INTRODUCTION

52.1.1 Legislation

The Parliamentary Members' Retirement Benefits Fund was established under the *Parliamentary Members' Retirement Benefits Fund Act 1997* which came into operation on 16 July 1997.

52.1.2 Objectives of the Fund

The objectives of the Fund are to provide pensions and retirement benefits for Members and former Members of Parliament and the former House of Assembly and to provide benefits to dependant spouses and juvenile dependants. This Act repealed the *Parliamentary Members' Retirement Benefits Act* which came into operation in 1982.

52.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Fund for the years ended 31 December 2017, 2018, 2019 and 2020 have been completed and results were being evaluated.

The Fund has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

53. PNG ROAD FUND

53.1 INTRODUCTION

53.1.1 Legislation

The PNG Road Fund was established by the *Road (Management and Fund) Act 2020* and came into operation in 2020. The Fund absorbed operations from the abolished National Road Authority (NRA) on 1 March 2021.

53.1.2 Objectives of the Fund

The objective of the Fund is to oversee the collection, disbursement and monitoring of funds for the maintenance, road safety and rehabilitation of the National Road Network so that it is available for the passage of persons, vehicles and goods in a safe and efficient manner in order to optimise the contribution of road assets to the economic and social development of Papua New Guinea.

53.1.3 Functions of the Fund

The functions of the Fund are to:

- manage the Road Fund and oversee the optimal utilisation of the Road Fund in implementation of programmes relating to the maintenance and safety of the road network;
- determine the allocation of financial resources from the Road Fund and from any other source of funding available to the Road Fund, based on a five-year road investment programme approved by the Minister and the Minister for Treasury, for the maintenance and safety of the road networks;
- review and provide advice in relation to the availability of funds for annual work plans and annual budget submissions submitted by road authorities and the Road Traffic Authority;
- monitor the progress of road maintenance and safety and provide direction in this regard to road authorities; and
- measure the performance of road authorities against a set of technical financial performance indicators and provide periodic reports to the Minister responsible for finance matters.

53.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Fund for the eight months period ended 31 December 2021 was in progress.

The Fund has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my audit and inspection.

54. ROAD TRAFFIC AUTHORITY (formerly National Road Safety Council)

54.1 INTRODUCTION

54.1.1 Legislation

The Road Traffic Authority (formerly National Road Safety Council) was established under the *Road Traffic Authority Act 2014*. This Act was certified on 5 August 2014 thereby repealing the *National Road Safety Act 1997*. The Authority only commenced its operational activities in 2017.

Under the *Road Traffic Authority Act 2014* all assets, liabilities, rights, entitlements and choice-in action of the National Road Safety Council and the Land Transport Board which related to the functions of the Council were transferred to the Authority upon the commencement of this Act.

54.1.2 Objective of the Authority

The objective of the Authority is to manage and administer the regulation, safety and efficient use of land transport throughout Papua New Guinea.

54.1.3 Functions of the Authority

The functions of the Authority are to:

- establish, administer and enforce regulatory requirements for land transport in Papua New Guinea, including setting fees and charges for services provided by the Authority;
- within the resources available to the Authority, provide for the safe and efficient use of land transport in Papua New Guinea;
- assist, advise and work cooperatively with the Police Force, Provinces and other organisations in relation to land transport regulatory matters, road safety and the efficient use of land transport;
- monitor the road safety performance of the public road network and to develop and implement action plans for improvements;
- manage data for activities within the land transport system including maintaining and preserving records, registers and documents in relation to the activities;
- undertake investigation into land transport accidents, incidents and report to the Minister and public on the findings of such investigations;
- promote and conduct research into land transport regulatory matters and road safety;

- monitor and evaluate the effectiveness of programs and activities concerning land transports regulatory matters and road safety;
- promote and conduct educational and awareness programs to stimulate compliance with land transport regulatory requirements and road safety;
- advise the Minister on all functions specified in this section;
- perform other functions as are given to the Authority under this Act, the regulations, the rules or any other law; and
- do all things incidental, consequential or convenient in the exercise of the Authority's functions and powers.

54.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Authority has submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit and arrangements were being made to commence the audits shortly.

55. RUBBER INDUSTRY DEVELOPMENT BOARD

55.1 INTRODUCTION

55.1.1 Legislation

The Rubber Industry Development Board was established by the *Rubber Industry Development Board Act 2022 (No. 49 of 2022)*. This Act came into operation on the 12 September 2022.

55.1.2 Objectives of the Board

The principal objectives of the Board are to operate successfully and develop, improve and promote the rubber industry to be:

- profitable and efficient in its activities;
- the promoter of rubber industry development in Papua New Guinea;
- employment avenue for technical and policy expertise of rubber industry; and
- socially responsible by having regard to the interests of the community to which it operates or promotes smallholder estates.

55.1.3 Functions of the Board

The functions of the Board are to:

- promote and encourage investment in the growth, production, extraction, processing and sale of rubber;
- promote and increase the domestic consumption of rubber or rubber products or derivatives produced or made in Papua New Guinea;
- promote, develop and improve the quality of rubber and rubber production, extraction and processing;
- by itself or in co-operation with other persons to promote or engage in research and development of programs for the benefit of the rubber industry;
- promote and assist the rubber industry in improving quality, quantity, sustainability and consistency of rubber production;
- promote and improve market access for producers and processors;
- promote by such measures as it thinks fit the development of the rubber industry including, without limitation-
 - i. undertaking, assisting or encouraging scientific technological and economic research;
 - ii. training farmers and growers on improved methods of planting, cultivation, manuring and spraying;
 - iii. the supply of provision of technical advice to rubber growers; and
 - iv. improving the marketing of rubber;
 - v. the collection of statistic and data from farmers, growers, dealers, exporters and manufacturers;
 - vi. securing better working conditions and the provisions and improvement amenities and incentives for workers in the rubber industry;

- promote rehabilitation of existing rubber plantations and smallholder plantings;
- encourage, foster and promote involvement of private enterprise investment in the rubber industry;
- impose and enforce rubber export standards and best practices intended to promote rubber production and processing;
- promote modernisation of factories, plantations, facilities, and infrastructure necessary for the development of a modern and efficient rubber industry;
- promote and assist in the mobilisation of land for development and expansion of the rubber industry;
- encourage and assist in the establishment and development of rubber plantations and processing or production facilities in all areas and, in particular, areas where rubber has not been grown, cultivated or produced;
- identify and assist in extension and training services and related programs in co-ordination with other persons or agencies for the benefit of the rubber industry;
- own, produce, import acquire and supply assets or property intended to assist the Board to perform its obligations and functions;
- compile statistical data on production, consumption, export and quality of imports of rubber in any and all forms and of production, processing and export trends in Papua New Guinea and Internationally;
- provide policy advice to the Government concerning rubber industry matters;
- promote rubber integrated farming system;
- When required to do so, to act as an agent for, and to carry out the obligations of the State in international forums or agreement relating to rubber or rubber production;
- encourage and promote upstream and downstream processing of rubber in all forms and rubber products or derivatives;
- implement all agricultural innovations that emanates from research into rubber;
- rehabilitate and modernise assets and facilities owned or operated by the Board or the State to best practice standards of operation;
- provide consulting, development, training and management services relating to any of its functions; and
- perform any other function or duty conferred on the Board by this Act or prescribed regulations or policy made under this Act.

55.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Board has submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit and arrangements were being made to commence these audits shortly.

56. SECURITIES COMMISSION OF PAPUA NEW GUINEA

56.1 INTRODUCTION

56.1.1 Legislation

The Securities Commission of Papua New Guinea was established by the *Securities Commission Act 2015* and came into operation in June 2019.

56.1.2 Objectives of the Commission

The objectives of the Commission are to:

- ensure the orderly administration of the capital markets in Papua New Guinea;
- ensure the sound conduct of business in the capital markets and over-the-counter (OTC) Centres;
- elaborate policies which are directed to ensuring fairness, efficiency and transparency of securities and derivatives markets in Papua New Guinea;
- elaborate policies on money laundering and related activities in the capital market in Papua New Guinea;
- study new avenues for development in the securities and derivatives market services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation;
- ensure, in collaboration with the Bank of Papua New Guinea, the soundness and stability of the financial system in Papua New Guinea; and
- work out objectives, policies and priorities for the development of the securities and derivatives market in Papua New Guinea.

56.1.3 Functions of the Commission

The functions of the Commission are to:

- be responsible for the administration of the relevant Acts;
- license, regulate, monitor and supervise the conduct of business activities in the securities and derivatives market;
- set rules and guidelines governing the conduct of business in the securities and derivatives market, the over-the-counter (OTC) activities or money laundering and related activities in Papua New Guinea;
- issue orders, class orders or directives in relation to the conduct of business in the capital market, OTC activities or money laundering and related activities in Papua New Guinea;
- prepare and publish the Corporate Governance Code of companies registered in Papua New Guinea, both for public and exempted companies;
- ensure publicly listed companies and market intermediaries comply with the highest standard of corporate governance;

- identify and take measures to prevent and eliminate investment business abuse;
- establish norms and standards in order to preserve and maintain the good repute of Papua New Guinea in the securities and derivatives market sector;
- promote public understanding of the securities and derivatives market, including awareness of the benefits and risks associated with different kinds of investment;
- carry out investigations and take measures to suppress illegal, dishonorable and improper practices, market abuse and financial fraud in relation to any activity in the securities and derivatives markets;
- carry out research, commission studies and disseminate information in the securities and capital market;
- collect, compile, publish and disseminate statistics in respect of the securities and capital market;
- establish and maintain such links and liaison with international agencies in the field of financial services and global business as may be necessary for furtherance of its objectives;
- ensure co-ordination and co-operation between public sector agencies and private sector corporations in engaging in the development of the securities and derivatives market;
- take measures for the better protection of investors in the securities and derivatives market;
- advise the Minister generally on any matter relating to the securities and derivatives market; and
- do such acts or things as are incidental or conducive to the attainment of its objectives.

56.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Commission for the year ended 31 December 2021 has been completed and the audit reports were being finalised.

The Commission has submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit and arrangements were being made to commence the audits shortly.

57. SECURITY INDUSTRIES AUTHORITY

57.1 INTRODUCTION

57.1.1 Legislation

The Security Industries Authority was established under the *Security (Protection) Industry Act 2004*. This Act came into operation on 1 March 2005. The Authority commenced its operations in April 2005.

57.1.2 Functions of the Authority

The principal functions of the Authority are to:

- grant licenses and permits under the Act;
- fix minimum standards of training applicable to holders of licenses and permits respectively;
- establish, provide or approve training institutions and facilities or permit such training institutions or facilities as it may approve, to conduct training or to be used for training for the purpose of training of persons who intend to perform security officers' duties or security guard duties;
- approve any equipment other than firearms used by a holder of a license or permit or required by a customer to be installed on his premises or property;
- ensure that the holder of a license or permit operates or carries out his duties or performs his functions in accordance with the terms and conditions of the license or permit and subject to the provisions of this Act;
- formulate a Code of Conduct governing the disciplinary matters and work ethics within the Industry; and
- undertake such other functions and exercise such powers as may be conferred on it by this Act or any other law.

57.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

57.2.1 Comments on the Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Authority's financial statements for the year ended 31 December 2021 was issued on 13 May 2024. The report did not contain any qualification.

57.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Authority for the year ended 31 December 2021 was issued on 13 May 2024. The report contained the following matters:

Non-Submission of Financial Statements

The Authority has not prepared and submitted its financial statements to my office before 30 April, 2022 to enable me to conduct the audit within the timeframe stipulated by the *Public Finances (Management) Act, 1995 (as amended)*. Consequently, the Authority has breached *Sections 63 (2) and 63 (4) of the Public Finances (Management) Act, 1995 (as amended)*.

The Management took note of my concern and assured me to comply with the requirements.

Annual Returns

It is a requirement under *Section 76 of the Security (Protection) Industry Act, 2004* that all licence holders are required to submit an Annual Return on or before 31 March for the year ending 31 December preceding. During my review, I noted that no annual returns were received from licence holders. The Authority has not enforced this statutory requirement through mechanism such as cancelation or refusal to grant licenses. I drew this matter to the attention of the management and they responded as follows:

“Since this Authority was established in January 2006, there was no Annual Returns submitted by the security companies to the Authority until we took office in 2012. And seeing this shortfall, we have advertised in newspapers, the security workshops or through emails reminding security companies to submit their annual returns but only few or none have submitted their annual returns.

And further there is no penalty listed in the Security (Protection) Industries Act, 2004 for failing to submit the Annual Returns, therefore we cannot cancel the security providers’ license and guards’ permit or penalize security companies in one way or another.

Our Staff have identified the weakness and we wrote the various amendments including the non-submission of the annual returns and forwarded them to the first legislative council in late 2022 to make it an offence not to submit annual returns. Which it is working on them now and in draft. We also designed a Standard Annual Return form.

Once done it will be vetted by the Board of Complaints (BOC) and sent to the Security Industries Council (Board) for endorsement then it will be sent to the National Executive Council via the Police Minister for approval and later gazetted by the Governor General to make it work. Thereafter our Board of Complaints can hear allegations such as for not submitting the annual returns including other offenses and deal with them accordingly. But right now, we cannot enforce penalties on Security Companies that do not submit the annual returns when the legal deficiency is still in place.”

Authority Annual Report

The Authority was still working on the 2010 Annual Report in 2021 which is not in compliance with *Section 19 (1)* of the *Security (Protection) Industry Act 2004* which states that the Council shall furnish to the Minister on or before 15 March in each year, a report (Annual Report) on the progress and performance of the Authority for the previous year ending 31 December. The Authority responded to my observation as follows:

“We confirm that the Authority has not submitted its Annual Reports on time to our Minister by 15 March of each year in compliance with section 19 of the Security (Protection) Industries Act, 2004. This is one of our weaknesses and we will take note of the Audit Recommendation and will improve on this. The delay in submitting this report is due to our outstanding audits, but now that we are getting audit up to date, we are working on the Annual Returns now.”

Council Stipend and Sitting Allowances – Ex-Officio Members

My review of the Council Members expenses revealed that the Authority had paid two (2) Ex-Officio Members sitting allowances and stipends during the year. As senior public servants serving as members of the Council by virtue of operations of *Section 9(1) (a) and (h)* of the *Security (Protection) Industry Act, 2004*; the Ex-Officio Members are not entitled to receive sitting allowances and stipends. I brought this issue to the attention of the Management and they responded as follows:

“We confirm your audit findings on this issue and we will bring it to the full Council members attention to deliberate on this issue. Because right now we cannot stop paying them as recommended by you until the full Council passes a meeting resolution to stop payment of stipend and sitting allowances to the ex – officio Council members then we will legally effect your recommendation. We will advise the full Council members in the next Council meeting of your audit finding and advise them of the audit recommendation to stop this payment.”

Increase in Council Stipend and Sitting Allowances

As mentioned in my prior years audits, the Authority still pays the Council Members’ stipends at an increase rates during the year under review. The increased rates exceeded the thresholds set by the Department of Personnel Management as per *Circular No. 21/2000*. As a result, I was not able to place reliance on the controls surrounding the computation and payment of stipends to the Council Members totaling K112,500. I brought my observation to the Authority and they responded to my concern as follows:

“We confirm that the Council members through the full legally constituted quorum in Council meeting 2 held on 8 September 2015 voted to increase their stipends and sitting allowances based on the following: a) the Security Council members raised concern that they were not paid at a rate similar to other SOE Board members as the fees were much lower;

b) therefore, one of the Council members was tasked by the full Council to compare the remunerations with SOE and private Boards terms and conditions. Which he did and present the written findings to the full Council thereafter resulting in the vote to increase their sitting allowances and the quarterly stipends; and c) This Council stipends and sitting allowances increase is consistent with section 8 (2) (D) of the Security protection Industries Act 2004 to increase its stipends and sitting allowances. However, we also noted your observation on this and we therefore will bring your concerns on this matter to the Council in the next meeting to deliberate on this issue and advise you the outcome”.

Unearned Stipends Payment

During my review, I noted that a payment of K12,500 as a stipend was made to a council member who did not attend any of the three (3) council meetings held in 2021. This practice contravenes *SCMC Circular Instructions 1 of 2005*, which requires that stipends must be paid to council members only after they provide documentary evidence of their attendance at the Board/Council meetings. The payment of public funds to independent council members who have no interest in the issues affecting the Authority and have never attended the council meeting is unethical, unjust and non-compliant to the *SCMC Circular Instructions 1 of 2005*. Independent council members (non-ex-officio) are entitled to stipends only after they have attended meetings and provided documentary evidence of their attendance at the meeting venue. I raised my concern with the Management of the Authority and they concurred with my query and assured me to address it with the Council members.

Sub-Committees

During my review, I noted that the Authority has established two (2) sub-Committees during the year under review. The Board of Complaints and Audit Committees of the Authority. I noted that the Authority pays both Committees members sitting allowances for attending the meetings at the same rate of the sitting allowances of the main council’s sitting allowances. However, as per Gazettal advice number G693, the sub-committee members are to be paid at 50% of the daily sitting fees if the meeting is held for less than three (3) hours and only the sub-committee created by the enabling legislation is entitled to such allowances. In the case of the Authority, only members of the Board of Complaints are entitled to be remunerated at 50% of the sitting allowances for meetings held for three (3) hours period. The Authority's failure to adhere to the provisions of *gazettal notice G693* issued by the Minister for Treasury raises concerns about its ability to comply with regulatory requirements. I brought my observation to the management of the Authority and they responded as follows:

“We take note of the weakness highlighted and will advise the Council Members concerning this in our next meeting to resolve the sub-committee members sitting allowances as per your recommendation.”

Non-Maintenance of Travel Advance File and Register

My review of the travel and subsistence expenses revealed that the Authority had not maintained a Travel Advance/Acquittal Register as required under *Financial Management Manual (Part 20)*. I noted that the travelling officers have not fully acquitted their travel advances totalling K27,803 by attaching all source documents such as the hotel and hire car receipts, boarding passes and ticket butts.

It is a requirement as per the *Financial Management Manual Part 20 paragraph 11.2* that cash advanced to officers travelling overseas on official duty travel must acquit travel advances within 14 days of return from duty travel. At the same time *Part 20 paragraph 12.10* of the Manual stipulates that advances to officers for domestic duty travels to be acquitted within 7 days of return from duty travel by submitting an acquittal form and documents. I drew this matter to the attention of the Management and they responded as follows:

“We confirm that we a have travel acquittal file but we do not maintain an advance file. Due to our funding issues, travels are only for our Regional Security Inspectors carried out every October – November of each year to audit all security companies. All procurements are budgeted for and staff are not given advances in huge amount, but payment are made directly to reputable suppliers. We are always mindful of our budgeted expenditure since 2019 and we continue to improve on this. All payments made thereof were genuine, legitimate and paid direct to the suppliers.

However, we appreciate the weakness highlighted and the recommendations provided for compliance purpose. We will create an advance register for travel allowances, so we comply with the General Orders 13.94 and PFMA.”

57.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Authority has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my audit and inspection.

58. SMALL AND MEDIUM ENTERPRISES CORPORATION (Formerly Small Business Development Corporation)

58.1 INTRODUCTION

58.1.1 Legislation

The Small and Medium Enterprises Corporation (formerly Small Business Development Corporation) was established under the *Small and Medium Enterprises Corporation Act 2014*. This Act came into operation on 10 February 2015.

58.1.2 Functions of the Corporation

The functions of the Corporation are to:

- co-ordinate, monitor and evaluate the implementation of the policies, strategies and programs for small and medium enterprises in accordance with the Small and Medium Enterprises Policy, the Master Plan of the Government as directed by the Small and Medium Enterprises Development Council and the Ministry responsible for trade, commerce and industry matters;
- undertake studies concerning the development of small and medium enterprises;
- liaise with the National Executive Council or relevant Ministry in the implementation of the policies, strategies and programmes for small and medium enterprises;
- being responsible for collecting, sourcing, keeping and disseminating information on small and medium enterprises;
- act as the Secretariat to the Council;
- in the manufacturing and services sectors:
 - to undertake promotional activities to promote growth of small and medium enterprises;
 - to promote co-operation amongst small and medium enterprises;
 - to encourage industrial linkages with the large industries;
 - to develop human resource in the small and medium enterprises; and
- undertake any work and investments necessary to promote and grow the small and medium enterprises sector in the economy.

58.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Corporation for the years ended 31 December 2019 and 2020 were completed and awaiting signed financial statements to issue the audit reports.

The Corporation has submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 and arrangements were being made to commence these audits shortly.

59. SOMARE INSTITUTE OF LEADERSHIP AND GOVERNANCE (Formerly Pacific Institute of Leadership and Governance)

59.1 INTRODUCTION

59.1.1 Legislation

The Somare Institute of Leadership and Governance (formerly Pacific Institute of Leadership and Governance) was established under the *Pacific Institute of Leadership and Governance (Amendment) Act 2017*. This Act came into operation on 31 August 2023 as per *Gazettal Notification No. G706 of 2023* dated 29 August 2023, thereby repealing the *Pacific Institute of Leadership and Governance Act 2017*.

Under this Act, all assets held by and obligations and liabilities imposed on the former Pacific Institute of Leadership and Governance immediately before the operationalisation of the Act were on that date transferred to the Somare Institute of Leadership and Governance.

59.1.2 Objectives of the Institute

The objectives of the Institute are to:

- achieve excellence in providing organisational needs based training focused on ethical leadership, strategic planning, corporate services and related management processes to enhance public sector performance;
- establish the Institute as the premiere provider of ethical needs based training products and programs of choice for the Pacific Island Nations through training based partnerships;
- develop, maintain and promote the recognised training standards and qualifications regime for public sector organisations in collaboration with the department responsible for personnel management and the National Training Council; and
- operate as a business concern and raise revenue for the Institute to minimise budgetary support from National Government through partnerships established with public and private training research and delivery organisations within Papua New Guinea and in the Pacific region.

59.1.3 Functions of the Institute

The functions of the Institute are to:

- promote excellence in training standards and service delivery to meet the aspirations of integrated human development and inclusiveness as required by the Constitution;

- conduct applied research, engage consultancies and collaborate with public and private sector training organisations and professional bodies, including the Papua New Guinea National Research Institute and the National Training Council, in order to design an up to date training standards and qualifications framework;
- collaborate with the Department of Higher Education, Research, Science and Technology in order to establish bringing arrangements for suitably qualified diploma students to upgrade their qualifications to recognised degree level at selected higher education institutions;
- assist the provincial and district administrations to conduct training needs analysis and develop training programs to address the need for financial, human resource, planning and project management skills;
- explore, promote and deliver training opportunities for students from Pacific Island nations; and
- any other functions conferred upon it by *Section 7 of the Pacific Institute of Leadership and Governance Act 2017*.

59.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Institute has submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit and arrangements were being made to commence the audits shortly.

60. TOURISM PROMOTION AUTHORITY

60.1 INTRODUCTION

60.1.1 Legislation

The Tourism Promotion Authority was established under the *Tourism Promotion Authority Act 1993*. This Act came into operation on 3 June 1993 thereby repealing the *Tourism Development Corporation Act 1990*. The Authority commenced its operational activities on 1 April 1993.

Under the *Tourism Promotion Authority Act* all assets held by and obligations and liabilities imposed on the Tourism Development Corporation which related to the functions of the Authority were transferred to it (the Authority), and the rest of the assets and liabilities were transferred to the National Cultural Committee on 3 June 1993.

60.1.2 Functions of the Authority

The principal functions of the Authority are to:

- foster the development of tourism in PNG;
- formulate a tourism policy for consideration by the NEC and to implement the tourism policy approved by the NEC;
- promote PNG overseas as a tourist destination;
- co-ordinate the overseas promotional efforts of the PNG tourism industry;
- encourage the provision, development and expansion of tourism infrastructure, facilities and products in PNG; and
- enhance awareness within PNG of the tourism industry and tourism opportunities.

60.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

60.2.1 Comments on Financial Statements

My report to the Ministers under *Section 8(4)* of the *Audit Act* on the Authority's financial statements for the year ended 31 December 2021 was issued on 19 April 2024. The report did not contain any qualification.

60.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Authority for the year ended 31 December 2021 was issued on 19 April 2024. The report contained the following significant matters:

Other Receivables

My review of the other receivables account revealed receivables dating back to 2010. I further noted that the Authority did not efficiently follow up on these debtors for recovery during the year under my review. As a result, a total of K548,520 representing twenty-two percent (22%) of total balance of K2,215,843 were still outstanding for over 180 days. The collectability of this amount is in doubt considering its lengthy ageing period.

I recommended management to investigate the receivables and to ensure there is effective follow up on all the receivables. I also advised management to consider additional provision for doubtful debts and eventually write off after Board's approval if uncollectable.

The management in its response stated that K274,810 was approved by TPA Board in November 2023 to be written off against the provisions for bad & doubtful debts. Furthermore, we have provided an additional provision for doubtful debts of K274,810 for the years 2010 to 2019 for the remaining balance of other Receivables after the approved 50% write-off.

Personnel Files

My review of the maintenance of staff personnel files for selected officers of the Authority revealed that records such as staff salary and leave history ledgers/cards although maintained were not properly updated with important particulars such as adjustments made to salaries and allowances. Similarly, leave records for employees such as recreational, sick, compassionate and long service leave were not updated.

I reminded the management that inadequate record keeping of the staff salary records exposes the Authority to the risk of paying incorrect employee benefits and recommended management to ensure that staff salary and leave history ledgers/cards are properly maintained with all required information and updated on a regular basis.

The Management concurred with my recommendations and agreed to take corrective actions.

No Acquittals for Funded/Sponsored Projects

I was not able to reliably substantiate grants totalling K550,000 allocated to fund tourism projects as well as sponsoring tourism related events as I did not sight any acquittals including the Project/Activity Completion Reports during my review.

I brought my findings to the attention of the management and the Authority's management concurred with my findings and responded that measures had been taken to address this by ensuring that all projects undergo thorough screening and vetting procedures and that the projects undergo quality checks, comprehensive planning, accreditation prior to launch and meticulous closure procedures. Moreover, we'll ensure that effective outcome reporting and acquittals are systematically carried out to uphold transparency and accountability.

Ministerial Expenses – K1,844,031

During my review, I noted that Ministerial Expenses have registered an increase of K986,826 during the year. Considering the size of increase in the expenditure is over 100% compared to the prior year Ministerial Expenses of K857,205 disclosed in the financial statements. The substantial increase in Ministerial Expenses raises concerns of inadequate budgetary control mechanisms in the Authority that may result in risk of financial strain and inefficiency in resource allocation per the PIP funding appropriated for the year.

I recommended the Authority to fund the Ministerial Expenses as per the Authority's budget allocated costs for the Ministerial Expense vote item in a year. I sought explanation from the management of the Authority and they agreed with the increase in the Ministerial Expenses and explained that it comprises of Ministerial Operating Expenses of K1,043,626 and Ministerial Expenses of K800,406 for tourism related programs.

60.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Authority has submitted its financial statements for the year ended 31 December 2022 for my inspection and audit and arrangements were being made to commence the audit shortly.

The Authority has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

61. UNIVERSITY OF GOROKA

61.1 INTRODUCTION

61.1.1 Legislation

The University of Goroka was established under the *University of Goroka Act 1997*. This Act came into operation on 1 January 1997.

Under this Act, the Goroka Campus of the University of Papua New Guinea was transferred to the University of Goroka together with all staff and students, buildings and grounds, equipment, teaching and research facilities, and other assets and liabilities both within and outside the Campus.

61.1.2 Objectives of the University

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

61.1.3 Powers of the University

The University shall have the power to:

- grant such degrees as are authorised by the Statutes and such diplomas, certificates or other academic awards as it determines;
- provide instruction and facilities for study, education and research to persons registered as preparing for degrees, diplomas, certificates or other awards of the University;
- provide facilities for extramural study and continuing education to persons, whether members of the University or not, in such fields and in such manner as the University may from time to time determine;
- co-operate in pursuance of any of the objectives of the University with any other bodies or persons to enter into agreements authorised by Statute with institutions for their affiliation with or incorporation into the University;
- subject to the *Salaries and Conditions Monitoring Committee Act*, to appoint academic, administrative and other staff on such terms and conditions of service as the University may determine;
- provide for promoting the health and general welfare of the students of the University, including the establishment and supervision of residence;
- regulate and enforce discipline among the employees and students of the University by such measures as the University may determine;

- cancel, annul or revoke any act done in the exercise of these powers; and
- do all such other acts or things as may be done under the provisions of this Act or these powers or as may be conducive to the exercise of the attainment of any of the objectives of the University.

61.1.4 Subsidiaries of the University

The University has two Subsidiary Companies, *Unigor Consultancy Limited* and *Unigor Humi Catering Limited* which were incorporated under the *Companies Act*. Comments in relation to these Companies are contained in paragraphs 61A and 61B of this Report respectively.

61.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the University has not submitted its financial statements for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite numerous reminders and dialogues.

61A. UNIGOR CONSULTANCY LIMITED **(Subsidiary of the University of Goroka)**

61A.1 INTRODUCTION

Unigor Consultancy Limited is 100% owned by the University of Goroka. It was incorporated on 29 March 2000 as a consultancy company under the *Companies Act*.

In 2017 the Company changed its name from Unigor Consultancy Limited to Unigor Limited and has several business units including Unigor Consultancy, Unigor Bookshop, Unigor Printery, Unigor Travel and Unigor Restaurant operating as business names under Unigor Limited while Unigor Humi Catering Limited runs as a joint venture Company.

61A.1.1 Objectives of the Company

The Company's objectives are to:

- advance, promote, assist and encourage the educational purposes of the University through;
 - short term programs for and on behalf of the University tailored to the needs of clients; and
 - research, consultancy and publication of all educational materials for commercial purposes;
- conduct or undertake any other business activity both within and outside of PNG; and
- expand and diversify business activities to maximise profits and to promote the interest of the Shareholder from time to time.

61A.1.2 Function of the Company

The core function of the Company is to provide services in four key areas:

- professional consultancy services, teaching and dissemination of knowledge;
- merchandising of textbooks, educational supplies and stationery;
- printing and publication of educational materials, textbooks, business documents and all other forms of print material; and
- cafeteria services.

61A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for years ended 31 December 2016, 2017 and 2018 were completed and awaiting management letter responses to issue the audit reports.

The Company has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite numerous reminders from my Office.

61B. UNIGOR HUMI CATERING LIMITED

61B.1 INTRODUCTION

61B.1.1 Legislation

Unigor Catering Limited was incorporated under the *Companies Act 1997* on the 14 December 2010. A total of 600,000 shares (100 ordinary shares and 599,900 preference shares) had been issued at K1 each. The Unigor Consultancy Limited acquired 306,000 shares (51%) and the remaining 294,000 shares (49%) acquired by Humilaveka Food Company Limited.

On 16 February 2013, the Company changed its name from Unigor Catering to Unigor Humi Catering Limited.

61B.1.2 Objectives of the Company

The primary objective of the Company is to give effect to the Joint Venture Agreement between the shareholders for the purpose of providing catering services to students of the UOG at its main campus at Goroka as a commercial venture. The Company may conduct or undertake any other business activities in the country from time to time.

61B.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for years ended 31 December 2016, 2017 and 2018 were completed and awaiting management letter responses to issue the audit reports.

The Company has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite numerous reminders.

62. UNIVERSITY OF NATURAL RESOURCES AND ENVIRONMENT

62.1 INTRODUCTION

62.1.1 Legislation

The University of Vudal was established under the *University of Vudal Act 1997*. This Act came into effect on 1 January 1997 and the University became operative in the same year. The University changed its name to University of Natural Resources and Environment in 2008 through the enactment of the *University of Vudal (Amendment) Act 2009*.

Under the principal Act, the Vudal University College Campus of the PNG University of Technology was transferred to the University of Vudal with all staff and students, buildings and land, equipment, teaching and research facilities, and other assets and liabilities both within and outside the College Campus.

Although the new entity was created by the Act in 1997, the finance and accounting functions were transferred to the University of Vudal only on 1 January 1998.

62.1.2 Objectives of the University

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

62.1.3 Powers of the University

Section 6 of the principal Act enshrines the University as having the power to:

- grant such degrees as are authorised by the Statutes and such diplomas, certificates or other academic awards as it determines;
- provide instruction and facilities for study, education and research to persons registered as preparing for degrees, diplomas, certificates or other awards of the University;
- provide facilities for extramural study and continuing education to persons, whether members of the University or not, in such fields and in such manner as the University may from time to time determine;
- co-operate in pursuance of any of the objectives of the University with any other bodies or persons to enter into agreements authorised by Statute with institutions for their affiliation with or incorporation into the University;

- subject to the *SCMC Act* appoint academic, administrative and other staff on such terms and conditions of service as the University may determine;
- provide for promoting the health and general welfare of the students of the University, including the establishment and supervision of residences;
- regulate and enforce discipline among the employees and students of the University by such measures as the University may determine;
- cancel, annul or revoke any act done in the exercise of these powers; and
- do all such other acts or things as may be done under the provisions of this Act or these powers or as may be conducive to the exercise of the attainment of any of the objectives of the University.

62.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the University has not submitted its financial statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my audit and inspection despite numerous reminders from my Office.

I have reminded the University Management on the outstanding financial statements for the years from 2016 – 2023 through a letter dated 2 May 2024. The University is now formalising its responses and embarking on the preparation of its accounts for my inspection and audit.

63. UNIVERSITY OF PAPUA NEW GUINEA

63.1 INTRODUCTION

63.1.1 Legislation

The University of Papua New Guinea was established under the *University of Papua New Guinea Act (Chapter 169)*.

63.1.2 Objectives of the University

The objectives of the University include the following:

- provision of facilities for study and education;
- giving of instruction and training in all such branches of learning as are provided for by the Statutes;
- aiding by research and other means the advancement of knowledge and its practical application;
- conferring, after examination, of the degrees of Bachelor, Master and Doctorate and such other degrees, diplomas, certificates and other academic honours as are authorised by the Statutes;
- provision of facilities for university education throughout the country by the affiliation of educational institutions, and by the establishment of tutorial classes, correspondence classes, university extension classes, and vacation classes, and by such other means as the Council thinks appropriate; and
- liaison, collaboration and reciprocation with other universities and institutions of learning, within or outside the country, in the provision of facilities, the recognition of degrees and other status, and the interchange of staff, students and information, and in any other way not inconsistent with its status as the University.

63.1.3 Subsidiaries of the University

The University has two subsidiary companies namely, *Unisave Limited* and *Univentures Limited* which were incorporated under the *Companies Act*. Comments in relation to these subsidiaries are contained in paragraphs 63A and 63B of this Report respectively.

63.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the University for the year ended 31 December 2016 was in progress.

The University has submitted its financial statements for the year ended 31 December 2017 for my inspection and audit on 17 October 2018. This audit has since being delayed due to lack of cooperation from the management.

The University has not submitted its financial statements for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite my repeated reminders.

63A. UNISAVE LIMITED **(A subsidiary of University of Papua New Guinea)**

63A.1 INTRODUCTION

63A.1.1 Legislation

Unisave Limited was incorporated under the *Companies Act* on 18 October 2011.

The incorporation of Unisave Limited was as a result of a Memorandum of Agreement (MOA) signed between Univentures Limited, (a company 100% owned by University of PNG) and SITCo PNG Limited resulting in Univentures Limited owning 51% of the Shares and SITCo PNG owning 49%.

63A.1.2 Objective of the Company

The parties to this MOA shall endeavor to create mutual commercial benefits through assembly and sale of Information Communication Technology (ICT) products and various projects which have price and quality competitiveness compared with other organisations in PNG. This will be achieved by combining of infrastructures and marketing power in PNG provided by Univentures and the technical know-how and successful long-term various experience in Korean ICT market provided by SITCo PNG Limited.

The main business of the Company is to assemble TVs, PCs, laptops, monitors and other items which can be included under mutual consent, such as systems integration, systems administration and maintenance in information technology.

63A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the financial statements of the Company for the years ended 31 December 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 have not been submitted for my inspection and audit, despite numerous reminders from my Office.

63B. UNIVENTURES LIMITED **(A subsidiary of University of Papua New Guinea)**

63B.1 INTRODUCTION

63B.1.1 Legislation

Univentures Limited was incorporated under the *Companies Act* on 2 August 2007. The Company has a total issued capital of one ordinary share of K1.00 and is wholly owned by the University of Papua New Guinea.

63B.1.2 Functions of the Company

The activities of the Company are to sell and print books in the Bookshop and the Printery respectively, as a business arm of the University of Papua New Guinea.

63B.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit, despite numerous reminders from my Office.

64. WESTERN PACIFIC UNIVERSITY

64.1 INTRODUCTION

64.1.1 Legislation

The Western Pacific University was established under the *Western Pacific University Act 2014*. The Act was certified on 8 November 2014 following *NEC Decision No. 299/2013* for the establishment of a new University in the Ialibu Pangia District of the Southern Highlands Province.

64.1.2 Functions of the University

The principal functions of the University are to:

- provide for education and scholarship in such branches of knowledge as it may deem fit, and to make provision for research, service to society and for the application, advancement and dissemination of knowledge in such manner as it may determine;
- prescribe programs of studies to be conducted by it and the colleges;
- hold examinations and to award and confer degrees, diplomas, certificates and other academic distinctions to and on persons who have been admitted to and have passed its examinations under prescribe conditions;
- prescribe the terms and conditions of employment of the officers, teachers and other employees of the University and to lay down terms and conditions that may be different from those applicable to government servants in general;
- engage, where necessary, persons on contracts of specified duration and to specify the terms of each engagement;
- confer honorary degrees or other distinctions on approved persons in the manner prescribed;
- provide for such instructions for persons not being students of the University as it may prescribe, and to grant certificates and diplomas to such persons;
- institute programs for the exchange of students and teachers between the University and other universities, educational institutions and research organisations, inside as well as outside Papua New Guinea;
- provide career counselling and job search services to students and alumni;
- maintain linkages with alumni;
- develop and implement fund-raising plans;
- provide and support the academic development of a faculty of the University;
- confer degrees on persons who have carried on independent research under prescribed conditions;
- affiliate and disaffiliate educational institutions under prescribed conditions;

- inspect colleges and other educational institutions affiliated or seeking affiliation with the University;
- accept the examinations passed and the period of study spent by students of the University at other universities and places of learning equivalent to such examinations and periods of study in the University, as it may prescribe, and to withdraw such acceptance;
- co-operate with other Universities, public authorities or private organisations, inside as well as outside Papua New Guinea, in such manner and for such purposes as it may prescribe;
- institute Professorships, Associate Professorships, Assistant Professorships and Lectureships and any other posts and to appoint persons thereto;
- create posts for research, extension, administration and other related purposes and to appoint persons thereto;
- recognise selected members of the teaching staff of affiliated colleges or educational institutions admitted to the privileges of the University or such other persons it may deem fit, as University teachers;
- institute and award financial assistance to students in need, fellowships, scholarships, bursaries, medals and prizes under the prescribed conditions;
- establish teaching departments, schools, colleges, faculties, institutes, museums and other centers of learning for the development of teaching and research and to make such arrangements for their maintenance, management and administration as it may prescribe;
- provide for the residence of the students of the University and the colleges, to institute and maintain halls of residence and to approve or license hostels and lodging;
- maintain order, discipline and security on the campuses of the University and the colleges;
- promote the extra-curricular and recreational activities of such students, and to make arrangements for promoting their health and general welfare;
- demand and receive such fees and other charges as it may determine;
- make provisions for research, advisory or consultancy services and with these objects to enter into arrangements with other institutions, public or private bodies, commercial and industrial enterprises under prescribed conditions;
- enter into, carry out, vary or cancel contracts; and
- receive and manage property transferred and grants, contributions made to the University and to invest any fund representing such property, grants, bequests, trust, gifts, donations, endowments or contributions in such manner as it may deem fit;
- provide for the printing and publication of research and other works; and
- do all such other acts and things, whether incidental to the powers under the *Western Pacific University Act* as may be required or expedient in order to further the objectives of the University as a place of education, learning and research.

64.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the University has not submitted its financial statements for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite my numerous reminders.

SECTION B

**NATIONAL GOVERNMENT
OWNED COMPANIES**

65. FOREWORD

This Section of my Report deals with Companies in which the Government of PNG holds more than 50% of the Issued Share Capital. On 26 January 1983, the *NEC's Decision No. 12/93* expanded my responsibilities to include the audit of National Government Owned Companies and subsidiaries thereof. The audit of Government Owned Companies is also conferred to me through *Section 3* of the *Audit Act*.

The auditing and reporting requirements of these companies are stipulated under *Section 200* of the *Companies Act*, which includes:

- (a) The work done by the auditor;
- (b) The scope and limitations of the audit;
- (c) The existence of any relationship the auditor has with the Company;
- (d) Whether all information and explanations required have been obtained;
- (e) Whether in the auditor's opinion, proper accounting records have been kept;
- (f) Whether in the auditor's opinion, the financial statements comply with generally accepted accounting practice and, where they do not, the respects in which they fail to comply; and
- (g) Whether in the auditor's opinion, the financial statements give a true and fair view of the matters to which they relate and, if not, the respects in which they fail to give such a view.

My audit of Government owned Companies is conducted in accordance with the requirements of the *Companies Act*. Under *Section 8(2)* of the *Audit Act*, I am also expected to report to the Minister for Finance, the matters of significance to do with the accounts and records, the financial transactions and the assets and liabilities. The management of the Company are also informed of the same.

Comments in relation to the companies are detailed in paragraphs **65** to **80**.

66. AIR NIUGINI LIMITED

66.1 INTRODUCTION

66.1.1 Legislation

Air Niugini Limited was incorporated under the *Companies Act*. It was formed to be the successor company of the National Airline Commission, following the NEC decision of 20 June 1996 to corporatise the National Airline Commission in accordance with *Section 45* of the *National Airline Commission Act*.

As a result of the NEC decision, all assets, liabilities, staff and operations of the National Airline Commission were transferred at the written down book value (as at 31 August 1996) to Air Niugini Limited. Air Niugini Limited is a 100% State Owned Company.

66.1.2 Objectives of the Company

The principal objectives of the Company are to:

- carry on the business of airline operators, general carriers, freight forwarders and forwarding agents, warehouse operators, shippers and general agents, ship owners charterers, hospitality and general traders, stevedores, cool store operators, flight contractors, carriers by land, air and water, insurers and insurance brokers and other business which may be usefully carried on in connection with such business;
- provide transport service, carrier freight transport, courier, taxi truck, light or heavy haulage and delivery services which involves the use of aircraft, railways, ship, road vehicle or any other means of conveyance by land, road, railway, sea, river, canal, water or air to carry and convey passengers, mails, containers, packages, parcels, bulk commodities, goods, merchandise, livestock and produce and property of every description;
- carry, collect, receive, load, unload, store, consign, distribute, transfer and deliver property of every description by any mode of transportation; and
- carry passengers by air, road, rail, land, sea or water and to operate any taxi service and to obtain any necessary licences for such purposes.

66.1.3 Subsidiaries of the Company

The Company has four (4) subsidiary companies. Comments in relation to the subsidiary companies are contained in paragraphs 66A, 66B, 66C and 66D of this Report.

66.2 AUDIT OBSERVATIONS

66.2.1 Comments on Financial Statements

My report to the Ministers in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2022 was issued on 29 February 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs below, I was not able to obtain sufficient appropriate audit evidence and accordingly, I am unable to express an opinion on the financial statements of Air Niugini Limited for the year ended 31 December 2022.

BASIS FOR DISCLAIMER OF OPINION

Going Concern Basis of Accounting

Note 2B(I) – “Going Concern”, discloses that as at 31 December 2022, current liabilities of the Group and the Company exceeded their current assets by K294 million and K264 million respectively, which indicated a working capital deficiency, and the Group and the Company are critically dependent upon achieving a number of assumptions to continue as a going concern.

The Directors have not prepared a detailed cash flow assessment taking-into-account all information about the future, at least for 12 months from the date of signing the Financial Statements to support their assessment of the Group and the Company’s ability to continue as a going concern, and preparing the Financial Statements for each of the Group and Company on a going concern basis of accounting in accordance with *International Financial Reporting Standard* requirements. Instead, the Directors prepared and provided a high-level cash flow forecast up to 2025 and 2032. I noted that this high-level cash flow forecast was not sufficiently detailed for me to test the Group and the Company’s assumptions on their ability to continue as a going concern for the 12 months period from the date the Financial Statements were signed or the suitability of preparing the Financial Statements on a going concern basis of accounting.

In addition, the Directors did not provide evidence to support the assumptions provided in the high-level cash flow forecast and disclosed in *Note 2B(I)* to the Financial Statements. In particular, they did not provide me with evidence including:

- plausible evidence to support the non-settlement of Government funding which is required to be repaid from 2025 onwards in accordance with the underlying terms and conditions of the loan arrangements;

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- plausible evidence such as disposal plans or agreements and approvals in relation to divestment of surplus properties or non-core assets including non-core residential properties;
 - plausible evidence such as a formalized agreement with terms and conditions for the ADB Loan funding;
 - plausible evidence in relation to the settlement of significant overdue creditors and other current liabilities which contribute to the Group's working capital deficiency of K294 million and the Company's working capital deficiency of K264 million;
 - plausible evidence such as funding arrangements and details of future funding plans in relation to the significant financing requirements needed for the ongoing re-fleet program; or
 - plausible evidence in relation to the existing fleet cancellation or lease exit requirements.

There was no evidence existed or was not provided to me for performing my tests. I was unable to obtain alternative audit evidence regarding the high-level cash flow forecast of the Group and the Company for a period of 12 months from the date of my audit report. As such, I was unable to obtain sufficient appropriate audit evidence regarding the going concern basis of accounting from which the Financial Statements of the Group and the Company have been prepared, and the appropriateness of associated disclosures made in *Note 2(B)(I)* and *Note 4(B)*.

Given the material and pervasive impacts of these limitations to each of the Financial Statements as a whole, I was unable to form opinions on whether the going concern basis of preparing the Financial Statements of the Group and the Company and associated going concern disclosures made have been appropriate. I was unable to determine whether adjustments that might have been necessary to the recorded values of assets and liabilities in the Financial Statements have been rectified and were complete and accurate.

Opening Balances and Corresponding Amounts

A disclaimer opinion was issued in relation to the Financial Statements of the Group and the Company for the year ended 31 December 2021, identifying issues noted in the following areas:

- Going Concern;
- Valuation of Rotables at K13.9 million and Engines at K3.6 million;
- Componentization of Assets;

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- Useful Life of Aircraft;
 - Valuation and ownership of Land and Buildings at K393.8 million;
 - Provision for Income Tax, Deferred Tax balances and Goods and Services Tax (GST) and Other Tax Liabilities;
 - Provision for Doubtful Debts and Expected Credit Loss calculation per *IFRS 9* of K36.9 million;
 - Trade Creditors and Accruals of K547.9 million and K459.0 million;
 - Right-of -Use Assets of K164.3 million, Lease Liabilities of K213.6 million and Depreciation Expense;
 - Trade Debtors and Other Receivables at K50.1 million and K198.3 million;
 - Loyalty program contract liability of K5.7 million;
 - Amalgamation of subsidiaries and related party balances/transactions; and
 - Management override of controls.

For the above Balance Sheet and Profit & Loss Account items, I was unable to perform alternative procedures over their opening balances at 1 January 2022. Since the opening balances enter into the determination of the results of operations, equity movements and cash flows of the Group and the Company for the year ended 31 December 2022, any adjustments necessary on such opening balances would have a consequential effect on the financial performance, equity movements and cash flows for the year ended 31 December 2022.

I was unable to determine whether any such adjustments might have been necessary for the year ended 31 December 2022, and for the corresponding year. Further details of the opening balance qualifications and their implications on the current financial year are provided in the succeeding qualification paragraphs.

Gain on Valuation of Rotables and Engines

Note 13 to the Financial Statements of the Group and the Company discloses that during the year ended 31 December 2022, the Directors engaged an independent valuer to value the rotables and engines of the Group and the Company. The valuation has resulted in recognition of revaluation gain of K5.1 million (Group) and K58.8 million (Company) respectively in the statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

The independent valuation done was the first performed by the Directors since 31 December 2010. In previous years, there was no fair valuation assessment performed by the Directors related to the rotables and engines for the Group and the Company and instead, the Directors concluded that the book value of the assets was the appropriate measure. However, I noted that this was not in accordance with the Group and the Company's disclosed accounting policy, detailing that the assets are to be measured at fair value.

Since the Directors recorded these assets at book value and not at fair value for the financial period from 31 December 2010 up to 31 December 2021, I could not determine whether the revaluation gain recognized for the year ended 31 December 2022 included revaluation gains/losses that should have been recognized in the corresponding period or previous periods. Further, the Directors have not performed an analysis or requested an independent valuer to perform an analysis to determine whether any of the revaluation gain recognized for the current year ended 31 December 2022 related to the corresponding period or previous periods, which is not in accordance with *International Financial Reporting Standard* requirements.

In the absence of an analysis detailing for which year the revaluation gains recognized at 31 December 2022 related to, I was not able to determine what adjustments might have been necessary to the rotables and engines value as at 31 December 2021 in the statement of financial position, the revaluation gains recognized in the statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and for the corresponding year ended 31 December 2021 or any resulting tax effects for the corresponding year ended 31 December 2021 and for the year ended 31 December 2022.

Depreciation Expense in Relation to Componentisation of Assets

For the financial period up to 31 December 2021, the Group and the Company had a policy to depreciate aircraft it owns or leases as a whole and *not* as components on the aircraft. I noted that the policy applied was inconsistent with *IAS 16, Property, Plant and Equipment* which requires "each part" of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. For the period up to 31 December 2021, the Group and the Company did not have financial records of the components of the aircraft to enable easy identification of the separate components of the aircraft (which are rotated) for audit test or for determining the quantum of the error in depreciation.

For the financial year ended 31 December 2022, the Group and the Company established accounting records to facilitate componentisation of assets and recorded the depreciations on aircrafts. Upon the application of componentisation of aircrafts during the financial year 2022, a cumulative depreciation adjustment of components to a value of K15 million was recorded. This adjustment resulted in the aircrafts' total depreciation expense amounted to K23.8 million.

The Directors have not performed an analysis to determine whether any of the depreciation expense recognized for the current year ended 31 December 2022 related to the corresponding period or previous periods or whether the respective assets recognized in the corresponding period ended 31 December 2021 required adjustment, which is not in accordance with *International Financial Reporting Standards* requirements.

In the absence of an analysis detailing for which year the depreciation expenses recognized at 31 December 2022 related to, I was not able to determine what adjustments might have been necessary to the aircraft value as at 31 December 2021 in the statement of financial position, the revaluation gains recognized for the year ended 31 December 2022 in the statement of profit or loss and other comprehensive income or any resulting tax effects for the corresponding year ended 31 December 2021 and for the year ended 31 December 2022.

Depreciation Expense Based on Adopted Useful Life of Aircraft

For the financial year ended 31 December 2021, the Group and the Company had a policy in relation to useful life of aircraft that when an aircraft is revalued each year subsequent to its year of purchase, the original useful life of the aircraft is used to depreciate the new value of the aircraft. This was inconsistent with *IAS 16* which requires depreciation using the remaining useful life. I further noted that in respect of the year ended 31 December 2021, certain aircrafts had been in service for periods exceeding their original useful lives used for depreciation purposes.

During the financial year ended 31 December 2022, the Group and the Company established accounting records to facilitate appropriate determination of the useful life of aircraft hence, properly recorded the useful lives of the aircrafts. Accordingly, after the componentisation of aircrafts was applied, a cumulative depreciation adjustment of components valued at K15.0 million was recorded for the year ended 31 December 2022. This adjustment resulted in the aircrafts' total depreciation expense amounted to K23.8 million as discloses in *Note 13*.

The Directors have not performed an analysis to determine whether any of the depreciation expense recognized for the current year ended 31 December 2022 was related to the corresponding period or previous periods or whether the respective amounts recognized in the corresponding period ended 31 December 2021 required adjustment, which is not in accordance with *International Financial Reporting Standards* requirements.

Due to lack of the Directors' analysis detailing, for which year the depreciation expenses recognized as at 31 December 2022 related to, I was not able to determine what adjustments might have been necessary to the aircraft value as at 31 December 2021 in the statement of financial position, the revaluation gains recognized for the year ended 31 December 2021 and 31 December 2022 in the statement of profit or loss and other comprehensive income or any resulting tax effects for the corresponding year ended 31 December 2021 and for the period ended 31 December 2022.

Valuation and Ownership of Aircraft

During the year ended 31 December 2022, the Group and the Company capitalized an aircraft at a value of K50 million. However, an independent valuer valued the aircraft at K58 million. This aircraft which predominantly chartered by the Government of PNG, has been maintained and operated by the Group and the Company since 2010.

The Directors have not provided documentary evidence of legal ownership of the specific aircraft or evidence of the valuation of the aircraft since the capitalized carrying amount (book value) recorded by the Director's during the year ended 31 December 2022 had differed from the revalued amount as determined by the independent valuer. I noted that this was not in accordance with the Group and the Company's disclosed accounting policy, detailing that the assets are to be measured at fair value.

In addition, the Directors have not provided any evidence that the aircraft was required for capitalization in the current period, instead of the corresponding year ended 31 December 2021 or the previous financial year end.

There was a lack of evidence to support the capitalization of the aircraft in the financial year ended 31 December 2022, as opposed to a previous period. No evidence was available to support the legal ownership of the aircraft by the Group and the Company or completeness and accuracy of its value at 31 December 2022. Accordingly, I was not able to determine what adjustments might have been necessary to the statements of financial position at 31 December 2021 and 2022, the statements of profit or loss and other comprehensive income, statements of cash flows and statements of changes in equity for the years ended 31 December 2021 and 31 December 2022, and related disclosure notes or any resulting tax effects for the corresponding year ended 31 December 2021 and for the year ended 31 December 2022.

Valuation and Ownership of Land and Buildings

As set out in *Note 13* to the financial statements, the Group and the Company carried land and buildings at revalued amounts of K395 million (2021: K393.8million), with a policy to obtain an independent external valuation every 3 years. The Group and the Company obtained external valuations of some land and buildings for the year ended 31 December 2021 while no independent external valuation was obtained for the year ended 31 December 2022.

For the properties subject to external valuations for the year ended 31 December 2021, the Directors adopted these independent external valuations as the valuations of the respective land and buildings in the Financial Statements for the year ended 31 December 2022.

However, the Directors did not perform an assessment as to whether the previous year's external valuation assessment was appropriate in the current year and further they did not provide me with evidence regarding the inputs used in these valuations, in particular in respect of sales evidence underlying selected capitalization rates and estimated income, as well as the calculations and inputs underlying the estimated depreciated replacement cost. Therefore, I was not able to test the fair value of Land and Buildings for those properties subject to external valuation at 31 December 2021 and carried forward as the valuation for 31 December 2022.

For the properties not subject to external valuation at 31 December 2021, due to title disputes and access to land limitations, 14 properties, with a combined carrying value of K5.6 million, were not revalued at 31 December 2021 or at 31 December 2022. Thus, I was not able to obtain sufficient appropriate audit evidence over the value of these assets and whether appropriate control/ownership over these assets existed at 31 December 2022.

In addition, for the year ended 31 December 2022, the Group and Company capitalized assets amounting to K15.5 million. The Directors did not provide us with evidence such as title, deed, consideration paid or external valuation to confirm ownership and value of the associated assets capitalized. In the absence of evidence, I was not able to test the control, ownership and accuracy of the value of these assets recorded at 31 December 2022.

Individually and in combination, as a result of these issues, I was unable to determine what adjustments might be necessary to the statements of financial position as at 31 December 2021 and 31 December 2022, and the statements of profit or loss and other comprehensive income, statements of cash flows and statements of changes in equity and any resulting tax effects for the corresponding year ended 31 December 2021 and for the period ended 31 December 2022.

Deferred Tax Balances

As disclosed in *Note 7(B)*, the Group as at 31 December 2022 recognized deferred tax asset of K176.5 million (2021: K83.8 million). Furthermore, as disclosed in *Note 7(A)*, the Group as at 31 December 2022 recognized net profit before income tax of K197.0 million (2021: K37.9 million *loss*). Included in this amount was aggregate profit before tax amounts of K111.9 million and K105.2 million, relating to subsidiaries, Link PNG Limited (LPNG) and Air Niugini Properties Limited (ANPL) respectively.

During the current financial year, Air Niugini Limited (ANL) raised provision for expected credit losses amount of K115.6 million and K153.0 million relating to intercompany receivables balances owed from LPNG and ANPL respectively. I noted an inconsistency in the tax treatment of the profit before tax recognized by LPNG and ANPL on the gain recognized upon the debt forgiveness by ANL. The amount had been deducted from profit before tax of LPNG as a permanent tax difference however, deducted from ANPL as a temporary tax difference.

This resulted in a deferred tax liability of K45.9 million being recognized in ANPL and Knil in LPNG which impacted the consolidated deferred taxes recognized.

The Directors did not provide underlying details and assessment to support this inconsistent treatment. Therefore, I could not obtain sufficient appropriate audit evidence to test the accuracy of the deferred tax balance as disclosed in *Note 7(B)*.

Consequently, I was unable to determine what adjustments might have been necessary to the statements of financial position at 31 December 2022, and the statements of profit or loss and other comprehensive income, statements of cash flows and statements of changes in equity for the year ended 31 December 2022.

Provision for Doubtful Debts and Expected Credit Loss Calculation as per IFRS 9

As disclosed in *Note 9*, the Group and the Company recognized provisions for doubtful debts of K26.9 million as at 31 December 2022 (2021: K36.9 million). The Group and the Company have not recognized a provision in respect of a certain significant aged debtor however, they could not provide evidence to support their assessment.

In the absence of an assessment or any other alternative evidence, I was unable to test the recoverability of these receivables and the related expected credit loss provision at 31 December 2022.

Consequently, I was unable to determine what adjustments might have been necessary to the statements of financial position at 31 December 2021 and 31 December 2022, and the statements of profit or loss and other comprehensive income, and statements of changes in equity for the year ended 31 December 2022, and for the corresponding period or any resulting tax effects for the corresponding year ended 31 December 2021 and for the year ended 31 December 2022.

Trade Creditors and Accruals

As set out in *Note 18* to the financial statements, trade creditors and accruals balances of the Group and the Company amounted to K346.6 million and K346.4 million respectively as at 31 December 2022 (2021: Group K547.9 million; and Company K459.0 million).

For one selected local supplier, National Airport Corporation (NAC), with a balance of K102 million, the Group and the Company have not maintained reconciliations of the recorded balances relating to NAC to underlying source documentation.

In the absence of the Group and the Company providing alternate underlying evidence, I was not able to obtain sufficient appropriate audit evidence to test the NAC trade creditor and accrual balances, and associated costs and expenses at 31 December 2022 and for the corresponding year ended 31 December 2021.

Consequently, I was not able to determine what adjustments might have been necessary to the statements of financial position at 31 December 2021 and 31 December 2022, and the statements of profit or loss and other comprehensive income, and statements of changes in equity for the year ended 31 December 2022, and for the corresponding period or any resulting tax effects for the corresponding year ended 31 December 2021 and for the year ended 31 December 2022.

IFRS 16 – Right-of -Use Assets, Lease Liabilities and Depreciation Expense

As disclosed in *Notes 14* and *15* respectively, the Group and the Company as at 31 December 2022 recognized Right-of-Use assets of K229.3 million (2021: K164.3 million), and Lease liabilities of K211 million (2021: K214 million).

I was unable to reconcile the expected balances both in aggregate and on a sample basis with the *IFRS 16* Leases calculations provided by the Group and the Company. I noted misstatements relate to the ending Right-of-Use asset balance (K18.9 million overstatement), depreciation (K2.1 million overstatement), lease liabilities (K0.2 million understatement) and interest expense (K8.2 million understatement) for the year ended 31 December 2022.

In addition, *IFRS 16* requires the initial measurement of the right-of-use asset to include costs for restoring the underlying asset to the condition required by the terms and conditions of the lease. As disclosed in *Note 23*, the Group and the Company have recorded a restoration provision of K19.1 million (2021: K19.5 million). The Directors have not provided their estimate or the underlying supporting documents for this provision. I was unable to test the completeness and accuracy of the related provision balances recorded.

Due to lack of underlying supporting documentation, I was not able to determine what adjustments might have been necessary to the statements of financial position, the statements of profit or loss and other comprehensive income, and statements of changes in equity for the year ended 31 December 2022, and for the corresponding period or any resulting tax effects for the corresponding period ended 31 December 2021 and for the year ended 31 December 2022.

Loyalty Program Contract Liability

As disclosed in *Note 20* to the financial statements, as at 31 December 2022 the Group's and Company's other revenue received in advance amounted to K26.2 million (2021: K13.6 million) liability, which included a recognized loyalty program contract liability of K3.6 million (2021: K5.7 million). In relation to the recognized balance, I have not been provided with the underlying documentation for a key input used in the calculation of the balance as at 31 December 2022.

In the absence of the Group and the Company providing the required information to substantiate the key input as at 31 December 2022, I considered that I have not obtained sufficient and appropriate evidence regarding the recognized loyalty program liability balance at that date. Consequently, I was unable to determine what adjustments might have been necessary to the statements of financial position at 31 December 2022 and 31 December 2021 and the statements of profit or loss and other comprehensive income, and statements of changes in equity for the year ended 31 December 2022 and for the corresponding period or any resulting tax effects for the year ended 31 December 2022 and for the corresponding year ended 31 December 2021.

Management Override of Controls

I consider the extent of the matters listed above to be pervasive to the financial statements. Consequently, I was unable to test the risk of management override of controls for the Group and the Company for the year ended 31 December 2022 and associated corresponding figures, and its impact to the financial reporting compilation process and outputs.”

66.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

66A. AIR NIUGINI CARGO LIMITED **(A subsidiary of Air Niugini Limited)**

66A.1 INTRODUCTION

66A.1.1 Legislation

Air Niugini Cargo Limited was formerly known as Kitoro No. 94 Limited, which was incorporated on 23 March 2012 under the *Companies Act*. On 12 December 2016, the former name was changed to its current business name.

The Company formally commenced its operations in January 2017.

66A.1.2 Objective of the Company

The primary objective of the Company is to be a leader in cargo services and products of Air Niugini Limited and Link PNG Limited (subsidiary company of Air Niugini) within PNG and over the extensive international routes with other leading global service providers.

66A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit.

I was advised by the management that on 14 February 2018 the Company issued a Gazettal Notice of its intention to de-register and cease business operations in Papua New Guinea. Then on 28 November 2018, the Board of Directors of Air Niugini Limited (the parent entity of Air Niugini Cargo Limited) decided to de-register the Company.

However, formalities for de-registration of the Company was not completed and it had been on the data base of the Register of Companies until December 2023 when IPA decided to remove it permanently. The removal of the Company had resulted from a Public Notice issued by IPA in 2023 calling on every company that had not filed its annual returns to re-register the company as IPA was migrating to a new data base. A company not filing the outstanding annual returns and not re-registering within the Notice period was to be removed from the Register of Companies.

The management of Air Niugini Limited (the parent entity) intentionally avoided re-registering Air Niugini Cargo Limited as the Company had been defunct and not operational since its incorporation. Hence, at the lapse of the Notice period, IPA removed the Company from the data base of the Register of Companies.

Therefore, I will not include this Company in my future Reports to Parliament.

66B. AIR NIUGINI PROPERTIES LIMITED **(A subsidiary of Air Niugini Limited)**

66B.1 INTRODUCTION

66B.1.1 Legislation

Air Niugini Properties Limited, formerly known as Kitoro No. 95 Limited was incorporated on 23 March 2012 under the *Companies Act*. The Company commenced operations in December 2018 and on 24 January 2019, the change of name was formally effected.

66B.1.2 Objective of the Company

Primary objective of the Company is to grow Air Niugini's property portfolio in terms of property investment, development and improvement of current residential and commercial properties and acquisition of new Land and Buildings.

66B.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit.

The management informed my Office that the Company has been removed from the Register of Companies through a Notice lodged on 5 December 2023. However, I am awaiting relevant documentary evidences supporting the formalities undertaken to deregister the Company.

66C. BUSINESS TRAVEL CENTRE LIMITED

(A subsidiary of Air Niugini Limited)

66C.1 INTRODUCTION

66C.1.1 Legislation

Business Travel Centre Limited was established on 27 October 2016. The Company was formerly known as Kitoro No. 98 Limited incorporated on 14 July 2014 under the *Companies Act*. It is a wholly owned subsidiary of Air Niugini Limited and commenced its operations effective from 16 December 2016.

66C.1.2 Objective of the Company

The primary objective of the Company is to expand the airlines' revenue base from that of selling purely Air Niugini and Link PNG, to selling full suite of PX products in addition to other airlines where traditionally PX was unable to sell/ticket, hence be the complete travel solution provider for all airlines, ancillary services, and "*All Things Travel*."

66C.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit.

I was advised by the management that on 14 February 2018 the Company issued a Gazettal Notice of its intention to de-register and cease business operations in Papua New Guinea. Then on 28 November 2018, the Board of Directors of Air Niugini Limited (the parent entity of Business Travel Centre Limited) decided to de-register the Company.

However, formalities for de-registration of the Company was not completed and it had been on the data base of the Register of Companies until December 2023 when IPA decided to remove it permanently. The removal of the Company had resulted from a Public Notice issued by IPA in 2023 calling on every company that had not filed its annual returns to re-register the company as IPA was migrating to a new data base. A company not filing the outstanding annual returns and not re-registering within the Notice period was to be removed from the Register of Companies.

The management of Air Niugini Limited (the parent entity) intentionally avoided re-registering Business Travel Centre Limited as the Company had been defunct and not operational since its incorporation. Hence, at the lapse of the Notice period, IPA removed the Company from the data base of the Register of Companies.

Therefore, I will not include this Company in my future Reports to Parliament.

66D. LINK-PNG LIMITED **(A subsidiary of Air Niugini Limited)**

66D.1 INTRODUCTION

66D.1.1 Legislation

Link-PNG Limited came into existence on 26 June 2014 after the name changed from PNG Link Limited. The Company was incorporated under the *Companies Act* on 4 May 2010 and was acquired by Air Niugini Limited from Steamships Limited on 5 August 2014 for a consideration of K100.

Link-PNG Limited is a 100% subsidiary of Air Niugini Limited. The Company commenced the business of air travel for the PNG Domestic markets since November 2014.

66D.1.2 The Objective of the Company

The key objective of the Company is to be the leading domestic airline in Papua New Guinea, delivering safest and cost effective air travel to the communities.

66D.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit.

Through my regular follow ups, the management advised that the outstanding financial statements have now been prepared and under review for submission for my audit soon.

67. KUMUL AGRICULTURE LIMITED

67.1 INTRODUCTION

67.1.1 Legislation

This Company was incorporated under the *Companies Act* on 13 November 2017, wholly owned by Kumul Consolidated Holdings (KCH).

On 15 August 2018, in accordance with *NEC Decision No. 221/2018* dated 2 August 2018, the Company was established as a fully State Owned Enterprise through which Kumul Consolidated Holdings holds the State's interest in all current and future agricultural assets, projects and investments.

67.1.2 Objectives of the Company

The Company's principle activities are to:

- provide assistance to persons for purposes of primary production, for the establishment, development or acquisition of industrial or commercial undertakings;
- provide advice and assistance with a view to promoting the efficient organisation and conduct of primary production;
- act as an agent for the Government in relation to any matter within the functions of the Company in the case of industrial or commercial undertakings;
- serve the rural population via the management and rehabilitation of plantations; and
- exporting of all cash crops in order to improve foreign exchange of the country.

67.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has submitted its financial statements for the years ended 31 December 2020, 2021, 2022 and 2023 for my inspection and audit and arrangement were being made to commence these audits shortly.

68. KUMUL PETROLEUM HOLDINGS LIMITED

68.1 INTRODUCTION

68.1.1 Legislation

In accordance with *NEC Decision No. 108/2011* dated 7 July 2011, the Company was established and incorporated under the *Companies Act* on 4 March 2014 as NPCP Holdings Limited. As a result of the enactment of the *Kumul Petroleum Holdings Limited Authorisation Act 2015*, the issued shares previously owned by Independent Public Business Corporation (IPBC) now Kumul Consolidated Holdings was transferred to the Kumul Petroleum Trustee. On 25 September 2015, the Company changed its name from NPCP Holdings Limited to Kumul Petroleum Holdings Limited.

68.1.2 Objective of the Company

Kumul Petroleum Holdings Limited and its wholly owned subsidiaries are the only group of State Owned Companies from which the State would nominate one or more of them to participate in all future Petroleum Projects as a nominee for the purposes of *Section 165* of the *Oil and Gas Act 1998*.

68.1.3 Subsidiaries of the Company

The Subsidiaries of Kumul Petroleum Holdings Limited are; Eda Oil Limited, Kumul Energy Limited, Kumul Exploration (Asia) Limited, Kumul Gas Foreland 239 B.V, Kumul Gas Foreland 261 B.V, Kumul Gas Foreland 268 B.V, Kumul Gas Foreland 269 B.V, Kumul Gas Niugini B.V, Kumul Lending Co Pte Limited, Kumul LNG Limited, Kumul Petroleum (Development) Limited, Kumul Petroleum (Investments) Limited, Kumul Petroleum (Kroton) Limited, Kumul Petroleum (Pipeline) Limited, Kumul Petroleum (Tech & Advisory) Limited, Kumul Petroleum Marketing Pte Limited, Kumul Security Agent Limited and NPCP Oil Company Pty Limited. Comments in relation to these Subsidiaries are contained in paragraphs 68A to 68R respectively of this Report.

68.2 AUDIT OBSERVATION

68.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 13 February 2024. The report did not contain any qualification.

68.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68A. EDA OIL LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68A.1 INTRODUCTION

68A.1.1 Legislation

Eda Oil Limited was incorporated under the *Companies Act*. At that time, the Company had two (2) shares owned by Petromin PNG Holdings Limited. As a result of the enactment of the *Kumul Petroleum Holdings Limited Authorisation Bill 2015*, Eda Oil Limited together with Kumul LNG Limited were transferred to Kumul Petroleum (Development) Limited, a subsidiary of Kumul Petroleum Holdings Limited on 30 June 2016 by Petromin PNG Holdings Limited.

The Company has a direct participation in the Moran Petroleum Project, through 20.5% License Interest it directly holds in PDL 5 and an initial 11.275% Unit Interest in Unit Operation under the Multi Unit Operator Alliance (MUOA) and an indirect participation in the PNG LNG Project through its holding of the only issued share in the share capital of Kumul LNG Limited.

68A.1.2 Objective of the Company

The main objective of the Company is to invest in the development and production of hydrocarbons in the Moran Joint Venture in Papua New Guinea.

68A.2 AUDIT OBSERVATIONS

68A.2.1 Comments on Financial Statements

My reports in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the years ended 31 December 2020 and 2021 were issued on 13 February 2024. The reports contained similar Qualified Opinions, hence, only the 2021 report is reproduced:

“QUALIFIED OPINION

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph below:

- (a) the financial statements of Eda Oil Limited for the year ended 31 December 2021:
 - (i) give a true and fair view of the financial position and the results of its financial performance and cash flows for the year ended on that date; and

-
- (ii) the financial statements have been presented in accordance with the *Companies Act 1997, International Financial Reporting Standards* and other generally accepted accounting practice in Papua New Guinea;
 - (b) proper accounting records have been kept by the Company, as far as it appears from my examination of those records; and
 - (c) I have obtained all the information and explanation required.

BASIS FOR QUALIFIED OPINION

Inventories

The Company's inventories recognized in the Statement of Financial Position as at 31 December 2021 were carried at a value of US\$566,225 of which US\$361,429 related to consumable inventories. Sufficient and appropriate audit evidence was not provided to support the completeness, existence and valuation of these consumable inventories. Any adjustment to consumable inventories would be reflected in the operating profit for the year ended 31 December 2021. I was unable to determine whether any adjustments to the carrying values and the provision for inventory obsolescence for the year were necessary as at 31 December 2021."

EMPHASIS OF MATTER

Without further qualifying my opinion, I draw attention to the following matter of significance:

Going Concern

Note 2.1 to the financial statements indicates that the Company's current liabilities exceeded current assets by US\$10,107,820 (2020: US\$19,195,785) as at 31 December 2021.

As disclosed, the ability of the Company to continue as a going concern is dependent upon undertakings from ultimate parent entity (Kumul Petroleum Holdings Limited) to provide financial support to the Company as and when it is needed and to the extent that it would keep the Company solvent. The Company's Directors are satisfied with the ability of the ultimate parent company to make these undertakings.

I am concerned that the Company may be unable to realize its assets and discharge its liabilities in the normal course of business which could trigger significant doubt about the Company's ability to continue as a going concern.

68A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68B. KUMUL ENERGY LIMITED

68B.1 INTRODUCTION

68B.1.1 Legislation

The Company was incorporated as an unlisted company under the *Companies Act of Papua New Guinea* on 19 September 2014. The sole shareholder of Kumul Energy Limited is Kumul Petroleum Holdings Limited. On 22 September 2015, the Company changed its name from NPCP Power and Energy Limited to Kumul Energy Limited.

68B.1.2 Objective of the Company

The Company was purposely incorporated with the objective of holding all the power generation projects that KPHL has ventures into or will acquire in the future.

The Company has a 50% interest in NiuPower with Santos, which has developed and is operating a Power Plant project adjacent to PNG LNG project for generation of electricity and supplying to the Port Moresby Grid.

68B.2 AUDIT OBSERVATIONS

68B.2.1 Comments on Financial Statements

My reports in accordance with the provisions of the *Companies Act* on the Company's financial statements for the years ended 31 December 2019, 2020 and 2021 were issued on 13 February 2024. The reports did not contain any qualification.

68B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the Company's financial statements for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68C. KUMUL EXPLORATION (ASIA) LIMITED (A subsidiary of Kumul Petroleum Holdings Limited)

68C.1 INTRODUCTION

68C.1.1 Legislation

The Kumul Exploration (Asia) Limited was incorporated in Singapore under the *Companies Act of Singapore* on 2 March 2017. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Exploration (Asia) Limited.

68C.1.2 Objective of the Company

The Company's main objective is service activities incidental to oil and gas extraction (excluding surveying and engineering design and consultancy services, supporting mining, oil and gas extraction and offshore exploration activities).

68C.2 AUDIT OBSERVATION

68C.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 18 April 2024. The report did not contain any qualification.

68C.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the Company's financial statements for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68D. KUMUL GAS FORELAND 239 B.V **(A subsidiary of Kumul Petroleum Holdings Limited)**

68D.1 INTRODUCTION

68D.1.1 Legislation

The Kumul Gas Foreland 239 B.V was incorporated in Amsterdam, Netherlands under the *Netherlands Civil Code* on 12 October 2011 (amended on 30 June 2017). Kumul Exploration (Asia) Pte Limited is the sole shareholder of Kumul Gas Foreland 239 B.V.

68D.1.2 Objectives of the Company

The Company's objectives are to:

- incorporate, to finance, to participate in, to manage and to supervise companies and other enterprises;
- raise funds, to acquire, to dispose off, to manage, to exploit, to develop and to commercialise in any other way real estate, securities and other assets including patents, permits, copyrights, trademarks, licenses, secret processes or formula's, designs and other industrial and intellectual property rights;
- render administrative, technical, financial, economic, commercial or managerial services to companies, partnerships and other enterprises; and
- engage in all activities, whether or not in collaboration with others, which directly or indirectly relate to those objects and all this in the broadest sense.

68D.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017, 2018 and 2019. Further, the Business Register extract from the Netherlands Chamber of Commerce shows that the Company had been deregistered as of 1 May 2020. Therefore, the Company will not be included in my future reports to Parliament.

68E. KUMUL GAS FORELAND 261 B.V **(A subsidiary of Kumul Petroleum Holdings Limited)**

68E.1 INTRODUCTION

68E.1.1 Legislation

The Kumul Gas Foreland 261 B.V was incorporated in Amsterdam, Netherlands under the *Netherlands Civil Code* on 12 October 2011. Kumul Exploration (Asia) Pte Limited is the sole shareholder of Kumul Gas Foreland 261 B.V.

68E.1.2 Objectives of the Company

The Company's objectives are to:

- incorporate, to finance, to participate in, to manage and to supervise companies and other enterprises;
- raise funds, to acquire, to dispose off, to manage, to exploit, to develop and to commercialise in any other way real estate, securities and other assets including patents, permits, copyrights, trademarks, licenses, secret processes or formulas, designs and other industrial and intellectual property rights;
- render administrative, technical, financial, economic, commercial or managerial services to companies, partnerships and other enterprises; and
- engage in all activities, whether or not in collaboration with others, which directly or indirectly relate to those objects and all these in the broadest sense.

68E.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017, 2018 and 2019. Further, the Business Register extract from the Netherlands Chamber of Commerce shows that the Company had been deregistered as of 1 May 2020. Therefore, the Company will not be included in my future reports to Parliament.

68F. KUMUL GAS FORELAND 268 B.V **(A subsidiary of Kumul Petroleum Holdings Limited)**

68F.1 INTRODUCTION

68F.1.1 Legislation

The Kumul Gas Foreland 268 B.V was incorporated in Amsterdam, Netherlands under the *Netherlands Civil Code* on 12 October 2011 (amended to 30-06-2017). Kumul Exploration (Asia) Pte Limited is the sole shareholder of Kumul Gas Foreland 268 B.V.

68F.1.2 Objectives of the Company

The Company's objectives are to:

- incorporate, to finance, to participate in, to manage and to supervise companies and other enterprises;
- raise funds, to acquire, to dispose off, to manage, to exploit, to develop and to commercialise in any other way real estate, securities and other assets including patents, permits, copyrights, trademarks, licenses, secret processes or formulas, designs and other industrial and intellectual property rights;
- render administrative, technical, financial, economic, commercial or managerial services to companies, partnerships and other enterprises; and
- engage in all activities, whether or not in collaboration with others, which directly or indirectly relate to those objects and all this in the broadest sense.

68F.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017, 2018 and 2019. Further, the Business Register extract from the Netherlands Chamber of Commerce shows that the Company had been deregistered as of 1 May 2020. Therefore, the Company will not be included in my future reports to Parliament.

68G. KUMUL GAS FORELAND 269 B.V **(A subsidiary of Kumul Petroleum Holdings Limited)**

68G.1 INTRODUCTION

68G.1.1 Legislation

This Company was incorporated in Amsterdam, Netherlands under the *Netherlands Civil Code* on 12 October 2011 under the name of Kumul Gas Foreland 269 B.V. Kumul Exploration (Asia) Pte Limited is the sole shareholder of Kumul Gas Foreland 269 B.V.

68G.1.2 Objectives of the Company

The objectives of the Company are to:

- finance, to participate in, to manage and to supervise companies and other enterprises;
- raise funds, to acquire, to dispose off, to manage, to exploit, to develop and to commercialise in any other way real estate, securities and other assets including patents, permits, copyrights, trademarks, licenses, secret processes or formulas, designs and other industrial and intellectual property rights,
- render administrative, technical, financial, economic, commercial or managerial services to companies, partnerships and other enterprises; and
- engage in all activities, whether or not in collaboration with others, which directly or indirectly relate to those objectives and all these in the broadest sense.

68G.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017, 2018 and 2019. Further, the Business Register extract from the Netherlands Chamber of Commerce shows that the Company had been deregistered as from 1 May 2020. Therefore, the Company will not be included in my future reports to Parliament.

68H. KUMUL GAS NIUGINI B.V **(A subsidiary of Kumul Petroleum Holdings Limited)**

68H.1 INTRODUCTION

68H.1.1 Legislation

The Kumul Gas Niugini B.V was incorporated in Amsterdam, Netherlands under the *Netherlands Civil Code* on 12 October 2011 (amended on 11 May 2017). Kumul Exploration (Asia) Pte Limited is the sole shareholder of Kumul Gas Niugini B.V.

68H.1.2 Objectives of the Company

The Company's objectives are to:

- incorporate, to finance, to participate in, to manage and to supervise companies and other enterprises;
- raise funds, to acquire, to dispose off, to manage, to exploit, to develop and to commercialise in any other way real estate, securities and other assets including patents, permits, copyrights, trademarks, licenses, secret processes or formula's, designs and other industrial and intellectual property rights;
- render administrative, technical, financial, economic, commercial or managerial services to companies, partnerships and other enterprises; and
- engage in all activities, whether or not in collaboration with others, which directly or indirectly relate to those objects and all this in the broadest sense.

68H.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit despite my repeated reminders.

68I. KUMUL LENDING CO PTE LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68I.1 INTRODUCTION

68I.1.1 Legislation

The Kumul Lending Co Pte Limited was incorporated in Singapore under the *Companies Act* of Singapore on 8 August 2016. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Lending Co Pte Limited.

68I.1.2 Objective of the Company

The key objective of the Company is to undertake fund management activities.

68I.2 AUDIT OBSERVATION

68I.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 29 February 2024. The report did not contain any qualification.

68I.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the Company's financial statements for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68J. KUMUL LNG LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68J.1 INTRODUCTION

68J.1.1 Legislation

This Company was incorporated under the *Companies Act* on 19 May 2009 under the name of Kumul LNG Limited. The Company has one (1) share and Eda Oil Limited is the sole shareholder of the Company. Eda Oil Limited is 100% subsidiary of Petromin PNG Holdings Limited that was established as a special purpose entity to hold Petromin's interests in the LNG Projects. As a result of the enactment of the *Kumul Petroleum Holdings Limited Authorisation Bill 2015*, both Eda Oil Limited and Kumul LNG Limited were transferred to Kumul Petroleum Holdings Limited on 30 June 2016 by Petromin PNG Holdings Limited.

68J.1.2 Objective of the Company

The Company has 0.20% interest in the PNG LNG Project. The Project interest is connected to Eda Oil Limited's license interest in PDL 5 (20.5% License Interest in PDL 5) and the Moran Petroleum Project Interest.

68J.2 AUDIT OBSERVATION

68J.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 13 February 2024. The report did not contain any qualification.

68J.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68K. KUMUL PETROLEUM (DEVELOPMENT) LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68K.1 INTRODUCTION

68K.1.1 Legislation

This Company was incorporated under the *Companies Act* on 19 September 2014 in accordance with the *NEC Decision No. 108/2011* dated 7 July 2011. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Petroleum (Development) Limited. On 25 September 2015, the Company changed its name from NPCP Pipeline and Gas Supply Limited to Kumul Petroleum Development Limited. The Company again had its name changed from Kumul Petroleum Development Limited to Kumul Petroleum (Development) Limited on 28 January 2016.

68K.1.2 Objective of the Company

The objective of the Company is to provide pipeline facilities to the upcoming various Liquefied Natural Gas (LNG) projects.

68K.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2017 and 2018 have been completed and results were being evaluated. Issuing of my reports for these audits have been long delayed due to the fact that the Company has investment in NPCP Oil Company Pty Limited, and the audit of NPCP has been delayed due to slow information flows and changes in management.

The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2019, 2020, 2021 and 2022 were on hold awaiting completion of 2017 and 2018 audits.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68L. KUMUL PETROLEUM (INVESTMENTS) LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68L.1 INTRODUCTION

68L.1.1 Legislation

The Company was incorporated under the *Companies Act* on 15 October 2014 in accordance with the *NEC Decision No. 108/2011* dated 7 July 2011. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Petroleum (Investments) Limited. On 25 September 2015, the Company changed its name from NPCP Investments Limited to Kumul Petroleum (Investments) Limited.

68L.1.2 Objective of the Company

The Principal objective of the Company is to hold the Independent State of Papua New Guinea's shareholding interest in Oil Search Limited and other Investments by the State in oil and gas in Papua New Guinea. In this respect, on 4 March 2014, the State acquired 10.01% shareholding (149,390,244 shares) in Oil Search Limited (OSL) at a price of AUD8.20 per share for a total consideration of AUD1.225 million. The funding for purchase of the State's interest in OSL was provided by UBS Australia. On 23 December 2014, the State transferred its 10.01% shareholding interest in OSL and the obligations arising from the loan facilities provided by UBS to Kumul Petroleum (Investments) Limited and Kumul Petroleum Holdings Limited.

68L.2 AUDIT OBSERVATION

68L.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 13 February 2024. The report did not contain any qualification.

68L.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the Company's financial statements for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68M. KUMUL PETROLEUM (KROTON) LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68M.1 INTRODUCTION

68M.1.1 Legislation

This Company was incorporated under the *Companies Act* and was acquired by the Independent Public Business Corporation (IPBC) (now Kumul Consolidated Holdings) on 24 November 2008.

IPBC was approved as the State's nominee in the PNG Liquefied Natural Gas (PNG LNG) Project as resolved by *NEC* in its Meeting *No.36/2008* through *Decision No. 223/2008*. NPCP Holdings Limited (now Kumul Petroleum Holdings Limited) is the 100% Shareholder of National Petroleum Company of PNG (Kroton) Limited as per *NEC Decision No. 108/2011* dated 7 July 2011, which came into effect in 2013. All the Company's shares held by IPBC were transferred to NPCP Holdings Limited in 2013. On 25 September 2015, the Company changed its name from National Petroleum Company of PNG (Kroton) Limited to Kumul Petroleum (PNG LNG) Limited. On 28 January 2016 the Company changed its name from Kumul Petroleum (PNG LNG) Limited to Kumul Petroleum (Kroton) Limited.

68M.1.2 Objective of the Company

The objective of Kumul Petroleum (Kroton) Limited is to invest in the PNG LNG Project as PNG State's nominee holding 16.57% equity in the Project.

68M.2 AUDIT OBSERVATION

68M.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2021 was issued on 13 February 2024. The report did not contain any qualification.

68M.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68N. KUMUL PETROLEUM (PIPELINE) LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68N.1 INTRODUCTION

68N.1.1 Legislation

This Company was incorporated under the *Companies Act* on 30 October 2015 under the name Kumul Petroleum Pipeline Limited. On 28 January 2016, the Company changed its name to Kumul Petroleum (Pipeline) Limited. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Petroleum (Pipeline) Limited.

68N.1.2 Objective of the Company

The principal objective of the Company is to hold the interest of Kumul Petroleum Holdings Limited in the Western Pipeline (Strategic Pipeline) Project.

68N.2 AUDIT OBSERVATION

68N.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2021 was issued on 13 February 2024. The report did not contain any qualification.

68N.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

680. KUMUL PETROLEUM (TECH & ADVISORY) LIMITED (A subsidiary of Kumul Petroleum Holdings Limited)

680.1 INTRODUCTION

680.1.1 Legislation

The Company was incorporated under the *Companies Act* on 8 September 2014 in accordance with the *NEC Decision No. 108/2011* dated 7 July 2011. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Petroleum Technical Institute and Consulting Limited. On 25 September 2015, the Company changed its name from NPCP Technical Institute and Consulting Limited to Kumul Petroleum Technical Institute and Consulting Limited. Subsequently, the Company changed its name from Kumul Petroleum Technical Institute and Consulting Limited to Kumul Petroleum (Tech & Advisory) Limited on 28 January 2016.

In 2015, the Company bought 12.5% shares in Orion Enga Children's Fund JV Limited. Orion Enga Children's Fund JV owns the South Pacific Employment Institute registered as a business name and runs the Kumul Petroleum Academy in partnership with Kumul Petroleum (Tech & Advisory) Limited.

680.1.2 Objective of the Company

The principal objective of the Company is to provide professional and other business services.

680.2 AUDIT OBSERVATION

680.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 13 February 2024. The report did not contain any qualification.

680.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68P. KUMUL PETROLEUM MARKETING PTE LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68P.1 INTRODUCTION

68P.1.1 Legislation

The Kumul Petroleum Marketing Pte Limited was incorporated in Singapore under the *Companies Act* of Singapore on 28 April 2017. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Petroleum Marketing Pte Limited.

67P.1.2 Objective of the Company

The Company is to be engaged in the Marketing of Liquefied Natural Gas, Condensate and other related products.

68P.2 AUDIT OBSERVATION

68P.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 29 February 2024. The report did not contain any qualification.

68P.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the Company's financial statements for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68Q. KUMUL SECURITY AGENT LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68Q.1 INTRODUCTION

68Q.1.1 Legislation

The Kumul Security Agent Limited was incorporated in Singapore under the *Companies Act* of Singapore on 31 August 2016. Kumul Petroleum Holdings Limited is the sole shareholder of Kumul Security Agent Limited.

68Q.1.2 Objective of the Company

The key objective of the Company is to undertake fund management activities.

68Q.2 AUDIT OBSERVATION

68Q.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2021 was issued on 29 February 2024. The report did not contain any qualification.

68Q.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the Company's financial statements for the year ended 31 December 2022 was in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

68R. NPCP OIL COMPANY PTY LIMITED **(A subsidiary of Kumul Petroleum Holdings Limited)**

68R.1 INTRODUCTION

68R.1.1 Legislation

Cue PNG Oil Company Pty Limited, a subsidiary of Cue Energy Limited of Australia was incorporated in Australia under the *Companies Act* of Australia on 8 February 1996. This Company was bought by Kumul Petroleum (Development) Limited on 20 November 2014 at a cost of US\$7,109,144. The Company changed its name to NPCP Oil Company Pty Limited on 20 January 2015. Kumul Petroleum (Development) Limited (A subsidiary of Kumul Petroleum Holdings Limited) is the sole shareholder of NPCP Oil Company Pty Limited. The Company is now incorporated in PNG under *Companies Act* of PNG.

68R.1.2 Objectives of the Company

The principal objectives of the Company are exploration and production of hydrocarbons. The Company holds certain exploration and development licenses in PNG, namely PDL 3, PRL 14, PRL 19 and PL2.

68R.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2015, 2016, 2017 and 2018 have been substantially completed. However, there have been significant delays in finalizing and issuing of the audit reports due to slow information flows and management turnover.

The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2019, 2020, 2021 and 2022 were in progress.

The Company has not submitted its financial statements for the year ended 31 December 2023 for my inspection and audit.

69. KUMUL TELIKOM HOLDINGS LIMITED

69.1 INTRODUCTION

69.1.1 Legislation

Kumul Telikom Holdings Limited (KTH) was incorporated under the *Companies Act* on 21 May 2018 in accordance with *NEC Decision No. 44/2017*.

69.1.2 Functions of the Company

The principal functions of the Company are to:

- hold all of the shares of Telikom PNG Limited, Bemobile and PNG DataCo;
- transfer Kumul Consolidated Holdings (KCH) interest in Bemobile and PNG DataCo;
- rationalize telecommunication sector to develop a profitable, competitive and sustainable enterprise; and
- restructure the three communications entities (Telikom Limited, Bemobile Limited and PNG DataCo Limited) into one communication service provider from wholesale services to retail mobile and fixed line.

69.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit.

In 2021, I was informed that the Company was undergoing another restructure, this time, establishing only Telikom Limited and amalgamating Bemobile Limited. Unless I receive sufficient information of the restructure, I will still report on these companies in my Report.

70. LIVESTOCK DEVELOPMENT CORPORATION LIMITED

70.1 INTRODUCTION

70.1.1 Legislation

The Livestock Development Corporation Limited was incorporated under the *Companies Act*. The share capital is wholly owned by the National Government.

70.1.2 Functions of the Company

The main activities of the Company are breeding and slaughtering cattle and pigs, purchasing and exporting insects, growing vegetables and fruits, and raising poultry.

70.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has submitted its financial statements for the years ended 31 December 2019 and 2020 for my inspection and audit and arrangements were being made to commence the audits shortly.

The Company has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

71. MINERAL RESOURCES DEVELOPMENT COMPANY LIMITED

71.1 INTRODUCTION

71.1.1 Legislation

The Mineral Resources Development Company Limited (MRDC) was incorporated under the *Companies Act*. The Company is wholly owned by the National Government. There is no specific enabling legislation for the Company. The Company was mandated by the *Oil and Gas Act 1998* to manage project benefits which are held in trusts by corporate trustees which are subsidiaries of the Company. Under that law, the State is entitled to take up 30% equity in Mining Licences (ML) and 22.5% equity in Petroleum Development Licenses (PDL). Out of these equity interests, the State beneficially assign a portion to Landowners and Provincial Governments. These participating interests are managed by the Mineral Resources Development Company (MRDC).

In 1996, through a successful Initial Public Offering (IPO), MRDC launched a subsidiary company called Orogen Mineral Limited (OML) and was listed on the Australian Stock Exchange (ASX). The Company offered 49% stake in OML to the public and retained 51%. The State's equity interest in all the mining and petroleum projects were transferred to OML as the basis for IPO. The Company retained the beneficial interests assigned to the Landowners and Provincial Governments.

In 2002, through a policy decision of the government, OML merged with Oil Search Limited (OSL). As a result, MRDC's 51% stake in OML was transferred to OSL, however, the company retained 18.1% in OSL.

The Company was restructured in 2007. Petromin PNG Holdings was formed and took control of the State's equity under MRDC management. As a result of the restructure, the Company was left with the beneficial interest for Landowners and Provincial Governments. Recognising the substantial value associated with these interests, the Government legislated, through the *Oil and Gas Act*, that such interests (including interests in the future projects) be managed by MRDC under a corporate trust arrangement.

71.1.2 Objective of the Company

The principal objective of the Company is to hold the interests of Landowners and Provincial Governments in Mining and Petroleum Projects within PNG.

71.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2021, 2022 and 2023 for my inspection and audit.

The Management advised me on 2 November 2023 that as a result of the enactment of the new *Mineral Resources Development Company Limited Authorisation Act 2020* by Parliament and certified on 26 June 2020, the Company is given the full authority to appoint its own auditors for the financial year 2021 and going forward.

Accordingly, I will not report to Parliament on the status of the Company's audit in my future reports until the Act is amended and Auditor-General is made the mandatory Auditor per *Section 214* of the Constitution.

72. MOTOR VEHICLES INSURANCE LIMITED

72.1 INTRODUCTION

72.1.1 Legislation

The Motor Vehicles Insurance (PNG) Trust Limited was incorporated under the *Companies Act* following the *NEC Decision No. 4/98* of January 1998. It was formed to change the status of the then existing Motor Vehicles Insurance (PNG) Trust to conform to the intentions of the NEC for the then PNG Banking Corporation Holding Company No. 1 Limited to acquire the business of the Trust as part of the reform of the financial services sector.

The Trust was incorporated under the *Companies Act* as Motor Vehicles Insurance (PNG) Trust Limited (MVITL). The shares of this entity which were held by the Independent State of PNG were subsequently sold to the then PNG Banking Corporation, an entity also owned and controlled by the State.

On 31 December 1998, as part of the corporatisation and restructuring programme of the then PNG Banking Corporation Group, PNGBC Limited, PNGBC Holding Co. No. 1 Limited and Motor Vehicles Insurance (PNG) Trust Limited were amalgamated under the provisions of the *Companies Act* to form an amalgamated Company, PNGBC Limited. The ultimate parent Company of PNGBC Limited was Finance Pacific Limited, a Company wholly owned and controlled by the Independent State of PNG.

With effect from 1 January 1999, Motor Vehicles Insurance Limited (MVIL) was incorporated under the *Companies Act* to underwrite the third-party insurance under the Act in succession to the Trust and MVITL.

The assets of MVITL immediately before the amalgamation with the then PNGBC Limited were transferred to MVIL when it took over the responsibility for providing third party insurance.

72.1.2 Subsidiaries of the Company

The subsidiaries of Motor Vehicles Insurance Limited are Pacific MMI Insurance Limited and Pacific Re Limited. Comments in relation to these subsidiaries are contained in paragraphs 72A and 72B respectively of this Report.

72.2 AUDIT OBSERVATIONS

72.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2022 was issued on 17 November 2023. The report did not contain any qualification.

72.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

72A. PACIFIC MMI INSURANCE LIMITED **(A subsidiary of Motor Vehicles Insurance Limited)**

72A.1 INTRODUCTION

72A.1.1 Legislation

Pacific MMI Insurance Limited was incorporated on 10 July 1998 under the *Companies Act*.

The Company was established in 1998, through a joint venture between Motor Vehicles Insurance Limited (the Motor Vehicles Insurance Trust) and Allianz New Zealand Limited. The Joint Venture took control of the insurance portfolio previously operated by the Niugini Insurance Corporation. In 2009, Motor Vehicles Insurance Limited became the sole shareholder of Pacific MMI Insurance Limited. Pacific MMI Insurance Limited is now a 100% PNG owned company.

The Company started its operations in 1998 providing both general and life insurance to the market. Pacific MMI Insurance Limited is a registered general insurance company under the *Insurance Act 1995*, and a registered life insurance company under the *Life Insurance Act 2000*. The Company is also a member of the PNG Insurance Council Inc. and a member of the Joint Member Committee (JMC) Life Insurance Inc.

72A.1.2 Objective of the Company

To provide the market with peace of mind, personal service, secure insurance products, competitive options and local Papua New Guinean expertise.

72A.1.3 Function of the Company

The Company's main function is to provide a range of personal, commercial and corporate insurance products through selected Insurance Brokers, Business Partners and direct to the Public.

72A.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

72B. PACIFIC RE LIMITED **(A subsidiary of Motor Vehicles Insurance Limited)**

72B.1 INTRODUCTION

72B.1.1 Legislation

Pacific Re Limited was incorporated on 30 May 1995 under the *Companies Act*.

The Company was registered on 30 May 1995 under the former name Negliw No. 92 Pty Limited. The name was later changed to Pacific International Reinsurance Corporation Pty Limited, then to Pacific Re Pty Limited, and currently named Pacific Re Limited. The Company was registered by the three former shareholders, American Home Assurance Company, HIH Life Insurance (PNG) Limited and Mitsui Marine and Fire Insurance Co. (PNG) Pty Limited with the intention to provide local reinsurance support to the insurance market. Over the years there had been a number of transfers of shareholdings. The current shareholders of the Company comprise of Motor Vehicle Insurance Limited (MVIL) with 39,959,528 and Alpha Insurance Limited with 1,454,418 shares.

The Company commenced its operations in 1997 providing reinsurance support to the local insurance market. Pacific Re Limited is the only registered reinsurance company operating in Papua New Guinea.

72B.1.2 Objective of the Company

To be a provider that enables the delivery of dynamic quality reinsurance solutions, that offers strong security combined with excellent service to all our business partners, that values team members and enhances shareholder wealth.

72B.1.3 Functions of the Company

The Company's principal activities include providing proportional and non-proportional and facultative and treaty reinsurance with an overall underwriting philosophy of profitable growth. The major classes of business for reinsurance support include:

- Property;
- Motor vehicle;
- Casualty;
- Accidents; and
- Marine.

72B.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

73. NATIONAL AIRPORTS CORPORATION LIMITED

73.1 INTRODUCTION

73.1.1 Legislation

National Airports Corporation Limited was incorporated under the *Companies Act*. The Company had begun operations in October 2009 after its incorporation on 6 October 2009. This Company was established in accordance with *Section 132* of the *Civil Aviation Act 2000 (as amended)*.

National Airports Corporation Limited is regulated by the *Civil Aviation Authority Act 2000 (as amended)* as a Company having its own operating certificates. Except for the governance requirements specified in the *Civil Aviation Act*, it operates independently. The two shares issued by the Company are equally held by the Minister for Civil Aviation and the Minister for Finance on behalf of the Independent State of Papua New Guinea.

73.1.2 Functions of the Corporation

The functions of the National Airports Corporation Limited are derived from *Section 132* of the *Civil Aviation Act*.

73.1.3 Subsidiaries of the Corporation

The Corporation has two subsidiary companies; *Airport City Development Limited* and *Airports Investments Limited*. Comments in relation to these companies are contained in paragraphs 73A and 73B respectively of this Report.

73.2 AUDIT OBSERVATIONS

73.2.1 Comments on Financial Statements

My report in accordance with provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2020 was issued on 3 November 2023. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs below, I was not able to obtain sufficient appropriate audit evidence and accordingly, I am unable to and do not express an opinion on the financial statements of the National Airport Corporation Limited (the Company) and its Subsidiaries (the Group) for the year ended 31 December 2020.

BASIS FOR DISCLAIMER OF OPINION

Opening Balances and Corresponding Figures

My report on the Company and Group's Financial Statements for the year ended 31 December 2019 was a disclaimer of opinion. I identified issues in relation to the going concern basis of accounting, the physical verification of property and equipment valued at K1.02 billion (2019: K1,073,094,451) (Group and Company). The CADIP assets, liabilities, and cash flows of K900,431,950 (2019: K696,141,951). The GST of K47.3 million (2019: K43.2 million) (Group), K45.7 million (2019: K41.6 million) (Company), and salaries and wages tax (K27.7 million (2019: K26.8 million (Group & Company) respectively. I could not satisfy myself as to the accuracy and completeness of the 2020 opening balances and comparative amounts in the financial statements for the above accounts.

Since the opening balances enter into the determination of the results of operations, equity movements, and cash flows of the Company and the Group for the year ended 31 December 2020, any adjustments on the opening balances would have a consequential effect on the financial performance, equity movement, and cash flows for the year ended 31 December 2020. I was unable to determine whether any such adjustments might be necessary for the year ended 31 December 2020, and associated corresponding figures for the year ended 31 December 2019.

Going Concern Basis of Accounting

Note 4 to the Financial Statements, disclosed that the Company and Group incurred a net loss of K226.8 million for the year ended 31 December 2020 (2019: K46.5 million). As disclosed in *Note 4*, the Directors of the Company and the Group have not prepared a cash flow projection for the next 12 months to support any plans they have with respect to significant assumptions included in their going concern assessment. In addition, at the date of this report, most of the significant assumptions disclosed by the Company and the Group that the going concern is critically dependent upon are not at a stage where counterparties have committed to the course of action the Company and Group propose or sufficiently secured, or evidence is not made available for me to perform my obligations.

These conditions have a material and pervasive negative impact on my ability to gather evidence to form a conclusion, in particular testing the existence of plans that the Company and the Group have put in place, the feasibility of these plans, and whether the outcome of these plans will materialise to support the going concern, as and when needed.

The Directors have not provided me with the forecast cash flows to support their plans, enforceable contracts, or agreements from the PNG Government or other external parties committing funding or provided me with alternative evidence as to the ability of the Company and the Group to continue as a going concern.

Consequently, I was unable to obtain sufficient and appropriate evidence to confirm or dispel whether it is appropriate to prepare the financial statements using the going concern basis of accounting.

Impairment Assessment – Property and Equipment

Note 3 to the Financial Statements disclosed that the Company and the Group prepare its Financial Statements based on the historical cost basis. At the end of each reporting period, the Company and Group review the carrying amounts of the Company and Group's tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, *IAS 36 Impairment of Assets* requires the recoverable amount of the asset to be estimated to determine the extent of the impairment loss (if any).

For the year ended 31 December 2020, I identified the following impairment indicators:

- Declining operating results;
- Declining operating cash flows due to key airline customers not meeting obligations;
- Actual net cash flows or operating profit or loss flowing from the assets that are significantly worse than those budgeted; and
- Future projected negative cash flows

As at 31 December 2020, the Company and the Group did not perform an impairment assessment despite the existence of impairment indicators. I consider this to be non-compliance with the accounting standards. In the absence of impairment assessments, it is impracticable for me to estimate the impact.

I therefore was unable to obtain sufficient and appropriate audit evidence to determine what adjustments might be necessary to the statements of financial position at 31 December 2020, and the statements of profit or loss and other comprehensive income, statements of cash flows, and statements of changes in equity for the year ended 31 December 2020.

CADIP Assets, Liabilities and Cash Flows

The Company is an implementation agency for the Civil Aviation Development Investment Program (CADIP), a project founded by ADB and the Government of PNG which has been developed to revitalise and maintain the country's civil aviation network, including its 22 airports. The Company is the legal owner of all the CADIP's assets, controls CADIP's operational activity, and almost all the assets constructed by CADIP are transferred to the Company's fixed assets register after their construction is completed.

However, the Company and the Group did not include CADIP's project assets, liabilities, expenses, and cash flows in the financial statements, except for the CADIP's GST receivable balance of K88 million (2019: K48 million) and salaries and wages tax payable of K5.4 million (2019: K5 million). The audited key amounts included in the CADIP project's financial statements but not taken up in the Company and the Group's 31 December 2020 financial statements are as follows:

- Cash – K3.2 million (2019: K3.9 million)
- Trade creditors – K39.9m (2019: K79m)
- Assets under construction – K910.3m (2019: K763m)
- Retention payable – K27.5m (2019: K26m)
- Equity – K1,151.4m (2019: K720m)
- Funding revenue – K206.4m (2019: K202m)
- Project expenditure – K207.0m (2019: K223m)

As CADIP does not prepare IFRS financial statements, the above key amounts are provided for context, however, it is impracticable for me to estimate the impact. I was unable to obtain sufficient and appropriate audit evidence to determine what adjustments might be necessary to the statements of financial position at 31 December 2020 and 31 December 2019, and the statements of comprehensive income, statements of cash flows, and statements of changes in equity for the year ended 31 December 2020, and for the corresponding period.

GST and Salaries and Wages Tax

The Company and the Group have included significant GST receivable balances of K47.4 million (2019: K37,105,019) and salaries and wages tax payable of K27.7 million (2019: K26,805,768) in the financial statements. As these balances are still in the process of being assessed by the Internal Revenue Commission (IRC), I was not able to obtain sufficient and appropriate audit evidence of whether the accounts were accurately recorded. I was unable to determine what adjustments might be necessary to the statements of financial position at 31 December 2020 and 31 December 2019, and the statements of profit or loss and other comprehensive income, statements of cash flows, and statements of changes in equity for the year ended 31 December 2020, and for the corresponding period.

73.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2021 was in progress.

The Company has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

73A. AIRPORT CITY DEVELOPMENT LIMITED (A Subsidiary of National Airports Corporation Limited)

73A.1 INTRODUCTION

73A.1.1 Legislation

The Airport City Development Limited was incorporated on 20 August 2009 and was deregistered on 20 April 2010. However, the Company was reinstated on 19 September 2011 as a subsidiary company of the National Airports Corporation Limited. The Company came into operation on 19 September 2012.

73A.1.2 Charter of the Company

The Company was incorporated to establish and manage the design, construction and operating stages of the Airport City Project to ensure economic, technically sound and expeditious completion of the Project.

73A.2 AUDIT OBSERVATION

73A.2.1 Comments on Financial Statements

My report in accordance with provisions of the *Companies Act* on the financial statements of the Company for the years ended 31 December 2019 and 2020 were issued on 22 December 2023. The reports did not contain any qualification.

73A.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2021 was in progress.

The Company has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

73B. AIRPORTS INVESTMENTS LIMITED **(A subsidiary of National Airports Corporation Limited)**

73B.1 INTRODUCTION

73B.1.1 Legislation

The Airports Investments Limited is a wholly owned subsidiary of the National Airports Corporation Limited. The Company was initially registered as Helios No. 129 Limited on 23 October 2014 under the *Companies Act*, and later changed its name to Airports Investments Limited on 27 April 2015. The operations of the Company commenced on 1 January 2016.

73B.1.2 Objective of the Company

Primary objective of the Airports Investments Limited is to maximize full utilization of airport assets to generate revenue to support core airport activities relating to safety and security.

73B.1.3 Functions of the Company

Functions of the Company include: utilization of large assets base of the airports to realize large revenue potential; generating revenue to fund the operations of the terminal facilities and runways; and utilizing return from commercialising the airport assets to assist rural airstrips.

73B.2 AUDIT OBSERVATIONS

73B.2.1 Comments on Financial Statements

My report in accordance with provisions of the *Companies Act* on the financial statements of the Company for the years ended 31 December 2019 and 2020 were both issued on 22 December 2023. The reports did not contain any qualification.

73B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2021 was in progress.

The Company has not submitted its financial statements for the years ended 31 December 2022 and 2023 for my inspection and audit.

74. NIUSKY PACIFIC LIMITED

74.1 INTRODUCTION

74.1.1 Legislation

Niusky Pacific Limited is the new Company name given on 21 August 2020. The Company was formerly known as PNG Air Services Limited which was incorporated under the *Companies Act* on 30 April 2007 and commenced operations from January 2008. The Company was established in accordance with *Section 143(6)* of the *Civil Aviation Act 2000 (as amended)* which envisaged the establishment of a Company to deliver “*air traffic services, aeronautical navigation services and aeronautical communication services and all related services in Papua New Guinea and the airspace for which it is responsible.*”

Niusky Pacific Limited as a State Aviation Enterprise (SAE) is an independent self-funding Company. The two shares issued by the Company are equally held by the Minister for Civil Aviation and the Minister for Finance on behalf of the Independent State of Papua New Guinea. The Company has its own operating certificates and operates independently from other Aviation Entities established under the *Civil Aviation Act 2000 (as amended)*.

74.1.2 Functions of the Company

Niusky Pacific Limited (*formerly PNG Air Services Limited*) was established with a purpose of delivering safe and efficient air navigation services to the aviation industry and the travelling public. It ensures provision of quality Communication, Navigation, Surveillance (CNS) and Air Traffic Management (ATM) services to both domestic and international customers who operate within the PNG airspace, at a reasonable cost, hence to be a leader in providing world standard air navigation services. Niusky Pacific Limited makes sure that the radio coverage in PNG both VHF and HF are improved and that efficient and effective air traffic services are maintained.

74.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the Company has not submitted its financial statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for my inspection and audit.

The Company had advised me through a letter dated 14 November 2016 that it would appoint its own auditor for the 2016 and subsequent years audits. However, I advised the Company of my responsibility under *Section 214(3)* of the Constitution of the Independent State of Papua New Guinea to inspect and audit, and report to Parliament on all bodies set up by an Act of Parliament.

In support of my mandated constitutional duties, the Public Accounts Committee directed the Management that audit of the Company will be done by my Office. Accordingly, I have retaken the audit of the Company from 2024.

75. PAPUA NEW GUINEA PORTS CORPORATION LIMITED (Formerly PNG Harbours Limited)

75.1 INTRODUCTION

75.1.1 Legislation

PNG Harbours Limited was incorporated under the *Companies Act* on 19 June 2002 in accordance with the privatisation policy approved by the NEC in 1999. The Company changed its name to Papua New Guinea Ports Corporation Limited on 7 March 2006.

75.1.2 Functions of the Company

The general functions of PNG Ports Corporation Limited include the regulation, management, control and operation of declared ports; the movement of shipping therein; and the maintenance of light ships, buoys, beacons, moorings, wharves, docks, piers, jetties, landing stages, slips, landing ramps and platforms.

75.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

76. PNG DATACO LIMITED

76.1 INTRODUCTION

76.1.1 Legislation

The PNG DataCo Limited came into existence on 2 December 2010 after the name was changed from Whittlesea Limited. Whittlesea Limited was incorporated under the *Companies Act* on 21 April 2010.

On 6 February 2014, the National Executive Council (NEC) in its *Decision No. 32/2014* approved for immediate operations of the PNG DataCo Limited as a Majority State Owned Enterprise (SOE) to oversee and implement the National Transmission Network (NTN) Impact Project Strategy and Objectives as approved by the NEC *Decision No. 268* of 2010, NEC *Decision No. 107* of 2011 and NEC *Decision No. 108* of 2012.

PNG DataCo Limited is governed by the *Companies Act*, the *Independent Public Business Corporation of PNG Act*, and the regulator – *National Information and Communication Technology Authority Act*. The Company became operational in February 2014.

76.1.2 Objectives of the Company

The key objectives of the Company are to:

- work towards the PNG Government's Policy on ICT to refurbish the existing transmission network, extend its availability across the country, allow new transmission networks to develop, and to increase technical capabilities to support high-speed broadband;
- develop the National Transmission Network (NTN) as the efficient domestic and international telecommunication transmission network and that the NTN is available on a wholesale and non-discriminatory basis to all licensed operators of the telecommunication industry to stimulate and foster social and economic developments in Papua New Guinea using State Owned assets and new network investments;
- provide internet gateway services at the international gateway;
- improve the availability of broadband transmission telecommunication services within PNG and internationally;
- improve performance of telecommunication services in terms of responsiveness;
- lower the cost of telecommunication services to end users; and
- ensure the current network operations are scalable, standardise network and IT, invest in required capabilities to build low-cost position, develop deal making capabilities, and best-in-class execution capabilities.

76.1.3 Functions of the Company

The main functions of the Company are to:

- develop the National Transmission Network (NTN) as the efficient domestic and international transmission network; and
- supply high value and market driven suite of data services on a wholesale and non-discriminatory basis to all licensed operators and Internet Service Providers (ISPs) (i.e. holders of a Network or applications licenses) leveraging its exclusive network asset base.

76.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

76.2.1 Comments on Financial Statements

My reports in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the years ended 31 December 2022 and 2023 were issued on 5 September 2023 and 28 June 2024 respectively. The reports did not contain any qualification.

76.2.2 Audit Observations Reported to the Ministers

My reports to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the years ended 31 December 2022 and 2023 were issued on 5 September 2023 and 28 June 2024 respectively. The reports contained similar observations, hence, only 2023 report is reproduced.

Property and Equipment – Maintenance of Fixed Assets Register (FAR)

My review of the Company's property and equipment and the FAR revealed variances for certain property and equipment and depreciation. The variances were due to lack of timely reconciliation and update of the FAR when an asset is being acquired, disposed or transferred. The FAR was not efficiently managed to ensure all transactions recorded within the accounting system were accurately reflected.

I recommended management to ensure key discrepancies noted be appropriately attended to, utilize the Company's accounting software (Microsoft Dynamics 365) to maintain an asset register within the system, appropriate training and support is provided to allow the finance/accounting staff to be able to fully utilize this function and, consistent monthly reconciliations are being done and appropriately reviewed by key finance/accounting staff.

Bank Reconciliations

Year-end bank statement balance used in the bank reconciliations for the Company's main and retention accounts did not agree to the independent bank audit confirmation by Bank of South Pacific (BSP). In addition, I have also observed that apart from cash receipts entries and vendor payment entries, there also appears to be processing of quite a lot of general journals. This has resulted in:

- Bank reconciliations prepared using the incorrect bank statement balances for both bank accounts;
- Cash receipting for deposits cleared within the bank may have not been taken up within the system allowing for Dataco to reconcile the BSP main account without any discrepancies; and
- Vendor payment processed within the BSP retention account not taken up within the system allowing for reconciliation of the account without any discrepancies.

Although the variances were immaterial, the management's ability to identify errors, correct and investigate on timely basis was lacking and requires improvement.

Foreign Contractors Withholding Tax (FCWT)

I have observed that the Company in most instances actively engages with foreign companies as well as individual contractors in using their services especially in providing all required technical support in infrastructure development, construction and maintenance. Much of these suppliers or consultants are not registered for tax purposes in PNG and effectively functioning as non-residents. The nature of services provided by these foreign contractors equated to prescribed costs. This meant that payments done were for services that qualified to be imposed the FCWT as expected by Internal Revenue Commission (IRC). However, the Company has not retained foreign contractors withholding tax to be subsequently remitted to IRC.

I recommended management to initiate discussions with IRC to ensure proper validation against the expected administration of this obligations to ensure this is most appropriately attended to.

Management responded to my observation as follows:

“Management notes the observation and recommendation and will work with the IRC to confirm. As a background, DataCo had initially been paying FCWT from its inception till about 2016 at which point an officer (at the FCWT counter) at the IRC advised that our contracts did not meet the requirements for FCWT. This may have been an error on their part, however our understanding of the issue was reinforced when after this advice was received the Tax Clearance Certificate process (TCC) excluded the requests for FCWT updates. This is despite the fact that we present the same consultant contracts as part of the Tax Clearance Certificates process in order to remit funds overseas, so as far as we are concerned the IRC has always been aware of the purpose for the remittances and has not flagged this as an issue in a little over 8 years.”

77. PNG POWER LIMITED

77.1 INTRODUCTION

77.1.1 Legislation

PNG Power Limited (PPL) was incorporated by the Privatisation Commission under *Section 3(1)* of the *Electricity Commission (Privatisation) Act 2002* as the successor company to the PNG Electricity Commission (*ELCOM*), a statutory corporation established under the *Electricity Industry Act (Chapter 78)*.

- the *Electricity Commission (Privatisation) Act* transferred to PNG Power Limited the following:
 - (i) all of *ELCOM*'s right, title and interest to any and all assets other than those transferred to PNG Dams Limited pursuant to items *1(a)* and *(c)*, including, without limitation, the electricity generation assets located in the areas of Sirinumu Dam and Yonki Dam;
 - (ii) all of *ELCOM*'s liabilities other than those transferred to PNG Dams Limited pursuant to item *2(b)*; and
 - (iii) all water use permits held by *ELCOM* and referred to in *Section 7(1)* of the *Act*.
- transferred all of the employees of *ELCOM* to the employment of PNG Power Limited;
- declared PNG Power Limited as a “*Specified Entity*” for the purposes of *Section 8* of the *Act*;
- in accordance with the privatisation policy of the Privatisation Commission, all the issued shares of PNG Power Limited were transferred to the Privatisation Commission (and deemed transferred to the successor to the Privatisation Commission, the Independent Public Business Corporation of Papua New Guinea (IPBC of PNG)), now Kumul Consolidated Holdings as the trustee of the General Business Trust under the *Independent Public Business Corporation of Papua New Guinea Act*; and
- the consideration for the transfers referred to in items (i) and (ii) was nil.

77.1.2 Functions of the Company

The functions of the Company are to plan and co-ordinate the supply of electricity throughout the country; to generate, transmit, distribute, reticulate and sell electricity; and to provide to the public bodies and the State, services related to sale, consumption and use of electricity.

77.2 AUDIT OBSERVATIONS

77.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2022 was issued on 11 March 2024. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs below, I was not able to obtain sufficient appropriate audit evidence and accordingly, I am unable to and do not express an opinion on the financial statements of PNG Power Limited for the year ended 31 December 2022.

BASIS FOR DISCLAIMER OF OPINION

Opening Balances

My report issued for the year ended 31 December 2021 was a disclaimer of opinion as I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation and completeness of capital work in progress, property, plant and equipment, trade and other receivables, trade and other payables, borrowings, leases and income tax balances as at 31 December 2021. As a result, I could not attest to the appropriateness of the opening balances of these accounts in performing the audit for the financial year ended 31 December 2022.

Since these 2021 accounts closing balances have been taken up as opening balances at 1 January 2022 in determining the financial position, results of operations, cash flows and equity movement of the Company for the year ended 31 December 2022, I was unable to determine whether any adjustments might have been necessary to the financial position as at 31 December 2022 and results of operations, cash flows and changes in equity for the year then ended.

Revaluation of land and buildings

As at 31 December 2022, the Company on its Statement of Financial Position reported the value of its property, plant and equipment at K3,332.50 million (2021: K2,771.03 million). Included was value of land and buildings being carried at K526.71 million (2021: K529.92 million). The Company has an accounting policy to carry its land and buildings at fair value. As at the date of this Report, the Company has received preliminary valuations of certain portion of its land and buildings. However, no fair value adjustments were recorded as at 31 December 2022. As a result, I was unable to satisfy myself as to the reasonableness of the fair values of the land and buildings as at 31 December 2022.

Impairment of property, plant and equipment

In accordance with *IAS 36, Impairment of Assets*, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If such indication exists, the Company shall estimate the recoverable amount of the asset. As at the date of this Report, the Company has not finalized its determination of recoverable amount of the assets as at 31 December 2022. As a result, I was unable to satisfy myself as to the appropriateness of the carrying values of the property, plant and equipment as at 31 December 2022 and whether any impairment loss might have been recognized for the year ended 31 December 2022.

Capital work-in-progress

As disclosed in *Note 8* of the financial statements, capital work-in-progress of the Company as at 31 December 2021 was carried at K1,918.8 million, which included capital contributions of K210.91 million.

My review noted an unsubstantiated increase of K320.27 million in value of capital work-in-progress. Further, the Company was unable to provide me with reconciliations that support the capital contributions presented in the financial report. As such, I was unable to obtain sufficient evidence to confirm legitimacy and existence of the Company's capital work-in-progress account and accuracy of its balance. As a result, I was unable to satisfy myself as to whether the capital work-in-progress balance had been fairly stated as at 31 December 2022.

Classification of borrowing

The Company reported non-current borrowings of K850.22 million as at 31 December 2022. However, I was unable to collate sufficient evidence to determine whether the Company has an unconditional right to defer settlement of these borrowings beyond 12 months. As a result, I was unable to determine whether the classification of the borrowing as non-current liabilities had been appropriate.

Accounting for power purchase agreements

The Company recorded right-of-use assets and lease liabilities of K1,676.22 million and K1,882.05 million respectively, as at 31 December 2022. Further, the Company recognized K51.01 million in profit or loss pertaining to power purchase agreements. The Company has not performed a sufficient analysis of these power purchase agreements under *IFRS 16, Leases* or *IFRIC 12, Service Concession Arrangements*. As a result, I was unable to satisfy myself whether the right-of-use assets and lease liabilities and the expense accounts have been appropriately accounted for as at 31 December 2022 and for the year then ended.

Income tax effect accounting

Since I raised qualifications in respect of leases and property, plant and equipment accounts, I was unable to quantify the consequential impact of these qualifications on income tax balances as at 31 December 2022. In addition, the Company had recognized a deferred tax asset of K94.33 million in respect of carry forward tax losses. The Company was unable to provide sufficient and appropriate evidence to support the recognition of the deferred tax asset for these tax losses in accordance with *IAS 12, Income Taxes*. As a result, I was unable to satisfy myself whether the income tax balances had been fairly stated as at 31 December 2022 and for the year then ended.

Presentation and disclosure of financial statements

In addition to the consequential impact of the matters identified above, my consideration of the adequacy and appropriateness of disclosures in the financial report has identified a number of deficiencies and omissions of financial statement disclosures required by the *International Financial Reporting Standards (IFRS)*. Accordingly, I was unable to conclude whether the financial statements of the Company for the year ended 31 December 2022 fully complied with the requirements of the *International Financial Reporting Standard* as set out in *Note 3* of the financial statements.

EMPHASIS OF MATTER

I wish to draw attention of the shareholders on the following matters of significance without qualifying them:

Material uncertainty related to going concern

I draw attention to *Note 3.3* of the financial report, which indicates that the Company's current liabilities exceeded its current assets by K2,127.94 million as at 31 December 2022. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter."

77.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the year ended 31 December 2022 was issued on 11 March 2024. The report contained the following significant observations:

1. Purchase and payable processes and systems

- a) I noted that PPL operates a general ledger account named “*Goods received not invoiced*”. As at 31 December 2022, this account had a balance of (K5.89) million. This indicates that the three-way matching process is not working effectively, that is, goods are not being matched at receipt to clear the goods received not invoiced account and create a creditor against which the account can be paid.
- b) I noted during my review that long outstanding open Purchase Orders (PO) since 2017 have been still open in the system, however, some were identified by the Management to be completed.

2. Revenue process and systems

I was unable to validate the control environment surrounding revenue recognition due to an incomplete ‘audit trail’. The following control deficiencies were noted:

- a) ***Ensure accuracy of aging report.*** From the sample of the aging reports tested, I noted variances of the aging of the electricity debtors which were not reconciled. I was unable to ascertain the accuracy of the aging report generated from the Gentrack system; and
- b) ***Measurement of revenue:*** For Easipay sales, revenue is recognised at the time top-up credits are purchased by costumers. Per policy, the easipay sales should be recognised on a usage basis. Management should review the systems in place and determine how the usage of easipay sales could be captured in the system and adjust revenue accordingly.

3. Information technology (IT) control environment

I noted significant weaknesses in the IT control environment. Specifically, I noted weaknesses with respect to system access, system change management, reporting capability to support account reconciliations, and the broader control environment and ongoing system monitoring. These are detailed below:

- i. A formal policy on user access management which details the process of user access creation, modification and termination has not been updated to align with the current roles and responsibilities of staff within the Company;
- ii. A process to review the access of business as well as privileged users on a periodic basis has not been implemented; and

-
- iii. There is no periodic review performed of user access to the key financial systems to determine that their access rights are appropriately authorised and established. Unauthorised or inappropriate access may be granted to a user which increases the risk that key financial data/ programs are intentionally or unintentionally modified.

I brought to the attention of the management the above deficiencies noted including my recommendations.

4. Quality of general ledger reconciliations

The general ledger reconciliations have been prepared on a regular basis and that there is an overriding framework to manage the reconciliation process.

However, I identified a number of weaknesses which include the level of skepticism applied for account reconciliations (preparer and reviewer), limited knowledge and understanding of operational processes by reconciliation preparers and reviewers, limited support provided for reconciling items and aging of reconciling items.

I also identified a number of reconciliations and schedules which were signed off by the preparer and reviewer but contained errors, which were not detected during the review process. These findings indicate the review process is not effective and increases the risk of errors and irregularities not being detected and resolved. This could increase risks of material misstatement.

The impacts of the above issues include:

- Reconciliations containing material errors could not be detected;
- Increased use of 'general provisions' by management to counter the risk of potential reconciliation errors;
- Reconciliations are not supported by adequate documentation and calculations; and
- Build-up of long outstanding reconciling items that have not been actioned.

5. Asset and project management process

The Management of PPL commenced implementing asset and project management processes and improving in this area. However, there remains significant opportunity to improve processes associated with asset impairment monitoring, fair value assessments, useful life assessments, and capital work-in-progress management.

The significant matters that have been highlighted include:

a) Capital project management

Capital project management is a critical process for PNG Power. I noted a number of deficiencies as summarised below:

i. Project ledger is unreconciled with audited PPE balances

The project ledger of the Company maintained in Oracle did not agree to the amounts of property, plant and equipment and capital work-in-progress as presented in the financial statements.

ii. Delay in finalisation of project completion forms

PPL is currently behind in their submission of completion notice forms for completed projects. In 2022, I noted K319.95 million worth of assets in capital work-in-progress which were already completed have not yet been capitalised in the project ledger. This increases the risk that projects are not closed out and subsequently capitalized and depreciated from the date the assets are held ready for use.

iii. No Internal Analysis of 5% to 10% overhead for projects

I noted that a 5% to 10 % general allowance is allocated into the cost of the assets to cover for overheads. The 5% to 10% is allocated as a standard to all project work orders and that there is no specific internal analysis made for the allocation of this overhead for each project.

6. Reconciliation and cash at bank balance

I noted the following matters over bank reconciliation processes:

- a) Bank reconciliations have been prepared manually. Oracle has a built-in function where bank reconciliations are automatically prepared where the accounting system is linked to online banking; and
- b) Bank reconciliation items were not addressed on time.

7. Receivables

The Company provided full allowance for receivables which were past due for more than 180 days and for those balances which were determined to be uncollectible. I was unable to obtain sufficient appropriate evidence to evaluate the reasonableness of the policy due to issues noted in the aging of receivables. The Company on the other hand was able to perform an analysis of expected credit losses but using the unreconciled ageing as at 31 December 2022.

8. Payroll and employee-related provisions

As at 31 December 2022, the Company provided for other long-term employee benefits such as ex gratia payments and long service leave. These other long-term employee benefits are measured currently at the undiscounted value of the entitlements. In accordance with revised *IAS 19, Employee Benefits*, the amount recognised as liability for other long-term employee benefits should be the net total at the end of the reporting period of the present value of the defined benefit obligation.

77.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

78. POST PNG LIMITED

78.1 INTRODUCTION

78.1.1 Legislation

Post PNG Limited was incorporated on 24 December 1996 under the *Companies Act*. This Company was formed following the *NEC Decision No. 18/96* of 17 April 1996 to corporatise the Post and Telecommunications Corporation (PTC) and separate it into three entities, namely: Telikom PNG, Post PNG and PNG Telecommunication Authority (PANGTEL) now known as National Information and Communications Technology Authority (NICTA) as established by *Section 8* of the *National Information and Communications Act*.

As a result of the NEC Decision, all assets, rights, liabilities, staff and regulatory powers and business of the PTC relating to Postal Services were, as per the allocation statement approved by the Minister for Communications, transferred on 31 December 1996 at net book value to Post PNG Limited. Post PNG Limited is a 100% state-owned Company and it commenced trading on 1 January 1997.

78.1.2 Objectives of the Company

The primary objectives of the Company are to:

- provide domestic and international postal services to meet the reasonable needs of the people, Government, non-governmental organisations and business enterprises of PNG;
- manufacture and market postage stamps, philatelic products and other products for use in connection with services provided by Post PNG;
- provide money transfer services within the Independent State of PNG and between PNG and other places;
- engage in research relating to postal products and activities;
- provide packet and parcel carrying services;
- provide courier and freight services;
- provide mail house, documents exchange and contract mail management services;
- carry on any business or activity that is related, incidental, ancillary or complementary to the provision of domestic and international postal services;
- provide fund transfer services, act as agent on behalf of other entities, bodies and organisations in relation to banking arrangements and in the collection of premium rates, licence fees, other like services and operate a savings bank; and
- perform functions relating to the provision of postal services in a manner consistent with PNG's obligations under any convention.

78.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

78.2.1 Comments on Financial Statements

My report to the Ministers in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2022 was issued on 19 February 2024. The report contained a Qualified Opinion:

“QUALIFIED OPINION

In my opinion, except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph below:

- (a) The financial statements of Post PNG Limited for the year ended 31 December 2022;
 - (i) give a true and fair view of the financial position and the results of its financial performance and cash flows for the year ended on that date; and
 - (ii) the financial statements have been presented in accordance with the *Companies Act 1997, International Financial Reporting Standards* and other generally accepted accounting practice in Papua New Guinea;
- (b) Proper accounting records have been kept by the Company, as far as it appears from my examination of those records; and
- (c) I have obtained all the information and explanations required.

BASIS FOR QUALIFIED OPINION

Opening Balances

My report on the financial statements of the Company for the year ended 31 December 2021 was a Qualified Opinion in respect of Provision for Trade Debtors, Income Tax Balances and non-compliances with *International Accounting Standards 16 for Property, Plant and Equipment*. I am unable to quantify the effect of material misstatements in the opening balance of the above-mentioned accounts that may have a bearing on the balances reported on the 2022 financial statements. Within the scope of my engagement I am unable to perform sufficient audit procedures to satisfy myself as to the accuracy and opening balances or comparatives presented. Any adjustments that are found to be necessary on such opening balances would have a consequential effect on the profit and loss for the year ended 31 December 2022 and a comparative profit and loss account presented in the respective statements of financial position and cash flows.

As a result of these matters, I am unable to determine whether any adjustments might have been necessary in respect of balances in these accounts, and the balance making up the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows.”

78.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the year ended 31 December 2022 was issued on 19 February 2024. The report contained the following matters:

Outstanding Cheques

During my review of the cash and cash equivalents, I observed that unpresented cheques over a year were disclosed in the Company main operating bank reconciliations. Cheques totalling K766,110 were deemed stale and were not presented to the bank as at balance date.

I recommended that the management thoroughly review and assess these outstanding cheques and assist the management to assess and correct the respective disclosures in the financial statements accordingly.

The management agreed with my recommendations and further advised that it has taken up reversing journal entries initially debiting the bank account and crediting suppliers (Accounts Payables) in the subsequent year.

Unidentified Bank Debits/Credits

As at balance date, Post PNG has disclosed staff and supplier payments of K513,201 and customer receipts of K779,566 as unidentified bank debits and bank credits accordingly. This finding also appeared in my 2021 report, hence, I brought to the attention of the management and recommended that timely creditor and debtor reconciliations be performed to justify these transactions.

Management responded to my concerns as follows:

“Management is aware of these accounts and given the nature that they are not easily identifiable, remain as suspensory accounts of unidentified bank credits and bank debits which are classified initially as liabilities and assets respectively.

Management agrees to the audit recommendations to resolve this by increasing manpower and advise in writing to team leader concerned to carry out monthly bank reconciliations and follow up daily with items of these nature relating to bank accounts. It will be a Key Performance Indicator (KPI) for bank reconciliation officer which is to reconcile these on a monthly basis and avoid carry over to the next period by liaising with respective commercial banks.”

Tax Reconciliation and Compliance

My review of the tax records and related documentation revealed that there were no reconciliations of accounts against IRC statement of account for Goods and Services Tax (GST), Salaries and Wages Tax (SWT), and Corporate Income Tax (CIT). I further observed that Goods and Services Tax (GST) for the Months of January to December have not been lodged and paid to date.

I recommended that the management to perform monthly reconciliations for various tax accounts and ensure that tax settlements are remitted within the prescribed period.

Expired Lease Agreements

My review of the property leased out by the Company to other business houses revealed four (4) instances where lease agreements were yet to be signed and five (5) instances that lease agreements have expired as at balance date. Further, there were no “*holding over*” clause in respective contracts agreements that validated the understanding between concerned parties for subsequent occupancy.

I raised this issue with the management and recommended that these contract agreements be signed and up to date. The management concurred with my recommendation.

78.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

79. TELIKOM LIMITED AND ITS SUBSIDIARIES

79.1 INTRODUCTION

79.1.1 Legislation

Telikom Limited was incorporated under the *Companies Act*. This Company was formed following the *NEC Decision No. 18/96* of 17 April 1996 to corporatise the Post and Telecommunications Corporation (PTC) and to separate it into three entities namely: Telikom Limited, Post PNG Limited and National Information and Communication Technology Authority (NICTA) formerly known as (PANGTEL).

As a result of the NEC Decision, all assets, rights, liabilities, staff and regulatory powers and business of the PTC relating to Telecommunication Services were transferred on 31 December 1996 at the net book value to Telikom Limited as per the allocation statement approved by the Minister for Communications. Telikom Limited is a 100% State Owned Company and it commenced trading on 1 January 1997.

The Company changed its name on 18 December 2021 from Telikom PNG Limited to Telikom Limited.

79.1.2 Objectives of the Company

The primary objectives of the Company are to:

- be the successor Company to the Telikom Divisions of PTC within the meaning of and for the purposes of the *Telikom PNG Limited Act*;
- supply telecommunication services within PNG and between PNG and other places;
- carry on any business or activity relating to telecommunications either inside or outside of PNG;
- publish telecommunications directories, and to supply directory information service;
- supply, install and maintain customer equipment and customer lines;
- develop, manufacture, market and supply facilities and software;
- supply value added services;
- utilise its network, installations and facilities for purposes other than telecommunications, to the extent that such network installations and facilities are not fully utilised in the supply of telecommunications;
- carry on any business incidental to telecommunication;
- unless otherwise advised to the contrary by the Minister acting in accordance with a directive of the NEC to:
 - act as an adviser to the Government of PNG on matters relating to telecommunication activities in PNG;
 - represent PNG as a member of, and actively participate, in international bodies concerned with the administration of telecommunication services;
 - enter into international agreement relating to telecommunication activities; and

- perform functions relating to the provision of telecommunication services in a way consistent with PNG’s obligations under any convention; and
- exercise such powers to negotiate, prepare, execute and perform any contracts or management arrangements of the State as may be delegated to it or conferred on it.

79.1.3 Subsidiaries of the Company

The subsidiaries of Telikom Limited are Bemobile (Solomon Islands) Limited, *DATEC (PNG) Limited*, *Kalang Advertising Limited*, *Media Niugini Limited (EMTV)* and *PNG Directories Limited*. Comments in relation to these subsidiaries are contained in paragraphs 79A, 79B, 79C, 79D and 79E of this Report respectively.

79.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

79.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company’s financial statements for the year ended 31 December 2022 was issued on 11 December 2023. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of the Telikom Limited and the Group for the year ended 31 December 2022.

BASIS FOR DISCLAIMER OF OPINION

Opening Balance

My report on the financial statements of the Company for the year ended 31 December 2021 was a disclaimer of opinion in respect to:

- Limitation of scope on going concern uncertainties;
- Revenue;
- Deferred revenue liability and deferred dealer discount assets;
- Exim loan through Department of Finance;
- Cash and cash equivalents;
- Related party balances;
- Recovery of the Related Party Balance;
- International Financial Reporting Standards (IFRS) 16 Leases;
- Trade receivables;

- Business taxes;
- Impairment of intangible assets;
- Employee benefits;
- PNG Directories Limited Goodwill;
- Impairment of Property, Plant and Equipment;
- Capital Work in Progress;
- Journal entries;
- Accrued trade expenditure; and
- Income tax.

There were no satisfactory audit procedures that I could otherwise perform to obtain reasonable assurance as to the correctness of the opening balances. Since the opening balances enter into the determination of the financial position, I was unable to determine whether adjustments might have been necessary in respect of the balances reported in the financial position and the related loss reported for the year.

Limitation of Scope on Going Concern Uncertainties

I draw attention to *Note 2(c)* to the financial statements which indicates the Group recorded a net loss of K51 million (Company: K44.2 million) and current liabilities exceed current assets by K425.4 million (Company: K395.3 million) as at 31 December 2022, largely as a result of trade and other payables amounting to K379.2 million (Company: K319 million) and borrowings to K129.6 million being classified as current due to breach of certain financial covenants attached to the borrowings. These events or conditions, along with other matters as set out in *Note 2(c)* indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore the Group and the Company may be unable to realize its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

I have not been provided adequate documentation to support the reasonableness of the going concern assumption applied in the preparation of the financial statements for the Group and the Company.

Revenue

Total revenue from network usage, device rental and sale of products and services for the year ended 31 December 2022 amounted to K345.6 million (Company). Sufficient and appropriate audit evidence was not provided to enable revenue testing procedures as well as Information Technology General Controls (ITGCs) testing to be completed during the year. As supporting documentation for revenue testing was not available, combined with ITGCs being fundamental to the audit of revenue balances in businesses of this nature, I was unable to obtain sufficient and appropriate audit evidence with regards to the completeness, occurrence, cutoff and accuracy of the revenue for the year and the deferred revenue balance at 31 December 2022 as recorded in the Company's and the Group's financial statements.

Deferred Revenue and Deferred Dealer Discount Asset

Included in the prepayments as at 31 December 2022 are deferred revenue and deferred dealer discount asset of K35.4 million and K4.6 million respectively. Due to limitation on the scope of my audit procedures in revenue, sufficient and appropriate audit evidence was not provided to substantiate the existence, completeness and accuracy of these balances. As a result, I was not able to determine whether any material adjustments to the recorded liability and asset balances at 31 December 2022 and the revenue and resulting loss for the year in the Company's and the Group's financial statements were required.

EXIM Loan through Department of Treasury

In the previous financial year, the Group and the Company recognised as a government grant the funding from the Department of Treasury in relation to the National Broadband Network Project. At 31 December 2022, the remaining government grant amounted to K275.9 million (2021: K368.4 million). There was insufficient evidence to determine whether this transaction is to be accounted for as a government grant or as borrowing in the books of the Group and the Company due to lack of formal documentary evidence. Accordingly, I was unable to determine whether any adjustment might be required in relation to this transaction in the Company's and Group's financial statements.

Goodwill

Goodwill of K21.4 million is disclosed in *Note 15* as at 31 December 2022 of the Group relating to acquisition of Datec PNG Limited and PNG Directories Limited. Sufficient and appropriate audit evidence in relation to the net assets of Datec PNG Limited and PNG Directories Limited on the date of acquisition of control were not available. In addition, the Company has not prepared an impairment assessment of Goodwill during the year. Consequently, I was unable to determine whether there should be impairment charge for the year and adjustment to Goodwill balance at 31 December 2022.

Impairment of Property, Plant and Equipment

Property, plant and equipment disclosed in *Note 11* was carried at a value of K1,283.05 million (Group) and K1,242.55 million (Company) as at 31 December 2022. Despite the presence of impairment indicators, the Company and Group had not prepared an impairment assessment to determine the recoverable value of these assets as required by *IAS 36 Impairment of Assets*. Consequently, I was unable to determine whether any adjustments to the carrying values of property, plant and equipment balances at 31 December 2022 and the impairment charge for the year were necessary in the Company's and the Group's financial statements.”

79.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the year ended 31 December 2022 was issued on 11 December 2023. The report contained the following observations:

Information Technology (IT) Control Environment

My review on the Company's IT control environment revealed significant weaknesses in relation to the staff members as follows:

- Approved access request forms were not provided;
- Access granted to staff without endorsement from head of division and the line manager;
- No evidence of access authorization by IT; and
- Transfer forms were not raised for staff moving between Markets and Finance divisions.

In addition, IT did not implement strict access privileges. Evidence of backups were not completed and provided. Email notifications have been configured to notify administrators on warnings or failures only. These control weaknesses may increase the risk of inappropriate access to systems, leading to data manipulation, access to confidential information, access to change controls and approvals. Data loss can occur at any time and management would be unable to ascertain whether the backup procedures have been performed appropriately. As these are critical areas of a disaster recovery plan, I recommended that access requests to core applications, systems and operating system are reviewed and authorised by appropriate authority prior to granting of access. An access control matrix should be developed and utilized for the administration of user access within the core business systems and applications.

Supplier Statement Reconciliations

I observed that the Company's reconciliations of supplier statements to account payable ledger balances were not performed on a consistent basis during the year. Failure to undertake regular reconciliations of supplier statements to the accounts payable ledger may result in the over or understatement of accounts payable balances. I recommended the finance team to undertake regular reconciliations between the supplier statements and the corresponding account payable balances, at least on a monthly basis.

Management responded to my observation as follows:

“Accounts payable team are tasked to work on reconciling suppliers accounts on a regular basis to establish the correctness of the supplier sub ledger accounts.”

Accounts Receivable and Payable Ledgers

My review of the Company's accounts receivable and payable ledgers revealed that appropriate accounts receivable and payable subledgers were not maintained. I identified several instances where amounts paid by customers and paid to the customers were still being recorded as outstanding in the accounts receivable and payable ledgers. Failure to maintain appropriate and accurate accounts receivable and payable subledgers may increase the risk of misstatements in the accounts receivable and payable balances and the financial statements and, may heighten the risk of fraud as funds received from and paid to customers have not been allocated appropriately.

Group Financial Management Process

As noted in my prior year audit, the Group's management have not put in place processes in the management of the Group's financial process, resulting in different accounting policies and processes within the Group. There was no monthly reporting process for subsidiaries to report to Telikom. In addition, there was no indication of control in the financial matters in the subsidiaries and consolidation of the Group's financial performance and position at Telikom level. As a result, there is a risk that the financial performance of the Group may not be measured appropriately.

I reminded again management of the implications and recommended for improvement.

Filing and Archiving

I noted again during my review that the source documents of the Company were not scanned and filed electronically. Instead, the documents were filed and stored in a container which limited my audit scope to perform further audit procedures. I recommended management to scan and retain soft copies for ease of reference for audit purposes as well as for tax assessments.

Management responded to my observation as follows:

"We have started filing and archiving soft copies of manual journals. Payment requests with invoices are uploaded through Microsoft Dynamics 365 workflow with payments approved online."

Reconciliation Process

During the course of the audit, I experienced delays in obtaining key reconciliations and supporting documentation. In addition, I noted a number of misstatements and reported on my summary of audit adjustments. Delay in reconciliations may lead to errors and misstatements to go undetected. Management should ensure monthly reconciliations are performed in a timely manner with all reconciling items investigated and addressed.

Supporting schedules for the balances should be critically reviewed and historical reconciling items and clearing items be resolved. This issue was raised in my prior audit as well.

79.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

79A.1 BEMOBILE (SOLOMON ISLANDS) LIMITED (A subsidiary of Bemobile Limited)

79A.1.1 INTRODUCTION

79A.1.1.1 Legislation

The Company was registered under the *Solomon Islands Companies Act* on 26 January 2010 as Bemobile (Solomon Islands) Limited.

The Company is a wholly owned subsidiary of Bemobile Limited.

79A.1.1.2 Objective of the Company

The objective of the Company is to be a leader in Telecommunication offering high-speed data, reliable voice and SMS across the Solomon Islands.

79A.1.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2018, 2019 and 2020 have been completed and results were being evaluated.

The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2021, 2022 and 2023 were in progress.

79B DATEC (PNG) LIMITED **(A subsidiary of Telikom Limited)**

79B.1 INTRODUCTION

79B.1.1 Legislation

Datec (PNG) Limited was incorporated under the *Companies Act*. The Company was fully acquired by Telikom Limited from Steamships Trading Company Limited on 1 August 2014. The Company is a wholly owned subsidiary of Telikom Limited.

79B.1.2 Function of the Company

Datec (PNG) Limited's principal activity is in the provision and support of technology applied solutions including business critical ICT consulting, solutions and services, IT outsourcing, business process outsourcing, internet services, electronics and computer retail, training and wide-ranging technical support.

79B.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

79B.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2022 was issued on 11 December 2023. The report did not contain any qualification.

79B.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the year ended 31 December 2022 was issued on 11 December 2023. The report contained the following observations:

Supplier Statement Reconciliations

The reconciliation of supplier statements to accounts payable ledger balances were not performed on a consistent basis during the year. Failure to undertake regular reconciliations of supplier statements to the accounts payable ledger may result in the over or understatement of accounts payable balances. I recommended the management of the Company to undertake regular reconciliations between the supplier statements and the corresponding accounts payable balances, at least on a monthly basis.

Management responded to my observation as follows:

“Datec has an experienced team who perform regular reconciliations when accounts payments are done. When payment equals to statement, no reconciliation is required.”

Intercompany Accounts Reconciliation

Intercompany accounts with related parties were not reconciled on a regular basis. This led to considerable effort having to be invested at each year end to reconcile and align various intercompany balances with related parties. I recommended management to reconcile and review intercompany accounts on a regular basis to ensure timely recognition of related party transactions.

Management responded to my observation as follows:

“Intercompany balance confirmation should be coordinated at Group level by Telikom. Datec provides data on timely basis.”

79B.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

79C. KALANG ADVERTISING LIMITED **(A subsidiary of Telikom Limited)**

79C.1 INTRODUCTION

79C.1.1 Legislation

Kalang Advertising Limited was incorporated under the *Companies Act*. The Company is wholly owned by Telikom Limited.

The ownership of the Company changed following the *National Court Order of 9 September 1997* which allowed Telikom Limited to convert the debt due from Kalang Advertising Limited into shareholding. Subsequently, Kalang issued 535,424 ordinary shares to Telikom Limited on 31 October 1997.

79C.1.2 Functions of the Company

Kalang Advertising Limited was set up primarily to take over the activity of commercial radio broadcasting previously under the National Broadcasting Commission.

The Company carries on the business of producers, consultants and promoters of Broadcast Television, Community Television, Video, Audio, Film, Visual, Cassettes Recordings, Productions and Recordings.

79C.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

79C.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2022 was issued on 11 December 2023. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of Kalang Advertising Limited for the year ended 31 December 2022.

BASIS FOR DISCLAIMER OF OPINION

Opening Balance

A disclaimer of opinion was issued over the financial statements for the 31 December 2021 financial year in relation to journal entries, impairment of property plant and equipment, staff advances, related party transactions, accruals and other payables, employee provisions and cost of sales. There were no satisfactory audit procedures that I could otherwise perform to obtain reasonable assurance as to the correctness of the opening balances. Since the opening balances enter into the determination of the financial position, I was unable to determine whether adjustments might have been necessary in respect of the balances reported in the financial position and the loss reported for the year.

Limitation of Scope on Going Concern Uncertainties

I draw attention to *Note 1.1* to the financial statements which indicates that the Company recorded a net loss of K455,451 (2021: K450,630 profit) and current liabilities exceed current assets by K2,572,803 (2021: K1,276,392). These events or conditions, along with other matters as set out in *Note 1.1*, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, and therefore, the Company maybe unable to realize its assets and discharge its liabilities in the normal course of business and, at the amounts stated in the financial statements.

Property, Plant and Equipment – K2,988,405

Property, plant and equipment is disclosed in *Note 15* to the financial statements carried at a value of K2,988,405 as at 31 December 2022. However, I was unable to obtain sufficient and appropriate audit evidence to verify and confirm the existence, completeness, accuracy, and valuation of this balance. As such, I was unable to determine whether any adjustments to the recorded balance of property, plant and equipment was required. Further, despite the presence of impairment indicators, the Company has not prepared an impairment assessment to determine the recoverable value of these assets as required by the *International Accounting Standards (IAS) 36 Impairment of Assets*. Consequently, I was unable to determine whether any adjustments to the carrying values of these assets at 31 December 2022 and the impairment charge for the year was necessary in the Company's financial statements.

Staff Advance – K180,599

Staff advance of K180,599 is disclosed in *Note 11* to the financial statements. Certain former senior staff of the Company did not effectively adhere to the staff advance policy when loans were advanced to them which has resulted in legal letters of demand being issued in an attempt to recover the monies owed.

Non-compliance with the staff advance policy demonstrates that there has been management override of controls designed to safeguard the assets of the Company. As a result, I was unable to obtain sufficient appropriate audit evidence as to whether these loans are recoverable at the amount recorded in the financial statements.

Accruals and Other Payables – K648,961

Note 13 to the financial statements disclose an amount of K648,961 for accruals and other payables. However, the Company has not retained adequate supporting documentation. This resulted in a limitation of the scope on my audit procedures to verify and confirm the accuracy, completeness and validity of the accruals and other payable balances reported in the financial statement. As a result, I was unable to determine whether adjustments might have been necessary in respect of the accruals and other payables balance at year end.

Employee Benefits – K45,326

Employee benefits are disclosed in *Note 17* to the financial statements and carried at a value of K45,326 as at 31 December 2022. However, I was unable to obtain sufficient and appropriate audit evidence with regards to the accuracy and valuation of this balance and was unable to determine if any adjustments to the recorded balance is required.

Cost of Sales and Operating Expenses

Cost of sales and operating expenses are disclosed in the statement of comprehensive income as K765,129 and K4,292,997 respectively as at 31 December 2022. However, I was unable to obtain sufficient and appropriate audit evidence with regards to the cut-off and occurrence of these transactions and was unable to determine if any adjustment to the recorded cost of sales and operating expenses are required.”

79C.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the year ended 31 December 2022 was issued on 11 December 2023. The report contained the following significant matters:

Month End Balance Sheet Reconciliation

My review revealed that there were no monthly balance sheet reconciliations done. As a result, the following were noted:

- No reconciliations were done to the Fixed Assets Register;
- Depreciation charges not recognized;
- Payments of GST not cleared appropriately;
- Interest income not accrued at year end;
- Intercompany accounts not reconciled;
- Recurring month end accruals were not done for electricity, rental and lease expense; and
- Transactions posted in incorrect periods not identified and corrected.

Based on the observations and weaknesses identified, I recommended management to put in place appropriate reconciliation processes and perform reconciliations on a timely basis. Management responded to my observations as follows:

“Management acknowledges that the reconciliation of balance sheet general ledger accounts is an important step in the period end close process that ensures completeness and accuracy of the general ledger accounts. Management will ensure reconciliation of the balance sheet items in the general ledger accounts are prepared on a monthly basis going forward.”

Property, Plant and Equipment

My review of the internal controls surrounding the management of property, plant and equipment revealed the following weaknesses:

- Depreciation has not been recognized for assets other than motor vehicles;
- No impairment assessment had been performed, thus no consideration of any potential effects of impairment loss/gain reflected in the financial statement; and
- Inconsistent assessment of useful lives of the assets.

The weaknesses have been brought to the attention of the management for corrective measures.

Lease Agreements

I noted that the Company did not keep proper records of lease agreements and continue to make payments without lease agreements. In addition, there were no formal lease agreements executed for the operational assets that were being leased. Contracts and lease agreements are vital control mechanisms that monitor the movement of assets of the Company and ensure payments received and paid are done according to the terms and conditions specified in the contract agreements. In the absence of lease agreements, I was unable to determine the validity of the payments and whether payments made and received were based on the terms of the lease agreements.

Management responded to my observation as follows:

“This issue will be brought to the attention of the relevant personnel and appropriate actions taken to formalize all lease agreements with the relevant parties.”

Accounts Payable and Accruals

My review of the accounts payable and accruals revealed that term deposit interest income was not accrued resulting in the understating interest income. In addition, the Company was unable to reconcile the accounts payable balance with the general ledger to confirm that all accruals and trade creditors have been taken into account.

This issue has been taken up with management to correct.

Intercompany Accounts

Suspense accounts relating to management fees and charges from Telikom were not reconciled and cleared on a timely basis. In addition, there was no supporting documents available to recognize telephone expense, management fees and lease expenses recorded in the books of the Company. I recommended management to ensure that appropriate supporting documents (invoices, billings, contracts, delivery dockets, etc. as applicable) are obtained from Telikom and reconcile regularly.

Management responded to my observation as follows:

“Intercompany accounts should be reconciled on a regular basis using appropriate supporting documentation.”

79C.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

79D. MEDIA NIUGINI LIMITED (EMTV) (A subsidiary of Telikom Limited)

79D.1 INTRODUCTION

79D.1.1 Legislation

Media Niugini Limited (EMTV) was incorporated under the *Companies Act*. The Company was acquired by Telikom Limited from Fiji Television Limited (FijiTV) on 4 February 2016.

The Company was founded in 1985 by two local businessmen in a joint venture with the Nine Network of Australia. In July 1987, the Company commenced broadcasting through its national television service. In 1990, Nine Network acquired 100% ownership of Media Niugini Limited and later sold its interest in the Company to Fiji Television Limited (FijiTV) in December 2004. The Company then operated as a subsidiary of FijiTV.

The Company is now a wholly owned subsidiary of Telikom Limited.

79D.1.2 Functions of the Company

Media Niugini Limited, trading as EMTV, provides television broadcasting services in Papua New Guinea.

The Company offers:

- current affairs, national news, weather reports and special documentaries; and
- shows in the areas of sports, lifestyle, entertainment, drama, children, religion, music and others.

79D.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

79D.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2022 was issued on 11 December 2023. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of Media Niugini Limited for the year ended 31 December 2022.

BASIS FOR DISCLAIMER OF OPINION

Opening Balance

My report on the financial statements of the Company for the year ended 31 December 2021 was a disclaimer of opinion in respect to going concern, journal entries, *International Financial Reporting Standards (IFRS) 16*, related party transactions and balances, trade and other payables and income tax. There were no satisfactory audit procedures that I could otherwise perform to obtain reasonable assurance as to the correctness of the opening balances. Since the opening balances enter into the determination of the financial position, I was unable to determine whether adjustments might have been necessary in respect of the balances reported in the financial position and the related profit reported for the year then ended.

Material Uncertainty Related to Going Concern

I draw attention to *Note 2* to the financial statements, which indicates that the Company's current liabilities exceed its current assets by K16,115,919 (2021: K18,586,679). These events or conditions, along with other matters set out in *Note 2*, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the entity may be unable to realize its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

International Financial Reporting Standards (IFRS) 16 Leases

The Company has not provided a detailed *IFRS 16* calculations for my verification. As a result, I was unable to determine whether any material adjustments might have been necessary in respect of the opening balances, balances recognized at 31 December 2022, the result for the year reported in the statement of comprehensive income and the elements making up the statement of financial position, statement of changes in equity and the statement of cash flows in the Company's financial statements.

Trade and Other Payables – K7,906,546

Trade and other payables are disclosed in *Note 16* to the financial statements. The Company had not retained adequate supporting documentation relating to trade and other payables to substantiate the K7.9 million disclosed in the financial statements. This has resulted in a limitation of scope on my audit procedures, and as a result, I was unable to confirm and verify the accuracy and completeness of the trade and other payables balance. Consequently, I was unable to determine whether any adjustments might have been necessary in respect of the trade and other payables balance at year end.

Trade and Other Receivables – K905,361

The Company's trade and other receivables as at 31 December 2022 are recorded in *Note 12* to the financial statements amounting to K905,361. However, I was unable to obtain sufficient appropriate audit evidence to verify and confirm the existence, valuation, classification, accuracy, recoverability and related expected credit losses of the entire accounts receivable balance. As a result, I was unable to determine whether any adjustments might have been necessary in respect of the trade and other receivable balance at year end.

Business Taxes

Business taxes liability balances of K2.6 million was included in salaries and goods and services tax payable. Sufficient and appropriate audit evidence was not provided to substantiate the existence, completeness and accuracy of these balances. As a result, I was unable to determine whether any material adjustments to the recorded liability balances at year end were required.”

79D.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the year ended 31 December 2022 was issued on 11 December 2023. The report contained the following observations.

Access to Accpac Accounting System

My review of the controls surrounding the accpac accounting system revealed that there were no controls in place to monitor staff accessing accpac accounting system. Staff other than the finance manager access the accpac accounting system. In addition, access for former employees were not removed or deleted. This may lead to fraudulent activities taking place due to unauthorized access to the system or the financial data may be altered.

Clearing Accounts

My review of the payroll liabilities such as superannuation contributions and group tax revealed that these liabilities were not cleared out as at the year-end. These are obligations that have a statutory payment due date. Therefore, there is a risk of management not being compliant with the requirements of the *Superannuation Act* and *Income Tax Act* which may lead to unnecessary penalties and disagreements with regulators.

Trade Creditors and Accruals

My review of the controls surrounding the trade payables, accruals and expenses revealed the following issues:

- a) Several expenses that were invoiced in 2021 were recorded as expense in 2022 as they were not initially recognized as expenses and accruals or trade payables in 2021. This has resulted in recognizing of transactions in incorrect accounting periods;
- b) Payments to the suppliers were not reconciled on a timely basis and reflected in the supplier statements; and
- c) Quotes and subsequent invoices from suppliers have been recognized in the accounts payable subsidiary ledgers leading to duplicate items recorded in the financial records thus overstating accounts payable.

Upon observing the above weaknesses, I recommended for improvement and reminded management that, failure to perform creditors' reconciliations on timely basis provides an opportunity for fraudulent transactions to take place without being detected.

Trade Debtors and Revenue

My review of the controls surrounding the accounts receivable and revenue processes revealed the following issues:

- a) Revenue from internet protocol television (IPTV) for two (2) months were not recorded in the general ledger in a timely manner;
- b) Customers have not been required to sign off on the authorization of telecast (ATT) before the sales team sends the ATT to the finance team to book revenue, thus, sale invoices may not be in line with the ATT and sales team members who were paid commissions maybe paid amounts above their actual entitlements where customers have not authorised the advertising services; and
- c) Payments received from the customers were not updated in the accounts receivable subsidiary ledgers and were still remained outstanding which may lead to the accounts receivable being overstated.

Upon observing the above weaknesses, I recommended for improvement and reminded management that, failure to perform timely reconciliations provides an opportunity for errors, omissions and fraudulent activities to take place without being detected.

General Ledger

Several instances were noted that the Company is maintaining records outside of accpac accounting system and not being recorded in the general ledger. These include:

- a) Withdrawals and deposits that have been made using the Company's Amex account were not recorded in the general ledger;
- b) All transactions with overseas suppliers were maintained in a separate spreadsheet outside of accpac as the finance team were not sure how to record foreign currency obligations in accpac;
- c) Accruals had not been recognized for services provided for items such as software maintenance; and
- d) A term deposit that was lodged as a security for a corporate American Express card was not recorded in the financial record of the Company.

I reminded management that such issues may lead to misstatement of balances and corrective actions should be taken.

Property, Plant and Equipment

My review of the Company's property, plant and equipment revealed that computers that were purchased and used in 2021 were not recognized in the Fixed Asset Register until 2022. Failure to recognize additions of assets in the correct accounting period can lead to an understatement of assets. Depreciation charges were not appropriately recognized and applied to the asset. In addition, supporting documentation for a purchase of a drone was not provided for my verification. I recommended the management of the Company to maintain appropriate supporting documentation when an asset is purchased and reflect the asset purchases in the Fixed Assets Register and general ledger on a timely basis.

79D.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

79E. PNG DIRECTORIES LIMITED (Formerly E. H. O'Brien Limited) (A subsidiary of Telikom (PNG) Limited)

79E.1 INTRODUCTION

79E.1.1 Legislation

Edward H.O'Brien Limited is a Company incorporated under the *Companies Act*. The Company is jointly owned by Telikom (PNG) Limited (54%) and Edward H.O'Brien Enterprise of Sydney, Australia (46%). The Company changed its name to PNG Directories Limited in 2002.

79E.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS

79E.2.1 Comments on Financial Statements

My report in accordance with the provisions of the *Companies Act* on the financial statements of the Company for the year ended 31 December 2022 was issued on 11 December 2023. The report contained a Disclaimer of Opinion.

“DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to and do not express an opinion on the financial statements of the PNG Directories Limited for the year ended 31 December 2022.

BASIS FOR DISCLAIMER OF OPINION

Limitation of Scope on Going Concern Uncertainties

I draw attention to *Note 2(c)* in the financial statements, which indicates that the Company's total current liabilities exceeded the total current assets (net of receivables by) K2.05 million as at 31 December 2022. The Company has experienced challenges in determining the existence of receivables. These events or conditions, along with other matters as set out in *Note 2(c)* indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the entity may be unable to realize its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

Prior Period Disclaimer of Opinion

My report on the financial statements of the Company for the prior year ended 31 December 2021 was a disclaimer of opinion over the financial statements in respect to issues on journal entries, limitation of scope on going concern, related party transactions, trade and other receivables, trade and other payables, revenue and income tax. There were no satisfactory audit procedures that I could otherwise perform to obtain reasonable assurance as to the correctness of the opening balances. Since the opening balances enter into the determination of the financial position at 1 January 2022, I was unable to determine whether adjustments might have been necessary in respect of the profit reported for the year.

Trade and Other Receivables – K2,690,654

The Company's trade and other receivables at 31 December 2022 were recorded at the value of K2,690,654 in the financial statements. However, I was unable to obtain sufficient appropriate audit evidence regarding the existence, valuation, classification, accuracy, recoverability and related expected credit losses of the entire accounts receivable balance. This has resulted in a limitation of scope on my audit procedures. As a result, I was unable to determine whether any adjustments might have been necessary in respect of the trade and other receivables balance at year end.”

79E.2.2 Audit Observations Reported to the Ministers

My report to the Ministers under *Section 8(2)* of the *Audit Act* on the inspection and audit of the accounts and records of the Company for the year ended 31 December 2022 was issued on 11 December 2023. The report contained the following observations:

Fixed Assets Register (FAR)

My review on the FAR as at 31 December 2022 revealed variances in depreciation expense between FAR and the general ledger. The variances were not timely identified and corrected. I recommended management of the Company to update and post the adjustments to the general ledger as and when adjustments are made to FAR.

Management took note of my observation and responded as follows:

“Management takes note of this issue and will ensure adjustments are identified and posted in the GL as and when adjustments are made to fixed assets register going forward.”

Revenue and Accounts Receivables

My review of the internal controls surrounding the sales and management of accounts receivable revealed the following weaknesses:

- The accounts receivable subsidiary ledger contained account balances that had already been paid by the customers. Prepayment amounts were also recognized in the accounts receivable subsidiary ledger;
- It appeared that invoices had been raised outside of the system and not recognized in the revenue and accounts receivable subsidiary ledgers;
- Daily sales reports were not reviewed by a responsible officer on a timely basis to ensure sales agreements were done based on established rates; and
- The credit collection reports and customer orders were not reviewed by responsible officers on a timely basis.

Consequently, I was unable to comment on the effectiveness of the internal controls surrounding the management of sales revenue and the accounts receivable. Management concurred with my observations and commented that appropriate actions will be taken going forward.

Related Party Accounts and Transactions

Intercompany accounts with related parties were not reconciled regularly. This led to considerable efforts of time being invested at each year end to reconcile and align various intercompany balances with related parties. I recommended the Company to review and reconcile the intercompany accounts on a timely basis.

Management responded to my observation as follows:

“Management is aware that this has been an ongoing issue with not only PNGDL but within the Telekom Group as a whole and will ensure that regular intercompany account reconciliations are done from FY 2023 going forward.”

79E.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

80. WATER PNG LIMITED **(Formerly PNG Water Board)**

80.1 INTRODUCTION

80.1.1 Legislation

PNG Water Board was established by the *National Water Supply and Sewerage Act 1986* which came into operation on 1 January 1987. The 1986 Act repealed the *National Water Supply and Sewerage Act (Chapter 393)* and thereby abolished the National Water Supply and Sewerage Board. On 10 December 2010, PNG Water Board changed its name to Water PNG.

On 21 January 2017, the *National Water Supply and Sanitation Act 2016* came into effect paving for this utility (Water Supply and Sanitation Services) provider to be corporatised as a Company. As a result, the former Water PNG was abolished and a new company, Water PNG Limited was incorporated on 30 March 2017. Water PNG Limited operates as a company effective from the date of its incorporation.

80.1.2 Functions of Water PNG Limited

The functions of the Company are:

- (a) to provide, design, construct and maintain such water supply systems as may be required for collection, production, supply and use of water for private and public purposes in and for cities, towns and rural areas in accordance with this Act;
- (b) to provide, design, construct and maintain such sanitation systems as may be required in and for the disposal of sewage and wastewater in and for cities, towns and rural areas in accordance with this Act;
- (c) to secure and provide an adequate supply of water in accordance with this Act;
- (d) to manage, operate and maintain water supply systems and sanitation systems owned by the Company and such other installations as maybe erected or constructed by the Company;
- (e) to work with provincial governments and through them, with authorities involved in district administration, and where appropriate with other State-Owned enterprises, to further the objectives of this Act;
- (f) to comply with the *Public Health Act (Chapter 226)*, the consumer protection provisions of the *Independent Consumer and Competition Commission Act 2002* and the *Environment Act 2000*, and to abide by such water quality and sewerage discharge standards as are from time to time in force; and
- (g) generally, to do such supplementary, incidental or consequential acts and things as are necessary or convenient for carrying out its functions.

80.2 AUDIT OBSERVATIONS

80.2.1 Comments on Financial Statements

My report in accordance with provisions of the *Companies Act* on the Company's financial statements for the year ended 31 December 2022 was issued on 10 April 2024. The report contained a Qualified Opinion:

“QUALIFIED OPINION

In my Opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs below:

- (a) The financial statements of Water PNG Limited for the year ended 31 December 2022:
 - (i) give a true and fair view of the financial position and the results of its financial performance and cash flows for the year ended on that date; and
 - (ii) the financial statements have been presented in accordance with the *International Financial Reporting Standards (IFRS)*, *Companies Act 1997* and other generally accepted accounting practice in Papua New Guinea;
- (b) Proper accounting records have been kept by the Company, as far as it appears from my examination of those records; and
- (c) I have obtained all the information and explanations required.

BASIS FOR QUALIFIED OPINION

Opening Balances and Corresponding Amounts

My audit report on the financial statements of Water PNG Limited (“the Company”) for the financial year ended 31 December 2021 was a disclaimer of opinion due to my inability to obtain sufficient and appropriate audit evidence to ensure the completeness, existence, and accuracy of the balances reported as at 31 December 2021 including Loans from National Government of K107.54 million; Deferred Grant Income of K36.64 million and related Depreciation Adjustment of K3.69 million; Property, Plant and Equipment totalled K109.68 million; Property, Plant, and Equipment not recognised in the financial statements; Project Assets, Liabilities, and Cashflows - Capital Work in Progress, Cash and Cash Equivalents and Deferred Income K77.52 million, K62.85 million and K36.64 million respectively; Business Combination Reserve K295.84 million; Trade Receivables and related Allowance for Impairment K196.00 million and K166.06 million respectively; Trade and Other Payables K40.28 million; Employee Benefits Obligation K19.54 million; Employee Expenses and Salary range disclosures K70.17 million;

Operational Supplies and Contractual Services Expenses K26.23 million and K6.35 million respectively; and Taxation – Income Tax Expense, Deferred Tax Assets, Differed Tax Liability, and Current Tax Liability of K72.46 million, K59.86 million, K190.86 million, and K74.05 million respectively.

For the year ended 31 December 2022, I was unable to perform alternative procedures over these opening balances due to a continued lack of appropriate supporting documentation. These balances were taken up as opening balances for the 2022 financial year. Since these opening balances enter into the determination of the financial position as at 31 December 2022 and the results of operations, equity movements, and cash flows of the Company for the year ended 31 December 2022, any adjustments necessary on such opening balances would have a consequential effect on the financial position at 31 December 2022 and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year ended 31 December 2022.

Accordingly, I was unable to determine whether any such adjustments might be necessary for the year ended 31 December 2022 and for the corresponding year ended 31 December 2021.

Project Assets, Liabilities, and Cash Flows (Capital Work-In-Progress)

Note 15 to the financial statements discloses Capital Work in Progress of the Company. The Capital Work in Progress relates to the Water Supply & Sanitation Projects the Company has been implementing. As at 31 December 2022, the individual Project valued: Urban & Local Level Government Water Supply Project (ULGWSP) K49.21 million; Provincial & District Towns Water Supply and Sanitation Project (PDTWSSP) K11.56 million; and Tete Water Project (TWP) K1.93 million.

The Company's policy is not to include Capital Work in Progress, Cash and Cash Equivalents, and Deferred Income balance of amounts funded by the third parties and managed by the Project Management Unit of the Company until a project is completed. This policy does not comply with the requirements under the International Accounting Standards.

I could not test the application of the Company's accounting policy related to these Capital Work in Progress balances to underlying evidence, as the Company requested me not to do so. As a result, I was unable to obtain sufficient audit evidence regarding the Projects' assets, liabilities, and cash flows as at 31 December 2022.

Accordingly, I was unable to determine what adjustments might be necessary to the statement of financial position at 31 December 2022 and 31 December 2021, and statement of cash flows, and the statement of changes in equity for the year ended 31 December 2022 and for the corresponding period 31 December 2021.

Business Combination Reserve

As reported in the Financial Statements, the Company has a Business Combination Reserve of K688.03 million as at 31 December 2022.

NCD Water & Sewerage Limited (t/a Eda Ranu) was amalgamated into the Company on 13 April 2021. As a result of the amalgamation, the net assets were transferred to the Company from NCD Water & Sewerage Limited and were recorded in the Business Combination Reserve.

An external valuation was obtained by the Company at the date of the amalgamation to fair value of the net assets being transferred, as required in accordance with the accounting standards, as these balances entered into determined the Business Combination Reserve balance at 13 April 2021. Balances included Trade Receivables and related Allowance for Impairment of K120.97 million and K109.20 million respectively; Consumable Inventories of K4.46 million; and Taxation – Current Tax Liability, Deferred Tax Assets, and Deferred Tax Liabilities of K40.46 million, K37.12 million, and K74.45 million respectively.

The final external valuation reports related to these net assets at 13 April 2021 were not provided for my review. As a result, I was unable to perform procedures to assess the underlying information of the valuation of the net assets entering into the determination of the Business Combination Reserve balance. Consequently, I was unable to obtain sufficient appropriate audit evidence regarding the Business Combination Reserve at 31 December 2022.

Accordingly, I was unable to determine what adjustments might be necessary to the statement of financial position at 31 December 2022 and 31 December 2021, and the statement of cash flows and statement of changes in equity for the year ended 31 December 2022 and for the corresponding period 31 December 2021.

Trade Receivables and related Allowance for Impairment

Note 14 to the Financial Statements discloses that the Company had Trade Receivables and related Allowance for Impairment balances of K209.95 million and K171.90 million respectively as at 31 December 2022. Included in these balances were the balances transferred from NCD Water & Sewerage Limited as part of the business combination transaction on 13 April 2021. The Trade Receivable balances transferred from NCD Water & Sewerage Limited contained transactions being performed by a third-party contractor, assessed as a service organisation, under a “build-operate-transfer” arrangement of which I was unable to obtain third party confirmation of the revenue billed by customer, cash received by customer and confirmation of cash received in bank (related to billings by customer) to ensure accuracy and completeness of the balances. Further, report on controls in place at the service organisation had not been available for my review.

For the year ended 31 December 2022, I was unable to perform alternative procedures over these balances due to a continued lack of appropriate underlying documentation. In addition, alternative documentary evidence was not available to audit test Trade Receivables and the related Allowance for Impairment under *IFRS 9, Financial Instruments*.

Accordingly, I was unable to determine what adjustments might be necessary to the statement of financial position at 31 December 2022 and 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of cash flows, and statement of changes in equity for the year ended 31 December 2022 and for the corresponding period 31 December 2021.

Income Tax

Note 10 to the Financial Statements discloses that the Company's balances for Income Tax Benefit, Deferred Tax Asset, Deferred Tax Liability, and Current Tax Liability were K20.07 million, K62.48 million, K167.09 million, and K65.70 million respectively as at and for the financial year 31 December 2022.

I was unable to obtain sufficient and appropriate audit evidence over the related tax impacts of the transactions and balances of the Company for the year ended 31 December 2022 as the Company has not maintained appropriate records or calculations of its income tax position.

Accordingly, I was unable to determine what adjustments might be necessary to the statement of financial position at 31 December 2022 and 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of cash flows, and statement of changes in equity for the year ended 31 December 2022 and for the corresponding period 31 December 2021.

EMPHASIS OF MATTER

Without qualifying my opinion, I draw attention to the following matter:

Restatement of Prior Year Figures

I draw attention to Note 26 to the financial statements which discloses that the Company had restated the 2021 audited account figures for Trade and Other Receivables; Property, Plant and Equipment; Trade and Other Payables; Deferred Income; Assets Revaluation Reserve; Retained Earnings (Deficit); Business Combination Reserve; Operating Expenses; Depreciation; Impairment of Receivables and Revaluation Gain on Property, Plant and Equipment; and Net Tax.

My opinion is not modified in this respect.”

80.3 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2023 was in progress.

SECTION C

**NATIONAL GOVERNMENT
SHAREHOLDINGS IN
OTHER COMPANIES**

81. FOREWORD

This Section of my Report deals with Companies in which the Government owns 50% or less of the issued Share Capital of a Company.

The auditing and reporting requirements of these Companies are stipulated under the *Companies Act*, and these have been elaborated in Paragraph 61 of this Report.

As the Government of PNG does not hold majority interest in these Companies, the accounts of these Companies are audited by Private Auditors.

However, because public monies are invested in these Companies, my responsibilities require the inclusion of the summaries of their accounts and the comments of the Private Auditors' Reports in this Section of my Report. Details of these companies are contained in paragraphs **82** to **83**.

82. BOUGAINVILLE COPPER LIMITED

82.1 INTRODUCTION

82.1.1 Legislation

Bougainville Copper Limited, formerly Bougainville Copper Pty Limited, was incorporated under the *Companies Act*.

From 1972 until 1989, the Company operated a large open pit mine and processing facility at Panguna on the island of Bougainville in the North Solomons Province of PNG. It produced concentrate containing copper, gold and silver which was sold primarily under long-term contracts to smelters in Asia and Europe. On 15 May 1989 production was brought to a halt by militant activity and has not recommenced since.

As at 31 December 2023 the issued capital of the Company were 401,062,500 fully paid shares, each carrying one voting right. Of these, the Government of PNG held 76,430,809 (19.06%) shares of the total shares. A further 69,744,640 (17.39%) shares were held through Eda Minerals Limited totaling 36.4%.

The Autonomous Bougainville Government (ABG) holds 146,175,449 shares (36.4%) through Bougainville Minerals Limited. The remaining 108,711,602 shares (27.11%) are owned by individual shareholders.

82.1.2 Objectives of the Company

The main objectives of the Company are to prospect, explore, quarry, develop, excavate, dredge for, open, work, purchase or otherwise obtain copper and other various metals and minerals.

82.2 REPORT OF THE COMPANY'S AUDITORS

A Private Firm of Auditors conducted the audit of the Company's financial statements including the accounts and records for the year ended 31 December 2023 and the audit report was issued on 28 March 2024. This report contained a Qualified Opinion.

“QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and

- give a true and fair view of the financial position of the Company and the Group as at 31 December 2023 and their financial performance and cash flows for the year then ended.

BASIS FOR QUALIFIED OPINION

The Company's subsidiary holds an investment in an unlisted investment fund with a carrying value of K1.1 million at 31 December 2023. Management has not been provided with audited financial statements of the investee at 31 December 2023 and there is currently no active market for the sale of units in the investment fund. As a result, we have been unable to satisfy ourselves as to the valuation of this investment recognised in the consolidated balance sheet at 31 December 2023.

KEY AUDIT MATTER

In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be a key matter to be communicated in our report:

Accounting for Disclosure of the Implementation of the Bougainville Mining Act 2015

Legislation passed in 2014 and 2015 by the Autonomous Bougainville Government (ABG) has challenged the Company's control of the Panguna mine assets.

The Special Mining Lease held by the Company was converted to an exploration licence. In January 2018, the Company's application to renew the exploration licence was refused by the ABG. An agreement was reached with the ABG in October 2023 to work towards the extension of the exploration license.

Subsequently to year end the conditions of the agreement were not met by both parties and the exploration license was renewed on 1 February 2024 for five years. As a result, the group prepared a notice of discontinuance of the Judicial Review for lodgement with the courts.

There remains continuing uncertainty around the future of mining operations at the Panguna mine and surroundings which impacts the accounting for mine and rebated disclosures."

83. GOGOL REFORESTATION COMPANY LIMITED

83.1 INTRODUCTION

83.1.1 Legislation

Gogol Reforestation Company Limited was incorporated under the *Companies Act* on 13 October 1977. As at 31 December 2009, the issued and fully paid up capital of the Company comprised 102,001 'A' class ordinary shares of K1.00 each and 98,001 'B' class ordinary shares of K1.00 each. Of these, the Government of PNG held 98,001 'B' class ordinary shares of K1.00 each, representing 49% of the issued Capital at a cost of K98,001.

83.1.2 Objective of the Company

The objective of the Company is to be involved in reforestation.

83.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the audited financial statements and the audit reports of the Company for the years ended 31 December 2010 up to 31 December 2023 have not been submitted for my verification.

Further, I was informed by management on 16 July 2013 that the Company was no longer in operation since 2011 due to the winding down of the Company.

In 2014, I communicated with Independent Public Business Corporation (IPBC) requesting for the winding down documents and IPBC responded that they had not received any winding down application nor deregistration documents with regard to Gogol Reforestation Co. Limited. My efforts to clarify the status with Kumul Consolidated Holdings were unsuccessful. A Company search with the Investment Promotion Authority on 25 July 2024 revealed that the Company was removed from the register due to failure to register.

SECTION D

**PROBLEM AUDITS
(AUDITS IN ARREARS)**

84. FOREWORD

This Section of my Report deals with problem audits, especially audits in arrears. Problem audits denote audit of entities in respect of which I have not been able to carry out audits for circumstances detailed in the respective paragraphs.

84.1 EXCLUSION OF ENTITIES FROM STATUTORY AUDIT

Due to non-submission of financial statements by the following entities due to amendment to the enabling Act, I was not able to perform the audit of the following entities.

- *Fresh Produce Development Agency;*
- *Kumul Minerals Holding Limited (formerly Petromin Limited);*
- *National Development Bank Limited;*
- *Ok Tedi Mining Limited;*
- *Niusky Pacific Limited (formerly PNG Air Services Limited); and*
- *PNG Sustainable Development Program Limited.*

84.2 EXCLUSION OF ENTITIES FROM FUTURE REPORT

- *Bmobile Limited and Subsidiary;*
- *Border Development Authority;*
- *Cocoa Coconut Institute Limited of PNG;*
- *Kumul Gas Foreland 239 B.V;*
- *Kumul Gas Foreland 261 B.V;*
- *Kumul Gas Foreland 268 B.V;*
- *Kumul Gas Foreland 269 B.V; and*
- *NCD Water and Sewerage Limited (Eda Ranu).*

85. AUDITS IN ARREARS

85.1 GENERAL

Audits in arrears are those in respect of which financial statements have not been submitted on time for audit to be undertaken, thus placing my Office in a position where audits are not able to be conducted on a current year basis consistent with the requirements of the *Companies Act* and the *PFMA*. Two serious consequences develop from this. Firstly, it results in a build-up of audits in arrears, and these are all audits other than the current year (2023) audits. The other serious consequence is that audit reports issued more than a year or two in arrears serve only to meet the administrative or legislative requirements, but their validity from a decision-making stand-point may be lost due to the time lag.

85.2 RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The responsibility for the preparation and presentation of financial statements is that of the management of the auditee organisation. That being the case, the audit of the financial statements by the Auditor-General does not in any way relieve management of its responsibility to have financial statements prepared on time.

This responsibility also requires management to ensure that an adequate and effective internal control system is maintained so as to ensure, inter-alia, that complete and accurate financial statements are produced on a timely basis. To assist management in producing financial statements that meet the qualitative characteristics, the management's responsibility also extends to ensuring that professionally qualified and experienced accounting personnel are engaged.

It is generally true that irrespective of their completeness, accuracy or reliability, financial statements that are unduly delayed, lose their relevance. Although, there is no consensus regarding the length of time that ought to be allowed to elapse between the predetermined reporting date and the date when the financial statements lose their relevance, there is a need to weigh the relative merits of preparing them on a timely basis, let alone the legislative requirements.

Relevant and reliable information therefore is useful for decision making when these are timely prepared and made available to concerned parties. Relevance here is relative to the value and usefulness of the audited financial information to management and the parties concerned for decision making. Current information is of more relevance in the fight against corrupt practices than information that is out of date.

85.3 LEGISLATIVE REQUIREMENTS

To ensure the timely preparation of financial statements, *Section 63(3)(a)* of the *Public Finances (Management) Act 1995 (as amended)*, makes it mandatory for statutory bodies to prepare and furnish audited financial statements to the Finance Departmental Head, before end of the fourth calendar month from close of a fiscal year. The fact that audit of **58 entities** as detailed in **Schedule B(iv)** had been in arrears due to non-submission of financial statements is a direct contravention of the requirements of *Section 63(3)(a)* referred to above.

Strict adherence of this requirement, despite its mandatory nature, has not been enforced by the respective entities' managements and the authorities concerned. My strong contention is that, enforcement of the above requirements by the authorities concerned and the Minister responsible may have been lacking in the past. There may therefore be a need, whilst ensuring timely accountability of public resources, to take certain statutory bodies to task for non-compliance with mandatory statutory requirements.

By virtue of *Section 63(4)* of the *Public Finances (Management) Act 1995 (as amended)*, the Finance Minister is required to table the reports of the respective statutory bodies in Parliament after they are received. The following arrears situation implies that a lot of statutory bodies reports may not have been tabled in Parliament as required, and thus, the accountability to Parliament in these respects has been far short of the desired.

85.4 CURRENT YEAR AUDITS (2023 AUDITS)

There are **133 entities** subject to audit by the Auditor-General comprising of **85 Public Bodies** and their subsidiaries, **46 National Government owned companies** and **2 companies** in which the National Government has minority shareholdings (**referred to as Section 'C' Companies**).

TYPES OF ENTITIES SUBJECT TO AUDIT

Table 1

Section	Types of Audit	Number of Entities	
		2023/2024	2022/2023
(A)	Public Bodies and their Subsidiaries	85	83
(B)	National Government Owned Companies	46	47
(C)	National Government Shareholdings in other Companies	2	2
		133	132

Table 1. Shows the total of Types of Entities subject to Audit.

Chart 1

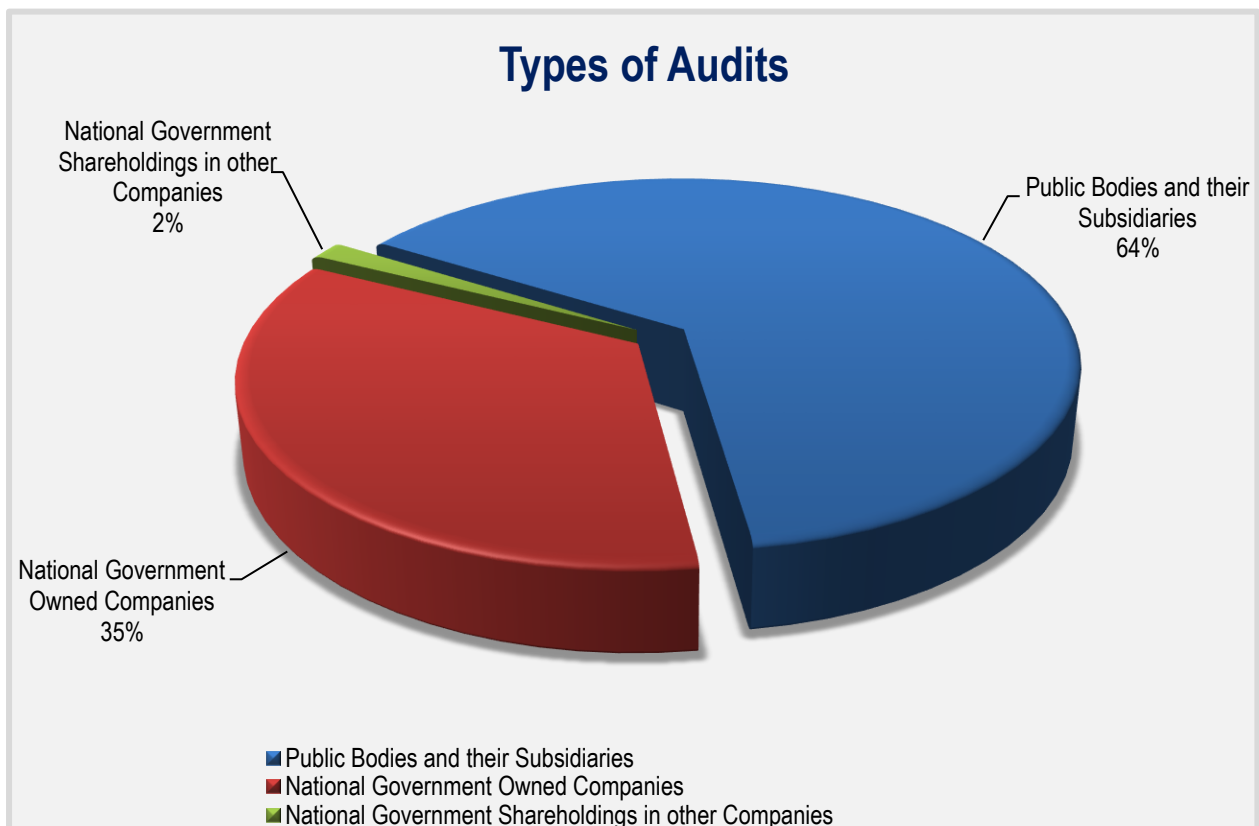


Chart 1. Shows the percentages of Types of Entities subject to Audit during 2023/2024 Audit Cycle.

85.5 STATUS OF CURRENT YEAR AUDITS

Each of the **133** entities, except Section ‘C’ Companies are subject to audit and required under *Section 63(3)(c)* of the *Public Finances (Management) Act, 1995 (as amended)* to submit annual financial statements for audit. Information available in my Office shows that only **39 entities** have submitted their financial statements for 2023 (**Schedule A (i), (ii), (iii) & iv**) for audit up to the time of preparing this Report. A total of **85** entities have not submitted their 2023 financial statements (**Schedule A (v)**) for audit in 2023. It could therefore be logically concluded that, about **63%** of the public bodies might not have submitted their annual reports and financial statements for 2022 together with my reports on them, to the respective Ministers for tabling in the National Parliament on or before 30 April 2024.

Table 2 and **Chart 2** shown below, and **Schedule A** attached show the status of the current year audits.

STATUS OF CURRENT YEAR AUDITS 2023 BY ENTITIES

Table 2

No.	Status of Current Year Audits	Number of Entities	
		2023/2024	2022/2023
1	Audits completed and reports issued thereon (Schedule A)	4	3
2	Audits substantially completed (Schedule A)	0	3
3	Audits in progress (Schedule A)	19	21
4	Audits to commence shortly (Schedule A)	17	13
5	Financial Statements not submitted (Schedule A)	85	80
6	Non-Operational Entities/ Ceases Companies (Schedule D)	8	-
		133	129

Table 2. Shows the total of Status of Current Year (2023 Audits) (Schedule A).

Chart 2

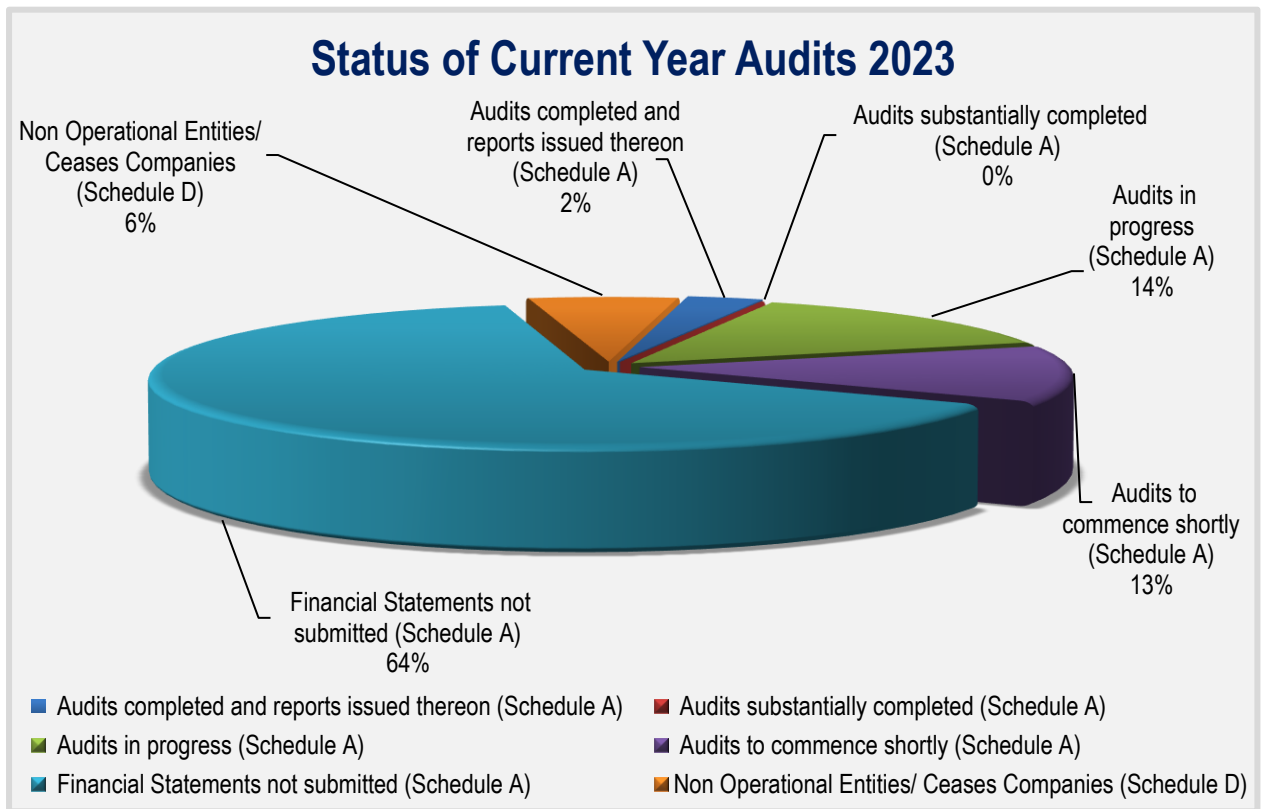


Chart 2. Shows the percentages of Audit Status for the Current Year (2023) during 2023/2024 Audit Cycle. (Schedule A).

85.6 AUDITS IN ARREARS (2022 AND PRIOR YEARS)

Records available in my Office show that a total of **58** entities (222 audits) were in the Audit in Arrears category due to non-submission of financial statements on time. **Table 3** and **Chart 3** shown below, and **Schedule B (iv)** attached provide more details of these.

STATUS OF AUDITS IN ARREARS BY NUMBER OF ENTITIES (2022 AND PRIOR YEARS)

Table 3A

No.	Status of Audits in Arrears by No. of Entities (2022 and Prior Years)	Number of Entities	
		2023/2024	2022/2023
1	Audits substantially completed (Schedule B)	24	26
2	Audits in progress (Schedule B)	29	38
3	Audits to commence shortly (Schedule B)	31	18
4	Financial Statements not submitted (Schedule B)	58	57
		142	139

Chart 3A

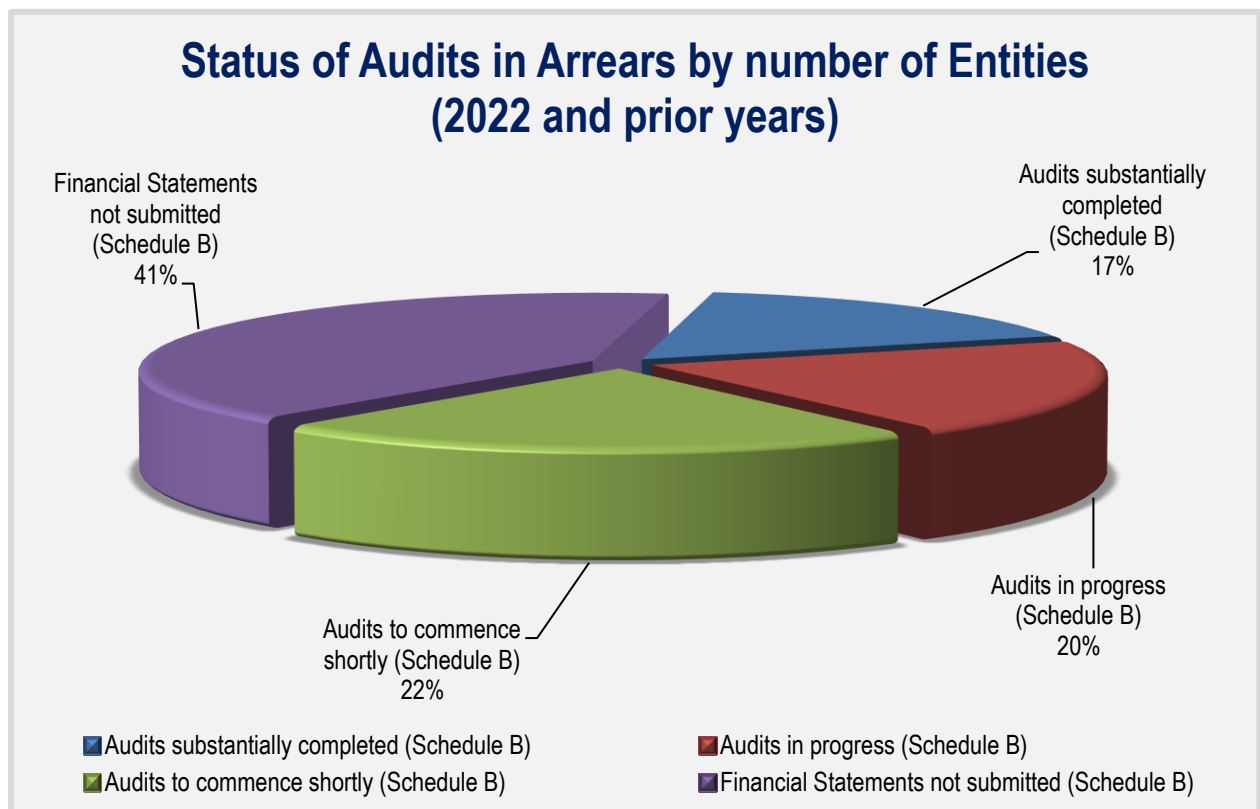


Chart 3A. Shows the percentages of Audit Status for Audits in Arrears by number of Entities for 2022 and Prior Years during 2023/2024 Audit Cycle. (Schedule B).

STATUS OF AUDITS IN ARREARS BY NUMBER OF AUDITS (2022 AND PRIOR YEARS)

Table 3B

No.	Status of Audits in Arrears by No. of Audits (2022 & prior years)	Number of Audits	
		2023/2024	2022/2023
1	Audits substantially completed (Schedule B)	48	47
2	Audits in progress (Schedule B)	36	52
3	Audits to commence shortly (Schedule B)	80	51
4	Financial Statements not submitted (Schedule B)	222	183
		386	333

Table 3B. Shows the Status of Audits in Arrears by number of Audits for 2022 and Prior Years during 2023/2024 Audit Cycle. (Schedule B).

Chart 3B

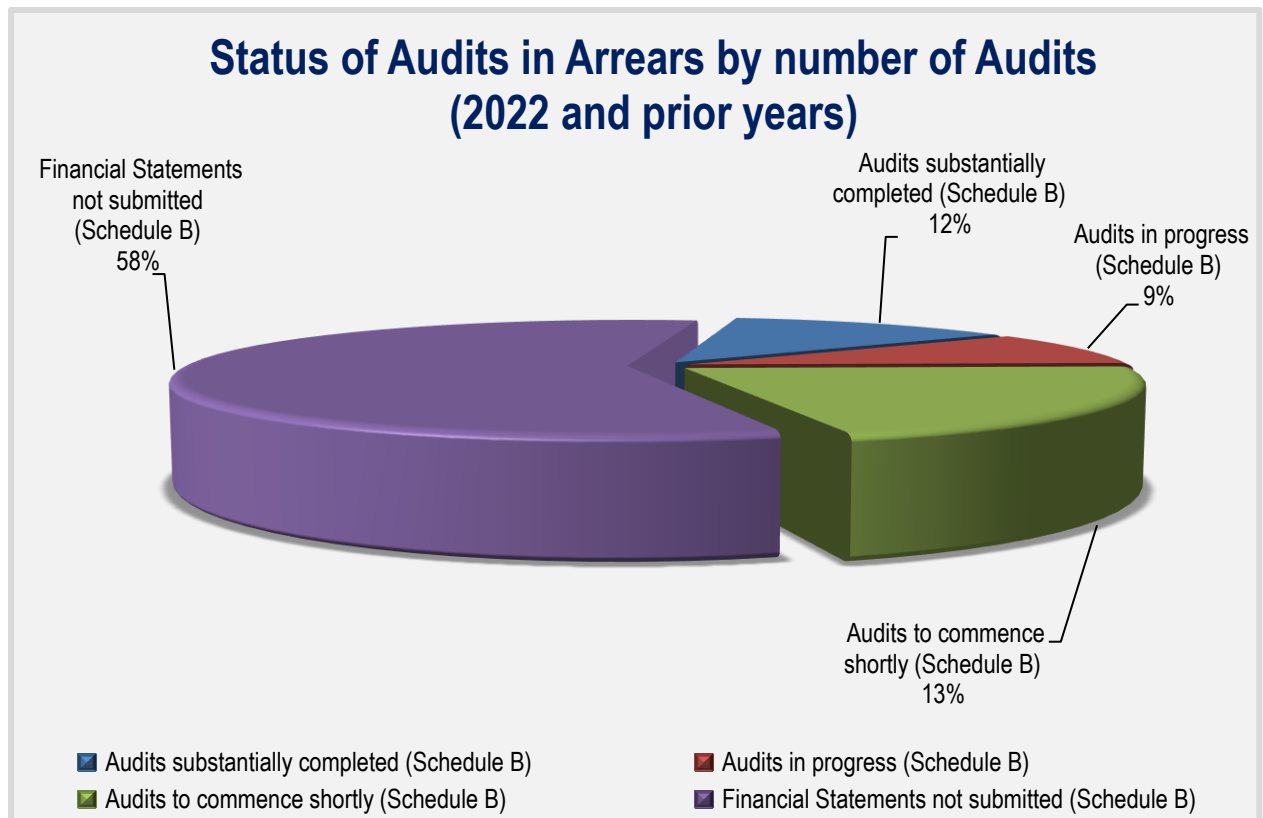


Chart 3B. Shows the percentages of Audit Status for Audits in Arrears by number of Audits for 2022 and Prior Years during 2023/2024 Audit Cycle. (Schedule B).

85.7 LONG OUTSTANDING FINANCIAL STATEMENTS

During this Audit Cycle (2023/2024), **58** audit entities were in the arrear's category, increased by one (1) compared to prior year (2022). Of these **58** entities, **222** financial statements for periods ranging from one year to **10** years have still not been submitted. In other words, they still have financial statements outstanding for the years from **2010** to **2023**. Details of these are shown below in **Table 4, Chart 4** and also in **Schedule C** attached.

**LONG OUTSTANDING FINANCIAL STATEMENTS
BY NUMBER OF ENTITIES
(2022 AND PRIOR YEARS)**

Table 4A

No.	Years Outstanding by Entities	Number of Entities	
		2023 Report	2022 Report
1	One Year (Schedule C)	13	17
2	Two Years (Schedule C)	11	8
3	Three Years (Schedule C)	9	13
4	Four Years (Schedule C)	8	8
5	Five Years (Schedule C)	4	2
6	Six Years (Schedule C)	4	4
7	Seven Years (Schedule C)	3	1
8	Eight Years (Schedule C)	1	0
9	Nine Years (Schedule C)	2	2
10	Ten Years (Schedule C)	3	2
		58	57

Table 4A. Shows the total of Long Outstanding Financial Statements by number of Entities during 2023/2024 Audit Cycle. (Schedule C).

Chart 4A

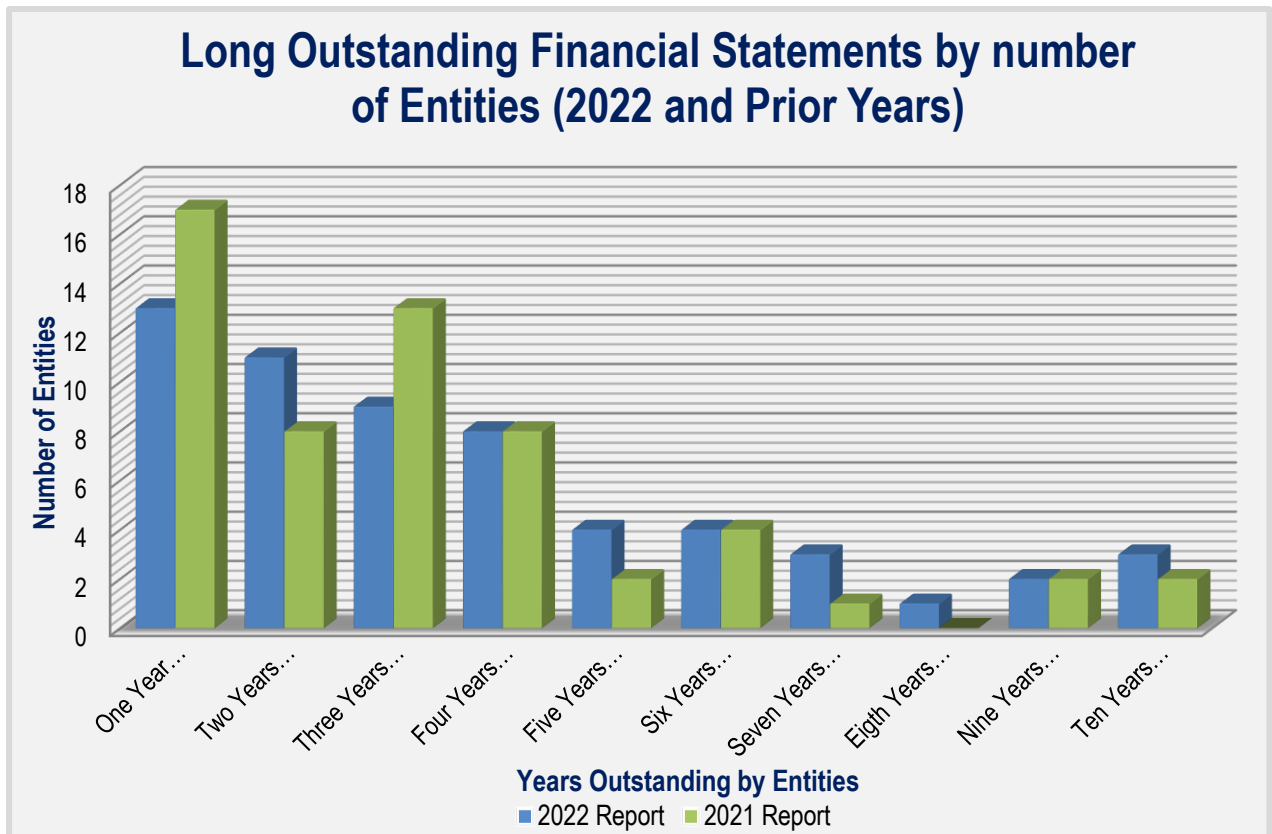


Chart 4A. Shows the percentages of Long Outstanding Financial Statements by number of Entities during 2023/2024 Audit Cycle (Schedule C).

**LONG OUTSTANDING FINANCIAL STATEMENTS
BY NUMBER OF AUDITS
(2022 AND PRIOR YEARS)**

Table 4B

No.	Years Outstanding by Audits	Number of Audits	
		2023 Report	2022 Report
1	One Year (Schedule C)	13	17
2	Two Years (Schedule C)	22	16
3	Three Years (Schedule C)	27	39
4	Four Years (Schedule C)	32	32
5	Five Years (Schedule C)	20	10
6	Six Years (Schedule C)	30	24
7	Seven Years (Schedule C)	14	7
8	Eight Years (Schedule C)	8	0
9	Nine Years (Schedule C)	20	18
10	Ten Years (Schedule C)	36	20
		222	183

Table 4B. Shows the total of Long Outstanding Financial Statements by number of Audits during 2023/2024 Audit Cycle. (Schedule C).

Chart 4B

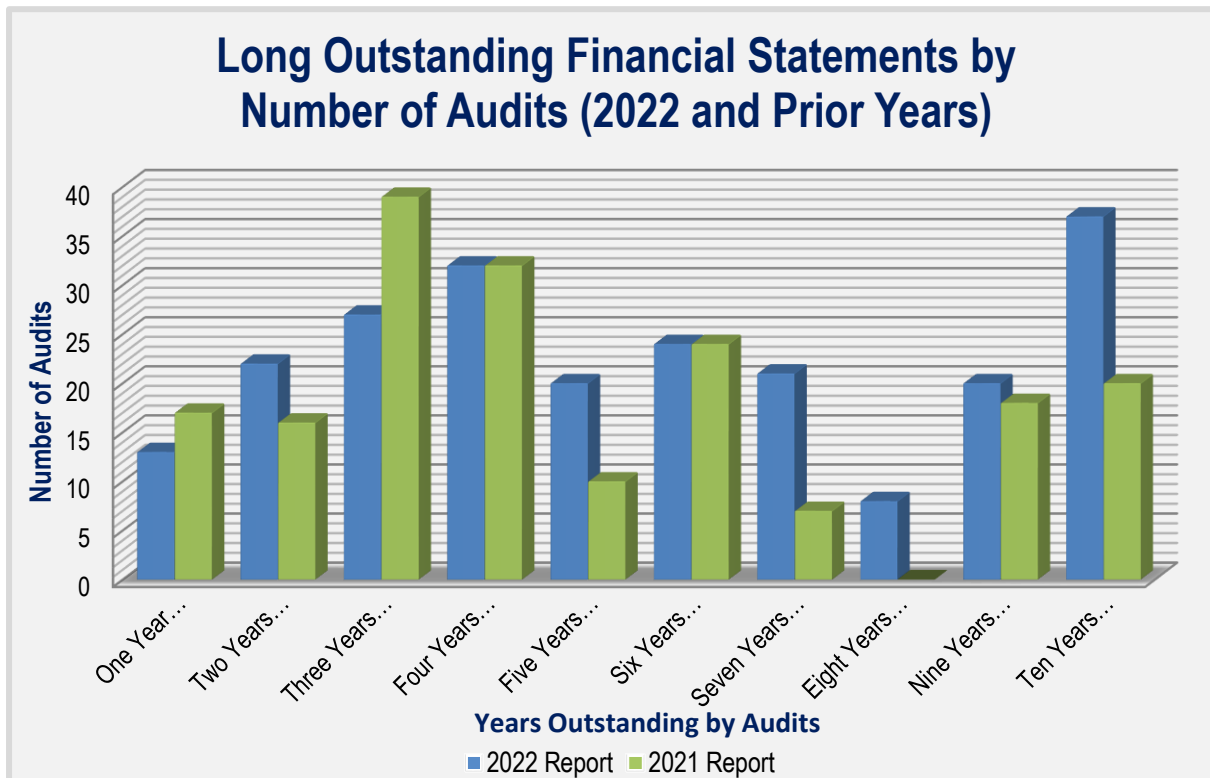


Chart 4B. Shows the percentages of Long Outstanding Financial Statements by number of Audits during 2023/2024 Audit Cycle. (Schedule C).

85.8 STATUS OF AUDITS AS AT 30 JUNE 2024

As illustrated in **Executive Summary Table A**, during July 2023 and June 2024 Audit Cycle, a **total of 602 audits** were undertaken by the Audit Office. Out of **602 audits** carried out, **87 audit reports** were issued. **Table 5** and **Chart 5** shown below provide the details of the Status of Audits during the period July 2023 to June 2024.

STATUS OF AUDITS AS AT 30 JUNE 2024

Table 5

No.	Status of Audits	Number of Audits	
		2023/2024	2022/2023
1	Audits completed and reports issued thereon (Schedule A & E)	87	100
2	Audits substantially completed (Schedule A & B)	48	50
3	Audits in progress (Schedule A & B)	55	73
4	Audits to commence shortly (Schedule A & B)	97	64
5	Financial Statements not submitted (Schedule A & B)	307	263
6	Non-operational Entities/Ceased Companies (Schedule D)	8	8
		602	558

Table 5. Shows the Status of Audits as at 30 June 2022 for the 2023/2024 Audit Cycle. (Schedules A&E and A&B).

Chart 5

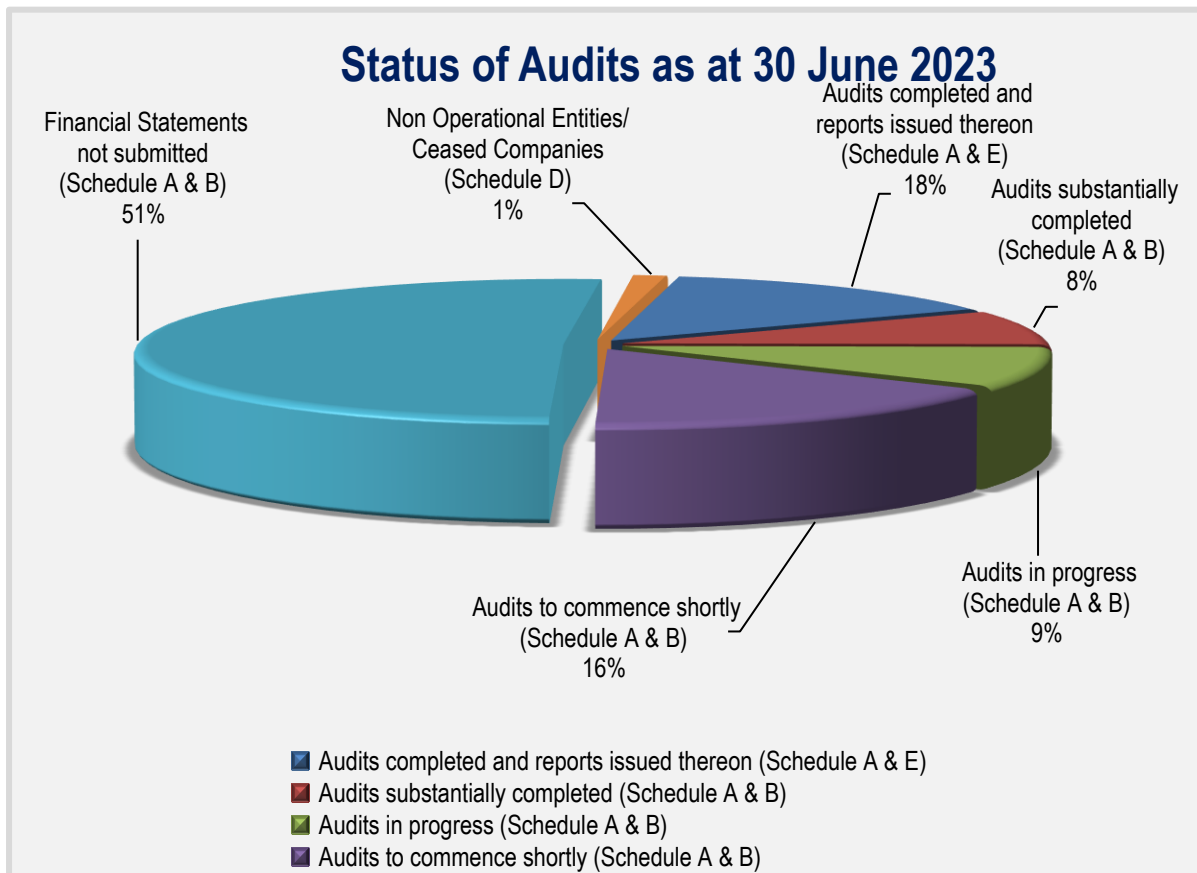


Chart 5. Shows the percentages of Audit Status as at 30 June 2024 for the 2023/2024 Audit Cycle (Schedules A&E and A&B).

ACKNOWLEDGEMENTS

My audit staff worked conscientiously and successfully completed audits entrusted to them. Their devotion to duty, their integrity and loyalty are highly appreciated.

I acknowledge the co-operation and the assistance of all Heads of Public Bodies and National Government Owned Companies, and Registered Company Auditors and their staff who assisted as my Authorised Auditors.

I would also like to thank the Chairman and the members of the Permanent Parliamentary Committee on Public Accounts of PNG and the Secretary for the continuous interest shown in my work.

**SIGNED AT WAIGANI ON 27th SEPTEMBER
TWO THOUSAND AND TWENTY FOUR**



GORDON KEGA MBA, CPA

Auditor-General of Papua New Guinea

SCHEDULES

Schedule 'A'

STATUS OF CURRENT YEAR (2023) AUDIT

(i) AUDITS COMPLETED AND REPORTS ISSUED THEREON

No.	Section	Para. No.	Entity	No. of Audits
1	A	4	Civil Aviation Safety Authority of Papua New Guinea	1
2	A	43	Papua New Guinea Accident Investigation Commission	1
3	B	76	PNG DataCo Limited	1
4	B	82	Bougainville Copper Limited	1
				4

(ii) AUDITS SUBSTANTIALLY COMPLETED

No.	Section	Para. No.	Entity	No. of Audits
				0

(iii) AUDITS IN PROGRESS

No.	Section	Para. No.	Entity	No. of Audits
1	A	2	Bank of Papua New Guinea	1
2	A	17	Kumul Consolidated Holdings and its Subsidiaries	1
3	A	17A	General Business Trust	1
4	A	17B	Kumul Technology Development Corporation Limited	1
5	A	17C	PNG Dams Limited	1
6	B	66	Air Niugini Limited and its Subsidiaries	1
7	B	72	Motor Vehicles Insurance Limited and its Subsidiaries	1
8	B	72A	Pacific MMI Insurance Limited	1
9	B	72B	Pacific Re Limited	1
10	B	75	Papua New Guinea Ports Corporation Limited	1
11	B	77	PNG Power Limited	1
12	B	78	Post (PNG) Limited	1
13	B	79	Telikom (PNG) Limited and its Subsidiaries	1
14	B	79A	Bmobile (Solomon Islands) Limited	1
15	B	79B	DATEC (PNG) Limited	1
16	B	79C	Kalang Advertising Limited	1
17	B	79D	Media Niugini Limited (EMTV)	1
18	B	79E	PNG Directories Limited	1
19	B	80	Water PNG Limited	1
				19

(iv) AUDITS TO COMMENCE SHORTLY

No.	Section	Para. No.	Entity	No. of Audits
1	A	11	Independent Fellowship Trust	1
2	A	16	Kokonas Industri Koporesen and its Subsidiaries	1
3	A	19	Mineral Resources Authority	1
4	A	29	National Gaming Control Board and its Subsidiary	1
5	A	29A	National Gaming Control Board Community Benefit Fund Trust.	1
6	A	31	National Information and Communication Technology Authority	1
7	A	34	National Research Institute	1
8	A	41	Oil Palm Industry Corporation	1
9	A	42	Ombudsman Commission of Papua New Guinea	1
10	A	44	Papua New Guinea Customs Service	1
11	A	48	Papua New Guinea Maritime College	1
12	A	54	Road Traffic Authority	1
13	A	55	Rubber Industry Development Board	1
14	A	56	Securities Commission of Papua New Guinea	1
15	A	58	Small and Medium Enterprises Corporation	1
16	A	59	Somare Institute of Leadership and Governance	1
17	B	67	Kumul Agriculture Limited	1

17

(v) FINANCIAL STATEMENTS NOT SUBMITTED

No.	Section	Para. No.	Entity	No. of Audits	Last Report Issued	Date of Report
1	A	3A	Papua New Guinea Maritime Transport Limited	1	2012	29-Oct-15
2	A	5	Climate Change and Development Authority	1	2021	04-Aug-24
3	A	6	Cocoa Board of Papua New Guinea and its Subsidiaries	1	2020	22-Nov-23
4	A	6A	Cocoa Pod Borer Project Fund	1	2020	22-Nov-23
5	A	8	Coffee Industry Corporation Limited and its Subsidiaries	1	2020	26-Apr-24
6	A	8A	Coffee Industry Fund	1	2020	26-Apr-24
7	A	8B	Kofi Management Services Limited	1	2020	26-Apr-24
8	A	8C	Patana No. 61 Limited	1	2020	26-Apr-24
9	A	9	Conservation and Environment Protection Authority	1	2017	22-Jun-20
10	A	10	Government Printing Office	1	2021	27-Jun-23
11	A	12	Independent Consumers and Competition Commission	1	2020	20-May-24
12	A	13	Industrial Centers Development Corporation	1	2018	20-Oct-20
13	A	14	Internal Revenue Commission.	1	2018	06-Jun-24
14	A	15	Investment Promotion Authority	1	2021	25-Jul-23
15	A	16A	Papua New Guinea Coconut Extension Fund	1	2021	02-Feb-24
16	A	16B	Papua New Guinea Coconut Research Fund	1	2021	02-Feb-24
17	A	18	Legal Training Institute	1	2021	20-May-24
18	A	20	National Agriculture Quarantine & Inspection Authority	1	2018	14-Mar-22
19	A	21	National Agricultural Research Institute	1	2022	20-May-24
20	A	22	National AIDS Council Secretariat	1	2022	30-Jun-24
21	A	23	National Broadcasting Corporation	1	2018	20-May-24
22	A	24	National Capital District Commission and its Subsidiaries	1	2021	20-May-24
23	A	24A	National Capital District Botanical Enterprises Limited	1	No Reports issued since 2012	
24	A	24B	Port Moresby Nature Park Limited	1	No Reports issued since 2020	
25	A	25	National Cultural Commission	1	2022	24-May-24
26	A	26	National Economic and Fiscal Commission	1	No Reports issued since 2018	
27	A	27	National Energy Authority	1	New entity incorporated in 2021	
28	A	28	National Fisheries Authority	1	No Reports issued since 2020	
29	A	28A	Fisheries Capital Limited	1	New entity incorporated in 2022	
30	A	30	National Housing Corporation and its Subsidiary	1	No Reports issued since 2014	
31	A	30A	National Housing Estate Limited	1	No Reports issued since 2009	
32	A	32	National Maritime Safety Authority	1	2020	19-May-23
33	A	33	National Museum & Art Gallery	1	2021	25-Jul-23
34	A	36	National Training Council	1	2022	24-Jan-24
35	A	37	National Volunteer Service	1	No Reports issued since 2016	
36	A	38	National Youth Development Authority	1	No Report issued since 2017	
37	A	39	Office of the Insurance Commissioner	1	No Reports issued since 2017	
38	A	40	Office of the Public Trustee of Papua New Guinea	1	2016	20-May-24
39	A	45	Papua New Guinea Forest Authority	1	No Reports issued since 2015	
40	A	46	Papua New Guinea Immigration and Citizenship Services Authority	1	No Reports issued since 2017	
41	A	47	Papua New Guinea Institute of Medical Research	1	2021	22-Jun-23
42	A	49	Papua New Guinea National Institute Standard Industrial Technology	1	No Report issued since 2019	

No.	Section	Para. No.	Entity	No. of Audits	Last Report Issued	
43	A	50	Papua New Guinea Sports Foundation	1	No Reports issued since 2015	
44	A	51	Papua New Guinea University of Technology and its Subsidiaries	1	2019	30-Apr-24
45	A	51A.	National Analytical & Testing Services Limited.	1	2018	30-Apr-24
46	A	51B	Unitech Development and Consultancy Company Limited	1	2018	30-Apr-24
47	A	52	Parliamentary Members' Retirement Benefit Fund	1	No Reports issued since 2016	
48	A	53	PNG Road Fund	1	2020	
49	A	57	Security Industries Authority	1	2021	13-May-24
50	A	60	Tourism Promotion Authority	1	2021	19-Apr-24
51	A	61	University of Goroka and its Subsidiaries	1		
53	A	61A.	Unigor Consultancy Limited	1	No Reports issued since 2015	
52	A	61B	Unigor Humi Catering Limited	1	No Reports issued since 2015	
54	A	62	University of Natural Resources & Environment	1	No Reports issued since 2015	
55	A	63	University of Papua New Guinea and its Subsidiaries	1	No Reports issued since 2015	
57	A	63A	Unisave Limited	1	No Reports issued since 2011	
56	A	63B	Univentures Limited	1	No Reports issued since 2011	
58	A	64	Western Pacific University	1	No Reports issued since 2018	
59	B	66A	Air Niugini Cargo Limited	1	No Reports issued since 2016	
60	B	66B	Air Niugini Properties Limited	1	No Reports issued since 2017	
61	B	66C	Business Travel Centre Limited	1	No Reports issued since 2016	
62	B	66D	Link-PNG Limited	1	No Reports issued since 2015	
63	B	68	Kumul Petroleum Holdings Limited and its Subsidiaries	1	2021	13-Feb-24
64	B	68A	Eda Oil Limited	1	2021	13-Feb-24
65	B	68B	Kumul Energy Limited	1	2021	13-Feb-24
66	B	68C	Kumul Exploration (Asia) Limited	1	2021	18-Apr-24
67	B	68H	Kumul Gas Niugini B.V.	1	No reports issued since 2016	
68	B	68I	Kumul Lending Co. Pte Limited	1	2021	29-Feb-24
69	B	68J	Kumul LNG Limited	1	2021	13-Feb-24
70	B	68K	<i>Kumul Petroleum (Development) Limited</i>	1	No reports issued since 2015	
71	B	68L	Kumul Petroleum (Investments) Limited	1	2021	13-Feb-24
72	B	68M	Kumul Petroleum (Kroton) Limited	1	2021	13-Feb-24
73	B	68N	Kumul Petroleum (Pipeline) Limited	1	2021	13-Feb-24
74	B	68O	Kumul Petroleum (Tech and Advisory) Limited	1	2021	13-Feb-24
75	B	68P	Kumul Petroleum Marketing Pte Limited	1	2021	19-Feb-24
76	B	68Q	Kumul Security Agent Limited	1	2021	29-Feb-24
77	B	68R	NCPC Oil Company Pty Limited	1	No reports issued since 2014	
78	B	69	Kumul Telikom Holdings Limited and its Subsidiaries	1	No reports issued since 2017	
79	B	70	Livestock Development Corporation Limited	1	2018	27-Feb-23
80	B	71	Mineral Resources Development Company Limited	1	2020	11-May-23
81	B	72	National Airports Corporation Limited and its Subsidiaries	1	2020	11-Mar-23
82	B	72A	Airports City Development Limited	1	2020	22-Dec-23
83	B	72B	Airport Investments Limited	1	2020	22-Dec-23
84	B	74	Niusky Pacific	1	No reports issued since 2016	
85	B	83	Gogol Reforestation Company Limited	1	No reports issued since 2009	

Schedule 'B'

STATUS OF AUDITS IN ARREARS (2022 AND PRIOR YEARS)

(i) AUDITS SUBSTANTIALLY COMPLETED

No.	Section	Para. No.	Entity	Year	No. of Audits
1	A	3	Border Development Authority and its Subsidiary	2014	1
2	A	9	Conservation and Environment Protection Authority	2018	1
3	A	10	Government Printing Office	2022	1
4	A	14	Internal Revenue Commission.	2019	1
5	A	15	Investment Promotion Authority	2022	1
6	A	18	Legal Training Institute	2022	1
7	A	24	National Capital District Commission and its Subsidiaries	2022	1
8	A	27	National Energy Authority	2021 & 2022	2
9	A	28	National Fisheries Authority	2021 & 2022	2
10	A	34	National Research Institute	2021 & 2022	2
11	A	35	National Roads Authority	2020	1
12	A	38	National Youth Development Authority	2018 to 2022	5
13	A	42	Ombudsman Commission of Papua New Guinea	2022	1
14	A	44	Papua New Guinea Customs Service	2019 to 2021	3
15	A	49	Papua New Guinea National Institute Standard Industrial Technology	2020 & 2021	2
16	A	51	Papua New Guinea University of Technology and its Subsidiaries	2020	1
17	A	52	Parliamentary Members' Retirement Benefit Fund	2017 to 2020	4
18	A	56	Securities Commission of Papua New Guinea	2021	1
19	A	58	Small and Medium Enterprises Corporation	2019 & 2020	2
20	A	61A	Unigor Consultancy Limited	2016 to 2018	3
21	A	61B	Unigor Humi Catering Limited	2016 to 2018	3
22	B	68K	Kumul Petroleum (Development) Limited	2017 & 2018	2
23	B	68R	NCPC Oil Company Pty Limited	2015 to 2018	4
24	B	79A	Bmobile (Solomon Islands) Limited	2018, 2019 & 2020	3

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(ii) AUDITS IN PROGRESS

No.	Section	Para. No.	Entity	Year	No. of Audits
1	A	8	Coffee Industry Corporation Limited and its Subsidiaries	2021	1
2	A	8A	Coffee Industry Fund	2021	1
3	A	8B	Kofi Management Services Limited	2021	1
4	A	8C	Patana No. 61 Limited	2021	1
5	A	9	Conservation and Environment Protection Authority	2019	1
6	A	19	Mineral Resources Authority	2021	1
7	A	23	National Broadcasting Corporation	2019	1
8	A	24B	Port Moresby Nature Park Limited	2021 & 2022	2
9	A	35	National Roads Authority	2021	1
10	A	45	Papua New Guinea Forest Authority	2016 to 2018	3
11	A	53	PNG Road Fund	2021	1
12	A	63	University of Papua New Guinea and its Subsidiaries	2016	1
13	B	68	Kumul Petroleum Holdings Limited and its Subsidiaries	2022	1
14	B	68A.	Eda Oil Limited	2022	1
15	B	68.B	Kumul Energy Limited	2022	1
16	B	68C	Kumul Exploration (Asia) Limited	2022	1
17	B	68I	Kumul Lending Co. Pte Limited	2022	1
18	B	68J	Kumul LNG Limited	2022	1
19	B	68L	Kumul Petroleum (Investments) Limited	2022	1
20	B	67M	Kumul Petroleum (Kroton) Limited	2022	1
21	B	67N	Kumul Petroleum (Pipeline) Limited	2022	1

No.	Section	Para. No.	Entity	Year	No. of Audits
22	B	67O	Kumul Petroleum (Tech and Advisory) Limited	2022	1
23	B	67P	Kumul Petroleum Marketing Pte Limited	2022	1
24	B	68Q	Kumul Security Agent Limited	2022	1
25	B	67R	NCPC Oil Company Pty Limited	2019,2020 ,2021 & 2023	4
26	B	73	National Airports Corporation Limited and its Subsidiaries	2021	1
27	B	73A	Airports City Development Limited	2021	1
28	B	73B	Airport Investments Limited	2021	1
29	B	79A	Bemobile (Solomon Islands) Limited	2021 & 2022	2

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(iii) AUDITS TO COMMENCE SHORTLY

No.	Section	Para. No.	Entity	Year	No. of Audits
1	A	3	Border Development Authority and its Subsidiary	2015, 2016 & 2017	3
2	A	6	Cocoa Board of Papua New Guinea and its related Entities	2022 & 2021	2
3	A	6A	Cocoa Pod Borer Project Fund	2022 & 2021	2
4	A	12	Independent Consumers and Competition Commission	2021 & 2022	2
5	A	16	Kokonas Indastri Koporesen and its Subsidiaries	2022	1
6	A	19	Mineral Resources Authority	2022	1
7	A	23	National Broadcasting Corporation	2020	1
8	A	28A	Fisheries Capital Limited	2022	1
9	A	29	National Gaming Control Board and its Subsidiary	2018-2022	5
10	A	29A	National Gaming Control Board Community Benefit Fund Trust	2018-2022	5
11	A	30	National Housing Corporation and its Subsidiary	2015-2020	6
12	A	30A	National Housing Estate Limited	2010 to 2014	5
13	A	31	National Information and Communication Technology Authority	2019-2022	4
14	A	33	National Museum & Art Gallery	2022	1
15	A	40	Office of the Public Trustee of Papua New Guinea	2017 to 2019	3
16	A	41	Oil Palm Industry Corporation	2015 to 2022	8
17	A	44	Papua New Guinea Customs Service	2022	1
18	A	46	Papua New Guinea Immigration and Citizenship Services Authority	2018 to 2020	3
19	A	47	Papua New Guinea Institute of Medical Research	2022	1
20	A	50	Papua New Guinea Sports Foundation	2016 to 2020	5
21	A	51	Papua New Guinea University of Technology and its Subsidiaries	2021 & 2022	2
22	A	54	Road Traffic Authority	2022	1
23	A	55	Rubber Industry Development Board	2021 & 2022	2
24	A	56	Securities Commission of Papua New Guinea	2022	1
25	A	58	Small and Medium Enterprises Corporation	2021 & 2022	2
26	A	59	Somare Institute of Leadership and Governance	2022	1
27	A	60	Tourism Promotion Authority	2022	1
28	A	63	University of Papua New Guinea and its Subsidiaries	2017	1
29	B	66	Kumul Agriculture Limited	2020 to 2022	3
30	B	67K	Kumul Petroleum (Development) Limited	2019,2020, 2021 & 2022	4
31	B	70	Livestock Development Corporation Limited	2021 & 2022	2

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(iv) FINANCIAL STATEMENTS NOT SUBMITTED

No.	Section	Para. No.	Entity	Year	No. of Audits
1	A	3	Border Development Authority and its Subsidiary	2018 & 2019	2
2	A	3A	Papua New Guinea Maritime Transport Limited	2013 to 2022	10
3	A	5	Climate Change and Development Authority	2022	1
4	A	6B	Cocoa Stabilisation Fund	2021 & 2022	2
5	A	7	Cocoa Coconut Institute of Papua New Guinea	2017 & 2018	2
6	A	8	Coffee Industry Corporation Limited and its Subsidiaries	2022	1

No.	Section	Para. No.	Entity	Year	No. of Audits
7	A	8A	Coffee Industry Fund	2022	1
8	A	8B	Kofi Management Services Limited	2022	1
9	A	8C	Patana No. 61 Limited	2022	1
10	A	9	Conservation and Environment Protection Authority	2020, 2021 & 2022	3
11	A	13	Industrial Centers Development Corporation	2019, 2020, 2021 & 2022	4
12	A	14	Internal Revenue Commission.	2020 to 2022	3
13	A	16A	Papua New Guinea Coconut Extension Fund	2022	1
14	A	16B	Papua New Guinea Coconut Research Fund	2022	1
15	A	20	National Agriculture Quarantine & Inspection Authority	2019, 2020, 2021 & 2022	4
16	A	23	National Broadcasting Corporation	2021 & 2022	2
17	A	24A	National Capital District Botanical Enterprises Limited	2013 to 2022	10
18	A	26	National Economic and Fiscal Commission	2019 to 2022	4
19	A	30	National Housing Corporation and its Subsidiary	2021-2022	2
20	A	30A	National Housing Estate Limited	2015 to 2022	8
21	A	32	National Maritime Safety Authority	2021 & 2022	2
22	A	37	National Volunteer Service	2017 to 2022	6
23	A	39	Office of the Insurance Commissioner	2019 to 2022	4
24	A	40	Office of the Public Trustee of Papua New Guinea	2020 to 2022	3
25	A	45	Papua New Guinea Forest Authority	2019 to 2022	4
26	A	46	Papua New Guinea Immigration and Citizenship Services Authority	2021 & 2022	2
27	A	49	Papua New Guinea National Institute Standard Industrial Technology	2022	1
28	A	50	Papua New Guinea Sports Foundation	2021 & 2022	2
29	A	51A	National Analytical & Testing Services Limited.	2020 to 2022	3
30	A	51B	Unitech Development and Consultancy Company Limited	2020 to 2022	3
31	A	52	Parliamentary Members' Retirement Benefit Fund	2021 to 2022	2
32	A	53	PNG Road Fund	2022	1
33	A	57	Security Industries Authority	2022	1
34	A	61	University of Goroka and its Subsidiaries	2018-2022	5
35	A	61A	Unigor Consultancy Limited	2019 to 2022	4
36	A	61B	Unigor Humi Catering Limited	2019 to 2022	4
37	A	612	University of Natural Resources & Environment	2016 to 2022	7
38	A	63	University of Papua New Guinea and its Subsidiaries	2018 to 2022	5
39	A	63A	Unisave Limited	2012 to 2022	11
40	A	63B	Univentures Limited	2012 to 2022	11
41	A	64	Western Pacific University	2019 to 2022	4
42	B	66A	Air Niugini Cargo Limited	2017 to 2022	6
43	B	66B	Air Niugini Properties Limited	2018 to 2022	5
44	B	66C	Business Travel Centre Limited	2017 to 2022	6
45	B	66D	Link-PNG Limited	2016 to 2022	7
46	B	68D	Kumul Gas Foreland 239 B.V	2017, 2018 & 2019	3
47	B	68E	Kumul Gas Foreland 261 B.V	2017 to 2019	3
48	B	68F	Kumul Gas Foreland 268 B.V.	2017 to 2019	3
49	B	67G	Kumul Gas Foreland 269 B.V.	2017 to 2019	3
50	B	67H	Kumul Gas Niugini B.V.	2017 to 2022	6
51	B	69	Kumul Telekom Holdings Limited and its Subsidiaries	2018 to 2022	5
52	B	70	Livestock Development Corporation Limited	2021 & 2022	2
53	B	71	Mineral Resources Development Company Limited	2021 & 2022	2
54	B	73	National Airports Corporation Limited and its Subsidiaries	2022	1
55	B	73A	Airports City Development Limited	2022	1
56	B	73B	Airport Investments Limited	2022	1
57	B	74	Niusky Pacific Limited	2016 to 2022	7
58	B	83	Gogol Reforestation Company Limited	2010 to 2022	13

Schedule 'C'

LONG OUTSTANDING FINANCIAL STATEMENTS (2022 & PRIOR YEARS)

(i) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN ONE (1) YEAR

No.	Section	Para. No.	Entity	No. of Audits
1	A	5	Climate Change and Development Authority	1
2	A	8	Coffee Industry Corporation Limited and its Subsidiaries	1
3	A	8A	Coffee Industry Fund	1
4	A	8B	Kofi Management Services Limited	1
5	A	8C	Patana No. 61 Limited	1
6	A	16A	Papua New Guinea Extension Fund	1
7	A	16B	Papua New Guinea Research Fund	1
8	A	49	Papua New Guinea Institute of Standards and Industrial Technology	1
9	A	53	PNG Road Fund	1
10	A	57	Security Industry Authority	1
11	B	73	National Airports Corporation and its Subsidiaries	1
12	B	73A	Airports City Development Limited	1
13	B	73B	Airports Investment Limited	1

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(ii) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN TWO (2) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	3	Border Development Authority and its Subsidiary	2
2	A	6B	Cocoa Stabilisation Fund	2
3	A	7	Cocoa Coconut Institute of Papua New Guinea	2
4	A	23	National Broadcasting Corporation	2
5	A	30	National Housing Corporation and Its Subsidiary	2
6	A	32	National Maritime Safety Authority	2
7	A	46	Papua New Guinea Citizen and Immigration Services Authority	2
8	A	50	Papua New Guinea Sport Foundation	2
9	A	52	Parliamentary Members Retirement Benefit Fund	2
10	B	70	Livestock Development Corporation Limited	2
11	B	71	Mineral Resource Development Company Limited	2

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(iii) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN THREE (3) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	9	Conservation and Environment Protection Authority	3
2	A	14	Internal Revenue Commission	3
3	A	40	Office of the Public Trustee of Papua New Guinea	3
4	A	51A	National Analytical and Testing Services Limited	3
5	A	51B	Unitech Development and Consultancy Company Limited	3
6	B	68D	Kumul Gas Foreland 239 B.V	3
7	B	68E	Kumul Gas Foreland 261 B.V	3
8	B	68F	Kumul Gas Foreland 268 B.V	3
9	B	68G	Kumul Gas Foreland 269 B.V	3

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(iv) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN FOUR (4) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	13	Industrial Centre Development Centre	4
2	A	20	National Agriculture Quarantine & Inspection Authority	4
3	A	26	National Economic & Fiscal Commission	4
4	A	39	Office of Insurance Commissioner	4
5	A	45	Papua New Guinea Forest Authority	4
6	A	61A	Unigor Consultancy Limited	4
7	A	61B	Unigor Humi Catering Limited	4
8	A	64	Western Pacific University	4
				32

(v) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN FIVE (5) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	61	University of Goroka and Its Subsidiary	5
2	A	63	University of Papua New Guinea and Its Subsidiary	5
3	B	66B	Air Niugini Properties Limited	5
4	B	69	Kumul Telikom Holdings Limited	5
				20

(vi) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN SIX (6) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	37	National Volunteer Service	6
2	B	66A	Air Niugini Cargo Limited	6
3	B	66C	Business Travel Centre Limited	6
4	B	68H	Kumul Gas Niugini B.V	6
5	B	74	Niusky Pacific Limited	6
				30

(vii) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN SEVEN (7) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	62	University of National Resources and Environment	7
2	B	66D	Link-PNG Limited	7
				14

(viii) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN EIGHT (8) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	30A	National Housing Estate Limited	8
				8

(ix) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN NINE (9) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	3A	Papua New Guinea Maritime Transport Limited	10
2	A	24A	National Capital District Botanical Enterprises Limited	10
				20

(x) FINANCIAL STATEMENTS OUTSTANDING FOR MORE THAN TEN (10) YEARS

No.	Section	Para. No.	Entity	No. of Audits
1	A	63A	Unisave Limited	12
2	A	63B	Univenture Limited	12
3	C	83	Gogo! Reforestation Company Limited	12
				36
				222

Schedule 'D'

NON-OPERATIONAL ENTITIES / CEASED COMPANIES AND OTHERS

(i) AUDIT PORTFOLIOS CEASED IN 2023/2024 AUDIT CYCLE

No.	Section	Para. No.	Entity	Remarks
1	A	4	Border Development Authority	The Authority was abolished by the Parliament in 2019.
2	A	8	Cocoa Coconut Institute Limited of Papua New Guinea	The Management had advised that the Company had been liquidated and deregistered in 2018.
3	B	67C	Kumul Gas Foreland 239 B.V	The Company had been deregistered under the Netherlands Civil Code.
4	B	67D	Kumul Gas Foreland 261 B.V	The Company had been deregistered under the Netherlands Civil Code.
5	B	67E	Kumul Gas Foreland 268 B.V	The Company had been deregistered under the Netherlands Civil Code.
6	B	67F	Kumul Gas Foreland 269 B.V	The Company had been deregistered under the Netherlands Civil Code.
7	B	68A	Bmobile Limited and Subsidiary	Amalgamated with Telikom PNG Limited in December 2021
8	B	73	NCD Water and Sewerage Limited (Eda Ranu)	Ceased to operate on 12/04/2021 and Merge with Water PNG Limited

(ii) NATIONAL GOVERNMENT MINORITY SHAREHOLDINGS IN OTHER COMPANIES

No.	Section	Para. No.	Entity	Remarks
1	C	79	Bougainville Copper Limited	2023 Audit Report Completed.
2	C	80	Gogol Reforestation Company Limited	Audited Financial Statements for the years 2010 - 2022 not Submitted.

Schedule 'E'

AUDIT IN ARREARS (2022 AND PRIOR YEARS) COMPLETED DURING 2023/2024 AUDIT CYCLE

2022 AUDITS – COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	A	10	Government Printing Office	1
2	A	4	Civil Aviation Safety Authority of Papua New Guinea	1
3	A	11	Independent Fellowship Trust	1
4	A	17	Kumul Consolidated Holdings and its Subsidiaries	1
5	A	17A.	General Business Trust	1
6	A	17B.	Kumul Technology Development Corporation Limited	1
7	A	17C.	PNG Dams Limited	1
8	A	21	National Agricultural Research Institute	1
9	A	22	National AIDS Council Secretariat	1
10	A	25	National Cultural Commission	1
11	A	36	National Training Council	1
12	A	43	Papua New Guinea Accident Investigation Commission	1
13	A	49	Papua New Guinea Maritime College	1
14	B	66	Air Niugini Limited and its Subsidiaries	1
15	B	72	Motor Vehicles Insurance Limited and its Subsidiaries	1
16	B	76	PNG DataCo Limited	1
17	B	77	PNG Power Limited	1
18	B	78	Post (PNG) Limited	1
19	B	79	Telikom (PNG) Limited and its Subsidiaries	1
20	B	79B.	Datec (PNG) Limited	1
21	B	79C.	Kalang Advertising Limited	1
22	B	79D.	Media Niugini Limited (EMTV)	1
23	B	79E.	PNG Directories Limited	1
24	B	80	Water PNG Limited	1

24

2021 AUDITS – COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	A	5	Climate Change and Development Authority	1
2	A	16	Kokonasi Industri Koporesen and its Subsidiaries	1
3	A	16A	Papua New Guinea Coconut Extension Fund	1
4	A	16B	Papua New Guinea Coconut Research Fund	1
5	A	18	Legal Training Institute	1
6	A	21	National Agricultural Research Institute	1
7	A	24	National Capital District Commission and its Subsidiaries	1
8	A	42	Ombudsman Commission of Papua New Guinea	1
9	A	58	Security Industries Authority	1
10	A	60	Tourism Promotion Authority	1
11	B	68	Kumul Petroleum Holdings Limited and its Subsidiaries	1
12	B	68A	Eda Oil Limited	1
13	B	68B	Kumul Energy Limited	1
14	B	68C	Kumul Exploration (Asia) Limited	1
15	B	68I	Kumul Lending Co. Pte Limited	1
16	B	68J	Kumul LNG Limited	1
17	B	68L	Kumul Petroleum (Investments) Limited	1
18	B	68M	Kumul Petroleum (Kroton) Limited	1
19	B	68N	Kumul Petroleum (Pipeline) Limited	1
20	B	68O	Kumul Petroleum (Tech and Advisory) Limited	1
21	B	68P	Kumul Petroleum Marketing Pte Limited	1
22	B	68Q	Kumul Security Agent Limited	1

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2020 AUDITS - COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. Audits
1	A	5	Climate Change and Development Authority	1
2	A	6	Cocoa Board of Papua New Guinea and its Subsidiaries	1
3	A	6A	Cocoa Pod Borer Project Fund	1
4	A	6B	Cocoa Stabilisation Fund	1
5	A	8	Coffee Industry Corporation Limited and its Subsidiaries	1
6	A	8A	Coffee Industry Fund	1
7	A	8B	Kofi Management Services Limited	1
8	A	8C	Patana No. 61 Limited	1
9	A	12	Independent Consumers and Competition Commission	1
10	A	23	National Broadcasting Commission Limited	1
11	A	24	National Capital District Commission and its Subsidiaries	1
12	A	34	National Research Institute	1
13	B	42	Ombudsman Commission of Papua New Guinea	1
14	B	68A	Eda Oil Limited	1
15	B	68B	Kumul Energy Limited	1
16	B	73	National Airports Corporation Limited and its Subsidiaries	1
17	B	73A	Airports City Development Limited	1
18	B	73B	Airport Investments Limited	1
				18

2019 AUDITS - COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	A	6	Cocoa Board of Papua New Guinea and its Subsidiaries	1
2	A	6A	Cocoa Pod Borer Project Fund	1
3	A	6B	Cocoa Stabilisation Fund	1
4	A	34	National Research Institute	1
5	A	52	Papua New Guinea University of Technology and its Subsidiaries	1
6	B	51A	National Analytical & Testing Services Limited.	1
7	B	51B	Unitech Development and Consultancy Company Limited	1
8	B	68B	Kumul Energy Limited	1
9	B	73A	Airports City Development Limited	1
10	B	73B	Airport Investments Limited	1
				10

2018 AUDITS - COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	A	14	Internal Revenue Commission.	1
2	A	34	National Research Institute	1
3	A	51A	National Analytical & Testing Services Limited.	1
4	B	51B	Unitech Development and Consultancy Company Limited	1
				4

2017 AUDITS - COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	A	29	National Gaming Control Board and its Subsidiary	1
2	B	29A	National Gaming Control Board Community Benefit Fund Trust	1
				2

2016 AUDITS - COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	A	40	Office of the Public Trustee of Papua New Guinea	1
				1

2015 AUDITS - COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	A	40	Office of the Public Trustee of Papua New Guinea	1
				<u>1</u>

2014 AUDITS - COMPLETED DURING 2023/2024

No.	Section	Para. No.	Entity	No. of Audits
1	B	40	Office of the Public Trustee of Papua New Guinea	1
				<u>1</u>
				<u>83</u>

Schedule 'F'

PROJECT AUITs – 2023/2024 AUDIT CYCLE

TYPES OF AUDIT REPORTS ISSUED FOR PROJECT AUDITS AS AT 30 JUNE 2024

Project Status as at 30 June 2023				
No Units	Project Reports Issued and Finalised	Donor	Year	Units
1	Health Services Sector Development Project (HSSDP)	ADB	2023	1
2	Port Moresby Power Grid (Pom GRID) Development Project	ADB	2023	1
3	Transport Sector Preparatory Project	ADB	2020	1
4	Productive Partnership in Agriculture Project	WB	2021	1
5	Improving Access to and Value from Health Services in PNG: Financing the Frontlines	WB	2022	1
6	PNG Energy Sector Development Project - A	WB	2019	1
7	PNG Water and Sanitation Project - Part 1 & 2	WB	2023	1
8	PNG Agriculture Commercialization and Diversification Project	WB	2023	1
9	Emergency Tuberculosis Project	WB	2022	1
10	Bridge Replacement for Improved Rural Access Sector Project (BRIRAP), Pkg 3&4	EU	2020	1
11	Market for Village Farmers (MVF)	IFAD	2022 & 2023	2
12	Papua New Guinea COVID 19 Emergency Response Project	IDA	2021	1
13	Emergency Response Project-COVID-19	ADB	2021	1
14	Impact Health Project	WB	2022	1
15	Building Resilience to Climate Change	ADB	2022	1
16	Building Resilience to Climate Change-Alotau Wharf Project	ADB	2022	1
17	PNG Road Maintenance Rehabilitation Project	WB	20223	1
18	Papua New Guinea COVID 19 Emergency Response Project	IDA	2021	1
19	Port Moresby Power Grid (Pom GRID) Development Project	ADB	2022	1
20	Maritime & Waterways Safety Project	ADB	2022	1
21	Building Resilience to Climate Change (BRCC)	ADB	2022	1
22	Civil Aviation Development Investment Programme (CADIP) Tranche 2	ADB	2022	1
23	Civil Aviation Development Investment Programme (CADIP) Tranche 3	ADB	2022	1
24	Covid-19 Emergency Trust	ADB	2021	1
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Abbreviations:

ADB	–	Asian Development Bank
WB	–	World Bank
EU	–	European Union
IFAD	–	International Fund for Agricultural Development
Multi	–	Various sources of donors (GoPNG & International Donors)
PIP	–	Public Investment Program (GoPNG)