

PUBLIC ACCOUNTS COMMITTEE

CHAIRMANS ADDRESS.

1. Distinguished guests, Ladies and Gentlemen.
2. Good morning and welcome to the last sitting of the Public Accounts Committee in the term of this Government.
3. I am Leo Hannett the Chairman of the Public Accounts Committee.
4. Before we begin, I ask our Deputy Chairman the Hon. Dr. Bob Danaya to lead us in prayer.

Prayer.

5. The members of the Committee present today are:

Introduce all sitting members.

6. I extend a warm welcome to our distinguished guests:

Read from separate sheet.

7. As I have stated, this is the last sitting of the Public Accounts Committee for this term of Government.
8. This morning I will summarise the last five years of the Committee and make some comments on our findings and recommendations in that time.
9. I will also make recommendations for the future of the Committee and an evaluation of what our findings actually mean for Papua New Guinea.

10. Commencing in 2002, under the leadership of Chairman Hon. John Hickey, this Committee commenced Inquiries into a number of Government Departments and entities.
11. For many years the Committee had been dormant. The Hon. John Hickey recognized the power of the Committee and full credit should go to him for its revitalization.
12. This Committee is a very powerful supervisory tool of Parliament. Our Constitution says that its primary function is to:

"....examine and report to the Parliament on the public accounts of Papua New Guinea and on the control of and on transactions with or concerning the public monies and property of Papua New Guinea".
13. The Committee is also a very important device intended to keep watch on the way in which the people who are responsible for handling public money carry out their duties.
14. Public money is entrusted to the Public Service which is the arm of Government that actually applies funds to services, development and growth. In this sense the Public Service is handling our money on Trust – our Trust that they will act lawfully and professionally in its application.
15. There are strict laws governing the way this money is handled. If those Laws are obeyed there is no reason that any citizen should lack services or be unable to fulfil their potential.

16. The Committee is the peoples Committee. It checks on the way your money is handled and brings accountability and legality to State fiscal and property dealings. It is comprised of members of Parliament from all parties.
17. It is not a true investigatory body and cannot act at large. Its jurisdiction is narrow and specialized.
19. Appointment to this Committee brings with it serious obligations and duties. All members recognize this.
20. We have tried to fulfill these duties to the best of our ability.
21. At times it may have seemed that the Committee was unduly critical, but we have always acted in strict accordance to the facts and the evidence and we have given the benefit of doubt where it was appropriate.
22. Criticism where it was made was deserved. Congratulation, where it was given, was earned.
23. As I have said, the Committee embarked on a series of Inquiries in 2002 and continued until today. There was a definite work programme and method to those Inquiries.
24. It became clear to this Committee was that service delivery in all areas of social need was either poor or non existent.
25. It also became clear that budgets and money were generally capable and targeted – at least in principle, but services were just not getting to our people.
26. The experience of members suggested that Public Service Departments and entities charged with

maintaining essential services such as Health, Education, infrastructure development and repair and other services were not performing.

27. Further, it became quickly apparent that the standard of public administration was poor – particularly in the area of fiscal management and accountability.
28. Accordingly, it was the stated intention of this Committee, in the life of this Government - to commence and complete Inquiries into the major line Departments and arms of Government that are responsible for service delivery and money management with the intention of assessing that fiscal performance.
29. The Inquiries considered the performance of each of those Departments in the handling of and accounting for public monies, stores and property – as prescribed by the Constitution.
30. It is important that we recap our Inquiries. The public are entitled to know what we have done and the outcome of our work in the last five years.
31. This is particularly so, because we perform not only a supervisory role, but also an educative one.
32. All members hope that this Committee has not only made effective Inquiries, but has also made clear to our citizens the quality of performance that they are entitled to expect from their Public Service – particularly in the management of public monies.
33. Regrettably, that same public could rightly believe that their public service falls far short of competent, lawful and honest standards of management.

34. I can truthfully say that this Committee has not been able to find one Department or arm of Government that began to comply with the terms of the ***Public Finances (Management) Act*** or the ***Financial Instructions***.
35. As the Committee moved into the line Departments responsible for fiscal management – that is the Department of Finance, the Department of National Planning and Monitoring, the Office of Rural Development and certain specific Trust Accounts, the true state of management failure became obvious.
36. This was nothing new. These failures had been identified by the Office of the Auditor General – often for years - but nothing had been done by Government or those agencies charged with law enforcement to rectify the situation.
37. Nor did Departments make virtually any attempt to rectify the failures identified by the Auditor General – often year after year the same criticisms of the same Departments are made.
38. What was new, was that this Committee in a public forum, sought answers and explanations from the responsible senior managers of these Departments and entities. For the first time for years, the citizens of this country called their servants to account.
39. Some of those servants did not like that development. There were six attempts to close down this Committee by Court action – all of which were unsuccessful. They did not succeed because this Committee paid particular attention to its jurisdiction and powers.

40. This Committee found evidence of misapplication, fraud, negligence, dishonesty and disregard for the Law and for the welfare of the State and its citizens by public servants at every level in every Inquiry that we have held – with only one exception.
41. The identified conduct ranged from fraudulent and forged documents, conflict of interest, stolen money, constant breaches of the **Public Finances (Management) Act**, misleading of the NEC, forging Board Minutes with the intention of misleading the Head of State, conspiracy to unlawfully obtain State property, acting as an agent of the State with no power to do so, breaches of Trust, theft of Trust property, misapplication of money paid to Trustees by the Government, failure to keep accounts, records, minutes and other documents, theft of Trust monies, wantokism, fabricated qualifications, false pretences, dishonoured cheques uttered by the Parliament itself, the receipt of benefit by deception, lies to this Committee, failure to assist the Auditor General, obstruction of the Auditor General and of this Committee, corrupt conduct in many forms, criminal conversion and so on and on.
42. We state this list to show that we are not concerned with mere pedantic technical matters or administrative oversights.
43. This Committee searched in vain for any Department or agency that could manage its own budget properly – much less the National and Development Budgets.
44. The Department of Labour and Industry was the best performing Department that we considered and even there, considerable improvement was needed.

45. I refer to our Parliamentary reports into the Department of Lands and Physical Planning, the Public Curator and the Public Service Commission tabled last year.
46. Each Report was a sad litany of failure and abuse at the expense of our citizens. These three Departments seem to be utterly uncontrolled for years and act as a State within a State in that they deal with State property and public and Trust money with little regard to any Law of accountability and management and little ability to perform their tasks competently.
47. The Committee has found similar conduct in the Department of National Planning and the Office of Rural Development, the Department of Finance, the management of Trust Accounts, the Cocoa Board, the Civil Aviation Authority, the Gaming Board, the National Research Institute, in Procurement Procedures, in the National Museum and Art Gallery, the National Narcotics Bureau, the Department of Works and, we are sorry to report, in Parliamentary Services itself.
48. We have found these failings in the Universities, the Hospital Boards, the Department of Petroleum, the department of Mines, the Coffee Industry Council, the Southern Highlands Provincial Government, in Procurement Procedures and Provincial Governments in general.
49. The conduct and failings continue blatantly and with apparent immunity. There is a serious breakdown in the enforcement of transparency and accountability in public fiscal administration.

50. There is also a breakdown in the enforcement of the Law of fiscal accountability by those agencies that are supposed to do so.
51. Further, very senior public servants treat this House and this Committee with scant regard and respect.
52. We found opposition to our work and refusal to co-operate in many quarters – most disappointingly in the Parliament itself when the Clerk refused to appear or comply with Notices to Produce information given nine months ago.
53. Again and again, we heard senior public servants blandly admit and even justify unlawful conduct in their Departments with no apparent fear or concern. Illegality seems to have become an incident of public administration.
54. That this illegal conduct is organized and protected was clear when this Committee was told by the Office of the Auditor General that he would not perform certain audits into the payment of external legal firms by the State because he was afraid for the safety of himself and his employees.
55. This is a very serious matter. We detect a clear web of organized and systemic illegality reaching across and involving several Departments which is designed to access public money in an illegal manner.
56. It was this pattern that prompted this Committee to recommend the appointment of a Commission of Inquiry into the Department of Finance and, in particular, payment of claims and purported judgments, by the State.

57. We have found a deeply entrenched culture in the Public Service that it is not accountable and that it can do precisely what it wishes.
58. This has led to Departments that place the interests of its officers and/or vested outside interests, before that of the State.
59. What has caused this to develop?
60. In our opinion there is an attitudinal problem within the public service and those who appoint them.
61. The interest of the State and its citizens is subsumed to the interests of individuals.
62. This Committee has seen a procession of senior officers before it who are clearly incapable of and unsuited for the positions to which they are appointed – more often than not in an Acting capacity.
63. Further, many senior officers that we have heard have clearly given up any pretence of independence and professionalism. We detect a clear morale problem.
64. The device of appointing and extending officers in Acting positions gives no security to those officers and ensures that they will obey rather than act independently and fearlessly in their positions.
65. This Committee can clearly conclude that, without exception, the worst performances were those of Acting Officers.
66. Further, the Constitutional devices intended to force accountability are themselves suffering the same problems as the rest of the Public Service.

67. The failings and illegal actions of the Commissioners of the Public Service Commission highlighted in our Report of last year clearly show how compromised the system has become.
68. The very public servants that are responsible for establishing and maintaining and judging honesty and ethical standards in other public servants, were instigating and accepting payment to themselves of large amounts of money that they had no right to receive.
69. If this is the example set by the Commission, how can we expect anything better from any other public servant when this is the example that they see?
70. This Committee concludes that, in order for the system to work, it needs competent men and women of goodwill to make it work.
71. The Public Service has, in many areas, fallen into the hands of citizens that do not fit this description.
72. We have no doubt that there are thousands of very competent public servants who persevere and try to perform. However, these officers must despair at what they know to be occurring.
73. I make a plea for those Officers to speak out to this Committee, to the Ombudsman and to the media. Corruption can only exist where it is tolerated – and the best form of tolerance is to remain silent about it.
74. We hope that this Committee has, in the last five years, shown that no-one need be afraid to do the right thing.

75. It is an act of nationalism to report misconduct wherever you find it.
76. I encourage all citizens to demand high standards of honesty and performance from those who are paid for those qualities.
77. The Committee is concerned that, as this type of misconduct has been going on for so long, there is probably a generation who believe the current standard of public administration is normal and acceptable – because it is all they have ever known.
78. The matters found by this Committee are not normal, acceptable or sustainable.
79. What then is the result of such failings? Why should we be concerned?
80. We believe that the result is clear for all to see.
81. Money that is allocated for basic services never leaves Waigani, or if it does, the management of its application is so poor that our people do not receive the basic services that they want, need and are entitled to expect.
82. Schools do not open, teachers do not go to work, aid posts close, hospitals close, roads fall apart, law enforcement fails, contracts are unsupervised, contractors do not perform the work that they have already been paid for, fraud and misappropriation abound and our people become more and more alienated, remote, marginalized and angry.
83. More often than not, we find absolutely no capacity at national, Provincial or District level to keep accounts or records or to oversee and manage development

contracts or projects. This is an open invitation to misconduct.

84. Each successive Government has tolerated this failure by the Public Service to properly and fruitfully manage public money dedicated to service delivery.
85. There is, in short, a failure of Leadership in public administration and service delivery by the public sector because the custodians of our money have failed in their duties.
86. In the opinion of this Committee, such failings cannot be allowed to continue.
87. If they do continue, we hold grave doubt that a viable, cohesive State can exist. Indeed, the signs of civil unrest in deprived areas, is already evident.
88. We believe that there is a clear message and warning from our Inquiries and Reports which can be summarized in this way:

As a matter of vital National importance, the next Government must take immediate action to make the Public Service at all levels accountable for the handling of Public monies, must bring the Public Service under control and must enforce service delivery by any means possible.

No option should be ruled out including privatization of service delivery or the recruiting of foreign expertise to reform the current system.

These reforms must be driven by Government as we detect no will within the Public Service to effect change itself.

89. We strongly recommend that all persons should read our reports and the reports of the Auditor General.
90. It is my view that the PAC should take a leading role in reform and rebuilding of governance.
91. We can only sound a warning, but we believe that the situation is now critical.
92. There is enough time to repair the situation, but it will require vision and clear policy objectives by motivated politicians. Whether we will have that resource at the National disposal remains to be seen.
93. At the very least, adequate funding for the Office of the Auditor General, the Ombudsman and this Committee should be guaranteed. The levels of current funding are inadequate.
94. We recommend serious consideration of an Independent Commission Against Corruption – a Bill for which was Gazetted some years ago – a raft of specialized anti corruption legislation to be administered by specialized anti corruption court and severe penalties for corruption in public office.
95. All these matters will be necessary to bring control back into transactions with and accounting for public monies and property.
96. As for the immediate future, this Committee will seek to table in this sitting of Parliament, two reports. The first concerns an Inquiry into the Sepik Highway Trust Fund and the second concerns the Swamp Ghost.
97. These are very important reports and we hope that the Government will permit their tabling.

98. Reports into the Department of National Planning and Monitoring, the Office of Rural Development, Procurement Procedures, Parliamentary Services and the Cocoa Board are under draft and will be available for tabling in the first sitting of the next Parliament.
99. Inquiries into Central City, the Southern Highlands Provincial Government, the National Museum and Art Gallery and the Department of Finance will be prepared and ready to proceed at the convenience of the next Committee.
100. New manuals and handbooks will be available for the use of all future members of this Committee.
101. We also strongly recommend that the amended Public Accounts Committee Bill tabled in the House last year, be passed by Government to modernize and streamline the Committee.
102. Ladies and gentlemen, those are the serious matters for the morning.
103. There are now some important acknowledgements that the Committee must make.
104. Firstly, this Committee must acknowledge the encouragement and support of the Prime Minister the Right Honourable Sir Michael Somare.
105. For five years the Prime Minister has given complete backing to our work and this Government can claim full credit for the success of the PAC.
106. The vision and energy of our former Chairman Hon. John Hickey is a matter of record. This Committee is his creation and the nation should thank him for it.

107. I must also thank all Members of the Committee past and present for their attendance and hard work. Members prepare themselves before each Inquiry and participate in questioning with great effect.
108. All members worked very hard. They have crowded schedules but always gave their time to the Committee and its business.
109. They did this because they recognize the national importance of our work.
110. We have received excellent support from the Office of the Auditor General and we must acknowledge the vast improvement in the quality of the Reports from that Office in the last five years and the evident hard work that they have performed – often under very difficult circumstances.
111. The Committee has received sporadic support from the Office of the Ombudsman, the Office of the Attorney General and the Office of the Solicitor General.
112. It is a fact that this Committee has made many referrals for further investigation and possible action but has not received even an acknowledgement from those three offices.
113. The Royal Papua New Guinea Constabulary has given complete assistance to us when asked and we thank the Constabulary for that help.
114. To our friends in the media, you have given the people of Papua New Guinea good coverage of our Inquiries but we suggest that the print media in particular give consideration to printing our reports in fuller form so that they are available to all citizens in a cheap and readable format. That educative role is, as we have

said, an important part of both our work. Thank you to the media.

115. I must acknowledge the Hon. Governor of the Eastern Highlands Province who funded the Committee when we had no money. The Governor recognized the importance of this Committee and personally paid for basic things that we could not afford.
116. This kept the Committee going when we would otherwise have ceased. That extraordinary action deserves the thanks of all Papua New Guineans.
117. The staff of the Committee must be acknowledged. For five years they have produced detailed briefs, investigations and reports. They have worked quietly and very hard – often with no resources and no pay - to ensure that we could continue our work.
118. Finally, to the citizens of Papua New Guinea, this is your House and we are your Committee. We have tried to act at all times in your interest and to ask questions and seek answers for your benefit.
119. In particular, we have tried to set a standard of accountability and performance in the management of your money and property that, in the future, you are entitled to demand and receive. Do not accept anything less.
120. We hope that our endeavours will improve your lot and the lot of your children.
121. All members join me in asking that the work of the Committee be allowed to continue in the term of the next Government.

Chairman, you may wish to allow the Minister for Finance to respond.

119. Thank you Minister.

122. Five years of hard work now draw to a close.

123. The sittings of the Permanent Parliamentary Public Accounts Committee of the seventh National Parliament of Papua New Guinea are now concluded.