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PERMANENT PARLIAMENTARY COMMITTEE ON PUBLIC ACCOUNTS

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Parliament House
WAIGANI, NCD
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DRAFT TABLING SPEECH

REPORT OF THE PAC ON THE DEPARTMENT OF NATIONAL PLANNING AND MONITORING AND THE OFFICE OF RURAL DEVELOPMENT

1. Mr Speaker I present the following statement
pursuant to Statute:

*Permanent Parliamentary Committee on Public
Accounts Inquiry into the Department of National
Planning and Monitoring and the Office of rural
Development.*

2. I seek leave of parliament to make a statement in
connection with the report.

Leave granted.

3. Mr Speaker, on the of 2006 the Public Accounts Committee commenced an Inquiry into the Department of National Planning and Monitoring and the Office of Rural Development.
4. That Inquiry continued for three full days over months.
5. The Committee treated this Inquiry as one of importance to the nation.
6. For the first time the two entities that are crucial to national development and the proper and effective management of development budgets were scrutinised for lawful and proper management, handling of and accounting for public monies and national development entrusted to them.

7. The results of that examination by the Committee are set out in the Report now before the House.
8. Regrettably Mr Speaker, the Report is one of the worst that the PAC has had to make.
9. The Committee found failings, incompetence, dishonesty, illegal conduct, non-performance and lack of systems and procedures in almost every aspect of the operation of both these entities.
10. So serious are the findings that I have taken the unusual step of distributing copies of this speech and the Executive Summary and Findings and Recommendations of the Committee to every Member of the House. I urge all Members to read and consider these

documents.

11. The Public Accounts Committee has for some years been concerned at the apparent failure to deliver tangible services and development to not only remote areas but areas only a few kilometres from our cities.
12. This Government has allocated huge amounts of money to development over the last five years and continues to do so. Generally, that money is properly targeted and is enough to produce real improvement in basic services and development.
13. Yet this does not happen. The Trustees of this money – our public service – administer or manage that money in accord with political intent health clinics roads or schools in Port Moresby and the deplorable situation in rural

and remote areas is a matter of national shame.

14. The Public Accounts Committee decided four years ago to investigate line implementing agencies responsible for managing these monies to try to understand why our nation was heading in reverse on any social indicator despite the allocation of record amounts of money to development.

15. Mr Speaker, we have found a Public Service in appalling disarray and which has discarded any pretence of honest, competent and accountable management of public monies and property and because it has chosen to defy the law and not be accountable.

This situation was again confirmed when we considered the Department of National

Planning and Monitoring and the Office of Rural Development.

16. These two entities are responsible for managing huge sums of public money and planning, managing, overseeing and accounting for development projects, Statutory Grants and Programmes and contracts for goods and services at all levels of Government.
17. This is a very large responsibility and we are entitled to expect that these two agencies would be shining examples of efficiency and honesty for the rest of our public service. We are also entitled to expect that our best brains and talent would proudly serve the nation and its development in those two entities.
18. Sadly this is not the case.

19. Mr Speaker, I now summarise our findings and recommendations:

(a) Both the Department of National Planning and Monitoring and the Office of Rural Development have deteriorated to the point where their performance in managing public monies is, at best, marginal; and

(b) The Department of National Planning and Monitoring and the Office of Rural Development have profound problems in management, accountability, systems, transparency, competence, staffing, and exhibit little ability to perform their functions; and

(i) The Department of National Planning

and Monitoring and the Office of Rural Development are incapable of competently and lawfully managing even their own Departmental budget; and

- (ii) The Department of National Planning and Monitoring and the Office of Rural Development are unable to manage, implement, control, co-ordinate, oversee, monitor, account for, audit or apply public monies in the form of Development Budgets, Programs or Projects to any acceptable standard of competence; and
- (iii) Incompetence and inability compounded by poor morale, corruption and almost total loss of command and control by management in both the Department of National

Planning and Monitoring and the Office of Rural Development have been very largely responsible for poor or non-existent delivery of services and development to our remote (and not so remote) areas and is responsible for the failure to manage or coordinate the implementation of development programs or projects.

- (iv) This failure has, over many years, resulted in huge wastage of public monies appropriated to development programs and projects, to the detriment of our citizens; and
- (v) The situation is so bad that the Committee could not ascertain whether hundreds of contracts funded under development programs or grants over many years have begun, are proceeding, have stopped, been terminated, been reallocated, been

lawfully tendered or allocated, been completed or even exist in fact; and

- (vi) There is no capacity to oversee or monitor contracts or projects and virtually no records, accounts or acquittal of these contracts, Grants, program monies or funding; and
- (vii) As much as 70% of annual development budgets has been underspent by the Department of National Planning and Monitoring; and
- (viii) There is a serious failure in the application and implementation of public monies, political development policies and Government development directives; and
- (ix) These failures have continued unaddressed for years, even though they were known; and

- (x) The Department of National Planning and Monitoring and the Office of Rural Development have both failed to cooperate with the Auditor General and has actively tried to hide its failures and maladministration by refusing to produce documents, records and information; and
- (xi) The Audits of the Department of National Planning and Monitoring are incomplete and qualified because the Department cannot and has not maintained or produced records, accounts, data, statements or any documents recording basic accounting information. The Department cannot even reconcile its own bank accounts; and
- (xii) The Committee found a management team in denial of these failures and unable even to bring themselves to admit the need for internal auditors –

a basic tool of management that the Department has not had for years; and

- (xiii) Neither the Department of National Planning and Monitoring nor the Office of Rural Development have any or any adequate internal systems, corporate or divisional plans, processes or abilities to conduct or manage either their own internal affairs or the National development budgets, Grants or programs that are their responsibilities, in a competent or lawful manner; and
- (xiv) The Auditor General and this Committee found constant breaches of the ***Public Finances (Management) Act 1995*** and the ***Financial Instructions*** in both the management of internal finances and the management of those parts of the National development budget which

are the responsibility of the Department; and

- (xv) The Committee finds that the Department of National Planning and Monitoring and the Office of Rural Development staff and management demonstrated low morale and confusion and little or no ability to self improve; and
- (xvi) The Department has suffered from constant political interference and restructuring and has grown in a haphazard and chaotic manner according to political whim over the last two decades; and
- (xvii) Powers and responsibilities have accreted to the Department of National Planning and Monitoring by political directive when it was clear that the Department was unable to

properly fulfill demands placed on it;
and

- (xviii) Service delivery and management of development budgets, programs and projects by the Department of National Planning and Monitoring and the Office of Rural Development is inadequate, poorly administered, often illegal, uncontrolled, without oversight and with no long term aims, records, data or result; and
- (xix) The Department of National Planning and Monitoring and the Office of Rural Development failed to cooperate with this Committee and failed to give candid and true answers to certain questions.
- (xx) In particular, when the Inquiry asked searching questions and addressed failures in the Department, the Head of the Department absented himself from the Inquiry; and

- (xxi) The Department of National Planning and Monitoring refused to cooperate with the Auditor General, to the point where responsible Departmental officers walked out of debriefing meetings with the Auditor General; and
- (xxii) Management of the Department demonstrated no ability to change or adapt to meet challenges. It was clear that senior managers could not understand the need for an internal audit unit or accept that there was anything wrong with the Department at all – until the weight of evidence compelled the Head of Department to concede that his Department was incompetent; and
- (xxiii) Successive Governments have allowed a chaotic and uncontrolled situation to develop in these two crucial line agencies – and this explains much of

the failure to see service delivery or any tangible development in our Districts.

20. A summary of the recommendations of the Public Accounts Committee is as follows:

- (a) Government must urgently consider this report and the reports of the Auditor General and accept that the failures identified in those documents have resulted in failed service delivery and failed implementation of development policies and funding; and
- (b) We seriously doubt whether, on all the evidence taken in this and other Inquiries, public monies allocated to development can be entrusted to our Public Service (and the Department of National Planning and Monitoring and the ORD in particular) with any confidence that the money will be

handled honestly or with the desired effect.

- (c) We have serious doubts that either the Department of National Planning and Monitoring nor the Office of Rural Development, in their present forms, can be made effective – particularly if political meddling in their form and operations continues.

Immediate reforms and changes:

- (d) We recommend that this Parliament give immediate and urgent attention to removing all power over implementation, planning and coordination of development budgets and service delivery from the current Public Service (in particular the Department of National Planning and Monitoring and the Office of Rural Development) and reposing it in a specialized agency that is subject to

constant oversight and from which absolute accountability for its handling of public monies and Government policies can be demanded and enforced at any time; and

- (e) This Committee recommends that immediate attention be paid to completely redesigning the scheme of management and implementation of development budgets, as neither the Department of National Planning and Monitoring or the Office of Rural Development are capable of performing to anything like an acceptable standard.
- (f) The country urgently needs a professional, planned, highly effective, responsive and properly funded and staffed agency to take control of service delivery and development implementation – particularly competent and ongoing oversight and

management of projects and contractors.

- (g) In the interim we recommend that the current management team of both the Department of National Planning and Monitoring and the Office of Rural Development be immediately replaced with competent and professional managers and administrators capable of bringing modern and functioning systems to the Department and the Office, pending longer term changes; and
- (h) We strongly recommend that the Government, in the short term, bolster the Department of National Planning and Monitoring and the Office of Rural Development by an urgent infusion of experts in the fields of Law, Auditing and Accounting in an attempt to guide and control senior decision makers and bring immediate transparency and

accountability to the Department while longer term changes are considered;

Longer term reforms and changes:

- (i) In the longer term this Parliament must consider the entire system of service and development delivery in Papua New Guinea.
- (j) We recommend that, as a matter of urgency, the Government must immediately consider the introduction of a competent modern and expert implementation agency and system to lawfully apply and supervise the implementation of Development Budgets.
- (k) Such an agency should be highly responsive and accountable with the sole purpose of maximizing the value of every kina allocated to development for our people. We should never again

entrust development monies to agencies that are incompetent and able to hide their failures for years.

- (l) Any system that replaces or reforms the current one must be based on a precise and clear statutory foundation that concisely sets forth directives, powers, performance benchmarks, audit control, penalties for non compliance or failure to achieve targets.

- (m) Any system that replaces or reforms the present one should have adequate funding, competent expert staff and management, ability to oversight and manage projects or contracts, ability to penalize for non performance or unlawful conduct and all other matters that are required to implement political decisions but which currently do not exist.

- (n) Moreover such a system must be beyond political interference and public service incompetence and corruption while being the subject of constant audit and oversight.
- (o) We recommend the immediate formation of a Parliamentary Committee to investigate and advise the recommended model for such an agency having regard to world's best practice in such matter.
- (p) That Committee is the ideal device to advise the Parliament on this vital matter and it should be given three months to complete its work and report to the Parliament.
- (q) The Committee should consider all alternatives including but not limited to privatization of service delivery or oversight and audit, co-operative arrangements with foreign governments, alliances with private

enterprises, sourcing of expertise from other countries, secondment of national expertise from private enterprise, liaisons with Church organizations and any other system that will result in a, responsive and accountable delivery and coordinating agency which can turn policy and decision into action for our people and perform to a high standard.

- (r) Such a Committee should invite and consider submissions from all useful sources including the Public Service but should be charged and capable of weighing all the evidence and making its own recommendations.
- (s) Members of this Committee should be carefully chosen to ensure that the Committee is comprised of members with the necessary personal and intellectual qualities to act independently and to understand and

consider the evidence and data produced to the Committee.

(t) In short, the state of service and development delivery is so dire that no possible method of effective and lawful delivery should be excluded from consideration.

21. As I have said, we are left with a troubling doubt that the Public Service can be trusted to act honestly or effectively in managing vital national development without sweeping changes and reform – beginning with Government bringing the Department of National Planning and Monitoring, the Office of Rural Development and the Public Service in general, under some form of control and accountability – as our Constitution provides.

22. Mr Speaker it is timely that this Report should be tabled at the same time that this House considers a record Budget and applies record amounts to service delivery. That is half the

job. Implementation is the other half that we have neglected.

23. If we are not to squander the opportunity presented by our riches, we must act now to bring the implementation and monitoring agencies into the 21st Century for it seems that as the Government has become more stable and sophisticated the Public Service has embarked in the opposite direction.
24. Mr Speaker, I conclude with a serious warning.
25. The Committee finds that if the failings in service delivery and development implementation are allowed to continue and public money is mismanaged and misapplied as it is now, our people will become increasingly alienated and angry at our failure – and this is a situation that we cannot allow to happen.
26. National mobilisation is required to wrestle control of our nation and its finances from those who misuse and abuse their duties and are at present utterly unaccountable for their actions.

27. That would be the greatest legacy that any Government could leave and we urge co-operation across all parties to achieve this.

28. Mr Speaker this is a profoundly important report and I move that the Report be adopted.