

PERMANENT PARLIAMENTARY COMMITTEE ON
PUBLIC ACCOUNTS.

INQUIRY INTO THE PUBLIC ACCOUNTS OF PAPUA NEW
GUINEA

PROCEDURAL PAPER

PUBLIC ACCOUNTS COMMITTEE

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BRIEFING PAPER

The Public Accounts of Papua New Guinea are drawn and presented by the Department of Finance and describe the allocation of funding and expenditure of public monies and also collection of revenues that the National Government Departments (and their agencies in the provinces), Provincial Governments, Governments arms, agencies and entities and other functionalities and instrumentalities are accountable.

The term “Public Account” means a Public Account established by Section 10(1) of the Public Finances (Management) Act.

That Section states that there should be a Public Account for each of:

a) The National Government; and

b) A Provincial Government or a Local Level Government...

and

A Public Account established by Sub Section 1 shall consist of;

a. In the case of the National Government –

i. The Consolidated Revenue Fund; and

ii. The Trust Fund; and

b. In the case of a Provincial Government or a Local Level Government –

i. A General Revenue Fund; and

ii. A Trust Fund

Part 3 of the *Public Finance (Management) Act* prescribes the law of accountability and control of those public monies – particularly in respect of Trust Accounts.

Section 3(1) of the *Public Finances (Management) Act* places responsibility on the Minister for Finance for the supervision of the Finances of the Independent State of Papua New Guinea to ensure that a full accounting is made to the Parliament of all transactions involving public monies.

Under Section 3 (3) and (5) of the same Act, the Minister is also required to cause the preparation of a detailed statement

of the receipts and expenditure of the Public Account for the fiscal year and submit it to the Auditor General to be audited.

The Auditor General is required by Section 214 of the Constitution to inspect and audit and to report at least once in every fiscal year to the Parliament on the Public Accounts of the Independent State of Papua New Guinea and on the control of and on transactions with or concerning the public monies and property of the State.

By Section 7 (2A) of the Audit Act 1989, it is the responsibility of the Auditor to perform an independent audit opinion on those Public Accounts Statements.

The Auditor General has audited the Public Accounts for each year to 2005 and has almost completed 2006.

The Reports for the Years 2004 and 2005 have been with the Speaker of the National Parliament for some months but have not been tabled.

It is necessary that tabling occur and this Committee will be asked to resolve to direct the Chairman of the Public Accounts Committee to contact both the Prime Minister and the Speaker to ensure that the tabling of those Report is made in the current Sitting of Parliament.

These Reports of the Auditor General are a fundamental tool of the State accountability, control of public monies and a very sure guide to the fiscal and administrative health of the Nation.

Unfortunately, the Reports for the Years 2000 – 2005 do not present an encouraging picture of the state of accountability or transparency in the use of public monies.

The information before this Committee at the present time suggest that enormous amounts of money are illegally siphoned from the State by its own senior public servants, with virtually no control at all.

There is certainly little accountability in the Public Service – and in particular within the Department of Finance – for the use or abuse of public monies.

Information currently held suggests that more than a billion kina was illegally diverted, misappropriated or stolen in the Year 2005 alone with no regard to Law.

By any measure, the accounts produced by Departments of Government, the quality of control by the Department of Finance and the Reports and Accounts maintained by the Department of Finance are woefully inadequate.

This is critically important. Without accurate public accounts the state of budgeting cannot be accurately ascertained, the state of the Public Account cannot be ascertained. Incredibly,

the Auditor General has been unable even to establish the amount of money held in Trust Accounts.

It is obvious that this woeful lack of control is an open invitation to misconduct – and this would appear to have occurred.

It is important for all Members to understand that the Auditor General has refused to certify the accuracy of the Public Accounts for the last two years.

His Report says:

"Because of the significant effects of the matters referred to in the qualification paragraphs above I am unable to form an opinion that the:

- (a) Financial Statements are based on proper accounts and records; and***
- (b) Financial Statements give a true and fair view of the financial position of the Government of Papua New Guinea and the results of its operations for the year ended ...***
- (c) Further, the controls exercised over the receipt and payment and investment of monies and the acquisition and disposal of assets are not in accordance with the Public Finances***

(Management) Act 1995 and other relevant legal obligations including the Constitution.”

In other words the accounts of the Government of Papua New Guinea are in such a poor state that they cannot be relied on and are not in accordance with Law.

This situation has been reached due to the incompetence and deterioration in the performance of the Public Service and the failure of what systems may be available to Departments.

The Public Account is made up of financial reports and statements from all Government Departments and as these have fallen away or, in some cases, stopped altogether, the information used to compile the Public Accounts has been of declining value and accuracy.

As the Auditor General's Inquiries become more sophisticated and searching, it has become clear that earlier certifications by the Auditor General were made of doubtful value.

Further, if the amounts of alleged misappropriation and abuse of public monies are considered, there has been either a huge increase in the level of theft in the last three years or the Auditor General has detected misconduct by reason of the improvement in the standard of his audits – or, most probably, a combination of both factors.

In summary, the information before the Committee at the present time very strongly shows:

- **No effective reconciliation by National Agencies against their report of expenditure;**
- **The processing of an inordinately large number of journal entries manually and apparently inept or incompetent monitoring of the reconciliation process of various Departments by the Department of Finance.**
- **Inadequacies in recording systems and cheque management practices of National Agencies.**
- **Inadequacies in the Department of Finance's lack of monitoring of Departmental bank reconciliations as provided in the Financial Instructions.**
- **Inability to obtain balances of drawing accounts; and**
- **Discrepancies in balances of the Public Account;**
- **Breaches of the *Public Finances (Management) Act* and the Financial Instructions;**
- **Inability to reconcile or understand Provincial Treasury operating accounts or balances due to incomplete, unperformed or inert record-keeping;**

- **Incorrect and inaccurate records of Government of Papua New Guinea payable amounts;**
- **Failures to provide records, accounts, information and data to the Auditor General in particular ledger records and banking details for investment funds;**
- **Abuse of Trust Suspense Account No. 2 used to illegally process and misappropriate huge amounts of money in breach of the Trust Instrument and in breach of law.**

A significant amount of work remains before this Inquiry is ready to proceed.

The Inquiry should be adjourned until early 2008 to enable those Inquiries to be completed.

This Inquiry is a very important one and the jurisdiction for the Inquiry is found in Section 86 of the *Public Finances Management Act*.

By that Section, one of the functions of this Committee is to examine the accounts of the receipts and expenditure of the Public Account.

The Committee is also charged to report to the Parliament any alteration that we think desirable in the form of the Public Accounts, in the method of keeping the Public Accounts, in the method of collection, receipt expenditure or issue of public

monies or for the receipt custody disposal issue or use of stores and other property of the State.

Further, Section 17 of the Permanent Parliamentary Committees Act 1994 empowers this Committee to inquire into any matter that it considers of National importance and this topic is certainly such a matter.