



Part 3

Report of the Auditor-General 2017 to 2021

on the Accounts of Provincial and Local-level Governments and associated entities

-
- **Provincial Governments**
 - **Local-level Governments**
 - **Provincial Health Authorities and Hospital Boards**
 - **Business Arms and Subsidiary Corporations**
 - **Provincial Authorities**
 - **Other Audits**



Part 3

Report of the Auditor-General

2017 - 2021

On the accounts of the Provincial Governments and Local-level Governments and associated entities

- Provincial Governments
- Local-Level Governments
- Provincial Health Authorities and Hospital Boards
- Business Arms and Subsidiary Corporations
- Provincial Authorities
- Other Audits



Telephone: 301 2203 Fax: 325 8295 Website: www.ago.gov.pg Email: agopng@ago.gov.pg

OFFICE OF THE AUDITOR-GENERAL

01 March, 2023

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

Dear Mr. Speaker,

In accordance with the provision of Section 214 of the Constitution of the Independent State of Papua New Guinea, I have the honour to transmit to the National Parliament Part III of my Report for the period from 2017 to 2021.

This Report embodies the results of audits of each of the accounts of Provincial Governments, Local-level Governments, their Business Arms and Statutory Corporations, Provincial Authorities, Trust Funds and Provincial Health Authorities and Hospital Boards.

Yours sincerely

Gordon Kega, MBA CPA
Auditor-General

Table of Contents

ACRONYMS & GLOSSARY OF TERMS	1
FOREWORD	3
AUDIT AND DELIVERY OF GOVERNMENT PROGRAM	4
EXECUTIVE SUMMARY	5
1.0 ROLE OF THE AUDITOR-GENERAL AND AUDIT MANDATE	11
1.1 Role of the Auditor-General	11
1.2 Audit Mandate.....	12
1.3 Appointment and use of an Agent Auditor.....	12
1.4 Audit Fees	13
1.5 Dispensation of Audits.....	13
1.6 Creation and Abolishment of Business Arms of Provincial and Local-level Governments	13
2. SCOPE AND OBJECTIVE OF AUDIT	14
2.1 Scope of Audit	14
2.2 Audit Objective	15
3. RESULTS OF THE AUDITS OF FINANCIAL STATEMENTS	16
3.1 Audit Opinion	16
3.2 Financial Statements of Provincial and Local-level Governments.....	17
3.3 Financial Statements of Hospital Boards and Provincial Health Authorities	23
3.4 Financial Statements of Business Arms and Subsidiary Corporations	24
3.5 Financial Statements of Provincial Authorities.....	25
3.6 Other Audits	25
3.7 The Role of the Finance Offices	25
4. CONTROL ENVIRONMENT	27
4.1 Introduction.....	27
4.2 Responsibilities of Management.....	27
4.3 Responsibility of the Auditor-General	28
4.4 Details of Control Issues.....	28
4.5 Conclusion	34
5.0 RESULTS OF AUDITS PER PROVINCE.....	35
5.1 AUTONOMOUS REGION OF BOUGAINVILLE	35
5.2 CENTRAL PROVINCE	38
5.3 EAST NEW BRITAIN PROVINCE.....	46
5.4 EAST SEPIK PROVINCE	52
5.5 EASTERN HIGHLANDS PROVINCE.....	59
5.6 ENGA PROVINCE	63

5.7	FLY RIVER (WESTERN) PROVINCE	73
5.8	GULF PROVINCE	76
5.9	HELA PROVINCE	78
5.10	JIWAKA PROVINCE	80
5.11	MADANG PROVINCE	82
5.12	MANUS PROVINCE	84
5.13	MILNE BAY PROVINCE	87
5.14	MOROBE PROVINCE.....	96
5.15	NEW IRELAND PROVINCE.....	103
5.16	ORO PROVINCE	105
5.17	SANDAUN PROVINCE.....	107
5.18	SIMBU PROVINCE.....	111
5.19	SOUTHERN HIGHLANDS PROVINCE	121
5.20	WEST NEW BRITAIN PROVINCE.....	125
5.21	WESTERN HIGHLANDS PROVINCE.....	128
6.	LEGAL FRAMEWORKS	130
6.1	Constitution.....	130
6.2	Audit Act 1989.....	130
6.3	Public Finances Management Act 1995 (as amended)	131
6.4	Organic Law on Provincial and Local-level Governments.....	131
6.5	Provincial Health Authorities Act 2007 and Public Hospitals Act 1994.....	132
6.6	Business Arms and Subsidiary Corporations	132
6.7	Provincial Authorities	133
6.8	Other Audits.....	133
	ACKNOWLEDGEMENT	134
	SCHEDULES	135

ACRONYMS & GLOSSARY OF TERMS

Acronyms	Glossary of Terms /Definition
AGO	Auditor-General’s Office
ARBG	Autonomous Region of Bougainville Government
BGH	Buka General Hospital
CPTA	Central Province Transport Authority
DSIP	District Services Improvement Program
ECFTL	Enga Children's Fund Trustee Limited
ENBDCL	East New Britain Development Corporation Limited
ESPG	East Sepik Provincial Government
FRPG	Fly River Provincial Government
GRA	Gazelle Restoration Authority
IBD	Interest-Bearing Deposit
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
ISSAI	International Standards of Supreme Audit Institutions
LLG	Local-level Government
MPG	Madang Provincial Government
NBPOL	New Britain Palm Oil Limited
PAC	Public Accounts Committee
PFMA	Public Finances (Management) Act 1995
PGAS	Provincial Government Accounting System
PHA	Provincial Health Authority

PNG	Papua New Guinea
PSIP	Provincial Services Improvement Program
SIP	Services Improvement Program
WNBPG	West New Britain Provincial Government

FOREWORD

My Annual Report to the National Parliament is being presented in four parts.

Part I of my Report deals with the Public Accounts of PNG.

Part II deals with National Government Departments.

Part III (this Part) deals with audits of the Sub-national Government entities including Provincial Governments and Local-level Governments (LLG) and their Business Arms and Subsidiary Corporations, Provincial Health Authorities (PHA) and Hospital Boards, Special Purpose Authorities, and Trust Funds in the provinces. With effect from 1996 an audit opinion on the financial statements of each Provincial Government and Urban LLG is being issued in accordance with the requirements of the *Organic Law on Provincial Governments and Local-level Governments (Organic Law)*.

Finally, Public Bodies and Subsidiaries, National Government-owned Companies and National Government's shareholdings in Other Companies are covered in *Part IV* of my Report.

Part III Report

My Part III Report covers audits undertaken during the periods from 2017 to 2021. The data used to compile this Report is as at 31 August 2022. This Report provides a summary of the audit opinions expressed and issued in respect of Provincial Governments, Urban LLGs, PHA and Hospital Boards, Business Arms, Authorities and Trust Funds.

The Report provides a summary of significant internal control weaknesses identified, and types of audit opinions expressed. Major financial and accounting issues which required remedial actions to be taken by the agencies concerned have been summarized in this part of my Report. These issues have been communicated to the respective Provincial Administrators or Executive Management through the Management Letters.

As required, and in addition to the Management Letters, audited financial statements together with the audit opinions where applicable, were also provided to the relevant Minister(s), provincial governors and to the Department of Provincial and LLG Affairs.

Making this Report publicly available

This Report will be made available to the public through the AGO website (www.ago.gov.pg) once it has been tabled in the Parliament.

AUDIT AND DELIVERY OF GOVERNMENT PROGRAM

I have carried out audits of Provincial and LLGs, PHA and Hospital Boards, Business Arms, Provincial Authorities and Other audits as mandated. These government entities are tasked to deliver government services to the people of PNG.

Although my Report provides opinions on the financial affairs of these entities, other audit procedures performed by my Office give a picture of effectiveness of the delivery, by the public sector, of government policies and programs particularly their contribution to National Building through recovery, development and service delivery objectives of the Medium-Term Development Strategies including:

- Welfare;
- Health;
- Economic Development and Growth;
- Contribution to Nation Building;
- Good Governance;
- Rural Development;
- Poverty Reduction;
- Employment;
- Strengthening Public Expenditure; and
- Management System, including:
 - Fiscal Sustainability;
 - Prioritisation of Resources; and
 - Cost effective implementation of programs.

In addition, my audit findings continue to show slow progress in making improvements to governance structures and public accountability mechanisms in relation to expending Public Finances. Without strong governance procedures in the public sector, effective and efficient service delivery as envisaged by the National Government will be difficult to achieve.

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

EXECUTIVE SUMMARY

I. Report Coverage

This Report covers the audit reports issued by my Office on the audits of Sub-national Government entities during the period from July 2017 to June 2022 (2017/2018, 2018/2019, 2019/2020, 2020/2021 and 2021/2022), covering a total of five audit cycles. The Report covers the audits of these entities' financial statements for multiple years both prior to and after 2017.

My Office is responsible for the audit of all 592 Sub-national Government entities, including 21 Provincial Governments, 21 PHAs and 2 Hospital Boards, 96 District Development Authorities, 31 Urban LLG entities, 290 Rural LLG entities, 109 Sub-national Business Arm entities, 12 Provincial Special Purpose Authorities, and 10 Sub-national Trust Funds that equates to approximately 2,960 individual audits over these five audit cycles. Due to a lack of engagement by Sub-national Government entities, critical resource constraints and budget shortfalls I am unable to fully discharged my mandate. This Report concentrates on those Sub-national Government entities that have at some point in time engaged with me and I was only able to audit and report on 19 entities with 42 audits in total

I am also responsible for reporting on the audits of Services Improvement Program (SIP) Funding made available to the 22 Provinces, 96 Districts (including the 7 new Districts created in 2020) and 321 Local Level Governments. Due to the critical resource constraints and budget shortfalls faced by my Office, I was unable to perform the audits of these SIP funds over the last five years, except for the PSIP for New Ireland Province and DSIPs for Namatanai and Kavieng Districts in 2021. The results of these audits will be reported separately as Individual Reports to Parliament. The status of the SIP Audits is captured in **Schedule D** of this Report.

II. Types of Audit Opinions Issued

In the period covered by this Report, 42 audit reports in total were issued. Of the 42 audit opinion reports issued, 9 were unqualified, 13 were qualified and 20 received Disclaimer Opinions. Details of these are presented in **Table 01** below and **Schedule A** of this Report.

Table 01 – Types of Audit (Opinion) Reports Issued

No. of Entities	Entities	Opinion Issued			
		Un-Qualified	Qualified	Disclaimer	Total
7	Provincial Governments		1	11	12
1	Urban Local-level Government		1		1
7	Provincial Health Authority & Hospital Board	4	6	9	19
1	Business Arms		3		3
1	Provincial Authority	3			3
2	Others - Trust Funds	2	2		4
19	TOTAL	9	13	20	42

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.

Audit reports for 9 entities were compiled as “Individual Reports to Parliament”, copies of which can be accessed through the AGO website (www.ago.gov.pg). The detail listing is reported in **Schedule E**.

III. Consistency in Audit Findings over the Years

The audit findings in this Report are similar to those in my previous years’ Reports that have highlighted my concerns over the number of Sub-national Government entities that do not submit current year financial statements for audit, and the overall poor state of the financial management structure in most of these entities whose statements are subject to my audit and inspection.

The overall purpose of financial statements is to provide information about the financial performance and cash fund positions of an organisation. The information is useful to a wide range of stakeholders and the statements constitute a formal record of the financial and operational activities of an organisation. As such, the statements are a core component of an organisation’s governance and accountability. Non-submission of the financial statements for audit 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 Sub-national Government entities continue to indicate they are incapable of managing their financial affairs.

Other factors affecting the poor level of financial management include:

- Lack of experience and the competency of finance and accounting personnel in the provinces;

- Considerable abuse and diversion of government money for a long period of time without consequential disciplinary proceedings;
- Absence of regular monitoring and review by the Department of Finance on the work of the Provincial Finance, together with timely corrective action;
- Lack of coordination and communication, for example Provincial Finance personnel not advising the Administrators on matters relating to the financial status of the Province;
- A reduced incentive for efficient management of funding due to Provincial Finance being in control of processing but the Administrator being responsible for the outcome; and
- The board of directors having direct influence over the operational and financial affairs of the PHAs.

Weaknesses in 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.

IV. Submission of Current Year Financial Statements

Section 114 of the Organic Law requires each Provincial and LLG to submit to the Minister responsible for provincial government and LLG matters, and the Minister responsible for finance matters, (Minister for Finance and the Minister for Provincial and Local-level Government Affairs), a full statement on the financial position and of the affairs of the Province and the LLG area for each fiscal year in such a form and detail, and containing such other information as is regulated by an Act of Parliament, or as the Ministers require, before the final year sitting of the Parliament during the next fiscal year.

Section 63(2) of the *PFMA* requires "... a public body to prepare and furnish to its Minister before 30 June each year, a performance and management report of its operations for the year ended 31 December preceding, together with financial statements to enable the Minister to present such report and statements to the Parliament ...".

Before submitting the financial statements to the Minister, Section 114 (3) of the *Organic Law* and Section 63(4) of *PFMA* require the agencies to submit the financial statements to the Auditor-General and for the Auditor-General to report to the Minister in accordance with the *Audit Act 1989 (Audit Act)*.

Despite these legislative requirements, 74 entities (from those that have at some point in time had engaged with the AGO) had not submitted their 2021 financial statements to be audited and overall some 277 financial statements for 2020 and prior years had not been submitted for audit (Refer **Table 02**).

Table 02 – Financial Statements Outstanding

Total Auditable Entities	Entities	Financial Statements Outstanding		
		2021	2020 & Prior Years	Total
21	Provincial Governments	21	55	76
22	Urban Local-level Government	22	117	139
23	Provincial Health Authority & Hospital Board	20	61	81
6	Business Arms	6	23	29
3	Provincial Authority	2	17	19
3	Others - Trust Funds	3	4	7
78	TOTAL	74	277	351

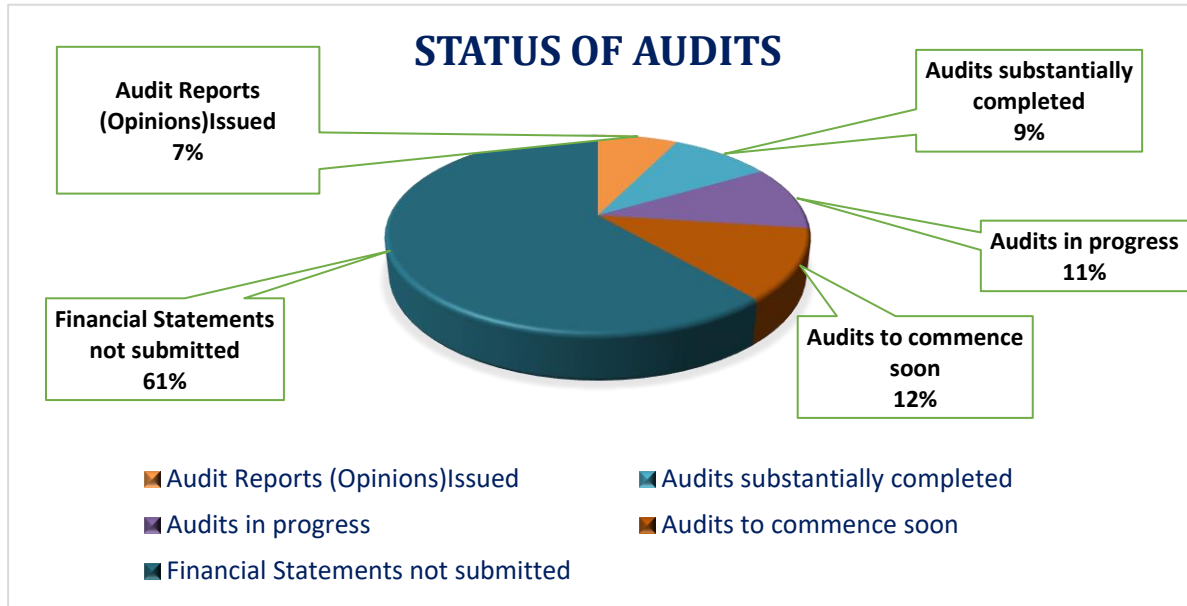
The details of the audits in arrears and those entities whose financial statements have been outstanding for a number of years are shown in **Schedule B**.

Furthermore, the critical resource constraints and budget shortfalls faced by my Office over the 5 audit cycles had resulted in the following audit outputs. At the time of preparing this Report there were 42 audit reports issued, 53 audits substantially completed, 60 audits in progress, 66 audits to commence soon and 351 audits were unable to commence due to the non-submission of the financial statements during the cycles.

Table 03 – Status of Audits as at 31 August 2022

Entities	Audit Reports (Opinions) Issued	Audits substantially completed	Audits in progress	Audits to commence soon	Financial Statements not submitted	Total Audits
Provincial Governments	11	27	3	22	76	139
Urban LLGs	1	2	3	15	139	160
Prov. Health Auth/Hospital Boards	19	17	23	11	81	151
Business Arms	3	0	28	14	29	74
Provincial Authorities	3	4	1	1	19	28
Others-Trust Funds	5	3	2	3	7	20
Total	42	53	60	66	351	572
	7%	9%	11%	12%	61%	100%

Chart 01 – Status of Audits as at 31 August 2022



Details of these are presented in Schedule B.

I have endeavoured to undertake audits to current status where possible with critical resource constraints resulting in this 2017 to 2021 Part 3 Report. However, there have been considerable difficulties in carrying out timely audits due to a number of factors including:

- Lack of engagement by Sub-national Government entities, including long delays in the submission of financial statements by entities that have previously engaged with me;
- Critical resource constraints;
- Budget shortfalls;
- Inaccurate presentation and disclosure of information in the financial statements by entities;
- Lack of experience, competency and cooperation of some Provincial Treasury, accounting personnel and the provincial administrative officers in the provinces. This includes accounting personnel in the provincial hospital boards and authorities and the business arms of the provincial governments;
- Administrative difficulties where the Provincial Treasurer does not report to the Provincial Administrator but to the Secretary for Finance;
- Delays in responding to issues raised in our Management Letters; and
- Absence of proper and adequate accounting and subsidiary records on fixed assets and investments in the Business Arms of Provincial Governments.

IV. Challenges Faced by My Office

My Office has been faced with enormous challenges over the past 5 audit cycles which had affected the discharge of my mandatory duties. One of which has limited my ability to discharge my responsibilities is the lack of sufficient funding by the government, resulting in a budget shortfall. As a Constitutional Officer, I have not received any funding through the Public Accounts

Committee (PAC) and Parliament but only through the Department of Finance. As a result, necessary funding to carry out audits of Sub-national Government entities were either not received at all or if received then not sufficient and not on time. Consequently, the lack of funding has had an impact on the timely delivery of audit services at the Sub-national level, this includes the audits of SIP funding which the government has committed significant funds directly to the Districts and Provinces.

1.0 ROLE OF THE AUDITOR-GENERAL AND AUDIT MANDATE

1.1 Role of the Auditor-General

Section 214 of the *Constitution of the Independent State of Papua New Guinea (Constitution)* prescribes my primary functions and that is to inspect, audit and report to the National Parliament on the Public Accounts of PNG and on the control of and on transactions with or concerning the public moneys and property of PNG. The *Organic Law* extends these provisions to cover Provincial Governments and LLGs.

I am required under Section 113 of the *Organic Law* to establish a Provincial Audit Service and appoint a Provincial Auditor and additional officers in each province.

At the time of this Report, no such Provincial Audit Services have been established in any of the Provinces due to budgetary limitations confronted by my Office. These constraints greatly affect my resources and capacity to audit agencies based in the provinces. My Office however, has established Regional Audit Offices in Port Moresby, Kokopo, Mount Hagen, Goroka, Lae and Buka.

My Office is currently moving to strengthen the regional offices with adequate staff and logistics in order to effectively perform my mandated audit functions and responsibilities at the sub-national level of Governments and other Government entities.

Section 213 of the *Constitution* provides for my independence in the performance of my constitutional duties in that I am not subject to the control or direction of any person or authority. This provision connotes an atmosphere of complete objectivity and impartiality in the discharge of my audit responsibilities.

Other than staff and administrative control of the AGO, neither the *Constitution* nor the *Organic Law* provides for any executive or directive powers by the Auditor-General over the organisations subject to audit. Although the evaluations and investigations conducted under my direction assist management in detecting control and procedural weaknesses, I have no executive responsibility in relation to the formulation of accounting systems and policies or the setting of standards for administrative and accounting purposes as this may impede the requirements of my independence and objectivity in the execution of my primary audit function.

However, it has been the policy of this Office to enter into discussions with Provincial and LLGs on matters relating to accounting systems, internal controls and administrative procedures in general, and to provide related documentation where possible. In providing such advice or information it is understood that the responsibility for executive decision making remains with the auditee organisations.

1.2 Audit Mandate

Section 7 of the *Audit Act* provides for the Auditor-General to report to the Parliament on the results of audits undertaken. The *Audit Act* specifically requires the Auditor-General to specify:

- Whether the financial statements, to which the report relates, are based on proper accounts and records; and
- Whether the financial statements, to which the report relates, are in agreement with the accounts and records and whether they show fairly the financial operations for the period which they cover and the state of affairs as at the end of that period; and
- Whether the receipt and payment and investment of moneys and the acquisition and disposal of assets during the year have been in accordance with the *Public Finances (Management) Act 1995 (PFMA)*; and
- Such other matters arising out of the financial statements, to which the report relates, as the Auditor-General considers should be reported.

To meet these requirements, I perform financial attest and regularity or compliance audits. The main objective of the attest audit is to express an opinion on the fairness of the financial statements, including compliance to disclosure requirements such as the format of the financial statements issued under *Finance Instructions*. Regularity audits are conducted with the main objective of ascertaining whether or not the expenditure had been applied for the purposes for which they had been authorised and that the expenditure conformed to the authority which governs it.

In addition to the role and mandate of the Auditor-General below are additional administrative functions which are worth mentioning in this Report.

1.3 Appointment and use of an Agent Auditor

Section 8(5) of the *Audit Act* empowers me to appoint registered company auditors as agent to assist in discharging audit responsibilities as and when considered necessary. Contrary to these requirements, Provincial Governments and the management of their business arms have been engaging private auditing firms without my knowledge to carry out the audits of their businesses. Section 8(5A) of the *Audit Act* states clearly that “A body which is liable to audit by the Auditor-General shall not appoint a Registered Company Auditor to carry out the functions and powers of the Auditor-General under the *Constitution* and this Act.”

During the period covered in this Report, all audits of the Sub-national Government entities have been conducted in-house as I have not engaged the services of company auditors in any of my audits of the Sub-national Government entities.

1.4 Audit Fees

The Government of PNG does not provide funding for audits of business arms of Provincial and LLGs, authorities and trusts. In order to undertake audits on these entities I have to recover these costs through raising audit fees. These fees are based on the estimated minimal audit work required to enable me to form an opinion on their financial statements. During the period covered in the Report, a significant number of business entities have not submitted their financial statements for audit and as such only few audits were done on business arms and fees collected.

I have been observing that the business entities take advantage of the situation and remain unaudited for considerable lengths of time. During that time, funds invested by the Provincial or LLGs are depleted either due to the inability to effectively manage the business or due to misappropriation. As an end result, there is almost no return on the Government's investments and the misappropriation is rarely identified and reported to the Parliament and the public.

1.5 Dispensation of Audits

As mentioned in previous reports, my Office has continued to experience considerable difficulties in carrying out timely audits of entities in the provinces for a number of years. The contributing factors to this include long delays and/ or submission of incomplete financial statements due to high turnover of accounting staff and/ or lack of suitably qualified personnel in government agencies including provincial governments, LLGs and PHAs and hospital boards. Of particular concern was non-preparation of financial statements by a large number of LLGs. These problems are further exacerbated by critical resource constraints and budget shortfalls which continue to affect my Office. In view of the above circumstances a number of audits have been dispensed consistent with *Audit Act*.

1.6 Creation and Abolishment of Business Arms of Provincial and Local-level Governments

Over the years I have observed a number of business arms and subsidiary corporations being created and later abolished, re-named or restructured. The challenge faced by my Office is that following creation or changes through the Act of Parliament or executive directives, these entities do not communicate with my Office thus allowing me to exercise my mandated responsibilities.

2. SCOPE AND OBJECTIVE OF AUDIT

2.1 Scope of Audit

The full scope of my audit responsibility in respect of the Sub-national Government entities covers the Provincial Governments and their Business Arms and Subsidiary Corporations, LLGs, PHAs, Public Hospital Boards, Provincial Authorities, Trust Funds and other audits as directed by me. Refer Table 03 below. The legislative frameworks that govern the scope of my audits of these entities are detailed in paragraph 6.0.

In performance of the statutory audit responsibilities, the resources of this Office were directed primarily to the evaluation of internal controls, together with such other examinations as were considered necessary to examine the performance of financial operations with a view to assessing the reliability and integrity of financial data and to determine the extent of compliance with applicable laws, regulations and directives. The audit procedures applied were intended to reveal systemic weaknesses which would result in losses or errors, frauds and/ or mismanagement of public funds.

Compliance with relevant legislation is of paramount importance in safeguarding the State's assets. My audits included reviews and tests to ascertain whether key provisions of the *PFMA* and various *Finance Instructions* have been adhered to.

In compliance with Part V of the *Audit Act*, my Office is performing both attestation and regularity audits concurrently and is responsible for 376 audits of different entities and another 118 audits of SIPs as shown in the table below.

Table 04: Number of Audits of Sub-national Government Entities

ENTITY	No
Provincial Governments	21
Local-level Governments	321
Provincial Health Authorities	21
Hospital Boards	2
Business Arms	6
Special Purpose Authorities	3
Trusts and Funds	3
TOTAL	376
Provincial Services Improvement Program (PSIP)	22
District Services Improvement Program (DSIP)	96
TOTAL	119

2.2 Audit Objective

My audits are planned and performed in accordance with the *International Standards of Supreme Audit Institutions (ISSAI)* as promulgated by the *International Organisation of Supreme Audit Institutions (INTOSAI)* with the objective of:

- obtaining reasonable assurance on the integrity and reliability of the financial statements and other information contained therein, to determine compliance to disclosure requirements issued under Finance Instructions and other related regulations;
- assessing the effectiveness of the internal control systems in place and determining the extent of compliance with applicable laws, regulations and directives; and
- informing stakeholders on the performances of the auditee agencies during the years under review, evaluating the reliability and effectiveness of their corporate governances, status of their current and future development programs, if any, and ascertaining significant control weaknesses as well as the remedial actions taken to improve their performances for better service delivery.

3. RESULTS OF THE AUDITS OF FINANCIAL STATEMENTS

3.1 Audit Opinion

The audit of Financial statements is an independent examination of the financial accounting and reporting of Provincial Governments, LLGs, Hospital Boards and PHAs, Business Arms of Provincial Governments and other entities. The results of the examination are presented in this audit report, which expresses the auditor's opinion on whether the financial statements as a whole and the information contained therein, fairly reflect the results of each entity's operation and financial position. The disclosures and management representations made in the financial statements by the entity are assessed against relevant *Finance Instructions* and accounting standards, and legislative and other reporting requirements.

It is generally accepted that a good indicator of the effectiveness of financial management processes is the timely finalisation of the financial statements, accompanied by an unqualified audit opinion.

My objective when undertaking an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Those Charged with Governance;

- conclude on the appropriateness of those Charged with Governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

3.2 Financial Statements of Provincial and Local-level Governments

I have concluded and reported that I was unable to form an opinion on 11 Provincial Governments' financial statements. Whilst in the majority of cases the financial statements had been prepared in the format required by the *Finance Instructions* issued under the *PFMA*, I concluded that material errors, uncertainties and lack of adequate records resulted in the overall financial position and results of operations were not reliable.

The failure of the Provincial Administrators to promote measures and responsibilities for transparent and compliant spending of budget allocations continued to be a major factor that has contributed to ineffective financial management processes. However, whilst top management is tasked with effective management, control and accounting, the Parliament has the right to demand answers on accountability and governance issues.

Other factors affecting the poor level of financial management include:

- Lack of experience and the competency of Provincial Finance and accounting personnel in the provinces;
- Considerable abuse and diversion of government money for a long period of time without consequential disciplinary proceedings;
- Absence of regular monitoring and review by the Department of Finance on the work of the Provincial Finance Managers, together with timely corrective action;
- Lack of coordination and communication, for example Provincial Finance Managers not advising the Administrators on matters relating to the financial status of the Province; and

- A reduced incentive for efficient management of funding due to the Provincial Finance Manager being in control of processing but the Administrator being responsible for the outcome.

During this audit cycle my Office finalized and issued 13 audit reports to the Provincial Governments and 1 to Urban LLGs. Details of these are presented in Table 01 above and Schedule A.

There are currently 321 LLGs around the country (excluding the LLGs of the Autonomous Region of Bougainville) as shown in Table C.4 of Schedule C. Of these, there are 290 Rural LLGs and 31 Urban LLGs in existence.

As reported in my previous year's Reports, I was not able to carry out any audits of the Rural LLGs accounts and records as required by the *Organic Law* due to critical resource constraints and budget shortfalls affecting my Office. I have satisfied myself that the revenue and expenditure of the Rural LLGs are largely grants, salaries and wages. No significant expenditures were incurred on major works and projects by the Rural LLGs.

I have been unable to audit the majority of Urban LLGs located in the main headquarters of the Provinces due to critical resource constraints and budget shortfalls.

The financial statements of both Provincial and Urban LLGs comprise a number of Statements and Appendices. Statements 'A', 'B', 'C', 'E', 'J' and 'K' are maintained by the entities' accounting system. Statements 'D', 'F', 'G', 'H' and 'I' are memorandum statements that are drawn from the accounting system, but are nevertheless financial statements in their own right that convey financial information to users and the public.

There are certain accounts, records and registers, and procedures that also relate to the financial statements through Appendices 1 to 6.

3.2.1 Statement 'A' - Government's Account Balances

This is a statement of cash position for the Provincial or LLG at year-end which should be supported by bank reconciliations. Statement 'A' is intended to show the Public Account comprising the Revenue Fund and the Trust Fund as represented by the year-end cashbook balances and other cash resources available to the Provincial or LLGs.

Common problems associated with the audit of this Statement include the following:

- Bank confirmations for the bank accounts and Interest-Bearing Deposit (IBD) Certificates were usually not provided to confirm the closing bank and investment balances;
- Cash books and ledgers were often not updated before preparing the bank reconciliations and therefore the completed bank reconciliations were cumbersome and difficult to audit to ascertain the correct cash balance;

- Opening balances could not be confirmed as correct as these balances did not agree to the corresponding closing balances from the previous year; and
- There were adjustments made to opening or closing balances without any supporting documents provided.

Under these circumstances, I was unable to express an opinion on the accuracy of Statement ‘A’ and consequently on the financial position of the respective Sub-national Government entities as at year-end.

3.2.2 Statement ‘B’- Summary of Receipts and Payments

This statement is an Operating Account and comparable to a Profit and Loss account in commercial practice. Statement ‘B’ is intended to show the summary of actual receipts in Statement ‘J’ and actual expenditure incurred in Statement ‘K’.

Tracing figures from Statements ‘J’ and ‘K’ to this statement in almost all audits showed material difference relating to either expenses or revenue. Another frequent error was an omission of revenue and expenditure related to Staffing Grant and Teacher Salaries and Allowances. This occurred as a result of these salaries and allowances being controlled and processed by the Department of Finance. Nevertheless, revenue and expenses arising from Staffing Grant and Teacher Salaries and Allowances should have been accounted for by the Provincial Government’s system.

As a result of these omissions, I have qualified this statement due to the net surplus or loss disclosed being materially inaccurate and unreliable.

3.2.3 Statement ‘C’- Receipts and Payments of Trust Funds

This statement shows trust funds actual revenues and actual expenditure. The most common error that frequently resulted in material overstatement was the inclusion of the National Government Agencies’ trust accounts. These trust accounts are not related to the Provincial Government and should have been excluded from this statement. Consequently, the closing balances shown in the statement could not be relied upon. In addition, breaches of the *PFMA* were likely to have occurred due to payments made from the trust accounts or revenue collected not being in accordance with the Trust Instruments.

3.2.4 Statement ‘D’- Sources and Application of Funds

This is a summary cash flow statement showing sources of revenue and where these funds were applied. The statement also shows reconciliation of changes in bank balances to the net movement of the cash flow statement. In all instances this Statement could not be confirmed as correct and complete due to audit observations regarding materially incorrect Statements ‘B’, ‘J’ and ‘K’.

3.2.5 Statement ‘E’- Financial Investments

This statement details term deposits, treasury notes, debentures and similar instruments held by the Government. Provincial and LLGs did not maintain investment registers to record details of investments. There were instances where records of revenue arising from either interest or disposal of these investments, were not made available for audit examination. Consequently, I could not verify the accuracy of this statement.

3.2.6 Statement ‘F’- Statement of Direct Investments, Capital Contributions, Equity, Options and Rights

The purpose of this statement is to show the Government’s investments and ownership in companies and statutory authorities that are long-term investments. All assets including investments acquired are charged to expenditure in the year the payment is made. However, investments are required to be recorded in the accounting system.

Not maintaining investment registers or other records (i.e. share certificates) was a wide-spread problem. According to previous year’s financial statements or other relevant information obtained during the audit, the majority of Provincial Governments held investments in the form of shareholdings and/ or made capital contributions in a number of companies. The non-disclosure of the Provincial Governments’ investments in this Statement as well as the income derived from such investments is misleading to stakeholders and users of the statements.

This issue is of a particular concern. Firstly, millions of Kinas could be lost due to the lack of proper feasibility studies into the financial background and viability of companies in which the Government invests. The Provincial Government should ensure that the viability and the financial and statutory requirements relating to establishment of companies are properly reviewed and analysed prior to investing large sums of public moneys in such companies.

In addition, some of these companies are being audited through private arrangements and not by the Government auditors. In my reports, I have advised the Provincial Governments to liaise with my Office on assessing whether an audit of those financial statements should be undertaken by this Office. This assessment would be based on whether the Provincial Government is a major shareholder and has a controlling interest in the company.

My other concern is that due to inadequate maintenance of records, these investments could be lost or misappropriated resulting in significant loss of public funds.

3.2.7 Statement ‘G’- Statement of Lending

This is a schedule of all funds lent by the Government, including on-lent loan funds. In absence of proper records or registers maintained by the Provincial Governments in relation to these matters, I was unable to confirm the accuracy of this statement.

3.2.8 Statement ‘H’- Statement of Borrowings

This is a schedule of all funds borrowed or loaned. Liabilities or financial obligations to outside organisations outstanding at the end of the financial year are not brought to account, however, they are required to be recorded in this statement. In the absence of proper records or registers maintained by the Provincial Governments in relation to these matters, I was unable to confirm the accuracy of this statement.

3.2.9 Statement ‘I’- Statement of Loans Guaranteed by Government

This statement shows the value of commitment of the Government to lenders of moneys for loan recovery in the event of re-payment defaulted by borrowers. In the absence of proper records or registers maintained by the Provincial Governments in relation to these matters, I was unable to confirm the accuracy of this statement.

3.2.10 Statement ‘J’- Receipts Classified under Heads of Revenue Estimates

In accordance with the budget appropriation classification, this schedule discloses revenue received. The total from this statement has to reconcile with Statement ‘B’ as revenue and receipts. Revenue consists of all receipts being external (appropriations) or internally generated such as collection of fees and fines. In the majority of audits there were significant and unexplained discrepancies between the total of this statement and Statement ‘B’.

The common error was an omission of the actual receipts pertaining to estimated Public Servants and Teaching Services Commission Salaries and Allowances, which are retained and administered by the Department of Finance on behalf of the Provincial Government, which were (usually) not obtained and posted to the revenue ledgers.

3.2.11 Statement ‘K’- Expenditure Classified under Heads of Appropriation

In accordance with the budget appropriation classification, this schedule discloses expenditure actually paid. The total from this statement has to reconcile with Statement ‘B’. Expenditure consists of all charges for goods and services received and paid for before the end of the calendar year and refunds of revenue collected in previous years.

A common error was an omission of the actual expenditure relating to the Teaching Services Commission Salaries and Allowances. Furthermore, reconciling items, such as bank charges, fees and other items relating to expenditure which were not adjusted in the cashbook and posted to the respective expenditure ledgers were also not shown in this statement.

3.2.12 Appendix 1

Appendix 1 reports outstanding commitments as at year end. Provincial and LLGs generally failed to report on the amount of committed funds.

3.2.13 Appendix 2

Appendix 2 reports on the outstanding debtors at year end. The majority of Governments did not report any debtors. In addition, there were no proper debtors' ledger or other records such as invoices or debit notes maintained which could provide details of debtors at year end. In cases where the Government reported outstanding debtors, this balance included outstanding debtors from the previous years where no action appeared to have been taken to recover the debts.

3.2.14 Appendix 3

Appendix 3 shows the value of inventories at year end. In absence of various registers and related records, I was unable to verify the accuracy of this appendix.

3.2.15 Appendix 4

Appendix 4 is intended to give details of assets of the Provincial and LLG. The majority of Provincial Governments did not report any assets, despite assets being purchased during the year. Those entities that reported some assets lacked necessary details in order for me to verify the existence, condition, location, custodianship and value of those assets.

3.2.16 Appendix 5

Losses and deficiencies of public moneys and property are reported to the Inspection Branch of the Department of Treasury and are listed in this appendix. In absence of losses and deficiencies register and related records, I was unable to verify the accuracy of this appendix.

3.2.17 Appendix 6

Appendix 6 reports on unacquitted advances at year end. The widespread mismanagement and abuse of this entitlement continues to be of concern to me. Provincial and LLG failed to completely and accurately account for these advances. Many were outstanding for several years with no action taken to recover the advances. My Officers observed that in some Provincial Governments, revenue collections were illegally loaned to officers. There was also no evidence of management acting to improve on monitoring the management of advances.

3.2.18 Other Issues

Submission of Financial Statements

It is mandatory for the Provincial Governments and the LLGs to prepare annual financial statements and submit them to the Auditor-General for audit by 30 April in the year following. The Auditor-General then, after the completion of the audit, is required to report to the Minister for Finance, the Minister responsible for Provincial and LLG matters, the National Economic and Fiscal Commission and the Provincial Governor.

At the time of this Report there were 76 and 139 financial statements relating to financial years 2021 going back to 2012 yet to be submitted by the Provincial Governments and urban LLGs respectively for audit as summarized in *Tables B.1* and *B.2* of **Schedule B**.

Presentation of Financial Statements

In addition to the annual financial statements, comprising Statements ‘A’ to ‘K’ and Appendices 1 to 6, the accounts are accompanied by the Chief Accountable Officer’s Statement and the Council Executive Officer’s Statement on the financial operation of the Provincial Government or the LLG for the fiscal year ended.

The financial statements of a number of Provincial Governments did not contain the Provincial Administrator’s Statement for the year ended and consequently were not presented in the format required by the *Finance Instruction 4/2000*. This statement is a written representation by the management in which management acknowledges its’ responsibility for the fair presentation of the financial statements, and it also represents a means of approving the financial statements. Since management had not provided the necessary representations, this constituted a scope limitation and affected every statement presented by management.

3.3 Financial Statements of Hospital Boards and Provincial Health Authorities

During the 5 audit cycles I have issued 19 audit reports to PHAs and Hospital Boards. Out of which 8 were disclaimer, 6 qualified and 4 unqualified opinions. There are 81 financial statements outstanding for submission for audit excluding ones the audit reports are under preparations, *Table B.3* of **Schedule B** details the status of audits and the financial Statements

I am pleased to report that a number of PHAs and Hospital Boards received unqualified and qualified audit opinions compared to past years due to notable improvements in the areas of corporate governance, budgetary controls and payments of wages and salaries. Hospital management is significantly improving each year because of implementation of audit recommendations.

Nevertheless, the majority of the audit reports that I have issued in this audit cycle contained Disclaimer Audit Opinions as a result of significant control breakdowns, absence of financial records and financial statements qualifications.

In general, all public hospitals are experiencing problems in preparing and submitting the financial statements for audit within the legislative requirement. Namely, Section 63 of the *PFMA* requires a public body to submit and the Auditor-General to finalize the audit of prior year financial statements by 30 June each year. The same Act states that where a public body does not meet this deadline, the Minister may withhold half of the grants appropriated to that body for the following fiscal year. Although the public hospitals continuously fail to meet the requirement for timely reporting, the sanctions of the Act have never been imposed.

Hospitals are required to prepare their financial statements in accordance with the *Finance Instruction 2/2004 – Financial Statement Format for Non-Trading Public Bodies*. The accounts are prepared under the cash basis of accounting with the financial statements consisting of: Statement of Revenue and Expenditure, Statement of Changes in Net Cash Asset, Schedule of Capital Assets and Liabilities and Accounting Policies.

Common problems with PHAs' financial statements were:

- The records of medical supplies, accounts receivables and payables, capital commitments and contingent liabilities, were either non-existent or inadequate;
- Accounting records or asset registers were not maintained to record the details of the assets. Consequently, I was not able to verify the completeness, existence, accuracy and valuation of the fixed assets at year-end;
- Opening balances of cash at bank could not be confirmed as correct as these balances did not agree to the corresponding closing balances from the previous year; and
- In several cases, there was no appointment of financial delegates to approve expenditure.

3.4 Financial Statements of Business Arms and Subsidiary Corporations

All Provincial Governments had established business arms and have direct or indirect investments in subsidiary corporations and companies. At the time of preparing this Report there were approximately 5 known entities to be audited as detailed in *Table B.4* of **Schedule B**. Only 3 audit reports for one entity were issued during the period.

As reported in my previous reports, the entities have failed to submit their financial statements on a timely manner. Financial statements have remained outstanding for many years in some cases. Consequently, audit of such financial statements could not be conducted despite my repeated requests.

Furthermore, the full extent of the Provincial Governments' investments therein, or the exact details of these business arms and their subsidiary corporations and companies, could not be fully established due to the lack of adequate information forthcoming from the Provincial Governments and the entities concerned or the failure to maintain proper investment records and registers. My Office was unable to determine whether some entities were still in operation, defunct, or liquidated. For many years I have been unsuccessfully pursuing this information with the respective Provincial Governments, their business arms and relevant authorities.

3.5 Financial Statements of Provincial Authorities

Provincial Authorities are created by an Act of Parliament. The purpose of establishing these authorities is to develop infrastructure and to stimulate business activity in the respective provinces. Some of these authorities are directly involved in commercial activities.

The audits of the Provincial Authorities are undertaken when the financial statements are received and when audit fees are remitted to my Office.

As at the time of preparing this Report there were approximately 3 known Authorities to be audited as detailed in **Table B.5** of **Schedule B** which also shows the status of the audits. Three (3) audit reports were issued during the period.

3.6 Other Audits

Trusts and Funds

My audit responsibilities also include the audits of Special Purpose Funds and Trusts established by Provincial Governments. The audit of these Funds and Trusts is organised in a similar manner as the audit of business arms.

The audits of the two known Trust Funds (Trustee Limited) are undertaken when the financial statements are received and when audit fees are remitted to my Office. I have issued 4 audit reports to two Trustee Limited entities over the last 5 audit cycles.

As at the time of preparing this Report the status of audits relating to the Trust Funds were summarized in **Schedule B. Table B.6**.

3.7 The Role of the Finance Offices

Provincial and LLGs are independent legal entities with authority for managing their financial affairs. In recognizing these fiscal responsibilities, Sections 102 and 103 of the *Organic Law* require Provincial and LLGs to keep their accounting records proper and have sound internal control systems. The Provincial and LLGs are required to manage their financial affairs in accordance with provisions of the *PFMA*.

The Department responsible for financial management (i.e. the Department of Finance) has been tasked to establish, develop and commission Provincial/ District Finance Offices to provide accounting, financial management and reporting and support services to assist Provincial and LLGs in providing community services. The administrative and accounting procedures have been specifically designed through the Finance Management Manual to provide these financial support services.

A Provincial/ District Finance is an accounting organisation established under Section 112 of the *Organic Law* located at the province area. The Provincial/ District Finance Managers' functions are to ensure that all financial transactions undertaken by the Provincial and LLGs out of public moneys are managed properly. These moneys are to be released strictly in accordance with law and contribute to the effective delivery of services to the community. Finance Managers from time to time may also oversight functions such as banking, postal, and other services. The Secretary of Finance is tasked to oversee the affairs of these Finance Offices.

I have the responsibility to examine the financial statements and the accounts and records of the Provincial and LLGs. For the last several years I have reported and concluded that material errors, uncertainties and lack of adequate records existed in Provincial/ District Finance Offices that resulted in the overall financial position and results of operations that were not reliable. As a result, I continue to report an inability to form an opinion on the Provincial and LLGs' financial statements.

The Provincial/ District Finance Offices did not adequately address their responsibilities through:

- Providing or ensuring experienced and competent Treasury Office personnel are employed;
- Providing adequate risk assessment, planning, resourcing or funding to undertake internal audits by the Internal Audit Units within the Provincial Government; and
- A lack of coordination and communication between the Treasury Office personnel and Provincial administration on financial matters.

It is crucial that the Provincial Finance Offices provide necessary support and ensure proper accountability and prudent financial management practices are followed when maintaining the accounts and records of the Provincial and & LLGs.

4. CONTROL ENVIRONMENT

4.1 Introduction

The control environment includes the governance and management functions and sets out the foundation for effective control activities and monitoring. Control activities are policies and procedures that help ensure management directives are carried out and organisational objectives are achieved. Control activities, whether automatic or manual, have various objectives and are applied at various organisational and functional levels.

Monitoring of controls is a process to assess the quality of internal control's performance over time. Monitoring is done to gain assurance that controls are designed appropriately and continue to operate effectively. Management monitoring of controls includes considering whether they are operating as intended and whether they are modified as appropriate for changes in conditions.

In performing the statutory audit responsibilities, I focused primarily on evaluation of internal controls, together with such other examinations considered necessary to assess the performance of financial operations of the entities, with a view to assessing the reliability and integrity of financial data and determining the extent of compliance with applicable laws, regulations and directives.

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

4.2 Responsibilities of Management

Section 102(1) of the *Organic Law* and Section 68(1) of the *PFMA* require the Provincial and LLGs to keep or cause to be kept proper accounts and records of their transactions and affairs in accordance with an Act of Parliament.

Section 103(1) of the *Organic Law* also requires Provincial and LLGs to set up an internal control and audit unit to ensure that:

- Financial control mechanisms are in place;
- Proper records are kept for receipts and payments of money and all other revenues earned but not received, and all expenditure incurred but unpaid;
- All transactions strictly adhere to the established procedures of internal control and of accepted accounting practices; and
- All expenditure including unpaid commitments do not exceed budgetary allocations for the fiscal year.

The Administrator/ Chief Executive Officer is responsible for the efficient management of administrative services and is also responsible for keeping proper accounting records, for safeguarding the assets of the Provincial Government/ Hospital or Business Arms of Government and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

4.3 Responsibility of the Auditor-General

It is my responsibility to form an independent opinion, based on my audit, on these financial statements prepared and to report in accordance with the *Constitution* and the *Audit Act*. I focus primarily on evaluation of internal controls, together with such other examinations considered necessary to assess the performance of financial operations of the entities, with a view to assessing the reliability and integrity of financial data and determining the extent of compliance with applicable laws, regulations and directives.

My audits are performed in accordance with the ISSAIs as promulgated by the INTOSAI and are designed to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISSAIs will always detect a material misstatement when it exists.

4.4 Details of Control Issues

A broad range of internal control issues were raised as part of my audits. In general, the results of the testing of controls at different entities indicated that overall, there continue to be significant weaknesses in the control environment. Control activities, such as delegations, authorisations, reconciliations, and data processing were not sufficiently robust to prevent, detect or correct error or fraud.

As part of the audits, I reviewed processes and their related control activities in the following areas:

- Corporate governance;
- The work of the internal audit;
- Appropriation and budget management;
- Revenue and receivables;
- Purchases and payments;
- Human resource management processes;
- Cash management;
- Asset management; and
- Trust account management.

4.4.1 Corporate Governance

During the audits I assessed whether an agencies' control environment included measures that contributed positively to sound corporate governance. These measures should support key elements of a control environment designed to provide a sound basis for effective financial management.

The results of the audits identified:

- Lack of Corporate Plans and operational plans. This was particularly evident in the audit of the Hospital Boards. This may lead to inability to set targets and performance indicators to monitor achievements and to take corrective action. It could also lead to inefficient and ineffective service delivery in that stakeholders and community's needs are not met;
- The requirement for a minimum of four meetings of a Provincial Assembly during the year was not met. In addition, minutes were either not taken or on occasions not certified by the Chairman. These instances increase the risk that important decisions made may be nullified and may not hold legal basis in the event if challenged in court; and
- Audit Committees were now established in most Provincial Governments. Audit Committees have an important role to play in reviewing and advising on important components of corporate governance.

4.4.2 Internal Audit

Internal audit is a key source of independent and objective assurance advice on an agency's internal control and risk framework. Depending on the role and mandate of an agency's internal audit function, it can play an important role in assessing the adequacy of processes that underpin an agency's financial statements.

From my perspective, internal audit is an important component of the system of internal controls. Because of similarities in the nature and scope of activities performed by internal and external auditors, especially in the public sector, there are significant efficiencies to be achieved if external auditors are able to rely on the work of internal auditors. An effective internal audit program should facilitate external audit to place greater reliance on the work of internal audit, thereby making better use of overall audit resources.

In that respect, it was observed with concern that the majority of Provincial Governments' Internal Audit Units did not have Audit Charter and Audit Plan to set out the mandate and scope of audit coverage. In the majority of cases the Provincial Governments did not provide sufficient funds for Internal Audit Units to perform their duties during the year.

4.4.3 Appropriation and Budget Management

Appropriations represent the primary source of revenue for most Provincial and LLGs and PHAs and Hospital Boards. A key audit test is to gain assurance that expenditure is within the appropriation limit so that expenditure for each agency accurately reflects anticipated final budget outcomes in the National budget system.

My audit of these agencies revealed that controls relating to the management of appropriations was generally inadequate. Weaknesses noted related to:

- Incorrectly charged expenditures to Vote items for which funds had not been appropriated;
- Erroneously increasing the appropriation without a revised budget being approved;
- The Appropriation Acts were sometimes not signed and certified. The non-certification of the Appropriation Acts indicates negligence in the discharge of duties by the Chairman and the Clerk of the Provincial Assembly; and
- The Provincial Governments on several occasions had not exercised compliance to *Financial Instructions* with regard to management and utilisation of unspent funds at year end. Unspent funds on occasions have been transferred to Trust Accounts. Unspent funds from the operating account are required to be paid out and receipted into the Government's operating account for budget re-allocation in the following year.

The above-mentioned practices exposed the Provincial Governments to the risk that the unspent funds may have been utilised on expenditure not provided for in the *Appropriation Act*. In addition, money could be spent in excess of the appropriation limit, which will result in breaches of the *Appropriation Act*, the *PFMA* and the *Constitution*.

4.4.4 Revenue and Receivables

In addition to the appropriation revenue, the Provincial Government collects internal revenue from other sources, such as motor vehicle registration and renewal, issue and renewal of driver's licenses, and liquor licensing. Hospitals collect revenue through patient fees. I observed that the relevant Registers had either been non-existent or had not been updated on a regular basis. As a result, total fees collected by either the Provincial Governments or the Hospitals could not be ascertained.

In all Provincial Governments and according to the revenue ledgers, the Government has recorded significant shortfall in revenues in respect of the majority of internal revenue sources. This indicates the inability of the Provincial Governments to carry out sound and prudent revenue forecasting and also the lack of co-ordination and co-operation being exercised by the Revenue Unit and other line economic divisions of the Provincial Government to effectively plan and direct their efforts to ensure that all internal revenues estimated for the year are collected and accounted for.

In a similar manner, General Hospitals and the PHAs collect income from patient fees, gifts and donations. Over the last several years, management of hospitals has not ensured that revenues were collected promptly and that the rates of fees, charges, and imposts were reviewed annually. In addition, there was no compliance to procedures pertaining to compiling of collector statements, thereby undermining the integrity of the revenue collections.

Other common problems across all entities were:

- Daily collections were frequently not banked nor receiver statements raised and posted to the revenue ledger;
- Delays in banking of collections were frequent and on occasions in excess of 30 days;
- There was no segregation of duties maintained between receipting and payment processing; and
- Debtors Register was nil.

4.4.5 Purchases and Payments

Strong controls over purchases and payments will help ensure that the quality of goods or services is acceptable and that goods are actually received in good order. Controls including reconciliation processes, segregation of duties, appropriate delegations and access controls provide an effective means of ensuring that payments are valid and accurately recorded, and that funds are not mismanaged or subject to misappropriation.

I observed that in most cases there was a high rate of non-compliance with procurement and payment procedures. The instrument of appointment of Provincial Supply and Tenders Board, minutes of Board's meetings and the Register of Tenders and Quotations were generally not made available for audit review. It was also noted that there was a significant use of legal firms and consultants that was not supported by appropriate documentation.

Other significant issues were:

- Payment vouchers were not examined for completeness and accuracy of claims prior to processing the payments;
- Payment vouchers were not certified to confirm the legitimacy of claims prior to processing the payments;
- In some cases, delegates had approved expenditures in excess of their delegated financial limits;
- Written quotations were not obtained to ensure value for money; and
- Reimbursements were made to individuals and organisations for payments made on behalf of the Provincial Government using personal money.

The significant lack of controls over procurement and payments expose the Government to the risk of:

- Unauthorised purchases;
- Over-commitment of funds without recourse to cash flows;
- Uneconomical purchasing;
- Fraud (kickbacks/ secret commissions);
- Staff use of purchase orders to purchase personal items;
- Purchasing of inferior or expensive goods and services; and
- Consultancies being engaged at no benefit to the Government.

4.4.6 Human Resource Management

Human resource management processes encompass the day to day management and administration of employee entitlements and payroll functions. The salaries and wages costs within the Provincial and LLGs and Public Hospitals represent one of the single largest items of expenditure in their accounts. This represents a significant area of risk and management should ensure that these costs are carefully controlled and monitored and that those responsible for payroll functions have the necessary skills and knowledge to effectively execute their functions.

Given the significance of employee expenses, and the fact that by their nature some employee entitlement calculations can be inherently prone to human error, entities need to have adequate control mechanisms in place to capture and process employee data and related payments. In addition, key controls should include appropriate approval and review processes.

I observed a number of instances where salaries files of Provincial Government members and staff requested for audit were not made available. Consequently, I was unable to verify any deficiencies in the salaries and allowances paid to Provincial Government members and staff.

A common problem identified with Public Hospitals and PHAs was that acting appointees on contract positions were incorrectly claiming gratuity payments. Also, recreational leave fare payments to officers and their families had no birth and student concession certificates attached for their legal dependents for legitimacy and validity. Instances were also noted of leave tickets being refunded through a travel agent after withholding commission plus processing fee.

4.4.7 Cash Management

The cash management process covers the management of bank accounts. Each entity is required to ensure it has the necessary liquidity to meet its commitments as they fall due and to maintain proper controls over its official bank accounts. In this environment, it is essential that adequate management processes are in place to track fund transfers and to safeguard assets.

A bank reconciliation represents an independent verification by management to ensure that cashbook transactions reconcile to the bank statements. Performing bank reconciliations periodically (monthly) ensures that receipts and payments are accurately processed, cashbook or bank errors are identified, and misappropriation or fraud is detected in a timely manner. Bank account reconciliations are a key control in assisting management to identify anomalies or errors in the payment and receipting processes and assist the management to discharge its accountability requirements. Bank reconciliations need to be prepared within a reasonable period of time to ensure anomalies or errors have been identified and appropriate action undertaken.

Weaknesses identified related to timely completion of bank reconciliations, including the clearance of reconciling items. In almost all audits of the Provincial Governments, the bank reconciliations were either not done or were not done in a timely manner.

4.4.8 Assets Management

Provincial and LLGs, and Hospitals pay significant amounts of money on asset purchases, especially on computers and accessories. It is the responsibility of the Departmental Head to account for and safeguard the State's assets.

The maintenance of a reliable asset register that includes adequate information about assets acquired and disposed of, depreciation and asset reconciliations with periodical stock takes is a prerequisite to effective asset management. Regular reconciliations of the asset register with the entity's financial systems will help ensure the timely and accurate recognition of asset items and facilitate their physical control.

From the audits of these agencies it was evident that asset registers were either non-existent or they were not maintained properly. This exposes the entity to the risk that assets may not be utilised effectively, may not be protected from physical deterioration or maintained. Further, periodic stock takes were not being conducted to determine the accuracy of assets on hand. This increases the risk of loss, theft or fraud.

4.4.9 Trust Accounts Management

Provincial Governments are responsible for maintenance of a number of trust accounts. To ensure proper accountability of trust money, Part 3 of the *PFMA* requires maintenance of adequate records, that collection of receipts and payments from trust accounts is in accordance with the Trust Instruments and for submission of periodic reports to Department of Finance including a requirement to submit monthly bank reconciliations.

Consistent with the findings from previous years, the Provincial Government could not provide formal Trust Instruments, and I was unable to gain assurance that the collection of receipts and the payments of trust money were valid. On a number of occasions, the cashbook revealed an overdrawn balance.

4.5 Conclusion

Properly functioning internal controls are fundamental for entities in meeting their respective strategic, operational and financial responsibilities. The results of my audits on controls continue to reveal weaknesses of such magnitude that material error could have been processed or misappropriation and fraud could have occurred.

It is disappointing to report that there has been no change to the situation reported in previous years. Almost all the Provincial and Urban LLGs, and Hospitals have been issued with Disclaimer Audit Opinions and some hospitals with qualified opinions signifying that there is still a long way to go in terms of improving their internal control and financial management issues. With a lot of Government interventions such as Government Advisors in state agencies and the establishment of Audit Committees, audit issues reported should have been captured and appropriate remedial action taken to address them. In this connection, I urge the Provincial and Urban LLGs, PHAs and Hospitals to consider my recommendations and implement remedial action in subsequent years.

The Disclaimer Audit Opinion means there is a lack of reliable audit evidence (non-existent or inadequate books and records) and/ or reluctance by entity management to provide representation that financial accounts and records have been kept in accordance with acceptable financial management and accounting policies and procedures.

A commitment to strong financial management and accountability continues to be particularly challenging but it is also essential to drive improvement in governance within public sector entities and thus help ensure delivery of essential services to the citizens of this country. Having sound financial management and reporting in the public sector is an important contributor in achieving greater transparency, accountability, fiscal responsibility and improved governance.

Without robust, transparent, and accountability arrangements for financial reporting and financial management, it is not possible to reliably assess whether decision making by entities has been in the public interest. Fundamentally, good governance arrangements are essential for an agency to be able to demonstrate to stakeholders that it can be trusted to do what it is established to do. Such arrangements assist stakeholders to have confidence that agencies not only have the competence and expertise required, but that they have also established robust administrative arrangements that enable them to do so efficiently, effectively and ethically. These critically important arrangements currently do not exist.

Weakness in financial management and corrupt practices legitimize bad governance and diverts funding and energy away from development plans and achievement of national goals. Poor financial management, coupled with misuse of public money, has contributed to decline in service delivery to the public.

5.0 RESULTS OF AUDITS PER PROVINCE

5.1 AUTONOMOUS REGION OF BOUGAINVILLE

5.1.1 Introduction

My office is empowered under the *Constitution* and the *Organic Law* to do the annual audits of the following government entities, in the Autonomous Region of Bougainville, whether financial statements are forwarded to my office or not by these entities. The audits include the Autonomous Region of Bougainville Government (ARBG), Buka Urban LLG, Buka General Hospital (BGH) and Business Arms and agencies of the ARBG and the Buka Urban LLG.

Other LLGs and Business Arms of the ARBG within the Autonomous Region could not be audited due to critical resource constraints and budget shortfalls faced by my Office.

5.1.2 Autonomous Region of Bougainville Government

5.1.2.1 Status of Financial Statement

The ARBG has submitted its annual financial statements for the years ended 31 December 2014, 2015, 2016 and 2017 for my review and subsequent field audit. Field work associated with the four (4) available financial statements was completed and a management letter was issued for the year 2014 audit. The management letters for the years 2015, 2016 and 2017 will be issued shortly following a quality control review.

Management response from ARBG in respect to the 2014 audit issues are now awaited for my review and to be reported in my succeeding Part 3 Report. This will include the audit report for the 2015, 2016 & 2017 completed audits which are now being reviewed.

At the time of preparing this Report the ARBG Government has not submitted its annual financial statements for the years ended 31 December, 2018, 2019, 2020 and 2021 to my Office for my review and subsequent audit inspection.

5.1.3 Buka Urban Local level Government

5.1.3.1 Status of Financial Statements

The Buka Urban LLG has not submitted its annual financial statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 for my review and subsequent audit inspection.

Internal control environment audits for the above years could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.1.4 Buka General Hospital Board

5.1.4.1 Status of Financial Statement

Buka General Hospital Board has submitted its annual financial statements for the years ended 31 December 2016 and 2017 to my Office. However, at the time of preparing this Report my Office has not commenced these audits due to critical resource constraints and budget shortfalls.

The BGH has not submitted its annual financial statements for the years ended 31 December 2018, 2019, 2020 and 2021 to my Office at the time of preparing this Report.

5.1.5 Business Arms

The ARBG has a number of business arms as reported in my previous year audit reports. The status of these business arms remains unchanged as at the time of preparing this Report and is reflected below.

5.1.5.1 South Bougainville Engineering

The entity has not submitted its annual financial statements to my Office for the last seventeen (17) years up to 31 December 2020, for my review and audit. Consequently, I have not undertaken any audit on the accounts and records for the entity and I am unable to determine the current status and existence of the entity at the time of preparing this Report.

5.1.5.2 North Solomon Marine Corporation

At the time of preparing this Report, the entity has not submitted its annual financial statements to my Office for review and audit, for the last thirty (30) years up to 31 December, 2021.

Consequently, I have not undertaken any audit of the accounts and records including its financial statements for these years and I am unable to report on the affairs, including the current status and financial position of the entity.

5.1.5.3 Bougainville Restoration and Development Authority

The entity has not submitted its annual financial statements to my Office since its inception. Consequently, I have not undertaken any audits on the accounts and records, including the annual financial statements of the entity, and I am unable to determine the current status and financial position of the entity.

I am under obligation as required by the *Constitution* and the *Organic Law* to audit the annual financial statements of the ARBG business arms, however, if the non-submission of annual financial statements continues and the arrears in the number of years increase, I have the option of dispensing the audits for many of the prior years and audit the current years financial statements when presented to my Office.

5.2 CENTRAL PROVINCE

5.2.1 Introduction

The Central Provincial Government, the Motu Koita Assembly, Central PHA, NCD PHA, the Port Moresby General Hospital Board, and Central Province Transport Authority (CPTA) are audited every year, with or without financial statements. Other LLGs and the Business Arms of the Provincial Government could not be fully audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective LLGs and Business Arms.

5.2.2 Central Provincial Government

The Central Provincial Government had submitted its financial statements for the years ended 31 December 2015 and 2016. Field work associated with audit of accounts and records and the examination of these financial statements were completed and the related Management Letters and opinions issued.

5.2.2.1 Comments on Financial Statements – 2015 and 2016

My reports to the Ministers concerned and other relevant bodies under the *Organic Law* and *Audit Act* on the Central Provincial Government's financial statements for the years ended 31 December, 2015 and 2016 were issued on the 30 November 2018 and 23 April 2019 respectively. The reports contained Disclaimer Audit Opinions hence, only the 2016 report is reproduced as follows:

“Basis for Disclaimer Audit Opinion

Financial Statement

I am unable to express an opinion on the accuracy of the total Fund and Cash Balances of K3,736,559 respectively and consequently on the financial position of Central Provincial Government as at 31 December, 2016 due to discrepancies discussed in the respective paragraphs below:

Opening Balances

Because of the disclaimer of opinion issued in respect of the year ended *31 December, 2015* and because of other limitations on the scope of my audit as noted below, I was not able to satisfy myself as to the completeness and accuracy of the opening bank balances. Since these opening balances would affect the determination of the financial position and the cash flows of the Central Provincial Government in the current year, I was unable to determine whether adjustments to the respective cashbooks and ledger accounts, might have been necessary for the year ended 31 December, 2016.

Revenue Fund

Revenue Fund balance of K3,842,023 as reported for the year did not capture significant amount of reconciliation items of revenue and expenditure transactions revealed by the December Bank Reconciliation Statements compiled for the two main operating bank accounts of the Provincial Government. The accumulating outstanding reconciling items in the monthly bank reconciliation statements continue to be an ongoing issue where the provincial government failed to apply the relevant adjustments to clear from the monthly bank reconciliations and record to related cashbooks and respective ledgers accordingly.

Trust Fund

The Financial Statements of Central Provincial Government prepared for the year under review did not fully comply with the *Finance Instruction 4/2000* in that Statement 'C' which is intended to show the receipts and payments of trust accounts was not presented and therefore constitute a presentation error in the 2016 Financial Statements. The Trust Fund Balance of K105,468 in Statement 'A' is materially understated by the total amount of K8,084,213 representing three (3) PGAS trust ledger accounts not captured in the Trust Fund Balance disclosed in Statement 'A'.

Cash Balances

Total Cash Balance is shown as K3,736,559 comprising of the Provincial Government Operating Account balance of K7,592,506, Grant Operating Account overdrawn balance of K6,630,335 and net Adjustments balance of K2,774,388. However, no explanation and supporting documents were provided on these adjustment transactions and therefore I am unable to trace these adjustments to source records for confirmation.

Receipts and Payments

The Central Provincial Government through Statements 'J' and 'K' reported total revenue of K133,320,588 and expenditure of K56,592,474. I am unable to confirm the completeness of the receipts and payments due to significant errors, omissions and misstatements noted in the financial statements as well as discrepancies noted on the related accounting books and records maintained for the year under review.

Assets

Appendix 4 did not show a complete report of all the assets, information provided are incomplete and therefore unreliable to confirm the total value of assets owned by the Provincial Government as at 31 December, 2016. I am aware that the Provincial Government commits huge amount of expenditure on assets and inventory purchases every year and yet it has failed to establish sound management controls to safe guide and ensure economical usage of these assets including inventories.

Advances

Appendix 6 reported total outstanding advance of K8,869,390 as at year end which has increased dramatically from the 2015 reported value of K5,715,311.58. There is a complete

breakdown on the internal controls over the management of advances which includes advance register not updated regularly, incompleteness in recording details of advances paid, failure to comply with acquittal processes and imposing of penalties on advance defaulters. Consequently, I was unable to verify and confirm the accuracy of the total outstanding advances reported in Appendix 6 of the Financial Statements.

Statements 'E', 'F', 'G', 'H' and 'I'

Statements 'E', 'F', 'G', 'H' and Statement 'I' reported nil kina balances. Further, I was not provided the necessary explanations or the supporting documentation to verify and confirm the respective account balances for the year ended 31 December, 2016.

Appendixes '1' and '2'

The Appendixes '1' and '2' related to Outstanding Commitments and Arrears and Debtors and Receivables respectively and were disclosed as nil kina balances for the year. However, as the respective registers and supporting documents were not provided for my review and verification, I was unable to verify the validity and the correctness of the balances stated in the respective Appendixes.

Report on Other Legal and Regulatory Requirements

In addition to the scope limitation and deficiencies in the accounts and records noted above, I also wish to report on the breaches of the *Organic Law on Provincial Governments and Local-level Governments*, the *Appropriation Act 2013*, the *Public Finances (Management) Act 1995 (as amended)* and the *Public Service (Management) Act 1995* and other enabling legislations.

Budgetary Control

Budget restrictions over the charging of expenditure to inappropriate vote items and commitments of unbudgeted expenditure were not strictly adhered to. I noted numerous instances of expenditure charged to incorrect vote items as well as unbudgeted expenditure, most of the expenditure occurred on payment relating to personal emoluments, financial assistances and school fees subsidies during the year. Expenditure vote item 135 (other expenses) was used excessively to accommodate such expenditures.

Compliance with Procurement Procedures

I noted the following discrepancies in the 2016 procurement processes which included:

- a) Non-maintenance of accounting records such as FF3 register, verbal & written quotation files, consolidated assets & inventories register and advances registers. Also, I ascertained inconsistency and incompleteness in procurement process where payments were not thoroughly, examined, certified and payment vouchers lacking adequate supporting documentations in justification of claims paid.

- b) Capital Works & Maintenance expenditure for the year totalling K9,818,055 was not thoroughly examined to verify compliance with contractual requirements and tender processes due to lack of sufficient information and records provided for my examination. Furthermore, projects' files, contract agreements and projects monitoring & evaluation documentations were not provided. As a result, I am unable to comment on the probity and the veracity of the procurement and payment of capital works and maintenance expenditures for the year ended 31 December, 2016.

Payment of Accounts

My analysis of the expenditure accounts for the year under review revealed serious lack of expenditure control over certain areas of expenditure including, excessive payments on private vehicle hires, excessive payment of cash advances with very poor acquittal reports, reimbursement of personal expenses without prior approval and supporting documents, non- existence of administrative policies or guideline over the payment of financial assistance, amongst other anomalies noted hereunder:

- a) Thirty-six (36) payment vouchers totalling to K2, 246,382 were not provided for my review. Consequently, I was not able to ascertain the validity and the veracity of these payments.
- b) A total expenditure of K2,426,016 was incurred on hire of private motor vehicles in the conduct of its operational activities during the year. I was not able to ascertain the purpose and the economical use of these hires due to lack of appropriate support provided for me to vouch the veracity of this expenditures.
- c) Four hundred and fifty-six (456) payments totalling to K2, 449,237 relates to financial assistance paid from other vote items apart from the Grants and Subsidy Vote Item 144. These payments among others included financial assistance, funeral expenses, small projects, medical expenses, school fee and Provincial Assembly Members pledges to church groups. There is no specific provision in the 2016 Budget appropriations to legitimize such expenditures.
- d) Expenses totalling K410,691 were reimbursements of personal expenses incurred on behalf of the Provincial Government. As the supporting documents were not provided for my review, I was unable to confirm whether these expenses were genuinely incurred for the Central Provincial Government for the year ended 31 December, 2016.
- e) A total of K4,929,744 were paid to Travel Agencies for Recreational Leave Fares. Although the payments complied with the *Public Finance (Management) Act 1995 (amended)*, I am concerned that a significant amount of these entitlements were cashed at the hands of the Travel Agents and waived the recipient free of taxation.
- f) An amount of K714,900 was incurred as payment of Allowances for duties within the periphery of the Provincial Headquarters. Included in this amount was K390,700 and K324,200 incurred for Overtime Allowances for staff preparing leave fare entitlements, refreshment for year-end close of account and the preparation of the 2016 budget respectively. The duties performed were within the

daily scope of work of the respective Officers and I am concerned that public monies were abused and misused in such practices.

Grants and Subsidies

My review of the processes and procedures relating to the payment and administration of Grants and Subsidies for the fiscal year ended 31 December, 2016 revealed serious lapse in accountability, completeness of records maintained and inappropriate application of funds for purposes not intended for.

Disclaimer Opinion

Because of the significance of the matters described above, I am not able to obtain sufficient appropriate audit evidence and accordingly I am unable to express an opinion on the financial statements of Central Provincial Government for the year ended 31 December, 2016.

Other Matters

In accordance with the *Audit Act 1989 (as amended)*, I have duty to report on significant matters arising out of the financial statements, to which the report relates. The following are matters of significance:

- The Central Provincial Government did not maintain proper accounts and records and accounts including the omission of Statement ‘C’ and had consequently breached *Section 68(1)* of the *Public Finances (Management) Act 1995*; and
- The receipts, payments and investment of moneys and the acquisition and disposal of assets during the period covered by the Financial Statement have not been in accordance with the *Public Finances (Management) Act 1995* and *Organic Law on Provincial Governments and Local-level Governments*.”

5.2.2.2 Status of Financial Statements

At the time of preparation of this Report, the Central Provincial Government had not submitted its financial statements for the years ended 31 December, 2017, 2018, 2019, 2020 and 2021.

5.2.2 Motu Koita Assembly

The *Motu Koita Assembly Act 2007* provided for the establishment of a LLG for the Motu Koita people. The purpose of the Act was to enable the Motu Koita people to participate actively and meaningfully in the development of the National Capital District. Section 113 subsection 4 (c) of the *Organic Law* requires the Assembly to submit its financial statements and its accounts and records to be audited by the Auditor-General of PNG.

5.2.2.1 Status of Financial Statements

The Motu Koita Assembly had not prepared its financial statements for the years 2007 to 2021. I reported in my 2016 Report that audit of the accounts and records and the related control environment could not be conducted due to lack of cooperation from the responsible officers and non-availability of the necessary records. I had dispensed 2007 to 2012 financial statements audits under *Part V Section 16 (6) of the Audit Act*.

5.2.3 Central Provincial Health Authority

The Central PHA was established on the 14th October, 2019, and all functions of the Kwikila Health Centre and other health facilities in the Central province were integrated under the *Provincial Health Authorities Act 2007* which regulates the services and functions of the PHA, the Board, the CEO and appointment of Officers.

The Central PHA is mandated under the *National Health Administration Act 1997* to oversee the implementation of the National Health policies and programs in the Central Province.

5.2.3.1 Status of Financial Statements

As at the time of preparing this Report, the Central PHA had not submitted its financial statements for the years ended 31 December 2020 and 2021 for my inspection and audit.

5.2.4 Gerehu General Hospital (Now National Capital District Provincial Health Authority)

The National Capital District PHA was established on the 24th February, 2020, and all functions of the Hospital and other health facilities in the NCD were integrated under the *Provincial Health Authorities Act 2007* which regulates the services and functions of the PHA, the Board, the CEO and appointment of Officers.

The NCD PHA is mandated under the *National Health Administration Act 1997* to oversee the implementation of the National Health policies and programs in the nation's capital.

5.2.4.1 Status of Financial Statements

The Gerehu General Hospital was operating as a provincial hospital until in 2020 the hospital was upgraded to a PHA. The financial statements for the 2018 and 2019 fiscal years were prepared under the name “Gerehu General Hospital”.

The Hospital submitted its financial statements for the years ended 31 December, 2018 and 2019. Field work associated with the audit of the accounts and records and the examination of the financial statements were in progress at the time of preparing this Report.

The financial statements for the years ended 31 December, 2020 and 2021 for the NCD PHA have not been submitted for my inspection and audit.

5.2.5 Port Moresby General Hospital Board

The Port Moresby General Hospital had submitted its financial statements for the financial years ended 31 December 2017, 2018 and 2019. Field work associated with the audit of the accounts and records and review of the 2017 and 2018 financial statements has been completed. The Management Letter for the financial year ended 2017 issued was responded to by the Hospital management. The management response and the revised financial statement together with the 2018 Management Letter were being evaluated at the time of preparing this Report whereas the fieldwork associated with the 2019 financial statement together with the related accounts and records were not yet undertaken due to critical resource constraints and budget shortfalls faced by my Office.

5.2.5.1 Status of Financial Statements

At the time of this Report preparation the Port Moresby General Hospital had not submitted its annual financial statement for the years ended 31 December 2020 and 2021 for my inspection and audit.

5.2.6 Business Arms

Section 16(2)(f) of the Audit Act provides for and extends my functions to audit the accounts and records of the Provincial Governments and LLGs Business Arms and other establishments.

I am aware of eight business arms of the Central Provincial Government namely, CPTA; Central Provincial Investments (formerly Central Provincial Development Corporation); Central Provincial Travel Agent; Vitis Spices; Gokas Construction; Central Air Transport; Baina Agro-Forestry and Ilimo Farm. CPTA had been the only one which had been consistently audited for the years up to 2012. None of these entities had submitted their recent financial statements for audit at the time of preparing this report.

5.2.7.1 Central Province Transport Authority (CPTA)

The Authority had submitted its particular financial statements for the years ended 31 December 2011 and 2012. The fieldwork associated with audit of the accounts and records and the examination of the financial statements were partly completed. The management letters and audit opinions remained outstanding at the time of preparing this Report.

5.2.7.1.1 Status of Financial Statements

The Authority has not submitted its financial statements for the years ended 31 December 2013 to 2021 for my inspection and audit.

5.3 EAST NEW BRITAIN PROVINCE

5.3.1 Introduction

The East New Britain Provincial Government, Rabaul Urban LLG, Kokopo/Vunamami Urban LLG, East New Britain PHA and Gazelle Restoration Authority (GRA) are audited every year with or without the financial statements. Other Rural LLGs and the Business Arms of the Provincial Government could not be audited due to critical resource constraints and budget shortfalls faced by my Office.

5.3.2 East New Britain Provincial Government

5.3.2.1 Comments on Financial Statements - 2016

The East New Britain Provincial Government had submitted its financial statements for the financial year ending 31 December, 2016. Fieldwork associated with examination of the financial statements and the audit of the accounts and records were completed with the Management Letter and a Qualified Audit Opinion report issued.

My report to the Ministers concerned and other relevant bodies under the *Organic Law* and the *Audit Act* was issued in February, 2018. Issues highlighted in the management letter together with the opinion report were reported in my Individual Report to Parliament in April, 2019. Copy of the Report can be accessed through the AGO website (www.ago.gov.pg).

5.3.2.2 Status of Financial Statements – 2017 to 2019

The East New Britain Provincial Government, at the time of preparing this report was able to submit its financial statements in the prescribed format under the International Public Sector Accounting Standard (IPSAS) for the financial years ended 31 December, 2017, 2018 and 2019 after initially facing difficulties compiling and producing its reports due to problems associated with the transition of the accounting system from the PGAS to the Integrated Financial Management System whilst the financial statements for the years 2020 and 2021 were awaited.

The examination of the financial statements and the fieldwork associated with the audit of the accounts and records for 2017, 2018 and 2019 and the audit of the control environment for 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.3.3 Kokopo/ Vunamami Urban Local-level Government

5.3.3.1 Status of Financial Statements

The Kokopo/ Vunamami Urban LLG had not submitted its financial statements for the years ended 31 December, 2016, 2017, 2018, 2019, 2020 and 2021 at the time of preparing

this Report. Field work associated with examination of the financial statements and audit of the accounts and records will be conducted upon receipt of the financial statements and the results will be reported in my subsequent Part 3 Report.

5.3.4 Rabaul Urban Local-level Government

5.3.4.1 Status of Financial Statements

The Rabaul Urban LLG had not submitted its financial statements for the years ended 31 December, 2016, 2017, 2018, 2019, 2020 and 2021 at the time of preparing this Report. Field work associated with examination of the financial statements and audit of the accounts and records will be conducted upon receipt of the financial statements and the results will be reported in my subsequent Part 3 Report.

5.3.5 East New Britain Provincial Health Authority

The East New Britain PHA (formerly Nonga General Hospital) became fully functional with a Board on the 19 March, 2019 however, effectively operated as a PHA in May 2020. As such, the results of the audit for the years ended 31 December, 2016, 2017, 2018 and 2019 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2020 will be reported under the *Provincial Health Authorities Act 2007*.

5.3.5.1 Status of Financial Statements

The East New Britain PHA had submitted its financial statements for the years ended 31 December, 2016, 2017 and 2018 whilst the financial statements for the years ended 31 December, 2019, 2020 and 2021 were awaited at the time of preparation of this Report.

The examination of the financial statements and the fieldwork associated with the audit of the accounts and records for 2016, 2017 and 2018 and the audit of the control environment for 2019, 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.3.6 Business Arms and Other Establishments

Section 16(2)(f) of the Audit Act provides for and extends my functions to audit the accounts and records of the Business Arms and other establishments of the Provincial and LLGs. I am aware of the East New Britain Provincial Government's business arms and its subsidiaries and a single other establishment as reported below.

5.3.6A East New Britain Development Corporation Ltd

The East New Britain Development Corporation Limited (ENBDCL) is a business arm of the East New Britain Provincial Government. It operates subsidiaries in various industries such as Food and Retail, Road Transport and Stevedoring, Shipping Agency and Coastal Barging, Slipway Operations, Logistics & Freight Forwarding, Port Management and Customs Brokerage Services, Property Development and Leasing, Building and Civil

Constructions, Commodity Exports in Cocoa and Copra with extension services in Cocoa, Coconut and Coffee, and Managing Agents for East New Britain Copra and Cocoa Co-operative Society Limited.

The Company has recently ventured into new business opportunities in Mining Services, Tourism Services and Commercial Land Development in Kokopo, East New Britain Province.

The main subsidiaries are as listed:

- Andersons Foodland Limited and its subsidiary - East New Britain Supermarkets Limited
- ENB Properties Limited
- ENB Port Services Limited
- Dawapia Building Construction Limited
- ENB Civil Construction Limited
- ENB Tourist Services Limited
- ENB Commodities Limited

I am further aware of the several other recently incorporated subsidiaries, namely ENB Mining and Petroleum Ltd, ENB Shipping and Transport Ltd, ENB Tourist Services Ltd and Rapopo Land Development Limited.

As in the past, the ENBDCL had engaged services of the private accounting firms to conduct audits of its accounts and records without my authority. My Office has however, written to the management in 2011 regarding this matter as this is a breach of Sections 16(2c&f) and 16(5) of the *Audit Act* and subsequent meetings and understanding reached thereafter however, no further progress has been made to-date.

5.3.3A.1 Status of Financial Statements

Copies of the privately audited financial statements for ENBDCL for the financial years ended 31 December, 2013 and 2014 together with the unsigned audit opinions were submitted to my Office upon request by the East New Britain Provincial Treasurer in 2016. However, I was not provided the audit working papers for my independent verification. Consequently, I was unable to certify the audited financial statements and to issue the audit reports for the financial years ended 31 December, 2013 and 2014.

At the time of preparation of this Report the financial statements for ENBDCL and its subsidiaries for the financial years ending 31 December, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 had not been submitted for my inspection and audit and as such I was unable to comment on the operations and financial results of these entities.

5.3.3B Gazelle Restoration Authority

The GRA was established by the *Gazelle Restoration Authority Act 1995* to co-ordinate and supervise restoration activities and programs in the Gazelle Peninsula area of the East New Britain Province, following the volcanic destruction of Rabaul and the surrounding areas. The Authority had since and continues to engage in the management and supervision of infrastructure projects in the affected areas. The Program activities have been financed through funding arrangements with the International Bank for Reconstruction and Development, European Union and partially through AusAID. However, the external funding support ceased since 2010 and the Authority has been heavily reliant on the annual administrative support of the East New Britain Provincial Government.

The issues identified with the financial statements and the control environments are summarized in the paragraphs below.

5.3.6B.1 Comments on Financial Statements – 2015, 2016 and 2017

The GRA had submitted its financial statements for the years ended 31 December, 2015, 2016 and 2017 for my inspection and audit. Fieldwork associated with examination of the financial statements and the audit of the accounts and records were completed with Management Letters and Audit Opinions with Emphasis of Matter reports issued.

My report to the Ministers concerned and other relevant bodies under section 16(3c) of the *Audit Act* on the GRA's financial statements for the year ended 31 December, 2015 was issued in October 2018. Issues highlighted in the management letter together with the opinion report were reported in my Individual Report to Parliament in June, 2020. Copy of which can be accessed through the AGO website (www.ago.gov.pg).

My reports to the Ministers concerned and other relevant bodies under section 16(3c) of the *Audit Act* on the GRA's financial statements for the years ended 31 December, 2016 and 2017 were issued in February and March, 2022 respectively. The Reports contained similar Unqualified Opinions with an Emphasis of Matter hence, only the 2017 report is reproduced as follows:

“Basis for an Unqualified Opinion

I have audited the accompanying financial statement of Gazelle Restoration Authority for the year ended 31 December, 2017. The financial statement comprised:

- Balance Sheet;
- Income and Expenditure Statement;
- Statement of Cash Flow; and
- Notes to and Forming Part of the Financial Statement

Responsibility for the Financial Statement

The Project Manager is responsible for preparing financial statements that give a true and fair view of the financial position and performance of the Authority and that the presentation and disclosure comply with the requirements of *Cash Basis of Accounting* reporting standard issued under Finance Instructions 2/2004 – *Financial Format for Non-Trading Public Bodies* in compliance with *Public Finance (Management) Act, 1995*.

The Project Manager is responsible for the efficient management of administrative services and is also responsible for keeping proper accounting records, for safeguarding the assets of the Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility of the Auditor-General

I have conducted an independent audit of the Authority in order to express an opinion to you. My audit has been planned and performed in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement.

The nature of an audit is influenced by factors such as the use of professional judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. I have considered the risks, based on those assessments, on the internal controls relevant to the preparation and fair presentation of the financial statements in designing audit procedures considered appropriate in the circumstances.

Relevant audit procedures were performed to assess whether, in all material respects, the financial statement is presented fairly, and in accordance with the Financial Instructions issued under the *Section 117* of the *Public Finances (Management) Act, 1995*, the Accounting Standards and other mandatory financial reporting requirements, a view which is consistent with my understanding of the Authority's financial position, and of its performance as represented by the results of its operations and cash flows.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for this report.

Unqualified Audit Opinion

In my opinion, except for the effects of the matter described in the Emphasis of Matter paragraph, the financial statement of Gazelle Restoration Authority for the year ended 31 December 2017:

- (a) Give a true and fair view of the financial position and the results of its operations for the year then ended; and

- (b) The financial statements have been prepared in accordance with the Financial Instructions issued under the *Public Finances (Management) Act, 1995* and other generally accepted accounting practice in Papua New Guinea.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to **Note 9** of the financial statement that the Authority had declared an operating surplus of K1,404,862 during the year ended 31 December 2017. Also, along with other matters as stated in **Note 1(b)**, there exists a material uncertainty on the operation of the Authority that casts significant doubt on the Authority's ability to continue as a going concern"

5.3.6B.2 Status of Financial Statements

The GRA had submitted its financial statements for the years ended 31 December, 2018, 2019, 2020 and 2021 for my inspection and audit. At the time of preparing this Report the examination of the financial statements and the fieldwork associated with the audit of the accounts and records are in progress.

5.4 EAST SEPIK PROVINCE

5.4.1 Introduction

The East Sepik Provincial Government (ESPG), Wewak Urban LLG, Maprik Urban LLG and East Sepik PHA are audited every year, with or without financial statements. Other LLGs and Business Arms of the ESGP & LLGs within the Province could not be audited due to critical resource constraints and budget shortfalls faced by my Office.

5.4.2 East Sepik Provincial Government

The ESGP had submitted its Annual Financial Statements for the financial year ending 31 December 2016 for my inspection and audit. Fieldwork associated with examination of the financial statements and the audit of the accounts and records had been completed with a Management Letter issued and a Disclaimer Audit Opinion issued to the Minister concerned and other relevant bodies. Details of issues identified with the financial statements and the control environment for the year ended 31 December, 2016 are stated under the paragraphs below.

5.4.2.1 Comments on Financial Statements – 2016

My report to the Ministers concerned and other relevant bodies under the *Organic Law* and the *Audit Act* was issued on 2 October, 2020. The report contained a Disclaimer Opinion as reproduced below:

“Basis for Disclaimer Opinion

Presentation of Financial Statements

Finance Instruction 4/2000 issued under *Section 117 of the Public Finances (Management) Act, 1995* prescribes the format for the preparation and presentation of the financial statements for Provincial and Local Level Governments. The financial statements of East Sepik Provincial Government for the year ended 31 December, 2016 did not contain the Provincial Governor’s Statement or Declaration on the Provincial Government Budget and Financial Performances as required. Consequently, financial statements were not presented in the format required by the *Finance Instruction*.

Disclosure Errors in the Financial Statements

I noted the following disclosure errors that have material adverse impact on the accuracy and completeness of the East Sepik Provincial Government account balances and consequently, the financial position of the Provincial Government as at 31 December, 2016.

Opening Balances

Because of the disclaimer opinion issued in respect of the year ended 31 December, 2015 and other limitations on the scope of my audit as noted below, I am unable to satisfy myself as to the completeness and accuracy of the opening balances as disclosed. Furthermore, since these opening balances would affect the determination of the financial position and the cash flows of the Provincial Government in the current year, I am unable to determine whether adjustments to the cashbooks and financial positions, might have been necessary for the year ended 31 December, 2016.

Cash balances

I am unable to express an opinion on the accuracy and reliability of the Provincial Government's total Fund Balance of K35,542,505 as at 31 December, 2016 due to:

- Significant reconciling items identified in the bank reconciliation statements of the Provincial Grant Account; Provincial Operating Account, and Provincial Works Trust Account that had not been adjusted in the respective cashbooks had materially impacted the accuracy of the respective account balances and therefore, the total fund balance at yearend. Furthermore, monthly bank reconciliation statements for the Stormwater Drainage Trust and the Marienberg Community College Trust Accounts were not prepared hence, their yearend account balances could not be established. Consequently, I am unable to confirm the completeness, accuracy and the reliability of the yearend cash at bank balances disclosed in Statement 'A';
- I am unable to confirm the accuracy and reliability of the significant Prior Year Errors and Adjustments associated with the Provincial Revenue Fund and Trust Fund of K17,114,183 and K3,790,000 respectively as disclosed in Notes 3 & 4 to the financial statements, in the absence of related records as well as having reviewed the respective cashbooks and expenditure & revenue ledgers; and
- Significant unpresented cheques from previous years in respect of the Provincial Grant Account; Provincial Operating Account, and Provincial Works Trust Account that had not been written back to their respective cash books had impacted the accuracy and reliability of these cash book balances.

Receipts and Payments

I am unable to confirm the completeness and accuracy of the receipts and payments of K166,979,661 and K146,519,032 respectively and the resultant operating surplus of K20,460,629 as at 31 December, 2016 per Statement 'B' and the related Statements 'J' and 'K' due to:

- The Provincial Services Improvement Program (PSIP) funding of K9.8m though accounted for through the Provincial Treasury Operating Account (PTOA), however, was not taken up in the ESGP's accounting records and therefore, not reflected as such in Statements 'J', 'K' and 'B'. Consequently, I am unable to confirm the completeness of the reported total revenue and expenditure; and
- Significant reconciling items of revenue and expenditure as noted in the preceding paragraphs above were not posted to the respective ledgers and the cash books and ultimately, Statements 'B', 'J' and 'K'. Consequently, I am unable to confirm the completeness and accuracy of the reported receipts and payments.

Investments

Statements 'E' and 'F' of the financial statements showed '*nil*' balances of investments. As reported in the past, the East Sepik Provincial Government however, had an initial Equity Investments in South Sea Tuna for 2,000,000 shares which was reduced to 734,618 shares as of October, 2004. Details of proceeds from the redemption of the stocks and dividends to date, if any, as well as the details of the current market value and status of the investment could not be determined due to lack of investment record and documents. Consequently, I am unable to confirm the accuracy of the nil balances disclosed in Statements 'E' and 'F'.

Assets

Appendix 4 to the financial statements showed a '*nil*' balance on assets for the year ended 31 December, 2016. The nil disclosure is unrealistic and misleading in view of the expenditures on assets during the year totalling K838,891. Proper and adequate asset management practice was lacking and in the absence of an adequately maintained Fixed Assets Register, a periodic and/or an annual stock-takes and proper assets policy, I am unable to confirm the existence, value and condition of assets owned by the East Sepik Provincial Government at yearend and therefore, the accuracy of this appendix could not be confirmed.

Advances

Appendix 6 to the financial statements disclosed a balance of K19,096,625 as Unacquitted Advances as at 31 December, 2016. A copy of a PGAS Advance Register was not made available for my review and that a proper and adequate advances management practice was lacking. Consequently, I am unable to confirm the accuracy and completeness of the appendix in the absence of an adequately maintained advances register and adherence to the acquittal practices.

Significant Control Weaknesses

I noted significant control weaknesses in the East Sepik Provincial Government's internal control environment as restated below:

- Monthly and quarterly budget reviews and implementation reports as part of budgetary control were not done;
- The Provincial Government did not maintain a proper customer database with an effective billing system in the revenue section for the collection of revenue from the major internal revenue sources such as Goods and Services Tax (GST), Liquor Licensing Fees and Motor Traffic Registration Fees resulting in an under-collection of internal revenue totalling K1,874,776. Furthermore, evidence of checks and balances were non-existent as indicated by a total lack of segregation of duties;
- Noted instances of under-banking of internal revenues totalling K12,386 and an unaccounted or outstanding receipts totalling K57,411 as well as deposits totalling K79,101 not posted to revenue ledger and the cashbook resulting in the understatement of total revenue;
- Tender documents in respect of six (6) major PSTB approved projects totalling K15,499,006 were not made available for my review. As such, I am unable to confirm if these projects had passed through a proper tender screening and evaluation processes to ensure that projects have been awarded to legitimate contractors;
- A contract payment totalling K600,000 was made to a contractor for the construction of a monument. I sighted no evidence to indicate that a proper tender process was applied through the PSTB. Consequently, I am unable to ascertain if proper tender procedures were followed in awarding of the contract;
- I sighted no evidence to indicate that the East Sepik Provincial Supply and Tenders Board (PSTB) had maintained a Contract Register and Conflict of Interest Register, nor a fully maintained Technical and Evaluation Committee (TEC) evaluation and analytical reports to ensure proper administration of major procurements as required under *Division 7* of the *PFMA*;
- Financial Assurances for funeral expenses totalling K313,982 were paid to individuals. I am unable to confirm the validity of these payments in the absence of proper policies and guidelines for accountability;
- Payments totalling K114,000 for flex cards were paid to various suppliers. I am not satisfied that proper controls were in place to monitor the use of the flex cards account to ensure that the account was not abused or misused;
- Instances of payments for vehicle hire totalling K585,600 were not supported with valid (3) quotes from suppliers as required under the *Public Finance (Management) Manual*;
- The Acting Deputy Provincial Administrator (*Corporate Services*) was paid for the hire of a privately owned motor vehicle at a rate of K700/day totalling K153,600. I noted the internal arrangement and payment for the hire of the motor vehicle to be inappropriate and in breach of Public Service Code of Business Ethics;

- I am unable to confirm the validity of payments totalling K672,446 to fuel distributors/suppliers in the absence of a valid administrative directive or proper policy/guidelines in place to ensure that only authorized vehicles had access to refuelling based on fuel docket;
- In thirteen sampled instances of payments totalling K2,134,394, the requirement for obtaining (3) quotations from suppliers were not adhered to. I noted that copies of quotations if any were not attached to the payment vouchers, neither the quotations register maintained. This practice is noted to be total departure from the requirements of the *Public Finance (Management) Act, 1995*;
- Payments totalling K2,040,292 for minor capital works and maintenance were paid to various contractors. I was unable to establish as to what monitoring, evaluation and control mechanisms were in place to ensure that the projects were completed within the budget and in the required time frame. As such, economical purchasing practices were not seriously observed to maximize acquisition of goods and services given the scarcity of resources;
- Instances of payments of Grants and Subsidies totalling K4,016,782 were made to various schools, Local Level Governments and other organizations. I am unable to verify if funds were used for the intended purposes in the absence of accountable reports;
- Employee salary history cards were not updated to reflect current status of pay rates, positions, etc, and that updated Salary and Wages Tax Declaration forms and birth & marriage certificates not held in personnel files. Employee records were last updated between 1992 and 2007;
- Apparent inconsistencies noted with regard to the position grades as per the updated staff establishment register against the pay slip printouts for number of officers; and
- Overtime payments totalling K30,662 were not supported with evidence of work specification and approval prior to payments.”

5.4.2.2 Control Environment

Other internal control issues identified during the course of my audit which the Management had also been made aware of are as summarized below:

- a) The Trust Instruments and Ministerial Approval for Trust Accounts namely, East Sepik Provincial Works and Storm Water Drainage were not maintained;
- b) *Section 4(b) of the Marienberg College Trust Instrument* and Department of Finance’s directive in respect of the authorised account signatories were not complied with;
- c) “Pay Cash” cheques totalling K179,338.00 were drawn from the Marienberg Community College Trust Account for payment of wages for College employees. I was

unable to ascertain if a proper and approved pay structure, salary level and grades were established and consistent with the Public Service structure in the absence of relevant and appropriate records;

- d) I was not provided nor sighted evidence to indicate that the annual estimate of revenue and expenditure for all the Trust Accounts were prepared to avoid likelihood of incurring unbudgeted expenses;
- e) Instances of expenditures totalling K658,254 were charged under incorrect expenditure votes thus contravening commitment control procedures and defeating the purpose of formulating an annual revenue and expenditure budget estimates;
- f) Noted a chronic lack of proper policy and guidelines on the management and control of state assets as also reported in the past.
- g) The ESPG is required under Part 32, Division 1 (5) of the *Public Finances Management Manual* to submit a quarterly comprehensive report on assets under its custody within 30 days of the subsequent month. I sighted no evidence to indicate that this requirement had been complied with;
- h) As reported in the past, a periodic and/or an annual stocktake of assets nor a proper Board of Survey done to ensure the physical existence of all fixed assets;
- i) Cash Advances totalling K3,531,365.00 could not be confirmed to the advances register and acquittal files as recorded and acquitted in the absence of an updated advances register; and
- j) Payments to Travel and Logistics Agent totalling K993,472 for travel related costs neither acquitted nor recorded in the advance register.”

5.4.2.3 Management Responses

The above audit observations had been communicated to the Provincial Administrator and the management by way of a management letter together with recommendations for improvement. I had however, not received a response to the management letter at the time of preparing this Report.

5.4.2.4 Status of Financial Statements

At the time of preparing this Report the ESPG had submitted its financial statements for the years ending 31 December, 2017 and 2018 for my inspection and audit. Fieldwork associated with examination of the financial statements and the audit of the accounts and records for the respective financial years had been completed with Management Letters issued in May and June 2021 respectively. Management responses however, had not been received. Financial statements for the years 2019, 2020 and 2021 were also awaited. Fieldwork associated with examination of the financial statements and the audit of the accounts and records will be conducted upon receipt of the financial statements.

5.4.3 Wewak Urban Local-level Government

5.4.3.1 Status of Financial Statements

The Wewak Urban LLG had not submitted its Annual Financial Statements for the financial years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 for my inspection and audit at the time of preparing this Report.

5.4.4 Maprik Urban Local-level Government

5.4.4.1 Status of Financial Statements

The Maprik Urban LLG had not submitted its Annual Financial Statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 for my inspection and audit at the time of preparing this Report.

5.4.5 East Sepik Provincial Health Authority

The East Sepik PHA (formerly Wewak General Hospital) became fully functional with Board on the 19 October, 2017. As such, the results of the audit for the years ended 31 December, 2016 and 2017 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2018 will be reported under the *Provincial Health Authorities Act 2007*.

5.4.5.1 Status of Financial Statements

The East Sepik PHA had not submitted its Annual Financial Statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 for my inspection and audit at the time of preparing this Report. Field work associated with examination of the financial statements and the audit of the accounts and records will be conducted upon receipt of the financial statements.

5.4.6 Business Arms

Section 16 (2) (f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial and LLG Business Arms and other establishments.

I am aware that ESPG had a number of business arms including Sepik Coffee and shares held with South Seas Tuna Corporation Limited. Records pertaining to these investments were not made available for my examination and as such I was unable to comment on the operations and financial results of these entities.

5.5 EASTERN HIGHLANDS PROVINCE

5.5.1 Introduction

The Eastern Highlands Provincial Government, Goroka Urban LLG, Eastern Highlands PHA and Provincial Government Business Arms are audited every year, with or without the financial statements. Other LLGs and the Business Arms of the Governments could not be audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and support from the respective entities.

5.5.2 Eastern Highlands Provincial Government

5.5.2.1 Status of Financial Statements

The Eastern Highlands Provincial Government had submitted its Financial Statements for the years ending 31 December, 2016, and 2017. The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements for the years ended 31 December 2016 and 2017 and the audit of the control environment for the 2018 accounts had been completed and the results were being evaluated at the time of preparing this Report.

The financial statements for Eastern Highlands Provincial Government for the years ended 31 December, 2018, 2019, 2020 and 2021 had not been submitted for my inspection and audit, despite numerous reminders.

5.5.3 Goroka Urban Local-level Government

5.5.3.1 Status of Financial Statements

The Financial Statements of Goroka Urban LLG for the years ended 31 December 2017, 2018, 2019, 2020 and 2021 had not been submitted for my inspection and audit, despite numerous reminders.

5.5.4 Eastern Highlands Provincial Health Authority

The Eastern Highlands PHA was established on the 24th June, 2012, and all functions of the Hospital and other health facilities in the province were integrated under the *Provincial Health Authorities Act 2007* which regulates the services and functions of the PHA, the Board, the CEO and appointment of Officers.

In partnership with the Eastern Highlands Provincial Government the Eastern Highlands PHA is mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

5.5.4.1 Comments on the Financial Statements 2014 and 2015

The fieldwork associated with the audit of the accounts and records and the examination of these financial statements for the 2014 and 2015 fiscal years have been completed and the Management Letters and Opinions issued respectively.

My reports to the Minister concerned and other relevant bodies under the *Provincial Health Authorities Act 2007* on the financial statements of the Eastern Highlands PHA for the years ended 31 December 2014 and 2015 were issued in May 2020. The reports contained Qualified Audit Opinions.

I have reported the results of these audits in my Individual Report to the National Parliament in July 2020. These Reports can be accessed through the AGO website (www.ago.gov.pg).

5.5.4.2 Status of Financial Statements

The Eastern Highlands PHA had submitted its Financial Statements for the years ended 31 December, 2016, 2017, 2018, 2019, 2020 and 2021 for my inspection and audit. The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements for these years was completed and the results were being evaluated at the time of this Report.

5.5.5 Business Arms

Eastern Highlands Provincial Government has three (3) business arms with the aim of supporting its provincial budgets from the return's realised from the business activities of these companies. The companies are Nokondi Investments Limited, Eastern Highlands Property Developers Limited and Rumbia Coffee Exports Limited.

5.5.5.1 Nokondi Investments Limited and its Subsidiaries

Nokondi Investment Proprietary Limited was incorporated on 15 December, 1976 as a business arm of Eastern Highlands Provincial Government with 100% shareholding. The company change its name to Nokondi Investment Limited in 1984 which changed its status from proprietary (private operations) to a public company.

Since its incorporation, Nokondi Investment Property Limited has extended its business activities to include:

- a) Incorporation of two (2) subsidiary companies, Al's Auto Repairs Limited incorporated on 27 April 1987 with 100% shareholding and Nokondi Civil Works Limited also with 100% shareholding; and

- b) Partnered with PNG Venture Fund Limited in the operation of Akogere Estate's Limited with both parties having an equal ownership of 100,000 shares each from the total 200,000 shares.

5.5.5.1.1 Status of Financial Statements

At the time of preparing this Report, the financial statements of Nokondi Investment Limited for the years ended 31 December 2010 to 2019 were submitted, however, the fieldwork associated with the audit of the accounts and records and the examination of the financial statements were delayed due to lack of source records. Nokondi Investments Limited had not submitted its financial statements for the year ended 31 December, 2020 and 2021 for my inspection and audit.

The subsidiary companies, Al's Auto Repairs Limited and Civil Works Ltd as well as the joint venture company, Akogere Estates Limited have also submitted their financial statements for the financial years of 2010 to 2019. Based on my preliminary assessment of the financial statements, I noted numerous issues including the use of one bank account by the four companies, Nokondi Investment Ltd, Al's Auto Repairs Limited, Akogere Estates Limited and Eastern Highlands Property Developers Ltd during the year ended 31 December, 2010.

5.5.5.2 Nokondi Civil Works Limited

Nokondi Civil Works Limited is a Company incorporated in 2018 under the *Companies Act 1997* and is a subsidiary of Nokondi Investments Limited and is wholly owned by the parent company.

5.5.5.2.1 Status of Financial Statements

At the time of preparing this Report the financial statements of Nokondi Civil Works Limited for the years ended 31 December 2018 and 2019 were submitted and fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the company for these years were delayed due to lack of source records.

Nokondi Civil Works Limited had not submitted its financial statements for the year ended 31 December, 2020 and 2021 for my inspection and audit.

5.5.5.3 Eastern Highlands Property Developers Limited

Eastern Highlands Property Developers Limited is a Company incorporated under the *Companies Act 1997* wholly owned by the Eastern Highlands Provincial Government. The main activity of the Company was among others to invest in property investments in Goroka, Eastern Highlands, PNG and elsewhere with realised returns that will benefit the people of Eastern Highlands.

5.5.5.3.1 Status of Financial Statements

At the time of preparing this Report, the financial statements of Eastern Highlands Property Developers Limited for the years ended 31 December 2010 to 2019 were submitted, however, the fieldwork associated with the audit of the accounts and records and the examination of the financial statements were delayed due to lack of source records.

Eastern Highlands Property Developers Limited had not submitted its financial statements for the years ended 31 December, 2020 and 2021 for my inspection and audit.

5.5.5.4 Rumbia Coffee Exports Limited

Rumbia Coffee Exports Limited company was incorporated on 25 January, 2019 under the *Companies Act 1997* and is wholly owned by the Eastern Highlands Provincial Government. The main activity of the Company involves buying coffee from the local farmers and exporting. The realised returns will benefit the people of Eastern Highlands Province.

5.5.5.4.1 Status of Financial Statements

At the time of preparing this Report, the financial statements of Rumbia Coffee Exports Limited for the years ended 31 December 2019, 2020 and 2021 had not been submitted for my inspection and audit.

5.6 ENGA PROVINCE

5.6.1 Introduction

The Enga Provincial Government, Wabag Urban LLG, Enga PHA, Enga Children’s Fund and Pogera District Development Authority are audited every year, with or without financial statements. Other LLGs and the Business Arms of the Provincial Government could not be fully audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective Governments.

5.6.2 Enga Provincial Government

The Provincial Government had submitted its annual financial statements for the fiscal years of 2016, 2017 and 2018. Subsequently, the fieldwork associated with audits of the financial statements and accounts and records were carried out and the related management letters and audit opinions issued.

5.6.2.1 Audited Financial Statements – 2016, 2017 & 2018

My reports to the Ministers concern and other relevant bodies under the *Organic Law* and *Audit Act* on the Enga Provincial Government’s audit of the financial statements for the 2016, 2017 and 2018 fiscal years were issued in the month of May, 2021. The reports were Disclaimer Audit Opinions hence, only the 2018 report is reproduced below:

“Basis for Disclaimer Opinion

Accumulative Account Balances

Because of the Disclaimer Audit Opinion issued in respect of the year ended 31 December, 2017 and because of its effect on the current year’s account, I was not able to satisfy myself as to the accuracy of the accumulative opening account balances.

Since these opening balances would determine the financial position and the cash flow of the Enga Provincial Government in the current year. I was not provided sufficient audit evidence to determine whether adjustments to the respective cashbooks and ledger accounts would have been necessary for the year ended 31 December, 2018.

Fund & Cash Balances

- a) A large volume of reconciling items from prior years reported in the December bank reconciliation statements for the two main operating accounts, remained outstanding as at 31 December, 2018. Clearance of these reconciling items could have improved the

reliability of the respective cashbooks and ledger account balances reported for the year under review.

- b) The consolidated reconciled cash balance of K20,681,755 includes 'Other Accounts' total of K500,662 representing three (3) dormant accounts in PGAS which are merely book balances not represented by any actual cash and therefore distort the total Account Balance reported in Statement 'A'.
- c) Non-disclosure of the cash balances pertaining to operations of the Enga Provincial Support Grant (PSG) Trust Account and newly established Enga Provincial Hospital Trust Account will also affect the fund and cash balance reported as at 31 December, 2018.
- d) As reported in prior years financial statement, Statement 'C' continued to report eight (8) non-bank overdrawn trust account balances totalling (K880,735). These balances are merely book figures not represent by any actual cash value at the bank as these accounts ceased operations but since the related ledger accounts were not properly closed off, these balances continue to exist within the PGAS data base.

Investments

The Investment balance of K13,000,000 as at 31 December, 2018 relates to the Enga Provincial Government's financial contribution towards operations of a Joint Venture Company, Enga Agro Industry Corporation (AIC) Limited.

However, the value of other share investments in Enga Children's Fund Trustee Ltd (100% ownership) and the Enga Rural Investments Holdings Ltd and its subsidiaries were not disclosed in the financial statement. An investment register was not maintained and as such I was not able to confirm the total net value of investments of Enga Provincial Government as at 31 December, 2018.

Advances

Appendix 6 showed total outstanding advance of K8,785,320 as at 31 December, 2018 revealing a significant improvement from the previous year's balance of K15,164,267 by K6,378,947. However, due to deficiencies noted with maintenance of the advances register and acquittal processes, I was not able to confirm the accuracy of the total outstanding advances as at 31 December, 2018.

Significant Control Weaknesses

There were control weaknesses identified in the Provincial Government's accounting records and processes as follows:

Budgetary Control

The following budgetary issues were noted with the Salaries and Allowances expenditure:

- a) The revised appropriation compared against actuals revealed over expenditure by K24,314,000 resulted from the significant unbudgeted expenditure on the Teacher's Salaries by K32,385,000; and
- b) Actual Salaries expenditure of K88,417,000 exceeded the total warrant issued for only K16,384,000 indicating an unauthorized total expenditure of K72,033,000 comprised of K6,853,000 under Staffing Grant and K65,180,000 under the Teacher's Salaries.

Cash Management

The monthly bank reconciliation statements compiled for the two main operating accounts revealed that the year-end bank balances were accordingly reconciled to the cashbook balances. However, I observed that the reconciling items of schedules # 1 to 8 contained substantial amounts of long outstanding reconciling items carried forward from prior years remained uncleared as at 31 December, 2018 and as such I was unable to confirm the accuracy of the reconciled cash book balances of the provincial government operating account and provincial grant account reported in the financial statement.

Expenditure Account

- a) Requisition for Expenditure Forms (FF3) were not sighted on all expenditure claims selected for examination and as such implies non-compliance with *Public Finance (Management) Act, 1995* (as amended);
- b) According to *Finance Instruction 2/2013* dated 20th May 2014 issued to amend the Public Finance Management Act, it is now required that purchases for values of K50,000 to K500,000 requires three written quotations and contract agreement where applicable but does not require tender process.

I observed that procurement between K50,000 and K500,000 were executed through the issuance of COI where it is not required as per the requirement of Finance Instruction 2/2013. I also noted that most payments greater than K5,001 and less than K50,000 were made without the required number of three (3) written quotations and instead the COI were used;

- c) A total of seventy-two (72) paid vouchers amounting to K18,908,944 were not presented for my examination and as such I was unable to verify and confirm the validity of these payments; and

- d) A substantial amount of expenditure totalling K3,798,958 was incurred on fuel consumption during the year. Payments made lacked proper attachments in reference to details of vehicles, drivers and dates of refuel and as such exposes the risk for abuse by both the supplier and drivers. In cases where advance fuel payments were made, no evidence was sighted to suggest that reconciliations were done from records kept by the supplier and those kept by the provincial government to confirm the accuracy of fuel usage.

Disclaimer of Audit Opinion

Because of the significance of the matters described under the basis of a disclaimer opinion above, I was not able to obtain sufficient appropriate audit evidence and consequently I am unable to express an opinion on the financial statement of the Enga Provincial Government for the year ended 31 December, 2018.

Other Matters

In accordance with the *Audit Act, 1989* I have duty to report on significant matters arising out of the financial statement, to which the report relates. I noted with concern that Provincial Government books of accounts in general do not accurately capture the Alesco Payroll System data and therefore results to significant variances when comparing actuals against budget estimates and unrealistic reflection of huge amounts of expenditure overruns shown in the ledger accounts of the Provincial Government.”

5.6.2.2 Management Response

The Enga Provincial Government had responded accordingly to the matters raised in my Audit Management Letters. I plan to follow up on the recommendations from my 2016 to 2018 audits and Enga Provincial Government’s response to my Management Letters and report the status accordingly in my next Audit Report to Parliament.

5.6.2.3 Status of Financial Statements

At the time of preparing this Report the Enga Provincial Government had submitted its financial statement for the fiscal year ended 31 December, 2019 for my inspection and audit. The fieldwork associated with the examination of the financial statements and the audit of the accounts and records for the 2019 fiscal year could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

The financial statements for the year ended 31 December, 2020 and 2021 have not been submitted for my inspection and audit.

5.6.3 Wabag Urban Local-level Government

5.6.3.1 Status of Financial Statements

At the time of preparing this Report the Wabag Urban LLG Government had submitted its financial statements for the years ended 31 December 2013, 2014 and 2015 for my inspection and audit. The fieldwork associated with the examination of the financial statements and the audit of the accounts and records for the three (3) years were not yet conducted due to critical resource constraints and budget shortfalls faced by my Office.

The financial statements for the years ended 31 December, 2016, 2017, 2018, 2019, 2020 and 2021 have not been submitted for my inspection and audit.

5.6.4 Enga Provincial Health Authority

The Enga PHA (formerly Wabag General Hospital) became fully functional with Board on the 28 April, 2014 under the *Provincial Health Authorities Act 2007* and in partnership with the Enga Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit for the subsequent years commencing 2015 will be reported under the *Provincial Health Authorities Act 2007*.

The Enga PHA had submitted its financial statements for the fiscal years of 2015, 2016, 2017 and 2018. The fieldwork associated with audit of the related financial statements and accounts and records have been undertaken and the management letters and audit opinions issued respectively.

5.6.4.1 Comments on the Financial Statements – 2015 and 2016

My reports to the Ministers concerned and other relevant bodies under the *Organic Law* and *Audit Act* on the financial statements for the 2015 and 2016 financial years were issued in the month of May, 2020. The reports for both years contained similar Disclaimer Audit Opinions and as such were consolidated into one Individual Report for tabling in Parliament. This Report titled “Report of the Auditor-General for Enga Provincial Health Authority 2015 -2016” was tabled in Parliament and is available to the public through AGO website (www.ago.gov.pg).

5.6.4.2 Comments on Financial Statements – 2017 and 2018

My report on the audit of the 2017 and 2018 financial statements and related books of accounts were issued to the Minister concern and other relevant bodies under the *Organic Law* and *Audit Act* in the month of December, 2020. The reports for both years contained Disclaimer Audit Opinions hence, only the 2018 report is reproduced below.

“BASIS FOR DISCLAIMER OPINION

Limitation of Scope on the Opening Balances

Because of a Disclaimer Audit Opinion issued in respect of the year ended 31 December, 2017, I was not able to satisfy myself as to the completeness and accuracy of the opening cash and fund balances. Since these balances would affect the determination of the financial position and the cash flow of the EPHA in the current year, I was not provided sufficient audit evidence to determine whether adjustments to the respective cashbooks and ledger accounts were done to correct the prior years carried forward balances.

Fund & Cash Balances

I was not able to verify the composition of the significant variance of K17,828,996 noted between the total fund balance of K29,505,290 and total cash balance of K11,676,294 reported in the financial statement as at 31 December, 2018. Although *Note 8 to the Statement* explained for the variance as mainly due to prior year’s balances relating to the operating and trust accounts, however I was not provided documented evidence of information and data to substantiate the explanation given.

Notes to and Forming Part of the Financial Statement

The “Notes to and Forming Part of the Financial Statement” provided explanations and clarifications on the disclosures in the Financial Statement except that the required *Schedules of Assets, Receivables, Advances and Liabilities* could not be confirmed for accuracy and completeness due to inadequate maintenance of the related registers.

Significant Control Weaknesses

Cash Management

Proper accounting processes to update the cash books and ledger accounts were not consistently applied resulting to the main operating account cash book not capturing National Government Grant release of K4,026,804 in 2015 and K7,817,827 in the 2016 fiscal years which affected the cash book and bank reconciliation balances reported for the 2017 and 2018 fiscal years respectively.

Limitations of knowledge and experience with PGAS operations resulted to difficulties in utilizing the full capacity of the PGAS to adequately maintain the books of accounts and produce the required financial reports.

Revenue Collection Process

The systematic process of collecting, receipting, banking, recording and reporting daily collection was not strictly adhered to, rendering it difficult to trace daily collections from collector statements to the cash book and the bank statements. Although daily collections were

banked promptly, entry to the cash book were delayed until the end of each month where all deposit slips for the month were bulk into one lump sum amount and recorded in the cash book as collection for the month.

Advances Management

Schedule of Unacquitted Advances in the financial statement reported a total of K245,783 from the operating account and K29,450 from the trust account at year end. My review of the internal controls over the management of advances revealed that the registers maintained were incomplete and related records such as acquittal and reminder notices files were not properly maintained.

Assets Control

The EPHA did not have in place a consolidated register to record assets and valuable items of the authority. Evidence of any survey/stocktake undertaken during the year of all Health Facilities and the related fixed assets items was not sighted and as such I was unable to determine the total number and value of assets owned and in the custody of EPHA as at 31 December, 2018.

Wages Paid Offline the Alesco Payroll System

No proper payroll system was used in processing the wages for casual employees and other short- term employment engagements. Audit analysis of the wages expenditure for the year ascertained that wages were processed through cash cheques drawn to the paying officer who made cash payments to the recipients rather than through the PGAS payroll system.

Disclaimer Audit Opinion

Because of the significance of the matters described above, I am not able to obtain sufficient appropriate audit evidence and consequently I do not express an opinion on the financial statement of Enga Provincial Health Authority for the year ended 31 December, 2018.

Other Matters

In accordance with the *Audit Act*, I have duty to report on significant matters arising from the financial statement, to which the report relates. The following are matters of significance:

- EPHA did not maintain proper books of accounts and records and consequently breached *Section 62(1)* of the *Public Finances (Management) Act, 1995*; and
- Potential revenue sources such as, PSIP, DSIP, LLGSIP Funds, Donor Funds and Christian Health Services Grant are not captured in the PHA's annual budget estimate due to legislative directions of authority to other government agencies apart from the PHAs to manage and report on the application of these funds. This concludes that

health sector funding appropriation for health services management and delivery at the provinces are still not fully amalgamated into one single system of management and reporting.

- Furthermore, the release of budget appropriations to PHA either through Warrants (NDoF) or CFCs (NDoH) is often untimely and unpredictable which results in disruptions to health service delivery and hinders the EPHA's capacity to implement planned activities."

5.6.4.3 Management Response

The management of Enga PHA had responded accordingly to the matters raised in my Audit Management Letters for all four (4) years 2015, 2016, 2017 and 2018.

5.6.4.4 Status of Financial Statements – 2019 to 2021

At the time of preparing this Report, the Enga PHA had not submitted its financial statements for the 2019, 2020 and 2021 fiscal years.

5.6.5 Business Arms

Section 16(2)(f) of the Audit Act provides for and extends my functions to audit the accounts and records of the Provincial and LLGs Business Arms and other establishments.

5.6.5.1 Enga Children's Fund Trustee Limited

The ECFTL was established by a Deed of Trust in 1997 between 'The Enga Provincial Government' and 'Pogera Mine Equity Holdings Pty Ltd'.

5.6.5.1.1 The Functions of the Fund Trustee

The principle activities of the company were to manage the trust funds in accordance with the Trust Deed executed between the company and the Enga Provincial Government for the funds received from Mineral Resources Development Company Ltd under the Deed of Redemption of Option. The main function of the Trustee was, among other things to invest in real estate in Port Moresby, PNG and elsewhere with realised returns that will benefit the people of Enga.

5.6.5.1.2 Comments on Financial Statement - 2016

My audit report on the 2016 accounts issued to the Ministers and other relevant bodies under the *Companies Act 1997* and the *Audit Act* was issued on the 15 April 2019. The report did not contain any qualification.

I have compiled a separate Report on the ECFTL 2016 to be presented to the Speaker for tabling in Parliament. The report will be made available to the public through AGO website (www.ago.gov.pg).

5.6.5.1.3 Comments on Financial Statement - 2017

My report on the audit of the 2017 financial statement and related books of accounts was issued to the Minister concerned and other relevant bodies under the *Organic Law* and *Audit Act* in the month of December, 2020. The report did not contain any qualification.

“UNQUALIFIED AUDIT OPINION

In my opinion:

The Financial Statement of Enga Children's Fund Trustee Limited for the year ended 31 December, 2017:

- give a true and fair view of the financial position and the results of its operations and cash flows for the year ended on that date;
- have been presented in accordance with the *Companies Act 1997*, *International Financial Reporting Standards* and other generally accepted accounting practices in Papua New Guinea;
- except as noted under Other Matters paragraph, proper accounting records have been kept by the Trustee; and
- I have obtained sufficient information and explanation required.

Other Matters

In accordance with section 16 (5) of the *Audit Act*, I have duty to report on significant matters arising out of the financial statement, to which the report relates. I draw attention to these issues:

- Breach of Section 4 (1) of the Enga Children's Fund Trustee Limited's Trust Deed, Amended. The *Investment of K1,046,722 representing 40% shareholding in Joint Venture with Orion Project is not in line with the Trust Fund's Deed* as the Deed only allows for investments in Government Bonds, Listed Mining Company Securities; and Open Market Securities, where the currency of the issuer has a credit rating of 'A' or better awarded by international credit rating agency. This matter was also reported in my previous 2015 and 2016 Reports.
- Income Tax Liabilities: ECFTL non-remittance of income taxes to IRC in prior years resulted to total tax liability of K2,035,211 as at 31 December, 2017, however this liability has reduced by K1,209,866 from K3,245,077 reported as at 31 December 2016. The management has responded with sufficient documented evidences of tax payments made to IRC.

- Non-Existence of Finance Management Manual: ECFTL does not have in place a financial management manual to guide its financial operations.”

5.6.5.1.4 Management Response

The management of ECFTL had responded accordingly to the matters raised in my audit Management Letter.

5.6.5.1.5 Status of Financial Statements

At the time of preparing this Report, the ECFTL had submitted its financial statements for the 2018 fiscal year. The fieldwork associated with the audit of the financial statement and accounts and records has been completed and the and the Management Letter issued. The drafting of Audit Opinion awaits response to the Management Letter.

The ECFTL had 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, whereas the 2021 financial statement has not been submitted.

5.6.5.2 Pogera District Development Authority

The Pogera LLG Special Purpose Authority was established by proclamation under the *Local-level Governments Administration Act 1997*. The PLLGSPA is the successor to the Pogera Development Authority established by the *Pogera Development Authority Act 1989* of the Enga Provincial Government.

5.6.5.2.1 The Functions of the Authority

The functions of the Authority generally are to provide special mining and government services including municipal services and other essentials in the Pogera mine area.

5.6.5.2.2 Status of Financial Statements

The Pogera Development Authority had not submitted its financial statements for the years ended 31 December 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 for my inspection and audit.

5.7 FLY RIVER (WESTERN) PROVINCE

5.7.1 Introduction

My audit mandate for Fly River Provincial Government covers the annual audits of the following government entities, whether financial statements are forwarded to my office or not by these entities; the Fly River Provincial Government (FRPG), Kiunga Urban LLG, Daru Urban LLG and Western PHA, formerly Daru General Hospital.

Other LLGs and Business Arms of the FRPG within the Province could not be audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective Governments.

5.7.2 Fly River Provincial Government

5.7.2.1 Status of Financial Statements

The FRPG has not submitted its annual financial statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 for my review and subsequent audits at the time of this Report. Consequently, I have not undertaken any audits of the FRPG for the above stated years. Further, a culmination of issues such as critical resource constraints and budget shortfalls experienced by my Office in the last couple of years has rendered any internal control audit not possible.

I am under obligation as required by the *Constitution* and the *Organic law* to audit the annual financial statements of the FRPG, however, if the non-submission of annual financial statements continues and the arrears in the number of years' increase, I have the option of dispensing the audits for some of the prior years and audit the current year's financial statements when presented to my office.

5.7.3 Daru Urban Local-level Government

5.7.3.1 Status of Financial Statements

Daru Urban LLG had not submitted its annual financial statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 for my review and audit. I have not done any internal control review and audit on the Daru Urban LLG due to critical resource constraints, budget shortfalls and the lack of available financial data from Daru Urban LLG in regards to their revenue and expenditure for which I may review and determine if audit can be done based on the magnitude of its revenue and expenditure.

5.7.4 Kiunga Urban Local-level Government

5.7.4.1 Status of Financial Statements

The Kiunga Urban LLG has not submitted its annual financial statements to my Office for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021, for my review and subsequent audit. I have not done any internal control audit on the Kiunga Urban LLG due to the fact that, I am unable to determine the magnitude of revenue and expenditure for the given years and further, critical resource constraints and budget shortfalls faced by my office in the last couple of years has made it difficult to do an internal control review on the Kiunga Urban LLG. The lack of available financial data from Kiunga Urban LLG in regards to their revenue and expenditure for which I may review and determine if audit can be done based on the magnitude of its revenue and expenditure.

5.7.5 Western Provincial Health Authority (Daru General Hospital)

The Western PHA (formerly Daru General Hospital) became fully functional with Board on the 19th September, 2019 under the *Provincial Health Authorities Act 2007* and in partnership with the Fly River (Western) Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit for the subsequent years commencing 2020 will be reported under the *Provincial Health Authorities Act 2007*.

5.7.5.1 Status of Financial Statement

The Daru General Hospital Board (now Western PHA) has submitted its annual financial statements for the years ended 31 December, 2017, 2018 and 2019 for my review and field audit. Field audit associated with the accounts and records for the three financial years of 2017, 2018 and 2019 was completed and Management Letters for the respective years containing various issues noted in the audits has been forwarded to the Management of Western PHA.

At the time of preparing this Report Management has not responded to the matters highlighted in my Management Letters. Any response forwarded to my office after this Report will be reported in my succeeding report to Parliament.

The Western PHA had not submitted to my office its annual financial statement for the years ended 31 December, 2020 and 2021 at the time of preparing this Report.

5.7.6 Business Arms

Section 16 (2) (f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial and LLG Business Arms and other establishments.

I am aware of investments by the FRPG in Ok Tedi Mining Limited and a few others as reported in my Part 3 Report for 2014. However, the details of the investments and the annual financial reports of the entities were not made available to my Office, at the time of preparing this Report. Consequently, I am unable to comment on the operations and financial results of any business arms of the Provincial Government in this report.

5.8 GULF PROVINCE

5.8.1 Introduction

The Gulf Provincial Government, Kerema Urban LLG and Kerema General Hospital are audited every year, with or without financial statements. Other LLGs and the Business Arms of the Provincial Government were not audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective Governments and Business Arms.

5.8.2 Gulf Provincial Government

5.8.2.1 Status of Financial Statements

At the time of preparing this Report the Gulf Provincial Government had not submitted its financial statements for the fiscal years of 2015, 2016, 2017, 2018, 2019, 2020 and 2021. Although the financial statements were not submitted, I also was unable to conduct audit on the internal control environment due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from these agencies.

5.8.3 Kerema Urban Local-level Government

5.8.3.1 Status of Financial Statements

The Kerema Urban LLG had not submitted its financial statements for the fiscal years of 2012 to 2021. Although the financial statements were not submitted, I also was unable to conduct audit on the internal control environment due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from Kerema Urban LLG.

5.8.4 Kerema General Hospital (Now Gulf Provincial Health Authority)

The Gulf PHA (formerly Kerema General Hospital) became fully functional with Board on the 1st July, 2019 under the *Provincial Health Authorities Act 2007* and in partnership with the Gulf Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit of the financial statements for the years ended 31 December, 2012 to 2019 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2020 will be reported under the *Provincial Health Authorities Act 2007*.

5.8.4.1 Status of Financial Statements

The Kerema General Hospital (now Gulf PHA) had not submitted its financial statements for the fiscal years from 2012 to 2021. Although the financial statements were not submitted, I also was unable to conduct audit on the internal control environment due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from Kerema General Hospital.

5.8.5 Business Arms

Section 16 (2) (f) of the *Audit Act*, provides for and extends my functions to audit the accounts and records of the Provincial and LLG Government Business Arms and other establishments.

I am aware of the following Business Arms and/ or the Trust Funds of the Gulf Provincial Government namely, Gulf Economic Development Ltd, Paia Inlet Infrastructure Development Co Ltd (86% shareholding), Gulf Investment Trust Fund and its two Subsidiaries – Gulf Papua Fisheries Ltd and Southern Star Ltd, Vailala Timber Block 1 Trust Fund, and Vailala Timber Block 2 Trust Fund. At the time of preparing this Report none of these entities had submitted their respective financial statements for my inspection and audit. Consequently, I am unable to comment on the operations and financial results of these entities.

5.9 HELA PROVINCE

5.9.1 Introduction

The Hela Province was created through an Act of Parliament on the 14 July, 2009. The Hela Provincial Government, Tari Urban LLG and the Hela PHA all fall under my audit mandate and are all subject to annual audits by my office, whether the entities submitted their annual financial statements to my office or not.

The annual audits of the Rural LLGs and the Business Arms of the Provincial Government could not be audited by my office due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective LLGs and Business Arms.

5.9.2 Hela Provincial Government

5.9.2.1 Status of Financial Statements

The Hela Provincial Government has not submitted its annual financial statements for the financial years ending 31 December, 2015, 2016, 2017, 2018, 2019, 2020 and 2021. Fieldwork associated with audit of internal control environment had been schedule to commence in 2022, however, due to the national general elections, my office has rescheduled for the audit to be undertaken in early 2023.

I am under obligation as required by the *Constitution* and the *Organic law* to audit the annual financial statements of the Hela Provincial Government, however, if the non-submission of annual financial statements continues and the arrears in the number of years' increase, I have the option of dispensing the audits for some of the prior years and audit the current year's financial statements when presented to my office.

5.9.3 Tari Urban Local-level Government

5.9.3.1 Status of Financial Statements

At the time of preparing this Report the Tari Urban LLG has not submitted its annual financial statements for the years ended 31 December 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021.

I have not done any internal control review and audit on the Tari Urban LLG due to critical resource constraints, budget shortfalls and the lack of available financial data from Tari Urban LLG in regards to their revenue and expenditure for which I may review and determine if audit can be done based on the magnitude of its annual revenue and expenditure. Further, I have the option of dispensing the audits for some of the prior years and audit the current year's financial statements when presented to my office.

5.9.4 Hela Provincial Health Authority

The Hela PHA (formerly Tari District Hospital) became fully functional with Board on the 5 October, 2016 under the *Provincial Health Authorities Act 2007* and in partnership with the Hela Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit for the subsequent years commencing 2016 will be reported under the *Provincial Health Authorities Act 2007*.

5.9.4.1 Comments on Financial Statements

The Hela PHA has submitted its annual financial statements for the years ended 31 December, 2016 and 2017 to my office for my review and subsequent field audit. The fieldwork associated with the audit of accounts and records for the years 2016 and 2017 has been completed and management letters issued.

My audit opinions on the 2016 and 2017 audits have also been submitted to the Minister concerned and other relevant bodies under the *Provincial Health Authority Act 2007* and the *Audit Act* on the financial statements of the Hela PHA for the years ended 31 December 2016 and 2017. These reports were both unqualified audit opinions

I have compiled Individual Audit Reports for each of the financial years 2016 and 2017 audits respectively and submitted to Parliament

Copies of these Reports can be accessed through AGO website (www.ago.gov.pg) once tabled in Parliament.

5.9.4.2 Status of Financial Statements

The Hela PHA had submitted to my office its annual financial statements for the years ended 31 December, 2018, 2019, 2020 and 2021 and the fieldwork associated with the inspection and audit of the accounts and records was in progress at the time of preparing this Report.

5.10 JIWAKA PROVINCE

5.10.1 Introduction

The Jiwaka Province was created through an Act of Parliament on 14 July, 2009. However, it gained its provincial status on 17 May, 2012. As my audit mandate covers all provincial governments and entities established under the *Organic Law*, the Jiwaka Provincial and LLGs and the Jiwaka PHA all fall under my audit mandate and are all subject to annual audits by my Office, whether the entities submitted their annual financial statements to my Office or not.

My audit mandate also covers any Urban LLG and the Business Arms that may be established within the province in conformity with the other provinces in the country.

5.10.2 Jiwaka Provincial Government

5.10.2.1 Status of Financial Statements

The Jiwaka Provincial Government had submitted its annual financial statements for the years ended 31 December 2014, 2015, 2016, 2017 and 2018 to my office for my perusal and subsequent field audit. Field audit on the examination of accounts and records for the five (5) years' financial statements given have been completed and the results are being evaluated at the time of preparing this Report.

At the time of this Report the Jiwaka Provincial Government has not submitted its annual financial statements for the years ended 31 December 2019, 2020 and 2021 to my office for my perusal and field audit.

5.10.3 Jiwaka Urban Local-level Government

5.10.3.1 Status of Financial Statements

The Jiwaka Province has not established a functioning Urban LLG in the province since its inception as a province. When an Urban LLG is established, then it will fall under my audit mandate, however, currently at the time of this Report the Jiwaka Province has no recognized Urban LLG.

5.10.4 Jiwaka Provincial Health Authority (Formerly Kudjip Nazarene Hospital)

The Jiwaka PHA (formerly Kudjip Nazarene Hospital) became fully functional with Board on the 11 June, 2019 under the *Provincial Health Authorities Act 2007* and in partnership with the Jiwaka Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit for the subsequent years commencing 2020 will be reported under the *Provincial Health Authorities Act 2007*.

5.10.4.1 Status of Financial Statements

The Jiwaka PHA has not submitted its financial statements for the years ended 31 December 2020 and 2021 for my inspection and audit.

Jiwaka PHA is newly established and a new addition to my audit portfolio. The PHA will be audited by my office when its financial statements are forwarded.

5.11 MADANG PROVINCE

6.11.1 Introduction

I am empowered under the *Constitution* and the *Organic Law* to do the annual audits of the following government entities in Madang Province, whether they submit their annual financial statements to my Office or not. The Madang Provincial Government (MPG), Madang Urban LLG, Madang PHA formally, Modilon General Hospital (MGH) and the Business Arms of the MPG, Madang Urban LLG as well as business entities owned by other LLGs in the province.

Annual audits of other LLGs and business arms of Provincial Government could not be done due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective government entities.

5.11.2 Madang Provincial Government

The Madang Provincial Government has submitted its annual financial statements for the years ended 31 December 2016, 2017 and 2018 to my Office for my review and subsequent field audit. The fieldwork associated with the audit of accounts and records for the three (3) years has been completed and Management Letters highlighting various issues from the field audit has been forwarded to the management of MPG for their response to the matters highlighted.

As of the date of this Report the management of MPG has not responded to the issues raised upon the three (3) years audit. The outcome of the management response together with my audit opinion will be reported in my Part 3 Report for 2022.

5.11.2.1 Status of Financial Statements

At the time of preparing this Report the MPG has not submitted its annual financial statements for the year ended 31 December 2019 and 2020, for my review and subsequent field audit inspection.

5.11.3 Madang Urban Local-level Government

The Madang Urban LLG has submitted its annual financial statements for the year ended 31 December 2016 for my review and subsequent audit inspection. At the time of this Report field work was completed and the audit results were being evaluated. The outcome of the audit will be reported in my Part 3 Report for 2022.

5.11.3.1 Status of Financial Statements

The annual financial statements for the years ended 31 December, 2017, 2018, 2019, 2020 and 2021 have not been submitted to my Office at the time of this Report.

5.11.4 Madang Provincial Health Authority

The Madang PHA (formerly Modilon General Hospital) became fully functional with Board on the 24 October, 2019 under the *Provincial Health Authorities Act 2007* and in partnership with the Madang Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit of the financial statements for the years ended 31 December, 2015 to 2019 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2020 will be reported under the *Provincial Health Authorities Act 2007*.

5.11.4.1 Status of Financial Statements

The annual financial statements for the Modilon General Hospital for the years ended 31 December 2015 and 2016 has been submitted to my office for inspection and audit. The fieldwork associated with the inspection and audit of accounts and records for the two (2) years were completed and the results are being evaluated at the time of preparing this Report. The outcome of the audit will be reported in my Part 3 Report for 2022.

At the time of this Report the Madang PHA has not submitted to my Office its annual financial statements for the years ended 31 December 2017, 2018, 2019, 2020 and 2021.

5.11.5 Business Arms

Section 16 (2) (f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Business Arms and other establishments of the Provincial Governments and LLGs.

I am aware that Madang Provincial Government had a number of business arms including Madang Development Corporation. Annual financial statements and other records relating to these investments were not made available for my review and audit, and I am unable to comment on the operations and financial results of any business arms of the Provincial Government.

5.12 MANUS PROVINCE

5.12.1 Introduction

My audit mandate for the Manus Province covers the annual audits of Manus Provincial Government, Lorengau Urban LLG and Manus PHA, whether these entities furnish to my office their annual financial statements or not. The annual audits of the Rural LLGs and the Business Arms of the Provincial Government could not be audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective LLGs and Business Arms.

5.12.2 Manus Provincial Government

5.12.2.1 Status of Financial Statements

The Manus Provincial Government has submitted its annual financial statements for the years ended 31 December 2015, 2016, 2017 and 2018 to my office for inspection and audit. The field work associated with the inspection and audit of the accounts and records and the examination of the financial statements four financial years had been completed and the audit results were being evaluated at the time of preparing this Report.

The outcome of the four (4) years (2015, 2016, 2017 & 2018) audit of accounts and records of Manus Provincial Government will be reported in my Part 3 Report for 2022.

At the time of this Report the financial statements for the year ended 31 December 2019, 2020 and 2021, has not been submitted to my office for inspection and audit

5.12.3 Lorengau Urban Local-level Government

5.12.3.1 Status of Financial Statements

The Lorengau Urban LLG has submitted its financial statements for the years ended 31 December 2015, 2016, 2017 and 2018 to my office for review and subsequent audit. However, due to critical resource constraints and budget shortfalls audit field work has not been undertaken.

Field audit will eventuate when the critical resource constraints and budget shortfalls experienced by my Office improves in the succeeding years.

The annual financial statements for the year ended 31 December 2019, 2020 and 2021 has not been submitted to my office at the time of this Report.

5.12.4 Manus Provincial Health Authority (Lorengau General Hospital)

The Manus PHA (formerly Lorengau General Hospital) became fully functional with Board on the 14 June, 2014 under the *Provincial Health Authorities Act 2007* and in partnership with the Manus Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit of the financial statements for the years ended 31 December, 2013 and 2014 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2015 will be reported under the *Provincial Health Authorities Act 2007*.

5.12.4.1 Status of Financial Statements

The Manus PHA has not submitted to my Office, its annual financial statements for the years ended 31 December, 2016, 2017, 2018, 2019, 2020 and 2021 for my review and subsequent field audit, at the time of preparation of this Report.

I am under obligation as required by the *Constitution* and the *Organic Law* to audit the annual financial statements of the Manus PHA, however, if the non-submission of annual financial statements continues and the arrears in the number of years' increase, I have the option of dispensing the audits for some of the prior years and audit the current year's financial statements when presented to my Office.

5.12.5 Business Arms

I am empowered under Section 16(2) (f) of the *Audit Act* to audit the accounts and records of the Provincial and LLG Business Arms and other national government funded establishments. I have noted the following investments undertaken by the Manus Provincial Government, for which I have reported in my prior Reports as shown below.

5.12.5.1 Manus Fishing Corporation Ltd

The Corporation was established by the *Manus Fishing Corporation Act 2003* with its objectives and functions as stipulated under the relevant Sections of the Act. The Corporation is solely owned by the Provincial Government and has a fleet of two vessels, however, I have not sighted any indication of returns on investment to the Provincial Government. Documents such as share certificate or certificate of incorporation were not made available for my verification.

At the time of this Report the company has not submitted any annual financial statements for my review and audit. Consequently, I was unable to determine the status and existence of this entity.

5.12.5.2 Manus Shipping Authority

The Authority was established by the *Manus Provincial Shipping Authority Act 1994*. As reported in my previous reports, the Authority operated a fleet of three vessels. Out of these, only one vessel is said to be in operation since 2003. The net Profits from the operation after accounting for operational costs, are shared between the Provincial Government and the operator.

At the time of this Report the Authority has not submitted any annual financial statements for my review and audit. Consequently, I was unable to determine the status and existence of this entity.

5.12.5.3 Kei Beseu Kampani Ltd

The Manus Provincial Government holds 522 shares as a single majority shareholder, representing thirty four percent (34%), while various landowner groups share the balance of sixty six percent (66%) of the shares in this entity. At the time of preparation of this Report the company has not submitted its annual financial statements for the past ten (10) years up to 31 December, 2020 for my review and field audit. Consequently, I was unable to determine the existence and status of this entity.

5.12.5.4 Lorengau Hotel Ltd

I have reported previously that, the Lorengau Hotel Ltd was incorporated in October 1974 with the Manus Provincial Government having a share of 50% to 80% and the remaining balance of shares being shared between the Kei Beseu Kampani Ltd and the LLGs. At the time of this Report the company has not submitted its annual financial statements for the past ten (10) years up to 31 December, 2020 for my review and subsequent field audit.

5.13 MILNE BAY PROVINCE

5.13.1 Introduction

The Milne Bay Provincial Government, Alotau Urban LLG and Milne Bay PHA are agencies in Milne Bay Province which the AGO has consistently been auditing their books of accounts with or without the financial statements. Other government agencies including the LLGs and Business Arms established by any of these agencies could not be audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from these agencies.

5.13.2 Milne Bay Provincial Government

The Provincial Government had submitted its annual financial statements for the fiscal years of 2016 and 2017. The fieldwork associated with audits of the 2016 and 2017 accounts were completed and the management letters and audit opinions issued respectively. The audit of the 2018 accounts will be undertaken in the 2021/2022 audit cycle.

5.13.2.1 Audited Financial Statements – 2016 and 2017

My reports to the Ministers concern and other relevant bodies under the *Organic Law* and *Audit Act* on the Milne Bay Provincial Government's financial statements for the 2016 and 2017 fiscal years were compiled and issued in the months of September and November, 2020 respectively. The reports for both years were Disclaimer Audit Opinions hence, only the 2017 report is summarized below:

“Basis for Disclaimer Audit Opinion

Fund and Cash Balances

I am unable to confirm the accuracy of the fund and cash balances totalling K14,724,591 reported in the financial statement due to the following issues:

- a) Because of a Disclaimer Audit Opinion issued in respect of the 2016 accounts and because of limitations on the scope of my audit on the opening fund balance, I was not provided sufficient and appropriate audit evidence to satisfy myself that the financial statement gives a true and fair view of the financial position and cash flow of Milne Bay Provincial Government Accounts as at 31 December, 2017;
- b) A significant volume of reconciling items of revenue and expenditure identified through the monthly bank reconciliation remained uncleared as at 31 December, 2017 due to prolong delays in applying the appropriate accounting treatment to clear from the bank reconciliations and where required updated to the related cash books and therefore the total

fund and cash balances reported in the financial statement are materially misstated by these uncleared reconciling items; and

- c) The investment amount of K3,000,000 reported in the financial statement relates to an IBD Account held with Westpac Bank. However according to my 2016 Report, the existence of another IBD (Account # 6004455176) also held with Westpac Bank PNG with a net value of K552,053.23 as at 31 December, 2016 is not reported in this statement. Further, the Provincial Government continued to omit the disclosure of long-term share investments held in Milne Bay Properties Limited and MIBA Microfinance Fund Ltd and as such I was unable to confirm the total value of shares held by the Milne Bay Provincial Government on those companies as at 31 December, 2017.

Receipts and Expenditure

Statement 'K' reflected a total expenditure of K109,341,981 against Statement 'J' total revenue of K102,876,267 revealing an excess expenditure over revenue by K6,465,714. However, due to errors and omissions noted in the ledger accounts and cash books, I am unable to confirm the completeness of the total revenue and expenditure balances reported in the financial statement.

Assets Management

My examination of the records including the registers and a review of the internal controls over the management of assets revealed that the management has not implemented good asset practices or maintained proper records and therefore I was unable to confirm the total assets value of K25,363,926 reported as at 31 December, 2017.

Advances Management

My examination of the advance register and review of the internal controls over the management of advances revealed discrepancies in the maintenance of the advance register which was not updated regularly, incompleteness in recording detail particulars of advances paid, failure to comply with acquittal processes and ignorance to impose penalties on advance defaulters. Consequently, I was unable to verify and confirm the accuracy of the total outstanding advances of K1,307,319 reported in the Financial Statement.

Significant Control Weaknesses

There were significant control weaknesses identified in the Milne Bay Provincial Government records and processes as follows:

- a) Nine (09) payment vouchers relating to payments made during the year totalling K304,414.08 were noted missing and as such, I was not able to verify and confirm the authenticity of each of these payments;

- b) The Milne Bay Provincial Government's commitment to subsidizing school fees for the year resulted in a total expenditure of K5,603,150. However, no evidence was sighted to suggest that an Administrative Policy/Guideline existed to manage payments made in this regard and therefore I was unable to assess the accountability aspect of the school fees subsidies payments for the year under review;
- c) Department of Finance TMS 55 Report on Public Servants Staffing Grants pertaining to the expenditure of salaries and allowances for public servants for the year under review was K70,796,000 against a revised appropriation of K69,583,000 noting an overrun in the salaries expenditure by K1,213,000, however I was not provided any explanation for the overrun of the salaries and wages appropriation for the year under review; and
- d) A total expenditure of K3,281,171 was incurred on the salaries and wages and allowances process through PGAS payroll system administered by the Provincial Government (703 Series) as against budgeted estimates of K5,315,700. Analysis of expenditures ascertained that the total of K258,001.11 relates to cheques payment made direct to the officers rather than through the Provincial Government PGAS Payroll System. Salaries and wages payments using the normal expenditure process defeat's the purposes of the PGAS payroll system and also exposes high risk to the occurrence of irregular activities.

Disclaimer Opinion

Because of the significant of the matters described above, I was not able to obtain sufficient appropriate audit evidence and consequently I am unable to express an opinion on the financial statement of Milne Bay Provincial Government accounts for the fiscal year ended 31 December, 2017.

Other Matters

In accordance with the *Audit Act*, I have duty to report on significant matters arising out of the financial statement, to which the report relates. The following are matters of significance:

- a) Milne Bay Provincial Government did not maintain proper accounts and records and for the year under review and therefore has consequently breached Section 68(1) of the *Public Finances (Management) Act, 1995*; and
- b) The receipts and payments and investment of moneys and the acquisition and disposal of assets during the period covered by the financial statements have not been in accordance with the *Public Finances (Management) Act, 1995* and *Organic Law on Provincial Government and Local Level Governments.*"

5.13.2.2 Management Response

The Milne Bay Provincial Government Management has not responded to my Audit Management Letter queries for these financial years and therefore, I was not assured of any improvement, corrections and adjustments undertaken by Management at the time of preparing this Report.

5.13.2.3 Status of Financial Statements

The Milne Bay Provincial Government had submitted its financial statements for the year ended 31 December, 2018 for my inspection and audit. Arrangements are being made to commence the audit as soon as possible

At the time of preparing this Report, financial statements for years ended 31 December 2019, 2020 and 2021 had not been submitted for my inspection and audit.

5.13.3 Alotau Urban Local-level Government

The Alotau Urban LLG submitted its financial statements for the fiscal years from 2015 to 2020 fiscal years, the field work associated with the audit of the 2015 and 2016 accounts had been completed with management letter and audit opinion for 2015 only had been issued while the 2016 Management Letter has been drafted but not yet issued as at the time of preparing this Report.

Because of critical resource constraints and budget shortfalls the audits of the 2017, 2018, 2019, 2020 and 2021 financial statements are brought forwarded for audit in the 2021/2022 audit cycle.

5.13.3.1 Comments on Financial Statement – 2015

My audit report on the 2015 accounts to the Minister concerned and other relevant agencies under the *Audit Act* was issued in September, 2020. The report contained a Qualified Audit Opinion and is summarized below:

“Basis for Qualified Audit Opinion

Share Investments

Dividends received in 2018 by Alotau Urban Local-Level Government from share investments of 2400 Ordinary Shares held in Newcrest Mining Limited (previously known as Lihir Gold Mine) and 245 Ordinary Shares held in Oil Search Limited confirmed that Alotau Urban LLG held share investments in these companies however are not disclosed in the financial statement.

Debtors & Receivables

Appendix 2 reported a 'nil' balance on debtors and receivables. My examination of the books of accounts revealed that Alotau Urban Local Level Government did maintain a debtor's ledger with a balance of K745,429 as at 31 December, 2015.

Significant Control Weaknesses

There were significant control weaknesses identified in the Alotau Urban Local Level Government records and processes, as follows:

- a) Accounting records such as Claims Register, FF3 & FF4 Registers, Verbal & Written Quotation Registers, Contracts Awarded and Certificate of Inexpediency issued were not maintained;
- b) Payments lacking adequate supporting documents is an ongoing audit where claims approved for payment lacked the relevant supporting attachment to justify the validity of goods and services paid for; and
- c) Payments totalling K45,139 were paid as financial assistance mainly to churches, schools and sporting organizations. However, there is no policy or guideline in place to provide the directions in determining the legitimacy payments made in this regard.

Qualified Audit Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statement of the Alotau Urban Local Level Government for the year ended 31 December, 2015:

- a) give a true and fair view of the financial position and the results of its operations for the year than ended; and
- b) with the exception of non-compliance issues the financial statement has been prepared in accordance with the *Public Finances (Management) Act, 1995* and generally accepted accounting practice.”

5.13.3.2 Management Response

The audit results of the financial statement and the accounts and records for the year ended 31 December, 2015 had been communicated by way of a Management Letter to the Alotau Urban LLG Management with recommendations for improvements. The Management responded accordingly to each of my queries outlined in the management letter and overall accepted and took note of the issues raised for improvement in the coming years.

5.13.4 Milne Bay Provincial Health Authority

The Milne Bay PHA had submitted its financial statements for the 2015, 2016, 2017, 2018 and 2019 fiscal years. The fieldwork associated with the audit of these financial years have been completed. The paragraphs below provide the status for each of these audits.

5.13.4.1 Comments on Financial Statement – 2016

My report on the audit of the 2016 financial statement and related books of accounts was issued to the Minister concern and other relevant bodies under the *Organic Law* and *Audit Act* on 25 May, 2020. The report contained a Disclaimer Audit Opinion and issues highlighted in the management letters and audit reports has been compiled and presented as an Individual Report to Parliament. This report is now available on the AGO website (www.ago.gov.pg).

5.13.4.2 Comments on Financial Statement – 2015 and 2017

My reports to the Ministers concerned and other relevant bodies under the *Provincial Health Authority Act 2007*, *PFMA* and *Audit Act* for the two years were issued on 10 December, 2018 and 25 August, 2020 respectively. The reports contained similar Disclaimer Opinions. Only the 2017 audit report is reproduced below:

“Basis for Disclaimer Audit Opinion

Fund & Cash Balances

Because of limitations of audit scope on the opening fund balance of K242,596 brought forward from the 2016 fiscal year which is affected by inherited errors from prior years financial operations as well as significant errors noted with the current year’s books of accounts, no evidence was sighted to suggest that the prior year’s cash and fund balances had been adjusted to the current year’s books of accounts. Consequently, I am unable to confirm the accuracy of the fund and cash balances reported in the financial statement as at 31 December, 2017.

Prior Years Outstanding Issues

In reference to my 2016 Management Report to the management, a variance of K26,618,808 was noted on the Consolidated Opening Fund Balance reported in the 2015 Financial Statement as K30,011,607 and K3,392,799 in the 2016 Financial Statement, however no explanation was provided by the management and also no evidence was sighted in the current year’s books of accounts to confirm whether any adjustment was done during the year to correct and update the current year’s fund balance.

Fixed Assets

MBPHA since becoming an Authority in the year 2012 has not established a consolidated asset register to incorporate assets categories transferred from Alotau Provincial Hospital with those from Milne Bay Provincial Government, Districts Health Centers and Local Level Government Health Centers. Recurring issues associate with assets management include, non-existence of an assets policy guideline, inconsistency in recording assets purchases, non-disclosure of purchase values and failure to conduct periodic stock-take. Consequently, I am unable to confirm the accuracy of the total assets value of K4,115,310 reported in *Schedule 4* of the financial statement.

Liabilities

The amount of K887,488 reported under *Schedule 5* of the Financial Statement relates to tax liabilities not remitted to IRC of (K153,837) plus other liabilities totalling K1,041,325 however, related source documents were not provided for examination and as such I am unable to verify and confirm the total amount of liabilities disclosed in *Schedule 5*.

Advances

The lack of strict management controls over advances as mention in my previous year's audit reports continued during the year under review where related records including, advance register, acquittal files and reminder notices file were not properly maintained. The Schedule of Advances was not disclosed in the financial statement and therefore I am unable to confirm the total value of outstanding advances as at 31 December, 2017.

Significant Control Weaknesses

My review of the books of accounts and records revealed that there were significant control weaknesses and I include herewith:

- a) **Cash Books/Bank Reconciliations:** Cash Books were not adequately maintained and therefore incomplete in providing accurate information on transactions that occurred during the year. Furthermore, the application of proper accounting processes to update the cash books and ledger accounts was not applied consistently resulting to material misstatement of the overdrawn consolidated reconciled cash balance of (K4,332,268) reported in the financial statement. Consequently, I was not able to confirm and verify the completeness of the cash books, ledger accounts and bank reconciliation balances as at 31 December, 2017.
- b) **Salaries and Wages Management:** No proper payroll system existed for processing of salaries and wages paid outside of the Alesco Payroll System, instead lump-sum cheques were drawn to the Paying Officer who cashed the cheques to enable cash payments. I also noted outstanding salary & wages taxes of K153,837 and business income payment tax of

K153,837 and K49,450 as at 31 December, 2017, however only the salaries and wages tax liability is being reported in the *Schedule 5* of the financial statement whereas the business income tax amounting to K49,450 is not reported.

- c) **Housing Allowance paid outside Alesco Payroll System:** Payments totalling K954,642 relates to accommodation rentals for medical staffs mostly, Doctors, HEOs and Specialist. I noted that no policy existed over this area of expenditure and as such I was not able to determine and verify the genuineness of payments made in this regard during the year.
- d) **Cash Transactions:** Expenditure transactions numbering to one hundred eighty- two (182) and totalling K201,868 were drawn as cash. Payments in this regard were mostly for reimbursements of the petty cash float, casual wages, overtime and cash advances. I observed that records pertaining to advances paid were not properly maintained and as such I was unable to confirm whether payments made in this regard were properly acquitted.

Disclaimer of Audit Opinion

Because of the significance of the matters described above, I am not able to obtain sufficient appropriate audit evidence and consequently I do not express any opinion on the Financial Statement of Milne Bay Provincial Health Authority for the year ended 31 December, 2017.

Other Matters

In accordance with the *Audit Act, 1989 (as amended)* I have duty to report on significant matters arising out of the financial statement, to which the report relates. The paragraph below is a matter of significance.

Section 62(1) of the Public Finances (Management) Act, 1995 requires all public bodies to keep proper accounts and records of its transactions and affairs, and to develop adequate controls over the assets and liabilities. Milne Bay Provincial Health Authority did not maintain proper books of accounts and records and consequently breached *Section 62(1) of the Public Finances (Management) Act, 1995.*”

5.13.4.2 Management Response

The results of the audit of the financial statements and the accounts and records for the years ended 31 December, 2016 and 2017 respectively were communicated by way of Management Letters to the Chief Executive Officer together with my recommendations for improvements. The PHA’s response indicated acknowledgement and acceptance of the issues raised and advised my Office on measures being taken or proposed to be taken for improvement.

5.13.4.3 Status of Financial Statements – 2018

Milne Bay PHA had submitted its Annual Financial Statements for the year ended 31 December, 2018. The fieldwork associated with audit of the financial statements and accounts and records had been carried out and the results were being evaluated at the time of preparation of this Report.

The Financial Statements pertaining to the 2019, 2020 and 2021 fiscal years have not been submitted for my inspection and audit.

5.13.5 Business Arms

Relevant Section 16(2) (f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial and LLG Business Arms and other establishments.

I am aware of two business arms of the Milne Bay Provincial Government namely, Milne Bay Properties Ltd and MIBA Microfinance Limited. At the time of preparing this Report the business arms had not submitted any financial statements for my inspection and audit. Consequently, I am unable to comment on the operations and financial results of these entities.

5.14 MOROBE PROVINCE

5.14.1 Introduction

The Morobe Provincial Government, Lae Urban LLG and Morobe PHA formerly, Angau Memorial General Hospital are required under my audit mandate to be audited every year, whether financial statements are furnished to my office or not by the entity. Other LLG and the Business Arms of the Provincial Government could not be audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective entities and governments.

5.14.2 Morobe Provincial Government

The Morobe Provincial Government has submitted its unsigned annual financial statements for the fiscal year ended 31 December 2016 and 2017 for my review and field audit. Field work associated with examination of the accounts and records has been completed with both Management Letters issued to management.

A Disclaimer Audit Opinion on the financial statements for the year ended 31 December, 2016 was issued to the Minister concerned and other relevant bodies. Details of issues identified with the financial statements and the control environment for the year ended 31 December, 2016 are stated under the paragraphs below.

5.14.2.1 Comments on Financial Statements – 2016

My report to the Ministers concerned and other relevant bodies under the *Organic Law* and the *Audit Act* was issued in November, 2020. The report was a Disclaimer of Opinion as reproduced below:

“Basis for Disclaimer Opinion

Presentation of Financial Statements

Finance Instruction 4/2000 issued under *Section 117* of the *Public Finances (Management) Act 1995* state the prescribed format for the preparation and presentation of the Financial Statements for Provincial and Local Level Governments. The Financial Statement of Morobe Provincial Government for the year ended 31 December, 2016 was not signed by the Provincial Administrator and the Provincial Treasurer in Statement ‘A’ as required to indicate the completeness and reliability of the financial statements.

Further, the financial statements of the MPG for the year ended 31 December 2016 are misleading as a result of errors in the presentation of the statements. Namely, amounts in Statements ‘A’, ‘C’ and ‘D’ to ‘I’, Notes ‘3’, ‘4’ and ‘6’ to ‘17’ of the notes to and forming

part of the financial statements and Appendices 1 to 3 were incorrectly presented in amounts of ‘thousands’ (‘000’) instead of the original amounts.

Consequently, the financial statements as presented reflect inaccurate figures due to this presentation error. Similar issue was reported in the 2015 audit report; however, the same presentation error is repeated in this report.

Opening Balances

Because of the Disclaimer Opinion issued in respect of the year ended 31 December, 2015 and because of other limitations on the scope of my audit as noted below, I was not able to satisfy myself as to the completeness and accuracy of the opening bank balances. Since these opening balances would affect the determination of the financial position and the cash flows of the MPG in the current year, I was unable to determine whether adjustments to the respective Cashbooks and ledger accounts, have been done for the year ended 31 December, 2016.

Fund and Cash balances

Statement ‘A’ reflected a total fund balance of K9,408,592 represented by a total cash balance of the same. However, I am unable to confirm the accuracy of these funds and cash balances due to the following issues:

- a) Significant reconciling items identified in the bank reconciliation statements of the operating, grant and provincial works trust accounts had not been adjusted in the respective cashbooks. This affected the balances and the subsequent total fund balance at year end. I was not provided explanations and documentary evidence of adjustments made if any. Consequently, I was unable to confirm the completeness and accuracy of the year-end Fund and Cash balances disclosed in the Statement ‘A’; and
- b) Trust Accounts with bank accounts operated through the Provincial Government Accounting Systems (PGAS) had their balances reported in Statement ‘C’ whilst those operated outside the PGAS had not been included. I noted two (2) trust accounts namely, Morobe Provincial Sports Council and Morobe Provincial Disaster and Emergency Trust Accounts with bank accounts that received funds totalling K586,727 in 2016 from the Provincial Government were not disclosed in Statements ‘C’ and ‘A’. Sufficient documentation and necessary explanations were not provided for the non-disclosure. Consequently, I am unable to verify the accuracy of the trust fund balances reported as at year end.

Receipts and Payments

Significant Reconciling items relating to revenue and expenditure identified in the bank reconciliation statements had not been adjusted in the cash books and posted to the respective revenue and expenditure ledgers and disclosed in Statements ‘B’, ‘J’ and ‘K’. Consequently, I

am unable to verify the completeness and accuracy of the receipts of K125,543,823 and payments of K124,250,349 with the subsequent surplus of K1,293,473 shown in Statement 'B' and the related Statements 'J' and 'K'.

Investments

The MPG has not reported any investments in Statements 'E' and 'F'. However, the Provincial Government has Business Arms, namely Kungie Holdings and Morobe Sustainable Investment as reported in my report for 2014.

A sum of K1,000,000 was paid to Kungie Holdings in 2013 for establishment of MPG Umbrella Company. Morobe Sustainable Investment was paid K900,000 in 2014 and another K423,500 in 2016. I noted a further K1,130,000 being paid to Morobe Fisheries Management in 2016.

Share Certificates, Trust Deeds, Investment Registers, Company Certificates and profiles were not maintained to record details of investments held by the Provincial Government. I was unable to ascertain the value of investments held by the Provincial Government at the time of audit in 2018.

Outstanding Commitments & Arrears

Appendix 1 to financial statement show commitment of K124,951,005 and total de-commitments (actual payments) of K124,250,349 resulting in net outstanding commitments of K700,656 at year end. However, I have noted, K44,809,319 in outstanding bills claim dating back several years prior to the time of audit in 2018. I was not provided an explanation for these outstanding commitments and in the absence of a commitment register, I was unable to verify the completeness and accuracy of the outstanding commitments and arrears reported for the year ended 31 December, 2016.

Debtors

Appendix 2 showed nil debtors and receivables as at 31 December 2016. However, according to note 13 to the accounts, total debtors and receivable carried forward from 2015 amounted to K97,160. Further, debtor's ledgers were not maintained during the year to record debtors and receivables for the Provincial Government. Consequently, I am unable to verify total debts owed to the Provincial Government at year end.

Assets

The Appendix 4 showed nil assets as at 31 December 2016 whilst note 15 of the notes to and forming part of the financial statements showed a total of K6,440,147 which was a carry forward figure from the 2015 resulting in significant variances and inconsistencies. Furthermore, good asset management was not practiced and in the absence of a complete assets

register and annual stock-takes, I am unable to confirm the existence, completeness, condition and value of all assets owned by the MPG as at 31 December, 2016. Various categories of assets worth K1,588,902 were purchased during the year under review.

Losses and Deficiencies

Appendix 5 showed nil Losses and Deficiencies during the year. However, I noted that instances of transactions relating to losses and deficiencies were not categorized and accounted for to reflect the reality within the Provincial Government operation. A total of K268,677 in under banking and K23,842 being for replacement of misplaced cheques were not categorized as a loss and registered in the Losses and Deficiencies register. I was not provided necessary documentation and explanation for the non-disclosure. Consequently, I was unable to confirm the completeness and accuracy of the Losses and Deficiencies as at year end.

Advances

Appendix 6 showed total unacquitted advances of K3,403,109 as at 31 December 2016 whilst note 17 of the notes to and forming part of the accounts showed a total amount of K4,794,642 resulting in significant variance. As reported in my 2015 report, both disclosures were mere carry forward balances from prior years without any movement during the year. Further, in the absence of proper records such as advance register, acquittal files, reminder notices and evidence of recovery actions taken against defaulters, I was unable to confirm the accuracy and completeness of the total unacquitted advances as at year end.

Other significant issues

Non-maintenance of proper records such as CFC file, rental agreements and debtors register has been noted. There was no segregation of duties, the key element of control was lacking. No proper customer database with an effective billing system in the revenue section resulting in under collection of some internal revenue.

Proper procurement procedures as per the Public Finance (Management) Act, were not observed, in which significant payments to travel agent, has no documentation or supporting documents on how the money was spent.

Disclaimer of Audit Opinion

In my opinion, because of the significance of the matters described above, I was not able to obtain sufficient appropriate audit evidence and accordingly I am unable to express an opinion on the financial statements of Morobe Provincial Government for the year ended 31 December, 2016.”

5.14.2.2 Management Response

The above audit observations had been communicated to the Provincial Administrator and the management by way of a management letter together with recommendations for improvement. I had however, not received a response to the management letter at the time of preparing this Report.

5.14.2.3 Status of Financial Statements

At the time of preparing this Report the Morobe Provincial Government had submitted its financial statements for the years ending 31 December, 2017 and 2018 for my inspection and audit. Fieldwork associated with examination of the financial statements and the audit of the accounts and records for the respective financial years had been completed with a Management Letter for 2017 issued in April 2021. Management responses however, had not been received. Management Letter for 2018 accounts has been drafted and is undergoing quality control review to be issued to the management of Morobe Provincial Government shortly.

The Morobe Provincial Government has not submitted to my Office its annual financial statements for the years ended 31 December 2019, 2020 and 2021 for my inspection and audit.

5.14.1 Lae Urban Local-level Government

5.14.3.1 Status of Financial Statements

The Lae Urban LLG did not submit to my Office, its annual financial statements for the years ended 31 December 2016 to 2021. I have not done any audits on the internal controls for these years, due to the Lae Urban LLG moving from one office to another in the last three years. Consequently, I was unable to comment on the financial status and the management of the funds for Lae Urban LLG.

5.14.2 Morobe Provincial Health Authority

The Morobe PHA (formerly Angau Memorial General Hospital) became fully functional with Board on the 20 June, 2019 under the *Provincial Health Authorities Act 2007* and in partnership with the Morobe Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit of the financial statements for the years ended 31 December, 2016 to 2019 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2020 will be reported under the *Provincial Health Authorities Act 2007*.

Angau Memorial General Hospital had submitted its financial statements for the years ended 31 December 2016 and 2017. Fieldwork associated with audit of the accounts and records and

the examination of the financial statements for both years were completed with the Management Letters issued to the management and audit opinions issued to the Minister concerned and other relevant bodies.

An unqualified opinion has been issued for both the 2016 and 2017 financial statement audits. The audit opinion report for the 2017 financial statements is reproduced below.

5.14.2.1 Comments on Financial Statements – 2017

My report to the Minister concerned and other relevant bodies under the *Public Hospitals Act 1994* and the *Audit Act* on the financial statements of the Angau Memorial General Hospital for the year ended 31 December 2016 was issued in January 2022. The report was an unqualified audit opinion is reproduced as follows:

“Audit Opinion

In my opinion the financial statements of Angau Memorial General Hospital for the year ended 31 December, 2017:

- a) give a true and fair view of the financial position and the results of its operations for the year then ended; and
- b) with the exception of instances of non-compliance described under Other Matters, the financial statements have been prepared in accordance with the Finance Instructions issued under the Public Finances (Management) Act, 1995 (as amended).

Other Matters

In accordance with the Audit Act, 1989 I have duty to report on significant matters arising out of the financial statements, to which the report relates. The following are matters of significance:

- The Chief Executive Officer of the Hospital being the chief accountable officer is required by the Trust Instrument to furnish monthly statements and summaries of the account to the First Assistant Secretary, Public Accounts, Department of Treasury and Corporate Affairs every June for the following year. This requirement has not been complied with by the Chief Executive Officer of the Hospital; and
- Part 20, Paragraph 5 and 14 of the Financial Management Manual stipulates the procedures and guidelines for the effective management of Advances by State entities. The hospital management has not complied with this requirement.”

5.14.2.2 Management Response

The Management of Morobe PHA has responded to my audit Management Letter queries for both the 2016 and 2017 financial year audits. I have taken note of the corrections, improvements, and adjustments made by the Angau Memorial General Hospital Management to rectify the issues I have highlighted in my management letter, prior to issuing the audit report for both 2016 and 2017.

5.14.2.3 Status of Financial Statement

The Morobe PHA had submitted its draft financial statements for the years ended 31 December 2018 and 2019 for my review and audit. Fieldwork associated with audit of the accounts and records and the examination of the financial statements was completed and the results were being evaluated at the time of preparing this Report.

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

5.14.3 Business Arms

Section 16(2) (f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial and LLG Business Arms and other establishments.

I am aware of two business arms of the Morobe Provincial Government namely, Morobe Sustainable Development and Morobe Fisheries Management. I have also reported in my prior Reports the substantial amounts of money being paid to these business arms. At the time of preparing this Report the business arms have not submitted any annual financial statements for my review and audit. Consequently, I am unable to comment on the status and existence of these entities.

5.15 NEW IRELAND PROVINCE

5.15.1 Introduction

The New Ireland Provincial Government, New Ireland PHA and Kavieng Urban LLG are audited every year, with or without financial statements. Other Rural LLGs and Business Arms of the Provincial Government could not be fully audited due to critical resource constraints and budget shortfalls faced by my Office.

5.15.2 New Ireland Provincial Government

5.15.2.1 Status of Financial Statements

The New Ireland Provincial Government had submitted its financial statements for the financial years ending 31 December, 2016, 2017, 2018 whilst the financial statements for 2019, 2020 and 2021 were awaited at the time of preparation of this Report.

Examination of the internal control environment and the accounts and records for the year ended 31 December, 2016 had been completed and the results reported in my 2016 Part 3 Report in September, 2017 prior to the receipt of the financial statements in May 2019.

Review of the financial statements for 2016 and the fieldwork associated with the examination of financial statements and audit of the accounts and records for the years 2017 and 2018 and the examination of the internal control environment for 2019 and 2020 had been completed and the results are being evaluated at the time of preparation of this Report.

5.15.3 Kavieng Urban Local-level Government

5.15.3.1 Status of Financial Statements

At the time of preparation of this Report the Kavieng Urban LLG had not submitted its annual financial statements for the years ended 31 December, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 for my inspection and audit.

5.15.4 New Ireland Provincial Health Authority

The New Ireland PHA (formerly Kavieng General Hospital) became fully functional with Board on the 14 September, 2016 under the *Provincial Health Authorities Act 2007* and in partnership with the New Ireland Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit of the financial statements for the years ended 31 December, 2013 to 2016 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2017 will be reported under the *Provincial Health Authorities Act 2007*.

5.15.4.1 Status of Financial Statements

The New Ireland PHA had submitted its financial statements for the years ended 31 December, 2013 and 2014 in May 2018 whilst the financial statements for the years 2015, 2016, 2017, 2018, 2019, 2020 and 2021 were awaited at the time of preparation of this Report.

Examination of the internal control environment and the audit of the accounts and records for 2013 and 2014 financial years had been completed and the results reported in my 2016 Part 3 Report in September, 2017 prior to the receipt of the financial statements in May 2018.

Review of the financial statements for 2013 and 2014 and the examination of the internal control environment for 2015, 2016, 2017, 2018, 2019, 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.15.5 Business Arms

Section 16(2)(f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Business Arms and other establishments of the Provincial Governments and LLGs.

As reported in my previous reports, the New Ireland Provincial Government had investments in the New Ireland Development Corporation Ltd. The entity however, had not been submitting its annual financial statements since 2007. As such, I was not able to confirm if the entity was still operationally active at the time of preparation of this Report.

5.16 ORO PROVINCE

5.16.1 Introduction

The Oro Provincial Government, Popondetta Urban LLG and Oro PHA are audited annually with or without the financial statements. Other LLGs and the Business Arms of the Provincial Government could not be fully audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective entities.

5.16.2 Oro Provincial Government

As reported in my 2016 Part 3 Report, the Oro Provincial Government had submitted its financial statements for the financial years ended 31 December, 2013, 2014 and 2015 well after the audit of the control environment were completed and the results reported in my previous Part 3 Reports.

5.16.2.1 Status of Financial Statements

At the time of preparation of this Report the Oro Provincial Government had also submitted its financial statements for the years ended 31 December, 2016 and 2017 for my inspection and audit whilst financial statements for the years ended 31 December, 2018, 2019, 2020 and 2021 were awaited.

The examination of the financial statements for the years ended 31 December, 2013, 2014 and 2015 and the fieldwork associated with the examination of the financial statements and audit of the accounts and records for 2016 and 2017 and the audit of the internal control environment for the years 2018, 2019, 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office as well as lack of coordination and appropriate communication by the Provincial Administration.

5.16.3 Popondetta Urban Local-level Government

5.16.3.1 Status of Financial Statements

The Popondetta Urban LLG had submitted its financial statements for the financial years ended 31 December 2013, 2014, 2015 and 2016 while the financial statements for 2017, 2018, 2019, 2020 and 2021 were awaited at the time of preparing this Report. Fieldwork associated with examination of the financial statements and the audit of the accounts and records for 2013 to 2016 financial years and the audit of the internal control environment for 2017, 2018, 2019, 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.16.4 Oro Provincial Health Authority

The Oro PHA (formerly Popondetta General Hospital) became fully functional with Board on the 14 December, 2018. As such, the results of the audit for the years ended 31 December, 2013, 2014, 2015, 2016, 2017 and 2018 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2019 will be reported under the *Provincial Health Authorities Act 2007*.

5.16.4.1 Status of Financial Statements

The Oro PHA had submitted its financial statements for the financial years ended 31 December, 2013, 2014, 2015, 2016 and 2017 whilst the financial statements for 2018, 2019, 2020 and 2021 were awaited at the time of preparing this Report. Fieldwork associated with examination of the financial statements and the audit of the accounts and records for 2013 to 2017 financial years had been completed, the results evaluated and the draft Management Letters are being reviewed at the time of preparing this Report. The audit of the internal control environment for 2018, 2019, 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.16.5 Business Arms

Section 16(2)(f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial and LLG Business Arms and other establishments.

As reported in my previous year reports, the Oro Provincial Government had investments in a number of entities including Oro Fisheries Authority, Ambogo Saw Mill and Higaturu Motors. However, none of these entities had submitted their financial statements since their inceptions and I was not able to confirm if the entities were still operationally active at the time of preparing this Report.

5.17 SANDAUN PROVINCE

5.17.1 Introduction

The Sandaun Provincial Government, Vanimo Urban LLG and Vanimo General Hospital (West Sepik PHA) are audited every year, with or without financial statements. Other Rural LLGs and the Business Arms of the Provincial Government could not be fully audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective entities.

5.17.2 Sandaun Provincial Government

5.17.2.1 Status of Financial Statements

At the time of preparing this Report the Sandaun Provincial Government had submitted its financial statements for the financial years ending 31 December, 2016, 2017, 2018, 2019 and 2020 for my inspection and audit whilst the financial statements for 2021 was awaited.

The arrangements for the fieldwork associated with examination of the financial statements and the audit of the accounts and records for these years and the audit of the internal control environment for 2021 are being made to commence the audits shortly.

5.17.3. Vanimo Urban Local-level Government

5.17.3.1 Status of Financial Statements

The Vanimo Urban LLG had not submitted its financial statements for the financial years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 for my inspection and audit at the time of preparing this Report.

5.17.4 West Sepik Provincial Health Authority

The West Sepik PHA became fully functional with Board on the 10 June, 2014. As such, the results of the audit of the financial statements for the year ended 31 December, 2016 and the subsequent years will be reported under the *Provincial Health Authorities Act 2007*.

5.17.4.1 Status of Financial Statements

At the time of preparing this Report the West Sepik PHA had submitted its financial statements for the year ended 31 December, 2016 for my inspection and audit whilst the financial statements for the financial years ended 31 December, 2017, 2018, 2019, 2020 and 2021 were awaited. Field work associated with examination of the financial statements and the audit of

the accounts and records for 2017, 2018, 2019, 2020 and 2021 will be undertaken upon receipt of the financial statements.

5.17.5 Business Arms

Section 16(2)(f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial and LLG Business Arms and other establishments. The Sandaun Provincial Government has a business arm as reported below.

5.17.5A West Sepik Investments Limited

The West Sepik Investments Limited was established by the Sandaun Provincial Government under the *Companies Act 1997* on 25 October 2012 and commenced operations on 7 January 2013 with the principle functions of providing consultation and management services for the purposes of raising additional internal revenue for the Sandaun Provincial Government.

The West Sepik Investments Limited had submitted its financial statements for the first three years of operation for the years ended 31 December, 2013 to 2015 for my inspection and audit. Fieldwork associated with examination of the financial statements and the audit of the accounts and records of the respective financial years had been completed with Management Letters and Qualified Audit Opinion Reports issued for all three years to the Minister concerned.

5.17.5A.1 Comments of Financial Statements – 2015

My report to the Minister concerned and other relevant bodies under the *Companies Act 1997* and the *Audit Act* on the West Sepik Investments Limited's financial statements for the years ended 31 December, 2013, 2014 and 2015 were issued on 16 November, 2020. The reports contained similar Qualified Audit Opinions hence, only the 2015 report is reproduced as follows:

“Basis for Qualified Audit Opinion

1. Financial Statements

Cash at Bank Balance

The cash at bank balance was disclosed in the Balance Sheet as K321,137. However, I was unable to place reliance on the effectiveness of the prudent cash management practices in the absence of the bank reconciliation statements and petty cash records. Consequently, I am unable to verify the accuracy and completeness of this balance as at yearend.

Cash Flow Statement

There were errors and omissions in the disclosure and presentation of the Cash Flow Statement resulting in net cash and cash equivalent at the end of the period not agreeing to the cash at bank balance. Consequently, I was unable to verify the accuracy and completeness of the disclosures and the presentation.

2. Accounts and Records

I have noted significant control weaknesses in the *West Sepik Investment Limited's* records and processes as stated below:

- Source documents such as the receipt books, deposit butts, paid vouchers and cheque butts etc. pertaining to the transactions effected during the year under review had not been adequately maintained;
- Supporting documents authenticating the journal entries passed not maintained nor provided for my review;
- Cheques for duty travel expenses in respect of accommodation, airfares and vehicle hires were not paid direct to the respective suppliers instead were cashed and paid cash thus, posing a high risk of cash being misused; and
- Employee files and contract documents for staff were not adequately maintained. Furthermore, the executive management were paid motor vehicle and housing allowances despite being provided accommodation and motor vehicles, thus double dipping from the company.

Qualified Opinion

In my opinion, except for the effects of the matters referred to in the Basis for Qualification paragraphs above, the financial statement of *West Sepik Investments Limited* for the year ended 31 December, 2015:

- (a) give a true and fair view of the financial position and the results of its operations and cash flows for the year then ended;
- (b) with the exception of instance of non-compliance described under Other Matters, the financial statement had been presented in accordance with the *Companies Act 1997*, the *International Financial Reporting Standards (IFRS)* and other *Generally Accepted Accounting Practices (GAAP)* used in Papua New Guinea; and
- (c) I have obtained all the information and explanation required.

Other Matters

In accordance with section 16 (5) of the *Audit Act, 1989 (as amended)*, I have the duty to report on significant matters arising out of the financial statement, to which the report relates. I draw attention to this issue:

- The *West Sepik Investments Limited* had not maintained proper accounting records and consequently, breached Section 188 of the *Companies Act, 1997.*”

5.17.5A.2 Management Responses

The observations on the audit of the financial statements and the accounts and records for the years ended 31 December, 2013, 2014 and 2015 had been communicated by way of management letters to the Chairman and management of West Sepik Investments Limited with recommendations for improvement. Management had responded positively to the issues raised and had indicated that improvements will be made on the issues raised commencing 2017 financial year.

5.17.5A.3 Status of Financial Statements

At the time of preparing this Report, the financial statements of West Sepik Investments Limited for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 were not submitted for my inspection and audit.

Field work associated with examination of the financial statements and the audit of the accounts and records will be conducted upon receipt of the financial statements and the results of the audit will be reported in my subsequent Part 3 Reports.

5.18 SIMBU PROVINCE

5.18.1 Introduction

The Simbu Provincial Government, Kundiawa Urban LLG and Kundiawa General Hospital are audited every year, with or without financial statements. Other LLGs and the Business Arms of the Provincial Government could not be fully audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective entities.

5.18.2. Simbu Provincial Government

The Simbu Provincial Government had submitted its financial statements for the financial years ending 31 December 2016, 2017 and 2018 for my inspection and audit. The fieldwork associated with the audit of the accounts and records and the examination of the financial statements for 2016 and 2017 had been completed and the Management Letters issued in June 2020 and February, 2021 respectively whilst the Opinion Reports were issued in November 2020 and May, 2021 respectively. Fieldwork associated with the audit of the accounts and records and the examination of the financial statements for 2018 had been completed and the results were being evaluated at the time of preparing this Report.

5.18.2.1 Comments on the Financial Statements – 2016 & 2017

My reports to the Ministers concerned and other relevant bodies under the *Organic Law and Audit Act* on the Simbu Provincial Government's financial statements for the years ended 31 December, 2016 and 2017 were issued in November 2020 and May, 2021 respectively. The reports contained similar Disclaimer Audit Opinions hence, only the 2017 report is reproduced as follows:

“Basis for Disclaimer Opinion

Financial Statements

Opening Balances

Because of the disclaimer opinion issued in respect of the year ended *31 December, 2016* and other limitations on the scope of my audit as noted below, I am unable to satisfy myself as to the completeness and accuracy of the opening balances as disclosed. Furthermore, since these opening balances would affect the determination of the financial position and the cash flows of the Simbu Provincial Government in the current year, I am unable to determine whether adjustments to the cashbooks and financial positions, might have been necessary for the year ended *31 December, 2017*.

Fund and Cash Balances

Statement 'A' reflected the Provincial Fund balance of K22,031,715 represented by the overdrawn Cash and Investment balances of (K22,031,715). However, I am unable to express an opinion on the accuracy and completeness of the cash at bank and trust account balances and consequently, on the financial position of the Simbu Provincial Government due to the following concerns:

- i) The Fund Balance of K22,031,715 is incorrectly represented by negative bank and investment balance of (K22,031,715) which is misleading. However, the Provincial Administration did not provide the necessary documentation, the required explanation or the reconciliation for the significant discrepancy. I noted that Statement 'A' is materially misstated and misleading;
- ii) Provincial Government Revenue Fund of K12,561,505 as per *Note 3* of the financial statement was a continuation of erroneous balances carried forward from prior years. I was not provided reconciliation, explanations and documentary evidence for the balance. Consequently, I was unable to verify the Revenue Fund balance of K12,561,505 for the year ended 31 *December, 2017*;
- iii) The cash book balance of the Provincial Grant account remained unchanged at K20,523,121 from 2016 is unrealistic and misleading. I was not provided reconciliation, explanations and documentary evidence for the balance. Consequently, I was unable to verify the accuracy of this balance;
- iv) The other account balance of K71,456 as shown in *Note 6.1* of the financial statement represents unreconciled amounts. However, I am unable to verify and confirm the validity and the accuracy of the account balance as it had been used as a carry forward reconciling item without proper and adequate supporting documentation from prior years including the year ended 31 *December, 2017*;
- v) The Trust Fund balance of K9,470,210 disclosed in Statements 'A' and 'C' and *Note 4* do not represent any bank account. The incorrect classification and disclosure of unrelated trust accounts significantly misstated the Trust Fund balance and hence the consolidated Provincial Fund Balance. Furthermore, the opening balance of K9,747,998 was the same balance reported in 2016 and certain payments charged have not been reversed to respective ledgers. Consequently, I am unable to place reliance on the balance disclosed; and
- vi) Significant reconciling items identified in the bank reconciliation statements of the Provincial Grant Account and Provincial Operating Account that had not been adjusted in the respective cashbooks had materially impacted the accuracy of the respective account balances and therefore, the total fund balance at yearend.

Receipts and Payments

I am unable to confirm the completeness and accuracy of the receipts and payments of K123,623,774 and K123,623,774 respectively and the resultant operating surplus/deficit of K nil balance as at *31 December, 2017* per Statement 'B' and the related Statements 'J' and 'K' due to:

- a) Significant reconciling items identified in the bank reconciliation statements of the Simbu Provincial Government Operating and Grant Accounts pertaining to revenue and expenditure that were not adjusted in the cashbook and posted to the appropriate ledgers and ultimately, disclosed in Statements 'B', 'J' and 'K' with consequential effects on the cash balances reported in Statement 'A'. Consequently, I am unable to confirm the completeness and accuracy of the reported receipts and payments; and
- b) A total of K91,884,000 for salaries and allowances was reported in Statement 'B' and the related Statements 'J' and 'K'. However, my review of the actual payroll expenditure from the FNO4 report revealed an amount of K47,968,968 resulting in a significant variance of K43,915,032. I was not provided an explanation for these variances and consequently I am not able to verify the accuracy and completeness of this disclosure in the financial statements.

Investments

Statements 'E' and 'F' did not disclose any investments held by the Provincial Government as at *31 December, 2017*. However, the Simbu Provincial Government held investments in Simbu Holdings Limited, Arabica Coffee Processing Plant and Simbu Yomba coffee factory. Records relating to investments of the Provincial Government were not made available for my examination and as such I was unable to confirm the accuracy of the nil balances disclosed in these Statements and the related Statement 'A'.

Assets

Appendix 4 to the financial statement showed a nil balance on assets for the year ended *31 December, 2017*. The nil disclosure is unrealistic and misleading in view of the extensive asset portfolios worth millions of kinas bought over the years and held in the Province however, not appropriately reported in this appendix.

Advances

Appendix 6 to the financial statement disclosed unacquitted advances totalling K3,123,050 at year end. My review revealed a complete breakdown on the internal controls over the management of advances which includes advance register not updated regularly, incompleteness in recording details of advances paid, failure to comply with acquittal processes

and imposing of penalties on advance defaulters. As a result, I was unable to verify and confirm the accuracy of the total outstanding advances reported in *Appendix 6* of the financial statement.

Outstanding Commitments and Arrears and Debtors

The *Appendices '1'* and *'2'* related to Outstanding Commitments and Arrears and Debtors and Receivables respectively and were disclosed as *nil* balances for the year. However, the respective registers and supporting documents were not provided for my review and verification and consequently I was unable to verify the accuracy and completeness of the balances stated in these respective appendices.

The Management had not responded to my audit observations relating to the disclosures in the financial statements and its presentation at the time of preparing this Report.

Significant Control Weaknesses

There were significant control weaknesses identified in the Provincial Government's accounting records and processes as follows:

Budgetary Control

Budgetary compliances were not adhered to in most cases in that there were under and over payments on some program activities. Also, there were notable instances of overcharging of expenditures to inappropriate vote items and commitments of unbudgeted expenditures were rife and uncontrollable. Also, unused funds from prior years were not fully utilized for service delivery in most cases.

Revenue Management

I noted common discrepancies in the management of internal revenue as follows:

- a) Non-maintenance of proper records such as rental agreements, memorandum of understanding, debtors register and subsidiary ledgers and registers for all internal revenue heads. Furthermore, evidence of check and balances were non-existent and segregation of duties being the key element of control was lacking; and
- b) There was no proper customer data base with effective billing system in the revenue section for the collection of revenue from major internal revenue sources such as goods and services tax (GST), housing and office rental and motor traffic registration fees etc. resulting in significant shortfalls.

Compliance with Procurement Procedures

Discrepancies with the procurement processes included:

- a) No proper appointment of financial delegates with delegated limits and no segregation of duties to examine, certify and record; and
- b) Non-maintenance of accounting records such as FF3 register, verbal & written quotation files, consolidated assets & inventories register and advances registers. Also, I noted inconsistency and incompleteness in procurement process where payments were not thoroughly examined and certified and payment vouchers lacking adequate supporting documentations in justification of claims paid.

Expenditure Accounts

My analysis of the expenditure accounts for the year under review revealed serious lack of expenditure control over certain areas including, excessive payments on private vehicle hires, excessive payment of cash advances with very poor acquittal reports, reimbursement of personal expenses without prior approval and supporting documents and non-existence of administrative policies or guideline over the payment of financial assistance. My scrutiny of the expenditure reports revealed that:

- a) Expenditures amounting to K3,016,319 were made out to “Pay Cash” where cheques were encashed for recipients to collect from the cash office without any trail of evidence. Such significant cash-cheque payments had attracted huge bank fees and charges totalling K140,000 which were deemed unnecessary cost to the Provincial Government;
- b) Financial assistance totalling K2,130,003 paid via Pay Mistress while some individuals were paid separately including organizations as well lacked proper documentations and control mechanisms;
- c) Further outstanding payments totalling K1,091,449 to individuals and organizations for various claims lacked documentary evidence and were deemed improper;
- d) A series of payments for being reimbursement of borrowed funds totalling K473,072 with 100% interest from various individuals and organizations were noted to be improper and contrary to the requirement and provisions of the *Public Finance (Management) Act 1995* as these are unacceptable conducts;
- e) Payments totalling K508,587 were made to fuel distributors for the supply of fuel during the year. I noted that the provincial government did not have an administrative direction or proper policy/guideline in place to control the use of fuel to ensure only authorized vehicles had access to refueling based on fuel docketts and logbooks;
- f) Motor vehicle hire payments totalling K394,645 made to various hire car companies and

private vehicles during the year lacked supporting documentations such as three written quotations, Car Rental Agreements and invoices etc. Furthermore, most of these payments were for outstanding invoices based on credit arrangements however, in the absence of documents relating to approved credit facilities with suppliers I was unable to verify and confirm the validity of these payments;

- g) Payments relating to accommodation totalled K352,844 were not supported with comparative written quotations and acquittals was lacking;
- h) Instances of payments totalling K203,210 being for legal services lacked adequate supporting documents in reference to authority of approval given for these engagements and evidence of services provided, consequently, I was unable to confirm the genuineness of these engagements; and
- i) Capital works and maintenance sector had various contracts totalling K5,301,888 were undertaken in 2017. However, I was not able to ascertain the legitimacy of these huge capital expenditures in the absence of the contract documents. Furthermore, I was not able to verify and confirm that the projects went through the proper tendering, screening and evaluation processes to ensure projects were awarded to legitimate contractors as the tendering procedural requirements were not fully complied with.

Staff Personal Files

My review on the management of Human Resources Division revealed that the salary history cards for most of the employees were either missing or not maintained and updated appropriately. Personal files were not systematically maintained and updated to support salary adjustments due to promotions, performance appraisals etc. Furthermore, there were instances of documents such as performance appraisals, permanent and temporary variations forms, over time forms etc. were not on file. In addition, staff personal files were not neatly filed and kept as those files can be seen scattered all over the place.

Grants & Subsidies

My review of the processes and procedures relating to the payment and administration of grants and subsidies totalling K3,321,600 for the fiscal year ended *31 December, 2017* revealed serious lapse in accountability, completeness of records maintained and inappropriate application of funds for purposes not intended for.

Disclaimer of Audit Opinion

Because of the significance of the matters described under the basis of a disclaimer opinion above, I was not able to obtain sufficient appropriate audit evidence and consequently, I am

unable to express an opinion on the financial statement of the Simbu Provincial Government for the year ended 31 December, 2017.

Other Matters

In accordance with the *Audit Act 1989*, I have duty to report on significant matters arising out of the financial statements, to which the report relates. The following are matters of significance:

- a) Simbu Provincial Government did not maintain proper accounts and records and has consequently breached Section 68(1) of the *Public Finances (Management) Act, 1995*;
- b) The receipts and payments and investment of moneys and the acquisition and disposal of assets during the year covered by the financial statements have not been in accordance with the *Public Finances (Management) Act, 1995* and *Organic Law on Provincial Government and Local Level Governments*; and
- c) The Simbu Provincial Government has not prepared and submitted its financial statements for the year ended 31 December, 2017 to the Minister and the Auditor-General within the required timeframe in contravention to Sections 114 and 119 of the *Organic Law on Provincial and Local Level Governments*.”

5.18.2.2 Management Response

The Management had not responded to my audit observations relating to the control issues at the time of preparing and issuance of the Audit Opinion Report in May, 2021.

5.18.2.3 Status of Financial Statements

The Simbu Provincial Government had not submitted its financial statements for the financial years ending 31 December, 2019, 2020 and 2021 for my inspection and audit at the time of preparing this Report. The audit will be carried out once the financial statements are submitted to my office.

5.18.3 Kundiawa Urban Local-level Government

5.18.3.1 Status of Financial Statements

The Kundiawa Urban LLG had submitted its financial statements for the financial years ending 31 December, 2012, 2013, 2014 and 2015 for my inspection and audit. I had dispensed 2011 financial statements audit under Part V Section 16 (6) of the *Audit Act* in June 2016. However, due critical resource constraints and budget shortfalls, I am unable to conduct the field audits for all four (4) financial statements.

The financial statements for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 had not been received by this office at the time of preparing this Report.

5.18.4 Simbu Provincial Health Authority

The Simbu PHA (*formerly Sir Joseph Nombri Memorial Kundiawa General Hospital*) was established on the 8 November, 2019 as a PHA. As such, the results of the audit for the years ended 31 December, 2016, 2017, 2018 and 2019 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2020 will be reported under the *Provincial Health Authorities Act 2007*.

5.18.4.1 Comments on Financial Statements – 2016, 2017 & 2018

My Reports on the Sir Joseph Nombri Memorial Kundiawa General Hospital for the years ended 31 December 2016, 2017 and 2018 to the Ministers concerned and other relevant bodies under the *Audit Act* were issued in November 2020. These reports contained Qualified Audit Opinions and are summarized below:

“Basis for Qualified Opinions

Financial Statements

- a) The National Government grants reported as K26,003,867 and K25,233,704 in the 2016 and 2017 financial statements could not be confirmed to CFCs and related records hence, unable to verify the accuracies and completeness of these grants;
- b) Significant variances noted in salaries and allowances paid by the Department and ALESCO Payroll of K230,985 in 2016 and K25,206 in 2017 lacked further explanations and necessary documentations; and
- c) Fixed assets reported in the schedules attached to the financial statements as K8,022,253 in 2016, K8,208,477 in 2017 and in 2018 disclosed only purchases during the year as K162,154. However, detailed asset register and other related records were not provided for verification.

Report on other Legal and Regulatory Requirements

In addition to the basis for the qualifications, I also noted significant control weaknesses, breaches of the *Public Finance Management Act, 1995 (as amended)* and the *Public Service (Management) Act, 1995* and other enabling legislations:

- a) Budgetary appropriations were over expended by K83,837 in 2016, K4,513,660 in 2017 and K7,288,985 in 2018 which were contrary to budgetary requirements;

- b) In 2016, payments for major infrastructure was K1,432,353 and K405,078 for minor maintenance jobs where as in 2017, payments for capital infrastructure and maintenance was K6 million. In 2018, no expenditures disclosed. Important tender awarding documents and records pertaining to the contracts awarded and undertaken during these years were not maintained;
- c) Effective management practices of monitoring and acquittal of duty travels and cash advances were lacking in all those years. Advances registers were not maintained to record and monitor all forms of advances paid during the three years;
- d) Internal audits were not conducted by the *Hospital* or the National Department of Health as well as the Simbu Provincial Administration to ensure probity and integrity of the *Hospital's* systems and processes to safeguard against loss, misuse and abuse;
- e) Payments totalling K216,150 for *hospital* rations, other goods and materials in 2017 did not have three (3) competitive quotations as required;
- f) Excessive cash payments made in 2017 totalling K1,016,332 and K K1,031,156 in 2018 for goods and services instead of service providers and recipients. Such activities had incurred excessive cash handling fees of K1,562 in 2017 and K7,201 in 2018;
- g) Transport and fuel expenditure totalling K533,165 were incurred in 2017 but lacked records such as transport policy, vehicle logbooks, fuel and maintenance registers;
- h) In 2018, seventy (70) payment vouchers totalling K1,403,227 were not provided for my audit examination, as such I was unable to ascertain the validity and genuineness of these payments;
- i) In 2018, payments totalling K951,012 for rentals of staff accommodation to various landlords during the year 2018 lacked proper documentations such as reconciliation ledgers, valid rental agreements and eligibility policy; and
- j) In 2018, payment vouchers for legal fees and security services amounting to K84,410 and K335,698 respectively were not provided for audit examinations. As such I am unable to ascertain the validity and genuineness of these payments.

Qualified Audit Opinion

In my opinion, except for the effects of the matters referred to in the qualification paragraphs above, the financial statement of *SJNM-Kundiawa General Hospital* for the years ended 31 December, 2016, 2017 and 2018;

- give a true and fair view of the financial positions and the results of its operations for the years then ended in accordance with the *Finance Instructions*; and
- with the exception of instances of non-compliance described the financial statements have been prepared in accordance with the *Finance Instructions* issued under the *Public Finances (Management) Act, 1995 (as amended)*.”

6.18.4.2 Management Response

The hospital management had responded positively to the issues raised in my Management Letter. They have indicated that improvements will be made on those issues.

6.18.4.3 Status of Financial Statements

The Simbu PHA had submitted its financial statements for the financial years ending 31 December, 2019 and 2020 for my inspection and audit whilst financial statements for 2021 was awaited. The examination of the financial statements and the fieldwork associated with the audit of the accounts and records for 2019 and 2020 had been completed and the results were being evaluated at the time of preparing this Report.

6.18.5 Business Arms

Section 16(2)(f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial and LLG Business Arms and other establishments.

I am not aware of any business arms of the Simbu Provincial Government and as such I was unable to comment on the operations and financial results of these business arms if any.

5.19 SOUTHERN HIGHLANDS PROVINCE

5.19.1 Introduction

The Southern Highlands Provincial Government, Mendi Urban LLG and Mendi General Hospital are audited every year, with or without financial statements. Other LLGs and the Business Arms of the Provincial Government could not be audited due to critical resource constraints and budget shortfalls faced by my Office and the lack of records and logistical support from the respective entities.

5.19.2 Southern Highlands Provincial Government

5.19.2.1 Status of Financial Statements

At the time of preparing this Report, the Southern Highlands Provincial Government had submitted its financial statements for the years ended 31 December 2016, 2017 and 2019 for my inspection and audit. The field work associated with audit of the financial statements and accounts and records for these years are been delayed due to critical resource constraints and budget shortfalls faced by my Office.

The financial statements for the years ended 31 December 2018, 2020 and 2021 have not been submitted for my inspection and audit.

5.19.3 Mendi Urban Local-level Government

5.19.3.1 Status of Financial Statements

At the time of preparing this Report the Mendi Urban LLG have not submitted its financial statements for the fiscal years from 2012 to 2021 for my inspection and audit.

5.19.4 Southern Highlands Provincial Health Authority

The Southern Highlands PHA (formerly Mendi General Hospital) became fully functional as an authority on the 23 April, 2014. Subsequent to this arrangement, the results of the audits for the subsequent years commencing 2015 will be reported under the *Provincial Health Authorities Act 2007*.

The Southern Highlands PHA submitted its financial statements for the years ended 31 December 2016, 2017 and 2018. The field work associated with the audit of the financial statements and accounts and records had been completed with the management letters and the audit reports issued respectively. The issues identified with audit of the 2017 and 2018 financial years are summarized in the paragraphs below.

5.19.4.1 Audited Financial Statement – 2017

My report on the audit of the 2017 financial statements and related books of accounts was issued to the Ministers concerned and other relevant bodies under the *Provincial Health Authorities Act 2007* and *Audit Act* on 5 June, 2020. The report contained a Qualified Audit Opinion.

Issues highlighted in the Management Letter and Audit Report were compiled and presented as an Individual Report to Parliament. This Report is available through AGO website (www.ago.gov.pg).

5.19.4.1 Audited Financial Statement – 2018

My report to the Ministers concerned under the *Provincial Health Authorities Act 2007* and the *Audit Act* on the financial statements of the Southern Highlands PHA for the year ended 31 December, 2018 was issued on 6 July 2021. The reports contained a Qualified Opinion and is summarized below.

“BASIS FOR QUALIFICATION

Disclosure Errors

Disclosure of the revenue and expenditure component of Salaries & Wages totals for the year of K29,283,800 differed from the Alesco Payroll Report (FINO4) total of K33,971,826 revealing a significant variance of K4,688,026. As a result, I am unable to confirm the validity and the correctness of the salaries, wages and employee benefits paid for the year ended 31 December, 2018.

Accounts and Records

I have noted significant control weaknesses in the Southern Highlands Provincial Health Authority’s records and processes as stated below:

- a) Personal files were not adequately maintained, therefore unreliable in providing sufficient information or perform any audit checks to the payroll. Further, salary and wages tax declarations for dependents were not completed by almost all employees rendering it difficult to assess if salaries and wages taxes were properly calculated.
- b) My review on the salary allowances payments revealed that gratuity calculations for non-medical officers excluded the Domestic Market Allowances and Special Domestic Market Allowances component. Although management, in response to my Management Letter explain that non-medical officers are not entitle to DMA in their gratuity payouts, the Department of Personnel Management should be consulted to further deliberate on this matter.

Audit Opinion

In my opinion, except for the effects of the matters referred to in the qualification paragraphs above, the financial statement of Southern Highlands Provincial Health Authority for the year ended 31 December, 2018:

- a) give a true and fair view of the financial position and the results of its operations for the year then ended in accordance with the Finance Instructions; and
- b) with the exception of instance of non-compliance described under Other Matters, the financial statements have been prepared in accordance with the Finance Instructions issued under the *Public Finances (Management) Act, 1995*.

Other Matters

In accordance with section 16 (5) of the *Audit Act*, I have duty to report on significant matters arising out of the financial statements, to which the report relates. I draw attention to this issue.

The Southern Highlands Provincial Health Authority annual budget estimate does not in reality reflect the appropriate funding capacity to fully implement its roles and responsibilities as per legislative directions on the management of health sector funding appropriation to provinces and deficiencies in the budgetary processes and procedures as refers below:

- a) SHPHA does not have full control over the management of its budget. Significant amounts of budgetary allocations are channelled through other agencies, such as Health Functional Grants (HFG) to district and local level government health centres are remitted through the Southern Highlands Provincial Government Grant Account and Salaries (item 111) is retained and paid by the Department of Finance through the Alesco Payroll System.
- b) Potential revenue sources such as health sector funding appropriation under PSIP, DSIP, LLGSIP infrastructure programs, Donor Funds and Christian Health Services Grant are not captured in the PHA's budget and therefore restricting the authority's involvement and active participation in major health sector infrastructure development projects embarked for the Southern Highlands Province by the National Government.
- c) The release of budgetary appropriations to PHA either through Warrants (NDoF) or CFCs (NDoH) is often untimely and unpredictable which results in disruptions to health service delivery, hinders CEO's capacity to implement planned activities, contributes substantially to inefficiencies and prevent elimination of user fee."

5.19.4.2 Management Letter Response

The Southern Highlands PHA had responded accordingly to the issues raised in the Management Letter and advise that the audit recommendation will be taken into consideration when preparing the succeeding years financial statements.

5.19.4.3 Status of Financial Statements

At the time of preparing this Report the Southern Highlands PHA had not submitted its financial statements for the fiscal years ended 31 December, 2019, 2020 and 2021 for my inspection and audit.

5.20 WEST NEW BRITAIN PROVINCE

5.20.1 Introduction

The West New Britain Provincial Government (WNBPG), Kimbe Urban LLG, Kimbe General Hospital and New Britain Palm Oil Trust are audited every year, with or without financial statements. Other LLGs and the Business Arms of the Provincial Government could not be fully audited due to critical resource constraints and budget shortfalls faced by my Office.

5.20.2 West New Britain Provincial Government

5.20.2.1 Status of Financial Statements

The WNBPG had submitted its financial statements for the years ended 31 December, 2016 and 2018 for my inspection and audit whilst the financial statements for 2017, 2019, 2020 and 2021 were awaited at the time of preparation of this Report.

The examination of the financial statements and the fieldwork associated with the audit of the accounts and records for 2016 and 2018 and the audit of the control environment for the years 2017, 2019, 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.20.3 Kimbe Urban Local-level Government

5.20.3.1 Status of Financial Statements

At the time of preparing this Report the Kimbe Urban LLG, except for 2016, had not submitted its financial statements for the years ended 31 December, 2014, 2015, 2017, 2018, 2019, 2020 and 2021.

5.20.4 West New Britain Provincial Health Authority

The West New Britain PHA (formerly Kimbe General Hospital) became fully functional with Board on the 6 May, 2014. As such, the results of the audit for the years ended 31 December, 2013 and 2014 will be reported under the *Public Hospitals Act 1994* whilst those for the subsequent years commencing 2015 will be reported under the *Provincial Health Authorities Act 2007*.

5.20.4.1 Status of Financial Statements

At the time of preparing this Report the West New Britain PHA had not submitted its financial statements for the years ended 31 December 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021.

As reported in my previous Part 3 Report the audit of the control environment for 2013 was completed and Management Letter issued and reported in my 2014 Part 3 Report in 2015. The audit of the control environment for the years 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.20.5 Business Arms

Section 16(2)(f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Business Arms and other establishments of the Provincial Governments and LLGs.

As reported in my previous reports, I am aware of the following business arms and establishments of the WNBPG namely, New Britain Palm Oil Limited (NBPOL), Cape Hollman Corporation, West New Britain Development Corporation, West Farm Resources Limited and Mokmok Development Corporation Ltd. However, except for the NBPOL none of the entities had submitted their financial statements for audit at the time of preparation of this Report.

5.20.5A New Britain Palm Oil Limited

The NBPOL Trust was established in November 1998 under *Trust Deeds Number 1 & 2* as a mechanism by which the permanent residents and people of West New Britain Province could both participate and benefit from the business activities of NBPOL. The Trust Deeds are respectively named as the *Free Share Trust* and the *Carry Share Trust*. The WNBPG, represented by the Provincial Administrator, is the Trustee of the two Trusts.

5.20.5A.1 The Functions of the Trustee

The general purpose of the Trust is to make provision out of the trust property for the long-term benefit of the beneficiary by setting up funding and maintaining health, education and social welfare projects or services in the West New Britain Province for the benefit of the permanent residents and people of West New Britain. The Trustee is required by the Trust Deed to use the income derived from the NBPOL shares to fulfil the general purpose of the Trust.

6.20.5A.2 Comments on Financial Statements – 2015 and 2016

The NBPOL had submitted its financial statements for the financial years ending 31 December, 2015 and 2016. Field work associated with examination of the financial statements and the audit of the accounts and records were completed with the Management Letters and Qualified Audit Opinion reports issued.

My Reports to the Ministers concerned and other relevant bodies under Sections 16(3) (a) to 16(3) (d) of the *Audit Act* for the years ended 31 December, 2015 and 2016 were issued in February and July 2019 respectively. Issues highlighted in the management letters together with the opinion reports for both financial years have been reported as “2015 & 2016 Individual Report” to Parliament in May, 2021. Copy of the Report is available on the AGO website (www.ago.gov.pg).

5.20.5A.3 Status of Financial Statements – 2017 to 2021

At the time of preparing this Report the NBPOL had submitted its financial statements for the years ended 31 December 2017, 2018 and 2019 except for 2020 and 2021, for my inspection and audit.

At the time of preparing this Report the examination of the financial statements and the field work associated with audit of the accounts and records for 2017 and 2018 financial years had been completed and the Management Letter for 2017 issued whilst the draft Opinion Report was in progress. Similarly, the review of the draft Management Letter for 2018 was also in progress.

The examination of the financial statements and the fieldwork associated with the audit of the accounts and records for 2019 and the audit of the control environment for 2020 and 2021 however, could not be conducted due to critical resource constraints and budget shortfalls faced by my Office.

5.21 WESTERN HIGHLANDS PROVINCE

5.21.1 Introduction

The Western Highlands Provincial Government, Mount Hagen Urban LLG and Western Highlands PHA are audited every year, with or without financial statements. Other LLGs and the Business Arms of the Provincial Governments could not be audited due to critical resource constraints and budget shortfalls faced by my office and lack of records and support from those agencies.

5.21.2 Western Highlands Provincial Government

5.21.2.1 Status of Audits

At the time of preparing this Report the audit inspection of the accounts and records and examination of the financial statement for the 2015 fiscal year had been completed and the Management Letter issued in January 2019 however, the audit opinion has not been issued awaiting the provincial government's response to my Management Letter.

The financial statement of the provincial government for the year ended 31 December 2016 has also been submitted, subsequently the field work associated with audit of the accounts and records and the examination of the financial statement had been completed and the results were being evaluated at the time of this Report.

The financial statements for the fiscal year of 2017 had been submitted for my inspection and the field work associated with the audit of the financial statement and accounts and records was in progress at the time of preparing this Report

5.21.2.2 Status of Financial Statements

The financial statements for the fiscal years of 2018, 2019, 2020 and 2021 have not been submitted for my inspection and audit.

5.21.3 Mt Hagen Urban Local-level Government

5.21.3.1 Status of Financial Statements

At the time of preparing this Report the financial statements of the Mount Hagen Urban LLG for the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 have not been submitted for my inspection and audit.

5.21.4 Western Highlands Provincial Health Authority

The Western Highlands PHA (formerly Mt. Hagen General Hospital) became fully functional with Board on the 7 March, 2011 under the *Provincial Health Authorities Act 2007* and in partnership with the Western Highlands Provincial Government, the Authority was mandated under the *National Health Administration Act 1997* and the *Organic Law* to oversee the implementation of the National Health policies and programs in the province.

As such, the results of the audit of the financial statements for the years thereafter have reported under the *Provincial Health Authorities Act 2007*.

5.21.4.1 Status of Financial Statements

The financial statements pertaining to the fiscal years from 2015 to 2021 have been submitted for my inspection. The field work associated with audit of the financial statements and accounts and records have been completed and the Management Letters were being evaluated at the time of preparing this Report.

5.21.5 Business Arms

Section 16 (2) (f) of the *Audit Act* provides for and extends my functions to audit the accounts and records of the Provincial Government Business Arms and other establishments.

I am aware of two major business arms of the Western Highlands Provincial Government namely, Western Highlands Development Corporation and Western Highlands Engineering Management Limited. At the time of preparing this Report these business arms have not submitted any financial statements for my inspection and audit. Subsequently, I was unable to comment on the operational affairs and financial results of these entities.

6. LEGAL FRAMEWORKS

6.1 Constitution

Section 214 of the *Constitution* prescribes my primary functions and that is to inspect, audit and report to the National Parliament on the Public Accounts of PNG and on the control of and on transactions with or concerning the public moneys and property of PNG.

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 an institution referred to in that subsection, insofar as they relate to, or consist of or are derived from, public moneys or property of PNG.

6.2 Audit Act 1989

By virtue of section 214(4) of the *Constitution*, the *Audit Act*, 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* elaborates the functions and duties of the Auditor-General. This Act was amended in 1995 and the relevant provisions of the mandate in 1995 and the relevant provisions of the amended Act are explained below.

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*.

Matters of Significant Importance

Under Section 8(2) of the *Audit 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.

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.*

6.3 Public Finances Management Act 1995 (as amended)

The submission of financial statements by Provincial and LLGs and their establishments in the provinces for audit is required under sections 63 and 71 of the *PFMA*. Section 63 requires each statutory body to prepare and furnish to its Minister before 30 June in each 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.

The prescribed formats of the financial statements for respective public bodies including the Provincial and LLG and Trading and Non-Trading Public Bodies are detailed in the *Finance Instructions 4/2000* and *2/2004* respectively.

6.4 Organic Law on Provincial and Local-level Governments

Sections 102 and 103 of the *Organic Law* require Provincial Governments and LLGs to keep proper accounts and records of their transactions and affairs, and to set up an internal control system and internal audit unit to ensure adequate financial control.

Section 113 subsection 4(c) of the *Organic Law* on Provincial and LLG extends the functions of the Auditor-General to inspect and audit the affairs and accounts of the Provincial and LLGs.

Section 114 (3) of the *Organic Law* requires each Provincial Government and LLG to submit to the Minister responsible for provincial government and LLG matters, and the Minister responsible for finance matters, (Minister for Finance and the Minister for Provincial and LLG Affairs), and full statement on the financial position and of the affairs of the Province and the LLG for each fiscal year in such a form and detail, and containing such other information as is regulated by an Act of Parliament, or as the Ministers require, before the final year sitting of the Parliament during the next fiscal year. This statement is to be accompanied by a full audit report.

Section 40 (d) of the *Organic Law* provides that the law-making powers of the Provincial and LLGs are subject to the National Law but only to the extent that the national interest so requires, otherwise they shall have relative autonomy to operate.

The legislation clearly states that an Act of Parliament shall prevail over any law made by the Provincial or the LLG Legislatures. In view of this, the *PFMA* prevails over the Provincial Legislations in respect of financial management.

Under the above laws, I am required to audit and report on 22 Provincial Governments, 321 LLGs and their business arms and 118 SIP Funds.

6.5 Provincial Health Authorities Act 2007 and Public Hospitals Act 1994

PHAs and Hospital Boards are established under the *Provincial Health Authorities Act 2007* and *Public Hospitals Act 1994* respectively. The Acts provide that the *PFMA* is applicable to the Boards on matters regarding accounting, financial management and reporting. These Acts also require the audit provisions contained in the *Audit Act* to apply to the respective Boards.

I am required to audit the PHAs and Public Hospitals under the provisions of sections 39 and 33 of *Provincial Health Authorities Act 2007* and *Public Hospitals Act 1994* respectively.

In accordance with Part 3, Section 8 of the *Audit Act*, I perform annual audits of the accounts and records and financial transactions of the PHAs and Hospital Boards. I am also required to report to the Minister for Finance and the Minister for Health on the results of these audits.

6.6 Business Arms and Subsidiary Corporations

I am required to audit Provincial Government owned Business Arms 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 *PFMA* and Section 3 of the *Audit Act*.

The *Audit Act* extends the functions of the Auditor-General to include the audit of business arms and subsidiary corporations of Provincial Governments. These reporting entities report under *Finance Instruction 2/2004: Financial Statement Format for Trading Public Bodies*. The *PFMA* Section 62 (2) requires trading public bodies in regards to their accounts and records to observe and comply with the accounting principles generally accepted and applied in commercial practice. This includes the adoption of an accrual-based accounting and applying the International Accounting Standards.

As stated in paragraph 1.6, I continued to have had significant difficulties in identifying the exact number of business arms and status of their operations. Details of these business arms and their subsidiary corporations and companies, could not be fully established due to lack of adequate information forthcoming from both the entities concerned and the Provincial Governments or due to their failure to maintain proper investment records and registers. My Office was unable to determine whether a number of these business arms were still active and in operation, defunct, or liquidated.

6.7 Provincial Authorities

Provincial Authorities are established by an Act of Parliament purposely to develop infrastructure and to stimulate business activities in the respective provinces. Some of these authorities are directly involved in commercial activities as well. The majority of these authorities are required to report under the Cash Basis of Accounting issued by the IPSAS. The audits of the Provincial Authorities are undertaken when the financial statements are received and when audit fees are remitted to the Office.

6.8 Other Audits

My audit responsibility also extends to include the audit of Special Purpose Funds and Trusts established by Provincial Governments. The audit of these Funds and Trusts are undertaken when the financial statements are received and when audit fees are remitted to the Office.

ACKNOWLEDGEMENT

I would like to acknowledge the professionalism and commitment of my staff in undertaking the audit work that is reflected in this Report. Their devotion to duty, their integrity and loyalty are highly appreciated.

The co-operation and the assistance rendered by all Heads of Provincial Governments and LLGs, Business Arms and Subsidiaries, PHAs and Hospital Boards, Provincial Authorities and Trust Funds, together with their management and staff are acknowledged.

I extend my appreciation and gratitude to the Government Printing Office staff, for their efforts in completing the printing of this Report within the limited time frame available.

Finally, I would also like to thank the Chairman and members of the PAC for their continued interest and support for my office.



GORDON B. KEGA, MBA, CPA
Auditor-General

SCHEDULES

SCHEDULE A TYPES OF AUDIT REPORTS (OPINIONS) ISSUED

A.1 Provincial Governments

No.	Provincial Government	Opinion Issued			
		Current Cycle			Last Cycle
		Unqualified	Qualified	Disclaimer	
1	Central			2015-2016	
2	East New Britain		2016		2015
3	East Sepik			2016	2015
	Eastern Highlands				2015
4	Enga			2016-2018	2015
	Jiwaka				2013
	Madang				2015
	Manus				2014
5	Milne Bay			2016-2017	2014-2015
6	Morobe			2016	2015
	Sandaun				2015
7	Simbu			2016-2017	2015
	Southern Highlands				2015
	West New Britain				2015
	Western Highlands				2014
7	TOTAL	0	1	12	15

A.2 Urban LLGs

No.	Urban Local-level Government	Opinion Issued			
		Current Cycle			Last Cycle
		Unqualified	Qualified	Disclaimer	
1	Alotau Urban LLG		2015		-
	Daru Urban LLG				2014-2015
	Mt. Hagen Urban LLG				2015
	Lorengau Urban LLG				2014
	Maprik Urban LLG				2014-2015
	Rabaul Urban LLG				2015
	Kokopo/Vunamami Urban LLG				2015
	Vanimo Urban LLG				2012,14,15
	Wewak ULLG				2012-15
1	TOTAL	1	1		18

A.3 Provincial Health Authorities and Hospital Boards

No.	Provincial Health Authorities/Hospital Boards	Opinion Issued			
		Current Cycle			Last Cycle
		Unqualified	Qualified	Disclaimer	
	Buka General Hospital Board				2011-2012
	East Sepik PHA (Boram HB)				2014
1	Eastern Highlands PHA			2014-2015	
2	Enga PHA			2015-2018	
	Gulf PHA (Kerema HB)				2012-2013
3	Hela PHA	2016-2017			
4	Milne Bay PHA			2015-2017	2014
2	Morobe PHA (Angagu GH)	2016-2017			2015
	Nonga Base Hospital (ENB PHA)				2014-2015
	Port Moresby Hospital				2014-2015
6	SH PHA (Mendi HB)		2016-2018		2015
7	Simbu PHA		2016-2018		2015
	Vanimo GH (West Sepik PHA)				2015
	Hagen HB WHPHA)				2014
7	TOTAL	4	6	9	15

A.4 Business Arms, Authorities, Trust Funds

No.	Business Arms, Authorities, Trust Funds	Opinion Issued			
		Current Cycle			Last Cycle
		Unqualified	Qualified	Disclaimer	
1	West Sepik Investments Limited		2013-2015		
2	Gazelle Restoration Authority	2015-2017			
3	Enga Children's Fund Trustee Limited	2016-2017			2015
4	New Britain Palm Oil Limited		2015-2016		
4	TOTAL	5	5		1

SCHEDULE B STATUS OF AUDITS AND FINANCIAL STATEMENTS
B.1 Provincial Governments

No.	Provincial Governments	Audit Reports (Opinions) Issued	Audits substantially completed	Audits in progress	Audits to commence soon	Financial Statements not submitted	Total Audits
1	Autonomous Bougainville Government		2014-2017			2018-2021	8
2	Central	2015-2016				2017-2021	7
3	East New Britain	2016			2017-2019	2020-2021	5
4	East Sepik	2016	2017-2018			2019-2021	6
5	Eastern Highlands		2016-2018			2019-2021	6
6	Enga	2016-2018			2019-2020	2021	6
7	Gulf				2015	2016-2021	7
8	Hela					2015-2021	7
9	Jiwaka		2014-2018			2019-2021	8
10	Madang		2016-2018			2019-2021	6
11	Manus		2015-2018			2019-2021	7
12	Milne Bay	2016-2017			2018	2019-2021	6
13	Morobe	2016	2017	2018		2019-2021	6
14	New Ireland		2016-2018			2019-2021	6
15	Oro				2013-2017	2018-2021	9
16	Sandaun				2016-2020	2021	6
17	Simbu	2016-17	2018			2019-2021	6
18	Southern Highlands				2016,17,19	2018,20,21	6
19	West New Britain				2016,18	2017,19-21	6
20	Western (Fly River)					2014-2021	8
21	Western Highlands		2015	2016-2017		2018-2021	7
21	TOTAL	12	27	3	22	76	139

B.2 Urban Local-level Governments

No.	Urban Local-level Governments	Audit Reports (Opinions) Issued	Audits substantially completed	Audits in progress	Audits to commence soon	Financial Statements not submitted	Total Audits
1	Alotau	2015	2016		2017-2018	2019-2021	7
2	Buka					2013-2021	9
3	Daru					2016-2021	6
4	Goroka			2014-2016		2017-2021	8
5	Hagen					2016-2021	6
6	Kavieng					2017-2021	5
7	Kerema				2014-2015	2016-2021	8
8	Kimbe				2016	2014-2015 2017-2021	8
9	Kiunga					2014-2021	8
10	Kokopo					2016-2021	6
11	Kundiawa				2016-17	2012-2015, 2018-2021	10
12	Lae					2017-2021	5
13	Lorengau				2015-2018	2019-2021	7
14	Madang		2016			2017-2021	6
15	Maprik					2016-2021	6
16	Mendi					2012-2021	10
17	Motu Koitabu					2013-2021	9
18	Popondetta				2013-2016	2017-2021	9
19	Rabaul					2016-2021	6
20	Vanimu					2016-2021	6
21	Wabag					2013-2021	9
22	Wewak					2016-2021	6
22	TOTAL	1	2	3	15	139	160

B.3 Provincial Health Authorities/Hospital Boards

No.	Provincial Health Authorities/Hospital Boards	Audit Reports (Opinions) Issued	Audits substantially completed	Audits in progress	Audits to commence soon	Financial Statements not submitted	Total Audits
1	Buka General Hospital				2013-2017	2018-2021	9
2	Port Moresby General Hospital		2017	2018	2019	2020-2021	5
3	Central PHA					2020-2021	2
4	NCD PHA			2018-2019		2020-2021	4
5	ENB PHA (Nonga Hospital)			2016-2018		2019-2021	6
6	East Sepik PHA (Boram GH)					2016-2021	6
7	Eastern Highlands PHA	2014-2015		2016-2021			8
8	Enga PHA	2015-2018				2019-2021	7
9	Gulf PHA (Kerema GH)				2015	2014,2016-2021	8
10	Hela PHA	2016-2017		2018-2021			6
11	Jiwaka PHA (Kudjip Nazarene Hospital)					2020-2021	2
12	Madang PHA (Modilon GH)		2013-2016			2017-2021	9
13	Manus PHA (Lorengau GH)					2013-2021	9
14	Milne Bay PHA	2015-2017			2018	2019-2021	7
15	Morobe PHA	2016-2017		2018-2019		2020-2021	6
16	New Ireland PHA (Kavieng GH)				2013-2014	2015-2021	9
17	Oro PHA (Popondetta GH)			2013-2017		2018-2021	9
18	Sandaun PHA (Vanimo GH)				2016	2017-2021	6
19	Simbu PHA (Kudiawa GH)	2016-2018	2019-2020			2021	6
20	Southern Highlands PHA	2016-2018				2019-2021	6
21	WNBPHA (Kimbe GH)					2013-2021	9
22	Western PHA (Daru GH)		2017-2019			2020-2021	5
23	Western Highlands PHA		2015-2021				7
23	TOTAL	19	17	23	11	81	151

B.4 Business Arms of Provincial Governments & their Subsidiary Corporations

No.	Business Arms & Subsidiary Corporations	Audit Reports (Opinions) Issued	Audits substantially completed	Audits in progress	Audits to commence soon	Financial Statements not submitted	Total Audits
1	Kumghie Holdings					2012-2021	10
2	Nokondi Investments			2010-2016	2017-2019	2020-2021	12
	Akogere Estate Ltd			2010-2016	2017-2019	2020-2021	12
	AI Auto Repairs			2010-2016	2017-2019	2020-2021	12
3	EH Property Developers			2010-2016	2017-2019	2020-2021	12
4	Nokondi Civil Works Ltd				2018-2019	2020-2021	4
5	Rumbia Coffee Exports Ltd					2019-2021	3
6	West Sepik Investments Limited	2013-2015				2016-2021	9
6	TOTAL	3	0	28	14	29	74

B.5 Provincial Authorities

No.	Provincial Authorities	Audit Reports (Opinions) Issued	Audits substantially completed	Audits in progress	Audits to commence soon	Financial Statements not submitted	Total Audits
1	Central Province Transport Authority		2011			2012-2021	11
2	Gazelle Restoration Authority	2015-2017	2018-2020	2021			7
3	Pogera Development Authority				2012	2013-2021	10
3	TOTAL	3	4	1	1	19	28

B.6 Others – Trust Funds, Trustees, Institutes

No.	Others - Trust Funds	Audit Reports (Opinions) Issued	Audits substantially completed	Audits in progress	Audits to commence soon	Financial Statements not submitted	Total Audits
1	Enga Children's Fund Trustee Ltd	2015-2017	2018		2019-2020	2021	7
2	NBPOL Trusts 1&2	2015-2016	2017	2018	2019	2020-2021	7
3	National Polytechnic Institute		2016	2017		2018-2021	6
3	TOTAL	5	3	2	3	7	20

B.7 Provincial Governments and Urban LLG – Listing

No	PROVINCE	LLGs		TOTAL LLGs
		Urban	Rural	
1	Bougainville	1	-	1
2	Central	1	13	14
3	East New Britain	2	16	18
4	East Sepik	2	25	27
5	Eastern Highlands	2	22	24
6	Enga	2	15	17
7	Gulf	1	9	10
8	Hela	1	11	12
9	Jiwaka	-	6	7
10	Madang	1	18	19
11	Manus	1	11	12
12	Milne Bay	1	15	16
13	Morobe	3	30	33
14	New Ireland	1	9	10
15	Oro	1	8	9
16	Sandaun	2	16	18
17	Simbu	2	18	20
18	Southern Highlands	2	18	20
19	West New Britain	1	11	12
20	Western	3	11	14
21	Western Highlands	1	8	9
21	TOTAL	31	290	321

SCHEDULE C PROBLEMATIC AUDITS

C.1 Business Arms of PGs and their Subsidiaries

No	Provincial	Business Arms & Subsidiary Companies	Remarks
1	East New Britain Province	East New Britain Development Limited	2013-14 FSs received, audited by private auditor. No FS thereafter
2	Central Province	Central Province Holdings Ltd	No FS since 2019
3	Gulf Province	Gulf Economic Development Ltd	No FS since 2017
		Gulf Papua Energy Limited	No FS since 2018
4	Morobe Province	Kumghie Holdings	2013-15 FSs received, incomplete so returned to Auditee to re-do FS
		Morobe Sustainable Investment Limited	No FS since 2012
		Morobe Resource Holdings Limited	No FS since 2018
5	Eastern Highlands Province	Rumbia Coffee Ltd	No FS since 2019
6	Western Highlands Province	Wamp Nga Holdings	2007 audit in progress was not finalized, attempt to establish status with Auditee was unsuccessful. No FS since 2008
		Petrohaul Limited - Subsidiary of Wamp Nga	Refer above comments
		Vegmark Limited - Subsidiary of Wamp Nga	Refer above comments
		Peninsula Shipping Limited - Subsidiary of Wamp Nga	Refer above comments
11	West Sepik Province	West Sepik Investments	No FS since 2016

C.2 Provincial Authorities

No	Province	Provincial Authorities	Status
1	ARBG	Bougainville Restoration and Development Authority	No F/S since 2008.
2	Central	Koiari Development Authority	No F/S since 1993.
3	Central	Koiari Rural LLG Special Purpose Authority	No F/S since 2004.
4	Central	Central Province Transport Authority	Audited by me. No FS since 2012
6	Enga	Porgera LLG Special Purpose Authority (Porgera Development Authority)	Audited by me. No FS since 2013
7	Enga	Enga Construction Authority	No F/S since 1999.
8	Manus	Manus Shipping Authority	No F/S since 1994.
9	New Ireland	Nimamar Development Authority	No FS since 2005
10	New Ireland	Nimamar Rural LLG Special Purpose Authority	2004-2006 F/S submitted. No F/S since 2006.
11	Oro	Oro Fisheries Authority	No F/S since 1990.
12	Southern Highlands	Kutubu Development Authority	No F/S since 1996.

C.3 Provincial Governments Trust Funds (Trustees)

No	Province	Trusts/Funds	Status
1	Enga	Enga Mineral Revenue Stabilisation fund	No F/S since 1993.
3	Gulf	Gulf Investment Trust Fund (GITF)	No F/S since 2004.

C.4 Local-level Governments

PROVINCE	LLGs		TOTAL LLGs	Status
	Urban (ULLG)	Rural (RLLG)		
Bougainville	1	-	1	No FS since 2013
Central	1	13	14	ULLG No FS since 2013, RLLG not possible
East New Britain	2	16	18	ULLG No FS since 2016, RLLG not possible
East Sepik	2	25	27	ULLGs No FS since 2016, RLLG not possible
Eastern Highlands	2	22	24	ULLG No FS since 2017, RLLG not possible
Enga	2	15	17	ULLG No FS since 2013, RLLG not possible
Gulf	1	9	10	ULLG No FS since 2016, RLLG not possible
Hela	1	11	12	ULLG & RLLG audits not possible
Jiwaka	-	6	7	ULLG & RLLG audits not possible
Madang	1	18	19	ULLG No FS since 2017, RLLG not possible
Manus	1	11	12	ULLG No FS since 2019, RLLG not possible
Milne Bay	1	15	16	ULLG No FS since 2019, RLLG not possible
Morobe	3	30	33	ULLG No FS since 2017, RLLG not possible
New Ireland	1	9	10	ULLG No FS since 2017, RLLG not possible
Oro	1	8	9	ULLG No FS since 2017, RLLG not possible
Sandaun	2	16	18	ULLG No FS since 2016, RLLG not possible
Simbu	2	18	20	ULLG No FS since 2012, RLLG not possible
Southern Highlands	2	18	20	ULLG No FS since 2012, RLLG not possible
West New Britain	1	11	12	ULLG No FS since 2014, RLLG not possible
Western	3	11	14	ULLG No FS since 2014, RLLG not possible
Western Highlands	1	8	9	ULLG No FS since 2016, RLLG not possible
TOTAL	31	290	321	

SCHEDULE D STATUS OF SERVICE IMPROVEMENT PROGRAM (SIP) FUNDING AUDITS

D.1 Provincial Services Improvement Program (PSIP)

No.	Provincial Governments	Audit Reports Tabled in Parliament	Audits substantially completed	Audits in progress	Audits Outstanding	Comments
1	Autonomous Bougainville Government			2013-2014	2015-2021	
2	Central				2013-2021	
3	East New Britain		2013-2014		2015-2021	
4	East Sepik			2013-2014	2015-2021	
5	Eastern Highlands				2013-2021	
6	Enga			2013-2014	2015-2021	
7	Gulf				2013-2021	
8	Hela		2013-2014		2015-2021	
9	Jiwaka		2013-2014		2015-2021	
10	Madang			2013-2014	2015-2021	
11	Manus				2013-2021	
12	Milne Bay		2013-2014			
13	Morobe			2013-2014	2015-2021	
14	National Capital District				2013-2021	
15	New Ireland		2015-2020	2013-2014	2021	<i>Audit Report to be issued shortly in a separate report to Parliament</i>
16	Oro		2013-2014		2015-2021	
17	Sandaun			2013-2014	2015-2021	
18	Simbu		2013-2014		2015-2021	
19	Southern Highlands		2013-2014		2015-2021	
20	West New Britain				2013-2021	
21	Western (Fly River)			2013-2014	2015-2021	
22	Western Highlands		2013-2014		2015-2021	
22	TOTAL					

D.2 District Services Improvement Program

No.	District Development Authorities	Audit Reports Tabled in Parliament	Audits substantially completed	Audits in progress	Audits Outstanding	Comments
1	Manus	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
2	Kandrian/Gloucesterc	2008-2010			2011-2021	2009 Part 3 Report to Parliament
3	Talasea	2008-2010			2011-2021	2009 Part 3 Report to Parliament
4	Nakanai					New District
5	Gazelle	2008-2010			2011-2021	2009 Part 3 Report to Parliament
6	Kokopo	2008-2010			2011-2021	2009 Part 3 Report to Parliament
7	Pomio	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
8	Rabaul	2008-2010			2011-2021	2009 Part 3 Report to Parliament
9	Kavieng	2008-2011	2015-2020		2021	
10	Namatanai			2015-2020	2021	
11	North Bougainville	2008-2010			2011-2021	2009 Part 3 Report to Parliament
12	Central Bougainville	2008-2010			2011-2021	2009 Part 3 Report to Parliament
13	South Bougainville	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
14	Aitape/Lumi				2008-2021	
15	Nuku				2008-2021	
16	Telefomin				2008-2021	
17	Vanimo/Green River				2008-2021	
18	Ambunti/Drekirkir			2013-2014	2015-2021	
19	Angoram	2008-2010			2011-2021	2009 Part 3 Report to Parliament
20	Maprik	2008-2010			2011-2021	2009 Part 3 Report to Parliament
21	Wewak	2008-2010			2011-2021	2009 Part 3 Report to Parliament
22	Wosera/Gawi	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)

No.	District Development Authorities	Audit Reports Tabled in Parliament	Audits substantially completed	Audits in progress	Audits Outstanding	Comments
23	Yangoru/Saussia	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
24	Bogia				2008-2021	
25	Madang			2013-2014	2015-2021	
26	Middle Ramu	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
27	Rai Coast				2008-2021	
28	Sumkar	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
29	Usino/Bundi	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
30	Bulolo	2008-2010		2013-2014	2015-2021	2009 Part 3 Report to Parliament
31	Wau/Waria				2008-2021	New District
32	Finschaffen	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
33	Huon	2008-2010			2011-2021	2009 Part 3 Report to Parliament
34	Kabwum				2008-2021	
35	Lae	2008-2010			2011-2021	2009 Part 3 Report to Parliament
36	Markham	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
37	Menyamyua	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
38	Nawae	2008-2010			2011-2021	2009 Part 3 Report to Parliament
39	Tewae/Siassi				2008-2021	
40	Daulo			2013-2014	2015-2021	
41	Goroka	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
42	Henganofi	2008-2010			2011-2021	2009 Part 3 Report to Parliament
43	Kainantu	2008-2012			2011-2021	2012/2013 DSIP Report (Individual Report)

No.	District Development Authorities	Audit Reports Tabled in Parliament	Audits substantially completed	Audits in progress	Audits Outstanding	Comments
44	Lufa	2008-2010			2011-2021	2009 Part 3 Report to Parliament
45	Obura/Wonenara	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
46	Okapa - EHP	2008-2012			2011-2021	2012/2013 DSIP Report (Individual Report)
47	Unggai/Benna				2008-2021	
48	Chuave	2008-2010			2011-2021	2009 Part 3 Report to Parliament
49	Gumine	2008-2010			2011-2021	2009 Part 3 Report to Parliament
50	Karamui/Nomane				2008-2021	
51	Kerowagi	2008-2010			2011-2021	2009 Part 3 Report to Parliament
52	Kundiawa				2008-2021	
53	Sinasina/Yongomugl	2008-2010		2013-2014	2011-2021	2009 Part 3 Report to Parliament
54	Anglimp/South Waghi	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
55	Jimi	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
56	North Waghi	2008-2012			2013-2021	2012/2013 DSIP Report (Individual Report)
57	Dei				2008-2021	
58	Hagen Central				2008-2021	
59	Mul/Baiyer				2008-2021	
60	Tambul/Nebilyer				2008-2021	
61	Kandep				2008-2021	
62	Kombiam/Ambum				2008-2021	
63	Lagaip/Pogera				2008-2021	
64	Wabag			2013-2014	2015-2021	
65	Wapenamanda				2008-2021	
66	Pogera/Paiela					New District
67	Ialibu/Pangia		2013-2014		2015-2021	
68	Imbongu				2008-2021	

No.	District Development Authorities	Audit Reports Tabled in Parliament	Audits substantially completed	Audits in progress	Audits Outstanding	Comments
69	Kagua/Erave				2008-2021	
70	Mendi				2008-2021	
71	Nipa/Kutubu				2008-2021	
72	Komo/Magarima				2008-2021	
73	Komo/Hulia					<i>New District</i>
74	Koroba/Kopiago				2008-2021	
75	Tari/Pori		2013-2014		2015-2021	
76	Ijivitari	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
77	Sohe	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
78	Popondetta					<i>New District</i>
79	Alotau	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
80	Esa'ala				2008-2021	
81	Kiriwina/Goodenough				2008-2021	
82	Samarai/Murua	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
83	Abau	2008-2012			2013-2021	<i>2012/2013 DSIP Report (Individual Report)</i>
84	Goilala				2008-2021	
85	Kairuku/Hiri				2008-2021	
86	Hiri/Koiari					<i>New District</i>
87	Rigo	2008-2012			2013-2021	<i>2012/2013 DSIP Report (Individual Report)</i>
88	Moresby North East				2008-2021	
89	Moresby North West	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
90	Moresby South	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
91	Kerema	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
92	Kikori	2008-2010			2011-2021	<i>2009 Part 3 Report to Parliament</i>
93	Middle Fly	2008-2012			2013-2021	<i>2012/2013 DSIP Report (Individual Report)</i>
94	North Fly	2008-2012		2013-2014	2015-2021	<i>2012/2013 DSIP Report (Individual Report)</i>
95	South Fly				2008-2021	

No.	District Development Authorities	Audit Reports Tabled in Parliament	Audits substantially completed	Audits in progress	Audits Outstanding	Comments
96	Delta Fly					<i>New District</i>
96	TOTAL					

SCHEDULE E INDIVIDUAL AUDIT REPORTS TABLED IN PARLIAMENT**E.1 Provincial Governments**

No.	Provincial Governments	Type of Audit Opinion	Title of Report
1	East New Britain	Qualified	Report of the Auditor-General East New Britain Provincial Government 2016
1	TOTAL	1	

E.2 Provincial Health Authorities

No.	Provincial Health Authority	Type of Audit Opinion	Title of Report
1	Eastern Highlands	Disclaimer	Report of the Auditor-General Eastern Highlands Provincial Health Authority 2014 & 2015
2	Enga	Disclaimer	Report of the Auditor-General Enga Provincial Health Authority 2015 - 2016
3	Hela	Un-Qualified	Report of the Auditor-General Hela Provincial Health Authority 2016
		Un-Qualified	Report of the Auditor-General Hela Provincial Health Authority 2017
4	Milne Bay	Disclaimer	Report of the Auditor-General Milne Bay Provincial Health Authority 2016
5	Southern Highlands	Qualified	Report of the Auditor-General Southern Highlands Provincial Health Authority 2017
5	TOTAL	6	

E.3 Provincial Authorities

No.	Provincial Authorities	Type of Audit Opinion	Title of Report
1	Gazelle Restoration Authority	Emphasis of Matter	Report of the Auditor-General Gazelle Restoration Authority 2015
1	TOTAL	1	

E.4 Others – Trust Funds, Trustees

No.	Others - Trust Funds	Type of Audit Opinion	Title of Report
1	Enga Children's Fund Trustee Ltd	Un-Qualified	Report of the Auditor-General Enga Children's Fund Trustee Limited 2016
2	NBPOL Trusts 1&2	Qualified	Report of the Auditor-General New Britain Palm Oil Limited (NBPOL) Trust 2015 & 2016
2	TOTAL	2	