



Report of the Auditor-General 2011



On the Public Account
of
Papua New Guinea

Part I

Public Account of Papua New Guinea



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12 September, 2014

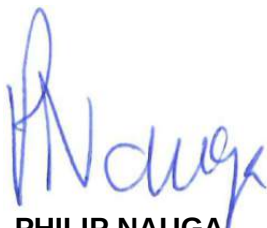
The Hon. Theo Zurenuoc, MP
Speaker of the National Parliament
Parliament Haus
WAIGANI
National Capital District

Dear Mr Speaker,

Under the authority 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 I of my Report for the year 2011.

My report embodies the results of audit of the transactions for the year as reflected in the detailed statement of the receipts and expenditures of the Public Account of Papua New Guinea for the financial year ended 31 December, 2011, submitted to me for audit, on which I have expressed my opinion.

Yours sincerely,



PHILIP NAUGA
Auditor-General

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FOREWORD

This report, prepared under Section 214 of the Constitution of Papua New Guinea is Part I of my Annual Report to Parliament. Part I is divided into Sections A, B and C structured as follows:

- Section “A”** provides the Audit Opinion on the Public Accounts which represent the financial statements of the Government of Papua New Guinea.
- Section “B”** contains my observations on the Government’s financial statements. A broad range of internal control issues were raised as part of the final audit phase. These matters were consistent with issues reported in previous years. In general, the results again demonstrate that internal controls require significant improvements and regular monitoring.
- Section “C”** presents appendices for which I had made reference to in my audit report.

SECTION “A”

INTRODUCTION TO THE ANNUAL REPORT

1.0 INTRODUCTION

Section 214 of the *Constitution of the Independent State of Papua New Guinea* requires the Auditor-General to inspect and audit, and to report at least once in every fiscal year (as provided by an Act of the Parliament) to the Parliament on the Public Accounts of Papua New Guinea and on the control of and on transactions with or concerning the public moneys and property of Papua New Guinea, and such other functions as are prescribed by or under a Constitutional Law. These functions have been amplified by the *Audit Act, 1989*.

Section 7, sub-section 2A, of the *Audit Act, 1989* requires the Auditor-General's report to specify:

- a) Whether the financial statements, to which the report relates, are based on proper accounts and records;
- b) 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 for which they cover and the state of affairs as at the end of that period;
- c) 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
- d) Such other matters arising out of the financial statements, to which the report relates as he considers, should be reported.

2.0 PARTS OF THE ANNUAL REPORT

In accordance with the above requirements, audits are carried out and the findings are reported to the National Parliament in four Parts:-

Part I – This Part of my Annual Report for 2011 is presented in three sections:

- Section "A" presents the Public Account, which the Minister for Finance has, in terms of Section 3 of the PFMA caused to be prepared and provided to me for audit. My audit opinion on these financial statements precedes the main Section "A". The audited financial statements and my audit opinion were provided to the Minister for Finance on event date. The financial statements appearing after the audit opinion in Section "A" of this report includes first three pages and last three pages of Statement "L". The reason for this is that Statement "L" contains disaggregated details of the total of *K8,893 million of expenditure appearing in Statement "B"* and is too large for integration in to this Report. The details together with my audit opinion report on the Public Account would appear in the Department of Finance's annual publication.
- Section "B" of this report contains significant matters arising as a result of my audit on each of the statements "A" to "J" and "L" of the Public Account of Papua New Guinea. My opinion in Section "A" and audit findings in Section "B" should be read in conjunction with the respective financial statements of the Public Account.
- Section "C" provides appendices for additional reference.

Part II - covers the audit findings, conclusions and recommendations on my audit of National Government Departments, instrumentalities and agencies.

Part III - reports on the results of the audits of Provincial and Local-level Governments, business arms of Provincial Governments and their subsidiary corporations.

Part IV - covers findings, conclusions and recommendations from audits of public bodies and their subsidiaries, State owned companies and State share-holdings in other companies.

Coordinated Effort for Timely Reporting

In my last report on the audit of the 2010 Public Account, I explained that the delay in signing the report had been caused by the lateness of the delivery of the draft financial statements and the continual and frequent changes to the statements. The delay in the completion and publication of this Report on the audit of 2011 Public Account was merely awaiting management responses for the 2011 management letter submitted to Department of Finance. Responses were not received up until the time of printing this report.

The 2012 Public Account Financial Statements was delivered to my office on the 12th May 2014 and at the time of preparing this report in July 2014 my officers were conducting the audit. The Department of Finance was yet to submit the 2013 Financial Statements to me for audit. Once submitted the audits will be completed within an appropriate time frame because the Secretary of Finance and I are working closely together to develop a strategy for the more timely submission of the Public Account and completion of the audit—this includes working closely with Government Departments so that the information provided to the Department of Finance is timely, accurate and reliable.

**AUDIT OPINION ON
THE PUBLIC ACCOUNT
OF PAPUA NEW GUINEA
FOR THE YEAR 2011**



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INDEPENDENT AUDIT REPORT ON THE PUBLIC ACCOUNT OF THE GOVERNMENT OF PAPUA NEW GUINEA FOR THE YEAR ENDED 31 DECEMBER 2011

To the Minister for Finance

I have audited the accompanying financial statements of the Public Account of the Government of Papua New Guinea for the year ended 31 December 2011. The financial statements comprise:

- Statement A Statement of Public Account Balances
- Statement B Consolidated Revenue Fund Receipts and Expenditure
- Statement C Trust Fund - Receipts and Expenditure
- Statement D Statement of Sources and Application of Funds
- Statement E Trust Fund - Particulars of Investments
- Statement F Statement of Direct Investments, Capital Contributions and Equity Option Rights
- Statement G Statement of Public Debt
- Statement H Statement of On-Lending
- Statement I Statement of Loans Guaranteed by Government
- Statement J Receipts Classified under Heads of Revenue Estimates
- Statement L Expenditure Classified under Appropriation Divisions

Responsibilities for Preparation of the Financial Statements

Section 3 (1) of the PFMA places responsibility on the Minister for Finance for the supervision of the finances of the Independent State of Papua New Guinea (PNG) so as to ensure that a full accounting is made to the Parliament of all transactions involving public moneys. Under *Section 3 (3) of the Act*, the Minister is also required as soon as practicable after the end of each fiscal year, to cause the preparation of a detailed statement of the receipts and expenditure of the Public Account during the fiscal year, and have it sent to the Auditor-General to be audited.

The Secretary of the Department of finance, as the Head of the Department responsible for financial management, has control and direction of all matters relating to the management of the financial affairs of the State. The Financial Instructions, issued by the Secretary of the Department of Finance in accordance with *Section 117 of the Act*, provides the basis for the preparation and presentation of the National Government Accounts. The Secretary of the Department of Finance, as the Chief Accountable Officer is, therefore, responsible, for the preparation and presentation of the Public Account of PNG and the information contained therein. The *Act* also makes the Secretary of the Department of Finance responsible for the efficient management of the financial affairs of the State.

The Heads of Departments of the Public Service are responsible for the efficient management of their Departments, maintaining proper accounting records, taking measures to safeguard the collection and custody of public moneys and assets, ensuring expenditure is properly authorised and applied for the purpose for which it is appropriated and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility of the Auditor-General

Section 214 of the Constitution requires the Auditor General to inspect and audit, and to report at least once in every fiscal year to the Parliament on the public account of the Independent State of PNG, and on the control of and on transactions with or concerning the public moneys and property of the Independent State of PNG.

Section 7 (2A) of the Audit Act, 1989 requires that the Auditor-General reports on:

- (a) *Whether the financial statements, to which the report relates, are based on proper accounts and records;*
- (b) *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;*
- (c) *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 PFMA; and*
- (d) *Such other matters arising out of the financial statements, to which the report relates, as the Auditor-General considers should be reported.*

The audit of the Public Account for 2011 was 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 test procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The nature of an audit is influenced by factors such as the use of professional judgment, including the assessment of the risks of material misstatement 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.

It is my responsibility to form an independent opinion, based on my audit, on these financial statements prepared on a cash basis and to report in accordance with the requirements of the *Audit Act*.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph below, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1.0 LIMITATION OF SCOPE ON THE PUBLIC ACCOUNT BALANCES

The Public Account of the National Government consists of the Consolidated Revenue Fund (CRF) and the Trust Fund. The Statement of Public Account Balances (Statement "A") shows the balance of the Public Account as at 31 December 2011 as K2.58 billion. This comprised the CRF surplus balance of K28.18 million and the Trust Fund balance of K2.55 billion.

I was unable to confirm the stated year-end balance of the Public Account for reasons explained in the following paragraphs:

1.1 Consolidated Revenue Fund Transactions – Statement "A"

The aggregate balance of the CRF stated as K28.18 million was made up of the surplus of K4.9 million realised in 2011, the K52.6 million resulting from a change in accounting policy (Note 4.2) and the accumulated deficit balance of 29.4 million brought forward from 2010. I could not confirm the accuracy of the CRF surplus balance of K28.18 million as correct due to the errors, uncertainties and the material limitation of scope in the audit efforts to verify the brought forward balance, as expressed in my previous audit reports.

I was also unable to verify the accuracy of the surplus of K4.9 and K52.6 million due to the following reasons:

- **Cash Adjustment Account (A Non-Bank Adjustment Account)**

The Cash Adjustment Account has been maintained solely for the adjustments of accruals (receivables and payables) at year-end. Contrary to that purpose, audit of prior years' confirmed that a significant value of receipts and expenditure has been processed through this account. In 2011, receipts totalling *K487 million* and expenditure totalling *K493 million* were processed through this account and facilitated through IFMS. These transactions were not just adjustments of accruals.

Note 5 to the financial statements stated that in 2011 financial transactions were recorded against the Cash Adjustment Account. This resulted in expenditure of 289.866 million which was not appropriated in the budget for 2011 nor provided for by way of either a Section 3 or a Section 4 transfer.

Such an adjustment account is not a requirement in the method of accounting adopted for the Public Account and the existence of this account poses great risks of a significant value of receipts and expenditure getting improperly processed and the relevant ledgers not properly updated to reflect accurate balances.

- **Variances in Revenue between Department and Public Account Records**

Statements "B" and "J" disclosed taxation revenue as K5.49 billion whereas the revenue summary report from Internal Revenue Commission showed K6.67 billion as total taxation revenue. The revenue from PNG Customs Services disclosed in the statements at K1.20 billion also differed from the total of K2.23 billion shown in the revenue summary report from IRC.

The net variance of K1.4 billion for these two revenue sources represents 12.5% of the total CRF Receipts of K11.17 billion. Reporting of similar differences is likely to continue in the future as no clear explanation was given about the causes and the possible remedy.

- **Inability to Confirm Validity of Expenditures**

The Public Account disclosed K11.17 billion as total expenditure in 2011. Out of that, K5.1 billion representing 46% of the total expenditure was expenditure incurred by the National Departments. Audit of the individual agencies confirmed that a significant amount of their expenditure was charged to wrong votes due to incorrect expenditure codes and transfers being processed through journal entries to vote items for which funds were not appropriated.

I was therefore unable to confirm if the expenditure disclosed in the Public Account includes an accurate representation of the expenditure by Government Departments in 2011.

- **Inadequate Employee Salary and Wages Records**

The cost of salaries and wages within the Government Departments represents one of the single largest expenditure items. An amount of K1.78 billion of Personnel Emoluments comprising direct salaries and allowances, wages, overtime and leave fares was paid during 2011. This represents 15.94% of the Public Account's total expenditure of K11.17 billion reported in Statement "B".

Testing of a large sample across 27 State Agencies revealed that there was no payroll reconciliation performed by Human Resource Divisions. Testing of employee records relating to the 27 departments indicated that they were not updated on a regular basis with information on recreation leave, higher duty allowances, and sick leave or tax declaration forms. For employees employed on contracts, contract review committees are non-existent or not effective as evidenced in the audited agencies, resulting in contracts not reviewed or renewed on time.

In the absence of appropriately maintained employee and reconciliation records, I was unable to verify the accuracy and validity of the Personnel Emoluments payments.

1.2 Trust Fund – Statement "C"

- **Lack of Trust Account Monthly Reconciliations**

The Trust Fund balance of K2.55 billion at the end of 2011 increased by K339 million from 2010. Sections 14 and 19 of the *PFMA* requires Trustees/Departments to submit monthly returns of receipts and payments of trust accounts, together with the bank reconciliations, and annual trust account financial statements at year end to the Department of Finance.

In 2011, I noted 395 trusts with bank accounts, however, no status reports were maintained by Finance on the submission of bank reconciliations were made available. Further, none of the Department/Trustees submitted the bank reconciliations for their Trust Accounts within 14 days of the close of each month to Finance. Payments made were also contrary to Trust Instruments and surplus funds available in the trust

accounts were not invested as required by the *PFMA*. All these indicate the lack of compliance by the Trustees/Departments with the *PFMA*. In the absence of complete returns and reconciliation of trust accounts, I was unable to verify the correctness of the closing balance of the Trust Fund.

- **Operation of Trust Fund Suspense Account No. 2 (A Non-Bank Trust Account)**

The Trust Fund Suspense Account No 2 continued to be operated in 2011 despite it being revoked on 19 July 2006. The same Trust Account maintained throughout the Provinces was intended to account for transactions relating to bail monies and child maintenance monies. Over the years, receipts and payments of material amounts have been facilitated through the account. In 2011, there was nil receipt and K18.70 million payments, resulting in a deficit of K4.37 million.

Contrary to the requirements of the *PFMA* and the intended purpose to maintain this account as a non-bank Trust Account, the prevailing practice of processing transactions other than those relating to its purpose seemed to have been regularised.

Consequently, I could not verify the validity of the payments processed through this account in 2011, the impact of that on the correctness of the balance in Statement "C" and ultimately the Public Account balance.

- **Trust Account Expenditure in Breach of Trust Instruments**

Statement "C" disclosed K1.65 billion as total expenditure made out of 395 Trust Accounts in 2011. With the opening balance of K2.2 billion and the total receipts of K1.98 billion, the closing balance at the end of 2011 was K2.54 billion.

The audit of the accounts and records of National Departments and Agencies confirmed instances of trust accounts not on the accounting system (PGAS) and therefore not included in Statement "C". These Departments included Petroleum and Energy, Department of Community Development and Department of Transport to name a few.

1.3 Trust Fund Investments – Statement "E"

The non-disclosure of the Insurance Deposit Trust Account in Statement "E" is misleading. Over the years, the deposits made by the insurance companies were invested in the names of the respective Insurance Companies by the Office of the Insurance Commissioner and held outside the Insurance Deposit Trust Account. This is in breach of Section 27 (1 and 2) of the *Insurance Act* 1995.

1.4 Non-Disclosure of Direct Investments – Statement "F"

The State's direct investment, capital contributions and equity option rights in various companies and public bodies were not disclosed in Statement "F". The statement for the year under review was not compiled and submitted to AGO for audit. It was reported in 2010 that the Secretary for the Treasury had written to all State owned companies on 16 February 2011 requesting for the 2010 Annual Reports to be provided. As highlighted in Note 9 to the financial statements, 2011 movements in the value of the portfolio was not disclosed, due to information not been provided by the Independent Public Business Corporation.

1.5 Register of Guarantees – Statement “I”

I have reported over the years that a Register of Guarantees had not been maintained by Treasury. This was also confirmed that the same register not maintained again in 2011. Therefore, I was not unable to determine the full extent of guarantees given by the State nor was I able to carry out appropriate audit checks to determine whether significant commitments could become due and payable.

1.6 Period 13 Journal Entries

The funds transferred through journal entry adjustments raised in period 13 (year-end) totalled K2.4 billion, a decrease of K0.8 billion (or 25%) compared to the 3.2 billion in 2010. The transfer of a significant amount of public funds through journal entries, particularly in period 13, poses serious concerns in relation to the proper maintenance of ledger accounts, the cash books and the bank reconciliations. It also requires the communication of the adjustments to the concerned State Agencies the similar adjustments in their respective books of accounts. Traditionally, journal entries are a means of making adjustments to correct errors but the use of these entries is not a substitute of proper accounting.

2.0 ACCOUNTS AND RECORDS

2.1 Losses and Deficiencies

The Public Account reported the losses and deficiencies of the Public Monies at only K80,097 (one Department) for the year 2011.

I could not confirm the completeness of the information in this Annexure. The results of my audit of the accounts and records of 27 National Departments for 2011 revealed that a number of Departments did not maintain proper and updated records of assets, or registers of losses and deficiencies. I also noted that periodic stocktakes were not conducted in most Departments. The proper and updated records of assets mean Departments and as a result were unable to accurately report any assets lost or stolen.

In view of the unacceptable state of the records on assets and the spread of State assets across the Departments and Agencies of Government, it was not possible for me to determine the full extent of the misstatement in Annexure 1.

2.2 Separate Bank Accounts for Non-Bank Trust Accounts

Appendix 1 of the Notes to the Public Account disclosed a total of 33 General Trust Accounts which do not have separate bank accounts. These Trust Accounts are operated through the main Waigani Public Account (WPA). The use of such non-bank trust accounts creates the risk of improper access of funds from the WPA without being properly authorised and having a fully documented audit trail. Unless due care is exercised, there is a potential risk of posting the corresponding entries in the Consolidated Revenue Fund (CRF) account into incorrect non- bank trust accounts. My finding on the Cash Adjustment Account and the Trust Fund Suspense Account No. 2 provide examples of the risks in the existence of the non-bank accounts.

Although assurance was provided by Finance that the non-bank trusts accounts situation would be remedied, the matter still remains unresolved.

2.3 Departmental Records

The Public Account's financial statements are derived from the transactions generated by Government Departments; the results of the audit of the Departments have an impact on the final balances reflected in the Public Account. There were significant control weaknesses and non-compliances with set procedures and Financial Instructions identified during the audit of major Departments which affect the overall accuracy of the Public Account balances:

- There was a high rate of non-compliance with procurement and payment procedures. Quotation registers were not maintained, payment vouchers were not examined for completeness and accuracy prior to processing the payments, and a large proportion of payments were made on pro-forma invoices which were not supported by tax invoices; and
- Significant weaknesses in payments and acquittal of advances were noted from 21 Departments that were audited, as reported in my 2011 Part II Report on Government Departments and Agencies:
 - The requirement of Part 20 of the *Financial Management Manual* was breached in that registers of advances were either not maintained or were not regularly updated; and
 - I also noted very slow rates of recovery of salary advances which means that the funds that should be in the custody of the State are in the custody of individuals.
- Assets registers were either non-existent or they were not properly maintained in 18 Departments that were audited. In excess of K16.4 million assets were identified as unrecorded, thus maintaining an assets register helps to ensure that the assets are adequately safe guarded and valued.

3.0 LEGAL AND REGULATORY REQUIREMENTS

In addition to the scope limitation and deficiencies in the accounts and records noted above, I also wish to report breaches of the *Constitution*, the *Appropriation Act, 2010*, the *PFMA* and the *Public Service (Management) Act, 1995*.

3.1 The Application of the Budgetary Control Framework

General

Statement "B" discloses, in part, actual expenditure against appropriated funds. Separate Appropriations are required for the National Parliament, the Judiciary, Recurrent Expenditure and Development Expenditure. It is the role of the Parliament, through the *Appropriation and Supplementary Appropriation Acts*, and other laws, to appropriate expenditure as required by Section 211(2) of the *Constitution* which states:

"No moneys of or under the control of the National Government for public expenditure or the Parliament and the Judiciary for their respective services, shall be expended except as provided by this Constitution or by or under an Act of the Parliament".

There were deficiencies in the application of the budgetary control framework as shown in

the following paragraphs.

Directions for reallocation of Funds issued by Secretary of Treasury under the Appropriation Acts.

All Directions issued by the Secretary for Treasury under the *Appropriation Acts* for the reallocation of funds under the respective budgets for expenditure must be made available through reports in the National Gazette. This requirement under the Appropriation Acts is mandatory as it forms the legal authority and basis for the transfer of funds from one allocation to another.

Despite the existence of this authority, no such Directions were published in the National Gazette for the year 2011. In the absence of the statutory approval/Directions from the Secretary for Treasury, the legitimacy of the transfers could not be validated in accordance with the requirement of the *Appropriation Acts*.

3.2 Trust Accounts

Section 17 of the *PFMA* requires that:

“Moneys may be paid out of a Trust Account only:

- (a) for the purposes of the Account or as authorised by law; and*
- (b) if a sufficient credit is available in the Account”.*

Statement “C” discloses the closing balances for trust accounts forming the Trust Fund. In The 2011 financial year, the following breaches of the *PFMA* occurred:

- 20 Trust Accounts that were revoked by the Minister for Finance in prior years, continued to be operated in 2011 contrary to the requirements of the *PFMA*, and ended with a closing balance of K11.39 million in total;
- Moneys were expended contrary to the purposes of the accounts, as discussed earlier; and
- Ten non-bank trust accounts were overdrawn by an aggregate of K53.43 million at 31 December, 2011. Among these were three of the revoked trust accounts that have continued to be operated which accounted for K6.57 million of the overdrawn balances.

DISCLAIMER OF OPINION

Because of the significance of the matters described above, and my inability to obtain sufficient and appropriate audit evidence, I am unable to express an opinion on the Public Account of the Government of PNG for the year ended 31 December, 2011.

OTHER MATTERS

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

Preparation of the Public Account

The Minister for Finance (through the Secretary, Department of Finance) is required to prepare the Public Account “as soon as practicable” after the end of the fiscal year. At present, the PFMA does not provide a specific time frame for preparation of the Public Account and submission to the Auditor-General.

Since I became The Auditor-General, I have been concerned about the amount of time taken to prepare and finalise the Public Account, and for the audit to be done in a reasonable time frame. The extended delays in the years up to and including 2011 have adversely affected my ability to report to the National Parliament in a timely manner. If the audits of Public Account are not finalised within six months after the end of the financial year, the usefulness of information in the Public Account and the audit report diminishes through further passage of time.

I recommend that the *PFMA* be amended to require the Public Account to be submitted for audit by 31 March of the year following the end of each fiscal year, so that the Auditor-General is in a position to complete his audit by 30 June.

Significant non-compliance with Legislation and Accounting Principles

I report the following significant of non-compliance matters:

- The Public Account of the Government of PNG, the records and their transactions were not kept in the manner as provided for in the Finance Instructions;
- The receipts, payments, investment of moneys, the acquisition and disposal of assets during the period covered by the financial statements have *not been in accordance* with the *PFMA requirements*; and
- The Directions from the Secretary for Treasury for budget transfers under all the *Appropriations Acts* for 2010 were not published in the National Gazette and therefore the legitimacy of the transfers could *not be validated in accordance with the requirements* of the *Appropriation Acts*.



PHILIP NAUGA

Auditor-General

ANNEXURE - FINANCIAL STATEMENTS

**2011 PUBLIC ACCOUNT
STATEMENTS “A”
TO “J” AND “L”**

**- RECORD OF LOSSES
AND DEFICIENCIES OF
PUBLIC MONIES**

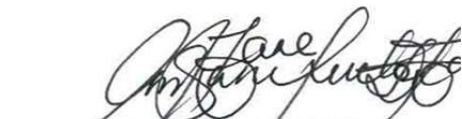
**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
STATEMENT OF PUBLIC ACCOUNT BALANCES
AT 31 DECEMBER 2011**

		2011	2010
	Notes	K'000	K'000
Consolidated Revenue Fund	4	28,177	(29,368)
Trust Fund (Statement C)	13	<u>2,548,965</u>	<u>2,261,970</u>
Public Accounts Total Funds	-	<u>2,577,141</u>	<u>2,232,602</u>
Bank Balances			
Bank of Papua New Guinea	16.1	(63,433)	(152,463)
Bank of South Pacific	16.2	2,477,473	2,333,144
ANZ Bank	16.3	151,027	37,425
Westpac Bank	16.4	4,625	7,045
May Bank	16.5	36	7
Investment Trusts	16.6	<u>7,376</u>	<u>6,960</u>
	-	<u>2,577,104</u>	<u>2,232,118</u>
Finance Operating Accounts			
Cash in Transit	6	(153)	(140)
Advances	7	191	624
		<u>38</u>	<u>484</u>
		<u>2,577,141</u>	<u>2,232,602</u>

This statement should be read in conjunction with the accompanying notes.



Dr Ken Ngangan
Acting Secretary
Department of Finance



SAMSON METOFA
Acting First Assistant Secretary
Accounting Frameworks and
Standards Division
Department of Finance



NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICY

1.0 General

The accounting policies and practices followed in the preparation of the 2011 Public Accounts are based on requirements stipulated in the *Public Finances (Management) Act 1995* and associated Finance Instructions.

The accounting policies and practices are the principles, bases, conventions, rules and practices adopted in preparing and presenting the statements.

1.1 Cash Basis of Accounting

The 2011 Public Accounts are prepared on a Cash Basis. Receipts and payments are only recognised when cash is received or disbursed.

Accounts that use Consolidate Revenue Fund bank accounts are reported in the Consolidated Revenue Fund.

Accounts that use Trust Fund bank accounts are reported in the Trust Fund.

Transactions are accounted for and presented in accordance with their substantive and economic reality.

1.2 Recognition of Receipts and Payments

Receipts are recognised at the time the money is recorded in the accounting system.

Payments made by cheque are recognised when the cheque is raised in the accounting system.

Amounts paid by the National Government of Papua New Guinea (the Government) to third parties from the Consolidated Revenue Fund that are reimbursable and remain uncollected at year end are disbursements and reported as Advances.

Assets, including investments, acquired during the year are recognised as expenditure in the year payment is made. No assets, other than cash, are shown in the Public Accounts. The Government's investments, capital contributions and option rights in certain entities are disclosed in Statement F.

Liabilities owed by the Government are not recognised in the Public Accounts.

Contributions-in-kind provided to the Government by foreign governments and aid organisations are recognised as grant revenue in the Public Accounts at the point the contribution-in-kind is received. Costs associated with contributions-in-kind, which are incurred by foreign governments and aid organisations, are recognised as expenditure when the contribution is received.

Data on non-cash contributions made by commercial entities under concessional tax arrangements or agreements with the Government is not available and these contributions are not recognised in the Public Accounts.

1.3 Valuation of items reported in the Statements

1.3.1 Cash at Bank (Statements A, D and E)

Reported in the cash at bank values is the balance of the cashbook unless otherwise noted. In some instances, cash at bank figures reported in these statements is the bank balances as per the relevant bank statement.



1.3.2 Non Cash Grants (Statements J, L and B)

Non cash grants are valued on the basis of written confirmations provided by the aid provider. Grants are brought to account at the Kina equivalent of the costs incurred by the donor in providing the non cash grant.

1.3.3 Investments (Statement F)

Investment valuations are determined using the following methods, in priority order:

- Method A: (1st priority) Listed public companies are valued on the basis of share prices as at 31 December 2010.
- Method B: (2nd priority) Independent valuations (no more than 3 years old) performed by qualified value's.
- Method C: (3rd priority) Net asset value published in audited financial statements.
- Method D: (4th priority) Net asset value published in unaudited financial statements.
- Method E: (5th priority) Where no current year valuation is available previous year valuations are used.

The valuation method used for each investment is indicated in Statement F.

- **Foreign Currency Loans (Statements B, G and I)**

Loan balances and loan drawdowns and repayments that are denominated in a foreign currency are converted to a Kina equivalent based on the midrate exchange rate applicable at the time for the currency in question. Exchange rates are supplied by the Bank of Papua New Guinea.

1.4 Rounding of amounts presented in the Statements

The amounts reported in these statements and disclosed in the Notes are expressed to the nearest thousand Kina unless stated otherwise. Any discrepancies between totals and the sums of components are due to rounding.

1.5 Correction of Errors

When an error arises in relation to a cash balance reported the amount of the error that relates to prior periods is reported by adjusting the cash at the beginning of the period. Comparative information is restated, unless it is impractical to do so.

NOTE 2 BUDGET ESTIMATES OF REVENUE AND EXPENDITURE (Statements B, J & L)

Original revenue and expenditure estimates figures are taken from the 2011 Budget Appropriation Acts.

Additional estimates figures in Statements B and J are taken from Supplementary Budget Acts.

Section 3 and Section 4 transfers in Statement B reflect the reallocation of appropriations authorised by the Secretary of Treasury.

Revised revenue and expenditure estimates on Statement B and J reflect the estimates contained in the 2011 Budget Appropriation Acts plus the Supplementary Appropriation Acts plus or minus the effects of any transfers authorised by the Secretary of Treasury.



Original revenue and expenditure budget figures in Statement L are taken from the 2011 Appropriation Acts and the Supplementary Appropriation Acts.

Section 3 and Section 4 transfers in Statement L reflect the reallocation of appropriations authorised by the Secretary of Treasury.

Revised expenditure estimates in Statement L reflect estimates contained in the 2011 Budget Appropriation Acts plus the Supplementary Appropriation Acts plus or minus the effects of any transfers authorised by the Secretary of Treasury.

NOTE 3 2011 APPROPRIATIONS (*Statement B*)

3.1 Reconciliation of Appropriations

The reconciliation of the Appropriation Acts to the Revised Appropriation figures shown in Statement B is as follows.

	Original	Supplementary	Section 3/4	Revised
	K'000	K'000	K'000	K'000
Parliament	111,674	10,000	5,000	126,674
Judiciary	69,652	-	-	69,652
Recurrent	7,299,101	707,800	(23,152)	7,983,749
Development	4,037,428	(52,000)	18,152	4,003,580
TOTAL	11,517,855	665,800	0	12,183,655

3.2 Transfers between services

In previous audits of the Public Accounts the Auditor General expressed within the Audit Opinion a view that the transfer of Recurrent Budget Appropriations to the Parliament, Judiciary and Development projects was in breach of the provisions of Sections 24 and 25 of the *Public Finances (Management) Act 1995*.

The Department of Treasury notes that, for the avoidance of doubt, Sections 3 and Section 4 of the *Appropriation (Recurrent Expenditure 2010) Act* specifically authorise the transfer of Recurrent Budget Appropriations to activities of the Parliament, Judiciary and Development projects.



NOTE 4 CONSOLIDATED REVENUE FUND BALANCE (Statement A)

	31 December 2011	31 December 2010
	(K, 000)	(K,000)
Accumulated Opening Balance	(29,368)	(69,946)
Change in Accounting Policy (Note 4.2)	52,601	0
Add: Surplus/(Deficit) for the year	4,943	40,578
Closing balance	28,177	(29,368)

4.1 Error Note - 2010 Public Account

The 2010 Public Account had errors.

This Note discloses the nature of the errors, the respective amounts of the corrections and the adjusted comparative information for the 2010 financial year.

The errors were in the nature of mathematical mistakes, and oversight mistake and a mistake in applying accounting policies.

Oversight Mistakes:

1. There was a mistake due to oversight resulting in not all bank account closing balances being disclosed in Note 16 - Bank Balances in the 2010 Public Account.

The 2010 Public Account reported the correct amount in Statement A.

The Bank Balances Note 16 in the 2011 Public Account records the correct comparatives for the 2010 year.

2. There was a mistake due to oversight in Note 16 Bank Balances being duplicated.

The duplicated balances were disclosed in Bank of PNG details and in Bank of South Pacific details, and the Bank of South Pacific and Maybank.

This mistake is associated with the incomplete additions in the Bank Balance Note 16 for the 2010 Public Account and is rectified by disclosing the correct balances against the correct banks as the 2010 comparatives in the 2011 Public Account.

The balances which were duplication are shown in the following Table:

2010 PUBLIC ACCOUNT	DISCLOSED IN BANK
K2,487,207	Bank of PNG as National Roads Authority Fund T/A, and Bank of South Pacific as Bougainville Resource Capacity Trust A/c.
K87,000,000	Bank of PNG as Infrastructure Development (UBSA) Account and Bank of South Pacific as RMRP Headquarters - Drawing A/c.
K6,523	Bank of South Pacific as Manam Disaster Humanitarian Impl. Trust and May Bank as Cape Rodney Agric. Development T/A.

Note 4.2 Change in accounting policy:

1. There is a change in accounting policy.

General Trusts without Bank Accounts use funds exclusively from the Consolidate Revenue Fund.

The substantive and economic reality is that those financial transactions were transactions of the Consolidate Revenue Fund.

The balances and movements of the accounts for General Trusts without Bank Accounts in the 2011 Public Account are disclosed in Appendix 1 - General Trusts without Bank Accounts.



NOTE 5 PAYMENTS EXCEEDING APPROPRIATIONS (*Statements B and L*)

In the 2011 financial year, payments exceeded legal appropriations for vote items of expenditure. The reasons for the overspend are:-

Development Grants by donors

Appropriations for development grants may be exceeded where:

- Donors spend more than originally estimated for a specified project. Grant expenditures are at the discretion of the donor agency. Where donors spend more than budgeted on a project, actual expenditures recorded in Statement B and Statement L, which includes these donor expenditures, may exceed budgeted expenditures, but this is offset by movements in revenue which are similarly over budget.
- Grant expenditures are made in a foreign currency. Where expenditures are made in a foreign currency they are converted to a Kina equivalent for the purposes of bringing them to account in these statements. Exchange rate movements may affect the Kina equivalent of the amount spent.

Departmental Payments

Departmental payments may exceed appropriations because payroll costs exceed budget appropriations. The Government's fortnightly payroll will be processed even where insufficient appropriation is available to cover the cost of the payroll.

Statutory Institution Grants

Over payments of grants resulted from payroll cost processing. The National Government provides a payroll service to a number of statutory institutions by processing and disbursing the payroll for the institutions. Payroll costs paid on behalf of the institution are subsequently recovered by charging the costs to the appropriation for the government grant to the institution. Where the cost of the payroll exceeds the value of the grants available, the National Government is unable to fully offset the cost of the institutions payroll resulting in the over-expenditure.

Use of the Cash Adjustment Account

In 2011 financial transactions were recorded against the Cash Adjustment Account. This resulted in expenditure of K289.866 million which was not appropriated in the Budget for 2011 nor provided for by way of either a Section 3 or a Section 4 transfer.

NOTE 6 FINANCE OPERATING ACCOUNTS - CASH IN TRANSIT

A balance of (K153, 259) for Finance Operating Accounts - Cash in Transit reported in Statement A is made up of the following:-

	31 December 2011	31 December 2010
Cash in Transit	Kina	Kina
Cash In Transit - AFO Konedobu	(16,508)	(3,373)
Cash In Transit - AFO Lae	(6,268)	(6,268)
Cash In Transit - AFO Goroka	358,210	358,210
Cash In Transit - AFO Rabaul	(488,693)	(488,693)
Total Cash in Transit	(153,259)	(140,124)



NOTE 7 FINANCE OPERATING ACCOUNTS - ADVANCES

A balance of K290, 057 for Finance Operating Accounts Cash - Advances reported in Statement A is

made up of the following:-

	31 December 2011	31 December 2010
Permanent Advances	K'000	K'000
Permanent Advances - AFO KONE DOBU	(5)	(16)
Permanent Advances - AFO Lae	15	24
Permanent Advances - AFO Rabaul	217	615
Total Permanent Advances	227	624
Special Pay Accounts		
Special Pays Account - AFO Konedobu	(36)	0
Total Special Pay Accounts	(36)	0
Total Advances	191	624

NOTE 8 PAYABLES AND RECEIVABLES

Under the Cash Basis of accounting, receivables and payables are no longer recognised; however, this information is reported in the following payable and receivable notes.

8.1 Salary Related Items

Amounts due to the Government for public servant salary and wages advances, and due by the Government for outstanding disbursements of salary deductions at the beginning and end of the year were as follows:

	31 December 2011	31 December 2010
	Kina	Kina
Salary Related Items		
Stat Authority - Loans Receivable - Salary	1,157,194	0
Salary Overpayment - Receivable	17,100,097	0
Salary Clearance	36,061,889	30,646,927
Repaid Salaries	(14,677,777)	(9,474,650)
Payroll Deduction - Other	(638,825)	0
Advances Other (SAL. Section Waigani)	1,107,734	1,107,734
Payroll Deduction - Other	(230,620)	0
Total Salary Related Items	39,879,693	22,280,011
Total	39,879,693	22,280,011



8.2 Unfunded Superannuation

Since 1991, the State has been required to contribute 8.4 percent of an employee's salary to a superannuation fund managed by Nambawan Super Limited (NSL). In the past, the government has not provided the full contribution to NSL on an ongoing basis as the liability has accrued. This has led to an accumulation of unfunded superannuation liabilities which the government must meet when employees exit the fund. The liability is indexed to the annual growth rate of NSL's investment returns. This liability totalled K2.038 million at 31 December, 2011.

8.3 Superannuation Contribution Arrears

- (i) From 2009 onwards under the *Superannuation (General Provisions) Act 2000*, the government is required to remit the full 8.4% employee superannuation contribution to NSL on an ongoing basis as the liability accrues.

- (ii) Unfunded superannuation contributions must be met by the government when employees exit the fund. NSL pays the total benefit to the member and the government reimburses NSL. At 31 December 2010 the government was in arrears on these payments to NSL in the order of K106.6 million. The total arrears of K106.6million were fully paid in 2011 financial year.

8.4 Statutory Bodies

Amounts due to the Government by Statutory Bodies at the beginning and end of the year were as follows:-

	31 December 2011	31 December 2010
Debtors (Receivables)	Kina	Kina
National Cultural Commission	196,135	0
National Museum & Art Gallery (Sal Clearance a/c)	14,138,498	12,458,555
Judicial Services	31,203,375	30,752,090
National Institute Standards & Industrial Tech (SalClra/c)	2,155,908	695,709
National Training Council (Sal Clr a/c)	(20,390)	(197,231)
PNG Sports Commission	6,814,815	5,554,491
National Narcotics Bureau	8,581,150	6,242,887
Nat. Agriculture & Inspection Authority	7,050,700	5,349,543
Magisterial Services	4,420,475	5,166,777
National Youth Commission	1,523,539	1,915,608
Workers Compensation Board	1,641,291	0
Constitutional and Law Reform Commission	467,224	0
National Road Authority	1,394,948	0
Tourism Promotion Authority	195,579	0
Office of Coastal Fisheries Development Agency	(202,122)	0
Tourist Corporation Trust Account	4,909,551	4,909,551
Civil Aviation Authority	14,728,798	14,728,798
Total	99,199,476	87,576,777



NOTE 9 CONSOLIDATED REVENUE FUND - INVESTMENTS (STATEMENT F)

9.1 Value of Investments

The investments presented in Statement F reflect those assets held by the State in commercial entities or independent public bodies. This does not include equity or other assets held by the State in other public bodies, such as statutory authorities.

For 2011 movements in the value of the portfolio are not disclosed, as information has not been provided by the Independent Public Business Corporation.

9.2 Revaluations of majority State Owned Enterprises

For 2011 revaluations of majority State owned Enterprises are not disclosed, as information has not been provided by the Independent Public Business Corporation

PNG Water Board

No updated SOE valuations have been received for the 2011.

9.3 Dividends

For 2011 dividends are not disclosed, as information has not been provided by the Independent Public Business Corporation.

9.4 Ok Tedi Mining Limited

For 2011 the value of the Government's controlling interest in Ok Tedi Mining Limited is not reported in Statement F, as information has not been provided by the Independent Public Business Corporation.

Shares in Ok Tedi Mining Ltd (OTML) were vested in the IPBC. However the vesting notice is in conflict with the agreement between OTML and the State of PNG that states that the shares are to be held by the State of PNG. In these accounts the policy is to disclose the value of Ok Tedi shares against direct holdings by the State of PNG, not under the investments vested with the IPBC.

Note that the PNG Government owns 30 percent of OTML. However, the Government only has direct control over the proceeds from half of this, that is, 15 percent due to Minerals Resources Development control of 10% of OTML and landowner commitments of 5%.

9.5 National Petroleum Company PNG

For 2011 the valuation of National Petroleum Company PNG is not disclosed, as information has not been provided by the Independent Public Business Corporation.

9.6 Oil Search Limited

Oil Search shares held in the General Business Trust (GBT) are now reported under "Oil Search - Escrow Account".

9.7 Bank of South Pacific Limited

For 2011 no updated information can be disclosed, as information has not been provided by the Independent Public Business Corporation.

Prior to the sale on 30 July 2010, IPBC had a total of 1,071,082,400 shares in BSP. On 30 July 2010, IPBC disposed of 227,966,436 shares for a total amount of K143, 618,855 to IFC. The net gain realised on this sale was K128, 697,062.

As a result of the sale, the percentage shareholding in BSP by the State also declined from 23.49% to 17.61% in 2010.

9.8 Kula Palm Oil Limited

For 2011 no updated information can be disclosed, as information has not been provided by the Independent Public Business Corporation.

The value of the State's investment in Kula Palm Oil Limited significantly increased from K21,911,123 to K105,989,889 in 2010. This significant increase is attributable to increases in biological assets (plantations, livestock, etc.) and inventories. In April 2010, New Britain Palm Oil Limited acquired an 80% interest in Kula Palm Oil Limited.

NOTE 10 PUBLIC DEBTS (STATEMENT G)

Section 35 of the *Public Finances (Management) Act* provides authority for the Government to borrow funds. Borrowing of funds or raising debt is guided by the medium term debt strategy which is aligned to the medium term fiscal strategy.



10.1 Medium term debt strategy and risk management

The objective of the Government's medium term debt strategy 2009-2012 is to minimise the cost of debt consistent with the Government's tolerance for financial risk. This objective supports the medium term fiscal strategy and medium term development strategy.

There are three major strategies to support the objective: reducing debt to sustainable levels; reducing financial risks to prudent levels; and developing the Government inscribed stock, bill and loan markets.

Maintaining debt at sustainable levels

PNG debt sustainability will need to be improved through: growth in the economy, improvements in the public sector management and governance, prudent management of public debt and other liabilities and assets, and through reducing reliance on high-risk simple debt securities.

The State has a foreign currency debt rating of B plus. This means the rating agencies believe that whilst it currently has the capacity to meet financial commitments, PNG is vulnerable to adverse business, financial and economic conditions. One of the factors that prevented an improvement in the rating was an increased use of off-budget borrowing and expenditure.

Analyses indicate that due to the high level of State liabilities, further significant increases in debt would be imprudent. Therefore, the Government aims to keep Central Government debt at or below 30.0 per cent of GDP. In the event that debt increases above this level, the Government will use budget surpluses and windfall revenue to reduce its liabilities.

Reducing financial risks

Foreign Currency Risk

The Government aims to maintain foreign currency debt at around 40.0 percent of the total Central Government debt portfolio by restricting the amount of new foreign currency loans it enters into. In addition, where it is appropriate on a risk return basis, the Government may borrow domestic funds to retire foreign-currency debt.

Interest Rate Risk

The debt strategy aims to increase the net amount of fixed-rate Inscribe Stock by K0.2 billion over the next five years, and decreases Treasury Bills from about K1.5 billion as at the end of 2010 to about K0.5 billion in 2015.

Developing Government inscribed stock bill and loan market

Treasury is continuing with incremental improvements in processes underpinning the Kina denominated inscribed stock, bill and loan market to a standard that meets investors and other stakeholders expectation.

10.2 Balance of public debt

Borrowing and Public Debt are detailed on Statement G. The balance of Government Debt outstanding at 31 December 2011 was K7, 411,875 million as follows:

Opening balance of debt at 1 January 2011
Prior Year Adjustment
Adjusted Opening Balance of Debt 1 January 2011

Add:	ge rate
Additional	movement
borrowings	Less:
Add:	Repayments
Adjust	of Principal
ments	Closing balance of
for	debt at 31
exchan	December 2011



Net increase in public debt during 2011

K'000

K'000

10.3 Debt related principal and interest payments

6,896,533

(219)

6,895,256

3,913,105

(486,452)

2,910,034

7,411,875

(516,619)



	Statement G	Statement B	Difference
	K'000	K'000	K'000
Principal payments	2,910,034	1,695,060	1,214,974
Interest payment, commitment & other charges	294,672	95,285	199,387
	3,204,705	1,790,345	1,414,360

The above differences in principal and interest payments between Statement G and Statement B are a result of timing differences whereby the cash payments occur at a different point in time to the debt maturity terms and write offs of state loans that are shown in Statement H.

NOTE 11 PUBLIC LENDING

Section 38 of the *Public Finances (Management) Act 1995* provides authority for the Government to loan funds to third parties and to impose interest and fees for loans made.

Lending by the Government to other parties is detailed in Statement H.

NOTE 12 LOANS GUARANTEED BY GOVERNMENT

Section 37 of the *Public Finances (Management) Act 1995* allows the Government to make guarantees for the principal and interest repayments on loans made by third parties to Statutory Bodies and other borrowers.

Loans guaranteed by the Government for which there existed a contingent liability at 31 December 2010 are listed in Statement I.



NOTE 13 TRUST FUND BALANCE

	31 December 2011	31 December 2010
	Kina	Kina
Accumulated Opening Balance	2,261,970	2,970,275
Change in Accounting Policy (Note 4.2)	(52,601)	
Add: 2011 Receipts	1,984,905	1,417,100
Less: 2011 Payments	(1,732,308)	(2,125,405)
Closing Balance at year end	2,461,965	2,261,970

13.1 Invested Trusts (STATEMENT A & E)

The balance of invested trusts reported in Statements A and E is K7, 149,566.

13.2 Invested Trusts: Insurance Deposit

Under S27(l) and (2) of the *Insurance Act 1995* it is a condition of license for insurers to maintain with the government a deposit which is to be invested in trust for the insurer with all interest earned paid to the insurer. Whilst there are deposits made by the insurers these are currently not held in trust rather they are in the name of the insurance company. As a result, the government does not control these deposits and therefore the values of these deposits are not reported in Statement E.

The Ministerial determination requires re-insurers and insurers to provide a deposit of K300, 000 and brokers K50, 000. From 2011 onwards, the Government will require these deposits to be held in trust which will result in these deposits being recorded in Statement E.

NOTE 14 LOSSES AND DEFICIENCIES

Section 62 (1) of the *Public Finances (Management) Act 1995* and Parts 28-32 of the Financial Instructions set out the legal requirements for the reporting of losses of public money and property. Losses of public money and property totalling K80,097 are detailed in the Statement of Losses and Deficiencies of Public Monies in Appendix 2.

NOTE 15 TEMPORARY FINANCING OF THE PUBLIC ACCOUNT

Under Section 55(2) of the *Central Banking Act 2000*, the Bank of Papua New Guinea may grant temporary advances to the government in respect of temporary deficiencies of revenue due to cash flow mismatches including when there is insufficient cash held in the Waigani Public Accounts to fund the operations of government. As at 31 December 2011, there were no temporary advances outstanding (Nil in 2010).

Note 16 BANK BALANCES

The following tables record cash at bank for all official National Government bank accounts except where the year-end cash book balance for a bank account could not be proven by a bank reconciliation.



16.1 Bank of Papua New Guinea

Bank of Papua New Guinea	2011 Balance (K)	2010 Balance (K)
Central Malalaua Highway T/A	10,000,000	0
Kokopau to Arawa Road Upgrading and Bitumen Sealing T/A	19,962,405	0
Sogeri National High School (Renovation and Upgrading) T/A	10,000,000	0
Trans East - West New Britain Highway T/A	10,000,000	0
BSP EFTPOS Receipt A/C	52,161	52,161
Central Province Operating A/C	6,557,394	7,344,018
Central Province RPM A/C	1,109,614	1,004,458
Coastal Vessels Account	5,640,000	0
Comm. Water Transport Project GoPNG C/Fund	548,079	701,437
Consumer Affairs Council Drawing A/C	306,515	306,515
Cooperative Societies Establishment T A	0	2,000,150
Defence Barracks Maintenance & Improvement T/A	5,000,000	0
Dept. of Agriculture & Livestock Drawing	(1,066,597)	(611,459)
Dept. of Agriculture & Livestock PIP A/C	(60,463)	566,496
Dept. of Attorney General Drawing A/C	(4,940,340)	(733,490)
Dept. of Commerce & Industry Drawing A/C	146,048	470,705
Dept. of Community Development Drawing A/C	(147,878)	(304,478)
Dept. of Correctional Serv. Drawing A/C	(4,679,395)	(1,835,293)
Dept. of Defence Drawing A/C	(6,055,690)	1,002,945
Dept. of Education HQ Drawing A/C	(37,677,248)	(21,287,050)
Dept. of Education Salaries Drawing A/C	(103,077,782)	(39,669,443)
Dept. of Electoral Commission Drawing A/C	(613,865)	(1,685,543)
Dept. of Environment & Conservation Drawing A/C	(1,648,191)	(1,476,274)
Dept. of Finance Drawing A/C	(123,206,409)	(542,631,633)
Dept. of Foreign Affairs Drawing A/C	(1,414,244)	(1,058,470)
Dept. of Health Drawing A/C	18,816,109	(919,469)
Dept. of Immigration & Citizenship Drawing A/C	(17,518)	(568,361)

Dept. of Industrial Relations Drawing A/C	212,255	(531,815)
Dept. of Lands & Physical Planning	(3,152,915)	(2,959,172)
Dept. of Mineral Resources Drawing A/C	4,585,098	0
Dept. of Mining Drawing A/C	(4,055,877)	(406,759)
Dept. of National Planning & Monitoring	(91,583,305)	(55,876,993)
Dept. of Personnel Management Drawing A/C	(18,767,252)	(2,480,062)
Dept. of Petroleum and Energy Drawing A/C	(5,364,552)	2,003,613
Dept. of Police Drawing A/C	(8,526,391)	(3,469,908)
Dept. of Prime Minister Drawing A/C	(2,992,722)	(10,038,157)
Dept. of Provincial Affairs Drawing A/C	(3,325,158)	1,391,817
Dept. of Public Enterprises Drawing A/C	(129,121)	(919,931)
Dept. of Transport Drawing A/C	(4,417,097)	(5,262,209)
Dept. of Works Drawing A/C (DOWSAL-reimbursement)	(38,512,430)	(9,823,981)
Dept. of Works RPM Account	6,650,671	0
Establishment of Road Maint & Rehab Project 2 (RMRP2) CPart	213	0
European Economic Community	(2,124,221)	0
Governor Generals Office Drawing A/C	4,419,966	34,222
Government's Fund. Commit. & Dev. of the Agri. Sec	600,000	600,000
Government's funding of Hospital & Health Care Centre Rehab	(6,111,051)	0
Internal Revenue Com Refund Drawing A/C	5,149,599	0
Internal Revenue Commission Drawing A/C	14,633,014	(2,776,323)
Land Acquisition Trust Account	39,302	39,302
Land Reform Program T A	0	200,000
Lorengau town Water supply GoPNG	4,989,537	0
Madang Marine Park Development T A	0	78,188
National Agencies Bank Accounts	(885,939)	0
National Education Trust Account	(25)	0
National Infrastructure Dev. Program TA	0	3,283,006
National Intelligence Drawing A/C	456,085	49,369
National Statistical Office Drawing A/C	2,138,931	0
National Value Added Tax Trust	318,707	2,846,244
NEW DCA DRAWING ACCOUNT.	17,799	17,799
North Solomon's Provincial Govt – SETA	311,674	0
Office of Higher Education	(70,569)	(251,676)
Office of Public Prosecutor Drawing A/C	(78,510)	(113,391)
Office of Rural Development	(19,143,018)	(12,382,552)
Outstanding Special Support Grants(Pre 2005)	5,550,000	7,550,000
PNG Gas Project Development & Commitments T A	(600,000)	0
PNG High Impact Infrastructure Projects	100,000,000	0
PNG Institute of Public Admin A/C	(535,663)	(571,487)
PNG-ADB Micro Finance Project GoPNG	0	1,326,927
Port Moresby General Hospital Equipment & Infrastructure T/A	6,500,000	0



Public Curator's Trust Account	1,443,472	2,347,704
Receiver of Public Monies – Waigani	(13,704,124)	(1,026,582)
Rural Electrification Trust Account	0	601,699
Salaries Drawing Account – DoF	(99,852,828)	(35,603,366)
Temp. Advance Facility for Overdraft	(24,562,675)	0
Waigani Public Accounts	323,513,785	568,994,047
Works Transferrable Costs Trust	(213)	0
Total Bank of Papua New Guinea	(63,432,844)	(152,462,506)

16.2 Bank of South Pacific

Bank of South Pacific	2011 Balance (K)	2010 Balance (K)
Aiyura Nat. High School (Renovation & Upgrading) T/A Subsi.	(26)	0
Flexible, Open and Distance Education Rehabilitation T/A (G	1,500,901	0
Kerevat Nat High School (Renovation & Upgrading) T/A Subsi.	(26)	0
Passam Nat. High School (Renovation & Upgrading) T/A Subsi.	(26)	0
Reading Education (READ) PNG Project T/A (FTI Funds)	70	0
2010 National Census	10,000,000	0
2KRAid Trust Account	1,028,832	321,499
Accountants Registration Board	53,607	59,040
Administrative College Trust Account	40,207	40,207
Angau Memorial Hospital Fee Trust A/C	1,453,944	1,145,189
Attorney General's Legal Fees & Brief TA	951,160	1,397,315
Attorney General's Library Trust	838,789	4,717,754
AUSAID GRANT IMPREST ACCOUNT	0	830,294
AusAID Transport Sector Program – GoPNG	0	6,029,277
Auto.B/ville Prov. Elec.Comm. Operating A/C	(1,339,853)	141,752
Bail & Court Order Compensation	316,615	0
Bail and Court Orders	573,217	58
Basic Educ. Dev. Project Imprest T/A	2,355,529	2,355,529
Basic Education Dev. Project – AusAid	(2,205,134)	0
Basic Education Development – GoPNG	2,655,723	2,672,392
Bihute Jail House Water Supply Project T/A	35,207	0
Biodiversity Studies T/A	58	3,896
Bougainville Govt & Implementation Fund	864,301	908,550
Bougainville Kina for Kina Scheme Account	13,540	423,395
Bougainville Resource Capacity	2,489	2,489
Bougainville Weapons Disposal Trust Account	17,675	31,342
Business Kumul-Australia Disaster Relief Trust T/A	315,319	0
Central City Trust Account	50,474,088	50,398,508
Central Moran Petroleum Development	33,021,099	15,040,268
Central Prov. Electo. Comm. Operating A/C	198,203	198,203
Central Province - Sub National Strategy	1,139,019	191,016
Central Provincial Government: Dept. of Works	27,332	1,373,635
Child Maintenance Trust Account	43,080	40
CIS - SAP House Project	11,013,660	0
Civil Aviation Development Investment Pr	5,200,872	1,916,548

College of External Studies	46,811	83,591
Comm. Water Transport Fund - ADB Ln Imprest	1,246	0
Comm. Water Transportation Fund – GoPNG	23,204,072	20,063,378
Comm. Water Transportation Fund - US Dollar	684	9,533
Cooperative Societies Establishment T/A Subsidiary	(3,060)	0
Correctional Institution Trust	28,167,260	26,373,491
Correctional Services SAP House Project	5,585	5,731
Defence Force Commercial Support Trust Account	161,903	402,157
Defence Force Commercialisation Program	2,316,004	402,157
Defence Force Rebuilding Programme	161,903	161,903
Dept. of Treasury Drawing A/C	528,797	1,379,343
Development of PNG Domestic Debt Mar	330,132	450,303
District Offices Rehabilitation T/A Subsidiary	912,800	0
District Roads, River, Transport Improvement Program	521,229	521,349
District Service Improvement Program	1,000,000	355,318,314
DPI Colleges Trust Account	51,342	12,487
E.H. Province Operating A/C	14,693,514	4,444,394
E.H.P Electro. Comm. Operating A/C	(1,000,000)	0
E.S.P Electoral Comm. Operating A/C	(970,196)	8,500
East New Britain Prov. RPM Operating A/C	466,390	178,945
East Sepik Province Operating A/C	20,804,404	26,510,639
East Sepik Province RPM Operating A/C	296,049	98,753
Eastern Highlands Prov. Govt. - Seta	0	27,780
Eastern Highlands Prov. RPM Operating A/C	(741,629)	542,881
Education Capacity Building Prog. – GoPNG	0	298,673
Education Capacity Prog. Imprest Trust	28,975,547	588,688
Electoral Commissioners Trust Account	1,838,645	115,857
ENB Prov. Electro Comm. Operating A/C	(551,825)	3,151
ENB Prov. Govt. Dept. of Works	2,124,221	2,124,221
ENB Prov. Sub-National Strategy T/A	517,975	40,243
ENB Province Operating A/C	13,968,631	1,643,841
ENB Province School Subsidy T/A	69,350	2,134
ENB PROVINCIAL GOVERNMENT : Dept. of Works	(25)	0
Enga Prov. Electro. Comm. Operating A/C	(481,099)	15,900
Enga Province Operating A/C	1,027,483	482,930
Enga Province RPM Operating A/C	36,673	36,468
Establish of Seized Goods Proceeds Trust Account	159,270	0
European Union Support Prog. GoPNG C/P	179,185	209,593
Financial Management Improvement Programm - GoPNG	2,898,280	2,898,280
Financial Management Improvement Programm - PCAB	286,466	286,466
Financial Management Training Programme	93,510	93,510
Financial Mgt Training Programme	(9,908)	0
Fisheries and Maritime Resources	211	341
Fly River Province Operating A/C	2,185,436	0
FMIP - GoPNG Counterpart	2,958,047	0
Government Gas Facilitation Office T/A	(839)	13

Government Printing Office	492,737	488,244
Governor General's HIV/AIDS T A	0	108,155
Govt's fundg of Rehab of Higher Ed Sector	4,163,955	11,262,471
Govt's funding of Rehab of Housing for Police	19,469,695	17,354,157
Govt's funding of Rehab of NBC Infrastructure	9,346	9,346
Govt's funding of Rehab of Transport Infrast	19,240	233,335,869
Govt's Funding of Rehab, of Educ. Sect. Subsidiary Account	70,000,000	0
Gulf Prov. Electro. Comm. Operating A/C	(182,478)	76,462
Gulf Province Operating A/C	121,977,952	122,422,987
Gulf Provincial RPM Operating A/C	212,925	233,625
Health Department Project Trust Account	1,305,127	1,006,387
Health Sector Development Program (GOPNG)	3,059,936	18,522,397
Hides Petroleum Royalty Trust	(3,613,065)	3,613,065
HIES Project Trust Account	16,904	16,904
Highlands Highway Rehabilitation T/A Subsidiary	31,840,528	0
Highlands Region Roads Improv Invest Prog 2497 Imprest	(5)	0
Highlands Region Roads Improv Invest Prog GoPNG CPart	(14,999,929)	0
Highlands Region Roads Improvement Investment Programme	44	0
Hosp.& Health Care Centre Rehab. Trust	129,089	1,001,991
Housing Development Pilot T/A	(2)	635,476
Housing Development Pilot T/A	0	635,475
HRRIP Project (1) Loan ADB 2496 Imprest	0	6,341,954
HRRIP Project (1) Loan ADB 2497 Imprest	5	0
IFAD_North Simbu Rural Dev Project PN-326	6	6
Illegal Immigrants	2,655	2,655
Infrastructure Development (UBSA) Account Subsidiary	198,000,000	87,000,000
Institute of Certified Management Accountants T/A	56,106	0
Institutional Housing Pilot T/A	(4,985,000)	14,994,111
Insurance Commissioner's Trust	2,529,405	1,950,916
Jacksons Airport RPM A/C	3,914,520	(3,858,237)
Kenabot Subdivision & Drainage Network of Kokopo T/Ship	151,754	144,722
Keyroads for Growth & Maintenance	0	8,937,016
Konebada Petroleum Royalty Trust A/C	19,369,446	41,732,490
Kutubu Petroleum Royalties Trust Account	48,179,531	48,179,531
L & J Sector Program Correctional Services Imprest account	32,013	6,708
L & J Sector Program Dept. of Justice & A/General Imprest Ac	641,291	0
L & J Sector Program Eastern Highlands Pro. Admin. Imprst A/C	43,003	3,555
L & J Sector Program Imprest Account	331,256	331,256
L & J Sector Program Judiciary Services Imprest A/C	2,697	460,253
L & J Sector Program Ombudsman Commission Imprest A/C	63,837	37,383
L & J Sector Program-Magisterial Services Imprest A/C	408,605	594,373
L & J Sector Royal PNG Constabulary Imprest Account	839,377	259,553
L & J S Nat. Plann. & Rural Dev. Imprest A/C	0	171,317
L & JS Program - Pub. Solicitor Trust Imprest	517	0
Lae Port Dev. Proj. ADB 2399 PNG Imprest	0	19,240

Lae Port Dev. Proj. GoPNG Counterpart Fund	0	8,257,479
Lae Sieng Trust	21,175	33,984
Law & Justice Serv. Bougainville Administration	192,138	98,244
Law & Justice Serv. Waigani – AUSAid	25,958,538	13,252,129
Life Skills Teacher Training TA	70,647	190,715
Lihir Integrated Benefits Package	10,040,851	3,480,785
Log Export Development Levy	88,772,001	0
Log Export Dev. Withholding TA	8,629,942	77,499,705
Madang Marine Park Development T/A Subsidiary	2,827	0
Madang Prov. Electo. Comm. Operating A/C	(668,581)	138,600
Madang Province Operating A/C	9,455,316	1,301,853
Madang Province RPM A/C	139,107	141,353
Manam Disaster Humanitarian Improv. Trust	0	23,199
Manam Disaster Resettlement Trust	1,117,910	1,118,066
Man us Processing Centre	286,601	286,721
Manus Prov Government Dept. Of Works - Drawing Account	0	100
Manus Prov. Electo. Comm Operating A/C	(244,145)	156
Manus Province Operating A/C	10,276,708	2,864,276
Manus Province Operating RPM A/C	50,447	50,674
Mendi-Kesenopoi Road GoPNG Trust Account	6	0
Milne Bay Prov. Eiecto. Comm. Operating A/C	(710,382)	198,203
Milne Bay Prov. Sub-National Strategy T/A	773,959	104,039
Milne Bay Province Operating A/C	530,804	(1,211,883)
Milne Bay Province RPM Operating A/C	250,356	85,343
Mining Memorandum of Agreements Trust	164,733	164,733
MOA Outstanding Liabilities Trust A/C Subsidiary	626,097	0
MOA Outstanding Liabilities Trust Account	111,000,000	100,000,000
Moran Petroleum Royalty Trust	0	6,441,485
Morobe Prov. Eiecto. Comm. Operating A/C	(622,830)	76,975
Morobe Province Operating A/C	9,795,879	2,185,764
Morobe Province RPM Operating A/C	(4,531,041)	604,839
N.C.D Electoral Comm. Operating A/C	251,802	251,802
N/Ireland Prov. Electo Comm. Operating A/C	(168,230)	4,059
Nat Disaster & Emergency General T/A	2,642,036	2,642,036
Nat. Apprenticeship & Trade Testing Board	270	12,218
Nat. Projects Implementation Comm. Trust	(1,295)	0
Nat.Plann.Commitr.ee Task Force T/A (NPC	224,458	328,497
National Aids Council	1,982,638	2,133,625
National Aids Council Secretariat	(328,497)	0
National Disaster Centre Operational Trust	420,222	2,731,132
National Events Council	45,611	151,614
National Programme	0	144,787
National Road Maintenance – Policy	47,754	47,874
National Roads Authority Fund	2,487,207	2,487,207
National Women's Credit Scheme T/A	721	942
NCDC Operating Account	151,352	151,352



NCD-S/H Support Serv. Pilot Proj. C/Part	85,644	85,644
New Ireland Province Operating A/C	22,465,782	2,480,871
New Ireland Province RPM Operating A/C	(1,783,746)	151,877
New Zealand Aid Trust Account	85,155,969	6,834,966
Non-Vocabulary Stores Trust Account	721	0
North Solomon's Prov RPM Operating A/C	(2,093,303)	48,146
North Solomons Province Operating A/C	2,717,595	2,023,241
Northern Australian Quarantine Insp. Str	652,804	522,414
Nungwaia-Bongos Integrated Lrg Scl Agri	0	94
Oro Prov. Electo. Comm. Operating A/C	(45,190)	380,783
Oro Province Operating A/C	14,533,117	16,943,653
Oro Province RPM Operating A/C	586,376	592,438
Oro Provincial Government: Dept. of Work	0	5,953
Other National Government Accounts – BSP	34,734	0
PDL1 Hides LBBSA - BDG Account	19,259,985	19,999,985
PDL7 - Hides 4 IBBSA BDG Accounts	14,999,985	14,999,985
PDL8 - Angore LBBSA BDG Accounts	11,999,831	11,999,985
Personnel Income Tax of ABG	1,900,349	841,877
Petroleum O/Standing Commit Trust 2008	38,694	38,754
Plant and Transport Board (PTB) TA	5,519,703	4,555,879
PNG Education Payroll Project Trust	33,152	33,152
PNG Education Reg. for Delivery (Pride)	46,749	46,749
PNG Highlands Highway Rehabilitation Pro	13,581	13,711
PNG Highlands Highway Rehabilitation Program	3,090	3,220
PNG Highlands Highway Rehabilitation T/A	0	35,669
PNG Immigration & Citizenship Service T/A	4,335,513	4,502,091
PNG Incentive Fund – AUSAid	0	1,360,081
PNG Ozone Depleting Sub. Phase Out Programme	870	20,861
PNG Pub. Sec. W/Force Development Initiative Trust	1,184,410	0
PNG Urban Youth Employment Project (UYEP	27,363	0
PNG-ADB Micro Finance Project Imprest Account	0	41,457
Police Air Wing Trust	3,910	44,293
Police Operation Trust Account	2,883,934	0
Police Operation Trust Account	2,883,934	8,487,723
Population Policy & Development Planning Project	56,897	67
Port Moresby General Hospital Fees	166,120	54,937
Post-Conflict Bougainville Project Special Account (World Ba	134,426	0
Prepared Communities Grant Trust	300,988	301,158
Productive Partnerships in Agri. Project	26,670	113,341
Prov. Town Water Supply & Sanitation-ADB	0	2,018,898
Prov. Towns Water Supply & Sanitation	18,913,673	2,018,898
Provincial Capacity Building	249,920	0
Public Sector Reform Program	495	3,098,599
Public Service Audit Programme	3,930,539	0
Public Service Commission Drawing A/C	(36,232)	(20,671)
Public Service Program T/A	3,930,539	2,076,437

Public Solicitors Office Drawing A/C	959,219	(194,864)
Public Solicitors Trust (Justice)	555,328	457,228
Receiver of Public Monies Account – BSP	(7,897,361)	0
REDD Program T/A Subsidiary	7,569	0
Regional, Provincial Treasury and District Admin. Offices	388,329	0
Registrar of National Court (Justice)	22,434,677	22,339,263
Rehab. of Houses for Nurses Trust A/C - Confirm 39023	0	11,315,531
Rehabilitation of Maritime Navigation Aids System - ADB	62	62
Rehabilitation of Maritime Navigation Aids Systems - GoPNG	0	456,194
Rev. Other than Personnel Income Tax & Coy Tax of ABG	9,351	9,351
RMRP Headquarters - Drawing Account	102,879	102,879
Road Maint & Rehab. Proj.(GoPNG-Counterpart	16,911,298	25,850,822
Road Maint. & Rehab Project (Oro PG Counterpart fund)	118,232	0
Road Maint. Upgrading Project - GoPNG T/A	(11,013,660)	0
Road Maintenance & Upgrading Project – GoPNG	4,340,636	29,376
Road Maintenance Rehabilitation Project-ENB PG Drawing Ac	0	8,382,240
Road Maintenance Upgrading - ADB 1709	79,537	79,667
RPNGC Communication Infrastructure T/A	1,254,205	1,254,205
Rural District Roads Support T/A Subsidiary	(4,369,511)	0
S.H Province Operating A/C	2,187,472	3,190,746
S.H.P Electro Comm. Operating A/C	253,482	691,035
Sandaun Prov Electrol Comm. Operating A/C	(480,210)	3,490
Sandaun Prov. Sub-National Strategy T/A	749,743	9,868
Sandaun Province Operating A/C	9,038,679	2,699,855
Sandaun Province RPM Operating A/C	(5,434,953)	183,220
Sepik Highway Trust - Confirm with 30104	749,453	749,453
Sheriffs Trust (Justice)	569,207	509,885
SHP Government Emergency -Main T A	1,339	1,339
Simbu Prov. Electro. Comm. Operating A/C	(3,242,807)	27,593
Simbu Province Operating A/C	6,135,159	4,883,273
Simbu Province RPM Operating A/C	(132,748)	23,952
Simbu Rural Electrification Project Provincial Government	606,787	606,897
Small Medium Enterprise Risk Sharing Facility (GoPNG) T/A	11,846	0
Small Medium Enterprise Risk Sharing Facility (World Bank) S	1,800,231	0
Smallholder Agri. Dev. Proj.(SADP)-GoPNG fund	3,767,028	2,774,856
Smallholder Ari Dev. Pro. Credit ta	1,032,700	1,008,960
Southern Highlands Prov. RPM A/C	296,806	294,352
Strengthening of Provincial and LL Gov't	1,076	134,505
Sub National Strategy Trust	6,306,741	0
Sub National Strategy Trust	3,840,290	5,361,630
Support to Auditor General's Office (SAG	763,511	633,583
Targeted Comm. Develop. Prog. Secretariat	1,691	1,691
Targeted Community Development Program	180	180
Task Force Sweep (National Planning) T/A	3,747,855	0
Tolukuma Development Trust Account	23,206	23,206
Transport Sector Support Program A/C	144,278,235	88,117,067

Tuition Fee Education Trust A/C	300,000,000	0
Urban Youth Employment Project (GoPNG) Trust Account	27,363	0
Urban Youth Employment Project (World Bank) Special Account	85	0
Urbanization Pilots T/A	0	14,022,811
Variarata National Park Rehabilitation T Subsidiary	46,401	0
W.H.P Electa. Comm. Operating A/C	(402,521)	16,400
Wabag-Wapenamanda Road GoPNG Trust Account	10	0
West New Britain Prov. RPM Operating A/C	129,073	131,442
Western Highlands Prov. RPM Operating A/C	(38,432)	194,978
Western Highlands Province Operating A/C	6,482,526	(1,872,324)
Western Prov. CMCA Region Div-Non CMCA	295,430,451	278,340,674
Western Prov. CMCA Region People Divid TA	366,607,966	324,396,031
Western Province Operating A/C	(4,886,636)	(4,761,851)
Western Province RPM Operating A/C	3,323,306	(716,595)
Western Prov. Electo. Comm. Operating A/C	(274,718)	(54,318)
Wewak Aquaculture Prawn Project Account	530	530
WNB Prov. Electa. Comm. Operating A/C	(303,402)	(3,514)
WNB Prov. Emergency Fund Trust Account	146,724	257,945
WNB Prov. Gov't. Dept. of Works - Drawing	176,567	108,085
WNB Province Operating A/C	21,388,340	8,045,613
Work Permit Trust Account	(13,771,955)	22,809,903
Works Suspense Outside Operations	36,649,351	20,486,045
Yumi Yet Bridges for Rural Development	431,662	431,827
Total Bank of South Pacific	2,477,473,141	2,333,144,113

16.3 ANZ Bank

ANZ Bank	2011 Balance (K)	2010 Balance (K)
Central Fund Board of Management	366,989	15,040,268
Central Supply and Tender Board	3,697,545	4,337,280
Eastern Highlands - Sub National Strategy	852,870	1,370,135
Gobe Landowners Benefit	300,000	5,719,007
Govt's funding of Rehab of Nat Parliament Infrast	3,409,537	3,409,537
Govt's Funding of Resettlement of Volcan	4,031,604	5,357,811
Hides Petroleum Royalty	554,599	0
Kutubu Petroleum Royalty	119,950,635	0
Mining Sector Inst. Strength Technical Assistance - GoPNG	1,490,853	1,536,955
Mining Sector Inst. Strength .Technical Assistance IBRD	2,320,329	581,344
Mining Sector Institutional Strengthening	1,295	1,295



Moran Petroleum Royalty	15,410,460	0
Nat. Projects Implementation Committee	37,973	38,015
PNG Customs Services T/A	270,814	0
PNG LNG Development Cost Trust Account Subsidiary	3,911,110	0
Police Messing Trust Account	139,267	33,091
Third Party Trust Bank Accounts	(5,719,007)	0
Total ANZ Bank	151,026,874	37,424,737

16.4 Westpac Bank

Westpac Bank	2011 Balance (K)	2010 Balance (K)
Agriculture Protection Qtine Proj-GoPNG	3,127,647	2,485,311
Col - Department of Finance	(25)	1,069,786
ENB Cocoa Pod Borer T/A	1,416,953	3,293,893
Govt's Funding of Edu. sector	1,980	1,980
PNG NWS - TWP/ ARM Trust	81,309	185,661
PNG Royal Constabulary Band	6,393	8,438
Project Accounts - Westpac	(9,387)	0
Total Westpac Bank	4,624,869	7,045,068

16.5 May Bank

May Bank	2011 Balance (K)	2010 Balance (K)
Cape Rodney Agriculture Development	35,750	6,523
Total May Bank	35,750	6,523

16.6 Investment Trusts

Investment Trusts	2011 Balance (K)	2010 Balance (K)
Bookmakers Security Deposit	351,655	351,655
District Court Trust Account	2,892,863	2,893,338
Motor Vehicle Compensation Payment	287,560	0
Motor Vehicles Deposit	226,315	226,315
Registrar of Supreme Court Trust Account	3,617,488	3,488,516
Total Investment Trusts	7,375,881	6,959,825
Total All Banks	2,577,103,671	2,232,117,760

APPENDIX 1

TRUSTS WITHOUT BANK ACCOUNTS - PAYING FROM THE CONSOLIDATED REVENUE FUND

Description	Opening Balance K 1st Jan 2011	Receipts K	Expenses K	Closing Balance K 31st Dec 2011
Works Transferrable Costs Trust	0	0	(213)	(213)
Civil Aviation Trust Account	93,132	0	0	93,132
Development Bank	132,684	0	0	132,684
Placer Pacific Investigation	136,255	0	0	136,255
Reserved	3,195,588	0	(35,000,000)	(31,804,412)
Suspense - Housing Commission	1,774,954	67,809	0	1,842,763
Western Highlands Prov Govt - Seta	9,166	0	0	9,166
Moran Trust	(6,653,244)	0	0	(6,653,244)
Child Maintenance Trust Account	40	43,040	0	43,080
Bail & Court Order Compensation	0	316,615	0	316,615
Simbu Province School Subsidy T/A	1,450	0	(950)	500
Western Province School Subsidy T/Account	50	0	0	50
Gobe Trust Account	721,638	0	0	721,638
Provincial Mineral Petroleum Royalty	(1,343,255)	0	0	(1,343,255)
Timber Royalties Trust Account	(85,694)	0	0	(85,694)
Bail and Court Orders	58	573,159	0	573,217
Customs Officers Overtime	0	0	(48,013)	(48,013)
Child Welfare	14,376	55,659	0	70,035
Workers Compensation Trusts	0	0	(8,163,902)	(8,163,902)
Provincial Temporary Trust - TFS (Susp 2)	14,322,816	0	(18,697,891)	(4,375,075)
Prov Gov. Temporary Trust -TFS (Susp 2 PG)	5,727,150	0	(14,929,454)	(9,202,303)
Unclaimed Monies	21,359,582	0	0	21,359,582
Oro Prov Govt - SETA	63,109	0	0	63,109
Bougainville Rehabilitation Trust A/C	29,125	0	0	29,125
Customs Officers Overtime	4,428,394	379,526	0	4,807,920
National Library & Archives Trust A/C	569,949	0	0	569,949
National Education Trust Account	2,599,402	1,784,586	0	4,383,988
National Education Trust Account	0	0	(25)	(25)
Alienated Lands Compensation	153,161	0	0	153,161
Mining & Petroleum Trust	1,865,098	0	0	1,865,098
Kutubu Petroleum Royalties T/A	8,646,000	0	0	8,646,000
Workers Compensation Trusts	(6,590,967)	2,317,689	0	(4,273,278)
Reforestation Levy Trust Account	1,431,703	285,104	0	1,716,807
Total	52,601,720	5,823,188	(76,840,447)	(18,415,540)



APPENDIX 2

LOSSES AND DEFICIENCIES LOSS AND DEFICIENCIES REPORT FOR YEAR END 2011

As per Department of Treasury - Finance Accountability & Inspection Division (FAID) Report.

No.	Department/Agency	Loss Register	Loss Report	Particulars/Remarks
A	NATIONAL DEPARTMENTS			
1	Correctional Institutional Services	Nil	Nil	Reports not maintained
2	Department of Agriculture & Life stock	Nil	Nil	Reports not maintained
3	Department of Commerce & Industry	Nil	Nil	Reports not maintained
4	Department of Communication & Information	Nil	Nil	Reports not maintained
5	Department of Community Development	Nil	Nil	Reports not maintained
6	Department of Education	Yes	Yes	1. Armed Robbery of
		Yes	Yes	2. Armed Robbery of cash K61,370.00 from the Paymaster at the Education Department Head Office (Total 1 & 2 = K80,097.33)
7	Department of Defence	Nil	Nil	Reports not maintained
8	Department of Environment & Conversation	Nil	Nil	Reports not maintained
9	Department of Foreign Affairs & Trade	Nil	Nil	Reports not maintained
10	Department of Health	Nil	Nil	Reports not maintained
11	Department of Industrial Relations	Nil	Nil	Reports not maintained
12	Department of Lands & Physical Planning	Nil	Nil	Reports not maintained
13	Department of Mineral Policy & Geo Hazards Management	Nil	Nil	Reports not maintained
14	Department of National Planning	Nil	Nil	Reports not maintained
15	Department of Personnel Management	Nil	Nil	Reports not maintained
16	Department of Petroleum & Energy	Nil	Nil	Reports not maintained
17	Department of Police	Nil	Nil	Reports not maintained
18	Department of PM& NEC	Nil	Nil	Reports not maintained
19	Department of Provincial Affairs	Nil	Nil	Reports not maintained
20	Department of Transport	Nil	Nil	Reports not maintained
21	Department of Works	Nil	Nil	Reports not maintained
22	National Parliament	Nil	Nil	Reports not maintained
B	STATUTORY AGENCIES			
1	Border Development Authority	Nil	Nil	Nil return submitted
2	Central Supplies & Tenders Board	Nil	Nil	Reports not maintained
3	Civil Aviation Safety Authority of PNG	Nil	Nil	Reports not maintained
4	Governor General's Office	Nil	Nil	Reports not maintained
5	National Aids Council	Nil	Nil	Reports not maintained
6	National Broadcasting Commission	Nil	Nil	Reports not maintained
7	National Housing Corporation (NHC)	Nil	Nil	Reports not maintained
8	National Judiciary Staff Services	Nil	Nil	Reports not maintained
9	National Statistical Office	Nil	Nil	Reports not maintained
10	Office of the Public Prosecutor	Nil	Nil	Reports not maintained
11	Office of Rural Development	Nil	Nil	Reports not maintained
12	Ombudsman Commission	Nil	Nil	Reports not maintained



13	Electoral Commission	Nil	Nil	Reports not maintained
14	Internal Revenue Commission	Nil	Nil	Reports not maintained
C	PROVINCIAL ADMINISTRATIONS			
1	Central Provincial Administration	Nil	Nil	Reports not maintained
2	East New Britain Provincial Administration	Nil	Nil	Reports not maintained
3	Western Highlands Provincial Administration	Nil	Nil	Reports not maintained
4	Morobe Provincial Administration	Nil	Nil	Reports not maintained



The Government of Papua New Guinea
SUMMARY OF RECEIPTS AND EXPENDITURE
FOR THE PERIOD ENDED 31 DECEMBER 2011
(K ,000s)
STATEMENT B

	2011 ORIGINAL K'000	2011 ADDITIONAL K'000	2011 SECTION 3/4 K'000
TOTAL RECEIPTS	11,517,803	-	-
TOTAL RECURRENT EXPENDITURE	7,476,812	-	699,648
TOTAL DEVELOPMENT EXPENDITURE	4,041,043	-	(33,848)
TOTAL EXPENDITURE	11,517,855	-	665,800
EXCESS OF RECEIPTS (EXPENDITURE)	(52)	-	(665,800)
RECEIPTS	2011 ORIGINAL K'000	2011 ADDITIONAL K'000	2011 SECTION 3/4 K'000
DEPARTMENTAL RECEIPTS			
Department of Finance	35,027	-	-
PNG Customs Service	-	-	-
Department of Foreign Affairs and Trade	24,776	-	-
Judiciary Services	230	-	-
Magisterial Services	997	-	-
Department of Attorney-General	93	-	-
Department of Corrective Institutional Services	340	-	-
Provincial Treasuries	-	-	-
Department of Police	3,151	-	-
Electoral Commission	-	-	-
Department of Defence	310	-	-
Department of Education	943	-	-
Department of Health	348	-	-
Department of Community Development	595	-	-
Department of Environment & Conservation	2,856	-	-
Department of Agriculture & Livestock	60	-	-
Department of Lands & Physical Planning	26,000	-	-
Department of Mineral Policy and Geohazards Management	-	-	-
Department of Petroleum & Energy	3,461	-	-
Department of Transport	4,507	-	-
Department of Commerce & Industry	217	-	-
Department of Industrial Relations	13,611	-	-
Department of Works & Implementation	181	-	-
Treasury and Finance - Public Debt Charges	-	-	-
Fly River Provincial Government	-	-	-
Manus Provincial Government	-	-	-
East New Britain Provincial Government	-	-	-
TOTAL DEPARTMENTAL RECEIPTS	117,700	-	-
RECEIPTS	2011 ORIGINAL K'000	2011 ADDITIONAL K'000	2011 SECTION 3/4 K'000
GENERAL RECEIPTS			
Taxation	5,021,700	-	-
Customs	2,309,260	-	-
Dividends	289,400	-	-
Other	-	-	-
TOTAL GENERAL RECEIPTS	7,620,360	-	-
LOAN SERVICE RECEIPTS			
Interest on Loans to Ind & Non Profit Organisation	4,000	-	-
Interest Received on Treasury Bills	-	-	-
Principal from On-lending to Gov't Agencies	4,000	-	-
Foreign Concessional Loans - Receipts	388,360	-	(64,027)
International Borrowing Receipts	-	-	-
TOTAL LOAN SERVICE RECEIPTS	396,360	-	(64,027)



GRANTS	1,586,083		-
FINANCING RECEIPTS			
International Borrowing	-		64,027
Domestic	1,797,300		-
TOTAL FINANCING RECEIPTS	1,797,300	-	64,027
TOTAL RECEIPTS	11,517,803	-	-

**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS**

**STATEMENT OF RECEIPTS AND EXPENDITURE OF THE CONSOLIDATED
REVENUE FUND FOR THE PERIOD ENDED 31 DECEMBER 2011
STATEMENT B**

	BUD		2011 SECTION 3/4 K'000
	2011 ORIGINAL K'000	2011 ADDITIONAL K'000	
RECURRENT EXPENDITURE			
NATIONAL DEPARTMENTS			
National Parliament	108,059		15,000
Office of Governor-General	4,825		2,903
Department of Prime Minister & NEC	63,377		17,893
National Statistical Office	4,934		208
Office of Bougainville Affairs	2,370		47
Department of Finance	22,424		1,725
Department of Treasury	13,944		1,679
Office of the Registrar for Political Parties	5,978		187
PNG Customs Service	18,827		6,233
Information Technology Division	18,636		(222)
Fire Services	18,610		605
PNG Immigration and Citizenship Services	10,000		-
Internal Revenue Commission	38,311		643
Department of Foreign Affairs and Trade	57,738		13,027
Office of the Public Prosecutor	5,487		1,181
PNG Institute of Public Administration	6,068		232
Department of Personnel Management	15,034		17,895
Public Service Commission	4,263		184
Office of the Public Solicitor	9,181		366
Judiciary Services	69,652		-
Magisterial Services	31,110		-
Department of Attorney-General	33,008		10,412
Department of Corrective Institutional Services	89,020		11,372
Provincial Treasuries	35,953		1,752
Department of Police	226,706		75,698
Department of National Planning and Monitoring	14,393		1,550
Electoral Commission	24,794		149
National Intelligence Organisation	3,777		102
Department of Provincial and Local Government Affairs	12,401		13,342
Department of Defence	144,811		24,458
Department of Education	352,869		5,536
Office of Higher Education	39,075		33,928
PNG National Commission for UNESCO	1,908		1,819
Department of Health	261,684		(1,066)
Hospital Management Services	333,503		11,273
Department of Community Development	10,317		468
National Volunteer Services	1,233		(59)

**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS**

**STATEMENT OF RECEIPTS AND EXPENDITURE OF THE CONSOLIDATED
REVENUE FUND FOR THE PERIOD ENDED 31 DECEMBER 2011
STATEMENT B**

	2011 ORIGINAL K'000	2011 ADDITIONAL K'000	2011 SECTION 3/4 K'000
RECURRENT EXPENDITURE			
Department of Environment & Conservation	9,504		2,264
Department of Agriculture & Livestock	13,999		762
Department of Lands & Physical Planning	29,354		6,468
Department of Mineral Policy and Geohazards Management	7,406		269
Department of Petroleum & Energy	12,756		833
Department of Public Enterprises	3,490		1,444
Department of Information and Communication	3,687		60
Department of Transport	20,910		243
Department of Commerce & Industry	10,050		(364)
Department of Industrial Relations	11,273		288
National Tripartite Consultative Council			30
Department of Works & Implementation	160,978		3,207
Office of Rural Development	5,868		1,229
Central Supply & Tenders Board	3,068		86
Office of Tourism Arts and Culture	1,830		-

TOTAL NATIONAL DEPARTMENTS	2,409,437		287,334
TRANSFERS, ON-LENDING & MISCELLANEOUS EXPENDITURE			
Transfers to Statutory Authorities	319,230		24,939
Transfers to Provincial Governments	1,109,303		62,714
Public Debt Charges	2,616,092		(53,602)
Miscellaneous Payments	1,022,751		378,263
TOTAL TRANSFERS, ON-LENDING & MISCELLANEOUS EXPENDITURE	5,067,375	-	412,314
TOTAL RECURRENT EXPENDITURE	7,476,812	-	699,648
	BUD		
	2011 ORIGINAL K'000	2011 ADDITIONAL K'000	2011 SECTION 3/4 K'000
DEVELOPMENT EXPENDITURE			
NATIONAL DEPARTMENTS			
National Parliament	3,615		-
Department of Prime Minister & NEC	99,916		(25,500)
National Statistical Office	115,812		-
Department of Finance	25,694		114
Treasury & Finance Miscellaneous	-		3,900
Department of Treasury	232,383		-
PNG Customs Service	35,000		-
Fire Services	5,000		-
Internal Revenue Commission	5,000		-
Department of Foreign Affairs and Trade	7,347		-
PNG Institute of Public Administration			
Department of Personnel Management	129,049		(10,000)
Magisterial Services	-		3,952
Department of Attorney-General	76,376		-
Department of Corrective Institutional Services	21,000		-
Department of Police	36,000		-
Department of National Planning and Monitoring	389,393		23,500
Electoral Commission	34,096		-
National Intelligence Organisation	2,000		-
Department of Provincial and Local Government Affairs	90,922		-
Department of Defence	47,000		(20,000)
Department of Education	375,386		(8,000)
Office of Higher Education	46,540		-
Department of Health	273,809		(29,000)
Hospital Management Services	42,000		-
Department of Community Development	97,526		590
Department of Environment & Conservation	32,327		(112)
Department of Agriculture & Livestock	58,198		(2,000)
Department of Lands & Physical Planning	17,707		(5,530)
Department of Mineral Policy and Geohazards Management	-		-
Department of Petroleum & Energy	-		-
Department of Information and Communication	48,930		-
Department of Transport	17,479		-
Department of Commerce & Industry	60,000		3,000
Department of Works & Implementation	370,983		32,000
Office of Rural Development	206,502		(27,250)
	2011 ORIGINAL K'000	2011 ADDITIONAL K'000	2011 SECTION 3/4 K'000
DEVELOPMENT EXPENDITURE			
Central Supply & Tenders Board	-		-
TOTAL NATIONAL DEPARTMENTS	3,002,990		(60,337)
TRANSFERS, ON-LENDING & MISCELLANEOUS EXPENDITURE			
Transfers to Statutory Authorities	700,393		1,489
Transfers to Provincial Governments	337,660		25,000
Treasury & Finance - Miscellaneous	-		-
TOTAL TRANSFERS, ON-LENDING & MISCELLANEOUS EXPENDITURE	1,038,053	-	26,489
TOTAL DEVELOPMENT EXPENDITURE	4,041,043	-	(33,848)



GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS
RECEIPT AND PAYMENTS OF THE TRUST FUND FOR THE PERIOD ENDED 31ST DECEMBER 2011
STATEMENT C

Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
Agriculture Protection Qtime Proj-GoPNG	2,485	642	-	3,128
Atmospheric Radn Measurement Assist. Prog	-	-	-	-
Attorney Gen. Legal Inst. Sup Trust GoPNG	-	-	-	-
AUSAid Transp. Sect. Support Prog – Interm	-	-	-	-
AUSAid Transport Sector Prog .Aid Imp Acc	-	-	-	-
AUSAid Transport Sector Program – GoPNG	6,029	6,030	(12,060)	0
Basic Education Dev. Project – AUSAid	-	-	(2,205)	(2,205)
Basic Education Dev. Project Imprest T/A	2,356	1,977	(1,977)	2,356
Basic Education Development – GoPNG	2,672	-	(17)	2,656
Bougainville Gov. & Implementation Fund	909	1,551	(1,595)	864
Bougainville Resource Capacity	2	-	-	2
Cape Rodney Agriculture Development	7	29	-	36
Comm. Water Transportation Fund ADB Loan Imprest	20,063	3,141	-	23,204
Comm. Water Transportation Fund-US Dollar	10	-	(9)	1
Comm. Water Transport Proj. GoPNG C/Fund	701	-	(153)	548
Comm. Water Transport Fund-ADB Ln Imprest.	-	1	-	1
Correctional Institutions Trust	-	-	-	-
Correctional Services SAP House Proj	6	-	0	6
Defence Force Commercialisation Program	402	1,914	-	2,316
Defence Force Rebuilding Programme	162	-	-	162
Dist. Roads River, Transport Improv. Prog	521	-	0	521
East New Britain Education (Pomio)	-	82	(82)	-
Education Capacity Building Prog-GoPNG	299	53,080	(53,379)	-
El Nino Drought Response – GoPNG	-	-	-	-
Employment Oriented Skills Dev. Proj –ADB	-	-	-	-
Employment Oriented Skills Dev. Project GoPNG	-	-	-	-
European Union Support Prog. GoPNG C/P	210	-	(30)	179
Governments Gas P/L Proj. Equity Fin T/A	-	-	-	-
Health Sector Improvement Program T/A	-	-	-	-
Highlands Highway Rehabilitation Project	36	31,841	(36)	31,841
Housing Development Project TA	635	-	(635)	0
IFAD-North Simbu Rural Dev. Proj PN-326	0	-	-	0
Infrastructure of Rural Primary Educat'n	-	-	-	-
Int. Dev. AUSAid for Roads & Bridges	-	-	-	-
Japan Soc. Dev. Artisanal & S/S Mining TA	-	-	-	-
Key Roads for Growth & Maintenance	8,937	22	(8,959)	-
Konebada Petrol. Park Auth. WG Trust A/C	-	-	-	-
Lae City Water Supply – GoPNG	-	-	-	-
Lae Sieng Trust	34	-	(13)	21
Low Cost Sanit. Com. Awareness, Health Educ.	-	-	-	-
Manus Processing Centre	287	-	0	287
Mining Memorandum of Agreements Trust	165	-	-	165
Mining Sec. Inst. Strenth. Tech. Ass-GoPNG	1,537	-	(46)	1,491
Mining Sec. Inst. Strenth. Tech. Ass-IBRD	581	1,739	-	2,320
National Aids Council	2,134	-	(151)	1,983
Nat. Disaster Centre Operational Trust	2,731	-	(2,311)	420
National Programme	145	-	(145)	-
National Road Maintenance Policy	48	-	0	48
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
Outstanding Special Support Grants (Pre 2005)	7,550	-	(2,000)	5,550
Overhead Costs on AUSAid Projects	-	-	-	-
PNG/NZ Schools Journal Project	-	-	-	-
Biodiversity Studies TA	4	-	(4)	0
PNG Biosafety Framework Trust	-	-	-	-
PNG Education Payroll Project Trust	33	-	-	33
PNG Education Reg. for Delivery (Pride)	47	-	-	47
PNG Environment Protection Trust Account	-	-	-	-
PNG Highlands Highway Rehabilitat'n Prog	14	-	0	14
PNG Incentive Fund – AUSAid	1,360	-	(1,360)	-



PNG Ozone Depleting Sub. Phase Out Prog.	21	-	(20)	1
PNG Pub. Sec. W/force Dev. Initiative Trust	-	1,184	-	1,184
PNG-ADB Micro Finance Proj. Imprest	41	-	(41)	-
PNG-ADB Micro Finance Project GoPNG	1,327	-	(1,327)	-
PNG-ADB Microfin Emplymnt Proj-Wau Bank.	-	-	-	-
PNG ADB Revolving Finance Facility	-	-	-	-
PNGIMR-Gates Foundation Partnership Trea	-	-	-	-
Population Policy & Dev. Planning Project	0	57	-	57
Prov. Town Water Supp.& Sanitation-ADB	2,019	-	(2,019)	-
Prov. Towns Water Supply & Sanitation	2,019	16,895	-	18,914
Public Sector Reform Program	3,099	-	(3,098)	0
Rehab. of Maritime Nav. Aids Sys –ADB	0	-	-	0
Rehab of Maritime Nav. Aids Sys.- GoPNG	456	-	(456)	-
Road Maint. Rehab. Proj-Central Prov. Govt	-	521	(521)	-
Road Maint. Upgrading Proj-Manus Prov.Gov	-	16	(16)	-
Road Maint & Rehab Proj - WNB Prov. Govt	-	2,245	(2,245)	-
Road Maint. Rehab. Proj-ENB PG Drawing Acc	8,382	8,382	(16,764)	-
Road Maint. Upgrading Proj-Oro Prov. Govt	-	-	-	-
Road Maint. Upgrading Proj-Oro Prov. Govt	-	-	-	-
Road Maint. Rehab. Proj-ENB Prov. Govt Vil.	-	-	-	-
Road Maint. Rehab. Proj (Oro PG Counterpart fund)	-	118	-	118
Road Maint. Rehab. Proj-WNB Govt Vill.	-	-	-	-
Road Maint. Upgrading Project – GoPNG	29	79,973	(75,662)	4,341
Road Maint. Upgrading Proj – GoPNG	-	26,547	(26,547)	0
Road Maint. Upgrading Proj - Oro Prov. Govt	-	-	-	-
Road Maint. Upgrading Proj-ENB Prov. Govt	-	8,382	(8,382)	-
Road Maintenance & Rehabilitation –Manus	-	-	-	-
WNB Prov. Govt. Dept. of Works – Drawing	108	68	-	177
Road Maintenance & Rehab. Project S/Acc	-	347	(347)	-
Road Maint. Upgrading – ADB	80	0	0	80
Sepik Highway Roads & Bridges	-	-	-	-
Simbu Rural Electrification Proj Prov. Govt	607	-	0	607
Smallholders Support Services – GoPNG	-	-	-	-
Targeted Community Development Program	0	-	-	0
Tolukuma Development Trust Account	-	-	-	-
Walium Oil Palm Trust	23	-	-	23
Yumi Yet Bridges for Rural Development	432	-	0	432
National Events Council	152	-	(106)	46
L&J Sector Program Dept. of Justice & A/General	-	641	-	641
Imprest A/C				
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
L&J Sector Program Judiciary Services Imprest A/C	460	-	(458)	3
L&J Sector Program Ombudsman Commission Imprest A/C	37	26	-	64
L&J Sector Program Royal PNG Constabulary Imprest A/C	260	580	-	839
L&J Sector Program Magisterial Services Imprest A/C	594	-	(186)	409
L&J Sector Program Correctional Service Imprest Account	7	25	-	32
L&J Sector Program Eastern Highlands Prov. Admin. Imprest Account	4	39	-	43
L&J Sector Program Imprest Account	331	-	-	331
Law & Justice Serv. Waigani – AUSAid	13,252	12,706	-	25,959
Law & Justice Serv. Bougvil. Administration	98	94	-	192
Govt of Japan Non Project Grant Aid GoPNG	-	-	-	-
Eastern Highlands - Sub National Strategy	1,370	-	(517)	853
Sub National Strategy Trust	5,362	6,307	(1,521)	10,147
Central Province - Sub National Strategy	191	1,949	(1,001)	1,139
Health Department Project T/A	1,006	299	-	1,305
Road Maintenance & Upgrading Proj-WNB Prov Government	-	-	-	-
Morobe Prov. Govt: Dept. of Works – Drawi	-	-	-	-
Road Maint. & Rehab. Proj. (Manus PG. Vi	-	-	-	-
Road Maint. & Rehab. Proj. (Morobe PG. V	-	-	-	-
Transport Sector Support Program A/C	88,117	138,080	(81,919)	144,278
RMRP Gulf Prov Govt-Village Contract A/C	-	-	-	-
RMRP Gulf Prov Govt-Drawing A/C	-	-	-	-



RMRP Gulf Prov Govt Contribution	-	-	-	-
RMRP Headquarters - Drawing A/C	103	-	-	103
NKokoda Development Package Trust Account	-	-	-	-
Tech. Assist. Facility for Inst. Stren. & Pub. Sect. Ref Trust	-	174	(174)	-
East New Britain - Sub National Strategy	40	517	(39)	518
Highlands Region Roads Improvement Investment Programme	-	0	-	0
Highlands Region Roads Improv Invest Prog 2497 Imprest	-	0	0	0
Highlands Region Roads Improv Invest Prog GoPNG C Part	-	50,000	(65,000)	(15,000)
Establishment of Road Maint & Rehab Project 2 (RMRP2) C Part	-	0	0	0
ADB-SH support Serv. Pilot Proj. Imprest	-	-	-	-
AUSAid Grant Imprest account	830	-	(830)	-
AUSAid Proj. Overhead Charges Imprest A/C	-	-	-	-
Border Development Authority Trust A/C	-	-	-	-
Central Provincial government	1,374	-	(1,346)	27
Civil Aviation Development Investment Pr	1,917	3,284	-	5,201
Development of the PNG Domestic Debt mar	450	-	(120)	330
District roads, Sea & River Trans. Improv.	-	-	-	-
Eastern H/Land Prov. Government Project T/Acc.	28	-	(28)	-
EHP-S/H Support Serv. Pilot Project. C/Part	2	67	-	69
ENB Provincial Government: Dept. of Works	2,124	-	(2,124)	-
ENB Prov Sub-National Strategy T/A	-	-	-	-
Govt's Fund. Commit.& Dev. - PNG Gas Pipe	600	600	(600)	600
Govt's Funding of Airport Repairs & Upgrade	-	-	-	-
Govt's Funding of Dev. of the Agriculture Sector	2	-	-	2
Govt's Funding of Kubalia High School Rehabilitation	-	-	-	-
Govt's Funding of O/Standing Personal Be	-	-	-	-
Govt's Funding of Rehab. of Educ. Sect.	-	70,000	-	70,000
Govt's Funding of Resettlement of Volcan	5,358	1,004	(2,331)	4,032
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
Health Sector Development Program GoPNG Fund T/A	-	3,060	-	3,060
Health Sector Development Program (GOPNG)	17	-	0	17
HIES Project Trust Account	1,002	-	(873)	129
Hosp. & Health Care Centre Rehab. Trust	6,342	231	(6,573)	-
HRRIP Project (1) Loan ADB 2496 Imprest	-	0	-	0
HRRIP Project (1) Loan ADB 2497 Imprest	-	-	-	-
HRRIP Project (1) Trust - GoPNG Counterpart	-	-	-	-
Hubert Murray Highway Upgrading Proj. T/A	-	-	-	-
Infrastructure Development (UBSA) Account	87,000	111,000	-	198,000
L&JS Justice & Attorney General Imprest	171	-	(171)	-
L&JS Nat. Plann. & Rural Dev. Imprest A/C	-	1	-	1
L&JS Program - Pub. Solicitor Trust Impr	-	-	-	-
Lae City Roads Rehabilitation Trust A/C	19	-	(19)	-
Lae Port Dev. Proj. ADB 2398 PNG Imprest	-	-	-	-
Lae Port Dev. Proj. ADB 2399 PNG Imprest	-	4,990	-	4,990
Lae Port Dev. Proj. GoPNG Counterpart Funding	8,257	-	(8,257)	-
Lorengau Town Water Supply GoPNG Counterpart	-	-	-	-
Marienberg Community College T/A	-	-	-	-
Milne Bay Prov. Sub-National Strategy T/A	104	670	(104)	670
Mining Sector Institutional Strengthening	1	-	-	1
Mining Sector Institutional Strengthening	38	152	(153)	37
Nat. Plann. Committee Task Force T/A (NPC	328	-	(328)	-
Nat. Projects Implementation Committee Trust	-	-	-	-
Nat. Roads Maint, Funds - Enga Province	-	-	-	-
National Aids Council Secretariat	6,835	78,321	-	85,156
National Planning Capacity Building Acco	-	-	-	-
National Women's Credit Scheme T/A	-	1	-	1
NCD-S/H Support Serv. Pilot Project Counterpart	86	312	-	397
Northern Australia Quarantine Insp. Str	522	130	-	653
Nungwaia-Bongos Integrated Lrg scl Agri	0	-	0	-
Oro Provincial Government: Dept. of Works	6	-	(6)	-
Outstanding Contractual Commit. for DDP	-	-	-	-
Petroleum O/Standing Commit Trust 2008	39	-	0	39



Pipeline (Angore to Maruba river Landco)	-	-	-	-
Pipeline (PDL2 Gulf/SHP border Landco)	-	-	-	-
Pipeline (PDL2 Gulf/SHP Border to Kaiaam	-	-	-	-
Pipeline (PDL2-PRL12 Pipeline Elbow Land	-	-	-	-
Pipeline LBBSA (Kaiaam Crossing to Omati	-	-	-	-
Pipeline LBBSA (Kido Pipeline buffer Zone	-	-	-	-
Pipeline LBBSA (Maruba river to PDL5 Land	-	-	-	-
Pipeline LBBSA (PDL5 to Kaimari Creek Land	-	-	-	-
PNG Artisanal and Small Scale Mining Project	-	-	-	-
PNG High Impact Infrastructure Projects	-	100,000	-	100,000
PNG NWS - TWP/ ARM Trust	186	-	(104)	81
PNG Rural Communication Project: HHRD Gr	-	-	-	-
PNG Urban Youth Employment Project (UYEP	-	27	-	27
Productive Partnerships in Agri. Project	113	-	(87)	27
Public Service Program T/A	2,076	1,854	-	3,931
Ramu Nickle /Cobalt Mine Project Land Dis	-	-	-	-
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
Rehab. of Houses for Nurses Trust A/c - Confirm 39023	11,316	-	(11,316)	-
Road Maint. & Rehab. Proj.(GoPNG-Counterpart	25,851	-	(8,940)	16,911
Road Maint. & Rehab. Proj.(Counterpart Fund)	-	-	-	-
Sandaun Prov. Sub-National Strategy T/A	10	740	-	750
Sepik Highway Trust - Confirm with 30104	749	-	-	749
Smallholder Agri. Dev. Proj.(SADP)-GoPNG f	2,775	992	-	3,767
Smallholder Agricul. Dev. Proj Credit T/A	1,009	24	-	1,033
Social Development Program Account	-	-	-	-
Strengthening of Provincial and LL Gov't	135	-	(133)	1
Support to Auditor-General's Office (SAG	634	130	-	764
Targeted Comm. Develop. Prog. Secretariat	2	-	-	2
Waigani Office Re-Development Account	-	-	-	-
Wewak Aquaculture Prawn Project Account	1	-	-	1
Health Sector Development	18,522	-	(18,522)	-
PNG Highlands Highway Rehabilitation Program	3	-	0	3
Land Acquisition Trust Account	39	-	-	39
Commodity Guarantee Prices Trust	-	-	-	-
Govt's Gas Pipeline Project E. q Fin Trust	-	-	-	-
Outstanding Special Support Grants(Pre 2005)	-	5,550	(5,550)	-
SHP Government Emergency -Main T A	1	-	-	1
SHP Government Emergency -Subsidiary T A	-	-	-	-
Manam Disaster Resettlement Trust	1,118	-	0	1,118
Manam Disaster Humanitarian Improv. Trust	23	-	(23)	-
Agricultural Sector Development Trust	-	-	-	-
Airport Repairs & Upgrades T A	-	-	-	-
Kubalia High School Rehabilitation Trust	-	-	-	-
Outstand. Personnel Benefits for Teachers	-	-	-	-
Education Sector Infrast. Rehabilitation	-	-	-	-
Govt's funding of Rehab of Higher Ed Sector	11,262	7,304	(14,403)	4,164
Govt's funding of Law & Justice Sector	-	-	-	-
Govt's funding of Dev. of Strategic Dist. Markets	-	1,000	(1,000)	-
Govt's funding of Rehab of Nat Parliament Infrast	3,410	-	-	3,410
Education Sector Infrast. Rehabilitation	-	-	-	-
Govt's funding of Rehab of Transport Infrast	233,336	44,248	(277,564)	19
PNG Gas Project Dev. & Commitments T A	-	-	(600)	(600)
Resettlement of Volcano Victims Trust	-	1,004	(1,004)	-
Govt's funding of Rehab of NBC Infrastructure	9	-	-	9
Govt's fundg of Hosp & Health Care Centre Rehab	-	231	(6,342)	(6,111)
Govt's funding of Houses for Nurses	-	-	-	-
Rehab of Housing for Police Trust Account	17,354	2,116	-	19,470
Outstanding Personnel Benefits for Police	-	-	-	-
Highlands Highway Rehabilitation T/A	-	-	-	-
District Service Improvement Program T/A	355,318	-	(354,318)	1,000
Urbanization Pilots T/A	14,023	-	(14,023)	-
Institutional Housing Pilot T/A	14,994	-	(19,979)	(4,985)
Housing Development Pilot T/A	635	-	(635)	-
Governor General's HIV/AIDS T A	108	-	(108)	-
RPNGC Communication Infrastructure T/A	1,254	-	-	1,254
Cooperative Societies Establishment T A	2,000	-	(2,003)	(3)



Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
Madang Marine Park Development T A	78	3	(78)	3
Rural Electrification Trust Account	602	-	(602)	-
Konebada Petroleum Park T A	-	-	-	-
National Infrastructure Dev Program TA	3,283	5,000	(8,283)	-
Land Reform Program T A	200	-	(200)	-
Col - Department of Finance	1,070	-	(1,070)	-
Electoral Commissioners Trust Account	116	3,561	(1,839)	1,839
Life Skills Teacher Training T/A	191	111	(232)	71
Mining Office Rehab. TA	-	1,809	(1,809)	-
Mining Legal Costs TA	-	984	(984)	-
Bougainville Kina for Kina Scheme Account	423	-	(410)	14
Bougainville Weapons disposal Trust Account	31	-	(14)	18
Business Development (UBSA) Trust Account	-	-	(87,000)	(87,000)
Business Growth Centre Account	-	-	-	-
Central City Trust Account	50,399	76	-	50,474
Environment Protection Trust Account	-	-	-	-
Government Gas Facilitation Office T/A	0	-	(1)	(1)
Manus Prov. Emergency Fund Trust Account	-	-	-	-
National Apprenticeship Testing Board T/A	-	-	-	-
National Women's Credit Scheme T/A	1	-	0	1
PNG Independence Fellowship Scheme Trust	-	-	-	-
Prepared Communities Grant Trust	301	-	0	301
Simbu Prov. Emergency Fund Trust Account	-	-	-	-
Manus Prov. Emergency Fund Trust Account	-	2,884	-	2,884
WNB Prov. Emergency Fund Trust Account	258	147	(258)	147
COLLEGE OF EXTERNAL STUDIES	84	-	(37)	47
DPI Colleges Trust Account	12	39	-	51
Public Curator's Trust Account	2,348	-	(904)	1,443
Registrar of National Court (Justice)	22,339	95	-	22,435
Sheriffs Trust (Justice)	510	59	-	569
PNG Royal Constabulary Band	8	-	(2)	6
Administrative College Trust Account	40	-	-	40
Public Solicitors Trust (Justice)	457	98	-	555
Correctional Services	26,373	1,794	-	28,167
Accountants Registration Board	59	-	(5)	54
Police Messing Trust Account	33	106	-	139
Port Moresby General Hospital Fees	55	111	-	166
Angau Memorial Hospital Fees Trust A/C	1,145	309	-	1,454
Nat Disaster & Emergency General T/A	2,642	-	-	2,642
2KR Aid Trust Account	321	707	-	1,029
Attorney General's Library Trust	4,718	-	(3,879)	839
Police Operations Trust	8,488	2,884	(8,488)	2,884
Nat. Apprenticeships & Trade Testing Board	12	-	(12)	0
Attorney General's Legal Fees & Brief TA	1,397	-	(446)	951
Police Air Wing Trust	44	-	(40)	4
Insurance Commissioner's Trust	1,951	578	-	2,529
Kenabot Subdivision & Drainage Network of Kokopo T/Ship	145	7	-	152
Government Printing Office	488	4	-	493
Central Supply and Tender Board	4,337	-	(640)	3,698
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
National Value Added Tax Trust	2,846	-	(2,528)	319
Central Fund Board of Management	15,040	-	(14,673)	367
Defence Force Commercial Support TA	402	221	(461)	162
Illegal Immigrants	3	-	-	3
Education Capacity Prog. Imprest Trust	589	28,387	-	28,976
Work Permit Trust Account	22,810	28,559	(65,141)	(13,772)
Establish. of Seized Goods Proceeds Trus	-	159	-	159
Konebada Petroleum Royalty Trust A/C	41,732	-	(22,363)	19,369
Lihir Integrated Benefits Package	3,481	6,560	-	10,041
National Roads Authority Fund	2,487	-	-	2,487
Fisheries and Marine Resources	0	-	0	0
Personnel Income Tax of ABG	842	1,058	-	1,900

Rev. Other than Personnel Income Tax & Coy Tax of ABG	9	-	-	9
Western Prov CMCA Region People Divid TA	324,396	189,340	(147,128)	366,608
Western Prov CMCA Region Div-Non CMCA	278,341	89,128	(72,038)	295,430
Log Export Development Levy	-	88,772	-	88,772
Log Export Dev Levy Withholding TA	77,500	-	(68,870)	8,630
ENB COCOA POD BORER T/A	3,294	-	(1,877)	1,417
Coastal Vessels Account	-	5,640	-	5,640
PDL1 Hides LBBSA - BDG Account	20,000	-	(740)	19,260
PDL7 - Hides 4 LBBSA BDG Accounts	15,000	-	-	15,000
PDL8 - Angore LBBSA BDG Accounts	12,000	-	0	12,000
Morobe Mining Affected Communities (MMAC)	-	-	-	-
Morobe Mining Landowners Royalty (MMLR)	-	-	-	-
Morobe Mining Future Generation (MMFG) T	-	-	-	-
PNG Immigration & Citizenship Service T/A	4,502	-	(167)	4,336
PNG Customs Services T/A	-	271	-	271
National Planning Committee T/A	-	-	-	-
District Offices Rehabilitation T/A	-	913	-	913
Rural District Roads Support T/A	-	-	(4,370)	(4,370)
Variarata National Park Rehabilitation T	-	46	-	46
REDD Program T/A	-	8	-	8
Mul-Baiyer Mobile Police Barracks T/A	-	-	-	-
Audit & Legal Team Support T/A	-	-	-	-
Provincial Govt. Members Entitlement T/A	-	-	-	-
Provincial Services Improvement Program T/A	-	-	-	-
C.I.S Prison Industries Program T/A	-	-	-	-
Incentive Fund Support T/A	-	-	-	-
MOA Outstanding Liabilities Trust Account	100,000	11,626	-	111,626
Lae Port Livelihood and Social Improvement Program (1)	-	-	-	-
Impre	-	-	-	-
PNG Rural Communications Project GOPNG T/A	-	-	-	-
ILG and Issues Committee T/A	-	-	-	-
Business Kumul-Australia Disaster Relief Trust T/A	-	315	-	315
Kokopau to Arawa Road Upgrading and Bitumen Sealing T/A	-	19,962	-	19,962
Coastal Fisheries Development Program T/A	-	-	-	-
Lihir Special Support Grant (Provincial Government Componen	-	-	-	-
Aiyura National High School (Renovation and Upgrading) T/A	-	-	0	0
Kerevat National High School (Renovation and Upgrading) T/A	-	-	0	0
Passam National High School (Renovation and Upgrading) T/A	-	-	0	0
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
Sogeri National High School (Renovation and Upgrading) T/A	-	10,000	-	10,000
Trans Sepik Highway T/A	-	-	-	-
Trans East - West New Britain Highway T/A	-	10,000	-	10,000
Buluminski Highway T/A	-	-	-	-
Central Malalaua Highway T/A	-	10,000	-	10,000
Road Maintenance and Rehabilitation Project 2 (RMRP 2) T/A	-	-	-	-
Flexible, Open and Distance Education Rehabilitation T/A (G	-	1,501	-	1,501
Flexible, Open and Distance Education (FODE) Project T/A (D	-	-	-	-
Reading Education (READ) PNG Project T/A (FTI Funds)	-	0	-	0
Bihute Jail House Water Supply Project T/A	-	35	-	35
Tari Provincial Hospital -SHPG - Trust Account	-	-	-	-
Customs Revenue Administration T/A	-	-	-	-
Small Medium Enterprise Risk Sharing Facility (GoPNG) T/A	-	12	-	12
Small Medium Enterprise Risk Sharing Facility (World Bank) S	-	1,800	-	1,800
Institute of Certified Management Accountants T/A	-	56	-	56
National Security Trust Account	-	-	-	-
Task Force Sweep (National Planning) T/A	-	3,748	-	3,748

Urban Youth Employment Project (World Bank) Special Account	-	0	-	0
Urban Youth Employment Project (GoPNG) Trust Account	-	27	-	27
Tuition Fee Education Trust Account	-	300,000	-	300,000
District Rural Health Centres Trust Account	-	-	-	-
Ministerial Commitments PNG LNG Trust Account	-	-	-	-
Provincial Hospitals Equipment & Infrastructure Trust Account	-	-	-	-
2015 South Pacific Games Trust Account	-	-	-	-
Gordons Police Barracks Maintenance & Improvement T/A	-	-	-	-
Port Moresby General Hospital Equipment & Infrastructure T/A	-	6,500	-	6,500
Defence Barracks Maintenance & Improvement T/A	-	5,000	-	5,000
Correctional Services Barracks Maintenance & Improvement T/A	-	-	-	-
Post-Conflict Bougainville Project Special Account (World Ba	-	134	-	134
PNG LNG Development Cost Trust Account	-	3,911	-	3,911
PNG Rubber Board	-	-	-	-
Seasonal Workers	-	-	-	-
2010 National Census	-	10,000	-	10,000
Public Curators Administrative (For Southern and Highlands R	-	-	-	-
Agro Food Safety and Codex Project Trust	-	-	-	-
Public Service Audit Program	-	3,931	-	3,931
Regional, Provincial Treasury and District Admin. Offices	-	388	-	388
Hides Petroleum Royalty	3,613	4,168	(10,839)	(3,058)
Moran Petroleum Royalty	6,441	15,410	(6,441)	15,410
Gobe Landowners Benefit T/A	5,710	300	(11,438)	(5,419)
Central Moran Petroleum Development Trust	15,040	17,981	-	33,021
Kutubu Petroleum Royalty T/A	48,180	119,951	0	168,130
Works Suspense Outside Operations	20,486	60,009	(43,845)	36,649
Plant and Transport Board (PTB) TA	4,556	6,782	(5,818)	5,520
Cocoa Pod Borer Emergency (CPB) Trust Account	-	-	-	-
Financial Management Training Programme	94	58	(58)	94
Financial Management Improv. Prog – GoPNG	2,898	2,827	(115)	5,610
Financial Mgmt Improvement Prog – PCAB	286	250	-	536
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
2,202,408	1,984,382	(1,732,201)	2,454,589	

General Trusts With Bank Accounts Total

Investment Trusts Total

SUMMARY OF TRUST FUNDS

Bookmakers Security Deposit	352	-	-	352
Motor Vehicles Deposit	226	-	-	226
Motor Vehicle Compensation	-	288	-	288
Registrar of Supreme Court Trust Account	3,489	186	(57)	3,617
District Court Trust Account	2,893	49	(50)	2,893
6,960	523	(107)	7,376	
Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Payments K' 000	Balance as at Auditor Adjustments 2011 K'000
General Trusts With Bank Accounts	2,202,408	1,984,382	(1,732,201)	2,454,589
General Trusts Without Bank Accounts	-	-	-	-
Investment Trusts	6,960	523	(107)	7,376
TOTAL FOR STATEMENT C	2,209,368	1,984,905	(1,732,308)	2,461,965

GOVERNMENT OF PAPUA NEW GUINEA

PUBLIC ACCOUNTS

STATEMENT OF SOURCES AND APPLICATION OF FUNDS AT 31 DECEMBER

2011

Statement D

	2011 K'000	2010 K'000
SOURCES OF FUNDS		
Total Receipts as per Statement B	11,172,267	8,933,691
Decrease in Advances	432	14
Decrease in Cash in Transit	13	3
Trust Receipts as per Statement C	-	<u>1,417,100</u>
	<u>13,157,618</u>	<u>10,350,808</u>
APPLICATION OF FUNDS		
Total Payments as per Statement B	11,167,324	8,893,131
Increase in Advances	0	0
Increase in Cash in Transit	0	0
Trust Payments as per Statement C	-	<u>2,125,405</u>
	<u>12,899,632</u>	<u>11,018,536</u>
Increase / (Decrease) in Cash	257,986	(667,728)
Increase / (Decrease) in Cash at Bank Balance		
Bank of Papua New Guinea	2,030	(329,516)
Bank of South Pacific	144,329	(214,361)
ANZ Bank	113,602	(106,646)
Westpac Bank	(2,420)	(17,294)
May Bank	29	7
Investment Trusts	-	<u>82</u>
Increase / (Decrease) in Bank Balance	<u>257,986</u>	<u>(667,728)</u>

This statement should be read in conjunction with the accompanying notes.



**GOVERNMENT OF PAPUA NEW GUINEA
PUBLIC ACCOUNTS
TRUST FUND INVESTMENTS
AS AT 31 DECEMBER 2011**

STATEMENT E

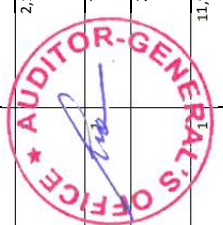
Investment Description	Closing Balance K
MOTOR CAR LICENSED DEALERS TRUST	226,315
BOOKMAKERS SECURITY DEPOSIT TRUST	351,655
DISTRICT COURT TRUST	2,892,863
MOTOR VEHICLE COMPENSATION TRUST	287,560
REGISTRAR OF SUPREME COURT TRUST	3,617,488
GRAND TOTAL	7,375,881



GOVERNMENT OF PAPUA NEW GUINEA
STATEMENT G
PUBLIC ACCOUNTS

STATEMENT OF BORROWINGS AS AT 31ST DECEMBER 2011

CREDITOR	LOAN REFERENCE	PURPOSE OF LOAN	CLOSING BALANCE AS AT 31.12.2010	ADJUST- MENTS FROM PREVIOUS YEARS	OPENING BALANCE 01.01.2011	BORROW- INGS 2011	PRINCIPAL REPAY- MENTS 2011	FX GAINS & LOSSES	BALANCE AT 31.12.2011	REMAINDER AVAILABLE FOR DRAWING	INTEREST PAYMENTS 2011	COMMITME NT AND OTHER CHARGES 2011	INTEREST RATE P.A %	TOTAL PAYMENTS
			(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)		(K'000)
OVERSEAS BORROWING MULTILATERAL														
ASIAN DEVELOPMENT BANK	ADB 278 SF	WATER SUPPLY PROJECT	13,843	0	13,843	0	2,190	-2,350	9,303	0	185	0	1	2,375
	ADB 290 SF	E.SEPHK RURAL DEV. PROJ.	8,831	0	8,831	0	1,380	-1,516	5,935	0	115	0	1	1,496
	ADB 342 SF	2ND DEVELOPMENT BANK PROJECT	7,506	0	7,506	0	552	-1,333	5,621	0	28	0	1	581
	ADB 346 SF	2ND WATER SUPPLY PROJECT	6,845	0	6,845	0	818	-1,244	4,784	0	83	0	1	900
	ADB 415 SF	UPPER WARAGOI H. POWER PROJ	10,831	0	10,831	0	1,066	-2,001	7,764	0	88	0	1	1,154
	ADB 469 SF	LAE PORT PROJ	9,319	0	9,319	0	869	-1,726	6,724	0	76	0	1	945
	ADB 552 SF	TECHNICAL EDUCATION PROGRAME	11,585	0	11,585	0	1,000	-2,092	8,493	0	136	0	1	1,136
	ADB 611 SF	3RD DEVELOPMENT BANK PROJECT	7,702	0	7,702	0	609	-1,400	5,694	0	82	0	1	692
	ADB 656 SF	CAPE RODNEY SMALL H. DEVE. PROGR.	26,754	0	26,754	0	1,957	-4,882	19,916	0	304	0	1	2,260
	ADB 691 SF	4TH ROAD IMPROV. SECTR PROJ	22,956	0	22,956	0	2,368	-4,132	16,456	0	277	0	1	2,646
	ADB 746 SF	2ND RURAL HEALTH SERVICE PROJ.	21,507	0	21,507	0	1,363	-3,956	16,188	0	240	0	1	1,603
	ADB 784 SF	WINBP SMALLHOLDER DEVELOPMET PROJECT	29,931	0	29,931	0	1,809	-5,542	22,580	0	328	0		2,136
	ADB 853 SF	ENBP SMALLHOLDER DEV. PROJECT	8,763	0	8,763	0	684	-1,601	6,478	0	99	0		783
	ADB 968 SF	TECHNICAL ASSISTANCE PROGRAM	2,863	0	2,863	0	191	-528	2,144	0	32	0		223
	ADB 997 SF	AGRICULTURE SECTOR PROGRAM	153,047	0	153,047	0	10,241	-28,200	114,606	0	1,697	0		11,938
	ADB 1024 SF	INDUSTRIAL CENTRE DEVELOPMIT	17,345	0	17,345	0	1,113	-3,209	13,023	0	185	0	1	1,298

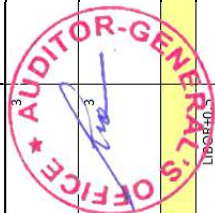


	ADB 1054 SF	SPECIAL INTERVENTION PROGRAME	21,488	-367	21,121	0	0	1,362	-3,881	15,877	0	224	0	1	1,587
	ADB 1097 SF	3RD RURAL HEALTH SERVICES	34,453	0	34,453	0	0	1,557	-6,479	26,418	0	354	0	1	1,911
	ADB 1110 SF	AGRICULTURE RESEARCH AND EXT.	49,260	0	49,260	0	0	1,489	-9,328	38,444	0	506	0	1	1,995
	ADB 1154 SF	TRANSPORT INFRASTRUCTURE DEV. PROJECT	32,808	0	32,808	0	0	992	-6,213	25,604	0	337	0	1	1,329
	ADB 1224 SF	HIGHER EDUCATION PROJECT	35,017	0	35,017	0	0	980	-6,681	27,356	0	346	0	1	1,326
	ADB 1225 SF	TRANSPORT INFRASTRUCTURE DEV. PROJECT	12,689	0	12,689	0	0	366	-2,405	9,918	0	130	0	1	496
	ADB 1330 SF	RABAU-EMERGENCY PROGRAME	1,214	0	1,214	0	0	34	-230	950	0	13	0	1	47
	ADB 1516 OCR	HEALTH SECTOR DEV. PROG	91,202	0	91,202	0	0	4,263	-16,881	70,058	0	3,137	0	PBVLR+0.5	7,400
	ADB 1517 SF	HEALTH SECTOR DEV. PROGRAM	12,884	0	12,884	0	0	321	-2,462	10,101	0	126	0	1	447
	ADB 1518 SF	HEALTH SECTOR DEV. PROGRAM	16,892	0	16,892	0	0	420	-3,228	13,243	0	166	0	1	586
	ADB 1652 LBL	S/HOLDER SUPP.SERV.PILOT PI.	7,747	0	7,747	0	0	284	-1,430	6,033	0	42	0	ADBLU+0.6	326
	ADB 1703 (PSCL)	FINANCIAL MANAGEMENT IMPROVEMENT	18,777	20,835	39,612	0	0	1,316	-7,285	31,011	0	283	0	PSCLU+0.5	1,599
	ADB 1703 (LBL)	FINANCIAL MANAGEMENT IMPROVEMENT	39,612	-20,835	18,777	0	0	623	-3,454	14,700	0	699	0	LIBOR+0.5	1,322
	ADB 1706 SF	EMPLOYMENT SKILLS DEVELOPMT PROJECT	44,196	0	44,196	0	0	2,047	-8,206	33,944	0	613	0	1.5	2,660
	ADB 1709 LBL	ROAD MAINTENANCE & UPGRAD.PJ.	132,771	0	132,771	0	0	4,412	-24,419	103,940	8,187	935	48	ADBLU+0.5	5,395
	ADB 1709 PSCL	ROAD MAINTENANCE & UPGRAD.PJ.	11,908	0	11,908	0	0	395	-2,190	9,323	0	431	0	PBVLR+0.5	826
	ADB 1754 LBL	REHAB.OF MARITIME NAVAID SYS	41,686	0	41,686	0	0	1,219	-7,691	32,776	0	298	0	LIBOR+0.5	1,517
	ADB 1754 PSCL	REHAB.OF MARITIME NAVAID SYS.	1,035	0	1,035	0	0	30	-191	814	0	39	0	LIBOR+0.5	69
	ADB 1768 SF	MICROFINANCE EMPLOYMENT PROJECT	20,381	0	20,381	0	0	849	-3,861	15,671	0	294	0	1.5	1,143
	ADB 1812 SF	PROV. TOWNS WATER SUPPLY & SANITATION	30,621	0	30,621	0	0	1,323	-5,701	23,596	0	426	0	1	1,749



	ADB 1889 SF	NUCLEUS AGRO-ENTERPRISE PROJ	4,406	0	4,406	0			-838	3,399	0	57	0	1	227
	ADB 1925 SF	COASTAL FISH. DEVEL. PROJECT	10,619	158	10,777	0		412	-2,031	8,334	0	128	0	1	540
	ADB 2079 SF	COMM. WATER TR. PROJECT	37,229	-11	37,218	3,830		0	-7,546	33,502	7,503	359	0	1	359
	ADB 2242 OCR	ROAD MAINTENANCE & UPGRADING PROJEC	39,717	0	39,717	21,473		725	-9,218	51,247	23,008	281	368	ADBILU+0.6	1,374
	ADB 2243 SF	ROAD MAINTENANCE & UPGRADING PROJEC	20,455	0	20,455	12,138		0	-5,394	27,199	12,416	201	0	1	201
	ADB 2398 OCR	LAE PORT DEVELOPMENT PROJECT	1,439	0	1,439	0		0	-271	1,168	127,448	6	218	ADBILU+0.2	224
	ADB 2399 (SF)	LAE PORT DEVELOPMENT PROJECT	0	0	0	0		0	0	0	82,814	0	0	1.5	0
	ADB 2496 SF	HIGHLANDS REGION ROAD IMPROVEMENT IN	7,362	0	7,362	5,054		0	-1,888	10,529	146,647	42	0	1	42
	ADB 2497 (SF)	HIGHLANDS REGION ROAD IMPROVEMENT IN	0	0	0	0		0	0	0	63,575	0	0	3.15	0
	ADB 2588 OCR	CIVIL AVIATION DEV. INVESTMENT PROGRAM	1,057	0	1,057	811		0	-252	1,616	51,974	2	47	ADBILU+0.2	49
	ADB 2589 SF	CIVIL AVIATION DEV. INVESTMENT PROGRAM	2,045	0	2,045	1,488		0	-522	3,011	100,410	9	0	1	9
	ADB 2590 SF	CIVIL AVIATION DEV. INVESTMENT PROGRAM	811	0	811	565		0	-207	1,168	40,199	6	0	1.6	6
	ADB 2591 SF	PILOT BORDER TRADE & INVESTMENT DEV. P	0	0	0	0		0	0	0	51,456	0	0	1	0
	ADB 2686 SF	MICROFINANCE EXPANSION PROJECT	0	0	0	636		0	-39	597	27,001	1	0	1.5	1
	ADB 2713 OCR	TOWN ELECTRIFICATION INVESTMENT PROJECT			0	0		0	0	0	87,673	0			0
	ADB 2714 SF	TOWN ELECTRIFICATION INVESTMENT PROJECT			0	0		0	0	0	34,662	0			0
ASIAN DEVELOPMENT BANK Total			1,141,415	-219	1,141,196	45,995		53,800	-216,134	917,257	864,975	14,445	681		68,927
CREDITOR	LOAN REFERENCE	PURPOSE OF LOAN	CLOSING BALANCE AS AT 31.12.2010	ADJUSTMENTS FROM PREVIOUS YEARS	OPENING BALANCE 01.01.2011	BORROWINGS 2011	PRINCIPAL REPAYMENTS 2011	FX GAINS & LOSSES	BALANCE AT 31.12.2011	REMAINDER AVAILABLE FOR DRAWING	INTEREST PAYMENTS 2011	COMMITMENT AND OTHER CHARGES 2011	INTEREST RATE P.A %		TOTAL PAYMENTS
			(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)			(K'000)
EUROPEAN COMMUNITY (EC)	EEC - BEEF/CATTLE	BEEF CATTLE RANCHING	1,880	0	1,880	0	157	-367	1,356	0	18	0	1		175

EEC - HIRITANO	HIRITANO HIGHWAY	3,587	0	3,587	0		248	-712	2,626	0	34	0	1	282
EEC - TELECOM	REGIONAL TELECOMMUNICATIONS NETWORK	7,211	0	7,211	0		495	-1,454	5,262	0	64	0	1	560
EEC - HURIS	LIVESTOCK & CROPS IN HURIS REGION	925	0	925	0		58	-187	680	0	8	0	1	66
EEC - MAGI H/WAY	MAGI HIGHWAY	4,208	0	4,208	0		280	-837	3,091	0	40	0	1	319
EEC - KIMBE/TALAS	KIMBE TALASEA ROAD	7,557	0	7,557	0		398	-1,539	5,620	0	68	0	1	466
EEC - VAILALA/RIG	VAILALA TO RIGO ROAD	9,264	0	9,264	0		427	-1,865	6,972	0	90	0	1	517
EEC - BROWN/VEI	MBROWN RIVER TO VEIMAURI ROAD	15,844	0	15,844	0		730	-3,190	11,925	0	155	0	1	884
EEC - ROAD & BRID	ROADS & BRIDGES REH. PROGRAMME	36,076	0	36,076	0		2,102	-7,291	26,683	0	490	0	1	2,592
EEC - RAMU HIGHW	RAMU HIGHWAY UPGRADING PROJECT NO. 6	47,924	0	47,924	0		2,254	-9,764	35,907	0	654	0	1	2,908
EUROPEAN COMMUNITY (EC) Total		134,475	0	134,475	0		7,149	-27,206	100,121	0	1,620	0		8,769
EUROPEAN INVESTMENT BANK	EIB - POLIAMBIA	7,379	0	7,379	0		2,286	-1,209	3,883	0	137	0	2	2,423
	EIB - ELCOM	826	0	826	0		749	-77	0	0	17	0		766
	EIB - ELCOM	682	0	682	0		647	-34	0	0	15	1		663
EUROPEAN INVESTMENT BANK Total		8,886	0	8,886	0		3,682	-1,321	3,883	0	169	2		3,853
I'NATIONAL BANK FOR RECONST	ECONOMIC RECOVERY PROGRAM LOAN	57,424	0	57,424	0		9,284	-9,802	38,338	0	342	0		9,626
	MINING SECTOR STRENGTHENING PJ.	19,748	0	19,748	0		1,344	-3,613	14,790	0	129	0	SCLFX	1,473
	GAS DEV. AND UTILIZATION PROJ.	13,847	0	13,847	0		943	-2,534	10,371	0	91	0	SCLFX	1,033
	GOVERNANCE PROMOTION ADJUSTMT	177,479	0	177,479	0		11,989	-32,566	132,925	0	1,135	0	SCLFX	13,123
	FORESTRY AND CONSERVATION PJ.	4,604	0	4,604	0		387	-821	3,396	0	33	0	SCLFX	420
	ROAD MAINTENANCE & REHAB PJ.	93,142	0	93,142	0		4,887	-16,874	71,381	0	803	0	LIBOR+0.55	5,689
I'NATIONAL BANK FOR RECONSTRUCTION & DEV T		366,244	0	366,244	0		28,833	-66,210	271,201	0	2,532	0		31,365
I'NATIONAL FUND FOR AGRICUL	PRODUCTIVE PARTNERSHIP IN AGRICULTURE	0	0	0	0	903	0	-25	878	29,371	0	0	0.75	0

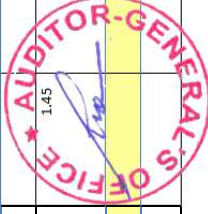


	IFAD - PN- 326	NORTH SIMBU RURAL DEV.PROJ.	2,412	0	2,412	0	0	911	-334	1,167	0	84	0	4	995
I'NATIONAL FUND FOR AGRICULTURE DEV Total		2,412	0	2,412	903	0	0	911	-358	2,045	29,371	84	0		995
INTERNATIONAL DEVELOPMENT	IDA 137	N BRITAIN SMALLHOLDER DEV PROJ.	1,149	0	1,149	0	0	125	-201	823	0	8	0	0.75	133
	IDA 175	AGRICULTURAL DEV.PROJ.	3,718	0	3,718	0	0	377	-679	2,662	0	23	0	0.75	401
	IDA 204	HIGHLANDS HIGHWAY PROJECT	4,088	0	4,088	0	0	371	-749	2,967	0	26	0	0.75	397
	IDA 326	PORTS PROJECT	8,386	0	8,386	0	0	666	-1,507	6,212	0	56	0	0.75	723
	IDA 348	SM/HOLDER LIVESTOCK CREDIT PROJ.	4,756	0	4,756	0	0	367	-851	3,537	0	32	0	0.75	400
	IDA 661	EDUCATION PROJECT	4,914	0	4,914	0	0	279	-906	3,730	0	32	0	0.75	311
	IDA 677	2ND HIGHLANDS ROAD IMPROV.PROJ.	23,456	0	23,456	0	0	1,289	-4,325	17,842	0	152	0	0.75	1,441
	IDA 841	RURAL DEV.PROJ. (S/HIGHLANDS)	26,943	0	26,943	0	0	1,354	-4,978	20,611	0	175	0	0.75	1,529
	IDA 1030	THIRD HIGHWAY PROJECT	20,092	0	20,092	0	0	975	-3,651	15,466	0	141	0	0.75	1,116
	IDA 1087	PRIMARY EDUCATION PROJECT	22,245	0	22,245	0	0	1,032	-3,326	17,887	0	176	0	0.75	1,208
	IDA 1149	2ND AGRICULTURAL CREDIT PROJ.	30,775	0	30,775	0	0	640	-5,922	24,212	0	235	0	0.75	875
	IDA 1227	ENGA PROVINCE DEV.PROJECT	4,357	0	4,357	0	0	187	-824	3,346	0	33	0		220
	IDA 1279	PETROLEUM EXPLORATION T/A PROJ.	7,067	0	7,067	0	0	296	-1,337	5,434	0	54	0	0.75	349
	IDA 4298	ADDITIONAL FINANCING FOR ROAD MAINT. R	58,161	0	58,161	0	0	0	12,506	70,667	11,025	450	0	0.75	450
	IDA 4374	SMALLHOLDER AGRICULTURE DEVELOPMENT	2,738	0	2,738	5,771	0	0	-127	8,382	49,688	24	0	0.75	24
	IDA 4491	2ND MINING SECTOR INSTITUTIONAL STRENG	3,620	0	3,620	2,441	0	0	-1,070	4,990	29,130	34	0	0.75	34
	IDA 4716	PRODUCTIVE PARTNERSHIP IN AGRICULTURE	0	0	0	3,204	0	0	-280	2,923	50,882	7	0	0.75	7
	IDA 4791	RURAL COMMUNICATIONS PROJECT -	0	0	0	298	0	0	-39	259	32,549	1	0	0.75	1
	IDA 4853	FLEXIBLE AND OPEN DISTANCE EDUCATION PR	0	0	0	1,500	0	0	-33	1,467	9,032	0	0		0
	IDA 4931	ROAD MAINTENANCE AND REHABILITATION P	0	0	0	0	0	0	0	0	89,894	0	0		0
	IDA 4854	URBAN YOUTH EMPLOYMENT PROJECT	0	0	0	0	0	0	0	0	33,136	0	0		0



IDA 4928		SMALL AND MEDIUM ENTERPRISE ACCESS TO FINANCE PROJEC		0	0	28,835	0	-26,919	1,916	43,786	0	0	0	0	0
INTERNATIONAL DEVELOPMENT ASSOCIATION Tot				226,464	0	42,048	7,958	-45,221	215,333	349,122	1,659	0	0	0	9,617
THE OPEC FUND FOR INATIONA	OFID Lae Port	LAE PORT DEVELOPMENT PROJECT (OFID)	0	0	0	0	0	0	0	12,862	0	0	0	0	0
	OPEC 985P	COMMUNITY WATER TRANSPORT	0	0	-1,057	0	0	199	-857	8,574	0	0	0	0	0
THE OPEC FUND FOR 'NATIONAL DEVELOPMENT T				0	0	0	0	199	-857	21,436	0	0	0	0	0
MULTILATERAL TOTAL				1,879,896	-219	88,946	102,334	-356,250	1,508,982	1,264,904	20,510	683	0	0	123,527
CREDITOR	LOAN REFERENCE	PURPOSE OF LOAN	CLOSING BALANCE AS AT 31.12.2010	ADJUSTMENTS FROM PREVIOUS YEARS	OPENING BALANCE 01.01.2011	BORROWINGS 2011	PRINCIPAL REPAYMENTS 2011	FX GAINS & LOSSES	BALANCE AT 31.12.2011	REMAINDER AVAILABLE FOR DRAWING	INTEREST PAYMENTS 2011	COMMITMENT AND OTHER CHARGES 2011	INTEREST RATE P.A %	TOTAL PAYMENTS	
BILATERAL															
BANK OF CHINA	China Loan1	CHINESE LOAN 1 - WAIGANI SPORTS COMPLE	7,955	0	7,955	0	0	-1,206	6,749	0	0	0	0	0	0
	China Loan2	CHINESE LOAN 2 - WAIGANI SPORTS COMPLE	7,520	0	7,520	0	1,352	-1,064	5,104	0	0	0	0	0	1,352
	China Loan3	CHINESE LOAN 3 - MARKHAM NAT. H SCHOOL	16,821	0	16,821	0	0	-2,549	14,272	0	0	0	0	0	0
BANK OF CHINA Total				32,296	0	0	1,352	-4,819	26,125	0	0	0	0	0	1,352
JAPAN BANK FOR INTERNATION	OECF/PN-P4	POM INT'L AIRPORT REDEV.PROJ.	105,148	0	105,148	0	11,869	-14,807	78,472	0	2,484	0	2.7	0	14,353
	OECF/PN-P5	AGRICULTURE DEV. PROJECT	27,692	0	27,692	0	3,126	-3,900	20,667	0	654	0	2.7	0	3,780
	OECF PN-P7	NATIONAL ROAD IMPROV.PROJECT	49,789	0	49,789	0	4,483	-6,884	38,422	0	1,242	1	2.7	0	5,727
	OECF PN-C1	AGRICULTURE SECTOR PROGRAM	48,048	0	48,048	0	4,327	-6,643	37,078	0	1,199	1	2.7	0	5,526
	OECF PN-P6-2	TRANS ISLANDS HIGHWAY (II)	87,165	0	87,165	0	7,849	-12,052	67,264	0	2,175	2	2.7	0	10,025
	OECF PN-C2	STRUCTURAL ADJUSTMENT LOAN	120,650	0	120,650	0	9,750	-16,944	93,956	0	2,964	2	2.7	0	12,716
	OECF PN-P8	POM INT. A/PORT REDEV. PJ.(II)	76,458	0	76,458	0	4,664	-10,789	61,005	0	1,922	1	2.7	0	6,587
	OECF PN-P8 A	POM INT. A/PORT REDEV. PJ. (II)	11,216	0	11,216	0	684	-1,583	8,949	0	240	0	2.7	0	925
	OECF PN-C3	STRUCTURAL ADJUSTMENT PROG-	169,189	0	169,189	0	7,999	-24,102	137,089	0	3,478	1	2.7	0	11,478

	JABIC PN -P9	PORT MORESBY SEWERAGE SYSTEM UPGRAD	0	0	0	0	0	0	249		0	-22	227	228,166	0	249	0.2	249
JAPAN BANK FOR INTERNATIONAL COOPERATION Total			695,356	0	0	695,356	249				54,751	-97,725	543,129	228,166	16,359	257		71,366
KREDITANSTALT FUR WIEDERAUFBAU	KFW 198066300	WATER SUPPLY/SEWERAGE	2,066	0	0	2,066	0				729	-358	979	0	33	0	2	762
	KFW 198166175	OK TEDI MINE ACCESS ROAD	5,483	0	0	5,483	0				1,382	-1,009	3,092	0	91	0	2	1,472
	KFW 198965428	NAVIGATIONAL AID PROGRAM 6.1M	5,797	0	0	755	0				536	3,878	4,097	0	100	0	2	635
	KFW 199466343	AIR TRAFFIC CONTROL TOWER TOKUA	3,607	0	0	3,607	0				130	-746	2,732	0	24	0	0.75	154
	KFW 198965428	NAVIGATIONAL AID SUPPL. AGG	755	0	0	5,797	0				25	-5,199	573	0	5	0	0.75	30
	KFW 199765934	NAVIGATIONAL AID PHASE II	11,744	0	0	11,744	0				361	-2,435	8,948	10	77	0	0.75	438
	KFW 199966094	NAVIGATION AIDS PHASE III	10,748	0	0	10,748	0				0	-2,263	8,485	25	71	0	0.75	71
KREDITANSTALT FUR WIEDERAUFBAU Total			40,200	0	0	40,200	0				3,163	-8,132	28,905	35	401	0		3,564
EXIM Bank of China	IGIS	Integrated Government Information System	0			0	56,165				0	-2,426	53,740	68,588	240	1,501		1,741
	PMIZ	Pacific Marine Industrial Zone	0			0	0				0	0	0	171,939	0	1,874		1,874
	UoG	University of Goroka	0			0	31,049				0	-1,078	29,971	69,931	94	1,182		1,277
	CCE	Community College Education System PH II				0	36,596				0	-1,430	35,166	46,386	121	886		1,007
EXIM Bank of China Total			0	0	0	0	123,810				0	-4,934	118,876	356,844	456	5,444		5,899
OTHER BILATERAL	AUSTRALIA (RBA)	RBA - AGGREGATED RBA AS PTLs	10,150	-	-	10,150	-				4,624	-	3,921	-	728	0		5,352
	TAIWAN (CHIAO TU	3RD URBAN WATER SUPPLY PROJECT	7,655	0	0	7,655	0				443	-1,389	5,822	0	125	0	3.5	568
	KOREA	WEWAK STORMWATER PROJECT	6,416	-	-	6,416	0				1,258	-918	4,240	0	210	0	3.5	1,467
OTHER BILATERAL Total			24,222	0	0	24,221	0				6,325	-3,913	13,984	0	1,063	0		7,388
BILATERAL TOTAL			792,074	0	0	792,074	124,059				65,590	-119,523	731,020	585,045	18,278	5,701		89,569
SUPPLIERS CREDIT																		
Deutsche Bank AG - London	ECDC/Deutsche AG	YUMI YET RURAL BRIDGE PROG.LOAN FACILIT	79,349	0	0	79,349	0				17,911	-10,679	50,758	0	1,050	0	1.45	18,962
SUPPLIERS CREDIT TOTAL			79,349	0	0	79,349	0				17,911	-10,679	50,758	0	1,050	0		18,962
OTHER OVERSEAS FEES																		



OFFSHORE BORROWING CHARGES		TRANSACTION FEES PAID TO BANK OF PNG										1
PROMISSORY NOTES		IMF FEES										141
MEMBERSHIP FEES		ADB MEMBERSHIP FEE										2,000
LEGAL FEES		STANDARD AND POORS RATING FEE										1,133
OTHER OVERSEAS FEES Total												3,275
TOTAL OVERSEAS BORROWING		2,751,320	-219	2,750,043	213,005	185,836	-486,452	2,290,760	1,849,949	39,838	9,659	235,333
DOMESTIC BORROWING												
DOMESTIC LOANS	BPNG	1,558,190	-	1,558,190	2,920,100	2,223,800	-	2,254,490	-	71,552	-	2,295,352
	BPNG	2,587,023	-	2,587,023	780,000	500,398	-	2,866,625	-	173,455	-	673,853
	BPNG	-	-	-	-	-	-	-	-	168	-	168
	BPNG	-	-	-	-	-	-	-	-	-	-	-
TOTAL DOMESTIC BORROWING		4,145,213	0	4,145,213	3,700,100	2,724,198	0	5,121,115	0	245,175	0	2,969,373
OTHER DEBT SERVICE PAYMENTS	NCDC	0		0	0	0	0	0	0	0	0	0
TOTAL OTHER DEBT SERVICE PAYMENTS ASSUMED BY STATE		0	0	0	0	0	0	0	0	0	0	0
TOTAL DOMESTIC BORROWING		4,145,213	0	4,145,213	3,700,100	2,724,198	0	5,121,115	0	245,175	0	2,969,373
TOTAL PUBLIC DEBT		6,896,533	-219	6,895,256	3,913,105	2,910,034	-486,452	7,411,875	1,849,949	285,013	9,659	3,204,705



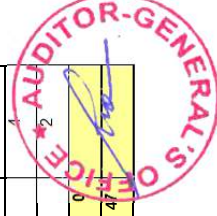
STATEMENT H

GOVERNMENT OF PAPUA NEW GUINEA

PUBLIC ACCOUNTS

STATEMENT OF ON LENDING AS AT 31ST DECEMBER
2011

LOAN REFERENCE	PURPOSE OF LOANS	CLOSING BALANCE AS AT 31.12.10	ADJUSTMNT S FROM PREVIOUS YEARS	OPENING BALANCE AT 01.01.11	BORROWING 2011	PRINCIPAL REPAYMENT 2011	EFFECT OF MOVEMENTS IN EXCHANGE RATES INCREASE/ (DECREASE)	BAD DEBTS WRITTEN OFF IN 2011	BALANCE AT 31.12.11	PROVISION FOR BAD DEBTS	INTEREST PAYMENTS & COMMITMT FEES 2011	INTEREST RATES %
PROVINCIAL GOVERNMENTS												
KL:GKALGC	GOROKA LOCAL GOVT COUNCIL	40	0	40	0	0	0	0	40	0	0	6
KL:MOTU/KOITABU	MOTU KOITABU INTM. ASSEMBLY	100	0	100	0	0	0	0	100	0	0	0
RF:NCDC	RE.NAT.INTERIM COMM.	5,920	0	5,920	0	0	0	0	5,920	0	0	7
KL:WNB PROV GOVT.	WNB PROV GOVT.	60	0	60	0	0	0	0	60	0	0	0
KL:ENGA PROV GOVT.	POGERA MINING AGREEMENT	200	0	200	0	0	0	0	200	0	0	0
KL:SIMBU PROV.GOV.	SIMBU PROV. GOVT.	480	0	480	0	0	0	0	480	0	0	0
TOTAL PROVINCIAL GOVERNMENTS		6,800	0	6,800	0	0	0	0	6,800	0	0	
PNG HARBOURS BOARD												
OK:HB ADB 469	HARBOURS BOARD /ADB 469	0	0	0	0	0	0	0	0	0	0	10
OL:PT ADB 468	LAE PORTS PROJECT ADB 468	14,946	0	14,946	0	5,946	0	0	9,000	0	0	10
TOTAL HARBOURS BOARD		14,946	0	14,946	0	5,946	0	0	9,000	0	0	
POST & TELECOMM. CORPORATION												
OL:PT 102	PTC FRENCH PROTOCOL CREDIT	291	0	291	0	161	161	0	291	0	10	3
OL:TEL EEC	EEC REGIONAL TELECOM-GEREHU	7,802	0	7,802	0	231	(1,840)	0	5,732	0	38	1
OL:TEL. III	3RD TELECOM. PROJECT IBD 3154	0	0	0	0	0	0	0	0	0	0	3
TOTAL POST & TELECOMM. CORPORATION		8,093	0	8,093	0	392	(1,679)	0	6,022	0	47	
OTHER LOANS												
KL:DIFCO	DISCPL. FORCES CANTEN ORGAN.	10	0	10	0	0	0	0	10	0	0	10
OL:MB IBD 2608	MILNE BAY ESTATE IBD 2608	1,602	0	1,602	0	0	0	0	1,566	0	0	Libor + 5%
KL:COCOA BOARD	COCOA BOARD STATE LENDING	19,840	0	19,840	0	0	0	0	19,840	0	0	1
KL:COM.HSTL.RAB	COMMUNITY HOSTEL RABAU	20	0	20	0	0	0	0	20	0	0	1
KL:IBRD 3289	HOUSING RE-DISCOUNT FACILITY	51	0	51	0	0	0	0	51	0	0	7
OL:ICDC - ADB 1024	INDUST. CENTRE DEV. CORP.ADB 1024	4,000	0	4,000	0	0	0	0	4,000	0	0	7
OL:CTB	UPGRADING OF W/SUP. PROJ. CTB	17,938	0	17,938	0	0	0	0	17,701	0	0	VLR
OL:ADB 1211	UPGRADING OF W/SUP. P.J. ADB 1211	30,254	0	30,254	0	0	0	0	29,855	0	0	
OL:NIDC/EIB	POLIAMBA TREE CROP NIDC / EIB	4,280	0	4,280	0	0	0	0	4,280	0	0	
TOTAL OTHER LOANS		77,996	0	77,996	0	0	0	0	77,323	0	0	
TOTAL OF LENDING		107,834	0	107,834	0	6,337	(1,679)	0	99,145	0	47	



STATEMENT "I"

2011 STATEMENT "I" STATEMENT OF GOVERNMENT GUARANTEED LOANS

Borrowers	Loan Details	Currency	Exchange Rates	Original Amount Currencies ('000)	Balance Outstanding as at 31-Dec-11	
					Currencies ('000)	Kina (K'000)
DOMESTIC BORROWINGS						
Various Individuals	Credit Guarantee Scheme	N/A	N/A	N/A	N/A	376
TOTAL DOMESTIC BORROWINGS						376
OVERSEAS BORROWINGS						
Pacific Aviation Safety Office	PASO Loan Guarantee	SDR	0.3048	258	258	847
MRDC Pty Ltd & MRL Pty. Ltd	Finance Contract Agreement - 26.04.95	EUR	0.3605	21,000	15,997	44,374
Resources Lihir Pty Ltd	Finance Contract Agreement - 28.06.96	EUR	0.3605	25,000	6,632	18,397
MRDC Pty Ltd Resources Lihir Pty Ltd	Agreement 27.07.95	USD	0.4665	26,282	6,543	14,026
Telikom PNG Ltd	Completion Guarantee for PNG LNG Project Debt	USD	0.4665	2,100,000	2,100,000	4,501,608
Independent Public Business Corp. Petromin PNG Holdings Ltd & MRDC Company Limited						
TOTAL OVERSEAS BORROWINGS						4,579,252
TOTAL GOVERNMENT GUARANTEED LOANS						4,579,628



GOVERNMENT OF PAPUA NEW GUINEA

PUBLIC ACCOUNTS

Statement of Consolidated Revenue Fund Receipts by Revenue Head
for the period ended 31 December 2011

GROUP 1: NATIONAL DEPARTMENTS REVENUE

206 Department of Finance

STATEMENT J

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121301	Commercial Property Rental Income	0	0	168,082
121302	Sub Lease Office Accommodation	0	0	1,000
121303	35% Share of Pool Housing Rental	-15,800	-15,800	6,023
121304	Rental of Institutional Housing	-100	-100	0
121306	Rent of Reserved Housing	-1,000	-1,000	0
122102	Sub-Lease of Office Accommodation	-5,000	-5,000	0
122128	Materials and Services (other)	0	0	-200
122142	Sale of Publication, Data Books & Documentation	-1,000	-1,000	0
122151	Recovery of Utility Charges	-1,000	-1,000	0
122152	Payroll Commission	-2,300,000	-2,300,000	1,790,003
122190	Insurers' and Brokers' Licences	-100,000	-100,000	55,000
122213	Computer Service Charges	-1,000	-1,000	0
122224	Unclaimed Monies	-100,000	-100,000	4,359,972
122225	Credit Guarantee Scheme	-1,000	-1,000	0
122299	Sundry/(Other) Income	-1,700,000	-1,700,000	1,554,097
124111	Disposal/Sub-Lease of O'seas Properties	0	0	-1,283,775
124112	Sale of Houses under Sale or Mortgage	-50,000	-50,000	0
124114	Sale of Other Fixed Assets	-100,000	-100,000	52,200
124230	Insurers and Brokers Licenses	0	0	-5,000
124430	Unclaimed Monies	0	0	-67,349
124490	Sundry/(Other) Income	0	0	11,530
125000	DEBT SERVICES RECEIPTS FROM LENDING ARRANGE	0	0	-395
	Mobile Phone Licenses	0	0	0
126100	Other Non Tax Revenue	-30,649,600	-30,649,600	-400,283,319
126105	Recoveries from Former Years	0	0	469,854,992
126110	Recoveries from National Development	-1,000	-1,000	0
171180	Sale of Other Fixed Assets	0	0	-24,350
181135	Disposal/Sub-Lease of O'seas Properties	0	0	26,800
Revenue Head Total for: Department of Finance		-35,026,500	-35,026,500	76,215,311
				27,650,812

211 PNG Customs Service

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122161	Migration Services Passports	0	0	4,073,123
122162		0	0	220,841
Revenue Head Total for: PNG Customs Service		0	0	4,293,964

217 Department of Foreign Affairs and Trade

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122117	Parks Lodging and Gate Fees	0	0	12,600
122142	Sale of Publication, Data Books & Documentation Migration	0	0	-176
122161	Services	-2,540,000	-2,540,000	18,017,853
122162	Passports	-22,236,000	-22,236,000	1,518,283
122164	Sheriff's Fees and Poundage	0	0	-150
122165	Filing and Search Fees - Bills of Sale Sundry/(Other) Income	0	0	-756
122299	Judicial Fines Fines - Criminal Migration Services	0	0	1,999,569
123101	Parks Lodging and Gate Fees Passports	0	0	-63
123102		0	0	-6,035
124348		0	0	-385,537
124360		0	0	-6,300
124363		0	0	-66,810
Revenue Head Total for: Department of Foreign Affairs and Trade		-24,776,000	-24,776,000	21,082,478
				20,848,943

223 Judiciary Services

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122142	Sale of Publication, Data Books & Documentation Sheriff's	-10,000	-10,000	2,621
122164	Fees and Poundage	-5,000	-5,000	640
122165	Filing and Search Fees - Bills of Sale Filing and Search Fees -	-40,000	-40,000	7,821
122166	Others Inspection and Engineering Fees Sundry/(Other)	-70,000	-70,000	70,102
122188	Income	0	0	662
122299	Judicial Fines Fines - Criminal	0	0	-846,893
123101	Sale of Publication, Data Books & Documentation Fines -	-5,000	-5,000	2,458
123102	Criminal	-100,000	-100,000	84,059
123130	Inspection and Engineering Fees Judicial Fines	0	0	-426
124140	Sheriff's Fees and Poundage	0	0	-20,043
124160	Filing and Search Fees - Bills of Sale Filing and Search Fees -	0	0	-331
124165	Others	0	0	-482
124175		0	0	-10
124327		0	0	-2,023
124330		0	0	-9,721
Revenue Head Total for: Judiciary Services		-230,000	-230,000	-711,566
				187,419

224 Magisterial Services

Account	Current Year	Previous Year
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Number	Description	Estimate		Actual Receipts	Actual Receipts
		Original	Revised		
122167	District Courts Registration Fees	-190,000	-190,000	60,376	222,959
122168	Sale of Forfeiture Goods	-26,000	-26,000	310,638	10,348
122169	Execution Fees	-6,000	-6,000	9,874	0
122185	Disturbed Area Fee	0	0	150	0
122299	Sundry/(Other) Income	-34,000	-34,000	12,083	0
123101	Judicial Fines	0	0	6,100	0
123102	Fines – Criminal	0	0	22,300	0
123103	District Courts Fines	-710,000	-710,000	867,358	0
123104	Forfeitures & Court Bails	-31,000	-31,000	99,280	102,732
124120	District Courts Fines	0	0	-114,760	796,238
124125	District Courts Registration Fees	0	0	-3,582	0
124130	Disturbed Area Fee	0	0	-75	0
124135	Execution Fees	0	0	-1,251	10,421
124140	Fines – Criminal	0	0	-11,150	0
124145	Forfeitures & Court Bails	0	0	-5,872	0
124165	Judicial Fines	0	0	-3,050	0
124170	Sale of Forfeiture Goods	0	0	-12,802	0
124490	Sundry/(Other) Income	0	0	-5,486	25,705
Revenue Head Total for: Magisterial Services		-997,000	-997,000	1,230,133	1,168,403

225 Department of Attorney-General

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121304	Rental of Institutional Housing Deceased Estate	-25,000	-25,000	0
122171	(Administration Fee) Commissioner of Oath Fees	-60,000	-60,000	-3,739
122172	Estate and Commission Fees Sundry/(Other) Income	-2,000	-2,000	13,800
122173	Sale of Computer Equipments Estate and Commission Fees	-5,000	-5,000	5,738
122299	Deceased Estate (Administration Fee) Sundry/(Other) Income	-500	-500	4,542
124110		0	0	400
124324		0	0	-252
124325		0	0	1,868
124490		0	0	-2,145
Revenue Head Total for: Department of Attorney-General		-92,500	-92,500	20,212

226 Department of Corrective Institutional Services

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121304	Rental of Institutional Housing Sundry/(Other) Income	-240,000	-240,000	128,715
122299		-100,000	-100,000	0
Revenue Head Total for: Department of Corrective Institutional Services		-340,000	-340,000	128,715

227 Provincial Treasuries

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
126105	Recoveries from Former Years	0	0	10,325,763
Revenue Head Total for: Provincial Treasuries		0	0	10,325,763

228 Department of Police

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121304	Rental of Institutional Housing	-930,500	-930,500	449,042
122151	Recovery of Utility Charges	-1,000	-1,000	0
122174	Crime Reports	-50,000	-50,000	15,193
122175	Arms Permits	-1,000,000	-1,000,000	897,775
122176	Police TIN	-20,000	-20,000	16,566
122177	Character Checks	-250,000	-250,000	358,890
122178	Accident Reports	-100,000	-100,000	85,955
122179	Driving Tests	-250,000	-250,000	257,267
122299	Sundry/(Other) Income	-549,000	-549,000	416,817
123104	Forfeitures & Court Bails	0	0	1,089,640
124100	Sale of Fixed Assets	0	0	5,630
124105	Sale of Land	0	0	-20,672
124145	Forfeitures & Court Bails	0	0	-544,820
124181	Police TIN	0	0	-7,323
124200	Sale of other Fin & Intangible Assets	0	0	9,780
124203	Arms Permits	0	0	-73,710
124224	Driving Tests	0	0	-16,622
124300	Service and Administration Fees	0	0	4,440
124301	Accident Reports	0	0	-10,214
124315	Crime Reports	0	0	-925
124490	Sundry/(Other) Income	0	0	-33,992
Revenue Head Total for: Department of Police		-3,150,500	-3,150,500	2,898,717

230 Electoral Commission

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	

122181	Election Fees Sundry/(Other) Income Sundry/(Other) Income	0	0	2,800	0
122299	Unacquitted Travel Unacquitted Travel	0	0	3,131	0
124490		0	0	321	0
126199		0	0	3,660	0
189900		0	0	-1,830	0
Revenue Head Total for: Electoral Commission		0	0	8,082	0

232 Department of Provincial and Local Government Affairs

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
126199	Unacquitted Travel Unacquitted Travel	0	0	586
189900		0	0	-586
Revenue Head Total for: Department of Provincial and Local Government		0	0	0

234 Department of Defence

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121304	Rental of Institutional Housing Sundry/(Other) Income	-300,000	-300,000	170,524
122299		-10,000	-10,000	0
Revenue Head Total for: Department of Defence		-310,000	-310,000	170,524

235 Department of Education

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121304	Rental of Institutional Housing	-60,000	-60,000	340,624
122142	Sale of Publication, Data Books & Documentation Payroll	0	0	79,218
122152	Commission	-880,000	-880,000	0
122299	Sundry/(Other) Income	-3,000	-3,000	236,233
123130	Sale of Publication, Data Books & Documentation	0	0	-39,609
124490	Sundry/(Other) Income	0	0	-75
126199	Unacquitted Travel	0	0	586
Revenue Head Total for: Department of Education		-943,000	-943,000	616,978

240 Department of Health

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121304	Rental of Institutional Housing Motor Vehicle Trade Licenses	-4,000	-4,000	-600
122130	Board and Lodging Fees Medical Supplies (Sales)	0	0	100
122160	Civil Registration Fees Insurers' and Brokers' Licences	-4,000	-4,000	4,594
122182	Medical Board Registration Sundry/(Other) Income	-250,000	-250,000	126,050
122184	Medical Supplies (Sales) Medical Board Registration	0	0	150
122190	Sundry/(Other) Income	0	0	210
122204		-40,000	-40,000	37,468
122299		-50,000	-50,000	46,906
123105		0	0	6,070
124239		0	0	-530
124490		0	0	-3,183
Revenue Head Total for: Department of Health		-348,000	-348,000	217,235

242 Department of Community Development

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122131	Coastal Trading Licenses Censorship Fees	0	0	2,060
122183	Civil Registration Fees Youth Registration Fees	-225,000	-225,000	140,415
122184	Sundry/(Other) Income	-370,000	-370,000	299,000
122210	Foreign Concessional Loans - Receipts Coastal Trading	0	0	9,967
122299	Licenses	0	0	11,315
124212	Service and Administration Fees Censorship Fees	0	0	-5,850
124215	Sundry/(Other) Income	0	0	-1,030
124300		0	0	35
124309		0	0	490
124490		0	0	-3,186
Revenue Head Total for: Department of Community Development		-595,000	-595,000	453,216

245 Department of Environment & Conservation

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122111	Wildlife Levy	-36,000	-36,000	-194
122113	Water Abstraction Permit Fee Pesticide Permit Fees Wildlife	-1,000,000	-1,000,000	1,230
122114	License	-3,000	-3,000	0
122116	Parks Lodging and Gate Fees ODS Permit Fee	-11,000	-11,000	1,700
122117	Impact Assessment Fee Water Discharge Permit Fee Water	-1,500	-1,500	0
122118	Investigation Permit Fee Hydro Survey Fees Sundry/(Other)	-1,000	-1,000	0
122186	Income	-300,000	-300,000	0
122208	Wildlife Levy Sundry/(Other) Income	-1,500,000	-1,500,000	15,003
122209		-1,000	-1,000	0
122215		-2,000	-2,000	1,155
122299		-500	-500	54,161
124387		0	0	194
124490		0	0	0
Revenue Head Total for: Department of Environment & Conservation		-2,856,000	-2,856,000	73,249

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
121304	Rental of Institutional Housing Sundry/(Other) Income	-50,000	-50,000	17,497
122299		-10,000	-10,000	0
Revenue Head Total for: Department of Agriculture & Livestock		-60,000	-60,000	17,497



252 Department of Lands & Physical Planning

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	Actual Receipts
121309	Land Lease Rental	-24,850,000	-24,850,000	15,245,894
121310	License Fees and Royalty Payments	-14,000	-14,000	48,885
121311	Sale of Maps	-160,000	-160,000	52,160
122110	Land Lease Rental	0	0	-157,778
122117	Parks Lodging and Gate Fees	0	0	900
122121	Surveyor's Registration	-4,000	-4,000	13,685
122122	Physical Planning Regulations Fees	-3,900	-3,900	94,087
122123	Objection Fees	-100	-100	-500
122124	Valuation Fees	-20,500	-20,500	19,746
122125	Lodgement Fees	-42,500	-42,500	53,353
122126	Survey Fees	-15,000	-15,000	35,646
122141	Trade Licenses	0	0	54,892
122190	Insurers' and Brokers' Licences	0	0	415
122207	Valuer's Registration	-1,000	-1,000	4,960
122299	Sundry/(Other) Income	-875,000	-875,000	761,141
124112	Sale of Houses under Sale or Mortgage	0	0	600
124113	Sale of Allotments	-14,000	-14,000	68,814
124230	Insurers and Brokers Licenses	0	0	-415
124233	License Fees and Royalty Payments	0	0	-2,120
124342	Lodgement Fees	0	0	-730
124360	Parks Lodging and Gate Fees	0	0	-450
124369	Physical Planning Regulations Fees	0	0	-1,823
124381	Survey Fees	0	0	-5,331
124384	Valuation Fees	0	0	-420
124490	Sundry/(Other) Income	0	0	-25,239
171140	Sale of Houses under Sale or Mortgage	0	0	-300
171145	Sale of Allotments	0	0	-2,170
181145	Sale of Allotments	0	0	3,490
Revenue Head Total for: Department of Lands & Physical Planning		-26,000,000	-26,000,000	16,261,394

254 Department of Mineral Policy and Geohazards Management

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	Actual Receipts
122299	Sundry/(Other) Income	0	0	6,300
Revenue Head Total for: Department of Mineral Policy and Geohazards M		0	0	6,300

255 Department of Petroleum & Energy

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	Actual Receipts
122127	Petroleum Prospecting Licenses Sundry/(Other) Income	-3,449,600	-3,449,600	1,669,054
122299		-11,000	-11,000	1,346
Revenue Head Total for: Department of Petroleum & Energy		-3,460,600	-3,460,600	1,670,400

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	Actual Receipts
121311	Sale of Maps	0	0	30,000
122121	Surveyor's Registration	0	0	650
122128	Materials and Services (other)	-50,000	-50,000	53,740
122129	Motor Vehicle Registration	-4,000,000	-4,000,000	5,472,235
122130	Motor Vehicle Trade Licenses	-100,000	-100,000	5,033
122131	Coastal Trading Licenses	0	0	222,677
122132	Vehicle Inspection Fees	-140,000	-140,000	197,203
122133	Land Transport TIN	-20,000	-20,000	0
122134	Registration of Vessels	-50,000	-50,000	0
122135	Commercial Vehicle Licenses	-120,000	-120,000	300,867
122202	Driving Permits	0	0	346,040
122207	Valuer's Registration	0	0	16,040
122299	Sundry/(Other) Income	-26,500	-26,500	523,688
123110	Sale of Maps	0	0	-15,000
124113	Sale of Allotments	0	0	10,570
124215	Coastal Trading Licenses	0	0	-8,216
124218	Commercial Vehicle Licenses	0	0	-32,173
124245	Motor Vehicle Trade Licenses	0	0	-517
124263	Surveyor's Registration	0	0	-325
124269	Valuer's Registration	0	0	-8,020
124345	Materials and Services (other)	0	0	-26,870
124490	Sundry/(Other) Income	0	0	0
125000	DEBT SERVICES RECEIPTS FROM LENDING ARRANGE	0	0	7,480
126105	Recoveries from Former Years	0	0	12,830
171145	Sale of Allotments	0	0	-5,285
Revenue Head Total for: Department of Transport		-4,506,500	-4,506,500	7,102,648

261 Department of Commerce & Industry

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	Actual Receipts

121304	Rental of Institutional Housing Application Fees	-4,800	-4,800	1,440	4,140
122136	Contractors Registration Fees Import and export trade licences	0	0	34,183	295
122137	Sundry/(Other) Income Contractors Registration Fees Import	-210,000	-210,000	12,358	5,231
122189	and Export Trade Licenses Service and Administration Fees	0	0	815	41,527
122299	Application Fees	-2,000	-2,000	2,474	55
124115		0	0	-361	0
124227		0	0	-200	0
124300		0	0	117	0
124306		0	0	-83	0
Revenue Head Total for: Department of Commerce & Industry		-216,800	-216,800	50,743	51,248

262 Department of Industrial Relations

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122138	Inflammable Liquid	-365,000	-365,000	153,146
122139	Agent Employment Licenses	-165,000	-165,000	303,570
122140	Industrial Organisation registration Fee Trade Licenses	-3,000	-3,000	5,515
122141	Work Permits	-157,100	-157,100	157,722
122143	Impact Assessment Fee Industrial Safety	-11,241,000	-11,241,000	21,157,708
122186	Import and export trade licences Sundry/(Other) Income	0	0	2,700
122187	Industrial Safety	-1,679,000	-1,679,000	658,058
122189	Trade Licenses Work Permits Inflammable Liquid	0	0	56
122299		-500	-500	5,465
124155		0	0	-9,410
124266		0	0	-130
124284		0	0	300
124339		0	0	-4,550
Revenue Head Total for: Department of Industrial Relations		-13,610,600	-13,610,600	22,430,149

264 Department of Works & Implementation

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122144	Recovery of Roads and Bridges Design Recovery of Land	-6,000	-3,000	6,152
122145	Acquisition Charges Science & Technology Fees	-20,000	-20,000	0
122147	Building Permit Fees Board and Lodging Fees Sundry/(Other)	-100,000	-100,000	111,274
122148	Income Building Permit Fees	-5,000	-5,000	230,213
122160	Science & Technology Fees	0	0	6,265
122299	Recovery of Roads and Bridges Design Sundry/(Other)	-50,000	-50,000	2,523
124209	Income	0	0	-13,809
124372		0	0	-8,311
124415		0	-3,000	-1,000
124490		0	0	-614
Revenue Head Total for: Department of Works & Implementation		-181,000	-181,000	332,694

299 Treasury and Finance - Public Debt Charges

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122162	Passports	0	0	-100
Revenue Head Total for: Treasury and Finance - Public Debt Charges		0	0	-100

571 Fly River Provincial Government

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122166	Filing and Search Fees - Others Filing and Search Fees -	0	0	6,300
124330	Others	0	0	-3,150
191999	Unbalanced transfer CRF / Trust Inter-entity movement	0	0	-250,000
Revenue Head Total for: Fly River Provincial Government		0	0	-246,850

586 Manus Provincial Government

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122299	Sundry/(Other) Income	0	0	100
Revenue Head Total for: Manus Provincial Government		0	0	100

588 East New Britain Provincial Government

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
122299	Sundry/(Other) Income	0	0	6,138
Revenue Head Total for: East New Britain Provincial Government		0	0	6,138
Group 1 - National Departmental Revenue Total		-117,700,000	-117,700,000	164,654,122

GROUP 2: GENERAL REVENUE

206 Department of Finance

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
112202	Interest Withholding Tax ENTREPRENEURIAL & PROPERTY	0	0	5,000
121000	INCOME	0	0	-7,000
Revenue Head Total for: Department of Finance		0	0	-2,000

208 Department of Treasury

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
113125	Import Excise	0	0	362
121105	Dividends - Shares in Private Enterprise Dividends from State	-289,400,000	-289,400,000	0
121125	Owned Enterprise	0	0	108,287,257
Revenue Head Total for: Department of Treasury		-289,400,000	-289,400,000	302,259,880
				445,568
				302,705,448

211 PNG Customs Service

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
111205	Company Tax	0	0	-4,804,345
111210	Dividend Withholding Tax	0	0	-1,972,087
111230	Stamp Duties	0	0	-13,825
112105	Excise Duty	-483,900,000	-483,900,000	473,488,515
112120	Import Excise	0	0	-1,711
112130	Export Tax	0	0	-1,188,518
112140	Goods and Services Tax (GST)	0	0	75,000,760
112202	Interest Withholding Tax	0	0	-59,823
112205	Royalties Tax	0	0	-39,021
112207	Training Levy	0	0	-63,149
113101	Customs Duty & Related Taxes	-218,000,000	-218,000,000	10
113105	Import Duty	0	0	229,080,225
113120	Value Added Tax Including Mining Levy	-938,300,000	-938,300,000	1,125,837
113125	Import Excise	-218,900,000	-218,900,000	214,599,143
113130	Sundry Tax Receipts (Import Duties)	0	0	39,704,955
113150	Sundry Taxes (Customs)	-7,200,000	-7,200,000	0
113201	Export Tax	-172,200,000	-172,200,000	173,974,028
121125	Dividends from State Owned Enterprise	0	0	74,428
Revenue Head Total for: PNG Customs Service		-2,038,500,000	-2,038,500,000	1,198,905,422
				1,776,634,962

216 Internal Revenue Commission

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
111120	Individual Income Tax (Assessed) Company Tax	-1,727,100,000	-1,727,100,000	2,132,520,702
111205	Dividend Withholding Tax Mining and Petroleum Taxes Excise	-1,401,900,000	-1,401,900,000	1,242,281,212
111210	Duties	-298,000,000	-298,000,000	335,046,189
111225	Goods and Services Tax (GST) Interest Withholding Tax	-1,594,700,000	-1,594,700,000	1,784,439,702
112100	Bookmakers' Turnover Tax Royalties Tax	0	0	461,675
112140	Departure Tax Training Levy	0	0	418,586,016
112202	Tax Related Court Fines Sundry IRC Taxes & Income Stamp	-42,400,000	-42,400,000	36,441,600
112203	Duties	0	0	440,922
112205	Gaming Machine Turnover Tax	0	0	15,961,520
112206		0	0	4,429,113
112207		0	0	2,754,683
112208		0	0	7,000
112210		-119,700,000	-119,700,000	183,649,549
112211		0	0	60,821,143
112212		-108,660,000	-108,660,000	78,093,958
Revenue Head Total for: Internal Revenue Commission		-5,292,460,000	-5,292,460,000	6,295,934,984
				4,668,800,780

252 Department of Lands & Physical Planning

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
112202	Interest Withholding Tax	0	0	415
Revenue Head Total for: Department of Lands & Physical Planning		0	0	415
Group 2 - General Revenue Total		-7,620,360,000	-7,620,360,000	7,603,126,440
				6,748,141,190

GROUP 3: LOAN SERVICE RECEIPTS

Loan Service Receipts: Foreign Currency, Interest

Account		Current Year		Previous Year	
Number	Description	Estimate		Actual Receipts	Actual Receipts
		Original	Revised		
299 Treasury and Finance - Public Debt Charges					
10710	Treasury Bills				
533 Industrial Centres Development Corp					
11386	ICDC ADB 1024				
540 Water PNG					
11384	ADB 1211 Upgrading of Water Supply	0	0	827,119	0
11385	CTB Urban Water Supply	0	0	827,119	0
547 Telekom (PNG) Limited					
11391	PTC EEC Gerehu	-260,000	-260,000	0	0
11392	PTC French Protocol Treasury	-1,482,100	-1,482,100	13,556,131	0
548 PNG Ports Limited					
11388	PNGHB ADB 468	-866,300	-866,300	0	0
999 Other Institutions					
		-615,800	-615,800	13,556,131	0
		-1,003,300	-1,003,300	1,184,978	55,869
		-631,100	-631,100	876,242	46,221
		-372,200	-372,200	308,737	9,648
		-3,865,000	-3,865,000	5,745,638	0
		-3,865,000	-3,865,000	5,745,638	0
		-1,389,600	-1,389,600	0	5,431,000
		-1,389,600	-1,389,600	0	5,431,000
11395	Milne Bay Estates – IBRD				
TOTAL Loan Service Receipts: Foreign Currency, Interest		-8,000,000	-8,000,000	21,313,867	5,486,869

Loan Service Receipts: Kina, Interest

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
TOTAL	Loan Service Receipts: Foreign Currency, Interest	0	0	0

Loan Service Receipts: Foreign Currency, Principal

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
208 Department of Treasury				
21180	Micro Finance Expansion Project			
229 Department of National Planning and Monitoring				
21207	Rural Communication Project			
235 Department of Education				
21227	Flexible, Open & Distance Education Project			
242 Department of Community Development				
20792	Other Chinese Education, Community Development Projects			
247 Department of Agriculture & Livestock				
21101	Productive Partnership for Agriculture Development	-4,900,000	-4,900,000	0
258 Department of Information and Communication				
20270	Government Information Systems	-4,900,000	-4,900,000	0
21259	Rural Telecommunication	-4,000,000	-4,000,000	0
259 Department of Transport				
20274	Community Water Transport	-2,739,000	-2,739,000	0
261 Department of Commerce & Industry				
21109	Pacific Marine Industrial Zone	-2,739,000	-2,739,000	0
264 Department of Works & Implementation				
20293	World Bank Road Maintenance Project (Six Provinces)	-46,906,000	-46,906,000	36,573,015
20820	Highlands Region Roads Improvement Investment Programme (HR)	-10,000,000	-10,000,000	902,651
299 Treasury and Finance - Public Debt Charges				
10720	ADB	-41,430,000	-41,430,000	56,313,141
509 Border Development Authority				
21114	Pilot Border Trade	0	0	147,796
514 University of Goroka				
20370	UOG Dormitory Construction	-6,000,000	-1,000,000	6,407,467
524 Independent Public Business Corporation				
20835	Lae Port Development (Tidal Basin)	-44,000,000	-44,000,000	0
20836	Port Moresby Sewerage Project	-92,027,000	-53,000,000	13,263,800
535 Mineral Resources Authority				
20854	Mining Sector Institutional Strengthening Phase 2	-44,027,000	-5,000,000	13,263,800
537 National Airports Corporation				
21150	Civil Aviation Sector Development Investment	-48,000,000	-48,000,000	0
546 PNG Power Limited				
		0	0	154,882
		0	0	154,882
		-4,900,000	-4,900,000	0
		-4,900,000	-4,900,000	0
		-59,000,000	-59,000,000	31,048,939
		-59,000,000	-59,000,000	31,048,939
		-31,548,000	-11,548,000	249,279
		-1,910,000	-1,910,000	0
		-29,638,000	-9,638,000	249,279
		-12,000,000	-12,000,000	1,933,208
		-12,000,000	-12,000,000	1,933,208
		-21,910,000	-21,910,000	1,787,722
		-21,910,000	-21,910,000	1,787,722
		-5,000,000	-5,000,000	0
21289	PNG Towns' Electricity Investment Project	-5,000,000	-5,000,000	0
547 Telikom (PNG) Limited				
11391	PTC EEC Gerehu	0	0	37,724
11392	PPC French Protocol Treasury	0	0	37,724
559 PNG Oil Palm Industry Corporation				
20870	Small Holder Agriculture Development Project	-2,000,000	-2,000,000	0
TOTAL Loan Service Receipts: Foreign Currency, Interest		-388,360,000	-324,333,000	148,671,828
Group 3 - Loan Service Receipts Total		-396,360,000	-332,333,000	169,985,694


GROUP 4: GRANTS

Account		Current Year		Previous Year
Number	Description	Estimate		Actual Receipts
		Original	Revised	
201	National Parliament	-3,615,000	-3,615,000	0
20001	Support to National Parliament	-3,615,000	-3,615,000	0
203	Department of Prime Minister & NEC	-139,041,000	-139,041,000	132,352,857
20006	Enhanced Cooperation Program	-80,574,000	-80,574,000	34,177,241
20043	Incentive Fund	0	0	53,963,038
20723	Conflict Prevention & Nation Building	-3,218,000	-3,218,000	0
21009	Economic and Public Sector Program	-55,249,000	-55,249,000	44,212,578
204	National Statistical Office	-49,512,000	-49,512,000	615,258
21013	Development Statistics Partnership	-49,512,000	-49,512,000	615,258
	Demographic and Health Survey			335,165
	Improving Economic & Social Statistics			489,589
206	Department of Finance	-6,694,000	-6,694,000	4,575,598
20014	Provincial Capacity Building Project	-2,479,000	-2,479,000	0
	Support to Economic & Public Sector	0	0	2,623,377
21014	EPSP Twinning Scheme	-4,215,000	-4,215,000	0
208	Department of Treasury	-12,181,000	-12,181,000	4,575,598
20349	Foreign Investment Advisory Services	-1,240,000	-1,240,000	0
21181	Stabex 99 and Stabex FMO 93/94 Balances	-9,941,000	-9,941,000	0
	Support to the PERR (ADBTA)	0	0	563,760
21183	PPP Project Development Facility	-1,000,000	-1,000,000	0
211	PNG Customs Service	0	0	1,879,778
10170	Commercial Trade and Compliance	0	0	1,879,778
216	Internal Revenue Commission	0	0	-26,500
10159	Information & Communication Technology	0	0	-6,500
11744	Policy & Advise	0	0	-20,000
217	Department of Foreign Affairs and Trade	-6,347,000	-6,347,000	0
20727	Trade Related Assistance	-6,347,000	-6,347,000	0
229	Department of National Planning and Monitoring	-243,271,000	-243,271,000	122,979,350

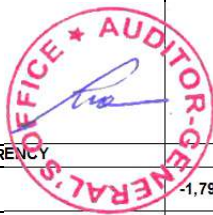
20046	Law & Justice Sector Program	-74,331,000	-74,331,000	63,656,656	60,535,112	
20059	Tax Credit Program	-59,940,000	-59,940,000	0	0	0
20071	Population Policy & Develop Planning	-1,013,000	-1,013,000	0	0	0
20075	Bris Kanda Local Level Economic Develop	-2,151,000	-2,151,000	0	0	0
20083	Country Program Support Project	-23,552,000	-23,552,000	0	0	0
20087	Small Project Scheme	-684,000	-684,000	0	0	0
20089	Churches Partnership Program	-14,724,000	-14,724,000	14,099,276	8,713,384	
20092	Civil Society Organizations Support Proj	-3,852,000	-3,852,000	0	0	0
20099	Child Protection	-5,376,000	-5,376,000	0	0	0
20118	EU Rural Water Supply Study	-18,736,000	-18,736,000	13,489,894	0	0
20329	AID Coordination	-7,778,000	-7,778,000	0	0	0
20330	ADB Social Marketing of Condoms	-1,955,000	-1,955,000	3,644,095	0	0
20331	Gender PA Program	-1,955,000	-1,955,000	0	0	0
20334	PNG Volunteer Support	-459,000	-459,000	108,436	218,697	
20746	Non- State Actors Support Program	-6,875,000	-6,875,000	724,093	1,277,036	
20748	Integrated Community Development For Urban Settlement In	0	0	3,055,817	8,346	
20749	Grassroots Development Partnership Program	-3,289,000	-3,289,000	1,733,932	20,000	
21030	EDF NAO Institutional Capacity Project	-3,461,000	-3,461,000	2,131,506	1,500,000	
21034	PNG Disaster Risk Management Support Program	-5,702,000	-5,702,000	4,287,818	1,054,316	
21204	ONE UN Fund for PNG	-7,438,000	-7,438,000	16,047,827	0	
	Democratic Governance Program	0	0	0	3,062,663	
	Incentive Fund	0	0	0	5,602,919	
	Rural Development & Planning	0	0	0	774,632	
	Support to ODI Fellows	0	0	0	5,169	
	Rural Development Planning (ADBTA)	0	0	0	183,565	
	Advisory Support Facility Phase II	0	0	0	19,989,212	
230	Electoral Commission	-9,096,000	-9,096,000	13,07,56	11,861,780	
20127	Electoral Commission Inst Strengthening	-9,096,000	-9,096,000	13,07,56	11,861,780	
232	Department of Provincial and Local Government Affairs	-82,720,000	-82,720,000	56,502,130	62,505,238	
20130	Disaster Management Project	-1,986,000	-1,986,000	0	0	0
20134	Sub-National Strategy	-61,980,000	-61,980,000	56,424,238	52,908,238	
20759	Strengthening Districts And Local Level Governments	-13,026,000	-13,026,000	77,892	9,597,000	
20760	Provincial Planning & Management	-3,382,000	-3,382,000	0	0	0
20761	District Governance	-1,955,000	-1,955,000	0	0	0
21213	Emergency Relief	-391,000	-391,000	0	0	0
235	Department of Education	-214,785,000	-214,785,000	134,855,155	127,483,539	
20142	Education Sector Technical Support	-1,388,000	-1,388,000	1,079,769	0	0
20144	Education Sector Development	-3,223,000	-3,223,000	351,488	1,952,379	
	Education Capacity Building	0	0	0	40,710,772	
	In Country Training	0	0	0	2,273,184	
20149	Education Training & HRD 1 (EDF9)	-42,767,000	-42,767,000	7,149,603	44,630,534	
20159	Human Resource Development Program 1	-2,138,000	-2,138,000	0	0	0
20162	NZ In-country Training	-1,955,000	-1,955,000	992,117	0	0
	Enhancing Quality in Teaching (TV Pprogram)	0	0	0	5,023	
20165	NZ Short-Term Training & Work Attachment	-587,000	-587,000	0	0	0
20770	NZDS/Stta Pre-Award	-782,000	-782,000	431,699	488,289	
20772	Human Resource Training	-3,000,000	-3,000,000	0	0	0
21064	UN Assistance to the Education Sector	-8,638,000	-8,638,000	0	0	0
21071	Careers in Development Programme	-391,000	-391,000	0	716,545	
21072	VSO Education Program	-567,000	-567,000	651,675	642,165	
21220	Reading Education Project	-13,694,000	-13,694,000	0	0	0
21221	One UN Fund - Education Sector Contribution	-2,479,000	-2,479,000	0	0	0
21222	Performance Linked Aid	-27,271,000	-27,271,000	28,721,430	0	0
21224	Edu Sector Improvement Program	-3,911,000	-3,911,000	0	0	0
21225	New Education Delivery Strategy	-74,723,000	-74,723,000	18,534,100	0	0
21288	Secondary School Infrastructure Support Programme-Phase	-27,271,000	-27,271,000	76,943,274	0	0
	BEDP Preimplementation Phase	0	0	0	35,312,656	
236	Office of Higher Education	-25,040,000	-25,040,000	3,608,678	0	
21234	PNG HE Support & Careers in DEVT	-25,040,000	-25,040,000	3,608,678	0	0
240	Department of Health	-110,933,000	-110,933,000	109,003,315	77,217,853	
20176	Capacity Building Service Centre Project	-33,611,000	-33,611,000	25,970,150	39,509,854	
20177	Health Services Improvement Programme	-10,951,000	-10,951,000	4,443,358	19,108,914	
20185	Maternal & Child Health Project	-1,955,000	-1,955,000	0	0	0
20776	Health Program Response To HIV Sector	-5,702,000	-5,702,000	5,964,403	0	0
20780	OXFARM NZ SACIR	-1,564,000	-1,564,000	538,482	566,981	
20781	Leprosy Mission Healthy Communities	-1,173,000	-1,173,000	2,474,610	1,011,224	
20782	Special Medical Equipment Supply Program (Pacelf)	-376,000	-376,000	185,420	2,000	
20784	HIV/AIDS Management	-1,468,000	-1,468,000	0	0	0
20785	NZAID HIV/AIDS Initiative	-1,955,000	-1,955,000	6,035,472	5,415,866	
20787	Chinese Medical Team	-1,000,000	-1,000,000	0	0	0
21076	Measures to Address Health Issues in Toress Strait	0	0	7,185,973	0	0
21077	UN Assistance to the Health Sector	-8,638,000	-8,638,000	0	0	0
21078	HIV/AIDS Treatment	-7,277,000	-7,277,000	0	0	0
21235	Multiple initiatives to be Implemented in Health sector	-29,006,000	-29,006,000	55,540,398	0	0
	EDU Feasibility Study-Rural Water Supply	0	0	0	64,818	
	Health Response to HIV Sector	0	0	0	8,346,563	
	PNG Cholera Outbreak	0	0	0	2,325,320	
	Health Sector Support (ADBTA)	0	0	0	866,313	
242	Department of Community Development	-72,840,000	-72,840,000	26,976,601	17,409,174	
20794	Women In Leadership	-3,851,000	-3,851,000	0	0	0
21085	Strongim Pipol Strongim Neisen	-46,604,000	-46,604,000	24,652,097	0	0
21086	Protection and Advocacy of Human Rights	-2,596,000	-2,596,000	0	15,145,363	
21093	Gender Equality/Gender Based Violence (AUSAID)	-3,570,000	-3,570,000	2,324,504	0	0

21255	Care Integrated Community Development Program	-3,823,000	-3,823,000	0	2,263,811	0
245	Department of Environment & Conservation	-26,827,000	-26,827,000	2,742,901		0
10560	Planning & Regulation of Water Resources	0	0	-55,200	0	0
20798	Environmental Management & Sustainable Livelihoods	-1,471,000	-1,471,000	0	0	0
21098	Kokoda Track Initiative	-24,792,000	-24,792,000	2,297,365	0	0
21256	Waste Management	-564,000	-564,000	500,736	0	0
247	Department of Agriculture & Livestock	-45,831,000	-45,831,000	5,300,426		1,159,958
20232	Provincial Smallholder Support Services	-2,151,000	-2,151,000	1,505,145	0	0
20803	NZAID Support To FPDA	-2,933,000	-2,933,000	2,409,596	0	0
20804	Rural Economic Development Scheme	-28,511,000	-28,511,000	0	0	0
21099	PNG-EID Pandemics and EID Program	-1,428,000	-1,428,000	0	486,856	0
21100	Smallholder Rice Promotion Project	-10,808,000	-10,808,000	1,385,685	0	2,074
21100	SSEP	0	0	0	671,028	0
252	Department of Lands & Physical Planning	-5,707,000	-5,707,000	577,809		478,813
20241	Land Development Program	-5,707,000	-5,707,000	577,809	0	478,813
254	Department of Mineral Policy and Geohazards Managem	-9,348,000	-9,348,000	0		616,015
20251	Sysmin Project	-9,348,000	-9,348,000	0	0	616,015
255	Department of Petroleum & Energy	0	0	0		1,524,886
20241	Power Sector Development (ADBTA)	0	0	0	0	1,524,886
259	Department of Transport	-2,479,000	-2,479,000	3,436,617		19,019,060
21260	Infrastructure MOU	-2,479,000	-2,479,000	3,436,617	0	19,019,060
264	Department of Works & Implementation	-171,956,000	-171,956,000	165,432,666		141,700,896
20313	Markham Bridge Construction	-151,956,000	-151,956,000	8,890,079	0	8,789,339
20315	Transport Sector Support Program	0	0	156,542,587	0	0
20315	Transport Sector Support Program	0	0	0	131,880,257	0
20821	Usino Junction - Yamagi Road (Ramu)	-20,000,000	-20,000,000	0	0	0
	National Transport (ADB TA)	0	0	0	1,031,300	0
505	National Research Institute	-3,292,000	-3,292,000	0		2,789,142
20356	PNG Research & Communication	-3,292,000	-3,292,000	0	0	2,789,142
506	National Training Council	40,184,000	40,184,000	34,272,396		36,567,390
20359	Australian Development Scholarships	0	0	0	20,166,226	0
21273	NZ Development Scholarship (NZDS)	-5,475,000	-5,475,000	0	3,017,717	0
	National Scholarship PNG	0	0	0	13,383,447	0
509	Border Development Authority	0	0	0		86,842
	Pilot Boarder Trade	0	0	0	86,842	0
512	University of Papua New Guinea	-7,438,000	-7,438,000	3,792,067		1,732,673
21118	PNG Health Education and Clinical Services	-7,438,000	-7,438,000	3,792,067	0	1,732,673
519	National AIDS Council Secretariat	-174,492,000	-174,492,000	74,860,932		144,311,893
20381	AIDS Prevention & Care	-54,821,000	-54,821,000	14,846,908	0	0
20382	PNG-Australia HIV/AIDS Support Programme	-78,590,000	-78,590,000	60,014,024	67,535,878	0
20384	HIV/AIDS Prevention and Control in Rural Dev. Enclaves	-41,081,000	-41,081,000	0	18,642,396	0
	Lae Port HIV/AIDS Prevention	0	0	0	160,221	0
	Health Sector Resourcing Framework	0	0	0	57,973,398	0
520	Institute of Medical Research	-4,958,000	-4,958,000	6,035,478		5,271,479
20389	PNGIMR Support Program	-4,958,000	-4,958,000	6,035,478	5,271,479	0
525	National Broadcasting Commission	-3,917,000	-3,917,000	4,516,561		7,039,406
20837	PNG Media Programme	-3,917,000	-3,917,000	4,516,561	7,039,406	0
535	Mineral Resources Authority	0	0	4,788,153		10,500,000
20851	Sysmin Project	0	0	4,788,153	10,500,000	0
539	National Museum & Art Gallery	-6,750,000	-6,750,000	2,442,660		0
20009	International Conference Centre Project	-6,750,000	-6,750,000	2,442,660	0	0
540	Water PNG	-9,947,000	-9,947,000	7,457,126		0
21130	District Town & Water Supply	-9,947,000	-9,947,000	7,457,126	0	0
551	PNG National Fisheries Authority	0	0	0		7,400,057
21130	Wewak Fish Market and Jetty	0	0	0	7,400,057	0
553	Fresh Produce Development Company	0	0	0		2,250,122
21130	NZ AID Support	0	0	0	2,250,122	0
557	PNG National Forest Authority	-27,066,000	-27,066,000	7,055,485		0
21283	Forest Preservation Program	-21,929,000	-21,929,000	6,872,852	0	0
21284	PNG-Australia Forest Carbon Partnership	-5,137,000	-5,137,000	182,633	0	0
21284	PNG-Australia Forest Carbon Partnership	0	0	0	0	0
562	National Agriculture Research Institute	-27,397,000	-27,397,000	932,224		26,389,553
20458	ACIAR Research & Development	-7,135,000	-7,135,000	932,224	5,844,156	0
20871	PNG/Australia Agriculture Research & Development	-20,262,000	-20,262,000	0	20,545,397	0
574	National Capital District	-978,000	-978,000	0		0
21039	New Economic Development Initiatives	-978,000	-978,000	0	0	0
590	Bougainville Autonomous Government	-41,441,000	-41,441,000	42,428,939		37,608,661
20541	Community Policing	-5,573,000	-5,573,000	4,074,891	4,800,514	0
20545	Bougainville Govern Implementation Fund	-2,933,000	-2,933,000	4,571,748	3,000,000	0
21002	JICA Bougainville Bridges	-32,935,000	-32,935,000	33,782,300	29,808,147	0
Group 4 - Grants Total		-1,586,083,000	-1,586,083,000	972,401,716		898,219,504

GROUP 5: FINANCING

Account		Current Year		Previous Year
Number	Description	Estimate	Actual	Actual
299 Treasury and Finance - Public Debt Charges		-1,797,300,000	-1,797,300,000	2,262,099,452
10710	Treasury Bills	-1,097,300,000	-1,097,300,000	1,376,701,383
10711	Inscribed Stock	-700,000,000	-700,000,000	885,398,069
TOTAL BORROWING DOMESTIC		-1,797,300,000	-1,797,300,000	2,262,099,452
Account		Current Year		Previous Year
Number	Description	Original	Revised	Actual
259 Department of Transport		0	-5,000,000	0

20274	Community Water Transport	0	-5,000,000	0	2,244,495
264 Department of Works & Implementation		0	-39,027,000	0	87,914,470
20293	World Bank Road Maintenance Project (Six Provinces)	0	-39,027,000	0	22,518,807
	ADB Road Rehabil (5 H/Lands Provinces)		0	0	65,395,663
524 Independent Public Business Corporation		0	-20,000,000	0	1,492,248
20836	Port Moresby Sewerage Project	0	-20,000,000	0	1,492,248
535 Mineral resources Authority		0	0	0	1,095,526
	WB Sector Inst. Strengthening TA Project	0	0	0	1,095,526
559 PNG Oil Palm Industry Corporation		0	0	0	850,282
	Smallholders Agriculture Dev't Project	0	0	0	850,282
559 PNG Oil Palm Industry Corporation		0	0	0	3,947,549
	Civil Aviation Safety Authority	0	0	0	3,947,549
TOTAL BORROWING: CONCESSIONAL, FOREIGN CURRENCY		0	-64,027,000	0	97,544,570
Group 5 - Financing Total		-1,797,300,000	-1,861,327,000	2,262,099,452	1,222,693,420
Total Revenue		-11,517,803,000	-11,517,803,000	11,172,267,423	8,933,691,087



GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS

Programme Budgeting Expenditure Classified under Heads of Appropriations Year Ended 31 December 2011

	Economic Item		Appropriation	Adjustments		Section 3	Revised Appropriation	Current Years Expenditure	Variations (over) / under
	Code	Description		Section 4					
				Increase	Decrease				
				6	7	8	9	8=(6+7-8+9)	9
National Department: 201 National Parliament									
Affairs: 1 General Governmental Affairs									
Programme Function: 70111 Executive And Legislative Organs (Cs)									
Main Programme: 1101 Legislative Services									
Programme: 0001 Parliamentary Services									
Activity/Project: 10001 General Administrative Services									
Grants/Transfers to Public Authorities									
252			108,058,700	10,000,000	0	5,000,000	123,058,700	124,558,700	-1,500,000
Total: 10001 General Administrative Services			108,058,700	10,000,000	0	5,000,000	123,058,700	124,558,700	-1,500,000
Activity/Project: 20001 Support to National Parliament									
Procurement Category for Donor Funded Projects									
278			3,615,000	0	0	0	3,615,000	0	3,615,000
Total: 20001 Support to National Parliament			3,615,000	0	0	0	3,615,000	0	3,615,000
Total: 0001 Parliamentary Services			111,673,700	10,000,000	0	5,000,000	126,673,700	124,558,700	2,115,000
Total: 1101 Legislative Services			111,673,700	10,000,000	0	5,000,000	126,673,700	124,558,700	2,115,000
Total: 70111 Executive And Legislative Organs (Cs)			111,673,700	10,000,000	0	5,000,000	126,673,700	124,558,700	2,115,000
Total: 1 General Governmental Affairs			111,673,700	10,000,000	0	5,000,000	126,673,700	124,558,700	2,115,000
Affairs: NA									
Not Applicable									
Programme Function: 70111 Executive And Legislative Organs (Cs)									
Main Programme: NA Not Applicable									
Programme: NA Not Applicable									
Activity/Project: 11290 National Parliament									
Domestic Travel and Subsistence									
221			0	0	0	0	0	-8,400	8,400
Total: 11290 National Parliament			0	0	0	0	0	-8,400	8,400
Total: NA Not Applicable			0	0	0	0	0	-8,400	8,400
Total: NA Not Applicable			0	0	0	0	0	-8,400	8,400
Total: 70111 Executive And Legislative Organs (Cs)			0	0	0	0	0	-8,400	8,400
Total: NA Not Applicable			0	0	0	0	0	-8,400	8,400
Total: 201 National Parliament			111,673,700	10,000,000	0	5,000,000	126,673,700	124,550,300	2,123,400
National Department: 202 Office of Governor-General									
Affairs: 1 General Governmental Affairs									
Programme Function: 70111 Executive And Legislative Organs (Cs)									
Main Programme: 1102 Executive Services									
Programme: 0002 Governor General's Services									
Activity/Project: 10011 General Administrative Services									
211		Salaries and Allowances	789,800	55,300	-52,000	0	793,100	1,168,087	-374,987
212		Wages	80,000	52,000	0	0	124,000	165,658	-41,658
213		Overtime	400,000	451,200	0	0	901,200	901,200	0
214		Leave fares	63,000	0	0	0	63,000	63,000	0
215		Retirement Benefits, Pensions, Gratuities	61,000	0	-20,000	0	41,000	66,703	-25,703
222		Travel and Subsistence	450,300	652,900	-380,000	1,086,700	1,867,600	1,867,600	0
223		Office Materials and Supplies	50,000	0	0	0	50,000	50,000	0
224		Operational Materials and Supplies	50,000	100,000	0	0	150,000	150,000	0
225		Transport and Fuel	127,000	55,000	0	40,500	197,500	222,500	-25,000
227		Other Operational Expenses	150,000	302,700	0	261,800	714,500	714,500	0
228		Training	20,000	0	-5,000	0	15,000	15,000	0
231		Utilities	400,000	155,000	0	0	555,000	555,000	0
233		Routine Maintenance	80,000	130,000	0	0	210,000	210,000	0
271		Office Equipments, Furniture & Fittings	100,000	150,000	0	0	250,000	250,000	0

273	Motor Vehicles	254,000	0	-97,900	0	156,100	156,100	0
276	Construction, Renovation and Improvements	400,000	0	-50,000	0	350,000	350,000	0
Total: 10011 General Administrative Services		3,475,100	2,104,100	-604,900	1,389,000	6,438,000	6,905,348	-467,348
Activity/Project: 10012 Governor General's Emoluments								
211	Salaries and Allowances	200,000	15,000	0	0	140,300	116,674	23,626
227	Other Operational Expenses	150,000	0	0	0	150,000	150,000	0
Total: 10012 Governor General's Emoluments		350,000	15,000	0	0	290,300	266,674	23,626
Total: 0002 Governor General's Services		3,825,100	2,119,100	-604,900	1,389,000	6,728,300	7,172,023	-443,723
Total: 1102 Executive Services		3,825,100	2,119,100	-604,900	1,389,000	6,728,300	7,172,023	-443,723
Total: 70111 Executive And Legislative Organs (Cs)		3,825,100	2,119,100	-604,900	1,389,000	6,728,300	7,172,023	-443,723
Programme Function: 70133 Other General Services (Cs)								
Main Programme: 1102 Executive Services								
Programme: 0002 Governor General's Services								
Activity/Project: 11832 Awards & Honors (Oosgg)								
227	Other Operational Expenses	1,000,000	0	0	0	1,000,000	1,005,000	-5,000
Total: 11832 Awards & Honors (Oosgg)		1,000,000	0	0	0	1,000,000	1,005,000	-5,000
Total: 0002 Governor General's Services		1,000,000	0	0	0	1,000,000	1,005,000	-5,000
Total: 1102 Executive Services		1,000,000	0	0	0	1,000,000	1,005,000	-5,000
Total: 70133 Other General Services (Cs)		1,000,000	0	0	0	1,000,000	1,005,000	-5,000
Total: 1 General Governmental Affairs		4,825,100	2,119,100	-604,900	1,389,000	7,728,300	8,177,023	-448,723
Total: 202 Office of Governor-General		4,825,100	2,119,100	-604,900	1,389,000	7,728,300	8,177,023	-448,723
National Department: 203 Department of Prime Minister & NEC								
Affairs: 1 General Governmental Affairs								
Programme Function: 70110 Ex & Legi Org, Fin And Fis Afs, Ext Afs								
Main Programme: 1102 Executive Services								
Programme: 0009 National Policy Formulation and Co-ordination Services								
Total: 0349 Construction and Rehabilitation Of Bridges		35,935,000	0	0	0	35,935,000	35,782,300	152,700
Total: 3601 Road Transport Services		35,935,000	0	0	0	35,935,000	35,782,300	152,700
Total: 70122 Economic Aid Routed Through Internat Organ(Cs)		35,935,000	0	0	0	35,935,000	35,782,300	152,700
Programme Function: 70421 Agriculture (Cs)								
Main Programme: 3101 Agriculture and Livestock Services								
Programme: 0319 Export Crops Promotion & Development								
Activity/Project: 21166 Torokina Oil Palm Development Project								
2								
2								
7	Other Operational Expenses	2,000,000	0	0	0	2,000,000	2,000,000	0
2								
7	Feasibility Studies & Project Preparation	1,000,000	0	0	0	1,000,000	1,000,000	0
4								
Total: 21166 Torokina Oil Palm Development Project		3,000,000	0	0	0	3,000,000	3,000,000	0
Total: 0319 Export Crops Promotion & Development		3,000,000	0	0	0	3,000,000	3,000,000	0
Total: 3101 Agriculture and Livestock Services		3,000,000	0	0	0	3,000,000	3,000,000	0
Total: 70421 Agriculture (Cs)		3,000,000	0	0	0	3,000,000	3,000,000	0
Programme Function: NA Not Applicable								
Main Programme: 3101 Agriculture and Livestock Services								
Programme: 0303 Provincial Agriculture & Industry Support Services								
Activity/Project: 21319 NADP Funds - Autonomous Bougainville Region								
2								
5	Grants/Transfers to Public							
2	Authorities	3,000,000	0	0	0	3,000,000	3,000,000	0
Total: 21319 NADP Funds - Autonomous Bougainville Region		3,000,000	0	0	0	3,000,000	3,000,000	0
Total: 0303 Provincial Agriculture & Industry Support Services		3,000,000	0	0	0	3,000,000	3,000,000	0
Total: 3101 Agriculture and Livestock Services		3,000,000	0	0	0	3,000,000	3,000,000	0
Total: NA Not Applicable		3,000,000	0	0	0	3,000,000	3,000,000	0
Total: 3 Economic Affairs		35,935,000	0	0	0	35,935,000	35,782,300	152,700
Affairs: 4 Multi-functional Expenditure								
Programme Function: 70180 Tran Ofa Gen Char Bet Diff Lvl Of Gov								
Main Programme: 4101 General Transfers to Provincial Governments								
Programme: 0422 Provincial Grants								

Activity/Project: 11274 Bougainville Autonomous Government								
2								
1	Retirement Benefits, Pensions,							
5	Gratuities	0	0	0	0	0	144,146	-144,146
2								
5	Grants/Transfers to Public							
2	Authorities	66,219,000	5,251,300	0	1,000,000	72,470,300	77,291,724	-4,821,424
Total: 11274 Bougainville Autonomous Government		66,219,000	5,251,300	0	1,000,000	72,470,300	77,435,870	-4,965,570
Activity/Project: 20532 Bougainville Autonomous Government MNDG								
2								
5	Grants/Transfers to Public							
2	Authorities	1,000,000	0	0	0	1,000,000	1,000,000	0
Total: 20532 Bougainville Autonomous Government MNDG		1,000,000	0	0	0	1,000,000	1,000,000	0
Total: 0422 Provincial Grants		67,219,000	5,251,300	0	1,000,000	73,470,300	78,435,870	-4,965,570
Programme: 0435 Conditional Grants – PIP								
Activity/Project: 20545 Bougainville Govern Implementation Fund								
2								
2	Other Category for Donor Funded							
9	Projects	2,933,000	0	0	0	2,933,000	4,571,748	-1,638,748
Total: 20545 Bougainville Govern Implementation Fund		2,933,000	0	0	0	2,933,000	4,571,748	-1,638,748
Total: 0435 Conditional Grants – PIP		2,933,000	0	0	0	2,933,000	4,571,748	-1,638,748
Total: 4101 General Transfers to Provincial Governments		70,152,000	5,251,300	0	1,000,000	76,403,300	83,007,618	-6,604,318
Total: 70180 Tran Ofa Gen Char Bet Diff Lvl Of Gov		70,152,000	5,251,300	0	1,000,000	76,403,300	83,007,618	-6,604,318
Total: 4 Multi-functional Expenditure		70,152,000	5,251,300	0	1,000,000	76,403,300	83,007,618	-6,604,318
Total: 590 Bougainville Autonomous Government		5,573,000	15,000,000	0	0	20,573,000	19,074,891	1,498,109
Provincial Government: 591 Hela Provincial Government								
Affairs: 4 Multi-functional Expenditure								
Programme Function: 70180 Tran Ofa Gen Char Bet Diff Lvl Of Gov								
Main Programme: 4101 General Transfers to Provincial Governments								
Programme: 0430 Conditional Grants – PIP								
Activity/Project: 20492 Hides Special Purpose Authority								
2								
5	Grants/Transfers to Public							
2	Authorities	1,590,000	0	0	0	1,590,000	1,590,000	0
Total: 20492 Hides Special Purpose Authority		1,590,000	0	0	0	1,590,000	1,590,000	0
Total: 0430 Conditional Grants – PIP		1,590,000	0	0	0	1,590,000	1,590,000	0
Total: 4101 General Transfers to Provincial Governments		1,590,000	0	0	0	1,590,000	1,590,000	0
Total: 70180 Tran Ofa Gen Char Bet Diff Lvl Of Gov		1,590,000	0	0	0	1,590,000	1,590,000	0
Total: 4 Multi-functional Expenditure		1,590,000	0	0	0	1,590,000	1,590,000	0
Total: 591 Hela Provincial Government		1,590,000	0	0	0	1,590,000	1,590,000	0
Total Provincial Governments Expenditure		1,443,962,900	86,786,000	-72,000	1,000,000	1,531,676,900	1,668,025,540	-136,348,640
Grand Total Expenditure		11,517,855,300	1,876,506,089	-1,876,422,289	0	12,183,655,300	10,679,001,261	1,504,654,039



SECTION — “B”

OBSERVATIONS BY THE AUDITOR- GENERAL ON THE GOVERNMENT’S FINANCIAL STATEMENTS AND THE PUBLIC ACCOUNT

4.0 INTRODUCTION

I was not able to express an audit opinion on the government's financial statements due to material limitation of scope. Therefore, I have expressed a disclaimer of opinion, it means that I was not able to obtain sufficient audit evidence and was unable to express an opinion on the financial statements.

The Government's financial statements convey a summarised financial overview of its various activities which includes the following listed below:-

- Appropriation of funds to be available, received and expended by the State;
- Receipts and expenditure for the year;
- Cash position at the end of the year;
- Borrowings and investments by the State;
- Losses by the State; and
- On lending and guarantees given by the State.

My opinion expresses the fact that Public Account of the Government of Papua New was not maintained and kept in accordance with the legislation. Secondly, the receipts and payments and investment of moneys, including the acquisition and disposal of assets, for the financial period ending 31 December 2011 have not been properly accounted for in accordance with the legislation and they had not been fully disclosed in the financial statements. I have stated that I am unable to form an opinion for the reasons as stated in paragraphs 5.2.3 below.

5.0 BACKGROUND INFORMATION ON MY AUDIT OPINION

In giving my opinion on the Government's financial statements, it is important to understand that I am not guaranteeing the absolute accuracy of the statements. Every year, the Government enters into millions of transactions involving millions of kina. Errors occur, and many such errors may have gone undetected. When I audit the Government's statements, I seek reasonable assurance that they do not contain errors, the total effect of which would be material enough to mislead the reader.

5.1 Mandate for my Audit of the Government's Financial Statements

The mandate for my audit of the Government's financial statements is contained in *Section 214 of the Constitution*. It requires me (the Auditor-General) to audit the Public Account annually and report to the Parliament. Pursuant to this requirement, my Office has traditionally audited each of the Statements and reported on them to Parliament.

5.2 An Overview of my Audit Report

My audit opinion on the Government's financial statements consisted of four paragraphs followed by three reservations. The paragraphs include:

- Opening/introductory paragraph on the scope of the audit;
- Second paragraph is on the "*Responsibilities for Preparation of the financial Statements*";
- Third paragraph is on the "*Responsibilities of The Auditor-General* "; and
- Fourth paragraph is the "*Opinion*" paragraph, and it contains my conclusions about the government's financial statements.

The Introduction Paragraph

The Introduction Paragraph begins by listing the financial statements covered by my opinion. The financial statements, and the information they convey, are summarised below:

<u>Financial Statements</u>	<u>Information Conveyed</u>
• Statement 'A'	<i>Statement of Public Account Balances.</i> This is the Statement of cash position for the Government at year-end.
• Statement 'B'	<i>Consolidated Revenue Fund – Receipts and expenditure.</i> The Statement summaries the receipts and expenditure for the year;
• Statement 'C'	<i>Trust Fund Receipts and Expenditure.</i> This Statement shows the list of monies held by the Government for other persons or purposes;
• Statement 'D'	<i>Statement of Sources and Application of Funds.</i> This Statement shows the details of the sources and application of funds during the year;
• Statement 'E'	<i>Trust Fund- Particulars of Investments.</i> This Statement shows details of Trust Account funds/monies that have been invested;
• Statement 'F'	<i>Statement of Direct Investments, Capital Contributions and Equity Option Rights.</i> The purpose of this Statement is to show the government's investments and ownership in companies and statutory authorities;
• Statement 'G'	<i>Statement of Public Debt.</i> This Statement shows what the Government owes to other parties;
• Statement 'H'	<i>Statement of Lending.</i> This Statement aims to show what is owed to
• Statement 'I'	<i>Statement of Loan Guaranteed by the Government.</i> This Statement shows the value of commitment of the Government to lenders of monies for loan recovery in the event of repayment default by borrowers;
• Statement 'J'	<i>Receipts classified under Heads of revenue Estimates.</i> This Statement shows details of receipts as summarised in Statement B; and
• Statement 'L'	<i>Expenditure classified under Appropriation Division.</i> This Statement shows the details of expenditure as summarised in statement B.

Statements 'A', 'B', 'C', 'E', 'J' and 'L' are maintained by the 'Department of Finance's 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 public Account that I find necessary to audit because of their importance in the accounting system that

produces the Public Account. I have included these also where necessary in my report.

It is important to note that my audit opinion relates only to those accounts and related notes as presented to me on the Public Account.

5.2.1 Responsibilities for Preparation of the Financial Statements

The Minister for Finance is responsible for the supervision of the Finances of Papua New Guinea and for causing the preparation of a detailed statement of the receipts and expenditure of the public account and to be sent to the Auditor-General to be audited. The Minister is also required to ensure that Parliament is informed of all transactions involving public monies.

The Secretary of the Department of Finance is responsible for the management of the financial affairs of the Government of Papua New Guinea. The Secretary is also responsible for the preparation and presentation of the Public Account and the information contained therein.

Heads of Department of the Public Service are responsible for the efficient management of their departments, including authorised and applied for the purpose for which it was appropriated.

5.2.2 My Responsibility

This paragraph states that the audit work on the government's financial statements has been conducted according to the International Standards of Auditing. These standards and practices are used to ensure that my audit is conducted with appropriate rigour and professionalism.

The main objective of the audit was to ensure that the reported financial statement balances do agree with the accounts and records and to ensure that the balances fairly disclosed the financial operations during the financial year and the state of affairs at the end of that period. The audit of the public Account included a verification of the balances reflected in the Statements with those appearing in the Main Appropriation ledger and The Trust Ledgers. Verification of some balances required obtaining confirmations from third parties.

The result of the audits performed at various departments and agencies that generate a significant portion of the expenditure and revenue has also been considered as part of this audit.

In addition, I have performed tests of controls, to assess the accuracy, completeness and reliability of accounts from which balances were generated for the financial statements. This audit was not required to search for fraud and therefore, the audit cannot be relied upon to disclose all such matters. However, the audit was planned and executed so that I can have a reasonable expectation of detecting material misstatements resulting from irregularities, including fraud.

5.2.3 The Opinion

The opinion which is basically my conclusion contains two issues. Firstly, whether the financial statements were based on proper accounts and records and secondly, whether the financial statements presented fairly the government's financial position, results of operations and the financial requirements.

Similar to what has happened in the last five years, I am unable to form an opinion on the

Government's financial statements for the fiscal year 2011 for the reasons set out in the three reservations as explained below:-

Reservation 1 Limitation of Scope

During the course of my audit I noted, a number of qualification areas that limited my scope of audit. These limitations significantly affected the extent and depth of my audit coverage that I could not satisfy myself to form an opinion on the financial statements.

Reservation 2 Accounts and records

I also noted during the course of my audit that there was a lack of properly maintained accounts and records and poor internal controls that hampered and limited my verifications to fully vouch for the accuracy and completeness of accounts and records to which the balance figures on the financial statements were derived. There are three qualification areas under this reservation in my opinion paragraph to the readers to explain the situation.

Reservation 3 Legal and Regulatory matter

In addition to the scope limitations and accounts and records, which give rise to a number of qualification areas, I also reported breaches of the Constitution and the *PFMA* and other relevant legislation. I listed three qualification areas under this reservation to the readers to explain this situation.

5.3 Materiality and Audit Assurance

In determining my audit of the government's financial statements, I considered two main factors that determine the nature and extent of the work required. The first factor is called "materiality". This represents a threshold: if total errors fall below this threshold, the financial statements present information fairly; if they exceed this threshold and are not corrected. I refer to them in reservations to my opinion. The second factor is called "*audit assurance*". This represents how certain I want to be and that my audit will reveal total errors that equal or exceed the materiality threshold.

At the conclusion of the audit, I determine whether the effect of uncovered errors in the financial statements would mislead those who use the statements. If the effect would be to mislead, I conclude a reservation in my audit opinion.

When conducting my audit, I am not 100 percent certain that the audit will reveal all errors in the financial statements either, individually or in total, may be material. The size and complexity of the government, as well as cost considerations, make it impractical for me to examine all or even most of the K 11.17 billion worth of individual expenditure transactions and K11.17 billion worth of individual revenue transactions entered into during the year. It is also impractical for me to examine all or most of the individual transactions pertaining to the Trust Fund. Statement "C" Receipts and payments of the Trust Fund, disclosed K1.98 billion in receipts and K1.73 billion in expenditure during the year 2011.

What I can do is verify samples of transactions and account balances, to determine whether significant financial controls within the government are working and can be relied on to produce complete and accurate data, and carry out other procedures – such as confirming year-end balances with third parties and performing analysis - to identify anomalies in the reported data.

What this comes down to is exercising professional judgement about how much auditing is required to provide reasonable assurance to users of the statements that they can rely on the reported results and not be misled.

5.4 Auditing for Compliance and Parliamentary Authorities

As part of my audit of the Government's financial statements, I examine and verify to ascertain the level of compliance with parliamentary authorities to spend, borrow, and raise revenues. I do this to the same level of materiality and audit assurance as that established for my audit of the government's overall financial position, results of operations, and financial requirements. However, this level of materiality is significantly higher than that of many of the authorities being audited.

For example, a spending authority is granted by Parliament in Appropriation Acts, commonly called votes. Many departments are responsible for several votes whose size and complexity vary greatly. Funding for the votes ranges in total from a few thousand kina to several millions of kina. It would be impractical for me to audit each vote every year to a level of materiality appropriate to its size.

I have performed my audit verifications on a number of departments and agencies. The result of this work is included in Part II of my annual report to Parliament.

6.0 THE ROLE OF THE PUBLIC ACCOUNTS OF PAPUA NEW GUINEA

Important features of the Papua New Guinea system of government depend in part on the availability of good financial information. The Public Accounts is a major source of annually reported financial information.

The features of the Papua New Guinea system of government depend in part on the availability of good financial information. These include:

- Consent of the governed;
- An executive entrusted with powers;
- Imposed limits on the executive's use of its powers; and
- Oversight of executive actions.

Government of Papua New Guinea is based on consent, formally given by representatives in parliament through the annual appropriations of supply, approval in principle of the budget and passage of specific legislative proposals. Information on the intended benefits, cost and financial effects of government proposals is needed before Parliament gives its consent. Subsequently, periodic reporting of financial information is needed to compare actual costs, tax burdens and other financial effects with those intentions and for which consent was given.

An effective system of governance provides for a strong Executive entrusted with greater power. The historical reasons for a strong Executive are several, including the belief that legislation cannot be formulated to foresee every eventuality; consequently, the executive is entrusted to exercise discretion in the application of laws. Reports of the actual costs and financial effects of government activities are needed to assess whether, from a financial point of view, Executive discretion was appropriately exercised.

Limits on the use of Executive authority are a constitutional strategy to protect individuals' liberty from abuse of the powers of the State. Some limits are financial (for example, the system of parliamentary appropriation) and financial records are needed to show whether the executive had complied. Another important limit is jurisdiction; for example, the parole Board has sole authority to decide who is released on parole. The practice of granting separate appropriations for the National Judiciary and national Parliamentary Services facilitates the control imposed by jurisdictional limits and promotes financial accountability of the Speaker, Minister and public service managers.

The oversight of the Executive in Papua New Guinea is performed by the parliamentarians, the public and interest groups. Parliamentary oversight is as extensive as Members of Parliament make it. Some oversights are accomplished through news media. The possibility of review helps deter behaviour such as unfairness, fraud, waste, extravagance, embezzlement and misappropriation.

The Government should take the initiative to provide basic information in the Public Accounts that will help the system of governing operate properly. But Parliament must also demand good information.

The Department of Finance has embarked on a project of improving the central accounting and reporting systems, and on departmental systems. The Government is identifying and pursuing opportunities for improvement and Parliamentarians can have a voice in these deliberations.

7.0 THE NEED FOR A CONCISE ANNUAL FINANCIAL REPORT

Publication of a comprehensive but concise annual financial report, similar to annual reports published by corporations in the private sector, would help parliamentarians and others obtain a complete picture of Government without getting buried in massive amounts of details.

At present, the financial statements that are presented in the Public Accounts of Papua New Guinea are massive in proportion, not easily understood, and the approach is not focused on presenting the Government's financial data or information.

My officers are working closely with officers from the Department of Finance to identify approaches to improve the presentation of the public accounts and move the presentation and disclosure of the public accounts towards financial reporting under the Cash Basis of Accounting issued by the International Federation of Accountants. However, other users of the statements should also be consulted to address their requirements.

In the following paragraphs I consider in more details my audit observations on the government's financial statements and the public accounts.

8.0 AUDIT RESULTS

Officers of the Department of Finance have put considerable effort into improving the year-end preparation process of the financial statements. This include both improved documentation that supported and validated the financial statements balances as well as maintaining constructive relationship with the audit team. Finance has also acted on some previous audit findings and implemented audit recommendations.

It is pleasing to note the co-operation between the officers from Department of Finance and my Office working together to resolve major issues identified during the course of the audit for year 2011. The efforts made by the Department of Finance in identifying all operating trust accounts including the common ground that has developed in the approach to getting Departmental Heads to also co-operate in this exercise, and to comply with legislative requirements is commendable. The Office realises that, to obtain high level of assurance in this area may take some time but the efforts to achieve this aim are continuing.

However, the number and the magnitude of the audit issues identified in the course of the audit indicate that overall, there are significant weaknesses in the control environment. At present, the control activities, such as delegations, authorisations, reconciliations, data processing, and system access, are not sufficiently robust to prevent, detect fraud or correct error.

9.0 AUDIT OBSERVATIONS

9.1 STATEMENT "A"

Statement "A" is intended to present the Cash and the Fund positions of the State as at year end, represented by Cash and Reserves. The Statement shows the Cash and Fund positions of the State at the reporting date and is similar to a Balance Sheet of a commercial entity.

Shown below are the movements in the Fund position for the reporting year in comparison to the previous year: -

Fund Position	2011 K'000	2010 K'000	Increase (Decrease) K'000
CRF Balance b/f	28,177	(29,368)	57,545
Trust Fund (Statement "C")	2,548,965	2,261,970	286,995
Public Accounts Total Funds	2,577,142	2,232,602	344,540

The checks conducted on the bank balances and the Finance Operating Accounts balances disclosed in Statement "A" that form the Cash position have agreed to the underlying records. And the total Cash position of K2, 577,142,000 agrees to the Fund position.

Included in the Statement was an account known as Cash Adjustment Account, an account operated by Department of Finance (DoF) intended to facilitate receivables and payables at year end. However, the account was used to include unrepresented cheques, and facilitated receipts and payments of monies too. This and other audit issues identified during the audit of the Statement are detailed below. The audit findings have largely remained unresolved for the last three years.

A Trial Balance for the whole of government accounts was produced for period 0 to 14 of 2011 through the IFMS. Both the debits equalled the credits totalling K6,294,132,643 however, under the budget agency listing was an account with the description of NOT APPLICABLE whilst under the Trust Account was an account known as PGAS SYSTEM CODE.

Management Response¹

Agreed

¹ The full responses received from the Department of Finance have been included in Appendix 13 at the end of this report.

BANK BALANCES

9.1.1 Bank Reconciliations

Bank reconciliation represents an independent verification by management to ensure that bank transactions recorded in the bank statements reconcile to the cashbook. 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 promptly. Bank account reconciliations are a key control in assisting Management to identify anomalies or errors in the payment and receipting processes and assist Management to discharge its accountability requirements. They need to be prepared within a reasonable period to ensure anomalies or errors have been identified and appropriate action taken.

9.1.2 National Departments, Provincial and Local Level Government

Under Part 3 – Public Accounts Division 1 Section 4.7 of the *Financial Instructions* states that:

“It is mandatory that all heads of government departments and statutory authorities reconcile their bank accounts on a monthly basis. Bank balances should be reconciled against the Cashbook balances and the reconciled cashbook balances should be agreed with the appropriation ledger for national government departments, provincial governments and local-level governments’ transactions. All copies of the bank reconciliation statements should be forwarded to public accounts division of the Department of Finance, no later than 14 days of the close of each month. Failure to comply with the above may necessitate withholding further issuance of Warrant Authorities”.

A review was undertaken to determine the extent to which the government departments and agencies were complying with the requirements and the extent to which the DoF was monitoring the level of compliance with set guidelines and financial instructions.

National Government Departments

- It was noted that not all Departments were submitting their monthly bank reconciliation statements within 14 days after the close of each month as DoF required.
- Based on the Performance Rating Report prepared by DoF dated 25 February, 2013, fourteen National Departments had yet to submit their monthly bank reconciliations for 31 December, 2011. The delay ranges from one month to four years back; *refer to details below in table:*

	Department	Last Bank Reconciliation Received
1	Agriculture & Livestock	Jun 2011
2	Agriculture PIP	Jun 2011
3	Commerce & Industry	September 2011
4	Community Development	July 2011
5	Defence	September 2011
6	Education General	November 2011
7	Finance Drawing A/C (FCB)	June 2010
8	Treasury	December 2010
9	Governor- General	October 2011
10	Lands & Physical Planning	October 2009

	Department	Last Bank Reconciliation Received
11	National Planning Office	May 2009
12	Personnel Management	November 2011
13	PNGIPA	October 2011
14	Provincial Affairs & LLG	April 2010

- It was revealed that monthly bank reconciliations brought to current were noted from a sample of fourteen out of twenty seven departments and agencies tested and reported in Part II of my audit report on the national government departments for 2011. In the case of the fourteen departments and agencies, significant unreconciled items were carried over for long periods of time. Five agencies did not compile any monthly bank reconciliation for 2011, three had their last reconciliations completed in September and one in February, 2011.
- Several prime departments and agencies continued to be the major defaulter, namely; Education, Agriculture & Livestock, Office of Rural Development, Lands & Physical Planning, Finance, National Planning, Community Development, Commerce & Trade and National Judicial Staff Services etc.
- The trend in the delays in providing monthly bank reconciliation is increasing. Delays in bank reconciliations and poor quality of reconciliations are both indicative of significant risk of abuse and misuse of public funds at those defaulting agencies. Such risks need immediate mitigation through concerted management action.

Provincial and Local Level Governments

Audit requested DoF to provide a Performance Ratings Report for the Provincial and Local Level Governments. However, this was not provided during the time of audit.

Whilst the AGO acknowledges the efforts made by DoF to address this issue of bank reconciliation, it is the responsibility of the Heads of Departments of the National and Provincial Governments to ensure that they adhere to the recommendations issued by the Accounting Frameworks and Standards Division (AFSD). AFSD has to now take tougher actions thus to have in place control mechanism for better management of the Government accounting systems as a whole.

9.1.3 Trust Accounts

Section 19 (2 and 3), of the PFMA requires the Departmental Head responsible for a Trust Account to prepare and submit to DoF an estimate of receipts and payments expected to be made into and withdrawn from the Account before commencement of each fiscal year. The Act also requires monthly bank reconciliations to be submitted no later than 14 days after the close of each month to the AFSD. The Division is to ensure compliance on monthly and annual reporting by all Departments and Agencies.

As at the time of audit in February, 2014, AGO noted the following audit observations:-

- No status report on the submission of bank reconciliations reports and certificates of balances from banks was maintained by the Trust Section for the 2011 financial period.
- For third-party confirmation, audit sent out letters to all banking institutions (ANZ, BSP,

BPNG, and Maybank and Westpac) on 10/02/2014 requesting confirmation of closing balances of the trust accounts that were held with the respective banks. A follow-up was made on 19/02/2014 but no favourable response was received from the commercial banks, the Bank of PNG (BPNG) responded on the 21/02/2014.

- As at the time of audit in February 2014, AGO could not confirm the actual number of bank reconciliations received by DoF due to the files not being kept and maintained properly. Audit was informed that there was no officer tasked with the responsibility to monitor the submission of monthly bank reconciliations of Trust Accounts, maintain a register for all bank reconciliations received, undertake filing and also to instigate follow-up reminders to all agencies concerned.

The AFSD has in place the control and review procedures however this has not been effective for the 2011 accounts.

Conclusion

We acknowledge the progress made by the DoF on the reconciliation through the IFMS with cash at bank balances. However, in the absence of bank reconciliation at year end, little reliance can be placed on the accuracy of the cashbook balances of the respective Departments' Drawing Accounts. Bank reconciliations are a key control in assisting Management to identify anomalies or errors in the payments and receipting processes and assist DoF to discharge its accountability requirements. Also the preparation of monthly bank reconciliations minimises the risk of misappropriation or fraud through timely follow up.

Recommendation

With proper reporting and monitoring processes being developed, the DoF would ensure compliance with Laws, Policies, Procedures, and the Code of Conduct; and measure performance against the Objectives in the Corporate and Operational Plans of Agencies. The Department has a variety of measures allowable under existing Legislation to reinforce the legal compliance, i.e. withhold warrant authorities, which should now be enforced on defaulters.

Department of Finance Comment

Agreed

9.2 Trusts without Bank Accounts

There has been a change in accounting policy in which General Trusts without Bank Accounts use funds exclusively from the Consolidated Revenue Fund. The substantive and economic reality is that these financial transactions are transactions of the Consolidated Revenue Fund. The balances and movements of the accounts for General Trusts without Bank Accounts in the 2011 Public Account are disclosed in **Appendix 1 – General Trusts without Bank Accounts**.

9.2.1 Overdrawn Trust without Bank Accounts

A total of ten Trust Account Without Bank Accounts totalling K65,949,390 were overdrawn in 2011. Of the ten Accounts, two Accounts were noted to have been reported under Trusts with Bank Accounts in Statement 'C' 2010, *refer to details in table below:-*

Audit Observations on the Financial Statements and the Public Accounts

	TRUST	DESCRIPTION	OPENING BALANCE 01.01. 2011	RECEIPTS	PAYMENTS	CLOSING BALANCE 31.12.2011
1	5	CUSTOMS OFFICERS OVERTIME	-	-	(48,013)	(48,013)
2	8	RESERVED	3,195,588	0	(35,000,000)	(31,804,412)
3	31	SUSPENSE ACCOUNT NO. 2	14,322,816	-	(18,697,891)	(4,375,075)
4	32	SUSPENSE ACCOUNT NO. 2 - PROV GOVT	5,727,150	-	(14,929,454)	(9,202,304)
5		WORKS TRANSFERRABLE COSTS TRUST	-	-	(213)	(213)
6	136	Moran Trust	(6,653,244)	-	-	(6,653,244)
7		WORKERS COMPENSATION TRUSTA	-	-	(8,163,902)	(8,163,902)
8		WORKERS COMPENSATION TRUSTA	(6,590,967)	2,317,689	-	(4,273,278)
9		Provincial Mineral Petroleum Royalty	(1,343,255)	-	-	(1,343,255)
10		Timber Royalties Trust Account	(85,694)	-	-	(85,694)
TOTAL			8,572,394	2,317,689	(76,839,473)	(65,949,390)

It was noted in my previous reports that there was a breach of Section 17 (b) of the PFMA where payments have been charged against Trust Accounts that had insufficient funds. There was also a breach of the Appropriation Acts, the overdrawn balances in the non-bank Trust Accounts represented funds in the Main Public Account bank account and depleting funds without any authority by an Appropriation Act passed by Parliament. Overall, there was lack of compliance with the PFMA, Financial Instructions and the Appropriation Acts that exposes the Government to the risks of loss of Public Monies in the MPA bank account through misappropriation and fraud via the use of non-bank Trusts Accounts.

Recommendations

The AGO would like to endorse the same recommendation that was made in the 2009 and 2010 Public Accounts Audit reports as follows:

- Non-bank trust accounts that are continuously overdrawn, should be closed or operate only with bank accounts to prevent any illegal access into the MPA funds;
- In future pre-audit verification of balances should be done prior to submission of Financial Statements to The Auditor-General for his audit.

9.2.2 Operation of Revoked Trust Fund Suspense (TFS) Account No. 2

The operation of the Trust Fund Suspense Account No.2 (Account Code 360-31) has to be in line with its Trust Instrument and related trust legislation. This Trust Account is maintained throughout the Provinces of PNG and is intended to account for transactions relating to bail monies and child maintenance. However, over the years, the receipts and payments had increased substantially indicating that material amounts of transactions were being administered through the Account to serve purposes other than as intended. **The Trust Instrument for this account was revoked on 19 July, 2006. Despite the revocation, the Account was still active and in use up to the reporting year 2011.**

Examination of the IFMS Ledger Summary for the trust account revealed that the opening balance in 2011 was K14,322,816 with a Nil reported receipt and K18,697,891 in payments resulting in a deficit fund of K4,375,075 at year end.

9.2.3 Differences in Appendix 1 Balances

Audit noted a difference of K6,787 between the IFMS Summary report (-K18,691,104) and the Department of Finance Report as per Appendix 1 (K18,687,891). This difference is not material.

In prior years audits, AGO identified that the account did not only include child maintenance and bail money transactions during the year, but also facilitated material amount of **receipts** and **payments** of monies including **journal entries** which did not form the transactions intended for that account. These were referred to DoF for explanation.

Audit was not provided with any detailed transactions of the expenditures and receipts of the IFMS Ledger Summary. Therefore, audit was unable to ascertain the validity and correct transactions that were processed during the year under review. Audit was advised that the transaction details would have to be obtained at the Provinces due to the fact that, DoF did not maintain those records.

As a result from the numerous reports over the years by the AGO urging the TFS Account No.2 to be closed, the DoF then created two General Trusts with separate bank Accounts namely, Child Maintenance Trust Account (TNo.531) and Bail and Court Ordered Compensation Trust Account (TNo.532). Audit noted that these two Trust accounts had movements of funds in 2011 with surplus ending balances of K43,080 and K316,615 respectively at year end.

Conclusion

There is a breach of the PFMA where the revoked Trust Fund Suspense Account No.2 continues to operate without any formal authority.

Department of Finance comment

Agreed

ACCRUALS ADJUSTMENT ACCOUNT

9.3 Cash Adjustment Account

The Cash Adjustment Account is intended to be used by DoF strictly for the purpose of accrual adjustment transactions at month end and year end particularly for receivables and payables. The Public Accounts Financial Statements disclosed that in 2011, financial transactions were recorded against the Cash Adjustment Account. This resulted in an expenditure of K289.8 million that was not appropriated for in the Budget for 2011 nor provided for by way of either a Section 3 or Section 4 transfers.

Observations

Although the Cash Adjustment Account was strictly to be used for accrual adjustments, audit review over the years had continued to reveal that, the DoF continues to draw *cheques for payments out of the Account* after transferring substantial credits into the Account through journal entries. Both the receipt credits and payments made out of this Account were deemed improper and the propriety of the transactions were questionable.

The summary of transactions is shown below:

Type	IFMS ledger
Opening Balance	-10,008,844
Add: Receipts	487,444,492
Less Payments	493,544,492
Closing Balance	-6,100,000

DoF prepare reconciliations at the end of the year to arrive at the figures disclosed as Cash Adjustment Account balance in the Note accompanying Statement "A".

AGO had strongly recommended since our 2006 audit that the DoF consider closing the Cash Adjustment Account. However, there has been no positive remedial action taken on our audit recommendations.

The effect of the inappropriate use of the Cash Adjustment Account resulted in funds in the MPA being depleted without any proper budgetary processes, thus contravening the Appropriation Act 2010 and the PFMA.

Conclusion

The receipts and payments were inappropriately processed through the Cash Adjustment Account therefore, were deemed to be processed outside the *Appropriation Act*, thus were in breached of the *Appropriation Act 2010*, the *PFMA* and also potentially contravening the Constitution.

In view of the Government's adoption of the Cash Basis of Accounting, accounts to cater for; accruals should not exist. This was highlighted in our 2005 Management Letter, the Department's response then was:-

"In year 2006 Department of Finance intended to adopt IFAC accounting standard – 'Financial Reporting under the Cash Basis of Accounting' that details the preparation of cash based government accounts. It was expected that at that point the core Public Accounts Statements will be produced on a pure cash basis and that additional information about payables and receivables will be included in the notes to the accounts."

Recommendation

The DoF has to ensure that the Cash Adjustment Account is used strictly for the intended purpose.

Proper reconciliations should be prepared and presented in the Notes portraying the balances of the Cash Adjustment Account as shown in the ledger so that the total of receipts and payments was clearly portrayed for the users of the Financial Statement to see the extent to which the DoF had facilitated non-accrual transactions.

Department of Finance Comment

Agreed

FINANCE OPERATING ACCOUNTS

9.4 Permanent Advances and Cash in Transit

Observations

The balances of permanent advance and cash in transit accounts disclosed in **Note 6** and 7 of the revised Statement "A" are as follows:

Finance Operating Accounts	2011	2010	2009
<i>Permanent Advances</i>	(K)	(K)	(K)
Konedobu	-5,106	-15,945	-22,982
Lae	14,997	24,447	9,617
Rabaul	614,231	615,365	651,454
Total	624,122	623,867	638,089
<i>Cash in Transit</i>			
Konedobu	-16,508	-3,373	80
Lae	-6,268	-6,268	-6,268
Rabaul	-488,693	-488,693	-488,693
Goroka	358,210	358,210	358,210
Total	-153,259	-140,124	-136,671
Grand Total	473,860	483,743	501,418

The year end balances of the permanent advances and cash in transit have agreed to the IFMS Type 1 ledger, the transactions that comprised the permanent advance and cash in transit accounts is a concern to the AGO. The fact of the matter is that, the four permanent advance accounts were used to record the permanent advances given to operate at the four Area Finance Offices in the four Regions some years back. *These Area Finance Offices are no longer operational and therefore, the accounts should have been closed.*

Also, the meaning of the term "Cash in Transit" in an accounting context represents cash actually in transit and anticipated to be cleared once received. Strictly in that context, reporting negative cash in transit balances is misleading.

DoF should now ensure that the transactions processed through the permanent advance and cash in transit accounts have to be analyzed and the necessary adjustments effected should be disclosed in the 2012 Public Account Financial Statements.

Conclusion

AGO noted that other types of transactions were also processed through the permanent advance and cash in transit accounts, the names of those accounts were deemed to mislead the reader/user of the Financial Statements. DoF should either close off these accounts, or rename the two accounts to best fit the types of transactions that are allowed and processed through the respective accounts.

Recommendation

DoF has to scrutinise the transactions processed through the permanent advance and cash in transit accounts and initiate necessary adjustments to close the accounts, if warranted the presentation of these accounts in the Public Accounts Financial Statement is likely to mislead the readers/users of the Financial Statement. Alternatively, DoF could rename the two accounts to best fit the types of transactions that are facilitated through the respective accounts.

Department of Finance Comment

Agreed

9.5 NOTE 8: Payables and Receivables

9.5.1 Unfunded Superannuation (Note 8.1)

Observations

Note 8.1 to the Statement reported an unfunded Superannuation liability of K2,038 million at 31 December, 2011. That amount agreed to the audited financial statement of Nambawan Super Limited for the year 2011. According to the report, the State had fallen behind in its obligation by K42.2 million for the year 2011.

9.5.2 National Superannuation Fund (Nasfund)

No information was disclosed in the Notes or in the 2011 Financial Statements as *State share/Grant* for the National Superannuation Fund (Nasfund) by the State.

Recommendation

The DoF should look into the National Superannuation Fund (Nasfund) State shares/Grant as per above paragraph 1.5.2 for the year 2011 and take appropriate action where necessary.

Department of Finance Comment

Agreed

10.0 STATEMENT "B"

Statement "B" represents the summary of the Receipts and Expenditures of the Consolidated Revenue Fund. This Statement shows the operating results and is similar to a Profit and Loss Statement of a commercial entity.

The Statement was verified with related Statements "A", "J" and "L" and the related notes. The receipts and payment balances including the opening and closing balances disclosed in the Statement have agreed to the underlying records and ledgers. A summary of all these balances are shown below:

CRF Fund Movements	Original Appropriation K'000	Revised Appropriation K'000	Actuals K'000
Total Receipts	9,640,683	9,646,114	8,933,691
Total Payments	9,640,680	10,258,985	8,893,131
Surplus/(Deficit) Budget	3	(612,871)	
Excess Receipts (Payments)			40,560

The excess payment of K40,560 was appropriately accounted for in Statement "A" as reported in paragraph 1.0 above.

11.0 STATEMENT "C"

Statement "C" reports on Trust Funds managed by the State on behalf of donor organisations,

special projects and funds set aside for the benefit of individuals, groups and organisations. Shown below is a summary of the movement of the balances in the Trust Fund Accounts for the reporting year with comparative balances from 2010:

Trust Fund Position	2011 K'000	2010 K'000	Increase (Decrease) K'000
Balance b/f	2,261,970	2,970,274	(708,304)
Change in Accounting Policy	(52,601)		(52,601)
Add: Receipts	1,984,905	1,417,100	567,805
Less: Payments	(1,645,308)	(2,125,405)	180,097
Closing Balance	2,548,965	2,261,773	287,192

Both the opening and closing balances of the Trust Fund were appropriately accounted for in Statement "A" as reported

11.1 Types of Trust Accounts and their Operations

There are essentially two types of Trust Accounts, those with separate bank accounts and those that are operated within or through the Waigani Public Account referred as non-bank Trust Accounts.

Observations

The balances of the various Trust Funds disclosed in the Statement are cashbook balances. Heads of Government Departments and Agencies had not been complying with two important legislative requirements. These are:

- Section 19, Sub-section 4(d) of the PFMA details the requirement to submit Financial Statements of account at 31 December each year, and
- Section 14, Sub-section 4(c) of the same Act details the requirement to submit a monthly return of receipts and payments together with the bank reconciliation.

Departmental Heads had not ensured that these legal requirements are adhered to.

As at the time of audit in February 2014, AGO noted the following audit observations:-

- No status reports on the submission of bank reconciliations reports and certificates of balances from banks were maintained by the Trust Section in DoF for 2011; and
- A total of 58 Government Trust Accounts were maintained at the BPNG. Audit confirmed the closing balances for Statement "C" 2011, with the bank confirmations and noted that Trust Account balances ending December 31, 2011 were understated by K287,602,288. **(Refer to Appendix I)**

The Trust Section had taken action towards the end of 2011 embarking on an exercise to ensure that the agencies submit their reports on a timely basis. Currently it is on-going and the Section is really critical about this issue. However, in the absence of bank reconciliation statements for most of the Trust Accounts operated with separate bank accounts, the Trust ledger balances for these accounts disclosed in Statement "C" could not be verified in audit and confirmed as the 2011 year end reconciled cashbook balances.

Recommendation

The Department of Finance should take tougher measures with the concerned Departmental Heads so that the required reports are furnished. This could include sending written requests to Departmental Heads with specified reference made to their responsibilities as required under the PFMA, 1995 (as Amended).

11.1.1 Trust Bank Accounts with incorrect Opening Balances

It was noted that presentation of Statement 'C' 2011 was different to Statement 'C' 2010. This was due to the roll-over from PGAS (TMS) to IFMS in 2011. Following were the issues noted:

- Balances totalling K42,767,000 relating to 18 Trust Accounts in Statement "C" provided for audit were incorrect. The opening balances in Statement 'C' 2011 were not the correct brought forward figures from Statement 'C' 2010. ***(Refer to Appendix II)***.

11.2 Overdrawn Trust Accounts

Audit noted that Statement 'C' 2011 had a total of 12 overdrawn trust accounts with a total amount of K142,524,000 ***(Refer to Appendix III)***

Audit was informed that:

- There were incorrect adjustments made in Period 13, 2011 which have not been adjusted. The IFMS Team had informed the Trust Section that the adjustments would be corrected in 2012. (Those were the Trust Accounts with Bank accounts).
- It is a cumbersome task to monitor agencies that have Trust Accounts with MPA as their bank account. The payments were directly instituted from their PGAS Ledgers. Trust Section action Migrating all Type 6 accounts (Trust Accounts with MPA as the bank Account) to Type3/5 (Trust with their own bank accounts, e.g.; Workers Compensation Trust Account and others).
- As per the BSP Bank confirmation provided to Trust Section, audit noted that out of the 12 Trust Accounts with overdrawn ending balances in Statement 'C' 2011, seven Trust Accounts were confirmed to have positive balances, not equal to Statement 'C' and were understated. The remaining five Trust Accounts ending balances could not be confirmed due to the non-availability of information.

11.3 Revoked Trust Accounts

Audit revealed that 20 Trust Accounts with a total amount of K11,386,000 were stated as revoked in Statement 'C' 2010 which was reported again in Statement 'C' 2011. ***(Refer to Appendix IV)***

The manner in which the trust accounts with or without bank accounts continue to operate after they were revoked was not only illegal, the accounts had been exposed to potential abuse through facilitation of irregular transactions that would never be detected. The intention for DoF to allow Trust Accounts to operate despite being revoked some years back is now of great concern to the Auditor-General.

Conclusion

The intention for DoF particularly Senior Management to allow those Trust Accounts to operate despite being revoked is not good for the country. On the whole, there is lack of compliance with the PFMA and Financial Instructions which exposes the Government to the potential risks of loss of Public monies through misappropriation or fraud.

Recommendation

DoF should take immediate actions to remove revoked Trust Accounts from the system as the legality for these Accounts to exist were removed at the time of revocation. The bank accounts for these Trust Accounts should be closed off and the cash balances standing to the credit of these accounts transferred to the MPA bank account.

11.4 Trust Instruments Not Sighted

Audit was provided a list of 71 Trust Instruments established in 2011 by the Trust Section. 62 of the accounts had Trust Instruments which were either scanned or had hard copies filed in the Trust Instrument folders. Nine new Trusts Accounts were not confirmed, audit did not cite the *Trust Instruments* in the scanned files or folders. *Refer details below:*

No	Trust Code	Trust Name	Instrument Sighted	Administering Agency	Bank	Account Number
1	660	Marienberg Community College T/A	No	N/A	N/A	N/A
2	664	Rural Districts Roads Support T/A	No	N/A	N/A	N/A
3	694	Trans Sepik Highway T/A	No	N/A	N/A	N/A
4	723	PNG LNG Development Costs Trust	No	N/A	N/A	N/A
5	724	Transport Sector Program (Government PNG)	No	N/A	N/A	N/A
6	725	Aus-Aid Transport Sector Support Program	No	N/A	N/A	N/A
7	726	PNG Rubber Board Trust	No	N/A	N/A	N/A
8	727	Seasonal Workers Trust	No	N/A	N/A	N/A
9	728	2010 National Census	No	N/A	N/A	N/A

In the absence of *Trust Instruments*, Audit was unable to ascertain the legality or validity of the establishment of the nine Trust Accounts.

Audit noted that the 13 Trust Accounts that were not sighted in 2009 followed up in 2010, still remain an issue as *Trust Instruments* for these trust accounts were neither sighted in the 2011 audit. **(Refer to Appendix V)**

Conclusion

Without sighting the relevant Trust Instruments, audit validation of the concerned Trust Accounts disclosed in Statement "C" was in complete.

Recommendation

Department of Finance should make it, its business and take-stock of all the existing Trust Accounts and keep only those that had been sanctioned by valid Trust Instruments and up-date the Trust Accounts Register.

11.5 Recording of Trust Accounts Transactions

Weaknesses in Internal Control

Reviews of the Trust Accounts' maintained by Departments for 2011 were carried out in a number of Departments and Agencies. The audit findings were consistent with the previous years; the Departments and Agencies were failing to ensure that collection of Trust Account receipts and payments were managed in accordance with the requirements as stated in the Trust Instruments. Ten Departments that dealt with a significant number of Trust Accounts did not maintain proper records and correct procedures were not adhered to when making payments from the Trust Accounts, these Departments included:

- Department of Justice and Attorney General;
- Department of Corrective Institutional Services;
- Department of Education;
- Department of Finance;
- Parliamentary Services;
- National Planning and Monitoring;
- Petroleum and Energy;
- Department of Police;
- Prime Minister and National Executive Council (PMNEC); and
- Department of Works.

Funds for those Trust Accounts were used for expenses outside the legal requirements of the Trusts, bank reconciliations were not provided and proper accounts and records were not maintained. **Details of these findings were reported in the 2011 Auditor-General's Part II Report.**

11.6 General observations on Trust Accounts produced through IFMS

- Audit was provided with a folder for journal entries and noted that generally the journal entries were raised for adjustments that were made to correct entries from the PGAS/TMS system to the IFMS.

Audit also noted that not all journal entries had signatures of the officers preparing and approving the journals.

- Audit noted that from the Trust Account List maintained by Trust Section for 2011, a total of 26 Trust Accounts with bank accounts did not have any bank account numbers. Either they had no bank accounts created or the bank accounts were created but the Trust Section had no information in regard to the bank details. **(Refer to Appendix VI).**
- No comprehensive database of Trust Account details being maintained by the Trust Section;
- No consistency by the Trust Section in managing or monitoring of the number of Trust Instruments approved or number of bank accounts created and identified to enable an accurate number of Trust Accounts.
- Departmental audits revealed that agencies operate trust accounts outside of the PGAS/TMS and as such what is reported in Statement 'C' would not be complete and accurate.

- Audit confirmed with Statement 'C' 2011 and noted that 11 Trust Accounts with a total of K337,000,000 had no fund transferred into the Trust Accounts even though funding was appropriated for them as per *the Supplementary (Appropriation) Act, 2011. (Refer to Appendix VII).*
- Nine Trusts (with bank accounts) had a total value of K145,642,000 as the balance at 31 December, 2010 that was captured in Statement 'C' 2011; those Trust Accounts balances were not reported in Statement 'C' of 2010. **(Refer to Appendix VIII)**
- Without Trust Accounts monthly bank reconciliations and other related monthly reports by the majority of the Departmental heads, AGO was unable to verify whether the transactions made in the Trust Accounts were in accordance with the *Trust Instruments*.

Department of Finance Comment

Agreed

12.0 STATEMENT "D"

Statement "D" is disclosed with details of the Sources and Application of Funds for the financial year ending 31 December, 2011. It provides the actual movement of cash as it is received and used during the year.

The Statement was verified with related Statements "A", "B" and "C". The movements (increased/decreased) in the Sources and Applications of funds were agreed with the balances reported at the beginning of the year as well as at year end.

Shown below is a summary of the movement in the Sources and Applications of Funds for the reporting year contrasted to that of the previous year:

Sources & Applications of Fund	2011 K'000	2010 K'000	Increase/(Decrease) K'000
Total Sources of Funds	13,157,618	10,350,808	2,806,810
Total Applications of Funds	12,899,632	11,018,536	1,881,096
Net Increase (Decrease) in Funds	257,986	(667,728)	925,714
Represented By:			
BPNG Bank Balance	2,030	(329,516)	331,546
BSP Bank Balance	144,329	(214,361)	358,690
ANZ Bank Balance	113,602	(106,646)	220,248
Maybank Bank Balance	29	7	22
Westpac Bank Balance	(2,420)	(17,294)	14,874
Trust Fund Investment Bank Accounts	416	82	334
Total Increase/(Decrease) in Bank Balances	257,986	(667,728)	925,714

Funds aggregating K12.9 billion were expended against K13.2 billion of receipt resulting in a net increase of K257,986,000 in the State's fund. These resulted in a corresponding increase of K925,714 in the bank balances for the year under review and were appropriately accounted in Statement "A".

13.0 STATEMENT "E"

Statement "E" provides details of the Government's Trust Fund Investment as at 31 December 2011. It is compiled from the Trust Fund Investment Ledgers maintained by the DoF.

The audit of Statement "E" included a comparison of opening balances brought forward from the previous year's statement including the movement of funds during the year and the arithmetical accuracy of the statement.

The purpose of the audit was to assess whether total investments as per the Statement is in agreement with that shown in Statement "A". Furthermore the audit also set out to confirm the accuracy of the statement and the opening balances brought forward from the previous year's Statement. Shown below are the movement of the balances in the Trust Fund Investments Accounts for the reporting year.

Trust Fund Investment Position	2011 K	2010 K	Increase (Decrease) K
Motor Car Licensed Dealers Deposit Trust	226,315	226,315	-
Bookmakers Security Deposits Trust	351,655	351,655	-
Dist Court Trust Savings Account	2,892,863	2,874,928	17,935
Supreme Court Trust Deposits	3,617,488	3,488,515	128,973
Motor Vehicle Compensation Trust	287,560		287,560
Insurance Deposits Trust	Not Disclosed	Not Disclosed	-
Closing Balance	7,375,881	6,941,414	434,467

The observations made in respect of each category of the Trust Fund Investments listed in the above table are discussed in the paragraphs that follow. These matters necessitate for the Statement to be revised.

13.1 Differences in both the Bank and Cashbook Balances

The figures disclosed in Statement "E" agreed to the bank figures. However, comparing the bank figures against the cashbook we have noted differences in respect of four Trust Fund Investments accounts which are shown below:

No.	Description	Closing Balance at 31/12/11		Variance (K)
		Bank (K)	Cash Book (K)	
1	Motor Vehicle Dealers Deposit	231,707	226,315	5,392
2	Bookmakers Security Deposit	355,389	316,307	30,000
3	DCTA-Control Acc.	N/S	2,892,863	-
4	Motor Vehicle Compensation	-	-	-
5	RSCTA - Control Acc.	976,925	3,617,488	615,437
6	Insurance Deposit Trust Account	1,150,000		
Total		6,858,610	6,973,744	115,134

Note: How the variances derived according to our audit observations and findings are discussed in the following paragraphs:

13.1.1 Motor Vehicle Dealers Deposit Trust Account

The variance of K5,392 needs to be explained as there were no notes in the Public Account explaining this variance.

Conclusion

Audit was unable to perform further tests due to working paper documentation not provided for audit. There has been no improvement from previous years. This same issue had been highlighted with the audit recommendations.

Recommendation

The Department should immediately record all the Motor Vehicle Dealers that are operating in the country and ensure that all have deposited with the State the amount required for them to pay to deal with buying and selling vehicles in the country.

Management Response

Agreed

13.1.2 Bookmakers Deposit Trust Account

The variance of K30,000 represents a refund of bond fees made to Kongo Motors out of the DoF Drawing Account and to date the money has not been reimbursed by the Bookmakers Deposit Trust Account into the Drawing Account, thus resulting in the difference. The difference is described as a timing difference and is yet to be reimbursed.

Further, it was noted that on 1 January 2007 the *Bookmaking Act* and *Gaming Board Act* were amalgamated into one Act known as the *Gaming Control Act*. The National Gaming Control Board then took over the responsibility of issuing bookmakers license fees which are normally collected by Internal Revenue Commission. Hence, this fees normally collected by IRC ceased at the end of 2007 and from 2008 onwards the fees were collected by the National Gaming Control Board.

It was ascertained in audit that, all documents pertaining to bookmakers were maintained by the National Gaming Control Board, thus DoF maintains no record except the ledgers for the Bookmakers Deposit Trust Account.

Conclusion

The difference between the bank and cashbook IFMS ledgers revealed that, the DoF has not conducted reviews constantly to ensure that any differences are adjusted immediately.

Recommendation

Immediate action should be taken to clear the difference noted between the bank and the cashbook (IFMS ledgers). Constant liaison with the National Gaming Control Board should be undertaken so that the Bookmakers Deposit Trust Account is kept-up-to-date at all times.

Management Response

Agreed

13.1.3 District Court Trust Accounts (DCTA)

Due to the non-availability of accounts and records pertaining to the bank account for DCTA, audit was unable to validate and confirm the cashbook (IFMS ledger) figure was correct or not.

Also due to no working papers being made available, audit could not verify the increase of K17,935 from 2010 to 2011 that was noted.

The database that was kept with all the beneficiary details for both DCTA and RSCTA were not made available for our audit verification when we requested them.

Conclusion

Due to the inconsistencies in the information available for our audit reliability of balances cannot be confirmed as accurate and included all beneficiaries.

Recommendation

As stated in the 2010 Report, AGO cannot place reliance on the current system used in maintaining DCTA, it seems appropriate that the system has to be either upgraded or replaced with a new system so that the State keeps proper records for third parties funds held in the DCTA.

Management Response

Agreed

13.1.4 Motor Vehicle Compensation Trust Account

Audit was unable to do any testing to verify the figure stated in the Statement due to no working paper file provided to the audit team.

Conclusion

The validity of the figures reported in the Statement cannot be ascertained due to lack of documentation.

13.1.5 Registrar of Supreme Court Trust Account (RSCTA)

The difference noted between the bank and the cashbook (*IFMS ledgers*) under RSCTA was not explained in the accompanying notes to the Public Accounts.

The detailed information pertaining to the data base for RSCTA were not furnished to audit and the bank statement closing balances were reported instead.

Conclusion

The irregularities identified in respect of the RSCTA, are of great concern to the AGO due to the fact that the observations do cast doubt on the reliability of the RSCTA.

Recommendation

As AGO cannot place reliance on the current system used in maintaining RSCTA, it is proper that the system has to be either upgraded or replaced with a new system so that the State keeps proper records for third parties funds held in the Registrar of Supreme Court Trust Account.

Management Response

Agreed

13.1.6 Insurance Deposits Trust Account

Note 13.2 state that:-

Under S27(1) and (2) of the Insurance Act 1995 it is a condition of license for insurers to maintain with the government a deposit which is to be invested in trust for the insurer with all interest earned paid to the insurer. Whilst there are deposits made by the insurers these are currently not held in trust rather they are in the name of the insurance company. As a result, the government does not control these deposits and therefore the values of these deposits are not reported in Statement E.

*The Ministerial determination requires re-insurers and insurers to provide a deposit of K300,000 and brokers K50,000. **From 2011 onwards**, the Government will require these deposits to be held in trust which will result in these deposits being recorded in Statement "E".*

Audit noted that the deposits held are yet to be disclosed in Statement "E". Audit could not verify the balance of Insurance Deposits due to no working paper file was provided to audit.

Conclusion

Statement "E" has to be revised in view of the observations made in respect of the Insurance Deposit Trust Account to include the value of total insurance deposits received and invested in the names of the respective Insurance Companies by Office of the Insurance Commissioner and held there as at end of 2011.

Recommendation

DoF should maintain a Register to record all Insurance deposits held and also record interest due and payable to the Insurance Companies from time to time.

Management Response

Agreed

14.0 STATEMENT "F"

Statement "F" summarises the State's direct investments, capital contributions and equity option rights held in various Companies, Public Bodies and other Organisations including those managed by the Independent Public Business Corporation (IPBC).

The Statement for the year under review was not compiled and submitted to AGO for audit. It was reported in 2010 that the Secretary for the Department of Treasury had written to all State owned Companies on 16 February 2011 requesting for the 2010 Annual Reports to be provided. As highlighted in Note 9, 2011 movements in the value of the portfolio were not disclosed due to information not provided by the IIPBC.

Conclusion

Department of Treasury is not fulfilling one of its prime function and duties which is to ensure that all investments made by the State are brought under its control and recorded in the Investment Register. This will enable full disclosure in Statement "F" of the Public Accounts Financial Statement every year.

Recommendation

DoT should expedite the process to implement improvements by maintaining an Investment Register. Investments should be revalued on a regular basis to ensure that the values of the State's investments are current and correct.

Management Response

Agreed

15.0 STATEMENT "G"

Statement "G" sets out the borrowings made by the State together with the repayments of principle and interest paid to the lending agencies. The Statement also captured net gains and losses caused by fluctuations in currency exchange rates.

The Register (Monitoring Forms) has been used as the primary record to verify the receipts and payments recorded in Statement "G".

Balance of Public Debt

Borrowing and Public Debt are detailed on Statement "G". The balance of Government Debt outstanding at 31 December, 2011 was K7,411,875,000. *Refer to table below for details:*

	K'000	K'000
Opening balance of debt at 1 January 2011		6,896,533
Add: Prior Year Adjustment		(219)
Adjusted Opening balance of debt at 1 January 2011		6,895,256
Add: Additional borrowings	3,913,105	
Add: Adjustments for exchange rate movements	(486,452)	
Less: Repayments of Principal	2,910,034	
Closing balance of debt at 31 December 2011		7,411,875
Net decrease in public debt during 2011		(516,619)

15.1 Differences in the Reporting of Statements ("B", "G", "J" and "L")

Statement 'G' is compiled outside of the IFMS system. Statement 'G' did not correspond with Statement 'B' when compared. Out of the five overseas borrowings recorded under Statement 'G', only two corresponded with Statement 'J' however, they were not included in Statement 'B'.

Three interest payments under Statement 'G' for overseas creditors agreed with Statement 'L'. All borrowings, principal repayments, interest payments and commitment fees under Statement 'G' did not agree with Statements 'B', 'J' or 'L' when they were cross-checked from Statement to Statement.

However, it was stated in the Notes to the Public Accounts that, the differences in principal and interest payments between Statement 'G' and Statement 'B' were resulted from timing differences whereby the cash payments occurred at different points in time to the debt maturity terms and write-offs of State loans that were captured in Statement 'H'. ***(Refer to Appendix IX)***

15.2 Debt Management

Department of Treasury is not involved in the negotiation of loans. Negotiations for loan agreements are done at the political level between the Minister, IPBC, State-Owned Enterprises (SOEs) and the National Executive Council. The Department of Treasury had been bypassed although it is the key Department responsible for administering and monitoring transactions between Bank of Papua New Guinea the creditor and the SOEs.

The borrowings were done on ad-hoc basis and the Department of Treasury was only informed as and when the agreement was to be implemented.

According to the Department of Treasury's Corporate Plan for 2008 -2011, the major roles of the Department are the provision of advice to the GoPNG on budget, economic, taxation, debt and investment policy matters. Prudent management of the economy including those related macroeconomic reform and as well as the effective management of the public debt of the country and ensuring that adequate governance processes are in place. In addition, one of the key strategies is to "improve the Debt Management Policy" which in this case is the responsibility of the Financial Management Division.

Department of Treasury does not have any policy on debt management; it only has a manual on the "Procedures for Statement 'G'".

Conclusion

Audit noted that the (FMD) of Treasury had failed by not carrying out its duties as highlighted in the Corporate Plan to improve the debt management on behalf of the State of PNG.

Recommendation

The Department of Treasury should have policy on public debt management and have it implemented immediately.

The Department of Treasury should be involved in any loan negotiations and take the lead role.

There should be proper co-ordination between the DoF and Department of Treasury to update the IFMS system.

16.0 STATEMENT “H”

Statement H summarises the negotiated loans that are then on-lent to statutory bodies and other organisations. Audit observations are highlighted in the following paragraphs:

Section 38 of the *PFMA* states that; loan by the State is whereby:

- (1) The Minister may, for and on behalf of the State, makes a loan to any person, where that loan is made for purposes approved by the Head of State, acting on advice.*
- (2) The Minister may, on behalf of the State, charge such fee in respect of a loan made under Subsection (1) as he considers appropriate in relation to that loan.*

Management Response

Agreed

16.1 Loan Register

In our last audit 2010, we recommended that the (FMD) should make it a priority to maintain a loans register to record and better manage the lending to third parties.

Audit noted that the Department of Treasury was yet to maintain a proper Loans Register for the loans on-lent to SOEs and individuals among others.

Audit was informed that due to transactions dating as far back as seven years and files missing or misplaced, it was difficult to update CSDRMS.

Conclusion

Audit was unable to confirm the completeness of transactions pertaining to Statement “H” for the 2011 financial period. AGO noted that despite our audit recommendations to maintain a loans register, there was still no register maintained in 2011.

Recommendation

FMD should create and maintain a loan register to properly manage and monitor the billings and repayment of loans to third parties.

Management Response

Agreed

16.2 Incorrect Opening Balance

Audit verified all the opening balances disclosed in the 2011 Statement ‘H’ with the closing balances in the 2010 Statement ‘H’. This revealed that three loans’ opening balances were incorrectly captured in the 2011 Statement ‘H’ resulting in a total variance of K672,000 as shown below:

No	Loan	2011Opening Balance as 01.01.11	2010Closing Balance as at 31.12.10	Variance [K]
1	Milne Bay Estate IRBD 2608	1,602,000	1,566,000	36,000
2	3 rd Water Supply Project CTB	17,938,000	17,701,000	237,000
3	Upgrading of Water supply ADB	30,254,000	29,855,000	399,000
Grand Total				672,000

Recommendation

FMD of Department of Treasury should adjust Statement 'H' to capture and reflect the correct balances which may have derived from adjustments made after the closing balance dates.

Management Response

Agreed

16.3 Loan omitted in Statement "H"

Audit noted that **Coastal Water Fisheries Management Development Project (CWFMDP)** was omitted in the 2011 Statement 'H'. The 2010 Statement "H" disclosed a closing balance of K12,481,000 for that project.

Audit was informed that the exclusion of the project on Statement 'H' for 2011 was an oversight. Statement 'H' 2011 will be adjusted to include this loan's Opening Balance of K12,481,000 at 01 January, 2011.

Recommendation

Department of Treasury should update Statement 'H' of 2011, with the opening balance for CWFMDP and include also the movements of funds during the year 2011 and the correct closing balance for 2011.

17.0 STATEMENT "I"

Statement 'I' details any commitments on loan guaranteed by the State to government entities and non-government entities.

Under Section 37 of the *PFMA* the repayment of loan principal and interest by the respective statutory bodies is guaranteed by the State.

17.1 Register of Guarantees

Audit ascertained that the Department of Treasury does not maintain and kept-up-to-date any proper accounts and records on individual companies which had obtained loans and had use the State as the guarantor for those loans.

Department of Treasury does not maintain a Register of Guarantees and in the absence of such Register, the completeness of the information disclosed in Statement "I" is uncertain.

AGO was unable to verify and ascertain the companies which the government had been used as the guarantor for their loans.

Recommendation

- FMD of the Department of Treasury is responsible to monitor the Guarantees of loans given by the State to Statutory Bodies, Government Agencies and other individuals. The transactions and records pertaining to Statement 'I' should be followed up by Department of Treasury.
- Department of Treasury has to develop and maintain a Register of Guarantees, End of Year Confirmation and current Loan Guarantee Agreement records to assist with better management of all loans guaranteed by the State. **This issue was reported in the previous years (2008-2010) audit reports but still no mitigation and remedial action taken to rectify the problems with the lack of accountability on the State loans, and guarantees.**
- Decisions for the State to give guarantees to loans were made by the National Executive Council (NEC) and at the Ministerial level. Department of Treasury should have a standing arrangement with NEC and the Ministries to be informed of all decisions on State guarantees. Lack of information will handicap the Department of Treasury from being able to account for all State guarantees that been approved. **This issue was mentioned in the previous years' audit reports but no remedial action had been taken.**

Management Response

Agreed

18.0 Statement "J"

Statement "J" summarises the receipts collected by various Government Departments by vote and item level. The total receipts collected by each Department is then summarised in Statement "B".

18.1 Revenue Collection

Audit selected three major revenue collection agencies, the IRC, PNG Customs and the Department of Lands and Physical Planning. Their revenue summaries were to be reconciled with Statement J.

(1) Internal Revenue Commission

The Taxation revenue of **K6,295,934,984** that was captured in Statement "J" was understated by **K373,737,016**, compared to the revenue summary from the IRC which reported a total amount of **K6,669,672,000**.

(2) PNG Customs

The revenue of **K1,207,647,140** from PNG Customs captured in Statement "J" was understated also by **K1,039,606,332**, compared to the revenue summary from PNG Customs which reported a total amount of **K2,247,253,472**.

(3) Department of Lands and Physical Planning

The Department of Lands and Physical Planning's total revenue of K16,261,394 captured in Statement "J" was also understated by K990,793, the revenue figure from the Department was K17,252,187.

Conclusion

There were significant variances noted between Statement "J" and the three mentioned government agencies' figures. *The errors reported in Statement "J" figures will have a significant impact on Statement "B" and the fund position in Statement "A" especially the understated revenue figures of IRC and PNG Customs.*

Recommendation

DoF should ensure that revenue records of the IRC, PNG Customs and Lands & Physical Planning are reconciled as adjustments for the amount involved were significant and material.

The revenue procedures at the Department of Lands and Physical Planning should be reviewed for the Government's budget to recognise the total 'demand notices' raised to lease Holders. Department of Finance should ensure that all revenues received are correctly captured in the IFMS ledgers and correctly disclosed in Statement "J".

18.2 Unrealistic Forecast of Revised Revenue Estimates

AGO noted significant shortfalls between the revised estimates and the actual revenue received for the year 2011 as shown below:

Group #	Description	Original Estimate K	Revised Estimate K	Actual Receipts K	Variance (Shortfalls) K
Group 3	Revenue from Loan Service Receipts	396,360,000	332,333,000	169,985,694	-162,347,306
Group 4	Revenue from Grants	1,586,083,000	1,586,083,000	972,401,716	-613,681,284
Total		1,982,443,000	1,918,416,000	1,142,387,410	776,028,590

The lack of being realistic in the preparation of estimates resulted in the shortfall of the actual revenue collected totalling only K1,142,387,410.

Recommendation

Department of Treasury forecasting of original and revised revenue estimates should be done more realistically so that the variances are kept at a minimum thus facilitating effective budget planning on revenue targets not only by the agencies concerned but by the Government as a whole.

Management comment

Agreed

19.0 Statement “L”

Statement ‘L’ details the original appropriations from the fiscal year as embodied in the Appropriation Act and adjustments by way of transfer and reallocation made under Section 3 and 4 of the Appropriation Act.

19.1 Difference in Original Appropriation in Statement “L”

Audit identified three instances of incorrect disclosure of original Appropriation Figures from the *Appropriation (National Development Expenditure 2011) Act 2010* is noted in the Table below.

In addition, the Office of Climate Change had different Division Codes in the Appropriation Act and IFMS as 547 and 511 respectively. Further to that, audit noted two instances from the Development Appropriation where sub-appropriations were created in IFMS without any documentation of approval sighted by audit.

These two instances have been tabled below.

Unauthorised Splitting of Appropriations in IFMS

#	Dvsn	Department	Original Appropriations		Variance
			IFMS 2228/9/30	Development	
1	220	Dept of Personnel Management	184,298,000	129,049,000	(55,249,000)
2	229	National Planning & Monitoring	314,144,000	389,393,000	75,249,000
3	259	Dept of Transport	37,479,000	17,479,000	(20,000,000)

19.2 Warrant Authority and Expenditure

Note 5 to the Public Accounts Statements disclosed that 2011 payments exceeded legal appropriations for Items of expenditure and their reasons were:

- Development Grants by donors who spent more than originally estimated for a specific project with an added note that grant expenditures were made in a foreign currency;
- Departmental payments would have exceeded appropriations due to high payroll costs that exceeded budget appropriations;
- Over payments of grants to Statutory Institutions resulted from payroll cost processing; and
- Use of the Cash Adjustment Account which resulted in expenditure of K289,866,000 which was not appropriated for in the 2011 Budget nor provided for by way of either a Section 3 or Section 4 transfer.

Audit’s inquiry of Statement ‘L’ noted the following:

- Total expenditure for the year was **K11,167,324,326** which was under expended by **K1,016,330,974**. Audit’s opinion is that this is not a fair and true representation of expenditure due to under expenditure in agencies that off-set the over expenditure of the others.

- Audit further investigated at the agency levels as per the number of instances of over expenditure and found that even though agencies reported totals of under-expenditure, individual agencies still breached Section 2 of the Appropriation Act by over expending.

Recommendation

- Since IFMS is the system the Government of PNG has decided to adopt it should roll out faster to all other agencies to limit chances of error through collection (human) and imputing (system) of information.
- Fund allocations through Warrant Authorities should be tightly monitored and controlled by the Cash Management Division to avoid over expenditure.

Management Response

Agreed

20.0 OTHER MATTERS

20.1 Receiver of Public Monies (RPM) Account

The National Government's monies collected at the Provincial level were deposited into the Receiver of Public Monies (RPM) bank accounts maintained with Bank South Pacific (BSP) and transferred periodically through direct bank transfer into the Main Public Account (MPA) maintained with the BPNG.

The collections made at Finance through Finance Cashier Branch (FCB) – Waigani and Central Province RPM were banked into the Bank of PNG RPM bank accounts and transferred periodically into MPA bank account (the State's main bank account).

With reference to Part 10 of the Finance Management Manual pertaining to Revenue Management and Division 3 on Revenue Collections, the audit observations made in regard to the Receiver of Public Monies collections are noted below.

20.1.1 General Observations

The following are the summaries of RPM bank balances that were held by BPNG and BSP at 31 December, 2011.

No	Bank	Account Name	Note 16.1 & 16.2
1	BPNG	RPM Waigani	-13,704,124
		Central Province	1,109,614
		Sub Total	-12,594,510
2	BSP	18 Province RPM	-8,968,344
		Jacksons Airport	3,914,520
		RPM BSP	-7,897,361
		Sub Total	12,951,185
Grand Total			-25,454,695

i) RPM Accounts that reported Negative Balances

Note 16.1 and 16.2 to the Public Accounts revealed that ten RPM Accounts had negative

balances, refer to the table below for details:-

No	Bank	Account Name	2011 Balance K
1	BPNG	RPM Waigani	-13,704,124
2	BSP	RPM BSP	-7,897,361
3		Eastern Highlands	-741,629
4		Morobe	-4,531,041
5		New Ireland	-1,783,746
6		North Solomons	-2,093,303
7		Sandaun	-5,434,953
8		Simbu	-132,748
9		Southern Highlands	-141,000
10		Western Highlands	-38,432
Grand Total			-36,498,337

Management Response

The Department was requested to explain in writing the negative balances, however, no response was received up to the time of writing this report in June 2014.

Recommendations

Audit recommends that the Department of Finance liaise with the Provincial RPM managements on the accountabilities processes and to ensure that the cash book maintained in IFMS agrees with the cash book maintained at the provinces. Unreconciled items should be investigated and cleared on a timely basis so as to give a true and fair cash book balance of the RPM account.

Management Response

Agreed

20.2 Secretary's Advance

The Secretary's Advance mechanism is one in which the Executive is entrusted with powers under the *PFMA* to exercise discretions to transfer funds internally to meet unforeseen circumstances, thus is a legal authority by the Appropriation Act. These two main Sections that enable the funds transfers to meet unforeseen circumstances are noted below:

- **New Service:** Where there is no appropriation to meet expenditure for a particular service, allocation of funds to meet the expenditure on it is obtained from the Secretary's Advance [Referred to as *Section 25 of Part V of the PFMA* or *Section 3 of the Recurrent and Development Appropriation Acts*]; and
- **Existing Service:** Where there is insufficient appropriation to meet expenditure on services already included in the approved estimates, additional allocation may be obtained either from the savings under other services or from the Secretary's Advance [Referred to as *Section 24 of Part V of the PFMA* *Section 4 of the Recurrent and Development Appropriation Acts*].

Funds Originally Appropriated to facilitate Section 3 and Section 4 Transfers

No funds were appropriated as Secretary's Advance in the Original Appropriation under the

Audit Observations on the Financial Statements and the Public Accounts

Recurrent and Development Budget 2011 to facilitate fund transfers under Section 3 and Section 4:

Secretary Advances	Recurrent (K)	Development (K)	Total (K)
Section 3 Transfers	Nil	Nil	Nil
Section 4 Transfers	Nil	Nil	Nil
Total	Nil	Nil	Nil

Limits and Conditions

The conditions set for the National Parliament, Judiciary Services, Recurrent, Development and Supplementary Appropriation Acts for year 2011 are noted in the table below:

APPROPRIATION ACTS	SECTION 24 (PFMA)/ SECTION 4	SECTION 25 (PFMA)/ SECTION 3
National Parliament	No Provisions made	No Provisions made
Judiciary Services	No Provisions made	No Provisions made
Recurrent Budget Appropriations	729,910,140	NIL
Development Budget Appropriations	NIL	206,660,000
Supplementary Budget	665,800,000	116,000,000
Total	K1,395,710,140	K322,660,000

Limits Set for Section 3 and Section 4 Transfers

The *Appropriation (Recurrent Expenditure 2011) Act 2010, Section 4* and *Appropriation (Development 2011) Act 2010, Section 3* requires the following:-

Funds aggregating K936,570,140 were to be transferred through Sections 3 and 4 transfers between existing services in both the Recurrent and Development budget allocations resulting with the net effect as shown below:

Secretary Advances	Recurrent (K)	Development (K)	Total (K)
Section 3 Transfers	Nil	206,660,000	206,660,000
Section 4 Transfers	729,910,140	Nil	729,910,140
Total	729,910,140	206,660,000	936,570,140

Limits set as per the Act in comparison to SA Control Register which shows actual transfers.

Secretary Advances	Limits set as per the Act	Actual Transfers	Variance
Section 3 Transfers	206,660,000	361,272,033	154,612,033
Section 4 Transfers	729,910,140	844,412,653	114,502,513
Transfers Within Departments		1,024,567,007	1,024,567,007
Total	936,570,140	2,230,251,693	1,293,681,553

Actual Transfers made during financial year 2011 as per the Secretary's Advance Register totalled to K2,230,251,693.

20.2.1 Observations and Comments

Movement of Funds

Secretary's Advance Control Register

The Department of Treasury maintains the Secretary's Advance Control Register which is linked up with IFMS to record the funds transfers made during the year 2011. The Secretary's Advance Control Register (Budget Maintenance) is explained as follows:-

Types of Transfers	Details/Explanation
Section 3 (+)	Transfers/Funds are added back to the Secretary's Advance
Section 4 (-)	Transfers/Funds are paid out of the Secretary's Advance
Transfers Within	Transfers are made within Departments and Agencies
Section 4 (+) & (-)	Transfers are made from one Department to another – for one department is Gain (+) and the other is (-) Minus.

- It was noted that the SACR did not clearly indicate which fund transfers were made for Recurrent Activities and which ones were for Development Activities.

Local Audit Confirmation was issued to Department of Treasury and the officer in charge of Secretary's Advance mentioned that there have been changes in the system. IFMS will only produce reports for all transfers for development and recurrent activities all at the same time.

20.2.2 Adjustment of Appropriation for New Activities and between Activities, Directly Financed Projects and for Projects funded by Grants through Section 3 Transfers.

There was no Appropriation allocated for Secretary's Advance specified under *Section 3* of the *Appropriation (Recurrent Expenditure 2011) Act 2010*. Thus, a sum of K729,910,140 was technically allowed under *Section 4* for the purpose of Adjustment of Appropriation as Between Activities but specifications as to whether it was intended to fund both New Services and re-allocations between existing Services or only for New Services were not determined.

Summary of Section 3 and Section 4 Transfers and Within Departmental Transfers:

Transfer of Funds	Amount (K)
Section 3 (+)	170,636,022
Section 4 (-)	190,636,011
Transfers Within Departments and Agencies	1,024,567,007
Section 4 (+) and (-), (One department/agency to another)	844,412,653
TOTAL TRANSFERS	2,230,251,693

Funds aggregating to K2,230,251,693 have been utilised for *Section 3* and *4* transfers and for transfers made within Departments and Agencies for year 2011.

20.2.3 Reports for Directions Made

Section 6 of the *Appropriation (Recurrent Expenditure 2011) Act 2010* stated that the Secretary of Treasury shall publish a report of all directions made under this Act in the National Gazette. The report shall identify the amounts transferred by vote, recipient and the circumstances justifying the transfer. This report shall be published four times in a year at the end of each quarter.

Audit verification revealed that no report of directions was published in the National Gazette for the financial year 2011.

The directions are the actual Secretary Advance forms that were filled out by Departments' financial delegates when requesting the transfer or unexpended funds. Budgetary Sections of the Department of Treasury kept records and maintained files for directions made to departments and agencies.

A review of the Directions maintained at the Department of Treasury revealed that the directions issued were not all registered in the SACR (Budget Maintenance).

20.2.4 Directions

In the *Appropriation (Recurrent Expenditure 2010) Act 2009* it was stated that the directions were to be made available to the Auditor-General's Office. However, this requirement was amended and *Section 6* of the *Appropriation (Recurrent Expenditure 2011) Act 2010*; stated that the Secretary of Treasury shall publish a report of all directions made under this Act in the National Gazette.

Recommendation

This audit finding on the directions was reported in our previous Audit Reports. We note that there have been no improvements. As such, we recommend again that the Directions are properly filed and kept away neatly in sequential order and emphasise the importance of the compliance of *Section 6* of the *Appropriation (Recurrent Expenditure) Act*. Those directions should be recorded in the Secretary's Advance register for verification purposes and to quantify the Fund Transfers captured in statement 'L' of the Public Accounts.

20.2.5 Appropriations into Trust Accounts

Funds accumulating to K723,200,000 for 20 Trust Accounts were appropriated in Schedule 2 of the *Appropriation (National Development Expenditure 2011) Act 2010* whilst K648,500,000 for 14 Trust Accounts were appropriated in Schedule 3 of the *Supplementary (Appropriation) Act 2011*. **(Refer to Appendix X)**

The following irregularities were noted in respect of the above Trust Accounts as per *Development and Supplementary Acts* when compared to Statement "C":

- 20 Trust Accounts were to have been Active with Bank Accounts under the *(National Development Expenditure 2011) Act 2010*:
 - o Four Trust Accounts were not established and active during the time of Audit in February 2014 even though funds totalling K110,000,000 was appropriated. 16 Trust Accounts were funded through Schedule 2 of the *Appropriation (National Development Expenditure 2011) Act 2010* and were established and active at the time of our audit in February 2014.
 - o From the 16 Active Trust Accounts, funds were not allocated as appropriated under *Development Act 2011* for seven Trust Accounts. The balances were zero when compared to Statement "C", even though funds amounting to K75,200,000 were disbursed for their respective purposes.
- 14 Trust Accounts were supposed to have been created and should be Active with Bank Accounts according to the *Supplementary (Appropriation) Act 2011*.

- o Three out of the 14 Trust Accounts funded through Schedule 3 of the *Supplementary (Appropriation) Act 2011*, were NOT established and active at the time of audit. Funds amounting to K91,000,000 were appropriated for the three unestablished Trust Accounts.
- o From the 11 Active Trust Accounts, funds were not committed as appropriated under the *Supplementary Act 2011* for five Trust Accounts. The balances were zero when compared to Statement "C", even though funds totalling K109,000,000 were disbursed for their respective purposes.

Conclusion

Funds appropriated under Trust Accounts outlined in Schedule 2 of the *Appropriation (National Development Expenditure 2011) Act 2010* and Schedule 3 of the *Supplementary (Appropriation) 2011 Act* were not fully and properly captured in Statement "C". Unestablished Trust Accounts with appropriations totalled K219,000,000 for which funds have been disbursed. Funds amounting to K181,200,000 have already been disbursed to Trust Accounts but Statement C indicated nil balances, due to no proper accountability processes.

The observations above have verified the fact that breaches have incurred by not keeping track and updating the records of the Trust Accounts in a proper and timely manner. Thus, the expense of funds is deemed to be illegal in the event that they are utilised in the financial year ending 31 December, 2011 most of the funds expended were not showing in the financial statements. The lack of accountability and transparency implied that what is captured in the Financial Statements for the Main Public Account would not be a true and fair state of affairs at 31 December 2011.

Recommendation

It is recommended that Financial Management Procedures should be properly adhered to in terms of establishing Trust Accounts to hold public funds. There is no conformity in the reporting of Trust Accounts when compared to the Appropriation Acts and the financial statements. The amounts in the financial statements should be in conformity with the *Appropriation Acts 2011*.

Management Response

Agreed

20.3 MISCELLANEOUS EXPENDITURE - Vote 207

Governmental Office Allocation Rentals, Court Cases and Workers Compensation Payments are administered by the Corporate Services Division of the Department of Finance. All documents and records are maintained at the respective offices where they originate from. For Government Office Allocation Rentals and lease agreements are kept at the Department of Personnel Management – Office Allocation Committee, while Court Cases are kept at the Solicitor-General's Office and Workers Compensations are kept at the Office of Workers Compensation.

Claims were submitted for payment after all procedures have been complied with and forwarded to the officer in charge at the Department of Finance for processing of payment under the respective categories. Further checks and verifications were carried out by officers in charge at Department of Finance before cheques were raised for payments to be made. Audit was centred

on the controls and procedures in place as well as assessing the reliability of the financial data for the year 2011.

Vouching of selected payments made from Miscellaneous Vote 207

A sample of 131 payment vouchers for payments totalling K106,102,783 were selected under three types/categories of payments and vouched. *Refer to the table below for the summary of details below:-*

Categories of Payments		No. of Samples	Amount (K)
A	Government Office Allocation – Rentals	15	13,217,448
B	Court Cases	86	91,746,341
C	Workers Compensation Payments	30	1,138,994
Total		131	106,102,783

20.3.1 Government Office Allocation Rentals

Audit randomly selected a sample of 15 payments totalling K13,217,448 for our review and the following irregularities were noted:

- Two payment vouchers with amounts of K334,400 and K311,121 respectively, were not provided for audit verifications; and
- All 13 payment vouchers provided did not have the Office Allocation and neglect Committee Endorsement or Approval Letters attached to them. The lack of prudence reflects the lack of controls and the rule of law and compliance it would also increase the risks of fraudulent actions by people in positions of Trusts.

Audit requested for a sample of ten randomly selected lease agreement files through the Government Office Allocation Officer for our audit verifications and the following were the status established:

- Only six Lease Agreements were furnished for audit review while four were not made available for our review; and
- Four lease Agreements furnished for our review were not signed by the Secretary for Department of Personal Management.

Recommendations

- The Department of Finance needs to address the following:-
 - Strengthen the control environment to minimise the risks of misappropriation;
 - Improve on current record keeping practices and ensure sufficient documentations are maintained and retained; and
 - Establish procedures to ensure proper maintenance of lease records and a centralised lease/rental registry and related responsibilities should be clearly assigned to specific officers or employees.

- The Government should seriously start looking at building/purchasing office accommodation for government agencies/departments to minimise the annual costs of office rentals.
- The Department of Lands and Department of Personal Management should agree on who should sign and approve the lease agreements and ensure that all lease agreements are current at all times.

Management Response

Agreed

20.3.2 Court Case Payments

Audit review of 86 Court Case payments with a total of K91,746,341 revealed the following irregularities:

- In five payments totaling K2,879,468, certificates of judgments or certificates of taxation which were required to be attached to the letters to Department of Finance when requesting for payments to be made were not sighted in the files;
- For eight payments totalling K5,776,000; the Solicitor-General's clearance for the Department of Finance to pay aggrieved persons were not sighted in the file;
- An amount of K1,000,000 that was paid by Cheque No. 007821 to an individual was processed and paid based on a photocopied FF3 instead of an original FF3 as required;
- For eight other payments totaling K5,360,661, the FF4's were not certified as being correct by the Certifying Officer;
- Audit was unable to ascertain the validity of two payments made with a total of K5,360,661 due to the non-availability of the payment vouchers and related accounts and records; and
- 26 payments with a total of K55,785,545 comprised reversal entries for various court order payments in 2011. Audit could not ascertain the legitimacy of journal entries raised due to no manual records of transactions provided for audit although requested for.

Conclusion

There was improvement in the control system regarding the court case payments compared to the previous years. However, there is great concern relating to the safe-keeping of payment vouchers due to payment vouchers not made available and missing vouchers noted during the audit. Such could lead to systems break down that would create opportunity for mismanagement of public monies.

Recommendation

The Management should uphold its integrity by eliminating such practices of non-compliance and adhere to legal procedures. Appropriate internal control mechanism should be introduced to monitor and control payments with all legal documentations should be attached to such claim.

Further, all Court Order claims and related payments have to be registered and passed through

the established system for processing. The register is like a catalyst for internal control within the Department. Any claims that bypassed the register indicate system weaknesses and this could assist fraudulent activities.

Management Response

Agreed

20.3.3 Workers Compensation

Workers Compensation Payments are administered by the Corporate Services Division of the Department of Finance. The claims are prepared by the Office of Workers Compensation and ensure that all procedures have been complied with before they are forwarded to the officers in charge of the processing of payments at the Department of Finance. The claims were allowed to go through the normal checks and verification process before they pass to effect payments.

The Audit verifications conducted were on the controls and procedures in place as well as assessing the reliability of the financial data for the year 2011.

A review of the payment procedures was based on 30 payment vouchers which were randomly selected totalling K1,138,995; the following irregularities were noted:-

- Three payments totalling K134,718; the required pay-slips were not attached to proof that the payees were public servants.
- AGO noted in two instances, payments vouchers totaling K99,961 revealed the following discrepancies:
 - o No agreements signed and dated between the injured persons and Workers Compensation to approve the payments made; and
 - o The certifying officer did not authorise the payments to be made.

A review of the payment procedures conducted at the Department of Finance have ascertain that, no register was maintained to record all claims that were received from the Office of Workers Compensation. The details of payments when made were also not recorded and kept. Audit received the excuses for the lack of maintaining proper records that the officer responsible was still on leave.

A file for the appointed Financial Delegates' names and their specimen signatures was not maintained by the Officers in charge at the Department of Finance.

Conclusion

The basis for authorisation of claims to be settled and no proper documentation attached to support the payments were issues noted. The risk of malpractice is very high in those very sensitive areas which funds paid may have been improperly and fraudulently claimed.

The safe keeping of payment vouchers is required in view of missing vouchers and those that were not provided during the audit as these documents form the basis of public monies to be

spent and only through audit verifications that will enable us to justify that the transactions were genuine.

The non-adherent to payment procedures as mentioned above clearly reflected the non-compliance and lack of internal controls and lack of due care to safe-guard and properly manage the use of public monies.

Recommendation

AGO recommends that:

- Management should ensure that safe-keeping of payment vouchers is a requirement for the Office of Workers Compensation and Department of Finance. Those documents form the basis for public monies to be spent and only through audit verifications that will enable us to justify that the transactions were genuine.
- For control purposes, officers responsible at the Department of Finance should maintain a register for all Consent Award coming in from the Office of Workers Compensation and prepare a check list to ensure that all procedures should be followed and the required documentary evidence are obtained and attached to the claims before they are passed for payments to be processed.
- Department of Finance should maintain a register for all the Workers Compensation Payments made so as to keep track on the total number of payments made and for proper internal control of the Public Monies spent.

Management Response

Agreed

20.4 Losses and Deficiencies

Section 62(1) of the PFMA and Parts 28-32 of the Financial Instructions set out the legal requirements for the reporting of losses of public money and property.

Finance Accountability and Inspection Division (FAID) of the Department of Treasury is responsible for records of the Losses and Deficiency sustained by Government Departments, Statutory Agencies and Provincial Administrations.

Government Departments, Statutory Agencies and Provincial Administrations are required by Financial Instructions parts 28, 29 and 30 of the FMM to furnish to FAID the reports of Losses and Deficiencies incurred during the year.

Reports and Records of Losses & Deficiencies

Audit noted that Department of Treasury was not able to produce the Statement of Losses & Deficiencies for Year ended 2011 due to the fact that Government Departments, Statutory Agencies and Provincial Administrations were not submitting their Losses and Deficiency Reports to Treasury. Department of Education was the only department that was sending Losses reports to Department of Treasury.

The losses reports for 2011 were not submitted to FAIS for compilation of the Statement of Deficiencies and Losses. Department of Treasury was still waiting for reports from the Departments, Statutory Bodies and Provincial Administrations.

Circulars and Finance Instructions Issued

Since there was lack of compliance by Departments and Agencies, Department of Treasury issued and hand delivered two Circular Instructions (No.2/2010 dated 18 February, 2010 and No.2-1/2010 dated 25 June, 2010). The two circulars emphasised the statutory requirements to report Losses and Deficiencies to the Division. However, there was very poor response to the above circulars.

Treasury Circular Instruction No.1-2013 dated February 2013 was issued again to all Departments and Agencies to follow up on the previous circulars issued and this too had poor responses.

APPENDIX 2 – Notes to Financial Statements

The Losses and Deficiencies Report in **Appendix 2** listed 22 Government Departments, 14 Statutory Agencies and four Provincial Administrations. The total number of Agencies and departments included in the report was only 40.

Appendix 2 - captured the Losses and Deficiencies sustained by the State for year ended 2011 added up to K80,097 which was made up of reports of losses sent to Department of Treasury by Department of Education. *Refer to the table below for details:*

DEPARTMENT/AGENCIES		LOSS REGISTER	LOSS REPORT	REMARKS
1	Department of Education	Yes	Yes	Armed Robbery of cash K18,727 from the paymaster at the Education Department Head Office.
2	Department of Education	Yes	Yes	Armed Robbery of cash K61,370 from the Paymaster at Education Department Head Office
Total Losses				K80,097

The remaining 39 Departments and Agencies did not maintain any Register of Losses and Loss Reports.

Conclusion

In view of the gravity and volume of assets and infrastructure owned, serviced and operated by all Government Agencies throughout the Country, the amount of K80,097 is materially understated and will be misleading to the users of Financial Statements as it does not fairly represent the actual situation at 31 December, 2011.

Recommendations

More attention is required to ensure that all Losses and Deficiencies sustained by all Government Departments and Agencies are taken stock of and disclosed in the Public Accounts Financial Statement to reflect the actual situation at year end. And the copies of Loss Reports should be forwarded to the Auditor-General's Office as required for audit purposes.

Government Departments, Statutory Agencies and Provincial Administrations are required by the *PFMA*, *PFMM* and *Financial Instructions* to produce and submit Losses and Deficiencies Reports to FAID.

Department of Treasury should have an active policy in place to properly address this issue since departments and agencies are not responding to the Circulars issued. They should follow-up on the Circulars issued regularly and liaise with Government Departments, Statutory Agencies and Provincial Administrations to address this pending issue.

Management Response

Agreed

20.5 Cheque Usage

Audit selected two cheque usage (consumption) reports for the period 15 December, 2011 to 10 February, 2012 for our audit review and the following findings were noted:-

- 661 cheques were issued totalling K19,426,067 of which, 273 cheques totalling K3,781,391 were printed during the Public Service Christmas and New Year Shutdown period (24 December to 30 December,) in 2011;
- Client confirmation noted that the Department did not maintain a Manual Cheque Register in 2011, therefore, audit could not confirm the cheques drawn against the register book for 2011;
- Audit also noted that the Cheque Usage (Consumption) Report 2011 printout for the period covered (24 – 30 December 2011) did not have serial numbers;
- Audit noted that the Cheque Usage Report 2011, reveal that 170 cheques totalling K1,761,827 were drawn between 6pm and 12 mid-night;
- 35 cheques totaling K372,956 were drawn at 11.45pm on 29 December, 2011; and
- Another 30 cheques totaling K506,978 were drawn at 11:30pm on 30 December, 2011.

Audit selected 92 payment vouchers totaling K8,158,050 with payments over K20,000 for the period covered and the field audit report was categories into three parts:-

- (1) Courts payments processed before 31December, 2011;
- (2) Payments over K20,000 processed during Christmas and New Year Shutdown period 2011; and
- (3) Payments over K20,000 processed from the 4 January, 2012 to 10 January, 2012.

1. Court Payments

Audit noted that 36 payment vouchers totalling K622,539 were related to court cases.

Summary of Court Cases payments

No	Date	No. of Cheques	Amount (K)
1	29.12.11	29	369,884
2	30.12.11	5	49,826
3	04.01.12	2	202,829
Grand Total		36	622,539

34 payment vouchers totalling **K419,709** were paid before the 31 December, 2011 which audit tested and the following findings were noted:

- A Lawyers Trust Account was paid **K7,590** on cheque No.10260 dated 30 December, 2011. Audit was advised that the cheque was cancelled and the payment vouchers was not on file and the cancelled cheque No. 10260 was not made available for audit verification. Audit followed up and issued an LAQ No. 4/2014 to the senior accountant to make available the cancelled cheques however, at the writing of this field report no response was received. Audit could not ascertain whether the payment cheque was actually cancelled;
- In all **33** payments totaling **K412,119** audit noted that the payments vouchers were not “stamped paid” by the accounts personnel. In the absence of such, there is high risks that the claims could be re-submitted for future payments and also, in all **33** payments, no cheque copies were attached to the payment vouchers;
- Another Law Firms Trust Account was paid **K2,242** on cheque no.10186 dated 29 December, 2011. Audit noted that the certifying officer did not sign the General Expenses Form for the claim to be paid; and
- In three payments totalling **K1,776**, audit noted that the senior accountant signed as the certifying officer.

Recommendations

AGO recommends that Department of Finance adhere to the following:

- Create a Manual Cheque Register to record all cheques drawn each day in the financial year;
- Ensure that proper personnel approved the claims prior to processing of payments;
- Ensure that payment cheque copies are attached to payment vouchers; and
- Ensure that all claims that are paid should be “stamped paid” to avoid being presented again for payments.

Management Response

Agreed

20.6 Departmental Audits

In drawing the conclusion relating to the Audit Opinion on the Public Account, it is necessary to consider the common observations made in the Management Letters issued by AGO to the various National Departments that had been audited for the 2011 financial year.

Summary of Departmental Audit Observation in 2011 included the following:

A total of 27 Departments and Agencies were audited in the 2011 audit cycle. However, not all areas selected for audit were covered in all Departments and Agencies. The audits of 2011 controls were designed to assess the reliability of control structures to produce complete, accurate and valid information for financial reporting purposes.

20.6.1 Budgetary Controls

An effective financial management control environment is demonstrated by an effective integration of budgeting with the entity's corporate plan priorities and external accountabilities. Appropriations represent the primary source of revenue for all agencies. The efficiency of a Department's cash management and budgetary controls depend on accurate information on the availability and the requirements of funds, as well as having reliable procedures in place for tracking variances from its records against Department of Finance's records, in order to ensure that:-

- Funds transferred by way of Warrant Authorities agreed with funds recorded in the Department's PGAS ledger or IFMS Ledger;
- Monthly reconciliations of Departmental expenditures and Department of Finance are carried out to eliminate any differences and Departmental balance figures to agree with Public Accounts;
- That differences noted are communicated with Department of Finance and are sorted out as soon as possible; and
- Funds are spent within the budgetary allocation.

AGO audits disclosed that the controls environment of the budgetary management in Departments and Agencies were generally inadequate. Weaknesses noted were related to:

- A lack of monitoring of expenditure was noted in all 27 Departments. Departments did not prepare cash flow statements on a regular basis to report on significant and or anticipated shortfalls or surpluses and to enable the Head of Department to make formal financial decisions. All 27 Departments indicated non-reconciliation of their monthly PGAS report against the TMS General Ledger maintained by Department of Finance. As at 31 December, 2011 the aggregate variances between these two records for 21 Departments indicated a massive variance of K361,493,744. This lack of monitoring expose the Public Accounts to such risks that moneys could be spent in excess of the appropriation limit, resulting in breaches of the *Appropriation Act* approved for the budget year including the *PFMA* or even the *Constitution*.
- Incorrectly charged expenditures to vote items for which funds were not appropriated, either through use of incorrect expenditure vote items or through journal entries. There were also instances noted of funds being transferred between divisions and functions as at 31 December, 2011, contrary to the *2010 Appropriation Act for the 2011 budget year*.
- A lack of reconciliation between the PNG Government Accounting System (PGAS) and the TMS which captures all the financial transactions processed through the PNG Government

Main Public Accounting System. Each Government agency is expected to reconcile their records (PGAS) on both revenue and expenditure with the monthly records produced by the Department of Finance (TMS). If there are any differences between the two records, journal entries are required to be raised by the Departments to make the necessary adjustments ensuring that both records have the same information on their respective ledgers. Material variances were noted in agencies for example; Department of Health – K39.7 million, Department of Justice and Attorney General – K9.3 million, Department of Defence – K54.3 million, Department of Lands and Physical Planning – K10.6 million, Department of Works and Implementation – K119.8 million and Department of Correctional Institutional Services – K46.2 million.

- The non-performance of this very important reconciliation has a significant impact in the balancing of the General Ledger of the Public Account of PNG. Namely, what is captured on the Main Public Account may not be a true and fair representation of the information being generated and processed during the financial year at the various agencies.

20.6.2 Bank Reconciliations

Bank reconciliation represents an independent verification by management to ensure that Cash Book transactions reconcile to the bank accounts. Performing bank reconciliations periodically (monthly) ensures that receipts and payments are accurately processed, Cash Book 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 assisting management to discharge its accountability requirements. Reconciliations should be prepared within a reasonable period of time to ensure anomalies or errors are identified and appropriate actions are taken promptly.

The Finance Management Manual requires Heads of Government Departments and Statutory Authorities to reconcile their bank accounts on a monthly basis. Bank balances should be reconciled against the Cash Book balance and the reconciled Cash Book balance should be agreed with the Appropriation Ledger for National Government, Provincial Government and Local Level Government transactions.

Copies of bank reconciliation statements should be forwarded to the Accounting Frameworks and Standards Division, Department of Finance no later than 14 days of the close of each month. Failure to comply may necessitate withholding further issuance of Warrant Authorities.

Weaknesses identified were mainly related to no reconciliations performed, untimely completion of reconciliations, and non-clearance of reconciling items, results are noted below:

- Bank reconciliations were current in only 14 out of 27 Departments. However, even in those entities, significant reconciling items were carried over for long periods of time. Five Departments had not performed any bank reconciliation for the year 2011, while three had their last reconciliation completed in September and one in February, 2011 respectively;
- The officers responsible for compiling the bank reconciliations were not qualified and were not sufficiently trained to perform such task;
- In a number of agencies, the reconciliations were not reviewed and certified as correct by a senior officer (Accountant); and

- AGO noted that not all Departments were submitting their monthly bank reconciliation statements to Department of Finance within 14 days after the close of each month as required in the PFMA.

20.6.3 Asset Management

Government Departments and Agencies spend significant amounts of public money on acquiring assets every year, especially on computers and accessories. It is the responsibility of the Departmental Heads to account for and safeguard the State's assets (property) within their respective jurisdictions.

The maintenance of reliable asset registers that include adequate information about all assets acquired, disposed of and asset reconciliations with periodical stocktakes due are prerequisites to having effective assets management controls. Regular reconciliations of the assets register with the entity's financial systems (i.e. procurement and payment functions) will help ensure the timely and accurate recognition of assets items and facilitate their physical control and safe custody.

From the assets records of the 27 departments audited, it was revealed that:-

- Assets registers were either non-existent or they were not maintained properly in all agencies. The lack of having a register would expose the entity to such risks like, assets may not be utilised effectively, may not be protected from physical deterioration, maintained properly, removed from premises without anybody knowing or damaged and not reported to authority;
- Periodic stocktakes were not conducted to determine the accuracy of assets on-hand in all agencies. The physical condition and durability of assets held were not properly ascertained. The risks of assets being removed without authority or through theft were very high in all agencies that do not conduct periodic stock-takes;
- From the samples of vouchers selected for testing; in excess of K16.4 million was identified as unrecorded assets in which payment details of these assets could not be traced to asset recording, both resulting from lack of a register or simply not being recorded by any means; and
- Controls surrounding management of motor vehicle fleets were non-existent. Custodianship of vehicles was not documented and identified to officers in possession, nor any review conducted on the custodial arrangements to ensure that the vehicles did exist.

20.6.4 Procurement and Payments Procedures

Effective and stringent internal controls over procurements and payments processes will ensure that the quality of goods or services acquired are acceptable and that goods that are actually received comply with specifications in the orders placed.

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 material fraud.

Our audit review revealed that; there was an extremely high rate of non-compliance with procurement and payment procedures. The majority of agencies did not have procurement plans or quotation registers maintained. The monitoring of quality and quantity of goods and services received was not performed (very poor).

Other significant issues were:

- Payment vouchers were not examined for completeness and certified correct prior to processing payments. These were noted in 13 entities out of 27 audited aggregating K56.8 million;
- In all 27 Departments, the amounts relating to missing documentation was in excess of K141 million;
- Payments to suppliers were effected on pro-forma invoices and without the required original company tax invoices; and
- In 11 out of 27 departments audited, payments were made without the supporting documentations such as the tax invoice to substantiate the payments aggregating to K4 million.

The significant lack of controls over procurement and payments expose the State to such risks of:

- Unauthorised purchases;
- Over-commitment of funds without recourse to cash flows;
- Uneconomical purchasing;
- Fraud (kickbacks/secret commissions); and
- Purchase of inferior or expensive goods and services.

20.6.5 Human Resource Management

Human Resource (HR) management processes encompass the day to day management and administration of employee entitlements and payroll functions. The salaries and wages costs within Government Departments represent one of the largest expenditure items. On average, direct salaries comprise over 20% of the annual recurrent budget of the State. This represents a significant area of risks 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 these functions.

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

Common weaknesses identified across the agencies were:

- Although the payroll is processed centrally by the Information Technology Division (ITD) of the Department of Finance for public servants, it is the responsibility of the Departmental Head to ensure that the Department's payroll is accurate and complete. Audit revealed that, no manipulation of payroll reconciliation was performed by HR personnel's in year 2011 by all 27 Departments audited. Previous audits indicated also that none of the agencies performed such reconciliations. The agencies did not maintain their own PGAS ledger

records but relied on the Department of Finance records. The lack of validation of payroll data (reconciliations) and (key controls) can facilitate fraudulent activities of the payroll where payments processed outside the system such as manual cheques would not be easily detected in the absence of proper audit trail of data input into the payroll systems.

- One of the important aspects of the HR function is to maintain records that demonstrate compliance with applicable human resource management statutory and regulatory requirements, agency policy and agreements with other parties. Maintaining and keeping up-to-date records in respect to individual employees are vital and should be always properly maintained. Testing on samples of employee files in all 27 Departments revealed that salary history cards were not kept-up-to-date regularly with recreational leave credits, HDAs, sick leave or tax declaration forms on dependents claimed.
- Personal files were not maintained properly and not kept up-to-date. Files were left lying on office floors and were not stored in secure environments. The risks of loss of payrolls, personal information or documents, damage to personal files and also unauthorised access to payroll and personal information was very high in all instances.

20.6.6 Trust Account Management

Government agencies (Heads of Departments) are responsible for the maintenance of Trust Accounts. To ensure proper accountability of trust moneys, Part 3 of the PFMA requires the maintenance of adequate records, that collection of receipts and payments from trust accounts are done in accordance with the Trust Instruments and submission of periodic reports to Department of Finance including a requirement to submit monthly bank reconciliations.

Consistent with the findings from previous years, the Departments were still not managing the collection of receipts and payments of trust money in accordance with the Trust Instruments. Other issues noted were:-

- Out of 27 Departments operating trust accounts, AGO identified the existence of ten Trust Accounts that were not operating under the Department's PGAS accounting system. When records are not properly maintained, monitoring of expenditure and compliance with legal requirements cannot be effectively evaluated;
- The Departments with trust accounts, payments were made contrary to the purpose of the trusts. Those agencies were also not submitting monthly bank reconciliations and statements of receipts and payment to the Department of Finance; and
- The majority of departments and agencies operating Trust Accounts were not investigating surplus funds available in the trust accounts as required by the PFMA.

20.6.7 Managements of Payments and Acquittals of Advances

Part 20 of the Financial Management Manual requires all advances paid relating to travelling for both overseas and domestic travel, including cash advances, to be recorded in the Register of Advances and to be controlled and managed by the Financial Delegates.

In addition, no second advance should be made when the first advance is outstanding. Furthermore, the Financial Delegates should be reviewing the Register of Advances to make sure

that all advances are being acquitted regularly as required and the advances should be used only for the purposes intended.

Although advances are not a direct component of the Public Accounts, due to the significance of the issues identified, such as non-existence of internal controls, management overriding the controls and potential fraudulent activities occurring, AGO examined in detail the area of management of advances. The following significant issues were identified:-

- In 21 out of 27 Departments tested, unacquitted advances at 31 December, 2011 was in excess of K13.6 million. It was observed that, agencies did issue additional advances to officers whilst their previous (first) advances were still outstanding;
- The practice where agencies paying significant cheque amounts of advances to the Paymaster to cash and pay advances in cash to the officers were not properly recorded and not acquitted. This process or practice of advances being paid to officers of a department or agency through the paymaster is a clear contrast to the simple procedures and guidelines stipulated in the Finance Management Manual Part 20. Other departments with material amounts of advances paid included: Department of Education – K4.4 million, Department of Lands and Physical Planning – K8.8 million, Department of Prime Minister and National Executive Council – K3 million and Department of Petroleum and Energy – K3.2 million. AGO observed that it was common practice by agencies to draw advance payments by using the Paymaster where controls over acquittals have been very unsatisfactory. Nine (9) Departments used the Paymasters to pay advances with no proper records maintained to record and monitor the acquittals of those advances aggregation to over K18 million; and
- AGO identified K7.1 million unrecorded advances in 11 departments. The overall management of the advances was very poor and there was no assurance on whether what we detected was the correct balances.

SECTION — “C”

APPENDICES

Understated Trust Account Balances ending 31 December, 2011

No.	IFMS Trust No.	Budget Funded Trusts	Bank Account Numbers	Balance as at 31 December 2011 As per Statement C 2011	Account Balance as at 31 December 2011 As per Bank Confirmation	Difference
1	10036	Public Curator's Trust Account	4356-6342	1,443,000.00	1,688,813.39	245,813.39
2	10036	PUBLIC CURATORS TRUST ACCOUNT Subsidiary 1	4356-6336	22,435,000.00	1,071,953.26	(21,363,046.74)
3	10029	National Value Added Tax Trust	4356-6372	319,000.00	49,338,378.14	49,019,378.14
4	30016	Comm.Water Transport Proj. GoPNG C/Fund	4352-6321	548,000.00	548,078.80	78.80
5	38026	Govt's Fund. Commit.& Dev. - PNG Gas Pipe	4356-6539	600,000.00	-	(600,000.00)
6	10051	National Roads Authority Fund	4356-6567	2,487,000.00	20,011,408.16	17,524,408.16
7	30039	Highlands Highway Rehabilitation Project	4356-6355	31,841,000.00	-	(31,841,000.00)
8	39029	Institutional Housing Pilot T/A	4356-6526	(4,985.00)	-	4,985.00
9	39033	Cooperative Societies Establishment T A	4356-6381	(3,000.00)	-	3,000.00
10	39034	Madang Marine Park Development T A	4356-6382	3,000.00	-	(3,000.00)
11	39035	Rural Electrification Trust Account	4356-6383	-	601,699.00	601,699.00
12	38044	Infrastructure Development (UBSA) Account	4356-6343	198,000,000.00	111,000,000.00	(87,000,000.00)
13	10126	District Offices Rehabilitation T/A	4356-6401	913,000.00	-	(913,000.00)
14	10127	Rural District Roads Support T/A	4356-6379	(4,370.00)	-	4,370.00
15	10128	Vararata National Park Rehabilitation T	4356-6396	46,000.00	-	(46,000.00)
16	10129	REDD Program T/A	4356-6395	8,000.00	-	(8,000.00)
17	10118	MOA Outstanding Liabilities Trust Account	4356-6341	111,626,000.00	-	(111,626,000.00)
18	10144	Kokopau to Arawa Road Upgrading and Bitumen Sealing T/A	4356-6411	19,962,000.00	19,962,405.00	405.00
19	10147	Aiyura National High School (Renovation and Upgrading) T/A	4356-6415	-	10,000,000.00	10,000,000.00
20	10148	Kerevat National High School (Renovation and Upgrading) T/A	4356-6416	-	10,000,000.00	10,000,000.00
21	10149	Passam National High School (Renovation and Upgrading) T/A	4356-6417	-	10,000,000.00	10,000,000.00
22	10151	Trans Sepik Highway T/A	4356-6419	-	10,000,000.00	10,000,000.00
23	10152	Trans East - West New Britain Highway T/A	4356-6420	10,000,000.00	7,042,905.20	(2,957,094.80)
24	10161	Customs Revenue Administration T/A	4314-6474	-	71,359,092.00	71,359,092.00
25	10169	Tuition Fee Education Trust Account	4356-6345	3,000,000.00	300,000,000.00	297,000,000.00
26	10173	2015 South Pacific Games Trust Account	4356-6425	-	75,601,600.00	75,601,600.00
27	10176	Defence Barracks Maintenance & Improvement T/A	4356-6429	5,000,000.00	-	(5,000,000.00)
28	10179	PNG LNG Development Cost Trust Account	4356-6535	3,911,000.00	1,505,600.00	(2,405,400.00)
K287,602,287.95						

APPENDIX 2

General Trusts with Bank Accounts

No.	IFMS Trust No.	Trust Name	Balance as at 31 Dec 2010 K'000	Receipts K' 000	Expenditure K' 000	Balance as at Auditors Adjustments K'000	Closing Balance as at 31 Dec 2010 in Statement C (as per Part I Report) K'000
1 *	30004	Attorney Gen.LegalInst.Sup Trust GoPNG	-	-	-	-	1,397
2	30008	Basic Education Dev.Project - AusAid	-	-	(2,205)	(2,205)	588
3 *	30098	Road Maint.UpgradingProj-ENB Prov.Govt	-	8,382	(8,382)	-	8,382
4 *	30115	L&J Sector Program Dept.of Justice & A/General Imprest A/C	-	641	-	641	171
5 *	38012	District roads, Sea & River Trans.Improv.	-	-	-	-	521
6 *	38022	ENB Prov Sub-National Strategy T/A	-	-	-	-	40
7	38036	Health Sector Development Program GoPNG Fund T/A (Revoked 2006)	-	3,060	-	3,060	17
8 *	38046	L&JS Nat.Plann. & Rural Dev. Imprest A/C	-	1	-	1	331
9 *	38071	National Women's Credit Scheme T/A (Revoked 2006)	-	1	-	1	1
10 *	39003	Outstanding Special Support Grants(Pre 2005)	-	5,550	(5,550)	-	7,550
11	39005	SHP Government Emergency - Subsidiary T A	-	-	-	-	103
12 *	39008	Agricultural Sector Development Trust	-	-	-	-	2
13 *	39019	PNG Gas Project Dev&Commiments T A	-	-	(600)	(600)	600
14 *	39020	Resettlement of Volcano Victims Trust	-	1,004	(1,004)	-	5,358
15	39022	Govt'sfundg of Hosp& Health Care Centre Rehab	-	231	(6,342)	(6,111)	6,342
16	39023	Govt's funding of Houses for Nurses	-	-	-	-	11,316
17 *	39026	Highlands Highway Rehabilitation T/A	-	-	-	-	36
18 *	39071	National Apprenticeship Testing Board T/A	-	-	-	-	12
			-	18,870	(24,084)	(5,214)	42,767

APPENDIX 3

Overdrawn Trust Accounts

No.	Legacy Code	IFMS Trust No.	Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditors' Adjustment 2011 K'000
1	330468	30008	Basic Education Dev.Project - AusAid	-	-	(2,205)	(2,205)
2	330614	30146	Highlands Region Roads Improv Invest ProgGoPNGCPart	-	50,000	(65,000)	(15,000)
3	330525	39019	PNG Gas Project Dev&Commiments T A	-	-	(600)	(600)
4	330528	39022	Govt'sfundg of Hosp& Health Care Centre Rehab	-	231	(6,342)	(6,111)
5	330565	39029	Institutional Housing Pilot T/A	14,994	-	(19,979)	(4,985)
6	330581	39033	Cooperative Societies Establishment T A	2,000	-	(2,003)	(3)
7	33627	39052	Business Development (UBSA) Trust Account	-	-	(87,000)	(87,000)
8	653	39063	Government Gas Facilitation Office T/A	0	-	(1)	(1)
9	330479	39135	Work Permit Trust Account	22,810	28,559	(65,141)	(13,772)
10	664	39171	Rural District Roads Support T/A	-	-	(4,370)	(4,370)
11	496	39918	Hides Petroleum Royalty	3,613	4,168	(10,839)	(3,058)
12	537	39920	Gobe Landowners Benefit T/A	5,719	300	(11,438)	(5,419)
			General Trusts With Bank Accounts Total	49,136	83,258	(274,918)	(142,524)

APPENDIX 4

Revoked Trust Accounts

No.	IFMS Trust No.	Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditors' Adjustment 2011 K'000
1	30020	Defence Force Commercialisation Programm	402	1,914	-	2,316
2	30022	Dist.RoadsRiver,TransportImprov.Prog	521	-	(0)	521
3	30064	PNG/NZ Schools Journal Project	-	-	-	-
4	30074	PNG-ADB Micro Finance Proj. Imprest	41	-	(41)	-
5	30075	PNG-ADB Micro Finance Project GoPNG	1,327	-	(1,327)	-
6	30084	Rehab.of Maritime Nav. Aids Sys.- GoPNG	456	-	(456)	-
7	30105	Simbu Rural Electrification ProjProv.Govt	607	-	(0)	607
8	30113	Yumi Yet Bridges for Rural Development	432	-	(0)	432
9	30140	Tech. Assist. Facility for Inst. Stren. &Pub.Sect.Ref Trust	-	174	(174)	-
10	38037	Health Sector Development Program (GOPNG)	17	-	(0)	17
11	38061	Mining Sector Institutional Strengthening	1	-	-	1
12	38062	Mining Sector Institutional Stregthening	38	152	(153)	37
13	38071	National Women's Credit Scheme T/A	-	1	-	1
14	38073	Northern Australia Quarantine Insp. Str	522	130	-	653
15	38077	Outstanding Contractual Commit.for DDP	-	-	-	-
16	38139	Health Sector Development	18,522	-	(18,522)	-
17	39077	Prepared Communities Grant Trust	301	-	(0)	301
18	39114	Nat Disaster & Emergency General T/A	2,642	-	-	2,642
19	39127	Central Supply and Tender Board	4,337	-	(640)	3,698
20	39132	Defence Force Commersial Support TA	402	221	(461)	162
		TOTAL	30,570	2,592	(21,776)	11,386

APPENDIX 5

Trust Instrument not sighted

Ongoing Issue from 2010 PA Audit - Follow up 2009 Trust Instruments not sighted						
	Trust Instruments not sighted in 2009 Public Accounts					
No	Trust Code	Trust Name	Status as at 31/12/2009		2011 follow up on on-going issue of 2209 Trust Instruments not sighted as14/02/2014	Sighted in Statement C 2011
	General Trusts with Bank Accounts			Year		
1	247	Central Supply & Tenders Board	Revoked	2005	No	Yes
2	380	PNG NWS - TWP/ARM Trust	Active	N/A	No	Yes
3	382	PNG Highlands Highway Rehab. Pro	Active	N/A	No	Yes
4	383	PNG Highlands Highway Rehab. Pro	Active	N/A	No	Yes
5	483	Basic Education Dev. Project Imprest T/A	Active	N/A	No	Yes
6	513	AUSAID Grant Imprest Account	Active	N/A	No	Yes
	General Trusts with out Bank Accounts			Year		
7	30	Suspense - Housing Commission	Active	N/A	No	Yes
8	34	Unclaimed Monies Trust Account	Active	N/A	No	Yes
9	64	Prov Mineral Petroleum Royalty	Revoked	2006	No	Yes
10	74	Workers Compensation Trust Account	Active		No	Yes
11	91	Bougainville Rehabilitation Trust Account	Revoked	2006	No	Yes
12	136	Moran Trust	Revoked	2006	No	Yes
13	137	Central Moran Petrol DevProj Levy	Revoked	2006	No	Yes, but in Trust with bank Accounts with different Trust code # 497

Trust Accounts without bank accounts bank account numbers

No.	IFMS Trust No.	Budget Funded Trusts	Bank	Bank Account Numbers	Established Date	Bank Balance as at 31 December 2011	Cash Book Balance 31 December 2011	Reported Balance at 31 Dec 2011
1	38139	Health Sector Development	#N/A	#N/A		#N/A		#N/A
2	30125	Govt of Japan Non Project Grant Aid GoPNG	Unknown	No Account		no account		no account
3	30038	Health Sector Improvement Program T/A	#N/A	#N/A		#N/A		#N/A
4	38052	Lae Port Dev.Proj. GoPNG Counterpart Funding	N/A			#N/A		#N/A
5	38050	Lae Port Dev.Proj. ADB 2398 PNG Imprest	No A/c Opened	0		#N/A		#N/A
6	38092	PNG Rural Communication Project: HHRD Gr	#N/A	#N/A		#N/A		#N/A
7	38120	Waigani Office Re-Development Account	No A/c	623		#N/A		#N/A
8	38070	National Planning Capacity Building Acco	No A/c Opened	0		#N/A		#N/A
9	39052	Business Development (UBSA) Trust Account	No A/c	627		#N/A		#N/A
10	38110	Social Development Program Account	No A/c Opened	0		#N/A		#N/A
11	10121	Morobe Mining Affected Communities (MMAC	Unknown	No Account Opened		#N/A		#N/A
12	10122	Morobe Mining Landowners Royalty (MMLR)	Unknown	No Account Opened		#N/A		#N/A
13	10123	Morobe Mining Future Generation (MMFG) T	Unknown	No Account Opened		#N/A		#N/A
14	10140	Lae Port Livelihood and Social Improvement Program (1) Imprest Account	#N/A	#N/A	3/23/2011	#N/A		#N/A
15	10141	PNG Rural Communications Project GOPNG T/A	#N/A	#N/A	3/25/2011	#N/A		#N/A
16		Baiyer - Madang Road Trust Account	N/A	N/A				
17		Bogia-Angoram Road Trust Account	N/A	N/A	3/30/2011			
18		Public Relation for Promotion of Government Initiatives T/A	N/A	N/A	3/30/2011	N/A		N/A
19	10145	Coastal Fisheries Development Program T/A	No A/c	688	3/30/2011	#N/A		#N/A
20	10155	Road Maintenance and Rehabilitation Project 2 (RMRP 2) T/A	#N/A	#N/A	5/30/2011	#N/A		#N/A
21	10157	Flexible, Open and Distance Education (FODE) Project T/A (Donor)	BSP	#N/A				#N/A
22	10165	National Security Trust Account	No A/c Opened	0	9/2/2011	#N/A		#N/A
23	10180	PNG Rubber Board	#N/A	#N/A		#N/A		#N/A
24	10181	Seasonal Workers	No A/c Opened	#N/A		#N/A		#N/A
25	10184	Public Curators Administrative (For Southern and Highlands Region) Trust Account	0	0	12/6/2011	#N/A		#N/A
26	10185	Agro Food Safety and Codex Project Trust	No A/c Opened	0	12/6/2011	#N/A		#N/A

APPENDIX 7

Trust Accounts that had no funds transferred

Trust Accounts that had no funds transferred in to though appropriated for as per the Supplementary (Appropriation) Act 2011

No.		<i>As per Schedule 3 Supplementary (Appropriation) Act 2011 - Immediate Transfer of Funds (K)</i>	IFMS Trust No.	Trust Name	Balance as at 31 Dec 2010 K' 000	Receipts K' 000	Expenditure K' 000	Balance as at Auditor Adjustments 2011 K'000
1	(b)	72,000,000	39171	Rural District Roads Support T/A	-	-	(4,370)	(4,370)
2	(c)	72,000,000	39215	District Rural Health Centres Trust Account	-	-	-	-
3	(d)	50,000,000		Transport Sector - Provincial Roads Trust Account				
4	(e)	40,000,000	39216	Ministerial Commitments PNG LNG Trust Account	-	-	-	-
5	(f)	30,000,000		Port Moresby Roads Trust Account				
6	(g)	21,000,000	39217	Provincial Hospitals Equipment & Infrastructure Trust Account	-	-	-	-
7	(h)	20,000,000	39218	2015 South Pacific Games Trust Account	-	-	-	-
8	(i)	15,000,000	39016	Govt's funding of Rehab of Nat Parliament Infrast	3,410	-	-	3,410
9	(j)	10,000,000	39219	Gordons Police Barracks Maintenance & Improvement T/A	-	-	-	-
10	(m)	5,000,000	39222	Correctional Services Barracks Maintenance & Improvement T/A	-	-	-	-
11	(n)	2,000,000	39177	Audit & Legal Team Support T/A	-	-	-	-
		337,000,000		Total	3,410	-	(4,370)	(960)

APPENDIX 8

Trusts Accounts Statement C 2011 that was not reported in Statement C 2010

No. of Trust	Legacy Code	IFMS Trust No.	Trust Name	Balance as at 31 December 2010 (K)
	General Trusts With Bank Accounts			
1	330158	30007	AusAID Transport Sector Program - GoPNG	6,029,000
2	330465	30015	Comm.Water Transportation Fund-US Dollar	10,000
3	652	38011	Development of the PNG Domestic Debt mar	450,000
4	330161	38037	Health Sector Development Program (GOPNG)	17,000
5	330624	38044	Infrastructure Development (UBSA) Accoun	87,000,000
6	607	38113	Support to Auditor-General's Office (SAG	634,000
7	631	39157	PDL1 Hides LBBSA - BDG Account	20,000
8	637	39161	PDL7 - Hides 4 lbbsa BDG Accounts	15,000,000
9	638	39162	PDL8 - Angore LBBSA BDG Accounts	12,000,000
10	654	39167	PNG Immigration & Citizenship Service T/A	4,502,000
			TOTAL	K145,642,000

APPENDIX 9

Statement G Differences

Differences in the Reporting of Statements (B, G, J and L)

	Statement G K'000	Statement B K'000	Difference K'000
Debt Services – Principal	2,910,034	1,695,060	1,214,974
Debt Services – Int.& Loan Related Fees	<u>294,672</u>	<u>95,285</u>	<u>199,387</u>
	<u>3,204,706</u>	<u>1,790,345</u>	<u>1,414,361</u>

a) Borrowings

Lender	Statement B	Statement G	Diff
ADB	-	45,995,000	45,995,000
IFAD	-	903,000	903,000
IDA	-	42,048,000	42,048,000
JABIC	-	249,000	249,000
IBRD	-	<u>123,810,000</u>	<u>123,810,000</u>
		<u>213,005,000</u>	<u>213,005,000</u>

	Statement B	Statement G	Diff
Treasury Bills	-	2,920,100,000	2,920,100,000
Inscribed Stock	-	<u>780,000,000</u>	<u>780,000,000</u>
	-	<u>3,700,100,000</u>	<u>3,700,100,000</u>
Total Borrowings	-	<u>213,005,000</u>	<u>213,005,000</u>

b) Principal Repayments

Payments Creditor	Statement B	Statement G	Diff
T Bills	-	2,223,800	2,223,800
Inscribed Stock	-	500,398	500,398
Int on OD facility	-	-	-
EdaRanu	-	-	-
ADB	-	53,800,000	53,800,000
EEC	-	7,149,000	7,149,000
EIB	-	3,682,000	3,682,000
IBRD	-	28,833,000	28,833,000
IFAD	-	911,00	911,00
Multilateral Loans-----			
IDA	-	<u>7,958,000</u>	<u>7,958,000</u>
Australia	-	4,624,000	4,624,000
Taiwan	-	443,000	443,000
Germany: KFW	-	17,911,000	17,911,000
Japan - JABIC	-	54,751,000	54,751,000
Korea	-	1,258,000	1,258,000
Bilateral Loans-----			
- Bank Of China	-	<u>1,352,000</u>	<u>1,352,000</u>
Total Principal		<u>2,910,032,000</u>	<u>2,910,032,000</u>

Appendices

Repayments				
c).Interest Payments		**BPNG Bank Confirmation	Statement G	Diff
Interest Payments				
	T Bills	72,751,472,000*	71,552,000	1,199,472,000
	Inscribed Stock	249,598,030,000*	173,455,000	106,143,030
	Inter on ODfacility	-	168,000	168,000
	ADB	Statement B	14,445,000	14,445,000
	EEC	-	1,620,000	1,620,000
	EIB	-	169,000	169,000
	IBRD	-	2,532,000	2,532,000
	IFAD	-	84,000	84,000
	IDA	-	1,659,000	1,659,000
	Australia		728,000	728,000
	Taiwan	-	125,000	125,000
	Germany: KFW	-	401,000	401,000
	Japan: OECF	-	16,359,000	16,359,000
	Korea	-	210,000	210,000
	DtscheBk-YumiYet	-	1,050,000	1,050,000
	EXIM Bank – China	-	456,000	456,000

Total Interest Payments* **322,349,502,000** **285,013,000** **285,013,000**

c) Other Commitments and Other Payments

Other Payments		Statement B	Statement G	Diff
	ADB	-	681,000	-
	EIB	-	1,000*	*Total reads 2,000
	JABIC	-	257,000	-
	EXIM Bank of China	-	5,444,000	-
	Other Overseas Fees	-	3,275,000	-
	Total Fees		9,658,000	*1,000
	Statement 'G' - Total		(9,659,000)	

APPENDIX 10

National Development Expenditure 2011

Trust Accounts appropriated in Schedule 2 of the Appropriation (National Development Expenditure 2011) Act 2010 and in Schedule 3 of the Supplementary (*Appropriation*) Act 2011.

#	Name of Trust Account	Appropriation as per Development Act 2010	Status of Trust Accounts	Actual Funds Transferred to Trust Accounts	Expenses Incurred/Funds Used	Balance as at 31 st Dec, 2011	Trust Accounts not Established
Development Budget							
1	District Services Improvement Program Trust Account	178,000,000	Trust Account is Active	355,318,000	354,318,000	1,000,000	
2	Infrastructure Development (UBSA) Trust Account	120,000,000	Trust Account is Active	198,000,000	0	198,000,000	
3	High Impact Projects – Southern Highlands (UBSA)	100,000,000	Trust Account is Active	100,000,000	0	100,000,000	
4	Rehabilitation of Education Sector Infrastructure (RESI)	70,000,000	Trust Account is Active	70,000,000	0	70,000,000	
5	Economic Corridor Development Program	50,000,000	Trust A/c Not Established				50,000,000
6	Baiyer – Madang Road	20,000,000	Trust A/c Not Established				20,000,000
7	Bogia – Angoram Road	20,000,000	Trust A/c Not Established				20,000,000
8	Kokopau to Arawa Road Upgrading and Bitumen Sealing	20,000,000	Trust Account is Active	19,962,000	0	19,962,000	
9	Public Relation for Promotion of Government Initiatives	20,000,000	Trust A/c Not Established				20,000,000
10	Coastal Vessels Program (New)	20,000,000	Trust Account is Active	5,640,000		5,640,000	
11	Coastal Fisheries Development Program	15,000,000	Trust Account is Active	0	0	0	
12	Lihir Special Support Grant (Provincial Government Component)	10,200,000	Trust Account is Active	0	0	0	
13	Aiyura NHS – Renovation and Upgrading	10,000,000	Trust Account is Active	0	0	0	
14	Kerevat NHS – Renovation and Upgrading	10,000,000	Trust Account is Active	0	0	0	
15	Passam NHS – Renovation and Upgrading	10,000,000	Trust Account is Active	0	0	0	
16	Sogeri NHS – Renovation and Upgrading	10,000,000	Trust Account is Active	10,000,000	0	10,000,000	
17	Trans Sepik Highway	10,000,000	Trust Account is Active	0	0	0	
18	Trans East – West New Britain Highway	10,000,000	Trust Account is Active	10,000,000	0	10,000,000	
19	Buluminski Highway	10,000,000	Trust Account is Active	0	0	0	
20	Central – Malalaua Highway	10,000,000	Trust Account is Active	10,000,000		10,000,000	
	Total Trust Funds (Development)	723, 200,000		778,920,000	354,318,000	424,602,000	110,000,000
#	Name of Trust Account	Appropriation as per	Status of Trust Accounts	Actual Funds Transferred	Expenses Incurred/Fun	Balance as at 31 st Dec,	Funds for Trust

Appendices

		Development Act 2010		to Trust Accounts	ds Used	2011	Accounts not Established
	Supplementary Budget	(K)					(K)
1	Tuition Fee Free Education Trust Account	300,000,000	Trust Account is Active	300,000,000	0	300,000,000	
2	Transport Sector – Rural Districts Roads Trust Account	72,000,000	Trust Account is Active	0	4,370,000	(4,370,000)	
3	District Rural Health Centres Trust Account	72,000,000	Trust Account is Active	0	0	0	
4	Transport Sector – Provincial Roads Trust Account	50,000,000	Trust A/c Not Established			50,000,000	
5	Ministral Commitments PNG LNG Trust Account	40,000,000	Trust A/c Not Established				40,000,000
6	Port Moresby Roads Trust Account	30,000,000	Trust A/c Not Established				30,000,000
7	Provincial Hospitals Equipment and Infrastructure Trust Accounts	21,000,000	Trust A/c Not Established				21,000,000
8	South Pacific Games Trust Account	20,000,000	Trust Account is Active	0	0	0	
9	National Parliament Infrastructure Rehabilitation Trust Account	15,000,000	Trust Account is Active	3,410,000	0	3,410,000	
10	Gordons Police Barracks Maintenance and Improvement Trust Account	10,000,000	Trust Account is Active	0	0	0	
11	Port Moresby General Hospital Equipment and Infrastructure Improvement Trust Account	6,500,000	Trust Account is Active	6,500,000	0	6,500,000	
12	Defence Barracks Maintenance and Improvement Trust Account	5,000,000	Trust Account is Active	5,000,000		5,000,000	
13	Correctional Services Barracks Maintenance and Improvement Trust Account	5,000,000	Trust Account is Active	0	0	0	
14	Financial Audit and Legal Advice Trust Account	2,000,000	Trust Account is Active	0	0	0	
	Total Trust Funds (Supplementary)	648,500,000		314,910,000	4,370,000	360,540,000	91,000,000

APPENDIX 11

I. OVERVIEW OF THE GOVERNMENT ACCOUNTING SYSTEM, ACCOUNTING PRINCIPLES AND CONCEPTS

1. Government accounts are maintained on cash basis. Receipts and expenditure are brought to account only when money is actually collected or when a payment is made. Cost of goods and services received in one year is brought to account in the year of payment and not spread over the years during which they may be used. Similarly, if revenue receivable in one year is not actually received in that year, its accounting will be deferred until it is received.
2. A distinguishing feature of the Government financial system is the concept of fund entities, which is derived from the fact that the legislature controls public finances. According to the fund entities concept, government revenues and loans accumulate under a fund and withdrawals therefrom to meet expenditure are strictly governed by authorisation by Parliament through structured channels. If an obligation incurred during a year is not met during or before the close of the year, it has to be carried forward and met from next year's Parliamentary authorisation, and cannot be met from unspent revenues of the year in which the obligation was incurred. Parliamentary authorisations or appropriations are annual but there are special dispensations within the concept to allow for revolving fund operations of a quasi-commercial nature, usually under trustee arrangements. Under these arrangements, Parliamentary appropriations, either for start-up assistance in the form of initial working capital or budget subsidies for operations, are paid into a separate fund and the balances under this fund are carried forward from year to year. Monies raised by such activities which get paid into the fund are subject to vigorous control as normal public expenditure.
3. If an expenditure is incurred on a service in one year and a recovery is made or a refund is received or a cheque is returned not delivered to the payee in relation to that expenditure in the subsequent year, the recovery, refund or the value of the cheque banked will be credited to Revenue (Appropriation of Former Years) in the subsequent year's account. Thus, if an airline ticket is purchased in 2009 and if a refund is obtained from the airline company in 2010 because the ticket was not utilised, refund will be credited to Revenue in 2010. Similarly, if salary is overpaid erroneously in one year and is recovered in the next year, the recovery will be credited to Revenue. No attempt shall be made to raise the budgeted allocations by crediting to the expenditure votes, recoup of overpayments, refunds received and other recoveries for services paid for in the previous years.
4. If expenditure is incurred in one year and recovery is made or refund is received or cheque is returned without delivery to the payee in respect of that expenditure within the same year, the recovery, refund or value of cheque banked will be credited to the expenditure vote thereby adding to the availability of funds.
5. No refund of revenue shall be made by charging the revenue. All refunds have to be made charging the expenditure votes for Refunds included under *Appropriation Act*.
6. Offshore loans received in kind under which international agencies pay suppliers directly for services or goods supplied, by treating them as part of the loan to the Government, must be brought into account both as loans (revenue ledger) and as expenditure.

II FINANCIAL AND MEMORANDUM ACCOUNTS

7. Since Government accounts are on a cash basis it is imperative that subsidiary accounts are maintained to provide a complete view of the assets and liabilities of the Government and are also kept reconciled to the financial accounts as far as possible. The following are the major memorandum records that are subsidiary to the financial accounts:
- (a) Uniform register showing the date of purchase of each item of capital nature (classified under the subcategory 210, 220 and 230 with over K1,000 in value and with normal life of more than one year) its cost price, description, distinctive (serial and model) number, date of final disposal and method of disposal;
 - (b) Debtors' accounts showing the name and address of each debtor, amount due, of cash, amount received, receipt number and other useful information;
 - (c) Vendors' accounts showing accounts received from suppliers (or personal claims) and registered for payment, particulars of payments, if not paid then state the stage at which it is pending; and
 - (d) Advances Ledger showing payments either charged to votes or to Advances account analysed by name and address of the advance holder, amount, date of advance, when acquitted, refund amount (if any) received, date of final acquittal of an advance.

TRUST FUNDS RELEVANT LEGISLATIVE REQUIREMENTS

Public Finances (Management) ACT, 1995

Section 16 Payments into Trust Accounts, states:

- (1) *There shall be paid to the credit of a Trust Account: -*
- (a) *all moneys appropriated for the purpose of the Account;*
 - (b) *all moneys received from any dealing with any articles purchased or produced, or for work paid for, with moneys standing to the credit of the Account;*
 - (c) *all moneys paid by any person for the purposes of the Account; and*
 - (d) *amounts appropriated as Government contribution to a project which is partly funded by an international agency, whether by way of loan or grant.*

Section 18 states that “*Subject to Subsection (1), transfers of funds from Consolidated Revenue Fund to Trust Fund are prohibited unless a special transfer is authorised by an Appropriation Act*”.

Section 19 (2) states that “*A Departmental Head of a Department responsible for a Trust Account shall ensure the proper management and operation of that account, and Section 19 (4)(c)] shall maintain such records pertaining to the Account as are required by the Departmental Head of the Department responsible for financial management and shall submit to him within seven days after the end of each month, details of transactions on the account; and (d)shall, at the end of each fiscal year, submit to the Departmental Head of the Department responsible for financial management, a Statement of the account for the preceding year.*

Finance Instruction

PART 12—TRUST FUND AND TRUST ACCOUNTS

1. Trust Fund

The Trust Fund is part of the Public Account according to Section 10 of the PFMA. All public moneys are payable into either the Trust Fund or the Consolidated Revenue Fund depending on the nature of the receipt.

The Trust Fund consists of a number of trust accounts established under Section 15 of the PFMA. The aggregate of the balances in the individual trust accounts constitutes the Trust Fund balance. Public moneys are payable into the Trust Fund only if such payments are within the specific scope of any individual trust account; otherwise such moneys must be paid into the Consolidated Revenue Fund.

2. Categories of Trust Accounts

Trust Accounts have been established to account for the following types of transactions or funds:

- (i) Moneys held in trust for third parties;

- (ii) Revolving or working capital funds provided for certain Government, commercial or trading operations; and
- (iii) Suspense or other transitory transactions which are to be held in special accounts until they are transferred to the final accounts.

The Trust Accounts have been divided into the following categories in the Trust Funds Account Code for accounting purposes:

- Category (a): Finance Operating Trust Accounts
- Category (b): General Trust Accounts:
 - (i) with bank account; and
 - (ii) without bank account
- Category (c): Investment Trust Accounts
- Category (d): Project Trust Accounts

The balances standing to the credit of the Category (c) trust accounts must be invested, whereas investment is discretionary in the case of Category (b).

Finance Operating Trust Accounts

These are asset or clearance accounts and are of 2 types:

- (i) With separate Bank accounts - the Waigani Public Account (WPA), Operating Accounts of Provinces, Drawing Accounts of self-accounting national departments are examples; and
- (ii) Non-bank Accounts - Examples are the Permanent Advances, Other Advances, Bank Transfer to WPA, Cash In Transit, and Salaries Clearance Account. Assets represented by balances in these trust accounts are represented by a corresponding liability reflected in balances in the Consolidated Revenue Fund and the General Trust Fund Account.

General Trust Accounts

General Trust Fund Accounts may be categorised into two (2) types:

- (i) those with separate bank accounts (Trust Accounts of Public Curator, Registrar of National Court, Public Solicitors, General Hospital Welfare, World Bank, ADB, Correctional Services, Stabex Entitlement, Police Messing, POM General Hospital Fees are examples of these trust accounts), and
- (ii) those without separate bank accounts and which operate through Waigani Public Account (Plant and Transport Trust, Vocabulary Stores Trust, Trust Account for each Provincial Government, Trust Account for Hospital Fees are examples of this type of trust).

The liability for balances in the first category (General Trust Fund Accounts with bank accounts) is represented by moneys held in separate bank accounts for these trust accounts. Similarly the liability for trust account balances in the second category (General Trust Fund Accounts operating through the Waigani Public Account) is represented by a corresponding balance held in the WPA.

Investment Trust Accounts

Amounts paid into trust accounts such as Motor Vehicle Dealer's Deposits, Mineral Resource Stabilisation Fund, National Emergency Fund must be invested. The liability represented by account balances in these trust fund accounts is represented by cash balances held in the bank accounts under the category "Trust Investment Accounts".

3. Basis of Trust Accounts

Trust Accounts (other than Finance Operating Trust Accounts) are created either by trust instruments signed by the Minister for Finance or specific provision in a law.

Where a trust account is created under a trust instrument, the terms of the trust will govern receipts, payments, investments and income from investments, in relation to that trust account.

4. Establishment of Trust Accounts

Section 15 of the PFMA provides that Trust Accounts may be established as directed by the Minister or prescribed by any other law:-

- to receive moneys held by the State as trustee;
- to receive the proceeds of commercial or trading activities carried on by any arm, agent or instrumentality of the State; and
- for such other purpose as may be approved by the Minister.

According to Section 19(2) and (3), a Departmental Head responsible for a Trust Account shall ensure the proper management and operation of that Account. The Departmental Head before the commencement of each fiscal year submit to Secretary for Finance, in the prescribed form an estimate of receipts and payments expected to be made into and withdrawn from the Account.

As a general rule, Departments will not be allowed to open trust accounts where the normal appropriation and revenue accounts under the Consolidated Revenue Fund (with suitable memorandum records, where necessary) would suffice.

Where the need for opening a trust account is specifically felt, the implementing agency will address the Department of Finance giving the following details:

- (a) Special advantage in opening the trust account;
- (b) Purposes for which the trust account will be used;
- (c) Sources of revenue;
- (d) Specific objects on which moneys from the Account will be spent; and
- (e) Persons (name and designation) authorising to operate the account.

If the Department of Finance is satisfied, a trust instrument will be drawn up in consultation with the originating Department and the State Solicitor and submitted to the Minister for Finance for consideration and approval.

Departmental Head responsible for a particular Trust Account will submit within seven days after the end of each month, details of transactions of the Trust Account.

5. Banking Arrangements and Rendition of Account

Normally trust accounts, being part of the Public Accounts will not be allowed special banking arrangements. Instead, receipts and payments will be accounted for by Provincial and District Treasuries or Department of Finance in Port Moresby.

However, in special cases (such as projects substantially financed by contributions from foreign countries or agencies and where the contributors require such a facility or where projects are likely to be converted into statutory authorities after a period), there is no objection to allowing a special banking facility.

Where a special bank account is to be opened for a trust account, the following requirements should be kept in view:

- (a) A bank account may be opened at the Bank of Papua New Guinea or any commercial bank, but no account should be opened without specific prior approval from the Department of Finance; and
- (b) Implementing agencies should ensure that a Statement of cash account is submitted to the Public Account of the Department of Finance for each month not later than seven days after the end of the month; unless a different period is allowed under the trust instrument. The receipts and payments during the period and the closing balance should be accompanied by bank reconciliation statements. This is necessary for incorporation of the trust transactions in the monthly and quarterly statement of Public Account compiled by the Department of Finance.

6. Payment into Trust Accounts

The following moneys will be paid into a trust account:

- (a) Moneys appropriated for the purpose of the trust account;
- (b) Sale proceeds of assets purchased from the trust account and other receipts which are allowed by the trust instrument to be credited to the trust account;
- (c) All moneys paid by any person for the purpose of the trust account specifically provided for in the trust instrument.

7. Payments out of Trust Account

Moneys may be paid out of the trust account only:

- (a) for the purposes of the trust account or as authorised by a law;
- (b) if there is sufficient credit balance in the account; and
- (c) in accordance with the estimate of receipts and payments submitted by the departmental head for each fiscal year to the Secretary, Finance and as approved by the latter.

8. Trust Accounts Reconciliation

It is the responsibility of Departmental Heads to ensure that all Trust Accounts under their control are reconciled on a monthly basis with copies sent to Public Accounts Division, Department of Finance no later than 14 days of the close of each month.

Failure to comply with the provisions of the PFMA and the conditions of the Trust Instrument may result in actions being taken as stated below.

9. Moneys at Credit of Trust Account not to Lapse

Moneys standing to the credit of a Trust Account at the end of a fiscal year shall not lapse at the end of that fiscal year and will be carried forward to the next year.

10. Management of Trust Accounts

As a general rule, where a trust account has been established to meet the specific needs of a Department, the Head of that Department is responsible to ensure proper management and operation of that account in accordance with Section 19 of the PFMA.

11. Suspension of Trust Accounts

The Secretary for Finance at his discretion under Section 19(5) of the PFMA may:

- Suspend the operation of a Trust Account where the provisions of the PFMA are not complied with, or
- Take over the responsibility for the operation of that Account, or
- Close the operation of the Account where there has been no attempt made to reconcile the Account.

12. Transfer to Consolidated Revenue Fund

The Secretary for Finance in consultation with the Departmental Head responsible for the Trust Account may authorise the transfer of any surplus in that Trust Account to the Consolidated Revenue Fund.

13. Control of Trust Expenditure

Section 19 of the PFMA prescribes that before the commencement of each fiscal year, the Head of the respective implementing agency with the management of Trust Account shall submit to the Secretary, Finance an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year. These estimates should be submitted in the form prescribed by the Secretary, Finance.

The provisions relating to Appropriation, Minister's Warrant, Warrant Authorities and Cash Fund Certificates, do not apply to Trust Account operations. However, the requirements of commitment control and all other requirements set out in this and other sections and parts of the Manual will fully apply to expenditure drawn from trust accounts.

These requirements relate to purchase of goods and services and stores procedures. To comply with this provision and requirements, the head of the implementing agency responsible for the management of each Trust Account should make suitable purchasing

arrangements.

Heads of implementing agencies responsible for Trust Accounts should appoint agency officers to take decisions on expenditure from Trust Accounts and lay down the financial limits up to which requisitions for expenditure from trust accounts can be approved by agency officials. The financial limits will vary according to the purposes viz. capital purchase, capital works, maintenance and other expenditure activities. Where the amount of an individual transaction exceeds the authorised limit of the agency it should be referred to appropriate Section 32 officer for approval.

Financial Delegates entrusted with commitment control and other duties, and authorised to make payments and implement expenditure decisions taken by Section 32 officers in respect of expenditure from the Consolidated Revenue Fund may be entrusted with same or similar responsibilities in respect of expenditure from the Trust Account. Heads of agencies responsible for Trust Accounts should take a decision in this respect or make suitable alternative arrangements.

Section 19(4) of the PFMA prescribes that the Head of an implementing agency responsible for a Trust Account shall maintain such records pertaining to the Account as are prescribed, and submit them at the end of each fiscal year to the Secretary for Finance. Heads of implementing agencies may delegate this responsibility and designate officers who shall maintain the prescribed records. However, the responsibility to submit records at the end of each fiscal year to Secretary, Finance be delegated and the prescribed records should be submitted no later than 2 months after the expiry of each fiscal year.

14. Use of Finance Forms

Expenditure of moneys from Trust Accounts is to be processed on the prescribed Finance Forms such as Requisitions for Expenditure, ILPOC, and General Expenses (FF3, FF4, FF4A) and related forms, with the following modifications:

- (a) The name of the Trust Account and Code should be indicated in place of the Vote Number;
- (b) The column for Cash Fund Certificate Number will be left blank; and
- (c) The officer or officers authorised to draw money from a trust account in terms of a trust instrument or appropriate law (or an officer approved for the purpose by the Department of Finance, in other cases) will sign in the place meant for the Financial Delegate's signature.

Official receipts (FF132) are to be issued for moneys received to the credit of a trust account.

15. Paying Office Procedure

A Paying Office, before authorising a payment from a Trust Account, should satisfy itself that there is sufficient credit in the relevant trust account. Where a Trust Account ledger is maintained solely in a Paying Office, the Paying Office should refer to the ledger balance before authorising payment. If transactions relating to a Trust Account take place in more than one Paying Office, authorising officers should ascertain the balance in the Trust Account from the Trust Section of the Department of Finance and Treasury by telephone or other expeditious means.

16. Investments

Investments are made from Trust Accounts by the Department of Finance if the terms of the trust provide for investment and in other cases, if there is surplus cash balance. Such investments are part of the Trust Fund.

Income from the investments will be credited to the appropriate Trust Account if so required under any law or a trust instrument. Otherwise, it will be paid into the Consolidated Revenue Fund.

17. Unclaimed Trust Fund Moneys

According to Section 20 of the PFMA all moneys standing to the credit of the Trust Fund that have remained unclaimed for not less than six years after they have become payable shall be paid to the Consolidated Revenue Fund. Generally, unclaimed moneys are held under the Unclaimed Moneys Fund Trust Account in terms of the *Unclaimed Moneys Act (Chapter 326)* and this trust account should be reviewed quarterly and action taken to transfer the unclaimed moneys to revenue.

18. Closing of Trust Accounts

Trust Accounts should be reviewed periodically and where they are not required for the purposes for which they were established, a report should be made to the Minister for Finance under Section 21(1) of the PFMA.

After obtaining the Minister's approval for closing of a Trust Account, the Department responsible for the Trust Account should take steps to meet all the liabilities as expeditiously as possible. The balance left in the account should be dealt with according to any direction in the trust instrument and if there is no direction, the balance should be proposed for transfer to Consolidated Revenue Fund.

Rec'd 13/8/14
Wk 9-30am.



DEPARTMENT OF FINANCE
Office of the Secretary

07th August 2014

Acting Deputy Auditor General
National Government Audit Division
Auditor General Office
P O Box 423
WAIGANI - NCD

Dear Madam,

**SUBJECT: RESPONSES TO THE 2011 PUBLIC ACCOUNTS AUDIT
MANAGEMENT LETTER**

The issues raised and the recommendations outlined in your management letter dated 09th July 2014 pertaining to the 2011 Financial Statement Public Accounts Audit have all been considerably noted.

Matter of fact these comes at a very cordial time when the Department of Finance is seriously looking into moderating such recurrent control weakness, lapses and deviations hence, the issues were carefully studied and appropriate responses and way forward actions were established.

We are hereby committed to ensuring more transparent, sound and a very fair Public Accounts in the coming years. However, given the financial transaction and accounts cut-off timeframes the much of the way forward we have currently envisioned would not be well reflected in the Public Accounts until 2014 onwards.

Thank you.

DR. KEN NGANGAN CMA CPA
Acting Secretary

9.0 Statement "A"

The Government in the 2011 Supplementary Budget appropriated K648,500,000 to be directly administered by this department through Trust while another K133,300,000 as additional expenditure was appropriated for draw down by various agencies to implement.

From the K648,500,000 administered by this department through Trust, all or most expenditures were made to Provincial and District Treasury Operating Accounts so that normal procurement process can be complied through PSTB and their respective JDP and BPC. Also these funds were expanded following formal requests from the Government through the office of the Prime Minister and your office.

As you can see on the attached schedule detailing all expenditures from Cash Adjustment, it clearly details how much was paid to each Provincial and District Treasuries and other nominated agencies as these were for priority impact projects which the Government had considered important and worth delivering it.

The reason why funds were expanded using cash adjustment facility by the department was because Treasury was slow in releasing the warrant to each respective trust accounts especially the transport sector and health sector programs. On the understanding that funding was appropriated in the 2011 Supplementary Budget and these funds will be reimbursed upon Treasury releasing warrants to Trust. Thus, we have used the *cash adjustment* facility managed by this department to honor the Governments commitments and deliver its priority development projects in the rural areas which has missed out on basic government services. The funds expanded from cash adjustment account totaled to K478 million but was decreased to K271.7 million after K249 million was reimbursed to cash adjustment account from the transport and health sector program funds and other dormant trust.

The balance is K271.7 million because the Government had expanded more on priority projects in the rural areas of this country where majority of the population had missed out on basic services and we have acted on request from the Government to give prominence to funding projects through the District and Provinces.

9.1.1 Bank Reconciliations

Bank Reconciliation has been a dormant activity for some time, after the departmental restructure in 2010, however, after it was realised by management that it was a mandatory requirement stipulated in the PFMA, hence, the department has started reorganising its capacity to ensure the bank reconciliation from provincial treasury offices and national self-accounting departments are reviewed on a monthly basis by Accounting Frameworks and Standards Division to take corrective actions and ensuring that accurate bank balances are reflected in their PGAS Cashbooks and Bank Statements.

12.6.2 Bank Reconciliations

As per your recommendation, the department will keep a running register of all bank reconciliations received from provinces and national self-accounting departments, to ensure that reviews will be conducted on these reconciliations and correct actions are taken immediately into the near future.

9.1.2 Bank Reconciliations – Trust Accounts

As it's a mandatory requirement per the Public Finance Management Act and Financial Instructions requiring monthly bank reconciliations submitted to Department of Finance, the Department through the Trust Branch has already imposed some strict measures in getting this issue in order, where submission register has been established and performances rating are been done encouraging timely and shifty submissions.

Therein, warning Letters are sent to the National Departments and Agencies regarding compliance and we are beginning to see improvements and will begin taking actions against agencies still non-compliant.

So far two workshops have been hosted by the Accounting Frameworks & Standards Division - Trust Branch to induct the Departments/agencies in the bank reconciliations process and also the importance of performing the bank reconciliation and submission to the Department of Finance for review, hence we are in the view that future reporting/submissions on this matter should improve.

9.2 Trusts without Bank Accounts

9.2.1 Over drawn Trust without

The Trust Branch of Accounting Framework Division in the Department of Finance is undertaking the following to address this issue:

- Created bank accounts for some of these accounts and reimburse the WPA and began utilising the bank accounts to do payments particularly the Royalty Trust accounts.
- Written to concerned agencies like Works, Custom, Treasury, BPNG and Forestry to respond on some of these trust accounts before they can be closed.
- We take note of the second recommendation for future submissions.

9.2.2 Operation of Revoked Trust Fund Suspense a/c No.2

9.2.3 Difference in the Balances - Appendix 1

Trust Branch in the Department of Finance clarified this issue as posting errors. We are working on this matter to ensure that system inputs of balances into IFMS are in line with the balances from the bank statements

9.4 Permanent Advances and Cash In Transit

The balances of four (4) Permanent Advances and Cash In Transit Accounts disclosed in **Note 6** of the revised Statement "A" are as follows:

Finance Operating Accounts	2011	2010	2009
Permanent Advances	(k)	(k)	(k)
Konedobu	-5,106	-15,945	-22,982

Appendices

Finance Operating Accounts	2011	2010	2009
Lae	14,997	24,447	9,617
Rabaul	614,231	615,365	651,454
Total	624,122	623,867	638,089
Cash In Transit			
Konedobu	-16,508	-3,373	80
Lae	-6,268	-6,268	-6,268
Rabaul	-488,693	-488,693	-488,693
Goroka	-358,210	-358,210	-358,210
Total	-153,259	-140,124	-136,671
Grand Total	473,860	483,743	501,418

The four permanent advances accounts were used in the Four Regional Area Finance Offices in the four Regions under the previous Finance structure and arrangements (Bureau of Management Services) or used to be called “BMS” in the past.

The Cash in Transit accounts were used also in the four Regional Area Finance Offices to account for the actual cash balances remaining out of the Permanent Advances which are normally remitted together with the Monthly Cash Reconciliation Reports from each Cash Office sites in provinces to the Regional Area Finance Offices for replenishments of the Permanent Advances.

The Regional Area Finance office closed operations sometime in year 1995 and therefore these accounts were also to be closed. Additionally, these two accounts are no longer operated by Provincial Treasuries and District Treasuries or Cash Offices.

We agree that these accounts were not closed and therefore necessary actions will be undertaken through the General Ledgers Branch of the Accounting Frameworks & Standards Division to close them or else closely monitor and have the accounting or reporting of these advances/cash in transit carefully administrated.

9.5 NOTE 8: PAYABLES AND RECEIVABLES

9.5.1 Unfunded Superannuation (Note 8.1)

We acknowledge the unfunded Superannuation liability of K2,038 million at 31 December 2011, that amount agreed to the audited financial statement of Nambawan Super Limited for the year 2011. And also the year to date outstanding or fallen behind obligation by the state for the year 2011 has all been paid. Please take note that in 2012 State paid all its liability to Nambawan Super.

9.5.2 National Superannuation Fund (Nasfund)

No information was disclosed in the Notes or in the 2011 Financial Statements as *State share/Grant* for the National Superannuation Fund (Nasfund) by the State. Department of Finance does not manage Nasfund members superannuation as this is for private companies.

10.0 Statements “B”

No responses required.

11.0 Statements “C”

11.1 Types of Accounts and their Operations

It's indeed a mandatory requirement as per the PFMA and Financial Instructions whereby every trust account is required to submit to the Department Finance their month-end and year-end financial reports (receipts and payments) to be accompanied by their bank reconciliations.

Hence, the Department of Finance through the Trust Branch has already imposed some strict measures in getting this issue in order, Warning Letters have been sent to the government departments and agencies regarding compliance especially on the area of bank reconciliations and we are beginning to see improvements and will begin taking actions against agencies still non-compliant.

So far two workshops have been hosted by the Accounting Frameworks and Standards Division - Trust Branch to get the message out loud and clear and future reporting on this matter should improve.

11.1.1 Trust Bank Account with incorrect Opening Balances

There was an issue with IFMS in correcting the opening balances and we referred this matter to IFMS to clarify.

11.2 Over Drawn Trust Accounts

Most of these are wrong postings from IFMS however there are few that require be closing and revoking.

11.3 Revoked Trust Accounts

The Trust branch has begun revoking most of the non-active trust accounts but it is the IFMS system that does not allow these revoked account be removed from the system. So in the process it will show that most of these accounts have been made nil to mean that these accounts are closed and revoke.

11.4 Trust Instruments Not Signed

We have experienced loss of documents by people who went through files and never returned the files and this is one fine examples, instruments been pulled out and never returned.

We have embarked on scanning trust instruments as soon as they are established so we avoid total loss of documents especially Trust Instruments.

11.5 Recording of Trust Accounts Transactions

We have been emphasizing on this and the control has been strict with Trust that are co-administered with Finance where we have rejected request of payments out from the trust purpose range.

We have noted this grey area and are controlling the issuance of trust instruments to only those the parliament have endorsed.

Appendices

With the Reviews of all trust on roll agencies are been alerted on payments that are out of the trust range so to address this issue.

12.0 Statement “D”

No responses required

13.0 Statement “E”

13.1 – 13.1.6

The main issue on the Statement E is the balances of all these investments. We highlighted in the actual audit of the 2011 Public Accounts on ‘Statement E’ that balances were not in order how the balances were obtained and input was not clear with the Trust Branch as the Administrator and the custodian of such accounts.

Improvement is been emphasised on the ‘Statement E’ and will ensure that correct figures are obtained and reported in future to minimise errors of these magnitude.

14.0 Statement “F”

We agree that the investment balances are unreliable and out-dated as they represent some three to five year down the line financial position or investment balances. There is been an ongoing confusion on the responsibilities of financial data collection, monitoring and supervision of the operations and reporting of the state owned enterprises and or the IPBC between the Department of Finance (Statutory Bodies Branch) and the Treasury (SPID – Investment Branch). We are in the process of establishing a way forward in this that would address the issue of reporting out-dated Investment balances.

15.2 Debt Management

Paragraph 1 (first)

The Department of Treasury (DoT) is the mandated agency responsible for loan negotiations and execution of all Loan Agreement on behalf of the Independent State of Papua New Guinea. However, in some instances decisions were done at the political level which directed DoT to enter into loan negotiations without conducting proper evaluation on the terms and conditions of the loans. IPBC also entered into loan negotiations for some loans without the involvement of DoT.

Paragraph 4 (four)

The Department of Treasury implements the Medium Term Debt Strategy (MTDS) and Fiscal Responsibility Act (FRA) in line with the Governments Medium Term Development Strategy. All borrowing decisions to fund the governments’ expenditure proposals are made within the limits of MTDS and FRA. The procedure for Statement G is just a guide that explains how this statement is formulated.

16.0 Statement “H”

16.1 Loan Register

In 2011 Financial Management Division (FMD) of Treasury Department did not implement the recommendations stated in 2010 audit report as the transactions dated back into the 1980s and

1990s. A lot of the relevant files went missing or got misplaced as a result of changes in the responsible Divisions. Thus it is still difficult for FMD to keep a registry and update the CS-DRMS. This issue still remains unresolved.

16.2 Incorrect Opening Balance

FMD has already adjusted and corrected the opening balances as at 01.01.11 for Milne Bay Estate IBRD 2608, 3rd Water Supply Project CTB and Upgrading of Water Supply ADB. It was a cell referencing error that has been rectified.

17.1 Register of Guarantee

The decisions for the State to give guarantees to loans were made by the Politicians and Cabinet without the involvement of Department of Treasury. Thus, Department of Treasury was unable therefore to capture these state guarantees and/or maintain proper records. The audit recommendations are still pending.

18.0 Statement “J”

18.1 Revenue Collection

a) Internal Revenue Commission and Customs

The variance in the amounts with IRC and Customs by K373,737, 016 and K1,039,606,332 respectively is due to timing differences because when the amount they actually deposited into the Waigani Public Account (WPA) from their Administrative Accounts are not being supported by the supporting collector statements to be sent to Cash Management and Expenditure Control Division of the Department of Finance to be posted to the IFMS.

Most of the collection towards the end of the year are always deposited into the WPA in the New Year and are not reflected in the current year collections causing the understatement of the figures for that particular fiscal year. What is being deposited and reflected on the WPA bank statement in the current year is subsequently posted into IFMS and is being reported for that year. Collections for the current year deposited and reflected in the WPA statement for the New Year is reported for the New Year.

b) Department for Lands and Physical Planning

The figures for Department of Lands and Physical Planning has an overstated figure revenue of K990,793 for the 2011 fiscal year because there was an oversight in the issue of periodical reconciliatory process, preferably monthly and in future the Department of Finance and the Department of Lands will work closely to verify the amount in order to avoid differences in financial and accounting information on the final report outcome of each year.

18.2 Revenue Forecasting

Forecasting revenue is still an area that needs improvement as clearly indicated by the AGO however, there are outside variables that are independent events that have influence on revenue forecasting models built into the budget and especially those used by the Department of Treasury or BPNG.

Group #3. Revenue from Loan Service Receipts

The shortfalls between the revised estimates and the actual revenue from the revenues for loan service receipts is mainly due to respective executing agencies not repaying their loan dues back to the state on time. The state through the department of Treasury's Financial Management Division secures all foreign loans and on-lends it to the executing agency.

Department of Treasury also facilitates all loan drawdowns and loan amortisation as per the loan agreement with the lender institution. Internally executing agencies repay the state, however, they frequently default and in doing so, result in this difference.

Group #4. Revenue from Grants

The shortfalls between the revised estimates and the actual revenue grants is sometimes due to major donor agencies like AUSAID, AZAID, JICA, EU and minor agencies like China, Taiwan giving in their donations at different time intervals like quarterly or bi annually. They also have different reporting periods, corresponding with their annual financial year which is different to ours, which gives the variance figures.

19.0 Statement "L"

19.2 Warrant Authority & Expenditure

We will take on board the recommendations as stated by the Auditor General Office (AGO), we have strategized such actions in place and will ensure implementation of the recommendation here.

20.2 Secretary's Advance Control Register

The Secretary's Advance (SA) control register logs all the transfers that have been made. To differentiate whether transfers were made in the Development or Recurrent Budget, the Integrated Financial Management System (IFMS) produces reports for specific transfers.

The Development and Recurrent activities have different activity codes as such IFMS produces specific reports for each budget.

IFMS produces several reports, listed below are examples of reports produced for the Recurrent and Development budgets:

- SA Log Report (BR45) – is a summary of all Section 3 and 4 transfers (both Recurrent and Development);
- Section 3 Budget Reallocation Report (BR46) – produces copies of transfers by serial number of Section 3 transfers (Secretary's Advance);
- Section 4 Budget Reallocation Report (BR47) – produces copies of transfers by serial number of Section 4 transfers (transfer within and between agencies); and
- Budget Movement Report – Development – produces a report listing transfers done in the development budget by Government Agency and Project Name/Activity.

Appendices

To view Development and Recurrent transfers separately different reports are viewed for this.

Currently the Budget Division is in consultation with IFMS to amend the format of the reports to suit the divisions reporting and analysis.

20.2.2 Adjustment of Appropriation for New Activities & between Activities, Directly Financed Projects and for Projects funded by Grants through Section 3 Transfers.

The National Budget through the Appropriation Bills does not allocate specific funding for adjustment of appropriations for new activities or between activities as catered for under Section 4 transfers. However transfers for new activities and between activities must not exceed ten percent of the Budget. Specifically each Government Agency can only transfer ten percent of their aggregate Budget appropriation.

It is unclear whether transfers through Section 3 are included in the allowable total as stated above. It is our understanding that this only applicable to an Agencies total allocated funding.

20.2.3 Reports for Directions Made

Publishing directions of Secretary's Advance (SA) in the National Gazette was a means of transparency and disseminating information to the public. Although the Appropriation Bill gave direction for this, processes and contacts to allow for this were not finalised as such this did not eventuate.

Further to this the process of approving and more specifically maintaining the SA register have been reviewed and amended to improve officers adhering to required process to maintain the register.

20.3.1 Government Office Allocation Rentals

The government office allocation Rental payments are made to those Landlords who have signed lease agreement on behalf of the state by the Government Office Allocation Committee. The Land lease agreement power is vested with the Minister for Lands but the Government Office allocation has requested the power to be delegated to the GOAC. Whilst this negotiations were going on some rentals has to be paid on the earlier lease agreement because the Government Offices were still occupying the offices despite the lease being expired awaiting renewal. These payments were made on advice from the Chairman of GOAC.

The current lease rental invoices are delivered to Finance for payment as per the executed lease agreement. If there is no existing lease agreement or expired lease agreement it is normally referred to the GOAC Secretariat for verification and endorsement before payments are made.

A list of landlords both for NCD and other provinces are maintained at Finance and the status of lease rental payments are presented during GOAC meeting for verification and endorsement.

Unless and until the state build its own offices we will continue to pay huge rentals to private property owners and we at Finance in direct consultation with the Government Office Allocation Secretariat ensure proper records are maintained and payments are property vetted and certified before payments are made.

20.3.2 Court Case Payments

The Office of the Solicitor General verifies and submits all the relevant documents to the Finance Department only for processing of the payments. Where upon receipt of the Draft Audit report we have made several requests to the Solicitor General's Office to meet with the Director Finance, however he had never made an attempts to justify the enquires.

20.3.3 Workers Compensation

There have been instances in the past where no proper controls were made in the procurement of workers compensation payments.

However this have been improved in 2012 when number of fraudulent claims were noted and a moratorium on workers compensation payments were made to ensure proper mechanism and control measures were put in place to stop the infiltration of the dubious claims. Some loopholes were discovered during meetings between the workers compensation and Finance Department and a revised process was adopted.

This time all workers compensation payments will be registered and all check, verified at the workers compensation office. On receipt of the list the department of Finance will raise the claims and keep a separate register and upon payment will call workers compensation officers to come to Finance double check all payment before the workers comp officer pick up the check back to their office and update their database before handing out the cheque to the claimants. This procedure was instituted after we discovered that fraud claims filtrate into Finance and when payments are made the claimants pick their cheques from the Finance office

20.4 Losses and Deficiencies

The Report has been based on information (or the lack of it) obtained from state agencies within the NCD area – Departments/Agencies.

In March 2013, FAID issued Circulars signed by the Secretary, Department of Treasury (Treasury Circular No's. 2/2010 and 2-1/2010 dated 18 February and 25 June 2010, respectively) as well as reporting templates (including Register of Losses, Loss Reports 1 & 2) to 36 state agencies within NCD, and all provincial administrations to ensure the hastening of response from all offices. Finance Inspectors were dispatched to all agencies in NCD to assist with this statutory requirement.

The response to the above Circulars has been disappointingly poor. Only seven agencies complied with the 2009 Annual Public Account requirement. In the latest exercise, only two agencies responded. In the interim FAID has deemed its necessary that all National Departments/Agencies will be identified and that thorough follow-up actions be undertaken in order to have real progress on this significant requirement of the PFMA. Correctively the Departments of Finance and Treasury will through the existing PFMA provision sanctioning such or any other specific Financial Instructions mandating departments/agencies establish Losses and Deficiencies registries and up to date maintaining the losses and deficiencies.

20.5 Cheque Usage

Integrated Financial Management System (IFMS) is a new payment system introduced in Year, 2011. Accounts Payable Branch is the End users of the IFMS payment System and have no control over the technical side of the System, thus IFMS has never advised the Accounts Payable on the cheque run cut off times.

Summary responses for part one to three (1-3) –cheque#10260 amount of K7,590 dated:30.12.2011 was paid to a Lawyers and the Transaction listing shows it is being cancelled. Accounts officers are going through all the cancelled cheques because most of this cancellation of cheques went through former Financial Controller who is on suspension. On chq#10186 dated: 29.12.2011 amount of K2,242 did not certified may be because she was not at work on that day or forgot to certified. Claims that have being paid but have not being indicated by stamping as being paid are because we do not have stamp. Accounts staff always checks claims in the system before they do new commitment and printing of cheques. So Accounts staff is always careful in this.

And three payments made under a Lawyers were Certified by Senior Accountant to indicate that substantive certifying officer was never at work on that day.

20.6 Department Audit

20.6.1 Budgetary Control

Responses not required, remarks only

20.6.2 Bank Reconciliations

As per your recommendation, the department will keep a running register of all bank reconciliations received from provinces and national self-accounting departments, to ensure that reviews will be conducted on these reconciliations and correct actions are taken immediately into the near future.

20.6.3 Asset Management.

The Asset Management is done manually by the individual agencies but there is an Asset Management Module configured in the Integrated Financial Management System (IFMS) to capture the Asset Records at the point of payment in the Accounts Payable Module.

This module will be ideal to manage government assets. We have created the Asset Management Officer position. An officer has already been recruitment and is going for the IFMS Asset Management Training to utilise the Asset Management Module to manage the Departments assets.

Fleet Management for the Department of Finance has been manually maintained. We also have a fleet management policy which guides the fleet management and has been operating satisfactorily to the satisfaction of the Management.

20.6.4 PROCUREMENT AND PAYMENT PROCEDURES

When the new payment system was introduced in 2011 the orders with Invoice were automatically process for payment and Purchase Orders having only quotations are assessed and requests for invoices are done. Most Authorized Requisition Officers (AROs) uses invoices for payment process as quotation cannot be recognized by the IFMS AP system. Divisional heads should be monitoring all quotations to make sure that AROs maintain the Registers as FAS are the

section 32 officers. Some claims are not signed because the examination officer was not at work that particular day.

20.6.5 Human Resource Management

- **Manipulation of Payroll Reconciliations – Departments/Agencies against GoPNG Payroll.**

Take note that in 2011 DPM issued a circular to all agencies that all casuals' employees are to be transferred into HRM (Alesco) system. It is easier to do a payroll reconciliation using one system with accessibility to reports online at any time. Thus, agencies that are using PGAS to pay casual employees may face difficulty reconciling their payroll on time. Thus, we have considered the relevance of reconciliation and ensuring all forms of payrolls are on one system (Alesco) and performing reconciliations validating the payroll. Department of Finance as the custodian and the administrator of the National Public Services payroll system is currently looking forward to reorganising its controls and approaches in addressing such issues of concern.

- **Maintaining Up-to-date Salary History Cards**

Take note that in future when conducting audits request reports from HR in advance so that reports can be generated from HRM Payroll System. Such reports as Higher Duty Allowance, all type of leaves records etc.. can be extract from the system. For example, salary history for each individual will be held in HRM System rather than manual history cards. It is recommended that Auditor General Auditors should be trained to use HRM System to conduct their audits as the HRM is an online system and it holds the up-to-date relevant records of every personnel. It is true that all data entered in HRM system is supported by original documents which must be stored properly and filed for future use or reference.

- **Proper filing of Personnel Files**

It is the responsibility of each departmental head (HR) to ensure all personal files are recorded and updated, and kept in secured environments.

20.6.6 Trust Account Management

The Trust Branch has been emphasising all government departments to operate under the PGAS and still does through the workshops.

Our department has been rejecting claims of commitments that are outside of the particular trust range and has been further issuing instructions to other departments to correct this particular error made deliberately by advising department and agencies to expend within the trust purpose.

20.6.7 Management of Payments and Acquittals of Advances

For the Department of Finance, the Accounts Payable section does keep a register of all the cash advances and issues warning letters to officers who have outstanding acquittals. We have also instituted recovery action by submitting the names to our Personnel Section to deduct from the officers pay in instalments to recover the outstanding advances.

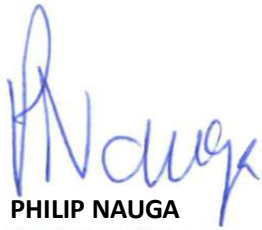
ACKNOWLEDGMENT

I would like to thank my staff in undertaking the audit work that is reflected in this report. Their efforts have ensured the financial statement audit work program is on track and enabled preparing this report.

The co-operation and the assistance rendered by all Heads of Departments and their staff are also acknowledged.

Finally, I would also like to thank the Chairman of the Parliamentary Public Accounts Committee and his staff for their continued interest and support for my office.

SIGNED AT WAIGANI THIS TWELVE DAY OF SEPTEMBER, YEAR TWO THOUSAND AND FOURTEEN.



PHILIP NAUGA
Auditor-General