Report of the Auditor-General on the Accounts of the National Maritime Safety Authority for the year ended 31December 2017

Promoting Safety First At Sea

Report of the Auditor-General on the Accounts of the National Maritime Safety Authority for the year ended 31December 2017

Promoting Safety First At Sea

An Assurance Audit Report of the Auditor General on the Financial Statements of the National Maritime Safety Authority for the year ended 31 December, 2017

AUDITOR GENERAL'S OFFICE
PAPUA NEW GUINEA

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OFFICE OF THE AUDITOR-GENERAL

12 March 2019

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

Dear Mr Speaker,

In accordance with the provisions of *Section 214* of the Cons*titution of the Independent State of Papua New Guinea*, I forward herewith a copy of my report signed on 24th July 2018 upon the inspection and audit of the financial statements of the National Maritime Safety Authority for the year ended 31 December 2017.

Yours sincerely,

GORDON KEGA, CPA
Acting Auditor-General

Level 6
TISA Investment Haus
Kumul Avenue, NCD

PO Box 423
WAIGANI, NCD
Papua New Guinea

AUDITOR-GENERAL'S REPORT ON THE NATIONAL MARITIME SAFETY AUTHORITY

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1. Executive Summary

Results of Operations

The National Maritime Safety Authority recorded K39m in net profit in 2017, a K3m decrease from the 2016 result but still within the average industry performance for the financial period. This decrease is attributable to less number of vessels entering and leaving PNG ports that affected the revenue from the fees and levies.

Expansion/Development programs

The National Maritime Safety Authority is in the process of establishing Regional Offices in all Maritime Provinces. This development will enable the Authority to impose, regulate and monitor its functions in the Maritime Safety Standards. It will also enable the Authority to capture vessels entering PNG ports illegally that will boost the revenue for the Authority.

The National Maritime Safety Authority endeavours to implement new activities that will see the commencement of the Maritime Waterways Safety Project. The Project will install new additional navigational aids, replace existing navigational aids, improve safety information and hydrographical surveys. The Global Maritime Distress Safety System will also be developed. Emphasis will also be on the implementation of Small Craft Act to ensure safety of people travelling on the small crafts.

The constant increase in revenue from fees and levies will finance the above mentioned development programs and activities.

2. Enabling Entity Legislation

Functional Responsibilities/Mandate

The National Maritime Safety Authority is established under the *National Maritime Safety Authority Act (2003).* Its primary functions are to:

- co-ordinate search and rescue operations for vessels in distress or lost at sea pursuant to the terms and conditions of a search and rescue plan prepared by the Minister;
- co-ordinate and make recommendations on policy to the Minister on matters concerning maritime safety, maritime pollution prevention or search and rescue operations at sea;
- collect data relevant to maritime safety, marine pollution prevention or search and rescue operations at sea;
- act on behalf of the State in relation to any domestic or international agreement relating to maritime safety, marine pollution prevention or search and rescue operations at sea to which the State is or may become a party;
- provide consulting services, training and management services relating to any of its functions whether in PNG or overseas; and
- generally to do such supplementary, incidental or consequential acts and things as are necessary or convenient for carrying out its functions.

Functional Structure

The functions of the National Maritime Safety Authority is to regulate the maritime safety standards, coordinate search and rescue operations and control marine pollution in PNG waters. The General Manager/CEO reports to the Board and the Minister for Transport.

3. Policies and Budget

Corporate Plan

The National Maritime Safety Authority is the agency responsible for:

- Effective implementation of maritime safety standards
- Coordinate search and rescue operations, and
- Prevent and control maritime pollution in PNG waters.

In line with its vision and mission, the following strategic themes and agenda have been identified through a strategic planning process:

1. Transforming to better deliver NMSA's mandate and respond to stakeholder needs.
2. An agile and sustainable funding model to cater for the evolving organization.
3. An engaged and high performing workforce delivering on its mandate.
4. Best in class maritime safety regulator.
5. Best in class in search and rescue coordination.
6. Leader in the prevention of maritime pollution.
7. Collaborative and rewarding partnerships with stakeholders and external agencies.

These strategic themes will enable NMSA to continue building on its success and navigate the organisation to achieve its desired goals and outcomes. NMSA strives to ensure a safe maritime industry in PNG that contributes to the long-term economic development of the country. As a maritime safety regulator, the maritime safety regulations are set in line with international best practice and are enforced to ensure compliance in PNG.

The strategies for achieving corporate objectives are delineated with desirable outcomes and considered Key Performance Indicators within the responsible Division. Annual work plans are derived from these key activities which each Division responsible is programed to achieve. Regular management meetings are convened to address the progress on the implementation, monitoring and achievement of corporate objectives and goals.

Budget

The recurrent budget for the National Maritime Safety Authority is made up of both the Personnel Emolument Components and goods and services from which payments are done through proper procurement process in accordance with the *Public Finances (Management) (Amendment) Act, 2016* and NMSA operational manual. The Authority did not get any funding from the GoPNG in 2017 through the budget.

The Authority's major revenue is collected from fees and levies which funded the operations of the Authority. The budget for National Maritime Safety Authority for 2017 was K73,659,000 as revenue and they generated K76,566,711 from fees and levies and

other revenue sources. The expenditure was projected at K61,607,000 and the actual expenditure was K37,560,474 in which NMSA made a surplus of K39,006,237.

Policies

The Corporate Service Division had been formulating their operational and accounting policies and other occupational health, safety and workplace Policies. Generic compliances are placed on Companies Act, Public Finances Management Act, General Orders and Accounting Standards for the management over the past periods.

4. Role and Mandate of Auditor General

The responsibilities of the Auditor-General are specified in *Section 214* of the Constitution, *Sections 3, 4* and *8* of the *Audit Act, 1989 (as amended)* and *Section 63(4)* of the *Public Finances (Management) (Amendment) Act, 2016*. Subject to these laws, the Auditor-General has complete discretion in the performance or exercise of the mandated functions or powers.

5. Audit Scope and Nature

Audit Scope

The audit was conducted in accordance with the *International Standards on Auditing* and the promulgated best business practices.

Nature of audit

The engagement is an assurance audit engagement in compliance with the *Audit Act, 1989 (as amended)* and *Public Finances (Management) (Amendment) Act, 2016*.

Period of reporting

The period of reporting covers for the financial year ended 31 December 2017 in which the audit had been completed and issued in 2018 Audit Cycle.

6. Results of Audit

Audit Opinion

The Audit report in accordance with the provisions of the *Audit Act, 1989 (as amended)* on the financial Statements of the National Maritime Safety Authority for the year ended 31 December 2017 was issued on 24 July 2018. The report did not contain any qualification.

Audited Financial Statements

The Audited Financial Statements are attached with this report. ***(Refer to Attachment C).***

Significant matters of Concern

My report to the Ministers under *Section 8(2)* of the *Audit Act, 1989 (as amended)* on the inspection and audit of the accounts and records of the Authority for the year ended 31 December 2017 was issued on 24 July 2018. The report contained the following observations:

Trade Debtors

My review of the Authority's trade debtors of K15,308,553 at 31 December 2017 revealed that a large number of debtors amounting to K3,681,623 were outstanding for more than 90 days. I further noted that most of these long outstanding debtors may not be collectable. I brought this matter to the attention of the Management and the Management responded as follows;

"We developed a debt management policy to address the debts that are falling behind the due dates for collection and allow provision for doubt-full debts. One of the outcomes of the policy is to enforce the relevant legislation on detaining vessel for non-payment of levies. The enforcement unit will be created within the legal department to enforce the law. Once the unit is in place and fully functional, it will force many agents/owners/masters to pay the levies on time. A warning letter to major clients informing them of the Authority's intention will be disseminated to the industry. Also provisions for doubtful debts have been increased in line with the debt management policy."

Fixed Assets

During my review of the Fixed Assets Register, I noted that the Authority's Fixed Assets Register contained many old assets which existence cannot be verified. I further noted that the Authority did not conduct a complete stock take of all its fixed assets.
As a result, those assets with nil written down values from previous years were still reported in the Assets Register. I brought this matter to the attention of the Management and the Management responded as follows;

"The Management has institute process to address the management of the Authority's assets. A fixed management policy and procedures had been formulated and adopted by the Authority.

An audit of the current asset listing will be executed to establish the viability of the assets. We are very much aware of old assets that are still on the list and are fully depreciated and obsolete. We anticipate a clean-up in 2018 and appropriate assets listing for deletion in the Asset Register will be table for Board's approval."

Staff Salary History Cards

During my review of the personal files for certain selected officers of the Authority, I observed that the Authority has not maintained salary and history cards for employees in their respective personal files. A salary history card should show an updated base salary, allowances, gratuities and the updated leave records for each employee. Proper filing of employee's history and salary cards would enable the payroll staff to easily access the information and calculate the staff entitlements correctly including provisions for leave entitlements. As a result, I was unable to confirm the salary and allowances and the leave records from their personal files.

I recommended the Authority to maintain staff salary history cards for each employee in their personal files as a control mechanism to enable the payroll staff to easily access the information and correctly calculate the staff entitlements. Further, for these files to be regularly updated upon changes/variations on each individual staff files.

Management responded to my concern as follows;

"Management acknowledged that and will immediately address this issue."

7. Entity Comments, Responses

Responses from the client to the issues that have been raised are also included and form part of the report under *Section 8(2*) and *8(4)* of the *Audit Act, 1989 (as amended).*

8. Recommendations

Specific recommendations proposed to the Authority have been reproduced and form part of the audit report.

Attachment: A

Audit report on the National Maritime Safety Authority in accordance with *section 8(4)* of the *Audit Act, 1989* as amended.

AUDITOR-GENERAL'S OFFICE
PAPUA NEW GUINEA

Phone: (+675) 3012200 Fax: (+675) 325 2872 Email: agopng@ago.gov.pg Website: www.ago.gov.pg

Our Reference: 31-62-4

The Honourable Wesley Nukundj, MP
Minister for Transport
Office of the Minister
PO Parliament Haus
WAIGANI, NCD

INDEPENDENT AUDIT REPORT ON THE ACCOUNTS OF
NATIONAL MARITIME SAFETY AUTHORITY
FOR THE YEAR ENDED 31 DECEMBER 2017

In accordance with *Section 8(4)* of the *Audit Act, 1989 (as amended),* I have audited the accompanying financial statements of the **National Maritime Safety Authority** for the year ended **31 December, 2017** as set out on pages **4** to **13.** The financial statements comprise the Income and Expenditure Statement, Balance Sheet, Statement of Cash Flows and Statement of Changes in Equity, a Summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

Management of the Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the *International Financial Reporting Standards*, provisions under *Section 63(2)* of the *Public Finances (Management) (Amendment) Act, 2016* and other Statutory Requirements. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error.

Responsibility of the Auditor-General

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the *Audit Act* and *International Standards on Auditing*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Level 6
TISA Investment Haus
Kumul Avenue, NCD

Auditing for IMPACT

PO Box 423
WAIGANI, NCD

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

AUDIT OPINION

I now report that in my opinion:

(a) The financial statements of the Authority are based on proper accounts and records;

(b) The financial statements are in agreement with those accounts and records, and show fairly the state of affairs of the Authority as at 31 December, 2017 and the results of its financial operations for the year then ended.

GORDEN KEGA
Acting Auditor-General

24 July, 2018

Attachment: B

Audit report on the National Maritime Safety Authority in accordance with *section 8(2)* of the *Audit Act, 1989* as amended.

AUDITOR GENERAL'S OFFICE
PAPUA NEW GUINEA

Phone: (+675) 3012200 Fax: (+675) 325 2872 Email: agopng@ago.gov.pg Website: www.ago.gov.pg

Our Reference: 31-62-4

The Honourable Wesley Nukundj, MP
Minister for Transport
Office of the Minister
PO Parliament Haus
WAIGANI, NCD

INDEPENDENT AUDIT REPORT ON THE ACCOUNTS OF
NATIONAL MARITIME SAFETY AUTHORITY
FOR THE YEAR ENDED 31 DECEMBER 2017

In accordance with *Section 8(2)* of the *Audit Act, 1989 (as amended),* I have inspected and audited the accounts and records of the financial transactions and records relating to the assets and liabilities and assets in the custody of the **National Maritime Safety Authority** for the year ended **31 December, 2017.**

My report in terms of *Section 8(4)* of the *Audit Act, 1989 (as amended),* on the Authority's financial statements for the year ended 31 December 2017 was forwarded to you on even date. This report did not contain any qualification. In addition, I wish to draw your attention to the following significant matters.

OTHER MATTERS

1. Trade Debtors

My review of the Authority's trade debtors of K15,308,553 at 31 December 2017 revealed that a large number of debtors amounting to K3,681,623 were outstanding for more than 90 days. I further noted that most of these long outstanding debtors may not be collectable. I brought this matter to the attention of the Management and the Management responded as follows;

"We developed a debt management policy to address the debts that are falling behind the due dates for collection and allow provision for doubt-full debts. One of the outcomes of the policy is to enforce the relevant legislation on detaining vessel for non-payment of levies. The enforcement unit will be created within the legal department to enforce the law. Once the unit is in place and fully functional, it will force many agents/owners/masters to pay the levies on time. A warning letter to major clients informing them of the Authority's intention will be disseminated to the industry. Also provisions for doubtful debts have been increased in line with the debt management policy."

2. Fixed Assets

During my review of the Fixed Assets Register, I noted that the Authority's Fixed Assets Register contained many old assets which existence cannot be verified. I further noted that the Authority did not conduct a complete stock take of all its fixed assets. As a result, those assets with nil written down values from previous years were still reported in the Assets Register. I brought this matter to the attention of the Management and the Management responded as follows;

"The Management has institute process to address the management of the Authority's assets. A fixed management policy and procedures had been formulated and adopted by the Authority. An audit of the current asset listing will be executed to establish the viability of the assets. We are very much aware of old assets that are still on the list and are fully depreciated and obsolete. We anticipate a clean-up in 2018 and appropriate assets listing for deletion in the Asset Register will be table for Board's approval."

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During my review of the personal files for certain selected officers of the Authority, I observed that the Authority has not maintained salary and history cards for employees in their respective personal files. A salary history card should show an updated base salary, allowances, gratuities and the updated leave records for each employee. Proper filing of employee's history and salary cards would enable the payroll staff to easily access the information and calculate the staff entitlements correctly including provisions for leave entitlements. As a result, I was unable to confirm the salary and allowances and the leave records from their personal files.

I recommended the Authority to maintain staff salary history cards for each employee in their personal files as a control mechanism to enable the payroll staff to easily access the information and correctly calculate the staff entitlements. Further, for these files to be regularly updated upon changes/variations on each individual staff files.

Management responded to my concern as follows;

"Management acknowledged that and will immediately address this issue."

GORDEN KEGA
Acting Auditor-General

24 July, 2018

Attachment: C

The 2017 Audited Financial Statements

NATIONAL MARITIME SAFETY AUTHORITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NATIONAL MARITIME SAFETY AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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NATIONAL MARITIME SAFETY AUTHORITY

ANNUAL REPORT OF THE BOARD
FOR THE YEAR ENDED 31 DECEMBER 2017

The Board takes pleasure in presenting their annual report on the affairs of the National Maritime Safety Authority ("Authority'), including the financial statements, for the period ended 31 December 2017.

ACTIVITIES

Mr Peter Humphreys was appointed as a representative of the PNG Chamber of Commerce and appointed as the Chairman. The late Dr Ray Anere representation on the Board as a National Research Institute Representative is vacant after his passing. Mr Charles Kassman was appointed to the Board as a Southern Region Representative and his term expired in October 2016, Mr Stanley Alphonse for the PNG Ports Limited and the Coastal Ship Owners Association appointee expired in 2015 and representative from this sector is still vacant.

The Authority continues with its mandate by conducting Port State Control (inspection of Foreign Flag Vessels) and Flag State Control responsibilities, and continues with the Community Engagement Programme and Navigational Aids Preventative Maintenance contract. The four regulations to enact the five pieces of Marine Pollution Acts are with the office of the Legislative Council.

The Authority continues to implement its mandate with its limited resources, but at the same time seeks avenues and methods, including external assistance and appropriate technology to enhance and complement its efforts.

FINANCIAL STATEMENTS
The financial statements attached to this report form part of and should be read in conjunction with this report. The Board members consider there are no unusual or other matters that warrant their comments (other than those disclosed in this report) and the Authority's financial position and results from operations are properly reflected in these statements.

CHANGE IN ACCOUNTING POLICIES
The Authority has adopted the accrual basis of accounting during the year.

BOARD
Members of the Authority's Board are:

Peter Humphreys – Chairman (PNG Chamber of Commerce and Industry (Representative)
Roy Mumu (ex officio)
Paul M Unas – General Manager (ex officio)
Stanely Alphonse – PNG Ports
Coastal Ship Owners Association – (Vacant)

Charles Kassman –(Regional Representative of Maritime Provinces)
Late Dr Ray Anere- (NRI) vacant

Daire Vele (ex officio)

For and on behalf of the board

.....
Chairman

.....
Deputy Chairman

Dated: 26th day of Oct 2018.

NATIONAL MARITIME SAFETY AUTHORITY
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 K	2016 K
OPERATING REVENUE			
Fees and Levies	3	73,114,971	70,499,159
Other income	3	3,451,741	6,478,387
		76,566,711	**76,977,546**
OPERATING EXPENSES			
Salary and wages	4	12,823,175	11,020,737
Depreciation	6	3,867,423	2,888,717
Other operating expenses	4	20,869,786	20,797,924
		37,560,474	**34,707,379**
SURPLUS /(DEFICIT FROM OPERATIONS)		**39,006,237**	**42,270,167**
Prior Year Adjustments			
SURPLUS/(DEFICIT)AFTER ABNORMAL		39,006,237	42,270,167
SURPLUS/(DEFICT)		**39,006,237**	**42,270,167**

The attached notes form an integral part of the financial statements.

NATIONAL MARITIME SAFETY AUTHORITY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Retained Earnings 2017 Total K	Retained Earnings 2016 Total K
Surplus/(Deficit) from Operations	39,006,237	42,270,167
Prior year adjustments	-	-
Net Surplus/(Loss) for the period	**39,006,237**	**42,270,167**
Asset Revaluation Reserve	-	-
Retained Earnings from prior year	125,512,190	83,242,023
TOTAL	**164,518,427**	**125,512,190**

NATIONAL MARITIME SAFETY AUTHORITY

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 K	2016 K
CURRENT ASSETS			
Cash at bank	9	78,758,574	46,661,891
Short Term Investment	9	54,367,502	53,981,669
Trade & Other Receivables	5	25,691,132	18,573,884
		158,817,208	**119,217,444**
FIXED ASSETS	6	13,327,500	14,395,213
TOTAL ASSETS		**172,144,708**	**133,612,657**
CURRENT LIABILITIES			
Trade and other creditors	7	5,602,244	6,202,392
Employee Provision	8	1,109,258	1,151,148
		6,711,502	7,353,539
NON CURRENT LIABILITIES			
Long Service Leave	8	914,780	735,636
Motor Vehicle Lease	7	0	11,291
TOTAL LIABILITIES		**7,626,282**	**8,100,467**
NET ASSETS		**164,518,427**	**125,512,190**
GOVERNMENT RESERVE			
Retained earnings& Reserves		164,518,427	125,512,190
TOTAL GOVERNMENT RESERVES		**164,518,427**	**125,512,190**

The attached notes form an integral part of the financial statements.

AUDITOR-GENERAL'S OFFICE

NATIONAL MARITIME SAFETY AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 K	2016 K
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) of income over expenditure		39,006,237	42,270,167
Adjustment for:			
Depreciation	4&6	3,867,423	2,888,717
Operating income before working capital changes		**42,873,660**	**45,158,884**
(Increase)/decrease in trade and other receivables		(6,503,021)	1,317,731
(Increase)/decrease in prepayments		(614,227)	(95,026)
Increase/(decrease) in trade and other payables		(422,211)	268,806
Increase/(decrease) in employee provisions		137,254	375,267
Net cashflows from operating activities		**(7,402,205)**	**1,866,778**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	6	(3,049,432)	(7,092,607)
Proceeds from Fixed Assets		128,767	
Gain/Loss on disposal		120,955	
Finance Lease Paid		(189,229)	(208,226)
Net cash cashflows from investing activities		**(2,988,939)**	**(7,300,833)**
NET INCREASE/(DECREASE) IN CASH EQUIVALENT		32,482,516	39,724,829
CASH AND CASH EQUIVALENT – AS AT 31 DECEMBER 2016		**100,643,560**	**60,918,731**
CASH AND CASH EQUIVALENT – AS AT 31 DECEMBER 2017		**133,126,076**	**100,643,560**
CASH AND CASH EQUIVALENT COMPRISES:-			
CASH ON HAND – Petty Cash		2,000	2,000
CASH AT BANK-Various Bank Accounts		78,756,574	46,659,891
INTEREST BEARING DEPOSIT		54,367,502	53,981,669
CASH AND CASH EQUIVALENT – AS AT 31 DECEMBER 2017		**133,126,076**	**100,643,560**

AUDITOR-GENERAL'S OFFICE

The attached notes form an integral part of the financial statements.

NATIONAL MARITIME SAFETY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

1. GENERAL

The Authority's head office is located at Level 3, Defense Haus Building, Champion Parade, Port Moresby. The Authority will carry on its activities from waterfront locations in the port of Lae, Rabaul, Alotau, Vanimo, Madang, Kimbe and Port Moresby.

The principal activities and functions of the Authority is to ensure sea worthiness of all vessels over 15 meters in length through Flag State Control Inspections and Port State Control Inspections, co-ordinate maritime search and rescue operations, maintain and operate navigational aids to the shipping industry throughout PNG; establish and maintain marine pollution response and prevention capabilities; to maintain registers of vessels and seamen including inspection and certification activities; and to co-ordinate with international, regional and government organisations in respect of matters pertaining to maritime safety, marine pollution and search and rescue operations at sea.

2. STATEMENT OF ACCOUNTING POLICIES

These financial statements of the Authority have been prepared in accordance with Generally Accepted Accounting Principles and Pronouncements generally applied in commercial practice. Accordingly, the financial statements have been drawn up in accordance with the applicable International Financial Reporting Standards (IFRS) as adopted by the Accounting Standard Board of PNG. They are prepared on the basis of the historical cost convention. The principal accounting policies adopted are set out below.

(A) SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies, which significantly affect the measurement of profit and of financial position, have been applied.

(i) Fee Income

Fee Income shown in the profit and loss account comprise the amounts received and receivable by the Authority from the various levies and fee payable by both domestic and international vessels. Fees are stated exclusive of GST.

(ii) Foreign Currencies

Transactions in foreign currencies have been converted into Papua New Guinea currency at rates ruling on the dates of those transactions. At balance date there were no, significant amounts payable in foreign currencies.

(iii) Plant and Equipment

Depreciation and amortisation is calculated on a straight-line basis so as to write off the net cost of each fixed asset during its expected useful life. Additions are depreciated from the date of acquisition. Principal annual rates in use are:

Land and Buildings	20%
Office Furniture and Equipment	7.5% - 20%
Plant and Equipment	15% - 20%
Motor Vehicles	20%

AUDITOR-GENERAL'S OFFICE

Computers	33%

NATIONAL MARITIME SAFETY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

(iv) ***Taxation***

Section 24 (1) of the Income Tax Act provides that the income of a public authority constituted by or under the Act is exempted from income tax unless that authority is specially prescribed as being taxable. National Maritime Safety Authority is not a prescribed authority and thus exempted from income tax.

(v) ***Components of Cash and Cash Equivalents***

For the purposes of the statement of cash flows, cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

(vii) ***Provisions***

A provision is recognised when there is a present obligation to transfer economic benefits as a result of past events. The amount provided is the best estimate of the expenditure that would be required to settle the obligation that existed at the balance sheet date.

(B) COMPARATIVES

This is the eleventh year of operation for the Authority and as such 2016 figures are taken up as comparatives.

AUDITOR-GENERAL'S OFFICE

NATIONALMARITIME SAFETY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. REVENUE

	2017 K	2016 K
Revenue comprises:		
Navigational Aids Contribution Levy	46,795,633	45,067,330
Vessel Registration Fees	537,313	655,381
Regulatory Levy	25,085,426	24,104,720
Oil Pollution Levy	598,859	595,790
Sale of Navigational Charts	97,740	75,940
National Government Grant	2,219,814	2,878,056
Donor Grants	-	-
Other Income	1,231,927	3,600,331
	76,566,711	**76,977,546**

4. ANALYSIS OF OPERATING COSTS

Personnel Emoluments:		
Salareis & Wages	7,065,717	5,626,457
Employee Benefits *(Superannuation & Accommodation)*	1,435,551	1,474,606
Employee Entitlements*(Gratuity, Annual & Long Service Leave & Leave Fares)*	1,275,074	1,421,887
Other Employment Expense *(Group Tax)*	3,046,833	2,497,787
Total:	***12,823,175***	***11,020,737***
Other Operational Expenses:		
Advertising	1,100,684	501,691
Travel & Accommodation	2,673,493	1,717,232
Navigational Aids Maintenance	8,898,273	9,035,189
Risk assessment	335,663	246,960
Office Consumables	183,258	226,952
Professional Services	597,592	924,847
Motor Vehicle Expenses	459,944	368,961
Board Expenses	265,375	168,031
Internet & ICT costs	1,188,468	1,012,839
Staff Development & Training	349,658	138,486
Other Operating expense	4,817,470	6,456,736
Total:	***20,869,878***	***20,797,924***
Depreciation Expense	***3,867,423***	***2,888,717***
Total Operating Expenses	**37,560,476**	**34,707,378**

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

5. TRADE AND OTHER RECEIVABLES

	2017 K	2016 K
Trade Receivables	16,295,15(	15,135,825
Provision for Doubtful Debts	(986,597)	(807,783)
	15,308,553	14,328,042
Other receivables:		
Staff Recharge	34,432	23,359
Accrued Revenue	0	1,013,339
Bond	411,237	375,392
Prepayments	1,144,405	530,178
Navaids Spares (stock)	33,572	51,062
Accrued Interest Income	48,424	77,160
Work in Progress (WIP)	8,710,509	2,175,352
	25,691,132	**18,573,884**

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Land & Buildings	Office Furniture, Plant & Equipment	Motor Vehicles	Boat (Lady Sophia)	Total
Opening balance	**5,139,112**	**18,385,648**	**3,083,750**	**209,091**	**26,817,601**
Additions	104,684	709,774	1,266,318	968,919	3,049,695
Additions-MV Lease					
Disposals	(77,273)		(1,027,699)		(1,104,972)
Closing Balance	**5,166,523**	**19,095,422**	**3,322,369**	**1,178,010**	**28,762,324**
Depreciation					
Opening balance	**3,060,195**	**7,917,399**	**1,366,383**	**78,409**	**12,422,388**
Depreciation charge	777,645	2,547,248	479,803	62,727	3,867,423
Accumulated - Depreciation on Disposals	(63,106)		(791,879)		(854,985)
Closing balance	**3,774,734**	**10,464,647**	**1,054,307**	**141,136**	**15,434,824**
Written Down Value 31/12/17	**1,391,789**	**8,630,776**	**2,268,062**	**1,036,874**	**13,327,500**
Written Down Value 31/12/16	2,078,917	10,468,249	1,717,367	130,682	14,395,213

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

7. TRADE AND OTHER PAYABLES

	2017 K	2016 K
Trade payables	440,422	1,557,974
Other payables:		
Accrued Expenses	0	178,147
Salary & Wages Tax Payable	239,276	262,634
Superannuation 5.5%	14,726	23,811
Superannuation 7.7 %	27,761	47,622
NSCL	37,822	39,992
PNG Maritime College	2,631	131
Light House Committees	959,739	1,147,479
Audit Fees	55,000	35,000
GST Payable	722,057	859,403
Salary & Wages – (Staff Costs)		
Navigational Aids Infrastructure maintenance	2,496,860	1,124,431
Past Occupation Fees – Navaids Sites	446,625	613,125
Motor Vehicle – BSP Finance Lease (current)	2,680	180,618
Motor Vehicle – BSP Finance Lease (non-current)	0	11,291
GMDSS Donor Fund Grants (TSSP)		
Other creditors	156,644	132,024
Small Navaids project receipt		
	5,602,244	**6,213,683**

8. EMPLOYEE PROVISIONS & OTHERS

	2017 K	2016 K
Provisions for Gratuity	416,273	479,478
Provisions for Accrued Leave fares	184,031	244,002
Provisions for annual leave	508,954	427,668
Provisions for Long Service Leave	914,780	735,636
	2,024,038	**1,886,784**

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. RECONCILIATION OF CASH

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end on the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2017 K	2016 K
Cash at bank	78,756,574	46,659,891
Add: Cash on hand	2,000	2,000
Interest bearing deposits	54,367,502	53,981,669
	133,126,076	**100,643,560**

10. FINANCIAL INSTRUMENTS

(a) **Activities and risk management policies**

(i) Foreign Exchange Risks

The Authority undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency may arise

(ii) Credit Risks

In the normal course of its business the Authority incurs credit risk from trade debtors and financial institutions. There are no significant concentrations of credit risk. The Authority has a credit policy, which is used to manage this exposure to credit risk.

(b) **Fair Values**

There is no significant difference between the carrying value and fair value of the authority's assets and liabilities.

11. RETIREMENT BENEFITS

The Authority joined National Superannuation Fund (Nasfund) and commenced mandatory contributions in January 2006.

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