



# **Report of the AUDITOR GENERAL - 2009**

## **On the Public Account *of* Papua New Guinea**

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### **Part I**

- **Public Accounts of Papua New Guinea**
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Telephone: 301 2203 Fax: 325 8295 Website: [www.ago.gov.pg](http://www.ago.gov.pg) Email: [agopng@ago.gov.pg](mailto:agopng@ago.gov.pg)

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19<sup>th</sup> February, 2013

**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 2009.

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, 2009, 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. Details of the four (4) Parts of my Annual Report and the functions of the Auditor-General are given in the Introduction to Section “A” of the Part I Report.

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*; 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 2009 is presented in three sections:

- Section “A” presents the Public Account, which the Minister for Treasury and Finance has, in terms of Section 3 of the Public Finances (Management) Act, 1995 caused to be prepared and provided to me for audit. My audit opinion on these financial statements precedes them in Section “A”. The audited financial statements and my audit opinion were provided to the Ministers for Treasury and Finance. The financial statements appearing after the audit opinion in Section “A” of this report includes first five pages and last ten pages of Statement “L”. The reason for this is that Statement “L” contains disaggregated details of the total of K8,293 million of expenditure appearing in Statement “B” and is too large for integration into 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.

Parts II, III and IV are reported by me separately to Parliament.

### **Coordinated Effort for Timely Reporting**

In my report last year on the audit of the 2008 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 2009 Public Account was merely awaiting management responses for the 2009 management letter submitted to Department of Finance. No responses were received up until the time of printing this report.

The management letter for 2010 audit report was submitted to Department of Finance for its comments whilst the 2011 Public Accounts draft financial statements are yet to be submitted 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 ACCOUNTS OF  
PAPUA NEW GUINEA FOR  
THE YEAR 2009**





## **INDEPENDENT AUDIT REPORT ON THE PUBLIC ACCOUNT OF THE GOVERNMENT OF PAPUA NEW GUINEA FOR THE YEAR ENDED 31 DECEMBER, 2009**

### **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, 2009. 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;
- Appendix 1 Record of Losses and Deficiencies of Public Monies; and
- Notes to and forming part of the Public Account.

### **Responsibilities for preparation of the Financial Statements**

Section 3 (1) of the *Public Finances (Management) Act, 1995* places responsibility on the Minister for Finance and Treasury for the supervision of the finances of the Independent State of Papua New Guinea 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.

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 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 to the Parliament on the public accounts of the Independent State of Papua New Guinea, and on the control of and on transactions with or concerning the public moneys and property of the Independent State of Papua New Guinea.

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 Public Finances (Management) Act, 1995; 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 2009 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 misstatements of the financial statements, whether due to fraud or error. I have considered the risks, based on those assessments, on the internal controls relevant to the preparation and fair presentation of the financial statements in designing audit procedures considered appropriate in the circumstances.

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, 1989*.

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**

### **LIMITATION OF SCOPE**

#### **1. PUBLIC ACCOUNT BALANCES**

The Public Accounts of the National Government consists of the Consolidated Revenue Fund (CRF) and the Trust Fund. The Statement of Public Accounts Balances (Statement A) shows the balance of the Public Account as at 31 December 2009 as K2.9 billion. This comprised the CRF deficit balance of K69.95 million and the Trust Fund balance of K2.97 billion.

I was unable to confirm that 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 K69.95 million deficit was made up of the deficit of K142.24 million realized in 2009 and the accumulated surplus balance of K72.29 million brought forward from 2008. I could not confirm the accuracy of the CRF deficit balance of K69.95 million as correct due to the errors, uncertainties and the material limitation of scope in the audit efforts to verify the brought forward overdrawn balance, as expressed in my previous audit reports.

I was also unable to verify the accuracy of the deficit of K142.24 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 significant value of receipts and expenditure has been processed through this account. In 2009, receipts totalling K1.71 million and expenditure totalling K122.60 million were processed through this account and facilitated in PGAS. These transactions were not adjustments of accruals.

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 significant value of receipts and expenditure getting improperly processed through it and the relevant ledgers not properly updated to reflect the accurate balances.

- **Inability to Confirm Validity of Expenditures**

The Public Account disclosed K7.83 billion as the total expenditure in 2009. Out of that, K3.4 billion representing 43% of the total expenditure was the 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 were processed through journal entries to vote items for which funds were not appropriated. Further, funds attributable to cancelled cheques were incorrectly transferred to Trust Fund Suspense Account No. 2 instead of crediting the respective vote items.

I was therefore unable to confirm if the expenditure disclosed in the Public Accounts includes an accurate representation of the expenditure by National Departments in 2009.

- **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 K1.63 billion of Personal Emoluments comprising direct salaries and allowances, wages, overtime and leave fares was paid during 2009. This represents 20.8 % of the Public Account's total expenditure of K7.83 billion reported in Statement "B".

Testing of a large sample across 10 State Agencies revealed that, there was no payroll reconciliation performed by Human Resource Divisions. Testing of employee records relating to the 10 departments indicated that, they were not updated on a regular basis with information on recreational leave, higher duty allowances, sick leave or tax declaration forms. For employees employed on contracts, contract review committees are non existence or not effective as evidenced in the 10 audited agencies resulting in contracts not reviewed and renewed on time. I also found that in seven (7) Agencies, the number of casuals employed exceeded the staff ceiling (the number of funded positions). There is a general breakdown in the need for maintaining staff personal files satisfactorily and to have these stored in a secured place.

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

## 1.2 **Expenditure Exceeding Appropriation – Statement “B”**

Although the aggregate expenditure of K7.83 billion reported in Statement “B” was within the Revised Appropriation of K8.36 billion, expenditure control at the individual agency level was not satisfactory. In 2009, twenty-eight(28) State Agencies altogether spent K1.56 billion compared to K1.48 billion of appropriation resulting in excess-expenditure of K79.4 million. This excess-expenditure was absorbed by the savings of K312.96 million in the Development Budget Appropriation from 16 State Agencies and a further savings of K16.77 million in the revised Recurrent Budget from 20 Agencies where only K394.1 million was expended from the appropriation of K410.96 million.

Expenditure of K79.4 million by 28 Agencies in excess of their respective appropriations is a breach of the *PF(M) Act, 1995* and the *Appropriation Act, 2008*.

## 1.3 **Trust Fund – Statement “C”**

- **Lack of trust account monthly reconciliations**

The Trust Fund balance of K2.97 billion at the end of 2009 decreased by K944 million from 2008. Sections 14 and 19 of the *PF(M) Act, 1995* require 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 2009, bank reconciliations for the month of December for only 40 out of 270 trusts with bank accounts were made available for review. Further, none of the Department/Trustees submitted the bank reconciliations for their trust accounts within 14 days of the close of each month to Department of Finance. Payments made were also contrary to Trust Instruments and surplus funds available in the trust accounts were not invested as required by the *PF(M) Act, 1995*. All these indicates the lack of compliance by the Trustees/Departments with the *PF(M) Act, 1995*. 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 2009 despite it being revoked on 19<sup>th</sup> 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 2009, K48.42 million was receipted and K74.33 million was paid, resulting in a deficit of K1.05 million. With the opening balance of K26.96 million the year-end balance of the trust account was K1.05 million.

A substantial amount of funds in relation to cancelled cheques was also transferred into the Trust Fund Suspense Account. In the absence of relevant and appropriate documentation, I was unable to verify the validity of the cancelled cheques credited into the Trust Fund Suspense and the expenditure out of the trust account.

Contrary to the requirements of the *PF(M) Act, 1995* 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 2009, 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 K3.23 billion as total expenditure made out of 303 Trust Accounts in 2009. With the opening balance of K3.91 billion and the total receipts of K2.29 billion, the closing balance at the end of 2009 was K2.97 billion.

The audit of the accounts and records of the National Departments and Agencies confirmed that 40 trust accounts operated in 10 State Agencies were not included in the accounting system (PGAS) and therefore not included in Statement “C”.

#### **1.4 Non Disclosure of Insurance Deposits Trust - Statement “E”**

The non disclosure of K4.2 million under the Insurance Deposit Trust Account in Statement “E” is misleading. The total sum of K4.2 million in insurance premiums received and reinvested in respective Insurance Companies and held by the Office of Insurance Commissioner should be disclosed in this statement.

#### **1.5 Direct Investments – Statement “F”**

Statement “F” disclosed the State’s direct investment, capital contributions and equity option rights in various companies and public bodies totalling K5.57 billion. While the values of the investments disclosed in Statement “F” are generally based on the financial statements prepared by the investment entities, the true value of the investments may be considerably understated as the assets of many of the investment entities have not been revalued for some years. In addition, the reliability of amounts reported as investments is affected by the number of entities’ financial statements that have either been in arrears or have been qualified.

A formal Investment Register to assist with the tracking of all State’s investments was also not maintained. Consequently, I could not confirm the amount of the direct investments disclosed in the Public Accounts as being true and fair.

## **1.6 Register of Guarantees – Statement “I”.**

I have reported over the years that, a Register of Guarantees had not been maintained by the Department of Treasury. This was also true again in 2009. In the absence of such a Register, I could not 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.

## **1.7 Over-expenditure – Statement “L”**

Statement “L” revealed that, whilst individual Departments and Agencies’ expenditure from the Recurrent Budget exceeded the Appropriation by K62.63 million, the expenditure made out of the Development Budget was within appropriation. The savings (under-expenditure) in the Development Budget were then used to absorb the excess expenditure under the Recurrent Budget. The total under-expenditure, ultimately, when compared to the Revised Appropriation of K8.36 billion amounted to K532 million.

I have noted the similar observation in relation to Statement “B” in paragraph 1.2 above.

## **1.8 Period 13 Journal Entries**

The funds transferred through journal entry adjustments raised in Period 13 (year- end) totalled K5.49 billion, an increase of K77.92 million (or 1.42.%) compared to K5.42 billion in 2008. The transfer of a significant amount of public funds through journal entries, particularly in Period 13, poses serious concerns in relation to proper maintenance of ledger accounts, the cashbooks and the bank reconciliations. It also requires communication of the adjustments to the concerned State Agencies for the similar adjustments in their respective books of accounts. Traditionally, journal entries are a means of making adjustments to correct errors and the use of these is not a substitute of proper accounting.

# **2. ACCOUNTS AND RECORDS**

## **2.1 Losses and Deficiencies**

Appendix 1 of the Public Accounts reported the losses and deficiencies of Public Monies at only K13,913 (one Department). Also noted in appendix 1 of the Public Accounts Report is the disclosure of prior year losses and deficiencies totalling K3.06 million were brought to account only in 2009.

I could not confirm the completeness of the information in this Appendix. The results of my audit of the accounts and records of 14 National Departments for 2009 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 stock-takes were not conducted in most Departments. A significant number of Departments did not maintain proper and updated records of assets and as a result were unable to accurately report the assets lost or stolen.

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

## **2.2 Separate Bank Accounts for Non-Bank Trust Accounts**

Statement “C” of the Public Account disclosed a total of 28 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 properly authorised and 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 trust accounts.

Assurance was provided that the non-bank trust account situation will be remedied by the year 2010.

### **2.3 Departmental Records**

As the Public Account Financial Statements are derived from the transactions generated by the National Government Departments, the results of the audits of the Departments have an impact on the final balances reflected in the Public Account. There were significant control weaknesses and compliance failures identified during the audit of major Departments which affect the overall correctness 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 payment and acquittal of advances were noted out of 16 Departments audited, as reported in my 2009 Part II Report on National 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;
  - I also noted very slow rate of recovery of salary advances which means that the funds that should be in the custody of the State are in the custody of the individual; and
- Assets registers were either nonexistence or they were not properly maintained in 16 Departments that were audited. In excess of K6.4 million assets were identified as unrecorded, thus maintaining a assets register helps to ensure that the assets are adequately safe guarded and valued.

## **3. 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 of the Independent State of Papua New Guinea*, the *Appropriation Acts, 2008*, the *Public Finances (Management) Act, 1995* 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 of the Independent State of Papua New Guinea* 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 to the Auditor General. 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 made available to my Office for the past few years including the year 2009. 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 *PF(M) Act, 1995* requires that:

*“Moneys may be paid out of a Trust Account only;*

- (a) for the purposes of the Account or as authorized 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 2009 financial year, the following breaches of the *PF(M) Act, 1995* occurred:

- In 31 Trust Accounts that were revoked by the Minister for Finance in prior years, continued to be operated in 2009 contrary to the requirements of the *PF(M) Act, 1995*, and ended with a closing balance of K17.84 million in total;
- Moneys were expended contrary to the purpose of the accounts, as discussed earlier; and
- Four (4) non bank trust accounts were overdrawn by an aggregate of K14.08 million as at 31 December, 2009. Among these were three (3) of the revoked trust accounts that have continued to be operated which account for K8.08 million of the overdrawn balance.

### **3.3 Quarterly and Annual Financial Reports**

As required by Section 5 of the *PF(M) Act, 1995*, and detailed under Part 2, Section 17, of the Guidelines on Financial Management (Manual), Departmental Heads shall submit a quarterly report on the financial management of the Department after the end of each quarter and an Annual Report, including overall assessment of the department at end of each fiscal year to the Secretary, Department of Finance.



I have identified significant non-compliance with this legal requirement in my 2009 audit of the accounts and records of National Government Departments and Agencies. Of the 13 Departments that I audited, 12 of them (*Departments*) had not complied with the requirement to submit quarterly and annual financial reports.

The Cash Management and Expenditure Control Division within the Department of Finance is responsible for monitoring, reviewing and analysing the quarterly and annual financial management reports. With the exception of the monitoring of the National Departments' bank reconciliations now carried out by the Division, it was not evident that monitoring of other financial management related issues have been monitored. That, in my view is one of the most important overall oversight responsibilities of the Department of Finance over financial management in State Agencies. This important role is also specified in the Department of Finance's Corporate Plan.

## **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 Papua New Guinea for the year ended 31 December, 2009.

## **OTHER MATTERS**

In accordance with the *Audit Act 1989*, 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 *PF(M) Act 1995* does not provide a specific time frame for preparation of the Public Account and submission to the Auditor-General.

Since I have been 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 2009 have adversely affected my ability to report to the National Parliament in a timely way. If the audits of Public Account are not finalized 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 *Public Finances (Management) Act, 1995*, 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.

### Annual Management Reports

Division 4, Section 32 (1) (a), of the *Public Service (Management) Act, 1995*, requires each Departmental Head, by 31<sup>st</sup> March in each year, to prepare a report on the attainment of the planned objectives of the Department for the year ending 31<sup>st</sup> December preceding.

Further, *Public Service General Order 8.12* requires Departmental Heads to forward a report on the work and achievements of the Department in relation to the Corporate and Annual Management Plans to the Secretary, Department of Personnel Management.

During the course of the audit, the Department of Personnel Management confirmed that only one Department had submitted these reports for 2009. Moreover, the Department of Personnel Management has not acted on this non-compliance or taken any follow up action.

### **Significant non-compliance with Legislations and Accounting Principles**

I report the following significant non-compliance matters:

- The Public Accounts of the Government of Papua New Guinea, 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 *Public Finances (Management) Act, 1995*;
- Moneys were spent in excess of the appropriation limit and also without valid appropriation resulting in *breaches* of the *Constitution of Papua New Guinea*; and
- The Directions from the Secretary for Treasury for budget transfers under all Appropriations Acts for 2008 were not made available to my Office and therefore the legitimacy of the transfers could *not be validated in accordance with the requirements* of the Appropriation Acts.



**PHILIP NAUGA**

**Auditor-General**

**23<sup>rd</sup> November, 2012.**

**ANNEXURE - FINANCIAL STATEMENTS  
2009 PUBLIC ACCOUNTS  
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  
AS AT 31ST DECEMBER 2009**

**STATEMENT A**

		<b>2009</b>	<b>2008</b>
	<b>Notes</b>	<b>Kina</b>	<b>Kina</b>
Consolidated Revenue Fund	4	<b>(69,946,258)</b>	72,289,482
Trust Fund (Statement C)	13	<b>2,970,274,596</b>	3,914,030,584
<b>Public Account Total Funds</b>		<b><u>2,900,328,338</u></b>	<b><u>3,986,320,066</u></b>
<b>BANK BALANCES</b>			
Bank of Papua New Guinea	16.1	<b>177,052,841</b>	680,106,094
Bank of South Pacific	16.2	<b>2,547,504,683</b>	3,005,413,304
ANZ Bank	16.3	<b>144,071,390</b>	258,648,167
Westpac Bank	16.4	<b>24,339,396</b>	29,532,405
Investment Trusts Bank South Pacific		<b>6,858,610</b>	12,088,162
		<b><u>2,899,826,921</u></b>	<b><u>3,985,788,131</u></b>
<b>FINANCE OPERATING ACCOUNTS</b>			
Advances	6	<b>638,089</b>	334,442
Cash In Transit	6	<b>(136,672)</b>	197,493
		<b><u>501,418</u></b>	<b><u>531,935</u></b>
		<b><u>2,900,328,338</u></b>	<b><u>3,986,320,066</u></b>

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

  
**GABRIEL YER**  
Secretary for Finance



  
**JACOB YAFAI**  
First Assistant Secretary  
Accounting Frameworks and  
Standards Division

**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICY**

**1.1 Cash Basis of Accounting**

The accounting policies and practices followed in the preparation of the 2009 Public Accounts are based on requirements stipulated in the *Public Finances (Management) Act (1995)* and associated Finance Instructions.

The 2009 Public Accounts are prepared on a Cash Basis. Receipts and payments are only recognised when cash is respectively received or disbursed.

**1.2 Recognition of Receipts and Payments**

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

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

Amounts due to Government from third parties that remain uncollected at year end are not recognised in the Public Accounts but are disclosed in Note 8 "*Payables and Receivables*".

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

Liabilities owed by National Government are not recognised in the Public Accounts. Some liabilities are disclosed in Note 8. "*Payables and Receivables*".

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

Data on non cash contributions made by commercial entities under concessional tax arrangements or agreements with the National 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. Note 17 "*Bank Balances*", provides information on which accounts are valued using bank balances.

**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.





**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**

**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 the 31st December 2009.
- ♦ Method B: (2nd priority) Independent valuations (no more than 3 years old) performed by qualified valuers.
- ♦ 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 on Statement F.

**1.3.4 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 mid rate exchange rate 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**

Amounts presented in these statements are expressed to the nearest Kina unless otherwise stated.

Because amounts are presented to the nearest Kina some totals may appear to contain small errors of up to several Kina. These are rounding errors that arise because of the omission of Toea balances.

**NOTE 2 BUDGET ESTIMATES OF REVENUE AND EXPENDITURE**  
**(STATEMENTS B, J and L)**

Original revenue and expenditure estimates figures are taken from the 2009 Budget Appropriation Acts. Additional estimates figures on Statement B and J are taken from supplementary budget acts. Section 3/4 transfers on Statement B reflect reallocation of appropriation authorised by the Secretary of Treasury. Revised revenue and expenditure estimates on Statement B and J reflect the estimates contained in the original 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 on Statement L are taken from the 2009 Appropriation Acts and the Supplementary Appropriation Acts. Section 3/4 transfers on Statement L reflect reallocation of the appropriations authorised by the Secretary of Treasury. Revised expenditure estimates on Statement L reflect estimates contained in the original appropriation Acts plus the Supplementary Appropriation Acts plus or minus the effects of any transfers authorised by the



**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**  
Secretary of Treasury.

**NOTE 3 2009 APPROPRIATIONS (STATEMENT B)**

**3.1 Reconciliation of Appropriations**

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

	Original K'000	Sect 3/4 K'000	Revised K'000
Parliament	80,600	14,600	95,200
Judiciary	46,640	0	46,640
Recurrent	5,639,778	-21,632	5,618,145
Development	2,597,165	7,050	2,604,215
<b>TOTAL</b>	<b>8,364,183</b>	<b>18</b>	<b>8,364,201</b>

**3.2 Transfers between services**

In previous audit opinions for the Public Accounts the Auditor General expressed the 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*. Treasury notes that, for the avoidance of doubt, sections 3 and 4 of the *Appropriation (Recurrent Expenditure 2009) Act 2007* specifically authorise the transfer of Recurrent Budget Appropriations to activities of the Parliament, Judiciary and Development Budget.

**NOTE 4 CONSOLIDATED REVENUE FUND BALANCE (STATEMENT A)**

	31/12/2009 (Kina)	31/12/2008 (Kina)
Accumulated Opening Balance	72,289,482	(82,680,647)
Add: Surplus/(Deficit) for the year	(142,235,740)	154,970,130
<b>Closing balance</b>	<b>(69,946,258)</b>	<b>72,289,482</b>

As at 31<sup>st</sup> of December 2009 the Consolidated Revenue Fund had an accumulated deficit of K69,946,258. This comprises a K142,235,740 deficit for the 2009 fiscal year and an accumulated surplus of K72,289,482 carried forward from the 2008 fiscal year closing balance.





## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

#### NOTE 5 PAYMENTS EXCEEDING APPROPRIATIONS (STATEMENTS B and L)

In 2009 payments exceeded legal appropriations for some items of expenditure. The reasons for these overspends are:

##### *Development Grants by donors*

Appropriations for development grants may be exceeded where:

- (i) 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 L, which include these donor expenditures, may exceed budgeted expenditures.
- (ii) 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 an overspend.

#### NOTE 6 FINANCE OPERATING ACCOUNTS

The balance of K501,418 for Finance Operating Accounts is made up of the following:

	31/12/2009 (Kina)	31/12/2008 (Kina)
<b>Permanent Advances</b>		
Konedobu	(22,982)	(12,901)
Lae	9,617	7,957
Rabaul	651,454	339,386
<b>Cash in Transit</b>		
Konedobu	80	(11,068)
Lae	(6,268)	(6,268)
Rabaul	(488,693)	(143,381)
Goroka	358,210	358,210
<b>Total - Operating Accounts</b>	<b>501,408</b>	<b>531,935</b>

#### NOTE 7 PAYABLES AND RECEIVABLES



**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**

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.

**7.1 Salary related items**

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

<b>Item</b>	<b>31/12/2009 (Kina)</b>	<b>31/12/2008 (Kina)</b>
Salary Advances (receivable)	1,107,734	1,107,734
Returned salaries	(9,542,099)	(7,738,168)
Outstanding disbursements (payable)	28,591,149	23,361,579
<b>Total</b>	<b>20,156,784</b>	<b>16,731,146</b>

**7.2 Statutory Bodies**

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

<b>Debtor (receivables)</b>	<b>31/12/2009 (Kina)</b>	<b>31/12/2008 (Kina)</b>
Tourist Corporation	4,812,943	4,815,388
Nat. Museum	11,230,245	10,213,184
Judiciary Services	25,170,926	18,571,609
Forest Authority	0	734,734
Nat. Inst. Of Standards	456,243	166,453
National Training Council	49,448	265,370
PNG Sport Commission	5,737,341	5,392,426
National Narcotics Bureau	4,946,994	4,696,166
Nat.Agriculture & Inspection Authority	5,278,529	5,706,423
Civil Aviation Authority	14,684,201	14,467,958
Magisterial Services	5,332,391	3,790,896
National Youth Commission	1,932,998	2,113,583
<b>Total</b>	<b>79,631,809</b>	<b>70,934,187</b>

**7.3 Other Payables**

Amounts due by the National Government to Provinces, Local Level Governments and other third parties at the beginning and end of the year were as follows:

<b>Creditor (payables)</b>	<b>31/12/2009 (Kina)</b>	<b>31/12/2008 (Kina)</b>
IRC unrepresented cheques	422,500	422,500
Tourism Promotion Authority	0	200,000
Oil Palm Industry Corporation	0	200,000
Cocoa and Coconut Research Institute	0	360,200
Local Level Gov't Grants (various)	570,162	3,128,000
District Support Grants	7,810,600	5,560,600





## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

Bouganville Grant	0	5,600,000
Special support Grant (Fly River)	3,000,000	0
2009 Supplementary Budget for T/Accounts	0	118,328,600
PNG Ports Corporation Grants	2,700,000	2,700,000
National Road Authority	15,000	55,100
Constitution Law Reform Commission	310,269	310,269
National Research institute	150,100	0
Mineral Resource Authority Grant	1,788,800	0
Other	191,427	191,926
<b>Total</b>	<b>16,958,957</b>	<b>137,057,195</b>

### NOTE 8 DIFFERENCE BETWEEN STATEMENT B AND L

The total expenditure shown on Statement B exceeds that is shown on Statement L by K130.7 million. This difference is due to payables and receivables totalling K130.7 million being retained in the accounting system for internal control purposes. Statement L is printed directly from the system and it is not possible to remove these payables and receivables but they have been adjusted to Statement B in accordance with the cash basis of reporting.

### 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.

During the year the following movements in the value of the portfolio occurred:

	31/12/2009 (Kina)	31/12/2008 (Kina)
Opening Investment as at 1st January	6,342,238,491	5,993,787,237
Prior Year adjustment	95,848,282	385,972,853
Adjusted Investment as at 1 <sup>st</sup> January	6,437,719,773	6,379,760,090
Investment values variations	(866,016,571)	(37,521,599)
<b>Closing Investment as at 31st December</b>	<b>5,571,703,202</b>	<b>6,342,238,491</b>

The net decrease in the value of investments held during 2009 was K(866,016,571). Whilst there has been a significant increase of K1,383,957,437 in values for companies such as Highlands Pacific, Oil Search and Ok Tedi, this has been offset by K(2,238,955,621) decrease in other companies values vested in the General Business Trust and also the net assets of the Independent Public Business Corporation (IPBC).

Prior year comparative investment values reported in the 2009 year are based on the latest available information. Where values reported in the 2008 accounts have been updated, this change in value has been identified as a prior year adjustment.



## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

Of the **K5,571,703,202** of investments detailed in Statement F:

- K4,018,350,081 (72%) is valued using Method A (share price at 31 December 2009);
- K1,887,200,000 (34%) is valued using Method B (independent valuations no more than 3 years old performed by qualified valuers);
- K(786,241,252) (-14%) is valued using Method C (net asset value published in audited financial statements);
- K452,394,373 (8%) is valued using Method E (no current year valuation available - previous year valuation used).

Note that 1.3.3 "*Investments*" provides guidance on the valuation methods used to value investments.

#### 9.2 Revaluations of majority State Owned Enterprises

In 2009, the IPBC engaged Deloitte Touche Tohmatsu, KPMG and PricewaterhouseCoopers to undertake independent valuations of the majority State Owned Enterprises. These valuations were undertaken to assist the IPBC in its annual impairment testing of investment in these State Owned Enterprises as required by International Accounting Standard 36 "Impairment of Assets".

Two valuations were undertaken; value in use and fair value less cost to sell. Value in use is determined using a discounted cash flow methodology. Depending on the nature of the Enterprise, the methodology used for determining fair value less cost to sell has been capitalisation of earnings, discounted cash flow, net assets approach or a consideration of all three approaches.

The IPBC has reported the investment value as fair value for all majority State Owned Enterprises in the 2009 financial statements of the General Business Trust. With the exception of the PNG Water Board, fair value has also been reported in Statement F.

##### *PNG Water Board*

The fair value for PNG Water Board has been assessed as (K233, 030,000) and value in use as (K85, 400,000). In both cases the negative valuations result from significant capital expenditure through to 2015. Value in use takes into consideration the grants received from government whereas this is not included in the fair value calculation.

As the Government does not intend to dispose of the PNG Water Board, the value adopted in Statement F is value in use (K85, 400,000).





**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**  
**9.3 Dividends**

Dividends totalling K59, 856, 532 were received by the General Business Trust in 2009 (2008: K69, 606, 168) as follows:

<b>Entity</b>	<b>2009</b>	<b>2008</b>
Oil Search Limited	33,889,217	42,463,852
Bank of South Pacific	23,563,813	23,563,813
PNG Forest Products	1,300,000	1,925,000
Ramu Sugar Agri industries Limited	0	1,190,896
New Britain Palm Oil Limited	1,103,502	462,607
<b>Total Dividends</b>	<b>59,856,532</b>	<b>69,606,168</b>

**9.4 Ok Tedi Mining Limited**

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 value of Ok Tedi shares is reflected 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%. Therefore, only the value for the 15 percent directly controlled by the State is reported in Statement F.

**9.5 Kroton No.2 Ltd and Oil Search**

*Kroton No.2Ltd*

The assets of Kroton No.2 Limited have declined from a nil value in 2008 to (K37, 137,167) in 2009. The net assets value is negative because the company is not yet earning any revenue. It is only spending. Up until such time when revenue starts flowing into the business the net assets will remain negative.

*Oil Search*

Oil Search shares held in the GBT are now reported under "Oil Search – Escrow Account". This will be used to finance the State's equity in the PNG LNG project.

**NOTE 10 PUBLIC DEBT (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.



## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

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.

#### *Reducing debts to sustainable level*

Currently the Government's credit rating is BB minus for local currency debt, and B plus for foreign currency debt. In order to reduce the Government's debts to a more sustainable level, K202.3 million of the budget surplus for 2009 has been used for prepaying the expensive foreign currency debt. The combined impact of the 2007 supplementary Budget and the 2009 Budget have reduced the debt by K497 million and superannuation obligations by K400 million.

#### *Reducing financial risks*

Foreign currency loans have been assessed by risk and cost to identify those that should be either pre-paid or refinanced or hedged. This analysis was based on asset-liability management principles, and took into account any natural hedge provided by the Government's foreign currency assets and revenues, including Bank of Papua New Guinea's reserves. Foreign currency exposure to Japanese Yen and minor currency will be reduced first as the Government has a net debt exposure to these currencies. Refinancing risk is being mitigated by reducing the proportion of treasury bills by 10 percent to 20 – 30 per cent. The net amount of treasury bills will be reduced by K200 million a year for the next five years. In addition maturity for inscribed stock will be between three to fifteen years with the limit of K400 million for inscribed stock principal maturing in any year. Strategies are underway to increase the net amount of fixed rate inscribed stock by K300 million a year over the next five years, and decrease the net amount of variable rate treasury bills by about K200 million a year over the next five years. This will result in about 80 percent of the domestic debt being fixed rate, and 20 per cent variable rate by 2012.

#### *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. This will include such changes as piloting the listing of some government debts on the Port Moresby Stock Exchange.

### **10.2 Balance of public debt**

Borrowing and Public Debt are detailed on Statement G. The balance of Government Debt outstanding at 31 December 2009 was K6,900,141 million as follows:

	K'000	K'000
Opening balance of debt at 1 January 2009		6,802,292
Prior Year Adjustment		
Adjusted Opening Balance of Debt 1 January 2009		6,802,292
Add: Additional borrowings	1,179,850	
Less: Repayments of Principal	(1,176,266)	
Less: Adjustments for exchange rate movements	(20,852)	
Closing balance of debt at 31 December 2009		<u>6,785,024</u>
Net decrease in public debt during 2009		(17,268)





**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**

**10.3 Debt related principal and interest payments**

	Statement G	Statement B	Difference
	K'000	K'000	K'000
Principal payments	K 1,176,266	K 1,176,042	K 224,006
Interest payment, commitment & other charges	K 449,483	K 440,642	K 8,841

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.

**NOTE 11 PUBLIC LENDING**

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

Lending by National Government to other parties are detailed on Statement H.

Recovery of outstanding amounts owed to the Government under the National Investors Scheme and Others is considered unlikely. However, loans will continue to be reported until such time as they are written off by obtaining National Executive Council approval.

**NOTE 12 LOANS GUARANTEED BY GOVERNMENT**

Section 37 of the *Public Finance (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 2009 are listed in Statement I.

**NOTE 13 TRUST FUND BALANCE**

	31/12/2009 (Kina)	31/12/2008 (Kina)
Accumulated Opening Balance	3,914,030,585	2,600,235,559
Adj to 2007 Closing balance		(136,416)
Add: 2009 Receipts	2,287,107,179	3,584,792,474
Less: 2009 Payments	(3,230,863,168)	(2,270,861,032)
<b>Closing Balance at year end</b>	<b><u>2,970,274,596</u></b>	<b><u>3,914,030,585</u></b>



## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

#### 13.1 Invested Trusts (STATEMENT A and E)

The balance of invested trusts reported in Statements A and E is K6,858,610. At 31 December 2009, funds which were received but not net invested are:

	Kina
Motor Vehicles Trust	6,300
Registrar of Supreme Court Trust	<u>72,069</u>
Total	78,369

These funds are not included in the invested trust balances reported in Statement A and E. Rather they are included in the Receiver of Public Monies account which is reported in the Bank of Papua New Guinea balance in Statement A. Once these funds are invested, they will transfer from the Receiver of Public Monies account and form part of the invested trust balances.

#### 13.2 Invested Trusts: Insurance Deposit

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 value of these deposits are not reported in Statement E. At 31 December 2009, 1 re-insurer, 12 insurers and 5 brokers have deposits with banks in PNG. The Ministerial determination requires re-insurers and insurers to provide a deposit of K300,000 and brokers K50,000. In total the amount deposited at 31 December 2009 by insurers total K4,200,000. For 2010 and onwards, the government will require these deposits to be held in trust which will result in these deposits being recorded Statement E.

#### NOTE 14 LOSSES AND DEFICIENCIES

2009 Losses and deficiencies of the Public Monies and Property reported by the Inspections Branch of the Department of Treasury totalling K13,912.83. There was also losses reported in 2009 which relate to prior years, totalling K 3,058,799.50. Details are included in Appendix 1.

#### NOTE 15 TEMPORARY FINANCING OF THE PUBLIC ACCOUNT

Under Section 224(4) of the Central Bank Act, the Minister for Treasury is empowered to accept temporary advances from the Bank of Papua New Guinea to assist in funding the Public Account. This advance is only used when there is insufficient cash held in the Waigani Public Account to fund the operations of Government. The amount of temporary advances outstanding as at 31<sup>st</sup> December 2009 was NIL (Nil in 2008).

#### NOTE 16 BANK BALANCES

The following tables' record cash at bank for all official National Government bank accounts except where the year end cashbook balance for a bank account could not be proven by a bank reconciliation. Where an appropriate bank reconciliation does not exist the balance recorded in these tables is the bank statement balance. Accounts valued using actual bank reconciliation balances are indicated with the word "yes" in the "Bank Bal" column in the tables below.





**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**

**16.1 Bank of Papua New Guinea**

<b>BANK OF PAPUA NEW GUINEA</b>	<b>Bank Rec bal</b>	<b>2009 Balance K</b>	<b>2008 Balance K</b>
SYDNEY OFFICE OPERATING ACCOUNT		0	0
RECEIVER OF PUBLIC MONIES A/C - WAIGANI		3,255,070	400,778
WAIGANI PUBLIC ACCOUNT		131,560,164	385,357,097
HIGHER EDUCATION DRAWING ACCOUNT		(27,810,789)	(33,542,106)
NEW DCA DRAWING ACCOUNT.		17,799	17,799
NEW DEFENCE DRAWING ACCOUNT.		(10,633,980)	(1,362,061)
NEW DAL DRAWING ACCOUNT.		(404,854)	(235,193)
NEW HEALTH DRAWING ACCOUNT.		9,995,291	8,867,276
NEW POLICE DRAWING ACCOUNT		(766,697)	(69,930)
NEW EDUCATION DRAWING ACCOUNT		(14,471,377)	(13,554,751)
NEW WORKS DRAWING ACCOUNT.		(11,415,605)	(7,289,035)
NEW FOREIGN AFFAIRS DRAWING ACCOUNT.		(6,419,394)	(5,475,859)
NEW CIS DRAWING ACCOUNT.		(116,663)	(1,863,687)
NEW DPM DRAWING ACCOUNT.		(1,995,656)	(4,082,641)
NEW LANDS DRAWING ACCOUNT.		(3,670,502)	(7,303,031)
NEW TRANSPORT DRAWING ACCOUNT.		(4,356,186)	(2,670,778)
NEW MINING DRAWING ACCOUNT.		158,572	(68,262)
NEW PRIME MINISTERS DRAWING ACCOUNT.		(6,110,977)	(20,624,522)
NEW DPA DRAWING ACCOUNT.		953,237	(3,679,946)
FINANCE SALARIES DRAWING ACCOUNT		(32,573,533)	(10,008,786)
AGRIC & LIVESTOCK DEPT PIP DRAWING A/C		508,818	692,140
COMMERCE & INDUSTRY DRAWING A/C		232,864	437,754
ATTORNEY GENERAL DRAWING A/C		(2,263,012)	(5,532,650)
ENVIRONMENT AND CONSERVATION		(1,949,915)	(1,222,258)
HOME AFFAIRS & YOUTH DRAWING A/C		(2,100,099)	(1,413,659)
ELECTORAL COMMISSION DRAWING A/C		264,676	(4,305,122)
OFFICE OF THE GOVERNOR GENERAL		(456,770)	(177,307)
INDUSTRIAL RELATIONS DRAWING A/C		(1,898,012)	(740,025)
CENTRAL PROVINCE RPM OPERATING A/C		872,526	294,334
CENTRAL PROVINCE OPERATING A/C		7,639,210	3,526,294
CONSUMER AFFAIRS COUNCIL		306,515	306,515
PNG INSTITUTE OF PUBLIC ADMIN.		(304,053)	(20,479)
NATIONAL INTELLIGENCE ORGANISATION		72,577	32,038
NATIONAL PLANNING OFFICE		(42,067,657)	(6,873,123)
FINANCE DRAWING BANK ACCOUNT		(77,539,413)	(301,809,211)
<b>BANK OF PAPUA NEW GUINEA</b>	<b>Bank Rec bal</b>	<b>2009 Balance K</b>	<b>2008 Balance K</b>
DEPARTMENT OF PETROLEUM & ENERGY		(324,917)	(8,895,587)
OFFICE OF RURAL DEVELOPMENT		(8,914,578)	(7,304,331)
OFFICE OF HIGHER EDUCATION		(1,866,396)	565,850
PUBLIC CURATORS BANK ACCOUNT		3,073,671	2,770,006
LAND ACQUISITION TRUST ACCOUNT		39,302	39,302
NATIONAL VALUE ADDED TAX TRUST ACCOUNT		2,515,292	11,600,934
PNG-ADB Micro Finance Project GoPNG		1,152,607	788
COMM.WATER TRANSPORT T/A		602,306	430,858
Govt's Gas Pipeline Project Equity Finan		0	500,000,000
Outstanding Special Support Grants (Pre		61,550,000	61,550,000
Govt's Fund. Commit.&Dev. - PNG Gas Pipe		1,800,000	3,800,000
Cooperative Societies Establishment T/A		102,209	1,580,238
Madang Marine Park Development T/A		13,789,033	13,789,033
Rural Electrification Project T/A		19,601,699	22,671,400
Konebada Petroleum Park T/A		50,000,000	0
National Infrastructure Dev. Program T/A		123,720,440	83,500,000
Land Reform Program T/A		3,700,000	28,000,000
<b>TOTAL</b>		<b>177,052,841</b>	<b>680,106,094</b>



**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**

**16.2 Bank of South Pacific**

<b>BANK OF SOUTH PACIFIC</b>	<b>Bank Rec Bal</b>	<b>2009 Balance K</b>	<b>2008 Balance K</b>
EAST SEPIK - OPERATING ACCOUNT		0	0
NORTH SOLOMONS - OPERATING ACCOUNT		0	0
E.H. PROVINCE RPM OPERATING A/C		253,423	2,382
E.N.B. PROVINCE RPM OPERATING A/C		(7,028)	599
EAST SEPIK PROVINCE RPM OPERATING A/C		215,723	18,079
ENGA PROVINCE RPM OPERATING A/C		811	8,410
GULF PROVINCE RPM OPERATING A/C		263	276
MADANG PROVINCE RPM OPERATING A/C		26,887	1,453
MANUS PROVINCE RPM OPERATING A/C		26,543	310
MILNE BAY PROVINCE RPM OPERATING A/C		1,491	17,497
MOROBE PROVINCE RPM OPERATING A/C		193,542	1,286
NEW IRELAND PROVINCE RPM OPERATING A/C		164,457	7,953
N.S. SOLOMONS PROVINCE RPM OPERATING		28,021	285
ORO PROVINCE RPM OPERATING A/C		422,162	3,040
SANDAUN PROVINCE RPM OPERATING A/C		(130,057)	1,644
SIMBU PROVINCE RPM OPERATING A/C		49,198	319
S. HIGHLANDS PROVINCE RPM OPERATING A/C		188,760	7,990
WESTERN PROVINCE RPM OPERATING A/C		485,639	3,175
W. HIGHLANDS PROVINCE RPM OPERATING A/C		368,926	125
W.N.B. PROVINCE RPM OPERATING A/C		4,062	459
E.H. PROVINCE OPERATING A/C		1,523,511	7,437,217
E.N.B. PROVINCE OPERATING A/C		2,361,291	1,662,713
EAST SEPIK PROVINCE OPERATING A/C		7,743,315	2,316,375
ENGA PROVINCE OPERATING A/C		440,274	7,651,422
GULF PROVINCE OPERATING A/C		88,136,004	443,898
MADANG PROVINCE OPERATING A/C		392,232	6,726,669
MANUS PROVINCE OPERATING A/C		6,587,103	1,305,350
MILNE BAY PROVINCE OPERATING A/C		(382,859)	25,833,464
MOROBE PROVINCE OPERATING A/C		2,193,246	2,632,053
NEW IRELAND PROVINCE OPERATING A/C		4,962,985	12,261,882
NORTH SOLOMONS PROVINCE OPERATING A/C		619,602	6,209,320
ORO PROVINCE OPERATING A/C		18,703,363	804,972
SANDAUN PROVINCE OPERATING A/C		3,667,551	2,743,389
SIMBU PROVINCE OPERATING A/C		1,830,351	2,796,628
S.H. PROVINCE OPERATING A/C		2,608,927	32,610,084
WESTERN PROVINCE OPERATING A/C		48,241,127	36,268,004
WESTERN HIGHLANDS PROVINCE OPERATING A/C		5,668,249	469,217
WEST NEW BRITAIN PROVINCE OPERATING A/C		781,687	2,652,311
NCDC OPERATING A/C		151,352	151,352
Madang Province RPM Account		25,468	25,468
Jacksons Airport RPM A/C		(7,004,924)	77,706
Department of Treasury		(124,789,820)	(1,888,938)
Gulf Prov. Electro. Comm. Operating A/C		76,462	671,420
Central Prov. Electro. Comm. Operating A/C		181,803	18,773
N.C.D Electoral Comm. Operating A/C		251,802	251,802
Milne Bay Prov. Electro. Comm. Operating A		122,940	1,162,971
Oro Prov. Electro. Comm. Operating A/C		384,152	328,467
Morobe Prov. Electro. Comm. Operating A/C		0	1,927,019
Madang Prov. Electro. Comm. Operating A/C		0	1,980,400
E.S.P Electoral Comm. Operating A/C		0	2,116,954
Sandaun Prov. Electro Comm. Operating A/C		3,486	790,931
WNB Prov. Electro. Comm. Operating A/C		0	1,326,751
ENB Prov. Electro Comm. Operating A/C		1,148	106,864
N/Ireland Prov. Electro Comm. Operating A		505	505
Manus Prov. Electro. Comm Operating A/C		0	90,128
Auto.B/ville Prov. Elec.Comm. Operating		103,752	3,600,766





## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

E.H.P Electo. Comm. Operating A/C	0	3,270,169
Simbu Prov. Electo. Comm. Operating A/C	593	120,100
W.H.P Electo. Comm. Operating A/C	0	(9,679)
Enga Prov. Electo. Comm. Operating A/C	0	4,770,330
S.H.P Electo Comm. Operating A/C	728,573	647,450
Westrn Prov. Electo. Comm. Operating A/C	0	1,167,374
PUBLIC SOLICITORS OFFICE DRAWING A/C	(230,223)	(21,026)
DPI COLLEGES TRUST ACCOUNT	14,419	16,550
REGISTRAR OF NATIONAL COURT	10,328,410	9,911,643
SHERIFFS TRUST ACCOUNT	237,176	186,960
ADMIN COLLEGE TRUST ACCOUNT	14,514	38,994
COLLEGE OF EXTERNAL STUDIES TRUST	4,830	191,018
CORRECTIONAL SERVICES	10,025,069	162,428
PUBLIC SOLICITORS TRUST	387,775	555,609
ACCOUNTANT REGISTRATION BOARD	54,465	115,623
ELECTORAL COMMISSIONERS TRUST ACCOUNT	218,028	550,045
HEALTH DEPT. PROJECT T/A	619,243	1,602,564
POM GENERAL HOSPITAL FEES T/A	61,583	77,980
ANGAU MEMORIAL HOSPITAL FEES T/A	782,676	619,524
BIODIVERSITY STUDIES T/A	33,378	60,703
2KR AID TRUST ACCOUNT	622,767	406,861
ATT.GEN. OFFICE LIBRARY TRUST A/C	4,697,889	4,764,194
SPECIAL POLICE OPERATION T/A	2,340,048	2,014,191
IFAD-NTH SIMBU RURAL DEV. PROJ.PN-326	352	64
NTH SIMBU RURAL DEV.PROJ.PN-326(GOPNG)	4	33
AUSAID PROJ.OVERHEAD CHARGERS IMPREST A/	196,801	196,211
AUSAID TRANS.SECTOR PROGRAMME AID IMP A/	546,457	934,214
Health Sector Development Project	23,096,158	9,998,886
Health Sector Development Program(GOPNG)	16,904	16,904
WEST NEW BRITAIN DISASTER & EMERGENCY	595,230	324,446
TARGETED COMMUNITY DEVELOPMENT PROGRAM	16,844	36,882
NATIONAL APPRENTICESHIP TESTING BOARD	10,661	17,988
A/GENERAL LEGAL FEES & BRIEF OUTS	2,672,191	1,291,577
POLICE AIR WING	4,125	4,162
FINANCIAL MANAGEMENT IMPROVEMENT PROG.T/	6,435,261	4,859,351
TARGETED COMM.DEVELOP.PROG.SECRETARIATE	11,507	39,792
MINING MEMORANDUM OF AGREEMENT PROJECT	164,733	164,733
PNG/NEW ZEALAND SCHOOL JOURNAL	300,668	414,116
INSURANCE COMMISSIONER TRUST ACCOUNT	1,350,054	1,019,131
CORRECTIONAL SERVICES SAP HOUSE PROJECT	5,806	5,864
KENABOT SUB-DIVISION	157,682	778,869
GOVERNMENT PRINTING OFFICE.	71,659	862,027
ADB-S/H SUPPORT SERV.PILOT PROJ.IMPREST	12,653	12,653
NCD-S/H SUPPORT SERV.PILOT PROJ.C/PART	384,582	2,574
EHP-S/H SUPPORT SERV.PILOT PROJ.C/PART	309,385	237,967
Works Suspense Outside Operations	35,162,884	10,831,606
Employment Oriented Skills Dev. GoPNG	1,420	1,420
Employment Oriented Skills Dev. ADB 1706	4,561	4,561
Road Maintenance & Upgrading GoPNG	31,046,224	40,885,267
Road Maintenance & Upgrading ADB 1709 Im	79,759	79,789
National Events Council	193,671	319,092
PNG Incentive Fund Imprest Account	1,360,081	458,865
International Dev. AusAID for Nat. Road	0	0
PNG Highlands Highway Rehabilitation Pro	3,313	3,343
PNG Highlands Highway Rehabilitation Pro	13,804	13,834
National Road Maintenance Policy	47,969	48,007
NATIONAL AIDS COUNCIL	1,053,742	993,859
Defence Force Rebuilding Programme	161,903	161,903
Manus Processing Center	327,348	339,546
Rehab.of Marine Time Nav. Aids Sys -ADB	157	194
Road Maint. & Rehab. Proj. Special Accou	36,508	542,697
Road Maint. & Rehab. Proj. (GoPNG Counte	44,759,325	30,247,906
Road Maint. & Rehab. Proj. (ENB PG Count	419,806	1,587,810



## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

Road Maint. & Rehab. Proj. (Central PG C	0	541,469
Road Maint. & Rehab. Proj. (Manus PG Cou	304,359	413,347
Road Maint. & Rehab. Proj. (Oro PG Count	0	141,752
Road Maint. & Rehab. Proj. (WNB PG Count	0	55,566
Central Prov. Govt: Dept. of Works - Dra	830	0
ENB Prov. Govt: Dept. of Works - Drawing	3,088	0
Oro Prov. Govt: Dept. of Works - Drawing	17,975	0
WNB Prov. Govt: Dept. of Works - Drawing	1,191	0
Road Maint. & Rehab. Proj. (WNB PG. Vill	0	0
Road Maint. & Rehab. Proj. (ENB PG. Vill	0	0
Prepared Communities Grant Trust	301,253	301,290
National Disas. Center Operational TA	4,788,904	16,824,766
Sepik Highway Trust	749,554	749,591
Walium Oil Palm TA	23,307	23,345
Plant and Transport Board (PTB) TA	4,564,320	9,547,867
Prov. Towns Water Supply Sanitation Proj	2,091,816	3,843,196
Low Cost Community Awareness and Health	0	11,790
NHC Housing Development Project	2,147,119	14,999,990
Bougainville Governance & Implement. Fun	860,345	0
Lae Sieng Trust Account	130,040	6,649
Illegal Immigration Trust Account	2,745	2,790
Population Policy Trust Account	200,634	24,999
PNG Ozone Depleting Substance (ODS) Phas	12,633	23,051
COMM.WATER TRANSP PROJECT - GOPNG T/A	26,243,354	11,263,107
COMM.WATER TRANSP PROJECT - IMPREST T/A	133,540	133,540
Education Capacity Prog. Imprest Trust	2,088,210	456,682
Basic Education Dev. Proj. GOPNG TA	1,128,653	6,703,131
Education Capacity Building Prog. GOPNG	62,659	378,675
PNG Educ. Reg. for Delivery (PRIDE) Proj	53,260	667,259
National Programme	74,054	0
Work Permit Trust Account	17,376,497	13,324,977
European Union Support Prog Gopng T/A	70,989	70,989
Key Roads for Growth & Maint. Proj. Ausa	9,390,478	6,808,179
Western Province People's Dividend T/A	0	0
Basic Education Dev. Project Imprest T/A	1,744,355	3,261,827
SHP Gov't Emergency - Main	1,432	1,505
SHP Gov't Emergency Subsidiary	102,636	102,636
Manam Disaster Resettlement Trust A/C	1,118,167	1,452,122
Manam Disaster Humanitarian Impl. Trust	23,300	23,338
Bougainville Resource Capacity Trust A/C	2,489	47,626
Financial Management Training trust A/C	370,083	3,853
Lihir Integrated Benefits Package T/A	1,391,215	2,944,089
PNG Education Payroll Project TA	33,247	33,284
AUSAID GRANT IMPREST ACCOUNT	827,516	820,217
Gov't's Funding of Rehab. of Transp. Sect	280,460,147	523,090,040
Hosp. & Health Care Centre Rehab. Trust	7,374,501	203,761,411
Rehab. of Houses for Nurses Trust A/C	15,130,528	15,054,163
Rehab. of Housing for Police Trust A/C	23,754,928	45,767,324
Child Maintenance Trust A/C	40	40
Bail & Court Ordered Compensation Trust	58	58
Outstanding Contractual Commit. for DDP	51,388	0
Ausaid Transp.Sect.Support Program-Inter	0	0
Cape Rodney Agric. Development T/A	97,775	97,775
WEST SEPIK PROVINCE T/A	0	0
AUSAID TRANS.SECT.PROG.GOV'T.SUPPORT T/A	6,339,990	7,296,884
CENTRAL PROVINCE DISASTER & EMERGENCY	0	0
EAST SEPIK PROVINCE DISASTER & EMERGENCY	0	0
Simbu Rural Electrification GoPNG	606,897	606,897
Defence Force Commercial Support	847,285	801,134
Tech. Assistance Facility for Inst. Stre	18,977	0
PNG-ADB Micro Finance Project Imprest	212	20,508
Rehab.of Marine Time Nav. Aids Sys. GoPN	456,289	1,876,672
Road Maint. & Rehab. Proj. (Morobe PG Co	0	465,173





## 2009 PUBLIC ACCOUNTS

### NOTES TO THE PUBLIC ACCOUNTS

Manus Prov. Govt: Dept. of Works - Drawi	868	0
Morobe Prov. Govt: Dept. of Works - Drawi	0	0
Road Maint. & Rehab. Proj. (Central PG.	0	32,086
Road Maint. & Rehab. Proj. (Manus PG. Vi	0	0
Road Maint. & Rehab. Proj. (Morobe PG. V	0	0
NATIONAL WOMEN'S CREDIT CHEME T/A	1,043	1,121
NAT. DISASTER & EMERG. GEN. TRUST ACC.	0	16,699,298
FAMILY LIFE EDUCATION DEVELOPMENT T/ACCT	0	0
Yumi Yet Bridges for Rural Development	431,772	431,772
Defence Force Commercialisation Programme	0	0
Public Sector Reform Program Trust	2,575,061	0
Northern Australian Quarantine Insp. Str	213,155	0
District Roads, Sea & River Trans. Impro	521,349	521,349
FMIP Prov. Capacity Building Imprest TA	413,573	115,465
Konebada Petroleum Royalty Trust A/C	1,872,774	0
Govt's Funding of Rehab. of Higher Educ	32,149,394	5,704,547
Govt's Funding of Rehab. of NBC Infrastr	31,736	3,859,929
National Roads Authority Fund T/A	5,964,274	8,363,609
Fisheries & Marine Resource T/A	2,678,431	0
Personal Income Tax Auto.Boug.Govt T/A	1,825,435	145,077
Revenue & Company Tax ABG T/A	9,439	9,499
Western Prov. CMCA Dividend T/A	249,633,098	204,130,868
Western Prov. non CMCA Dividend T/A	271,313,666	267,951,765
Nat. Projects Implementation Comm. Trust	0	2,895,959
Log Export Dev. Levy Trust A/C	56,355,872	40,973,030
L&JS Justice & Attorney General Imprest	174,593	2,539,623
L&JS Judiciary Services Imprest A/C	52,654	1,748,876
L&JS Ombudsman Commission Imprest A/C	89,287	662,864
L&JS Royal PNG Police Constab. Imprest A	402,621	518,331
L&JS Magisterial Services Imprest A/C	550,851	3,756,385
L&JS Correctional Services Imprest A/C	213,608	2,824,733
L&JS E/H Lands Prov. Administration Impre	26,206	202,762
L&JS Nat.Plann. & Rural Dev. Imprest A/C	330,159	328,723
Sub National Strategy T/A	433,259	3,171,198
ENBP Sub-National Strategy T/A	1,016,240	922,974
Central Prov. Sub-National Strategy T/A	664,077	191,210
Highlands Highway Rehabilitation T/A	16,089,608	1,919,100
District Services Improvement T/A	1,008,738,236	759,636,118
Urbanization Pilots T/A	14,059,303	15,000,000
Institutional Housing Pilot T/A	19,073,365	34,685,253
Housing Development Pilot T/A	3,244,416	1,499,990
National Aids Council Secretariat	3,769,749	7,705,233
Transport Sector Support Program A/C	132,516,255	210,227,471
LAE CITY ROADS REHABILITATION TRUST A/C	746,708	26,166,378
LAW & JUSTICE SERV. WAIGANI - AUSAID	3,574,265	0
LAW&JUSTICE SERV. BOUGVIL. ADMINISTRATIO	293,858	0
RMRP GULF PROV GOVT-Village Contract A/C	0	15,104
RMRP GULF PROV GOVT-Drawing A/C	0	100
RMRP GULF PROV GOVT Contribution	0	100
RMRP HEADQUARTERS - Drawing A/C	484,115	161,411
Bouganville Weapons Disposal Trust Accou	281,993	0
Central City Trust Account	50,234,568	0
Petroleum O/Standing Commit trust 2008(M	38,703	180,000,000
HIES Project Trust Account	532,408	0
Nungwaia-Bongos Integrated Lrg scl Agri	0	0
Sandaun Prov. Sub-National Strategy T/A	38,812	225,591
Milne Bay Prov. Sub-National Strategy T/	416,140	24,493
Lae Port Dev.Proj. GOPNG Counterpart Fun	0	0
Eastern H/Land Prov. Government Project T	0	0
Productive Partnerships in Agri. Project T/Ac	100	0
<b>TOTAL</b>	<b>2,547,504,675</b>	<b>3,005,413,304</b>



**2009 PUBLIC ACCOUNTS**  
**NOTES TO THE PUBLIC ACCOUNTS**  
**16.3 ANZ Bank**

<b>ANZ BANK</b>	<b>Bank Rec bal</b>	<b>2009 Balance K</b>	<b>2008 Balance K</b>
POLICE MESSING TRUST ACCOUNT		60,748	31,149
Mining Sector Institutional Strengthenin		1,336	1,378
Mining Sector Institutional Strengthenin		37,877	37,724
CENTRAL SUPPLY & TENDERS BOARD.		3,894,400	3,054,781
Central Fund Board of Management		817,077	593,459
ELEMENTARY TEACHER EDUCATION SUPPORT PRO		40,226	30,052
Kutubu Petroleum Royalty T/A		42,182,530	23,355,400
Govt's Funding of Airport Repairs & Upgr		57,869	12,732,782
Govt's Funding of Kubalia High Sch. Reha		647	326,854
Govt's Funding of O/Standing Personal Be		45,582,189	45,427,542
Govt's Funding of Rehab. of Law&Justice		3,500,229	87,002,660
Govt's Funding of Dev. of Strategic Dist		708,364	15,492,119
Govt's Funding of Rehab. of Nat. Parl. I		5,066,430	6,633,322
<b>ANZ BANK</b>	<b>Bank Rec bal</b>	<b>2009 Balance K</b>	<b>2008 Balance K</b>
Govt's Funding of Resettlement of Volcan	Yes	7,250,205	14,165,982
Gobe Landowners Benefit T/A		5,812,020	17,810,709
Hides Petroleum Royalty Trust		3,425,334	2,876,072
Central Moran Petroleum Dev. Levy T/A		15,040,358	14,338,653
Moran Petroleum Royalty T/A		5,163,478	12,788,392
PNGIMR-Gates Foundation Partnership Trea		244,061	1,329,373
EHP Sub-National Strategy T/A		1,351,229	554,395
RPNGC Communication Infrastructure Trust		359,815	65,370
Mining Sec.Inst.Streng.Tech.Assis.Prjct		947,970	0
Mining Sec.Inst.Streng.Tech.Ass.Projct I		2,526,997	0
<b>TOTAL</b>		<b>144,071,390</b>	<b>258,648,167</b>

**16.4 WESTPAC Bank**

<b>WESTPAC OF PAPUA NEW GUINEA</b>	<b>Bank Rec bal</b>	<b>2009 Balance K</b>	<b>2008 Balance K</b>
PNG CONSTABULARY BAND TRUST		2,938	14,049
PNG NWS- TWP/ ARM Trust.		144,891	0
Govt's Funding of Dev. of the Agric. Sec		18,268,559	18,268,559
Col - Department of Finance		1,723,823	11,249,797
ENB Cocoa Pod Borer T/A	Yes	4,199,184	0
<b>TOTAL</b>		<b>24,339,396</b>	<b>29,532,405</b>





GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
CONSOLIDATED RECEIPTS FUND-RECEIPTS AND PAYMENTS  
FOR THE PERIOD ENDING 31ST DECEMBER 2009

STATEMENT B

RECEIPTS	BUDGET				ACTUAL RECEIPTS	
	2009 Original K'000	2009 Additional K'000	2009 Section 3/4 K'000	2009 Revised K'000	2009 ACTUAL K'000	2008 ACTUAL K'000
<b>DEPARTMENTAL RECEIPTS (Group 1)</b>						
DEPARTMENT OF FINANCE & TREASURY	24,996	0	0	24,996	48,794	77,257
DEPARTMENT OF FOREIGN AFFAIRS	16,500	0	0	16,500	20,524	22,273
JUDICIARY SERVICES	400	0	0	400	168	282
MAGISTERIAL SERVICES	1,389	0	0	1,389	1,177	1,205
DEPARTMENT OF ATTORNEY-GENERAL	20	0	0	20	19	10
DEPARTMENT OF CORRECTIONAL SERVICES	280	0	0	280	4,615	308
DEPARTMENT OF POLICE	2,277	0	0	2,277	3,939	2,621
DEPARTMENT OF DEFENCE	320	0	0	320	401	419
DEPARTMENT OF EDUCATION	543	0	0	543	2	1,549
DEPARTMENT OF HEALTH	288	0	0	288	291	276
DEPARTMENT OF COMMUNITY DEVELOPMENT	520	0	0	520	360	447
DEPARTMENT OF ENVIRONMENT AND CONSERVATION	1,023	0	0	1,023	2,043	786
DEPARTMENT OF AGRICULTURE AND LIVESTOCK	50	0	0	50	69	46
DEPARTMENT OF LANDS AND PHYSICAL PLANNING	26,500	0	0	26,500	21,896	21,539
DEPARTMENT OF PETROLEUM AND ENERGY	3,634	0	0	3,634	6,401	4,330
DEPARTMENT OF TRANSPORT	4,860	0	0	4,860	4,350	4,196
DEPARTMENT OF COMMERCE AND INDUSTRY	37	0	0	37	47	46
DEPARTMENT OF INDUSTRIAL RELATIONS	6,575	0	0	6,575	13,532	9,803
DEPARTMENT OF WORKS & IMPLEMENTATION	710	0	0	710	823	964
<b>DEPARTMENTAL RECEIPTS</b>	<b>90,922</b>	<b>0</b>	<b>0</b>	<b>90,922</b>	<b>129,452</b>	<b>148,357</b>
<b>GENERAL RECEIPTS (Group 2)</b>						
TAXATION	3,043,900	0	0	3,043,900	3,520,175	4,452,702
CUSTOMS	1,570,400	0	0	1,570,400	1,454,903	1,432,965
RECEIPTS FROM ASSETS	944,606	0	0	944,606	639,076	70,706
<b>TOTAL GENERAL RECEIPTS</b>	<b>5,558,906</b>	<b>0</b>	<b>0</b>	<b>5,558,906</b>	<b>5,614,153</b>	<b>5,956,373</b>
<b>SERVICE RECEIPTS (Group 3)</b>						
FOREIGN LOANS	6,102	0	0	6,102	3,589	4,056
KINA LOANS	0	0	3,500	3,500	3,300	1,159
<b>TOTAL SERVICE RECEIPTS</b>	<b>6,102</b>	<b>0</b>	<b>3,500</b>	<b>9,602</b>	<b>6,889</b>	<b>5,215</b>
<b>TOTAL INTERNAL RECEIPTS</b>	<b>5,655,930</b>	<b>0</b>	<b>3,500</b>	<b>5,659,430</b>	<b>5,750,494</b>	<b>6,109,945</b>
<b>GRANTS (Group 4)</b>	<b>1,014,534</b>	<b>0</b>	<b>1,000</b>	<b>1,015,534</b>	<b>768,518</b>	<b>620,282</b>
<b>TOTAL RECEIPTS</b>	<b>6,670,464</b>	<b>0</b>	<b>4,500</b>	<b>6,674,964</b>	<b>6,519,012</b>	<b>6,730,227</b>
<b>BORROWINGS (Group 5)</b>						
GENERAL LOANS	1,496,800	0	0	1,496,800	1,089,091	1,864,570
INTERNATIONAL AGENCY LOANS	194,965	0	1,000	195,965	81,377	70,521
<b>TOTAL BORROWINGS</b>	<b>1,691,765</b>	<b>0</b>	<b>1,000</b>	<b>1,692,765</b>	<b>1,170,468</b>	<b>1,935,091</b>
<b>TOTAL RECEIPTS</b>	<b>8,362,229</b>	<b>0</b>	<b>5,500</b>	<b>8,367,730</b>	<b>7,689,479</b>	<b>8,665,318</b>



GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
CONSOLIDATED RECEIPTS FUND-RECEIPTS AND PAYMENTS  
FOR THE PERIOD ENDING 31ST DECEMBER 2009

STATEMENT B

RECURRENT PAYMENTS	BUDGET				ACTUAL PAYMENTS	
	2009 Original K'000	2009 Additional K'000	2009 Section 3/4 K'000	2009 Revised K'000	2009 ACTUAL K'000	2008 ACTUAL K'000
<b>NATIONAL DEPARTMENTS</b>						
NATIONAL PARLIAMENT	80,600	0	14,600	95,200	<b>95,368</b>	87,147
OFFICE OF GOVERNOR-GENERAL	3,118	0	2,601	5,719	<b>6,065</b>	6,490
DEPARTMENT OF PRIME MINISTER & NEC	53,646	0	12,405	66,051	<b>70,340</b>	89,719
NATIONAL STATISTICAL OFFICE	4,148	0	113	4,260	<b>5,389</b>	5,160
OFFICE OF BOUGAINVILLE AFFAIRS	1,514	0	0	1,514	<b>1,693</b>	3,734
DEPARTMENT OF FINANCE	20,408	0	2,946	23,354	<b>23,659</b>	30,292
DEPARTMENT OF TREASURY	11,772	0	1,886	13,658	<b>13,434</b>	12,395
REGISTRAR FOR POLITICAL PARTIES	5,386	0	0	5,386	<b>5,340</b>	5,172
INFORMATION TECHNOLOGY DIVISION	12,381	0	(40)	12,342	<b>11,611</b>	13,089
FIRE SERVICES	16,430	0	0	16,430	<b>15,926</b>	14,515
PNG IMMIGRATION AND CITIZENSHIP SERVICES	0	0	3,201	3,201	<b>2,676</b>	0
INTERNAL REVENUE COMMISSION	53,726	0	258	53,983	<b>53,739</b>	43,290
DEPARTMENT OF FOREIGN AFFAIRS AND TRADE	66,265	0	(3,010)	63,255	<b>62,431</b>	108,442
PNG INSTITUTE OF PUBLIC ADMINISTRATION	5,812	0	0	5,812	<b>5,669</b>	5,679
DEPARTMENT OF PERSONNEL MANAGEMENT	10,844	0	454	11,298	<b>10,800</b>	15,538
PUBLIC SERVICE COMMISSION	3,510	0	31	3,541	<b>3,612</b>	3,377
OFFICE OF THE PUBLIC SOLICITOR	6,681	0	0	6,681	<b>6,628</b>	2,011
JUDICIARY SERVICES	46,640	0	0	46,640	<b>53,321</b>	55,259
MAGISTERIAL SERVICES	25,299	0	0	25,299	<b>26,885</b>	24,665
DEPARTMENT OF ATTORNEY-GENERAL	33,627	0	1,500	35,127	<b>35,554</b>	38,471
DEPARTMENT OF CORRECTIVE INSTITUTIONAL S	61,915	0	0	61,915	<b>62,521</b>	66,029
PROVINCIAL TREASURIES	31,880	0	1,062	32,941	<b>36,527</b>	30,471
DEPARTMENT OF POLICE	189,803	0	4,250	194,053	<b>211,184</b>	209,439
DEPARTMENT OF NATIONAL PLANNING AND MONI	9,662	0	800	10,462	<b>10,903</b>	10,625
ELECTORAL COMMISSION	7,429	0	6,116	13,545	<b>13,529</b>	74,643
NATIONAL INTELLIGENCE ORGANISATION	3,244	0	0	3,244	<b>3,258</b>	3,672
PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	9,884	0	5,174	15,057	<b>15,437</b>	47,391
DEPARTMENT OF DEFENCE	108,673	0	6,385	115,058	<b>118,285</b>	100,717
DEPARTMENT OF EDUCATION	143,865	0	100,000	243,865	<b>245,272</b>	232,332
OFFICE OF HIGHER EDUCATION	35,257	0	1,534	36,791	<b>36,635</b>	38,281
PNG NATIONAL COMMISSION FOR UNESCO	1,147	0	18	1,165	<b>1,186</b>	674
DEPARTMENT OF HEALTH	166,393	0	(2,606)	163,787	<b>166,819</b>	156,121
HOSPITAL MANAGEMENT SERVICES	259,792	0	1,913	261,705	<b>290,147</b>	250,822
DEPARTMENT OF COMMUNITY DEVELOPMENT	8,891	0	1,174	10,065	<b>10,887</b>	11,520
NATIONAL VOLUNTEER SERVICES	1,166	0	(390)	776	<b>777</b>	1,108
DEPARTMENT OF ENVIRONMENT AND CONSERVATI	11,086	0	900	11,986	<b>12,612</b>	10,481
DEPARTMENT OF AGRICULTURE AND LIVESTOCK	13,251	0	0	13,251	<b>15,135</b>	14,335
DEPARTMENT OF LANDS AND PHYSICAL PLANNIN	14,833	0	968	15,801	<b>14,547</b>	22,557
DEPARTMENT OF MINERAL POLICY AND GEOHAZA	6,237	0	0	6,237	<b>6,190</b>	5,117
DEPARTMENT OF PETROLEUM AND ENERGY	10,893	0	(250)	10,643	<b>12,223</b>	12,696
DEPARTMENT OF INFORMATION AND COMMUNICAT	3,351	0	2,000	5,351	<b>5,114</b>	8,313
DEPARTMENT OF TRANSPORT	23,055	0	0	23,055	<b>17,343</b>	18,887
DEPARTMENT OF COMMERCE AND INDUSTRY	8,359	0	5,126	13,485	<b>14,207</b>	9,216
DEPARTMENT OF INDUSTRIAL RELATIONS	7,568	0	5,193	12,761	<b>13,053</b>	9,372
NATIONAL TRIPARTITE CONSULTATIVE COUNCIL	952	0	0	952	<b>751</b>	705
DEPARTMENT OF WORKS AND IMPLEMENTATION	106,197	0	3,352	109,549	<b>104,803</b>	52,847
OFFICE OF RURAL DEVELOPMENT	5,218	0	153	5,372	<b>4,911</b>	7,527
CENTRAL SUPPLY & TENDERS BOARD	2,167	0	0	2,167	<b>2,020</b>	1,695
<b>TOTAL</b>	<b>1,713,973</b>	<b>0</b>	<b>179,815</b>	<b>1,893,788</b>	<b>1,956,417</b>	1,972,035
STATUTORY INSTITUTION GRANTS	253,933	0	16,822	270,755	<b>271,109</b>	273,731
PROVINCIAL GOVERNMENTS	897,286	0	15,693	912,978	<b>1,045,781</b>	880,834
MISCELLANEOUS PAYMENTS	827,526	0	(219,362)	608,164	<b>725,636</b>	2,204,119
WRITE OFFS					<b>2,381</b>	0
DEBT SERVICES - Principal Repayments	2,074,300	0	0	2,074,300	<b>1,176,042</b>	1,425,631
DEBT SERVICES - Interest and Loan Related Fees	0	0	0	0	<b>443,942</b>	372,091
<b>TOTAL TRANSFERS, ONLENDING &amp; MISC.EXP</b>	<b>4,053,045</b>	<b>0</b>	<b>(186,847)</b>	<b>3,866,198</b>	<b>3,664,891</b>	5,156,405
<b>TOTAL RECURRENT PAYMENTS</b>	<b>5,767,018</b>	<b>0</b>	<b>(7,032)</b>	<b>5,759,986</b>	<b>5,621,308</b>	7,128,440





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PUBLIC ACCOUNTS  
CONSOLIDATED RECEIPTS FUND-RECEIPTS AND PAYMENTS  
FOR THE PERIOD ENDING 31ST DECEMBER 2009

STATEMENT B

DEVELOPMENT PAYMENTS	BUDGET				ACTUAL PAYMENTS	
	2009 Original K'000	2009 Additional K'000	2009 Section 3/4 K'000	2009 Revised K'000	2009 ACTUAL K'000	2008 ACTUAL K'000
<b>NATIONAL DEPARTMENTS</b>						
NATIONAL PARLIAMENT	2,346	0	0	2,346	161	0
OFFICE OF GOVERNOR-GENERAL	0	0	800	800	800	0
DEPARTMENT OF PRIME MINISTER & NEC	2,463	0	(600)	1,863	6,230	2,424
DEPARTMENT OF FINANCE	15,177	0	20,000	35,177	31,528	4,465
DEPARTMENT OF TREASURY	700	0	0	700	400	16,472
DEPARTMENT OF FOREIGN AFFAIRS AND TRADE	1,428	0	0	1,428	927	306
DEPARTMENT OF PERSONNEL MANAGEMENT	53,500	0	(40,049)	13,451	13,333	1,283
DEPARTMENT OF NATIONAL PLANNING AND MONI	551,992	0	174,115	726,106	538,767	3,704
ELECTORAL COMMISSION	10,948	0	0	10,948	14,601	263,736
PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS	64,423	0	(100)	64,323	69,964	9,236
DEPARTMENT OF DEFENCE	25,180	0	0	25,180	25,151	33,227
DEPARTMENT OF EDUCATION	160,571	0	(135)	160,436	143,116	6,000
OFFICE OF HIGHER EDUCATION	1,000	0	(100)	900	900	100,473
DEPARTMENT OF HEALTH	131,282	0	(1,500)	129,782	111,072	350
DEPARTMENT OF COMMUNITY DEVELOPMENT	25,502	0	(875)	24,627	20,824	100,773
DEPARTMENT OF ENVIRONMENT AND CONSERVATI	4,359	0	7,995	12,354	13,113	12,830
DEPARTMENT OF AGRICULTURE AND LIVESTOCK	11,031	0	(73)	10,958	7,009	1,200
DEPARTMENT OF LANDS AND PHYSICAL PLANNIN	5,871	0	0	5,871	8,143	288
DEPARTMENT OF MINERAL POLICY AND GEOHAZA	4,055	0	0	4,055	3,879	2,350
DEPARTMENT OF PETROLEUM AND ENERGY	66,800	0	(27,015)	39,785	39,120	428
DEPARTMENT OF INFORMATION AND COMMUNICAT	5,000	0	0	5,000	5,000	123,678
DEPARTMENT OF TRANSPORT	13,726	0	0	13,726	8,346	800
DEPARTMENT OF COMMERCE AND INDUSTRY	9,500	0	400	9,900	9,959	17,466
DEPARTMENT OF WORKS AND IMPLEMENTATION	469,123	0	(60,000)	409,123	340,290	1,500
OFFICE OF RURAL DEVELOPMENT	28,250	0	588	28,838	28,837	314,995
<b>TOTAL</b>	<b>1,664,223</b>	<b>0</b>	<b>73,451</b>	<b>1,737,675</b>	<b>1,441,471</b>	<b>1,045,755</b>
STATUTORY INSTITUTION GRANTS	362,175	0	(19,521)	342,653	267,686	210,872
PROVINCIAL GOVERNMENTS	570,767	0	(46,880)	523,887	501,250	125,281
TREASURY AND FINANCE - MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL TRANSFERS, ONLENDING &amp; MISC.EXP</b>	<b>932,942</b>	<b>0</b>	<b>(66,401)</b>	<b>866,541</b>	<b>768,936</b>	<b>336,152</b>
<b>TOTAL DEVELOPMENT PAYMENTS</b>	<b>2,597,165</b>	<b>0</b>	<b>7,050</b>	<b>2,604,215</b>	<b>2,210,407</b>	<b>1,381,908</b>
<b>TOTAL PAYMENTS</b>	<b>8,364,183</b>	<b>0</b>	<b>18</b>	<b>8,364,201</b>	<b>7,831,715</b>	<b>8,510,348</b>
<b>EXCESS OF RECEIPTS (PAYMENTS)</b>	<b>(1,954)</b>	<b>0</b>	<b>5,482</b>	<b>3,528</b>	<b>(142,236)</b>	<b>154,970</b>



GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
RECEIPTS AND PAYMENTS OF THE TRUST FUND  
FOR THE PERIOD ENDED 31ST DECEMBER 2009

STATEMENT C

	PARTICULARS	Status as at 31-Dec		OPENING BAL. 1/01/2009 K'000	RECEIPTS K'000	PAYMENTS K'000	CLOSING BAL. 31/12/2009 K'000	Refer comments below
<b>GENERAL TRUSTS WITH BANK ACCOUNTS</b>								
1	COLLEGE OF EXTERNAL STUDIES	Active		191	186	(372)	5	
3	DPI COLLEGE TRUST	Active		17	2	(4)	14	
8	PUBLIC CURATORS TRUST	Active		2,770	799	(495)	3,074	
9	REGISTRAR OF NATIONAL COURT TRUST	Active		9,912	834	(417)	10,328	
10	SHERIFFS TRUST ACCOUNT	Active		187	100	(50)	237	
11	PNG CONSTABULARY BAND TRUST	Active		14	11	(22)	3	
13	ADMIN COLLEGE TRUST ACCOUNT	Active		39	24	(49)	15	
14	NATIONAL EDUCATION TRUST ACCOUNT	Active		0	0	0	0	
15	PUBLIC SOLICITORS TRUST ACCOUNT	Active		556	168	(336)	388	
17	GENERAL HOSPITAL WELFARE TRUST	Active		0	0	0	0	
20	CORRECTIONAL SERVICES	Active		162	20,046	(10,183)	10,025	
21	ACCOUNTANT REGISTRATION BOARD	Active		116	61	(122)	54	
28	LAND ACQUISITION TRUST ACCOUNT	Active		39	0	0	39	
29	ELECTORAL COMMISSIONERS TRUST ACCOUNT	Active		550	14,522	(14,854)	218	
33	HEALTH DEPT. PROJECT T/A	Active		1,603	983	(1,967)	619	
38	POLICE MESSING TRUST ACCOUNT	Active		31	59	(30)	61	
39	POM GENERAL HOSPITAL FEES T/A	Active		78	16	(33)	62	
40	ANGAU MEMORIAL HOSPITAL FEES T/A	Active		620	326	(163)	783	
48	COMMODITY GUARANTEE PRICES T/A	Active		0	0	0	0	
49	BIODIVERSITY STUDIES T/A	Active		61	27	(55)	33	
51	NATIONAL WOMEN'S CREDIT CHEME T/A	Revoked	2006	1	0	(0)	1	1
52	NAT. DISASTER & EMERG. GEN. TRUST ACC.	Revoked	2006	16,699	11,910	(28,610)	0	2
76	2KR AID TRUST ACCOUNT	Active		407	432	(216)	623	
79	ATT.GEN. OFFICE LIBRARY TRUST A/C	Active		4,764	123	(190)	4,698	
98	SPECIAL POLICE OPERATION TRUST ACCOUNT	Active		2,014	652	(326)	2,340	
128	IFAD-NTH SIMBU RURAL DEV.PROJ.PN-326	Active		0	1	(0)	0	
129	NTH SIMBU RURAL DEV.PROJ.PN-326 (GOPNG)	Active		0	0	(0)	0	
145	AGRICULTURAL PROTECT.QUARANTINE PROJ.T	Active		0	0	0	0	
149	AUSAID PROJ.OVERHEAD CHARGERS IMPREST	Active		196	1	(0)	197	
150	AUSAID TRANS.SECTOR PROGRAMME AID IMP	Active		934	(388)	(0)	546	
151	AUSAID TRANS.SECT.PROG.GOV.T.SUPPORT T/A	Active		7,297	9	(966)	6,340	
154	Health Sector Development Program(GOPNG)	Revoked	2006	17	0	0	17	3
156	HEALTH SECTOR DEVELOP.PROG.GOPNG FUND	Active		9,999	13,097	0	23,096	
165	MANUS PROV.EMERGENCY FUND TRUST ACCOL	Active		0	100	(100)	0	
169	WNB PROV.EMERGENCY FUND TRUST ACCOUNT	Active		324	1,122	(851)	595	
170	WESTERN PROV.EMERGENCY FUND TRUST ACC	Active		0	0	0	0	
171	CENTRAL PROV.EMERGENCY FUND TRUST ACC	Active		0	73	(73)	0	
172	EAST SEPIK PROV.EMERGENCY FUND TRUST AC	Active		0	1	(1)	0	
173	EHP EMERGENCY FUND TRUST ACCOUNT	Active		0	0	0	0	
174	MADANG PROV.EMERGENCY FUND TRUST ACCO	Active		0	0	0	0	
176	SIMBU PROV.EMERGENCY FUND TRUST ACCOU	Active		0	0	0	0	
179	NATIONAL APPRENTICESHIP TESTING BOARD T	Active		0	0	0	0	
180	TARGETED COMMUNITY DEVELOP.PROGRAM T/	Active		37	20	(40)	17	
187	NATIONAL APPRENTICESHIP TESTING BOARD	Active		18	7	(15)	11	
190	A/GENERAL LEGAL FEES & BRIEF OUTS	Active		1,292	8,571	(7,190)	2,672	
194	POLICE AIR WING	Active		4	0	(0)	4	
200	FINANCIAL MANAGEMENT IMPROVEMENT PROG	Active		4,859	3,152	(1,576)	6,435	
201	TARGETED COMM.DEVELOP.PROG.SECRETARIA	Active		40	28	(57)	12	
206	MINING MEMORANDUM OF AGREEMENT PROJE	Active		165	0	0	165	
209	PNG/NEW ZEALAND SCHOOL JOURNAL	Revoked	2007	414	113	(227)	301	4
211	INSURANCE COMMISSIONER TRUST ACCOUNT	Active		1,019	662	(331)	1,350	
212	CORRECTIONAL SERVICES SAP HOUSE PROJEC	Active		6	0	(0)	6	
222	KENABOT SUB-DIVISION	Active		779	235	(856)	158	
243	GOVERNMENT PRINTING OFFICE	Active		862	790	(1,581)	72	
247	CENTRAL SUPPLY & TENDERS BOARD	Revoked	2005	3,055	1,679	(840)	3,894	5
248	NATIONAL VALUE ADDED TAX TRUST ACCOUNT	Active		11,601	9,086	(18,171)	2,515	
261	ADB-S/H SUPPORT SERV.PILOT PROJ.IMPREST	Active		13	0	0	13	
262	NCD-S/H SUPPORT SERV.PILOT PROJ.C/PART	Active		3	764	(382)	385	
264	EHP-S/H SUPPORT SERV.PILOT PROJ.C/PART	Active		238	143	(71)	309	
265	FMIP PROJECT	Active		0	0	0	0	
270	Simbu Rural Electrification GoPNG	Revoked	2005	607	0	0	607	6
272	Defence Force Commercial Support	Revoked	2005	801	4,293	(4,247)	847	7
273	Works Suspense Outside Operations	Active		10,832	76,583	(52,252)	35,163	
275	Employment Oriented Skills Dev. GoPNG	Active		1	0	0	1	
276	Employment Oriented Skills Dev. ADB 1706	Active		5	0	0	5	
277	Road Maintenance & Upgrading GoPNG	Active		40,885	97,235	(107,074)	31,046	
278	Road Maintenance & Upgrading ADB 1709 Im	Active		80	8	(8)	80	
279	National Events Council	Active		319	125	(251)	194	
280	Mining Sector Institutional Strengthenin	Revoked	2007	1	0	(0)	1	8
281	Mining Sector Institutional Strengthenin	Revoked	2007	38	0	(0)	38	9
378	PNG Incentive Fund Imprest Account	Active		459	1,802	(901)	1,360	
379	Inter. Dev. AusAID for National Road& Br	Active		0	5,787	(5,787)	0	
380	PNG NWS - TWP/ ARM Trust	Active		0	290	(145)	145	
381	Tech. Assistance Facility for Inst. Stre	Revoked	2005	0	252	(233)	19	10
382	PNG Highlands Highway Rehabilitation Pro	Active		3	(0)	(0)	3	
383	PNG Highlands Highway Rehabilitation Pro	Active		14	(0)	(0)	14	
385	NARI-IBDRD 4316 PNG El Nino Drought Resp	Active		0	0	0	0	
394	Airport Maintenance Program	Active		0	0	0	0	
401	Nat. Roads Maint. Funds - Enga Province	Active		0	0	0	0	
402	National Road Maintenance Policy	Active		48	0	(0)	48	
403	Yumi Yet Bridges for Rural Development	Revoked	2006	432	0	0	432	11
405	NATIONAL AIDS COUNCIL	Active		994	120	(60)	1,054	





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STATEMENT C

	PARTICULARS	Status		OPENING BAL. 1/01/2009 K'000	RECEIPTS K'000	PAYMENTS K'000	CLOSING BAL. 31/12/2009 K'000	Refer comments below
407	Central Fund Board of Management	Active		593	447	(224)	817	
409	Defence Force Rebuilding Programme	Active		162	0	0	162	
411	Defence Force Commercialisation Programme	Revoked	2005	0	324	(324)	0	12
412	PNG-ADB Micro Finance Project GoPNG	Revoked	2007	1	1,152	0	1,153	13
413	PNG-ADB Micro Finance Project Imprest	Revoked	2005	21	20	(41)	0	14
415	Rehab.of Marine Time Nav. Aids Sys -ADB	Active		0	0	(0)	0	
416	Rehab.of Marine Time Nav. Aids Sys. GoPN	Revoked	2005	1,877	0	(1,420)	456	15
417	Road Maint.&Rehab.Proj.Special Account (	Active		543	391	(897)	37	
418	Road Maint.&Rehab.Proj.(GoPNG-Counterpar	Active		30,248	68,294	(53,782)	44,759	
419	Road Maint.&Rehab.Proj.(ENB Prov.Gov. Co	Active		1,588	4,946	(6,114)	420	
420	Road Maint.& Rehab. Proj.(Counterpart Fu	Active		541	(541)	(0)	0	
421	Road Maint.&Rehab.Proj.(Manus Prov. Gov.	Active		413	918	(1,027)	304	
422	Road Maint.& Rehab. Proj. (Morobe Prov.	Active		465	(465)	0	0	
423	Road Maint.& Rehab. Proj.(Oro Prov. Gov.	Active		142	(142)	0	0	
424	Road Maint.& Rehab. Proj.(WNB Prov. Gov.	Active		56	1,379	(1,434)	0	
425	Central Provincial Government: Dept. of	Active		0	2,748	(2,748)	1	
426	ENB Provincial Government: Dept. of Work	Active		0	438	(435)	3	
427	Manus Provincial Government: Dept. of Wo	Active		0	1	0	1	
428	Morobe Provincial Government: Dept. of W	Active		0	522	(522)	0	
429	Oro Provincial Government: Dept. of Work	Active		0	1,843	(1,825)	18	
430	WNB Provincial Government: Dept. of Work	Active		0	274	(273)	1	
431	Road Maint. & Rehab. Proj - WNB Prov. Go	Active		0	0	(0)	0	
432	Road Maint.& Rehab. Proj. (Oro Prov. Gov	Active		0	0	0	0	
433	Road Maint. & Rehab. Proj.(ENB Prov. Gov	Active		0	14	(14)	0	
434	Road Maint.& Rehab. Proj.(Central Prov.	Active		32	249	(281)	0	
435	Road Maint. & Rehab. Proj. (Manus Prov.	Active		0	0	(0)	0	
436	Road Maint. & Rehab. Proj. (Morobe Prov.	Active		0	0	(0)	0	
437	ELEMENTARY TEACHER EDUCATION SUPPORT F	Revoked	2006	30	10	0	40	16
439	PNG Artisanal and Small Scale Mining Pro	Active		0	0	0	0	
440	PNG ADB Wau Microbank-Equity Fund	Active		0	0	0	0	
441	PNG ADB Revolving Finance Facility	Active		0	0	0	0	
442	Prepared Communities Grant Trust	Revoked	2007	301	0	(0)	301	17
443	National Disas. Center Operational TA	Active		16,825	0	(12,036)	4,789	
444	Talasea,Hoskins,Kapiura and Ania TA	Active		0	0	0	0	
445	Public Sector Reform Program Trust	Active		0	2,575	0	2,575	
446	Northern Australian Quarantine Insp. Str	Active		0	213	0	213	18
447	PNG Biosafety Framework TA	Active		0	0	0	0	
448	Sepik Highway Trust	Active		750	0	(0)	750	
449	Walium Oil Palm TA	Active		23	0	(0)	23	
450	Plant and Transport Board (PTB) TA	Active		9,548	4,954	(9,938)	4,564	
451	Prov. Towns Water Supply Sanitation Proj.	Active		3,843	0	(1,751)	2,092	
452	Low Cost Community Awareness and Health	Active		12	0	(12)	0	
453	NHC Housing Development Project	Active		15,000	0	(12,853)	2,147	
454	Bougainville Governance & Implement. Fun	Active		0	11,935	(11,075)	860	
455	Lae Sieng Trust Account	Active		7	123	0	130	
458	Prov. Towns Water Supply & Sanitation - A	Active		0	0	0	0	
459	Lorengau Town Water Supply GOPNG C/Part	Active		0	0	0	0	
460	Illegal Immigration Trust Account	Active		3	0	(0)	3	
461	Population Policy Trust Account	Active		25	176	0	201	
462	PNG Ozone Depleting Substance (ODS) Phas	Active		23	0	(10)	13	
463	District Roads, Sea & River Trans. Impro	Active		521	0	0	521	
464	Comm.Water Transport T/Fund - PNG Kina T	Active		431	171	0	602	
465	Comm.Water Transp T/F - US Dollar T/A	Active		0	0	0	0	
466	Comm.Water Transp Project - GoPNG T/A	Active		11,263	14,980	0	26,243	
467	Comm.Water Transp Project - Imprest T/A	Active		134	0	0	134	
468	Education Capacity Prog. Imprest Trust	Active		457	21,333	(19,702)	2,088	
469	Basic Education Dev. Proj. GOPNG TA	Active		6,703	1,062	(6,636)	1,129	
470	Education Capacity Building Prog. GOPNG	Active		379	698	(1,014)	63	
471	Infrastr. of Rural Primary Educ. Faci. G	Active		0	0	0	0	
472	FMIP Prov. Capacity Building Imprest TA	Active		115	298	0	414	
473	PNG Educ. Reg. for Delivery (PRIDE) Proj	Active		667	1,621	(2,235)	53	
475	Tolukuma Development Trust Account	Active		0	0	0	0	
477	National Programme	Active		0	301	(227)	74	
478	Environment Protection Trust Account	Active		0	0	0	0	
479	Work Permit Trust Account	Active		13,325	25,692	(21,640)	17,376	
480	European Union Support Prog GoPNG T/A	Active		71	0	0	71	
481	Key Roads for Growth & Maint. Proj. Ausa	Active		6,808	25,933	(23,351)	9,390	
482	Western Province People's Dividend T/A	Active		0	593,226	(593,226)	0	
483	Basic Education Dev. Project Imprest T/A	Active		3,262	5,751	(7,269)	1,744	
485	Govt's Gas Pipeline Project Equity Finan	Active		500,000	0	(500,000)	0	
486	Outstanding Special Support Grants (Pre	Active		61,550	0	0	61,550	
488	SHP Gov't Emergency - Main	Active		2	0	(0)	1	
489	SHP Gov't Emergency Subsidiary	Active		103	0	0	103	
491	Manam Disaster Resettlement Trust A/C	Active		1,452	0	(334)	1,118	
492	Manam Disaster Humanitarian Impl. Trust	Active		23	0	(0)	23	
493	Bougainville Resource Capacity Trust A/C	Active		48	45	(90)	2	
494	Establish. of Seized Goods Proceeds Trus	Active		0	0	0	0	
495	Konebada Petroleum Royalty Trust A/C	Active		0	1,873	0	1,873	
496	Hides Petroleum Royalty Trust	Active		2,876	1,202	(653)	3,425	
497	Central Moran Petroleum Dev. Levy T/A	Active		14,339	5,219	(4,512)	15,040	
498	Moran Petroleum Royalty T/A	Active		12,788	682	(8,307)	5,163	
499	Financial Management Training trust A/C	Active		4	366	0	370	
500	Uhir Integrated Benefits Package trust	Active		2,944	0	(1,553)	1,391	
501	Kutubu Petroleum Royalty T/A	Active		23,355	28,952	(10,125)	42,183	
510	Manus Processing Center	Active		340	12	(24)	327	
512	PNG Education Payroll Project TA	Active		33	0	(0)	33	
513	AUSAID GRANT IMPREST ACCOUNT	Active		820	7	0	828	
514	Govt's Funding of Dev. of the Agric. Sec	Active		18,269	0	0	18,269	





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	PARTICULARS	Status as at 31-Dec		OPENING BAL. 1/01/2009 K'000	RECEIPTS K'000	PAYMENTS K'000	CLOSING BAL. 31/12/2009 K'000	Refer comments below
515	Govt's Funding of Airport Repairs & Upgr	Active		12,733	0	(12,675)	58	
516	Govt's Funding of Kuballa High Sch. Reha	Active		327	0	(326)	1	
517	Govt's Funding of O/Standing Personal Be	Active		45,428	155	0	45,582	
518	Govt's Funding of Rehab. of Educ. Sect.	Active		0	6,500	(6,500)	0	
519	Govt's Funding of Rehab. of Higher Educ	Active		5,705	60,639	(34,194)	32,149	
520	Govt's Funding of Rehab. of Law&Justice	Active		87,003	0	(83,502)	3,500	
521	Govt's Funding of Dev. of Strategic Dist	Active		15,492	0	(14,784)	708	
522	Govt's Funding of Rehab. of Nat. Parl. I	Active		6,633	0	(1,567)	5,066	
524	Govt's Funding of Rehab. of Transp. Sect.	Active		523,090	200,626	(443,256)	280,460	
525	Govt's Fund. Commit.&Dev. - PNG Gas Pipe	Active		3,800	0	(2,000)	1,800	
526	Govt's Funding of Resettlement of Volcan	Active		14,166	75	(6,990)	7,250	
527	Govt's Funding of Rehab. of NBC Infrastr	Active		3,860	0	(3,828)	32	
528	Hosp. & Health Care Centre Rehab. Trust	Active		203,761	1,062	(197,449)	7,375	
529	Rehab. of Houses for Nurses Trust A/C	Active		15,054	76	0	15,131	
530	Rehab. of Housing for Police Trust A/C	Active		45,767	0	(22,012)	23,755	
531	Child Maintenance Trust A/C	Active		0	0	(0)	0	
532	Bail & Court Ordered Compensation Trust	Active		0	0	0	0	
533	Outstanding Contractual Commit. for DDP	Revoked	2007	0	51	0	51	19
534	Ausaid Transp.Sect.Support Program-Inter	Active		0	79,507	(79,507)	0	
535	PNGIMR-Gates Foundation Partnership Trea	Active		1,329	0	(1,085)	244	
536	Cape Rodney Agric. Development T/A	Active		98	0	0	98	
537	Gobe Landowners Benefit T/A	Active		17,811	10,326	(22,324)	5,812	
538	National Roads Authority Fund T/A	Active		8,364	0	(2,399)	5,964	
539	Cocoa Pod Borer Emergency T/A	Active		0	0	0	0	
540	Fisheries & Marine Resource T/A	Active		0	5,009	(2,330)	2,678	
541	Teacher Education Training T/A	Active		0	0	0	0	
542	PNG Pub.Sec.W/force Dev. Initiative Trus	Active		0	0	0	0	
543	Personal Income Tax Auto.Boug.Govt T/A	Active		145	1,680	0	1,825	
544	Revenue & Company Tax ABG T/A	Active		9	0	(0)	9	
545	Western Prov. CMCA Dividend T/A	Active		204,131	45,502	0	249,633	
546	Western Prov. non CMCA Dividend T/A	Active		267,952	49,281	(45,919)	271,314	
547	Nat. Projects Implementation Comm. Trust	Active		2,896	0	(2,896)	0	
548	Log Export Dev. Levy Trust A/C	Active		40,973	15,383	0	56,356	
549	Log Export Development Withholding Trust	Active		0	0	0	0	
550	L&JS Justice & Attorney General Imprest	Active		2,540	0	(2,365)	175	
551	L&JS Judiciary Services Imprest A/C	Active		1,749	0	(1,696)	53	
552	L&JS Ombudsman Commission Imprest A/C	Active		663	0	(574)	89	
553	L&JS Royal PNG Police Constab. Imprest A	Active		518	0	(116)	403	
554	L&JS Magisterial Services Imprest A/C	Active		3,756	0	(3,206)	551	
555	L&JS Correctional Services Imprest A/C	Active		2,825	0	(2,611)	214	
556	L&JS E/Hilands Prov. Administration Impre	Active		203	0	(177)	26	
557	L&JS Nat.Plann. & Rural Dev. Imprest A/C	Active		329	1	0	330	
558	EHP Sub-National Strategy T/A	Active		554	1,016	(219)	1,351	
559	ENBP Sub-National Strategy T/A	Active		923	1,164	(1,071)	1,016	
560	Sub National Strategy T/A	Active		3,171	5,260	(7,998)	433	
561	Central Prov. Sub-National Strategy T/A	Active		191	2,286	(1,813)	664	
562	Highlands Highway Rehabilitation T/A	Active		1,919	113,286	(99,116)	16,090	
563	District Services Improvement T/A	Active		759,636	249,102	0	1,008,738	
564	Urbanization Pilots T/A	Active		15,000	0	(941)	14,059	
565	Institutional Housing Pilot T/A	Active		34,685	0	(15,612)	19,073	
566	Housing Development Pilot T/A	Active		1,500	1,744	0	3,244	
567	Nat. Projects Implementation Committee T	Active		0	0	0	0	
568	Govt of Japan Non Project Grant Aid GoPN	Active		0	0	0	0	
569	National Aids Council Secretariat	Active		7,705	0	(3,935)	3,770	
570	Health Sector Improvement Program	Active		0	0	0	0	
571	Transport Sector Support Program A/C	Active		210,227	43,747	(121,458)	132,516	
572	Governor General's HIV/AIDS Trust Accoun	Active		0	0	0	0	
573	Communication Infrastructure Trust Acco	Active		65	294	0	360	
574	LAECITYROADS REHABILITATION TRUST A/C	Active		26,166	49,000	(74,420)	747	
575	LAW & JUSTICE SERV. WAIGANI - AUSAID	Active		0	3,574	0	3,574	
576	LAW&JUSTICE SERV. BOUGVIL. ADMINISTRATI	Active		0	294	0	294	
577	RMRP GULF PROV GOVT-Village Contract A/C	Active		15	3	(18)	0	
578	RMRP GULF PROV GOVT-Drawing A/C	Active		0	0	(0)	0	
579	RMRP GULF PROV GOVT Contribution	Active		0	(0)	0	0	
580	RMRP HEADQUARTERS - Drawing A/C	Active		161	1,365	(1,043)	484	
581	Cooperative Societies Establishment T/A	Active		1,580	0	(1,478)	102	
582	Madang Marine Park Development T/A	Active		13,789	0	0	13,789	
583	Rural Electrification Project T/A	Active		22,671	0	(3,070)	19,602	
584	Konebada Petroleum Park T/A	Active		0	50,000	0	50,000	
585	National Infrastructure Dev. Program T/A	Active		83,500	47,725	(7,504)	123,720	
586	Land Reform Program T/A	Active		28,000	0	(24,300)	3,700	
587	Kokoda Development Package T/A	Active		0	0	0	0	
588	CoI - Department of Finance	Active		11,250	0	(9,526)	1,724	
589	Mining Sec.Inst.Streng.Tech.Assis.Prjct	Active		0	948	0	948	
590	Bougainville Weapons Disposal Trust Accou	Active		0	282	0	282	
591	Central City Trust Account	Active		0	50,235	0	50,235	
592	Mining Sec.Inst.Streng.Tech.Ass.Project I	Active		0	2,527	0	2,527	
593	Petroleum O/Standing Commit trust 2008 (	Active		180,000	0	(179,961)	39	
594	Nat. Plann.Committee Task Force T/A (NPC	Active		0	0	0	0	
595	Smallholder Agricul. Dev. Prj Credit T/A	Active		0	0	0	0	
596	PNG Gas Commercialisation working grp T/	Active		0	0	0	0	
597	Border Development Authority Trust A/C	Active		0	0	0	0	
598	HIES Project Trust Account	Active		0	2,272	(1,740)	532	
599	ENB Cocoa Pod Borer T/A	Active		0	4,199	0	4,199	
600	Nungwaia-Bongos Integrated Lrg sci Agri	Active		0	0	0	0	
601	Sandaun Prov. Sub-National Strategy T/A	Active		226	39	(226)	39	
602	Milne Bay Prov. Sub-National Strategy T/	Active		24	808	(416)	416	
603	Lae Port Dev.Proj. GOPNG Counterpart Fun	Active		0	0	0	0	





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	PARTICULARS	Status	as at 31-Dec	OPENING BAL.	RECEIPTS	PAYMENTS	CLOSING BAL.	Refer comments below
				1/01/2009 K'000	K'000	K'000	31/12/2009 K'000	
604	Lae Port Dev.Proj. ADB 2399 PNG Imprest	Active		0	0	0	0	
605	Lae Port Dev.Proj. ADB 2398 PNG Imprest	Active		0	1,768	(1,768)	0	
606	Eastern H/Land Prov. Government Project T	Active		0	21	(21)	0	
607	Support to Auditor General's Office (SAG)	Active		0	176	(176)	0	
608	Life Skills Teacher Training T/A	Active		0	531	(531)	0	
609	Smallholder Agri.Dev.Proj.(SADP)-GoPNG f	Active		0	0	0	0	
610	Strengthening of Provincial and LL Govt	Active		0	0	0	0	
611	Productive Partnerships in Agri. Project	Active		0	0	0	0	
612	HRRIP Project (1) Loan ADB 2496 Imprest	Active		0	0	0	0	
613	HRRIP Project (1) Loan ADB 2497 Imprest	Active		0	0	0	0	
614	HRRIP Project (1) Trust - GoPNG C/part	Active		0	0	0	0	
615	L&JS Program - Pub. Solicitor Trust Impr	Active		0	0	0	0	
<b>TOTAL GENERAL TRUSTS WITH BANK ACCOUNTS</b>				<b>3,847,742</b>	<b>2,218,810</b>	<b>(3,137,368)</b>	<b>2,929,184</b>	
<b>GENERAL TRUSTS WITHOUT BANK ACCOUNTS</b>								
2	ALIENATED LANDS COMPENSATION FUND	Active		153	0	0	153	
3	CHILD WELFARE	Revoked	2006	0	31	(26)	5	20
5	CUSTOMS OFFICERS OVERTIME	Active		4,919	889	(1,137)	4,671	
8	RESERVED	Active		3,195	0	0	3,195	
10	DEVELOPMENT BANK	Active		132	0	0	133	
30	SUSPENSE - HOUSING COMMISSION	Active		1,775	0	0	1,775	
31	SUSPENSE ACCOUNT NO. 2	Revoked	2006	26,958	48,422	(74,332)	1,048	21
32	SUSPENSE ACCOUNT NO. 2 - PROV GOVT	Revoked	2006	(3,987)	8,286	(1,724)	2,575	22
34	UNCLAIMED MONIES	Active		16,499	4,141	(23)	20,617	
39	NATIONAL LIBRARY & ARCHIVES TRUST ACCT.	Active		443	49	0	492	
47	ENGA PROV GOVT - SETA	Revoked	2006	286	0	(286)	0	
56	ORO PROV GOVT - SETA	Active		63	0	0	63	
60	WESTERN HIGHLANDS PROV GOVT - SETA	Active		9	0	0	9	
62	COMMUNITY SCHOOLS TEACHERS HOUSING	Revoked	2006	(0)	(0)	0	(0)	
63	MINING & PETROLEUM TRUST	Active		1,865	0	0	1,865	
64	PROV MINERAL PETROLEUM ROYALTY	Revoked	2006	(1,343)	0	0	(1,343)	23
73	CIVIL AVIATION TRUST ACCOUNT	Active		93	0	0	93	
74	WORKERS COMPENSATION TRUST ACCOUNT	Active		(5,924)	3,534	(3,609)	(5,998)	
80	PLACER PACIFIC INVESTIGATION	Active		136	0	0	136	
82	TIMBER ROYALTIES TRUST ACCOUNT	Revoked	2005	(86)	0	0	(86)	24
87	REFORESTATION LEVY T/A	Active		1,432	0	0	1,432	
91	BOUGAINVILLE REHABILITATION TRUST ACCT.	Revoked	2006	29	0	0	29	25
96	KUNDIAWA HOSPITAL FEES TRUST ACCOUNT	Revoked	2006	10	0	(10)	0	
108	NATIONAL EDUCATION TRUST ACCOUNT	Active		4,772	2,695	(6,929)	537	
128	SIMBU PROVINCE SCHOOL SUBSIDY T/A	Revoked	2006	0	0	(0)	1	26
129	KUTUBU PETROLEUM ROYALTIES T/A	Revoked	2006	8,646	0	0	8,646	27
130	GOBE TRUST ACCOUNT	Revoked	2006	722	0	0	722	28
136	Moran Trust	Revoked	2006	(6,653)	0	0	(6,653)	29
<b>GENERAL TRUSTS W/O BANK ACCOUNTS</b>				<b>54,146</b>	<b>68,047</b>	<b>(88,076)</b>	<b>34,117</b>	
<b>TRUST INVESTMENTS</b>								
2	MOTOR VEHICLE DEALERS DEPOSITS	Active		215	12	3	230	
9	DCTA - CONTROL ACCOUNT	Active		3,002	0	(90)	2,912	
19	INSURANCE DEPOSIT TRUST ACCOUNT	Active		5,097	0	(5,097)	0	
34	RSCTA - CONTROL ACCOUNT	Active		3,489	231	(205)	3,515	
46	BOOKMAKERS SECURITY DEPOSIT TRUST	Active		340	6	(30)	316	
<b>TRUST INVESTMENTS</b>				<b>12,143</b>	<b>249</b>	<b>(5,419)</b>	<b>6,974</b>	
<b>GRAND TOTAL</b>				<b>3,914,031</b>	<b>2,287,107</b>	<b>(3,230,863)</b>	<b>2,970,275</b>	

- Trust revoked however bank account not yet closed
- Transactions to close the trust occurred in 2009. Trust will no longer be reported in statement C from 2010
- Trust revoked however bank account not yet closed
- Bank account not yet closed
- Trust revoked in error, being reinstated
- Trust revoked however bank account not yet closed
- Active account. Trust instrument to be reinstated
- Bank account not yet closed
- Bank account not yet closed
- Balance to be investigated
- Bank account not yet closed
- Transactions to close the trust occurred in 2009. Trust will no longer be reported in statement C from 2010
- Trust still in operation. Ongoing need to be determined and if required, trust instrument to be reinstated
- Trust still in operation. Ongoing need to be determined and if required, trust instrument to be reinstated
- Bank account not yet closed
- Account being investigated to determine if Trust instrument is to be reinstated
- Account being investigated to determine if Trust instrument is to be reinstated
- Account being investigated to determine if Trust instrument is to be reinstated
- Balance to be investigated
- Account still in use, requires investigation
- Account is being used to process child welfare and bail monies for which there is an ongoing need. Strategy to be developed to enable a trust to be opened which will allow collection and payment of these transactions at the provincial or national level
- Balance requires investigation to determine reasons for use
- Balance to be investigated and transferred to relevant trust account
- Balance arose in 2008. Needs to be investigated and written off
- Balance arose in 2007. Needs to be investigated and written off
- Incorrect posting. Balance need to be written off
- To be reconciled and transferred to trust account with bank account
- Balance needs to be reconciled and transferred to relevant trust account with bank account
- Balance needs to be reconciled and transferred to relevant trust account with bank account # 498



**GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
STATEMENT OF SOURCES AND APPLICATION OF FUNDS  
FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**STATEMENT D**

	<b>2009</b>	<b>2008</b>
	<b>K'000</b>	<b>K'000</b>
<b>SOURCES OF FUNDS</b>		
Total receipts as per Statement B	7,689,479	8,673,187
Decrease in Advance	0	0
Decrease in Cash In Transit	334	84
Trust Receipts as per Statement C	<u>2,287,107</u>	<u>3,584,792</u>
	<u>9,976,921</u>	<u>12,258,064</u>
<b>APPLICATION OF FUNDS</b>		
Total payments as per Statement B	7,831,715	8,518,217
Increase in Advances	304	114
Increase in Cash In Transit	0	0
Trust Payments as per Statement C	<u>3,230,863</u>	<u>2,270,861</u>
	<u>11,062,882</u>	<u>10,789,193</u>
<b>Increase / (Decrease) in Cash</b>	<u><b>(1,085,961)</b></u>	<u><b>1,468,871</b></u>
<b>Increase / (Decrease) in Cash &amp; Bank Balance is made up of:</b>		
Increase / (Decrease) in Balance with BPNG	(503,053)	187,573
Increase / (Decrease) in Balance with Bank of South Pacific	(457,909)	1,388,745
Increase / (Decrease) in Balance with ANZ BANK	(114,577)	45,089
Increase / (Decrease) in Balance with Westpac Bank	(5,193)	(151,656)
Increase/(Decrease) in Trust Fund Investment bank accounts	(5,230)	(879)
<b>Increase / (Decrease) in Bank Balances</b>	<u><b>(1,085,961)</b></u>	<u><b>1,468,871</b></u>





**GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
TRUST FUND - PARTICULARS OF INVESTMENTS  
AS AT 31 DECEMBER 2009**

**STATEMENT E**

Investment Description	Closing Balance K	Interest Rate %	Term of Maturity
<b>MOTOR CAR LICENSED DEALERS TRUST</b>			
- BSP Term Deposit 1001310793	220,756	5.05%	180 days
<b>TOTAL</b>	<b>220,756</b>		
<b>BOOKMAKERS SECURITY DEPOSIT TRUST</b>			
- BSP Savings Account 1000565580	292,035	varies	on demand
- BSP Term Deposit 1001317414 (formerly 1000982592)	54,272	7.75%	365 days
<b>TOTAL</b>	<b>346,307</b>		
<b>DISTRICT COURT TRUST</b>			
- BSP (PNGBC) - Various Saving Accounts	2,819,533	varies	on demand
<b>TOTAL</b>	<b>2,819,533</b>		
<b>REGISTRAR OF SUPREME COURT TRUST ACCOUNT</b>			
- BSP Term Deposit 1000591441	9,119	2.50%	90 days
- BSP Term Deposit 1000591445	9,952	2.50%	90 days
- BSP Term Deposit 1000591447	9,952	2.50%	90 days
- BSP Term Deposit 1000591449	12,164	3.00%	90 days
- BSP Term Deposit 1000949585	121,688	3.00%	180 days
- BSP Term Deposit 1001173473	549,281	4.75%	180 days
- BSP Term Deposit 1001173506	133,650	4.75%	180 days
- BSP Term Deposit 1001173849	91,082	6.25%	365 days
- BSP Savings Accounts (Various)	2,535,127	varies	on demand
<b>TOTAL</b>	<b>3,472,014</b>		
<b>GRAND TOTAL</b>	<b>6,858,611</b>		



Table 1. Statement of direct investments, capital contribution and equity option rights as at 31st December 2009

Particulars	% owned by GoPNG	Value as at 31 Dec 2009	Basis of 2009 valuation	Value as at 31 Dec 2008	Basis of 2008 valuation
Bougainville Copper Ltd 76,430,809 shares at 31 December 2009 K1.39 each	19.06	105,827,274	A	116,845,661	A
Coffee Industry Corporation	25	4,403,840	E	4,403,840	C
Mineral Resources Development Co. Ltd	100	1,882,838	E	1,882,838	C
OkTedi Mining Ltd (see note 10.3)	15	365,843,700	C	285,750,000	C
Pacific Forum Line	28.9	14,385,695	E	14,385,695	E
Petromin PNG Holdings Ltd	100	304,770,000	E	304,770,000	C
<b>Total</b>		<b>797,113,347</b>		<b>728,038,034</b>	

Table 2. Statement of initial capital contribution and equity for statutory authorities as at December 2009

Particulars	% owned by GoPNG	Value as at 31 Dec 2009	Basis of 2009 valuation	Value as at 31 Dec 2008	Basis of 2008 valuation
Bank of Papua New Guinea	100	126,952,000	E	126,952,000	C
Total Investments in the General Business Trust (see Table 3 and Note 9)	100	5,917,958,481	C	5,476,272,008	C
Net Assets of Independent Public Business Corporation (IPBC)	100	(1,270,320,626)	C	106,457,731	C
<b>Total</b>		<b>4,774,589,855</b>		<b>5,709,681,739</b>	
<b>Total Government Investments</b>		<b>5,571,703,202</b>		<b>6,437,719,773</b>	

Table 3. Statement of investments, vested in the General Business Trust managed by Independent Public Business Corporation as at 31st December 2009

Particulars	% owned by GoPNG	Value as at 31 Dec 2009	Basis of 2009 valuation	Value as at 31 Dec 2008	Basis of 2008 valuation
<b>3.1 Unlisted Investments</b>					
<b>Independently Audited SOEs</b>					
Air Niugini	100	225,800,000	B	229,531,000	D
Eda Ranu	100	70,500,000	B	66,208,274	D
Motor Vehicle Insurance Limited (MVIL)	100	195,300,000	B	587,130,802	D
National Development Bank (formerly Rural development Bank)	100	110,600,000	B	51,764,996	D
PNG Ports Corp. (formerly PNG Harbours)	100	286,000,000	B	254,018,170	D
PNG Power Ltd	100	542,800,000	B	511,911,000	D
PNG Water Board	100	(85,400,000)	B	76,567,671	D
Post PNG Ltd	100	94,300,000	B	56,885,000	D
Telikom PNG	100	447,300,000	B	761,948,000	D
<b>Total Independently Audited SOEs</b>		<b>1,887,200,000</b>		<b>2,595,964,913</b>	
<b>Other Unlisted Investments</b>					
Aquarius No 21	100	943,218	C	943,218	D
BSP (Ex. MVIL)	100	98	C	98	D
Cape Rodney Estates Pty Ltd 200,000 shares	100	174,000	C	174,000	E
Finance Pacific Ltd	100	1	C	1	D



<b>Other Unlisted Investments</b>					
Gogol Reforestation Co Pty Ltd 98,001 shares	49	(54,357)	C	(54,357)	D
Government Printer	100	1	C	1	D
Government Stores	100	13,951,200	C	13,951,200	D
Higaturu Transport Pty Ltd 600,000 shares	100	0	C	0	D
Investment Corporation of PNG	100	8,660,957		8,660,957	D
Kagamuga Natural Products (KNP)	100	1,145,000	C	1,145,000	D
Kroton No.2 Limited		(37,137,167)	C	0	
Livestock Development Corp. Pty Ltd 200,000 shares	100	2,177,341	C	2,177,341	D
Niugini Insurance Ltd	100	(4,348,860)	C	(4,348,860)	D
Open Bay Pty Ltd 443,000 shares	20	0	C	0	D
Pacific Rim Plantations Ltd 14,661,995 shares	20	21,911,123	C	6,327,788	D
Port Moresby Private Hospital Ltd	100	11,335,478	C	11,335,478	D
PNG Dams Ltd	100	89,746,031	C	97,648,890	D
PNG Forest products Pty Ltd 788,000 shares	20	9,731,600	C	7,965,600	D
Telikom PNG (Prime Minister)	100	10	C	10	D
<b>Total Others</b>		<b>118,235,674</b>		<b>145,926,365</b>	

<b>Total Unlisted Investments</b>		<b>2,005,435,674</b>		<b>2,741,891,278</b>	
<b>3.2 Listed Investments</b>					
Bank of South Pacific 1071082400 shares at K0.85	23.49	910,420,040	A	1,049,660,752	A
Highlands Pacific Ltd 30,158,821 shares at K0.98	4.62	29,555,645	A	3,619,059	A
Oil Search Limited	-	0		1,671,135,505	A
Oil Search-Escrow Account (See Note 9.5) 196,604,177 shares at K15	17.56	2,949,062,655	A	0	
New Britain Palm Oil (shares bought in 2008)	0.93	23,484,467	A	9,965,415	D
<b>Total Listed</b>		<b>3,912,522,807</b>		<b>2,734,380,730</b>	
<b>Total assets held in GBT</b>		<b>5,917,958,481</b>		<b>5,476,272,008</b>	



GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
STATEMENT OF PUBLIC DEBT AS AT 31ST DECEMBER 2009 - (KINA THOUSANDS)

STATEMENT G

LOAN REFERENCE	PURPOSE OF LOANS	CLOSING BALANCE AS AT 31.12.08	ADJUSTMTS FROM PREVIOUS YEARS	OPENING BALANCE AT 01.01.09	BORROWINGS 2009	PRINCIPAL REPAYMENTS 2009	EFFECT OF MOVEMENTS IN EXCH. RATE INCREASE/ (DECREASE)	BALANCE AT 31.12.09	REMAINDER AVAILABLE FOR DRAWING	INTEREST PAYMENTS 2009	COMMITMENT & OTHER CHARGES 2009	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)	0.00	(K'000)
<b>MULTILATERAL : ASIAN DEVELOPMENT BANK</b>													
ADB 278 (SF)	WATER SUPPLY PROJECT	19,770	0	19,770	0	2,354	47	17,462	0	155	0	1.00	2,510
ADB 290 (SF)	EAST SEPIK RURAL DEVELOPMENT PROJEC	12,189	0	12,189	0	1,571	148	10,768	0	56	0	1.00	1,627
ADB 342 (SF)	2ND DEVELOPMENT BANK PROJECT	10,328	0	10,328	0	1,065	5	9,267	0	107	0	1.00	1,173
ADB 348 (SF)	SECOND WATER SUPPLY PROJECT	9,240	0	9,240	0	951	56	8,345	0	87	0	1.00	1,038
ADB 415 (SF)	UPPER WARANGOI HYDRO-POWER PROJECT	14,216	0	14,216	0	1,256	86	13,048	0	159	0	1.00	1,415
ADB 489 (SF)	LAE PORT PROJECT	12,115	0	12,115	0	1,024	75	11,166	0	135	0	1.00	1,159
ADB 552(SF)	TECHNICAL EDUCATION PROJECT	14,686	0	14,686	0	1,075	75	13,663	0	133	0	1.00	1,206
ADB 611(SF)	THIRD DEVELOPMENT BANK PROJECT	9,290	0	9,290	0	696	114	8,708	0	62	0	1.00	758
ADB 658(SF)	CAPE RODNEY SMALLHOLDER DEVELOPMEN	32,125	0	32,125	0	2,144	286	30,267	0	257	0	1.00	2,401
ADB 691(SF)	4TH ROAD IMPROVEMENT SECTOR PROJECT	29,199	0	29,199	0	2,658	254	26,796	0	228	0	1.00	2,886
ADB 746 (SF)	2ND RURAL HEALTH SERVICES PROJECT	25,366	0	25,366	0	1,494	228	24,100	0	208	0	1.00	1,699
ADB 784 (SF)	WEST NEW BRITAIN SMALLHOLDER DEVELO	33,939	0	33,939	0	2,059	422	32,302	0	364	0	1.00	2,422
ADB 853 (SF)	EAST NEW BRITAIN SMALLHOLDER DEVELOP	10,267	0	10,267	0	778	135	9,624	0	139	0	1.00	917
ADB 908 (SF)	TECHNICAL ASSISTANCE PROGRAM	3,184	0	3,184	0	109	35	3,110	0	32	0	1.00	142
ABD 997 (SF)	AGRICULTURE SECTOR PROGRAM	170,179	0	170,179	0	5,828	1,896	166,247	0	1,844	0	1.00	7,772
ADB 1024 (SF)	INDUSTRIAL CENTRE DEVELOPMENT	19,093	0	19,093	0	639	208	18,662	0	176	0	1.00	815
ADB 1054 (SF)	SPECIAL INTERVENTION PROJECT	23,852	0	23,852	0	746	219	23,325	0	211	0	1.00	957
ADB 1097 (SF)	3RD RURAL HEALTH SERVICES PROJECT	36,871	0	36,871	0	1,204	408	36,075	0	399	0	1.00	1,603
ADB 1110 (SF)	AGRICULTURE RESEARCH & EXTENSION PRO	52,685	0	52,685	0	1,694	581	51,552	0	638	0	1.00	2,332
ADB 1154 (SF)	TRANSPORT INFRASTRUCTURE DEV. PROJE	35,077	0	35,077	0	1,129	387	34,335	0	406	0	1.00	1,534
ADB 1224 (SF)	HIGHER EDUCATION PROJECT	39,649	0	39,649	0	1,140	337	38,846	0	383	0	1.00	1,623
ADB 1225 (SF)	POPULATION AND FAMILY PLANNING	13,529	0	13,529	0	416	148	13,261	0	146	0	1.00	562
ADB 1330 (SF)	RABAU EMERGENCY PROGRAM	1,377	0	1,377	0	37	11	1,351	0	13	0	1.00	50
ADB 1516 (OCR)	HEALTH SECTOR DEVELOPMENT PROGRAM	100,935	0	100,935	0	4,195	1,063	97,803	0	5,543	0	P8VLR+0.5	9,736
ADB 1517(SF)	HEALTH SECTOR DEVELOPMENT PROGRAM	14,493	0	14,493	0	373	24,380	38,500	0	140	0	1.00	513
ADB 1518 (SF)	HEALTH SECTOR DEVELOPMENT PROGRAM	19,001	0	19,001	0	489	164	18,676	0	184	0	1.00	673
ADB 1652 (LBL)	AGRICULTURE SMALLHOLDER SUPPORT SEP	8,400	0	8,400	0	278	91	8,213	0	280	2	ADBLU+0.6	559
ADB 1703 (P&CL)	FINANCIAL MANAGEMENT IMPROVEMENT	20,184	0	20,184	0	556	193	19,820	0	1,084	0	P&SCLU	1,841
ADB 1703 (LBL)	FINANCIAL MANAGEMENT IMPROVEMENT	42,579	0	42,579	0	1,171	407	41,815	0	1,015	3	ADBLU+0.6	2,188
ADB 1706 (SF)	EMPLOYMENT SKILLS DEV. PROJECT	51,803	0	51,803	0	2,105	321	50,019	0	783	0	1.00	2,868
ADB 1709 (P&CL)	ROAD MAINTENANCE & UPGRADE PROJECT	12,801	0	12,801	0	353	122	12,570	0	683	0	P&SCLU	1,036
ADB 1709 (LBL)	ROAD MAINTENANCE & UPGRADE PROJECT	94,273	0	94,273	26,667	2,648	377	118,669	31,165	2,177	429	ADBLU+0.6	5,254
ADB 1754 (P&CL)	REHABILITATION OF MARITIME NAVIGATIONA	1,105	0	1,105	0	27	11	1,089	0	59	0	P&SCLU	87
ADB 1754 (LBL)	REHABILITATION OF MARITIME NAVIGATIONA	44,493	0	44,493	0	1,084	424	43,834	0	1,063	11	ADBLU+0.6	2,158
ADB 1768 (SF)	MICROFINANCE & EMPLOYMENT PROJECT	18,209	0	18,209	2,570	1,171	33,806	53,414	3,348	248	0	1.00	1,419
ADB 1812 (SF)	PROVINCIAL TOWNS WATER SUPPLY & SANI	34,509	0	34,509	0	689	290	34,109	0	318	0	1.00	1,007
ADB 1889 (SF)	NUCLEUS AGRO ENTERPRISE TA PROJECT	4,938	0	4,938	0	0	47	4,985	0	48	0	1.00	48
ADB 1925 (SF)	COASTAL FISHERIES DEVELOPMENT & MANA	10,762	0	10,762	0	0	102	10,863	0	108	0	1.00	108
ADB 2079 (SF)	COMMUNITY WATER TRANSPORT PROJECT	32,025	0	32,025	3,575	0	278	35,877	16,422	331	0	1.00	331
ADB 2242 (Sup)	ROAD MAINTENANCE & UPGRADE PROJECT	6,745	0	6,745	10,108	0	-215	16,638	121,788	128	466	ADBLU+0.6	594
ADB 2243 (Sup)	ROAD MAINTENANCE & UPGRADE PROJECT	3,438	0	3,438	5,156	0	-112	8,481	42,491	30	0	1.00	30
ADB 2398 - PNG	LAE PORT DEV/PRJT	0	0	0	0	0	0	0	162,162	0	278	0	278
ADB 2399 - PNG	LAE PORT DEV/PRJT	0	0	0	0	0	0	0	106,562	0	0	0	0
ADB 2496 (SF)	HIGHLANDS RD IMPR INVEST PROJECT 2496	0	0	0	0	0	0	0	202,249	0	0	0	0
ADB 2497 (SF)	HIGHLANDS RD IMPR INVEST PROJECT 2497	0	0	0	0	0	0	0	81,807	0	0	0	0
<b>TOTAL ASIAN DEVELOPMENT BANK</b>		<b>1,148,877</b>	<b>0</b>	<b>1,148,877</b>	<b>48,075</b>	<b>47,205</b>	<b>67,909</b>	<b>1,217,656</b>	<b>767,944</b>	<b>20,638</b>	<b>1,189</b>		<b>69,032</b>





GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
STATEMENT OF PUBLIC DEBT AS AT 31ST DECEMBER 2009 - (KINA THOUSANDS)

STATEMENT G

LOAN REFERENCE	PURPOSE OF LOANS	CLOSING BALANCE AS AT 31.12.08	ADJUSTMTS FROM PREVIOUS YEARS	OPENING BALANCE AT 01.01.09	BORROWINGS 2009	PRINCIPAL REPAYMENTS 2009	EFFECT OF MOVEMENTS IN EXCH. RATE INCREASE/ (DECREASE)	BALANCE AT 31.12.09	REMAINDER AVAILABLE FOR DRAWING	INTEREST PAYMENTS 2009	COMMITMENT & OTHER CHARGES 2009	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)	0.00	(K'000)
MULTILATERAL: EUROPEAN ECONOMIC COMMUNITY													
EEC - BEEF/CATT	BEEF CATTLE RANCHING	2,360		2,360	0	181	78	2,256	0	25	0	1.00	205
EEC - HIRITANO	HIRITANO HIGHWAY	4,396		4,396	0	268	121	4,248	0	43	0	1.00	311
EEC - TELECOM	REGIONAL TELECOMMUNICATION NETWORK	8,885		8,885	0	502	282	8,556	0	92	0	1.00	694
EEC - HURIS	HURIS CATTLE RANCHING	1,128		1,128	0	71	36	1,093	0	12	0	1.00	83
EEC - MAGI HWAY	MAGI HIGHWAY	5,131		5,131	0	303	141	4,970	0	50	0	1.00	352
EEC - KIMBE/TALA	KIMBE/TALASEA ROAD	9,032		9,032	0	465	284	8,831	0	94	0	1.00	579
EEC - VAILALARI	VAILALA TO RIGO ROAD	10,852		10,852	0	458	318	10,712	0	108	0	1.00	568
EEC - BROWN RIVER	BROWN RIVER TO VEIMAU ROAD	18,561		18,561	0	784	544	18,321	0	185	0	1.00	969
EEC - ROAD & BR	ROAD & BRIDGES REHABILITATION PROGRAM	41,101		41,101	0	1,848	1,246	40,701	0	420	0	1.00	2,066
EEC - RAMU HIGH	RAMU HIGHWAY UPGRADING	53,989		53,989	0	1,770	1,637	53,855	0	552	0	1.00	2,322
TOTAL EUROPEAN ECONOMIC COMMUNITY		155,435	0	155,435	0	6,568	4,685	153,552	0	1,579	0	10	8,147
MULTILATERAL: EUROPEAN INVESTMENT BANK													
EIB - YONKI HYDR	YONKI HYDRO ELECTRIC PROJECT												
EIB - POLIAMB	POLIAMB TREE CROP (Y)	13,193		13,193	0	2,699	380	10,874	0	270	0	2.00	2,968
EIB - ELCOM	ELCOM POWER TRANSMISSION	4,222		4,222	0	1,442	131	2,911	0	123	0	3.00	1,565
TOTAL EUROPEAN INVESTMENT BANK		17,414	0	17,414	0	4,140	511	13,785	0	393	0	5	4,533
MULTILATERAL: INTERNATIONAL BANK FOR RECONSTRUCTION & DEV.													
IBRD 3934	STRUCTURAL ADJUSTMENT LOAN 1995	77,088		77,088	0	9,790	1,278	68,564	0	2,624	0	COF08+0.50	12,414
IBRD 7018	MINING SECTOR STRENGTHENING PROJECT	22,787		22,787	0	1,418	281	21,050	0	868	0	SCLFX	2,088
IBRD 7019	GAS DEV. & UTILIZATION PROJ.	15,978		15,978	0	895	197	15,181	0	468	0	SCLFX	1,483
IBRD 7021	GOVERNANCE PROMOTION ADJUSTMENT PF	204,795		204,795	0	12,824	2,399	194,570	0	5,001	0	SCLFX	17,625
IBRD 7093	FORESTRY AND CONSERVATION PROJECT	5,090		5,090	0	0	48	5,138	0	152	0	SCLFX	152
IBRD 7119	ROAD MAINTAINANCE & REHEB. PROJECT	97,088		97,088	4,372	4,334	1,011	98,138	44	2,490	29	SCLFX	6,853
TOTAL INTERNATIONAL BANK FOR RECONSTRUCTION & DEV		422,808	0	422,808	4,372	29,160	5,211	403,231	44	11,402	29		40,592
MULTILATERAL: INTERNATIONAL DEV. ASSOCIATION													
IDA 137	NEW BRITAIN SMALLHOLDER DEVELOPMENT	1,439		1,439	0	144	19	1,314	0	11	0	0.75	155
IDA 175	AGRICULTURAL DEVELOPMENT PROJECT	4,654		4,654	0	456	52	4,251	0	35	0	0.75	491
IDA 204	HIGHLANDS HIGHWAY PROJECT	5,014		5,014	0	448	55	4,622	0	38	0	0.75	486
IDA 326	PORTS PROJECT	9,976		9,976	0	791	139	9,324	0	75	0	0.75	869
IDA 348	SMALLHOLDER LIVESTOCK CREDIT PROJECT	5,622		5,622	0	422	70	5,270	0	44	0	0.75	465
IDA 661	EDUCATION PROJECT	5,622		5,622	0	337	66	5,351	0	44	0	0.75	380
IDA 677	2ND HIGHLANDS ROAD IMPROVEMENT PROJ	26,741		26,741	0	1,558	311	25,494	0	207	0	0.75	1,785
IDA 841	RURAL DEVELOPMENT PROJECT 15/HIGHLA	30,424		30,424	0	1,636	349	29,137	0	236	0	0.75	1,872
IDA 1030	THIRD HIGHWAY PROJECT	22,450		22,450	0	1,058	216	21,609	0	169	0	0.75	1,226
IDA 1149	2ND AGRICULTURAL CREDIT PROJECT	34,407		34,407	0	1,539	-24,972	7,690	0	292	0	0.75	1,835
IDA 1087	PRIMARY EDUCATION PROJECT	25,712		25,712	0	1,178	-18,641	5,895	0	221	0	0.75	1,397
IDA 1227	ENGA PROVINCE DEVELOPMENT PROJECT	4,861		4,861	0	213	-3,532	1,116	0	42	0	0.75	254
IDA 1279	PETROLEUM EXPLORATION TECHNICAL ASS	7,869		7,869	0	337	-5,723	1,809	0	67	0	0.75	404
IDA 4298	ROAD MAINTAINANCE & REHEB. PROJECT - A	5,317		5,317	33,312	0	-31,246	7,384	0	99	0	0.75	99
IDA 4374	SMALLHOLDER AGRICULTURE DEVELOPMEN	0		0	2,000	0	-2,000	0	0	0	0		0
IDA 4491	2ND MINING TECHNICAL ASSISTANCE PROJE	0		0	3,000	0	-3,000	0	0	7	0		7
TOTAL INTERNATIONAL DEVELOPMENT ASSOCIATION		190,109	0	190,109	38,312	10,113	-87,837	130,471	0	1,593	0		11,706
MULTILATERAL: INTERNATIONAL FUND FOR AGRICULTURE DEV.													
IFAD - PN-192	SOUTH SIMBU RURAL DEVELOPMENT PROJ	0	0	0	0	0	0	0	0	0	0	4.00	0
IFAD - PN-326	NORTH SIMBU RURAL DEVELOPMENT PROJ	4,423	0	4,423	0	1,000	81	3,504	0	169	0	4.00	1,169
TOTAL INTERNATIONAL FUND FOR AGRIC. DEV		4,423	0	4,423	0	1,000	81	3,504	0	169	0	8	1,169
TOTAL MULTI-LATERAL		1,939,066	0	1,939,066	90,759	95,187	-9,440	1,922,199	767,988	35,775	1,218	23	135,180
LOAN REFERENCE	PURPOSE OF LOANS	CLOSING BALANCE AS AT 31.12.08	ADJUSTMTS FROM PREVIOUS YEARS	OPENING BALANCE AT 01.01.09	BORROWINGS 2009	PRINCIPAL REPAYMENTS 2009	EFFECT OF MOVEMENTS IN EXCH. RATE INCREASE/ (DECREASE)	BALANCE AT 31.12.09	REMAINDER AVAILABLE FOR DRAWING	INTEREST PAYMENTS 2009	COMMITMENT & OTHER CHARGES 2009	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)	0.00	(K'000)
BILATERAL: KUWAIT (KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT)													
KFAD 332	WATABUNG-CHUAVE ROAD	606		606	0	649	43	0	0	11	0	3.50	660
TOTAL KUWAIT FUND FOR ARAB ECON. DEV.		606	0	606	0	649	43	0	0	11	0		660



GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
STATEMENT OF PUBLIC DEBT AS AT 31ST DECEMBER 2009 - (KINA THOUSANDS)

<b>BILATERAL: GERMANY (KREDITANSTALT FÜR WIEDERAUFBAU)</b>													
KFW - 197965389	MULE-BALIMA (BIALLA) ACCESS ROAD	0	0	0	0	0	0	0	0	0	0	2.00	0
KFW - 198066300	WATER SUPPLY & SEWERAGE 1	3,989	3,989	0	912	120	3,197	0	77	0	2.00	990	
KFW - 198166175	OK TEDI MINE ACCESS ROAD	9,243	9,243	0	1,729	278	7,792	0	181	0	2.00	1,910	
KFW - 198965428	NAVIGATIONAL AIDS (DEM 6.1M) (20010101)	7,522	7,522	0	670	227	7,079	0	161	0	10.00	822	
KFW - 198965428	NAVIGATIONAL AIDS-SUPPLEMENTARY AG. II	871	871	0	32	26	866	0	7	0		38	
KFW - 199466343	TOKUA AIR TRAFFIC CONTROL TOWER	4,186	4,186	0	183	127	4,150	0	32	0	0.75	199	
KFW - 199766334	NAVIGATIONAL AID PHASE II (7.0m) (20010101)	13,477	13,477	0	452	409	13,433	0	103	0	0.75	555	
KFW - 199966034	NAVAID PHASE III	11,529	11,529	0		349	11,879	0	89	0	EUR16+0.75	89	
<b>TOTAL: GERMANY (KREDITANSTALT FÜR WIEDERAUFBAU)</b>		<b>50,818</b>	<b>0</b>	<b>50,818</b>	<b>3,958</b>	<b>1,534</b>	<b>46,394</b>	<b>0</b>	<b>641</b>	<b>0</b>		<b>4,599</b>	
<b>BILATERAL: JAPAN (THE JAPAN BANK FOR INTERNATIONAL COOPERATION)</b>													
OECF/PN-1-2	WARAG WATER SUPPLY PROJECT	0	0	0	0	0	0	0	0	0	3.00	0	
OECF/PN-1-3	WARANGOI HYDRO-ELECTRIC PROJECT	0	0	0	0	0	0	0	0	0	3.00	0	
OECF/PN-P2	ROUNA 4 HYDRO-ELECTRIC PROJECT	0	0	0	0	0	0	0	0	0	3.25	0	
OECF/PN-P3	YONKI HYDROELECTRIC PROJECT	0	0	0	0	0	0	0	0	0	2.00	0	
OECF/PN-P4	POM INTL AIRPORT REDEVELOPMENT PROJ	120,142	120,142	0	12,185	-1,190	106,767	0	3,206	0	4.70	15,391	
OECF/PN-P5	AGRICULTURE DEVELOPMENT PROJECT	31,641	31,641	0	3,209	-313	28,119	0	844	0	2.70	4,053	
OECF/PN-P7	NATIONAL ROAD IMPROVEMENT PROJECT	54,180	54,180	0	4,332	-630	49,219	0	1,434	0	2.70	5,266	
OECF/PN-C1	AGRICULTURE SECTOR PROGRAM	52,285	52,285	0	4,180	-608	47,497	0	1,384	0	2.70	5,564	
OECF/PN-PS-1	TRANS ISLANDS HIGHWAY	0	0	0	0	0	0	0	0	0	4.00	0	
OECF/PN-PS-2	TRANS ISLANDS HIGHWAY	94,851	94,851	0	7,584	-1,102	86,165	0	2,510	0	2.70	10,093	
OECF/PN-C2	STRUCTURAL ADJUSTMENT LOAN	129,463	129,463	0	9,803	-1,295	118,365	0	3,506	0	2.70	13,309	
OECF/PN-P8	POM INTL AIRPORT REDEVELOPMENT PROJ	78,906	78,906	0	4,505	-939	73,461	0	2,100	0	2.70	6,606	
OECF/PN-P8 A	POM INTL AIRPORT REDEVELOPMENT PROJ	11,575	11,575	0	661	-138	10,777	0	262	0	2.30	823	
OECF/PN-C3	STRUCTURAL ADJUSTMENT PROGRAMME	159	159	0	0	-2	167	0	3,486	0	2.20	3,486	
<b>TOTAL: JAPAN (THE JAPAN BANK FOR INTERNATIONAL COOPERATION)</b>		<b>573,202</b>	<b>0</b>	<b>573,202</b>	<b>46,460</b>	<b>-8,215</b>	<b>520,526</b>	<b>0</b>	<b>15,732</b>	<b>0</b>		<b>65,192</b>	
<b>OTHER BILATERAL</b>													
CHINA	CHINESE LOAN 1 - WAIGANI SPORTS COMPLE	7,791	7,791	0	0	73	7,064	0	0	0	INT. FREE	0	
CHINA	CHINESE LOAN 2 - WAIGANI SPORTS COMPLE	7,365	7,365	0	0	69	7,434	0	0	0	INT. FREE	0	
CHINA	CHINESE LOAN 3 - MARIHAM NAT. HIGH SCH	16,474	16,474	0	0	154	16,628	0	0	0	INT. FREE	0	
KOREA (EXIM BANK)	WEWAK STORM WATER DRAINAGE	8,301	8,301	0	1,172	629	7,799	0	276	0	3.50	1,448	
TAIWAN (CHIAO TUNG)	3RD URBAN WATER SUPPLY	9,696	9,696	0	1,017	129	8,809	0	352	0	3.50	1,368	
AUSTRALIA (RESERVE BANK)	AGGREGATED RBA AS PTLS	8,302	8,302	0	1,466	-8,836	0	0	768	35	VARIOUS	2,269	
<b>TOTAL OTHER BILATERAL</b>		<b>57,931</b>	<b>0</b>	<b>57,931</b>	<b>3,655</b>	<b>-5,782</b>	<b>48,495</b>	<b>0</b>	<b>1,397</b>	<b>35</b>		<b>5,066</b>	
<b>TOTAL BILATERAL</b>		<b>682,557</b>	<b>0</b>	<b>682,557</b>	<b>54,721</b>	<b>-10,421</b>	<b>617,415</b>	<b>0</b>	<b>20,762</b>	<b>35</b>	<b>0</b>	<b>75,537</b>	
<b>SUPPLIERS CREDIT</b>													
ECOG/Deutsche AG	YUMIYET BRIDGE LOAN FACILITY (Rural Bridge)	108,796	108,796	0	18,282	-991	89,523	0	1,540	0	1.45	19,821	
<b>TOTAL SUPPLIERS CREDIT</b>		<b>108,796</b>	<b>0</b>	<b>108,796</b>	<b>18,282</b>	<b>-991</b>	<b>89,523</b>	<b>0</b>	<b>1,540</b>	<b>0</b>		<b>19,821</b>	
<b>COMMERCIAL LOANS</b>													
EXIM BANK OF M	DEFENCE FORCE HOUSING PROJECT (USD50.0M)	0	0	0	0	0	0	0	0	0	DF+1 (VARIOUS)	0	
OFFSHORE	BORROWING CHARGES	0	0	0	0	0	0	0	0	0	VARIOUS	0	
IMF FEES	IMF FEES	0	0	0	0	0	0	0	0	0	VARIOUS	0	
<b>TOTAL COMMERCIAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	
<b>TOTAL-SUPPLIERS CREDITS, REFINANCING &amp; COMMERCIAL</b>		<b>108,796</b>	<b>0</b>	<b>108,796</b>	<b>18,282</b>	<b>-991</b>	<b>89,523</b>	<b>0</b>	<b>1,540</b>	<b>0</b>	<b>0.00</b>	<b>19,821</b>	
<b>TOTAL OVERSEAS BORROWING</b>		<b>2,730,419</b>	<b>0</b>	<b>2,730,419</b>	<b>90,759</b>	<b>171,189</b>	<b>-20,852</b>	<b>2,629,137</b>	<b>767,988</b>	<b>58,096</b>	<b>1,253</b>	<b>230,538</b>	
<b>LOAN REFERENCE</b>	<b>PURPOSE OF LOANS</b>	<b>CLOSING BALANCE AS AT 31.12.08</b>	<b>ADJUSTMENTS FROM PREVIOUS YEARS</b>	<b>OPENING BALANCE AT 01.01.09</b>	<b>BORROWINGS 2009</b>	<b>PRINCIPAL REPAYMENTS 2009</b>	<b>EFFECT OF MOVEMENTS IN EXCH. RATE INCREASE/ (DECREASE)</b>	<b>BALANCE AT 31.12.09</b>	<b>REMAINDER AVAILABLE FOR DRAWING</b>	<b>INTEREST PAYMENTS 2009</b>	<b>COMMITMENT &amp; OTHER CHARGES 2009</b>	<b>INTEREST RATE P.A. %</b>	<b>TOTAL PAYMENTS</b>
		(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	0.00	(K'000)
<b>DOMESTIC LOANS</b>													
<b>DOMESTIC LOANS</b>													
BPNG	TREASURY BILLS	1,734,328	0	1,734,328	663,641	631,529	0	1,766,440	0	115,372	0	VARIOUS	746,901
BPNG	INSCRIBED STOCK	2,328,248	0	2,328,248	425,450	368,900	0	2,384,798	0	270,739	0	7.50 AVG	639,639
BPNG	INTEREST ON OVERDRAFT FACILITY	0	0	0	0	0	0	0	0	430	0	VARIOUS	430
BPNG	AGENCY FEE	0	0	0	0	0	0	0	0	0	3,000	0	3,000
<b>TOTAL DOMESTIC BORROWING</b>		<b>4,062,576</b>	<b>0</b>	<b>4,062,576</b>	<b>1,089,091</b>	<b>1,000,429</b>	<b>0</b>	<b>4,151,238</b>	<b>0</b>	<b>386,541</b>	<b>3,000</b>	<b>0</b>	<b>1,389,970</b>
<b>OTHER DEBT SERVICE PAYMENTS ASSUMED BY STATE</b>													
NCDC	TRANSFER OF ASSETS TO EDA RANU	9,297	0	9,297	0	4,648	0	4,649	0	593	0	6.38	5,241
<b>TOTAL OTHER DEBT SERVICE PAYMENTS ASSUMED BY STATE</b>		<b>9,297</b>	<b>0</b>	<b>9,297</b>	<b>0</b>	<b>4,648</b>	<b>0</b>	<b>4,649</b>	<b>0</b>	<b>593</b>	<b>0</b>		<b>5,241</b>
<b>TOTAL DOMESTIC BORROWING</b>		<b>4,071,873</b>	<b>0</b>	<b>4,071,873</b>	<b>1,089,091</b>	<b>1,005,077</b>	<b>0</b>	<b>4,155,887</b>	<b>0</b>	<b>387,134</b>	<b>3,000</b>		<b>1,395,211</b>
<b>TOTAL PUBLIC DEBT</b>		<b>6,802,292</b>	<b>0</b>	<b>6,802,292</b>	<b>1,179,850</b>	<b>1,176,266</b>	<b>-20,852</b>	<b>6,785,024</b>	<b>767,988</b>	<b>445,230</b>	<b>4,253</b>		<b>1,625,750</b>





LOAN REFERENCE	PURPOSE OF LOANS	CLOSING BALANCE AS AT 31.12.09	ADJUSTM ENTS FROM PREVIOUS YEARS	OPENING BALANCE AT 01.01.09	BORROW ING 2009	PRINCIP AL REPAYM ENT 2009	EFFECT OF MOVEME NTS IN EXCHAN GE	BAD DEBTS WRITTEN OFF	BALANCE AT 31.12.09	PROVISI ON FOR BAD DEBTS	INTERES T PAYMEN TS & COMMIT MENTS	INTERE ST RATES %
		(K'000)	(K'000)	(K'000)	(K'000)	(K'000)	(K'000)		(K'000)	(K'000)	(K'000)	
<b>PROVINCIAL GOVERNMENTS</b>												
KL-GKALGC	GOROKA LOCAL GOVT COUNCIL	40	0	40	0	0	0	0	40		0	6
KL-MOTU/KOITABU	MOTU KOITABU INTM. ASSEMBLY	100	0	100	0	0	0	0	100		0	0
RF-NCDIC	RE NAT INTERIM COMM.	5,920	0	5,920	0	0	0	0	5,920		0	7
KL-WNB PROV GOVT.	WNB PROV. GOVT.	60	0	60	0	0	0	0	60		0	0
KL-ENGA PROV GOVT.	POGERA MINING AGREEMENT	200	0	200	0	0	0	0	200		0	0
KL-SIMBU PROV. GOVT.	SIMBU PROV. GOVT.	480	0	480	0	0	0	0	480		0	0
<b>TOTAL PROVINCIAL GOVERNMENTS</b>		<b>6,800</b>	<b>0</b>	<b>6,800</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>6,800</b>	<b>0</b>	<b>0</b>	
<b>NATIONAL INVESTORS SCHEME LOANS</b>												
NIS-ATUK	POTATO GROWING WHP (NIS ATU)	140	0	140	0	0	0	(140)	0		0	10
NIS-BALAWAIA	CATTLE RANCH (NIS BALAWAIA)	500	0	500	0	0	0	(500)	0		0	
NIS-BARAKOPO	PLANTATION MASSAWA (NIS BARA)	390	0	390	0	0	0	(390)	0		0	8
NIS-FMC	EXPORT OF SEA FOOD (NIS FMC)	100	0	100	0	0	0	(100)	0		0	
NIS-GOUNA	CONSTRUCTION GOROKA (NIS GO)	260	0	260	0	0	0	(260)	0		0	10
NIS-KARAWAME	TRADE STORE DARU (NIS KARAW)	60	0	60	0	0	0	(60)	0		0	12
NIS-KAUGIM	COFFEE DEVELOPMENT (NIS KAUG)	160	0	160	0	0	0	(160)	0		0	8
NIS-KP	FLOUR MILL WESTERN PR. (NIS KP)	200	0	200	0	0	0	(200)	0		0	10
NIS-KURADUBI	PLANT PURCHASE PELL. (NIS KUR)	610	0	610	0	0	0	(610)	0		0	10
NIS-KUMUSI	TIMBER EXP. NORTHERN (NIS KUM)	280	0	280	0	0	0	(280)	0		0	14
NIS-KUMBAKANA	COFFEE PLANTING (NIS KUMBAKE)	230	0	230	0	0	0	(230)	0		0	10
NIS-LAPEGU	PINE PLANT. E.H.P. (NIS LAPEGU)	370	0	370	0	0	0	(370)	0		0	8
NIS-LOLOBAU	COCOA DEV. MUDA (NIS LOLOBAU)	710	0	710	0	0	0	0	710	(710)	0	12
NIS-MILDAS	SUPERMARKET YOMBA (NIS MILD)	90	0	90	0	0	0	0	90	(90)	0	8
NIS-NGIP	COCOA DEV. (NIS NGIP)	41	0	41	0	0	0	0	41	(41)	0	8
NIS-NIUGINI	NIUGINI NIUS (NIS NIUGINI)	230	0	230	0	0	0	0	230	(230)	0	11
NIS-NANUK	COCOA DEV. WINGMAU (NIS NANU)	460	0	460	0	0	0	0	460	(460)	0	12
NIS-PUROSA	CARDAMON & COFFEE (NIS PURO)	220	0	220	0	0	0	0	220	(220)	0	8
NIS-SEA PARK	SEA PARK PTY LTD (NIS SEAPARK)	300	0	300	0	0	0	0	300	(300)	0	10
NIS-SOGERI	RUBBER DEV. SOGERI (NIS SOGER)	1,460	0	1,460	0	0	0	0	1,460	(1,460)	0	8
NIS-STOLIP	HIRE OF AIR CRAFT (NIS STOLIP)	70	0	70	0	0	0	0	70	(70)	0	10
NIS-TROPICAL	TOURIST DIVING VESSEL (NIS TRC)	40	0	40	0	0	0	0	40	(40)	0	18
NIS-TAIGA	UPGRADING PLANT. EQUIP. (NIS T)	90	0	90	0	0	0	0	90	(90)	0	8
NIS-ULAMONA	WHOLESALE BUSINESS (NIS ULAM)	190	0	190	0	0	0	0	190	(190)	0	9
NIS-ULABO	TIMBER EXPORT SAGARAI (NIS UL)	450	0	450	0	0	0	0	450	(450)	0	14
NIS-ULU	COCOA DEVELOPMENT (NIS ULU)	570	0	570	0	0	0	0	570	(570)	0	12
NIS-WOMSOP	SOAP MANUFACTURING (NIS WOM)	280	0	280	0	0	0	0	280	(280)	0	12
NIS-YAKUASA	YAKUASA CATTLE RANCH (NIS YA)	160	0	160	0	0	0	0	160	(160)	0	8
NIS-ZIFASING	CATTLE RANCH MARKHAM (NIS ZIF)	70	0	70	0	0	0	0	70	(70)	0	8
<b>TOTAL NATIONAL INVESTORS SCHEME LOANS</b>		<b>8,731</b>	<b>0</b>	<b>8,731</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,300)</b>	<b>5,431</b>	<b>(5,431)</b>	<b>0</b>	
<b>PNG HARBOURS BOARD</b>												
OK-HB ADB 469	HARBOURS BOARD /ADB 469	(200)	200	0	0	0	0	0	0		0	10
OL-PT ADB 468	LAE PORTS PROJECT ADB 468	14,746	(200)	14,746	0	0	0	0	14,746		0	10
<b>TOTAL HARBOURS BOARD</b>		<b>14,746</b>	<b>0</b>	<b>14,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,746</b>	<b>0</b>	<b>0</b>	
<b>POST &amp; TELECOMM. CORPORATION</b>												
OL-PT 102	PTC FRENCH PROTOCOL CREDIT	780	0	780	0	316	18	0	482		21	9
OL-TEL EEC	EEC REGIONAL TELECOM-GEREH	9,510	0	9,510	0	558	260	0	9,211		89	1
OL-TEL III	3RD TELECOM. PROJECT IBRD 315	0	0	0	0	0	0	0	0		0	3
<b>TOTAL POST &amp; TELECOMM. CORPORATION</b>		<b>10,290</b>	<b>0</b>	<b>10,290</b>	<b>0</b>	<b>874</b>	<b>277</b>	<b>0</b>	<b>9,693</b>	<b>0</b>	<b>110</b>	
<b>0</b>												
KL-DIFCO	DISCPL. FORCES CANTEEN ORGA	10	0	10	0	0	0	0	10	0	0	10
OL-MB IBRD 2608	MILNE BAY ESTATE IBRD 2608	3,967	0	3,967	0	2,437	72	0	1,602	0	168	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	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	17,938	0	0	VLR
OL-ADB 1211	UPGRADING OF W/SUP. PJ. ADB 12	30,254	0	30,254	0	0	0	0	30,254	0	0	4
OL-NIDC/EIB	POLIAMBA TREE CROP NIDC / EIB	4,280	0	4,280	0	0	0	0	4,280	0	0	2
<b>TOTAL OTHER LOANS</b>		<b>80,360</b>	<b>0</b>	<b>80,360</b>	<b>0</b>	<b>2,437</b>	<b>72</b>	<b>0</b>	<b>77,996</b>	<b>0</b>	<b>168</b>	
<b>TOTAL OF LENDING</b>		<b>120,926</b>	<b>0</b>	<b>120,926</b>	<b>0</b>	<b>3,311</b>	<b>349</b>	<b>(3,300)</b>	<b>114,665</b>	<b>(5,431)</b>	<b>278</b>	



GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
STATEMENT OF GOVERNMENT GUARENTEED LOANS  
AS AT 31ST DECEMBER 2009

STATEMENT I

Borrowers	Loan Details	Currency	Exchange Rates	Original Amount Guaranteed		Balance C as at 31/12/2009		3
				Currencies ('000)	Kina (K'000)	Currencies ('000)	Kina (K'000)	
PNG Electricity Commission	1994 Domestic Loan		Not applicable	Not applicable	-	Not applicable	-	
Air Niugini	Loan		"	"	33,000	"	-	
Various Individuals	Credit Guarantee Scheme		"	"	20,377	"	376	
Various Individuals	Housing Guarantee Scheme		"	"	10,490	"	-	
Various Individuals	Interest Guarantee Scheme		"	"	3,235	"	-	
Post & Telecommunication Corp.	Loan		"	"	5,000	"	-	
PNG Electricity Commission	1992 Domestic Loan		"	"	-	"	-	
PNG Electricity Commission	1993 Domestic Loan		"	"	-	"	-	
PNG Electricity Commission	1994 Domestic Loan		"	"	-	"	-	
Palam Accom. & Dev. Co.	Housing Guarantee Scheme		"	"	-	"	-	
					72,102		376	

Borrowers	Loan Details	Currency	Exchange Rates	Original Amount Guaranteed		Balance Outstanding 2009	
				Currencies ('000)	Kina (K'000)	Currencies ('000)	Kina (K'000)
PNG Electricity Commission	Elcom. Loan Moltaka	GBP	0.1765	2,700	15,297	-	-
PNG Electricity Commission	Complementary Loan ADB 18	USD	0.3525	10,000	28,369	-	-
Pacific Aviation Safety Office	PASO Loan Guarantee	SDR	0.2195	258	1,177	258	1,177
Poliamba Pty Ltd	Poliamba Tree Crop	EUR	0.2391	12,000	50,188	-	-
Poliamba Pty Ltd	Poliamba Tree Crop	GBP	0.1765	-	-	-	-
Poliamba Pty Ltd	Poliamba Tree Crop	USD	0.3525	-	-	-	-
Poliamba Pty Ltd	Poliamba Tree Crop	CHF	0.4030	-	-	-	-
Poliamba Pty Ltd	Poliamba Tree Crop	LIT	1936.27	-	-	-	-
Bank of PNG	Finance Contract Global - 13.04.94 (A)	EUR	0.2391	4,000	16,729	-	-
Bank of PNG	Finance Contract Global - 13.04.94	GBP	0.1765	-	-	-	-
Bank of PNG	Finance Contract Global - 13.04.94	USD	0.3525	-	-	-	-
Bank of PNG	Finance Contract Global - 13.04.94	LIT	1936.27	30,074	16	-	-
Bank of PNG	Finance Contract Global - 13.04.94 (B)	EUR	0.2391	4,000	16,729	-	-
Bank of PNG	Finance Contract Global - 13.04.94	GBP	0.1765	-	-	-	-
Bank of PNG	Finance Contract Global - 13.04.94	USD	0.3525	-	-	-	-
Bank of PNG	Finance Contract Global - 13.04.94	JPY	39.2100	-	-	-	-
MRDC Pty Ltd & MRL Pty. Ltd	Finance Contract Agreement - 26.04.95	EUR	0.2391	21,000	87,829	15,997	68,073
MRDC Pty Ltd	Finance Contract Agreement - 28.06.96	EUR	0.2391	25,000	104,559	6,632	28,222
Telikom PNG Ltd	Agreement 27.07.95	USD	0.3525	26,282	74,559	6,543	21,098
					395,452		118,570
					467,554		118,946





GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
REVENUE FUND RECEIPTS BY REVENUE HEAD  
FOR THE PERIOD ENDING 31 DECEMBER 2009

STATEMENT J

RUN DATE 03/08/2010

GROUP 1 NATIONAL DEPARTMENTS REVENUE							
REVENUE DEPARTMENT OF FINANCE & TREASURY							
			2009	2009	2009	2008	
RECEIPTS HEAD	RECEIPTS SUB HEAD		ORIG. ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1 RECOVERIES FROM FORMER YE			16,900,000.00	16,900,000.00	44,907,172.00	334,741,889.00	
2 DISPOSAL OF ASSETS			15,000.00	15,000.00	68,175.00	76,349.00	
3 STATE SERVICES & STATUTOR			100	100	0	0	
7 RECOVERIES FROM NATIONAL			2,000,000.00	2,000,000.00	0	0	
8 RECOVERIES FROM UTILITY C			1,000.00	1,000.00	383	0	
9 COMPUTER SERVICE CHARGES			1,000.00	1,000.00	0	0	
10 SALE OF HOUSES UNDER SALE			1,000.00	1,000.00	2,000.00	0	
11 35% SHARE OF POOL HOUSING			10,000.00	10,000.00	12,076.00	18,318.00	
12 CREDIT GUARANTEE SCHEME			1,000.00	1,000.00	0	0	
13 UNCLAIMED MONIES			2,000.00	2,000.00	1,482.00	12,158.00	
14 SUB-LEASE OF OFFICE ACCOM			12,000.00	12,000.00	0	0	
15 STATISTICAL SERVICES-SALE			1,000.00	1,000.00	0	0	
18 INSURERS' AND BROKERS' LI			50,000.00	50,000.00	120,000.00	105,000.00	
19 RENT OF RESERVED HOUSING			1,000.00	1,000.00	0	0	
20 TREASURY INSTITUTIONAL HO			1,000.00	1,000.00	0	0	
23 PAYROLL COMMISSION			2,500,000.00	2,500,000.00	2,297,215.00	2,162,527.00	
24 MOBILE PHONE LICENCES			100	100	0	0	
99 SUNDRY RECEIPTS			3,500,000.00	3,500,000.00	1,385,102.00	-259,859,539.00	
REVENUE HEAD TOTAL			24,996,200.00	24,996,200.00	48,793,605.00	77,256,702.00	
REVENUE DEPARTMENT OF FOREIGN AFFAIRS							
			2009	2009	2009	2008	
RECEIPTS HEAD	RECEIPTS SUB HEAD		ORIG. ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
2 PASSPORTS			2,000,000.00	2,000,000.00	2,032,374.00	2,023,724.00	
3 MIGRATION SERVICES			14,500,000.00	14,500,000.00	18,491,184.00	20,249,605.00	
REVENUE HEAD TOTAL for: DEPARTMENT OF FOREIGN AFFAIRS			16,500,000.00	16,500,000.00	20,523,558.00	22,273,329.00	
REVENUE JUDICIARY SERVICES							
			2009	2009	2009	2008	
RECEIPTS HEAD	RECEIPTS SUB HEAD		ORIG. ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1 SALE OF DOCUMENTATION			100,000.00	100,000.00	1,144.00	6,021.00	
2 FILING AND SEARCH FEES -			40,000.00	40,000.00	40,072.00	24,940.00	
3 FILING AND SEARCH FEES -			80,000.00	80,000.00	57,541.00	59,226.00	
4 FINES - CRIMINAL			150,000.00	150,000.00	66,139.00	80,011.00	
5 SHERIFF'S FEES AND POUNDA			10,000.00	10,000.00	307.00	462.00	
6 JUDICIAL FINES			20,000.00	20,000.00	2,983.00	111,417.00	
REVENUE HEAD TOTAL for: JUDICIARY SERVICES			400,000.00	400,000.00	168,186.00	282,077.00	
RECEIPTS HEAD			ORIG. ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1 DISTRICT COURT FINES			1,096,000.00	1,096,000.00	781,905.00	873,275.00	
2 DISTRICT COURT REGISTRATI			158,600.00	158,600.00	219,687.00	197,658.00	
3 FORFEITURE OF COURT BAILS			13,500.00	13,500.00	49,727.00	33,221.00	
4 SALES OF FORFEITURE GOODS			104,900.00	104,900.00	25,375.00	59,345.00	
5 EXECUTION FEES			2,800.00	2,800.00	6,562.00	7,904.00	
99 SUNDRY RECEIPTS			13,200.00	13,200.00	93,381.00	33,203.00	
REVENUE HEAD TOTAL for: MAGISTERIAL SERVICES			1,389,000.00	1,389,000.00	1,176,637.00	1,204,606.00	
REVENUE DEPARTMENT OF ATTORNEY-GENERAL							
			2009	2009	2009	2008	
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1 ESTATE AND COMMISSION FEE			20,000.00	20,000.00	18,895.00	5,550.00	
3 COMMISSIONER OF OATH FEE			0	0	0	4,777.00	
REVENUE HEAD TOTAL for: DEPARTMENT OF ATTORNEY-GENERAL			20,000.00	20,000.00	18,895.00	10,327.00	
REVENUE DEPARTMENT OF CORRECTIONAL SERVICES							
			2,009.00	2,009.00	2,009.00	2,008.00	
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1 RENTAL FROM INSTITUTIONAL			280,000.00	280,000.00	4,615,285.00	307,559.00	
99 SUNDRY RECEIPTS			0	0	0	60	
REVENUE HEAD TOTAL for: DEPARTMENT OF CORRECTIONAL SERVICES			280,000.00	280,000.00	4,615,285.00	307,619.00	





REVENUE	DEPARTMENT OF POLICE		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1	ARMS PERMITS	950,000.00	950,000.00	1,020,487.00	798,874.00	
2	ACCIDENT REPORTS	65,000.00	65,000.00	1,068,997.00	53,683.00	
3	DRIVING TESTS	95,000.00	95,000.00	139,984.00	129,528.00	
4	CHARACTER CHECKS	115,000.00	115,000.00	207,214.00	199,252.00	
5	CRIME REPORTS	15,000.00	15,000.00	13,240.00	10,509.00	
6	RENTAL FROM INSTITUTIONAL	630,000.00	630,000.00	1,085,631.00	1,005,948.00	
7	RECOVERY OF UTILITY CHARG	7,000.00	7,000.00	210.00	170.00	
99	SUNDRY RECEIPTS	400,000.00	400,000.00	403,255.00	423,151.00	
REVENUE HEAD TOTAL for: DEPARTMENT OF POLICE		2,277,000.00	2,277,000.00	3,939,018.00	2,621,115.00	
REVENUE	DEPARTMENT OF DEFENCE					
		2,009.00	2,009.00	2,009.00	2,008.00	
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1	RENTAL FROM INSTITUTIONAL	310,000.00	310,000.00	400,330.00	417,019.00	
99	SUNDRY RECEIPTS	10,000.00	10,000.00	479	1,871.00	
REVENUE HEAD TOTAL for: DEPARTMENT OF DEFENCE		320,000.00	320,000.00	400,809.00	418,890.00	
REVENUE	DEPARTMENT OF EDUCATION					
		2,009.00	2,009.00	2,009.00	2,008.00	
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1	PAYROLL COMMISSION	525,500.00	525,500.00	0	0	
2	RENTAL FROM INSTITUTIONAL	15,500.00	15,500.00	0.00	0.00	
99	SUNDRY RECEIPTS	2,000.00	2,000.00	1,878.00	1,548,927.00	
REVENUE HEAD TOTAL for: DEPARTMENT OF EDUCATION		543,000.00	543,000.00	1,878.00	1,548,927.00	
REVENUE	DEPARTMENT OF HEALTH					
		2,009.00	2,009.00	2009	2008	
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
3	RENTAL FROM INSTITUTIONAL	4,000.00	4,000.00	2,805.00	2,975.00	
6	BOARD AND LODGING FEES	4,000.00	4,000.00	5,059.00	3,504.00	
7	MEDICAL SUPPLIES	190,000.00	190,000.00	3,008.00	5,140.00	
8	MEDICAL BOARD	40,000.00	40,000.00	31,606.00	16,357.00	
99	SUNDRY RECEIPTS	50,000.00	50,000.00	248,999.00	248,472.00	
REVENUE HEAD TOTAL for: DEPARTMENT OF HEALTH		288,000.00	288,000.00	291,477.00	276,448.00	
REVENUE	DEPARTMENT OF COMMUNITY DEVELOPMENT					
		2,009.00	2,009.00	2,009.00	2,008.00	
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
2	CENSORSHIP FEES	160,000.00	160,000.00	144,354.00	207,323.00	
3	CIVIL REGISTRATION FEES	360,000.00	360,000.00	212,386.00	235,420.00	
99	SUNDRY RECEIPTS	0	100	3,713.00	3,863.00	
REVENUE HEAD TOTAL for: DEPARTMENT OF COMMUNITY DEVELOPMENT		520,000.00	520,100.00	360,453.00	446,606.00	
REVENUE	DEPARTMENT OF ENVIRONMENT AND CONSERVATI					
		2009	2009	2009	2008	
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS	
1	WILDLIFE LICENCES	11,000.00	11,000.00	6,476.00	6,720.00	
2	WILDLIFE LEVY	35,000.00	35,000.00	23,328.00	58,404.00	
3	PARKS LODGING AND GATE FE	1,500.00	1,500.00	320.00	588.00	
4	PESTICIDE PERMIT FEES	3,000.00	3,000.00	360	3,050.00	
5	WATER DISCHARGE PERMIT FE	800,000.00	800,000.00	1,735,224.00	330,737.00	
6	ODS PERMIT FEE	500	500	924	979	
7	WATER ABSTRACTION PERMIT	100,000.00	100,000.00	8,143.00	46,682.00	
8	WATER INVESTIGATION PERMI	1,000.00	1,000.00	900	500	
9	IMPACT ASSESMENT FEE	70,000.00	70,000.00	266,000.00	338,000.00	
12	HYDRO SURVEY FEES	500	500	1,225.00	100	
99	SUNDRY RECEIPTS	500	500	365	308	
REVENUE HEAD TOTAL for: DEPARTMENT OF ENVIRONMENT AND CONSERVATI		1,023,000.00	1,023,000.00	2,043,265.00	786,068.00	
REVENUE	DEPARTMENT OF AGRICULTURE AND LIVESTOCK					
		2009	2009	2009	2008	



RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 RENTAL FROM INSTITUTIONAL		45,000.00	45,000.00	48,170.00	42,813.00
99 SUNDRY RECEIPTS		5,000.00	5,000.00	21,254.00	3,170.00
REVENUE HEAD TOTAL for: DEPARTMENT OF AGRICULTURE AND LIVESTOCK		50,000.00	50,000.00	69,424.00	45,983.00
REVENUE	DEPARTMENT OF LANDS AND PHYSICAL PLANNING				
		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 LAND LEASE RENTAL		25,374,900.00	25,374,900.00	20,305,839.00	19,651,398.00
2 LICENCE FEES AND ROYALTY		20,000.00	20,000.00	56,949.00	87,963.00
3 SALE OF ALLOTMENTS		20,000.00	20,000.00	32,030.00	53,998.00
4 SURVEY FEES		15,000.00	15,000.00	42,124.00	79,176.00
5 SURVEYORS' REGISTRATION		4,000.00	4,000.00	5,326.00	2,762.00
6 VALUATION FEES		20,000.00	20,000.00	26,337.00	46,233.00
7 VALUERS' REGISTRATION		1,000.00	1,000.00	3,150.00	720.00
8 OBJECTION FEES		100	100	500	500
9 SALE OF MAPS		150,000.00	150,000.00	87,877.00	128,364.00
11 LODGEMENT FEES		40,000.00	40,000.00	59,057.00	61,402.00
12 RECOVERY FROM MATERIALS A		0	0	0	510
13 PHYSICAL PLANNING REGULAT		5,000.00	5,000.00	55,222.00	61,587.00
99 SUNDRY RECEIPTS		850,000.00	850,000.00	1,221,771.00	1,364,628.00
REVENUE HEAD TOTAL for: DEPARTMENT OF LANDS AND PHYSICAL PLANNING		26,500,000.00	26,500,000.00	21,896,182.00	21,539,241.00
REVENUE	DEPARTMENT OF PETROLEUM AND ENERGY				
		2,009.00	2,009.00	2,009.00	2,008.00
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 PETROLEUM PROSPECTING LIC		3,373,000.00	3,373,000.00	6,377,507.00	4,315,054.00
99 SUNDRY RECEIPTS		261,000.00	261,000.00	23,148.00	15,377.00
REVENUE HEAD TOTAL for: DEPARTMENT OF PETROLEUM AND ENERGY		3,634,000.00	3,634,000.00	6,400,655.00	4,330,431.00
REVENUE	DEPARTMENT OF TRANSPORT				
		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 MOTOR REGISTRATION		4,400,000.00	4,400,000.00	3,482,799.00	3,521,075.00
2 MOTOR TRADE LICENSING		100,000.00	100,000.00	119,443.00	118,000.00
3 COMMERCIAL VEHICLE LICENS		120,000.00	120,000.00	355,467.00	389,124.00
5 VEHICLE INSPECTION FEES		160,000.00	160,000.00	112,725.00	100,515.00
7 MATERIALS AND SERVICES		50,000.00	50,000.00	75,315.00	75,055.00
99 SUNDRY RECEIPTS		30,000.00	30,000.00	204,386.00	-7,347.00
REVENUE HEAD TOTAL for: DEPARTMENT OF TRANSPORT		4,860,000.00	4,860,000.00	4,350,135.00	4,196,422.00
REVENUE	DEPARTMENT OF COMMERCE AND INDUSTRY				
		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
2 IMPORT AND EXPORT TRADE L		25,000.00	25,000.00	39,470.00	29,937.00
3 RENTAL FROM INSTITUTIONAL		4,800.00	4,800.00	4,140.00	4,280.00
4 CONTRACTORS' REGISTRATION		5,000.00	5,000.00	3,567.00	10,568.00
5 APPLICATION FEES		1,000.00	1,000.00	55.00	324.00
99 SUNDRY RECEIPTS		1,000.00	1,000.00	0.00	517.00
REVENUE HEAD TOTAL for: DEPARTMENT OF COMMERCE AND INDUSTRY		36,800.00	36,800.00	47,232.00	45,626.00
REVENUE	DEPARTMENT OF INDUSTRIAL RELATIONS				
		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD	ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 TRADE LICENCES		157,000.00	157,000.00	35,537.00	77,109.00
2 INDUSTRIAL SAFETY		1,679,000.00	1,679,000.00	595,750.00	857,830.00
3 WORK PERMITS		4,040,000.00	4,040,000.00	12,161,768.00	7,919,105.00
4 AGENT EMPLOYMENT LICENCES		330,000.00	330,000.00	391,650.00	691,747.00
5 INFLAMMABLE LIQUID		364,500.00	364,500.00	341,645.00	242,103.00
6 INDUSTRIAL ORGANISATION F		3,000.00	3,000.00	3,320.00	9,580.00
99 SUNDRY RECEIPTS		1,500.00	1,500.00	2,540.00	5,160.00
REVENUE HEAD TOTAL for: DEPARTMENT OF INDUSTRIAL RELATIONS		6,575,000.00	6,575,000.00	13,532,210.00	9,802,634.00
REVENUE	DEPARTMENT OF WORKS & IMPLEMENTATION				





			2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 PLANT AND TRANSPORT TRUST			0	0	0	359,669.00
2 BOARD AND LODGING FEES			0	100	13,730.00	16,029.00
3 BUILDING PERMIT FEES			80,000.00	80,000.00	110,047.00	186,520.00
4 RECOVERY OF DESIGN SERVIC			0.00	0.00	0.00	14,090.00
5 RECOVERY OF LAND ACQUISITI			20,000.00	20,000.00	11,635.00	9,405.00
6 RECOVERY OF ROADS & BRIDG			10,000.00	10,000.00	1,400.00	4,200.00
7 SCIENCE AND TECHNOLOGY FE			100,000.00	100,000.00	144,425.00	43,576.00
99 SUNDRY RECEIPTS			500,000.00	500,000.00	541,563.00	330,301.00
REVENUE HEAD TOTAL for: DEPARTMENT OF WORKS & IMPLEMENTATION			710,000.00	710,100.00	822,800.00	963,790.00
			90,922,000.00	90,922,200.00	129,451,704.00	148,356,841.00
REVENUE	INTERNAL REVENUE COMMISSION		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 INCOME TAX - INDIVIDUALS			1,195,100,000.00	1,195,100,000.00	1,241,792,222.00	1,108,836,513.00
2 INCOME TAX - COMPANIES			877,300,000.00	877,300,000.00	1,121,384,741.00	888,058,031.00
3 DIVIDEND WITHHOLDING TAX			144,200,000.00	144,200,000.00	244,416,910.00	289,898,891.00
4 MINING AND PETROLEUM TAXE			626,500,000.00	626,500,000.00	693,050,272.00	1,961,846,663.00
5 BOOKMAKERS' TURNOVER TAX			19,100,000.00	19,100,000.00	23,896.00	0.00
6 STAMP DUTIES			0	0	0	74,247,756.00
7 ROYALTIES TAX			0.00	0.00	0.00	10,052,002.00
10 BOOKMAKERS' LICENCES			0.00	0.00	0.00	321,238.00
11 COURT FINES			0.00	0.00	0.00	25,350.00
12 DEPARTURE TAX			0.00	0.00	0.00	3,108,170.00
13 TRAINING LEVY			0	0	0	1,575,853.00
14 GAMING MACHINE TURNOVER T			95,900,000.00	95,900,000.00	83,056,279.00	82,254,412.00
15 INTEREST WITHHOLDING TAX			0.00	0.00	0.00	22,760,991.00
99 SUNDRY RECEIPTS			85,800,000.00	85,800,000.00	136,450,732.00	9,716,395.00
REVENUE HEAD TOTAL for: INTERNAL REVENUE COMMISSION			3,043,900,000.00	3,043,900,000.00	3,520,175,052.00	4,452,702,265.00
REVENUE	BUREAU OF CUSTOMS		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1 IMPORT DUTIES			166,300,000.00	166,300,000.00	143,731,415.00	157,312,381.00
2 EXCISE DUTY			407,500,000.00	407,500,000.00	354,727,156.00	365,291,113.00
3 EXPORT TAX			152,900,000.00	152,900,000.00	108,719,963.00	127,924,878.00
5 VALUE ADDED TAX			703,000,000.00	703,000,000.00	703,000,000.00	640,410,000.00
6 EXCISE DUTIES ON IMPORT			137,000,000.00	137,000,000.00	139,190,933.00	125,926,671.00
7 MINING LEVY			0	0	0	11,355,701.00
99 SUNDRY RECEIPTS			3,700,000.00	3,700,000.00	5,533,294.00	4,744,188.00
REVENUE HEAD TOTAL for: BUREAU OF CUSTOMS			1,570,400,000.00	1,570,400,000.00	1,454,902,761.00	1,432,964,932.00
REVENUE	REVENUE FROM ASSETS		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
2 DIVIDENDS			195,000,000.00	195,000,000.00	0	30,000,000.00
5 MINING & PETROLEUM DIVIDE			127,900,000.00	127,900,000.00	139,075,603.00	40,705,495.00
6 INJECTIONS FROM TRUST ACC			600,000,000.00	600,000,000.00	500,000,000.00	0
7 INTEREST FROM TRUST ACCOU			21,706,300.00	21,706,300.00	0	0
REVENUE HEAD TOTAL for: REVENUE FROM ASSETS			944,606,300.00	944,606,300.00	639,075,603.00	70,705,495.00
GROUP TOTAL GENERAL REVENUE			5,558,906,300.00	5,558,906,300.00	5,614,153,416.00	5,956,372,892.00
REVENUE	LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
533 INDUSTRIAL CENTERS DEVELO	ICDC ADB 1024		130,000.00	130,000.00	0.00	0.00
540 NATIONAL WATER AND SEWERA	CTB URBAN W		152,000.00	152,000.00	0	0
540 NATIONAL WATER AND SEWERA	2 ADB 1211 UPG		208,000.00	208,000.00	0.00	0.00
547 POST AND TELECOMMUNICATIO	2 PTC FRENCH F		17,000.00	17,000.00	21,257.00	31,108.00
547 POST AND TELECOMMUNICATIO	4 PTC EEC GER		114,000.00	114,000.00	88,641.00	162,450.00
548 PNG HARBOURS BOARD	3 PNGHB ADB 46		1,334,000.00	1,334,000.00	0	0
999 OTHER AGENCIES AND ORGANI	MILNE BAY ES		146,900.00	146,900.00	167,914.00	135,527.00
REVENUE HEAD TOTAL for: LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,			2,101,900.00	2,101,900.00	277,812.00	329,085.00
			2,009.00	2,009.00	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
999 OTHER AGENCIES AND ORGANI	4 NATIONAL INV		0.00	3,500,000.00	3,300,000.00	0.00
REVENUE HEAD TOTAL for: LOAN SERVICE RECEIPTS: KINA, INTEREST			0.00	3,500,000.00	3,300,000.00	0.00
PUBLIC ACCOUNTS FOR THE GOVERNMENT OF PAPUA NEW GUINEA PAGE 25						
RUN DATE 03/08/2010 STATEMENT J (DETAIL) FOR PERIOD 31 DECEMBER 2009						
GROUP 3 LOANS SERVICE RECEIPTS						





GOVERNMENT OF PAPUA NEW GUINEA  
PUBLIC ACCOUNTS  
REVENUE FUND RECEIPTS BY REVENUE HEAD  
FOR THE PERIOD ENDING 31 DECEMBER 2009

STATEMENT J

RUN DATE 03/08/2010

REVENUE	LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
540	NATIONAL WATER AND SEWERA	CTB URBAN W	311,800.00	311,800.00	0	0
540	NATIONAL WATER AND SEWERA	2 ADB 1211 UPG	450,300.00	450,300.00	0	0
547	POST AND TELECOMMUNICATIO	3 PTC FRENCH F	338,200.00	338,200.00	315,603.00	346,140.00
547	POST AND TELECOMMUNICATIO	4 PTC EEC GER	403,100.00	403,100.00	558,490.00	940,229.00
548	PNG HARBOURS BOARD	3 PNGHB ADB 46	0.00	0.00	0.00	1,600,000.00
584	EAST SEPIK PROVINCIAL GOV	3 PNGHB ADB 46	1,400,000.00	1,400,000.00	0	0
999	OTHER AGENCIES AND ORGANI	MILNE BAY ES	1,096,600.00	1,096,600.00	2,437,233.00	840,662.00
REVENUE HEAD TOTAL for: LOAN SERVICE RECEIPTS: FOREIGN CURRENCY,			4,000,000.00	4,000,000.00	3,311,326.00	3,727,031.00
REVENUE	LOAN SERVICE RECEIPTS: ON-LENDING KINA,		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
548	PNG HARBOURS BOARD	4 PNGHB ADB 46	0	0	0	1,159,337.00
REVENUE HEAD TOTAL for: LOAN SERVICE RECEIPTS: ON-LENDING KINA,			0	0.00	0.00	1,159,337.00
GROUP TOTAL	LOANS SERVICE RECEIPTS		6,101,900.00	9,601,900.00	6,889,138.00	5,215,453.00
REVENUE	GRANTS		2009	2009	2009	2008
RECEIPTS HEAD	RECEIPTS SUB HEAD		ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
201	NATIONAL PARLIAMENT	SUPPORT TO	2,345,600.00	2,345,600.00	161,374.00	0
203	DEPARTMENT OF PRIME MINIS	3 INTERNATIONAL	300,000.00	300,000.00	300,000.00	0
203	DEPARTMENT OF PRIME MINIS	4 CONFLICT PRE	1,562,900.00	1,562,900.00	5,930,200.00	0
206	DEPARTMENT OF FINANCE	5 PNG-AUST. TR	2,176,500.00	2,176,500.00	486,186.00	0.00
206	DEPARTMENT OF FINANCE	12 PROVINCIAL C	3,700,000.00	3,700,000.00	2,921,489.00	0.00
217	DEPARTMENT OF FOREIGN AFF	2 TRADE RELAT	0	0	0	1,282,847.00
217	DEPARTMENT OF FOREIGN AFF	3 TRADE RELAT	1,128,400.00	1,128,400.00	784,870.00	0
229	DEPARTMENT OF NATIONAL PL	5 DEMOCRATIC	6,311,700.00	6,311,700.00	21,973,512.00	10,728,131.00
229	DEPARTMENT OF NATIONAL PL	6 INTERGRATED	469,300.00	469,300.00	11,371,381.00	0
229	DEPARTMENT OF NATIONAL PL	7 NAO SUPPORT	4,325,400.00	4,325,400.00	3,417,521.00	0.00
229	DEPARTMENT OF NATIONAL PL	8 CIMC SUPPOR	256,500.00	256,500.00	0	0
229	DEPARTMENT OF NATIONAL PL	9 STRATEGIC PA	0	0	0	564,808.00
229	DEPARTMENT OF NATIONAL PL	12 NON-STATE AC	3,949,300.00	3,949,300.00	6,392,023.00	2,260,052.00
229	DEPARTMENT OF NATIONAL PL	14 INCENTIVE FU	21,764,600.00	21,764,600.00	684,063.00	6,198,108.00
229	DEPARTMENT OF NATIONAL PL	15 MICRO-FINANC	0	1,000,000.00	0	0
229	DEPARTMENT OF NATIONAL PL	18 TECHNICAL CO	0	0	0	1,042,509.00
229	DEPARTMENT OF NATIONAL PL	20 SMALL ACTIVIT	623,600.00	623,600.00	350,000.00	0.00
229	DEPARTMENT OF NATIONAL PL	22 RURAL DEVEL	261,200.00	261,200.00	0	0
229	DEPARTMENT OF NATIONAL PL	24 JUSTICE SECT	544,100.00	544,100.00	0	514,708.00
229	DEPARTMENT OF NATIONAL PL	25 STRATEGIC IN	1,562,900.00	1,562,900.00	0.00	0.00
229	DEPARTMENT OF NATIONAL PL	27 YOUNG LEADE	1,872,000.00	1,872,000.00	875,000.00	0
229	DEPARTMENT OF NATIONAL PL	28 RURAL DEVEL	548,500.00	548,500.00	24,237.00	176,098.00
229	DEPARTMENT OF NATIONAL PL	33 INTEGRATED C	1,075,200.00	1,075,200.00	500,000.00	0
229	DEPARTMENT OF NATIONAL PL	34 NAO SUPPORT	0	0	0	2,748,750.00
229	DEPARTMENT OF NATIONAL PL	36 GRASSROOTS	2,640,000.00	2,640,000.00	480,000.00	0
229	DEPARTMENT OF NATIONAL PL	38 LAW & JUSTIC	59,445,900.00	59,445,900.00	38,010,555.00	49,995,168.00
229	DEPARTMENT OF NATIONAL PL	46 JUSTICE ADVIS	5,303,700.00	5,303,700.00	0.00	2,735,474.00
229	DEPARTMENT OF NATIONAL PL	58 SMALL PROJE	0.00	0.00	0.00	799,378.00
229	DEPARTMENT OF NATIONAL PL	60 CIVIL SOCIETY	653,300.00	653,300.00	0.00	81,594,894.00
229	DEPARTMENT OF NATIONAL PL	61 CHURCHES PA	8,923,500.00	8,923,500.00	3,913,043.00	7,296,585.00
229	DEPARTMENT OF NATIONAL PL	68 BRIS KANDA L	2,138,100.00	2,138,100.00	1,200,000.00	2,192,505.00
229	DEPARTMENT OF NATIONAL PL	71 CIVIL SOCIETY	3,563,500.00	3,563,500.00	2,000,000.00	2,038,678.00
229	DEPARTMENT OF NATIONAL PL	73 PERFORMANCE GRANT				
229	DEPARTMENT OF NATIONAL PL	74 ECONOMIC & F	32,646,800.00	32,646,800.00	5,010,694.00	15,947,425.00
229	DEPARTMENT OF NATIONAL PL	75 LAW & JUSTIC	15,235,200.00	15,235,200.00	0.00	2,679,067.00
229	DEPARTMENT OF NATIONAL PL	76 PROGRAM SUI	7,617,600.00	7,617,600.00	15,008,125.00	2,062,667.00
229	DEPARTMENT OF NATIONAL PL	77 BORDER MANA	10,882,300.00	10,882,300.00	0	4,909,931.00
229	DEPARTMENT OF NATIONAL PL	78 SUSTAINABLE	2,758,500.00	2,758,500.00	3,545,691.00	0.00
229	DEPARTMENT OF NATIONAL PL	79 ADB SOCIAL M	1,781,700.00	1,781,700.00	1,000,000.00	0.00
229	DEPARTMENT OF NATIONAL PL	81 AID COORDINA	1,786,500.00	1,786,500.00	0	0
229	DEPARTMENT OF NATIONAL PL	82 TORRES TRAIT	979,400.00	979,400.00	0.00	0
229	DEPARTMENT OF NATIONAL PL	84 PRIVATE ENTE	672,100.00	672,100.00	0	432,947.00
229	DEPARTMENT OF NATIONAL PL	85 GENDER PA PR	1,781,700.00	1,781,700.00	1,000,000.00	0.00
229	DEPARTMENT OF NATIONAL PL	87 MDG JOINT PR	893,200.00	893,200.00	4,168,727.00	0
229	DEPARTMENT OF NATIONAL PL	88 FOREIGN INVE	500,600.00	500,600.00	543,478.00	581,395.00
229	DEPARTMENT OF NATIONAL PL	90 PROGRAMME	142,500.00	142,500.00	80,000.00	0.00
229	DEPARTMENT OF NATIONAL PL	91 HUMAN RIGHT	817,000.00	817,000.00	329,953.00	0.00
229	DEPARTMENT OF NATIONAL PL	92 TAX CREDITS	40,000,000.00	40,000,000.00	0	0
229	DEPARTMENT OF NATIONAL PL	96.00 ADVISORY SUI	32,646,800.00	32,646,800.00	36,200,634.00	15,715,971.00
229	DEPARTMENT OF NATIONAL PL	98 UN PROGRAM	757,200.00	757,200.00	425,000.00	0.00
230	ELECTORAL COMMISSION	2 ELECTORAL SI	10,947,600.00	10,947,600.00	14,600,708.00	9,235,637.00
232	PROVINCIAL AND LOCAL GOVE	2 DISASTER MA	2,209,500.00	2,209,500.00	2,295,446.00	0.00
232	PROVINCIAL AND LOCAL GOVE	6 SUPPORT FOR	0.00	0.00	0	277,535.00





232	PROVINCIAL AND LOCAL GOVE	7	PNG MDC 7 EN	0.00	0.00	0.00	31,451,442.00
232	PROVINCIAL AND LOCAL GOVE	9	DISTRICT GOV	1,781,700.00	1,781,700.00	1,000,000.00	0
232	PROVINCIAL AND LOCAL GOVE	10	DISASTER MAN	781,900.00	781,900.00	2,111,986.00	0
232	PROVINCIAL AND LOCAL GOVE	11.00	SUB-NATIONAL	43,529,100.00	43,529,100.00	56,280,484.00	0
232	PROVINCIAL AND LOCAL GOVE	12	PROVINCIAL P	2,606,000.00	2,606,000.00	4,106,438.00	0
232	PROVINCIAL AND LOCAL GOVE	13	STRENGTHEN	10,014,300.00	10,014,300.00	772,213.00	0.00
235	DEPARTMENT OF EDUCATION	21	CURRICULUM	761,800.00	761,800.00	0	118,371.00
235	DEPARTMENT OF EDUCATION	22	POPULATION E	655,100.00	655,100.00	2,232,121.00	0
235	DEPARTMENT OF EDUCATION	27	EDUCATION SE	1,958,800.00	1,958,800.00	380,812.00	1,409,048.00
235	DEPARTMENT OF EDUCATION	28	BEDP PREIMPL	21,764,600.00	21,764,600.00	43,083,493.00	15,712,829.00
235	DEPARTMENT OF EDUCATION	32	EDUCATION C	43,529,100.00	43,529,100.00	44,821,051.00	63,618,788.00
235	DEPARTMENT OF EDUCATION	35	HUMAN RESOU	0	0	0	4,857,234.00
235	DEPARTMENT OF EDUCATION	47	SHORT TERM	534,500.00	534,500.00	0	160,479.00
235	DEPARTMENT OF EDUCATION	48.00	IN COUNTRY T	1,781,700.00	1,781,700.00	1,000,000.00	1,081,992.00
235	DEPARTMENT OF EDUCATION	49	SCHOOLS JOU	712,700.00	712,700.00	400,000.00	0
235	DEPARTMENT OF EDUCATION	59.00	EDUCATION TE	70,034,000.00	70,034,000.00	33,817,724.00	0
235	DEPARTMENT OF EDUCATION	68	TEACHERS' SC	180,700.00	180,700.00	0.00	0.00
235	DEPARTMENT OF EDUCATION	69	NZDS/STTA PR	178,200.00	178,200.00	400,000.00	0
235	DEPARTMENT OF EDUCATION	70	EDUCATION SY	1,781,700.00	1,781,700.00	1,000,000.00	0
235	DEPARTMENT OF EDUCATION	71.00	HUMAN RESOU	3,000,000.00	3,000,000.00	3,000,000.00	0
235	DEPARTMENT OF EDUCATION	72	ENHANCING Q	720,000.00	720,000.00	300,000.00	0
235	DEPARTMENT OF EDUCATION	73	CADETSHIP PR	178,200.00	178,200.00	100,000.00	0.00
240	DEPARTMENT OF HEALTH	6	SEXUAL HEAL	245,400.00	245,400.00	0.00	0
240	DEPARTMENT OF HEALTH	18	TERTIARY HEA	2,176,500.00	2,176,500.00	170,437.00	958,591.00
240	DEPARTMENT OF HEALTH	26	HEALTH SECT	7,126,900.00	7,126,900.00	4,000,000.00	3,323,074.00
240	DEPARTMENT OF HEALTH	34	EU FEASIBILIT	9,283,600.00	9,283,600.00	1,717,757.00	7,668,435.00
240	DEPARTMENT OF HEALTH	35	ESCWHC PRO	0	0	0	4,585,454.00
240	DEPARTMENT OF HEALTH	46	REPRODUCTIV	2,788,700.00	2,788,700.00	8,389,670.00	0
240	DEPARTMENT OF HEALTH	53	HEALTH SECT	21,220,400.00	21,220,400.00	30,270,907.00	30,477,368.00
240	DEPARTMENT OF HEALTH	56	CAPACITY BUI	31,558,600.00	31,558,600.00	39,383,868.00	28,535,644.00
240	DEPARTMENT OF HEALTH	61	TECHNICAL SU	3,047,000.00	3,047,000.00	0.00	2,939,377.00
240	DEPARTMENT OF HEALTH	62	UNFPA	0.00	0.00	0.00	285,346.00
240	DEPARTMENT OF HEALTH	67	CHINESE MEDI	2,000,000.00	2,000,000.00	2,000,000.00	0.00
240	DEPARTMENT OF HEALTH	68	NZAID HIVAIDS	1,781,700.00	1,781,700.00	1,000,000.00	0.00
240	DEPARTMENT OF HEALTH	69	SPECIAL MEDI	902,400.00	902,400.00	440,000.00	0
240	DEPARTMENT OF HEALTH	70	SAVE THE CHIL	4,454,300.00	4,454,300.00	2,500,000.00	0
240	DEPARTMENT OF HEALTH	71	DISTRICT TOW	9,515,900.00	9,515,900.00	2,388,066.00	0
240	DEPARTMENT OF HEALTH	72	LEPROSY MISS	712,700.00	712,700.00	400,000.00	0
240	DEPARTMENT OF HEALTH	73	HEALTH PROG	217,600.00	217,600.00	0.00	0
240	DEPARTMENT OF HEALTH	74	HEALTH RESPI	18,064,600.00	18,064,600.00	4,396,562.00	0
240	DEPARTMENT OF HEALTH	75	HIVAIDS MANA	1,898,600.00	1,898,600.00	3,321,816.00	0
240	DEPARTMENT OF HEALTH	76	SPECIAL MEDI	1,238,400.00	1,238,400.00	592,500.00	0
240	DEPARTMENT OF HEALTH	77	OXFAM NZ SAC	1,069,000.00	1,069,000.00	600,000.00	0
242	DEPARTMENT OF COMMUNITY D	8	SPORT & DEVE	5,876,400.00	5,876,400.00	0.00	2,029,566.00
242	DEPARTMENT OF COMMUNITY D	12	GENDER BASE	185,000.00	185,000.00	922,130.00	0.00
242	DEPARTMENT OF COMMUNITY D	13	WOMEN IN LEA	893,200.00	893,200.00	1,485,053.00	0.00
242	DEPARTMENT OF COMMUNITY D	14	OTHER CHINE	3,000,000.00	3,000,000.00	3,000,000.00	0.00
247	DEPARTMENT OF AGRICULTURE	23	SSEP	890,900.00	890,900.00	500,000.00	0
247	DEPARTMENT OF AGRICULTURE	24	ISP	1,781,700.00	1,781,700.00	1,000,000.00	0.00
247	DEPARTMENT OF AGRICULTURE	27	DOMESTIC RIC	720,000.00	720,000.00	300,000.00	0.00
252	DEPARTMENT OF LANDS AND P		LAND MOBILIS	870,600.00	870,600.00	2,272,298.00	0.00
254	DEPARTMENT OF MINERAL POL	2	RABAUL VOCA	1,055,100.00	1,055,100.00	878,700.00	428,418.00
254	DEPARTMENT OF MINERAL POL	20	MINING SECT	0	0	0	4,250,000.00
259	DEPARTMENT OF TRANSPORT	26	INFRASTRUCT	435,300.00	435,300.00	386,770.00	408,177.00
259	DEPARTMENT OF TRANSPORT	30	PNG INFRASTR	326,500.00	326,500.00	140,992.00	0
264	DEPARTMENT OF WORKS AND I	3	NATIONAL ROA	219,100.00	219,100.00	0	0
264	DEPARTMENT OF WORKS AND I	8	NATIONAL ROA	0	0	0	26,580,011.00
264	DEPARTMENT OF WORKS AND I	38	INFRASTRUCT	0	0	0	136,313.00
264	DEPARTMENT OF WORKS AND I	40	JICA HIGHLAN	3,120,000.00	3,120,000.00	250,000.00	0
264	DEPARTMENT OF WORKS AND I	42	MARKHAM BRI	2,400,000.00	2,400,000.00	200,000.00	0
264	DEPARTMENT OF WORKS AND I	45	PNG TRANSPC	0.00	0.00	0.00	27,469,420.00
264	DEPARTMENT OF WORKS AND I	47	USINO JUNCTI	20,000,000.00	20,000,000.00	20,000,000.00	0
264	DEPARTMENT OF WORKS AND I	48	KEY ROADS FC	17,811,900.00	17,811,900.00	607,076.00	35,342,133.00
264	DEPARTMENT OF WORKS AND I	49	PNG TRANSPC	80,712,700.00	80,712,700.00	96,336,582.00	0
264	DEPARTMENT OF WORKS AND I	50	PNG TSSP STR	812,800.00	812,800.00	0	0
506	NATIONAL TRAINING COUNCIL	3	NZ TERTIARY S	3,563,500.00	3,563,500.00	2,000,000.00	97,255.00
506	NATIONAL TRAINING COUNCIL	5	PNG AUSTRAL	8,339,700.00	8,339,700.00	35,630,864.00	3,819,583.00
506	NATIONAL TRAINING COUNCIL	6	AUSTRALIAN C	28,293,900.00	28,293,900.00	5,851,518.00	9,597,866.00
512	UNIVERSITY OF PAPUA NEW G	3	UPNG MEDICA	1,088,200.00	1,088,200.00	16,820.00	960,989.00
519	NATIONAL AIDS COUNCIL SEC	6	PNG-AUSTRAL	42,440,900.00	42,440,900.00	43,379,400.00	59,016,126.00
519	NATIONAL AIDS COUNCIL SEC	10	HIV/AIDS PREV	5,190,600.00	5,190,600.00	0.00	1,209,302.00
519	NATIONAL AIDS COUNCIL SEC	11	AIDS PREVENT	25,700.00	25,700.00	0.00	0
520	INSTITUTE OF MEDICAL RESE	5	PNGIMR SUPP	4,352,900.00	4,352,900.00	3,780,095.00	4,619,150.00
524	INDEPENDENT PUBLIC BUSINE		LAE PORT DEV	972,900.00	972,900.00	0.00	0





525	NATIONAL BROADCASTING COM	2	PNG MEDIA PR	7,987,600.00	7,987,600.00	9,742,204.00	12,583,945.00
535	MINERAL RESOURCES AUTHORI		EU SYSMIN PR	30,954,900.00	30,954,900.00	10,148,642.00	0
540	NATIONAL WATER AND SEWERA	9	LAE CITY WAT	56,800.00	56,800.00	0	0.00
551	PNG NATIONAL FISHERIES AU	4	RURAL COAST	376,100.00	376,100.00	155,966.00	214,971.00
551	PNG NATIONAL FISHERIES AU	9	WEWAK FISH	1,152,000.00	1,152,000.00	200,000.00	0
553	FRESH PRODUCE DEVELOPMENT	4	NZ/AID SEED F	2,672,600.00	2,672,600.00	0.00	0
558	TOURISM PROMOTION AUTHORI		COMMUNITY B	94,200.00	94,200.00	0	0.00
562	NATIONAL AGRICULTURE RESE		AUSAID CONTE	0.00	0.00	0.00	8,234,441.00
562	NATIONAL AGRICULTURE RESE	4	ACIAR RESEAR	3,482,300.00	3,482,300.00	4,891,304.00	1,539,112.00
562	NATIONAL AGRICULTURE RESE	12	PNG/AUSTRAL	13,058,700.00	13,058,700.00	26,979,475.00	0
579	WESTERN HIGHLANDS PROVINC	2	HAGEN AGRIC	4,000,000.00	4,000,000.00	4,000,000.00	0
582	MOROBE PROVINCIAL GOVERN	4	LAE PORT LIVE	51,400.00	51,400.00	0.00	0.00
584	EAST SEPIK PROVINCIAL GOV	3	WEWAK STAD	7,700,000.00	7,700,000.00	7,700,000.00	0.00
590	AUTONOMOUS BOUGAINVILLE G	45	COMMUNITY P	3,563,500.00	3,563,500.00	2,000,000.00	0.00
590	AUTONOMOUS BOUGAINVILLE G	48	BOUGAINVILLE	2,720,600.00	2,720,600.00	0.00	50,620.00
590	AUTONOMOUS BOUGAINVILLE G	50	B/VILLE GOVEI	1,781,700.00	1,781,700.00	1,000,000.00	500,000.00
590	AUTONOMOUS BOUGAINVILLE G	59	IMPACT ASSES	326,500.00	326,500.00	0	0.00
590	AUTONOMOUS BOUGAINVILLE G	60	BOUGAINVILLE	3,360,000.00	3,360,000.00	400,000.00	0
590	AUTONOMOUS BOUGAINVILLE G	61	UN BOUGAINV	2,233,500.00	2,233,500.00	0.00	0.00
REVENUE HEAD TOTAL for: GRANTS				1,014,533,900.00	1,015,533,900.00	768,517,704.00	620,282,138.00
GROUP TOTAL GRANTS				1,014,533,900.00	1,015,533,900.00	768,517,704.00	620,282,138.00
GROUP 5 FINANCING							
REVENUE BORROWING: DOMESTIC				2009	2009	2009	2008
RECEIPTS HEAD		RECEIPTS SUB HEAD		ORG. ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
1	INSCRIBED STOCK	3	TOTAL BORRO	568,900,000.00	568,900,000.00	425,450,000.00	754,300,000.00
2	TREASURY BILLS	3	TOTAL BORRO	927,900,000.00	927,900,000.00	663,641,000.00	1,110,270,000.00
REVENUE HEAD TOTAL for: BORROWING: DOMESTIC				1,496,800,000.00	1,496,800,000.00	1,089,091,000.00	1,864,570,000.00
REVENUE BORROWING: CONCESSIONAL, FOREIGN CURRENC							
				2009	2009	2009	2008
RECEIPTS HEAD		RECEIPTS SUB HEAD		ORG. ESTIMATE	REVISED ESTIMATE	RECEIPTS	RECEIPTS
206	DEPARTMENT OF FINANCE	3	FINANCIAL MA	0.00	0.00	0.00	1,392,819.00
229	DEPARTMENT OF NATIONAL PL	5	MICROFINANC	0.00	1,000,000.00	222,823.00	1,931,327.00
242	DEPARTMENT OF COMMUNITY D	2	EMPLOYMENT	0.00	0.00	0.00	353,758.00
247	DEPARTMENT OF AGRICULTURE	4	PROVINCIAL S	0.00	0.00	0.00	288,471.00
259	DEPARTMENT OF TRANSPORT	34	ADB MARITIME	0.00	0.00	0	4,668,720.00
259	DEPARTMENT OF TRANSPORT	37	ADB COMMUN	8,564,000.00	8,564,000.00	3,574,670.00	1,006,572.00
264	DEPARTMENT OF WORKS AND I	2	WORLD BANK	36,332,000.00	36,332,000.00	37,683,824.00	15,070,529.00
264	DEPARTMENT OF WORKS AND I	5	ADB ROAD RE	50,514,000.00	50,514,000.00	39,895,197.00	28,529,582.00
264	DEPARTMENT OF WORKS AND I	6	ADB SUPPLEM	0.00	0.00	0	8,437,833.00
264	DEPARTMENT OF WORKS AND I	45	HIGHLANDS R	30,000,000.00	30,000,000.00	0	0
524	INDEPENDENT PUBLIC BUSINE		LAE PORT DEV	5,813,300.00	5,813,300.00	0.00	0.00
524	INDEPENDENT PUBLIC BUSINE	2	POM SEWERA	30,095,700.00	30,095,700.00	0.00	0.00
535	MINERAL RESOURCES AUTHORI		WB SECTOR IN	28,689,400.00	28,689,400.00	0	0
540	NATIONAL WATER AND SEWERA	3	PROVINCIAL W	0	0	0	8,226,653.00
551	PNG NATIONAL FISHERIES AU	3	ADB COASTAL	0	0	0	614,541.00
559	PNG OIL PALM INDUSTRY COR	3	SMALLHOLDER	4,956,900.00	4,956,900.00	0	0
REVENUE HEAD TOTAL for: BORROWING: CONCESSIONAL, FOREIGN CURRENC				194,965,300.00	195,965,300.00	81,376,514.00	70,520,805.00
GROUP TOTAL FINANCING				1,691,765,300.00	1,692,765,300.00	1,170,467,514.00	1,935,090,805.00
GRAND TOTAL				8,362,229,400.00	8,367,729,600.00	7,689,479,476.00	8,665,317,929.00



## **STATEMENT "L"..... (Auditor's Note)**

The full Statement "L" can be found in the publication of the Department of Finance Public Accounts of Papua New Guinea. What is presented here are the first three (3) and the last three (3) pages, to show the fact that the statement has been audited and the audit observations on the statement are reported in Section "B" of this report.





GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS TRADITIONAL EXPENDITURE CLASSIFIED UNDER HEADS OF APPROPRIATIONS YEAR ENDED 31ST DECEMBER 2009									STATEMENT L
			TRANSFER	ADJ.	2009				OVER
		APPROPRIATIO	SECTION 4		SECTION 3	REVISED	EXPENDITURE		OR
ITEM	DESCRIPTION	2009	INCREASE	DECREASE		AUTHORISATION	2009	VARIATION	UNDER
DEPARTMENT: 571 FLY RIVER PROVINCIAL GOVERNMENT									
RECURRENT									
FUNCTION: 01 ADMINISTRATIVE SERVICE									
ACTIVITY/PROJECT: 109 ADMINISTRATION GRANT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	141,000	0	0	0	141,000	141,000	0	
	ADMINISTRATION GRANT	141,000	0	0	0	141,000	141,000	0	
ACTIVITY/PROJECT: 110 OTHER SERVICE DELIVERY FUNCTION GRANT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	141,000	0	0	0	141,000	141,000	0	
	OTHER SERVICE DELIVERY FUNCTION GRANT	141,000	0	0	0	141,000	141,000	0	
	ADMINISTRATIVE SERVICE	282,000	0	0	0	282,000	282,000	0	
FUNCTION: 02 ADVANCES									
ACTIVITY/PROJECT: 102 AGRICULTURE FUNCTION GRANT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	618,100	0	0	0	618,100	618,100	0	
	AGRICULTURE FUNCTION GRANT	618,100	0	0	0	618,100	618,100	0	
ACTIVITY/PROJECT: 201 STAFFING GRANT									
111	SALARIES AND ALLOWANCES	9,018,200	332,700	0	0	9,350,900	11,762,815	-2,411,915	OVER
	STAFFING GRANT	9,018,200	332,700	0	0	9,350,900	11,762,815	-2,411,915	OVER
ACTIVITY/PROJECT: 202 TEACHERS SALARIES (TSC)									
111	SALARIES AND ALLOWANCES	22,153,300	0	0	0	22,153,300	22,130,614	22,686	
	TEACHERS SALARIES (TSC)	22,153,300	0	0	0	22,153,300	22,130,614	22,686	
ACTIVITY/PROJECT: 203 PUBLIC SERVANTS LEAVE FARES									
114	LEAVE FARES	222,600	0	0	0	222,600	222,600	0	
	PUBLIC SERVANTS LEAVE FARES	222,600	0	0	0	222,600	222,600	0	



GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS									STATEMENT L
TRADITIONAL EXPENDITURE CLASSIFIED UNDER HEADS OF APPROPRIATIONS YEAR ENDED 31ST DECEMBER 2009									
ACTIVITY/PROJECT: 204 TEACHERS LEAVE FARES									
114	LEAVE FARES	855,600	0	0	0	855,600	855,600	0	
	TEACHERS LEAVE FARES	855,600	0	0	0	855,600	855,600	0	
ACTIVITY/PROJECT: 205 VILLAGE COURTS ALLOWANCES									
112	WAGES	161,000	0	0	0	161,000	161,000	0	
	VILLAGE COURTS ALLOWANCES	161,000	0	0	0	161,000	161,000	0	
ACTIVITY/PROJECT: 206 HEALTH FUNCTION GRANT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	875,500	0	0	0	875,500	875,500	0	
	HEALTH FUNCTION GRANT	875,500	0	0	0	875,500	875,500	0	
ACTIVITY/PROJECT: 207 EDUCATION FUNCTION GRANT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	892,500	0	0	0	892,500	892,500	0	
	EDUCATION FUNCTION GRANT	892,500	0	0	0	892,500	892,500	0	
ACTIVITY/PROJECT: 208 TRANSPORT/INFRASTRUCTURE/MAINT. GRANT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	1,403,400	0	0	0	1,403,400	1,403,400	0	
	TRANSPORT/INFRASTRUCTURE/MAINT. GRANT	1,403,400	0	0	0	1,403,400	1,403,400	0	
ACTIVITY/PROJECT: 209 VILLAGE COURTS FUNCTION GRANT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	127,600	0	0	0	127,600	127,600	0	
	VILLAGE COURTS FUNCTION GRANT	127,600	0	0	0	127,600	127,600	0	
	ADVANCES	36,327,800	332,700	0	0	36,660,500	39,049,729	-2,389,229	OVER
FUNCTION: 03 ADVISORY									
ACTIVITY/PROJECT: 101 BAMU LOCAL LEVEL GOVERNMENT									
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	98,400	0	0	0	98,400	98,400	0	
	BAMU LOCAL LEVEL GOVERNMENT	98,400	0	0	0	98,400	98,400	0	
ACTIVITY/PROJECT: 102 GOGODALA LOCAL LEVEL GOVERNMENT									





GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS TRADITIONAL EXPENDITURE CLASSIFIED UNDER HEADS OF APPROPRIATIONS YEAR ENDED 31ST DECEMBER 2009							STATEMENT L
GOGODALA LOCAL LEVEL GOVERNMENT	291,100	0	0	0	291,100	291,100	0
ACTIVITY/PROJECT: 103 LAKE MURRAY LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	117,900	0	0	0	117,900	117,900	0
LAKE MURRAY LOCAL LEVEL GOVERNMENT	117,900	0	0	0	117,900	117,900	0
ACTIVITY/PROJECT: 104 KIUNGA LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	128,300	0	0	0	128,300	128,300	0
KIUNGA LOCAL LEVEL GOVERNMENT	128,300	0	0	0	128,300	128,300	0
ACTIVITY/PROJECT: 105 KIUNGA URBAN LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	198,700	0	0	0	198,700	198,700	0
KIUNGA URBAN LOCAL LEVEL GOVERNMENT	198,700	0	0	0	198,700	198,700	0
ACTIVITY/PROJECT: 106 NINGERUM LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	128,500	0	0	0	128,500	128,500	0
NINGERUM LOCAL LEVEL GOVERNMENT	128,500	0	0	0	128,500	128,500	0
ACTIVITY/PROJECT: 107 NOMAD LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	127,200	0	0	0	127,200	127,200	0
NOMAD LOCAL LEVEL GOVERNMENT	127,200	0	0	0	127,200	127,200	0
ACTIVITY/PROJECT: 108 OLSOBIP LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	36,200	0	0	0	36,200	36,200	0
OLSOBIP LOCAL LEVEL GOVERNMENT	36,200	0	0	0	36,200	36,200	0
ACTIVITY/PROJECT: 109 STAR MOUNTAIN LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	116,700	0	0	0	116,700	116,700	0
STAR MOUNTAIN LOCAL LEVEL GOVERNMENT	116,700	0	0	0	116,700	116,700	0
ACTIVITY/PROJECT: 110 DARU URBAN LOCAL LEVEL GOVERNMENT							
143 GRANTS AND TRANSFERS TO PUBLIC AUTHORITI	309,900	0	65	0	309,900	309,900	0



GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS								STATEMENT L
GRAND TOTAL OF EXPENDITURE OF APPROPRIATIONS YEAR ENDED 31ST DECEMBER 2009								
			TRANSFER	ADJ.	2009			OVER
		APPROPRIATION	SECTION 4		SECTION 3	REVISED	EXPENDITURE	OR
ITEM	DESCRIPTION	2009	INCREASE	DECREASE		AUTHORISED	2009	UNDER
DEPARTMENT: 567 NATIONAL ROAD AUTHORITY								
RECURRENT								
AFFAIRS: 3 ECONOMIC AFFAIRS								
PROGRAMME FUNCTION: 5 CONSTRUCTION REGULATION AND TECHNICAL SE								
MAIN PROGRAMME: 02 MAINTENANCE AND INSPECTION SERVICES								
PROGRAMME: 1 MAINTENANCE OF NATIONAL ROADS								
PROGRAMME ACTIVITY/PROJECT: 101 GRANT TRANSFERS TO N.R.A								
143	GRANTS AND TRANSFERS TO PUBLIC AUTHORITY	771,200	0	0	0	771,200	1,039,271	OVER
242	CAPITAL TRANSFERS TO GOVERNMENT AGENCIES	100,000	0	0	0	100,000	100,000	
	GRANT TRANSFERS TO N.R.A	871,200	0	0	0	871,200	1,139,271	OVER
	MAINTENANCE OF NATIONAL ROADS	871,200	0	0	0	871,200	1,139,271	OVER
	MAINTENANCE AND INSPECTION SERVICES	871,200	0	0	0	871,200	1,139,271	OVER
	CONSTRUCTION REGULATION AND TECHNICAL	871,200	0	0	0	871,200	1,139,271	OVER
	ECONOMIC AFFAIRS	871,200	0	0	0	871,200	1,139,271	OVER
	RECURRENT	871,200	0	0	0	871,200	1,139,271	OVER
	NATIONAL ROAD AUTHORITY	871,200	0	0	0	871,200	1,139,271	OVER





GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS								STATEMENT L
GRAND TOTAL OF EXPENDITURE OF APPROPRIATIONS YEAR ENDED 31ST DECEMBER 2009								
			TRANSFER	ADJ.	2009			OVER
	APPROPRIATION	SECTION 4			SECTION 3	REVISED	EXPENDITURE	OR
ITEM	DESCRIPTION	2009	INCREASE	DECREASE		AUTHORISATION	2009	VARIATION
DEPARTMENT: 569 INDEPENDENT CONSUMER AND COMPETITION COM								
RECURRENT								
AFFAIRS: 4 MULTI-FUNCTIONAL EXPENDITURE								
PROGRAMME FUNCTION: 2 OTHER MULTI-FUNCTIONAL EXPENDITURE								
MAIN PROGRAMME: 01 MISCELLANEOUS MULTI-FUNCTIONAL SERVICES								
PROGRAMME: 1 CONSUMER WELFARE AND FAIR TRADING								
PROGRAMME ACTIVITY/PROJECT: 101 MANAGEMENT AND ADMINISTRATIVE SERVICES								
143	GRANTS A	2,149,800	0	0	0	2,149,800	2,149,800	0
	MANAGEM	2,149,800	0	0	0	2,149,800	2,149,800	0
	CONSUME	2,149,800	0	0	0	2,149,800	2,149,800	0
	MISCELLA	2,149,800	0	0	0	2,149,800	2,149,800	0
	OTHER MU	2,149,800	0	0	0	2,149,800	2,149,800	0
	MULTI-FUN	2,149,800	0	0	0	2,149,800	2,149,800	0
	RECURRE	2,149,800	0	0	0	2,149,800	2,149,800	0
	INDEPEND	2,149,800	0	0	0	2,149,800	2,149,800	0
	TOTAL PR	6,896,130,400	565,572,418	539,367,018	5,000,000	6,927,335,800	6,153,964,780	773,371,020



	GOVERNMENT OF PAPUA NEW GUINEA PUBLIC ACCOUNTS								STATEMENT L
	GRAND TOTAL OF EXPENDITURE OF APPROPRIATIONS YEAR ENDED 31ST DECEMBER 2009								
		TRANSFER	ADJ.	2009					OVER
	APPROPRIATION	SECTION 4		SECTION 3	REVISED	EXPENDITURE			OR
	2009	INCREASE	DECREASE		AUTHORISATIO	2009	VARIATION		UNDER
	GRAND TOTAL EXPENDITURE	8,364,183,100	594,510,218	594,492,118	0	8,364,201,200	7,700,996,259	663,204,941	

\*\*\*\*\* END OF REPORT \*\*\*\*\*

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# RECORD OF LOSSES & DEFICIENCIES OF PUBLIC MONEYS

FISCAL YEAR 2009

DEPARTMENT	OFFICE/DIVISION	LOCATION/DATE LOSS OCCURRED	AMOUNT OF LOSS (K)	AMOUNT RECOVERED (K)	BRIEF DESCRIPTION OF THE LOSS AND ACTIONS TAKEN
Internal Revenue Commission (IRC)	Office Services	Koki Bus Stop 28/01/09	349.00	Nil	A office issued mobile phone was stolen from an officer while waiting for a bus to go to work. The loss has been written off.
Internal Revenue Commission (IRC)	GST Burns House	Burns House 05/04/09	10,000.00	Nil	Theft of PC, LCD Monitor and a Nokia phone. The loss had been written off.
Internal Revenue Commission (IRC)	Human Resources	Human Resources 27/03/09	425.83	Nil	Overtime payment cheque for a customs officer cashed by paymaster and applied to his own use. Paymaster charged and terminated.
Internal Revenue Commission (IRC)	Human Resources	Kokopo Village Resort 10/2009	780.00	Nil	Left over credits from payment made to Kokopo Village Resort was applied to personal use by Mr Asi Arere. Officer disciplined and matter referred to Audit for further investigation.
Internal Revenue Commission (IRC)	Internal Affairs	PMV Bus January 2009	89.00	Nil	Mobile phone stolen from an officer's hand bag while in a PMV bus. The loss had been written off.
Internal Revenue Commission (IRC)	Internal Affairs	PMV Bus 24/04/09	89.00	Nil	Mobile phone fell off in a PMV bus and was picked up by some unknown person. The loss had been written off
Internal Revenue Commission (IRC)	Tax Audit/Resource Monitoring	PMV Bus 24/05/09	2000.00	Nil	A office Laptop was taken home by Mr Joe Maiauka on a PMV. When he got off at his destination the Laptop was left behind on the PMV. The officer responsible has been surcharged.
Internal Revenue Commission (IRC)	Finance & Budget	Office Bus (Vulupindi Car Park) 02/02/09	180.00	Nil	The officer left the mobile phone in the office bus while on official run and was stolen after opening the door by an unknown person. The loss had been written off.
		<b>TOTAL</b>	<b>K13,912.83</b>		





## PRIOR YEARS

DEPARTMENT	OFFICE/DIVISION	LOCATION/DATE LOSS OCCURRED	AMOUNT OF LOSS (K)	AMOUNT RECOVERED (K)	BRIEF DESCRIPTION OF THE LOSS AND ACTION TAKEN
National Research Institute (NRI)	Head Office	Head Office Loss occurred between 1999 and 2002	2850000.00 (2.85m)	Nil	NRI funds were misappropriated through fraudulent acts over the four year period from 1999 to 2002 by the former Director. The former Director had been terminated and the matter referred to national Fraud Squad.
Education	HROD	Division of Education, Daru, Western Province. Losses occurred between 31/03/03 and 11/06/03.	1562.99	Nil	Theft of two salary cheques worth K1562..99 made payable to a Ms. Jinnia Kambut, a teacher at Montfort Primary School, Kiunga. The cheques were sent to wrong pay location (Daru), and were stolen and fraudulently negotiated. Losses to be recovered by the paymaster who is held responsible for the losses.
Education	PARS/HROD	HQ/Waigani, Fin Corp Building. Loss occurred between 24/12/03 and 04/02/04	5170.83	Nil	Backdated salary payment for a Mr Adden, a vocational teacher, raised was posted to a wrong account. Loss to be recovered from the officers directly responsible in the Salaries Section.
Education	HROD	HQ/Waigani, Fincorp Building	5016.00	Nil	Theft of Air Niugini tickets at the value of K5016.00 part of Messers Mallari & Bustamaster's 2005 leave entitlements. No actions taken as officer responsible for the loss Mr Jef Peni, a staff clerk had resigned while investigation was in process.
National Research Institute (NRI)	Head Office	Bank South Pacific Loss occurred in 2006	78281.00	Nil	Bank officers collaborated with criminals to defraud NRI bank account funds. Bank offered 50% reimbursement, however, NRI demanded a 100% so the matter will be referred to the legal advisors in 2010.
Education	HROD	Division of Education, Central Province	9768.68	Nil	Theft and fraudulent negotiation of a salary cheque dated 31/01/07, payable to a Cornelia John. The paymaster, Division of Education Central Province inadvertently paid the cheque to a third party to deliver to the payee without the payee's consent. The cheque was subsequently negotiated. Loss to be recovered from the officer responsible for the loss.



Police	Finance & Admin	PHQ/Konedobu	40000.00	Nil	Four cheques to the value of K40,000.00 were raised for 2007 Christmas party for PHQ civilian staff and Snr uniform officers. No party was held and the money was used for purposes other than what it was intended for and yet to be accounted for.
National Research Institute (NRI)	Head Office	National Research Institute Car Park Loss occurred in 2008	69000.00	Nil	A brand new office vehicle (Mitsubishi L200) was stolen from the NRI Car Park by some unknown people. Vehicle was recovered by in a major damaged condition. Auditors were advised.
		<b>TOTAL</b>	<b>K3,058,799.50</b>		







## **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 opinion on the government's financial statements due to material limitation of scope as described in the basis of Disclaimer of Opinion. I have expressed a disclaimer of opinion, meaning that I was not able to obtain sufficient appropriate audit evidence to express an opinion on the financial statements.

The financial statements of the Government for the year ended 31 December 2009, and my audit opinion on them, are also disclosed in Part 1 of the Public Accounts of Papua New Guinea when published by the Department of Finance. I have also reproduced a copy of my opinion in section "A" of this Report. In this section I present additional information and comments on the government's financial statements and my audit opinion.

The Government's financial statements convey a summarised financial overview of its various activities. The overview includes:

- appropriation of funds to be available to be 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 informs stakeholders about two matters. First, that the Public Accounts of the Government of Papua New Guinea were not kept in a manner provided by legislation. Second, receipts and payments and investment of moneys and the acquisition or disposal of assets during the period covered by the financial statements have not been in accordance with the legislation. I have stated that I am unable to form an opinion for the reasons as stated in paragraph 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 many millions of kina. Errors occur, and some may go 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 user of this information.

### **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 of Papua New Guinea* (the Constitution). Section 214 requires the Auditor-General to audit the public accounts of Papua New Guinea annually and report to 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 consists of four paragraphs followed by three reservations. The opening paragraph details the scope of the audit and identifies the financial statements that I have examined and reported on. The second paragraph is referred to as the "Responsibilities for the Financial Statements". The next

paragraph is titled “Responsibility of the Auditor General”. The fourth paragraph, commonly called the “Opinion” paragraph, contains my conclusions about the government’s financial statements.

### 5.2.1 The Introduction Paragraph

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

<b>Financial Statements</b>	<b>Information Conveyed</b>
• Statement “A”	<b><i>Statement of Public Account Balances.</i></b> This is the Statement of cash position for the Government at year-end;
• Statement “B”	<b><i>Consolidated Revenue Fund - Receipts and Expenditure.</i></b> This Statement summaries the receipts and expenditure for the year;
• Statement “C”	<b><i>Trust Fund Receipts and Expenditure.</i></b> This Statement shows the list of monies held by the Government for other persons or purposes;
• Statement “D”	<b><i>Statement of Sources and Application of Funds.</i></b> This Statement shows the details of the sources and application of funds during the year;
• Statement “E”	<b><i>Trust Fund - Particulars of Investments.</i></b> This Statement shows details of Trust Accounts funds/monies that have been invested;
• Statement “F”	<b><i>Statement of Direct Investments, Capital Contributions and Equity Options Rights.</i></b> The purpose of this Statement is to show the Government’s investments and ownership in companies and statutory authorities;
• Statement “G”	<b><i>Statement of Public Debt.</i></b> This Statement shows what the Government owes to other parties;
• Statement “H”	<b><i>Statement of Lending.</i></b> This Statement aims to show what is owed to the Government by other parties;
• Statement “I”	<b><i>Statement of Loans guaranteed by Government.</i></b> This Statements shows the value of commitment of the Government to lenders of monies for loan recovery in the event of re-payment defaulted by borrowers;
• Statement “J”	<b><i>Receipts classified under Heads of Revenue Estimates.</i></b> The Statement shows details or receipts as summarised in Statement ‘B’; and
• Statement “L”	<b><i>Expenditure classified under Appropriation Division.</i></b> The 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 Accounts that I find necessary to audit because of their importance in the accounting system that produces the Public Accounts. I have included these also where necessary in my report.

It is important to note that my audit opinion relates only to these accounts and related notes as presented in the Public Accounts of Papua New Guinea.

### **5.2.2 Paragraph on Responsibilities for Preparation of the Financial Statements**

This paragraph explains the responsibilities of the Minister for Finance and Treasury, the Secretary of the Department of Finance and Heads of Public Service Departments.

The Minister for Finance and Treasury 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 send it 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 for the information contained therein.

Heads of Departments of Public Service are responsible for the efficient management of their departments, including for maintaining proper accounting records and ensuring that expenditure is properly authorised and applied for the purpose for which it was appropriated.

### **5.2.3 Paragraph on my Responsibility**

This paragraph states that the audit work on the government’s financial statements has been conducted according to the International Standards on Auditing. I use these standards and practices 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 are in agreement with the accounts and records and to ensure they show fairly the financial operations during the period and the state of affairs at the end of that period. The audit of the Public Accounts included a verification of the balances reflected in the Statements with those appearing in the Main Appropriation Ledger and 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.

In addition, I have performed test of controls, to assess the accuracy, completeness and reliability of accounts from which balances are generated for the financial statements. This audit was not required to search specifically 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.

#### **5.2.4 The Opinion Paragraph**

The opinion paragraph contains my conclusions about two matters. 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.

As has happened in the last four (4) years (2005-2008), I am unable to form an opinion on the Government's 2009 financial statements for the reasons set out in the three reservations.

##### *Reservation 1 Limitation of Scope*

I noted during the course of my audit, a number of qualification areas that limited my scope of audit. These limitations significantly affect and limited my audit coverage that I could not satisfy myself to the extent to which I could 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 records and poor controls in the maintenance of records to account and vouch for the accuracy and completeness of records. I listed three (3) qualification areas under this reservation in my opinion paragraph to explain this 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 *Public Finances (Management) Act, 1995*. I listed three (3) qualification areas under this reservation.

#### **5.3 Materiality and Audit Assurance**

In determining my audit of the government's financial statements, I consider two main factors that determine the nature and extent of the work required. The first of these 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 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 include a reservation in my audit opinion.

In conducting my audit, I cannot be 100 percent certain that it will reveal all errors in the financial statements that, 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 K7.83 billion worth of individual expenditure transactions and K7.69 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 K2.29 billion in receipts and K3.23 billion in expenditure during the year 2009.

What I can do is verify samples of transactions and account balances, 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 judgment 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 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, the 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 in these 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 verifications of most departments and agencies. The result of this work is included separately in Part II of my annual report to Parliament.

### **6.0 THE ROLE OF THE PUBLIC ACCOUNT 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 are a major source of annually reported financial information.**

The features of the Papua New Guinean system of government depend in part on the availability of good financial information which are:

- 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 in 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, costs 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 has 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 oversight is 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 amount of detail.**

At present, the financial statements are presented in the Public Account of Papua New Guinea which is massive in proportion, not easily understood, and the approach is not focussed on presenting the Government's financial information.

My staff are working with the Department of Finance (Finance) staff to identify approaches to improve the presentation of the Public Accounts and move the presentation and disclosure of the Public Accounts toward 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 detail my audit observations on the government's financial statements and the public accounts.

## **8.0 AUDIT RESULTS**

Finance has put considerable effort into improving the year-end preparation process of the financial statements. This included 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. However, in 2009 there were no responses received from Finance and Treasury Department in relation to the management letter that was issued for the 2009 audit on the Public Account Financial Statement.

It is pleasing to note the co-operation between Finance and AGO staff in resolving most of the issues identified during the course of the audit. The efforts made by the 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. This Office realizes 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 or correct error or fraud.**

## 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:

<b>Fund Position</b>	<b>2009 (K)</b>	<b>2008 (K)</b>	<b>Increase (Decrease) (K)</b>
CRF Balance b/f	( 69,946,258 )	72,289,482	(142,235,740)
Trust Fund (Statement “C”)	2,970,274,596	3,914,030,584	(943,755,988)
<b>Public Accounts Total Funds</b>	<b>2,900,328,338</b>	<b>3,986,320,066</b>	<b>(1,085,991,728)</b>

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 K2,900,328,338 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 as at year end. However, the account was used to include unrepresented cheques, 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 four (4) years.

## BANK BALANCES

### 9.1.1 Bank Reconciliations

A 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 timely. Bank account reconciliations are a key control in assisting Management to identify anomalies or errors in the payment and receipting processes and assist the Management to discharge its accountability requirements. 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 a mandatory requirement 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 Departments and Agencies are complying with these requirements and the extent to which the Department of Finance monitors compliance with set guidelines and Financial Instructions.

#### National Government Departments

- It was noted that not all Departments submitted their bank reconciliation statements within 14 days after the close of each month as required in the *Public Finance (Management) Act, 1995*.
- Based on the Performance Rating Report prepared by Department of Finance dated 29/06/10, eight (8) National Departments have not submitted their bank reconciliations for 31 December, 2009. The delays ranged from nine months to one year for seven (7) Departments while one (1) went as far as three years back. The details are as shown below:

	Department	Last Bank Reconciliation Received
1	Commerce & Industry	November, 2009
2	Defence	August, 2009
3	Environment & Conservation	September, 2009
4	Health	August, 2009
5	Labour & Industrial Relations	December, 2006
6	Lands & Physical Planning	October, 2009
7	National Intelligence Organisation	October, 2009
8	National Planning Office	May, 2009

- Bank reconciliations brought to current were noted in only four (4) out of 17 Agencies **tested and reported in Part II of the Audit Report on the audit of National Government Departments for 2009**. In the case of the four Agencies, significant unreconciled items were carried over for long periods of time. Even one Agency had its last reconciliation completed back in Year 2005.

#### Provincial Governments and Local Level Governments

- Based on the Performance Summary Report for March 2010, six (6) Provincial Governments did not submit their Bank reconciliations for 31/12/09 in respect of the Provincial Treasury Account, Provincial Government Operating Accounts and the RPM operating accounts. The details are as shown below:



	Provincial Government	Last Bank Reconciliation Received
1	Western Highlands	September, 2009
2	Milne Bay	October, 2009
3	Central	August, 2009
4	Gulf	2002/2004
5	Oro	December, 2008
6	Western	August, 2009

- Although 13 Provincial Governments have submitted their bank reconciliations on a timely bases, the overall rating indicates that 11 were in the range of extremely poor and weak and were of very high risk of fraud, misuse and abuse of funds in the provincial accounts.

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

### 9.1.3 Trust Accounts

Section 19 (2 & 3), of the *Public Finances (Management) Act, 1995 (as Amended)*, requires that an estimate of receipts & payments expected to be made into and withdrawn from the Account are to be submitted before commencement of each fiscal year and monthly bank reconciliations to be submitted no later than 14 days after the close of each month to Accounting Frameworks and Standards Division of Department of Finance. The Division is to ensure compliance on monthly and annual reporting by all Departments and Agencies.

A review of the status report on the Bank Reconciliation Statement for all the Trust Accounts comprising the Waigani Public Accounts have noted that:

- Not a single Department submitted its Trust Account(s) bank reconciliation statements within 14 days as of the close of each month in accordance with the *Public Finances (Management) Act, 1995 (as Amended)*;
- As at the time of audit in July 2010, only 40 bank reconciliations out of 270 Trust with Bank Accounts were submitted for the period ending 31 December, 2009. This represents just sixteen percent (15%) of the total Trust Accounts listed; and
- Out of 10 Departments' operating Trust Accounts **tested and reported in Part II of the Audit Report on the audit of Trust Accounts**, some Trusts Trust Accounts were not operated on the Departments' PGAS Ledger System.

**The AGO acknowledges that the Accounting Frameworks and Standards Division of the Department of Finance has in place the control and review procedures and has been advising the Agencies to submit their bank reconciliation statements for the years not submitted.**

### Conclusion

We acknowledge the progress made by the Department of Finance on the reconciliation of the PGAS and TMS Ledgers 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 Department of Finance 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 Department of Finance would ensure compliance with Laws, Policies, Procedures, and the Code of Conduct; and measure performance against the Objectives in the Corporate and Operational Plans. The Department has a variety of measures allowable under the existing Legislation to reinforce the legal compliance, such as withholding warrant authorities so should not hesitate to enforce them.*

### Department of Finance Comment

*No comments received up to the time of printing this report*

## 9.2 Cash Adjustment Account

The Cash Adjustment Account (**Account Code 310-03**) is intended to be used by Department of Finance strictly for the purpose of accrual adjustments transactions at month end and year end particularly for receivables and payables. The Public Accounts Financial Statements disclosed the Cash Adjustment Account in the Statement "A" of the Financial Statements.

### Observations

Though the Cash Adjustment account was strictly to be used for accrual adjustments, AGO over the years have ascertained in audits that, the Department of Finance had drawn *cheques for payments out of the Account* after transferring substantial credits into the Account through journal entries. Both the receipt (credits) and payments (debits) made out of this Account are deemed improper and questionable.

The Department of Finance prepares reconciliation at the end of the year between the PGAS and the TMS ledgers to arrive at the figures disclosed as Cash Adjustment Account balance in accompanying Statement "A". A total of nine (9) payments made aggregating K4,057,838 were noted to be contrary to the purpose of the account (Accrual Adjustments only). The details of these payments are as shown below:

#	Date	Cheque No.	Transaction Description	Amount (K)
1	25-06-09	894351	Financial Assistance	50,000
2	03-11-09	899597	School Maintenance	3,000,000
3	18-11-09	900196	Grants to Trobrian Islands (MBP)	1,000,000
4	20-11-09	900311	OSTA to Brisbane 19-22/11/09	2,595
5	20-11-09	900315	OSTA to Brisbane (19-22/11/09)	2,595
6	20-11-09	900312	OSTA to Brisbane 20-22/11/09	662
7	20-11-09	900313	OSTA to Brisbane (20-22/11/09)	662
8	20-11-09	900314	OSTA to Brisbane 20-22/11/09	662
9	20-11-09	900310	OSTA to Brisbane 20-22/11/09	662
		<b>Total</b>		<b>4,057,838</b>

A summary of the transactions facilitated through the Cash Adjustment Account are shown below.

2009	(K)
Balance B/F	-133,766,095 OD
Add Receivables	-2,647,800
Less Payables	119,454,938
Closing Balances (Net Payables)	-16,958,957 OD

*AGO has strongly recommended since our 2006 Audit Report that, the Department of Finance consider closing the Cash Adjustment Account. However, there has been no positive action taken in respect of our recommendation.*

**The effect of the inappropriate use of Cash Adjustment Account results in funds in the Waigani Public Account being depleted to the extent that these funds are accessed without proper budgetary process, thus contravening the *Appropriation Acts, 2008*, and the *Public Finances (Management) Act, 1995 (as Amended)*.**

## Conclusion

Receipts and payments were inappropriately processed through the Cash Adjustment Account and therefore are deemed as processed outside the *Appropriation Act, 2008* thus breaching the *Appropriation Act*, the *Public Finances Management Act, 1995 (as Amended)* and 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 pointed out in our 2005 Management Letter. The Department's response then was:

*"In the 2006 year Finance intends to adopt IFAC accounting standard – 'Financial Reporting under the Cash Basis of Accounting' that details the preparation of cash based government accounts. It is 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."*

As the Cash Adjustment Account was allowed to exist and operated this far and used by Department of Finance to facilitate non-accrual transactions, it is deemed to be one among those other core factors that convinced the Public Accounts Committee to make adverse comments against the Department in the print media (*The National* for 18/03/10).

## Recommendation

*The Department of Finance has to ensure that the Cash Adjustment Account is used strictly for the purpose it is intended.*

*Proper reconciliations should be prepared and presented in the Notes portraying the balances of the Cash Adjustment Account as shown in the PGAS Ledger so that the total of receipts and payments are clearly portrayed for the users of the financial statement to see the extent to which the Department of Finance had facilitated non-accrual transactions.*

*The specific inappropriate expenditures charged to Cash Adjustment account between the years 2006 to 2009 should be referred to the Finance Inspectors and the Internal Auditors of the Department for further investigation.*



## Department of Finance Comment

*No comments received up to the time of printing this report.*

### 9.3 **FINANCE OPERATING ACCOUNTS**

#### 9.3.1 **Permanent Advances & Cash in Transit**

##### **Observations**

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

<b>Finance Operating Accounts</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b><i>Permanent Advances</i></b>	<b>(K)</b>	<b>(K)</b>	<b>(K)</b>
Konedobu	-22,982	-12,901	-11,699
Lae	9,617	7,957	-1,443
Rabaul	651,454	339,386	233,167
<b>Total</b>	<b>638,089</b>	<b>334,442</b>	<b>220,025</b>
<b><i>Cash in Transit</i></b>			
Konedobu	80	-11,068	-10,437
Lae	-6,268	-6,268	-6,268
Rabaul	-488,693	-143,381	-60,009
Goroka	358,210	358,210	358,210
<b>Total</b>	<b>-136,671</b>	<b>197,493</b>	<b>281,496</b>
<b>Grand Total</b>	<b>501,418</b>	<b>531,935</b>	<b>501,521</b>

Although, the year end balances of the permanent advances and cash in transit have agreed to the TMS-130 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 (4) permanent advance accounts were used to record the permanent advances given to operate the four (4) Area Finance Offices in the four (4) Regions some years back. As these Area Finance Offices are no longer operational, the accounts should have been closed.

*Also, the meaning of the term “Cash in Transit” in 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.*

The AGO acknowledges the work that has been done by DoF for the 2009 accounts whereby transactions processed through the permanent advance and cash in transit accounts were analysed and necessary adjustments effected and disclosed in the 2010 Public Account Financial Statement.

A typographical error noted in the disclosure of the figures in the revised Notes 6 was that, the permanent advance for Konedobu at 31/12/09 was stated as (K22.982) instead of (K22,982) that needs to be revised.

Also, the grand total figure for the operating accounts at 31/12/09 stated as K501,408 should be revised to K501,418.

##### **Conclusion**

As other types of transactions are processed through the permanent advance and cash in transit accounts, the names of these accounts are deemed to mislead the user of the Financial Statements. Department of Finance 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

*Department of Finance has to scrutinize the transactions processed through the permanent advance and cash in transit accounts and initiate necessary adjustments to close the accounts. The presentation of these accounts in the Public Account Financial Statement is likely to mislead the users of the Statement. Alternatively, Department of Finance could rename the two accounts to best fit the types of transactions that are facilitated through the respective accounts.*

## Department of Finance Comment

*No comments received up to the time of printing this report.*

### 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	8,362,229	8,367,730	7,689,479
Total Payments	8,364,183	8,364,201	7,831,715
Surplus/(Deficit) Budget	(1,954)	3,529	
<b>Excess Receipts/(Payments)</b>			<b>(142,236)</b>

The excess payment of K142.2 million 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 2008:

Trust Fund Position	2009 K’000	2008 K’000	Increase (Decrease) K’000
Balance b/f	3,914,031	2,600,099	1,313,932
Add: Receipts	2,287,107	3,584,792	(1,297,685)
Less: Payments	3,236,863	2,270,861	9,609,002
<b>Closing Balance</b>	<b>2,970,275</b>	<b>3,914,031</b>	<b>( 943,756)</b>

Both the opening and closing balances of the Trust Fund were appropriately accounted for in Statement “A” as reported in paragraph 1.0 above.

### **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 to as non-bank Trust Accounts.

#### **Observations**

The balances of the various Trust Funds disclosed in the Statement are a mix of cashbook and bank balances. This is because the Department of Finance is still in the process of identifying all the Trust accounts that are currently in operation, and secondly, the various 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 Public Finances (Management) Act, 1995 (as Amended)* details the requirement to submit Financial Statements as at 31 December each year, and
- *Section 19, 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.

**The Departmental Heads had not ensured that these legal requirements were adhered to.**

**It is important to note that improvements have been made by the Department of Finance in the monitoring and follow up on these Returns. However, it was noted that very few Government Departments were actually complying with this requirement.**

As at the time of audit in July 2010, AGO noted the following observations:-

- Out of 270 Trusts Accounts operated with separate bank accounts reported, only 40 bank reconciliation statements were submitted to Accounting Frameworks and Standards Division as at 31 December, 2009 as ascertained from Department of Finance records. These represents a mere 15% of the total Trust Accounts listed; and
- Of the 40 trust accounts where bank reconciliations were submitted, 24 were sighted during the audit of which the following discrepancies were noted;
  - Copies of six (6) cashbooks and bank statements were not attached to the bank reconciliation statements;
  - Two (2) bank balances were stated instead of the cashbook balances;



- Copies of two (2) bank statements were provided without the bank reconciliations; and
- Two (2) bank reconciliations submitted were questionable as one ended on 22/12/2009 and the other on 8/12/09 instead of being prepared at the end of the month (31/12/09). And the closing balance stated for one of the two (2) bank reconciliations did not agree to the cashbook or the bank balance. It was not possible for audit to ascertain whether the reported figure was the final closing cashbook balance.

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 or confirmed in audit as the 2009 year end reconciled cashbook balances.

### Conclusion

In the absence of the above mentioned reports prepared for the Trust Accounts, it was not possible to ascertain in audit, whether the transactions were in accordance with the Trust Instruments and relevant legislative requirements. In addition, audit could not validate the correctness of the total reported Trust Account balance operated with separate bank accounts due to lack of sufficient documentation.

### Recommendation

*The AGO recommends that Department of Finance should continue to pursue actions with the concerned Departmental Heads so that the required reports are furnished. This could include sending written requests to Departmental Heads with specified references made to their responsibilities as required under the Public Finances (Management) Act, 1995 (as Amended).*

### Department of Finance Response

*No comments received up to the time of printing this report.*

## 11.2 Overdrawn Trust Accounts

### Observation

It was noted that for the year under review, four (4) non bank Trust Accounts were operated with overdrawn opening and closing balances aggregating K14,006,000 and K14,081,000 respectively as detailed below:

General Trust Without Bank Accounts		Status as at 31 Dec.2009	Opening Balance.	Receipts	Payments	Closing Balance
			1/1/2009			31/12/2009
			K'000	K'000	K'000	K'000
64	Prov.Min.Petrl.Roylt	Revoked 2006	(1,343)	0	0	(1,343)
74	Workers Com. T/A	Active 2006	(5,924)	3,534	(3,609)	(5,999)
82	Timber Roylt. T/A	Revoked 2005	(86)	0	0	(86)
136	Moran Trust	Revoked 2006	(6,653)	0	0	(6,653)
	<b>Total</b>		<b>(14,006)</b>	<b>3,534</b>	<b>(3,609)</b>	<b>(14,081)</b>

The *Public Finances (Management) Act, 1995, (as Amended)* prohibits the payment out of Trust Accounts that have insufficient funds, however this was not adhered to in view of the processing of transactions as noted in the Workers Compensation trust account.

Further, as non bank Trust Accounts, the Cash in WPA bank account and Fund in the Public Account aggregating K14,081,000 were improperly accessed and depleted as at 31/12/09. Such situations amounts to fraud as Cash in the WPA bank account were accessed and expended through the use of the non bank Trust Accounts despite not having actual cash standing to the credit of these Trust Accounts. Also this practice is deemed appropriate to describe as accessing illegally the Cash in the WPA bank account without any *Appropriation Act* being passed by Parliament.

### **Conclusion**

This was a breach of Section 17 (b) of the *Public Finances (Management) Act, 1995 (as Amended)* where payments have been charged against Trust Accounts that had insufficient funds. Also this was a breach of the *Appropriation Acts* as the overdrawn balances in the non bank Trust Accounts represents funds accessed in the WPA bank account and depleted/used without any *Appropriation Act* being passed by Parliament. Overall, there was a lack of compliance with the *PF(M) Act*, Financial Instructions and the *Appropriation Acts* which exposed the Government to the risk of loss of Public Monies in WPA bank account through misappropriation or fraud via the use of non bank Trusts Accounts.

### **Recommendation**

*Department of Finance should continue to give priority to strengthening the Trust Account management including streamlining processes for the formal closure of Trust Accounts that are not required along with their bank accounts, and to formalise new Trust Instruments for Trust Accounts found to be legitimate.*

*Department of Finance also needs to consider taking appropriate action against those Departments and Agencies that continue to operate Trust Accounts without sufficient funds and engage Finance Inspectors to specifically follow up on Trusts management and compliance issues.*

*Also recovery actions should be taken against those responsible for illegally accessing Public Monies amounting to K14,081,000 in the WPA bank account under the guise of charging to non bank Trust Accounts despite having no funds standing to the credit of these accounts.*

### **Department of Finance Response**

*No comments received up to the time of printing this report.*

### 11.3 Revoked Trust Accounts

#### 11.3.1 Operations of Revoked Trust Accounts

It was noted that 26 Trust Accounts with funds totalling K17,838,000 that were revoked in the last four (4) years were still in use which includes a number of trust accounts that continued to exist but, no transaction were carried out and were disclosed in Statement “C”.

Details are as shown below:

	PARTICULARS		Status as at 31-Dec	Opening Balance	Receipts	Payments	Closing Balance
				1/1/2009			31/12/2009
				K'000	K'000	K'000	K'000
No.	GENERAL TRUSTS WITH BANK ACCOUNTS						
1	51	National Women’s Credit Scheme T/A **	Revoked/2006	1	0	0	1
2	52	Nat. Disaster & Emerg. Gen. T/A..**	Revoked/2006	16,699	11,910	(23,821)	4,789
3	154	Health Sector Development Program(GOPNG)**	Revoked/2006	17	0	0	17
4	209	PNG/New Zealand School Journal **	Revoked/2007	414	113	(227)	301
5	247	Central Supply & Tenders Board **	Revoked/2005	3,055	1,679	(840)	3,894
6	270	Simbu Rural Electrification GoPNG**	Revoked/2005	607	0	0	607
7	272	Defence Force Commercial Support**	Revoked/2005	801	4,293	(4,247)	847
8	280	Mining Sector Institutional Strengthening **	Revoked/2007	1	0	0	1
9	281	Mining Sector Institutional Strengthening **	Revoked/2007	38	0	0	38
10	381	Tec. Assist. Facility for Inst. Strengthening	Revoked/2005	0	252	(233)	19
11	403	Yumi Yet Bridges for Rural Development **	Revoked/2006	432	0	0	432
12	412	PNG-ADB Micro Finance Project GoPNG **	Revoked/2007	1	1,152	0	1,153
13	413	PNG-ADB Micro Finance Project Imprest **	Revoked/2005	21	20	(41)	0
14	416	Rehab.of Marine Time Nav. Aids Sys. GoPNG **	Revoked/2005	1,877	0	(1,420)	456
15	437	Elementary Teacher Educ. Support Project T/A **	Revoked/2006	30	10	0	40
16	442	Prepared Communities Grant Trust **	Revoked/2007	301	0	0	301
	TOTAL			24,295	19,429	(30,829)	12,895
	GENERAL TRUSTS WITHOUT BANK ACCOUNTS						
17	3	Child Welfare	Revoked/2006	0	31	(26)	5
18	31	Suspense Account NO. 2	Revoked/2006	26,958	48,422	(74,332)	1,048
19	32	Suspense Account NO. 2 – Prov Govt	Revoked/2006	(3,987)	8,286	(1,724)	2,575
20	64	Provincial Mineral Petroleum Royalty	Revoked/2006	(1,343)	0	0	(1,343)
21	82	Timber Royalties T/Account	Revoked/2005	(86)	0	0	(86)
22	91	Bougainville Rehabilitation T/A.	Revoked/2006	29	0	0	29
23	128	Simbu Prov. School Subsidy T/A	Revoked/2006	0	0	0	0
24	129	Kutubu Petroleum Royalties T/A	Revoked/2006	8,646	0	0	8,646
25	130	Gobe Trust Account	Revoked/2006	722	0	0	722
26	136	Moran Trust	Revoked/2006	(6,653)	0	0	(6,653)
	TOTAL			24,286	56,739	(76,082)	4,943
	GRAND TOTAL			48,581	76,168	(106,911)	17,838

**\*\*** The 15 Trust accounts noted to be revoked and were under investigation however, the status of these are yet to be finalised and updated.



The manner in which both the trust accounts with and without bank accounts being continued to be operated after being revoked is not only illegal, but exposed these accounts to potential abuse through facilitation of irregular transactions that may not have been detected. The intention for Department of Finance particularly Senior Management, to allow these Trust Accounts to continue to exist despite been revoked some years back is of a concern to AGO.

Though the *Public Finance (Management) Act 1995 (as Amended)* prohibits the payment out of Trust Accounts that have insufficient funds, this was not observed in the case of three (3) non bank Trust Accounts with overdrawn closing balances included in the above listing under General trusts without bank accounts.

## Conclusion

The intention for Department of Finance particularly Senior Management, to allow these Trust Accounts to continue to exist despite been revoked some years back is of concern to AGO. And the continued operation of the bank accounts for the revoked bank operated Trust Accounts are deemed improper. On the whole, there was a lack of compliance with the PFM Act and Financial Instructions which exposed the Government to the risk of loss of Public Monies through misappropriation or fraud.

## Recommendation

*Department of Finance should take immediate action to remove the revoked Trust Accounts from the system as the legality for these Accounts to exist were removed upon revocations. 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 WPA bank account.*

## Department of Finance Response

*No comments received up to the time of printing this report.*

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

The operations of the Trust Fund Suspense Account No. 2 (*Account Code 360-31*) has to be in line with its Trust Instrument and related trust legislations. This Trust Account is maintained throughout the 19 Provinces of PNG and 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 amount 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, 2009.**

Examination of the TMS Ledger revealed that the opening balance in 2009 was K26.96 million with a reported receipt of K48.42 million and K74.3 million in payments resulting in a surplus fund of K1.05 million at year end.

However, examination of the Summary PGAS Ledger printout revealed the following balances:

Balance Brought Forward 01/01/09	K 269,631,732 OD
Add: Payments	K 851,738
Less: Receipts	K 1,056,422
<b>Closing Balance 31/12/09</b>	<b><u><u>K2,694,270,498 OD</u></u></b>

Perusal of the detailed PGAS Ledger expenditure and receipt printouts ascertained that the transactions processed during the year under review were all genuine transactions except for two (2) payments that need to be clarified and these are listed below:

No.	Date	Cheque No.	Payee	Transaction Details	Amount (K)
1	5/5/09	892582	Provincial Administrator	For hosting NEC Meeting	100,000
2	29/5/09	893508	Ela United Church	Project Assistance	<u>50,000</u>
	<b>Total</b>				<b><u>150,000</u></b>

The Department of Finance has to explain the reason for facilitating the above two (2) payments out of Trust Fund Suspense Account No. 2 as these were not transactions intended for that account.

In view of the Trust Fund Suspense Account operated with overdrawn balances through the PGAS Ledgers, it was improper to charge the two transactions of significant values aggregating K150,000 to that account.

In the past years audit, AGO identified that the account not only included child maintenance and bail money transactions during the year but also facilitated material amount of **receipts** and **payments** of monies including **journal entries** that were referred to Department of Finance for explanations as they did not form the transactions as intended for that account.

The financial implications on the processing of transactions in TFS Account No. 2 as a non-bank Trust Account resulting in overdrawn closing balance was that, actual cash in the WPA Bank account aggregating K 269,427,049 were accessed improperly and depleted/expended as at 31 December, 2009 without proper budgetary allocations made through the Appropriation Act.

Further, following continuous reporting over the years by AGO for TFS Account No. 2 to be closed off, the Department of Finance created two (2) General Trusts with separate bank Accounts namely, Child Maintenance Trust Account (Tno.531) and Bail & Court Ordered Compensation Trust Account (Tno-532). However, no further action was taken by the Department to explain as to how these accounts should be operated.

## Conclusion

There was a breach of the *Public Finances (Management) Act*, where the revoked Trust Fund Suspense Account No. 2 continued to be operated without any formal authority. Further, as the Trust Fund Suspense Account No. 2 was continued to be used by Department of Finance to facilitate transactions other than bail monies and child maintenance transactions, it was deemed to be among those other core factors such as the Cash Adjustment Account, that convinced the Public Accounts Committee to make adverse comments against the Department in 2010 in the print media (*The National* for 18/03/10).

## Recommendation

*Department of Finance should:*

- *Continue to give priority to strengthening the Trust Account management including streamlining the processes for the formal closure of revoked Trust Accounts and their bank accounts, and to formalise new Trust Instruments for revoked Trust Accounts that appear to be legitimate;*

- Consider taking appropriate action against those Departments and Agencies that continue to operate Trust Accounts without valid Trust Instruments. Also, Department of Finance can use the Finance Inspectors to specifically follow up on Trust Accounts management and compliance issues; and
- Ensure that Trust Fund Suspense Account No. 2 is strictly used for the intended purpose.

### Department of Finance Response

*No comments received up to the time of printing this report.*

### 11.3.3 Trust Instruments Not Sighted

#### Observation

A follow-up made on the observation reported in the prior year audit report wherein stated that, Trust Instruments for 23 Trust Accounts were not sighted in the file maintained at Department of Finance, have resulted with only five (5) trust instruments sighted whilst the balance of 18 listed below still were not sighted:

Trust Instruments not sighted				
No.	General Trusts With Bank Accounts			Status as at 31/12/2009
1	3	DPI College Trust	Active	
2	247	Central Supply & Tenders Board	Revoked	in 2005
3	380	PNG NWS - TWP/ ARM Trust	Active	
4	382	PNG Highlands Highway Rehab. Pro	Active	
5	383	PNG Highlands Highway Rehab. Pro	Active	
6	477	National Programme	Active	
7	483	Basic Education Dev. Project Imprest T/A	Active	
8	513	AUSAID Grant Imprest Account	Active	
9	567	Nat. Projects Implementation Committee T	Active	
	General Trusts Without Bank Accounts			
10	8	Reserved	Active	
11	18	Native Monies Trust Account	Revoked	in 2005
12	30	Suspense - Housing Commission	Active	
13	34	Unclaimed Monies Trust Account	Active	
14	64	Prov Mineral Petroleum Royalty	Revoked	in 2006
15	74	Workers Compensation Trust Account	Active	
16	91	Bougainville Rehabilitation Trust Account	Revoked	in 2006
17	136	Moran Trust	Revoked	in 2006
18	137	Central Moran Petrol Dev Proj Dev Levy	Revoked	in 2006

In the absence of Trust Instruments, Audit was unable to establish the legal basis on the establishment of the above Trust Accounts, thus unable to ascertain of whether these Trust Accounts were genuine or illegally established.

#### Conclusion

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



## **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 update the Trust Accounts Register.*

## **Department of Finance Response**

*No comments received up to the time of printing this report.*

### **11.3.4 Recording of Trust Accounts Transactions**

#### **Observation**

##### *Payments not in Accordance with the Trust Instruments*

The AGO has undertaken a comprehensive review of the Trust Accounts' transactions for 2009 in a number of Departments and Agencies. Consistent with the audit findings from previous years, the Departments and Agencies failed to ensure that collection of Trust Accounts receipts and payments were managed in accordance with the requirements as stated in the Trust Instruments. The Four (4) largest Departments that dealt with significant number of Trust Accounts and did not maintain proper records and did not adhere to proper procedures when making payments from the Trust Accounts were:

- Department of Health;
- Department of Defence;
- Department of Environment & Conservation; and
- Department of Agriculture & Livestock).

The funds for these Trust Accounts were instead used to meet expenses of recurrent nature such as domestic & overseas travels, expenses for Staff overseas studies, purchase of vehicles & computers, payments of wages for casual staff. **Details of these findings were reported in the 2009 Auditor-General's Part II Report.**

##### *Trust Accounts not Held on the Government PGAS Accounting System*

With the records maintained by Department of Finance, it was noted that 30 new Trust Accounts were opened in 2009, however, only 19 were disclosed in Statement "C" whilst 11 were not reported. Hence, this clearly indicated the possibility of the trust accounts that were not operated through the PGAS ledger system were not captured and reported in Statement "C". When records are not maintained within the PGAS ledger system, the monitoring of expenditure and the enforcement of compliance and related control tasks by Department of Finance cannot be effectively enforced.

##### *Signatories to the Trust Accounts*

The review conducted on the Trust Account for a number of Departments revealed that, the Officers that were appointed to become signatories to the Trust Accounts were not appointed in conformity to established process of formal authorisation documents in place to become signatories to the Trust Accounts to execute transactions on behalf of the related Agency.

The Trust Instruments should be further investigated and put through a legal test to ascertain of whether they were drawn up in accordance with the legal requirements specified under the *PF(M) Act, 1995*, and operated over the years.

## Conclusion

The monitoring, reviewing and reporting of irregularities by Department of Finance are virtually impossible especially when the Trust Accounts are maintained outside the PGAS system. And where payments are made by Officers that were not duly appointed through proper financial delegation process are deemed to be viewed as payments made contrary to the Trust Instruments and represent breaches of the *Public Finances (Management) Act, 1995*.

## Recommendation

*The AGO recommends that Department of Finance should implement sanctions under the PF(M) Act, 1995 to Departments/Accountable Officers that continue to:*

- *Make payments contrary to the Trust Instruments;*
- *Fall in arrears in the submission of monthly bank reconciliations; and*
- *Operate the accounts outside the PGAS ledger system.*

*The Secretary of Finance has to discharge his responsibility to suspend the operation of a Trust Account until such time he is satisfied that there is a full compliance with the provisions of the Public Finances (Management) Act, 1995.*

*The Department of Finance should ensure the validity of appointed signatories to the Trust Accounts at the time of drawing and approving the Trust Instrument. Furthermore, a general review should be undertaken on all the Trust Accounts operated to determine the validity of the provisions governing their operations.*

## Department of Finance Response

*No comments received up to the time of printing this report.*

## 12.0 Statement “D”

Statement “D” is disclosed with details of the Sources and Application of Funds for the financial year ending 31 December, 2009. 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 (increases/decreases) 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	2009 K'000	2008 K'000	Increase/(Decrease) K'000
Total Sources of Funds	9,976,921	12,258,064	(2,281,143)
Total Applications of Funds	11,062,882	10,789,193	268,738
<b>Net Increase (Decrease) in Funds</b>	<b>(1,085,961)</b>	<b>1,468,871</b>	<b>2,554,832</b>

<b>Represented By:</b>			
BPNG Bank Balance	(503,053)	187,573	(690,626)
BSP Bank Balance	(457,909)	1,388,745	(1,841,703)
ANZ Bank Balance	(114,577)	45,089	(159,666)
Westpac Bank Balance	(5,193)	(151,656)	146,463
Trust Fund Investment Bank Accounts	(5,230)	(879)	(4,351)
<b>Total Increase/(Decrease) in Bank Balances</b>	<b>(1,085,962)</b>	<b>1,468,871</b>	<b>(2,554,833)</b>

Funds aggregating K11.06 billion was applied against K10 billion resulting in a net decrease of K1.08 billion in the State's fund. These had resulted in a corresponding decrease of K1.08 billion in the Bank balances for the year under review and were appropriately accounted in Statement "A" as ascertained in audit.

### 13.0 Statement "E"

Statement "E" is intended to be disclosed with the details of fund/monies from the Trust Accounts invested by the Government and held as at 31 December, 2009.

Shown below are the movement of the balances in the Trust Fund Investments Accounts for the reporting year contrasted to 2007 as the balances for 2008 were not disclosed in the 2008 Financial Statement:

<b>Trust Fund Investment Position</b>	<b>2009 (K)</b>	<b>2007 (K)</b>	<b>Increase (Decrease) (K)</b>
Motor Car Licensed Dealers Deposit Trust	220,756	208,898	11,858
Bookmakers Security Deposits Trust	346,307	339,844	6,463
Dist Court Trust Savings Account	2,819,533	3,493,767	(674,234)
Supreme Court Trust Deposits	3,472,014	3,827,969	(355,955)
Insurance Deposits Trust	Not Disclosed	5,097,162	(5,097,162)
<b>Closing Balance</b>	<b>6,858,610</b>	<b>12,967,640</b>	<b>(6,109,030)</b>

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 which necessitate for the Statement to be revised.

### Audit Findings

#### 13.1 Differences in both the Bank and Cashbook Balances

The figures disclosed in Statement "E" agreed to the bank figures as shown in the TMS Type 4 ledgers. However, comparing the bank (Type 4) figures against the cashbook (Type 7) have noted differences in respect of four (4) Trust Fund Investments accounts which are shown below:

No.	TNO	Description	Closing Balance at 31/12/09		Variance (K)
			Bank (type 4) (K)	Cash Book (type 7) (K)	
1	2	Motor Vehicle Dealers Deposit	220,756	230,056	-9,300
2	9	DCTA-Control Acc.	2,819,533	2,912,248	-92,715
3	19	Insurance Deposit Trust Account	0	0	0
4	34	RSCTA – Control Acc.	3,472,014	3,515,133	-43,119
5	46	Bookmakers Security Deposit	346,307	316,307	30,000
		<b>Total</b>	<b>6,858,610</b>	<b>6,973,744</b>	<b>115,134</b>

How the differences occurred as ascertained in audit as shown in the above table are discussed in the paragraphs that follow:

#### **13.1.1 Motor Vehicle Dealers Deposit Trust Account**

The difference of K9,300 noted in the Motor Vehicle Dealers Deposit Trust Account as shown in the above table represented:

- K6,300 was yet to be deposited and was in CRF; and
- K3,000 was the permanent difference as described by Department of Finance.

The Department of Finance has not maintained a Register to record the deposits made by all Motor Vehicle Dealers operating in the Country. As a result, it was not possible to verify in audit the amount deposited with the State and interests earned over the years.

And in the absence of a Register, it was difficult for the Department of Finance to keep track of those Dealers that paid up and those that have not or partly paid. Also in cases where refund was lodged by a Dealer, the claim had to be verified against the Register to know the amount that should be refunded.

#### **Conclusion**

As no Register was maintained by Department of Finance to record the deposits made by all Motor Vehicle Dealers operating in the Country, it was not possible to verify in audit the amount deposited with the State and interests earned over the years. And in the absence of a Register, it was difficult to keep track of those Dealers that paid up and those that have not paid. Also in cases where refund was lodged by a Dealer, the claim had to be verified against the Register to know the amount that should be refunded so that correct amount was refunded.

#### **Recommendation**

*The Department should maintain a Register immediately to record all the Motor Vehicle Dealers that are operating in the Country and ensure that all have deposited with the State the amount required to be deposited.*

#### **Department of Finance Response**

*No comments received up to the time of printing this report.*

#### **13.1.2 District Court Trust Accounts (DCTA)**

The variance of K92,715 noted in the District Court Trust Accounts represented:

- K103,077 was the timing difference; and
- K10,326 was a permanent difference.

A sample of 19 DCTA ledgers for Beneficiaries selected from the data printout dated 24/03/10 and verified in audit have identified the following discrepancies:

- Payments totalling K120,916 were made from the 19 Beneficiary accounts despite no funds standing to the credit of these accounts;
- In four (4) instances full names of the Beneficiaries were not stated;



- In eight (8) instances, there were no funds in the accounts at 30 June, 2009 (per database) however, payments totalling K34,354 were made out of the accounts;
- In 11 instances, the ending balances at 30 June, 2009 were far less than the payments made out of these accounts;
- The closing balances at 31 December, 2009 as shown by the data base printouts were erroneous as the correct balances should be either overdrawn (negative) closing balances or nil balances;
- The AGO also noted from perusing the printouts that the names and account numbers of some of the Beneficiaries were written by hand but the balances of the accounts were not recorded/stated. These are of concern to audit and cast doubt on the reliability of the DCTA records provided to audit as to whether these are complete, accurate and included all the Beneficiaries.

### **Conclusion**

With the above irregularities identified in respect of DCTA, Department of Finance has indicated that the data base maintained was unreliable and needs to be updated. The observations made are of concern to audit and cast doubt on the reliability of the DCTA records provided to audit as to whether these are complete, accurate and included all the Beneficiaries.

### **Recommendation**

*As AGO cannot place reliance on the current system used in maintaining DCTA, thus 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 District Court Trust Account.*

### **Department of Finance Response**

*No comments received up to the time of printing this report.*

#### **13.1.3 Insurance Deposits Trust Account**

Under Section 27(1 & 2) of the *Insurance Act, 1995*, it is a condition of licensing that the Insurance Companies are to pay the Government an insurance deposit which will be invested by the Government in its Trust Fund Investments and all interest earned are to be paid to the respective Insurance Companies.

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 was in breach of Section 27(1 & 2) of the *Insurance Act, 1995*, as insurance deposit funds were not held in the Insurance Deposit Trust Account and invested.

And the Insurance Deposit Trust Account was operated with a nil balance over the years due to the insurance deposit funds being held outside the Trust Account.

Lately the Department of Finance liaised with the Office of the Insurance Commissioner and in 2010 all insurance deposits were to be handed over to Department of Finance to be operated through the Insurance Deposit Trust Account.

The disclosure of nil balance under the Insurance Deposit Trust Account in Statement “E” is misleading as it should be revised to K4.2 million representing the total insurance deposits received and invested in the names of the respective Insurance Companies names and held by the Office of the Insurance Commissioner. The details of which are as follows:

#	Type of Operators	Rate	No. of Insurance Companies	Total (K)
1	Reinsurer	300,000	1	300,000
2	Insurers	300,000	12	3,600,000
3	Brokers	50,000	6	<u>300,000</u>
	<b>Total</b>			<b><u>4,200,000</u></b>

### **Conclusion**

Statement “E” has to be revised in view of the observation made in respect of Insurance Deposit Trust Account to include the value of total insurance deposits received and invested in the names of the respective Insurance Companies by the Office of the Insurance Commissioner and held there as at end of 2009.

### **Recommendation**

*The Department of Finance needs to introduce a Register to record all the Insurance deposits held and also record interest due and payable to the Insurance Companies from time to time.*

### **Department of Finance Response**

*No comments received up to the time of printing this report.*

#### **13.1.4 Registrar of Supreme Court Trust Account (RSCTA)**

The difference of K43,119 noted under RSCTA was explained in the accompanied notes as a result of timing and permanent differences.

The detailed information pertaining to the data base for RSCTA was not furnished to audit and explained that the data base was unreliable hence; the bank statement closing balances were reported instead.

### **Conclusion**

With the above irregularities identified in respect of RSCTA, Department of Finance has indicated that the data base maintained was unreliable and needs to be updated. The observations made are of concern to audit and cast doubt on the reliability of the RSCTA as records were not provided to audit to verify whether these were complete, accurate and included all the Beneficiaries.

### **Recommendation**

*AGO cannot place reliance on the current system used in maintaining RSCTA, hence, 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.*

### **Department of Finance Response**

*No comments received up to the time of printing this report.*

### **13.1.5 Bookmakers Deposit Trust Account**

The variance of K30,000 represents a refund of bond fee made to Kongo Motors out of the Department of Finance 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 between ‘types 4 and 7’ TMS Ledgers. The difference was described as a timing difference, 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 *Gaming Control Act*. The National Gaming Control Board then took the responsibility of issuing Bookmakers license fees which were normally collected by IRC. Hence, these fees normally collected by IRC ceased at 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 the Bookmakers were maintained by the National Gaming Control Board, thus Department of Finance maintains no records except the ledgers for the Bookmakers Deposit Trust Account.

#### **Conclusion**

The difference between the bank (Type 4) and cashbook (Type 7) TMS ledgers revealed that, the Department of Finance has not conducted reviews constantly to ensure that differences were adjusted immediately.

#### **Recommendation**

*Immediate action should be taken to clear the K30,000 difference noted between the bank (Type 4) and the cashbook (Type 7) TMS ledgers. And maintain constant liaison with the National Gaming Control Board so that the Bookmakers Deposit Trust Account is up-dated constantly.*

#### **Department of Finance Response**

*No comments received up to the time of printing this report.*

## **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 Independent Public Business Corporation (IPBC).

### **14.1 Investment Register**

The Structural Policy and Investment Division (SPID) of the Department of Treasury needs to improve on the maintenance of the Investment Register for all State’s Investments to include details such as:

- Current names of the Institutions and Entities in which the state holds shares;
- Name of the registered shareholder (as shown in the share certificate);
- Date of acquisition of shares;
- Share certificate number and the number of shares acquired by the State as listed in that certificate; and

- Cost of the shares or details of bonus issue (for each share certificate listed).

This issue remains unresolved since reported in the 2006 Audit Report.

It was also commendable to note at the time of audit that the Department of Treasury through its SPI Division had already commenced some work on improving the Register by writing to the various Companies to provide information on State's investments held with them.

### **Recommendation**

*To up-date the Investment Register with information as noted in the above observation.*

### **Department of Treasury Comment**

*No comments received up to the time of printing this report.*

## **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 shows net gains and losses caused by fluctuations in currency exchange rates.

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

## **15.1 Differences in Treasury Bills Reported Amounts and Confirmations**

A comparison of the summary of 2009 financial transactions pertaining to Treasury Bills movements as disclosed in Statement "G" against the bank confirmation are as follows:

	<b>Statement "G" (K)</b>	<b>Bank (K)</b>	<b>Variance (K)</b>
Opening Balance 01/01/09	<b>1,734,328,000</b>	<b>1,734,328,000</b>	-
Add: Borrowings	663,641,000	2,388,340,000	(1,724,699,000)
Less: Payments	631,529,000	2,356,228,000	(1,724,699,000)
Closing Balance 31/12/09	<b>1,766,440,000</b>	<b>1,766,440,000</b>	-

The differences in respect of borrowings and repayments of Treasury Bills as shown above were not explained in the notes accompanying Statement "G" to the users of the Financial Statement.

### **Conclusion**

The reconciliation of Treasury Bills transactions remain unresolved since reported in the 2007 Audit Report due to methodology issues and the lack of reconciliation prepared by Department of Treasury from its records against that of BPNG's records.

### **Recommendation**

*AGO recommends that:*

- *Both the Departments of Finance and Treasury (FED) should meet and discuss with a view to resolving the reconciliation difficulties including the formalization of an acceptable format for use in the accounting entries which will enable recording of complete stock and value of Treasury Bills; and*



- *A proper reconciliation of Treasury Bills and Inscribed Stock should be periodically prepared to ensure that all Treasury Bills & Inscribed Stock with their values at any point in time are reconciled with the Bank of PNG records.*

#### **Department of Treasury Response**

*No comments received up to the time of printing this report.*

### **15.2 Monitoring of Loans**

In view of the State being the borrowing Authority, it is appropriate that the terms and conditions of the loans are monitored by the FED and that follow-up actions are instituted in such instances where the conditions have not been complied with. Due to the weaknesses not resolved since reported in the 2007 Audit Report in areas of lack of reconciliations, Registers not updated with required information, the verification of the financial data disclosed in Statement “G” to underlying records was not possible.

In addition, the lack of monitoring of loan conditions exposed the State to the risk that:

- Penalties are imposed by the lending Agencies;
- Loan funds are not utilized to the advantage of the intended purpose; and
- Additional cost incurred when duration of loan extended that could have been avoided.

#### **Conclusion**

These issues were highlighted in the prior years’ audits and yet are still unresolved in 2009.

#### **Recommendations**

*The FED should review the management practices to include the ‘monitoring and managing of Agencies’ to ensure that the compliance with loan conditions are adhered to, to achieve best value for money (e.g.; the loan implementing Agencies should submit annual audited financial statements on the project expenditures funded out of the project Trust Accounts which should be a requirement in the conditions/terms of a loan).*

#### **Department of Treasury Comment**

*No comments received up to the time of printing this report.*

### **16.0 Statement “H”**

Statement “H” summarises the State’s negotiated loans that are then on-lent to Statutory Bodies and other Organizations. The observations made are discussed in the paragraph that follows.

### **16.1 Companies with Loans not Settled for over Thirty (30) Years**

Audit has noted that the Finance Evaluation Division (FED) of the Department of Treasury had conducted a thorough search on the status of all Companies with outstanding loans and have started to write off the outstanding loans that were deemed irrecoverable. A total of K8.7 million was earmarked to be written-off in respect of the National Investors Scheme (NIS) who were recipients of on-lent loans. Of this amount, K3.3 million was written off in the year under review whilst the balance of K5.4 million though approved for write-off, remained yet to be written off as at 31 December, 2009.

Similar to prior years audit observations, individual records of the Companies that were given the loans not properly maintained by FED making it difficult for AGO to verify the loan agreement and the status of the repayments made by the loan Companies.

## **16.2 Loans Register**

There was still no Loans Register maintained at FED. Audit confirmed that FED was in the process of registering all loans into the CS-DRMS system. They have further confirmed that the database for on-lent loans was outdated due to missing files held with Structural Policy & Investment Division (SPID) of Treasury Department. FED was working towards reviving it to update the quality of data. When complete, this will form the Loan Register.

### **Conclusion**

AGO had noted and commended the actions taken by Department of Treasury to write off the outstanding loans and also the task of reviving the Loans Register.

### **Recommendation**

*Finance Evaluation Division has to maintain its actions to write off the outstanding loans and to work towards achieving the task of reviving the loans register.*

### **Department of Finance Response**

*No comments received up to the time of printing this report.*

## **17.0 Statement “I”**

Statement “I” details the Loans Guaranteed by the State in respect of borrowings made by both Government and Non-Government Entities.

## **17.1 Register of Guarantees not Maintained**

- There was still no Register of Guarantees maintained at Finance Evaluation Division (FED) of Treasury Department. In the absence of such Register, the completeness of the information disclosed in Statement “I” is uncertain as audit was not possible.
- Audit confirmed that FED was in the process of registering all loans into the CS-DRMS system. They have further confirmed that work would be done towards creating a database for all Guarantees to be held in CS-DRMS soon once the on-lending database was revived and updated.

### **Conclusion**

The Department of Treasury did not maintain a Register of Guarantees. However it was commendable to note that they had the plan to register all the guarantees into the CS-DRMS system once all on-lent loans registrations into that system were completed.

### **Recommendation**

*The Department of Treasury has to develop and maintain a Register of Guarantees to assist with better management of all loans guaranteed by the State. **This issue was reported in previous years but continues to remain unresolved up to 2009.***

### **Department of Finance Response**

*No comments received up to the time of printing this report.*

## 18.0 Statement “J”

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

### 18.1 Revenue Collection

The audit verifications conducted on Statement “J” had ascertained variances between four (4) Departmental revenue records and Statement “J” figures and these are detailed below:

#### (a) Internal Revenue Commission

Variance between Statement ‘J’ reported figures and IRC figures:

- The Taxation revenue of K3,520.1 million disclosed in Statement “J” is overstated by K10.6 million as the revenue summary report from IRC reported K3,509.5 million; and
- The revenue of K0.64 million from Assets disclosed in Statement “J” is overstated by K0.08 million as the revenue summary report from IRC reported K0.56 million as Asset revenue.

#### (b) Department of Education

The revenue disclosed in Statement ‘J’ was noted to be understated by K759,047. Audit further confirmed that revenues received from Payroll Commission and Rental from Institutional Houses were not recorded in TMS 20 ledger. The details of these revenue accounts are listed in the table below:

Revenue Head	Description	Departmental Records (K)	TMS 20 (K)
135-1	Payroll Commission	722,973	0
135-2	Rental: Institutional Houses	37,158	0
135-99	Pool Houses (Sundry Receipts)	794	-1,504
<b>Total Receipts</b>		<b>760,925</b>	<b>-1,504</b>
<b>Add: TMS 20 Variance</b>		<b>-1,504</b>	
<b>Net Understated in F/S “J”</b>		<b>759,421</b>	

#### (c) Department of Lands & Physical Planning

In the case of Department of Lands & Physical Planning, the total revenue of K20,073,694 disclosed in Statement “J” is overstated by K1,975,570 as the revenue figure of the Department was K19,220,611

(d) PNG Correctional Services

The revenue figure of K4,615,285 disclosed in Statement “J” was overstated by K4,245,412 as the revenue summary report from the Correctional Services reported only K369,873.

**Conclusion**

The above are significant variations noted between Statement “J” and the four mentioned Departments’ figures. The error in the reporting of Statement “J” figures impacts on Statement “B” and the fund position in Statement “A”.

**Recommendation**

*The Department of Finance should ensure that the records of IRC, Departments of Education, Correctional Services and Lands & Physical Planning are reconciled and adjustments are made to correct variations. The revenue procedures at the Department of Lands & Physical Planning should be reviewed so that the Government’s budget recognizes the total of ‘demand notices’ raised to lease Holders. Department of Finance should ensure that all revenues received are correctly updated in the TMS ledgers and correctly disclosed in Statement “J”.*

**Department of Finance Comment**

*No comments received up to the time of printing this report.*

**18.2 Unrealistic Forecast of Revised Revenue Estimates**

The upward revision of the original revenue estimates lacks justification as there were significant shortfalls between the revised estimates and the actual revenue received for the year 2009 as shown below:

Group #	Description	Original Estimate (K)	Revised Estimate (K)	Actual Receipts (K)	Variance (Shortfalls) (K)
Group 3	Revenue from Loan Service Receipts	6,101,900	9,601,900	6,889,138	-2,712,762
Group 4	Revenue from Grants	1,014,533,900	1,015,533,900	768,517,704	-247,016,196
Group 5	Revenue from Borrowings-Domestics	194,965,300	195,965,300	81,376,514	-114,588,786
	<b>Total</b>	<b>1,215,601,100</b>	<b>1,221,101,100</b>	<b>856,783,356</b>	<b>-364,317,744</b>

AGO noted that there was no need to revise the original revenue estimates upwards during the Revised Budget enactment as actual revenue in two (2) of the above three (3) listed revenue heads still were below the original estimates. And it revealed that the increase of K5.5 million made to the original revenue estimates were deemed excessive and unrealistic. This indicated the lack of being realistic in the preparation of revision to the original estimates resulting in a shortfall in actual revenue by K364.32 million. Had the upward revision not made to the original revenue estimates, the shortfall in actual revenue would have been only K358.82 million a reduction of K5.5 million.

**Conclusion:**

The Departments have not exercised due care in revising the original revenue estimates upward that had not materialised and portrayed that there was no need to revise the original estimates upward during the Revised Budget enactment.



**Recommendation:**

*The forecasting of original and revised revenue estimates must be done more realistically so that the variations are kept at a minimum thus facilitating more effective budget planning.*

**Department of Finance Response**

*No comments received up to the time of printing this report.*

**19.0 Statement “L”**

Statement “L” summarises the expenditures from the various Government Departments. The total expenditures for each Department is then summarised in Statement “B” under the respective Departments’ names.

**19.1 Incorrect Disclosure of the Original Appropriation Figures in Statement “L”**

The difference noted in the disclosure of Original Appropriation figures for Development Budget in Statement “L” are shown below:

Code	DESCRIPTION	Original Appropriation per Appropriation Act 2008 ( Development Budget 2009) (K)	Statement L Original Appropriation (K)	Variance (K)
572	GULF PROVINCIAL GOVERNMENT	42,750,000	12,750,000	30,000,000
573	CENTRAL PROVINCIAL GOVERNMENT	30,850,000	32,850,000	-2,000,000
577	SOUTHERN HIGHLANDS PROVINCE	73,750,000	43,750,000	30,000,000
587	NEW IRELAND PROV. GOVERNMENT	29,630,000	31,630,000	-2,000,000
247	DEPT. OF AGRICULTURE & LIVESTOCK	8,592,600	11,031,300	-2,438,700
255	DEPT. OF PETROLEUM AND ENERGY	8,800,000	66,800,000	-58,000,000
261	DEPT. OF COMMERCE AND INDUSTRY	10,000,000	9,500,000	500,000
553	FRESH PRODUCE DEVELOPMENT COMP	5,172,600	2,500,000	2,672,600
558	TOURISM PROMOTION AUTHORITY	5,266,300	4,766,300	500,000
<b>TOTAL</b>		<b>214,811,500</b>	<b>215,577,600</b>	<b>(766,100)</b>

The above observations portray the increase made to the Original Appropriation by Departments of Treasury and Finance as a result of non compliance with the Appropriation Act, 2008.

**Conclusion**

Both the Departments of Treasury and Finance appear to have usurped the authority of the National Parliament in not adhering to the *Appropriation Act, 2008* by increasing the Original Appropriation by K766,100 without proper authority.

**Recommendation**

*Both the Departments of Treasury and Finance should urgently implement controls to conform to all appropriate authority and relevant laws and disclose correct information in the Public Account Financial Statements. And due care should be exercised to conform to Appropriation limits as set out in the relevant Appropriation Acts.*

**Department of Finance and Treasury Comment**

*No comments received up to the time of printing this report.*

## 19.2 Recording of Warrant Authorities and Expenditures

### Observations

Over the last number of years, AGO had been reporting breaches of the Constitution, the Appropriation Acts and the *PFM Act* as a result of expenditure exceeding the appropriation limit and unauthorized transfers made between recurrent and development budget.

The review of 2009 budget allocations and expenditure indicate that, the Appropriations for National Parliament and Judiciary were over-expended by K7,010,000 as shown below:

Appropriation Act 2008 for 2009 Expenditures	Original Apprn. K'000	Section 3/4 K'000	Revised Apprn. K'000	Actual Expenditure K'000	Variance (Over)/Under K'000
National Parliament	80,600	14,600	95,200	95,529	(329)
Judiciary	<u>46,640</u>	<u>0</u>	<u>46,640</u>	<u>53,321</u>	<u>(6,681)</u>
<b>Total</b>	<b><u>127,240</u></b>	<b><u>14,600</u></b>	<b><u>141,840</u></b>	<b><u>148,850</u></b>	<b><u>(7,010)</u></b>

Similarly, the 2009 Appropriations under Recurrent and Development Budgets were under-expended by K539,496,000 resulting in a total net “surplus” of K532,486,000 as shown below:

Appropriation Act 2008 for 2009 Expenditures	Original Apprn. K'000	Section 3/4 K'000	Revised Apprn. K'000	Actual Expenditure K'000	Variance (Over)/Under K'000
Recurrent	5,639,778	-21,632	5,618,146	5,474,408	143,738
Development	<u>2,597,165</u>	<u>7,050</u>	<u>2,604,215</u>	<u>2,208,457</u>	<u>395,758</u>
<b>Total</b>	<b><u>8,236,943</u></b>	<b><u>-14,582</u></b>	<b><u>8,222,361</u></b>	<b><u>7,682,865</u></b>	<b><u>539,496</u></b>
<b>Grand Total</b>	<b><u>8,364,183</u></b>	<b><u>18</u></b>	<b><u>8,364,201</u></b>	<b><u>7,831,715</u></b>	<b><u>532,486</u></b>

The financial implications of the above is that, the over-expenditure of K7,010,000 made by National Parliament and Judiciary was absorbed by the under-expenditure of K539,496,000 made under the Recurrent and Development Budgets resulting in a net under-expenditure of K532,486,000.

Further, the following issues were identified:

### 19.2.1 Breach of Section 2 of the Appropriation Act for Development Expenditure

Section 2 of the *Appropriation (National Development Expenditure 2009) Act, 2008* was breached in that, Development Budget funds aggregating K99,388,000 allocated under five (5) Departments and Agencies were over-expended by K14,479,000 as shown below:

No.	Department	Original Appropriation (K)	Revised Appropriation (K)	Actual Expenditure (K)	Expenditure in excess of Revised Appropriation (K)
1	Dept. of Prime Minister & NEC	2,463,000	1,863,000	6,230,000	4,367,000
2	Electoral Commission	10,948,000	10,948,000	14,601,000	3,653,000
3	Provincial & Local Govt. Affairs	64,423,000	64,323,000	69,964,000	5,641,000

4	Environment & Conservation	4,359,000	12,354,000	13,113,000	759,000
5	Dept. of Commerce & Industry	9,500,000	9,900,000	9,959,000	59,000
	<b>Total</b>	<b>91,693,000</b>	<b>99,388,000</b>	<b>113,867,000</b>	<b>14,479,000</b>

The Development Budget expenditure incurred in excess of the Revised Appropriation amounts as shown above contravened Section 2 of the *Appropriation (National Development Expenditure 2009) Act, 2008*, thus the five (5) Departmental Heads should be asked to explain to justify the over-expenditures.

### 19.2.2 Actual Expenditures Exceeding Warrant Authorities

The Department of Treasury explained in the past audits that, there were “*built-in system controls*” whereby the system will prevent payments from being effected where insufficient balance exists in the appropriation/warrant authority. Despite this explanation, expenditures in 26 Departments and Agencies incurred in excess of Warrant Authorities were processed without been rejected by the “*built-in system controls*” of which are shown in the table below:

No.	Agency	Warrant Authority (K)	Expenditure (K)	Expenditure Exceeding Warrant (K)
01	Office of Governor General	5,715,600	6,054,018	338,418
02	Dept. Prime Minister & NEC	66,005,800	70,216,038	4,210,238
03	National Statistical Office	4,260,400	5,379,437	1,119,037
04	Office of Bougainville Affairs	1,514,100	1,689,570	175,470
05	Dept. of Finance	23,257,200	23,617,652	360,452
06	Internal Revenue Commission	53,131,400	53,644,613	513,213
07	Dept. of Foreign Affairs & Trade	60,950,800	62,321,281	1,370,481
08	Public Service Commission	3,509,900	3,605,340	95,440
09	Dept. of Attorney-General	35,127,100	35,491,619	364,519
10	Dept. of Correctional Services	61,915,300	62,411,342	496,042
11	Provincial Treasuries	31,736,920	36,463,236	4,726,316
12	Department of Police	194,052,500	210,812,497	16,759,997
13	Dept. National Planning & Monitoring	10,061,500	10,883,332	821,832
14	National Intelligence Organisation	3,243,600	3,252,317	8,717
15	Provincial & Local Level Government	15,037,200	15,409,704	372,504
16	Dept. of Defence	115,024,600	118,077,077	3,052,477
17	Dept. of Education	243,807,800	244,840,490	1,032,690
18	PNG National Comm. For UNESCO	1,156,900	1,183,419	26,519
19	Dept. of Health	163,457,500	166,525,729	3,068,229
20	Hospital Management Services	261,704,700	289,636,734	27,932,034
21	Dept. of Community Development	10,064,600	10,868,216	803,616
22	Dept. of Environment & Conservation	11,706,000	12,589,522	883,522
23	Dept. of Agriculture & Livestock	13,250,400	15,108,371	1,857,971
24	Dept. of Petroleum & Energy	10,642,900	12,201,961	1,559,061
25	Dept. of Commerce & Industry	13,485,000	14,182,013	697,013
26	Dept. of Industrial Relations	12,761,000	13,030,098	269,098

As Departmental allocations were made available through Warrant Authorities, expenditures should not exceed Warrant Authorities amounts; therefore Departmental Heads of the above 26 Departments and Agencies should be asked to explain.

### 19.2.3 Unauthorised Increase in Development Budget Appropriation

Examination of the transfer of funds made from various Recurrent Budget votes to Development Budget noted a variance of K18,000 as shown below:

Recurrent budget votes reduced by	K7,032,000
Development budget votes increased by	<u>K7,050,000</u>
<b>Net unauthorized increase in Development Budget Votes</b>	<b><u>K 18,000</u></b>

The financial implication is that, the Development budget was increased by K18,100 without any corresponding reduction made to the Recurrent Budget allocations. This action was deemed as breaching the Appropriations as it improperly increased the Development Budget allocations by the net increased amount of K18,100.

#### Conclusion

The weaknesses in the control of the PBS system as ascertained in respect of expenditures made in access of the warrants issued is similar to what was ascertained in 2008 audit and reported in that year's audit report.

#### Recommendation

*Departments of Treasury and Finance should exercise due care when updating TMS ledgers as errors of omissions will impact the accuracy of the reporting of Government expenditure leading to inaccurate disclosures in the Public Account Financial Statement.*

*The inbuilt controls within PBS should be investigated, tested again and rectified so that spending in excess of the appropriation/warrant authority limits are not accepted and processed by the system.*

#### Departments of Treasury and Finance Response

*No comments received up to the time of printing this report.*

### 19.3 Salary Refunds Receivable from Statutory Bodies

#### Observation

It was noted that the Warrant Authorities for Statutory Bodies were issued on a monthly basis and the amount released depended on the Government's cash flow positions. These Warrant Authorities were issued by Department of Treasury to Assistant Secretary – Cash Management of the Department of Finance, who then retained the salary component and the allocations on all other vote items for expenditures, were released to the Statutory Bodies.

Though the salaries components of the Warrant Authorities were retained by Department of Finance, the Statutory Bodies insisted that they needed more funds to meet the Agencies running costs hence, with constant pressures from the CEOs of these Statutory Bodies, the funds retained for salaries were also released. With such situation happening constantly, the concern Statutory Bodies had accumulated so much salary costs that needed to be repaid back to Department of Finance, thus leaving the salary repayable accruing every year as shown below:



SUMMARY OF SALARY COST RECEIVABLE BY DEPARTMENT OF FINANCE - 2009			
STATUORY BODIES Debtor (Receivables)	Cumulative Total as at 31/12/08 (K)	Reimbursable Salary Costs – 2009 (K)	Cumulative Total as at 31/12/09 (K)
Tourist Corporation	4,815,387	2,895	4,812,492
Nat. Museum	10,213,183	(1,017,062)	11,230,245
Judiciary Services	18,571,608	(6,599,317)	25,170,925
Forest Authority	734,734	734,734	0
Nat. Inst. Of Standards	166,453	(289,791)	456,244
National Training Council	265,369	215,921	49,448
<i>National Fisheries Authority</i>	0	0	0
PNG Sport Commission	5,392,426	(344,915)	5,737,341
National Narcotics Bureau	4,696,165	(250,828)	4,946,993
Nat. Agricult. & Inspect. Auth	5,706,423	427,894	5,278,529
Civil Aviation Authority	14,467,958	(216,243)	14,684,201
Magisterial Services	3,790,895	(1,541,496)	5,332,391
National Youth Commission	2,113,583	180,585	1,932,998
<b>Total</b>	<b><u>70,934,184</u></b>	<b><u>(8,697,623)</u></b>	<b><u>79,631,807</u></b>

The Department of Finance should ensure that it retains the Salary component of the Warrant Authorities for Statutory Bodies like what it does with Government Departments' warrants in order to avoid the accumulation of such receivable which will continue to increase from year to year as can be seen in the above table. Also the Department of Finance needs to take appropriate action to recoup the funds from the concerned Statutory Bodies.

### Conclusion

An integral part of control that the Department of Finance is entrusted to exercise is to retain the Salary component of the allocations for the Departments and Statutory Bodies to ensure that funds allocated in this head of expenditure are not over-expended. However, the relaxing of control by Department of Finance in this area, had resulted in creating the situation wherein the Statutory Bodies have owed the State by K79.63 million over-expended as at 31 December 2009. It is evident from the above findings that, the over-expenditures in the salaries component of the budget in respect of the listed Statutory Bodies and Agencies, have increased from year to year and there seem to be no control over these expenditures by Department of Finance. This issue was raised in the previous audit report and still remained unresolved.

### Recommendation

*The Department of Finance should ensure that Statutory Bodies and Agencies are not allowed to process their own payroll as is the case with the National Fisheries Authority as shown in the above table. In this way due care will be exercised by the Agencies to spend within the limits of the warrant authorities received.*

*And Department of Finance has to stand firm and retain the Salary component of the Warrant Authorities for Statutory Bodies and advise the Heads of the Statutory Bodies and Agencies to adhere to established procedures and at the same time take action to recoup the K79,631,807 owed to the State in Salary costs.*

### Department of Finance Comment

*No comments received up to the time of printing this report.*

## 20.0 OTHER MATTERS

### 20.1 Receiver of Public Monies (RPM) Account

The National Government's monies collected at the Provinces are deposited into the Receiver of Public Monies (RPM) bank accounts maintained with Bank South Pacific (BSP) and transferred periodically through direct bank transfer into Waigani Public Account (WPA) (the State's main bank account) maintained with Bank of PNG.

The collections made at Finance through Finance Cashier Branch (FCB) – Waigani and Central Province RPM are banked into the Bank of PNG RPM bank accounts and transferred periodically into WPA bank account.

With reference to Part 10 of the Public 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 discussed below.

#### Observations

##### 20.1.1 General Observations

- The TMS 130 Ledgers maintained by Department of Finance revealed that Madang Province operates two (2) RPM accounts and both the bank accounts are maintained with BSP in Madang and reported balances of K26,887 and K25,468 respectively at 31 December, 2009 which aggregated to K52,355. The operations of two separate bank accounts to serve the same purpose of banking State's revenue collections is unique as all other Provinces have only one RPM bank account. This was reported in 2008 but still remained unresolved.
- The closing balances of three (3) RPM accounts as per the TMS 130 Ledgers were verified to the records maintained by Department of Finance and have noted the following matters of concern:

	RPM Account	Closing Balance (K)	AGO Comment
1	RPM – Waigani Account	3,255,070	Balance not confirmed since bank reconciliation was incomplete up to time of audit in July 2010.
2	East Sepik Province	215,723	Balance not confirmed as bank statement not attached.
3	Jacksons Airport RPM	-7,004,924	Balance differed to cash book balance of K211,378 as per bank reconciliation

##### 20.1.2 Finance Cashier Branch (FCB) - Waigani

The collections for 69 collector statements collected for three months (January, June and December 2009) were selected to test check for compliance with the procedures as stated in the *PF(M) Act, 1995* and Finance Instructions and have noted the following matters:

- Delays in Banking

There were delays in banking of monies collected as noted from 33 Collectors' Statements which range from two (2) to 28 days. The same were noted and reported since 2006, however, no positive action was taken.

It appeared that Management did not encourage daily banking thus banking was done after two to three days due to security reasons. However, the delays in banking for well over a week or so days are not reasonable.

- Amount per Collector Statements differed to Deposit Slips

The verification of total amounts stated on the Collector Statements against the amounts shown on the Deposit Slips have noted differences whereby the amounts shown on the deposit slip were less than the Collector Statements. And the reasons ascertained were that, the Public Monies collected were:

- \* Borrowed by Senior Management Staff;
- \* Under-banked; and
- \* Receipted and subsequently cancelled.

The above three types of practices were the causes for the differences ascertained between the Collector Statements and the deposit slips which are further discussed below:

➤ *Collections Borrowed by Senior Management Staff*

It was noted that, in three (3) instances collections totalling K18,134 were borrowed by Senior Management and were not reimbursed up to the time of audit in July 2010.

This is in violation of Part 10 Division 4 Section 25.1 of the Financial Management Manual wherein calls for all collections made by an Accountable Officer to be banked intact. AGO advised that immediate action be taken to recoup these funds from the Staff concerned.

➤ *Collections Under-banked*

The collections made on Collector Statement No. 13 were under-banked by K5,634 and no explanations were stated on the Collector Statement to justify the under-banking.

➤ *Cancelled Receipts*

A total of 533 receipts amounting to K178,782 that were cancelled were not attached to the Collector Statement as required under Part 10 Division 4 Section 18 of the Financial Management Manual which calls for the top two copies of the cancelled receipts to be attached to the Collector Statement. It was also noted that the receipts that were cancelled were all related to cash receipts which could be the action of fraud.

- Missing Documents

The deposit slips and Collector Statements that were not sighted at the time of audit are discussed below:

- ❖ In five (5) instances the copies of deposit slips for collections totalling K98,298 were not sighted/attached to the Collector Statements.
- ❖ The Collector Statement No. 169 compiled for the collection of K41,168 was not sighted except for the deposit slip.

## **Conclusion**

The observations made and discussed above had led us to draw the conclusions as follows:

- Reliance cannot be placed on year-end bank balances for three Provincial Treasuries RPM Bank balances as records were incomplete;
- The collections at the Finance Cashier Branch (FCB) were not banked on a daily basis. There were delays in the banking of monies ranging from two (2) to 28 days as noted from the Collectors Statements;
- Collector Statements figures differed from deposit slips due to lending of cash collections to Senior Management Staff, under-banking of collections not justified and cancellation of the cash collections receipts not supported with top two copies of the cancelled receipts;
- Senior Management voided control in setting bad precedents through borrowing of cash collections, thus weakening the overall control system as required by the *Public Finances (Management) Act*, and Financial Management Manual;
- Missing Collector Statements and deposit slips were indications of the prevalence of control weaknesses.

Overall, audit has not gained assurance over completeness and accuracy of the Provincial RPMs' balances reported as at year ended 2009. And for the Department to allow its Senior Management Staff to borrow the cash collections that were supposed to be banked intact, set bad precedence for other Government Departments and Agencies. This practice had detrimental effects in weakening the controls that the Department of Finance was expected to enforce in its responsibility of monitoring the Departments and Agencies for compliance and accountability purposes.

## **Recommendation**

*The recommendations to be made in respect of the observations made and discussed above are as follows:*

- *Collections should be banked daily to avoid the risk of theft or other unauthorised use of monies collected;*



- *All Provinces RPM bank balances need to be confirmed and reconciled as at 31 December each year in order to report the true balances as at year end. Therefore, the Department of Finance must get year-end confirmations from the banks to support the figures disclosed in the Public Account Financial Statement;*
- *Immediate action be taken by Management to recoup the collections of K98,298 borrowed by Senior Management Staff and same time put an end to such practice to avoid setting bad precedents for other Departments and Agencies;*
- *Finance to input in the system for the Collectors Statement to bear the name of the Collector engaged in the collections so that the concerned Officer can be called over to be held accountable;*
- *Finance to adhere to cancelled cheques procedures as well as to maintain proper filing of all documents including cancelled cheques.*

#### **Department of Finance Comment**

*No comments received up to the time of printing this report.*

## **20.2 Secretary's Advance**

The Secretary's Advance mechanism is one in which the Executive is entrusted with powers under the *Public Finances (Management) Act, 1995* to exercise its discretion to transfer funds to meet unforeseen circumstances, thus is a legal authority by the *Appropriation Act*. Therefore, there are two (2) main Sections that enable the transfers involved to fund or meet unforeseen circumstances and these are:

- **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 Public Finances (Management) Act, 1995* or *Section 3 of the Recurrent & 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 Public Finances (Management) Act* or *Section 4 of the Recurrent & Development Appropriation Acts*].

The Original Appropriation of K20 million under Secretary's Advance made in the Miscellaneous vote 207 in 2009 is governed by the following legislations:

1. Sections 211 and 212 of the Constitution of Papua New Guinea;
2. Sections 24, 25 and 26 of the *Public Finances (Management) Act*;
3. Sections 3, 4, 5, 6, 7 and 8 of the *2009 Recurrent Appropriation Act*; and
4. Sections 3, 4, 5 and 6 of the *2009 Development Appropriation Act*.

### Amounts Appropriated to Facilitate Section 3 Transfers for New Services

Funds totalling K20 million was appropriated as Secretary's Advance in the Original Appropriation under the Recurrent Budget for purpose of facilitating Section 3 transfers as shown below:

Secretary Advances	Recurrent (K)	Development (K)	Total (K)
Section 3 Transfers	20,000,000	Nil	20,000,000
Section 4 Transfers	Nil	Nil	Nil
<b>Total</b>	<b>20,000,000</b>	<b>Nil</b>	<b>20,000,000</b>

### Sections 3 & 4 Transfers made to existing services

Funds aggregating K823,494,290 were transferred through Sections 3 & 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	259,516,530	259,516,530
Section 4 Transfers	563,977,760	Nil	563,977,760
<b>Total</b>	<b>563,977,760</b>	<b>259,516,530</b>	<b>823,494,290</b>

## **Observations**

### **20.2.1 Inconsistencies with Legislation**

A comparison of Section 211 of the Constitution with Section 3 of the *Appropriation (Recurrent Expenditure) Acts* for 2003 and 2009 have noted some inconsistencies of which the same was reported in the previous audit and these are shown below:

What should be	What should not be
1. Section 211 of the Constitution of Papua New Guinea sub-section 2 stipulates that 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. Refer to the Additional Appropriation (National Parliament 2003) Act, 2003.	1. Section 3 of the Appropriation (Recurrent Expenditure 2009) Act, 2008 states that "..... funds may be distributed to any Government activity, including National Parliament, Judiciary or Development activities."
2. The Secretary's Advance should be appropriated for, under Section 3 of the Recurrent Expenditure Act. Refer to the Appropriation (Recurrent Expenditure 2003) Act, 2002.	2. Section 3 of the Appropriation (Recurrent Expenditure 2009) Act, 2008 states that "..... the Secretary for Treasury may direct the re-allocation of any unexpended appropriation under the recurrent expenditure through the Secretary's Advance provided that the total additional Appropriation so allocated does not exceed the amount reflected under the Secretary's Advance."

From the analysis given in the above table, an inconsistency noted was that, the provision made in Section 3 of the *Appropriation (Recurrent Expenditure 2009) Act, 2008* was not in line with Section 211 of the *Constitution of PNG*.

Section 211 Sub-section 2 of the Constitution of Papua New Guinea specifies that, in order for Public Expenditure to occur for the National Government or National Parliamentary Services and Judiciary Services for that matter, an Act of Parliament must be raised to legalize the expenditure. This applies to the enactment of either Additional Appropriation or Supplementary Appropriation or even an Additional Supplementary Appropriation based on the cash flow situation. However, AGO noticed over the past few years that, this was not practiced and instead resorted to the excessive use of Secretary's Advance to facilitate the transfer of funds through the Recurrent and Development Expenditure Acts including Parliamentary Service and Judiciary Service Acts.

The two (2) tables given in paragraph 12.2 earlier above on the transfer of funds allocated under Secretary's Advance to new and existing services attest to the excessive use of Appropriation for Secretary's Advance in 2009 to transfer Recurrent Budget of K583,977,760 and Development Budget of K259,516,530 to fund new and existing services. It defeats the purpose of having Secretary's Advance to restrict its use to fund unforeseen expenditures only.

### **Recommendation**

*AGO recommends that Department of Treasury should call for enactment of Supplementary Budgets to be passed by Parliament to be in conformity with the requirements stipulated in the Constitution of Papua New Guinea rather than resorting to excessive use of the Secretary's Advance to facilitate the transfer of funds. Also Secretary's Advance funds should be restricted to meet unforeseen expenditures only as intended.*

### **Department of Treasury Response**

*No comments received up to the time of printing this report.*

## **20.2.2 Movement of Funds**

### **Adjustment of Appropriation between New and Existing Services through Section 3 Transfers**

The Appropriation of K20 million allocated for Secretary's Advance had not been clearly specified under Section 3 of the *Appropriation (Recurrent Expenditure 2008) Act, 2009* as to whether it was intended for the purposes of funding both New Services and re-allocations between existing Services or only for New Services. It was then through the audit of Statement "L" that AGO ascertained that the K20 million allocation was used to fund both New and Existing Services.

#### Summary of Section 3 Transfers

<b>Appropriations</b>	<b>Section 3+ (K)</b>	<b>Section 3- (K)</b>	<b>Variances (K)</b>
Recurrent	33,926,000	35,926,000	-2,000,000
Development	<u>2,000,000</u>	<u>0</u>	<u>2,000,000</u>
<b>TOTAL</b>	<b><u>35,926,000</u></b>	<b><u>35,926,000</u></b>	<b><u>0</u></b>

As shown in the table above, a net of K2 million was transferred out of the Appropriation

(Recurrent Expenditure 2009) Act, 2008 through Section 3 transfers to the Appropriation (National Development Expenditure 2009) Act, 2008 which is deemed as in conformity with provisions of the Appropriation Acts as it increased the Development Budget with funds transferred from the Recurrent Budget.

### **Adjustment of Appropriation between Existing Services only through Section “4” Transfers**

#### Summary of Section 4 Transfers

<b>Appropriations</b>	<b>Section 4+ (K)</b>	<b>Section 4- (K)</b>	<b>Variances (K)</b>
Recurrent	319,344,618	329,676,518	-10,331,900
Development	<u>275,165,600</u>	<u>264,815,600</u>	<u>10,350,000</u>
<b>TOTAL</b>	<b><u>594,510,218</u></b>	<b><u>594,492,118</u></b>	<b><u>18,100</u></b>

As per the above table, a net transfer of K10,331,900 was made out of the Appropriation (Recurrent Expenditure 2009) Act, 2008 through Section 4 transfers to fund projects within the Appropriation (National Development Expenditure 2009) Act, 2008. Further, a net transfer of K10,350,000 was made within the Appropriation (Development Expenditure 2009) Act, 2008 through Section 4 transfers to fund projects within itself [the Appropriation (National Development Expenditure 2009) Act, 2008]. These had resulted with a final net increase of K18,100 made to the Development Budget allocations and had caused the total Development Budget of K2,597,165,000 in 2009 to increase to K2,597,183,100. The increase of K18,100 as disclosed in Statement “B” was improper as it was not made through an enactment of a Supplementary Budget but through Section 4 transfer effected in the Secretary’s Advance allocations, thus breached provisions of the Appropriation Acts.

### **Budget Movement Summary 2009**

Though no funds were appropriated in the 2009 Original Budget under Secretary’s Advance, funds were transferred into and out of the Secretary’s Advance vote through Sections 3 and 4 transfers in that year as shown in the table below:

<b>Secretary’s Advance Vote</b>	<b>Increase (K)</b>	<b>Decrease (K)</b>	<b>Variances (K)</b>
<b>Section 3 Transfers</b>	27,963,000	7,963,000	20,000,000
<b>Section 4 Transfers</b>	<u>594,510,218</u>	<u>594,492,118</u>	<u>18,100</u>
<b>Total</b>			<b><u>20,018,100</u></b>

The observations made from the transfers into and out of the Secretary’s Advance as shown above are detailed below:

- Funds aggregating K20 million was made available in the Secretary’s Advance through the use of Section 3 transfer facilities in 2009 to transfer that amount from Recurrent to Development Budget as no Original Appropriation was made through the *Appropriation (Recurrent Expenditure 2009) Act, 2008* for Secretary’s Advance. AGO noted with concern that, such action was taken to avail funds in the Secretary’s Advance despite nil allocation made in the Original Budget. Even the full amount of K20 million was not utilised during the year, thus defeats the purpose of being transferred to be utilized;
- An additional amount of K18,100 was made available in the Secretary’s Advance through Section 4 transfers bringing the total funds made available under the



Secretary's Advance to K20,018,100. The amount of K18,100 was subsequently transferred to the Development Budget through Section 4 transfers as reported earlier above.

### **Conclusion**

AGO has reported over the years on the breach of the Appropriation Acts for the transfers of funds from National Development Expenditure Appropriation to Recurrent Expenditure Appropriation. The increase of K18,100 made to the Development Budget through Section 4 transfers was not proper as it was not done through an enactment of a Supplementary Appropriation but through Section 4 transfers.

### **Recommendation**

*Any increase made to the overall budget ceiling must be enacted through a Supplementary Budget.*

### **Department of Finance Response**

*No comments received up to the time of printing this report.*

## **20.2.3 Directions**

Section 6 of the *Appropriation (Recurrent Expenditure 2009) Act, 2008* requires that copies of each Directions under Sections 3 and 4 shall be made available to the Auditor General's Office as soon as practicable after the end of each quarter of the financial year ending 31<sup>st</sup> December 2009.

However, copies of such Directions were not made available to the Auditor General's Office as required. Surprisingly, the Budgets Division of the Department of Treasury did not maintain copies too.

A review of the Directions maintained in another Division at the Department of Treasury revealed that, the file was incomplete in that 93 of the total of 415 Directions issued were missing.

This legal requirement has not been adhered to over the years up to and including 2009. The reporting of this legal requirement over the years in AGO's Reports has not been taken seriously by Department of Treasury.

### **Recommendation**

*We recommend that the Directions are properly filed and kept away neatly in sequential order and emphasize the importance of the compliance of Section 6 of the Appropriation (Recurrent Expenditure) Acts to submit copies of Directions to the Auditor-General's Office.*

### **Department of Treasury Response**

*No comments received up to the time of printing this report.*

## **20.2.4 Appropriations into Trust Accounts**

It was noted that, funds aggregating K211 million for a total of four (4) Trust Accounts were appropriated in Schedule 2 of the *Appropriation (Recurrent Expenditure 2009) Act, 2008* whilst K479 million for six (6) Trust Accounts were appropriated in Schedule 2 of the *Appropriation (National Development Expenditure 2009) Act, 2008*. The details and the status of these Trust Accounts are as follows:

#	Name of Trust Account	Appropriation	Status of Trust Accounts	Funds for Trust Accounts not Established
	<b>Recurrent Budget</b>	<b>(K)</b>		<b>(K)</b>
1	LNG Project Development Costs	177,000,000	Not Established	177,000,000
2	Oro Restoration Authority	20,000,000	Not Established	20,000,000
3	Madang Marine Park	10,000,000	<b>Established (Active)</b>	-
4	National Border Authority	4,000,000	Not Established	4,000,000

	<b>Total Recurrent Budget Funds</b>	<b>211,000,000</b>		<b>201,000,000</b>
	<b>Development Budget</b>			
1	DSIP	356,000,000	<b>Established (Active)</b>	-
2	Nat Agriculture Dev. Program	80,000,000	Not Established	80,000,000
3	National Stadium	20,000,000	Not Established	20,000,000
4	Transport Sector Infrastructure	10,000,000	Not Established	10,000,000
5	Housing Development Pilot	8,000,000	<b>Established (Active)</b>	-
6	Land Reform	5,000,000	<b>Established (Active)</b>	-
	<b>Total Development Budget Funds</b>	<b>479,000,000</b>		<b>110,000,000</b>

The following irregularities were noted in respect of the above Trust Accounts:

- Only one (1) of the first four (4) Trust Accounts funded through Schedule 2 of the Appropriation (Recurrent Expenditure 2009) Act, 2008 was established and was active at the time of our audit in July 2010 whilst the other three were not established.
- Also only three (3) of the six (6) Trust Accounts funded through Schedule 2 of the Appropriation (National Development Expenditure 2009) Act 2008, were established and active at the time of audit whilst the other three were not established.

## Conclusion

AGO was unable to understand the reason for the six (6) trust accounts not being established despite funds aggregating K311 million were appropriated through both the Recurrent and the Development Budgets to be operated through these Trust Accounts in 2009. And explanations are required on where these funds were held in the absence of the establishment of these trust accounts.

## Recommendation

*Funds aggregating K311 million from the Recurrent and Development Appropriation Acts, intended to be used to establish six trust accounts were not utilised to open these Trust Accounts. So the funds of K311 million need to be investigated and brought to account in accordance with the two mentioned Appropriation Acts, and to open the required Trust Accounts in accordance with Section 15 of the Public Finances (Management) Act, upon the location of the funds.*

## Department of Treasury Response

*No comments received up to the time of printing this report.*

### 20.3 Miscellaneous Expenditure - Vote 207

Funds totalling K827,526,200 were appropriated under Miscellaneous Vote 207 in the 2009 financial year. The observations made during the audit are discussed in the paragraphs that follow.

#### 20.3.1 Section 3 and 4 Transfers in Miscellaneous Vote 207

The Sections 3 and 4 transfers made to Appropriations in the Miscellaneous Vote 207 as ascertained in audit are detailed below:

The Budget movement register records revealed the following:

	(K)	(K)	(K)
<b>Original Appropriation</b>			<b>8,364,183,000</b>
Add: Transfers (Recurrent)			
3+	33,926,000		
3-	<u>35,926,000</u>	-2,000,000	
4+	319,344,618		
4-	<u>329,676,518</u>	-10,331,900	
Transfers (Development)			
3+	2,000,000		
3-		2,000,000	
4+	275,165,600		
4-	<u>264,815,600</u>	<u>10,350,000</u>	
			<b>18,100</b>
<b>Revised Appropriation as per movement register</b>			<b>8,364,201,100</b>

The total Original Budget of K8,364,183,000 was increased without enactment of a Supplementary Budget by K18,100 to K8,364,201,100 through Section 4 transfers and described as being the Revised Appropriation figure in the movement register. This is clearly portrayed in the above analysis. Further, as stated in paragraph 19.2.3 the total Development Budget was increased without proper authority by K18,100 through Section 4 transfers and this had a flow-on effect on the overall Budget as portrayed above.

AGO is of the view that, due to numerous transfer of funds through the use of Sections 3 and 4 transfers, there was a possibility of inflating the total Original Budget figure in the process.

#### 20.3.2 Procurement and Payment Procedures in Miscellaneous Vote 207

An examination of a sample of 143 payment vouchers totalling K13,491,082 were selected and examined and the following irregularities were noted.

- A sample of 20 Government Office Rental payments totalling K6,469,078 selected on a random basis and examined have noted the following irregularities:
  - In two (2) instances the payment vouchers for payments of K123,307 and K136,000 made to two (2) Construction Companies respectively were not made available for audit inspection;

- In our 2008 audit, we reported that the lease agreements for two (2) Landlords that expired were not renewed. Despite the non renewal of the lease agreement, in 2009 two (2) payments of K19,768 and K10,560 were made respectively to these two (2) Landlords. Even as at the time of audit in March 2010 the lease agreements were still not renewed;
- Also in our 2008 audit report we reported that, the Department of Finance (Inspections Division) should take legal action against a company for receiving rental payments of over K5,000,000 for unoccupied office space. However, no legal action was taken so far as ascertained at the time of audit in March 2010. Despite the recoveries yet to be made, from this company, a payment of K190,000 was again made to that Company on 21/04/09 for outstanding office space rental; and
- And in four (4) instances payments totalling K357,543 made to Contractors for works carried out in office space leased by the State were made without the approval from Office Allocation Committee.
- Audit randomly selected 10 files relating to the lease agreement and in this regard, four (4) were made available for audit examination. Of the four (4) that were examine, two (2) were noted to have expired and importantly the dates when the respective Landlords have entered into the lease agreement with the State were note stated.
- A follow-up was made in March 2010, on 16 expired lease agreements reported in our 2008 audit report to ascertain their position as at end of 2009.  
In these regard the following matters were revealed.
  - The lease renewed agreements were not sighted in all 16 instances; and
  - The lease agreements for two (2) Landlords had expired but their monthly rentals continued to be paid without having the lease agreements renewed.
- A sample of 20 Court Cases payment vouchers for payments totaling K3,943,783 selected and vouched revealed the following:
  - Three (3) payment vouchers for payments totalling K279,800 were not made available for audit inspection;
  - A payment of K427,918 made to a company was effected without obtaining prior approval from the relevant authority as ascertained from the unsigned pre -audit verification form, thus indicates weaknesses in the internal control system;
  - Two (2) payments totalling K389,604 were not recorded in the Court Claims Register as ascertained during the audit; and
  - At the time of audit in February 2010 audit noted that, all the 17 payment vouchers furnished for inspection were not filed and stored in a safe and orderly manner. Audit further noted that the cheque numbers were not entered on the FF4's under the section intended for such to be recorded.



- A review of the payment procedures made based on a selection of 79 payment vouchers for payments totalling K3,059,955 have noted the following irregularities:
  - In 57 instances of payment totalling K2,335,824 made were done based on photocopied vouchers instead of originals. These payments were also not registered in the cheque usage register maintained at the Office of Workers Compensation;
  - In 16 instances of payments totalling K396,756, the general expenditure forms (FF4) were not signed by the Certifying Officer prior to the payments being made;
  - In three (3) instances of payments totalling K165,038 were made without stating the employee file number so as to ascertain the validity of the payment;
  - In five (5) instances of payments totalling K284,952 the copy of the death Certificate were not attached in each case as documental evidence to substantiate the respective payments made;

No Medical Certificates/reports were attached to substantiate the injuries and the percentages of bodily harms claimed in respect of the following 36 injury related cases wherein payments totalling K660,359 were made;

  - Two (2) payment vouchers for payments totalling K57,742 not sighted at the time of audit;
  - Four (4) payments totalling K153,830 that were made after a long delay of between three (3) to six (6) years;
  - A review of the payment procedures conducted at the Department of Finance have ascertained that, no register was maintained to record all claims that are received from the Office of Workers Compensation and the details of payments when made too were not recorded and kept;
  - A file for the appointed Financial Delegates' names and their specimen signatures were not maintained by the Officers in charge at the Department of Finance; and
  - A review of the cheque register maintained at the Office of Workers Compensation revealed that, appropriate file referencing were not made in the register to enable ease of tracing to the source documents.
- Audit examination of 28 samples selected randomly and reviewed the records and documents pertaining to the payment and acquittal of advances made during the year revealed the following matters of concern:

- In three (3) instances payment of travel & cash advances totalling K10,742 were not registered in the advance register that was maintained:
- A total of 15 travel advance payments totalling K6,900 were not acquitted up to the time of audit in March, 2010.
- A total of four (4) cash advance payments totalling K35,911 were not acquitted up to the time of audit in March, 2010.
- In 14 instances of payment vouchers for the payments of both travel and cash advances totalling K11,100 were not sighted during audit.
- Advance register was noted to be deficient in that the dates were not recorded as to when the payment was made and acquitted; period of travel was not recorded and incomplete record of recipients name & signature:

## **Conclusion**

The basis for authorization of claims to be settled, the legality of the transactions, the justification for amount settled and proper documentation attached to support the payments were issues that could not be established in most of the above observations. The risks are that funds paid may have been improper and fraudulent.

The safe keeping of payment vouchers is required in view of missing vouchers noted during the audit as these 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.

The non adherence to proper procurement and payment procedures as mentioned above clearly reflect the non-compliance and absence of major controls. This could lead to mismanagement of Public Monies.

## **Recommendation**

*The AGO recommends that:*

- *Proper procurement and payment procedures are adhered to in accordance with the Financial Management Manual and relevant policies and regulations required to be followed in the processing of payments;*
- *Ensure that all payments are made through original claims and original supporting documents;*
- *Improve on current record keeping practices and ensure sufficient & appropriate documentation is maintained & detailed.; and*
- *Strengthen the control environment to minimize the risk of appropriate.*

## **Department of Treasury Response**

*No comments received up to the time of printing this report.*

## **20.4 Losses and Deficiencies**

### **Observation**

Appendix 1 of the Public Account Financial Statement shows that, Losses and Deficiencies amounting to K13,913 were accumulated by the State as at 31 December, 2009. The observations made by AGO from the Departmental audits across line Departments indicate that, the reporting of losses by the Departments to Department of Finance is unsatisfactory. Unless regular reporting as required by the *PF(M) Act, 1995 (as Amended)* is strictly enforced across line Departments and Agencies, the losses sustained by the State will continue to be understated.

Also noted in Appendix 1 is the disclosure of prior year losses and deficiencies totalling K3,058,800 brought to account only in 2009.

AGO commends the action taken by Department of Treasury to issue Treasury Circular No. 2/2010 dated 18/02/10 to all Heads of Departments for compliance on the requirements to Report Losses and Deficiencies appropriately.

### **Conclusion**

On the whole, in view of the broader network of assets and infrastructure owned, serviced and operated by the National Government throughout the Country, the disclosure of total loss amount of only K13,913 is materially understated and is misleading to the users of the Financial Statement as it does not fairly represent the actual situation as at 31 December, 2009.

### **Recommendation**

*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 Account 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.*

### **Department of Finance Comment**

*No comments received up to the time of printing this report.*

## **20.5 Internal Audit**

From the AGO perspective, the Internal Audit is an important component of the system of internal controls. Due to similarities in the nature and scope of activities performed by

Internal and External Auditors, especially in the Public Sector, there are significant efficiencies to be achieved if External Auditors are able to rely on the work of Internal Auditors and vice versa. An effective internal audit program should facilitate External Audit to place greater reliance on the work of Internal Audit, thereby making better use of overall audit resources.

## **Observation**

The Finance Internal Auditors are currently not following up issues specifically reported in the Public Account Financial Statements. The Internal Audit did not undertake periodic reviews to ensure that bank reconciliations of the banks accounts managed by Finance including Trust Accounts, advances and Drawing Accounts were being performed timely.

There are legislative compliance matters that the Internal Audit should be assessing to provide assurance to Management that Finance was complying with the *Public Finances (Management) Act, 1995, (as Amended), Finance Instructions* and other relevant Legislations.

## **Recommendation**

*The Secretaries of the Departments of Finance and Treasury should conduct a review of the Departments of Finance and Treasury Inspections and Internal Audit Branches with a view to effectively utilize the resources available in those Branches.*

***The number and magnitude of control weaknesses reported by the AGO in recent years should influence the commencement of regular periodic reviews by the Internal Audit to ensure that bank reconciliations of the bank accounts managed by Department of Finance including Trust Accounts, Advances and Drawing Accounts are being performed timely. In addition, Internal Audit should regularly report on the risk and occurrence of legislative non-compliance to the Secretaries.***

## **Department of Finance Comment**

*No comments received up to the time of printing this report.*

## **20.6 Separate Bank Accounts for Non-Bank Trust Accounts from CRF**

### **Observation**

At present, some non-bank Trust Accounts and the main account for the Government are operated through a single bank account called the Waigani Public Account that records both the CRF and non-bank Trust Accounts Funds. The risk of incorrect posting is increased as the debit to the CRF account can be offset by a credit entry to a non-bank Trust Account. This also creates opportunity for the CRF to be depleted by allowing or facilitating unapproved transactions through these non-bank trust accounts as was the case in Trust Fund Suspense Account No. 2 and the Cash Adjustment Account in the years up to and including 2009.

The Department of Finance indicated that, reconciliations were conducted on a periodic basis to correct this. However, for control purposes, the AGO emphasizes that the bank accounts for CRF and non-bank Trust Accounts are separated for effective control.

The risk of error, misappropriation, fraud or spending in excess of funds available is increased where bank accounts for the CRF and non-bank Trust Accounts are not separated.

### **Recommendation**

*The AGO recommends that Department of Finance reviews the existing policy in relation to maintaining a single bank account for the management of CRF and non-bank Trust Accounts, with a view to improve accountability by reinforcing separate bank accounts for CRF and non-bank Trust Accounts. Alternatively, some consideration should be given on reducing/closing a number of Trust Accounts operated through CRF/Waigani Public Account.*

### **Department of Finance Comment**

*No comments received up to the time of printing this report.*



## 20.7 Period 13 Journal Entries

### Observation

The Journal entries raised in Period 13 and posted during that period aggregated to K5,493,300,239 which had increased by K77,923,194 compared to K5,415,377,045 in 2008 financial year.

Examination of the TMS 310 Report for Period 13 journal entry adjustments revealed that the adjustments were made to the expenditure and revenue votes, and the Trust Accounts.

The year-end adjustments should be kept to a minimal, however instead had increased by K77,923,194 compared to 2008 and this increase equated to one point four percent (1.4%). A continuous increase in the journal adjustments from year to year at year ends reflects badly on the Organisation as it reveals the weaknesses that exist in that system. It is appropriate that the Finance Department should seriously exercise due care to review and contain such adjustments to a minimal.

The audit review in 2009 indicated no difference to that of 2008 and 2007 in that:

- Officers approving journal entries did not exercise due care and diligence and as a result duplicate journal entry of material amounts were processed. Such inappropriate actions cast doubt on the whole process;
- The raising of duplicate journal entry appeared to be an on-going issue. The Management of Finance needs to exercise strict control to contain this activity otherwise the problem will continue to exist;
- Some responsible Officers in Finance did not carry out their duties effectively throughout the year resulting in journal entries of significant amounts being passed as adjustments during and after the end of financial years to transfer unspent funds into Trust Fund Suspense Account No.2, which is contrary to the *PF(M) Act, 1995* requirement that all unspent funds lapse at year end; and
- Also cancelled cheques that should have been credited back to the Votes or Trust Accounts from which the cheques were originally drawn, were instead credited to Trust Fund Suspense Account No. 2. Later these cheques were drawn not to the Bearer of the cancelled cheque but to a complete new Payee which can be cited as a fraudulent act.

The final effect of the post balance journal transactions was that, there was an increase in expenditure figures between Period 12 and 13. This was largely due to the PGAS and TMS records not being reconciled at the end of each month, with items that made up the discrepancies corrected during Period 13. The issues observed in audit are:

- The Departments' actual expenditures at year end were distorted by Finance adjustments made through Period 13 journal entries and the concerned Departments were not aware that the increase/decrease adjustments were made against their expenditure figures;

- The aforementioned journal adjustments have defeated the budgetary process as actual expenditures were manipulated by Department of Finance and reported in Statement “L”;
- There is a risk that the transfer may not be correct;
- This in turn could facilitate irregular activities; and
- The large number of errors not corrected during the year caused delays in the preparation of the Public Account Financial Statement.

The AGO also identified instances where the narrations of transactions for the journal entries were not always accurate and descriptive to provide an audit trail and often there was a lack of cross referencing to the original entry or source document leaving no audit trail.

### **Conclusion**

The lack of adequate audit trail increases the risk of error, misappropriation or fraud that may not be detected timely. Also lack of adequate audit trail results in additional resources and time spent in correcting errors.

The controls over Period 13 journal entries including the need for Donors to provide interim Financial Statements relating to Donor funding, need to be enhanced.

### **Recommendation**

- *All journal entries raised to transfer expenditure and receipts should be referred to and properly authorized by the responsible Departments and Agencies (not solely done by Finance without consultation);*
- *Finance should be monitoring the monthly reconciliation of PGAS to TMS for the Departments’ transactions to ensure that the variations are promptly corrected;*
- *Journal entries raised to transfer unspent funds into the Trust Fund Suspense Account No. 2 have to be ceased to conform to PF(M) Act, 1995;*
- *All cancelled cheques must be credited back to the votes or trust accounts from which they were initially drawn from;*
- *All clearing accounts should be reconciled by Department of Finance each month and outstanding items promptly cleared;*
- *Consideration be given to encourage Donors to provide expenditure reports on their funding of development projects before the end of the financial year. If this is not practical, interim statements/reports could be provided;*
- *That Finance reinforce the policy of proper cross referencing of journals by staff involved in preparing and authorising journal entries;*
- *The accuracy of journal postings should be subject to periodic independent verifications by the Internal Audit and Compliance Branch of the Department of Finance; and*

- *The disclosure of expenditures in Statement "L" should be the actual Departmental expenditures rather than being manipulated through Period 13 journal adjustments.*

### Department of Finance Comment

*No comments received up to the time of printing this report.*

## 20.8 Departmental Audits

In drawing conclusions in relation to the Audit Opinion on the Public Accounts, it is necessary to consider the common observations made in the Management Letters issued by AGO to the various Government Departments audited in the 2009 financial year.

### Summary of Departmental Audit Observations

A total of sixteen (16) departments and agencies were audited in the 2009 audit cycle. However, not all areas selected for audit were covered in all departments and agencies as noted in the observations summarised below. ***Refer to National Government Department matrix in Appendix '3'***

Audit Item	Observation	Para ref.
Financial Reporting	Of the 16 Depts and Agencies audited, 13 have not submitted Financial reports to Department of Finance and only 1 submitted while 3 were not covered in this audit cycle.	12.8.1
Budgetary Control	Of the 16 Depts & Agencies audited, budgetary control was not covered in a Dept. while for the 15, monitoring of expenditure had not been undertaken.	12.8.2
Bank Reconciliation	Of the 16 Depts. & Agencies, 4 were current and 3 were not covered in this audit cycle while others were outstanding as far back as 2006.	12.8.3
PGAS & TMS Ledgers	Of the 16 Depts., 15 did not perform expenditure reconciliations on a monthly basis between the Department of Finance records and the individual Departments in 2009. The area was not covered in audit for a Department.	12.8.4
Procurement & Payment Procedures	Of the 16 Depts., AGO undertook detailed testing in 10 Depts. which reveal that the amount relating to missing documents was in excess of K43.4 million. Three (3) depts. indicate major weaknesses also while 3 were not covered in this audit cycle.	12.8.5
Asset Management	Of the 16 Depts., 2 were not covered in this cycle for this particular area while 14 indicated major weaknesses where acquisition of assets in excess of K5.4 million were identified as unrecorded and periodic stock take and physical verification were not conducted. Controls in respect of management of vehicle fleets were nonexistent.	12.8.6
Salaries & Wages	Of the 16 Depts., 6 depts. were not covered in this audit cycle and for the 10 that were audited, payroll reconciliation was not performed by all HR Division throughout the year 2009, personnel employee records were not regularly updated and kept in a satisfactory manner and Contract Review Committees were non-existent or not effective.	12.8.7
Un-acquitted Advances	Of the 16 Depts., 1 was not covered while 10 indicated major weaknesses and 10 with detailed testing resulted in unacquitted advances aggregating over K3.1 million in travel advance and over K613,000 in salary and cash advance. Unrecorded advances totalled over K906,000 in 5 depts. alone indicating very poor assurance over completeness of records.	12.8.8

Explanations for each of the issues are discussed below along with the risks associated with each of them and the applicable recommendations.

### 20.8.1 Financial Reporting

There were significant non-compliances in that, the National Government Departments have either failed to prepare and submit Quarterly and Annual Financial reports to Department of Finance and the Annual Management reports to Department of Personnel Management.

As required under Section 5 of the *Public Finances (Management) Act, 1995*, Departmental Heads shall submit a report on Financial Management quarterly after end of each Quarter and an Annual Report, including overall assessment of the Department at end of each Fiscal Year to the Secretary responsible for Financial Management.

Of a total of 16 Departments and Agencies audited, 13 have not submitted these reports to Department of Finance while three (3) were not covered in this audit cycle and only one (1) had submitted the reports to Department of Personnel Management.

In addition, as stipulated in Division 4 Section 32 (a) of the *Public Service (Management) Act, 1995*, which reads:

*“Each Departmental Head shall by 31st March in each year, prepare a report on the attainment of the planned objectives of his Department for the year ending 31<sup>st</sup> December preceding.”*

It is further elaborated in Public Service General Order 8.12 that the Departmental Head should forward to the Secretary, Department of Personnel Management a report on the work and achievements of his Department in relation to the Corporate and Annual Management Plans.

### 20.8.2 Budgetary Controls

An effective financial management environment is demonstrated by strong integration of budgeting with the entity's corporate plan, priorities and external accountabilities. As the Appropriations represent the primary source of revenue for all Agencies, the Department's efficient cash management and budgetary controls depend on accurate information on availability and funds requirement, as well as a reliable procedure 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 the funds recorded at the audited Departments' PGAS ledgers;
- Monthly reconciliations of Departmental expenditures against Department of Finance's ledgers are done to eliminate any differences before finalising the Public Accounts;
- The differences noted are communicated with Department of Finance and are resolved on a timely basis;
- Funds are spent within the budgetary allocation;
- All unspent funds at year end with the Departments are allowed to lapse.

It was ascertained in audits that, the controls in the Departments and Agencies relating to the cash flow management and budgetary controls were generally inadequate. The weaknesses noted were as follows:



- In the 16 Departments and Agencies audited, the monitoring of expenditure had not been undertaken. For example, the Agencies did not employ a Budget Officer to be responsible for budgetary and cash flow management, and no cash flow statements were prepared on a regular basis to report on significant shortfalls or surpluses realised/anticipated and to provide reliable information to enable the Secretary to make informed financial decisions. Such lack of monitoring resulted in significant variances in actual spending against available funds in 15 audited Agencies. The above mentioned practices exposed the Public Account to the risk that funds could be spent in excess of the appropriation limit, which will result in breaches of the Appropriation Acts, the *Public Finances (Management) Act, 1995*, and the *Constitution*.
- There were cases noted where expenditures were intentionally charged to incorrect Vote items as well as being manipulated through the use of journal entries. There were also instances noted where funds were transferred between divisions and functions as at 31 December, 2009 contrary to the *2008 Appropriation Act*.
- On several occasions, the Departments and Agencies did not exercise compliance to Section 27 of the *Public Finances (Management) Act, 1995*, with regard to management and utilization of unspent funds at year end. Unspent funds were on occasions either transferred to Trust Accounts or cheques were drawn in favour of the Departments before the end of the year. These cheques were subsequently cancelled and journalised in 2010 debiting the bank and crediting different expenditure votes. These in turn inflated the Appropriations and expenditures in the respective Votes for 2010 to that extent and defeated both the 2009 and 2010 financial years Appropriation Acts.

### 20.8.3 Bank Reconciliations

Bank reconciliations represent an independent verification by Management to ensure that the cashbook transactions reconciled to the bank statements. By performing bank reconciliations periodically (monthly) ensures that receipts and payments are accurately processed, bank errors are identified against the cashbook, transactions not recorded in the cashbook are identified against bank statements, and misappropriation or fraud is detected timely.

During the Departmental audits, significant unreconciled items were noted and these attest to reducing the level of assurance that can be placed on the accuracy of the Department's cash position at any given point in time. The observations made are as follows:

- The status of the bank reconciliations prepared were current in only four (4) out of 16 Departments audited;
- One Agency had its last reconciliation prepared back in December 2006;
- In a Department, audit noted that cheques cancelled in 2001 and 2002 aggregating K27,176 in seven instances got presented at the bank and cleared. These amounts to fraud and should be investigated and the Officers responsible referred for prosecution. Such situations of fraudulent activities were common in the Departments where bank reconciliations were not up to date as these cannot be detected early and auctioned;
- Stale cheques were supposed to be written back into the cashbook the moment these were identified as stale. However, a Department reported stale cheques of K147,080 that were stale since 2003 through to 2008. This indicated the lack of bank reconciliation

knowledge demonstrated by the Officer preparing the bank reconciliation. It also reflected badly on the Management of the Department as they had not taken appropriate action to review and rectify immediately;

- In some instances the reconciliations were not reviewed and certified by Senior Officers to attest to the accuracy and fairness of the statements prepared before these were forwarded to the Management.

Though bank reconciliations are an integral part of Management information to be used in the financial decision making, the bank reconciliations prepared appeared to be of sub-standard and lacked quality thus attesting to work of Officers not qualified and adequately trained to perform the task proficiently. Also Management of certain Departments did not give serious thought to review the bank reconciliations prepared for their Departments and take appropriate actions to rectify items requiring Management attention such as presenting of cancelled cheques, stale cheques not written back into the cashbook etc.

#### **20.8.4 PGAS and TMS Ledgers**

The present accounting systems are not fully integrated into a centralised financial reporting system. There were three (3) sub accounting systems in use and these were:

- PGAS Departmental Accounting System;
- ALESCO Payroll System; and
- TMS (Treasury Management System) used by Department of Finance.

As not all Departments have their own PGAS accounting systems (self accounting status), these Departments piggy back to other major systems (eg. posted through the Department of Finance PGAS). The primary reporting system which was used to compile the Public Account Financial Statement was the TMS. The integration between the Systems was through manual journal entries adjustments.

At any point of time there is likely to be an imbalance between the financial accounting systems, PGAS and TMS. If there are any differences between the two records, journal entries should be raised by the Departments to make the necessary adjustments ensuring that both records have the same information correspondingly.

No expenditure reconciliations were carried out on a monthly basis between records of Department of Finance and the individual Departments and Agencies in 2009. This was the case in all the 16 Departments/Agencies audited. Material variances in each Department and Agency running in the vicinity of tens of millions of Kina remained uncleared as at year end.

The non-preparation of this very important reconciliation had a significant impact in the balancing of the General Ledger of the Public Account of PNG. Particularly the financial information captured on the main Public Account may not be a true and fair representation of the processed data sourced from various Departments and Agencies records.

#### **20.8.5 Procurement and Payment Procedures**

Strong controls over purchases will ensure that the quality of goods or services supplied are acceptable and are actually received in good order. The receipt of goods/services and maintenance of inventory levels will provide assurance to Management that service levels can be maintained. It was noted in most cases that there was an extremely high rate of non-compliance with procurement and payment procedures. In majority of Departments and

Agencies there were no procurement plans or quotation registers maintained. It was observed that stationeries were not stored properly and inventory cards were not maintained. Most importantly, the monitoring of quality and quantity of goods and services received was not properly performed.

Other significant issues observed were:

- Claim vouchers received were not examined for completeness and accuracy of claims prior to processing the payments;
- Claim vouchers received were not certified to confirm the legitimacy of claims prior to processing the payments;
- In some cases Financial Delegates had approved expenditures in excess of their delegated financial limits;
- In 10 Departments that AGO undertook detailed testings, the amounts relating to missing documentation was in excess of K43.4 million;
- Payments to Suppliers were often made on pro-forma invoices and without required quotations; and
- In a number of Agencies, excessive expenditures were noted to have occurred, such as private car hire by Senior Management when vehicles were available in the Agency's car pool. The Finance Instructions which prohibit the use of private hire in the National Capital District were not adhered to. In addition, there were excessive payments for entertainment and food, consultancy payments, mobile phones prepaid cards and overseas studies.

The weaknesses as noted exposed the State to the risk of:

- Unauthorised purchases;
- Over-commitment of funds without due consideration to cash flows;
- Uneconomical purchasing practice;
- Fraud (kick backs/secret commissions);
- Use of purchase orders without proper approval;
- Purchasing of inferior or expensive goods and services;
- Consultancies being engaged at no benefit to the State; and
- Non-compliance with Purchasing Procedures e.g. Tendering Guidelines that can lead to uneconomical buying practices.

To minimise these risks, the Department of Finance can play a coordinating role and ensure that all Departments liaise with CSTB and establish a regime, in accordance with the *Public Finances (Management) Act*, that continually monitors and analyses procurement to provide assurance that:

- Legislative compliance is monitored and in instances where there are breaches, corrective actions are taken swiftly;
- Procurement guidelines are adhered to; and
- Departmental staff are aware of their procurement obligations.

### **20.8.6 Asset Management**

As the Departments spend significant amounts of funds every year on the purchase of assets such as computers and accessories, office furniture, equipment and motor vehicles, it is the responsibility of the Departmental Head to account for and safeguard State assets.

The proper control and management of the assets register is important in safeguarding assets. From the audits of the 16 Agencies it was evident that:

- Asset registers were either non-existent or were not maintained properly. The lack of register exposed the entities assets to improper control over their use leading to physical deterioration;
- Periodic stock takes or physical inspections were not conducted in all 16 Agencies to determine the accuracy of assets on hand. This increased the risk of loss, theft or fraud;
- The acquisitions of assets in excess of K5.4 million were identified as unrecorded assets. And the Auditors also observed that, the documentation for purchases, (especially motor vehicles) were missing or incomplete;
- There was lack of records of portable and attractive items such as mobile phones and laptops. The purchase of mobile phones were made based on requests and subject to Head of Department's approval. In some Agencies, the listing of staff who were entitled to mobile phones were not maintained and no policy was sighted on the Staff that were entitled to a mobile phone. In some cases, the prepaid phone cards were purchased by the Agencies and given to Senior Management which amount to "double dipping" as once through their salary allowances and second through receipt of prepaid cards;
- Controls in respect of the management of vehicle fleets were nonexistent. Custodianship of assets was not documented and identified to officers in possession, nor any review conducted on the current arrangement to ensure that the vehicles do exist. In 14 Agencies, no log books or vehicle history cards were maintained for the Government vehicles; and
- Contrary to Motor Traffic Regulations, vehicles registered with private number plates and tinted glasses were in operation. In many instances fuel consumption was found to be excessive.

### **20.8.7 Salaries and Wages**

Human resource management processes encompass the day to day management and administration of employee entitlements and payroll functions. The salaries and wages costs within the Government Departments represent one of the single largest items of expenditure. On average, direct salaries comprise around 20% of the annual recurrent budget of the State. This represents a significant area of risk thus Management should ensure that these costs are carefully controlled and monitored and that those responsible for payroll functions have the necessary skills and knowledge to effectively execute their functions.

Given the significance of employee expenses, and the fact that by their nature some employee entitlement calculations can be inherently prone to human error, Departments and 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



approval and review processes.

The common problems identified across the Departments and Agencies were:

- Although the payroll was processed centrally by the Information Technology Division (ITD) of the Department of Finance for Public Servants, it was the responsibility of the Departmental Head to ensure its accuracy and completeness. It was observed from the examination of 10 Departments and Agencies that, there was no payroll reconciliation performed by all the HR Divisions throughout the year 2009. The Agencies did not maintain their own ledger records but relied on Department of Finance records. The lack of this key control could facilitate fraudulent payroll activities where payments processed outside the system could not be easily detected in the absence of independent records and reconciliation. There are a number of audit reports produced by the Concept Payroll Division that are available to Departments and Agencies to monitor payroll and in particular to detect fraudulent activities. These audit reports are available online to agencies and also provided each fortnight by the Department of Finance following the processing of payrolls. The reports are a key control to effectively monitor payroll activities and to detect fraud. It was observed that generally, these reports were not accessed by Departments to validate payroll information input at the Department of Finance payroll level;
- The AGO observed that in seven (7) Departments the number of casuals employed exceeded the staff ceiling (the number of funded positions). Such practice facilitated nepotism and caused significant budgetary disorders. These casuals and part time employees were not employed against approved position numbers and even no approvals were obtained from the Secretary of DPM prior to employments. The failure to comply with proper selection process could result in bias selections and employments;
- One of the important aspects of the human resource function is to maintain records that demonstrate compliance with applicable human resource statutory and regulatory requirements, agency policy and agreements with other parties. Up to date records in respect of individual employees are vital and should be properly maintained. It was observed from the examination of 10 Departments and Agencies that, the records of salary history cards were not updated on a regular basis with recreational leave details, HDA, sick leave and tax declaration forms;
- For employees employed on contracts, Contract Review Committees were non-existent or not effective as evident in the 10 audited Agencies wherein noted that, Employment Agreement for Contract Officers were not reviewed and renewed on time. Contract documents for Senior Officers should be reviewed to avoid unauthorised payments and gratuity payments are paid strictly to officers bound by the contract agreements and only through the payroll. The AGO noted that in all Agencies contract Officers continued to receive salaries and allowances for over a year in most instances while awaiting renewal of their Employment Agreement; and
- As a general observation, the AGO noted that personnel files were not kept in a satisfactory manner. These files were left lying around on the floor area rather than in a secure environment. There was a risk of loss of payroll and personal information or documents in the files damaged due to unauthorised Staff having access to payroll and personal information.

### 20.8.8 Un-acquitted Advances

With reference to Part 20 of the Financial Management Manual, all Overseas and Domestic travel advances paid are to be recorded in the register of advances and controlled and managed by the Financial Delegates. In addition, no second advance is to be made when the first advance is outstanding/yet to be acquitted. Furthermore, the Financial Delegates should be reviewing the register of advances to make sure that all advances are acquitted upon due dates. The payment of advances are monitored to ensure that the Officers took the trips as intended and were entitled to those advances.

Although the advances paid were not material amounts in respect of the payments made out of the Public Account, due to the significance of the issues identified such as virtually non-existent controls, management overriding the controls and potential for fraudulent activities occurring, the AGO had examined in detail all the areas of advance management. The following significant issues were identified:

- In 10 Agencies audited, unacquitted advances in 2009 amounted to over K3.1 million. There was no proper recovery action taken either through reminder letters sent or salary deductions effected to acquit/recover the outstanding advances. In four (4) Agencies, 107 second advances were paid to Staff members despite the first advance totalling K384,667 remained unacquitted;
- Four (4) Agencies had unacquitted salary and cash advances amounting to K613,918 in 2009. It was also noted that, there were additional unacquitted cash advances accumulating from previous years. And there were many instances identified where Officers that had resigned were not held accountable by Management to acquit their unacquitted advances from their final payout. Even the Agencies had no limit set on the amount of cash advances to be given leading to instances where the amount of cash advances given to employees exceeded the value of their annual salaries;
- The AGO observed that, there were practices of Agencies paying significant amounts to Paymasters as cash advances. The cheques for such payments were normally cashed by a Paymaster and paid to Officers that were the recipients. Such practice could lead to fraud as there was no documentation/audit trail such as completing an “*order to pay agent*” form authorising the Paymaster to be paid. Even such payment can lead to confusion as to who should be responsible to acquit resulting in acquittals not made;
- There was no segregation of duties as AGO ascertained that, any staff member working at the Accounts Section can attend to the recording and paying of advances at any time. These can lead to advance records distorted; and
- Management of advances was very poor and there was no assurance over the completeness of the recorded balances. The AGO identified advances of K906,632 not recorded in five (5) Agencies alone.

## **SECTION “C”**

## **APPENDICES**





## APPENDIX 1

### 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 from there 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 authorizations 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 2008 and if a refund is obtained from the airline company in 2009 because the ticket was not utilised, refund will be credited to Revenue in 2009. 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.

## APPENDIX 2

### TRUST FUNDS RELEVANT LEGISLATIVE REQUIREMENTS

#### *Public Finances (Management) Act*

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 authorized 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**

- 1.1 The Trust Fund is part of the Public Account according to Section 10 of the *Public Finances (Management) Act, 1995*. All public moneys are payable into either the Trust Fund or the Consolidated Revenue Fund depending on the nature of the receipt.
- 1.2 The Trust Fund consists of a number of trust accounts established under Section 15 of the *Public Finances (Management) Act, 1995*. 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**

- 2.1 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.

2.2 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).

2.3 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.

2.4 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 & 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.



## 2.5 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

3.1 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.

3.2 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

4.1 Section 15 of the *Public Finances (Management) Act, 1995* 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.

4.2 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 shall submit to Secretary Finance, in the prescribed form an estimate of receipts and payments expected to be made into and withdrawn from the Account.

4.3 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.

4.4 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) authorizing to operate the account.

4.5 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 and Treasury for consideration and approval.

4.6 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**

- 5.1 Normally trust accounts, being part of the Public Account, 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.
- 5.2 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.
- 5.3 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**

- 8.1 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.

- 8.2 Failure to comply with the provisions of the *Public Finances (Management) Act, 1995* 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 *Public Finances (Management) Act, 1995*.

**11. Suspension of Trust Accounts**

The Secretary for Finance at his discretion under Section 19(5) of the *Public Finances (Management) Act, 1995*, may:

- Suspend the operation of a Trust Account where the provisions of the *Public Finances (Management) Act, 1995*, 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 authorize the transfer of any surplus in that Trust Account to the Consolidated Revenue Fund.

**13. Control of Trust Expenditure**

- 13.1 Section 19 of the *Public Finances (Management) Act, 1995*, 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 and Treasury 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.

- 13.2 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.

- 13.3 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.
- 13.4 Financial Delegates entrusted with commitment control and other duties, and authorized 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.
- 13.5 Section 19(4) of the *Public Finances (Management) Act, 1995*, 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 cannot 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**

- 14.1 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 authorized 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.
- 14.2 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 authorizing 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 authorizing payment. If transactions relating to a Trust Account take place in more than one Paying Office, authorizing officers should ascertain the balance in the Trust Account from the Trust Section of the Department of Finance by telephone or other expeditious means.



## **16. Investments**

- 16.1 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.
- 16.2 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 *Public Finances (Management) Act 1995*, 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**

- 18.1 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 *Public Finances (Management) Act, 1995*.
- 18.2 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.



### Appendix 3 - National Government Departments

The matrix set out below indicates the observations made in relation to these audits.

		Corporate Governance	Financial Reporting	Budgetary Controls	Bank Reconciliation	Procurement & Payment Procedures	Salaries & Wages	Advance Management	Assets Management	Motor Vehicle	Trust Accounts
	Department										
1	Agriculture and Livestock	○	○	○	○	○	○	○	○	○	○
2	Attorney General	○	○	○	○	○	○	○	○	○	○
3	Commerce & Industry	○	○	○	○	○	○	○	○	○	○
4	Community Development	X	■	X	X	X	X	X	X	■	X
5	Correctional Services	X	X	■	■	X	■	X	✓	X	■
6	Defence	■	■	X	X	X	X	X	X	X	X
7	Education	○	○	○	○	○	○	○	○	○	○
8	Electoral Commission	○	○	○	○	○	○	○	○	○	○
9	Environment & Conservation	○	○	○	○	○	○	○	○	○	○
10	Finance	X	X	X	X	X	X	X	X	X	■
11	Foreign Affairs and Trade	X	■	X	X	X	■	X	X	X	■
12	Governor General	○	○	○	○	○	○	○	○	○	○
13	Health	○	○	○	○	○	○	○	○	○	○
14	Higher Education	○	○	○	○	○	○	○	○	○	○
15	IRC – Taxation & Customs	✓	X	X	■	■	■	■	■	■	X
16	Lands and Physical Planning	○	○	○	○	○	○	○	○	○	○
17	Labour and Industrial Relations	X	X	X	X	X	X	X	X	X	X
18	Magisterial Services	○	○	○	○	○	○	○	○	○	○
19	Nat. Judicial Staff Services	■	X	❖	■	X	X	X	X	■	X
20	National Parliament	○	○	○	○	○	○	○	○	○	○
21	Nat Planning & Monitoring	X	X	X	X	X	X	X	X	X	X
22	National Statistics Office	○	○	○	○	○	○	○	○	○	○
23	Office of Public Solicitor	---	---	---	---	---	---	---	---	---	X
24	Office of Workers' Compensation	---	---	---	---	---	---	---	---	---	X
25	Personnel Management	X	X	X	X	X	X	X	X	X	X
26	Petroleum & Energy	X	X	X	X	X	X	X	■	■	X
27	Police	○	○	○	○	○	○	○	○	○	○
28	Prime Minister & NEC	❖	X	X	X	■	■	X	X	X	X
29	Provincial & LL Gov't. Affairs	X	✓	X	X	X	X	X	X	X	X
30	Public Service Commission	○	○	○	○	○	○	○	○	○	○
31	Rural Development	X	X	X	X	X	X	X	X	X	■
32	Mineral Policy & Geoharzd	○	○	○	○	○	○	○	○	○	○
33	Transport	○	○	○	○	○	○	○	○	○	○
34	Treasury	✓	✓	X	X	X	✓	X	X	X	■
35	Works	X	X	X	X	X	X	X	X	X	X
	TOTAL										
	❖	1	0	1	0	0	0	0	0	0	0
	X	11	11	14	13	14	11	15	14	12	13
	✓	2	2	0	0	0	1	0	1	0	0
	■	2	3	1	3	2	4	2	1	4	5
	○	17	17	17	17	17	17	17	17	17	17
	---	2	2	2	2	2	2	2	2	2	0
	TOTAL	35	35	35	35	35	35	35	35	35	35

Key:

<i>Information not provided to audit</i>	❖
<i>Major control weaknesses identified</i>	X
<i>No major audit issues</i>	✓
<i>Item to be covered in next Audit</i>	■
<i>Dept. to be audited in next Audit Cycle</i>	○
<i>Areas not applicable as it involves Trust Account Audit only</i>	---



## **APPENDIX 4**

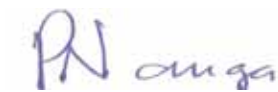
### **ACKNOWLEDGMENT**

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 TWENTY THIRD DAY OF NOVEMBER, YEAR TWO THOUSAND AND TWELVE.**



**PHILIP NAUGA**  
*Auditor-General*