THE ROLE OF THE AUDITOR-GENERAL
The laws of Papua New Guinea are prescribed by Section 9 of the Constitution.

THE LAWS.
The laws of Papua New Guinea consist of–

(a) this Constitution; and
(b) the Organic Laws; and
(c) the Acts of the Parliament; and
(d) Emergency Regulations; and
(da) the provincial laws; and
(e) laws made under or adopted by or under this Constitution or any of those laws, including subordinate legislative enactments made under this Constitution or any of those laws; and
(f) the underlying law, and none other.
THE MANDATE OF THE AUDITOR-GENERAL

- Section 214 of the Constitution
- Section 3 of the Audit Act, 1989
- Section 113 of the Organic Law on Provincial Governments and Local Level Governments

The primary functions:

- 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.
The Auditor-General checks the spending of public funds & resources by looking at whether these were used for the intended purposes with regard to economy, efficiency and effectiveness.

The Auditor-General checks all government spending every year. This checking process is called audit.

By carrying out annual audits, the Auditor-General assists parliament to hold to account and call to account, all persons entrusted with management of public funds and resources. Auditor-General’s audits ensures Parliaments' ultimate authority, supervision and control over all aspects of public finance.
WHAT TYPES OF AUDIT DOES THE AUDITOR-GENERAL CONDUCT?

1. Financial Statement Audits
2. Performance Audits
3. Special Audits
Audit is -

1. **Compliant**
   compliance with all laws, regulations governing financial matters, governing financial administration and management.

2. **Reliable**
   There is reliable and credible financial information. This is essential to the very existence of society.

3. **Fair presentation and absence of significance mis-statements in financial statements**
   The information to be relied on constitutes a fair picture of the financial status, operation and performance of the entity.
THE AUDITOR-GENERAL UNDERTAKES AUDITS THAT ARE MANDATORY OR DISCRETIONARY AUDITS.

Mandatory audit

- **Financial statements** and other legal and regulatory requirements and status of internal control.
- **Performance audits** (required by Organic Law on PGLLGs). Audit of economic, efficient and effective management of resources.
  - Environmental audit has been conducted and tabled in Parliament. This is Auditor-General’s report on Waste Management. You can access this Report available on [www.agopng.gov.pg](http://www.agopng.gov.pg). (health and safety of the people of Papua New Guinea is one of paramount consideration. This is a show-case of the necessity of the presence of the Auditor-General)

Discretionary audit

- Special investigations respecting financial maladministration, fraud, mismanagement of public monies or matters raised based on public or national interest and investigations that are based on allegations.
- Donor funded projects
WHAT ARE THE TYPES OF AUDIT OPINIONS (Outcomes of Audit)

1. UNQUALIFIED OPINION
   - clean opinion – everything done the way it should be. No reservations concerning financial statements. There is no noteworthy violations or misstatements in the financial information. Generally accepted accounting principles were followed.

2. QUALIFIED OPINION
   - did not manage and account or finances to achieve best results
   - There were issues in the financial information, auditor took exceptions to.
   - Because of these issues the auditor is unable to express a clean opinion.

3. ADVERSE OPINION
   - Problematic. Auditor found significant material misstatements associated with financial information. Financial statement do not fairly present financial position, results of operations, changes in financial positions. Radically negative audit report.

4. DISCLAIMER OPINION
   - Most awful. No reliable evidence to support financial statements.
   - Unable to form and opinion on the financial statements.
WHAT IS IRREGULAR EXPENDITURE

Transactions that were conducted in total breach of laws and regulations. This amounts to significant breakdowns and weakens internal controls.

Expenditures incurred in contravention of or not in accordance with applicable legislation.

- examples-
  - Deviating from lawful procedures (goods & services received in breach of procedures)
  - Multiple advances
HOW CAN THE AUDITOR-GENERAL ASSIST TO IMPROVE GOVERNMENT SPENDING

Recommend to audit clients to -

- Keep proper financial records daily
- Hire the right people for the job with the right skills
- Fill key positions with competent people
- Remove people who do not perform
- Enforce accounting rules
- Ensure a robust and functioning Committee of Public Accounts
- Restore public trust and confidence
- Control daily performance
- Ensure that internal controls are in place and minimize the risk of systems circumvention.
WHAT ARE THE POWERS OF THE AUDITOR-GENERAL

The power to-

- Prosecute under the Audit Act, 1989 and under the Organic law on Provincial Governments and Local Level Governments
- Dispense of audit
- Summons a witness to give testimonial evidence and/or to produce document for audit purposes
- Information gathering powers
- Access information storage devices
- Appoint an auditor to conduct audit on his behalf
- Advise the Governor-General to appoint a Registered Public Accountant to conduct audit of the Office of the Auditor-General.
WHAT HAPPENS TO THE AUDITOR-GENERAL’S REPORTS

The Auditor-General has reporting functions to Parliament

The Report

- is tabled in Parliament by the Speaker
- Once tabled, becomes a published document for public consumption
  - Before tabling, it is not public document – it is subject to confidentiality.
- highlight issues of importance to Parliament and the Government
- recommendations to improve the management of organisations and increase their operational effectiveness.

Implementation of recommendations – is the role of the Government.

Recommendations of the Auditor-General;

- lead to substantial savings in public funds, and efficiencies and improvements within the public sector.
- ensures that significant and relevant issues are
- lead to improved management of public sector resources in PNG
Q: Who is the Auditor-General?
A. Currently, the Auditor-General is Mr Philip Nauga. He is a qualified and appointed by the Governor-General on advice of the NEC, upon receiving recommendations from the PAC and PSC.

The Auditor-General is appointed under Section 213(2) of the Constitution. His tenure of appointment is for a fixed term of 6 years. He is the constitutional head of the Office of the Auditor-General or the Supreme Audit Institution. He is prescribed as a Constitutional Office-Holder under section 221(h) of the Constitution.

Q: What is the role of the Auditor-General?

The audit mandates of the Auditor-General are sourced from the Constitution. The roles are stipulated under Section 214 of the Constitution. These are further provided in detail under Section 3 of the Audit Act, 1989 and the Organic Law on Provincial Governments and Local Level Governments.

The Auditor-General is vested with the sole mandate to Constitution to conduct public audit of bodies listed to be subject to his audit.

The primary functions of the Auditor-General are 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.
He is charged by Section 113 of the Organic Law on Provincial Government and Local Level Government to conduct annual audits of the accounts of the PGLLGs and carry out:

- Audit functions relating to the inspection and audit of the accounts of all governmental bodies including commercial statutory authorities in PNG.
- Audit the accounts, monies, and properties of Provincial Government and Local Level Governments
- Conduct performance audit of the officers of the Public Service and members of the Teaching Service and all other State Service assigned to PGLLGs.

Under Section 113(10) of the Organic Law on PGLLGs, the Auditor-General may prosecute offenders for any unlawful acts in connection with the affairs of the Provincial Government and Local Level Government concerned.
Q. Does the Auditor-General have security in discharging his constitutional mandates?

A. Independence of the Auditor-General is secured under Section 213(3) of the Constitution. In the performance of his functions under the Constitution, the Auditor-General is not subject to the control or direction of any person or authority.

Schedule 1.2.19(c) (Independence) of the Constitution provides that where a Constitutional Law provides that an entity is not subject to direction and control, that provision does not affect the exercise of jurisdiction by Auditor-General.
Q If the Auditor-General is mandated to carry our audit of all the entities listed under the law to be subject to the audit remit of the Auditor-General, why are some entities not audited at all?

A. This is an important issue and a recurrent one. With severe funding constraints, the Auditor-General is unable to properly discharge his constitutional functions and exercise powers to assist Parliament exercise its ultimate supervision and control over public finances. This is the case, even with additional functions conferred on the Auditor-General under Constitution laws.

The requirement to properly account for public expenditure by the National Government, Parliament and the Judiciary is provided for under Section 211 of the Constitution. These arms of government are subject to the audit mandate & inspection jurisdiction of the Auditor-General.
Q. Who are the entities subject to the audit mandate of the Auditor-General?

A. Section 214 of the Constitution and Section 3 of the Audit Act, 1989 stipulates the entities that are subject to the audit mandate of the Auditor-General.

The Auditor-General audits and reports to Parliament on the

- public accounts of Papua New Guinea and on the control of and on transactions with or concerning the public monies and property of Papua New Guinea.
- Accounts and financial statements and financial management of:-
  - all arms, departments, agencies and instrumentalities of the National Government; and
  - all bodies set up by an Act of the Parliament, or by executive or administrative act of the National Executive, for governmental or official purposes.

Notwithstanding that other provision for inspection or audit is made as provided for by Subsection (2), the Auditor-General may, if he thinks it proper to do so, inspect and audit, and report to the Parliament on, any accounts, finances or property of an institution referred to in that subsection, insofar as they relate to, or consist of or are derived from, public moneys or property of Papua New Guinea.
Departments of the National Public Service and arms, agencies and instrumentalities of the National Government; and

Provincial Governments and arms, agencies and instrumentalities of Provincial Governments; and

bodies established by-

(i) a Constitutional law; or

(ii) an Act of the Parliament; or

(iii) executive or administrative act of the National Executive; or

(iv) a provincial law; or

(v) executive or administrative act of a provincial executive,

for governmental or official purposes and subsidiary corporations of such bodies except the company referred to as “the company” in the Mineral Resources Development Company Pty Limited (Privatisation) Act 1996 and the subsidiaries of that company; and
Government associations; and
Government-owned companies; and
Provincial Government associations; and
Provincial Government public projects; and
public projects.
The Discretion of the Auditor-General (214(3) of the Constitution.

The Auditor-General retains discretion to inspect and audit the accounts of bodies listed above and report to Parliament even though there is provision made by law in respect of audit inspection. This is clearly stated under Section 214(3) of the constitution and Section 3 of the Audit Act, 1989. In exercising that discretion under the Audit Act, 1989, the audit is limited to accounts, finances, and property of the entity that relate to or consists of or are derived from public moneys of property of Papua New Guinea.
Q. DOES THE AUDITOR-GENERAL HAVE THE POWER TO PROSECUTE?

A. Yes, under Section 113(10) of the Organic Law on PG & Local Level Governments and Section 5 of the Audit Act, 1989.

- The Auditor-General is empowered to prosecute a person who in his opinion is guilty of misappropriation, misuse or fraud of public money, stores or property of the State. Before this happens, the law required that the Auditor-General refers to matter with a statement of reasons to the Public Prosecutor for criminal prosecution. (section 5 Audit Act, 1989)

- The Auditor-General is also empowered to prosecute any person or persons for any unlawful acts in connection with the affairs of the Provincial Government and Local Level Governments concerned. (Section 113(10) of the Organic Law on Provincial Government and Local Level Government)
Q. Do State Owned Enterprises (SOEs) fall under the audit mandate of the AG.?

A. Yes, by virtue of Section 214(2)(b) of the National Constitution. The Auditor-General’s jurisdiction begins where the State has an interest and where public monies and resources of Papua New Guinea are involved.
Thank you for taking the time to read this in order to understand the basic legal framework within which the Auditor-General performs his constitutional mandates and discharges statutory duties and powers in accordance with laws.

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