

III. Professional Infrastructure

This chapter describes the professional accountancy infrastructure in Papua New Guinea. It is structured as follows:

- 1 – The Papua New Guinea Institute of Accountants
- 2 – Australian Society of CPAs – Papua New Guinea Branch

1. The Papua New Guinea Institute of Accountants

Introduction

The Papua New Guinea Institute of Accountants Inc. commenced in 1974 and was established as an incorporated body registered under the Companies Act. The Accountants Act was promulgated in 1996 and the Papua New Guinea Institute of Accountants (PNGIA) became established under that Act.

The Institute's activities were limited in the early years because of a small membership and lack of funds – voluntary committee members did most of the work. In 1995 the Port Moresby Branch of the Australian Society of CPAs (ASCPA) was established, and one of their immediate tasks was to actively assist in the development of the accounting profession in PNG, and especially the development of the PNGIA.

The PNGIA is open to non-citizen membership and, in 1995, the President of the ASCPA also became the President of the PNGIA. A strong association between the two accounting bodies was formed. An energetic committee was elected to the Board of PNGIA and one of the important tasks achieved was the appointment of a qualified accountant to the position of Executive Director of the PNGIA in 1995. This person had a strong background in accounting education and training and soon established a system of advancement within the Institute that required the successful completion of exams before a graduate could advance his membership status. The PNGIA have established their internal curriculum based on a modular system for each of seven subjects. The initial modules were done under contract with the ASCPA, which subcontracted the work to Deakin University in Melbourne Australia.

A development program was also instituted which required members to undertake 40 hours per year of continuous professional education (CPE) in order to maintain their status. The CPE program requires members to undertake at least 20 hours structured and 20

hours unstructured each year. Structured hours include attendance at conferences and seminars and unstructured hours include research, etc.

The PNGIA internal examination system and the CPE system have certainly assisted in maintaining high standards among its members. These two systems, and the programming of many conferences and seminars into the annual itinerary of PNGIA have enabled the Institute to maintain a healthy financial situation to such a degree that it was able to purchase its own building (Accountants Haus) in 1999. In 1992, the membership of PNGIA stood at about 500, in 2000 there are approximately 1,500 members. The PNGIA is now recognized as the leading professional association in Papua New Guinea.

Membership

Financial membership of the PNGIA as at 31 August 2000 was as follows:

Membership Class	Public Sector Citizen	Public Sector Non- Citizen	Private Sector Citizen	Private Sector Non- Citizen	Total
Honorary Fellow	1	2	3
Fellow	..	2	3	18	23
Associate	21	19	123	294	457
Accounting Technician	116	5	197	45	363
Registered Graduate	127	3	287	22	439
Registered Student	76	..	38	..	114
Totals	340	29	649	381	1,399

There are a total of 1,168 male members and 291 female members. There are 161 non-financial members as of 31 August 2000 who are not included in the above figures.

All admissions of members are made by the National Council, which is the governing and managing body of the Institute. The National Council, may, at its absolute discretion and without giving any reason therefore, refuse to admit as a Fellow, Associate, Accounting Technician, Registered Graduate or Registered Student a person whom it considers not to be a fit and proper person to be admitted, even if the prescribed conditions of such admission have been fulfilled.

Associate Member

A person is eligible for admission to membership of the PNGIA as an Associate if at the date of the application:

- the applicant has attained the age of 21 years;
- the applicant has passed the PNGIA Professional Examinations, or meets the requirements concerning admission as prescribed by the National Council;
- the applicant has completed the prescribed period of service in accounting as determined by the National Council;
- the applicant has been attested to be a person of reputable character; and
- the applicant upon admission agrees to, and is able to comply with, the requirements of the Accountants Act and the Rules.

An Associate may be advanced to the status of Fellow if in the opinion of the Council considering the application; the applicant is a fit and proper person to become a Fellow. In forming its opinion the National Council has regard to the duration and quality of experience of the Associate.

An applicant for advancement to the status of Fellow must also have been an Associate of PNGIA for a period of at least 10 years.

Special Admission

The National Council may dispense with all or any of the above requirements regarding admission, and admit any person to membership in PNGIA in such status as it thinks fit, or grant a change in status to any member under special circumstances.

Rights and Obligations of Members

On application for admission to membership, every applicant must advise the Council of his principal place of business (whether as a principal or an employee) and the nature of the business and of his place of residence. On the admission of any member entitled to vote, a certificate form is issued to the member certifying his class of membership.

A member in the employment of a public accountant or a practice entity may not undertake any public accountancy services.

A member in the employment of the State, or by a statutory body, or by a private organization may not undertake any public accountancy services.

Meetings of Members

The National Council normally convenes an annual general meeting of members in the month of November each year or in such other month as the National Council may determine. The financial reporting year ends on 30 September.

The National Council may, whenever it thinks fit, and after receiving a requisition made in writing by 20 members, convene a special meeting of members.

Each branch council of the PNGIA convenes an annual general meeting of members no later than one month after the end of the financial year. A branch council may call a meeting after receiving a requisition made in writing by 10 Branch members. Branches of the PNGIA have been established at Port Moresby (national Headquarters), Mt. Hagen, Lae, Madang and Kokopo.

The ordinary business of an ordinary general meeting of the PNGIA is to receive and consider, the balance sheet, income, and expenditure account of the Institute, the report of the National Council and the report of the auditor, and to appoint an auditor. The ordinary business of an ordinary general branch meeting is to receive and consider the various reports.

The National Council

The National Council manages the affairs of the PNGIA and exercises exclusive powers in respect of the following:

- the receipt, control and disposition of the moneys and other property of the Institute, including all prescribed subscriptions, fees, and other amounts payable to the Institute;
- the investment of any moneys received by or on behalf of the Institute;
- the appointment, removal or retirement of the Executive Director, agents and other officers and employees of the Institute and the remuneration of such persons;
- the appointment of solicitors to act for the Institute;
- the appointment of trustees to hold in trust for the Institute any property of the Institute;
- the promotion of improvements in the laws of Papua New Guinea thereof, directly or indirectly affecting the profession of accountancy, and the participation in public movements with a view of securing improvements in such laws.

The election of National Councilors in accordance with Section 25 of the Accountants Act at any ordinary general meeting is conducted as follows:

- In counting the votes every Fellow or Associate has three votes and every Accounting Technician has one vote. Registered Graduates and Registered Students are not entitled to a vote.
- Subject to the provisions of the Accountants Act 1996, the National Council may appoint committees, which may include persons other than National Councilors or members of the Institute; and may receive recommendations from these committees and lay down rules for regulating the proceedings of the committees.

The Executive Committee

The National Council appoints an Executive Committee comprising the President, Vice-President and Treasurer.

The Executive Committee may exercise any powers of the National Council, delegated to them by the National Council. The resulting action taken must be ratified by Council and recorded in the minutes of the next Council meeting.

Sub-committees

The National Council has established nine sub-committees and appointed chairpersons and members of each. The following sub-committees are currently in operation:

- Membership and Disciplinary Committee
- Education
- Standards
- Conference and CPE
- Tax
- Constitution
- Public Relations
- Journal
- Finance

A new committee to be appointed later in the year 2000 is a Public Practice Committee.

Branch Councils

In addition to the National Council, branch councils may be formed by resolution of the National Council.

Each branch council has powers and duties that are detailed in the Rules.

The election procedures for the election of branch councilors are the same as for National Councilors.

An annual general meeting of branches must be held at least one month before the annual general meeting of the Institute. An audited Income and Expenditure Account and Balance Sheet must be presented at each Annual General Meeting. After ratification at the Annual General Meeting, these statements must be sent to the National Office for incorporation into the Annual Accounts of the Institute.

Other general meetings may be held as determined by the branch council from time to time.

PNG Institute of Accountants Professional Examinations

The National Council of the Institute determines the examinations as a prerequisite for all persons seeking admission to membership of the Institute, except those exempted under the Rules. The Council also determines educational qualifications and other conditions if any, which it deems necessary for persons to become members of the Institute.

In the case of registered graduates, the examinations to be passed to advance to associate status must be completed within seven years from the date of becoming a registered graduate. In the event of failure to complete this requirement within seven years, the registered graduate ceases to be a member of the Institute unless advancement has been made in the meantime to the status of Accounting Technician. In the case of members who hold Accounting Technicians status they have a period of seven years from the time of registration as an Accounting Technician to pass the examinations of the Institute if they wish to advance to the status of Associate. In both cases, the Council may give special dispensation if some of the relevant seven years are spent overseas.

A person with a qualification from an approved institution as determined by the National Council, and with a minimum of three years of satisfactory practical experience may, on the passing of a competency examination, be admitted as a member of the Institute with the status of Accounting Technician.

PROFESSIONAL INFRASTRUCTURE

In the case of overseas applicants who are members of overseas accountancy bodies, they will be required to sit and pass examinations as the National Council of the Institute determines before being admitted as an Associate member of the Institute.

The PNGIA examination results for the end of 1999 were as follows:

Subject	Number Registered	Did not Sit	A	B	C	D (Fail)
Management Accounting	54	27	..	3	14	10
Financial Accounting 1	83	39	1	10	20	13
Financial Accounting 2	43	22	1	..	15	5
Business Law	74	23	1	10	23	17
Accounting Technician Competency	83	27	1	9	13	33

Five-year Institute Plan 2000-2004

A Five-year Institute Plan has been drawn up by PNGIA. This Plan includes a Mission Statement which reads as follows;

"To promote a standard of excellence in our membership in the provision of accounting, auditing, financial management, taxation and business advisory services."

The Plan covers Organization Change; Leadership; Change Management; Ethical Standards; Specialization; Ownership; Advocacy; Globalization; Education; Continuing Professional Education; The Accountants Act; Membership; Public Sector; Financial; Tertiary Institutions; Electronic Commerce; and Library Service.

Membership Services

Monthly newsletters, and four journals a year are produced. A comprehensive website has been established which is constantly updated to enable members to have ready access to the activities of the Institute.

Three annual conferences will be held from 2000 onwards in Port Moresby (jointly with the Australian Society of Certified Practising Accountants), in Lae and in Mt Hagen. Branches are in existence in Port Moresby (Southern Region and Popondetta), Lae (Momase Region) and Mt Hagen (Highlands Region) Madang and Kokopo (Islands Region).

Education

The PNGIA have a contract to the end of 2001 with the Australian Society of CPAs for the production of four modules of Management Accounting, Financial Accounting I, Financial Accounting II and Auditing. Modules have also been produced by PNGIA covering Management of Business Information Systems, Taxation, Business Law and Professionalism, and Professional Ethics, which are constantly updated to comply with changes in legislation and to improve their standard.

The bulk of PNGIA future members will come from the universities. It is intended that PNGIA will assist both Government and private universities in the maintenance and improvement of their courses.

Continuing Professional Education

The PNGIA CPE requirement is 20 structured hours and 20 unstructured hours per year. The current two conferences held at Port Moresby and Lae provide for 14 structured hours.

The number of Continuing Professional Education Programs will be increased and will be designed to cater for a wider range of PNGIA membership including Accounting Technicians. This will be a progressive program over the period of the Institute's plan.

After the range of CPE's has been established and with suitable staffing, online Internet CPE will be introduced by PNGIA. It is anticipated that online CPE will commence in the Year 2002.

Accountants Act

According to the PNGIA, the Accountants Act does not reflect the modern version of the accountancy profession. Before the introduction of the Act, many submissions made by the Institute were not incorporated into the Act. It is therefore intended that the Act be completely rewritten by the PNGIA and this will form the basis of a recommendation to the Government for adoption.

Public Sector

The situation existing in the Public Sector is a concern to the Institute. The Institute believes that it can assist greatly in the improvement of public sector performance. Consideration will be given in the rewriting of the Act to introducing a special category of Public Sector member.

Building

The PNGIA has recently purchased its own building (Accountants Haus), which consists of a three story brick building in downtown Port Moresby. The PNGIA occupies one level and the balance of the building is fully tenanted. Rentals and notional rentals from the Institute will cover repayments over five years.

Over a period, the growth of the Institute will determine the pace at which other floors of the building, in addition to the one already occupied, will be taken over. Increases in membership and activities will necessitate increases in staff, which in turn will necessitate additional space requirements. The library and expansion of the Internet services are other matters being considered by the PNGIA.

Finance

The Institute has had very good financial results over the last three years. This has enabled the Institute to purchase its own building.

Code of Ethics

The Council of the Institute has prescribed a Code of Ethics for all categories of members, except for Registered Accountancy Students.

Any breach of the Code of Ethics is referred to the Membership and Discipline Committee of the Institute, which will make a recommendation on the matter to the Council of the Institute.

In the event of a serious breach of the Code of Ethics, the matter may be referred by the National Council to the Accountants Statutory Committee in accordance with the Accountants Act. The contents of the PNGIA Code of Ethics include the following:

- Definitions
- The Public Interest
- Objectives
- Fundamental Principles
- The Code

Part A - Applicable to all Professional Accountants:

- Objectivity
- Resolution of Ethical Conflicts
- Professional Competence
- Confidentiality
- Tax Practice
- Cross Border Activities

- Publicity

Part B - Applicable to all Professional Accountants in Public Practice:

- Independence
- Fees and Commissions
- Activities Incompatible with the Practice of Public Accountancy
- Clients' Monies
- Relations with Other Professional Accountants in Public Practice
- Advertising and Solicitation

International Federation of Accountants

The PNGIA is a subscription member only, of the International Federation of Accountants (US\$380 per year) and the International Accounting Standards Committee (pounds sterling 440 per year). The Council of the PNGIA considers it not necessary to become a full member because of the additional cost involved. A subscription member has no voting rights nor does any representative attend IFAC meetings. The PNGIA receives all documents and information distributed by IFAC.

2. Australian Society of CPAs – Papua New Guinea Branch

The Australian Society of CPAs (ASCPA) is Australia's largest professional organization with over 77,000 members. Approximately 180 members reside in Papua New Guinea (PNG). A small, local branch organizes professional development and social activities for these members. The branch is involved in the following activities:

- Members' orientation workshops which are conducted prior to each CPA program intake,
- Co-host of the annual Joint Accounting Conference with the PNGIA,
- Host of ASCPA Professional Development activities including, professional development workshops, and professional seminars.

The following are the main objectives and strategies of the branch:

- To provide public awareness of the ASCPA in respect of its roles and achievements in Papua New Guinea;
- To maintain and strengthen the effective strategic partnership with the Papua New Guinea Institute of Accountants, aimed

specifically at enhancing the position of the profession in the region;

- To develop an effective marketing campaign to ensure that as many Associates as possible are progressed to CPA by completing the CPA Program; and
- To provide effective opportunities for members to obtain Continuing Professional Development (CPD) hours necessary to maintain CPA status.

The following committees actively pursue these objectives and strategies:

- Professional Development;
- Social;
- External; and
- CPA Program.

IV. Accounting and Auditing Standards

This chapter describes the accounting and auditing standards that govern the preparation of external financial reports and the audit of those reports. The chapter is structured as follows:

- 1 – Introduction
- 2 – International Public Sector Accounting Standards
- 3 – Accounting Standards Board
- 4 – International Accounting Standards
- 5 – PNG Accounting Standards
- 6 – Auditing Standards

1. Introduction

International Accounting and Auditing Standards, and PNG Accounting Standards are reviewed or drafted by the PNGIA, and recommended for adoption by the Accounting Standards Board.

At this stage, every International Accounting Standard (IAS) issued by the International Accounting Standards Committee and every International Standard on Auditing issued by the International Federation of Accountants, have been adopted in full. Two PNG Accounting Standards have been developed which specifically relate to PNG circumstances; these are Plantation Accounting and Currency Reporting. A gazettal notice has not yet been issued which is required for the enforcement of the Standards.

2. International Public Sector Accounting Standards

The International Federation of Accountants has released the first eight International Public Sector Accounting Standards (IPSASs) designed to enhance the accountability and financial management of governments worldwide. The release of these documents means that for the first time there is an authoritative set of independent financial reporting standards for governments. The Standards are based on Cash or Accrual, there are no Standards for Modified Cash or Modified Accrual.

IPSASs 1-8 are the first in a set of accrual-based accounting standards applicable to the public sector and will contribute significantly to the provision by governments of comparable, relevant and understandable financial information.

The IPSASs are based on the International Accounting Standards (IASs) issued by the International Accounting Standards Committee