Financial Management and Governance Issues in Papua New Guinea

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Foreword

This report describes financial management and governance arrangements in Papua New Guinea, identifies deficiencies in those arrangements, and presents recommendations to address those deficiencies. For the purposes of this study, financial management and governance arrangements are narrowly defined as being accounting and auditing arrangements, and practices.

The report was prepared for the Asian Development Bank by Ted Godden (International Consultant) with overall guidance from Francis B. Narayan (Lead Financial Specialist, ADB) under Regional Technical Assistance (RETA) 5877 – Strengthening Financial Management and Governance in Selected Developing Member Countries. William Daniel provided able research assistance. The contents of the draft report were discussed and debated with representatives from the Government, the private sector, and international organizations at a workshop that was held in Port Moresby on 20 September 2000. The issues and recommendations were further discussed at an international conference at ADB headquarters in Manila from 16-18 October 2000.

This report should be read in conjunction with the Summary Report, which identifies and examines selected issues in relation to financial management and governance.¹

The authors would like to offer their appreciation to the numerous officials, researchers, and agencies that gave up their valuable time and made materials available during the course of the research. In particular, we would like to thank: the staff at ADB office in Port Moresby for their support; Thaddeus Kambanei (First Assistant Secretary, Public Accounts, Department of Finance and Treasury), for chairing the Port Moresby workshop; Cedric Saldanha (Manager, Office of Pacific Operations, ADB), for moderating the Manila conference session at which this report was discussed; and Robert Wheeler (Executive Director, Papua New Guinea Institute of Accountants) and, again, Thaddeus Kambanei, for their involvement in the study and their representation at the Manila conference.

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$100 — K3.096

Abbreviations
ADB  Asian Development Bank
ASCPA  Australian Society of Chartered Public Accountants
ASOSAI  Asian Organization of Supreme Audit Institutions
AusAID  Australian Agency for International Development
CPE  Continuing Professional Education
DFT  Department of Finance and Treasury
GAAP  Generally Accepted Accounting Practice
IAAS  International Accounting and Auditing Standards
IAS  International Accounting Standard
IFAC  International Federation of Accountants
IMF  International Monetary Fund
INTOSAI  International Organization of Supreme Audit Institutions
IPSAS  International Public Sector Accounting Standard
ISA  International Standard on Auditing
PNGIA  Papua New Guinea Institute of Accountants
RETA  Regional Technical Assistance
SAI  Supreme Audit Institution
SOE  State-owned Enterprise
TA  Technical Assistance
UNDP  United Nations Development Program

Notes
(i) The financial year of all organizations, including the Government, ends on 31 December.
(ii) In this report, $ refers to US dollars.
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Executive Summary

Background

The island of New Guinea is divided into two countries: Irianjaya (Indonesia) to the west and Papua New Guinea (PNG) to the east. Papua New Guinea consists of the mainland and numerous smaller islands, the largest of which are New Britain, New Ireland, North Solomons and Manus. Much of the terrain is extremely rugged with high mountain ranges and steep valleys with fast flowing rivers. In contrast, along the coast there is an extensive system of marshes. The country has only a few major roads, and many towns and villages are accessible only by air, foot or boat. The capital city, Port Moresby, lies on the south coast.

Papua New Guinea is noted for its cultural and linguistic variety. Seven hundred languages are spoken. The main language is Melanesian pidgin, which is spoken widely throughout the country, and hiri-motu, which is spoken in some parts of the south coast. English is the language of education, administration and commerce.

External shocks and economic mismanagement made 1999 a difficult year. However, following the appointment of a new government, the economic growth rate surpassed expectations to reach 3.9 percent. Future growth will depend upon maintaining good governance and spreading the benefits of development to the poor.

Developments and Challenges

Generally, accounting was introduced into Papua New Guinea after World War II. During the 1950s the users of accounting systems were plantations, large trading companies, the PNG Administration, and the Australian Administration.

In the 1960s, mining companies and local businesses became more prominent and universities and colleges commenced operations in Port Moresby and Lae, although accounting degree programs were not available until the late 1970s.

Self-government was established in 1973, the PNG Institute of Accountants Inc. commenced in 1974 and Papua New Guinea gained its independence in 1975.

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The problems with the accounting profession at that time were centered on the following:

- No PNG accountants;
- No accounting degree programs;
- No regulatory agencies; and
- Heavy reliance on foreigners.

**Objectives and Responses**

The immediate objectives at independence were to upgrade the accounting profession, train PNG citizens to become accountants, adopt standards for accounting and auditing and introduce regulations and registration procedures. In response to these requirements the following important laws were passed: Public Finance Management Act 1985; Audit Act 1989; Public Finance Management Act (Amended) 1995; Accountants Act 1996; New Companies Act 1997; and Securities Act 1997.

**Accounting and Auditing in PNG**

The accounting system in Papua New Guinea is governed by the Accountants Act (1996) which established the Accountants Registration Board and the PNG Institute of Accountants (PNGIA); and the Companies Act (1997) which established the principles for Financial Statements Reporting and Annual Reports and also established the Accounting Standards Board (ASB). The ASB approves International Accounting Standards (IAS), International Standards on Auditing (ISA) and PNG Accounting Standards, based on recommendations from the PNGIA.

The PNG Government uses a cash basis of accounting and the private sector and Government Statutory Authorities use accrual accounting based on IAS.

The Audit Act governs audit practice in the public sector. The Act established the Office of the Auditor-General (AG). The AG is not subject to ministerial direction and reports directly to Parliament.

There are 31 accounting and auditing firms in Papua New Guinea, including three from the international "big five," the other two are represented by other firms in PNG. The Companies Act 1997 details the provisions relating to the appointment, qualifications, responsibilities, and duties of auditors in relation to the private sector.
Professional Infrastructure
The PNGIA Inc. was originally established under the Companies Act in 1974 and is now established under the Accountants Act (1996). The Institute has 1,500 members, both citizen and non-citizen. A development program was introduced in the mid-1990s and professional examinations introduced. Registered graduates need to pass in the Competency exam to become an Accounting Technician, and pass seven other core subjects to become an Associate. Special experience and at least 10 years’ membership are required to become a Fellow. Forty hours per year of Continuing Professional Education (CPE) are required – 20 hours structured and 20 hours unstructured.

The National Council is the main governing body and manages the affairs of PNGIA through the Executive Committee and various subcommittees. A branch of the Australian Society of Certified Public Accountants (CPAs), with 180 members, also exists in PNG.

Accounting and Auditing Standards
International Accounting Standards have been adopted in PNG without alteration to the Standards. Problems exist with the application of these Standards in some local audit firms and businesses. Papua New Guinea Accounting Standards have been adopted for PNGAS 3 “Accounting for Plantations” and PNGAS 4 “Reporting Currency.” International Standards on Auditing have been adopted, using International Federation of Accountants (IFAC) standards for the private sector.

The Auditor-General has adopted International Organization of Supreme Audit Institutions (INTOSAI) Standards on Government field audits. International Public Sector Accounting Standards have not been considered for adoption in PNG at this stage.

Education and Training
Bookkeeping and computerization are taught in primary and high schools and community schools. Full-time Accounting Diploma and Degree courses are covered at universities and colleges; however no Masters Degree courses are available in PNG. The curricula of degree courses are based on IAS.

There are two State-owned universities and four State-owned colleges. Private sector interests also own two universities and four colleges. Accounting students currently number 1,800 with
approximately 4,000 qualified graduates, of which 1,500 belong to the PNGIA. Papua New Guinea needs approximately another 2,000 accountants: 50 percent in the public sector and 50 percent in the private sector. There is very little accounting training provided by the Department of Finance and Treasury and some audit training is provided by the Auditor-General's Department.

Government Budgeting and Accounting

The PNG Constitution contains articles covering financial matters such as taxation, loan raising, public accounts, national budget and audit. The Public Finance Management Act (1995) details procedures relating to the Consolidated Revenue Fund and the Trust Fund, and is the legislative authority for the management of these funds.

The Public Finance Management Act defines the National Budget and allows for transfers between appropriations. The Act also allows for the issue of Finance Regulations and Instructions. There is a Centralized Budget System in place and no centralized Asset Management and Control System. There are five Information Technology systems in place. The Public Accounts Committee has not met for at least three years although the Constitutional office holders have been appointed.

Donor Assistance

The ADB-sponsored Financial Management Project (FMP) (PNG 30535) covers the strengthening of public sector financial management. The FMP also assisted the Year 2000 Information Technology Remedial Program. Under the Government’s Financial Management Improvement Program a strategic framework was developed covering:

- Implementation Plan and Terms of Reference for Consultants;
- Details of Operational Strategies;
- Details of Information System Packages;
- Details of Human Resources and Training Strategies;
- Chart of Accounts; and
- Details of Existing Financial Management.

The World Bank and ADB-supported Government Structural Reform Program is designed to improve fiscal management and governance.
I. Introduction

1. Study Background

The 1997 financial crisis in Asia exposed structural weaknesses in the banking and corporate sectors of affected countries owing largely to poor governance, lack of transparency, and weak supervision and regulation. The Asian Development Bank (ADB) has been taking a number of initiatives to assist Developing Member Countries (DMCs) in overcoming these structural problems. The focus on improved governance includes enhancing the effectiveness of public administration and development management at the sector level and in national institutions in the DMCs. Where appropriate, institutional development of the local and provincial agencies and the private sector is also covered. A sound regulatory financial framework and its enforcement, capable institutions, skilled human resources, and effective monitoring and supervision are important prerequisites to an efficient financial structure.

Regional Technical Assistance (RETA) No. 5877 – Strengthening Financial Management and Governance in Selected DMCs – was approved by ADB for the purpose of carrying out initial studies to identify gaps and weaknesses in financial management and governance and to recommend courses of action to overcome these problems.

2. Objectives

ADB has demonstrated its stand on the importance of good governance, through effective financial management, for sustained economic development. This RETA involved a diagnostic review of the existing accounting and auditing support and standards available in the selected DMCs. After carrying out this diagnostic review, the study assessed the need for assistance to improve the current situation. Objectives were to:

(i) assess the capability and capacity within each country to provide efficient and effective accounting and auditing support to meet

international standards and best practices and address the issue of training and capacity enhancement

(ii) determine the existing accounting and auditing standards of each country

(iii) assess the degree of deviation from International Accounting and Auditing Standards (IAAS) while identifying weaknesses and possible corrective options

(iv) discuss the fieldwork findings and introduce the concepts of the international standards through workshops

(v) develop reference materials for potential users of the IAAS, and

(vi) determine the level and type of assistance needed by each country in order to provide acceptable accounting and auditing support to the private and public sectors.

3. Scope

The RETA involved an in-depth study of the key issues relating to accounting and auditing support in the selected DMCs, identified gaps and weaknesses that need to be addressed to improve accounting and auditing support, and developed assistance programs in collaboration with other donors to rectify the identified weaknesses. Papua New Guinea was one of seven countries that participated in the RETA.

4. Country Case Studies and Workshops

The first part of the study examined the current accounting and auditing structure and systems adopted in Papua New Guinea. It also:

(i) analyzed the political, institutional, and regulatory and legal framework on accounting and auditing practice and the level of enforcement of existing laws, rules, and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these.

The second part of this study disseminated the findings of the country research through in-country workshops. Each workshop provided a cross-section of views on the findings of the research and established ways to move forward to improve financial management and governance in the country. After carrying out the assessment of accounting and auditing support in Papua New Guinea, the study
findings and recommendations were discussed at a workshop in Port Moresby on 20 September 2000, and at an international conference at ADB Headquarters in Manila from 16-18 October 2000. This report incorporates feedback from the Workshop and the Conference.

5. ADB Focus on Financial Governance in PNG

The main focus of ADB’s operational strategies in Papua New Guinea is poverty reduction and public sector financial management reform. Good governance is a core part of these strategies. This RETA complements other ADB initiatives which will lead to improved financial management and governance.

6. Papua New Guinea

The island of New Guinea is divided into two countries: Irianjaya (Indonesia) to the west and Papua New Guinea to the east. Papua New Guinea consists of the mainland and numerous smaller islands, the largest of which are New Britain, New Ireland, North Solomons and Manus.

Much of the terrain is extremely rugged with high mountain ranges and steep valleys with fast flowing rivers. In contrast, along the coast there is an extensive system of marshes. The country has only a few major roads, and many towns and villages are accessible only by air, foot or boat. The capital city, Port Moresby, lies on the south coast.

Papua New Guinea is noted for its cultural and linguistic variety. Seven hundred languages are spoken. The main language is Melanesian pidgin, which is spoken widely throughout the country, and hiri-motu, which is spoken in some parts of the south coast. English is the language of education, administration, and commerce.

The following is a summary of statistical information for Papua New Guinea:

- Independence: 16 September 1975
- Government: constitutional, parliamentary democracy
- Parliament members: 109 (20 provincial, 89 district)
- Provinces: 19 plus the National Capital District (NCD)
- Population: (1990) 3,671,954 – 52.7 percent males, 47.3 percent females; (1995 estimate) 4,186,236 based on a 2.3 percent growth rate
Place of residence: 14.8 percent urban; 85.2 percent rural
Population density: 8.1 people per square km
Median age: 18 years
Life expectancy: Females, 51 years; males, 49 years
Land area: 462,840 square km
Highest point: Mt Wilhelm – 4,509 m above sea level
Forests: 360,000 square km
Rivers: 10,940 km
Longest river: Fly – 1,200 km
Biggest lake: Lake Murray – 647 square km
Coastline: (mainland and islands) 5,152 km
Sea area: 1,900,000 square km
Deepest point: Solomon Sea – 8,581 m below sea level
Reef area: (less than 30 m below sea level) 40,000 km²
Islands: more than 1,400
Time zone: 10 hours ahead of Greenwich Mean Time (London)
Map location: latitude: equator to 14 degrees south (1,575 km)
                        longitude: 141 degrees to 160 degrees east (2,100 km)
Neighboring countries: north – Federated States of Micronesia; east – Nauru; and Solomon Islands; south – Australia; west – Indonesia
Currency Kina (US$0.3230)
II. Accounting and Auditing in PNG

This chapter presents an overview of accounting and auditing arrangements in Papua New Guinea. It provides context for the following chapters on professional infrastructure, accounting and auditing standards, accounting and auditing training, and government budgeting and accounting arrangements. The chapter comprises eleven sections, in two parts, as follows:

Part One: Accounting
1. Introduction
2. Companies Act 1997
3. Exempt Companies
4. Generally Accepted Accounting Practice [GAAP]
5. Contents of the Annual Report
6. Accounting for Banks and Financial Institutions
7. Accountants Registration Board of Papua New Guinea
8. Accountants - Registration and Qualifications

Part Two: Auditing
9. The Auditor-General
10. Private Sector
11. International Accounting and Auditing Firms

Part One. Accounting

1. Introduction

The development of accounting in Papua New Guinea was largely influenced by the Australian accountants who were employed to work in PNG after the Second World War. There were five main areas where accounting systems were developed:

- Plantations;
- Large trading companies;
- Mining Companies;
- The PNG Administration; and
- The Australian Administration.

Many Australian companies were involved in the ownership of plantations and a form of plantation accounting was developed over the years up to independence in 1975. These procedures are now contained
in PNG Accounting Standard 3 - Plantation Accounting. The large trading companies, which were Steamships Trading Co. and Burns Philp at the time, were subsidiaries of Australian companies and therefore they adopted the accounting systems of their parent companies. Mining exploration commenced in the early 1950s and it was not until the early 1970s when Bougainville Copper Ltd. first went into production. Other international mining companies soon focused their attention on PNG and the accounting systems were adopted from the parent companies. The PNG Administration mainly employed professional accountants from Australia; locally educated PNG citizen accountants were not produced until the early 1970s. The Papua New Guinea Institute of Accountants was established in 1974 and more emphasis was placed on the importance of developing accounting systems and the training of accountants. With the assistance of the Australian Society of CPAs, many advances were made in the early 1990s and PNG has now adopted all International Accounting Standards in full, with some exceptions for exempt companies.

The new Companies Act and the Securities Act became effective in March 1998, with a six-month transitional period to this date. These Acts were both passed by Parliament on 27 March 1997, but their implementation had been delayed whilst the accompanying regulations and forms were completed. These Acts had a significant impact regarding financial reporting requirements on all companies operating in PNG.

2. Companies Act 1997

The new Companies Act of 1997 was based on the corporate reforms introduced in New Zealand in 1993, and brought significant changes to the following aspects of Company Law in Papua New Guinea:

- the constitution of companies;
- the issue of shares;
- the requirement for audit;
- financial statement presentation and the annual report;
- distributions to shareholders;
- the duties of directors;
- the rights of shareholders;
- company records;
- liquidations, receiverships and insolvent trading;
• amalgamations; and
• overseas companies.

The 1997 Companies Act established the following requirements for Financial Statements and the Annual Report procedures:

• The directors of every company are required to prepare and sign financial statements that comply with generally accepted accounting practice (GAAP) within five months of the end of the balance date.
• A new Accounting Standards Board (ASB) was established which is responsible for approving GAAP and applicable financial reporting standards in PNG. This was formally a non-statutory function performed by the PNG Institute of Accountants.
• Consolidated accounts must be prepared by all holding companies unless they are themselves wholly owned by a PNG company, or unless they are an exempt company.

3. Exempt Companies

An exempt company under the new Act, means a company that did not, at any time during the accounting period for which financial statements are required, have:

• total assets exceeding K5 million or such other amount as is prescribed, or
• more than 25 shareholders, or
• more than 100 employees.

Exempt companies are not required to be audited or to prepare an annual report as long as every shareholder has given notice in writing to the company waiving their right to receive a copy of the Annual Report. In addition, there is no requirement to lodge copies of their accounts with the Registrar.

An exempt company may also be a company that complies with one or two of the conditions listed above and each of the shareholders has agreed that an auditor should not be appointed in respect of the financial statements required, or a subsidiary of an exempt company.

4. Generally Accepted Accounting Practice [GAAP]

Financial reports are required to be prepared in accordance with generally accepted accounting practice (GAAP). The Accounting
Standards Board (refer chapter on Accounting and Auditing Standards) has resolved that all International Accounting Standards and PNG Accounting Standards 3 and 4 are applicable in PNG. Under the Act, financial statements will comply with GAAP where the statements comply with the following:

- applicable financial reporting standards; and
- where there is no applicable standard or rule of law, accounting policies that are appropriate to the circumstances of the reporting company and have authoritative support within the accounting profession in Papua New Guinea.

Accounting polices that have authoritative support within the accounting profession within Papua New Guinea are those that are approved by the Accounting Standards Board.

5. **Contents of the Annual Report**

Under the 1997 Companies Act, the annual report of a company must include the following disclosures:

- Any material changes in the nature of its businesses or its subsidiaries;
- Where the business has an interest in any other company or companies, any changes to the classes of business in which the company has an interest;
- The signed financial statements of the company and the Group, where applicable, prepared in accordance with the Sections 179 and 182 of the Companies Act, respectively;
- The auditor's report (if required);
- Details of any changes in accounting policies;
- Details of entries in the company's interests register during the period;
- State the names of any person who is, or has been a director or secretary of the company during the period;
- For each director of the company state the total remuneration, including the value of other benefits, received during the period;
- The number of employees who were paid, whether in cash or by way of other benefits between K100,000 and K110,000, and thereafter in bands of K10,000;
- The total amount of donations paid by the company and its subsidiaries during the period;
• The audit fee paid or payable, and the total amount paid or payable to the company's auditors for other services. Where all shareholders unanimously agree, the annual report need only include the financial statements and auditor's report.

6. Accounting for Banks and Financial Institutions


The financial statements of a bank or licensed financial institution must comply with generally accepted accounting practice for which purpose the bank or licensed financial institution will be treated as a reporting entity pursuant to Part XI of the Company Act 1997.

7. Accountants Registration Board of Papua New Guinea

The current Accountants Registration Board was established under Part II of the Accountants Act 1996. The previous Board was established in 1978 under the Accountants Registration Act (Chapter 89) and this law was repealed under the new Act.

The Act comprises the following sections in relation to the Accountants Registration Board:

- Continuation in Establishment of the Board
- Constitution of the Board
- Alternate Members
- Tenure of Office
- Leave of Absence of Members
- Oath and Affirmation of Office
- Fees and Allowances
- Vacation of Office by Members
- Meetings of the Board
- Indemnity of Members of the Board
- Proceedings Validated
- Functions of the Board
- Powers of the Board
- Other Committees
- Delegation.
Constitution of the Board

The Board comprises:

- the Auditor-General (Chairman);
- the President of the Papua New Guinea Institute of Accountants, (Deputy Chairman);
- four persons engaged in the practice of accountancy of whom – one is a Registered Public Accountant, and
  - two are Registered Company Auditors, and
  - one is a Registered Liquidator, and
- two persons who are professors or lecturers in accountancy or accountancy matters at different academic institutions; and
- a lawyer who holds a restricted practising certificate under the Lawyers Act 1988; and
- a Registered Accountant in Employment representing the Accountants in Employment.

The Minister for Finance and Treasury makes the appointments – each member is appointed for a term of three years.

Meetings of the Board

The Board meets at such times and places as the Chairman decides. If requested by not less than three members, the Chairman will call a meeting of the Board as soon as practicable after receiving the request.

At a meeting of the Board, five members constitute a quorum and matters arising are decided by a majority of the votes of the members present.

Functions of the Board

The functions of the board in relation to the regulation and control of the practice of accountancy in PNG are:

- to register persons qualified to practice accountancy;
- to determine the standard of qualifications and experience required for registration in the various categories of registration; and
- to make rules for the control and regulation of the practice of accountancy.
8. Accountants – Registration and Qualifications

Part V of the Accountants Act 1996 outlines the requirements for the registration and qualifications of accountants.

A person may, in the prescribed form and in the prescribed manner, apply to the Board for registration in any of the categories specified in Section 42 of the Accountants Act. A person applying for registration must furnish to the Registrar:

- evidence of his qualifications, work experience, competence and character for registration, and
- evidence that he has Professional Indemnity Insurance cover in respect of the category of registration for which he is applying.

Registration of Non-residents

A non-resident person may apply in writing to the Board for approval to provide accounting, auditing or liquidating services within Papua New Guinea for a fee. A person applying must furnish to the Board:

- particulars of the accounting, auditing or liquidating services which he proposes to provide within Papua New Guinea; and
- particulars of individuals and corporations to whom it is proposed to provide these services.

Categories of Registration

Where it is satisfied that a person has the required qualifications and is otherwise a suitable person, the Board may authorize the registration of that person in any one or more of the following categories:

- an Accountant in Employment;
- a Registered Public Commercial Bookkeeper;
- a Registered Public Accountant;
- a Registered Company Auditor; and
- a Registered Liquidator.

Accountants in Employment

A person who possesses qualifications at certificate, diploma, degree or professional level in commerce economics, business, etc., and is employed by the State, by a statutory body, or by a private organization to perform duties connected with:

- the recording, classifying and analyzing of financial transactions; or
• the preparing of financial information; or
• the making of financial or business decisions: or
• auditing and/or investigating transactions of an accounting nature; or
• book-keeping and accounting generally, must be registered as an Accountant in Employment.

The prospective employer must apply for the registration of that person before commencing employment.

Many firms and organizations including the PNG government are not complying with this part of the Act. This situation is covered in the Chapter on Issues and Recommendations (Section 8).

Rules

The Board may make rules for regulating the practice of accountancy, and the procedures to be adopted by Accountants in Employment, Registered Public Commercial Book-keepers, Registered Public Accountants, Registered Company Auditors and Registered Liquidators.

Registration and Minimum Qualifications

To be registered in any of the categories of registration as detailed in Section 68, a registration form must be completed with the Accountants Registered Board in accordance with the following:

• To be registered in any of the categories, the applicant must be a Fellow or an Associate member of the Papua New Guinea Institute of Accountants.
• Citizen applicants must have completed the Professional Examinations of the Papua New Guinea Institute of Accountants unless they have been admitted as an associate of the Papua New Guinea Institute of Accountants by virtue of being a member of an approved (by Papua New Guinea Institute of Accountants) overseas accountancy body; in which case the applicant must have completed the Papua New Guinea Institute of Accountants professional examinations of Taxation Law and Practice, and Business Law.
• Non-citizen applicants must be eligible by virtue of their membership of an approved (by Papua New Guinea Institute of Accountants) overseas accountancy body to be an Associate or
Fellow member of the Papua New Guinea Institute of Accountants; in which case the applicant must have completed the Papua New Guinea Institute of Accountants professional examinations of Taxation and Practice, and Business Law before applying for registration.

In the case of non-citizens not having an approved overseas accountancy qualification, all the professional examinations of the Papua New Guinea Institute of Accountants must be completed before applying for registration.

- No applicant will be approved as a Registered Public Accountant, Registered Company Auditor or Registered Liquidator if membership of the Papua New Guinea Institute of Accountants is obtained under Rule A. "Special Admission" (refers to applicants who are not formally qualified within the rules) of the Papua New Guinea Institute of Accountants Rules.
- No applicant will be approved unless the applicant has had at least three years’ experience in a registered practicing firm, in the relevant category, which must be evidenced by appropriate certification.

Non-citizens Wishing to Enter Practice

Non-citizens wishing to register or re-register in Papua New Guinea other than as a partner in an existing firm must enter into partnership arrangement with a citizen. This arrangement must include a clause in which the citizen or citizens have the control within the entity. A copy of the joint venture arrangement must be submitted to the Accountants Registration Board, at the same time as an application to practice is submitted. In the event that the partnership terminates, the non-citizen's registration lapses automatically.

Part Two. Auditing

9. The Auditor-General

The Auditor-General is responsible for the audit of the financial affairs and activities of the Government in terms of Section 214 of the Constitution of Papua New Guinea. The Auditor-General is not subject to ministerial direction and he reports directly to Parliament, except in the case of the provincial audits, he reports to the Minister for
Provincial and Local Government Affairs, who in turn tables his report in Parliament.

The Auditor-General provides objective evaluations, advice and opinions of the financial affairs and activities of the Government to Parliament. This information is designed to assist Parliament, Executive Government, Judiciary Services and Constitutional Institutions to assess the financial performance of public entities in terms of:

- adherence to legal and other requirements;
- maintenance of management procedures and systems to achieve economy, efficiency and effectiveness in implementing government programs; and
- fair presentation of financial statements.

Principal Legislation Governing the Work of the Auditor-General
The Audit Act 1989 is currently the principal statute incorporating the various constitutional and legal provisions relating to duties, responsibilities and powers of the Auditor-General and is the main legislation governing the work of the Office. Other provisions affecting the role and function of the Office of the Auditor-General are contained in the Constitution, Organic Law on Provincial Government and Local-level Governments, Organic Law on Certain Constitutional Office Holders, Public Finances (Management) Act and the various Acts establishing Public Bodies and subsidiary corporations.

Audit Responsibilities
The Office of the Auditor-General is responsible for the audit of organizations including:

- National Parliament;
- Government Departments;
- Public Bodies including their subsidiaries; and
- Provincial Governments and Local-level Government including their Public Bodies and Subsidiary Corporations.

These areas of operations cover public sector activities generally referred to as Budget and Non-budget Sectors.

The Budget Sector includes all Government departments and agencies that are financed by annual and special Parliamentary appropriations. These financial operations come under the control of
the central accounting systems operated by the Department of Finance and Treasury.

The Non-budget Sector comprises a large number of public bodies, many of which are established by separate legislation. These bodies have greater financial autonomy than departments. They are generally funded by Parliament appropriations and are not directly subject to budgetary controls by the Department of Finance and Treasury.

Audit Process

The audit process involves the attestation of financial statements, examination of compliance with legal and administrative regulations and assessment of the economy, efficiency and effectiveness of operations of the audited organizations. The overall audit operations of the Office are directly supervised and controlled by the Deputy Auditor-Generals (Operations) and the Auditor-General. The three operational divisions are:

- Commercial Division
- National Government Division
- Provincial Government Division

Also within the audit operations, a new Value-For-Money (VFM) Audit Section was created. This section is responsible to ensure that due regard for economy, efficiency and effectiveness has been exercised over the incurrence of expenditure, avoidance of wastage, the maximization of revenue and the achievements of the objectives of the organization concerned.

The Investigations and Legal Services Section was created in 1992 in pursuance of Section 5 of the Audit Act 1989. Under this section, the Auditor-General is empowered to refer to the Public Prosecutor for prosecution all cases of misappropriation, misuse or fraud of public money, stores or property.

These Divisions are supported by a Finance and Administration Section, Training Research and Staff Development Section, Information Systems Section and Policy, Planning and Technical Division.

The Deputy Auditor-General (Support Services) is responsible for supervising and controlling the work of the Support Services and assists the Auditor-General with controlling the work of the Support Services and operational matters.
National Government Division
The National Government Division is responsible for the audit of the Public Accounts of Papua New Guinea and the accounts and records of all National Government Departments and Projects funded by international donor agencies and to report to the National Parliament on the control of and on transactions involving the public moneys and properties of the State.

Commercial Division
The Commercial Division is responsible for the audit of all Public Bodies and their subsidiaries, National Government-owned companies and their subsidiaries and review of the Registered Company Auditor’s Report on audit of companies in which the Government has a minority shareholding.

In order to assist in the field audit work, the Division engages the services of Authorized Auditors who performed audits on the following:

- Investment Corporation of Papua New Guinea and its subsidiaries
- Investment Corporation Funds of Papua New Guinea and its subsidiaries
- National Airline Commission and its subsidiaries
- National Broadcasting Commission and its subsidiary
- National Capital District Commission
- National Provident Fund Board
- National Gaming Control Board
- Nuigini Insurance Corporation Limited
- Papua New Guinea Harbours Board
- Papua New Guinea Electricity Commission
- University of Papua New Guinea
- Minerals Resources Development Company Pty Ltd and its subsidiaries
- North Fly Highway Development Company Pty Ltd.
- Coffee Industries Corporation

Provincial Government Division
The Provincial Government Division is responsible for the inspection and audit of the records, accounts, and financial statements of the
Provincial Governments, and Local-level Governments and their business and subsidiary bodies.

Policy Planning and Technical Division

The Policy Planning and Technical Division is responsible for Technical Research, preparing Policy submissions and formulating Policy Guidelines for use by the Auditor-General’s Office staff.

Training, Research and Staff Development Section

The Training and Staff Development Section is responsible for career planning through professional training and development programs, both in-house and overseas, for all staff members (specially national officers) so that they are capable enough to assume professional responsibility to carry out their work satisfactorily.

Staff Profile

The majority of the staff employed by this office holds tertiary qualifications. Most of the expatriate contract officers are members of professional accountancy bodies. As of 31 December 1998, the office employed 108 persons against an approved establishment of 129.

Reports by the Auditor-General

The Auditor-General is required, before 30 June each year, to furnish to the Head of State a Report on its Operations for the year ending the 31 December preceding, for presentation to the National Parliament. The 1998 Auditor-General’s Report revealed the following statistics regarding the audit of public bodies and their subsidiaries (Financial Statements that remain unfurnished cover the following years):

<table>
<thead>
<tr>
<th>Year</th>
<th>Number Outstanding</th>
<th>Problematic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>80</td>
<td>6</td>
</tr>
<tr>
<td>1997</td>
<td>29</td>
<td>6</td>
</tr>
<tr>
<td>1996</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>1995</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>1994</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Previous Years</td>
<td>..</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>132</td>
<td>49</td>
</tr>
</tbody>
</table>
10. Private Sector

The Companies Act 1997 details the provisions relating to the appointment, qualifications, responsibilities, and duties of auditors in relation to the private sector. The Act also covers the Audit Reports required and the provisions relating to exempt companies.

Appointment of Auditors

Under the Companies Act 1997, every company must appoint an auditor at each annual meeting to hold office until the next annual meeting, unless the members pass a unanimous resolution at or before the meeting that no auditor be appointed. This resolution remains in force until the commencement of the next annual meeting.

Exempt companies or a company that is exempted from the requirements of this section by the Registrar by notice in the National Gazette are not required to appoint an auditor (S190).

Appointment of the First Auditor

The company's first auditor may be appointed by the directors of the company or the company itself before the first annual meeting and holds office as auditor until the conclusion of the first annual meeting (S195).

Automatic Reappointment

An auditor (other than the first appointed auditor) is automatically reappointed at the annual meeting unless:

- the auditor is not qualified for appointment; or
- the company resolved to replace the auditor; or
- the company passes a unanimous resolution that no auditor be appointed; or
- the auditor notifies the company that he or she does not wish to be reappointed (S194).

Replacement of Auditor

A new auditor cannot be appointed by the company in place of an existing auditor unless:

- at least one month’s written notice has been given to the existing auditor; and
• the existing auditor has been given a reasonable opportunity to make representation to the shareholders (written or oral) (S196).

Qualifications of Auditors
The auditor must be registered as a Registered Company Auditor under the Accountants Act 1996. The following persons are excluded from appointment as auditors:
• a director or employee of the company or a related company;
• a partner or employee of a director or employee of the company or a related company; and
• a liquidator or receiver of the company; and
• a body corporate (S193).

Auditor’s Access to Information
The board must ensure that the auditor has access at all times to accounting records and other documents, that auditors receive the shareholders' meeting communications, that they are permitted to attend shareholders' meetings and be given the opportunity to speak. Auditors can require from any director or employee any information and explanations as they think necessary. Failure to comply with this right is an offence (S202, S203).

Auditor’s Report
The auditor must report on the financial statements stating the matters required to be stated under Section 200 (reporting entities) and Section 201 (exempt companies). This includes, in addition to the opinion, the work done, the scope and limitation of the audit and the existence of any relationship which the auditor has with, or any interest in the company, or any of its subsidiaries.

If the auditor has reported non-compliance with Section 200 for a reporting entity, the auditor is required to send a copy of the audit report and financial statements to the Registrar within seven days (S200(2)). The Registrar sends copies of the report and financial statements to the Accounting Standards Board.

Auditor’s Report on Banking and Financial Institutions
In accordance with the Regulation on Banking and Financial Institutions dated 16 August 2000, the auditor of the bank or licensed
financial institution is required to prepare a report in respect of the financial statements of the bank or licensed institution. Under the Companies Act 1997, the auditor is also required to prepare a report to the Central Bank that will:

- state whether or not in their opinion the bank or licensed financial institution has complied with Central Bank guidelines;
- state whether or not anything has become known of any matters which, in the auditor's opinion, may have the potential to prejudice materially the interests of depositors of the bank or licensed financial institution; and
- state whether or not anything has come to the auditor's attention which would indicate that the declaration given on behalf of the bank or licensed financial institution could not be relied upon.

11. International Accounting and Auditing Firms

- Deloitte Touche Tohmatsu
- KPMG
- PriceWaterhouseCoopers

Ernst & Young are represented by Deloitte Touche Tohmatsu and Arthur Andersen is represented by a PNG firm, RAM Business Consultants. There are 31 registered accounting and auditing firms in PNG. Approximately one-third of these firms have a PNG citizen as their principal. Expatriate accountants are employed in the international firms and some PNG firms, and are recruited from various countries including Australia, New Zealand, Sri Lanka, and the Philippines.
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:

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

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:

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

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.
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
Financial Management and Governance Issues in PNG

- 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
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The Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) also recognizes that many governments may not yet be in a position to adopt the accrual-based IPSASs. To assist these governments, the PSC has developed an exposure draft ED Financial Reporting under the Cash Basis of Accounting. This sets out the requirements for the presentation of the primary financial statement under the cash basis of accounting, as well as the statement's structure and minimum content requirements. The requirements that are likely to emerge in this standard should lead to transparency where governments remain on the cash basis of reporting.

Building on the momentum of the recently released first set of final International Public Sector Accounting Standards (IPSASs), the International Federation of Accountants (IFAC) Public Sector Committee (PSC) released a further six new exposure drafts. The exposure drafts are another key step in the PSC’s efforts to develop a comprehensive body of international accounting standards for governments around the world.

In addition to the new standards and exposure drafts, the Public Sector Committee has released a study, Governmental Financial Reporting: Accounting Issues and Practices. The new study aims to assist governments in the preparation of their financial reports and contains a detailed description of the common bases of accounting used by governments: cash accounting and accrual accounting, as well as a brief discussion of common modifications to the cash and accrual bases. The study also provides examples of actual financial statements prepared under each basis of accounting. A Summary of PSC Study 11, IPSASs 1-8 and EDs 9-15 are as follows:

- IFAC PSC Study 11 Governmental Accounting Issues and Practices aims to assist governments in the preparation of their financial reports and contains a detailed description of the common bases of accounting used by governments: cash accounting (including modified cash accounting) and accrual accounting (including modified accrual accounting). The Study also provides examples of actual financial statements prepared under each basis.

- IPSAS 1 Presentation of Financial Statements prescribes the overall considerations for the presentation of financial statements, guidance for the structure and minimum requirements for the
content of financial statements prepared under the accrual basis of accounting.

- **IPSAS 2 Cash Flow Statements** requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement, which classifies cash flows during the period from operating, investing and financing activities. Cash flow information allows users to ascertain how a public sector entity raised the cash it required to fund its activities and the manner in which that cash was used.

- **IPSAS 3 Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies** requires the classification and disclosure of extraordinary items and the separate disclosure of certain items in the financial statements. It also specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors.

- **IPSAS 4 The Effect of Changes in Foreign Exchange Rates** deals with accounting for foreign currency transactions and foreign operations. IPSAS 4 sets out the requirements for deciding which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates.

- **IPSAS 5 Borrowing Costs** prescribes the accounting treatment for borrowing costs and generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

- **IPSAS 6 Consolidated Financial Statements and Accounting for Controlled Entities** requires all controlling entities to prepare consolidated financial statements that consolidate all controlled entities on a line-by-line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.

- **IPSAS 7 Accounting for Investments in Associates** requires all investments in associates to be accounted for in the consolidated financial statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.
• IPSAS 8 Financial Reporting of Interests in Joint Ventures specifies proportionate consolidation as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. IPSAS 8 also permits - as an allowed alternative - joint ventures to be accounted for using the equity method of accounting.

• ED 9 Financial Reporting under the Cash Basis of Accounting sets out the overall considerations for the presentation of the financial statements under the cash basis of accounting, guidelines for their structure, and minimum requirements for their content.

• ED 10 Revenue from Exchange Transactions proposes requirements for the accounting treatment of revenue arising from exchange transactions and addresses the issue of revenue recognition for these transactions.

• ED 11 Inventories proposes the accounting treatment for inventories under the historical cost system.

• ED 12 Construction Contracts proposes requirements for the accounting treatment of revenue and costs associated with construction contracts.

• ED 13 Financial Reporting in Hyperinflationary Economies proposes requirements for financial reporting under conditions of hyperinflation.

• ED 14 Property, Plant and Equipment proposes the accounting treatment for property, plant and equipment, including the timing of their initial recognition, and the determination of their ongoing carrying amounts and related depreciation.

• ED 15 Leases proposes requirements for the accounting treatment of leasing transactions.

3. **Accounting Standards Board**

The Accounting Standards Board (ASB) is established under the Companies Act, 1997. It has the following functions:

• to develop, approve, amend, and revoke financial reporting standards for the purposes of this Act in respect of reporting companies, exempt companies or all companies;

• to make determinations on the application of any approved financial reporting standards; and
to give directions as to the accounting policies that have authoritative support within the accounting profession in Papua New Guinea.

The ASB comprises:
- the Registrar of Companies (who is Chairman of the Board)
- the Auditor-General
- two representatives of the PNGIA
- one representative of the Accountants Registration Board
- two persons appointed by the Minister.

4. International Accounting Standards

The following International Accounting Standards have been approved for application in Papua New Guinea, effective for accounting periods commencing on or after 1 July 1999:

- **IAS 1** Presentation of Financial Statements
- **IAS 2** Inventories
- **IAS 7** Cash Flow Statements
- **IAS 8** Net Profit or Loss for the Period, Fundamental Errors, and Changes in Accounting Policies
- **IAS 10** Events After the Balance Sheet Date
- **IAS 11** Construction Contracts
- **IAS 12** Income Taxes
- **IAS 14** Segment Reporting
- **IAS 16** Property, Plant, and Equipment
- **IAS 17** Leases
- **IAS 18** Revenue
- **IAS 19** Employee Benefits
- **IAS 20** Accounting for Government Grants and Disclosure of Government Assistance
- **IAS 21** The Effects of Changes in Foreign Exchange Rates
- **IAS 22** Business Combinations
- **IAS 23** Borrowing Costs
- **IAS 24** Related Party Disclosures
- **IAS 25** Accounting for Investments (withdrawn effective 1 January 2001)
- **IAS 26** Accounting and Reporting by Retirement Benefit Plans
- **IAS 27** Consolidated Financial Statements and Accounting for Investments in Subsidiaries
- **IAS 28** Accounting for Investments in Associates
IAS 29  Financial Reporting in Hyperinflationary Economies
IAS 30  Disclosure in the Financial Statements of Banks and Similar Financial Institutions
IAS 31  Financial Reporting of Interests in Joint Ventures
IAS 32  * Financial Instruments: Disclosure and Presentation
IAS 33  Earnings Per Share
IAS 34  Interim Financial Reporting
IAS 35  * Discontinued Operations
IAS 36  Impairment of Assets
IAS 37  Provisions, Contingent Liabilities, and Contingent Assets
IAS 38  Intangible Assets

New International Accounting Standards Not Yet Effective:
IAS 39  * Financial Instruments: Recognition and Measurement, effective 1 January 2001
IAS 40  Investment Property, effective 1 January 2001

* These standards are not applicable to exempt companies (i.e., companies which are not required to file their annual returns with the Registrar of Companies).

5. PNG Accounting Standards

The following PNG standards have been issued and approved by the Accounting Standards Board:
PNGAS 3  Accounting for Plantations
PNGAS 4  Reporting Currency

6. Auditing Standards

All International Standards on Auditing, which have been drafted by the International Auditing Practices Committee and issued by the International Federation of Accountants, have been accepted for use in the Private Sector by the Accounting Standards Board.

The Auditor-General’s Department is a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and Government auditing is undertaken in accordance with INTOSAI Standards.
V. Accounting and Auditing Training

This chapter describes accounting and auditing education and training in Papua New Guinea. It is structured as follows:

1 - Introduction
2 - Institutional Training Establishments
3 - Entry Requirements
4 - Public Sector Training
5 - University of Papua New Guinea
6 - The PNG Institute of Public Administration
7 - Pacific Adventist University
8 - Planning Proposal – School of Business Studies
9 - Institute of
10 - Divine Word University – Madang
11 - Papua New Guinea Institute of Accountants

1. Introduction

In Papua New Guinea, bookkeeping and computerization is taught in primary schools, community schools and international high schools. Colleges and universities cover accounting Diploma and Degree Courses. Masters Degrees are not yet available in Papua New Guinea. However, they are available through distance learning arrangements with certain universities in Australia.

In order to become an Associate or Fellow of the PNGIA, graduated students must pass seven exams of the Institute. This normally takes approximately three years.

There are no accurate statistics kept on qualified accountants or accounting students in PNG; however, the following estimates have been supplied by members of the PNGIA:

<table>
<thead>
<tr>
<th>Position Type</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting students</td>
<td>1,800</td>
</tr>
<tr>
<td>Qualified accountants not members of PNGIA</td>
<td>2,500</td>
</tr>
<tr>
<td>Qualified accountants members of PNGIA</td>
<td>1,500</td>
</tr>
<tr>
<td>Public sector accounting positions yet to be filled</td>
<td>700 – 1,000</td>
</tr>
<tr>
<td>Private sector accounting positions yet to be filled</td>
<td>500 – 1,000</td>
</tr>
</tbody>
</table>
There is an acute shortage of qualified accountants in both the public and private sector. Unfortunately, there is also an acute shortage of accountancy student positions available at universities and colleges each year, and it is estimated that only one accountancy student application in four is accepted.

2. Institutional Training Establishments

Generally, the Bachelor of Accounting Degree Courses cover Accounting (based on International Accounting Standards), Computing, Management, Commercial Law, English, Macro and Micro Economics, Financial Accounting, Cost Accounting, Corporate Accounting, Marketing, Management Information Systems, Auditing, and Tax Law.

There are six Government-owned public universities or colleges providing full-time accounting training in PNG as follows:

- University of Papua New Guinea
- University of Technology
- Lae Technical College
- Port Moresby Business College
- Institute of Public Administration
- Institute of Continuing and Distance Education

There are six privately-owned universities or colleges providing full-time education in accounting in PNG as follows:

- Pacific Adventist University
- Divine Word University
- Institute of Business Studies
- Business Training Institute
- Coronation College
- International Training Institute

Different church groups own the first two universities mentioned above. There are no Masters Degree Courses available in PNG.

3. Entry Requirements

The minimum level of general education standards required for entry in the accountancy degree courses at universities are Grade 12 with at least B passes in English and Mathematics. Normally there is a break after the successful completion of the second year and students are required to undertake one year's appropriate work experience before
continuing with the degree course. If the students leave at the conclusion of the second year, they are awarded with a diploma or certificate. The majority of students do not continue on to year three.

The minimum level of general education standards required for entry in the accountancy diploma courses at colleges is Grade 10 standard.

### 4. Public Sector Training

The Department of Finance and Treasury (DFT)

Although DFT finance staff use PNG Institute of Public Administration (IPA), there is no formal coordination between the organizations. PNGIPA is hampered by a shortage of resources, especially professional staff with knowledge of public sector finance.

The DFT has eight training officers delivering training to national and subnational level staff. It has its own training room in Vulipindi Haus that doubles as a computer-training laboratory and general training room. Courses cover Government Accounting System, budget preparation, bank reconciliation and financial procedures. In addition, the DFT, with PNGIPA, is currently piloting a Certificate in Accounting and Auditing in association with the UK Charted Institute of Public Finance and Accountancy (CIPFA). The program is still running, but because of the cost and the relatively small take-up, is unlikely to continue.

The DFT does not have any formal staff development program, apart from a five-day induction program, when an officer joins the service. No other training programs are scheduled over an officer’s career. Divisional heads make recommendations on staff training, but the lack of resources results in many of these being declined, particularly since the majority are aimed at overseas qualifications programs.

It is estimated that there could be up to 400 qualified accountants in the public sector who do not belong to the PNGIA. In the strict interpretation of the Accountants Act, any person carrying out accounting work in Papua New Guinea must belong to the PNGIA. There is a move by the Government to identify these people and pay their fees to join the PNGIA.
5. University of Papua New Guinea

The University of Papua New Guinea (UPNG) commenced in 1965 and is owned by the Papua New Guinea Government. It was the first university established in Papua New Guinea. The first full-time accountancy degree courses were introduced in 1979.

The University suffers from lack of funds. Buildings are in need of maintenance, some windows are broken, most telephones have been disconnected and the year 2000 handbook of curricula for the various courses has not been produced. There is widespread student unrest and many student strikes occur. In 1999, the third semester was cancelled because of student strikes and the 1999 exams were held in March 2000. Stoppages occasionally occur just before exams and sometimes, in the past, concessions have been granted to students when sitting for exams. Student unrest has been occurring at the University for at least 25 years.

In 1994, a proposal to establish a separate School of Business Administration was submitted to the PNG Government and approval in principle was received. The land is available, however the raising of funds is seen as a problem. No design plans have been drawn up nor have costings been done. The establishment of this School would alleviate the critical shortfall of accounting students classroom availability.

UPNG Diploma / Degree in Commerce

The prerequisites for entering a diploma or degree course is the completion of year 12 at high school and at least a B grade pass in Mathematics and English.

There is a two-year Diploma in Commerce Course. If students wish to continue on to the Degree Course, they must complete at least one-year appropriate work experience, then a further two years study before obtaining their Degree in Commerce (Refer to appendix 9 for the course curriculum).

6. The PNG Institute of Public Administration

The PNG Institute of Public Administration (PNGIPA), which is owned by the PNG Government, commenced in the mid-1960s and is recognized as the longest, established training institute in PNG.
The Institute offers a range of courses. It has a large campus in Waigani, with reasonable teaching and residential facilities. It provides certificate level courses in accounting, but the Diploma in Public Finance and Accounting was transferred to the University of PNG in 1989. PNGIPA has introduced a certificate in accounting (technician-level) and a Diploma in Accounting. There are four regional centers, and PNGIPA has four qualified faculty members in finance and accounting. Demand for courses is very high, and far exceeds the places available. Distance learning is planned at master's degree level (MBA), in an agreement with Northern Territories University, Darwin. PNGIPA has indicated that it sees a major future focus on short courses.

7. Pacific Adventist University

The Pacific Adventist University (PAU) is a private Seventh Day Adventist University with its own philosophy, and with its own specific focus on Pacific developing countries.

The Pacific Adventist College was founded in 1983 as a tertiary institution under an Act of the Papua New Guinea Parliament (the Pacific Adventist College Act, No. 24 of 1983).

Under an Act of the Papua New Guinea Parliament (the Pacific Adventist University Act, No. 34 of 1997) the College was officially upgraded to full university status and is legally entitled to award certificates, diplomas, degrees, and other such awards as the university determines appropriate.

The Pacific Adventist University is reported to be one of the best institutes in Papua New Guinea for the training and production of high quality accounting graduates.

Admission Requirements

Academic eligibility for admission to PAU is gained on meeting at least one of the following requirements:

- The successful completion of Year 12 High School Certificate or equivalent;
- The successful completion of matriculation programs from the University of Papua New Guinea, University of South Pacific foundation courses or CODE. PAU no longer offers entrance programs to the University;
• The successful completion of a diploma or degree from a recognized tertiary institute. The Academic Registrar may require such graduates to sit for the PAU mature entrance test;
• The recommendation of the Academic Registrar who has invited an applicant to sit the PAU Mature Age Test. Such recommendation is contingent upon the applicant obtaining a suitable minimum mark in this test; or
• Special approval by the Deputy Vice-Chancellor based on current or previous professional or vocational experience and responsibilities.

There are different criteria for entrance to PAU depending on the country where the student was educated to high school level. Students attending PAU have come from high school level status from Fiji, Kiribati, Samoa, Solomon Islands, Tonga, Vanuatu, New South Wales and PNG. The PNG requirement is:

- HSC (High School Certificate) - Papua New Guinea.
  - Matriculation: A pass in four subjects, including English with a minimum upper C level pass;
  - A pass is defined as a mark higher than 50 percent; and
  - An upper C pass in subjects selected as content major is normally required.

Specific Requirements for Bachelor Degrees

Candidates must have:

- Completed all academic and practical requirements related to their specific course;
- Satisfied the general requirements for entry into the final year of the degree course including a cumulative GPA of 2.2 (60 percent);
- Been registered for two semesters and successfully completed at least 30 credit points in the final year of the degree course;
- Earned at least 24 points in 300 level subjects and not more than 36 credit points in 100 level subjects;
- Maintained a minimum semester and cumulative GPA of 2.2 (60 percent) throughout the final year of the course; and
- Successfully completed at least 30 credit points in each major content area, and at least 18 credit points in each minor content area.

Graduation Achievement Levels

48
Graduates may receive the following notations to their awards:
- Bachelor of Business with Merit for a final grade between 75 percent and 80 percent.
- Bachelor of Business with Distinction for a final grade of over 80 percent.

Bachelor of Business Degree Courses
There are currently 80 students undertaking the Bachelor of Business Degree Courses. Financial Accounting is taught using International Accounting Standards as the base. Computing is taught using MYOB business program as the base. There are three computer classrooms each with 16 computers (Refer Appendix 10 for curriculum of both Bachelor of Business Degree Courses).

Academic Staff Training
PAU has a staff development budget and academic staff are encouraged to attend seminars and workshops held in Port Moresby (and occasionally overseas) to keep abreast of developments in their respective fields. In the School of Business, the academic staff consists of Associate Professors, Senior Lecturers, and Lecturers. Several of these staff are members of the PNGIA, and for these the Continuing Professional Education of the PNGIA assists them in their professional development.

8. Planning Proposal – School of Business Studies
One of the most successful university schools is the School of Business. In the fields of Accounting, Management, Computer Applications, and Office Administration, PAU graduates have been readily hired after their graduation. In addition to classroom education, students must successfully complete a work experience program during the mid-year university recess. Graduates from the degree program are eligible for graduate membership in the Papua New Guinea Institute of Accountants. Currently, there are a total of 74 business students (42 male students and 32 female students), of which PAU graduate about 20 each year. In addition to the business students, there are 22 secretarial administrations.
School of Business Development Needs

School of Business Center: PAU needs to increase the size of enrolment and keep pace with demands for innovative instruction, and experience in the School of Business. To achieve this, the university needs to build a new fully equipped School of Business center. Ideally, this would consist of computer labs, two lecture halls, faculty office space, a workroom/resource center, and four classrooms, including one classroom fully equipped for instruction in office administration. PAU has already designated a location for this building.

Currently the school is housed in a number of locations and the construction of a School of Business center would facilitate operations that are more efficient. The increased classroom space would also allow for an increase in student numbers.

Expanded Course Offerings: The School of Business has preliminary plans to offer an MBA, a graduate diploma, and professional development classes for employed individuals. These courses would cater for both the private profession and the public sector, and may be offered on an external basis. A new School of Business center would facilitate these developments.

Support Facilities: As the School of Business grows other needs are immediately apparent. Expanded dormitory space is needed to provide for increased enrolment and this project is receiving due attention. Further, the university library needs to expand its facilities in order to increase space for holdings, equipment, and resource materials. The construction of a new School of Business would increase library space as the School of Business currently takes up a significant amount of library space,

9. Institute of Business Studies

The Institute of Business Studies was established in 1989 and is recognized as the leading privately-owned business training establishment in PNG. The Institute caters only for accounting, business, and computing courses at the Certificate, Diploma and Degree Levels.

Courses Available at the Institute of Business Studies (IBS)

IBS Certificate Courses
ACCOUNTING AND AUDITING TRAINING

- Certificate in Accounting (CIA)
- Certificate in Computing (CIC)

Diploma Courses
- Diploma in Commerce of UPNG
- IBS Diploma in Business

Associate Degree Programs
- IBS Associate Degree in Business (Accounting)
- IBS Associate Degree in Business (General)
- IBS Associate Degree in Business (Computing)

Bachelor Degree Programs
- Bachelor of Business (B. Bus) (Accounting)
- Bachelor of Business (B. Bus) (General)
- Bachelor of Business (B. Bus) (Computing)

Revision Classes for PNGIA Professional Examinations

IBS Certificate Courses

Certificate in Accounting (CIA)
IBS has been offering this program since 1993 and it has evolved constantly over the period in response to business and student needs. This course is designed to provide students with a basic qualification in accounting and offers a firm grounding in fundamental accounting concepts. It also covers allied subjects such as Business Communication, Business Administration, Business Mathematics, Business Statistics, and Computer Applications in Business.

The CIA program is recognized as an entry qualification for the Diploma in Commerce of the Institute of Distance and Continuing Education (IDCE) of the University of Papua New Guinea, and IBS Diploma in Business, leading to Southern Cross University Degree programs in Accounting, Business and Computing.

Certificate in Computing (CIC)
The Certificate in Computing (CIC) course offered by IBS enables the students to gain fundamental knowledge in various business application software. The content of the course accommodates latest versions of spreadsheet, word processing, and disk operating systems. The students in this course are given specific training in the Acc-Pac Accounting package. The course also covers the core subjects of Business Writing Skills, Bookkeeping, Accounting and Computing.
Diploma Courses

**Diploma in Commerce of UPNG**

IBS offers the Diploma in Commerce (DIC) program as a sub-center of the Institute of Distance and Continuing Education (IDCE) of the University of Papua New Guinea (UPNG). IBS was granted the sub-center in 1996 and currently is the only privately-owned Institute to hold this position.

This course is designed to provide students with the skills, knowledge and understanding, which will enable them to perform most of the accounting functions of a business. The course also offers a basic grounding in fundamental business areas such as economics, law, taxation, statistics, auditing, and information systems.

On completion of this course, the students will be eligible to a UPNG Diploma Award. A further two years study at UPNG or UNITECH after the Diploma will enable students to obtain a Bachelor of Commerce Degree. Alternatively, the Diploma of Commerce graduates can enroll in IBS Associate Degree Programs, leading to a Southern Cross University Degree program in Accounting, Business, and Computing.

**IBS Diploma in Business**

The course provides students with knowledge and skills in all the basic areas related to business. The program consists of eight units of core and allied subjects delivered under a licensing agreement with the Southern Cross University, Australia (equivalent to one year of full-time study) of their Bachelor of Business Degree Programs. The diploma is awarded by IBS in affiliation with Southern Cross University, Australia.

**IBS Associate Degree in Business (Accounting)**

The course aims to train and equip students to undertake a wider variety of accounting and administrative functions with a minimum of supervision while working under a professional accountant or within a professional environment. This IBS Associate Degree in Business (Accounting) is awarded by IBS through affiliation with Southern Cross University to those who have successfully completed the first 16 units (equivalent to two years’ full-time study) of their Bachelor of Business (Accounting). The Degree Program is delivered under a licensing agreement with Southern Cross University, Australia.
IBS Associate Degree in Business (General)
This course is designed to train those who are employed in the administrative management field, hold positions of responsibility, and work with senior management providing a range of administrative and management services. On successful completion of the first 16 units (equivalent to two years’ of full-time study) of their Bachelor of Business Degree Program delivered under a licensing agreement with Southern Cross University, Australia, an IBS Associate Degree in Business will be awarded by IBS in affiliation with Southern Cross University, Australia.

IBS Associate Degree in Business (Computing)
This course aims at providing necessary knowledge and skill about usage of software, system development and networks. The candidates, after completing this level, will be able to serve as programmers, system analysts in a business organization. This IBS Associate Degree in Business (Computing) will be awarded by IBS in affiliation with Southern Cross University, to those who have successfully completed the first 16 units (equivalent to two years’ of full-time study) of their Bachelor of Business (Computing). The degree program is delivered under a licensing agreement with Southern Cross University, Australia.

Bachelor of Business (B. Bus) (Accounting)
The aim of the course is to provide stimulating and rigorous studies at degree level in accounting and other disciplines relevant to business which, together with the period of professional skill development, will continue to the future supply of professionally qualified, and broadly trained, accountants. The core of the program is centered on the study of accountancy, law, economics, and business computing. On successful completion of the 24 units, Bachelor of Business (Accounting) Degree will be awarded by Southern Cross University, Australia.

Bachelor of Business (B. Bus) (General)
The degree course offers specialization in management and other indepth allied areas such as accounting, human resource management, individual relations, management of change, and international management. On successful completion of 24 units, a Bachelor of
Business (General) Degree will be awarded by Southern Cross University, Australia.

Bachelor of Business (B. Bus) (Computing)
This course is designed to enable the candidates, who have finished Associate Degree in Computing, to take up higher-level positions like electronic data processing managers, systems managers, etc. At the end of the course, the candidates will have the knowledge of hardware and software, skills to use advanced software for managerial decisions in a business organization. On successful completion of 24 units, a Bachelor of Business (Computing) Degree will be awarded by Southern Cross University, Australia.

Revision Classes For PNGIA Professional Examination
IBS has been conducting revision classes for the professional examinations conducted by the PNGIA since its inception in 1989. Since then, IBS has achieved excellent results and has been commended by the council of the PNGIA for its efforts. IBS holds the rare distinction of producing the first two female Accountants in Papua New Guinea.

On completion of the PNGIA examinations, students with three or more years of relevant work experience will be eligible for the Associate membership of the PNGIA, which qualifies them to register as a public accountants and company auditor. For more comprehensive details on the above courses, refer Appendix 11.

Approval in principle has been given for IBS to facilitate a Masters Degree next year on behalf of a leading Australian university.

Future Development of IBS
The area of land occupied by IBS will not allow for any future expansion. Currently IBS is rejecting approximately 75 percent of its student applicants because of unavailability of classroom space.

IBS has purchased 33 hectares of land at Sogeri, near Port Moresby, which would accommodate approximately 2,500 students, compared with their current enrolment of 500 students.
10. Divine Word University – Madang

The Divine Word University offers a Diploma on Business Studies, which is a two-year course, and students may continue on to a Degree in Business Studies which is a further two years of study.

An MBA course in accounting has been developed for comments and is awaiting finalization and funding.

The Divine Word University, like other institutions, only has sufficient classroom space to accept approximately 25 percent of accounting student applicants. The needs of this institution are as follows:

- New Business Studies Building with fully-equipped lecture rooms;
- A computer laboratory set up for networking and connection to internet; and
- More library reference materials on accounting, business, and related topics.

11. Papua New Guinea Institute of Accountants

CPE Training

The following is a typical calendar of events for the Continuing Professional Education (CPE) training:

- Understanding Accounting – For Managers, Supervisors
- Breakfast discussion group with resident World Bank representative
- Joint PNGIA/ICAA (Institute of Chartered Accountants of Australia) Conference on IT
- One-day workshop sessions on IT jointly sponsored by PNGIA/ISACA
- PNG ASCPA luncheon – Speaker, Governor of Bank of PNG – ‘Central Banking – regulating in a changing financial environment’.
- Seminar - Accessing the Equity Market
- Seminar - Accounting for Churches, Charities, Clubs, Associations
- Privatization Seminar
- Highlands Branch Conference, Mt Hagen
- Lae Branch Conference
- National Conference (jointly with ASCPA) Port Moresby
CPE Requirements for PNGIA members

Fellow members, Associate members and Accounting Technicians are required to undertake a minimum of 40 hours of continuing professional education each year. Included in these activities must be 20 hours of structured CPE. The balance of the minimum period of 40 hours may be devoted to unstructured CPE. Registered Graduates are encouraged to undertake CPE.

Structured CPE includes all CPE courses and conferences offered by the Institute and other courses prescribed by the Institute. The passing of the professional module examinations offered by the Institute earns a credit of 14 hours for each module passed. Structured CPE in house courses conducted by practice entities or business organizations must be approved by the Council of the Institute to receive credit by members.

Unstructured CPE hours include a wide range of activities, but must be relevant to the member's practice or occupation, including the reading of technical literature (such as professional journals, information, and study group discussions).

Subject matters considered relevant to both structured and unstructured CPE are as follows:

- Accounting,
- Administrative Practice
- Auditing
- Behavioral Science
- Business Law
- Computer Services
- Corporate Advisory Services
- Economics
- Functional Fields of Business (including finance, production, marketing, personnel relations, business management, and organization)
- Insolvency
- Management Services
- Mergers, Acquisitions, and Reconstructions
- Public Offerings
- Revenue Law
- Taxation Administration, and
- Statistics & Business Mathematics.
Activities acceptable to the Institute as structured CPE hours are as follows:

- formal individual study of whatever duration at postgraduate level provided by distance education, correspondence, programmed learning, audio/visual tapes/courses;
- the preparation and presentation of lectures, courses and discussion group papers of a technical nature at Papua New Guinea Institute of Accountants, other professional, educational or industrial functions (whether of a public nature or in-house), not exceeding three hours, and not including repeat presentations;
- the writing of articles and papers, which are submitted for publication; and
- formal business luncheons with a keynote address, including any question time not exceeding one hour.

Members are required to keep a personal record of the time spent on CPE, complete the CPE Record of attendance form, and send it to the Institute's National Office with their renewal of membership cheque each year.

Exemptions from CPE

Any member obliged to undertake CPE who seeks exemption from the obligation to devote a minimum period of 20 hours to structured CPE activities in each year must make written application for exemption to the Council of the Institute, stating the grounds of their application and any special circumstances upon which they rely.

The Council may grant exemption if it considers it reasonable to do so in the light of any special circumstances contained in the application.

Members obliged to undertake CPE include amongst others, those members who are in practice, and those members who are overseas.
VI. Government Budgeting and Accounting

This chapter describes government budgeting and accounting arrangements. For the purposes of this report, government is defined as central and provincial government organizations. This chapter is structured as follows:

1. Introduction
2. Constitution of the Independent State of
3. Public Finances Management Act
4. Department of Finance and Treasury (DFT)
5. Information Systems
6. Budget Procedures
7. The Public Accounts Committee
8. Corruption Issues in the Public Service

1. Introduction

The accounting system embraces both national and sub-national systems for receiving, managing and expending public monies in accordance with the authority within the constitution, acts, financial regulations, and budgets. It also includes the system for managing cash releases, maintaining records of receipts and payments, and providing reports for monitoring and control.

The accounting system is cash-based, i.e., it records actual cash receipts and payments. The Financial Management Improvement Program Working Committee recommended that the system remain cash-based for the time being but that officers are trained in accrual accounting.

The Commonwealth Secretariat Debt Recording Management System (CS-DRMS) is used to record and forecast debt flows and balances. The CS-DRMS system was developed, and is supported, by the Commonwealth Secretariat. New system software releases are provided periodically.

Part VIII, Subdivision A of the Constitution refers to the Parliament and Finance as follows:

Parliament Responsibility

'Notwithstanding anything in this Constitution, the raising and expenditure of finance by the National Government, including the imposition of taxation and the raising of loans, is subject to authorization and control by the Parliament, and shall be regulated by an Act of the Parliament.

For each fiscal year, there shall be a National Budget comprising –

(a) estimates of finance proposed to be raised and estimates of proposed expenditure by the National Government in respect of the fiscal year; and

(b) separate appropriations for the service of that year in respect of –
   (i) the services of the Parliament;
   (ii) general public services;
   (iii) the services of the Judiciary; and

(c) such other supplementary Budgets and appropriations as are necessary.'

3. Public Finances Management Act

Under the Public Finances (Management Act) 1995, all government monies are maintained in the Public Accounts. This subdivides into (i) the Consolidated Revenue Fund and (ii) the Trust Fund. In general, receipts of monies by Government are dealt with through the Consolidated Revenue Fund, and payments are made from this Fund, unless there is approval under circumstances provided for in the Act to use a Trust Account.

The Public Finances (Management Act) 1995 is the legislative authority for the management of public finances, including those relating to Provincial Governments and Local-level Government as required under the Organic Law. The provisions of the Act deal with all of the aspects of fund management and recording. The main points of the Act are summarized as follows:

- Defines the responsibilities of those responsible for financial management including the Minister and Department Head of the Department responsible for financial matters, other departmental heads and accountable officers.
- Defines the Public Accounts Trust Fund and Consolidated Revenue Fund for handling all Government monies, into one of which all receipts must be paid, and from which monies may only be paid in accordance with the law.
- Provides for an annual National Budget, and allows for transfers between budget head within limits set by the annual budget.
- Under budgetary control provides for warranting of expenditure in accordance with parliamentary appropriations.
- Provides that the Minister for Finance and Treasury shall approve the budget of provincial governments.
- Provides that Provinces and Local-level Government shall keep proper accounts and records of transactions.
- Allows for the issue of Financial Regulations, section 115, by the Head of State for the better control and management of public monies and public property.
- Under Section 117, the Secretary Finance and Treasury is authorized to issue Financial Instructions, which have statutory authority as though they were part of the Act. Department heads can also issue instructions consistent with the Act.
- Makes the Department of Finance and Treasury responsible for the release of funds, accounting, and financial reporting requirements.
- Provides for matters relating to state tenders and contracts.

4. Department of Finance and Treasury (DFT)

The above legislation makes the Secretary of the Department of Finance and Treasury responsible for overall financial management. In respect of each department, the Departmental Head is responsible, not only for compliance with Parliament's approved budget and with instructions issued by the Finance Secretary, but also for effective resource management.

The Secretary of Finance and Treasury is also responsible for sub-national levels of government, through provincial treasurers, who are part of his staff and have responsibilities to ensure that all public monies are managed and released in accordance with the law, Section 70 of the Public Finances (Management) Act.

The current structure of the DFT was approved on 7 April 1999, and the Secretary heads the Department. The structure then divides into two sections, being Policy and Operations, each headed by a Deputy
Secretary. The divisions shown under each section, are headed by a First Assistant Secretary, FAS. A brief summary of each division's responsibility is outlined in Appendix 4.

5. Information Systems

The Information Technology Division (ITD) evolved from the former National Computer Center (NCC), through Management Information Services (MIS), to its present focus within the Department of Finance and Treasury (DFT) as the provider of primarily financial systems to the Treasury, National Departments, and to the Provinces and Local-Level Governments.

Originally, the NCC developed as a government-wide organization supporting information technology services to a large number of national departments, and at one time operated some 40 applications. The hardware platform for the NCC was based on a Fujitsu / ICL Series 39/80 mainframe computer.

The emerging technology of personal computers and UNIX-based open systems has led to the migration of all applications carried out by mainframe technology onto departmental based platforms. The mainframe computer is no longer used for operational data processing. The core of the former NCC has been integrated into ITD and continues to supply the Treasury Management System (TMS) and National Government payroll services.

Donors have funded many programs and projects involving the implementation of IT systems, but the systems have largely been developed in isolation. The systems are listed below:

- The Treasury Management System (TMS)
- The Payroll and Human Resource Management (HRM) systems
- PNG Government Accounting System (PGAS)
- Planning Budgeting System (PBS)
- The Commonwealth Secretariat-Debt Recording and Management System (CS-DRMS)

6. Budget Procedures

Within the DFT, the Budget Division and the Economic Policy Unit (EPU) are involved with the budget process.
The responsibilities of the Economic Policy Unit (EPU) of the Department include resource forecasting, setting the overall ceiling for the budget that is approved by Cabinet, cash flow profiling of budgets, analyzing and tracking cash flows.

The Department of National Planning also prepares the Public Investment Program (PIP). This is a medium-term rolling plan (five years) showing projected development estimates and donor support, and is presented to Parliament as Volume 3 of the budget documents. The PIP is the financial plan for achieving the Government's medium-term development objectives.

Present System

The financial year of the Government is the calendar year. The budget process embraces both national and sub-national budgets. These are related through the grant system and the need for central approval.

Budget ceilings are not predetermined for Departments, but are set after the submission of the estimates. For Provinces, the Organic Law sets their grant-funded ceilings. In practice, the grants appropriated are invariably lower than those defined by formulae in the Organic Law.

Centrally, the budget process uses a computer database known as the Planning Budget System, which is commonly referred to as PBS. There are budget preparation manuals, which set out the coding structure budgets and specify in detail the formats in which budgets are to be prepared and presented.

In National Departments, budgets are prepared "bottom-up" using the standard format as required by the DFT. Spending divisions submit their estimates in detail to the central finance and administration division where they are consolidated and agreed for presentation to the Budget Division of the DFT.

Assets Management

There is presently no comprehensive asset management or asset recording system. The introduction of an asset management system for use at national and sub-national levels under the Financial Management Project will provide the basis of a comprehensive recording system that should provide:

- A register of assets
- Identification and tracking of assets
Financial Management and Governance Issues in PNG

- Asset usage
- Valuation of assets
- Recurrent costs budgeting
- Aid replacement planning
- Record disposal
- Asset charging, depreciation and amortization
- Asset diary

There is no Central Assets Register maintained and consequently there is no reconciliation between capital expenditure and physical recording of fixed assets.

Departmental Assets Registers are required to be maintained however; the Auditor-General's Annual Reports to Parliament indicate that most Government departments are not maintaining these Registers as required.

Accounting Computer Systems

Within DFT, the Public Accounts Division is responsible for the preparation of monthly and annual accounts. Provincial Treasuries are directly under the control of the DFT. Departments prepare their own accounts for consolidation into the central system, using their own staff who have no line responsibility to DFT. There are two computer systems in use:

- TMS (Treasury Management System). This is only used centrally.
- PGAS (originally Provincial Government Accounting System, but renamed PNG Government Accounting System). This is used at more than 50 sites, including Provinces and Departments.

One Department, namely Works, has developed its own system, with donor support, based on Oracle Financials. The package has been custom modified by including a module to handle warrants.

A payroll HRM system is used centrally and links to the ledger accounting system.

PGAS also has a payroll module and is used for a number of salary payments

Treasury Management System (TMS)

TMS is a general ledger system based on Oracle Financials and client-server technology.
Monthly the Public Accounts Division of DFT supplies to each department a comprehensive computer report which can be used as an aid to financial reporting and monitoring within the organization.

PNG Government Accounting System (PGAS)
The system was initially developed for the Provincial Governments in 1985 as the Provincial Government Accounting System, but subsequently used by the National Departments of Government (excepting the Department of Works and Transport). It is now used in more than 50 sites. The system operates on SCO UNIX and Intel PC platform, and is written in Multibase, a proprietary database. Year 2000 compliance was successfully achieved.

The system has adequate functionality (accounts payable, accounts receivable, cheque reconciliation, and Provincial payroll) and is essentially a simple and unsophisticated bookkeeping system well suited to the requirements of the Provincial and Local-level Governments.

Payroll and Human Resource Management Computer Systems
The payroll system was until 1999, based on a 25-year-old ICL payroll system. IT was used to pay 64,000 public service employees on a fortnightly basis. A new payroll system was custom developed in Oracle and implemented during 1999. The purpose was to achieve year 2000 compliance, and existing business rules and functionality were retained.

7. The Public Accounts Committee
The Public Accounts Committee (PAC) is established under clauses 215 and 216 of the Constitution and is summarized as follows:

1 Establishment of the Committee
   ‘There shall be a Public Accounts Committee, which is a Permanent Parliamentary Committee for the purpose of Subdivision VI 2.E (the Committee system)
2 Functions of the Committee
   The primary function of the Public Accounts Committee is, in accordance with an Act of the Parliament, to examine and report 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.

Subsection (1) extends to any accounts, finances and property that are subject to inspection and audit by Auditor-General under Section 214 (2) (functions of the Auditor-General), and to reports by the Auditor-General under that subsection or Section 214(3) (functions of the Auditor-General).

Public Accounts Committee (PAC) Activities

Although a PAC has been appointed, it is understood that the Committee's activities have come to a standstill and the Committee has not met for at least three years.

8. Corruption Issues in the Public Service

There have been several serious cases of public service corruption in the last decade and there has been much media attention directed towards possible serious cases; however, there have been very few successful prosecutions in Papua New Guinea.

A recent initiative to fight corruption in the Public Service was the signing of a "Statement of Alliance" which paves the way for the establishment of an effective system of investigating corruption in Papua New Guinea. Department heads representing Police, Finance and Treasury, Provincial and Local Governments, Attorney-General, Ombudsman Commission, Public Prosecutor, and Department of Personnel Management signed the Statement in the presence of the Chief Secretary and other departmental heads.

The initiative was the result of work done by the Public Sector Anti-corruption Liaison Committee that was established in 1999. The Committee has developed an anti-corruption strategy that recommends the establishment of a National Anti-corruption Agency that will combine the existing resources to effectively investigate and prevent corruption.
VII. Donor Assistance

This chapter describes donor-coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements. It is structured as follows:

1. Introduction
2. Overview
3. Financial Management Improvement Program
4. Financial Management Project
5. Funding of FMP
6. The PNG Government Structural Reform Program
7. ADB Technical Assistance

1. Introduction

The Financial Management Project (FMP) (PNG 30535) is the only project or technical assistance, undertaken in recent years in PNG, which bears some relationship to the objectives of TA 5877. The FMP is designed to strengthen public sector financial management throughout PNG, enhancing the basic systems and strengthening their actual implementation. The Project also helped finalize implementation of the urgently needed Year 2000 information technology remedial programs in applications critical to the functions of public operations.

2. Overview

<table>
<thead>
<tr>
<th></th>
<th>Cambodia</th>
<th>People's Republic of China</th>
<th>Mongolia</th>
<th>Pakistan</th>
<th>Papua New Guinea</th>
<th>Uzbekistan</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollars per capita</strong></td>
<td>36</td>
<td>2</td>
<td>99</td>
<td>5</td>
<td>78</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td><strong>Percentage of GNP</strong></td>
<td>12.1</td>
<td>0.2</td>
<td>26.7</td>
<td>10</td>
<td>7.8</td>
<td>0.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Table 2: Overall External Assistance to Papua New Guinea

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Loan/Credit TA Loan/Credit TA TA Loan/Credit TA TA</td>
<td></td>
</tr>
<tr>
<td>Multilateral</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABD</td>
<td>29.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Japan Special Fund</td>
<td>..</td>
<td>4.3</td>
</tr>
<tr>
<td>UNDP</td>
<td>..</td>
<td>8.0</td>
</tr>
<tr>
<td>World Bank</td>
<td>40.0</td>
<td>..</td>
</tr>
<tr>
<td>Subtotal</td>
<td>69.6</td>
<td>16.4</td>
</tr>
<tr>
<td>Bilateral</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>..</td>
<td>232.0</td>
</tr>
<tr>
<td>Canada</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>France</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Germany</td>
<td>..</td>
<td>10.0</td>
</tr>
<tr>
<td>Italy</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Japan</td>
<td>..</td>
<td>37.0</td>
</tr>
<tr>
<td>New Zealand</td>
<td>..</td>
<td>4.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>..</td>
<td>10</td>
</tr>
<tr>
<td>United States</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>All Others</td>
<td>..</td>
<td>4.0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>..</td>
<td>288.0</td>
</tr>
<tr>
<td>Total</td>
<td>69.6</td>
<td>304.4</td>
</tr>
</tbody>
</table>

3. Financial Management Improvement Program

The Financial Management Improvement Program (FMIP) was initiated by the PNG Government, and the design has been developed in consultation with ADB, AusAID and UNDP. On the basis of the design the ADB loan and AusAID and UNDP technical support has been finalized. As the first stage of the FMIP implementation, ADB provided technical assistance to develop a Strategic Framework for the FMIP. This Strategic Framework identifies the major reform goals, the strategy to achieve those goals, and the program management structure for the FMIP.

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A summary of the volumes that comprise the Strategic Framework is set out below:

**Volume 1**  
Strategic Framework - Key Reform Strategies

**Volume 2**  
Implementation Plan and Terms of Reference for Loan Consultants

**Volume 3**  
Detailed Paper on Operational Strategies

**Volume 4**  
Detailed Paper on Information System Strategies

**Volume 5**  
Detailed Paper on Human Resources and Training Strategies

**Volume 6**  
Chart of Accounts

**Volume 7**  
Background Paper on Existing Financial Management

The Government through the Department of Finance and Treasury (DFT), has taken the initiative of coordinating the Financial Management Improvement Program (FMIP). A working committee on Financial Management Improvement was established in May 1997. In June 1997 an Information Technology (IT) Strategy was concluded. The FMIP was developed for two reasons. First, the need to respond to the fundamental restructuring of the machinery of government, and the financial relationships between the levels of government. Second, the fact that most of the financial computer systems were not Year 2000 compliant.

The FMIP and the IT Strategy provided a policy framework, plans, and an institutional focus for a reform of financial management. Within DFT, work has already been initiated on the FMIP, and a Manager (full-time) designated. Similarly, the IT Division has initiated action under the strategic plan.

### 4. Financial Management Project

A number of studies were undertaken in the period 1995-1997 which culminated in the Financial Management Improvement Program (FMIP). Included in the studies were:


Both these Studies formed the basis of the World Bank’s Country Financial Accountability Assessment for PNG (PNG CFAA).
The Studies were confined to the Public Sector and covered such matters as:

- Financial Management Systems
- Budgets
- Government Assets
- Accrual Accounting
- Revenue and Loan Management Function
- Auditor General
- Implementation of Organic Law
- Weaknesses of the Present Systems
- Recommendations involving Accounting and Budgeting, Training, Cash Flow Management, Payroll, Accounting for Off-Budget Items, and Information Technology.

ADB provided TA2962 for $272,000 to help refine the FMIP and to prepare a proposal for the Financial Management Project (FMP). At the PNG Government’s request, the FMP was extended to cover a wider range of remedial actions associated with computerization including the Y2K problem. In addition, AusAID and UNDP prepared detailed proposals for their respective components of the FMP.

5. Funding of FMP

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB loan RRP: PNG 30535</td>
<td>25.8 m</td>
</tr>
<tr>
<td>AusAID</td>
<td>12.0 m</td>
</tr>
<tr>
<td>NDP</td>
<td>0.5 m</td>
</tr>
<tr>
<td>PNG</td>
<td>8.6 m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46.9 m</strong></td>
</tr>
</tbody>
</table>

FMP Covers Five Components:

- Improve Planning and Budgeting Systems
- Improve Budget Execution and Accounting Systems
- Enhance Information Technology Systems
- Provide Training and Strengthen Resource Management
- Enhance Change and Program Management

This Project mainly involves the financial and budgeting systems of the Central and Provincial Governments. The Project could be used as a vehicle to initiate some of the recommendations identified in this Study.
TA5877- REG objectives not covered in the FMP include the following:

- Private Sector
- Accounting Infrastructure
- Accounting and Auditing Standards
- External Audit

6. The PNG Government Structural Reform Program

The present PNG Government inherited an economy in tatters, which had suffered because of regional economic crises, a series of natural disasters, deterioration in governance and pursuit of poor policies by the previous government.

The Government's structural reform program, for which World Bank and ADB support is being sought, covers two broad areas: strengthening economic management, and improving governance. Within these two areas are a number of specific programs all of which will strengthen accountability, governance and performance. The details of the Government's reform program and specific actions that will be taken to achieve it are set out in a document titled Matrix of Policy Actions. The main programs in this Matrix are as follows:

- To improve fiscal management and enhance macroeconomic stability;
- To improve debt management;
- To improve the operating environment for business;
- To improve governance;
- To improve the efficiency and effectiveness of the public service;
- To improve the resources and delivery of health and education services;
- To improve forestry management; and
- To improve efficiency of financial services and reduce systemic risk.

The PNG Government intends to work closely with the World Bank, ADB and other donors to ensure the success of its structural reform program.

7. ADB Technical Assistance

TA 3280 was approved by ADB on the 26 October 1999 and this TA agreement provides Technical Assistance to Papua New Guinea for preparing the Governance and Public Sector Reform Program.
The objective of the TA is to assist the Government in undertaking an analytical and consultative process that will culminate in the preparation of a Governance and Public Sector Reform Program. The appointed consultants are required to undertake the following tasks:

- Obtain agreement with and commitment from the heads of five to six key service departments to introduce results-based performance management;
- Assess current performance on a selection of key frontline performance indicators to serve as baseline data and benchmarks;
- Identify, through a cause-effect analysis, key institutional variables that are influencing inadequate performance;
- Develop a service improvement plan for each department; and

The plan will include addressing how National, Provincial and Local Government levels will work and coordinate to make performance more effective.
VIII. Issues and Recommendations

This chapter presents the issues and recommendations that are associated with gaps or weaknesses in accounting and auditing arrangements. The issues and recommendations are divided into two parts as follows.

- Part One. Where the matter referred to may be considered and, if any action were to be taken, this would be better achieved with external assistance.
- Part Two. Where the matter referred to may be considered and, if any action is to be taken, this may be achieved without the need for external assistance.

Part One. Where External Assistance Might be Appropriate

1. Development of Public Sector Training – PNGIA

The International Federation of Accountants has issued eight International Public Sector Accounting Standards (IPSAS) and seven Exposure Drafts (EDs) for comment. The first eight IPSAS issued are based on accrual accounting and ED 9 refers to Financial Reporting under the Cash Basis of Accounting.

Since Public Sector Accounting has now gathered momentum on an international basis, it is convenient to introduce appropriate training to cover this subject. Universities and colleges should be encouraged to include this subject in their curriculum. However, it is considered that the best course of action may be gained through using the facilities and expertise of the PNGIA.

In order that the appropriate training in Public Sector Accounting be established and that due recognition is given to those who have completed this training, it is recommended that a separate status of Public Sector Accountant be created in the PNGIA.

The PNGIA currently requires its Registered Graduates to pass seven subjects, presented in modular style, before they can move to the status of Associate or Fellow. It is therefore recommended that a further module be introduced for Public Sector Accounting and that two of the current modules be reduced in content, possibly Taxation and Business Law, in order that the total amount of study remains the same. It is further recommended that technical assistance be considered in order to establish and revise the appropriate modules.
2. Accounting Education Requirements

The most significant problem regarding accounting education in Papua New Guinea is the acute shortage of student positions available at universities and colleges. This year the Divine Word University at Madang accepted 60 accounting students from 200 applications and the UPNG accepted approximately 100 out of 400 applications. It is estimated that one in four accounting student applications are accepted for enrolment throughout Papua New Guinea. It is further estimated that 2,000 qualified accountants are currently required to fill available positions in the public and private sectors.

There are a number of institutions with plans to increase the number of classrooms for business, accounting, and computer education. These institutions all have the land available for building extensions. However, funding of these facilities is urgently required. The position with these institutions is as follows:

- University of Papua New Guinea. The UPNG has approval in principle to establish facilities for a School of Business Administration. A Professor in Business Studies is being recruited to activate this facility in 2001. At this stage there are no reports available which give details of student capacity, design parameters or funds required. The UPNG is owned by the PNG government.

- Pacific Adventist University. The PAU needs to increase the size of enrolment and keep pace with demands for innovative instruction and experience in the School of Business center. To achieve this, the university needs to build a new fully equipped School of Business Studies. Ideally, this would consist of computer labs, two lecture halls, faculty office space, a workroom/resource center, and four classrooms. Including one classroom fully equipped for instruction in office administration. PAU has already designated a location for this building.

Currently the school is housed in a number of locations and the construction of a School of Business center would facilitate operations that are more efficient. The increased classroom space would also allow for an increase in student numbers.

The School of Business has preliminary plans to offer an MBA, a graduate diploma, and professional development classes for employed individuals. These courses would cater for both the private profession and the public sector, and may be offered on an
external basis. A new School of Business center would facilitate these developments.

As the School of Business grows, other needs are immediately apparent. Expanded dormitory space is needed to provide for increased enrolment and this project is also receiving due attention. Further, the university library needs to expand its facilities in order to increase space for holdings, equipment and resource materials. The construction of a new School of Business would increase library space as the school of Business currently takes up a significant amount of library space. The Seventh Day Adventist Church owns the PAU.

- Institute of Business Studies. The area of land occupied by IBS is insufficient to meet expansion requirements. Currently IBS is rejecting 75 percent of its student applicants because of lack of classroom space.

  IBS has purchased 33 hectares of land at Soger, near Port Moresby and intends to relocate as soon as possible. This facility would accommodate approximately 2,500 students compared with 500 students at the present facility. IBS is a privately-owned institute and provides training facilities for only business, accounting, and computing courses.

- The Divine Word University at Madang, like other institutions, only has sufficient classroom space to accept approximately 25 percent of accounting student applicants. The needs of this institution are as follows:
  - New Business Studies Building with fully equipped lecture rooms;
  - A computer laboratory set up for networking and connection to Internet; and
  - More library reference materials on accounting, business, and related topics.

In order to partly meet the acute shortage of training facilities for business, accounting and computing courses in Papua New Guinea, it is recommended that, after feasibility studies have been undertaken, assistance be considered for the increase in facilities at the following institutions:

- University of Papua New Guinea - establish School of Business Administration.
- Pacific Adventist University - establish School of Business Studies.
3. Training for Accounting Lecturers and Professors

In order to develop competent accounting graduates, the trainers themselves must be thoroughly conversant with modern-day practices and trends. Figure 1 presents a simplified way of looking at the factors that support the development of competent accountants.

The quality of undergraduate teachers is a key factor in developing competent accountants.

It is recommended that:

- a specific training program for accounting professors and lecturers be developed and implemented. This training program should include present day best practices in accounting procedures and current information available on International Accounting Standards. Important matters such as information technology (including both hardware and software) should also be included; and
- a professional organization be established in order that accounting professors and lecturers may further their education and share their technical knowledge through a common forum.
4. Forensic Audit – Auditor-General's Office

The Auditor-General of PNG confirmed that fighting corruption within the Public Service was high on the Government's agenda. The Auditor-General has requested ADB's assistance in establishing a Forensic Audit Unit within his Department. Some of the Auditor-General's staff have recently been trained in ADB-assisted Instructor Training Program conducted by Asian Organization of Supreme Audit Institutions (ASOSAI) and SPASAI (South Pacific Association of Supreme Audit Institutions) and it is intended to use these people to set up the Unit.

It is recommended that technical assistance be provided to the PNG Government to assist in the establishment of a Forensic Audit Unit within the Department of the Auditor-General.

Part Two. Matters Where Donor Assistance is Not Required

5. Papua New Guinea Public Sector Accounting Standards

The Public Sector Committee of the International Federation of Accountants has issued eight International Public Sector Accounting Standards (IPSAS) on the 24 May 2000.

IFAC is encouraging all governments to adopt these IPSAS as a base to form their own Public Sector Accounting Standards. IFAC also recommends the adoption of full accrual accounting as the basis of Government accounting however the move from a cash basis of accounting to a full accrual basis should be gradual.

It is recommended for consideration that Papua New Guinea establishes its own PNG Public Sector Standards and that these Standards be based on the International Public Sector Accounting Standards issued by IFAC on 24 May 2000.

6. Establish Public Sector Accounting Standards Board

International importance is now being actively directed towards the issue of accounting standards for the public sector, and it is appropriate that Papua New Guinea should keep pace with developments.

It is recommended that consideration be given to the setting up of a
Papua New Guinea Public Sector Accounting Standards Board in order to plan and establish the PNG Public Sector Accounting Standards, and to organize and monitor the implementation of these Standards.

7. Establish Accountant-General Position within the Department of Finance and Treasury

With the introduction of International Public Sector Accounting Standards, the DFT establishment needs to be reviewed in order that due recognition is given to developments in this area. There appears to be no senior officer within the Department whose duties include the monitoring and review of accounting standards. It is understood that the Provincial Liaison Division does some work on accounting standards. However, these responsibilities appear to be better placed in a division headed by an Accountant General.

It is recommended that consideration be given to the creation of a position entitled “Accountant General.” The duties of this position would ideally include the monitoring and review of International Public Sector Accounting Standards. Recommendations would come from this officer regarding the adoption of Standards and these submissions would be made to the Public Sector Accounting Standards Board.

It is further recommended for consideration that the functions and responsibilities of the Public Accounts Division be included in the duties of the Accountant General.

8. The Accountants Act 1996

The PNGIA have advised that although the Accountants Act was only promulgated in 1996, it is in urgent need of review. One of the major problems refers to accountants in employment. Under Section 67 of the Act, “a person who

(a) possesses qualifications at certificate, diploma, degree or professional level in commerce, economics, business or related disciplines; and

(b) is employed by the State or by a statutory body or by a private organization to perform duties connected with

(i) the recording, classifying, and analyzing of financial transactions;

or

(ii) the preparing of financial information;

or

(iii) the making of financial or business decisions;
(iv) auditing and/or investigating transactions of an accounting nature; or
(v) book-keeping and accounting generally,
shall be registered as an Accountant in Employment.
The prospective employer of a person to whom Subsection (1) applies shall apply for
the registration of that person prior to that person commencing employment.
Under Section 43 of the Act
"2 A person registered under this Part shall -
(a) within two months of the date of registration, become a member of the
Institute and
(b) thereafter during the period of his registration remain a member of the
Institute"
The strict interpretation of these sections means that if a qualified
person intends to carry out work of an accounting nature in the private
or public sector, he/she must be registered with the Accountants
Registration Board and the onus of this action is on the prospective
employer to ensure this happens before employment is commenced.
Obviously there are many employees and employers, including the
PNG Government, who are acting illegally under the Accountants Act
and this situation needs to be corrected urgently.

It is recommended that the Accountants Act be urgently reviewed in
line with suggestions by the PNGIA, and that the sections dealing with
Accountants in Employment be immediately addressed.

It is further recommended that the PNG Government, in order to
comply with the Accountants Act, should consider funding the
registration of its Graduate Accountants in the Public Service with the
Accountants Registration Board and the PNGIA.

9. Public Accounts Committee

The Public Accounts Committee is established under Article 215 of the
Constitution and its powers and procedures are established by
Parliament in accordance with Article 118 covering the rules of
Permanent Parliamentary Committees.

The primary function of the Public Accounts Committee is to
examine and report 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.
This function extends to any accounts, finances and property that are subject to inspection and audit by Auditor-General under Section 214 (2) (functions of the Auditor-General), and to reports by the Auditor-General under that subsection or Section 214(3) (functions of the Auditor-General).

It is understood that the PAC has not held a public hearing for at least three years although the Committee has been constituted. In previous years, the PAC met on a regular basis and instilled public confidence in the Government system of examination and questioning of the actions of public officials.

It is recommended that, in accordance with Articles 118 and 214 of the Constitution, the Public Accounts Committee be required to meet on a regular basis in open public hearings.

10. ADB Anti-corruption Policy

The ADB’s anti-corruption policy centers on three objectives: (i) supporting competitive markets, and efficient, effective, accountable, and transparent public administration, as part of ADB’s broader work in governance and capacity building; (ii) supporting promising anti-corruption efforts on a case-to-case basis and improving the quality of ADB’s dialogue with its developing member countries (DMCs) on a range of governance issues, including corruption; and (iii) Ensuring that ADB’s projects and staff adhere to the highest ethical standards.

In order to combat corruption in the public service the following procedures should be considered:

- Adequate accountability measures should be in place within the public service. These measures should be transparent to the individuals concerned and should be covered in position descriptions, or included in finance instructions.
- Procedures should be in place for the detection and investigation of corruption. Strengthening internal control procedures or broadening the scope of the internal audit may achieve this.
- The employment and training of accountants should be enhanced within the public service. All accounting bodies have a stringent code of ethics and deviations from this code could lead to dismissal from the accounting society. The employment of people
committed to these ethical codes of behavior will enhance the overall integrity of public servants. Employees should be encouraged to further their careers by taking up additional training, which will lead to obtaining professional qualifications. The Government should undertake Retraining and training in Government procedures.

- Effective internal controls with properly constructed transparent guidelines should be established and adherence to these guidelines should be monitored. This monitoring process could be achieved by inclusion in the mandate for internal audit.
IX. Main Deficiencies and Action Plan

Papua New Guinea has made good progress in recent years in adopting international accounting and auditing standards. This study has identified several gaps and weaknesses that may be categorized as follows:

- Those deficiencies that are better able to be resolved with external assistance.
- Those deficiencies that are able to be resolved without the need for external assistance.

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<td>Assisting in the development of public sector training through the PNGIA</td>
<td>High</td>
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<td>Supporting the upgrading of accounting facilities at training institutions</td>
<td>High</td>
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<td>Assisting in the development of a training program for lecturers and professors</td>
<td>High</td>
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<td>Lack of action by Public Accounts Committee</td>
<td>High</td>
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<td>Assisting the development of a Forensic Audit Unit in the AG’s Department</td>
<td>Medium</td>
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<td>The absence of public sector accounting standards</td>
<td>Medium</td>
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<tr>
<td>The absence of a Public Sector Accounting Standards Board</td>
<td>Medium</td>
<td>×</td>
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<tr>
<td>Establishment of the position of Accountant General</td>
<td>Medium</td>
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<td>Review of the Accountants Act</td>
<td>Medium</td>
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References

Accountants Registration and Practice Rules 1999
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Philip Kereme (Ph.D). Higher Education Policy in PNG: Vision, Challenges and Policy Focus
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Timothy Vatnavar Deputy Executive Director PNG Institute of Accountants
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Leka Pitoi ADB Programs Officer Dept. Finance and Treasury
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Deb Kumar De General Manager Kolta KPK
<table>
<thead>
<tr>
<th>Name</th>
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<tr>
<td>Herman S. Moshi</td>
<td>Senior Lecturer</td>
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<td>Divine Word University</td>
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<td>Ms. Joan Gamiandu</td>
<td>Supervisor</td>
<td>Deloitte Touche Tohmatsu</td>
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<td>Mick Nades</td>
<td>Director</td>
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<td>D Yaninen</td>
<td>Coordinator</td>
<td>PNG Institute of Public Admin.</td>
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<td>Owen Cox</td>
<td>Lecturer</td>
<td>Pacific Adventist University</td>
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<tr>
<td>Thaddeusa Kambanei</td>
<td>FAS Public Accounts</td>
<td>Dept. Finance and Treasury</td>
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Our appreciation is particularly extended to ADB staff who assisted with this Project and also to William Daniel, local consultant, who energetically acted as the Research Assistant to the Project.
Appendix 2. RETA-5877 (Regional Study) Information

1. Study Phases

The study had four broad phases as follows:

Phase I – Papua New Guinea Case Study on Accounting and Auditing Support, and Structures

Phase II – Port Moresby Workshop (20 September 2000)

Phase III – Development of Reference Materials

Phase IV – Formulation of Action Plan

2. Phase I: Case Study on Accounting and Auditing

This phase involved the examination of Papua New Guinea’s current accounting and auditing structure, and systems. It also (i) analyzed Papua New Guinea’s political, institutional, and regulatory and legal framework on accounting and auditing practice, and the level of enforcement of existing laws, rules, and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these.

A structured questionnaire, that covered the following areas, was used to collect descriptive information:

(i) Legal and regulatory framework (public and private sector)
(ii) Accounting infrastructure (professional bodies and accounting standards)
(iii) Institutional issues (public and private sector)
(iv) Government and administrative arrangements
(v) Financial reporting (public and private sector)
(vi) Accounting and computerization (public and private sector)
(vii) Accountancy education and training
(viii) Budgeting (public sector)
(ix) External audit (public and private sector)
(x) Previous studies and initiatives on financial management and governance.

The fieldwork for the study was conducted by Ted Godden, with the assistance of William Daniel from 29 August to 25 September 2000. Financial management and governance arrangements were discussed with representatives from: the Ministry of Finance and Treasury, other government organizations, professional accounting and auditing
bodies, private-sector businesses, tertiary institutions, and multilateral financing institutions.

3. Phase II: Port Moresby Workshop

Issues arising from the study were discussed and debated at a workshop held in Port Moresby on 20 September 2000. Thaddeus Kambanei, First Assistant Secretary Public Accounts, chaired the workshop. Francis B. Narayan, Lead Financial Specialist, ADB, participated in the workshop as a resource person and provided overall guidance with respect to the objectives of the Study. Nineteen participants, representing the following organizations, attended the workshop:

- Department of Finance and Treasury
- Auditor General's Office
- F De Graaf
- Institute of Business Studies
- Papua New Guinea Institute of Accountants
- Pacific Adventist University
- Divine Word University

4. Phase III: Development of Reference Materials

In phase III, reference materials on IAAS were developed. In developing these materials, consideration was given to: (i) alternative transition systems and associated benchmarks as well as underlying institutional prerequisites, and (ii) production of these materials in local languages.

5. Phase IV: Formulation of Action Plan

Phase IV assessed the roles that ADB and other funding agencies played in improving the current situation in the selected DMCs. The roles included policy intervention, projects and program assistance, and mobilization of cofinancing resources to address the identified problems and weaknesses. This activity was undertaken in close consultation with the Government, regulatory authorities, representatives of the accounting and auditing professions, and other local interest groups and funding agencies. At this stage of the RETA, the commitment in principle of each selected country to implement the findings and recommendations of the study was agreed. The findings of the RETA were disseminated and debated at a conference in Manila on 16-18 October 2000 and the developed action plan was finalized for implementation.
Appendix 3. Constitution of Papua New Guinea

1. Introduction

In 1828, the Dutch Government formally took possession of what is known as West Irian, which consisted of the western half of the island of New Guinea.

At the same time, German nationals had opened trading stations in the New Guinea Islands to the north of New Guinea. In 1883, the Australian Government decided to annex all land not previously claimed by the Dutch Government.

The British Government actively explored the southern part of New Guinea's coastline and in 1873 the London Missionary Society sent two men who established a mission station near where Port Moresby now stands.

In 1884 the German New Guinea Company was formed and a delegation was sent to New Guinea to hoist the German Flag on New Guinea soil. It was officially announced on 19 December 1884 that Germany had declared part of the New Guinea Mainland and the Islands a protectorate of the German Empire.

The British Government decided to formally annex New Guinea on 4 September 1888. The transfer from British to Australian Authority was gradual. In 1902 British New Guinea was placed under Australian Authority. On 1 September 1906 the Commonwealth of Australia took control of British New Guinea under its Papuan Act.

After the First World War, and following the German surrender in 1918, Australia took over the task of the administration of German New Guinea (Territory of New Guinea) until two years later when Australia given a formal mandate from the League of Nations. In 1929, Australia was given the full responsibility of administering both British New Guinea and the Territory of New Guinea under separate Legislative Councils. All members of Councils were Europeans, with a minority of non-Administration members elected by the Australian Government.

After the Second World War, Australia was given the mandate to continue the administration of both Territories separately under a trusteeship from the United Nations. In 1951, a single legislative authority was established for both Territories and the country was then known as Papua and New Guinea.

In 1961, following pressure by the nonofficial members for a greater say in policy making, the Legislative Council was reconstructed so that
for the first time the official members were outnumbered by nonofficial members 15 to 22. Indigenous representation had now risen to 12. In 1963 the Legislative Council was abolished and replaced by the House of Assembly in 1964.

On the 1 December 1973, Papua New Guinea became self-governing, with the transfer of the judiciary and commonwealth functions from the Australian Government to the Government of Papua New Guinea. On 16 September 1975, Papua New Guinea was granted full independence.

The current Constitution was approved by the Constituent Assembly on 15 August 1975, and came into effect on 16 September 1975, the day of Independence. The Constitution is grouped into 14 parts:

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<td>XIII</td>
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Individual Parts contained in the Constitution will be covered in various parts of this study as they relate to each individual topic.

2. The Laws of Papua New Guinea

Part II of the Constitution refers to the Laws of Papua New Guinea. The more relevant details concern the following:

- this Constitution; and
- the Organic Laws; and
- the Acts of the Parliament; and
- Emergency Regulations; and
- the provincial laws; and
• laws made under or adopted by or under this Constitution or any of those laws, including subordinate legislative enactment’s made under this Constitution or any of those laws; and
• the underlying law.

Constitution, etc., as Supreme Law
• The Constitution and the Organic Laws are the Supreme Laws of Papua New Guinea, and all acts (whether legislative, excessive or judicial) that are inconsistent with them are, to the extent of the inconsistency, invalid and ineffective.
• The provisions of this Constitution and of the Organic Laws are self-executing to the fullest extent that their respective natures and subject matters permit.

Organic Laws
• For the purposes of this Constitution, an Organic Law is a law made by the Parliament that is -
  o for or in respect of a matter provision for which by way of an Organic Law is expressly authorized by this constitution; and
  o not inconsistent with this Constitution; and
  o expressed to be an Organic Law.
• An Organic Law may be altered only by another Organic Law, or by an alteration to this Constitution.
• Nothing in this section prevents an Organic Law from -
  o making any provision that might be made by an Act of the Parliament; or
  o requiring any provision to be made by an Act of the Parliament that might otherwise be so made, but any such provision may be altered by the same majority that is required for any other Act of the Parliament.

The Head of State
Queen and Head of State: Her Majesty the Queen -
• having been requested by the people of Papua New Guinea through their Constituent Assembly, to become the Queen and Head of State of Papua New Guinea; and
• having graciously consented so to become, is the Queen and Head of State of Papua New Guinea.
Subject to and in accordance with this Constitution, the privileges, powers, functions, duties and responsibilities of the Head of State may be had, exercised and performed through a Governor-General
appointed in accordance with Division 3 and, except where the contrary intention appears, reference in any law to the Head of State shall be read accordingly.

The Governor-General

The Governor-General must be a citizen who –
• is qualified to be a member of the Parliament (except for the reason that he occupies the office of Governor-General); and
• is a mature person of good standing who enjoys the general respect of the community.

The Governor-General must not hold any office or position or engage in any calling other than that of, or an office or position associated with, his office as Governor-General, except with the consent of the Head of State, acting with, and in accordance with, the joint advice of the National Executive Council and the Ombudsman Commission.

The National Government

Subject to and in accordance with this Constitution, the power, authority and jurisdiction of the people shall be exercised by the National Government.

The National Government consists of three principal arms, namely:
• the National Parliament, which is an elective legislature with, subject to the Constitution Laws, unlimited powers of lawmaking; and
• the National Executive; and
• the National Judicial System, consisting of a Supreme Court of Justice and a National Court of Justice, of unlimited jurisdiction, and other courts.

In principle, the respective powers and functions of the three arms shall be kept separate of each other.

The National Parliament

Subject to this Constitution, the legislative power of the people is vested in the National Parliament.

Subsection (1) does not prevent a law from conferring on an authority other than the Parliament legislative powers or functions (including, if the law so provides, a further powers or further powers of delegation and sub-delegation).
Nothing in any Constitutional law enables or may enable the Parliament to transfer permanently, or divest itself of, legislative power.

**Memberships**

Subject to this section, the Parliament is a single-chamber legislature, consisting of –

- a number of members elected from single-member open electorates; and.
- a number of members elected from single-member provincial electorates; and
- not more than three nominated members, appointed and holding office in accordance with Section 102.

An Organic Law shall make provision for the number of open and provincial electorates. (At present there are 109 seats in the National Parliament)

No member may represent two or more electorates at the same time.

The precise number of open electorates and of provincial electorates and their boundaries shall be determined from time to time in accordance with Section 125.

An alteration to the number of electorates or to the boundaries of an electorate takes effect for the purposes of the next general election and of succeeding elections.

**Normal term of office**

An elected member of the Parliament takes office on the day immediately following the day fixed for the return of the writ for the election in his electorate. The seat of a member of Parliament becomes vacant –

- if he is appointed as Governor-General; or
- upon the expiry of the day fixed for the return of the writs, for the general election after he last became a member of the Parliament; or
- if he resigns his seat by notice in writing to the speaker, or in the case of the speaker to the clerk of the Parliament; or
- if he is absent, without leave of the Parliament, during the whole of three consecutive meetings of the Parliament, unless Parliament decides to waive this rule upon satisfactory reasons being given; or
• if, except as authorized by, or under an Organic Law or an Act of
the Parliament, he directly or indirectly agrees to take any payment
in respect of his services in the Parliament; or
• if he becomes disqualified under Section 103; or
• on his death; or
• if he is dismissed from office under Division 111.2
For the purposes of subsection (2) (d), a meeting of the Parliament
commences when Parliament first sits following a general election, or
an adjournment of the Parliament otherwise then for a period of less
than 12 days and ends when next the Parliament is adjourned otherwise
than for a period of less than 12 days.

General Election
A general election to the Parliament shall be held -
• within the period of three months before the fifth anniversary of
the day fixed for the return of the writs for the previous general
election; or
• if, during the last 12 months before the fifth anniversary of the day
fixed for the return of the writs for the previous general election -
  ○ a vote of no confidence in the Prime Minister or the Ministry is
    passed in accordance with Section 145; or
  ○ the Government is defeated on the vote on a question that the
    Prime Minister has declared to the Parliament to be a question
    of confidence; or
  ○ if the Parliament, by an absolute majority vote, so decides.

Offices of Speaker and Deputy Speaker
There shall be offices of Speaker and Deputy Speaker of the National
Parliament.

The Speaker and the Deputy Speaker must be members of the
Parliament, and shall be elected by the Parliament by secret ballot in
accordance with the standing Orders of the Parliament.

The Speaker and the Deputy Speaker hold office, and their offices
become vacant, in accordance with the Constitutional Laws and
Standing Orders of the Parliament.

No minister may be the Speaker or Deputy Speaker, and if a
Speaker or Deputy Speaker becomes a minister he vacates his office as
Speaker or Deputy Speaker, as the case may be.

Functions of the Speaker and Deputy Speaker
The Speaker is responsible, subject to and in accordance with the Constitutional Laws, the Acts of the Parliament and the Standing Orders of the Parliament, for upholding the dignity of the Parliament, maintaining order in it, regulating its proceedings and administering its affairs, and for controlling the precincts of the Parliament as defined by or under an Act of the Parliament.

General Power of Lawmaking

Subject to the Constitution, the Parliament may make laws, having effect within and outside the country, for the peace, order and good government of Papua New Guinea and welfare of the People.

In particular, Acts of the Parliament, not inconsistent with the Constitutional Laws, may provide for all matters that are necessary or convenient to be prescribed for carrying out and giving effect to this Constitution.

No law made by Parliament is open to challenge in any court on the ground that -

• it is not for the peace, order or good government of Papua New Guinea or the welfare of the People; or

• it purports to have extra-territorial effect.

Each law made by Parliament shall have fair, large and liberal construction and interpretation as will best ensure the attainment of the object of the law according to its true intent, meaning and spirit, and there is no presumption against extra-territoriality.

Certification as to Making of Laws

Subject to Section 137 (3) and to any Act of the Parliament made for the purposes of Subsection (3), the Speaker shall certify under the National Seal, in accordance with the Standing Orders of the Parliament, that a law has been made by the Parliament and, subject to Subsection (2), the law comes into operation on the date of the certificate. Nothing in Subsection (1) prevents a law -

• being expressed to come, or to be deemed to have come, into force on date specified by, fixed in accordance with, law; or

• being retrospective or retroactive.

An Act of the Parliament or the Standing Orders of the Parliament may make provision under which a law made by the Parliament may, at the direction of the Head of State, acting with, and in accordance with, the advice of the National Executive Council, be recommitted to the
Parliament for the consideration of amendments proposed by the Head of State, acting with, and in accordance with, the advice of the National Executive Council.

Right to Introduce Bills Etc.
Subject to Section 210, any member of the Parliament is entitled to introduce into Parliament, in accordance with, and subject to any reasonable restrictions contained in, the Standing Orders of the Parliament, a petition, question, bill, resolution or motion.

The petition, question, bill, resolution or motion shall be dealt with as provided by the Standing Orders of the Parliament.

The Prime Minister
The Prime Minister shall be appointed, at the first meeting of the Parliament after the general election and otherwise from time to time as the occasion for the appointment of a Prime Minister arises, by the Head of the State, acting in accordance with a decision of the Parliament.

If the Parliament is in session when a Prime Minister is to be appointed, the question of appointment shall be the first matter for consideration, after any formal business and any nomination of a Governor-General or appointment of a Speaker, on the next sitting day.

If the Parliament is not in session when a Prime Minister is to be appointed, the Speaker shall immediately call a meeting of the Parliament, and the question of the appointment shall be the first matter for consideration, after any formal business and any nomination of a Governor-General or appointment of a Speaker, on the sitting day.

The National Executive Council
The National Executive Council consists of all the Ministers (including the Prime Minister when he is present as Chairman). The functions of the Council are -

• to be responsible, in accordance with the constitution, for the executive government of Papua New Guinea; and
• such other functions as are allocated to it by the Constitution or any other law.

Except where the contrary intention appears, nothing in the Constitution prevents the power, functions, duties or responsibilities
of the Council from being exercised, as determined by it, through a Minister.

Subject to any Organic Law or Act of the Parliament, the procedures of the Council are as determined by it.

Provincial Government System

**Grant of Provincial Government**

An Organic Law shall provide for, or make provision in respect of, the granting to a province of provincial government after constitution, as prescribed by an Organic Law, with the province.

**Constitution, Functions, etc. of Provincial Government**

An Organic Law shall make provision in respect of the constitution, powers and functions of a provincial government. For each provincial government, there shall be established –

- an elective, or mainly elective, provincial legislature with such power as are conferred by law; and
- a provincial executive; and
- an office of head of the provincial executive.

An Organic Law shall provide for the minimum number of members for the provincial legislature, and the maximum of number of members that may be appointed as nominated members of the legislature. An Organic Law shall make provision for, and in respect of –

- grants, conditional or unconditional or both, by the National Government to the provincial governments; and
- the imposition and collection of taxation by the provincial governments, and may make other financial provision for provincial governments, to an extent reasonably adequate for the performance of their functions.

An Organic Law shall make provision for the devolution and delegation to each provincial government of substantial powers of decision-making and substantial administrative powers in respect of matters of direct concern to the province.

An Organic Law shall make provision in respect of the legislative powers of provincial governments.
The Parliament and Finance.

Parliament Responsibility
Notwithstanding anything in the Constitution, the raising and expenditure of finance by the National Government, including the imposition of taxation and the raising of loans, is subject to authorization and control by the Parliament, and shall be regulated by an Act of the Parliament. For each fiscal year, there shall be a National Budget comprising -

(a) estimates of finance proposed to be raised and estimates of proposed expenditure by the National Government in respect of the fiscal year; and

(b) separate appropriations for the service of that year in respect of:  
   (i) the services of the Parliament; and  
   (ii) general public services; and  
   (iii) the services of the Judiciary; and

(c) such other supplementary Budgets and appropriations as are necessary.

For the purposes of this Sub-division -

(d) "the service of Parliament " include salaries and allowances (financial and otherwise) of the members of Parliament, the maintenance of the precincts of the Parliament, and the Parliamentary Service established under the Parliamentary Service Act (chapter 26); and

(e) "the services of the Judiciary" include -
   the salaries and allowances (financial and otherwise) of Judges of the Supreme and National Courts; and
   the maintenance of the Supreme and National Courts; and
   (i) the National Judicial staff services established under the National Judicial Staff Service Act 1987; and
   (i) the salaries and allowances (financial and otherwise) of all persons appointed under the Supreme Court Act (Chapter 37), the National Court Act (Chapter 38) and the Sheriff Act (Chapter 55).

For the purposes of subsection (2) (b) (i) and (ii), the speaker of the Parliament and the Chief Justice respectively shall, before 30 September each year, submit to the Prime Minister estimates of expenditure for the services of the Parliament and the services of the Judiciary respectively in the following fiscal year.
Before any Budget or appropriation is prepared for the submission to the Parliament, the National Executive Council shall consult with any appropriate Permanent Parliamentary Committee, but this subsection does not confer any right or impose any duty of consultation after the initial stages of the preparation of the Budget or appropriation.

**Executive Initiative**
The Parliament shall not provide for the imposition of taxation, the raising of loans or the expenditure of public moneys of Papua New Guinea except on the recommendation of the Head of State, acting with, and in accordance with, the advice of the National Executive Council.

Subject to Subsections (3) and (4), Parliament may reduce, but shall not increase or re-allocate, the amount or incidence of, or change the purpose of, any proposed taxation, loans or expenditure.

Where, in the opinion of the Parliament, the proposed expenditure for the services of the Parliament or the services of the Judiciary is below the estimate submitted by the Speaker or Chief Justice respectively and is insufficient adequately to meet the expenditure to an amount not exceeding the original estimates submitted by the Speaker or Chief Justice, as the case may be, under Section 209 (2B).

For the purposes of Subsection (3), the Parliament may reallocate, or reduce and reallocate, the amount of expenditure appropriated for any purpose.

All moneys of or under the control of the National Government for public expenditure and the Parliament and the Judiciary for their respective services shall be dealt with and properly accounted for in accordance with law.

No moneys of or under control of the National Government for public expenditure and 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.

**Revenue and Expenditure Without Prior Approval**
If at the beginning of a fiscal year the Parliament has not made provision for public expenditure by the National Executive or expenditure by the Parliament or the Judiciary, for their respective services for that year, the National Executive, the Parliament or the Judiciary, as the case may be, may without authorization other than this section but may, in
accordance with an Act of the Parliament, expend amount appropriated out of the Consolidated Revenue Fund for the purpose not exceeding in total one-third of its respective budgeted expenditure during the immediately preceding fiscal year.

The authority conferred by Subsection (1) lapses when the Parliament has made provision for the public expenditure for the fiscal year in question, and any amounts expended by virtue of that subsection are a charge against the expenditure so provided for and shall be properly brought to account accordingly.

The Auditor-General

The Auditor-General shall be appointed by the Head of State, acting with, and in accordance with, the advice of the National Executive Council, given after receiving reports from the Public Services Commission and the Public Accounts Committee.

In the performance of his functions under this Constitution, the Auditor-General is not subject to the control or direction of any person or authority.

Functions of the Auditor-General

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.

Unless other provision is made by law in respect of the inspection and audit of them, Subsection (1) extends to the accounts, finances and property of-

(a) all arms, departments, agencies and instrumentalities of the National Government, and

(b) all bodies set up by an Act of the Parliament, or by executive or administrative act of the National Executive for government 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 inspection 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.

An Act of the Parliament may expand, and may provide in more detail lot, the functions of the Auditor-General under Subsection (1), (2) and (3), and may confer on the Auditor-General additional functions and duties not inconsistent with the performance of the functions and duties conferred and imposed by those subsections.

The Public Accounts Committee

Establishment of the Committee
There shall be a Public Accounts Committee, which is a Permanent Parliamentary Committee for the purpose of Subdivision VI.2.E (the Committee system).

Functions of the Committee
The primary function of the Public Accounts Committee is, in accordance with an Act of the Parliament, to examine and report 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.

Subsection (1) extends to any accounts, finances and property that are subject to inspection and audit by Auditor-General under Section 214 (2) (functions of the Auditor-General), and to reports by the Auditor-General under that subsection or Section 214(3) (functions of the Auditor-General).
Appendix 4. Divisions of the Department of Finance and Treasury

1. Divisions

The following are the Divisions of the Department of Finance and Treasury.

Provincial Liaison

The Division’s responsibilities include:
- Facilitate the implementation of the reform program;
- Oversee administrative functions of Provincial and District Treasuries; and
- Coordinate the improvement of financial management and control, reporting and accountability in the provinces.

Objectives
- To oversee the administrative functions of the Provincial and District Treasuries by ensuring compliance to their duties and responsibilities;
- To undertake review of the financial management system and propose improvement to the financial management, accounting and reporting in the Provinces;
- To facilitate and coordinate timely submission of financial reports, cash flow's statement and other reports from Provinces;
- To conduct a review where necessary to amend Public Finances (Management) Act and Financial Management Manual and the issue of Financial Instructions to ensure compliance; and
- To carry out review of Audit and Inspection reports on all National Departments, including Provincial and Local-level Government.

Budgets Division

The objectives of the Division include the following:
- Ensuring the formulation and administration of annual estimates of revenue and expenditure in the context of the Constitution, Public Finances (Management) Act, the Appropriate Acts, and other Constituent Acts;
- Facilitate a shared responsibility in the overall formulation and administration of annual estimates;
• Provision of technical advice and assistance to operating agencies in the formulation of the annual Budget and monitoring of expenditure during the year; and
• Ensure effective consultations with the Department of Personnel Management on personnel matters affecting the Budget.

Public Accounts Division

Objectives
The main objectives of the Public Accounts Division are:
• To ensure that annual accounts are timely put together and submitted to the Auditor-General for audit each fiscal year;
• To ensure that funds are released to implementing agencies in accordance with their planned activities;
• To ensure timely and accurate submission of monthly and quarterly financial reports in accordance with the provisions of the Public Finances (Management) Act;
• To provide effective accounting and advisory services to National Departments, Provincial and Local-level Governments;
• To improve internal control mechanisms within the public sector for better control of commitment and expenditure of public-moneys by Departments and Agencies; and
• To ensure effective financial control over transactions arising from the Trust Fund.

Financial Inspection Services Division

Objective
To ensure proper financial management and accountability of public resources by providing adequate audit and inspection coverage of government agencies, and instrumentalities.

Appointments
For the purposes of enforcing the provisions of Public Finances (Management) Act, the officers of the Division are appointed as Inspectors by the Secretary for Treasury and Corporate Affairs under Section 8 of the Act, and appointments must be gazetted in the National Gazette.

Role and Responsibilities
The main role of Inspector is to ensure proper financial management and accountability of public resources by providing adequate audit and inspection coverage of government agencies, and through enforcement of compliance with financial procedures, rules, and regulations.

Legal Status and Powers
In line with the powers and authority provided under the Act and any that may be delegated by the Minister and the Secretary, the Inspectors conduct audit inspections and investigations into financial operations of the national departments, statutory bodies and Provincial and Local-level Governments.

Establishment
The Inspection Services Division is established within the Department of Treasury and Corporate Affairs. It is headed by a First Assistant Secretary (FAS), formerly Chief Inspector who is appointed by the Secretary for Finance and Treasury and directly responsible to him. The Division comprises of three functional branches, vis-à-vis, Departmental Audit, Finance & Statutory Bodies Audit, and Provincial Audit, each headed by an Assistant Secretary with regional offices in Konedobu, Lae, Mt Hagen and Rabaul, all under the umbrella of Provincial Audit Branch, each headed by a Regional Inspector.

Revenue and Loans Management Division
Objectives
The objectives of the Revenue, Loans, and Debt Management Division are:-

- To manage the overall commercial, concessional and grant aid resources available to the State from domestic and international financial institutions, and bilateral and multilateral development donor assistance agencies, and securing the best possible terms and conditions from all financing sources;
- Maximizing the utilization of these funds;
- Ensuring that the debt obligations associated with these resources are serviced on time to avoid additional costs to the State and to be fully accountable to international and domestic commercial financiers and bilateral and multilateral donor agencies on the use of their resources; and
- Maximization of departmental revenue.
Information Technology Division

Mission
Development, operation, maintenance, and provision of technical support services in relation to a nation-wide distributed, automated, accounting systems and finance-based budgeting, payroll, debt-management and general ledger systems including network.

Objectives
- To meet all computing requirements of Government for which the Department of Finance and Treasury is administratively and functionally responsible;
- To ensure that the development of computer-based information technology is properly planned, implemented, administered and coordinated in accordance with standards and directions determined by the government Information Technology Board;
- To develop and implement improved Financial Management Information Services for the Department of Finance and Treasury and for all other departments and agencies for treasury related operations;
- To provide effective centralized information services to support management decision-making needs of the Department of Finance and Treasury and of Government at large where necessary;
- To plan and implement automated administrative and office systems throughout the Department of Finance and Treasury and any other department(s) that may require assistance from the Division.

Commercial Investment Division.

Objectives
The main objectives of the Commercial Investment Division include;
- Creating an investment climate which will generate increased commercial and economic activities consistent with National Government objectives, through target and efficient government financial and regulatory interventions in the economic sector which does not cause unintended distortions;
- Contribute towards creating an efficient and dynamic private sector which is consistent with Government objectives;
• Establishing commercially viable public enterprise which are efficient effective and responsive to the economic and development needs of the people, the State and the private sector;
• Ensure an effective implementation of the Government's program; and
• Provide fair and stable price levels whereby producers are allowed reasonable returns on their investments and consumers are not charged unnecessarily excessive prices.

Insurance Commissioner

Mission
To implement Government directives in accordance with the regulation and supervision of the insurance and superannuating industries, and to ensure that insurance and superannuating services and practices are provided in the best interests of Papua New Guinea.

Objectives
• Efficiently administer regulatory and supervisory responsibilities; including licensing and registration as set down in the Insurance Act 1995;
• Encourage responsible growth in all sectors of the insurance industry, including general, life, and superannuation streams;
• Monitor solvency and financial performance indicators of licensed insurers and brokers to ensure financial strength and viability of the industry is maintained to adequately meet the obligation of policy-holders;
• Reduce insurance costs and ensure equality services for the community and business through competitive practices in the industry;
• Investigate complaints and ensure consumer interests and rights are protected,

Economic Policy Unit

Objective(s)
The Economic Policy Unit has an important role within the Department of Finance and Treasury in the areas of macroeconomic policy formulation and analysis, macro-planning and economic forecasting.

The provision of timely parliament and National Executive Council briefs is an ongoing activity of the unit including provision of the
essential inputs into, unilateral, bilateral, and multilateral talks held either within Papua New Guinea or abroad.

The Unit, through the Fiscal and Forecasting branches, provides the essential Fiscal budgetary framework, which is the pinnacle for the Government’s annual budgets. The formulation of a midterm expenditure strategy or plan, also assist in guiding expenditure planning into the medium term.

Part of this important role is for the Unit to liaise closely with other Government agencies and departments, including private sector organizations. Keeping such channels of communication flowing is essential to enable an effective monitoring, assessment, and provision of timely reports, briefs and advise to the Government of the day on what is happening in the different sectors in the economy and macro implications.

2. Personnel Resources

The following is the Department of Finance and Treasury current personnel position and budget and its projections for the year 2000.

Personnel

<table>
<thead>
<tr>
<th>Status</th>
<th>Total</th>
<th>National</th>
<th>Contract</th>
<th>Voluntary</th>
<th>Consulting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded</td>
<td>739</td>
<td>721</td>
<td>18</td>
<td>1</td>
<td>6</td>
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<tr>
<td>Strength</td>
<td>421</td>
<td>407</td>
<td>14</td>
<td>1</td>
<td>6</td>
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<tr>
<td>Vacancies</td>
<td>318</td>
<td>314</td>
<td>4</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Laborers</td>
<td>1</td>
<td>1</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Casuals</td>
<td>10</td>
<td>10</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Unattached</td>
<td>251</td>
<td>251</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
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</table>

Budget Activity (By Division)

<table>
<thead>
<tr>
<th>Division</th>
<th>Personnel</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management &amp; Administration</td>
<td>87</td>
<td>1,304,980</td>
</tr>
<tr>
<td>Economic</td>
<td>21</td>
<td>408,980</td>
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<tr>
<td>Commercial Investment</td>
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<tr>
<td>Insurance Commission</td>
<td>7</td>
<td>200,568</td>
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<tr>
<td>Budget</td>
<td>43</td>
<td>472,900</td>
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<tr>
<td>Financial Inspectors</td>
<td>53</td>
<td>930,249</td>
</tr>
<tr>
<td>Loans, Revenue, Aid &amp; Debt Management</td>
<td>50</td>
<td>403,778</td>
</tr>
<tr>
<td>Public Accounts</td>
<td>50</td>
<td>1,045,938</td>
</tr>
</tbody>
</table>
Appendix 5. The Banking Sector

1. Bank of Papua New Guinea

The Bank of Papua New Guinea was established in 1975, and is the nation’s Central Bank. A board of directors appointed by the Government controls the Bank. Its profits are paid into the public account, which is a state fund. It takes no part in normal commercial activities.

The Bank of Papua New Guinea controls the monetary policy of the Government. It controls the amount of funds in the country and determines the amount of funds that other banks lend to firms and to the public.

The Bank of Papua New Guinea has the following responsibilities:

- issuing the nation’s currency – the kina
- holding Papua New Guinea’s reserves of gold and foreign currency
- controlling the value of the kina against other currencies
- issuing exchange control regulations
- handling the bank accounts of government departments
- keeping track of the public debt of Papua New Guinea. It keeps detailed records of government loans from within the country and from overseas. It also makes arrangements for the repayment of these loans.
- issuing licenses to buy and sell gold

The Bank of Papua New Guinea controls monetary policy by controlling the commercial banks as follows:

- the commercial banks may be required to deposit sums of money with the Bank of Papua New Guinea;
- the commercial banks may be required to reduce their lending by a certain amount;
- the commercial banks may be encouraged to raise or lower their interest rates; and
- in extreme cases the Bank of Papua New Guinea may take over the operations of a commercial bank.

2. Commercial Banks

The commercial banks that exist in Papua New Guinea are:

- Papua New Guinea Banking Corporation (a Government-controlled bank – PNGBC)
3. **Finance Companies**

In Papua New Guinea, there are a number of finance companies in operation. These include:

- Nambawan Finance
- AGC Pacific
- Credit Corporation
- MBf Finance – part of a large Malaysian investment company
- First Investment Finance
- Resources and Investment Finance Limited

Finance companies provide finance to businesses and the public mainly to obtain assets. They do this mostly through leasing and hire purchase.

4. **The Agriculture Bank of Papua New Guinea**

The Agriculture Bank, which is under the control of the PNGBC, does not operate like a normal commercial bank – it lends money mainly for business purposes, however it does not accept deposits of funds from the public. The funds lent normally come from grants and loans from the government. It also obtains grants and loans from overseas agencies, e.g., ADB.

The Agriculture Bank provides finance for agricultural and other productive purposes. Its role is to provide finance for:

- the setting up and development of agriculture activities;
- the setting up and development of commercial and industrial activities;
- the purchase of existing commercial and industrial activities; and
- rural housing.

The Agriculture Bank also gives advice to Papua New Guinean businesspersons involved in agricultural, commercial, and industrial activities.
5. The Investment Corporation

The Investment Corporation was established for two main reasons:
- to provide a safe investment for depositors funds; and
- to provide finance for Papua New Guinea companies.

Papua New Guinea citizens may buy shares in the Investment Corporation Fund. The money in this fund is used to buy shares in Papua New Guinea companies.

The Investment Corporation Fund may hold up to 30 percent of the shares in a business. The Fund's income comes from dividends from the many companies it has invested in. This income is then distributed to the fund's shareholders.

Investment Corporation Fund shareholders benefit in the same way as shareholders in a company. Dividend income is received. The value of Investment Corporation Fund shares also increases as the assets or shares in the fund increase.
Appendix 6. The Securities Act

The Securities Act 1997 contains provisions regulating the dealing in securities in PNG, and significantly extends the scope of the existing legislation to cover:

- the creation of a Securities Commission to regulate trading in securities. Initially this will be under the control of the Registrar of Companies;
- the establishment and regulation of a PNG stock exchange;
- regulation of the offer of securities to the public, and the obligations of issuers;
- the contents and registration of prospectus;
- the creation and regulation of unit trusts;
- securities market practices, including market manipulation, false trading and insider trading;
- disclosure obligations of substantial shareholders, defined as a person having a direct or indirect beneficial interest of 5 percent or more of the voting shares in a company; and
- the formulation by the Securities Commission of a takeovers code.
Appendix 7. Accountants Registration and Practice Rules 1999

(These rules are being applied, however they are not yet gazetted).

Made under the Accountants Act 1999 to be deemed to have come into operation on 14 September 1998. The following Rules (for Registration) are prepared in accordance with Section 68 of the Accountants Act.

1. Registration and Minimum Qualifications

To be registered in any of the accounting categories as detailed in Section 68 of the Accountants Act, a registration form must be completed with the Accountants Registration Board in accordance with the following:

(i) To be registered in any of the above categories, the applicant must be a Fellow or an Associate member of the Papua New Guinea Institute of Accountants.

(ii) Citizen applicants must have completed the Professional Examinations of the Papua New Guinea Institute of Accountants unless they have been admitted as an associate of the Papua New Guinea Institute of Accountants by virtue of being a member of an approved (by Papua New Guinea Institute of Accountants) overseas accountancy body; in which case the applicant must have completed the Papua New Guinea Institute of Accountants professional examinations of Taxation Law and Practice, and Business Law.

(iii) Non-citizen applicants must be eligible by virtue of their membership of an approved (by Papua New Guinea Institute of Accountants) overseas accountancy body to be an Associate or Fellow member of the Papua New Guinea Institute of Accountants; in which case the applicant must have completed the Papua New Guinea Institute of Accountants professional examinations of Taxation and Practice and Business Law before applying for registration.
(iv) In the case of non-citizens not having an approved overseas accountancy qualification, all the professional examinations of the Papua New Guinea Institute of Accountants must have been completed before applying for registration.

(v) No applicant will be approved as a Registered Public Accountant, Registered Company or Registered Liquidator if membership of the Papua New Guinea Institute of Accountants is obtained under Rule A. "Special Admission" of the Papua New Guinea Institute of Accountants Rules.

(vi) No applicant will be approved unless the applicant has had at least three years' experience in a registered practicing firm, in the relevant category, which must be evidenced by appropriate certification.

(vii) In the case of an emergency (e.g., special circumstance such as the illness or sudden death of an exiting partner requiring a replacement partner almost immediately) the Accountants Registration Board shall have the power to grant provisional registration for a period of up to six months to a new partner, during which time the requirements of registration must be fulfilled.

2. Non-citizens Wishing to Enter Practice
Non-citizens wishing to register or re-register in Papua New Guinea other than as a partner in an existing firm must enter into partnership arrangement with a citizen. Such arrangement must include a clause in which the citizen or citizens have the control within the entity. A copy of the joint venture arrangement must be submitted to the Accountants Registration Board at the same time as an application to practice is submitted. In the event, that the partnership terminates, the non-citizen's registration lapse automatically.

3. New Non-citizen Partners in Existing Firms
A new non-citizen partner in an existing firm can only replace a retiring partner from that firm.

4. Renewal of Registration
The Accountants Registration Board shall before renewing the registration of a Registered Public Accountant, Registered Company Auditor or Registered Liquidator be satisfied that all requirements of the Accountants Act have been complied with, that the member is in good standing, with the Papua New Guinea Institute of Accountant attesting to the fact that the Continuing Professional Education requirements of the Papua New Guinea Institute of Accountants have been met under the Papua New Guinea Institute of Accountants Rule 10.

5. **Accountants In Employment**

All Accountants in Employment must be Fellows, Associates, Accounting Technicians or Registered Graduate financial members of the Papua New Guinea Institute of Accountants who shall attest on renewal with the Accountants Registration Board of Papua New Guinea each year that the member is in good standing with the Papua New Guinea Institute of Accountants, and a letter of confirmation is received from the Papua New Guinea Institute of Accountants attesting to the fact that the Continuing Professional Education requirements of the Papua New Guinea Institute of Accountants have been met under Papua New Guinea Institute of Accountants Rule 10.

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

(b) A member in the employment of the State, or by a statutory body or by a private organization, shall not undertake any public accountancy services

(c) A breach of this clause will be referred to the Accountants Statutory Committee under the Accountants Act.

The Accountants Registration Board has the discretion to register any person or persons irrespective of whether it is in compliance with the above Rules, where the Accountants Registration Board consider that it is the interest of the public and the profession.

In order to register a person under this rule, a two-thirds (2/3) majority at the relevant Board Meeting is necessary.
Appendix 8. Papua New Guinea Institute of Accountants

Five Year Institute Plan: 2000 - 2004

1. Mission Statement

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

- Organization Change: To initiate a process of organizational change with priority given to:
  - Becoming a pro-active knowledge-based institution;
  - Adopting a more flexible, innovative and responsive organization culture;
  - Improving efficiency and service delivery;
  - Monitoring the needs of separate membership groups, and addressing the needs of individual members; and
  - Developing strategic alliances with International accounting bodies;
    - Project Owner: Council

- Leadership: To provide leadership in the development of:
  - Quality assurance;
  - New standards for new services; and
  - Relationships with other professional and business associations.
    - Project Owner: Council

- Change management: To adopt a culture that embraces change and to commit the resources required to manage change at the structural and operational levels.
  - Project Owner: Council

- Ethical Standards: To foster the highest of ethical standards among members.
  - Project Owner: Membership Committee

- Specialization: To promote and support specialization through members' careers.
  - Project Owner: Council
• Ownership: To develop guidelines on the ownership of public practice firms, access to capital and distribution of profits that balance contemporary commercial needs and professional standards, and to allow multidisciplinary practices.
   Project Owner: Public Practice Committee (to be formed)

• Advocacy: To demonstrate a leading advocacy role with national and international governments and regulators on all economic and business issues affecting the profession.
   Project Owner: Council

• Globalization: To lead the process of globalization of business and the profession by:
  • Working with the Accounting Standards Board on the international harmonization of International Accounting Standards and International Auditing Standards
  • Developing associations with professional and associated organizations internationally; and
  • Fostering networking of members.
   Project Owner: Council Standards Committee and Council

• Education:
  • To respond to members' needs for professional education;
  • To maintain an educational program which provides members with an up to date coverage of the essential accounting and related disciplines necessary to prepare members for their participation in their respective roles in the accounting, financial, business advisory, taxation, and management functions;
  • To continue to incorporate core accounting skills;
  • To enable members to achieve reciprocal membership with International; accounting bodies, and particularly ASCPA;
  • To expand and develop the Accounting Technician qualification; and
  • To support the universities in maintaining and improving their standards.
   Project Owner: Education Committee

• Continuing Professional Education (CPE): In line with leading accountancy bodies throughout the world, the Institute has a commitment to life-long learning. Our objective is therefore:
• To provide as wider a range as possible of CPE programs to meet the needs of our diverse membership;
• To support CPE offered by kindred organizations within the range of CPE as designated in Rule 10; and
• To support appropriate in house CPE relevant to the requirements of CPE under Rule 10.
  Project Owner: Conference/CPE Committee

- The Accountants Act:
  • To have the Accountants Act rewritten and to rewrite the Rules to conform with the modern version of the accountancy profession and make it possible for practising firms to include partners from other disciplines such as lawyers, management information systems experts, taxation advisers, and human relations personnel.
  • To foster a closer working relationship with the Accountants Registration Board for the benefit of the accountants in Papua New Guinea.
  Project Owner: Constitution Committee

- Membership
  • To increase the number and quality of our membership.
  Project Owner: Membership Committee

- Public Sector:
  • To pursue a policy of assisting the public sector in accounting and financial matters. To promote the recruitment and involvement of professionally qualified accountants to enhance the credibility and accountability of public sector management.
  • To establish a public sector membership category to promote membership in the public sector for those personnel who are in the accounting function as defined by the Accountants Act.
  Project Owner: Public Sector Committee

- Finance:
  • To maintain a healthy financial state in order to provide all services required by members at cost-benefit level to members.
  Project Owner: Finance Committee

- Tertiary Institutions:
To assist tertiary institutions to achieve high standards, which will enable them to tackle our professional examination program with competence.

To interest students at national high schools Grade 11 and 12 level in the accountancy profession prior to entry to tertiary institutions.

- Project Owner: Education Committee

Electronic Commerce:

- To expand e-commerce to provide optimum service to members through e-commerce, Website, etc.

- Project Owner: Technical Officer

Library Service:

- To establish a comprehensive and current library service having regard to the facility of Internet.

- Project Owner: Council

2. Implementation of the Five Year Plan

Effective Governance

The achievement of the aims in the Five Year Plan (2000 - 2004) will be dependent on the election of a dedicated council (in 2000) who will work in committees to achieve their separate aims but at the same time will link together in pursuance of our mission statement.

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

The amendments to the Accountants Act providing for annual elections of Council were prepared in July 1998 and have been on the order paper for the last two sittings of parliament. It is now too late to have an election for Council this year and elections will be held in 2000 either under the provisions of the amended Act or in accordance with the existing Accountants Act.

The present committees operating are:

- Membership and Disciplinary Committee
- Education
- Conference/CPE
- Standards
- Tax
- Constitution
- Public Sector
Appendices

- Journal Finance
- A new Committee to be appointed in 2000 is a Public Practice Committee.

The Council and the committees of Council will be supported by the staff of the Institute. Staff will be increased over the next five years in accordance with the growth of membership and activities. With the small size of the staff and the complexity and range of activities appointees will be highly intelligent, capable and dedicated. This will be planned by the Governance Committee consisting of the President, Vice-President, Treasurer and the Executive Director.

Other Committees will have to be formed and will not necessarily have to be made up of Council members, although in many cases the Chairman will be a member of the Council. Committee members will require dedication and application if the Institute is to continue to make progress as it has over the past four years.

3. Membership Services

To improve membership services monthly newsletters will be produced, three journals a year will be produced, and a website has been established which will be 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 ASCPA), 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).

Committees have been established in Kokopo (New Guinea Islands Region) and this will be upgraded to a branch in 2000; and Madang which will be upgraded to a branch in 2000 to service Wewak, Vanimo, Tabubil, Lorengau, Aitape and Maprik. Added to the above we have equipped ourselves very well with our upgraded computer system, printers, and photocopier so that we are in a position to produce materials of top quality at a very fast rate.

From 2000 onwards we will produce an improved annual report format.
4. **Education**

Our education modules have been extended to include Professionalism and Professional Ethics and Management of Business Information Systems (as an option to Management Accounting) from 2000 onwards.

Management of Business Information Systems may also be taken as a stand-alone unit for those who have already taken Management Accounting and can be taken as a CPE unit of 14 hours (on passing). We have a contract (to the end of 2001) with ASCPA for the production of the four modules of Management Accounting, Financial Accounting I, Financial Accounting II and Auditing. Discussions will continue to be held with ASCPA with the intention of gaining reciprocity at the end of 2001. It is anticipated that the contract will be renewed for a further period after 2001.

The modules that we have produced - Taxation, Business Law and Professionalism, and Professional Ethics, will be constantly updated to comply with changes in legislation and to improve the standard of them. (Notwithstanding this comment, they are already of a very good standard).

There is a body of opinion within the membership that a number of members do not wish to aspire to Associate status and wish to remain as Accounting Technicians. These members play a very important role in the profession and whereas the present Accounting Technician examination is serving a useful purpose, there is a need to expand the syllabus to give it a wider coverage and more depth. This is scheduled to be completed by the end of 2001. The bulk of our future members will come from the universities. It is our desire to assist the universities in the maintenance and improvement of their courses. Regular visits will be made to universities. The frequent interruptions to study programmes at the Government Universities is of some concern to Council. We have a good relationship with Pacific Adventist University and Divine Word University. In the future, we are prepared to assess and possibly recognize other private institutions that meet our criteria for entry to the Institute as graduate members.

5. **Continuing Professional Education**

As stated in the Institute's Five Year Plan the Institute along with leading Accountancy Bodies throughout the world is committed to lifelong learning.
The number of Continuing Professional Programs will be increased and will be designed to cater for a wider range of our membership including our Accounting Technicians. This will be a progressive program over the period of the Institute plan.

On line CPE will commence to be introduced as soon as suitable staffing can be identified when it is recognized that we are ready to introduce it after the range of CPE's has been established. It will also take some time for a wider range of membership to be in a position to take advantage of such a facility. A survey will be held next year to ascertain numbers who have email addresses and could take advantage of online CPE programs. It is anticipated that this will commence in Year 2002.

6. Accountants Act

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.

In the light of experience since the writing of the Rules, some amendments will need to be made to the Rules. This will be a task for the Constitution committee for the year 2000.

7. Public Sector

The weak situation of the Public Sector is a concern to the Institute. It has a great effect on the economy of Papua New Guinea.

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.

8. Building

The Institute has purchased Kisere Rumana. By the time of receipt of this document, the legal transfer of the property should have taken place. 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 is another matter to be considered. To date the usage of the library is almost nil. It may be a chicken and egg situation. If the library was better stocked would more members use it? The expansion of Internet is another matter to be considered. It will certainly have an effect on libraries and library service. This matter will have to be monitored over the next two years.

The state of our finances will have to be another determining factor.

9. Finance

The Institute has had very good financial results over the last three years. It has enabled the Institute to purchase Kisere Rumana. The budgeted profit for year 2000 is considerably lower than the previous two years due to increased costs, the addition of a Technical Officer to the staff and a reduced interest amount due to the purchase of the building (and consequent lower liquidity) and an anticipated reduction in interest rates.

Membership fees have been held at the existing rates but it is inevitable that membership fees will increase progressively over the next five years. It is simply not possible to maintain a membership fee with a relatively very low membership of 1,400 (to increase to 2,000 over the next five years) and provide the activities and service to members to maintain and improve the high standard of OPE and Conferences which we have been able to do over the past four years.
### Appendix 9. University of Papua New Guinea

#### 1. Diploma in Commerce – DCOM

<table>
<thead>
<tr>
<th>Year 1 - Term 1 (8 Credit Points)</th>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:1101 Accounting 1</td>
<td>2</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22:1181 Economics For Business</td>
<td>2</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>08:1004 Finite Mathematics</td>
<td>2</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39:1101 *Communication &amp; Life Skills</td>
<td>Def</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39:1102 **Numeracy &amp; Computing</td>
<td>Def</td>
<td>None</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year 1 - Term 2 (8 Credit Points)</th>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:1102 Accounting 1</td>
<td>2</td>
<td>22:1101</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39:1101 Communication &amp; Life Skills</td>
<td>Def</td>
<td>39:1101 T/1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39:1102 Numeracy &amp; Computing</td>
<td>Def</td>
<td>39:1102 T/1</td>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Year 1 - Term 3 (8 Credit Points)</th>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:1102 Accounting 1</td>
<td>2</td>
<td>22:1102</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22:2040 Introduction to Business</td>
<td>2</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>22:1140 Business Law</td>
<td>2</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39:1101 Communication &amp; Life Skill</td>
<td>4</td>
<td>39:1101 T/2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39:1102 Numeracy &amp; Computing</td>
<td>2</td>
<td>39:1102 T/2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year 11/ Term 1 (8 Credit Points)</th>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:1120 Elements of Information System</td>
<td>2</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22:2050 Auditing</td>
<td>2</td>
<td>22:1103</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39:2101 Civics &amp; Ethics +</td>
<td>Def</td>
<td>None</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Year 11/ Term 2 (8 Credit Points)</th>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
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</table>
### Financial Management and Governance Issues in PNG

<table>
<thead>
<tr>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:2071</td>
<td>Taxation 1</td>
<td>2</td>
<td>22:1103</td>
</tr>
<tr>
<td>39:2101</td>
<td>Civics &amp; Ethics +</td>
<td>2</td>
<td>39:2101 T/1</td>
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</table>

**Year 2 / Term 3 (8 Credit Points)**

<table>
<thead>
<tr>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:2072</td>
<td>Taxation II</td>
<td>2</td>
<td>22:2071</td>
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<tr>
<td></td>
<td>Elective</td>
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</tr>
</tbody>
</table>

### Summary of Courses Offered

**Bachelor of Commerce - BCOM**

**Year 3 / Term 1**

<table>
<thead>
<tr>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:2341</td>
<td>Information System in Development &amp; Operation</td>
<td>2</td>
<td>22:2040</td>
</tr>
<tr>
<td>22:2270</td>
<td>Advanced Taxation</td>
<td>2</td>
<td>22:2072</td>
</tr>
</tbody>
</table>

**Year 3 / Term 2**

<table>
<thead>
<tr>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:2322</td>
<td>Quantitative Analysis II</td>
<td>2</td>
<td>22:2321</td>
</tr>
<tr>
<td>22:2362</td>
<td>Framework of Accounting II</td>
<td>2</td>
<td>22:2361</td>
</tr>
<tr>
<td>22:2342</td>
<td>Information Systems in Development &amp; Operation</td>
<td>2</td>
<td>22:2341</td>
</tr>
<tr>
<td>22:2210</td>
<td>Company Law</td>
<td>2</td>
<td>22:1140</td>
</tr>
</tbody>
</table>

**Year 3 / Term 3**

<table>
<thead>
<tr>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>22:2323</td>
<td>Quantitative Analysis III</td>
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<td>22:2322</td>
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</tbody>
</table>

**Year 4 / Term 1**

<table>
<thead>
<tr>
<th>Course No.</th>
<th>Course Name</th>
<th>Credit Point</th>
<th>Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Course Code</td>
<td>Course Name</td>
<td>Credits</td>
<td>Course Code</td>
</tr>
<tr>
<td>-------------</td>
<td>------------------------------------</td>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>22:2381</td>
<td>Advanced Accounting Practice IA</td>
<td>2</td>
<td>22:2363</td>
</tr>
<tr>
<td>22:2441</td>
<td>Advanced Accounting Practice IIA</td>
<td>2</td>
<td>22:2363</td>
</tr>
<tr>
<td>22:2201</td>
<td>Advanced Auditing I</td>
<td>2</td>
<td>22:2050</td>
</tr>
</tbody>
</table>
Appendix 10. Pacific Adventist University

1. Business Courses

- The Bachelor of Business (BB) with a major in Accounting is offered as a seven semesters or three-and-a-half years' full-time course of 35 subjects or 105 credit points with a major in accounting.
- The Bachelor of Business (BB) with a double Major in Accounting and Computer Applications is offered as an eight semesters or four years' full-time course of forty subjects or 120 credit points. Student who wish to study for the double major must have the written approval of the Dean of the School of Business. Approval to study for the double major is usually given at the conclusion of semester four.

2. Business Courses Sequence and Progression

Bachelor of Business (Accounting)

Year One - Semester One
B111.01 Introduction to Accounting
B132.01 Introduction to Computing
B142.01 Quantitative Methods 1
B151.01 Introduction to Management
G131.01 Research Writing Skills

Year One - Semester Two
B112.02 Financial Accounting
B162.02 Introduction to Law
B174.02 Macroeconomics
L132.02 Modern English Structure
R111.02 Gospels

Year One - Semester Three
B213.03 Cost Accounting 1
B264.03 Commercial Law 1
B273.03 Microeconomics
B280.03 Advances Spreadsheets and Databases
R121.01 Bible Doctrines

Year One - Semester Four
B195.04 Business Communication
B213.04 Cost Accounting 2
B215.04 Corporate Accounting 1
APPENDIXES

B244.04  Quantitative Method 2
B252.04  Principles of Marketing

Semester Five
B216.05  Corporate Accounting 2
B266.05  Commercial Law 2
B327.05  Corporate Finance
B336.05  Management Information Systems
         Elective

Mid-Year
B296.00  Practical Experience 1

Semester Six
B234.04  Computer Accounting Applications
B322.06  Audit and Control
B355.06  Business Ethics
B38106  Business Research Methods
R22104  Old Testament Survey

Year Four  Semester Seven
B324.05  Accounting Issues
B327.08  Corporate Financial Management
B368.06  Tax Law and Practice
B384.07  Research Project
         Elective

Mid-Year
B396.00  Practical Experience 2

Bachelor of Business (Accounting & Computer Applications)

Year One
Semester One
B111.01  Introduction to Accounting
B132.01  Introduction to Computing
B142.01  Quantitative Methods 1
B151.01  Introduction to Management
G131.01  Research Writing Skills
Semester Two
B162.02  Financial Accounting
B162.02  Introduction to Law
B174.02  Macroeconomics
L132.02  Modern English Structure
R111.02  Gospels
FINANCIAL MANAGEMENT AND GOVERNANCE ISSUES IN PNG

Year Two  Semester Three
B213.03  Cost Accounting 1
B264.03  Commercial Law 1
B273.03  Microeconomics
B280.03  Advance Spreadsheets and Databases
R121.01  Bible Doctrines

Semester Four
B195.04  Business Communication
B213.04  Cost Accounting 2
B215.04  Corporate Accounting 1
B244.04  Quantitative Methods 2
B252.04  Principles of Marketing

Year Three  Semester Five
B216.05  Corporate Accounting 2
B285.07  Introduction to Programming
B327.05  Corporate Finance
B336.05  Management Information Systems
B390.07  Professional Computing

Mid-Year
B296.00  Practical Experiences

Semester Six
B234.04  Computer Accounting Application
B322.06  Audit and Control
B381.06  Business Research Methods
B391.08  Web Site Development
R221.04  Old Testament Survey

Year Four  Semester Seven
B266.05  Commercial Law 2
B324.05  Accounting Issues
B327.08  Corporate Financial Management
B368.06  Tax Law and Practice
B384.07  Research Projects

Semester Eight
B288.07  System Analysis and Design
B355.06  Business Ethics
B384.08  Computer Application Project
B386.08  Networking
R241.04  Prophetic Perspectives
Appendix 11. The Institute Of Business Studies

1. IBS Certificate Course - Certificate in Accounting

This course provides with a basic knowledge in Accounting and Business Studies. The Certificate in Accounting in Accounting (CIA) course is design as a foundation course in accounting for students aspiring to be professional accountants.

It is the only course, offered by a private educational institution, accepted by a one the entry qualifications for the following programs offered at IBS:

- Diploma in Commerce (DIC) of the Institute of Distance and Continuing Education (IDCE) of the University of PNG
- IBS Diploma in Business leading to Bachelor of Business Degrees of Southern Cross University, Australia.

Entry Requirements

A Grade 10 or equivalent certificate or three years’ work experience

Course Overview

The course is divided into four stages:

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elements of Bookkeeping</td>
<td>Bookkeeping</td>
</tr>
<tr>
<td>Business Communication - 1</td>
<td>Business Communication - 2</td>
</tr>
<tr>
<td>Business Mathematics - 1</td>
<td>Business Mathematics - 2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Accounting</td>
<td>Basic Administration</td>
</tr>
<tr>
<td>Business Statistics</td>
<td>Computer Application - Business</td>
</tr>
</tbody>
</table>

2. IBS Certificate Course – Computing

The Certificate in Computing (CIC) course provides students with the fundamental knowledge and skills to use computers in a modern environment. It also serves as a basic qualification in Computing.
Course Overview

Stage 1
Business Writing Skill
Elements of Bookkeeping
Introduction to Computers & Windows

Stage 2
Bookkeeping
Word Processing - MS Word
Fundamentals of Information Systems

Stage 3
Basic Accounting
Spreadsheet - MS Excel

Stage 4
ACCPAC Accounting Package
Database Management - MS Access

Entry Requirements
Grade 10 or equivalent qualification is needed.

3. Diploma in Commerce of University PNG

The Diploma in Commerce is a course offered jointly by UPNG and UNTECH. IBS offers this course, as a sub-center of IDCE of UPNG. On completion of the DIC, students will be equipped with the skills, knowledge and understanding to perform most of the accounting functions needed in a business.

Entry Requirements
Enrolment in the DIC course requires completion of the CIA conducted at IBS with Grade 10 or Grade 12 certificate. Grade 10 certificate with three years of accounting experiences will also suffice.

Course Overview
There are two parts to the program with each subject covering 64 hours of lectures.

Part 1
Basic Accounting
Accounting
Say it with figures
Business Statistics
Business Communication
Business Administration
Business Law
Economic Principles

Part 2
Financial Accounting
Cost Accounting
Auditing
Taxation
Analysis and Design of Information Systems

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4. **IBS Associate Degree in Business (Accounting)**

The Associate Degree in Business (Accounting) Program requires completion of the first 16 units of Bachelor of Business (Accounting) Degree Program of Southern Cross University, Australia. On successful completion of this program, a certificate will be awarded by IBS in affiliation with Southern Cross University, Australia.

**Entry Requirements**

IBS Diploma in Business, or Diploma in Commerce of UPNG, or other equivalent qualifications.

**Course Overview**

<table>
<thead>
<tr>
<th>Semester 1</th>
<th>Semester 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting &amp; Financial Management I</td>
<td>Accounting &amp; Financial Management II</td>
</tr>
<tr>
<td>Legal Studies I</td>
<td>Fundamental of Management</td>
</tr>
<tr>
<td>Introduction Computing</td>
<td>Applied Microeconomic</td>
</tr>
<tr>
<td>Business Management</td>
<td>Marketing Principles</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Semester 3</th>
<th>Semester 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting Principles &amp; Practice</td>
<td>Legal Studies II</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Management Accounting</td>
</tr>
<tr>
<td>Statistics I</td>
<td>Macroeconomics</td>
</tr>
<tr>
<td>Managerial Finance</td>
<td>Auditing</td>
</tr>
</tbody>
</table>

5. **IBS Associate Degree in Business (Computing)**

The Associate Degree in Business (Computing) Program requires completion of the first sixteen (16) units of Bachelor of Business (Computing) Degree Program of Southern Cross University, Australia. On completion of this program, a certificate will be awarded by IBS in affiliation with Southern Cross University, Australia.

**Entry Requirements**

IBS Diploma in Business, or Diploma in Commerce of UPNG, or other equivalent qualification.
6. Bachelor of Business (B.Bus) (Accounting)

The Bachelor of Business (Accounting) requires completion of 24 units. On successful completion of 24 units, Bachelor of Business (Accounting) Degree will be awarded by Southern Cross University, Australia.

Entry Requirements
IBS Associate Degree in Business (Accounting)
7. Bachelor of Business (B.Bus) (Computing)

The Bachelor of Business (Computing) requires completion of 24 units. On successful completion of 24 units, Bachelor of Business (Computing) Degree will be awarded by Southern Cross University, Australia.

Entry Requirements
IBS Associate Degree in Business (Computing)

Course Overview

<table>
<thead>
<tr>
<th>Semester 1</th>
<th>Semester 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting &amp; Financial Management I</td>
<td>Accounting &amp; Financial Management II</td>
</tr>
<tr>
<td>Legal Studies I</td>
<td>Fundamental of Management</td>
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<tr>
<td>Introductory to Computing</td>
<td>Applied Microeconomics</td>
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<tr>
<td>Business Mathematics</td>
<td>Marketing Principles</td>
</tr>
<tr>
<td>Semester 3</td>
<td>Semester 4</td>
</tr>
<tr>
<td>System Analysis &amp; Design</td>
<td>Database Systems I</td>
</tr>
<tr>
<td>Application Development</td>
<td>Data Communication and Networks</td>
</tr>
<tr>
<td>Statistics Elective</td>
<td>Macroeconomics Elective</td>
</tr>
<tr>
<td>Semester 5</td>
<td>Semester 6</td>
</tr>
<tr>
<td>Commercial Programming</td>
<td>Computing Project</td>
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<tr>
<td>Decision Supporting Systems</td>
<td>Information Resource</td>
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<tr>
<td>Organization Behavior</td>
<td>Management</td>
</tr>
<tr>
<td>Elective</td>
<td>Strategic Management</td>
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</tbody>
</table>

Organization Behavior                          Strategic Management
Company Law                                    Accounting Theory
Taxation                                       Elective
Elective                                       Elective
Appendix 12.  PNG Institute of Public Administration

1. Certificate in Accounting

Course Overview
The course has 10 units or subject contents with ten or so modules in each subject. This course aims to provide an education, knowledge, skills, and practices that are relevant in employment in accounting and financial fields. After completing the course, the participants should occupy positions in booking keeping or account assistants.

Learning Objectives
The course will enable the participants to perform routine bookkeeping tasks and have general appreciation of the role in the accounting functions in the organization in which he/she is employed.

Content
Financial Accounting  Business Communication
Economics                  Auditing
Public Sector Accounting  Commercial Law
Mathematics and Quantitative Tech. Office Management
Cost and Stores Accounting Computer Concepts & Applications

Target Group
The course is for people who are working or wishing to specialize in accounting and finance either in the public, private or nongovernment organization and for self-employed people.

2. Diploma in Accounting

Course Overview
The Diploma in Accounting is a new program, which started in 1999. The program is designed to recognize the unique qualifications and expertise of those professionals engaged in accounting at the middle level of the profession.
Learning Objective
The program will enable participants to completely prepare accounting records and statements and be able to critically analyze financial data. At the end of the program, participants would be in a position to pursue professional certificate.

Content
- Principles Accounting
- Management in Accounting
- Quantitative Method
- Information Systems
- Communication Skills
- Principles of Management
- Taxation
- Company Law
- Economics
- Auditing
- Public Finance & Accounting
- Financial Management
- Financial Accounting

Target Group
The program is for those people with some prior training in accounting and would like to pursue the accounting/auditing field at the higher level.

3. Internal Auditing

Course Overview
This course aims to enable participants to completely plan and implement an internal auditing program and design internal control.

Learning Objectives
At the end of this course, participants will be able to deal completely and confidently with the operational approach to the conduct of the internal audits thereby increasing effectiveness organizations.

Content
- The role of the internal audit and professional standard
- Management systems and control
- Organizational Control
- Understanding people and operational approach
- Base financial control
- Operational audit and financial management
Statistical sampling and internal audit reporting

Target Group
The course is intended for practicing internal auditors and those who would like to become internal auditors. Participants must have a good working knowledge of accounting.

4. Accounting for Non-financial Managers

Course Overview
This course gives participants the knowledge and skills necessary to provide management with the relevant financial and accounting information for decision-making.

Learning Objectives
At the end of this course, participants will be able to deal completely with those aspects of the manager's job, which relates to the cost of product and services, planning and controlling of the operations.

Content
Introduction to management accounting
Budgeting process
Cost-profit volume analysis
Standard costing & volume analysis
Cost allocation
Money and interest
Relevant costs
Capital investment decision-making

Target Group
The course is designed for managers, supervisors and coordinators of any organization.
## Appendix 13. Workshop Participants

Vulupindi Haus  
20 September 2000

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albert Senar</td>
<td>DOFT</td>
<td>Ass. FAS PL</td>
</tr>
<tr>
<td>Matatia Saroa</td>
<td>DOFT</td>
<td>FAS - Inspector</td>
</tr>
<tr>
<td>Aloysiu’a Hamoa</td>
<td>DOFT</td>
<td>A/FAS Loans</td>
</tr>
<tr>
<td>Thaddius Kambanie</td>
<td>DOFT</td>
<td>FAS - Public Accounts</td>
</tr>
<tr>
<td>Gabriel Yer</td>
<td>DOFT</td>
<td>AS - Public Accounts</td>
</tr>
<tr>
<td>Robert W heeler</td>
<td>PNGIA</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Timoty Vatnabar</td>
<td>PNGIA</td>
<td>D/Executive Director</td>
</tr>
<tr>
<td>Joel Nobetau</td>
<td>DOFT</td>
<td>Loans &amp; Revenue</td>
</tr>
<tr>
<td>Owen Cox</td>
<td>PAU</td>
<td>Senior Lecturer</td>
</tr>
<tr>
<td>Dr. Pak Lee</td>
<td>PAU</td>
<td>Head Business Studies</td>
</tr>
<tr>
<td>Sister Jeanette M atela</td>
<td>DW U/Madang</td>
<td>Lecturer</td>
</tr>
<tr>
<td>Monica Lopyui</td>
<td>EPU</td>
<td>Economist</td>
</tr>
<tr>
<td>Frank de Graaf</td>
<td>Register Public Acc.</td>
<td>Partner</td>
</tr>
<tr>
<td>Lawrence Ouma</td>
<td>DOFT</td>
<td>Specialist</td>
</tr>
<tr>
<td>Ben Poponawa</td>
<td>Auditor General Office</td>
<td>Auditor</td>
</tr>
<tr>
<td>Puva Wesako</td>
<td>Auditor General Office</td>
<td>Auditor</td>
</tr>
<tr>
<td>Ashok Gohosh</td>
<td>Auditor General Office</td>
<td>Advisor</td>
</tr>
<tr>
<td>Monovi Amani</td>
<td>Institute of Business</td>
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</table>