

**THE PERMANENT PARLIAMENTARY COMMITTEE  
ON PUBLIC ACCOUNTS**

**INQUIRY INTO THE FUNDING AND RESOURCING OF  
THE OFFICE OF THE AUDITOR GENERAL.**

**REPORT TO THE NATIONAL PARLIAMENT.**

**1. EXECUTIVE SUMMARY**

- 1.1. The Office of the Auditor General has, for many years, been inadequately funded by Government.
- 1.2. The Office of the Auditor General has, for many years been under resourced and undermanned.
- 1.3. Successive Governments have failed to fulfill their Constitutional duties to provide adequate facilities, staff and other arrangements to enable the Office of the Auditor General to properly perform its Constitutional duties, under Section 225 of the Constitution.
- 1.4. As a result of this failure by Governments the full Constitutional rigour of Audit and oversight of the use and management of public monies, by the Auditor General, has not been possible.

- 1.5. The Office of the Auditor General does not have sufficient staff to carry out its duties.
- 1.6. As a result of funding and staffing shortfalls, the Office of the Auditor General cannot adequately or properly audit all agencies of Government.
- 1.7. This inability of the Auditor General has led to a failure of oversight and control of the use of public monies for many years.
- 1.8. Government agencies can and do avoid audit by refusing or failing to produce financial statements and records.
- 1.9. This failure has contributed to a collapse of accounting and fiscal record keeping across the entire span of every tier of Government.
- 1.10. This collapse has contributed to the rise and spread of fiscal mishandling, misappropriation and illegal dealing with public monies in all areas of Government.
- 1.11. This misconduct has led to a huge deviation of monies from appropriated purposes to inappropriate and improper purposes.
- 1.12. The inability of the Auditor General to oversee and properly audit Government agencies has contributed

to the rise of a culture of impunity in the Public Service insofar as the handling of and accounting for public monies is concerned.

- 1.13. The failure to adequately fund and resource the Office of the Auditor General has led to a failure in the power and authority of that Office.
- 1.14. The collapse of Government accountability for and control of the use of public monies, has been accompanied by a loss of control and authority by the Executive and the National Parliament and the improper arrogation of fiscal power by unelected and unaccountable Public Servants.
- 1.15. The lack of oversight and proper and enforceable audit has directly and adversely impacted on service delivery and development – largely due to a collapse in accountability for the management of Trust Accounts.
- 1.16. The Office of the Auditor General has failed to comply with Section 20B of the Audit Act 1986 for many years, in that it has not submitted its estimates to the Public Accounts Committee for review.
- 1.17. The Public Accounts Committee has failed to require compliance with Section 20B of the Audit Act 1986 for many years.

- 1.18. The National Parliament should immediately address the funding and resourcing of the Office of the Auditor General to ensure that it is able to competently and fully perform its Constitutional duties.

## 2. **INTRODUCTION**

- 2.1 The Public Accounts Committee conducted an Inquiry concerning the resourcing and funding of the Office of the Auditor General with the intention of ascertaining why that Office was experiencing problems in completing its Constitutional duties in a timely and complete manner.
- 2.2 In the period 2002 – 2006, the Committee had considered the annual Reports of the Auditor General and, particularly in the Parts 3 and 4 Reports, found incomplete and outdated audits.
- 2.3 Much of the problem was due to non-cooperation by Government agencies, but when financial statements were not produced for audit, the Auditor General did not have the resources or manpower to either enforce their delivery or to audit the agencies concerned due to pressure of work and inadequate manpower.
- 2.4 The Office of the Auditor General is the first guarantee of fiscal reporting and propriety. Unless that Office is properly funded and resourced, fiscal oversight and accountability will suffer.

- 2.5 The Committee decided to investigate and establish the true state of affairs insofar as funding of the Auditor General was concerned. It conducted this Inquiry as part of a series of Inquiries concerning fiscal management in all agencies and tiers of Government.

### 3. **CHRONOLOGY**

- 3.1. The Public Accounts Committee commenced its Inquiry into the funding and resourcing of the Office of the Auditor General on the 4<sup>th</sup> December 2007 and completed it on the 11<sup>th</sup> November 2008.

### 4. **LIST OF ABBREVIATIONS**

- 4.1 **"PF(M)A"** Public Finances Management Act
- 4.2 **"PAC"** Public Accounts Committee.
- 4.3 **"The Constitution"** The Constitution of the Independent State of Papua New Guinea
- 4.4 **"The Committee"** The Permanent Parliamentary Public Accounts Committee.

## 5. **COMPOSITION OF THE COMMITTEE**

5.1 The Public Accounts Committee which made inquiry into the keeping of Government Trust Accounts was constituted as follows:

### **4<sup>th</sup> December 2007**

Hon. Sam Basil MP – Acting Chairman.

Hon Philip Kikala MP – Member

Hon. Mal Smith-Kela MP – Member

Hon. Malachi Tabar MP – member.

### **14/07/2008.**

Hon. Timothy Bonga OL MBE M.P. – Chairman.

Hon. Benjamin Poponawa M.P. – Member

Hon. Francis Marus M.P. – Member

Hon. Koni Iguan M.P. – Member.

Hon. Lucas Dekena M.P. – Member.

Hon. Malakai Tabar M.P. – Member.

Hon. Malcolm Smith-Kela MBE CMG DFC M.P. – Member.

Hon Philip Kikala M.P. – Member.

Hon. Sai Beseo M.P. – Member.

**22/09/2008.**

Hon. Timothy Bonga OL MBE M.P.

Hon. Dr. Bob Danaya M.P. – Member

Hon. Benjamin Poponawa M.P. – Member.

Hon. Francis Marus M.P. – Member.

Hon. Jack Cameron M.P. – Member.

Hon. Fr. John Garia M.P. –Member.

Hon. Hon. Lucas Dekena M.P. – Member.

Hon. Malcolm Smith-Kela MBE CMG DFC M.P. – Member.

**24/09/2008.**

Hon. Timothy Bonga OL MBE M.P. – Chairman.

Hon. Dr. Bob Danaya M.P. – Deputy Chairman.

Hon. Benjamin Poponawa M.P. – Member.

Hon. Francis Marus M.P. – Member.

Hon. Jack Cameron M.P. – Member.

Hon. Fr. John Garia M.P. – Member.

Hon. Koni Iguan M.P. – Member.

Hon. Lucas Dekena M.P. – Member.

Hon. Malakai Tabar M.P. – Member.

Hon Malcolm Smith-Kela MBE CMG DFC MP – Member.

Hon. Philip Kikala M.P. – Member.

Hon. Sai Beseo M.P. – Member.

Hon. Sam Basil M.P. – Member.

**11/11/2008.**



Hon. Timothy Bonga OL MBE M.P. – Chairman.

Hon. Dr. Bob Danaya M.P. – Deputy Chairman.

Hon. Benjamin PoPONAWA M.P. – Member.

Hon. Jack Cameron M.P. – Member.

Hon. Fr. John Garia M.P. – Member.

Hon. Malcolm Smith-Kela M.P. – Member.

Hon. Philip Kikala M.P. – Member.

Hon. Sai Beseo M.P. – Member.

Hon. Sam Basil M.P. – Member.

5.4 The Chairman, Deputy Chairman and Members of the Committee were properly and lawfully appointed and empowered to sit as a Public Accounts Committee.

## **6. METHOD OF INQUIRY.**

6.1 The Public Accounts Committee decided to consider the state of the funding and resourcing of the Office of the Auditor General after considering the annual

Reports of that Office for the financial years 2000 – 2007.

- 6.2 It had become clear to this Committee that despite all its efforts the Office of the Auditor General was struggling to meet its Constitutional mandate due mainly to inadequate resourcing and financing.
- 6.3 In this Inquiry, the Public Accounts Committee received oral and documentary evidence from the Office of the Auditor General and sought information and documents from the Departments of Finance and Treasury. We received considerable assistance from the Auditor General but unsatisfactory and unresponsive oral evidence from the Secretaries of both Departments.
- 6.4 At all times, the Committee has taken great care to enable witnesses to make full and complete representations and answers to any matter before the Committee – in particular those matters about which the Committee may make adverse findings against individuals or other entities.
- 6.5 The Public Accounts Committee has taken care to fully consider all responses and evidence given before the Committee.

- 6.6 No evidence was taken on oath but full and due inquiry was made of all relevant State Agencies where the Committee considered those inquiries to be necessary.

## 7. JURISDICTION.

### THE CONSTITUTION OF THE INDEPENDENT STATE OF PAPUA NEW GUINEA.

- 7.1 The Committee finds its jurisdiction firstly, pursuant to Section 216 of the *Constitution of the Independent State of Papua New Guinea*. That Section reads:

**"216. Functions of the Committee**

**(1) 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 transaction with or concerning, the public monies and property of Papua New Guinea".**

**(2) Sub-section (1) extends to any accounts, finances and property that are subject to inspection and audit by the Auditor General under Section 214 (2) ... and to reports by the Auditor General under that Sub-section or Section 214 (3)..."**

- 7.1 Whilst considering the relevant provisions of the Constitution, the Committee has had regard to the

**Final Report of the Constitutional Planning Committee 1974** and been guided by or applied the stated intentions of that Committee wherever necessary.

- 7.2 The Public Accounts Committee has had due regard to evidence from and conclusions of the Auditor General, but has conducted its own Inquiry into matters deemed by the Committee to be of National Importance or which arise naturally from primary lines of Inquiry and which are within the jurisdiction and function of the Committee as set forth in the Constitution.
- 7.3 Whilst engaged in the Inquiry the Committee was guided by two definitions contained in the ***Constitution***, which are directly relevant to Section 216 of the ***Constitution***. They are:

***“Public Accounts of Papua New Guinea” includes all accounts, books and records of, or in the custody, possession or control of, the National Executive or of a public officer relating to public property or public moneys of Papua New Guinea;”***

and

***“Public moneys of Papua New Guinea” includes moneys held in trust by the National Executive or a public officer in his capacity as such, whether or not they are so held for particular persons;”***

**Schedule 1.2 of the Constitution.**

#### **THE PUBLIC FINANCES (MANAGEMENT) ACT 1995.**

- 7.4 The Public Accounts Committee also finds its jurisdiction to Inquire into the funding and resourcing of the Auditor General in Section 86 of the ***Public Finance (Management) Act 1995***.
- 7.5 That Section empowers the Committee to examine each statement in any Report of the Auditor General presented to the Parliament. Reports of the Auditor General were also carefully considered by the Committee.

#### **PERMANENT PARLIAMENTARY COMMITTEES ACT 1994:**

- 7.6 The Committee resolved that a full Inquiry into the funding and resourcing of the Office of the Auditor General was a matter of National importance and found further jurisdiction for the Inquiry in Section 17 of the ***Permanent Parliamentary Committees Act 1994***.

- 7.7 That Section provides that the Public Accounts Committee can consider any matter to be of national importance and worthy of Inquiry.

## **8 PURPOSE OF THE INQUIRY.**

- 8.1 The purpose of the Inquiry conducted by the Public Accounts Committee was to make full and complete examination of the manner in which the Government funded and resourced the Office of the Auditor General.
- 8.2 The purpose of the Inquiry was not to improperly pursue or criticize any person or company, but to make a constructive and informed Report to the Parliament on any changes which the Committee perceives to be necessary in the funding and resourcing of the Auditor General and any matter considered by the Committee to be worthy of report to the Parliament.

## **9 THE AUTHORITY TO REPORT**

- 9.1 The Public Accounts Committee finds authority to make this Report in Section 17 of the ***Permanent Parliamentary Committees Act 1994*** and Section 86(1) (c) and (d) (i), (ii), (iii) and (iv) and (f) of the ***Public Finances (Management) Act 1995***.

## **10. PRIVILEGES AND PROTECTION OF WITNESSES**

10.1 The Public Accounts Committee has taken care to recognise and extend to all witnesses the statutory privileges and protection extended by the ***Public Finances (Management) Act 1995*** and the ***Permanent Parliamentary Committees Act 1994*** and the ***Parliamentary Powers and Privileges Act 1964***.

## **11. RELEVANT STATUTES**

11.1 The Committee was required to consider the following Statutes during the course of the Inquiry:

### **THE CONSTITUTION OF THE INDEPENDENT STATE OF PAPUA NEW GUINEA.**

11.2 The Committee had particular regard to various Sections of the ***Constitution*** – particularly those dealing with the establishment and empowerment of the Office of the Auditor General and the funding of that Office.

### **AUDIT ACT 1986.**

11.3 The ***Audit Act 1986*** establishes and empowers the office of the Auditor General to carry out its work of overseeing and supervising the handling of public

monies, stores and property by all arms of the National Government. The Public Accounts Committee had regard to the terms of this Act during the course of this Inquiry.

- 11.4 The Committee received considerable assistance from the Office of the Auditor General in the course of this Inquiry.

#### **PERMANENT PARLIAMENTARY COMMITTEES ACT 1994.**

- 11.5 The Committee has had regard to Sections 17, 22, 23, 25, 27, and 33 of the ***Permanent Parliamentary Committees Act 1994*** during the course of this Inquiry.

#### **12. THE OFFICE OF THE AUDITOR GENERAL:**

- 12.1 The Committee examined the nature and legal functions and duties of the Office of the Auditor General.
- 12.2 The Office of the Auditor General is a Constitutional Office established by Section 213 of the ***Constitution***.
- 12.3 The Auditor General himself is appointed by the Head of State and the Office is not subject to the control or direction of any person or authority.



- 13.1 Clearly, the Office of the Auditor General is intended to be independent, autonomous and objective in its function and purpose – which are both established by Section 214 of the **Constitution**.
- 13.2 By Section 214 of the **Constitution** the functions of the Office of the Auditor General are as follows:
- i) To inspect and audit the Public Accounts of Papua New Guinea;
  - ii) Report at least once in every fiscal year to the Parliament on the Public Accounts of Papua New Guinea;
  - iii) To inspect and audit the control of and transactions with or concerning public monies and property of Papua New Guinea;
  - iv) Report at least once in every fiscal year to the Parliament on the control of and on transactions with or concerning public monies and property of Papua New Guinea;
  - v) To perform such other functions prescribed by or under a Constitution of Law.
- 13.3 Section 214 (2) of the **Constitution** prescribes the functions of the Auditor General. That Subsection

extends the Auditor's powers of inspection and audit 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 Parliament, or by Executive or Administrative Act of the National Executive for Government or official purposes.

13.4 However, the Auditor General is also vested with a discretionary jurisdiction.

13.5 By Section 214 (3) of the **Constitution**, 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 a property of an institution referred to in that subsection, insofar as they relate to, or consist of or are derived from public monies or property.

13.6 The **Constitution**, by Section 214 (4), makes provision for an Act of Parliament to extend or further prescribe functions of the Auditor General and to confer on the Auditor General additional functions and duties not inconsistent with performance of the functions and duties conferred and imposed by Section 214.

13.7 The establishment of the Office of the Auditor General was considered necessary by the framers of our **Constitution** in order that to secure sound and honest financial administration.

13.8 **The Final Report of the Constitutional Planning Committee** in 1974 addressed the matter as follows:

***"Sound and honest financial administration is basic to the development of our country, and to the effectiveness and reputation of its Government. Public monies must be raised and spent as the law provides. It is the task of the Auditor General to investigate whether public monies are properly handled, and to report his findings to the National Parliament at least once a year.***

***The Auditor General should be as independent as possible of all involvements beyond his official duties. He must be able to pursue his lawful investigations without any inhibition and report the results of his inspections and audits directly to the National Parliament.***

***The Auditor General's main function is to check that the raising and expenditure of Government funds takes place in the manner***

***approved by the Parliament and that all transactions involving such funds have been properly accounted for.”***

**Paras. 25 – 27 Page 9/4 Final Report of the Constitutional Planning Committee 1974.**

- 13.9 In 1999 the National Parliament of Papua New Guinea passed the ***Audit Act 1986***.
- 13.10 The premise to that Act states that the purpose of the Audit Act was to expand and provide in more detail further functions of the Auditor General, to confer additional functions and duties on the Auditor General, to provide for fees and charges payable to the Auditor General and to effect repeals and amendments consequential thereon.
- 13.11 The ***Audit Act 1986*** prescribes in considerable detail the purpose, functions, powers, duties and responsibilities of the Auditor General. It has been slightly amended over the years but no major modernization of the Act has yet occurred.
- 13.12 The Auditor General has certain coercive powers to assist him in fulfilling his constitutional duties. For instance, by Section 4 of the ***Audit Act 1986*** the Auditor General can issue a Summons to any person, authorize persons to inspect and audit any accounts and

records, examine persons on oath, ask questions of and make observations as he sees fit and make searches at free of charge.

- 13.13 By Section 5 of the ***Audit Act 1986***, the Auditor General is empowered to prosecute where he is satisfied that a person is guilty of misappropriation, misuse or fraud of public monies, stores or property, if the Public Prosecutor has failed to proceed with the matter after 60 days.
- 13.14 By Section 6 of the ***Audit Act 1986***, the Auditor General may dispense with any part of a detailed Audit of Accounts, admit accounts as evidence in support of charges or credits, and waive technical defects in accounts and other matters.
- 13.15 Most importantly, by Part 3 of the ***Audit Act 1986***, the power of the Auditor General is extended to public bodies and trading entities.
- 13.16 By Part 5 of the ***Audit Act 1986***, the Auditor General is required to audit and inspect Provincial Governments and Local Level Governments.
- 13.17 It is clear that the Office of the Auditor General in Papua New Guinea is a very powerful Independent Office intended to be the first line of assurance to the National Parliament and the Executive that public

monies, property and stores are lawfully handled and the accounts are properly and legally maintained.

#### **14. STAFFING AND RESOURCING OF THE OFFICE OF THE AUDITOR GENERAL**

14.1 The Constitutional Planning Committee made the following statement at Paragraph 9/4 of the Final Report in 1974:

***" It is important that the Auditor General be supplied with adequate facilities and suitably trained staff to perform his duties effectively....."***

***The Auditor General must ..... be given adequate staff of his own, and that staff as well as the Office of the Auditor General should be filled as soon as possible by citizens with appropriate qualifications. Meanwhile shortages of suitable staff in Papua New Guinea should be met by recruitment and, if necessary, secondment from overseas".***

14.2 We believe that Statement to be particularly pertinent to this Inquiry and the obligations of Government to properly and fully fund and staff the Office of the Auditor General. It is important that the Auditor

General be supplied with adequate facilities and suitably trained staff to perform these duties effectively.

- 14.3 Interestingly, the Constitutional Planning Committee firmly rejected the notion that the Auditor General be permitted to employ as agents, accountants or auditors from private enterprise.
- 14.4 This recommendation was ignored by the framers of our Constitution and the use of contractors by the Auditor General is a common practice. The standard of many of those audits seen by this Committee varies considerably but many are poor in quality and we would discourage the practice – which emphasizes the need for adequate resourcing and funding of the Auditor General by Government.
- 14.5 It has become apparent to this Committee that the Office of the Auditor General over the past 30 years has been allowed to deteriorate in effectiveness and focus.
- 14.6 It is only in the last five years that the Office has undergone a resurgence and the quality of work produced in 2007 and 2008 is, on the whole, competent and a tribute to the staff of the Office of the Auditor General.

- 14.7 However, there are very clear staffing and financing problems within that Office.
- 14.8 The method of financing the Office of the Auditor General is set forth in Section 20 B of the **Audit Act 1986**. That Section states:

**"20B. Estimates**

***The Auditor General shall prepare annual estimates of the sums that will be required for the payment of salaries, allowances and expenses of his Office during the next ensuing financial year for consideration by the Permanent Parliament Committee on Public Accounts for recommendation to the Prime Minister for approval and conformity with Section 225 of the Constitution".***

- 14.9 That Section has not been complied with for many years. No estimates have been provided to the Permanent Parliamentary Committee on Public Accounts and if they had been, the funding situation might well have improved.
- 14.10 Section 225 of the **Constitution** imposes a direct responsibility on the National Government to properly fund staff and resource Government bodies and



agencies and Public Office holders – and the Auditor General is one such.

14.11 That Section states:

**"225 – Provision of Facilities Etc.**

***Without limiting the generality of any other provision of this Constitution, it is the duty of the National Government and of all other Governmental bodies and of all public office holders and institutions that all arrangements are made, staff and facilities provided and steps taken to enable and facilitate, as far as may reasonably be, the proper and convenient performance of the functions of all Constitutional Institutions and of the Offices of all Constitutional office holders".***

14.12 The evidence led before this Committee clearly showed that the Office of the Auditor General has not been properly and adequately funded, resourced and staffed considering the very large range of duties imposed on that Office.

14.13 This lack of funding and resourcing has been compounded by a refusal across the span of Government agencies to cooperate with the Auditor

General and this has resulted in audits and reports which are not timely, complete or current.

- 14.14 We are pleased to say the Office of the Auditor General has, despite these very significant shortcomings, improved its performance immeasurably over the last five years.

## **15. EVIDENCE RECEIVED BY THE COMMITTEE IN THIS INQUIRY**

- 15.1 The Committee sought to establish the purpose and function of the Office of the Auditor General. Accordingly, the Acting Chairman summarized the Committees understanding as follows:

**"Hon. Sam Basil, MP – Acting Chairman:**

***The Auditor General is the agency of accountability for the handling of public money and property in PNG. The performance of the Office has improved over the last few years and the quality of analysis and report emanating from the Office is very good and improving every year. However, we have seen apparent weaknesses and inabilities in the Office which, we think, are due to possible under***

***manning, lack of resources and under funding.”***

- 15.2 The Committee questioned the Auditor General concerning the adequacy of his budgetary appropriation and actual receipts:

**Hon Sam Basil MP – Acting Chairman:**

***Mr Auditor what are your Budget requests for 2008?***

**Mr George Sulliman – Auditor General:**

***Acting Chairman for 2008 we requested K15.6 million.***

**Acting Chairman:**

***What was your Budget allocation in fact?***

**Mr George Sulliman:**

***We have been allocated K11.2 million.***

**Acting Chairman:**

***That is a short fall of K3.8 million almost. How much of that will you actually receive with past experiences as a guide?***

**Mr George Sulliman:**

***Acting Chairman, if we go by this year's Budget which is K11.5 but we are getting K11 million. But we were told that it was an oversight on their part and I hope that it will not happen again next year and we are most likely to get everything.***

**Honourable Philip Kikala, MP – Member:**

***Assuming that you receive K15 million for next year, can you tidy up the entire outstanding Audit work on all Provincial and National Departments? Do you think it will make your Office more efficient and productive?***

**Mr George Sulliman:**

***Acting Chairman, no. The increase from the Budget we had for this year and submission we made for next year is basically to redress two major issues. Firstly, the substantial amount of outstanding tax in the Tax Office***

***and secondly the Audit of POSF that may be increased in the Budget if necessary”.***

- 15.3 This Committee assumes from this evidence that, in real terms, in 2008 there has been no significant increase in either Budget or resources for the Office of the Auditor General and, depending on the amount required for the two special purposes advised by the Auditor General, the Office may well end up worse off in 2008 than was in 2007.
- 15.4 The Committee further questioned Mr Sulliman on manpower levels in his Office. The following evidence is relevant:

**"Hon. Sam Basil MP - Acting Chairman:**

***What is your manpower level?***

**Mr George Sulliman – Auditor General:**

***Acting Chairman the approved ceiling goes back about seven or eight years and since then a lot things have changed. In the recent two or three years we have been operating on a 105 – 107 personnel.***

**Acting Chairman:**

***How is that made up?***

**Mr George Sulliman:**

***From September to October we have about 57 to 60 actual auditors and the rest support staff. I recruited ten new Officers and that did not actually improve our situation and a good percentage of that was to fill the gaps of the ones left over from the past two years.***

**Acting Chairman**

***What is your actual manpower level?***

**Mr George Sulliman:**

***At the moment it is on 114.***

**Acting Chairman:**

***What number of staff do you need to properly and fully carry out your Constitutional duties?***

**Mr George Sulliman:**

***Acting Chairman, the restructure that we put to the Department of Personnel Management***

***in June last year is still pending and has not been approved. This would increase manpower from 68 to 183”.***

- 15.5 This Committee is very concerned at this evidence. An application to increase staff numbers has been pending for 18 months and still not approved.
- 15.6 In the meantime audits go unperformed as a result of both a lack of manpower and resources and the refusal of agencies to produce financial statements – confident in the knowledge that the Auditor has inadequate resources to force that delivery or to audit them if they are produced and submitted.
- 15.7 This is a common problem that comes before this Committee very frequently. Such a situation would not be tolerated in private enterprise and neither should it be tolerated in Government – particularly in such a fundamentally important Constitutional Office as that of the Auditor General.
- 15.8 Constitutional Offices like the Office of the Auditor General requires prompt and complete assistance in all respects including the approvals of manpower levels and funding – as the ***Constitution*** requires.

- 15.9 The Committee explored the effect of the lack of resources and manpower with the Auditor General. The following evidence is relevant:

**"Hon. Sam Basil MP - Acting Chairman:**

***Does your Office Audit all agencies, arms or Government Departments?***

**Mr George Sulliman:**

***We are required to audit all agencies but we do not get to audit all the agencies because of the shortage of resources and also because not all of them should make the financial statements.***

**Acting Chairman:**

***Do you audit Local Level Governments as well?***

**Mr George Sulliman:**

***So far, we have not audited a single rural Local- level Government but we have audited some Urban Local- level Governments.***



**Acting Chairman:**

***Did you audit commercial arms of all the Provincial Governments?***

**Mr George Sulliman:**

***The business arms and commercial arms that we have audited are the ones that have submitted their financial statements.***

**Honorable Philip Kikila, MP – Member:**

***But those you have not, shouldn't that be your right to investigate? Even you are responding to as and when they submit their accounts and if they do not then forget it. But it is your constitutional duty to go and audit them. Don't you have the power?***

**Mr George Sulliman:**

***Mr Acting Chairman its not that we forget them. Our resource situation is a factor. When they are not ready there is other work that we could carry on with.***

**Acting Chairman:**

***Are those priorities due to the manpower or resource in certain areas of the Government miss out on Audits?***

**Mr George Sulliman:**

***Chairman that is correct. We are forced to do what our resource situation allows that we have and it is very unfortunate that shortcomings only results in keeping our backlogs.***

**Acting Chairman:**

***Have you a presence in Provincial Governments and if so where?***

**Mr George Sulliman:**

***Acting Chairman we do not have any presence in Provincial Governments.***

**Acting Chairman:**

***Have you presence in other parts of PNG than Port Moresby and how many staff are at these places?***

**Mr George Sulliman:**

***Yes we have but we have scaled down our presence and we are now left with four regional officers.***

**Acting Chairman:**

***Why scaling down?***

**Mr George Sulliman:**

***Resource constraints Sir, I think you know.***

**Acting Chairman:**

***What increase in manpower do you need?***

**Mr George Sulliman:**

***As for that, we requested for an additional 86 that was part of our submission that we made last year but we have not got any indication of approval or some consideration from DPM. But in the meantime we can work with that if approved."***

- 15.10 This is very disturbing evidence. The Auditor General is unable to carry out his Constitutional duty for a mix of reasons.
- 15.11 Firstly, the collapse of accountability amongst Government agencies means that many agencies do not deliver financial statements and they are simply not audited at all.
- 15.12 This is a very dangerous development. Any Department or agency which wishes to avoid Audit can do so by the simple expedient of not making or delivering the financial statements and this Committee has seen many examples of this conduct in the last five years.
- 15.13 Secondly, even if the Auditor General wanted to, he does not have sufficient resources or manpower to chase up those agencies which do not make financial statements.
- 15.14 Further, the Auditor General does not have sufficient manpower resources to perform in-depth audits and reports on those entities which do deliver financial statements and such priorities as he is able to set are again dictated by resources and finance.
- 15.15 This is a perfect circle of failure and it is caused by Government inaction and indifference.

- 15.16 Further, the Auditor General does not have a presence in Provincial Governments or lesser tiers of Government – where it would have great impact on the standard of accounting for public monies, property and stores.
- 15.17 This Committee concludes that there is a failure to properly resource and fund the Office of the Auditor General and that that situation has existed for years. This is a direct breach by the National Government of Section 224 of the **Constitution**.
- 15.18 The Committee then sought advice as to the resources which were required by the Auditor General. The following evidence ensued:

**"Hon. Sam Basil MP - Acting Chairman:**

***What resources do you need that you do not have?***

**Mr George Sulliman – Auditor General:**

***In that connection Acting Chairman, one of the other exercises we have commenced in the Offices to carry out a complete review of the full scope of our Audit starting from Provinces into National Government level.***

***To identify the agencies and then the reporting system from the bottom line up to the top and it is only then we will be in a position to identify the ones we can target for Audit.***

**Honorable Philip Kikala, MP – Member:**

***What the Auditor General is basically telling us is as the answers to the last three questions that are the requirement for our increased Budget. To build up this capacity within his Organization, continue on the auditing of Departments and Government Institutions every year.***

***More importantly the backlog that they miss out on in any given year and you can see the tremendous workload already on the Auditor General's Office.***

**Acting Chairman:**

***From past experiences is it true that if agencies want to avoid investigation they just do not produce their financial statements? Is that true?***

**Mr George Sulliman:**

***We have experienced a lot of that.***

**Acting Chairman:**

***So what has your Office done about it when they do not produce these financial statements?***

**Mr George Sulliman:**

***Like I indicated in my answer that I gave previously when they are not prepared for us to do the Audit there are a lot more things that we have to do so we move on to the ones that are ready.***

**Honorable Philip Kikala, MP – Member:**

***Then they escape?"***

- 15.19 The Auditor General tabled three documents to the Committee.
- 15.20 Firstly we received a Corporate Plan for the Office of the Auditor General. We have given that Plan very careful consideration and commend the Auditor General for a precise, carefully written and thoughtful document which should, if he receives adequate

funding and manpower, improve the performance of his Office greatly.

- 15.21 Secondly, the Auditor General produced the printouts and the information concerning reasons for shortfalls in both funding, manpower and audit performance.
- 15.22 We have carefully considered those documents and found them helpful and informative.
- 15.23 The Auditor General also produced a very detailed submission concerning funding and resourcing and we propose to address that now.
- 15.24 The Auditor General reports that like most agencies, his Office is constrained by resources available to him. His evidence as follows:

***"I am constrained to the extent that I cannot meet my mandate to provide even the most basic Audit Reports and Opinions regarding the Financial Reports and Financial Statements produced by State bodies and agencies."***

***My current mandate covers:***

- ***Twenty Eight National Departments and their agencies, some of these***



***Departments have a presence across all Provinces;***

- ***Nineteen Provincial Governments and their business arms;***
- ***Two Hundred and Eighty Six Local Level Governments and their business arms;***
- ***Over 330 Financial Statements by Authorities and Commercial Agencies.***
- ***In addition, there are 19 Provincial Treasuries, an increase in the number of District Treasury Offices, Hospitals and their Boards, Schools and other Institutions of learning and some hundreds of Trust Accounts. To add to this, some 10 years of significant under funding has resulted in little professional development of staff or even the capability to recruit or engage appropriate resources.”***

15.25 One member of the Committee summarized the situation very accurately in the following manner:

**Hon. Philip Kikala MP – Member:**

***.....the backlog that they (the Auditor General) miss out in any given year and you can see the tremendous workload already on the Auditor Generals Office. Now how can they perform effectively when they are under funded, under resourced and under staffed? I mean, I can see this just from the answers .....***"

15.26 This Committee agrees and makes the following findings:

**16. FINDINGS.**

16.1 The Government has not funded the Office of the Auditor General adequately or fully in the past decade.

16.2 The Office of the Auditor General has not been adequately resourced for a decade.

16.3 The Office of the Auditor General has not been given adequate manpower to perform its Constitutional duties for many years.

16.4 The failure to properly fund and resource the Auditor General is a breach of Section 225 of the ***Constitution.***

- 16.5 The effect of inadequate funding and resources has been to prevent the Auditor General from maintaining a presence in Provinces and to prevent that Office from performing audits in a timely and complete manner – or at all in many cases.
- 16.6 The secondary effect of these failures has been to remove from Government agencies the independent fiscal oversight and audit prescribed by the Constitution. This is an invitation to fiscal misconduct and this is exactly what has occurred.
- 16.7 The third effect of these failures was that Agencies quickly realized the situation and exploited it to avoid audit at all by simply refusing to produce Financial Statements. The Auditor General was forced to move to other Agencies due to a lack of manpower and audit could be avoided for years.
- 16.8 The National Museum and Art Gallery provides an excellent illustration of this collapse of lawful systems of administration. That Institution did not produce Financial Statements for six years and thereby avoided Audit for the same period – during which it engaged in large scale illegal “sale” or removal of State property in the form of War Surplus, by foreign interests.

- 16.9 The Office of the Auditor General has failed to comply with Section 20B of the ***Audit Act 1986*** in that he has not submitted estimates for future funding to the Public Accounts Committee for consideration.
- 16.10 This Committee has, for many years, failed to enforce Section 20B of the ***Audit Act 1986***.
- 16.11 The process of approval for increased manpower is slow, non performing and unresponsive. No Constitutional Office should have to wait for years to obtain approvals to employ and deploy extra officers - especially when the need is patently obvious, as it was in the case of the Auditor General.

## **17. RECOMMENDATIONS**

This Committee makes the following recommendations:

- 17.1 The National Parliament should immediately increase funding to the Office of the Auditor General and ensure that the full appropriation is actually paid to the Office.
- 17.2 The Auditor General will, in 2009, comply with Section 20B of the ***Audit Act 1986*** and submit estimates to this Committee for the financial year 2010.
- 17.3 This Committee will, in 2009, enforce compliance with Section 20B of the ***Audit Act 1986***.

- 17.4 Immediate increases in manpower and resources should be made to the Office of the Auditor General.
- 17.5 The Auditor General should be funded adequately to fully and completely perform his Constitutional duties in 2010 – in particular to audit fully all agencies of Government at all levels of Government.
- 17.6 Adequate and sufficient funding and resourcing should be given to the Auditor General to reestablish Audit Offices in all Provincial Governments.
- 17.7 The Office of the Auditor General will, in or before July 2009, submit to this Committee a report on funding and resourcing of the Office of the Auditor General in 2009.
- 17.8 The Government accept this Report, debate same and immediately begin the process of reform and the reestablishment of the Constitutional scheme of fiscal oversight and control.
- 17.9 The findings and resolutions of the Committee, to be effective, need to be actioned by the Government, without delay.

## **18. RESOLUTIONS OF THE COMMITTEE.**

- 18.1 The following Resolutions were made unanimously by the Public Accounts Committee:

1. This Report is accepted as the Report of the Committee.
2. The title of the Report is approved in the form:  
  

**"INQUIRY INTO THE FUNDING AND RESOURCING OF THE OFFICE OF THE AUDITOR GENERAL."**
3. The appendices in Schedules to the Report are approved.
4. There is no dissenting Report.
5. The Committee will make this Report to Parliament under Section 86 (1) (c) and (d) **Public Finances (Management) Act 1995** with findings and recommendations concerning the funding and resourcing of the Office of the Auditor General.
6. That the Committee accepts the evidence of the Auditor General, and will report to Parliament on necessary changes to the funding and resourcing of the Office of the Auditor General as set forth in Section 86 (1) (d) (i – iv) of the **Public Finances (Management) Act 1995**.
7. To accept and endorse the recommendations in Para. 17 hereof.

8. Government must study and implement all the recommendations made by the Auditor General and endorsed by this Committee.

## **19. REFERRALS.**

- 19.1 There are no referrals made by the Committee.

## **20. SUMMARY:**

- 20.1 The Committee anticipates that the National Parliament will consider the contents of this Report and, in 2010, fully and adequately fund and resource the Office of the Auditor General.
- 20.2 This will begin the process of rebuilding the systems of fiscal accountability and management of public monies.

**Report adopted by the Public Accounts Committee on the day of 25<sup>th</sup> of May 2009.**

.....  
**Hon. Timothy Bonga OL MBE MP**  
**Chairman.**

**SCHEDULE 1.**

**List of Witnesses appearing on all days of this Inquiry.**

Mr. George Sulliman – Auditor General.

Mr. Gabriel Yer - Secretary for Finance.

Mr. Simon Tosali - Secretary for Treasury.



**SCHEDULE 2.**

**Documents received from the Auditor General**

**SCHEDULE 3**

**Corporate Plan of the Office of the Auditor General**